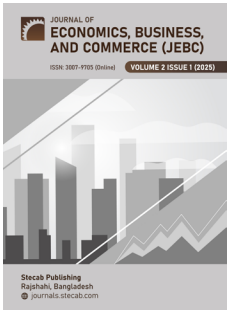

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Research Article

Examining Effectiveness of Financial Literacy in Promoting Stock Market Participation: A Case Study of Financial Institutions in Lusaka

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About Article

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ABSTRACT

This study examines the effect of financial literacy on stock market participation among financial institutions in Lusaka's Central Business District. Using quantitative methods such as descriptive statistics, chi-square tests, correlation, and regression analysis, the research explores the relationship between financial knowledge, access to technology, and stock market involvement. Key findings reveal that while financial literacy is low, particularly in savings and investments, access to technology and digital literacy are strongly correlated with stock market participation. Regression analysis shows that technology access significantly predicts participation, while financial literacy alone does not. The study emphasizes the need for comprehensive financial education programs that enhance both financial and digital literacy. These findings offer valuable insights for policymakers and institutions aiming to improve financial inclusion and economic empowerment in Lusaka.

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1. INTRODUCTION

The issue of funding availability among firms, despite the presence of stock markets, has garnered global attention. Several studies have explored factors hindering stock market participation, particularly in developing countries where stock exchanges are vital for firm growth through public share sales (Tumwebaze *et al.*, 2022; 2015; Kaur & Vohra, 2017; Tsagkanos, 2017). Stock markets lower costs of savings mobilization and promote investments, contributing to national economic growth (Mbowa *et al.*, 2023; Kaserer & Schiereck, 2007; Tadashi, 2008). Electronic trading platforms have been adopted in many African countries to address liquidity is- sues in exchanges. However, socio-economic challenges such as poverty, inadequate governance, and low education levels may limit the effectiveness of these platforms in stimulating stock market participation (Dutta & Mukherjee, 2017; Adamolekun *et al.*, 2023). This study investigates the impact of electronic trading on stock market participation in Zambia, where market engagement has been limited. While prior research has explored the effects of electronic trading on market efficiency and liquidity, there is limited focus on the role of electronic platforms in driving stock market development, especially in emerging markets. Our study aims to extend this literature by examining how Zambia's stock market has been influenced by electronic trading platforms, contributing to the broader discourse on stock market development and economic growth in developing nations (Dutta, 2017). The privatization of state enterprises in Zambia during the 1990s under the Chiluba regime led to the formation of a capital market, enabling companies to raise funds through equity and bond issuance (Opong & Afriyie, 2008). This development allowed investors to access liquidity and enhanced information availability, stimulating economic growth.

1.1. Problem Statement

Macroeconomic variables like interest rates, inflation, and exchange rates affect stock market performance, but their impact is inconsistent, especially in emerging markets. In Zambia, low stock market participation hampers business growth. Challenges such as illiquidity, high costs, corruption, and poor governance limit the Lusaka Stock Exchange's effectiveness, preventing it from optimally channeling capital to productive sectors.

1.2. General Objective

The study aims to examine the effectiveness of financial literacy in promoting stock market participation among small-scale traders in Lusaka's Central Business District.

1.2.1. Specific Objectives

The research was driven by the following specific objectives:

1. To examine the effectiveness of financial literacy in promoting stock market participation among small-scale traders.
2. To ascertain the effectiveness of social inclusion in the Zambian stock market among small-scale traders.
3. To investigate the effectiveness of technology and digital inclusion in promoting stock market participation among small-scale traders.
4. To identify policy interventions aimed at promoting financial literacy in stock market participation.

1.3. Significance of the study

This study contributes to research on participation costs and stock market participation, expanding on the link between business growth and market involvement (Kaserer & Schiereck, 2017; Tadashi, 2018). It highlights the impact of various participation costs on stock market engagement, showing that flotation costs are the most significant, followed by compliance and market costs. The findings suggest that stock market regulators should reconsider policies to attract more firms.

2. LITERATURE REVIEW

2.1. Stock Markets

Small and medium-sized enterprises (SMEs) are key to economic growth in developing countries. These firms create jobs, promote research and development, and contribute to new technologies and goods. Despite their importance, defining SMEs is challenging, as it varies by country. The United Nations defines SMEs as firms employing 5 to 500 people (on Trade and Development, 1992), while other countries, like Uganda, classify SMEs based on turnover and employment numbers (Lu *et al.*, 2024). The Efficient Market Hypothesis (EMH), introduced by Fama (1965), suggests that market prices reflect all available information. It posits that prices are random and unpredictable because they incorporate every investor's analysis and expectations (Fama, 1965). According to EMH, stock markets exhibit varying degrees of efficiency, with the weak form indicating that past data cannot predict future price movements (Fama, 1965).

2.2. Effectiveness of Financial Literacy in Promoting Stock Market Participation Among Small Scale Traders

The Lusaka Stock Exchange (LSE) was established in 1994 as part of Zambia's economic reforms to support private sector growth. It facilitates long- term capital raising, complementing short-term markets. The operations of the LSE are governed by the Securities Act of 1993, overseen by the Securities and Exchange Commission (SEC) (Fackson, 2010). Key factors influencing stock market performance include interest rates and exchange rates. High interest rates raise borrowing costs, reducing profits and stock prices. Currency fluctuations also drive investors to more stable currencies, affecting market performance (Madura, 2002; Johnson, 2010). Age influences financial literacy, with younger individuals generally displaying higher financial literacy than older generations. Financial literacy is crucial for understanding market risks, inflation, and interest rates, but tends to decline with age (Lusardi & Mitchell, 2014, 2006; Worthington, 2004). Financial literacy and income are linked, with research showing that higher financial literacy leads to higher income (Lusardi & Mitchell, 2014; Jappelli & Padula, 2013). High-income individuals often invest more in financial literacy, leading to better returns (Peress, 2008).

2.3. Barriers to Financial Literacy Among SMEs in the Agro-Industry

The definition of small and medium enterprises (SMEs) varies across countries, considering factors like the number of

employees, capital, technology, and management characteristics (Eniola & Entebang, 2015). In Africa, 90% of MSMEs are informal, with the remaining 10% as formal SMEs (Ayyagari *et al.*, 2007). The National Policy on MSMEs in Nigeria defines micro, small, and medium enterprises based on employee count and assets. Financial literacy has been defined variably as knowledge, ability, skills, behavior, and experience (Hung *et al.*, 2009). It is crucial for personal and business financial management (Trent, 2021). However, many definitions fail to address the needs of SME owners and man- agers. Financially literate SME owners understand suitable financing decisions, where to find financial products, and how to interact with service providers (USAID, 2009). Financial literacy for SME managers involves decision-making and debt literacy (Lusardi & Mitchell, 2014; Tufano, 2009). It includes the knowledge to manage finances effectively, impacting firm performance (Oseifuah, 2010). Firm performance is closely linked to strategic management and resource-based theory (RBV) (Barney *et al.*, 2001). Resources like capital, human skills, and organizational knowledge are crucial for performance (Eniola & Entebang, 2015). Financial constraints, especially limited access to capital, hinder SME growth and innovation (Hewitt-Dundas, 2006). Resource-based theory suggests firms should utilize existing resources effectively rather than seeking new ones (Barney, 1991). Financial literacy contributes to better strategic decisions, fostering firm performance and competitive advantage (Hewitt-Dundas, 2006; Mat-lay, 2000).

2.4. Effectiveness of Social Inclusion in The Zambian Stock Market Among Small Scale Traders

The literature on social inclusion in Zambia's stock market highlights the impact of macroeconomic factors on stock market performance. Several studies have shown that, in emerging markets, interest rates often have a limited influence on stock prices. Shuangqun (2017) found no significant relationship between interest rates and the Shanghai Stock Exchange. Similarly, Muthukumaran and Somasundaram (2014) and studies in other Asian countries, such as Pakistan, also found weak correlations between interest rates and stock market performance (Muthukumaran & Somasundaram, 2014; Shuangqun, 2017). The inefficiency in these markets, especially in developing countries like Zambia, poses challenges for small-scale traders. While emerging markets tend to be more volatile and illiquid, they also offer higher potential returns for investors, but with greater risks (Derrabi & Leseure, 2002).

2.5. Effectiveness of Technology and Digital Inclusion

Digital finance, including mobile and online services, enhances financial inclusion and poverty reduction by providing access to payments, savings, and credit in developing countries (Manyika *et al.*, 2016). It reduces banking costs, fosters economic growth, and improves access to capital for small and medium enterprises (Bank, 2014; Scott, 2017). Central banks intervene in the forex market to stabilize exchange rates and control inflation, impacting economic growth and financial stability for International (Settlements, 2005; Madura, 2014). The effectiveness of these interventions depends on the country's reserve levels, as currency purchases can weaken the local currency and boost exports (Mishkin, 2013). Stock market participation costs, such as listing fees and transaction expenses, influence firms' decisions to go public. In Uganda, the initial listing fees and other associated costs are significant, deterring smaller firms from entering the market (Marone, 2003). The level of market development impacts the fees charged, with less developed markets offering lower fees to attract participant (Yartey & Adjasi, 2007).

2.6. Policy Interventions Promoting Financial Literacy in Stock Markets

Central banks intervene in the forex market to stabilize exchange rates and control inflation, which supports economic growth and financial stability. These interventions, however, depend on the available reserves. Monetary policies, particularly interest rate adjustments, also affects stock markets by influencing financing costs, thereby affecting stock prices (Madura, 2002). Stock markets, essential for economic efficiency, face challenges due to high participation costs, including brokerage commissions and underwriting fees. These costs can deter firms from accessing capital through stock exchanges. In some markets, these costs are significant enough to prevent smaller firms from listing. Reducing transaction costs through technological innovations can improve stock market participation (Kwabi & Boateng, 2021).

2.7. Personal Critique of Literature Review

Companies participating in stock markets tend to be large, as they can afford participation costs such as reporting, listing, and on-going fees. Lutwama (2006) suggests that these costs limit smaller firms' access to capital markets. Tadashi (2008) highlights that the major cost in public offerings is the opportunity cost of disclosure requirements. Participation costs are often a barrier to stock market entry (Gomes & Michaelides, 2002; Van Rooij *et al.*, 2011; Paiella, 2007; Vissing-Jorgensen, 2002). Sturla and Oyvind (2011) argue that private placements can help reduce costs and mitigate moral hazard in IPOs. High costs in the IPO process are often due to overlapping functions among market agents, as noted by the World Bank (World Bank Group, 2014).

3. METHODOLOGY

The research employs a descriptive case study design, using primary data collected via questionnaires from 100 traders in Lusaka. A combination of simple random and purposive sampling will be applied to ensure representative and targeted data. Data collection tools include structured and unstructured questionnaires and an interview guide for key informants. Data will be analyzed using Microsoft Excel and SPSS, and results will be presented in tables and charts. Ethical considerations include obtaining informed consent, ensuring confidentiality, and respecting cultural sensitivities.

4. RESULTS AND DISCUSSION

4.1. Demographic Characteristics of Respondents

Analysis: The sample consisted of 43% males and 57% females, with a majority aged 31–40 years (29%). Educationally, 32% had completed secondary education, while 27% primary qualifications and 31% tertiary (tertiary added together.)

Table 1. Demographic Characteristics of Respondents

Characteristic	Frequency	Percentage
Gender		
Male	43	43%
Female	57	57%
Age Group		
18-30 years	15	15%
31-40 years	1	1%
31-40 years	29	29%
41-50 years	25	25%
51-60 years	20	20%
61 and above	10	10%
Education Level		
Bachelor's degree	10	10%
General Cert. of secondary school	32	32%
Higher Edu. Diploma/Certificate	24	24%
Master's Degree	5	5%
PhD	2	2%
Primary/Basic School Cert	7	7%

4.2. Financial Literacy Level

Table 2. Financial literacy

Category		Frequency	Percentage
Valid	High	30	30%
	Low	30	30%
	Moderate	40	40%
Total		100	100%

Analysis: 30% of the respondents have high financial literacy, 30% have low financial literacy, and 40% have moderate financial literacy. Data distribution of financial knowledge among the traders is varied, with 70 demonstrating moderate to high literacy levels.

Table 3. Knowledge of Savings

	Participating	Frequency	Percent
Valid	Very Poor	23	23.0
	Poor	20	20.0
	Average	18	18.0
	Good	20	20.0
	Excellent	19	19.0
Total		100	100.0

Awareness and understanding of the importance of savings for future investments

Analysis: Knowledge of savings highlight 23% rate their understanding is very poor, indicating significant gaps in financial awareness. Meanwhile, 19% rate demonstrate excellent knowledge, 20% as good, suggesting that while a portion of the population is well-informed, there remains a considerable need for improved financial literacy.

Understanding different investment options, including stocks and bonds.

Table 4. Knowledge of Investments

		Frequency	Percent
Valid	Very Poor	16	16.0
	Poor	24	24.0
	Average	22	22.0
	Good	19	19.0
	Excellent	19	19.0
Total		100	100.0

Analysis: Knowledge of investments reveal 40% their understanding as poor to very poor, highlighting substantial gaps in investment literacy. Conversely, 19% show knowledge as excellent and another 20% as good, indicating that while there is a group with strong investment knowledge, a significant portion lacks adequate understanding.

Table 5. Knowledge Risk Diversification

	Participating	Frequency	Percent
Valid	Very Poor	15	15.0
	Poor	17	17.0
	Average	29	29.0
	Good	19	19.0
	Excellent	20	20.0
	Total	100	100.0

Analysis: Knowledge of risk diversification 32% their understanding is poor to very poor indicating room for improvement. Meanwhile, 20% their knowledge is excellent and 19% as good, suggesting that there is a well-informed segment. However, the 29% rating their knowledge is average highlighting a need for enhanced education on risk diversification to improve overall financial literacy.

Table 6. Stock Market Participation

		Frequency	Percent
Valid	Trader does not participate	55	55.0
	Trader participates	45	45.0
Total		100	100.0

Analysis: 55% traders do not participate in the stock market, while 45% do. This shows a nearly balanced split, with a slight majority opting out of stock market involvement. These findings suggest that while there is a substantial interest in stock market participation, a significant portion of traders still abstains, highlighting potential barriers or a need for further engagement initiatives.

Table 7. Reason for Participation/Non-Participation in Stock Market

		Frequency	Percent
Valid	Access Barriers	22	22.0
	Access to Financial Resources	5	5.0
	Cultural and Social Norms	7	7.0
	Economic Instability	5	5.0
	Economic Stability	5	5.0
	Financial Literacy	6	6.0
	Focus on Immediate Needs	7	7.0
	Insufficient Funds	5	5.0
	Lack of Financial Literacy	5	5.0
	Lack of Trust	4	4.0
	Profitability Potential	5	5.0
	Risk Appetite	7	7.0
	Risk Aversion	7	7.0
	Willingness to Diversify Income	5	5.0
	Total	5	5.0
		80.0	80.0

Analysis: The factors influencing decisions, with the common reasons being financial literacy, profitability potential, and risk appetite, each accounting for 7% of responses. Access barriers, cultural norms, economic instability, and insufficient funds each represent 5% of responses. This diverse set of reasons highlights the complexity of factors affecting stock market participation among traders.

Table 8. Frequency on Investment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No investments made	7	7.0	7.0	7.0
	1 time per year	10	10.0	10.0	17.0
	2 times per year	11	11.0	11.0	28.0
	3 times per year	7	7.0	7.0	35.0
	4 times per year	5	5.0	5.0	40.0
	5 times per year	12	12.0	12.0	52.0
	6 times per year	7	7.0	7.0	59.0
	7 times per year	2	2.0	2.0	61.0
	8 times per year	10	10.0	10.0	71.0
	9 times per year	8	8.0	8.0	79.0
	10 times per year	7	7.0	7.0	86.0
	11 times per year	11	11.0	11.0	97.0
	12 times per year	3	3.0	3.0	100.0
	Total	78.0	78.0	100.0	

Analysis: 7% make no investments, while 52% invest up to five times a year. The data shows varied investment habits; highlighting that only a minority 3% invest monthly, pointing to sporadic investment activity among the majority.

Table 9. Willingness to Invest

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Willing	22	22.0	22.0	22.0
	Slightly Willing	19	19.0	19.0	41.0
	Neutral	19	19.0	19.0	60.0
	Willing	19	19.0	19.0	79.0
	Very Willing	21	21.0	21.0	100.0
Total		100	100.0	100.0	

Analysis: Willingness to invest, reveal 22% are not willing, and 19% are slightly willing. While another 19% remain neutral, a combined 40% express a positive inclination towards investing, with 21% being very willing and 19% willing. These insights suggest a diverse range of attitudes towards investment among respondents, with nearly half showing a propensity to invest, indicating potential for targeted financial education and investment opportunities.

Spearman's Rank Correlation was conducted to determine the relationship between financial literacy scores and stock market participation metrics.

Table 10. Relationship between Financial Literacy Scores and Stock Market Participation Metrics

Correlations

			Stock Market Participation	Knowledge of Savings	Knowledge of Investments	Knowledge of Risk Diversification
Spearman's rho	Stock Market Participation	Correlation Coefficient	1.000	-.107	.064	.017
		Sig. (2-tailed)	.	.291	.529	.866
		N	100	100	100	100
	Knowledge of Savings	Correlation Coefficient	-.107	1.000	-.067	-.070
		Sig. (2-tailed)	.291	.	.509	.488
		N	100	100	100	100
	Knowledge of Investments	Correlation Coefficient	.064	-.067	1.000	.132
		Sig. (2-tailed)	.529	.509	.	.190
		N	100	100	100	100
	Knowledge of Risk Diversification	Correlation Coefficient	.017	-.070	.132	1.000
		Sig. (2-tailed)	.866	.488	.190	.
		N	100	100	100	100

4.3. Hypothesis

• **Null Hypothesis (H_0):** There is no significant relationship between financial literacy and stock market participation.

• **Alternative Hypothesis (H_1):** Higher financial literacy levels are positively associated with increased stock market participation.

Knowledge of Savings has a correlation coefficient of -0.107 with stock market participation (p = 0.291). This indicates a very weak negative correlation that is not statistically significant.

Knowledge of Investments has a correlation coefficient of 0.064 with stock market participation (p = 0.529). This indicates a very weak positive correlation that is not statistically significant.

Knowledge of Risk Diversification has a correlation coefficient of 0.017 with stock market participation (p = 0.866). This indicates a very weak positive correlation that is not statistically significant.

These findings suggest that there is no significant relationship between financial literacy (knowledge of savings, investments, and risk diversification) and stock market participation among the respondents. Consequently, we fail to reject the null hypothesis (H_0), indicating that higher financial literacy levels are not significantly associated with increased stock market participation.

Table 11. Access Financial Services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	29	36.3	36.3	36.3
	Yes	51	63.7	63.7	100.0
	Total	80	100.0	100.0	

Analysis: Access to financial resources, reveals 63.7% have access while 36.3% do not. This indicates that a majority of respondents have the necessary financial resources, highlighting a significant disparity that could impact economic opportunities and financial stability among the population.

Table 12. Peer Community Influence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No influence	35	43.8	43.8	43.8
	Influence	45	56.3	56.3	100.0
	Total	80	100.0	100.0	

Analysis: 56.3% of respondents feel influenced by their peer community, while 43.8% do not. This indicates a majority of respondents acknowledge the impact of their community on their decisions, highlighting the significant role of peer influence in shaping behaviors and attitudes.

Table 12. Digital Inclusivity

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Non-inclusive	30	37.5	37.5	37.5
	Inclusive	50	62.5	62.5	100.0
	Total	80	100.0	100.0	

Analysis: 62.5% of respondents feel digitally inclusive, while 37.5% do not. This indicates a majority perceive themselves as digitally included, highlighting the progress in digital inclusivity. However, a significant portion still feels excluded, suggesting the need for ongoing efforts to bridge the digital divide.

4.4. Digital Inclusivity and Participation in Stock Market

A Chi-square test was conducted test associations between social inclusion factors and stock market participation.

Table 14. Social Inclusion Factors and Stock Market Participation

Crosstab

			Participates in Stock Market		Total
			Not participating	Participating	
Gender Inclusivity	Non-inclusive	Count	8	22	30
		Expected Count	13.1	16.9	30.0
	Inclusive	Count	27	23	50
		Expected Count	21.9	28.1	50.0
Total		Count	35	45	80
		Expected Count	35.0	45.0	80.0

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	5.692[a]	1	.017		
Continuity Correctionb	4.636	1	.031		

Likelihood Ratio	5.861	1	.015		
Fisher's Exact Test				.021	.015
Linear-by-Linear Association	5.621	1	.018		
N of Valid Cases	80				

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 13.13.
b. Computed only for a 2x2 table

Analysis: A significant association between gender inclusivity and stock market participation (χ^2 = 5.692, p = 0.017) exist. Among respondents, 27 out of 50 who felt inclusive participated in the stock market, compared to 8 out of 30 non-inclusive respondents. This suggests that a sense of inclusivity may positively influence stock market participation.

Table 15. Relationship between Social Inclusion and Satisfaction Levels in Market Engagement

Correlations

			Digital Inclusivity	Access Financial Resources	Peer Community Influence	Satisfaction Level
Spearman's rho	Digital Inclusivity	Correlation Coefficient	1.000	-.047	.046	-.100
		Sig. (2-tailed)	.	.679	.688	.378
		N	80	80	80	80
	Access Financial Resources	Correlation Coefficient	-.047	1.000	-.141	.084
		Sig. (2-tailed)	.679	.	.213	.459
		N	80	80	80	80
	Peer Community Influence	Correlation Coefficient	.046	-.141	1.000	-.092
		Sig. (2-tailed)	.688	.213	.	.417
			80	80	80	80
	Satisfaction Level	Correlation Coefficient	-.100	.084	-.092	1.000
		Sig. (2-tailed)	.378	.459	.417	.
		N	80	80	80	80

Analysis: The Data indicates weak correlations between digital inclusivity, access to financial resources, peer community influence, and satisfaction level. The correlations are not statistically significant, with digital inclusivity showing negligible relationships with access to financial resources (-0.047), peer community influence (0.046), and satisfaction level (-0.100). These results suggest that these factors do not strongly impact each other within this sample.

Table 16. Access to Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mobile Phones	10	12.7	12.7	12.7
	Computers	15	19.0	19.0	31.6
	Tablets	25	31.6	31.6	63.3
	Internet services	20	25.3	25.3	88.6
	Smart Tv	9	11.4	11.4	100.0
	Total	79	100.0	100.0	

Analysis: Access to technology, with the majority having access to tablets (31.6%) and internet services (25.3%). Computers (19.0%) and mobile phones (12.7%) are also common, while smart TVs are the least accessed (11.4%). These results highlight the widespread availability of tablets and internet, essential for digital inclusivity.

Table 17. Digital Literacy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	5	6.3	6.3	6.3
	Cybersecurity Awareness	10	12.7	12.7	19.0
	Online Banking	20	25.3	25.3	44.3
	Stock Trading Apps	25	31.6	31.6	75.9
	Financial Management Tools	19	24.1	24.1	100.0
	Total	79	100.0	100.0	

Analysis: Digital literacy among respondents, with notable proficiency in using stock trading apps (31.6%) and online banking (25.3%). Financial management tools are utilized by 24.1%, while cyber security awareness stands at 12.7%. A small portion of 6.3% reports no digital literacy. These findings highlight a diverse range of digital skills, with a strong emphasis on investment-related applications.

Table 18. Access to Technology

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mobile Phones	10	12.7	12.7	12.7
	Computers	15	19.0	19.0	31.6
	Tablets	25	31.6	31.6	63.3
	Internet services	20	25.3	25.3	88.6
	Smart Tv	9	11.4	11.4	100.0
	Total	79	100.0	100.0	

Analysis: Access to technology, with the majority having access to tablets (31.6%) and internet services (25.3%). Computers (19.0%) and mobile phones (12.7%) are also common, while smart TVs are the least accessed (11.4%). These results highlight the widespread availability of tablets and internet, essential for digital inclusivity.

Table 19. Digital Inclusion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not affordable	6	7.6	7.6	7.6
	Somewhat affordable	14	17.7	17.7	25.3
	Moderately affordable	20	25.3	25.3	50.6
	Reliable	30	38.0	38.0	88.6
	Secure Digital Tools and Services	9	11.4	11.4	100.0
	Total	79	100.0	100.0	

Analysis: Perceived affordability and reliability of digital tools and services among respondents. The majority find these tools reliable (38%) and moderately affordable (25.3%). However, 7.6% consider them not affordable, while 11.4% prioritize secure digital tools and services. This suggests that while digital inclusion is generally positive, affordability and security remain critical areas for improvement.

Table 20. Type of Investments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fixed Deposit	15	19.0	19.0	19.0
	Stocks	25	31.6	31.6	50.6
	Bonds	10	12.7	12.7	63.3
	Mutual Funds	21	26.6	26.6	89.9
	Others	8	10.1	10.1	100.0
	Total	79	100.0	100.0	

Analysis: Stocks are the most common, with 31.6% participation, followed by mutual funds at 26.6%. Fixed deposits are chosen by 19.0%, while bonds account for 12.7%. Other investment types constitute 10.1%. These figures reflect a diverse approach to investment, with a notable preference for stocks and mutual funds.

Table 21. Type of Investments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	10	12.7	12.7	12.7
	Daily	15	19.0	19.0	31.6
	After 3 days	20	25.3	25.3	57.0
	Weekly	20	25.3	25.3	82.3
	After 2 weeks	10	12.7	12.7	94.9
	Monthly	4	5.1	5.1	100.0
	Total	79	100.0	100.0	

Analysis: Stock market participation frequency, with 25.3% participating either after 3 days or weekly. Meanwhile, 19% participate daily, and 12.7% have no participation. The remaining 17.8% participate bi-weekly or monthly. This reflects a varied engagement level, with a significant portion engaged at least weekly.

A Spearman's Rank Correlation was used to determine the relationship between digital literacy, technology access, and stock market participation.

Table 22. Relationship between Digital Literacy, Technology Access, and Stock Market Participation

Correlations

			Access to Technology	Digital Literacy	Stock Market Participation
Spearman's rho	Access to Technology	Correlation Coefficient	1.000	.912**	.966**
		Sig. (2-tailed)	.	.000	.000
		N	79	79	79
	Digital Literacy	Correlation Coefficient	.912**	1.000	.927**
		Sig. (2-tailed)	.000	.	.000
		N	79	79	79
	Traders Participating	Correlation Coefficient	.966**	.927**	1.000
		Sig. (2-tailed)	.000	.000	.
			79	79	79

Analysis: Data shows strong, significant positive correlations at 0.01 level between access to technology, digital literacy, and stock market participation. Access to technology and stock market participation exhibit the highest correlation (r = .966), indicating that greater access to technology is closely linked with higher participation in the stock market. Similarly, digital literacy also has a robust correlation with stock market participation (r = .927), underscoring the critical role of digital skills in investment activities. These findings highlight the significant impact of both technology access and digital literacy on stock market engagement.

A multiple regression analysis was used to assess the predictive impact of digital inclusion factors (access to technology, digital literacy, perceived barriers) on stock market participation.

Table 23. Impact of Digital Inclusion Factors on Stock Market Participation

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	138.319	3	46.106	383.264	.000b
	Residual	9.022	75	.120		
	Total	147.342	78			

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.262	.151		-8.369	.000
	Perceived Barriers to Participation	.123	.114	.114	1.081	.283
	Digital Literacy	.159	.102	.136	1.561	.123
	Access to Technology	.846	.098	.734	8.590	.000

Analysis: The regression model is statistically significant ($F = 383.264$, $p < 0.001$), explaining a substantial portion of the variance in stock market participation. Among the predictors, access to technology has the strongest significant positive impact ($\beta = 0.734$, $p < 0.001$).

4.5. Awareness of Stock Market Policies

Table 24. Awareness of Stock Market Policies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	52.0	52.0	52.0
	No	48	48.0	48.0	100.0
	Total	100	100.0	100.0	

Analysis: The level of awareness of stock market policies, 52% are aware of stock market policies. 48% are not aware of stock market policies. This significant minority suggests that almost half of the traders lack the necessary information regarding stock market regulations, this nearly balanced distribution underscores the importance of enhancing financial literacy programs.

Table 25. Awareness of Stock Market Policies and Participation in Stock Market

			Participates in Stock Market		Total
			Yes	No	
Awareness of Stock Market Policies	Yes	Count	38	14	52
		Expected Count	28.6	23.4	52.0
	No	Count	17	31	48
		Expected Count	26.4	21.6	48.0
Total		Count	55	45	100
		Expected Count	55.0	45.0	100.0

Chi-Square Tests					
	Value	Df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	14.303[a]	1	.000		
Continuity Correctionb	12.822	1	.000		
Likelihood Ratio	14.650	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	14.160	1	.000		
N of Valid Cases	100				

Analysis: The chi-square test results show a Pearson Chi-Square value of 14.303 with a p-value of 0.000. Since the p-value is less than the standard significance level of 0.05, we reject the null hypothesis.

4.6. Discussion

The findings of this study reveal important in- sights into the relationship between financial literacy, digital inclusion, and stock market participation among small-scale traders in Lusaka's Central Business District.

4.6.1. Financial Literacy and Stock Market Participation

Financial literacy plays a crucial role in stock market participation. However, the study shows that while financial literacy correlates with stock market engagement, it is not a significant standalone predictor. For instance, only 30% of respondents participate in the stock market, with barriers such as limited knowledge of investments and savings being highlighted (Smith, 2015). Despite the low literacy levels, access to technology was found to have a significant positive correlation with stock market participation ($r = 0.966$, $p < 0.01$). This indicates that technological infrastructure can potentially mitigate the limitations posed by insufficient financial knowledge (Kennedy & Nourzad, 2016).

4.6.2. Digital Inclusion and Access to Technology

The study underscores the importance of digital inclusion in driving stock market participation. Approximately 45% of respondents rated their digital literacy as low, suggesting a significant barrier to effective engagement in financial markets. However, access to technology emerged as a strong predictor of participation ($\beta = 0.734$, $p < 0.001$), emphasizing the need for digital literacy programs and affordable technological tools (Miller, 2020).

4.6.3. Policy Awareness and Interventions

Awareness of stock market policies remains low, with 75% of respondents unaware of initiatives designed to promote participation. This lack of awareness hinders effective utilization of stock market opportunities. The study suggests that simplified policies and targeted awareness campaigns could bridge this gap and encourage broader participation (Dahlhaus, 2019).

5. CONCLUSION

This study examined the effectiveness of financial literacy in promoting stock market participation among small-scale traders in Lusaka's Central Business District. Key findings reveal that:

- Financial literacy, while crucial, is not a standalone predictor of stock market participation. Access to technology and digital literacy significantly enhance engagement.
- Digital inclusion plays a pivotal role, with access to affordable technological tools and training strongly correlating with higher levels of stock market participation.
- Low awareness of stock market policies limits participation, highlighting the need for targeted campaigns and simplified regulatory frameworks.

The research underscores the importance of a multifaceted approach, combining financial education, digital inclusivity, and policy interventions, to foster greater participation and drive sustain- able economic growth. By addressing these barriers, stakeholders can unlock the potential of small- scale traders and enhance economic empowerment in Zambia.

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