Application of Planned Behaviour Theory in Chinese Market

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Abstract: The Theory of Planned Behaviour, as a famous theory used to predict behaviour, also takes part in Chinese economic market. This study aims to explore the application of TPB theory in specific research aspects such as Chinese stock market, fund investment and personal finance and analyse the influencing factors and mechanisms of specific research variables such as investor sentiment, risk appetite and investment decision. This essay begins with the introduction of basic definition of TPB theory and connect them with investment decision and actual behaviour. Furthermore, this research explores and lists the limitation of TPB theory and provide future solution eventually. This research improves the universality and flexibility of its findings, guaranteeing their application in distinct culture and policy contexts by including the surveys from other countries. Ultimately, the significance and future expectations of theory and practice are discussed, expanding the application of TPB theory with other fields. These results help to deepen the understanding of investor behaviour and provide theoretical basis for financial institutions to formulate marketing strategies and investor education programs.

1 INTRODUCTION

In the financial market which full of uncertainty, the decision-making behaviour of investors directly influents asset prices and market efficiency. Traditional financial theory assumes that investors are perfectly rational and can make optimal decisions based on diverse available information. However, more and more empirical studies show that investor behaviour often deviates from rational expectations, showing various cognitive biases and emotional characteristics.

The Theory of Planned Behaviour (TPB), which proposed by Icek Ajzen in 1991, is an important theoretical framework for explaining and predicting human behaviour in the field of social psychology (Ajzen & Driver, 1992). TPB theory is a variant of Theory of Reasoned Action (TRA), which mentioned by Ajzen and Fishbein, means that an individual's behavioural intention for a particular behavioural preference is influenced by the subjective norms of whether the individual agrees with the attitude and whether others support it. Although TRA has considerable explanatory power for the behaviour decision-making process, it is still limited (Hassan et al., 2015). In reality, many behaviours are not completely controlled by one's own will. Therefore, Azen made improvements based on TRA and proposed the TPB. The biggest difference between planned behaviour theory and rational behaviour theory is that planned behaviour theory overcomes the limitation that rational behaviour theory cannot reasonably explain behaviours that are not completely controlled by will, and adds PBC (perceived control belief) variables representing other irrational factors into the original theoretical framework. Form TPB. Therefore, when analysing behavioural intention and actual behaviour, planned behaviour theory is influenced not only by attitude and subjective norm, but also by perception of behavioural control.

2 DEFINITIONS OF TPB THEORY

Traditional TPB has focused primarily on cognitive factors (attitudes, subjective norms, and perceived behavioural control), but in recent years research has begun to incorporate affective factors into models. To be specific, an individual's emotional echoes to an

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action may significantly influences behavioural intent and actual behaviour. The research framework of this theory is shown in Fig. 1.

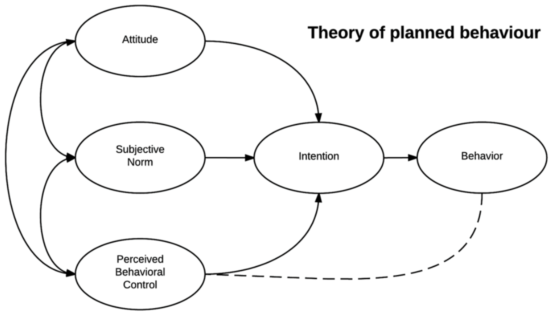

Figure 1: Key Component (Photo/Picture credit: Original).

Nowadays, TPB theory is applicated increasingly in investment field in order to explain and predict decision-making behaviour of investors. Compared to traditional financial theory, TPB theory can better clarify the irrational components of investor behaviour, such as herd behaviour, overconfidence and loss aversion (Ajzen, 2020). TPB believes that behavioral intention is the result of attitude, subjective norm and perceived behavioral control, and behavioral intention is a key factor in predicting actual behaviour. TPB theory provides a new way to understand market anomalies, formulate investment strategies and educate investors by analysing investors' behaviour attitudes, subjective norms and perceived behaviour control (Lacasse et al., 2024).

3 THE INFLUENCE OF TPB THEORY IN CHINA'S INVESTMENT DECISION

TPB theory has a reflective influence on the decision-making mode of Chinese investors. Investors are able to evaluate their own decision-making process more completely by introducing concepts such as attitudes, subjective norms, and perceived behavioural control. For instance, in stock investment decisions, TPB theory can help investors identify and correct cognitive biases such as overconfidence and herding.

In the aspect of risk management, the application of TPB theory has also achieved significant results. TPB theory can help investors formulate and improve more reasonable risk control strategies through developing investors' awareness of their own control ability. However, the common risk aversion tendency of Chinese investors might influence the application effect of TPB theory, which needs to be adjusted and optimized in practice (Kobbeltved & Wolff, 2009).

4 THE INFLUENCE OF CULTURAL DIFFERENCES ON THE APPLICATION OF TPB THEORY

Diverse Cross-cultural have slightly different responding norms into the theory of planned behaviour. The characteristics of Chinese culture have exerted an important impact on the application of TPB theory. Collectivist tendencies are a prominent feature of Chinese culture, which can make investors more susceptible to social norms and the opinions of others, thus influencing their investment decisions. To be specific, in the stock market, Chinese investors may be more inclined to follow "expert" opinions or popular choices, a pattern of behaviour that requires special concern according to the framework of TPB theory.

Risk aversion is another important characteristic of Chinese investors. This cultural tendency may influence investors' assessment of risk perception and control ability, thus affecting the application effect of TPB theory (Morren & Grinstein, 2021). In practice, it is necessary to adapt the theory to the risk appetite of Chinese investors in order to improve the applicability and prediction accuracy of TPB theory.

5 THE APPLICATION OF TPB THEORY IN CHINA'S FOREIGN EXCHANGE MARKET

The uniqueness and complexity of China's foreign exchange market provide ample research scenarios for the application of TPB theory. TPB theory shows significant advantages in forex market forecasting, which can more accurately predict exchange rate inclinations and market fluctuations by analysing investors' attitudes, subjective norms and perceived behaviour control. Considering the sensitivity of Chinese investors to policy changes and herd mentality can improve the accuracy of prediction when studying the movement of RMB exchange rate.

Based on the theory of Planned behaviour (TPB), this paper applies it to the study of investors' socially responsible investing (SRI) behaviour in Chinese stock market, and discusses the influence of various factors and extended variables in the TPB model on investors' SRI intentions and behaviours (Zhang & Huang, 2024). Despite stock market and forex market, TPB theory also plays an important role in the real estate market as depicted in Fig. 2. Yanz concluded in 2024 that the real estate decision affected by combining the TPB theory with the specific factors, puts forward the influence of attitude on the purchase intention (Yanz & Ming, 2024). According to Yanz, TPB theory helps to fully understand the psychological and social factors in the decision-making process of real estate consumers.

However, the application of TPB theory in China's foreign exchange market also faces some challenges. China's foreign exchange market is subject to strict regulation and policy influences, which can lead to a deviation between investors' perceived behavioral control and their actual control ability. In addition, the decision-making process of Chinese investors may be influenced by traditional culture and collectivist thinking, which require special consideration while applying TPB theory.

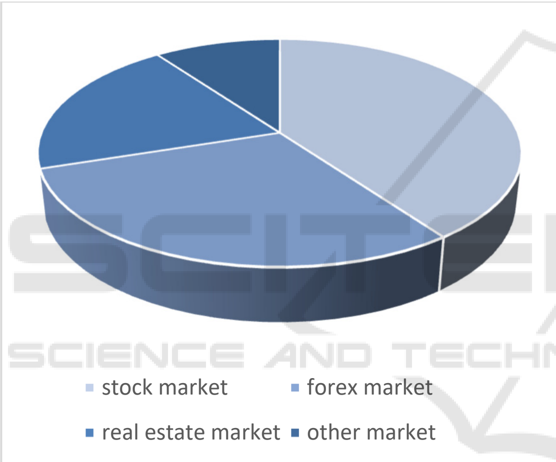

Figure 2: The application ratio of TPB theory in different investment fields in China (Photo/Picture credit: Original).

6 LIMITATIONS

Although TPB theory has significant value in explaining and predicting investment behaviour, it also has some limitations in its practical application. These limitations might impress its explanatory power and predictive accuracy, especially in the complex Chinese market environment.

Firstly, TPB theory principally focuses on logical inference, but ignores the influence of external environmental factors on behaviour. China's investment market is greatly affected by policies such as government regulation and monetary policy changes. These external factors may significantly affect investor behaviour, but TPB theory does not directly include these variables. For instance, in real estate investment, the government's purchase restriction policy may directly change the behaviour of investors, and TPB theory is difficult to fully explain such policy-driven behaviour changes (Hemavathy Ramasubbian, 2018). Not only China, but also other developing counties particularly India, where development of the real estate industry is late, and attitude is the most important factor affecting the investment intention of this large population of individual real estate investors (Singh, 2024). Furthermore, TPB theory originated in a Western cultural context, and its core assumptions may not be fully applicable to markets with collectivist cultural backgrounds such as China. Chinese investors generally have a strong tendency of collectivism and high-risk aversion, and these cultural factors may significantly correspond to their attitudes, subjective norms and perceived behaviour control, but TPB theory does not fully consider these cultural differences. For instance, Chinese investors tend to rely more on social norms such as the opinions of friends and family or expert advice, and TPB theory may underestimate the importance of such social effects.

Secondly, TPB theory is limited explanatory power to dynamic behaviour because it primarily focuses on behavioral intention at a certain point in time, but investment behaviour is often dynamic and impacted by a variety of factors for a long time. The attitude and behaviour of investors may change over time, during market fluctuations or economic cycles, and TPB theory is difficult to capture such kinds of dynamic changes. Hence, investors' risk appetite may change significantly after a stock market crash, but TPB theory cannot directly explain such long-term behavioral changes.

Thirdly, the measurement of perceived behaviour control is finite. The "perceived behavioral control" in TPB theory depends on the subjective judgment of the individual, but the subjective judgment may be deviated from the actual control ability (Sniehotta, Presseau, 2013). Chinese investors may overestimate or underestimate their ability to control, when participating in high-risk investments such as peer-to-peer lending or digital currencies. As a result, this bias may lead to inaccurate prediction results from TPB theory. At the same time, TPB theory assumes that individuals are rational, but in actual investment behaviour, emotions and irrational factors may have an important impact on decision-making. Chinese investors generally have irrational behaviours such as "chasing up and killing down" and "herding effect", which are difficult to be fully explained by TPB theory. To be specific, during a stock market bubble, investors' emotions may dominate their decisions, and TPB theory cannot directly incorporate sentiment variables. Change Theories Collection refers that humans sometimes act emotionally and are not entirely rational, which makes the rational assumption of the theory controversial. In addition, the attitude and behaviours of Chinese investors may be influenced by social expectation bias, which is a deviation may lead to inaccurate analysis results of TPB theory.

TPB theory is of great value in explaining and predicting investment behaviours, but its limitations should not be ignored. In the application of the Chinese market, TPB theory needs to be adjusted and optimized in combination with localization characteristics, such as incorporating external environmental factors, considering cultural differences, and introducing emotional variables. Future studies can try to combine TPB theory with other theories such as behavioral finance and cultural psychology to improve its explanatory power and prediction accuracy.

7 PROSPECTS

TPB theory has shown great value in explaining and predicting investor behaviours, but its application in the Chinese market still has limitations, and future research needs to be further explored in the following directions. TPB theory needs to be combined with behavioral finance, cultural psychology and other disciplines to make up for its neglect of emotional factors and external environment. For example, the introduction of emotional variables can enhance the explanatory power of irrational behaviours, while the framework combined with behavioral finance can more comprehensively analyse decision changes in dynamic markets. The collectivist culture and risk aversion tendency of Chinese market significantly affect investors' subjective norms and perceived behaviour control. Future studies need to incorporate cultural dimensions and traditional values into the TPB model and develop localized measurement tools to enhance the applicability of the theory in cross-cultural scenarios. China's financial market is subject to strong policy intervention, and these external factors may weaken the correlation between perceived behavioral control and actual ability. The future model should include policy variables to analyse how they adjust the relationship between three factors to better fit the realistic scenario.

8 CONCLUSIONS

In conclusion, TPB theory is of great value in explaining and predicting investment behaviour, but it needs to consider the influence of cultural differences and external environmental factors in its application in the Chinese market. This article discussed the key component and fundamental significance of TPB theory through summarizing experiments and studies. Even though TPB theory is one of the primary prediction theories, it has subjective limitation. The application prospect of TPB theory will be broader by combining the characteristics of localization with other theories. Overall, this research not only responses to previous studies, but also provides profound collection and analysis on the relationship between behaviour and TPB theory, contributing precious insights to the fields of Chinese market.

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