# Factors Influencing Sharia Mutual Fund Investment Decisions in Indonesia: What is FoMO's Role?

**Saryadi**
Sekolah Tinggi Agama Islam Syubbanul Wathon Magelang
*saryadi97@gmail.com*

**Fetria Eka Yudiana**
Universitas Islam Negeri Salatiga
*fetria_belsa@yahoo.com*

**ABSTRACT**

This research sought to investigate how fear of missing out (FoMO) among Indonesia's Generation Z mediated the effects of herding behavior, loss aversion, and financial literacy on the decision-making process for sharia mutual fund investments. This study employs a quantitative methodology. A questionnaire on a Likert scale from 1 to 10 was used to gather data, which was distributed to sharia mutual fund investors in Indonesia via Google Forms. Non-probability sampling was employed in the sample procedure. The study involved a sample of 150 respondents. The data analysis was conducted using the partial least squares-structural equation modeling (PLS-SEM) technique with the assistance of SmartPLS 3.0 software. The first test is the assessment of the measurement model. The second test is the evaluation of the inner model using the bootstrapping technique of 5000 samples. The study's findings revealed that herding behavior, loss aversion, and financial literacy significantly and positively influence investment decisions. FoMO was found to have no impact on investor decision-making. Additionally, the independent variable showed no significant influence on sharia mutual fund investment decisions when mediated by the FoMO variable.

**Keywords**: *Herding Behavior; Loss Aversion; Financial Literacy; Fomo; Sharia Fund.*

## INTRODUCTION

The Indonesian Central Securities Depository (KSEI) recorded the number of sharia capital market investors as of August 2023 at 11.5 million. Investors in mutual fund products were recorded at 10.8 million, stocks

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and other securities at 4.9 million, and Government Securities (SBN) at 943 thousand. Based on data from KSEI, the number of investors since the beginning of the year has increased by 13% (Indonesia Central Securities Depository, 2023). In addition, rapid development is also seen in sharia mutual funds, where the net asset value (NAV) rose to IDR43.1 trillion in 2023 from IDR40.6 trillion in 2022. However, the variety of sharia mutual fund products is still limited, with only 279 sharia products compared to 1,670 conventional mutual fund products (OJK, 2023).

As an investment instrument, it is hoped that mutual funds can be a solution for people to invest their money so that their assets grow. This mutual fund product is very suitable for investors with limited time, funds, information, and investment knowledge. In addition, mutual funds are also effective in reducing investment risk through diversification in various types of investment products. However, it should be noted that mutual funds are not completely free from risk. Therefore, investors are still advised to understand and carefully examine the various risks associated with this product (OJK, n.d.).

The advancement of digitalization and the widespread use of social networks among millennials have contributed to the growth of digital investments in Indonesia (Rapini et al., 2021). However, investment decisions are frequently impacted by emotional and irrational factors, highlighting the significance of enhancing financial knowledge to foster more informed and analytical choices. This aligns with the view of behavioral financial theory, which states that investors are not entirely rational because emotions and beliefs often influence their investment decisions (Bouteska & Regaieg, 2020).

Behavioral biases influence investment decisions, with herding behavior being one of them, followed by loss aversion. Herding behavior allows investors to mimic the choices of other market participants, compromising decision-making quality (Hott, 2009; Luu & Luong, 2020). On the other hand, investors who experience loss aversion tend to be more overly cautious about potential losses (Evelyn & Marheni, 2023; Gupta & Shrivastava, 2022). Alternatively, strong financial knowledge has been shown to aid market participants so they can make more logical investment choices (Gunawan & Wiyanto, 2022). In a classic scenario, investors also tend to avoid selling underperforming portfolios (Elhussein & Abdelgadir, 2020).

In order to make sound investment decisions, investors must possess financial knowledge and skills. In the millennial generation and students, a strong grasp of financial management can improve the quality of investors in making decisions (DAT, 2020; Gunawan & Wiyanto, 2022; Helvira, 2022; Mazruk et al., 2023). Fear of Missing Out (FoMO) is closely linked to the phenomenon of widespread use of digital platforms (Roberts & David, 2020). Social media platforms like Twitter, Instagram, and TikTok are commonly used by investors, particularly the younger generation, as sources of investment information. However, information obtained through social media is often unverified or tends to be sensational, which has the potential to trigger FoMO behavior. FoMO can become a major issue, as it may result in anxiety, sleep disturbances, and an increased reliance on social media for a sense of fulfillment (Alutaybi et al., 2020). Furthermore, FoMO has been associated with excessive smartphone use, which can negatively affect a person's overall health (Wolniewicz et al., 2018).

Additional research indicates that FoMO also significantly impacts financial behavior, particularly when investors make decisions (Przybylski et al., 2013). The stronger the feeling of anxiety, worry, and fear, the greater the impact on investment decisions taken by individuals (Sudrajat, 2022). Other studies also state that FoMO functions as a biased behavior that makes investment decisions irrational (Gupta & Shrivastava, 2022). FoMOs often fail to make rational decisions and tend to ignore existing information due to excessive worry (Hershfield, 2020). Research on FoMO in the context of crypto investment has been conducted previously (Gerrans et al., 2023), and this phenomenon has also been studied in relation to consumption conformity (Kang et al., 2019), as well as the level of engagement with social media (Roberts & David, 2020). In addition, FoMO has also been studied in terms of investment interest (Sudrajat, 2022).

In particular, this research could offer a substantial understanding of Islamic finance literature by integrating modern financial psychology concepts and highlighting the mediating role of FoMO in investor behavior. Sharia principles, which emphasize fairness, transparency, and prohibitions on *riba*, *gharar*, and speculation, have been applied in capital market instruments, including Islamic mutual funds. However, in reality, individuals are still affected by biased perceptions when selecting investment opportunities.

However, research on the influence of FoMO as an intermediary factor in investment decisions is still limited. Therefore, it is not yet clear how FoMO mediates investment decisions. Therefore, this study attempts to uncover how

herding behavior, loss aversion, and financial literacy influence investment decisions, with FoMO acting as a mediating factor. Previous studies have demonstrated a positive association between herding behavior, loss aversion, and financial literacy with investment decisions (Adil et al., 2022; Cao et al., 2021; Gupta & Shrivastava, 2022). Previous research also shows that FoMO is a mediating variable in investment decisions (Gupta & Shrivastava, 2022).

## LITERATURE REVIEW

In their research, Gupta and Shrivastava (2022) concluded that herding behavior influences investors' decisions regarding their valuable assets. Cao et al. (2021) also found that herding behavior is a key determinant in investment decision-making. Adil et al. (2022) conducted a study that herding behavior has a detrimental consequence on choosing investment strategies. However, other studies indicate different results between the two variables (Elhussein & Abdelgadir, 2020).

Loss aversion is among the most impactful emotional factors affecting and has a significant impact on investors' decisions when making investments in stock market instruments (Hossain & Siddiqua, 2022; Kumar & Babu, 2018). However, Ainia and Lutfi (2019) concluded that loss aversion does not affect investment decisions among workers in Surabaya and Jombang, East Java.

Adil et al. (2022) state that financial literacy affects investors' investment decisions. Research by Iram et al. (2023) determined that financial literacy exerts an influence on investment outcomes, particularly for female entrepreneurs officially registered in the Punjab Province, Pakistan. However, Pradiksari and Isbanah (2018) state that financial literacy does not impact investment decisions. Other studies also concluded the same results, namely that investment decisions are not influenced by financial literacy (Irawan et al., 2021).

Diverse results were found in investor decision-making through FoMO. Gupta and Shrivastava (2022) found that FoMO has a significant role as a mediator that strengthens the impact of loss aversion and herding behavior on the investment decisions of retail investors. In contrast, Laungratanamas and Nuangjamnong (2023) showed that FoMO did not have a significant effect on investment activities throughout the COVID-19 crisis in Thailand. This inconsistency can be explained by contextual differences, such as investment culture, market conditions, and external pressures such as the pandemic. In

the context of Islamic finance, concepts like the ban on gharar and usury can increase the influence of FoMO, which distinguishes it from conventional markets. Therefore, this research intends to reconcile previous findings by examining the role of FoMO in the context of Islamic markets, providing new insights into the behavioral finance field and expanding the scope of Islamic finance analysis.

## RESEARCH METHOD

This investigation employs a statistical methodology, namely research that utilizes numerical data gathered from observations to clarify and describe phenomena that these observations can represent. This approach relies on empirical statements, specifically descriptive statements that explain the actual meaning of cases in their true sense rather than focusing on what the cases ought to be and the methods involved (Taherdoost, 2022).

Research design employs a framework for testing assumptions to clarify the nature of the relationship between certain variables (Pratama & Cahyono, 2021). The population in this research consisted of Islamic mutual fund investors in Indonesia. The sampling design in this study used non-probability sampling to emphasize that some individuals in the sample do not have an equal probability of being chosen (Sekaran & Bougie, 2016). Power analysis using G*Power version 3.1 was employed to determine the sample size to ensure the adequacy of the sample size in this study (Faul et al., 2007).

The a priori power analysis approach was used with the assumption of a moderate effect size ($f2 = 0.15$), a significance level ($\alpha$) of 0.05, and statistical power ($1-\beta$) of 0.95 (Cohen, 1988). Considering the number of predictors, as many as four variables (3 independent variables and one mediator). The minimum number of respondents considered adequate by G*Power version 3.1 is 89. With an actual sample size of 150 respondents, this study meets the minimum criteria for detecting statistically significant effects. Data collection through questionnaires using a Likert scale from 1 to 10; a value of 1 means strongly disagree, and a value of 10 means completely agree.

**Table 1** *Measurement Indicators*

| Variables & Major References | Indicator |
|---|---|
| Herding Behavior (Vitmiasih et al., 2021). | 1. Imitating the decisions of other investors,<br>2. Protection and convenience<br>3. Herding to obtain information |
| Loss Aversion (Gupta & Shrivastava, 2022). | 1. Definite experience of loss<br>2. Avoiding losses<br>3. Investment with guaranteed profit |
| Financial Literacy (Safryani et al., 2020). | 1. Basic financial knowledge<br>2. Knowing Savings<br>3. Knowing Insurance<br>4. Knowing Investment |
| FoMO (Deci and Ryan 2015; Przybylski et al., 2013; Tarjanne, 2020) | 1. Afraid<br>2. Concerns<br>3. Anxiety |
| Investment Decisions (Gupta & Shrivastava, 2022; Tandelilin, 2010) | 1. Rate of return<br>2. Risk factors<br>3. Time factor |

The data was processed using the partial least squares-structural equation modeling (PLS-SEM), with SmartPLS 3.0 software employed for the analysis. Testing using PLS-SEM in this study consisted of the measurement model (outer model) and the structural model (inner model). The outer model measurement consists of a construct validity and reliability test. Then, the measurement of the structural model consists of significance and hypothesis testing (Hamid, 2019). The validity test was measured using convergent validity by measuring the loading factor value> 0.0708 and AVE> 0.05 (Hair et al., 2021). Then, the discriminant validity test was carried out using the Fornell-Larcker Criterion approach. As for the Fornell-Larcker test criteria, the square root value of AVE must be greater than the squared correlation with the square of the other construct (Duryadi, 2021).

Then, the internal consistency reliability is tested by examining the composite reliability value with the criteria value > 0.07 (Henseler et al., 2009). The significance test is carried out by analyzing the path coefficient (Path Analysis) with the value rule if sig (P.Values) <0.05 and the T-statistic> 1.96. Then, the hypothesis was accepted (Irawan et al., 2021).

## Hypothesis Development

### Herding behavior and investment decisions

Herding behavior in financial markets describes investors' inclination to imitate the larger group's decisions, even though their private information suggests otherwise (Banerjee, 1992; Devenow & Welch, 1996). This phenomenon occurs because investors depend more on input from the crowd than on their own analysis (Dar & Hakeem, 2015). Herding behavior is defined as a person's decision that is positively affected by the decisions of others (Hott, 2009). Previous research has shown that investors often imitate the majority portfolio and ignore personal analysis (Kartini & Nahda, 2021). As a result, it is proposed that.

H1: Herding behavior has a significant positive effect on investment decisions.

### Loss aversion and investment decisions

Loss aversion is the tendency of investors to avoid losses rather than pursue gains, even when the potential gain is large. The discomfort of loss is perceived as more intense than the satisfaction of an equivalent gain (Kahneman & Tversky, 1979). This bias often leads investors to choose safer investments with lower potential returns (Kumar & Babu, 2018). In addition, the endowment effect influences decisions by considering the risk of loss in other alternatives (Elster, 1992). Research shows that loss aversion significantly influences investment decisions, as this behavioral bias often drives emotional and irrational decisions (Hossain & Siddiqua, 2024). As a result, it is proposed that.

H2: Loss aversion has a significant positive effect on investment decisions.

**Financial literacy and investment decisions.**

The results of previous studies on the relationship between financial literacy and investment decisions show that financial literacy has a significantly positive impact on investors' investment decision-making (Iram et al., 2023). This is because the ability to process knowledge about finance is the basis for making investment decisions. As a result, it is proposed that.

H3: Financial literacy has a significant positive effect on investment decisions.

**The influence of FoMO on investment decisions.**

Fear of Missing Out (FoMO) is associated with herd behavior and feelings of envy towards the success of others. FoMO motivates investors to rush into investment decisions to match the achievements of their peers or surroundings, aiming to achieve quick gains and avoid potential future losses (Dennison, 2018). Previous studies by Shiva et al. (2020) and Gupta and Shrivastava (2022) also showed that FoMO exerts a considerable impact on investment decisions. As a result, it is proposed that.

H4: Fear of missing out (FoMO) has a significant positive influence on investment decisions.

**The mediating role of FoMO**

Previous studies show that herding behavior, loss aversion, and financial literacy affect FoMO. Herding behavior can drive FoMO because retail investors tend to follow the majority to avoid feeling left behind (Gupta & Shrivastava, 2022; Kang et al., 2020). Loss aversion also influences FoMO, particularly throughout the Covid-19 crisis, because fear of loss makes investors feel they have to act immediately to avoid missing opportunities (Gupta & Shrivastava, 2022; Laungratanamas & Nuangjamnong, 2023). On the other hand, financial literacy is a trigger for FoMO because high financial understanding makes investors more sensitive to information, thus causing anxiety. Previous studies have shown that financial literacy is a contributing factor to FoMO (Gerrans et al., 2023).

In addition, FoMO can serve as an intermediary linking these variables and investment decisions. When investors are driven by the desire to make decisions hastily and emotionally, this indicates the effect of FoMO as an intermediary in the connection between the variables in this research

(Gerrans et al., 2023; Gupta & Shrivastava, 2022). Investors with high financial knowledge are also often swayed by FoMO in asset ownership (Akhtar & Das, 2019; Ameliawati & Setiyani, 2018). Overall, FoMO acts as a key factor driving investment decisions shaped by behavioral and emotional biases (Deci & Ryan, 2015). As a result, it is proposed that.

H5: Herding behavior has a significant positive effect on Fear of Missing Out.

H6: Loss aversion has a significant positive effect on Fear of Missing Out

H7: Financial literacy has a significant positive effect on FoMO.

H8: Fear of Missing Out mediates the relationship between herding behavior and investment decisions.

H9: Fear of Missing Out mediates the relationship between loss aversion and investment decisions.

H10: Fear of Missing Out mediates the relationship between financial literacy and investment decisions.

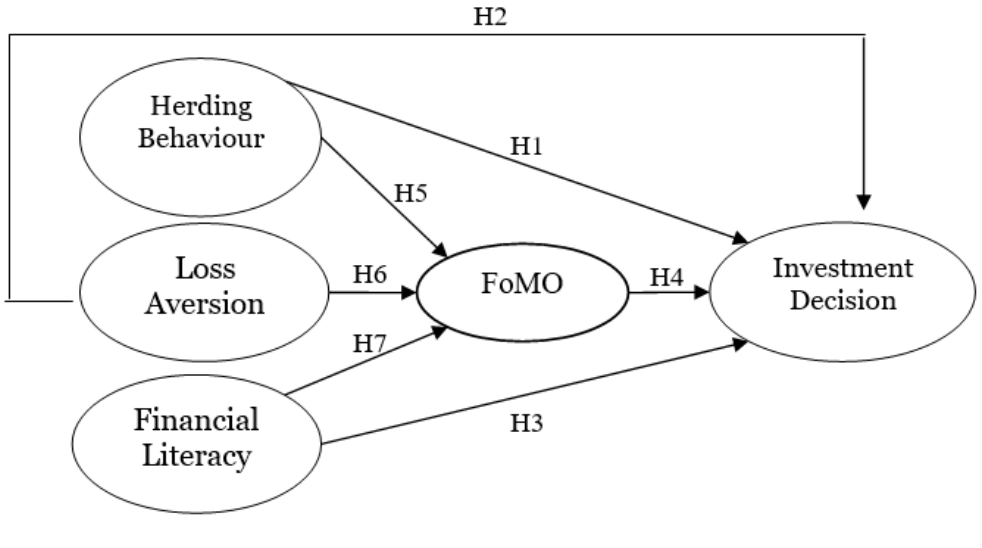



**Figure 1** *Framework of Thinking*

## RESULT

The respondents' demographic profile can be seen in Table 2.

**Table 2** *Respondents' Demographic Profile*

| Characteristics | Category | Amount | Percentage (%) |
|---|---|---|---|
| Age | 17-25 | 116 | 77.3 |
| | 26-35 | 29 | 19.3 |
| | >35 | 5 | 3.3 |
| | Total | 150 | 100 |
| Gender | Man | 47 | 31.3 |
| | Woman | 103 | 68.7 |
| | Total | 150 | 100 |
| Level of education | Junior High School/ Equivalent | 2 | 1.3 |
| | High School/Equivalent | 76 | 50.7 |
| | D3 | 5 | 3.3 |
| | S1-S2 | 67 | 44.7 |
| | Total | 150 | 100 |
| Type of work | Students | 52 | 34.7 |
| | Private employees | 50 | 33.3 |
| | Businessman | 6 | 4 |
| | Other | 42 | 28 |
| | Total | 150 | 100 |
| Income | <IDR2 million | 87 | 58 |
| | IDR2 – IDR4 million | 37 | 24.7 |
| | IDR4 – IDR6 million | 19 | 12.7 |
| | >IDR6 million | 7 | 4.6 |
| | Total | 150 | 100 |

| | | | |
|---|---|---|---|
| Experience | < 1 Year | 112 | 74.7 |
| Investing | 1-3 Years | 30 | 20 |
| | 3-5 Years | 6 | 4 |
| | > 5 Years | 2 | 1,3 |
| | Total | 150 | 100 |

Based on the data, respondents aged 17–25 years were 116 people (77.3%), followed by those aged 26–35 years were 29 people (19.3%), and those over 35 years were five people (3.3%). Most respondents were female, 103 people (68.7%), while 47 were male (31.3%).

Number of respondents who graduated from high school: 76 people (50.7%), 67 respondents with S1-S2 degrees (44.7%), D3 graduates totaling five people (3.3%), and junior high school graduates totaling two people (1.3%). Considering occupation, most of the respondents were students or college students, as many as 52 people (34.7%), followed by private employees, as many as 50 people (33.3%), other jobs, as many as 42 people (28%), and entrepreneurs, as many as six people (4%).

Most respondents have incomes of less than IDR2 million, as many as 87 people (58%), followed by incomes of IDR2 – IDR4 million, totaling 37 people (24.7%), incomes of IDR4 – IDR6 million, totaling 19 people (12.7%), and more than IDR6 million, totaling seven people (4.6%). A total of 112 people have under 1 year of investment experience (74.7%), followed by 1–3 years of experience, totaling 30 people (20%), 3–5 years of experience, totaling six people (4%), and more than 5 years of experience, totaling two people (1.3%).

This composition reflects specific characteristics that may affect the results of the study. The findings may be more relevant for younger age groups and women who actively use digital media and are susceptible to the influence of FoMO. However, this bias may reduce the generalizability of the findings to broader populations, including older age groups or groups with a balanced gender distribution. For example, previous literature suggests that older individuals tend to have higher levels of loss aversion (Barber & Odean, 2001), while women tend to be more cautious in investment decisions (Croson & Gneezy, 2009). Thus, this bias may affect the relevance of the studied variables, such as herding behavior or loss aversion, in different populations.

In addition, this bias is recognized as one of the limitations of the research method, as stated by Green (1991), that unbalanced samples may impact the external validity of the results. Therefore, this study provides an initial overview of investment decision-making in the young age segment vulnerable to FoMO.

Figure 2 illustrates the concept of the measurement framework in this research. There are five variables used, namely herding behavior, loss aversion, financial literacy, FoMO in Islamic mutual funds, and investment decisions.

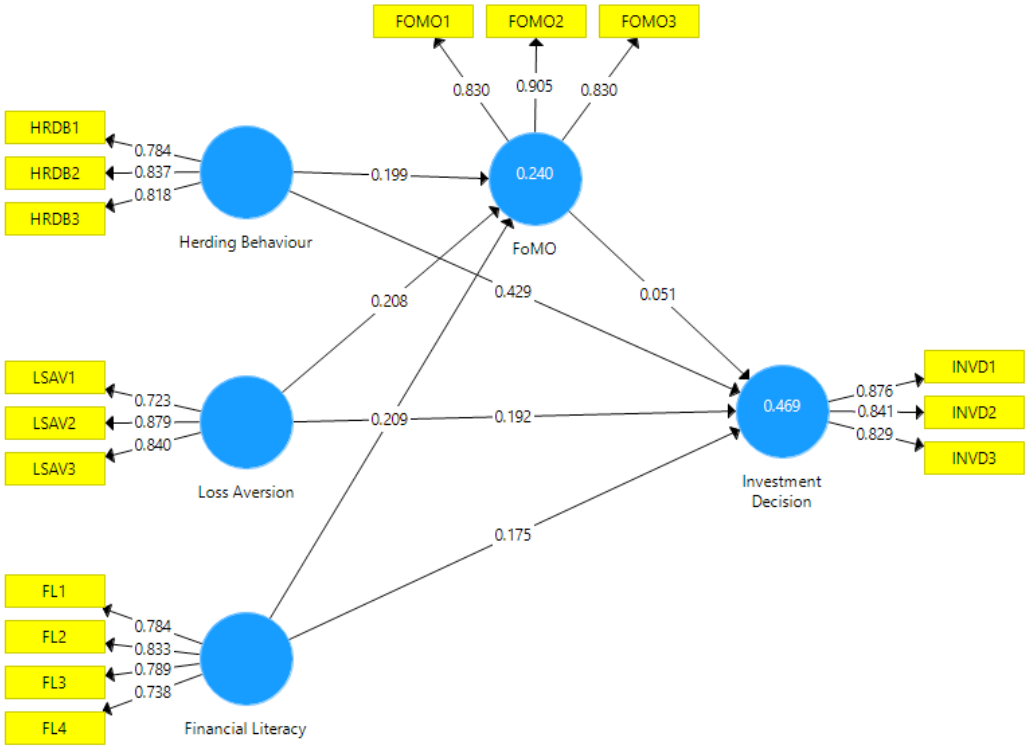



**Figure 2** *Measurement Model*

Convergent validity assesses the degree to which a concept can explain the variation of its indicators. The assessment is conducted by checking the loading factor value, which must be more than 0.708 (Hair et al., 2021). In addition, it is important to assess the average variance extracted (AVE) of the variable indicators to ensure validity in the convergent validity test. The minimum AVE value accepted is 0.50, which shows that the framework can account for at least 50% of the variation in its indicators (Hair et al., 2021). The higher the AVE value, the better the concept explains the variation in its

indicators. All variables have a Loading Factor value exceeding 0.078 and an AVE value greater than 0.05 (see Table 3). Then, the second test for the validity test uses the Fornell-Lacker validity discriminant. Based on Table 4, the values of all variables exceed the squared correlation with the square of the other constructs. Therefore, the measurement framework demonstrates good validity.

Recommended composite reliability value is >0.07, and the Cronbach's alpha value is >0.70 (Hair et al., 2021). Based on Table 3, Cronbach's Alpha and composite reliability values exceed 0.70. Therefore, the measurement framework demonstrates good reliability.

**Table 3** *Reliability and Validity*

| Variables | Item | Loading Factor |
|---|---|---|
| Herding Behavior<br>CA = 0.746<br>CR = 0.854<br>AVE = 0.662 | HRDB1<br>HRDB2<br>HRDB3 | 0.784<br>0.837<br>0.818 |
| Loss Aversion<br>CA= 0.752<br>CR= 0.857<br>AVE= 0.667 | LSAV1<br>LSAV2<br>LSAV3 | 0.723<br>0.879<br>0.840 |
| Financial Literacy<br>CA= 0.796<br>CR= 0.866<br>AVE= 0.619 | FL1<br>FL2<br>FL3<br>FL4 | 0.784<br>0.833<br>0.789<br>0.738 |
| Fear of Missing Out (FoMO)<br>CA= 0.816<br>CR= 0.891<br>AVE= 0.733 | FOMO 1<br>FOMO 2<br>FOMO 3 | 0.830<br>0.905<br>0.830 |
| Investment Decision<br>CA= 0.808<br>CR= 0.886<br>AVE= 0.721 | INVD1<br>INVD2<br>INVD3 | 0.876<br>0.841<br>0.829 |

CA = Cronbach's Alpha; CR = Composite Reliability; AVE = Average Variance Extracted

**Table 4** *Discriminant Validity (Fornell-Larcker Criterion)*

| Variables | Financial Literacy | FoMO | Herding Behavior | Investment Decisions | Loss Aversion |
|---|---|---|---|---|---|
| Financial Literacy | 0.787 | | | | |
| FoMO | 0.364 | 0.856 | | | |
| Herding Behavior | 0.424 | 0.410 | 0.814 | | |
| Investment Decisions | 0.440 | 0.366 | 0.637 | 0.849 | |
| Loss Aversion | 0.341 | 0.396 | 0.588 | 0.523 | 0.817 |

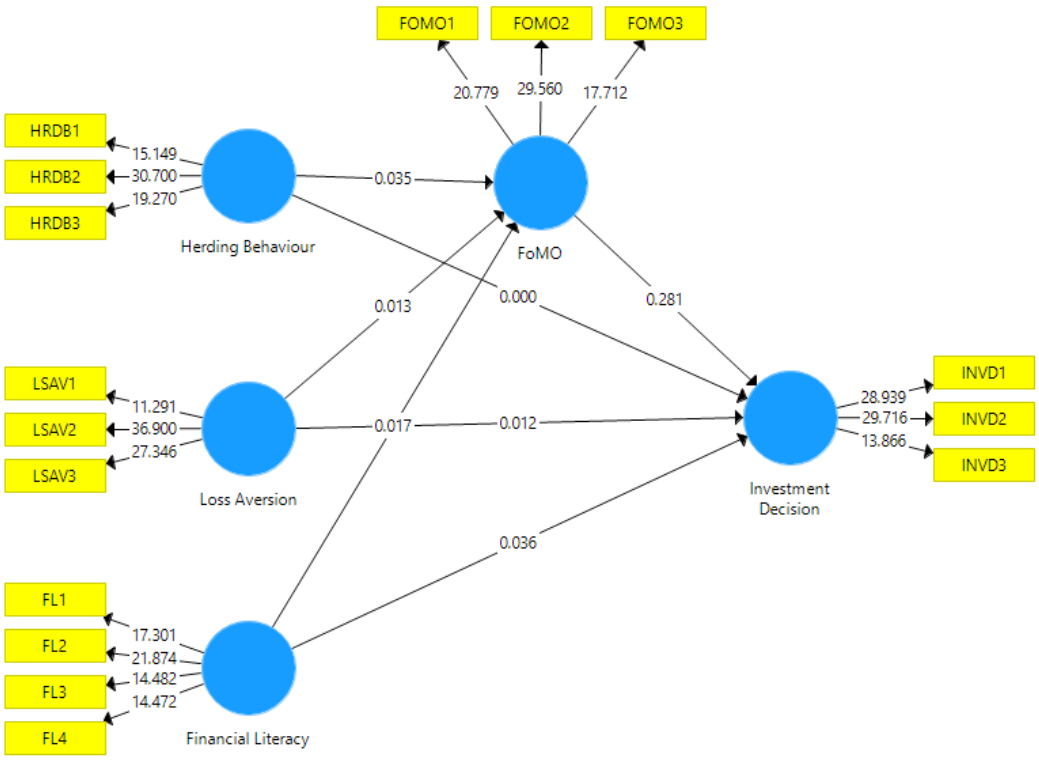



**Figure 3** *Inner Model*

In this study, hypothesis testing was performed using bootstrapping techniques with a sample size of 5,000. The study found that herding behavior and loss aversion have a significant positive impact on investor decision-making that supports H1 and H2. Financial literacy had a significant positive effect on investment decisions and FoMO that support H3 and H7. Then, herding behavior and loss aversion had a significant and positive impact on FoMO, which supports H5 and H6. At the same time, the FoMO variable had no effect on investment decisions and did not support H4. The mediation effect test showed that the variables in this study did not have mediation (non-mediation). So, it does not support H8, H9, and H10.

Herding behavior has a t-statistic value of 4.699 and a p-value of 0.000. Herding behavior has a positive influence on investment decisions, with a coefficient value of 0.429, indicating a fairly strong relationship. Investors, especially Generation Z (aged 17-25 years), usually adopt the recommendations or behaviors of other investors in making investment decisions. Research by Adiputra et al. (2024) supports this finding, showing that herding significantly influences the investment decisions of Generation Z in Jakarta. Age is one of the main drivers of herding behavior in investment decisions.

Loss aversion affects investment decisions, especially for novice investors with less than 1 year of experience. Previous loss experiences reinforce the fear of loss. According to prospect theory, losses are felt twice as painful as equivalent gains (Kahneman & Tversky, 1979). Financial literacy is an important variable that influences investors in making decisions, and the conclusion of the study explains that the financial knowledge variable contributes to investment decision-making in Islamic mutual funds in Indonesia. In addition, Herding behavior, loss aversion, and financial literacy have a significant and positive impact on FoMO (Gerrans et al., 2023; Gupta & Shrivastava, 2022; Laungratanamas & Nuangjamnong, 2023). However, FoMO did not play a mediating role in the relationship between these variables.

## DISCUSSION

**Table 5** *Results of Testing Hypotheses*

| Measurement | Coefficient Model (t-Stat) | Hypothesis Results |
|---|---|---|
| Herding Behavior -> Investment Decisions | 4,669 | H1 is supported |
| Loss Aversion -> Investment Decision | 2.213 | H2 supported |
| FinancialLiteracy -> Investment Decisions | 1,765 | H3 supported |
| FoMO -> Investment Decision | 0.576 | H4 is not supported |
| Herding Behavior -> FoMO | 1,817 | H5 supported |
| Loss Aversion -> FoMO | 2.199 | H6 supported |
| Financial Literacy -> FoMO | 2,069 | H7 supported |
| Herding Behavior -> FoMO -> Investment Decision | 0.498 | H8 is not supported |
| Loss Aversion -> FoMO -> Investment Decision | 0.490 | H9 is not supported |
| Financial Literacy -> FoMO -> Investment Decisions | 0.483 | H10 is not supported |

FoMO has been identified as a relevant psychological phenomenon in the context of digital investment, particularly among the younger generation, who are highly connected to social media and technology (Gupta & Shrivastava, 2022; Przybylski et al., 2013). However, the results of this research suggest that FoMO does not significantly affect investment decisions and does not act as an intermediary for independent variables in investor decision-making.

This insignificance may be explained by the unique nature of Islamic investment based on the principle of prudence and Islamic ethics, which may limit the impulsiveness and external influences often associated with FoMO. In addition, the collective culture in Indonesia may also contribute to the

FoMO effect, where investment decisions are more influenced by social and community norms than individual pressure to follow trends.

Although FoMO did not show a significant effect as a mediator, including this variable in the study provides important insights into the differences in the behavior of Islamic investors compared to investors in conventional contexts. This finding suggests that FoMO may be more relevant in types of investments that are not bound by Islamic principles or in more competitive and high-risk situations.

This study also emphasizes the need for further exploration of other psychological variables that may play a role in the context of Islamic investment, such as religiosity or risk tolerance, as well as the importance of paying attention to cultural moderation and local values in influencing investment behavior.

In addition, investors typically adhere to the majority for a sense of security; hence, investment decisions are predominantly more influenced by collective action than FoMO as a mediator. Investors with loss aversion tend to focus more on in-depth analysis and risk management to avoid losses. Their decisions are based on careful risk evaluation; thus, FoMO becomes less relevant because their main concern is minimizing losses rather than pursuing missed opportunities. Financially literate investors tend to make more measured decisions, allowing them to make investment decisions without being influenced by FoMO, thus reducing its mediating effect.

## CONCLUSION

The findings of this research suggest a notable positive influence between herding behavior, loss aversion, and financial literacy on investment decisions and FoMO on sharia mutual funds in Indonesia. However, the fear of missing out does not affect investment decisions on sharia mutual funds in Indonesia. Then, the indirect influence of the conceptualized variables through FoMO is not proven. In addition, herding behavior is one of the variables that has the most significant impact on investors' investment decisions on sharia mutual funds in Indonesia.

This research holds meaningful real-world and theoretical consequences for policymakers, digital platforms, educational institutions, and society. Policymakers need to develop financial literacy programs based on Islamic values specifically designed for Gen Z, such as digital modules

or technology-based applications that can improve their understanding of sharia investment (Lusardi & Mitchell, 2014). Sharia digital investment platforms can play an active role in reducing the impact of behavioral biases, such as FoMO, through interactive educational features that provide rational information and educate users about the risks of impulsive decisions (Andersen & Nowak, 2013).

In the educational context, a curriculum that integrates an understanding of behavioral biases, such as herding behavior, loss aversion, and FoMO, needs to be designed to equip the younger generation to deal with social pressure from social media, as suggested by Gupta and Shrivastava (2022). In addition, this research creates avenues for deeper investigation into the role of culture, religiosity, and digitalization in influencing the effect of behavioral bias toward sharia investment (Przybylski et al., 2013). By understanding the impact of these behavioral biases, people can be better prepared to manage their investments wisely, value-based, and in accordance with sharia principles in the digital era.

## LIMITATION

This study has limitations in the availability of a less comprehensive sample, only 150 respondents, and limited distribution of questionnaires, so it is less reflective of the Indonesian demographic. Although the sample size in this research has met the criteria set through power analysis (Faul et al., 2007), demographic bias in the sample, which is dominated by young and female respondents, may affect the generalization of the findings. Future studies are expected to expand the representation of the population, as recommended by Green (1991), to enhance the external validity of the research findings.

An additional constraint is the access to distribute the questionnaire, which is quite difficult considering the characteristics of the respondents used are not the general public, so researchers need to validate the suitability of the attributes of the respondents, namely sharia mutual fund investors in Indonesia. Further research is advised to consider age and experience factors in examining biased behavior toward investment decisions. The government and related institutions, such as the Indonesia Stock Exchange and OJK, are expected to actively provide education to improve public and investor understanding of investment. Investors are also advised to study the factors that influence investment decisions.

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