Rumours From the Perspective of Malaysia Retail Investors: A Qualitative Study

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ABSTRACT

This study explores the phenomenon of rumour dissemination within Malaysia's retail investment sector, focusing on the social dynamics that influence the spread and impact of rumours among retail investors. Utilizing a qualitative approach, we conducted semi-structured interviews with participants aged 26 to 60, each possessing over ten years of retail investment experience, primarily from Malaysia's Klang Valley. Thematic analysis was employed to interpret the data, revealing key factors that shape investor behaviour and market sentiment. Our findings identify three critical themes: individual traits and behaviours, organizational events, and the political climate. Personal factors, including individual experiences, motives, and beliefs, are central to how rumours form and spread, as they shape how investors interpret and share information within their networks. Investors' prior successes, failures, and motives for financial gain or social status drive these behaviours. Corporate events, such as key turning points, leadership changes, strategic decisions, and financial results, create ripple effects that influence both the organization's performance and investor perceptions, often sparking speculation and rumour circulation. Furthermore, the political climate plays a significant role, as legislative changes, regulatory policies, and political stability affect the overall market environment. These socio-political factors shape investor sentiment and decision-making, adding layers of complexity to the spread and impact of market rumours. By applying the Gioia methodology, this study uncovers the complex interplay between these factors in rumour formation and dissemination. The research offers holistic insights into the socio-economic forces shaping retail investors' behaviour in Malaysia, providing valuable contributions to understanding the role of rumours in market dynamics. Furthermore, it underscores the importance of socio-political elements in shaping investor perceptions, adding depth to the study of retail investment practices in Malaysia.

Keywords: retail investor, rumour, social reality, investments' decision-making

INTRODUCTION

In the bustling marketplace of investment, where fortunes are won and lost in the blink of an eye, whispers in the corridors often carry more weight than official announcements. Rumours—those elusive, tantalizing snippets of information—hold a unique power over retail investors, shaping decisions and driving market dynamics in ways that defy conventional logic. Rumours, as a form of informal communication, can significantly influence individual decision-making. They interact with a variety of factors, including ecological, sociological, economic, and psychological elements (Eversberg et al., 2022). With technological advancements, rumours now spread more rapidly and widely, often impacting lives, and in some cases, threatening public safety and social stability (Chen et al., 2023). A particularly evident area of disruption caused by rumours is the financial market, where share prices may fluctuate in response to unverified information. Scholars have observed that stock prices occasionally react to these rumours, even when the information remains unsubstantiated (Schmidt, 2020).

Previous studies have explored the interplay between rumours and share prices, with Tumarkin and Whitelaw (2001) highlighting how rumours can lead to Abnormal Returns (ARs), sparking interest in the topic. Sykes (2023) further argued that the strategy of "buy on the rumour, sell on the news" is prevalent across various stock markets, where investors use rumours to predict future price movements—a behaviour that, while seemingly irrational, is observable in real-world trading. This study delves into the intricate and often shadowy world of rumours within Malaysia's retail investment sphere, examining their profound impact on investor behaviour and market sentiment. Retail investors, operating in a high-stakes environment where information is currency, often rely on these unverified claims, with every scrap of data potentially making the difference between profit and loss. The anticipation of news, as captured by the adage "buy on the rumour, sell on the news," underscores how the influence of rumours can be as powerful as, or even more powerful than, the news itself.

This study aims to extend the understanding of the influence of rumours on share prices among retail investors in the Klang Valley. Through an exploratory approach, we investigate how retail investors react to rumours when making decisions about share prices. This research delves into the Malaysian retail investment sphere, examining rumours through the lens of social reality. By exploring the social fabric that underlies rumours, we aim to uncover their origins, dissemination, and impact on retail investors. These rumours, which circulate in both virtual and physical communities, influence individual sentiments and market dynamics. Ultimately, analysing rumours offers unique insights into the socio-economic landscape of Malaysian society, capturing the collective hopes, fears, and uncertainties of retail investors.

Therefore, this study intends to investigate the impact of rumours on the decision-making processes of retail investors in Malaysia's investment landscape. This exploration is vital to understanding how unverified information influences investor behaviour and market dynamics. In addition, the study aims to uncover the mechanisms through which rumours are propagated and how these, in turn, affect market sentiment and investment outcomes. Specifically, this study aims to answer the following questions:

1. How do rumours influence the decision-making processes of retail investors in Malaysia's financial markets?
2. How do socio-reality factors intertwine with rumours to shape market perceptions and actions among retail investors?

This study will contribute to the field of behavioural finance in two ways. First, methodologically, it will provide a qualitative analysis of the social realities governing investment decisions, moving beyond traditional quantitative approaches. Secondly, the study will offer insights that can be utilized by scholars, market practitioners, and policymakers to better understand the forces that drive retail investment behaviour, particularly in the context of unverified information and its broader socio-political implications.

BACK GROUND OF STUDY

Rumour and Share Price

Fine and Ellis (2010) stated that there are many debates in defining the term "rumour." It is closely related to gossip, hoax, and urban legend (DiFonzo & Bordia, 2007). Moreover, Fine and Ellis (2010) argued that in behavioural science, a "rumour" is an expression of belief about a specific event that is supposed to have happened or is about to happen. This claim may pique our interest, yet it lacks what the larger political system considers certain standards of evidence. However, if the environment, such as in the share market, lacks information or news, rumours may be a booster in the source collection process (DiFonzo & Bordia, 2007).

Rumour's subjectivity has drawn a line, with information resulting from those who believe it. According to Schindler (2007), investors consider something as information if the outcome is true and a rumour if the outcome is false. He added that when investors convince themselves the rumours are true, they will be considered information. Rosnow and Kimmel (2000), however, have a different point of view. They argued that rumours might ultimately prove to be untrue or true. This depends on the rumour's dynamics, which necessitates some verification. When discussing rumours in the share market, Sunstein and Vermeule (2009) suggested that rumours can be utilised as a weapon to achieve their hidden investment motives (Dalal et al., 2015). Despite this outcome, little research can explain why rumours are the identified weapon in deceiving others. The volume of different kinds of disinformation has almost certainly grown faster while true information is often spun, twisted, recontextualized, or reworked (Hassan & Azmi, 2024).

Past literature, such as Lim (2008) provided the first investigation to explain the evidence of Malaysian stock market efficiency predicated on the AMH. This study discovered that data creation is affected by both linear and non-linear dependencies. According to AMH's hypothesised adaptive nature of price evolution, the nature of price dependency is unstable (Lim, 2008). Other than that, the foregoing behavioural finance research has been suggested as the possible origin of market efficiency instability. The limited rationality of Malaysian investors has been proven by behavioural finance research. This includes utilising technical analysis by Mohamad and

Nassir (1997). Retail investor irrationality results from behavioural biases, which include attention to severe price movements (Toh & Ahmad, 2010), winner and loser (Toh & Ahmad, 2010), and references to prior firm success (Muhammad & Abdullah, 2009).

Other behavioural biases have also been highlighted in market-level studies. First, overreaction, underreaction, and overconfidence biases are caused by a variety of events, such as attention to winners and losers' stocks, market rumours, and speculative political issues (Ahmad & Hussain, 2001; Ali et al., 2012; Ali et al., 2011). Second, herding bias is due to psychological and sociological influences (Brahmana et al., 2012). Third, momentum-trading bias includes trades based on actively traded securities and sizes (Drew & Veeraraghavan, 2002; Hameed & Ting, 2000). Fourth, culturally induced biases comprise a high level of collectivism in society (Durand et al., 2013; Statman, 2005) and seasonality forces, including the Chinese New Year effect (Ahmad & Hussain, 2001; Wong et al., 1990) and Aidilfitri effect (Bialkowski et al., 2012). Fifth, during the crisis, there was a negative bias (Chen, 2021). Sixth, speculation bias is also included (Chan et al., 1998), and possibly many more to be uncovered. Bakar and Amelia (2016) concluded that much previous cognitive psychology literature studied how investors think, reason, and make decisions.

Another critical area in the study of a rumour is social reality. Prominent sociologists studying rumour include Auguste Comte, Emile Durkheim, Max Weber, and Karl Marx (Turenne, 2018). In the social sciences, a rumour takes the shape of a claim whose veracity is never or swiftly verified. Meanwhile, studies in psychology, sociology, and behavioural finance emphasise the value of researching rumours (Tuyon & Ahmad, 2016). According to Bordia and DiFonzo (2006; 2007), spreading rumours indicates a "collective explanation process." This result was reached based on the coding and analysis of statements from archival message board debates. In these discussions, it was discovered that 29% of the remarks might be classified as 'sense-making' assertions, which contained efforts at decision-making (Bordia & Difonzo, 2006; 2007).

Rumour and Retail Investors' Investment Decision-making

Schindler (2007) argues that rumours, being complex and influenced by psychological and sociological factors, require proper analysis from a financial perspective. Behavioural finance, which examines factors influencing investment decisions, diverges from traditional finance by challenging the notion that investors are perfectly rational (Schindler, 2007).

In traditional finance, investor behaviour is often linked to rationality. However, Schindler (2007) notes that investor behaviour frequently deviates from this, influenced by psychological aspects, which provide fertile ground for rumours. De Bondt, Mayoral, and Vallelado (2013) explain that the unique nature of rumours can lead investors to follow one another blindly due to shared vulnerabilities in information. This highlights cognitive issues among investors.

In the stock market, investors often adopt strategies like “buy on rumours, sell on news,” driven by cognitive influences (De Bondt et al., 2013). Warren (2006) and Sloman, Guest, and Garratt (2001) suggest that cognitive models are useful in describing investors' decision-making processes and interactions (De Bondt et al., 2013). Olsen (2008) adds that cognitive models explain how emotions, behaviour, and psychological reactions, including perceptions and spontaneous thoughts, influence investors. These perceptions help investors recognize and correct distorted beliefs that affect their decisions.

Empirical studies have explored the relationship between cognitive models and investor behaviour. For example, Luong and Thu Ha (2011) found that herding, overconfidence, and prospect theory significantly influence decision-making among investors in Vietnam (Bakar & Amelia, 2013). Similarly, Wamae's (2013) study in Kenya and Babajide and Adetiloye's (2012) research in Nigeria identified key behavioural factors like herding, loss aversion, and overconfidence that shape investment decisions (Bakar & Amelia, 2013). From a theoretical perspective, rumours in the stock market remain poorly understood.

This study embarks on a journey into the heart of Malaysia's retail investment sphere, delving into the realm of rumours from a lens seldom explored – the perspective of social reality. By peering beyond the surface-level narratives and delving into the underlying social fabric, we seek to unravel the mysteries surrounding the genesis, dissemination, and impact of rumours among retail investors. It is within these communities, both virtual and physical, that rumours ferment and gain traction, shaping the sentiments and actions of individual investors and, in some cases, reverberating across the broader market landscape. The allure of rumours lies in their potential to influence market dynamics and reflect broader social realities. Furthermore, they serve as barometers of sentiment, echoing the hopes, fears, and uncertainties that permeate through the collective consciousness of investors. As such, dissecting rumours offers a unique vantage point from which to glean insights into the socio-economic fabric of Malaysian society.

Identifying the Gap of Study

This study discusses social reality as perceived through the eyes of the participants. From the standpoint of this study, "social reality" refers to Collin's (1997) detailed account of social reality. The author asserts that social reality is another way one forms one's conception. How we think or speak about social reality, our understanding of its nature, how we explain it to one another, and the concepts we employ to understand it all contribute to how we perceive it. Thus, we continued by stating that social facts are believed to be a by-product of the same cognition, the very intellectual processes via which they are cognised, interpreted, and categorised, particularly as this cognition is a shared and common process (Collin, 1997). Other than that, humans translate their thoughts into reality through action, or their ideas serve as patterns for things they proceed to make real through their actions. Referring to the explanations from Collin (1997), a strong perspective of social reality can be analysed in participants' quotes during the interview sessions.

From a theoretical point of view, rumour is classified as something little known, particularly in the share market (Malkiel, 2003). The complexity of rumours associated with investors' decision-making makes it challenging to put into research. However, if the environment, such as the share market, lacks information or news, the rumour may be a booster in the source collection process (DiFonzo & Bordia, 2007). There is no strict line between rumour and information. The subjectivity element of rumour has drawn a divided line with information results from those who believe it. For example, Schindler (2007) explained that people would consider something as information if the outcome was true, and it would be called a rumour if the outcome was false.

Another critical aspect of studying rumours is their social reality. Prominent sociologists such as Auguste Comte, Emile Durkheim, Max Weber, and Karl Marx have examined rumours' social implications (Turenne, 2018). In social sciences, rumours are claiming whose veracity is often quickly or never verified. Studies in psychology, sociology, and behavioural finance emphasize the importance of researching rumours (Tuyon & Ahmad, 2016). According to Bordia and DiFonzo (2006; 2007), the spread of rumours represents a "collective explanation process," as evidenced by the analysis of statements from archival message board debates. These discussions reveal that 29% of remarks could be classified as 'sense-making' statements, involving efforts at decision-making (Bordia & Difonzo, 2006; 2007).

Rumours have long been a ubiquitous feature of financial markets, shaping investor sentiment and influencing market dynamics. Within the context of Malaysia's retail investor community, rumours play a significant role in shaping beliefs, perceptions, and investment decisions. However, despite their prevalence, the processes through which rumours emerge, spread, and impact retail investors remain poorly understood. Previous research indicates that retail investors often react strongly to news and rumours, contributing to market anomalies and mispricing. For instance, Jha (2023) examines the limitations of traditional datasets in capturing retail investor attention, particularly in fast-moving contexts like rumours, highlighting a gap in understanding how such information influences investor behaviour. Similarly, studies by Nguyen and Pham (2021) and Chen et al. (2020) explore how attention to irrelevant information can lead to overreactions, further exacerbating price anomalies in stock markets. These findings suggest that the processes by which rumours affect decision-making, especially in emerging markets such as Malaysia, are not yet thoroughly investigated. In this study, we adopt a thematic analysis framework approach to unravel the intricate web of rumours among Malaysia's retail investors. We aim to develop a comprehensive understanding of the social phenomena underlying rumour dynamics.

METHOD

Choices of Participant

The data collection in this study involved semi-structured interviews with a purposive sample of retail investors. According to Creswell (2009), purposive sampling is a highly effective method for qualitative research when seeking detailed and comprehensive descriptions of a phenomenon. This method allowed the researchers to focus on participants who had significant experience, with at least ten years as retail investors, and who ranged in age from 26 to 60 years. The choice of this age range was based on insights from the Institute for Capital Market Research (ICMR) Malaysia 2020 report, which provided a relevant demographic framework.

As outlined in Appendix 1, the participants in the study varied in terms of gender, age, occupation, investment experience, date of interview, and aim of interviews offering a diverse range of perspectives on how rumours influence investment decisions. Participants were carefully selected based on their experience and the context in which they invest, ensuring a comprehensive understanding of how rumours affect retail investors at different career stages. Each interview, lasting between sixty and ninety minutes, was recorded with the participant's consent and later transcribed for analysis.

Research Design

This study followed the Gioia methodology to collect and analyse qualitative data. Central to this approach was the use of semi-structured interviews, allowing participants to share their experiences with market rumours in an open-ended format. Interviews were conducted with retail investors in Malaysia's Klang Valley, focusing on how rumours are generated, spread, and impact investment decision-making. The metropolitan region of Kuala Lumpur, representing 8.42 million of Malaysia's total population of 32.7 million (Department of Statistics Malaysia, 2020), was chosen as the data collection site due to its significant representation of retail investors.

Each interview took place in a quiet, convenient location, such as participants' offices or homes, to encourage an open discussion. The interviews were recorded, transcribed, and prepared for thematic analysis using a standard framework suggested by Braun and Clarke (2006). This thematic analysis included steps such as becoming familiar with the data, coding, and developing themes from the coded data.

Thematic Analysis Framework

As suggested by Braun and Clarke (2006), the process involved a detailed of data familiarization, coding, theme development, theme review, and theme definition. Each phase was carefully executed to ensure that the findings were rigorously grounded in the data. The analysis aimed to understand how rumours manifest and evolve in the retail investor community, particularly within the context of Malaysia's investment landscape.

The first step of the analysis was to develop first-order codes, which were derived directly from the participants' quotes. These codes were then grouped into second-order themes, which captured more abstract patterns and relationships. Finally, the second-order themes were synthesized into aggregate dimensions, offering a higher-level understanding of the mechanisms through which rumours affect retail investors (Appendix 2).

Proses of Analysis Using Gioia Methodology

First-Order Analysis: In this initial phase, we focus on the informants' own terms and concepts, staying close to the data. This involves coding the interview transcripts line-by-line to identify key phrases and concepts that participants use to describe their experiences with rumours. This step ensures that the analysis remains grounded in the participants' perspectives.

Second-Order Analysis: After identifying first-order concepts, we move to a higher level of abstraction to develop second-order themes. This involves interpreting the data to identify patterns and relationships between the concepts. Here, we draw on existing literature and theoretical frameworks to help make sense of the data. For instance, we might identify themes related to individual biases, company events, and political influences on rumour propagation.

Data Structure: The Gioia methodology emphasizes the creation of a data structure that visually represents the relationship between first-order concepts and second-order themes. This structure helps to systematically organize and analyse qualitative data, providing a clear framework for understanding how initial observations (first-order concepts) evolve into broader theoretical insights (second-order themes), thereby facilitating the development of a coherent and robust theoretical narrative (refer to Appendix 2).

Validity of Data

In qualitative research, validation is crucial to guarantee the reliability, validity, and correctness of the results. Validity and reliability guide qualitative researchers in conducting the study ethically to ensure the outcome or result is trustworthy (Merriam, 2009). Qualitative research works with rich, complex data encompassing social processes and human experiences, in contrast to quantitative research, which is based on numerical data and statistical validation. Qualitative method seems to be a better approach to find out the underlying issues that other method of research such as quantitative, can explore. Qualitative method can provide more detailed information with specific issues that can be discussed, unlike quantitative that covers the broad opinion and perspective of one particular social phenomenon (Zulkipli & Baba, 2027).

Table 3 Validation Strategies for The Present Study

No.	Validation Strategy	Description of the procedure followed in this study
1.	Triangulation	Employing interviews as the major data source.
2.	Members Check	Referring to the research participant to confirm the tentative findings based on their submission in the interview encounter with the researcher.
3.	Peer Review	Four (4) PhD candidates from work colleagues were selected to review and compare the data and the emergent categories. They will investigate the raw data and the coding process until the data structure and validate the initial model proposed by the present study. The present study's supervisor will also review on top of the peers.
4.	Adequate Engagement	The present study was very much involved in the entire research process. Adequate time spent on data collection to the data saturation. The period of data collection range is estimated to be between 9-24 months.
5.	Purposive Sampling	It assists the present study in concentrating on informants that are knowledgeable of the research issues.

Self-Organized by Present Study

RESULTS AND ANALYSIS

Our finding found that retail investors play a crucial role in the stock market, often influenced by various factors when making decisions to buy or sell shares. Our findings revealed rumours can spread rapidly and impact investor behaviour on different levels. Interestingly, our findings revealed that there are three concepts of rumour (macro, meso, and micro) initiate retailer's investors decision making to buy or sell shares. Congruent with previous studies, the existence of a complex circumstance serves as the starting point for the decision-making process when a retail investor hears a rumour. Figure 1 depicts the three dynamic process of rumours that influenced the retail investors decision making.

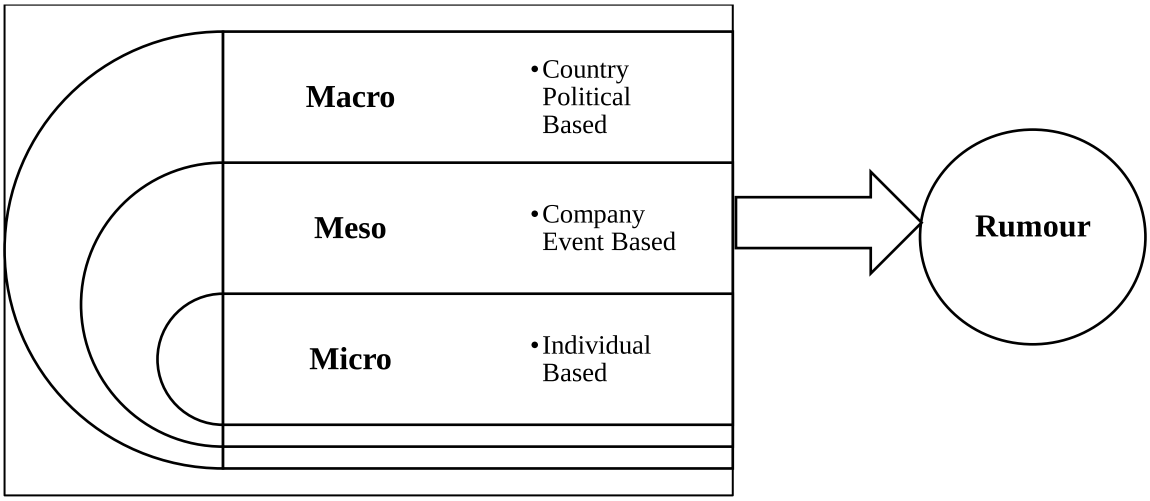

Figure 1: Concept of Forming Rumour from the Social Reality Perspective
Source: From research

Figure 1 illustrates the three concepts of which rumours among retail investors can influence investor decision making and each concept of rumours helps in analysing how information disseminates and affects retailer's decisions.

Concept 1: Macro (Country Political Based)
In the macro context, rumours often relate to country-wide political events and policies, including government regulations, political instability, or macroeconomic measures that affect the market. Retail investors might react to rumours about elections, tax changes, or international trade agreements. For instance, a rumour about a capital gains tax change could prompt widespread stock buying or selling. Similarly, a rumour about an interest rate shift

by the central bank can lead investors to adjust their portfolios, causing market volatility. This highlights how a nation's political climate—through legislative measures, political stability, and regulatory adjustments—plays a key role in retailers' decision-making. It's vital for stakeholders to stay informed about political events and their potential effects. The following excerpts illustrate this point:

> "…*One notable example is the implementation of the Goods and Services Tax (GST) a few years ago, followed by its subsequent repeal and replacement with the Sales and Services Tax (SST). Additionally, political events, such as the change in government in 2018, brought about new economic policies and reforms that influenced investor confidence and market stability.*" (Participant 22)

> "…*During the uncertainty surrounding the national budget announcement last year, there were widespread rumours about major cuts to public sector spending. These rumours led to a sharp decline in stocks related to government contracts, as investors feared the worst." (*Participant 24)

> "…*The speculation about the central bank possibly devaluing the currency due to political pressures had everyone on edge. Many investors, including me, were driven to make hasty decisions to protect our assets, even though the rumour turned out to be false." (*Participant 12)

Previous studies suggest that the macro level indirectly aids investors in decision-making (Serpa & Ferreira, 2019). Understanding patterns can help explain how the broader context influences investor choices. Rumours can have a powerful impact, sometimes sparking conflicts or even toppling political regimes, while at other times, they may be brief and weak (Lotan et al., 2011). Although the effects of rumours can take time to materialise, they can still be harmful (Wiltermuth & Heath, 2009). One concern is that even if a rumour is based on false information, it can shift public opinion, and even when proven wrong, that opinion may remain unchanged. Factors such as political stability, the state of the economy, and inflation levels can shape individual sentiment and decision-making. Thus, it's crucial to help investors identify needs, design interventions, and implement strategies to improve decision-making quality. Analysts closely monitor investment reactions to assess economic health, as the macro environment is wide-ranging. Regulatory announcements or policy changes can spark rumours, leading retail investors to adjust their portfolios in anticipation of potential impacts.

Concept 2: Meso (Company Event Based)
At the meso level, the focus is on specific companies or sectors, with rumours often concerning mergers, acquisitions, financial performance, new product launches, or other major corporate events. These rumours can trigger targeted buying or selling of stocks within certain sectors or companies. Investors may react to news about a company's earnings report or a potential merger. The meso level directly assists investors in dealing with various challenges, focusing on organisational or company-related issues. A key aspect of meso analysis is examining factors that adversely affect an organisation's or company's stakeholders. Corporate events, observable facts, influence how investor's view and evaluate companies. By segmenting news articles into sentences and identifying events through multi-label sentence classification, corporate events can be recognised (Zhou et al., 2021). These events include mergers, takeovers, restructures (share buybacks, spin-offs, capital returns), de-mergers, and lock-up expirations, all of which impact investor behavior based on company-specific events.

> *"…There was a rumour about a major restructuring at a large manufacturing firm, which led to panic selling among investors. Despite the company later clarifying that the restructuring would actually enhance efficiency, the initial rumours caused a significant dip in their stock."* (Participant 27)

> *"…When whispers began about a new product launch at a prominent retail company, the excitement among investors was palpable. Many of us started buying shares, betting on the success of the product, even before any official announcements were made."* (Participant 5)

> Quote from participant no.16: *"…I recall a time when rumours of a major restructuring at a prominent banking institution started making rounds. The talk was about significant layoffs and a potential shift in strategy. This caused me to re-evaluate my position in the sector, anticipating how these changes might affect their performance."* (Participant 16)

The most common type of rumour in the share market occurs at the meso level. Rumours spread through a company's grapevine can serve as a channel for spreading information for destructive or constructive purposes by producing unverified news (Manaf et al., 2013). Putnins (2012) divided company-based rumours into three categories: "in a run" techniques, contract-based, and taking a controlling position in the company. At this level, false or misleading rumours involve spreading deceptive information about news or events that can significantly impact investors. The terms "rumour" and "arbitrage" share similar meanings, as spreading company-based rumours can create artificial scenarios, influencing investor sentiment (Zhang & Xu, 2015).

Concept 3: Micro (Individual Based)
At micro, the focus is on the individual investor's behaviour and psychology. Retail investors are often swayed by rumours due to several psychological factors such as fear of missing out (FOMO), confirmation bias, and herd behaviour.

1. Fear of Missing Out (FOMO**)**: Retail investors may act on rumours to avoid missing potential gains. A rumour about a company's upcoming breakthrough can trigger a buying spree among investors eager to capitalize on anticipated price increases.
2. Confirmation Bias**:** Investors tend to seek out information that confirms their existing beliefs. If a rumour aligns with an investor's positive or negative perception of a stock, they are more likely to act on it without thorough verification.
3. Herd Behaviour: Individual investors often follow the actions of the majority. When rumours gain traction, they can create a snowball effect, prompting a large number of investors to buy or sell based on the perceived consensus.

In sum, our data suggests that organisational performance and employee behaviour are significantly influenced by corporate event-based factors, demonstrating the cascading effects of internal events across the organisational hierarchy.

> *"…From where do you think all these company rumours come from? It must be from a reliable source or person. It is not often that we hear news from these companies. So, buy their company's shares before others hear it. Of course, I do so. If it does not have any impact, you just sell it off."* (Participant 29)

This theme includes elements that stem from individual traits and behaviours. Individual behaviour, experiences, and motives are some of their constituent parts. Our findings imply that individual-based factors substantially impact the results in different scenarios, emphasising the significance of comprehending personal dynamics and how they contribute to the formation of larger patterns.

> *"…He is so long active in the shares market, and I believe, with his experience, his recommendations will help toward the winning side. Almost all my investment portfolio is from his recommendations." (*Participant 3)

> *"…I always keep an eye on what the top analysts are saying. If I see a rumour that matches their predictions, I'm more likely to act quickly. It feels like a confirmation that I'm making the right move, even if the official news hasn't come out yet."* (Participant 4)

> *"…When I read on an online forum that a well-known investor was buying up shares in a small tech firm, I immediately followed suit. I didn't want to miss out on what could be the next big thing, especially since others were already jumping in."* (Participant 10)

At the micro level, rumours are based on individual actions or opinions, such as insider information, analyst recommendations, or moves by prominent investors. These individual-based rumours can cause rapid and significant stock price changes, as retail investors often look to insiders or influential figures for guidance. Social media and online forums amplify these rumours, leading to quick, widespread reactions. Micro-level counselling and one-on-one support have deep roots in the field's history of working with individuals, families, and small groups. This contributed to the establishment of the micro level in sociology decades ago, focusing on small-scale human behaviour, social interaction, and thinking patterns. It emphasizes in-person, one-on-one encounters and highlights how people react to one another within social roles, shaping society's structure.

DISCUSSION

The findings of this study study highlight the intricate and dynamic nature of rumours and their significant impact on retail investors' decision-making processes across different levels: micro, meso, and macro. By applying Goffman's theory of social performance (Goffman, 1963; 1983), we can better understand the mechanisms through which rumours influence investor behaviour and the broader implications for the stock market.

Macro Level: Country Political-Based Influences
At the macro level, a country's broader political environment significantly shapes the impact of rumours on retail investors. This study highlights the importance of considering political climates, regulatory frameworks, and economic conditions in understanding rumour propagation. The findings support the idea that social existence is shaped by both collective and individual actions within a larger context (Low, 2013). Political events, such as elections, policy changes, and geopolitical tensions, can create conditions ripe for rumours. These rumours can amplify market volatility, leading to shifts in stock prices and investor confidence. Understanding macro-level factors like media coverage, regulatory responses, and economic indicators is crucial for developing strategies to mitigate their negative effects. Investors and policymakers can thus gain insights into rumour dynamics, fostering more informed decision-making.

Meso Level: Company Event-Based Influences
At the meso level, company-specific events play a key role. Goffman's theory suggests that people are aware of the different fronts they present, both individually and within groups (Park et al., 2019). In retail investing, company announcements, earnings reports, and product launches act as catalysts for rumours. This study shows that the interplay between company events and communication channels greatly influences rumour propagation. Investors rely on these events to validate information and interpret market movements. Crossman (2018) highlights the performative nature of investors' actions, paralleling daily life to theatrical acts. Understanding company-specific events and group behaviour is crucial for grasping meso-level rumour-driven decision-making.

Micro Level: Individual Investor Behavior
At the micro level, Goffman's concept of front and backstage performances provides a valuable lens for understanding how individual investors interpret and respond to rumours. Retail investors, much like performers, navigate between their public personas and private selves. In the context of share trading, the front stage represents the public actions and decisions made by investors, influenced by the information and rumours circulating in the market. This study reveals that investors often shape their social reality through collective and individual actions, as noted by Low (2013). The perception of rumours and their subsequent decisions are influenced by psychological factors such as fear, greed, and cognitive biases. This aligns with the notion that the "self" is a dependent feature, varying according to circumstances and intended audiences (Crossman & Roach, 2019).

LIMITATION OF STUDY
One limitation of the present study is its focus on a relatively small sample size of Malaysian retail investors. This narrow scope may not fully capture the diversity of perspectives and experiences within this group. As a result, the findings may not be representative of the broader population of Malaysian retail investors.

CONCLUSION
In exploring the phenomenon of rumour formation from sociology levels within the social reality perspective among Malaysia's retail investors, the present study has provided valuable insights into the complex dynamics shaping investor behaviour and market sentiment. Through the application of thematic analysis, we have elucidated the interplay between individual, company, and country political factors in the genesis and propagation of rumours within the Malaysian investment landscape. At the individual level, our findings underscore the significance of understanding investor perceptions, biases, and decision-making processes in rumour dissemination. We can better comprehend how rumours take root and spread among retail investors, influencing market sentiment and investment decisions. In addition, the incorporation of company-level dynamics highlights the role of organisational communication, media coverage, and market responses in amplifying or mitigating the impact of rumours on corporate entities. Moreover, integrating country-political factors illuminates the broader socio-political context in which rumours emerge and circulate, reflecting the influence of governmental policies, regulatory frameworks, and media discourse on investor perceptions and market dynamics. Nevertheless, understanding the intersection of political dynamics with rumour formation provides a holistic perspective on the socio-economic forces shaping investment behaviour in Malaysia. Understanding the macro, meso, and micro levels of rumours among retail investors is crucial for comprehending market dynamics. Each level has distinct characteristics and impacts, influencing investor decision making in different ways. By analysing these levels, investors and analysts can better predict market movements and develop strategies to mitigate the effects of rumours.

RECOMMENDATIONS
Future research should aim to include a larger and more diverse sample of Malaysian retail investors to better understand their behaviours and preferences when influenced by rumours. Additionally, future studies should explore the impact of emerging financial technologies and regulatory changes on their investment strategies. This

broader approach will provide a more comprehensive understanding of how rumours affect retail investors and help to identify potential areas for policy and educational interventions.

IMPLICATION OF STUDY

This study can inform the development of investor education initiatives aimed at promoting critical thinking skills and information literacy among retail investors. Educating investors about the pitfalls of rumour-based decision-making can empower them to make more informed and rational investment choices. Understanding the socio-political influences on rumour formation underscores the importance of regulatory frameworks and policy interventions in safeguarding market integrity and investor protection. Last and not least, policymakers can use these insights to design evidence-based regulations that address systemic vulnerabilities and promote fair and transparent market practices.

AUTHOR CONTRIBUTION

TST and ZO both contributed to the conception and design of the study. TST was responsible for data collection, analysis, and drafting the manuscript. ZO provided critical revisions and contributed to the interpretation of the data. Both authors read and approved the final manuscript.

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CONFLICT OF INTEREST

The authors declare that they have no conflict of interest in this study.

DECLARATION STATEMENT

The lead author affirms that this manuscript is an honest, accurate, and transparent account of the study being reported; that no important aspects of the study have been omitted; and that any discrepancies from the study as planned (and, if relevant, registered) have been explained.

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Appendix 1: Interview Profile Structure

Participant	Age	Occupation & Years of Investment Experience (years)	Participant's Investment Method	Date of Interview	Aim of the interviews
P1 (Male)	38	Remisier (18)	Online, Offline	3/12/2019	To explore how rumours influence the investment decisions of a remisier and how he acts upon it.
P2 (Female)	54	Accountant (22)	Online, Offline	4/12/2019	To understand how an accountant with over two decades of experience processes and responds to market rumours, especially in terms of verifying financial data before making decisions.
P3 (Male)	29	Salesman (6)	Online, Offline	23/12/2019	To investigate how a younger investor responds to market rumours and the role these play in shaping his investment strategies.
P4 (Male)	56	Retiree (30)	Online, Offline	1/1/2020	To assess how a retiree with extensive experience navigates rumours in the market, particularly how his long-term perspective affects his reaction to speculative information.
P5 (Male)	50	Remisier (12)	Online, Offline	3/1/2020	To explore how market rumours impact the decision-making process of a remisier, particularly in his role advising clients.
P6 (Male)	38	Fulltime Trader (6)	Online, Offline	6/1/2020	To investigate the effect of rumours on the daily trading decisions of a full-time trader, focusing on how he discerns credible information from noise in the market.
P7 (Male)	53	Manager (26)	Online, Offline	2/3/2020	To understand how a seasoned manager incorporates market rumours when making investment decisions.
P8 (Male)	29	Executive (6)	Online, Offline	6/3/2020	To explore how a young executive reacts to rumours in the retail investment space.
P9 (Female)	26	Executive (5)	Online, Offline	6/3/2020	To assess how a young female executive interprets and reacts to rumours in the market speculative information.
P10 (Male)	61	Retiree (34)	Online, Offline	8/3/2020	To explore how a retiree with extensive experience deals with rumours in the market, focusing on how his long-term investment philosophy shapes his response to unverified information.
P11 (Male)	55	Businessman (26)	Online, Offline	1/5/2020	To investigate how a businessman incorporates or dismisses rumours in his investment strategies.
P12 (Male)	33	Manager (10)	Online, Offline	19/5/2020	To explore how a manager with a decade of experience interprets rumours.
P13 (Male)	26	Executive (5)	Online, Offline	6/6/2021	To investigate how a young executive processes rumours in the

					market and how these affect his investment strategies.
P14 (Female)	24	Executive (5)	Online, Offline	6/6/2021	To understand how a young female executive reacts to market rumours, particularly how they influence her risk appetite and decision-making in retail investment.
P15 (Female)	31	Executive (5)	Online, Offline	6/6/2021	To explore how a mid-career female executive handles rumours in the market and how they affect her investment decisions.
P16 (Male)	53	Company Director (22)	Online, Offline	8/9/2021	To assess how a company director filters and responds to market rumours.
P17 (Male)	56	Logistic Manager (20)	Online, Offline	19/9/2021	To explore how a logistics manager incorporates rumours into his investment strategies.
P18 (Male)	51	Salesman (16)	Online, Offline	4/10/2021	To understand how a salesman interprets market rumours and how they influence his decision-making.
P19 (Male)	31	HR Manager (13)	Online, Offline	8/10/2021	To investigate how an HR manager processes rumours in the market. With full of speculative informations.
P20 (Male)	49	Senior Manager (24)	Online, Offline	4/11/2021	To examine how a senior manager responds to rumours in the market.
P21 (Male)	55	Senior VP (24)	Online, Offline	7/11/2021	To explore how a senior vice president integrates rumours into his decision-making process.
P22 (Female)	55	Compliance Manager (19)	Online, Offline	3/12/2021	To assess how a compliance manager evaluates rumours and the extent to which regulatory knowledge influences her investment decisions in response to speculative information.
P23 (Male)	48	Compliance Manager (14)	Online, Offline	3/12/2021	To understand how a compliance manager filters and reacts to rumours in the market.
P24 (Male)	52	Remisier (19)	Online, Offline	7/12/2021	To explore how rumours impact a remisier's advice to clients, particularly in distinguishing credible sources.
P25 (Female)	52	Company Director (15)	Online, Offline	23/12/2021	To investigate how a company director integrates rumours into her decision-making process.
P26 (Male)	51	Company Director (19)	Online, Offline	24/12/2021	To understand how a company director navigates rumours in the market.
P27 (Female)	52	Senior Director (19)	Online, Offline	28/12/2021	To assess how a senior director handles rumours in the market.
P28 (Male)	56	Company Director (23)	Online, Offline	31/12/2021	To explore how a company director evaluates and acts upon market rumours.
P29 (Male)	55	Company Director (24)	Online, Offline	31/12/2021	To examine how a highly experienced company director responds to market rumours and how his long-term perspective

					shapes his approach to managing speculation in the retail investment space.

Adapted from Creswell (2009)

Appendix 2*:* Thematic Process

Aggregate Dimension	Second-Order-Themes	First-Order-Concepts	Quotes from Participants
Macro (Country Political Based)	Government Policies	Policy changes, regulations	*"…The new regulation on capital gains tax really stirred up a lot of speculation and misinformation." (Participant#17)*
	Political Climate	Political instability, elections	*"…Remember when PH won in PRU14? The market stayed stagnant and only moved in a very flat mode. Why did this happen if we compared it to previous GE results? This is because not many companies link to PH if you compare those companies link to the previous BN government." (Participant#26)*
	Economic Environment	Inflation rates, economic policies	*"…Talk about the rising inflation had everyone in a panic, selling off stocks based on hearsay." (Participant#29)*
Meso (Company Event Based)	Corporate Announcements	Earnings reports, mergers and acquisitions	*"…Rumours about mergers and acquisitions are common. Even the slightest hint that a company might be involved in a takeover can lead to a frenzy of buying or selling. These rumours often stem from leaks within the companies or from industry insiders." (Participant#24)*
	Company Performance	Profitability, management decisions	*"…In our investment circles, company performance rumours spread like wildfire. If there's talk of a company struggling financially or possibly facing legal issues, investors react quickly, often selling off shares before any official news is confirmed. These rumours usually start from someone inside the organization or a closely related business partner." (Participant#1)*
	Internal Politics	Leadership changes, corporate governance	*"…Organizational changes such as executive resignations or*

			major strategic shifts within a company often trigger rumours. For example, when a CEO steps down suddenly, there's immediate speculation about the reasons behind it and its implications for the company's future. This kind of information, whether accurate or not, spreads rapidly among investors." (Participant#5)
Micro (Individual Based)	Investor Psychology	Fear of missing out (FOMO), herd behaviour	*"The fear of missing out is real; I bought shares just because everyone else was talking about it." (Participant#10)*
	Personal Beliefs and Values	Risk tolerance, trust in the market	*"My decision-making is often influenced by my belief in the market's overall stability." (Participant#18)*
	Social Networks	Peer influence, investment communities	*"...In social gatherings or online forums, one investor might share their personal take on a company's stock, claiming insider knowledge or predicting future movements. These individual-based rumours often snowball as they get picked up and shared by others looking for any edge in their investments." (Participant#4)*