[Journal Publication of International Research for Engineering and Management](#) (JOIREM)
Volume: 04 Issue: 01 | Jan-2026
ISSN (O) 3107-6696

Study of FOMO Behaviour Among Equity Investors in Kerala (A Secondary Data Analysis)

Karthik Vancheeswaran

---***---

Abstract - The Fear of Missing Out (FOMO) has become a defining psychological trait in the digital investment era. With social media, online trading platforms, and financial influencers shaping investor sentiment, the emotion of "not wanting to be left behind" has become a powerful force in equity markets. This paper explores FOMO behaviour among equity investors in Kerala, a state known for its high literacy rate, strong remittance inflows, and emerging financial awareness. Relying exclusively on secondary data sources—ranging from reports by SEBI, NSE, and RBI to academic literature and media analyses—this study investigates how FOMO influences investment patterns, trading frequency, and risk-taking tendencies. The findings reveal that while financial literacy is increasing, emotional impulses continue to dominate trading decisions. The research concludes that behavioral biases such as FOMO, amplified by digital exposure, can significantly distort rational investment choices.

Introduction

Background of the Study

In the era of smartphones and real-time financial information, the line between rational investing and emotional decision-making has become increasingly blurred. The modern equity investor is no longer guided solely by balance sheets and market fundamentals; instead, their decisions are influenced by what others are doing, saying, or achieving in the marketplace. This emotional contagion has a name Fear **of Missing Out (FOMO)**.

FOMO describes a pervasive anxiety that others might be earning or experiencing more rewarding outcomes, pushing individuals to engage impulsively in investment opportunities. In India, the post-pandemic bull market and the rise of retail investors have intensified this phenomenon. The state of Kerala, with its unique social and economic dynamics, provides a fascinating microcosm to study this behaviour.

Kerala's Investment Landscape

Kerala, often celebrated for its human development achievements, has undergone a quiet financial transformation. Traditionally reliant on remittances and small savings, the state has witnessed a surge in retail equity participation in recent years. According to SEBI's 2024 Investor Pulse Report, over 3.6 million demat accounts were registered in Kerala, marking a 45% rise compared to pre-pandemic levels.

Digital platforms such as Zerodha, Groww, and Upstox have lowered entry barriers, bringing the stock market to the fingertips of tech-savvy youth. Yet, this democratization has also created emotional vulnerabilities — investors often compare returns, follow influencer-driven stock tips, and trade reactively based on market trends.

The Concept of FOMO in Behavioral Finance

Behavioral finance integrates psychological insights into economic decision-making. FOMO is a subset of **herd behaviour** and **overconfidence bias**, where investors act not because of informed conviction but due to fear of being excluded from potential gains. In equity markets, this manifests as buying overvalued stocks, chasing rallies, or making impulsive portfolio changes.

Need for the Study

While several studies have examined FOMO in global contexts, limited literature focuses on how this emotional bias manifests within Kerala's investor community. Understanding these behavioral patterns can help policymakers, financial educators, and investment platforms design strategies to promote rational, evidence-based investing.

Review of Literature

Behavioral Finance and Emotional Investing

The foundation of behavioral finance rests on the idea that investors are not always rational. Kahneman and Tversky's (1979) Prospect Theory demonstrated that people value gains and losses differently, often making decisions based on perceived emotions rather than factual probability. FOMO extends this idea into the social realm—where perceived exclusion becomes as powerful as financial loss.

Global Studies on FOMO and Investment Behavior

International research has identified FOMO as a strong determinant of speculative bubbles. **Przybylski et al. (2013)** first conceptualized FOMO as a social psychological construct, linking it to social media engagement. Later studies (Baker & Ricciardi, 2014) found that during bull markets, FOMO-driven investors exhibit overtrading, frequent portfolio shifts, and reduced holding periods.

Indian Context

In India, the democratization of stock trading through mobile apps has fueled a retail investment revolution. A **2023 NSE study** revealed that 60% of first-time investors enter the market based on social influence rather than financial advice. Furthermore, media sensationalism and influencer marketing contribute significantly to herd investing behavior.

Kerala-Specific Observations

A 2022 report by the Centre for Economic Studies, Kochi, indicated that 48% of Kerala's young investors follow online trading groups or Telegram channels for stock recommendations. Additionally, remittance income and high savings propensity create excess liquidity, which often finds its way into speculative assets. Scholars like Mathew and Thomas (2021) observed that Kerala's investors exhibit high financial enthusiasm but low patience, reflecting a behavioral mismatch between long-term planning and short-term excitement.

Objectives of the Study

1. To analyse the prevalence of FOMO-driven investment behaviour among equity investors in Kerala.
2. To identify the role of digital media and peer influence in shaping such behaviours.
3. To evaluate the relationship between financial literacy and susceptibility to FOMO.
4. To provide policy recommendations for promoting rational investing practices.

Research Methodology

Nature of the Study

This research is a **descriptive and analytical study** based entirely on **secondary data**. The focus is to synthesize existing reports, surveys, and academic papers to interpret the behavioral dynamics of FOMO among Kerala's equity investors.

Sources of Secondary Data

- **Regulatory Reports:** SEBI Investor Pulse (2022–2024), RBI Annual Reports, NSE Market Surveys.
- **Academic Literature:** Peer-reviewed studies on behavioral finance, FOMO, and Indian equity trends.
- **Media and Digital Sources:** Business newspapers, investment blogs, and data from trading platforms such as Groww and Zerodha.
- **Institutional Data:** Reports from the Centre for Development Studies (Thiruvananthapuram) and Kerala Economic Review.

Analytical Framework

The data were analysed through **content synthesis** and **trend analysis**. Key indicators such as retail participation rate, trading frequency, and media influence were compared to behavioral models. The study also employed **theoretical mapping**—connecting observed patterns with behavioral theories like **Herd Behaviour**, **Overconfidence Bias**, and **Emotional Contagion**.

Analysis and Interpretation

Rise of Retail Equity Participation in Kerala

Between 2019 and 2024, Kerala's retail investor base nearly doubled. The majority of new investors fall within the 25–40 age group, indicating a digital-savvy demographic. This growth coincides with an explosion of financial content on YouTube and social platforms—many of which glorify high-risk short-term trading.

The Digital Catalyst

The pandemic accelerated the digitization of finance. Platforms like Groww reported that **Kerala contributed nearly 7%** of their total new accounts in 2023. This surge aligns with a global pattern: the more accessible markets become, the higher the exposure to emotional trading. Push notifications, leaderboards, and live-trade features gamify investing—fueling competitive anxiety and FOMO.

Social Influence and Peer Comparison

In Kerala's tightly knit social structure, comparison and collective validation play a central role. Anecdotal reports from investor communities show that individuals often discuss daily returns in social groups, encouraging others to "catch up." This mirrors the concept of **social proof**, where people assume that popular choices are correct ones.

Financial Literacy vs. Emotional Behavior

Although Kerala's literacy rate exceeds 96%, financial literacy remains uneven. The National Centre for Financial Education (2022) found that only 27% of respondents could correctly interpret risk-return relationships. Thus, knowledge does not always translate into emotional discipline—investors may understand volatility yet still act impulsively.

Trading Frequency and Portfolio Turnover

Data from the NSE Retail Investor Report (2023) show that Kerala investors recorded a 30% higher portfolio turnover than the national average. Frequent buying and selling, often triggered by online trends, indicate speculative behavior. Interestingly, women investors in Kerala showed lower FOMO tendencies compared to men, demonstrating greater long-term orientation.

Discussion

The Psychology of FOMO in the Kerala Context

Kerala's socio-economic fabric—marked by high education, remittance wealth, and social media penetration—creates a fertile ground for emotionally charged investing. The aspirational middle class, inspired by stories of rapid profits, perceives investing as a status marker. This aligns with Maslow's hierarchy, where esteem needs drive public participation in wealth-building trends.

Media and Influencer Role

Financial influencers ("finfluencers") have become the new investment advisers. Their narratives—often simplified and emotionally appealing—create an illusion of quick success.

According to a 2023 **SEBI media review**, nearly **one in three new investors** reported acting on influencer advice without verification. This pseudo-social validation reinforces FOMO cycles.

Overconfidence and Herding Effects

FOMO rarely acts alone—it coexists with **overconfidence bias**, where investors overestimate their ability to time the market. Kerala's investor forums and Telegram groups often display herd-like entry and exit patterns, leading to synchronized market reactions. This collective behavior magnifies volatility, especially in mid-cap and small-cap segments.

Emotional Regulation and Investment Longevity

The emotional rush of quick gains often leads to burnout. Secondary data from brokerage reports reveal that nearly **40% of first-time investors** in Kerala stopped active trading within one year. The primary reasons: losses from impulsive trades and psychological fatigue from market swings. This illustrates how unregulated emotional engagement can harm financial health.

Findings

1. **FOMO-driven investment is widespread** among Kerala's young and middle-class investors, primarily fueled by digital exposure.
2. **Social media and peer influence** play decisive roles in shaping investment behavior, often overriding rational analysis.
3. **Financial literacy gaps** persist despite high general education levels, contributing to emotional decision-making.
4. **Short-term trading and speculation** dominate investor activity, with many participants exiting after brief, loss-making experiences.
5. **Women investors and older investors** show comparatively lower FOMO intensity, suggesting emotional maturity correlates with experience.

Recommendations

Strengthening Financial Education

Financial literacy initiatives should include behavioral modules explaining emotional biases. Collaborations between SEBI, educational institutions, and local cooperatives can bridge this gap.

Regulating Financial Influencers

There is a growing need for **transparent disclosure norms** for online financial content creators. SEBI's proposed "finfluencer code" should be enforced to protect retail investors.

Encouraging Long-Term Investment Culture

Investment platforms can introduce features promoting long-term holding—such as goal-based investing and lock-in incentives—to discourage impulsive trading.

Behavioral Training for Advisors

Financial advisors should be trained in behavioral coaching, enabling them to identify and mitigate clients' FOMO tendencies.

Conclusion

The study reveals that FOMO behavior among equity investors in Kerala is both a social and psychological phenomenon, deeply intertwined with the state's evolving digital and financial culture. As technology democratizes investing, emotional regulation becomes the new frontier of investor protection.

Kerala's case underscores a paradox: high education does not automatically produce rational investors. The modern investment ecosystem—saturated with information and peer comparison—demands not just financial knowledge but emotional intelligence.

FOMO, when unchecked, transforms investing from a tool of wealth creation into a game of social validation. To safeguard investor well-being, behavioral awareness must become as integral to financial planning as diversification or risk management. The journey ahead lies in cultivating patience, perspective, and the courage to miss out—wisely.

References

1. Kahneman, D., & Tversky, A. (1979). *Prospect Theory: An Analysis of Decision under Risk.* Econometrica.
2. Przybylski, A. K., et al. (2013). *Motivational, Emotional, and Behavioral Correlates of Fear of Missing Out.* Computers in Human Behaviour.
3. SEBI (2024). *Investor Pulse Report.* Securities and Exchange Board of India.
4. NSE (2023). *Retail Investor Activity Report.* National Stock Exchange of India.
5. Mathew, J., & Thomas, S. (2021). *Behavioral Tendencies of Retail Investors in Kerala.* Centre for Economic Studies, Kochi.
6. NCFE (2022). *Financial Literacy and Investor Awareness in India.*
7. Baker, H. K., & Ricciardi, V. (2014). *How Biases Affect Investor Behaviour.* The European Financial Review.
8. RBI (2023). *Annual Report.* Reserve Bank of India.