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A study on impact of herd behaviour influence on investment choices and decisions among GIG Economy Workers

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ABSTRACT :

In recent years, the gig economy has grown rapidly, with workers depending on flexible, temporary work to make a living. This study investigates how gig economy workers' financial decision-making and investment decisions are influenced by herd behavior. Financial markets are greatly impacted by herd behavior, a psychological phenomenon in which people follow the behaviors of a bigger group rather than depending on their own judgment. Understanding how such behavior impacts investing patterns is essential given the fragile nature of gig work. This study uses surveys and data analysis to investigate how much gig workers follow general financial trends, how social influence shapes their choices, and the consequences for their financial security. According to research, gig workers are more likely to make herd-driven investment decisions, which frequently result in less than ideal financial results, because of their unstable income and lack of financial literacy. To lessen the negative consequences of herd behavior in this market, the study emphasizes the necessity of focused financial education and risk-awareness initiatives.

Keywords: Herd Behavior, Investment Decisions, Gig Economy Workers, Financial Decision-Making.

Introduction :

In recent years, the gig economy has grown significantly, changing conventional job structures and posing new financial difficulties for employees. The gig economy, which is defined by freelance work, on-demand services, and short-term contracts, gives people freedom and independence but lacks the benefits and financial stability of traditional full-time employment. Workers in this industry may confront unpredictable income, restricted access to retirement plans, and an absence of employer-sponsored financial coaching, making personal investment decisions vital for their financial well-being. In light of these circumstances, it is crucial to comprehend the elements that affect gig workers' investment behavior, especially the part played by behavioral biases like herd mentality.

A notion with roots in behavioral finance, herd behavior describes people's propensity to follow the judgments and actions of a bigger group instead of using their own independent judgment. This phenomenon is common in financial markets, where investors may make decisions that are not always in line with their financial interests due to the effect of media hype, social networks, and trends. Herd behavior's effects have been extensively researched in conventional investment contexts, but little is known about how it affects gig economy workers, who frequently have lower financial literacy and more volatile incomes.

Gig workers are susceptible to herd mentality when making investing decisions due to a number of issues. First, because their sources of income are unpredictable and uncertain, they could turn to the decisions made by the majority for comfort, depending more on market trends than on their own financial judgments. Second, social media and digital platforms are becoming more and more important in influencing financial choices. Through online forums and influencers, gig workers are regularly exposed to stock market movements, cryptocurrency mania, and investment advice. Third, gig workers may become more risk averse or, on the other hand, more likely to engage in herd mentality-driven speculative investments as a result of the psychological effects of financial insecurity.

The purpose of this study is to investigate how much herd behavior affects gig economy participants' investing choices. It will investigate the economic, social, and psychological aspects that influence group investment decisions and determine whether these patterns produce the best or worse financial results. The study will also look into how media exposure, peer pressure, and digital financial platforms affect investing choices. Policymakers, financial advisors, and digital investment platforms can create focused interventions to support financial literacy, ethical investing, and risk management techniques that are suited to gig workers' requirements by comprehending these dynamics.

Finally, by emphasizing the consequences of herd behavior for long-term wealth accumulation and financial stability, our study adds to the larger conversation on behavioral finance and financial decision-making in the gig economy. The results could offer important information for creating financial instruments, legal frameworks, and educational initiatives that enable gig workers to make autonomous, well-informed investing decisions.

Review of literature :

Christian Espinosa-Méndez 2020 This is the first article in investigating how COVID-19 affects Oceania's financial markets. Specifically, we investigate if COVID-19 pandemic has an effect on herding behaviour in the Australian stock market. Using a sample of all firms listed over the period from 10 June 2008 to 19 June 2020, we find evidence that COVID-19 pandemic increases herding behaviour. The results report that herding behaviour manifests during crisis and extreme periods. **Ian Koetsier & Jacob A. 2023** This study investigates asset herd behaviour for Dutch pension funds from 1999 to 2014 using quarterly data. They found herd behaviour for investments in 20 asset classes including non-traditional asset classes, and to both purchasing and selling. Pension funds herd behaviour is particularly high in alternative investments, which might increase herding in general as pension funds move their portfolio towards these assets in recent years. Herding intensity is higher during stock market crises. However, during real estate or bond market crises, herding behaviour intensity remains virtually unchanged compared to non-crisis periods. The extent to which this behaviour has a stabilising or destabilising impact on financial markets varies per asset class. It is striking that sales of assets by pension funds on the equity and bond markets in times of crisis often have a stabilising impact, whereas this is not the case on the buying side. **Jordan Mitchell, 2021** This paper offers critical perspectives on the relationship of financial confidence of non-traditional workers and their financial and work behavior. Understanding the socioeconomic characteristics of gig workers could empower their standard of living, affect how they impact gig workers' healthcare, and illustrate a more complete economic picture of gig workers. The gig economy is changing the work and lifestyle of many people and has captured worldwide public attention. Supplemental income and flexible working style increasingly attract people to the gig economy, but there are both positive and negative consequences for the workers and society. We show that the majority of gig workers have higher debt loads, engage in predatory lending, and suffer from cost-prohibitive healthcare utilization. However, they also find that gig workers have relatively high financial confidence. These findings have implications for the motivation to do gig work and to survive in difficult times. **John M. Barrios Yael V. Hochberg, Hanyi Yi,2022** They utilized the staggered arrival of Uber and Lyft—large sources of on-demand, platform-enabled gig opportunities—in U.S. cities to examine the effect of the arrival of flexible gig work opportunities on new business formation. The introduction of gig opportunities is associated with an increase of about 5% in the number of new business registrations in the local area, and a correspondingly-sized increase in small business lending to newly registered businesses. Internet searches for entrepreneurship-related keywords increase about 7%. These effects are strongest in locations where proxies for ex ante economic uncertainty regarding the viability of new businesses are larger. Their findings suggest that the introduction of the gig economy creates fallback opportunities for would-be entrepreneurs that reduce risk and encourage new business formation. **Huisheng Wang and H. Vicky Zhao 2024** ,this paper, they studied the optimal investment problem considering the herd behaviour between two agents, including one leading expert and one following agent whose decisions are influenced by those of the leading expert. To theoretically analyze the impact of the following agent's herd behaviour on his/her decision, we decompose his/her optimal decision into a convex linear combination of the two agents' rational decisions, which we call the rational decision decomposition. They used the investment opinion to quantitatively analyze the impact of the herd behaviour, the following agent's initial wealth, the excess return, and the volatility of the risky asset on the optimal decision. We validate our analyses through numerical experiments on real stock data. This study is crucial to understanding investors' herd behavior in decision-making and designing effective mechanisms to guide their decisions.

Research Gap :

The study of herd behavior and how it influences gig economy workers' investment choices is still in its early stages. Although herd behavior has been thoroughly examined in conventional financial markets, little is known about how this phenomenon particularly impacts gig economy workers, who face particular financial difficulties like unstable income, a lack of employer-sponsored benefits, and self-directed financial planning. The part that these difficulties play in influencing investment decisions is mostly ignored by current research. Additionally, little is known about how gig workers' vulnerability to herd behavior—which could lead individuals to follow market trends rather than make their own well-informed decisions—is influenced by financial worry and income instability.

Statement of the Problem :

The gig economy, which is defined by flexible, short-term contracts and a workforce that is primarily self-managed, has become a key employment model in recent years. Workers in the gig economy, such as independent contractors, freelancers, and part-timers, frequently deal with unstable incomes, a dearth of traditional benefits, and restricted access to financial guidance. Their investment practices may be influenced by the increased sense of financial uncertainty brought on by these particular difficulties. However, little is known about how gig economy workers' financial decision-making is impacted by herd behavior, which is the propensity to imitate the investing decisions of others. Although herd behavior has been extensively studied in conventional financial markets, it has not received enough attention in the gig economy. Because they depend on peer pressure, social media, and online forums for financial advice, gig workers can be more vulnerable to herd mentality. This influence is made worse by the growing popularity of socially driven investment trends (such as meme stocks, cryptocurrencies, or trending assets) and the psychological effects of FOMO, which may cause gig workers to make investment choices that are inconsistent with their risk tolerance or financial objectives. Even though this group is becoming more and more significant, little is known about how herd behavior affects gig economy workers' investing and decision-making judgments, particularly in light of their unique financial situation.

Objective

1. To understand about the Gig economy workers and investment behaviour
2. To examine the extent to which herd behavior influences the investment decisions of gig economy workers

Hypothesis

- H1: Herd behavior significantly influences the investment decisions of gig economy workers
- H0: Herd behavior does not significantly influence the investment decisions of gig economy workers.

Scope of the study :

This study's objective is to investigate how herd behavior affects gig economy workers' investing decisions and choices, with a particular emphasis on social media influence, financial literacy, and emotional triggers like FOMO. The study will concentrate on people who are actively involved in investing and will mainly target gig economy workers from areas with high gig economy involvement, such as North America, Europe, and portions of Asia. The study will examine current financial market patterns over the last 12 to 18 months, with a focus on those impacted by online communities and social media, like meme stocks or cryptocurrency booms. The study will use a mixed-methods approach to gather quantitative data via surveys and qualitative information through interviews in order to investigate the connection between investment decision-making, herd behavior, and income instability. Although the study intends to offer thorough insights, its reach will be constrained by elements such as sample representativeness, the exclusion of gig workers who do not invest, and geographic restrictions to regions with a sizable gig economy.

Research methodology :

The study employs both primary and secondary data collection methods. Primary data is gathered through a structured questionnaire, designed to assess financial behavior, herd tendencies, social media influence, and financial literacy among gig economy workers. Secondary data is analyzed from existing studies, market reports, and financial trends to provide broader insights into investment behavior. The target population consists of adult gig economy workers in Bengaluru Urban District, with a sample size of 110 participants completing the survey. The study uses a structured questionnaire as the main research instrument, incorporating multiple-choice and open-ended questions. A non-probability sampling approach is employed, specifically convenience and snowball sampling, to ensure a diverse and representative participant pool.

Analysis and interpretation :

Table 1.1 Crosstabulation on Herd behaviour and Investment Decisions

Herd_Behaviour * Investment_Decision Crosstabulation

Count

		Investment_Decision		Total
		Yes	No	
Herd_Behaviour	Strongly Agree	14	2	16
	Agree	18	10	28
	Neutral	26	10	36
	Disagree	16	8	24
	Strongly Disagree	4	2	6
Total		78	32	110

Interpretation:

The crosstabulation analysis shows that while there are variations in investment decisions across different levels of herd behaviour, there is no clear trend indicating a strong influence. Although a higher percentage of individuals who strongly agree with herd behaviour made an investment decision (87.5%), similar proportions are observed in other categories, making it difficult to establish a significant pattern.

Table 1.2 Chi square results on Herd behaviour and Investment Decisions

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	3.022[a]	4	.554	.569		
Likelihood Ratio	3.366	4	.499	.538		
Fisher's Exact Test	3.197			.531		
Linear-by-Linear Association	.885[b]	1	.347	.397	.199	.048
N of Valid Cases	110					

a. 3 cells (30.0%) have expected count less than 5. The minimum expected count is 1.75.

b. The standardized statistic is .941.

Interpretation:

The Chi-Square test results further confirm this, with a Pearson Chi-Square value of 3.022 and a p-value of 0.554, which is much greater than the 0.05 significance level. Other tests, including the Likelihood Ratio (p = 0.499) and Fisher's Exact Test (p = 0.531), also indicate no significant association. The Linear-by-Linear Association test (p = 0.347) reinforces the conclusion that there is no meaningful trend between peer pressure and investment decisions. Since all p-values are well above 0.05, we fail to reject the null hypothesis, suggesting that peer pressure does not significantly impact investment decisions in this sample.

Findings :

1. The 35-45 age group is the largest, making up 55.5% of respondents.
2. The below 25 group follows at 22.7%, while the 25-35 group represents 12.7%.
3. The above 45 category has the lowest representation at 9.1%.
4. This suggests that the gig economy workforce in this dataset is dominated by individuals aged 35-45, with a significant proportion of younger individuals also participating.
5. Males (57.3%) slightly outnumber Females (42.7%).
6. This gender imbalance indicates that while both genders participate in the gig economy, men are more prevalent in this sample.
7. The majority of respondents have Undergraduate (43.6%)
8. Postgraduate (33.6%) degrees.
9. Only 8.2% have High School as their highest education level.
10. This suggests that the gig economy in this dataset consists of a highly educated workforce, contrary to the traditional view that gig jobs require minimal qualifications.
11. Ride-sharing (45.5%) is the most common gig work, followed by Delivery services (25.5%) and Freelancing (19.1%).
12. Caregiving (6.4%) and Handy services (3.6%) are less common.
13. The dominance of ride-sharing and delivery services aligns with global gig economy trends, where transport and logistics play a significant role.
14. The majority (84.5%) have 3 years or less of experience in the gig economy.
15. Only 4.5% have been working in gig roles for more than 6 years.
16. This indicates that the gig workforce is relatively new, with a high proportion of recent entrants.
17. 8 individuals invest, while 32 do not.
18. While peer pressure appears to influence investment decisions, statistical analysis (chi-square test, p = 0.554) shows no significant relationship.
19. This suggests that peer influence alone does not drive investment behavior in this dataset.

Conclusion :

This study examined the impact of herd behavior on the investment choices and decisions of gig economy workers. While herd behavior is a well-documented phenomenon in financial markets, the findings indicate no statistically significant relationship between peer influence and investment decisions in this sample. Despite variations in investment behavior across different levels of herd tendencies, statistical tests, including the Chi-Square test (p = 0.554) and other supporting analyses, confirm that herd behavior does not play a decisive role in shaping investment choices.

These results suggest that other factors, such as financial literacy, income stability, risk tolerance, and individual financial goals, may have a more substantial impact on investment decisions among gig economy workers. Given the financial uncertainty and independence associated with gig work, personal financial management skills may be more influential than social conformity in investment behavior.

Future research should explore a larger and more diverse sample, incorporate qualitative insights, and examine additional behavioral and economic variables that may influence investment choices. Policymakers and financial educators should focus on improving financial literacy and providing tailored investment guidance to support informed decision-making among gig economy workers.

Limitations of the Study :

1. Sampling Bias
2. Geographic and Demographic Limitations
3. Self-Reported Data:
4. Limited Generalizability:
5. Lack of Longitudinal Data:
6. Challenges in Measuring Herd Behavior

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