



To cite this article: Jesvin Jose (2024). INVESTOR PERCEPTION ON STOCK MARKET FOMO (FEAR OF MISSING OUT), International Journal of Research in Commerce and Management Studies (IJRCMS) 6 (6): 141-145 Article No. 308 Sub Id 591

INVESTOR PERCEPTION ON STOCK MARKET FOMO (FEAR OF MISSING OUT)

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DOI: <https://doi.org/10.38193/IJRCMS.2024.6612>

ABSTRACT

The movement in the stock market is always driven by a number of psychological factors. FOMO (Fear of Missing Out) emerging as a prominent influence factor on investor behaviour, particularly with retail investors. FOMO, a psychological phenomenon triggered by the fear of being left out on unique opportunities, has emerged as a compelling factor to invest in certain shares in the stock market. In the modern world, stock market investors are constantly exposed to messages and advertisements designed to appeal to their emotions and desires to invest in stock market. To increase the number of investors, stock broking firms are always seeking innovative ways, and one increasingly popular tool is FOMO. The study of stock market investors perception towards stock market FOMO is important because it helps us understand how the fear of missing out impact's investor behaviour in the stock market.

KEYWORDS: Stock market, Fear of Missing Out (FOMO), Psychological factors, Investor, Volatility, Return

INTRODUCTION

The movement in the stock market is always driven by a number of psychological factors. FOMO (Fear of Missing Out) emerging as a prominent influence factor on investor behaviour, particularly with retail investors. FOMO, a psychological phenomenon triggered by the fear of being left out on unique opportunities, has emerged as a compelling factor to invest in certain shares in the stock market. In the modern world, stock market investors are constantly exposed to messages and advertisements designed to appeal to their emotions and desires to invest in stock market. To increase the number of investors, stock broking firms are always seeking innovative ways, and one increasingly popular tool is FOMO. As stock market investors navigate online platforms, they are flooded with a multitude of choices, messages, and promotions designed to tap into their emotions and desires. This often leads to irrational investment decisions, resulting in market anomalies, increased volatility, and asset bubbles. The 2020–2021 bull run in cryptocurrencies like Bitcoin saw a surge of retail investors entering the market out of fear that they would miss significant gains, often ignoring fundamental analysis or risk management strategies (Baur & Dimpfl, 2021). The present rally in bitcoin also due FOMO due Trump

effect in American Market.

SIGNIFICANCE OF THE STUDY

The study of stock market investors perception towards stock market FOMO is important because it helps us understand how the fear of missing out impact's investor behaviour in the stock market. This study focuses on understanding how stock market investors perceive and respond to FOMO in stock market investment. Stock market investors behaviour is so crucial for the volatility in market.

Objective of the study

1. To study stock market investors perception of FOMO

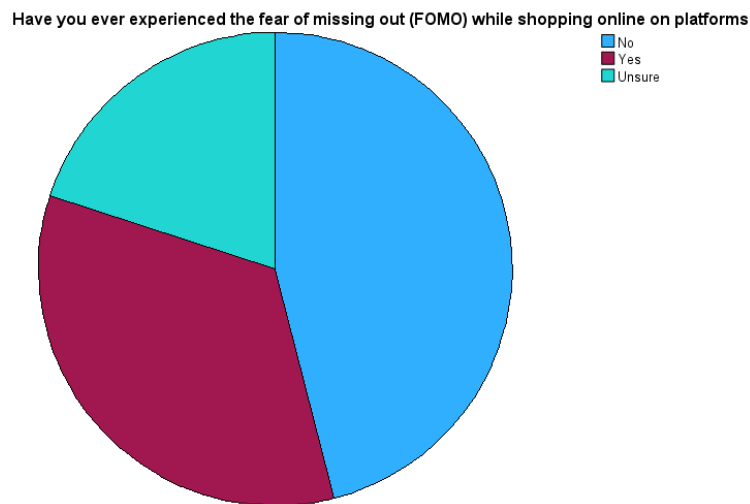
Methodology of the study

This study is conducted among stock market investors in Kottayam district. Both primary and secondary data is used for the study. The primary data which has been collected from 200 respondents in Kottayam district. Secondary data is also used for the study which was collected from books, journals, thesis and websites. Convenience sampling technique is used for the study.

FEAR OF MISSING OUT (FOMO) during investment in stock market

	Frequency	Percent
No	92	46.0
Yes	68	34.0
Unsure	40	20.0
Total	200	100.0

Source: primary data



Source: primary data

Majority of investors not feeling that FOMO does not influence in their investment Still significant number of investors feels that FOMO influence in their investment. A good number of investors not sure about phenomenon FOMO.

Findings and interpretations from the study

Factors Influencing FOMO in the Indian Stock Market

1. Social Media Influence:

Social media platforms fueling market hype, where influencers can amplify FOMO. The next day of exit poll of union general election 2024 huge rally happened in Indian stock market is mainly due to FOMO

2. Market Sentiment and News Cycles:

Continuous media coverage of blue-chip stocks can generate FOMO. Investors may feel pressure to invest quickly to capitalize on perceived opportunities before they disappear (Shiller, 2017). This is happening in Indian stock market also. Earlier days of stock market business news channels are limited. But now due to extensive coverage investors are keep watching business news channels and business dailies

3. Technological Advances:

The availability of trading apps has made it easier for retail investors to trade instantly, often increasing susceptibility to FOMO-induced trading (Barber et al., 2021). In India also trading apps like upstox zerodha popularise retail investors participation in Indian stock market.

4. Psychological factors

Herd Behaviour

Investors tend to follow the crowd to avoid missing out. During the time of market rallies, a significant portion of trades come from retail investors following trends. Peaks in market prices coincide with higher Google search trends for phrases like "best stocks to buy now." "Those investors influenced by FOMO always try to the behaviour of crowd. They are not thinking logically or scientifically. They are blindly following what others are doing.

Regret Aversion

Investors fear future regret, driving impulsive decisions. For example: The 2020–2021 rise of Tesla and cryptocurrencies was driven by investors' fear of missing exponential gains. Now bitcoin price touches 1 lakh dollar (Economic Times Dec 08 2024). This also due to investors not ready for taking future regret, the feel that if they miss now, they may regret in future

Factor Analysis Table

Factor	Impact on FOMO
Herd Mentality	Investors follow the crowd, driving prices up
Regret Aversion	Fear of missing out leads to impulsive decisions
Trading App Availability	Easy access increases frequency of trades
Social Media Influence	Hype-driven trades from social platforms
Media Coverage	Positive news reinforces FOMO
Bull Markets	Rising markets create optimism and urgency

Consequences of FOMO Investing

1. Market Bubbles and Crashes:

FOMO can inflate asset prices beyond book value, leading to stock market bubbles that can cause for stock market crashes in the near future. This happened all over the world during economic recession time in 2008.

2. Increased Volatility:

Impulsive FOMO-driven stock market trading contributes to volatile market movements,

impacting the long-term stability of Indian stock market, now foreign investors are very much concerned about volatility index in Indian stock market.

3. **Poor Investment Decisions:**

FOMO may prompt investors to avoid sound strategies to chase speculative gains, resulting in losses when market makes correction and settles with fundamentals.

CONCLUSION

FOMO is a powerful phenomenon in today's investing scenario, driven by psychological behaviour, social media influence, and market hype. In short time it may lead to significant short-term gains but it also poses risks of volatility, poor decisions, and market bubbles. To reduce the impact of FOMO in Indian stock market More Awareness to investors, education, and self-disciplined investment strategies are essential.

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