



## The role of FOMO (Fear of Missing out) in making financial decisions

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### Abstract

The fear of Missing Out has emerged as significant psychological driver influencing investor behavior particularly in context of rapidly evolving financial markets. FOMO is a feeling of anxiety that arises when thinks they are missing out on events, information, experience that gives a significant implication in financial markets, particularly in shaping investor behavior and decision-making. This study investigates how FOMO influences financial decisions by examining the impact of social media platforms on investors' psychological and behavioural responses. The study adopted survey technique taking data from individual investors from Gujarat State using Google Forms. The findings highlight the need for enhanced investor education and the integration of behavioral insights into financial advisory services. This research contributes to a deeper understanding of the behavioral factors influencing financial decision-making pattern in India. Chi square analysis was applied to assess the relationship between social media platforms and FOMO related factors such as emotions, herd behavior, loss aversion, risk tolerance and financial literacy and social influence. The result indicated significant associations between social media platforms and behavioral factors except social trends. The findings emphasize the importance of enhancing financial literacy and emotional awareness to mitigate the impact of FOMO on decision making in digital environment.

**Keywords:** Fear of missing out, financial decisions, social media platforms, emotions, social trend

### Introduction

Behavioral finance emerged in the 1980 to understand the psychological factors influencing decision making, challenging traditional finance theories. This field focuses on bias like over confidence, loss aversion and herding behavior which can lead to suboptimal investment decisions and unexplained market fluctuations <sup>[1]</sup>. One such bias gaining prominence is the Fear of Missing Out. FOMO contains a social component that distinguishes it from post decisional regret, which occurs upon realizing that other person choice would have been better after a choice has been made <sup>[2, 3]</sup>.

In financial markets, constant exposure to trending investments and peer achievements on social media can heighten emotional reactions such as excitement, urgency, and anxiety. These emotional pressures often encourage herd behaviour, increase willingness to take risks, and weaken analytical decision-making, leading investors to act without sufficient evaluation.

In the digital era, it is essential to understand how FOMO influences financial decision-making. This study explores the impact of social media-induced FOMO on key behavioral factors, including emotions, herd behavior, loss aversion, risk tolerance and financial literacy, with aimed contributing to more informed and rational financial decision-making practices

### Literature Review

In light of the above, the primary aim of this paper is to undertake a systematic literature review to explore deeper into the relationship between the Fear of Missing Out and Financial decisions.

Gupta S. Shrivastava M. (2022), focused to understand the impact of loss aversion and herding on investment decision of retail investors. They study employed questionnaire survey to collect data from retail investors of Indian Stock

Market. The data were examined using Smart PLS. The result revealed that investment decision of retail investors are significantly influenced by loss aversion, herd behavior as well as FOMO.

Mohammad Kaddouhah (2024) highlighted a decision theoretic definition of the popular phenomenon Fear of Missing out (FOMO). According to his research note FOMO causes individuals to base their decision-making utility on their own anticipated regret and the decisions made by individuals in their social peer group. He also used an example related to asset trading in order to illustrate how to analyses decision making under FOMO preferences and highlighted differences with the concept of regret aversion.

Heru Dwi Setiawan (2025) examined various literature that discusses the relationship between FOMO, Social media use, exposure to digital marketing strategies and purchasing decisions. The result of his study is expected to provide insight for marketers, academics and practitioners in understanding the dynamics of Gen. Z consumer behavior in the digital era.

Ebru Ulucan (2024) highlighted addiction of people to social media has created new phenomena based on the relationship between FOMO and touristic consumption, which can be named as fomoursim and fomourist. The aim of of his article was to conceptualize the paradigm of fomourism in terms of consumer behavior in tourism industry. Findings of the research claimed that it may be significant to reveal the idea that fomourism in general represents the hidden patterns of touristic consumption behavior based on the effects of social media in today's world.

Chian Chyn (2023) studied the concept of FOMO and review what researchers have discovered about FOMO behavior among young investors. Based on his findings on FOMO behavior, a volatile market, risk averse investors and perceived market efficiency are critical factors of FOMO

behavior among young investors. The risk averse attitude, subjective norms of perceived market efficiency and perceived control behavior during market volatility could be examined based on the TPB model.

Hariany Idris (2024) explored the impact of Fear of Missing out (FOMO) on stock market investment behavior, focusing on how psychological and emotional factors influence investors' decision-making processes. He investigated the relationship between FOMO and key behavioral trends such as overtrading, speculative investing and the formation of asset bubbles. Findings indicated that FOMO significantly affected investors by amplifying emotional reaction to market trends leading to irrational decisions that prioritize short term gains over long term financial stability. The study revealed that younger investors are more susceptible to FOMO, largely due to their reliance on social media for investment advice. The results suggested that enhancing financial literacy and promoting disciplined, long term investment strategies are essential for mitigating the negative effects of FOMO.

### Objectives

The study aims to provide insights into the impact of FOMO-driven behavior on individual financial decision results and overall market dynamics by combining data from previous literature.

- To examine the psychological mechanisms through which FOMO influences individual financial behavior and decision making.
- To analyze the impact of Fear of Missing out (FOMO) on investors' emotional and behavioral factors

including herd behavior, loss aversion, risk tolerance and financial literacy.

- To identify the association between social media usage and FOMO driven biases affecting financial decisions.

### Methodology

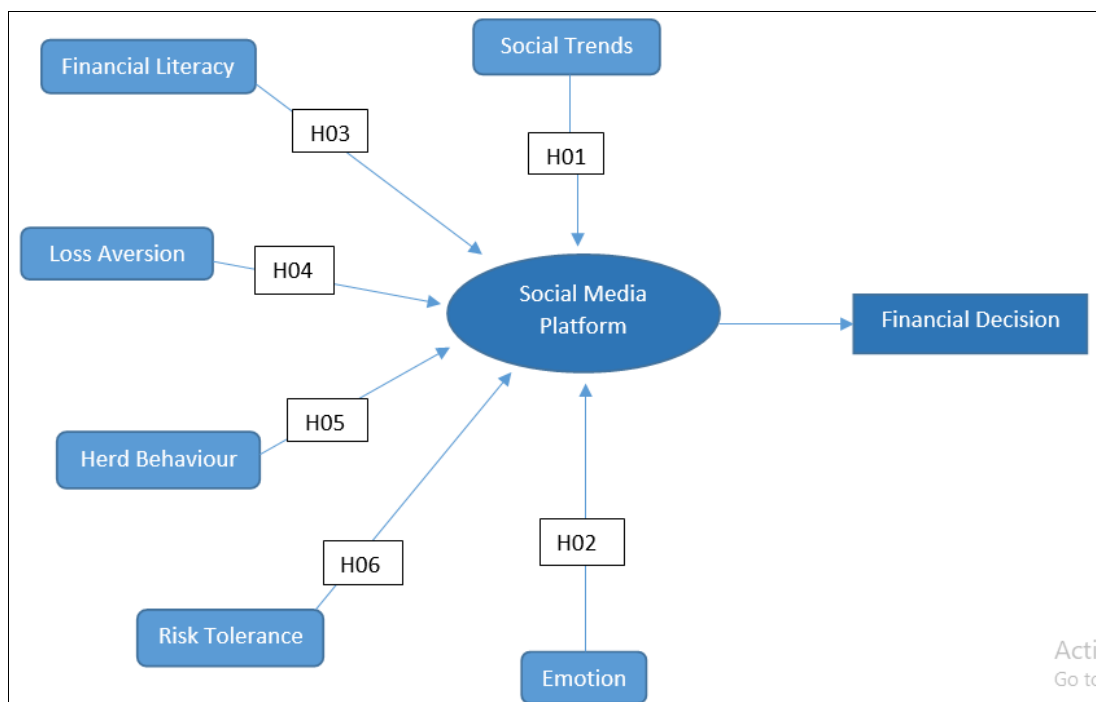
#### Research Design

The study employed quantitative research approaches to examine the effect of Fear of Missing out (FOMO) on financial decision making in the context of social media usage.

#### Sample and Data Collection

Primary data were collected through a structured questionnaire managed to 79 respondents. Respondents were individual investors and social media users. An online questionnaire via google forms was sent via social media. The sample size has been designed to ensure significant results, reflects how FOMO effects on financial decisions. Researchers have made Regression model for analyzed the impact of FOMO on financial decision making. Following variable were selected for the study.

- Independent Variable: Social Media Platforms
- Dependent Variable (FOMO related factors)
  - a. Social trends (Influence)
  - b. Emotions
  - c. Herd Behavior
  - d. Loss Aversion
  - e. Risk Tolerance
  - f. Financial Literacy



**Regression Model**

**Social Media Platforms:**  $\beta_0 + \beta_1$  (Social Influence) +  $\beta_2$  (Emotions) +  $\beta_3$  (Financial Literacy) +  $\beta_4$  (Loss Aversion) +  $\beta_5$  (herd behavior) +  $\beta_6$  (Risk Tolerance) + e

### Hypotheses

**H01:** There is no significance different between social media platform and social influence/trends in the matter of taking financial decision.

**H02:** There is no significance different between social media platform & Emotions in the matter of taking financial decision.

**H03:** There is no significance different between social media platform & Financial Literacy in the matter of taking financial decision.

**H04:** There is no significance different between social media platform and Loss Aversion in the matter of taking financial decision.

**H05:** There is no significance different between social media platform and Herd Behaviour in the matter of taking financial decision.

**H06:** There is no significance different between social media platform and Risk Tolerance in the matter of taking financial decision.

**Measurement Scale**

Responses were measured using Likert-type scale, including respondents’ perceptions and behavioral tendencies related to FOMO and financial decision-making.

**Statistical Tools and Techniques**

Data were analyzed using SPSS. Non parametric Chi-square test of independence was used to examine the association between social media platforms and FOMO-related behavioral factors influencing financial decisions. A 5% level of significance was used for hypothesis testing.

**Ethical Concerns**

In this study participation was voluntary. Informed consent was obtained and confidentiality was maintained throughout study.

**Statistical Analysis**

- **Social Media Platform and Social Influence/trends**

**Table 1:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform & Social influence/trends	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 2:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	38.320 <sup>a</sup>	34	.280
Likelihood Ratio	37.650	34	.306
N of Valid Cases	79		

a. 50 cells (92.6%) have expected count less than 5. The minimum expected count is .15.

From the above table the Pearson chi-square statistics is 38.320 and the associated P-value is 0.280 which is > than (Alpha)  $\alpha = 0.05$  therefore we can accept the Null hypothesis and concluded that, There is no significance different between Social media platform and Social influence/trends

in the matter of taking financial decision., moreover A Likelihood ratio is 37.650 it suggests that a positive result is 37.65 times more stronger and strong association between Social media platform and Social influence/trends in the matter of taking financial decision.

- **Social Media Platform and Emotions**

**Table 3:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform & Emotions	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 4:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	256.445 <sup>a</sup>	180	.000
Likelihood Ratio	115.211	180	1.000
N of Valid Cases	79		

a. 206 cells (98.6%) have expected count less than 5. The minimum expected count is .01.

From the above table the Pearson chi-square statistics is 256.445 and the associated P-value is 0.00 which is < than (Alpha)  $\alpha = 0.05$  therefore we can't accept the Null hypothesis and concluded that, There is significance different between Social media platform and Emotions in

the matter of taking financial decision., moreover A Likelihood ratio is 115.211 it suggests that a positive result is 115 times more stronger and strong association between Social media platform and Emotions in the matter of taking financial decision.

- **Social Media Platform and Financial Literacy**

**Table 5:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform & Financial Literacy	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 6:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	140.094 <sup>a</sup>	90	.001
Likelihood Ratio	76.881	90	.836
N of Valid Cases	79		

a. 114 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

From the above table the Pearson chi-square statistics is 140.094 and the associated P-value is 0.001 which is < than (Alpha)  $\alpha = 0.05$  therefore we can't accept the Null hypothesis and concluded that, There is significance different between Social media platform and Financial

Literacy in the matter of taking financial decision., moreover A Likelihood ratio is 76.881 it suggests that a positive result is 76 times more stronger and strong association between Social media platform and Financial Literacy in the matter of taking financial decision.

#### ▪ Social Media Platform and Loss Aversion

**Table 7:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform and Loss Aversion	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 8:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	118.548 <sup>a</sup>	54	.000
Likelihood Ratio	50.685	54	.603
N of Valid Cases	79		

a. 73 cells (96.1%) have expected count less than 5. The minimum expected count is .01.

From the above table the Pearson chi-square statistics is 118.548 and the associated P-value is 0.000 which is < than (Alpha)  $\alpha = 0.05$  therefore we can't accept the Null hypothesis and concluded that, There is significance different between Social media platform and Loss Aversion

in the matter of taking financial decision., moreover A Likelihood ratio is 50.685 it suggests that a positive result is 50.685 times more stronger and strong association between Social media platform and Loss Aversion in the matter of taking financial decision.

#### ▪ Social Media Platform and Herd Behavior

**Table 9:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform and Herd Behaviour	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 10:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	117.218 <sup>a</sup>	72	.001
Likelihood Ratio	60.774	72	.825
N of Valid Cases	79		

a. 91 cells (95.8%) have expected count less than 5. The minimum expected count is .03.

From the above table the Pearson chi-square statistics is 117.218 and the associated P-value is 0.001 which is < than (Alpha)  $\alpha = 0.05$  therefore we can't accept the Null hypothesis and concluded that, There is significance different between Social media platform and Herd

Behaviour in the matter of taking financial decision., moreover A Likelihood ratio is 50.685 it suggests that a positive result is 50.685 times more stronger and strong association between Social media platform and Herd Behaviour in the matter of taking financial decision

#### ▪ Social Media Platform and Risk Tolerance

**Table 11:** Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Social media platform and Risk Tolerance	79	100.0%	0	0.0%	79	100.0%

Source: Primary Data Collection

**Table 12:** Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	150.708 <sup>a</sup>	90	.000
Likelihood Ratio	80.364	90	.757
N of Valid Cases	79		

a. 113 cells (99.1%) have expected count less than 5. The minimum expected count is .01.

From the above table the Pearson chi-square statistics is 150.708 and the associated P-value is 0.000 which is < than (Alpha)  $\alpha = 0.05$  therefore we can't accept the Null hypothesis and concluded that, There is significance different between Social media platform and Risk Tolerance in the matter of taking financial decision., moreover A Likelihood ratio is 80.364 it suggests that a positive result is 80.364 times more stronger and strong association between Social media platform and Risk Tolerance in the matter of taking financial decision.

### Key Findings and Implications

Key findings and implications of the study are as follows:

The investigation highlights the key findings that within the context of financial decision-making mere exposure to social trends on social media does not significantly contribute to FOMO driven investment behaviour.

The finding suggests that social media platform strongly influence investors' emotional states such as excitement, anxiety and urgency which are core components of FOMO and can lead to impulsive financial decision.

This suggests that differences in financial literacy levels interact with social media exposure, potentially intensifying FOMO among less financial literature individuals when making financial decisions.

This result highlights that FOMO encourages investors to follow collective investment actions seen on social media.

This finding suggests that FOMO induced by social media exposure can alter individuals' risk perceptions which leads them to undertake higher risk financial decisions.

These results underscore the importance of addressing emotional and psychological dimension of FOMO in financial education and investor awareness programs. Policymakers and financial advisors should consider the role of social media induced FOMO when designing interventions aimed at improving rational financial decision making.

### Conclusion

The study establishes that Fear of Missing Out (FOMO) plays a crucial role in influencing financial decision-making, particularly through social media platforms. Majority of factors are significantly affected by social media induced FOMO; only social trends alone have minimal impact. These findings underscore the importance of enhancing financial knowledge and emotional regulation to reduce the influence of FOMO and support more rational investment choices in today's digital era.

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