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Remodelling Financial Markets Using Bounded Rationality, Economics, Financial Information Intermediaries and Government Intervention

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Abstract

There is increasing recognition of the importance of consumer financial markets in the greater scope of global financial markets. In the recent past, this importance has been particularly amplified by the contribution of household debt and personal bankruptcy on the Global Financial Crisis which began 2007. To this end, this area of research has become topical among scholars, policymakers and legislators as they apply themselves towards finding a ‘silver-bullet’ solution. A plethora of studies have been conducted on the issue. However, the general trend in approach adopted by most of these studies has resulted in recommending piece-meal solutions. The conviction is that a more comprehensive, birds-eye-view approach is required if any meaningful strides are to be gained in resolving this problem. This paper contributes to the literature by proposing a theoretical framework that merges the different theoretical angles from the extant literature. In particular, the proposed model suggests that the theoretical underpinnings of economic theory and psychological paradigm, combined with the macro factors of government intervention strategy and financial information intermediaries provide pillars required for the remodelling of consumer financial markets. It is only through a good understanding of the interrelations that exist among these factors can consumer financial markets be remodelled with a view to enhance the performance and efficiency of the greater financial markets.

JEL classification numbers: E26; G21; G24; G14; E29
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1 Introduction

The past three decades have witnessed a phenomenal global rise in consumer debt and over indebtedness. Over this period, personal debt levels in all the continents of the world are observed to have reached worrisome and unsustainable levels. For example, the United Statesconsumer debt levels are reported to have increased by over 350% in the period between 1980 and 2003 [1], while an increase of 47% in the United Kingdom adult population was reported to be struggling with debt problems between the period 1999 and 2003 [9]. Similarly, the Organisation for Economic Cooperation and Development (OECD) countries indicated an anomalous increase in personal debt problems, with the ratio of total household debt to income reported to have risen to as much as 180% in countries likethe Netherlands [78]. Inexorably, this trend has confounded personal bankruptcy. Over a similar period, personal bankruptcy rates have been observed to assume an exponential growth, particularly in the developed economies [4; 67].

The 2007 collapse of the primary constituent of the consumer financial markets, the sub-prime mortgage market,precipitated into to a Global Financial Crisis (GFC) [13; 16; 30],whose impact to the world economy has span for more than five years. It is this chain reaction that has generated renewed interest in the area of consumer financial markets, with a common purpose to understand its contribution to the GFC, market (in)efficiency and, most critically, determine corrective measures that would prevent similar occurrences in the future. Most notably, to the extent that consumer financial markets, and in particular personal debt, has been identified as a contributing factor to the GFC, the perception of the role of individuals and households in the global economy is shifting from that of 'spectator' to that of 'economic unit' [7]. To this end, scholars, policymakers and legislators have become increasingly interested in understanding the convolution of consumer financial markets, a matter that has warranted extensive research given its stake in the global financial markets.

There are many of studies that have been conducted to explore and explicate the intricacies and complexities of consumer financial markets. These studies have brought to the fore a myriad of factors that have contributed, impacted and intervened in the performance of these markets. In this regard, the extant literature's breadth and depth is prolific. Some of the principal factors that stem out of the literature are those of ideological perspectives to the consumer decision-making process [27; 28; 38; 68], the form, role and influence of financial information intermediaries [12; 43; 52], and the market correction or intervention strategiesadopted by governments [11; 20; 24; 50; 61]. These studies have made an important and significant contribution to theory, practice and policy. However, to the extent that the problems still continue in both volume and complexity, the search for alternative perspectives and approaches is warranted.

Intuitively, the premise of an endeavour such as this should be informed by taking cognisance of the drawbacks of previous studies. At close scrutiny, a common thread across most of these studies is the tendency of taking a micro perspective which then culminates into a less-than comprehensive solution. Typically, these studies exhaustively discuss the impact of a particular factor and draw analysis and conclusions that disregard the impact of other active factors in the market, an approach that has been castigated by other researchers [27; 28; 38]. Of particular concern about this approach is its failureto take cognisance of the interwoven nature of the many active market factors, thereby grossly misrepresenting reality as it exists. Following from the above, this paper advocates for a shift in focus towards a macro and holistic perspective of analysis.

Specifically, it advances that more effective and comprehensive solutions can be found by studying the intricacies of the intertwined relationships that exist among the principal factors.

The objective of this paper is to promote this line of thought by proposing a multi-factorial theoretical framework that is directed at rethinking on how consumer financial marketsshould be modelled. The proposed theoretical framework suggests that the theoretical underpinnings of economic theory and psychological paradigm, combined with the macro factors of government intervention strategy and financial information intermediaries are the necessary pillars for remodelling consumer financial markets, an approach that provides greater propensity to understanding the intricacies of the market from a broader angle.

The paper commenced with an introduction on the subject of discussion and research orientation. Next to be discussed is an overview of the literature with particular emphasis on the four identified principal factors of consumer financial markets. The third section will be a presentation of the proposed model, followed by a conclusion and suggestions for areas for future research.

2 Literature Overview of Factors that Impact Consumer Financial Markets

2.1 Theoretical Streams of Consumer Financial Behaviour

Research methodology, and in particular the theoretical/philosophical perspective of a researcher, is the cornerstone to the advancement (or lack thereof) of knowledge. It is philosophical perspectives that determine the robustness and aptness of research outcomes in terms of value [60]. In this regard, philosophical perspectives are instrumental in any attempts directed at finding appropriate answers for identified research questions. In social science research, there were three broad philosophical paradigms that are generally considered apt and hence commonly used; constructivism, critical theory and positivism [15; 18; 19; 39; 40; 60]. It is not the objective of this paper to dwell into the operatives of these philosophical paradigms, althoughit is noteworthy that they are considerably divergent in assumptions made about the reality, the role of the observer and how the research should be conducted to achieve the set objectives. Among the three philosophical paradigms, the positivism paradigm, in its varying forms, is the most commonly used in economics, finance, accounting and other related fields chiefly because of the amenability of its underpinnings. The positivism paradigm combines deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic causal and other laws and relationships that can be used to explain and/or predict general patterns of human activity [60]. The philosophical assumptions of a scientific enquiry propagated by the positivism paradigm are [15; 31; 60]:

- an emphasis on realism;
- the importance of the distinction between the subject and the object;
- the presumption that the object is independent of the knower;
- that knowledge is achieved when a subject ‘mirrors’ this objective reality;
- that knowledge of social reality is considered additive;

- humans are assumed to be rational beings who act on the basis of external causes;
- and the overarching objective is to establish universal laws of human behaviour.

Using positivism paradigm as a foundation, the literature of financial behaviourhas two established theoretical approaches to analysing consumer financial behaviour: the psychological (or motivational/information processing) perspective and the economic (or cost-benefit) perspective [35; 68; 70]. Each perspective explicates the effects of identified intervening variables on consumer financial decision-making process, albeit, from different angles.

2.1.1 The Psychological (Bounded Rationality) Perspective to Consumer Financial Behaviour

The psychological perspective is based on the premise that the strength, rational and appropriateness of individual decisions and subsequent choices is a determinant of their cognitive abilities and motivation [66]. Thus,individuals that are self-motivated to engage both the situational and environmental circumstances have a drive for a more effortful information rationalisation process, a situation that maximises the outcome of the process and, consequently, their wellbeing. There are however some identified underlying parameters that either restrain or propel an individual's drive to engage in the process of rationalisation; prior-memory structure, motivation, involvement, education and prior knowledge [23; 49; 74].Collectively, these parameters have been referred to as bounded rationality [17].

Although the abstract notion of 'bounded rationality'is notoriously difficult to define, measure and operationalise in an objective fashion, studies have provided empirical evidence of its significance to consumer rationalisationbehaviour. For example, prior memory structure, a concept which relates to individual's aptitude in acquiring knowledge, processing information and performing other cognitive-related tasks [29; 62], has been found to motivate rationalisation and enhance efficiency of the decision-making process[46; 63; 71]. Other studies have also found a positive relationship between consumer knowledge of product-related information and the extent of consumer rationalisation [36; 62]. For example, knowledgeable tourists were found to develop more complex cognitive structures of choice decisions and destination attributes than novice tourists [53].

Similar to prior memory structure, educational has been found to be positively related to rationalisation of decisions and choices[36; 46; 48; 64]. It is suggested by these studies that higher educational attainment increase one's cognitive prowess.

Conversely, other studies have suggested that prior knowledge instigates a heuristic approach to the rationalisation process. This concept is borne out of the notion that individuals are inherently cognitive misers who rationalise only tomitigate what they do not already know.Studies have found evidence of an inverse relationship between rationalisation intensity and high prior product knowledge, product usage rate and experience [3; 36; 62; 71].

Another parameter that characterisesbounded rationality is involvement, which is the importance of the product to the individual as defined by the degree of interest in and self-identification with the product [3]. Overall, the concept of involvement embodies the notion of a substantial concern about, and personal interest in, the decision-making process[41]. There are suggestions that simple schemas or cognitive heuristics are most

likely to be used by individuals with low involvement in the decision-making process, thereby resulting in low-level rationalisationeffort. High involvement has, in contrast, been suggested to be associated with high cognitive and information processing action on the part of a decision-maker, and thus associated with an extended problem-solving process. There exists empirical support for these presuppositions[3; 8; 28; 34]. In a study of investor information search and rationalisationstrategies, the results suggested that involvement in investment decision-making increased participation and investor diligence, and thereby positively related to an extensiveness of the rationalisationstrategy [48].

Evidently, bounded rationality impacts on individuals' rationalisation of circumstances and events, hencethe quality of the decisions and choices that they make. It is in this regard that bounded rationality was considered an important factor in the consumer financial markets.

2.1.2 The Economics (Cost-Benefit) Perspective to Consumer Financial Behaviour

Contrary to the bounded rationality perspective, the economics approach takes the view that individuals are rather motivated to rationalise their choices by benefits (perceived or real) that are in the offing. Borne from the classical economics theory [72], individuals are projected as economic entities that are driven by a wealth-maximising objective pursued by means of prudently ascertaining and matching the costs and benefits of decisions and choices [66]. Only when a net positive utility function (having factored in all related costs)is expected would an individual meaningfully engage in a rationalisation process [38]. Moreover, the effort applied to the process rationalisation has been found to be positively related to the degree of the expected net positive gains. Thus, ceteris paribus, the anticipation of increased benefits motivates increased levels of attention and effort to the decision-rationalisation process, while increased costs have the opposite effect [27].

There are many economic-related benefits to rationalising decisions. Ratchford, Talukdar, & Lee [65] categorised these benefits into three classes: functional attributes, expressive attributes and price of alternative choices. Functional attributes relate to acquiring a desired product with relatively good features and functions which can ordinarily be assessed objectively. Expressive attributes pertain to the degree to which a product can fulfil the role of self-expression of oneself to others, i.e. as a status symbol. Inherently, expressive attributes cannot be measured objectively. The attribute of price is a representation of value for money. Empirical evidence among researchers indicates a consensus that an anticipation of such benefits of rationalisation asgood deals, good buys, cost-saving, satisfaction and value for money is positively related to economically prudent individual behaviour[29; 44; 62; 71].

However, the realisation of these economic-related benefits is not without constraints. It is particularly apparent that the process of consumer rationalisation, decision-making and choice involves costs. Typically, such costs include [14; 22; 28; 29; 46; 62; 68]:

- monetary outlay on activities related to information search;
- costs incurred by subcontracting the information search activity to consultants and advisors, including those who charge fees for their services;
- the opportunity cost of time and money spent on gathering and sifting through masses of data;

- the physical effort ofgathering and sifting through the data and deducing the required information;
- psychologicalcosts incurred throughout the process, defined as the cognitive effort required to retrieve information from memory, integrate with information acquired from external sources, evaluate the aggregate information and reach a decision criterion and/or make a choice.

Operating from the premise that individuals are generally resource-constrained with regard to financial, temporal and cognitive wherewithal, and in light of the perceived benefits discussed above, the process of consumer rationalisation therefore renders decreasing marginal returns.

An alternative cost-benefit framework proposes that individuals engage in the rationalisation process with a view to minimise the perceived risk of making suboptimal decisions. The greater the degree of perceived risk associated with the product being acquired, the greater the propensity to engage effortful decision-making processes[3; 47; 57; 71]. Thus, it is postulated in the literature that in situations of uncertainty regarding the outcome of an action,individuals are inclined to augment the quality of the decision (as a utility maximisation strategy) by being more engaging[3; 54; 58]. The failure to redress risk potentially rescinds the targeted returns and benefits [62; 71].

In sum, the economic perspective to consumer financial behavioursuggests that individuals will retain the propensity to rationalise for as long as the perceived marginal benefit exceeds the associated cost [35; 68; 71; 72]. In the literature, the factors of cost, benefit, risk and price dispersion are some of the most commonly used variables in the economic theoretical paradigm [29; 68; 72].

2.2 Financial Information Intermediaries

Information is an economic commodity which can be produced, distributed and offered to a buyer at a cost [66], although the information market is unconventional in a number of ways. For instance:

- information cannot be examined and have its properties scrutinized prior to its purchase, and neither can the seller disclose the content of the information being sold before the buyer purchases it otherwise there would be no point in paying for it;
- a repeat purchase of information rarely adds value to a decision outcome;
- while a price ordinarily conveys information about a commodity, for instance the scarcity-value of the commodity, the same principle is not directly applicable to the information market [2; 73].

Despite these ambiguitiesassociated with the ‘information market’, information remains an indispensable commodity in the operations of an economy. In particular, consumers want to be knowledgeable of available products and their attributes so that they may maximise the utility of their consumption needs [21; 26; 51; 76], and market competitiveness and efficiency are a derivative of the behaviour of consumers. It is in this context that sources of information, or financial information intermediaries, play a pivotal role in the structures and operations of financial markets.

Information intermediaries are economic agents, in either human or unhuman form, that

act as a conduit in the transfer of value-laden information from the producers to the end-users[42]. Characteristically, information intermediaries increase the value of the information, reduce the cost of gathering information and condense data into 'bite-size' information that is relevant to the impending decision. The evidence of information oversupply that is largely attributable to financial information regulation, market liberalisation, and technological advances and its negative effects on the quality of consumer decisions and choices has heightened the role and importance of information intermediaries in present-day markets [37; 44; 75; 77].
Different studies have adopted varying typologies to information intermediaries. One of the most extensive typologies was proposed by Schmidt &Spreng[68], which suggested:

- market controlled sources;
- reseller information source;
- third party independent organisations;
- interpersonal sources;
- direct inspection.

Other researchers have suggested and used a more robust schemapresented information intermediaries in three constituencies [12; 45]:

- personal sources, which largely take the form of informal inquiries with personal contacts, for instance friends, relatives, neighbours, acquaintances, co-workers and peers;
- independent sources, which encompass various neutral agencies and levels of government, independent rating agencies, and organisations that certify the quality of products;
- commercial sources, which include all entities that have a direct economic interest in a product and include manufactures, retailers and trade associations.

In a study conducted in Australia onthe role of financial information intermediaries on borrower's credit decision and choices, Biza-Khupe, Ward, & Ahmed [7] articulated the form, heterogeneity, complexity and informational content of each of the three intermediaries (as suggested by Capon & Lutz [12] and Lee & Hogarth [45]). Moreover, the study found distinct influences among some of the information intermediaries on consumer credit decisions. This was found to have implications on the operational efficiency of financial markets, particularly considering the different levels of proficiency across the different classes of financial information intermediaries. In this regard, financial intermediaries are an important actor in the landscape of financial markets.

2.3 Government Intervention

The free-market economy system, as afiscal managerial approach, is world's most adapted form. In its most idealistic form, this economic system allows for the forces of supply and demand to regulate prices, products, quantities, wages and other related economic parameters without interference from the government or any other regulatory organ [56; 72].Under these ideal conditions, markets would operateperfectly efficient and the available scarce resources allocated most efficiently. Moreover, the transactional

equilibrium price for goods and services exchanged in such a marketplace is critical as it signals and communicates consumer demand to producers, and thus directs market operations.

By all indications, the purest form of the free-market economy system is practically impossible to operate and sustain, the main reason being that some of the underlying assumptions of the system are impracticable. The bedrock of the free-market economy system is absolute parity among market-players, a condition that then rules out such market 'impurities' as information asymmetry, adverse selection and moral hazard, and thus assumes perfect market efficiency. However, the presence of these market 'impurities' is well documented and their devastating effects real [25; 55; 59]. The history of the global financial markets that has been punctuated by the near collapse of capital markets and the advent of the financial crises provides undisputable empirical evidence of the inefficiencies and disparities of global financial markets [13; 16; 30]. It is in this regard that governments have been motivated to establish regulations, laws, organs and structures specifically directed at 'saving the financial markets from themselves'. Financial information regulation is one of the most prolific examples of government intervention in financial markets directed at improving on market efficiency [6; 50]. This approach to market intervention has had a global appeal, albeit with significant degrees of variations in conceptualisation and application. Most notably, these different approaches of government intervention have achieved different and mixed measures of success[50; 61].

The literature overview drew to the fore some of the identified factors that impact the operations, performance and efficiency of the consumer financial markets. In particular,factors of drawn fromthe theories of bounded rationality andeconomics, and the factors of financial information intermediary and government intervention in financial markets, have been identified and the cornerstone of consumer financial markets. To the extent that prior studies have largely focused one or few of these factors, they have been criticised by other scholars for lacking in robustness. Moreover, increased explanatory strength and better understanding of these markets can be more effectively gained by studying the combined effect of these factors on the state of financial markets and also by studying the interrelations that exist among these variables [28; 38; 68]. The next section is a discussion on a proposition that addresses these two issues.

3 The Proposed Theoretical Framework for Remodelling Consumer Financial Markets

In this paper, Consumer Financial Markets are broadly defined as organs, structures and systems that are established principally to serve individuals and households with respect to their borrowing and investment needs, with an overarching objective of maximising their economic utilityby the endowment of either commercial purchasing power or economic wealth, or both. In this context, the main role-players in consumer financial markets include borrowers, savers and financial intermediaries. Financial intermediaries, which include such financial institutions as commercial banks, savings and loans associations, pension fund administrators and life insurance companies, provide a myriad of services that include personal loans, credit cards, mortgages, leasing, financial management, investment and brokerage services [10; 24; 25].

While the classic economic theory of supply and demand is still regarded as the fundamental mould on which consumer financial markets are structured, there are indications that other factors play a significant role in shaping and determining operations in and the performance of these markets – among them; bounded rationality, economic behaviour, financial information intermediaries and government intervention. Despite increased criticism on the conventional univariate and bivariate analytical approaches to research and increased calls for more comprehensive and robust approaches that explore interrelations that exist among a host of factors, with the potential for increased explanatory strength and understanding, little headway has be achieved in this regard.

The literature on the form and structure of consumer financial markets is scanty. To the extent that this author could determine, there are limited available consumer-financial-market-dedicated studies that have attempted to conceptualise and propose a theoretical framework providing a generic blue-print for a comprehensive research. There is an attempt at that best provides a foundation for such a blue-print [7]. The study was an exploration of factors that determine consumer credit behaviour and further proposed a theoretical framework for consumer financial market efficiency.The proposed theoretical framework posited that the Efficacy of Financial Markets is determined by the two factors: the Financial Environmental Factors and Consumer Financial decisions/choices. Further, Financial Environmental Factors were posed to have a direct impact on Consumer Financial decision/choices. The indicator variables for each of the proposed factors were also suggested.

The proposed theoretical framework for consumer financial market efficiency suggested [7] had some shortcomings. First, the theoretical framework is too simplistic and does not adequately provide a good representation of the complexities of the financial environment. Second, considering the expanse of factors considered to active in the determination of market efficiency, i.e. the role of information intermediaries and psychology, the proposedframework was too concise. Notwithstanding the above deficiencies, the study was a breakthrough in the field of modelling consumer financial markets.

The proposed approach to remodelling consumer financial markets, as depicted in Figure 1, suggests that the combined effect of the interveningfactors of: bounded rationality; economicsrationalisation; financial information intermediation; and government intervention in financial markets,provide a more meaningful and comprehensive approach to explaining and understanding the operations these markets.

Specifically, the model proposes that Consumer Financial Behaviour is a product of the influences of Bounded Rationality, the Economics Approach and Financial Information Intermediaries. Consumer financial behaviour encompasses consumer rationalisation, decision and choices as relating to all aspects of their financial matters, and these include investment, credit, financial management, financial aptitude and, ultimately, the economic utility maximisation function.

Bounded rationality, through the variables of cognitive abilities, motivation, prior-memory structure, prior knowledge, involvementand education have an impacts on consumers' rationalisation and decision-making processes, a factor that affects the quality their economic choices. The theoretical perspective of bounded rationality takes cognisance of the fact that consumers are both cognitive misers and operate on constrained cognitive abilities [68] and suggests tentative measures to alleviate the problem. Increased financial education and repackaging of information by, for example, providing summary financial information that does not require extensive psychological

effort, are some of the suggestions that have been advanced[6; 37].

The economic perspective identifies the costs and benefits of financial rationalisation and suggests that the out-of-pocket expenses and the opportunity cost of time must be outweighed by the anticipated benefits[22; 28; 46]. The benefits of financial rationalisation have been identified to include increased returns per dollar invested, low interest rate and finance charges,risk mitigation, financial knowledge for future applications, better financial management skills, and realising the most out of financial instruments [14; 46]. It the prospect of realising these benefits (less the associated costs) that motivates an economic-utility-maximisation directed behaviour on the part of consumers. Considering that individuals are generally becoming increasingly time- and budgetary-constrained, it has been suggested that financial information should become more easily and cheaply accessible [74].

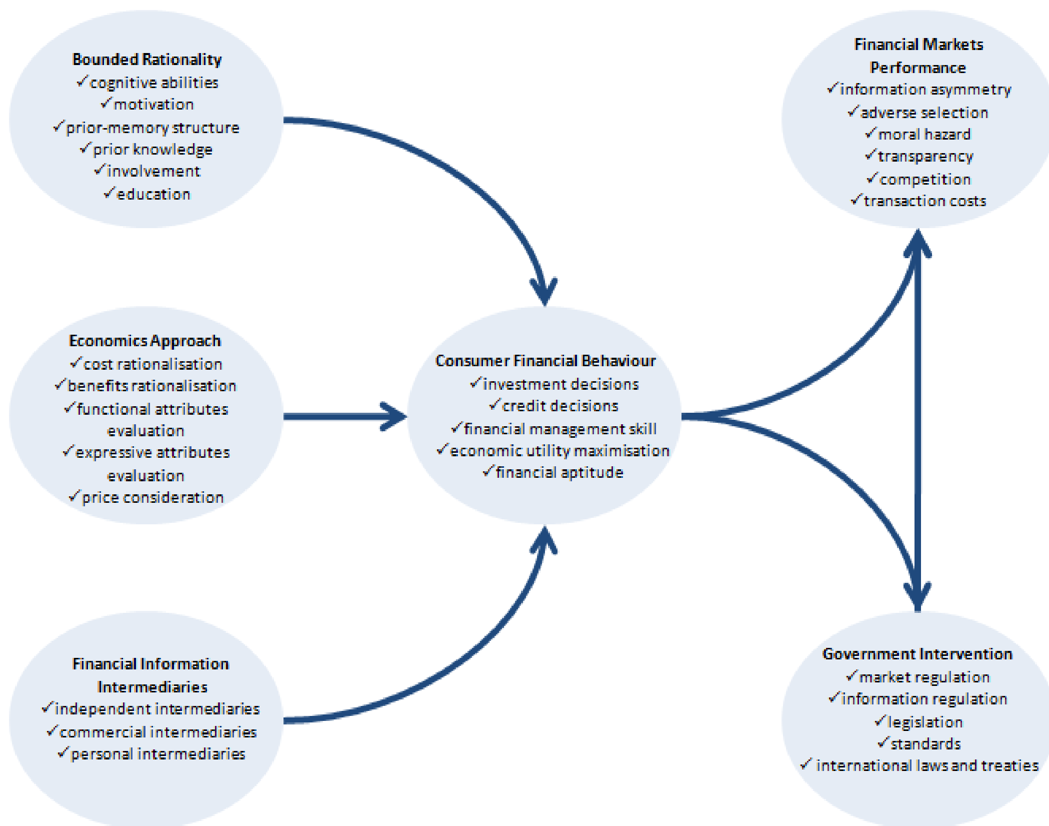

Figure 1: The Proposed Theoretical Framework for Remodelling Consumer Financial Markets

The intermediary role played by financial information intermediaries is indispensable to financial markets, especially in the wake of the seemingly ever-increasing information asymmetry gap. With evidence suggesting that financial information intermediaries are distinct in composite and informational orientation, and also that individuals generally ‘cognitive misers’ who limit the number of information intermediaries consulted when searching for information, it is therefore within reason to conclude that an individual has a primary financial information source [45]. It is this primary source that is suggested to

have a profound impact on the consumerfinancial behaviour, and particularly the rationality of financial decisions and choices [5]. This phenomenon is most vividly depicted in a theoretical model of the influence of financial information intermediaries on consumer credit rationalisation theoretical model by Biza-Khupe, Ward & Ahmed[7]. In the study, the intermediary function of financial information intermediaries is projected as that of financial information production and exchange as motivated by the objective of adding value to the decisions and choices of individuals. The contribution of financial information intermediaries is articulated in broad spheres of improved financial decisions, direct financial benefits and overall improvements in consumer financial markets efficiency. In sum, financial information intermediaries are a determinant of consumer financial behaviour.

In turn, consumer financial behaviour has a notable impact on the performance of financial markets. Consumer-driven markets, in which the choice and demand for goods and services by consumers is informed by some judicious, effective and optimal decision making processes, are ideal. In such markets, information asymmetry is non-existent,and hence suppliers compete for market share on the basis some quantifiable attributes that are known with certainty by consumers [43]. Under such conditions, consumer decisions and choiceskeep corporations in check by forcingthem to compete for market share on the basis of price, quality, product features and other quantifiable attributes [50; 69]. However, financial markets are generally not perfectly efficient, and neither are consumer financial decisions and choices. This is borne out of the information asymmetry that exists between the 'insiders' and 'outsiders' [72]. Also, individuals are inherently cognitively constrained in their ability to identify, locate, process, absorb and assimilate relevant information to their decisions[36; 68].The consequences of a disequilibrium information distribution are information asymmetry, adverse selection, high transaction costs and, ultimately, inefficient economies. Information asymmetry is a market condition in which a particular segment of market players is better informed than other segment(s) [25; 55; 59]. As a direct result, the segment of market players disenfranchised by information asymmetry resort to 'signalling' as a means of knowledge compensation [32; 73], and 'signalling' allocates the scarce economic resources inefficiently [10; 25].

One way in which many governments tried to re-establish economic equilibrium is by direct and indirect means of intervention, for example; market regulation, information regulation, legislation, standards, international laws and treaties [11; 20; 24; 50; 61].The main thrust of these strategies is to inject the values and principles of a free and fair market economy. Predictably, the 'dosage' of the intervention will largely depend on the extent and degree of the disequilibrium. With markets consumer-driven again, the exploitative tendencies of corporations would be curtailing and consumers would be able to maximise their economic utility [33; 50].

4 Conclusion

The significance of consumer financial markets as a constituent of the greater financial markets has been made more apparent by its hand in the Global Financial Crisis (GFC) which began in 2007 with the collapse of the US sub-prime mortgage market. As a direct consequence, researchers, practitioners and policy makers have become increasingly inquisitive about the intricacies of consumer financial markets, and particularly the relationship and/or impact of these markets on the financial system. The main thrust of

this interest being largely to propose means and ways in which market efficiency could be improved, with the overarching objective of preventing future market crashes. To this end, there are different strands of literature that have been adopted and used to explicate this phenomenon. Notably, bounded rationality and economics theorists have proposed and tested a myriad of variables that could potentially impact consumer financial behaviour. Notwithstanding these variables, other researchers have argued that financial information intermediaries are key to consumer financial behaviour. All the while, bounded rationality theorists, economics theorists and proponents of the theory of financial information intermediaries are in concert on the notion that consumer financial behaviour is key to the performance of the financial system. This notion is premised on the grounds that informed-consumer driven markets both espouse the ideal principles of a free-market economy and engender fair competition among financial services providers.

While all these studies have made an important and significant contribution to the cause, this paper calls to question the optimality of the conventional approach that continues to be used. In this conventional approach, most of these studies have a tendency to 'compartment-ise' each theoretical approach and its related factors/variables, and thus treat these factors/variables as independent to those from other theoretical streams. In reality, these different theoretical perspectives produce factors/variables that are representative of interwoven social constructs. Intuitively, therefore, any research approach that conceptualises these constructs as 'independent variables' both misrepresents reality as it exists and yields 'half-baked' (and at worst, misleading) solutions.

With a view to address this drawback, the paper proposes a generic 'blue-print' that captures most of the identified key factors to consumer financial behaviour, across the theoretical divide, and maps out the conceived collective impact they have on consumer financial decisions and the performance of financial markets. These intervening variables are interrelated, and hence their simultaneous inclusion in the study provides more comprehensive explanatory strength and significant meaning. This perspective has a greater potential of yielding more effective and comprehensive solutions to the continuing problems in global financial markets, and thus advancement to theory and practice. A delimitation of the paper is that it neither operationalises the proposed relationships nor empirically tests them, a matter for further research.

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