

Investment Decision on an Issuer in the Capital Market Based on Financial Literature, Minimum Capital, and Fear of Missing Out (FOMO): A Case Study of Trader Community

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Abstract. This research aims to determine investment decisions based on financial literature, minimum capital and Fear of Missing Out (FOMO). This research uses quantitative research with data collection techniques through questionnaires distributed to members of the trader group community. Using a purposive sampling technique, the sample taken in this research was 100 investor group members. The data analysis method in this research uses Smart Partial Least Square version 4.0. The results of this research show that Financial Literature has a significant influence on Investment Decisions, Minimum Capital does not significantly influence Investment Decisions and Fear of Missing Out has an influence on Investment Decisions.

Keywords: Financial Literature, Minimum Capital, Fear of Missing Out (FOMO)

1. Introduction

PT KSEI (Indonesian Central Securities Depository), as an institution that records the ownership of securities for every investor in Indonesia, notes that as of July 2022, the number of investors in Indonesia has surpassed 4 million (PT Indonesian Central Securities Depository, 2022). This data is based on the number of investor identification numbers, or SID (Single Investor Identification), which registers every individual intending to use investment facilities and provides them with a unique identification number. The aforementioned figure continues to rise, and out of the 4 million SIDs, the majority belong to the Indonesian population from Generation Z and Millennials. Specifically, 81.64% of this 4 million are investors under the age of 40 (PT Indonesian Central Securities Depository, 2022).

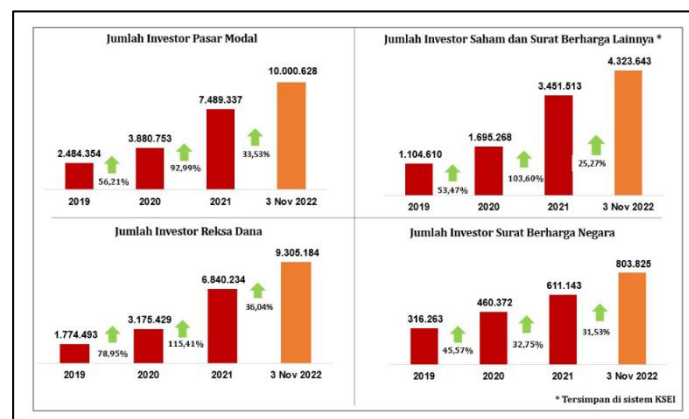


Figure 1. SID (Single Investor Identification) Growth

From the above data, it can be observed that the growth in the number of investors in the Capital Market, Mutual Funds, Government Securities, and C-Best has been increasing each year. The number of capital market

investors has risen by 33.53%, from 7,489,337 at the end of 2021 to 10,000,628 as of November 3, 2022. This upward trend has been evident since 2019 when the number of investors was 2,484,354.

Several issues and knowledge are essential as a foundation before engaging in investment. Sufficient knowledge, experience, and business instinct are necessary to analyze the impacts of investments in the capital market. The Financial Literacy Around The World Report, interpreting the results of The S&P Global FinLit Survey (2014), indicates that low-income countries tend to have lower financial literacy rates compared to high-income countries. Additionally, there is still a gap and low financial literacy rates among women, low-income individuals, and those with lower levels of education.

The importance of financial literacy is also evident from research related to the Financial Fitness Index (2021), showing that Indonesia's financial health index score is relatively low at 37.72 out of a maximum score of 100. This score is calculated based on four areas: basic finance, financial safety, financial growth, and financial freedom.

In investment activities, a minimum capital is required as the initial investment. According to a study by [1], the factor of the minimum investment capital is a crucial consideration for students before starting to invest in the capital market. Previously, investors could only invest with millions of rupiahs, but now, with a minimum investment of Rp100,000, prospective investors can open securities accounts and start trading in the capital market. Many companies listed on the Indonesia Stock Exchange also offer affordable stocks, so with Rp100,000, potential investors can immediately engage in stock transactions.

With the development of the millennial and Generation Z generations using social media in their daily lives, the term FOMO or Fear of Missing Out has emerged. The growth of social media is also one of the factors contributing to the FOMO phenomenon [2]. FOMO is the fear of being left behind due to not participating in specific activities. It is an anxious and fearful feeling arising from missing out on something new, such as news, trends, and other aspects [3].

In the field of investment, people may feel left behind if they do not keep up with the evolving times. Many individuals now promote their businesses to others by flaunting their achievements. As a result, what they showcase on social media makes their followers feel compelled to follow them. They may fear missing out and not keeping up with the times when they do not follow what is displayed on social media, and this is referred to as FOMO (Fear of Missing Out). This phenomenon is relevant to investment activities, particularly in the selection of issuers in the Capital Market, as there are underlying factors influencing each individual/investor's decision-making. The current phenomenon indicates that decision-making in the capital market is not always rational, often influenced by the emotional involvement of investors, as depicted through financial behavior.

1.1 Behavioral Financial Theory

This theory is an application of psychology in the field of finance. According to [4], when making investment decisions, an individual does not always behave in a consistent manner or in alignment with their understanding of the information received or the assumptions they have formed. There is a psychological influence on investors in decision-making, such as emotions and inherent human traits.

1.2 Investment Decisions

Investment decisions represent a policy made based on two or more alternatives for the allocation of funds or capital, with the expectation of gaining profits in the future. The greater the number of investors in the capital market, the more factors and foundations for investment decisions will automatically arise, as each individual's decisions will differ [5].

1.3 Financial literacy

Financial literacy is an individual's ability to read, analyze, manage, and communicate about personal financial conditions that can influence one's material well-being [6]. This also implies that in every individual's financial management activities aimed at making decisions that will impact the future or financial decisions affecting daily activities, knowledge of financial literacy is crucial.

1.4 Minimum Investment

According to [7], the minimum investment capital is the initial capital used by prospective investors when engaging in investment. The factor of the minimum investment capital is certainly a crucial consideration for students before starting to invest in the capital market [8]. The minimum investment capital is taken into consideration because it involves the calculation of estimated funds for investment; the lower the required funds, the higher the likelihood that an individual will engage in investment.

1.5 FOMO (Fear Of Missing Out)

FOMO, or Fear Of Missing Out, according to Przybylski as cited in the scholarly article by Bambang, is described as a form of social anxiety characterized by an individual's desire to always be connected or involved in the activities of others [9].

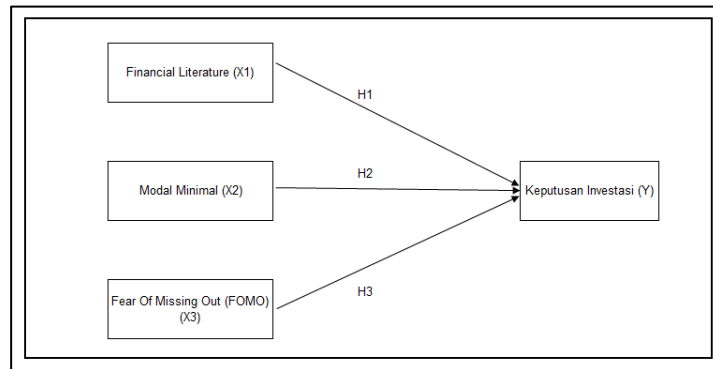


Figure 2. Framework

Hypothesis

H1: Financial Literature influences investment decisions.

H2: Minimum Capital influences investment decisions.

H3: Fear of Missing Out (FOMO) influences investment decisions

2. Method

The primary data used in this research is a web-based digital questionnaire using Google Forms, directly filled out by respondents who are members of a trader community and have experience investing in the capital market. The population for this study consists of 893 members of the trader community. The sampling technique employed is non-random sampling, specifically purposive sampling. Purposive sampling involves selecting samples based on predetermined characteristics or criteria that align with the research objectives. The sample size for this study is 100. Some criteria presented by the researcher for sample selection include:

1. Members of the trader community group.
2. Have previous experience in investing in the capital market.

Hypothesis testing in this research is conducted using the multivariate technique PLS-SEM (Partial Least Squares Structural Equation Modelling). PLS-SEM is a component and variance-based analysis technique that simultaneously analysis several variables [10]. The reason for using the PLS-SEM technique is its ability to test causal relationships between independent variables and dependent variables, as well as its capability to assess the validity and reliability of indicators concerning their latent variables.

3. Result and Discussion

3.1 Respondent Characteristics

The data collection process was conducted through a research questionnaire instrument created using Google Forms, which was distributed to 100 respondents. Based on the distributed questionnaires, the characteristics of the respondents have been identified. The gathered characteristics from the respondents include gender, age, occupation, monthly expenditures, duration of investment, and highest level of education. To provide a clearer overview of the respondents, the information will be presented in the table below:

Table 1. Respondent Characteristics

Kategori	Deskripsi	FQ	%
Jenis Kelamin	Laki-Laki	71	71.08%
	Perempuan	29	28.92%
Usia	< 20	5	5.00%
	21 - 30	29	28.92%
	31 - 40	37	37.35%
	> 41	29	29.00%
	Pegawai/Karyawan	47	46.99%
Pekerjaan	Wiraswasta	20	20.48%
	Pelajar/Mahasiswa	11	10.84%
	Ibu Rumah Tangga	13	13.25%
	PNS	1	1.20%
	Lainnya	7	7.23%
	<Rp 3.000.000, 00	24	24.10%
	Rp 3000.000,00 - Rp 6.000.000,00	23	23.00%
Pengeluaran Perbulan	Rp 6000.000,00 - Rp 9.000.000,00	27	27.00%
	> Rp 10.000.000,00	26	26.00%
	> 1 Tahun	22	21.69%
Lama Berinvestasi	1 - 2 Tahun	36	36.14%
	2 - 3 Tahun	27	26.51%
	4 - 5 Tahun	5	4.82%
	> 5 Tahun	11	10.84%
	SD	0	0.00%
Pendidikan Terakhir	SMP	0	0.00%
	SMA	20	20.48%
	D1/D2/D3	14	14.46%
	D4/S1	56	56.00%
	S2	10	9.64%
S3	0	0.00%	

The majority of dominating respondents fall within the age range of 31 to 40 years old. This age group is considered mature, and individuals within this range tend to be more willing to make investment decisions due to their significant experience in the field.

3.2 Measurement Model Assessment (Outer Model)

The validity and reliability of constructs for both groups were assessed using the PLS algorithm. The Factor Loading values for all items met the required threshold, ranging around 0.6 [11]. The Composite Reliability (CR) values for both groups exceeded the 0.7 cut-off, being above 0.8, while the average variance extracted (AVE) values were above 0.5. The table below summarizes the measurement model calculations:

Table 2. Measurement Model Evaluation (Convergent Validity)

Items	Factor Loading	α	CR	AVE
FIN1	0.748			
FIN2	0.784			
FIN3	0.630			
FIN4	0.856	0.882	0.901	0.582
FIN5	0.779			
FIN6	0.709			
FIN7	0.815			
CAP1	0.716			
CAP2	0.744			
CAP3	0.618			
CAP4	0.786	0.827	0.829	0.509
CAP5	0.825			
CAP6	0.708			
CAP7	0.742			
FOMO1	0.725			
FOMO2	0.716	0.760	0.764	0.508
FOMO3	0.735			
FOMO4	0.640			
FOMO5	0.722			
FOMO6	0.689			
FOMO7	0.666			
INV1	0.669			
INV2	0.714			
INV3	0.710	0.859	0.863	0.543
INV4	0.736			
INV5	0.732			

Table 3. HTMT Discriminant Validity Test

	FINANCIAL LITERATURE (X1)	MODAL MINIMAL (X2)	FOMO (X3)	KEPUTUSAN INVESTASI (Y)
FINANCIAL LITERATURE (X1)				
MODAL MINIMAL (X2)	0.649			
FOMO (X3)	0.848	0.841		
KEPUTUSAN INVESTASI (Y)	0.646	0.742	0.742	

The discriminant validity analysis is measured using the heterotrait-monotrait ratio (HTMT), where the threshold for passing the test should have values below 0.9. Table 3 indicates that all values are below 0.9 for all groups. Subsequent analysis conducted is the multicollinearity analysis with the aim of eliminating redundancy in the observed relationships.

Table 4. VIF Value

	KEPUTUSAN INVESTASI (Y)
FINANCIAL LITERATURE (X1)	3.446
MODAL MINIMAL (X2)	4.017
FOMO (X3)	2.676
KEPUTUSAN INVESTASI (Y)	

Table 4 shows that all VIF (Variance Inflation Factor) values for all constructs are below 3.3 (Knock and Lynn). This analysis represents the first stage of the procedure for measurement invariance, where both groups are analyzed using the same algorithm.

3.3 Structural Model Assesment (Inner Model)

The R-Square and Q-Square values are used to indicate the extent to which an independent variable influences the dependent variable. The data processing of the research results yielded the following R-Square and Q-Square values:

Table 5. R-Square Value

R-square	
INVESTASI (X3)	0.608

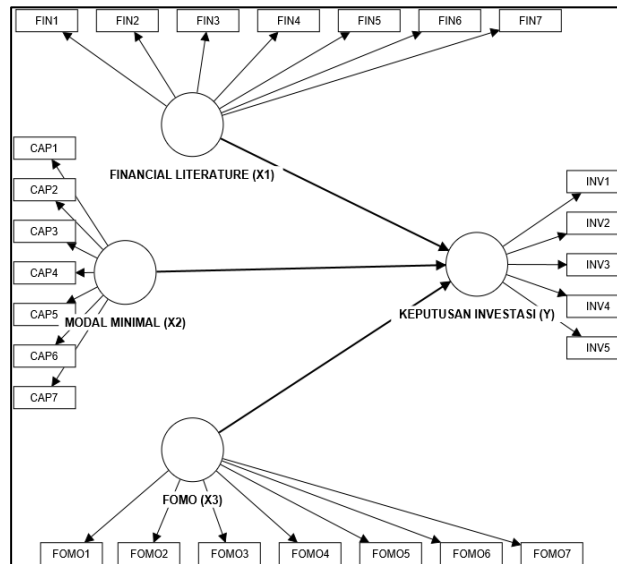


Figure 3. Bootstrapping Test

3.4 Hypotheses

Hypotheses Based on the PLS-SEM analysis, the model explains 60% of the variance in investment decisions. Inner model testing is conducted to examine the hypotheses of this research. The confidence level used in this study is 95% (alpha 5 percent), so the table value should be ≥ 1.660 . The table below presents the output of the Bootstrapping test:

Table 6. Path Coefficient Test Results

	T	P values	Keterangan
FINANCIAL LITERATURE (X1) -> KEPUTUSAN INVESTASI (Y)	2.196	0.064	Diterima
MODAL MINIMAL (X2) -> KEPUTUSAN INVESTASI (Y)	0.565	0.572	Ditolak
FOMO (X3) -> KEPUTUSAN INVESTASI (Y)	6.504	0.000	Diterima

The results of the test using PLS (Partial Least Square), hypothesis testing statistically conducted with the bootstrapping method on the sample yielded the following results:

1. The influence of Financial Literature on Investment Decisions is ($t = 2.196 > 1.66, p = 0.064 > 0.05$), hypothesis 1 is accepted.
2. The influence of Minimum Capital on Investment Decisions is ($t = 0.565 < 1.66, p = 0.0057 < 0.05$), hypothesis 2 is rejected.

3. The influence of Fear Of Missing Out (FOMO) on Investment Decisions is ($t = 6.504 < 1.66$, $p = 0.00 > 0.05$), hypothesis 3 is accepted.

After going through a series of inner and outer models, the hypothesis answers are summarized as follows:

1. *The Influence of Financial Literature on Investment Decisions*

Based on the hypothesis test in this research, it is evident that Financial Literature has an impact on Investment Decisions. This hypothesis's results are supported by the study of [12], which emphasizes the importance of financial knowledge for individuals to make informed financial decisions. This aligns with research [13] indicating a positive correlation between financial literacy and investment decision behavior—the higher the level of literacy, the greater the influence on investment decisions. Good financial literacy is demonstrated by a solid understanding of basic financial knowledge, insurance, savings, loans, and investments.

2. *The Influence of Minimum Capital on Investment Decisions*

The Hypothesis Testing results show that minimum capital does not affect investment decisions. This finding is consistent with the study by [14], which suggests that the ease of investment, achieved by reducing the minimum purchase of shares from an issuer (a company selling its shares to the public), does not necessarily influence investment decisions. While lowering the minimum capital required to start investing is expected to encourage individuals to invest in the capital market, it may not be a determining factor for those with strong financial literacy and stable financial capabilities.

3. *The Influence of Fear of Missing Out (FOMO) on Investment*

This research reveals that Fear of Missing Out (FOMO) has an impact on investment decision-making. Young investors may experience FOMO due to their high enthusiasm and interest in investment, often overestimating their skills. To maximize profits, investors need good knowledge and skills supported by current and relevant market information. The experiences of others presented on social media or in the surrounding environment are used by the younger generation as a basis for investment decision-making. These findings are consistent with a study conducted by [15].

4. Conclusion

Based on the comprehensive analysis and discussions presented in this section, several key findings emerge. Firstly, the research establishes a discernible impact of Financial Literacy and the Fear of Missing Out (FOMO) on investment decisions. It is evident that a higher level of financial literacy equips investors with the necessary knowledge to make informed choices regarding their investments. Furthermore, the study reveals that the Fear of Missing Out significantly influences the decision-making process of millennial investors. This emotional aspect, rooted in the desire to not miss out on potential gains or experiences, plays a crucial role in shaping their investment choices. On the contrary, the research findings suggest that Minimum Capital does not emerge as a determining factor in influencing investment decisions among the participants. Importantly, it is noteworthy that financial literacy and knowledge serve as fundamental pillars guiding investment decisions. The participants, armed with a sound understanding of financial concepts, exhibit a more calculated and strategic approach to investing. Additionally, the research sheds light on the psychological dimension of investment decisions, as the Fear of Missing Out emerges as a noteworthy motivational factor. Moreover, the decision-making process is not solely driven by knowledge; rather, it is a complex interplay of experience and emotions. Millennial investors draw on their experiences, particularly those associated with the Fear of Missing Out, to navigate the dynamic landscape of investments. The reliance on relevant information, coupled with a high level of confidence and the courage to make decisions, further solidifies the foundation of their investment choices. In conclusion, this study underscores the multifaceted nature of investment decisions among millennials. While financial literacy imparts the necessary skills, the emotional aspect of FOMO and the experiential dimension also significantly contribute to the intricate web of considerations that shape investment choices.

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