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

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Abstract

This study examined the effectiveness of financial literacy in promoting stock market participation among Small and Medium Enterprises (SMEs) in the Lusaka Central Business District, using the Lusaka Securities Exchange (LuSE) as the case. Despite sustained financial literacy and investor education initiatives, retail participation in the LuSE remains persistently low, and the FinScope Zambia 2020 Survey shows financial inclusion at 69.4% but financial literacy at only 23.6%. The study was guided by three objectives: (i) to assess the accessibility of financial literacy programmes on stock market investing for SMEs; (ii) to examine the effect of access to financial literacy on stock market participation by SMEs; and (iii) to determine the barriers that limit SMEs from accessing financial literacy to participate in the stock market. A mixedmethods approach was adopted within a convergent parallel design, with primary data collected from about 100 respondents using a structured Google Forms questionnaire, alongside semi-structured interviews with key informants, and analyzed with Stata and Excel. Findings revealed that 51% of respondents were aware of financial literacy programmes and 49% had participated, mainly through LuSE and SEC Zambia, yet 82.1% of responses reported that programmes were not easy to find. Only 20% of respondents were currently invested in the LuSE, although 44% would consider investing. Statistical results reinforced these findings: The financial literacy index was positively correlated with the participation score ($r = 0.39$, $p=0.001$) and with current investment ($r = 0.54$, $p= 0.001$), and programme participants were far more likely to invest than non-participants (39.6% against 1.9%;0).

A chi-square test ($\chi^2 = 22.13$, $p < 0.001$). Shows that Awareness did not differ significantly by education ($p = 0.073$) or business sector ($p = 0.084$). The main barriers were the lack of practical, SMEfocused training (62%), complex information and procedures (35%), limited awareness of programmes (31%) and cost (30%). The study concludes that financial literacy is necessary but not sufficient to promote stock market participation. It recommends that LuSE and SEC Zambia strengthen the visibility of programmes and provide practical training, that government integrate stock market education into SME support programmes, and that SMEs participate actively in investor education to strengthen informed investment decision-making.

Keywords: Financial Literacy, Stock Market Participation, SMEs, Lusaka Securities Exchange, Financial Inclusion, Zambia

1. Introduction

1.1 Background

Financial literacy has increasingly been recognized as a critical determinant of household participation in financial markets around the world. As financial systems have grown more sophisticated, and as individuals have taken on greater responsibility for their own long-term financial wellbeing through pensions, savings plans and investment products, understanding financial concepts has become a necessity. Lusardi and Mitchell (2014) [17] frame financial literacy as a form of human capital that equips people to evaluate financial products, weigh risk against return and make informed investment decisions, and this understanding has led policymakers and researchers to treat financial literacy as a key driver of stock market participation.

Evidence from developed economies supports this view. Campbell (2006) [6] points out that even in the United States many households stay out of the stock market altogether, a pattern known as the stock market participation puzzle, while van Rooij, Lusardi and Alessie (2011) [28] show that in the Netherlands financial literacy has an independent effect on stock ownership after accounting for income, education and wealth. Klapper and Lusardi (2020) [16] further show that the gender gap in financial

literacy helps explain corresponding gaps in stock market participation across developed and developing countries alike.

In Africa, access to financial services has expanded significantly through banking innovation and mobile financial technology, yet participation in formal investment markets has lagged, a reminder that access does not automatically mean people know how to use financial services well. The evidence on how well literacy efforts work is mixed. In South Africa, Nyakurukwa and Seetharam (2024) find that financial literacy, together with social interaction, significantly predicts household stock market participation, whereas in Ghana Akakpo, Amidu, Coffie and Abor (2021) find that financial literacy does not hold up as a strong standalone predictor once financial inclusion is factored in. Langat, Chepkwony and Bureti (2019) find a similar relationship among individual investors in Kenya, but note that most existing evidence still comes from developed countries.

In Zambia, financial literacy sits at the heart of the financial sector development agenda. Over the past two decades the Government has liberalized the banking sector, encouraged the growth of mobile money and modernized regulation through the Bank of Zambia and the Securities and Exchange Commission (Ministry of Finance, 2019; Bank of Zambia, 2020). The FinScope Zambia 2020 Survey nevertheless shows that while financial inclusion climbed to 69.4% of the adult population, financial literacy stood at just 23.6% (Bank of Zambia & FinMark Trust, 2020). In response, the Government introduced the National Strategy on Financial Education (NSFE II) 2019–2024, which positions financial literacy as a prerequisite for meaningful financial inclusion, and the Securities and Exchange Commission of Zambia and the Lusaka Securities Exchange (LuSE) have backed this with awareness campaigns and outreach to schools, universities and communities. Retail participation nevertheless remains low, with inadequate financial knowledge identified as a key obstacle (Securities and Exchange Commission of Zambia, 2023), even in Lusaka, where the major financial institutions, regulators and the LuSE itself are based.

1.2 Statement of the problem

Despite sustained financial literacy and investor education initiatives implemented by Zambian authorities, retail participation in the Lusaka Securities Exchange (LuSE) remains persistently low (Ministry of Finance, 2019; Securities and Exchange Commission of Zambia, 2023). Although access to formal financial services has expanded considerably in recent years, driven largely by growth in the banking sector and the rapid expansion of digital financial services, this expansion has not translated into a corresponding increase in stock market participation (Bank of Zambia & FinMark Trust, 2020). Rather, most individuals continue to rely predominantly on basic financial services such as savings accounts and mobile money platforms, with comparatively limited engagement in equity investment. Notwithstanding these concerns, empirical evidence examining whether financial literacy initiatives effectively influence stock market participation within the Zambian context remains scarce. Existing studies have tended to offer largely descriptive assessments of financial knowledge levels and participation trends, without rigorously establishing whether variations in financial literacy meaningfully affect individuals' investment decisions (Bule, 2021; Mulenga, 2020).

Consequently, the extent to which financial literacy functions as an effective policy instrument for promoting stock market participation remains empirically unresolved, underscoring the need for the present study.

1.3 Objectives

To examine the effectiveness of financial literacy in promoting stock market participation among SMEs in Lusaka Central Business District.

1.3.1 Specific objectives

1. To assess the accessibility of literacy programs on stock market investing for SMEs in Lusaka central business district.
2. To examine the effect of access to financial literacy on stock market participation by SMEs in Lusaka central business district.
3. To determine barriers that limit SMEs in Lusaka central business district from accessing financial literacy to participate in the stock market.

1.4 Conceptual framework

1.4.1 Financial Literacy and Stock Market Participation

A conceptual framework is the structured representation of how the key variables in a study are related. In this study of the Lusaka Stock Exchange, the framework positions financial literacy as the independent variable and stock market participation as the dependent variable, with contextual factors acting as moderators that influence the strength and direction of the relationship between them.

Financial literacy is conceptualized as a multidimensional construct encompassing the knowledge, skills and confidence necessary for sound financial decision-making. It includes understanding of financial instruments such as shares, bonds and mutual funds, awareness of market regulations and procedures, and the ability to interpret financial statements and market data (Lusardi & Mitchell, 2014) [17]. It is expected to enhance the capacity of SMEs to evaluate investment opportunities, manage risk and make informed choices regarding participation in the Lusaka Stock Exchange.

Stock market participation reflects the extent to which SMEs engage in investment activities, measured through ownership of listed securities, frequency of trading, use of brokerage and advisory services, and confidence in LuSE institutions (Campbell, 2006) [6]. The relationship is not purely linear: It is shaped by moderating factors such as access to financial services, regulatory frameworks, socio-cultural attitudes toward investment, and prevailing economic conditions such as inflation and profitability (Atkinson & Messy, 2012) [2]. These factors determine whether financial literacy translates into active participation or remains theoretical knowledge. The framework therefore integrates both cognitive and structural dimensions, recognizing that while literacy empowers decisionmaking, its impact depends on institutional trust, accessibility and macroeconomic stability.

The study tested the null hypothesis (H_0) that there is no significant relationship between financial literacy and stock market participation against the alternative hypothesis (H_1) that there is a significant positive relationship between

financial literacy and stock market participation.

2. Literature Review

2.1 Accessibility of Stock Market Literacy Programs

Globally, financial literacy has become a critical component in promoting participation in financial and capital markets. Governments, stock exchanges, financial institutions and international organizations have recognized that inadequate financial knowledge is a major barrier preventing individuals and SMEs from investing, and numerous programs have been developed to improve understanding of financial products, investment opportunities, risks and market operations. In developed countries such as the United States, United Kingdom, Canada and Australia, these programs are widely accessible through educational institutions, financial service providers, stock exchanges, online platforms and governmentsponsored initiatives, and Lusardi and Mitchell (2014) [17] indicate that financially literate individuals are more likely to invest in stocks because they better understand investment risks and returns. Disparities in access nevertheless persist: SMEs with limited resources may face time, cost and awareness barriers, and in developing economies the OECD (2020) [24] notes that financial education programs are concentrated in urban areas, limiting access for businesses elsewhere.

Across Southern and East Africa, stock exchanges have taken a leading role in investor education. The Johannesburg Stock Exchange (JSE) offers seminars, workshops, online courses, virtual trading platforms and awareness campaigns, while the Nairobi Securities Exchange works with Kenya's Capital Markets Authority on campaigns targeting SMEs, entrepreneurs and retail investors. Research in South Africa found that financial literacy significantly increases the likelihood of stock market participation (Nyakurukwa & Seetharam, 2024), evidence from Mauritius shows that participation in literacy initiatives improves financial knowledge and decision-making (Gunnoo & Bindah, 2024), and Mahfudh (2014) found that financial literacy significantly influences investment decisions at the Nairobi Securities Exchange. Access nevertheless remains uneven, owing to inadequate outreach, high training costs, limited awareness of programs and low trust in capital markets, although digital tools such as webinars, mobile applications and virtual simulations are reducing geographical constraints.

In Zambia, the Bank of Zambia, the Securities and Exchange Commission (SEC) and the Lusaka Stock Exchange, established in 1994, have intensified investor education through awareness campaigns, workshops, exhibitions, seminars and university outreach programs (LuSE, 2023; SEC Zambia, 2023). Yet most activities are concentrated in urban centres such as Lusaka, many SME owners remain unaware of available programs or how to access them, and limited publicity, weak outreach and the demands of running a business reduce participation (Bank of Zambia, 2022; National Financial Inclusion Strategy, 2022–2027). Digital delivery offers new opportunities, but its effectiveness is constrained by limited internet connectivity and low digital literacy (Ministry of Finance and National Planning, 2022; World Bank, 2022 [29]). Assessing the accessibility of stock market literacy programs among SMEs in the Lusaka Central Business District is therefore essential to determine whether existing investor education is reaching its intended beneficiaries.

2.2 Effect of Financial Literacy Access on Stock Market Participation

Globally, access to financial literacy is recognized as a critical determinant of stock market participation. Financial literacy equips investors with the knowledge and skills to evaluate opportunities, manage risks and make informed decisions, reduces information asymmetry and increases confidence (Klapper & Lusardi, 2020) [16]. Xia, Wang and Li (2014) found that financially literate households in China were significantly more likely to invest in stock market assets, and Calcagno and Monticone (2015) found that financially educated individuals were more likely to invest in securities and diversify their portfolios. The positive effect extends to SMEs, since financially literate entrepreneurs are better able to evaluate investment opportunities, manage risk and incorporate capital market instruments into their growth strategies.

In Sub-Saharan Africa, Nyakurukwa and Seetharam (2024) established that South African households with higher levels of financial literacy were considerably more likely to invest in stocks, and Gunnoo and Bindah (2024) found that individuals in Mauritius who had participated in financial literacy programs showed higher knowledge, confidence and investment decisionmaking ability. Morgan and Trinh (2019) [22] add that digital financial education improves financial knowledge and investment awareness by making learning resources more accessible. Atkinson and Messy (2012) [2] similarly associate financial literacy with prudent financial behaviour, including investment planning and wealth creation.

In Zambia, limited understanding of share trading, diversification and risk management leads many SME owners to rely on bank loans, retained earnings and personal savings rather than the stock market. Chileshe and Kaingu (2018) found that limited financial knowledge reduced entrepreneurs' participation in formal financial markets, and Mwandila (2020) found that small business operators in Lusaka who had received financial training were more willing to invest in formal financial products and more interested in stock market investment than those who had not. The Bank of Zambia (2022) likewise notes that financially educated individuals are more likely to engage with formal investment products. Because accessibility challenges remain, these findings provide a basis for examining the effect of access to financial literacy on stock market participation among SMEs in the Lusaka Central Business District.

2.3 Barriers to Accessing Financial Literacy for Stock Market Participation

The literature identifies several barriers to accessing financial literacy. Lack of awareness is prominent, since individuals cannot benefit from programs they do not know exist (Atkinson & Messy, 2012) [2]. Time constraints reduce participation among entrepreneurs and SME owners who must prioritize daily operations (Hilgert, Hogarth & Beverly, 2003) [13], while indirect costs, the complexity of stock market information and fear of financial loss further discourage engagement. Digital exclusion has emerged as a critical barrier in the era of online financial education, because many people lack the skills, connectivity or devices to benefit from it (Lyons & Kass-Hanna, 2021) [18], and socio-economic inequalities limit access to financial education and investment knowledge (Carey, 2011) [7].

In Zambia, SMEs face the same barriers. These include limited awareness of investor education programs owing to inadequate publicity (FSD Zambia, 2021), outreach concentrated in urban centres (SEC Zambia, 2023), time constraints among owner-managed enterprises (Mwandila, 2020), financial limitations including indirect costs and the unaffordability of advisory services (Chileshe & Kaingu, 2018), the perceived complexity of stock market investing (Bank of Zambia, 2022), limited internet access and digital literacy (Ministry of Finance and National Planning, 2022), and fear of investment losses (FSD Zambia, 2021).

Taken together, the literature shows that financial literacy is positively associated with stock market participation, but it tends to treat literacy as the dominant factor, relies heavily on evidence from developed markets, and gives limited attention to programme accessibility, to digital competence and to the conditions under which literacy translates into investment behaviour. Evidence from Lusaka suggests that individuals may possess adequate financial knowledge yet remain inactive in the stock market. This leaves open the question the present study addresses: How effective is financial literacy, in practice, in promoting stock market participation among SMEs in Lusaka?

3. Research Methodology

The study adopted a mixed-methods approach, specifically a convergent parallel design, to examine the effectiveness of financial literacy in promoting stock market participation on the Lusaka Securities Exchange. Under this design, quantitative and qualitative data were collected concurrently, analysed separately and integrated during interpretation to provide a more comprehensive understanding of the relationship between financial literacy and investment behaviour than either approach could achieve alone (Creswell & Plano Clark, 2018; Tashakkori & Teddlie, 2010) [9, 27]. The quantitative strand measured the strength and direction of the association between financial literacy and participation, while the qualitative strand explored the underlying reasons, contextual barriers and lived experiences shaping investment decisions in Lusaka.

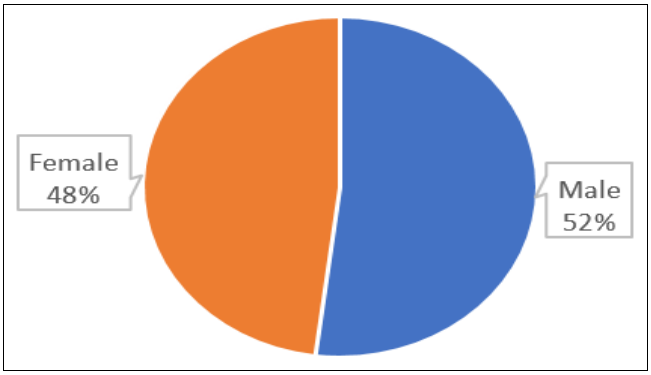
The target population consisted of individuals associated with the Lusaka Securities Exchange and owners or managers of registered SMEs engaged in trading, services or manufacturing within Lusaka's Central Business District, whose owners or managers are involved in financial decisions such as savings, reinvestment and capital allocation. Purposive sampling was used to select respondents who are knowledgeable about the phenomenon of interest (Creswell, 2014) [8], supplemented by convenience sampling of accessible participants within the CBD. Because the population size was not clearly defined, a practical sample of about 100 respondents, within the range of 50 to 150 suggested by Saunders, Lewis and Thornhill (2019) [26], was adopted.

Data were collected through a structured Google Forms questionnaire with closed-ended items measuring understanding of financial concepts and actual stock market participation, and through semistructured interviews with 10 to 15 purposively selected key informants such as stockbrokers, financial advisors and regulators. Both instruments were piloted, and secondary data were drawn from SEC Zambia, Bank of Zambia and LuSE reports, FinScope Zambia, NSFE II 2019–2024, the OECD and the World Bank. Quantitative data were analysed using Stata and Excel, with descriptive statistics, chisquare tests supported by Fisher's exact test, Pearson correlation, and multiple linear and binary logistic regression judged at the 5% significance level, while qualitative data were subjected to thematic analysis. Triangulation of questionnaire data with secondary sources was used to strengthen validity and reliability.

Ethical considerations included informed consent, confidentiality and anonymity, voluntary participation, non-harm, and ethical clearance from the university research ethics committee together with permissions from the Securities and Exchange Commission of Zambia and the Lusaka Stock Exchange (Bryman, 2016) [5].

4. Results/Findings Demographics

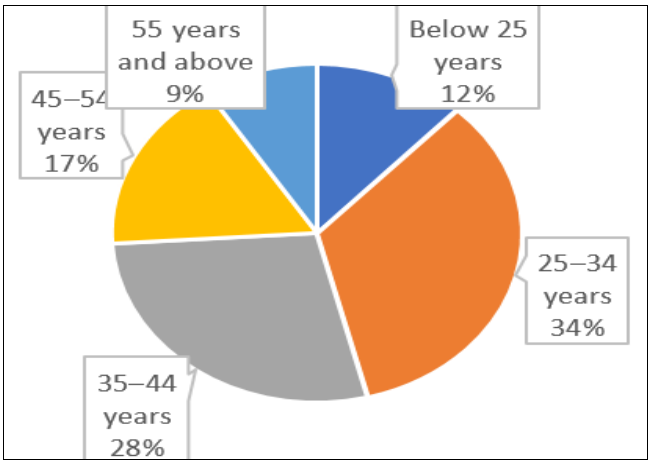
Gender of respondents



The findings indicate that 52% (52 respondents) were male, while 48% (48 respondents) were female.

This demonstrates a nearly balanced representation of both genders in the study, with males constituting a slightly higher proportion than females. Therefore, it is evident that interest and involvement in financial literacy and investment are not confined to one gender. With these findings, the meaning is that both male- and female-owned or managed businesses participated actively, which enhances the reliability and representativeness of the data collected.

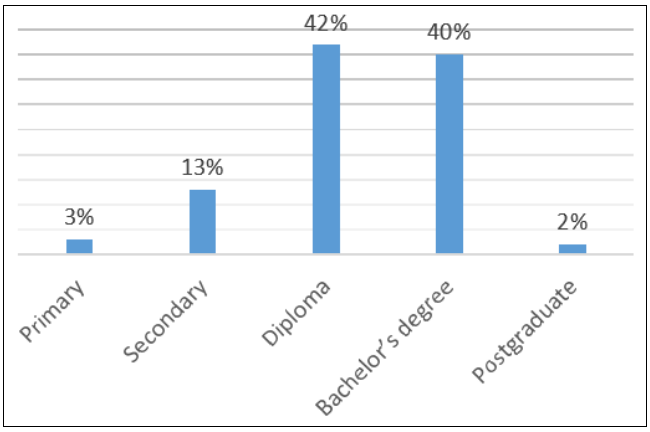
Age group of respondents



The age distribution is important because age influences financial literacy, investment experience and risk tolerance. The results show that 62% of respondents were between 25 and 44 years old (34% aged 25–34 and 28% aged 35–44), followed by 17% aged 45–54, 12% below 25 and 9% aged

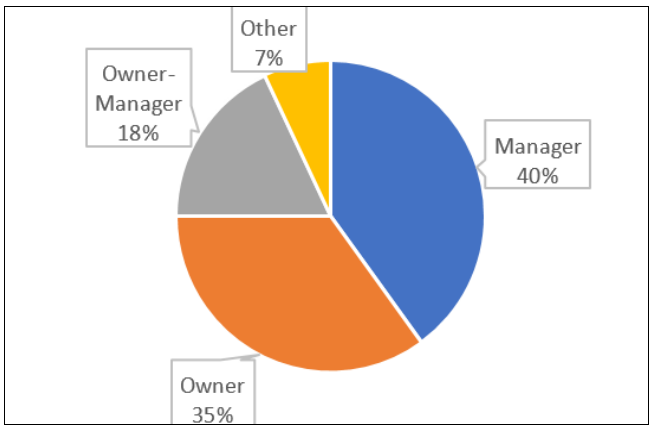
55 and above. Therefore, it is evident that the study was largely represented by individuals in their most economically productive years, who actively manage businesses, seek growth opportunities and make investment decisions, and who are well positioned to provide reliable information on financial literacy and stock market participation among SMEs.

Highest level of education attained



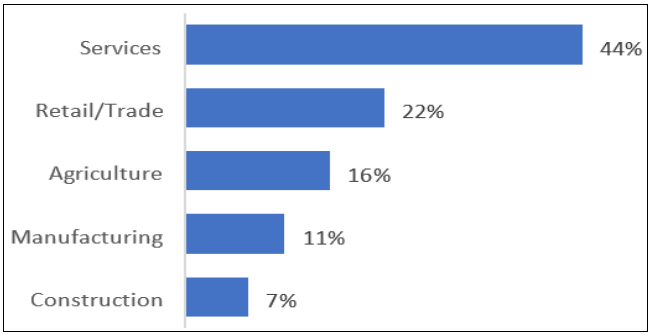
Education equips individuals with the knowledge and skills needed to understand budgeting, saving, investing, risk management and stock market operations. Many respondents held Diploma qualifications (42%) and bachelor's degrees (40%), while only 13% had secondary education, 3% primary education and 2% postgraduate qualifications. This means that 84% of respondents had attained tertiary education, indicating that most participants are likely to have the capacity to comprehend financial information and make informed investment decisions.

What is your position in the business?



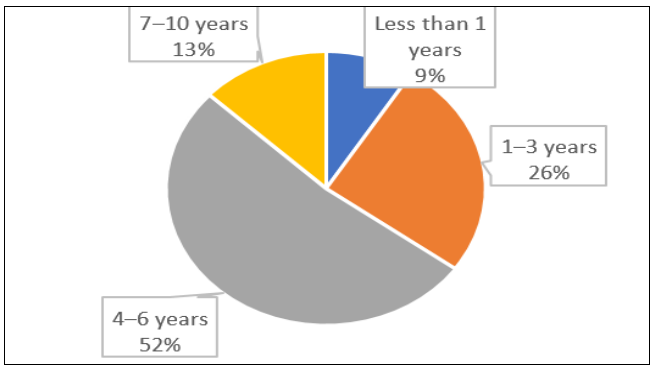
Owners, managers and owner-managers are typically responsible for budgeting, financial planning, investment analysis and business growth strategies, and are therefore more likely to understand issues of financial literacy and stock market participation than employees not involved in management. The fact that 40% of respondents were managers, 35% were owners and 18% were ownermanagers, with 7% in other positions, indicates that the study obtained information from respondents with substantial authority over financial and investment decisions. This strengthens the reliability of the findings.

Sector in which the business operates



The business sector influences the financial needs, investment decisions and financial management practices of SMEs, because different sectors face different levels of financial risk, funding requirements and opportunities for investment. Services accounted for the largest share of respondents (44%), followed by retail/trade (22%), agriculture (16%), manufacturing (11%) and construction (7%).

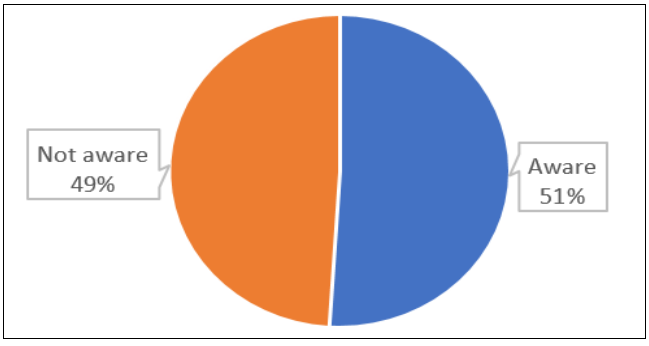
How long has your business been operating?



The finding that 52% of respondents had operated their businesses for 4–6 years, followed by 26% for 1–3 years, 13% for 7–10 years and 9% for less than one year, suggests that the study drew information from respondents who had acquired practical business experience. These respondents have had sufficient time to develop financial management skills, accumulate savings and assess the investment opportunities available in the market, and are likely to provide informed views on financial literacy and investment matters.

Accessibility of Financial Literacy Programmes

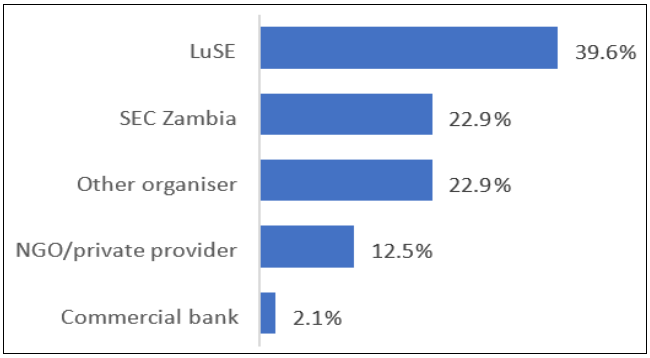
Are you aware of any financial literacy programs on stock market investing available to SMEs in Lusaka?



The results show that 51% of respondents were aware of financial literacy programs on stock market investing, while 49% were not. Cross-tabulations were used to test whether awareness differs by respondent background, since this shows whether some groups are being reached better than others. Awareness did not differ significantly by education level ($\chi^2(2, N = 100) = 5.25$, $p = 0.073$, Cramér's $V = 0.23$) or by business sector ($\chi^2(4, N = 100) = 8.23$, $p = 0.084$, $V = 0.29$) at the 5% level. Because the pvalues are greater than 0.05, respondents with different qualifications and in different sectors demonstrated relatively similar levels of awareness, so awareness was not concentrated among the highly educated or in one sector.

Therefore, it is evident that the existence of financial literacy programs is generally known among SME operators and that awareness alone may not be the primary challenge affecting stock market participation. This is consistent with Lusardi and Mitchell (2014) [17] and van Rooij, Lusardi and Alessie (2011) [28], who found that participation depends more on financial knowledge and confidence than on mere awareness, and with the OECD (2020) [24], which notes that awareness of financial education initiatives is only the first step toward financial inclusion.

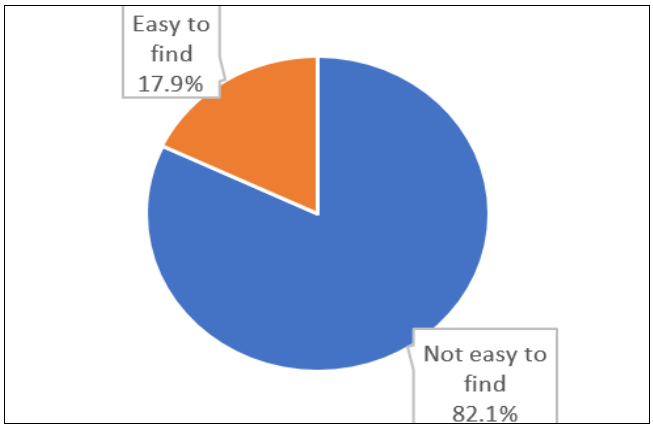
Have you or your business ever participated in a financial literacy program related to stock market investing? Who organised it?



Overall, 48% of respondents had participated in a financial literacy program on stock market investing, while 52% had never participated. Among those who had participated, LuSE (39.6%) and SEC Zambia (22.9%) were the major organisers, followed by other organisers (22.9%), NGO or private training providers (12.5%) and commercial banks (2.1%). Participation was somewhat higher among respondents with a degree or higher (61.9%) than among diploma holders (38.1%) and those with secondary education or below (37.5%), but the difference was not statistically significant at the 5% level ($\chi^2(2, N = 100) = 5.61$, $p = 0.060$).

Therefore, it is evident that stock exchanges and securities regulators are the main providers of investor education for SMEs. This is supported by Madura (2020) [19], Gitman, Joehnk and Billingsley (2022) [12] and Mishkin and Eakins (2024) [21], who argue that these institutions are well placed to educate investors because of their specialised knowledge of capital markets. However, the findings differ from Garman and Forgue (2023) [11], who argue that commercial banks should be among the leading providers of financial education because they are often the first point of contact between businesses and the financial system.

Financial literacy programs on stock market investing are easy to find in Lusaka CBD

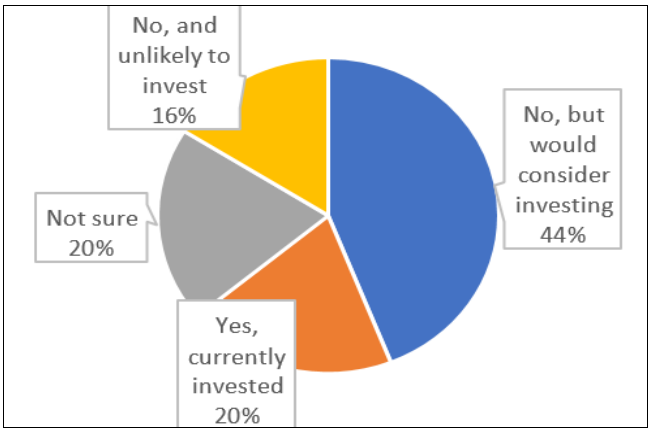


Among valid responses (n = 56), 82.1% (46 respondents) reported that financial literacy programs on stock market investing are not easy to find in Lusaka CBD, while 17.9% (10 respondents) reported that they are. Despite the existence of institutions such as LuSE and SEC Zambia that offer investor education, information about these programs may not be sufficiently visible, accessible or widely publicized among SMEs.

Therefore, it is evident that most SME owners and managers experience difficulty locating programs. With these findings, the meaning is that visibility and communication, rather than the absence of programs, constrain access. This is consistent with Bodie, Kane, Marcus and Jain (2024) [3], who note that when investment education is not readily accessible, potential investors lack the confidence and knowledge to participate, and with Rejda and McNamara (2022) [25], who maintain that financial education programs must be visible and accessible to their target audience if they are to influence financial behaviour.

Effect of Financial Literacy on Stock Market Participation

Does your business currently hold any investments on the Lusaka Securities Exchange (LuSE)? If not, would you consider investing in future?

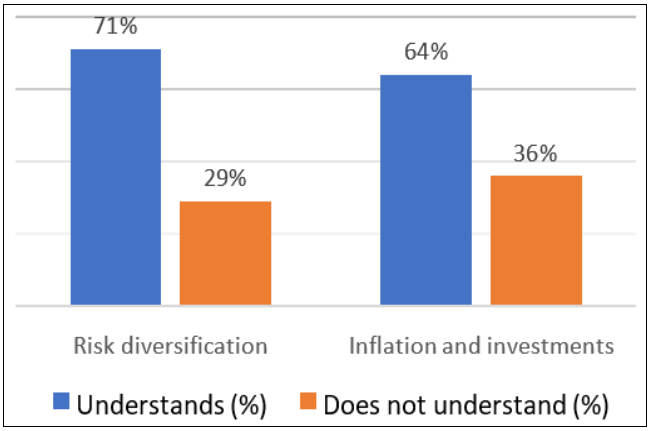


Only 20% of respondents were currently invested on the LuSE, while 44% were not invested but would consider investing in future, 20% were not sure and 16% were unlikely to invest. The fact that 44% would consider investing indicates a positive attitude towards stock market participation and an opportunity for increased investment if

appropriate financial education, investment guidance and support mechanisms are provided. The 20% who were uncertain may require additional information, financial literacy training and confidence-building measures before making investment decisions.

Therefore, it is evident that there is a gap between investment interest and actual participation. With these findings, the meaning is that outright resistance to stock market participation (16%) is less common than hesitation or lack of readiness.

How would you rate your understanding of the following financial concepts?



Many respondents possessed a basic understanding of important financial concepts: 71% understood risk diversification and 64% understood the relationship between inflation and investments. However, the findings also reveal notable knowledge gaps, as nearly one-third of respondents (29%) did not understand risk diversification and more than one-third (36%) did not understand the relationship between inflation and investments. These gaps may limit the ability of some SME owners and managers to evaluate investment opportunities effectively. Garman and Forgue (2023) [11] caution that basic awareness of financial concepts does not necessarily translate into investment participation, because investors may understand financial terminology yet still avoid investing due to limited capital, risk aversion or lack of practical experience.

Literacy indicators and current investment on the LuSE

Table: Chi-Square Analysis of Financial Literacy Indicators vs Current Investment on the LuSE

Indicator	% investing: Yes	% investing: No	χ^2 (df = 1)	p		
Accessibly of programmes	37.3%	2.0%	19.37	<.001	.44	<.001
Understands diversification	26.5%	7.1%	4.49	.034	.22	.051
Understands inflation	31.1%	0.0%	13.24	<.001	.37	<.001

Chi-Square Test Results:

- $\chi^2 = 22.13$,
- df = 1,
- p = 0.001 → Significant at 0.05 level accessibility of programmes:
- $\chi^2 = 19.37$,
- df = 1,
- p =0.001 → Significant

Understands inflation:

$\chi^2 = 13.24$, df = 1, p = 0.001 → Significant at 0.05 level

- Understands diversification:
- $\chi^2 = 4.49$,
- df = 1,
- p = 0.034,

The chi-square tests show a statistically significant association between each literacy indicator and current investment on the LuSE, except for understanding of diversification, which is borderline once Fisher's exact test is applied. Respondents who had participated in a financial literacy programme were far more likely to be invested (39.6%) than those who had not (1.9%), and none of the respondents who did not understand the relationship between inflation and investments was invested. This indicates that exposure to financial literacy programmes and understanding of financial concepts are strongly related to actual investment on the LuSE.

Correlation analysis

Table: Pearson Correlation Matrix of Study Variables

Variable	1	2	3	4	5	6	7
1. Participation score	1						
2. Literacy index	.39**	1					
3. Awareness	.38**	.77**	1				
4. Programme participation	.43**	.65**	.60**	1			
5. Understands diversification	.06	.65**	.22*	-.00	1		
6. Understands inflation	.21*	.77**	.34**	.21*	.67**	1	
7. Education level	-.02	.24*	.13	.15	.15	.26*	1

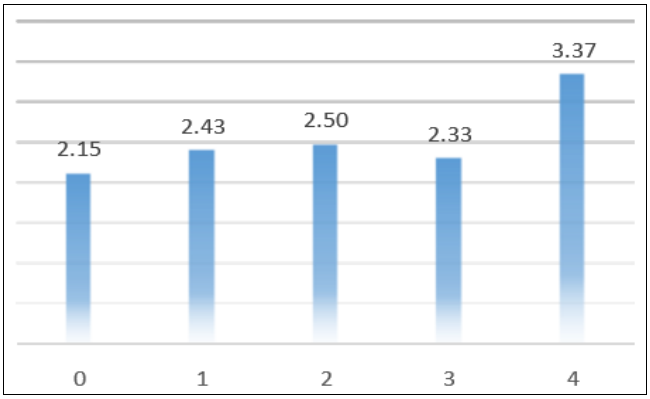
Source: Field Data, 2026

Correlation Results:

- Literacy index and participation score: r = 0.39, p = 0.001 → moderate positive relationship Programme participation (r = 0.43, p =0.001 and accessibility (r = 0.38, p = 0.001) are the strongest indicators.
- Understanding of inflation: (r = 0.21, p = 0.037 → weak but significant.
- Understanding of diversification (r = 0.06, p = 0.560) and education level (r = -0.02, p = 0.843) → not significant.
- Literacy index and current investment on the LuSE: r = 0.54, p = 0.001 → strong positive relationship.

The financial literacy index is positively and significantly correlated with the participation score, indicating that respondents with higher literacy scores are more likely to invest or to be willing to invest. Programme participation and awareness of programmes show the strongest correlations with participation, followed by understanding of inflation. Understanding of diversification and education level are not significantly correlated with participation, which implies that knowledge of diversification alone did not necessarily influence whether respondents invested, and that respondents with higher educational qualifications were not automatically more likely to invest. The correlations between the index and its own components are high by construction, but the index and its components were never entered in the same model, and the remaining correlations among predictors are below 0.80, which suggests no serious multicollinearity.

Mean participation score by financial literacy score



The mean participation score rises with the financial literacy score, from 2.15 among respondents with the lowest literacy score (0) to 2.43 and 2.50 at scores of 1 and 2, with a slight decline to 2.33 at a score of 3, before rising markedly to 3.37 among those with the highest score (4). Therefore, it is evident that respondents with higher levels of financial literacy are more likely to participate in stock market investing or to express a willingness to invest. With these findings, the meaning is that improving financial literacy among SME owners and managers may increase their confidence in making investment decisions and enhance their participation in the Lusaka Securities Exchange.

Regression analysis

Table: Regression Analysis of Factors Affecting Stock Market Participation (Model Specification)

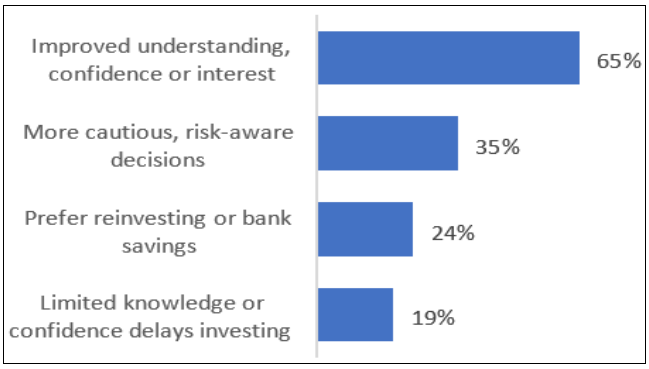
Variable	Role in the model	Measurement
Participation score	Dependent (Model 1)	Scale 1 to 4
Current investment on the LuSE	Dependent (Model 2)	1 = invested, 0 = not invested
Financial literacy index	Independent	Score 0 to 4
Education level	Control	1 to 5
Age of business	Control	1 to 4
Respondent age group	Control	1 to 5
Gender	Control	1 = female
Questionnaire version	Control	1 = Version B

Model Summary:

- Model 1 is a multiple linear regression explaining the participation score (1 to 4); Model 2 is a binary logistic regression explaining whether a respondent is currently invested on the LuSE.
- The independent variable of interest is the financial literacy index (0 to 4), with controls for education, business age, respondent age group, gender and questionnaire version.
- The index and its components were never entered into the same model, and correlations among the remaining predictors are below 0.80 → no serious multicollinearity.

Correlation shows association but does not show how much of the variation in participation can be explained by financial literacy once other factors are held constant. Regression analysis was therefore used, as planned in the methodology, to test the effect of financial literacy on stock market participation, using the participation score as the dependent variable in the multiple linear regression and current investment on the LuSE, the most direct measure of actual participation, as the dependent variable in the binary logistic regression.

In what specific ways, if any, has financial literacy influenced your business's decision to invest (or not invest) on the LuSE?

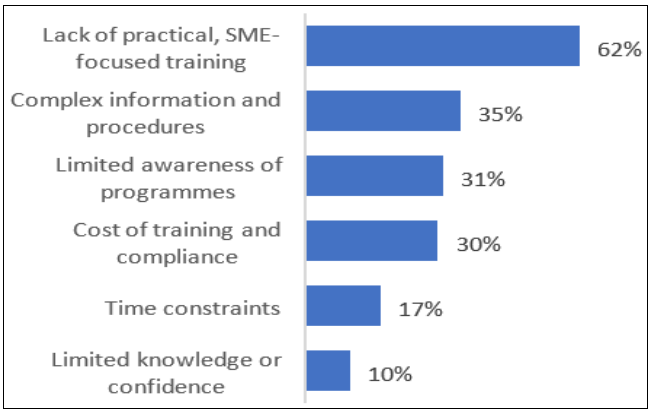


The most common outcome, reported by 65% of respondents, was improved understanding, confidence or interest in investing, followed by more cautious, long-term and risk-aware decision making (35%). Two other themes show why literacy does not always lead to investment: 24% of respondents preferred to reinvest in inventory or fixed assets or to keep funds in bank accounts to protect working capital ("our current priority is maintaining liquidity for business operations"), and 19% said that limited knowledge or confidence was delaying or preventing investment.

Therefore, it is evident that financial literacy programs have been effective in enhancing participants' knowledge and willingness to consider investment. This is consistent with Hogarth (2006) [15], who argues that financial education improves individuals' ability to acquire, understand and use financial information. However, increased knowledge does not necessarily translate into immediate investment action, as some respondents still preferred to reinvest profits in their businesses or maintain liquidity through bank savings.

Barriers Limiting SME Participation

What has been the single biggest challenge your business has faced in trying to access financial literacy training or participate in the stock market?



The most significant challenge was the lack of practical, SME-focused training and information, cited by 62 respondents (62.0%), which suggests that although

investment education programs may exist, many SMEs perceive them as insufficiently tailored to their business needs. This was followed by the complexity of information and market procedures (35.0%), limited awareness of financial literacy programs and where to find them (31.0%), the cost of training, advisory services, listing and compliance requirements (30.0%), time constraints and competing business priorities (17.0%), and limited knowledge and confidence to invest (10.0%). Respondents could select more than one challenge, so the shares exceed 100%.

Therefore, it is evident that inadequate practical training, complex market information, limited awareness of programs and financial costs are the key obstacles affecting SME participation in stock market investment. With these findings, the meaning is that the results support the statement of the problem, which highlights inadequate financial literacy and accessibility barriers as factors contributing to the low level of SME involvement. This observation is supported by Hirschey and Nofsinger (2017) [14], who argue that investors with lower levels of financial knowledge avoid investment markets because they perceive higher risk and uncertainty.

5. Discussion of Findings

The first objective assessed the accessibility of financial literacy programs on stock market investing among SMEs in Lusaka Central Business District. The study revealed that programs are generally available, with LuSE and SEC Zambia the most prominent providers (51% of respondents were aware of programs and 48% had participated), but 82.1% of valid responses said programs are not easy to find, and awareness did not differ significantly by education ($p = 0.073$) or sector ($p = 0.084$). This is consistent with Madura (2020) [19], Mishkin and Eakins (2024) [21] and Rejda and McNamara (2022) [25]. The meaning is that accessibility depends on how well providers communicate and disseminate information, not only on the existence of programs.

The second objective examined the effect of financial literacy on SMEs' stock market participation. The financial literacy index was positively correlated with the participation score ($r = 0.39$, $p = 0.001$) and with current investment ($r = 0.54$, $p = 0.001$), and programme participants were far more likely to be invested (39.6% against 1.9%; $\chi^2 = 22.13$, $p = 0.001$). This supports Bodie, Kane, Marcus and Jain (2024) [3] and Ackert and Deaves (2021) [1], who argue that financial education improves understanding of risk and return and investor confidence. These results suggest that financial literacy positively influences investment decisions and that the alternative hypothesis (H_1) is supported.

However, financial literacy alone did not automatically result in participation: Only 20% of respondents were invested, although 44% would consider investing, and some SMEs preferred reinvesting profits, purchasing assets or maintaining cash reserves. This is consistent with Nofsinger (2022) [23] and Ackert and Deaves (2021) [1], who argue that investment behaviour is also shaped by behavioural and psychological factors such as risk perception, uncertainty and fear of loss. Nofsinger (2022) [23] also notes that some investors participate despite limited literacy because of overconfidence and social influence, an alternative perspective suggesting that other factors may also drive participation.

Regarding barriers, the lack of practical, SMEfocused training was the most significant (62%), consistent with Madura and Gill (2023) [20], who argue that financial education is more effective when it builds practical investment skills. The complexity of stock market information (35%) agrees with Fabozzi and Drake (2022) [10], limited awareness (31%) points to communication and outreach gaps, financial constraints (30%) support Brigham and Houston (2022) [4], and time constraints (17%) and low confidence (10%) reflect the operational demands on SME owners and the findings of Ackert and Deaves (2021) [1]. The indication is that barriers are both informational and structural.

Overall, the findings demonstrate that financial literacy contributes significantly to awareness, knowledge and investment confidence among SMEs in Lusaka, but its effectiveness depends on programme visibility, practical content, simplified information, affordability and the wider financial circumstances of SMEs.

6. Conclusion

This study examined the effectiveness of financial literacy in promoting stock market participation among SMEs in Lusaka Central Business District. The research focused on the accessibility of financial literacy programs, the effect of financial literacy on stock market participation, and the barriers limiting participation. Findings revealed that programs are available through LuSE and SEC Zambia, but are not sufficiently accessible, as 82.1% of valid responses found them difficult to find. Financial literacy was positively and significantly related to stock market participation ($r = 0.39$ with the participation score and $r = 0.54$ with current investment, $p < 0.001$), and programme participants were far more likely to invest, yet only 20% of respondents were invested because some SMEs prioritize liquidity, business expansion and operational needs. The most prominent barriers were inadequate practical and SME-focused training, complexity of information, limited awareness, cost, time constraints and low investor confidence. The study concludes that financial literacy is a necessary but not sufficient condition for increasing stock market participation, which explains why wider access to financial services has not produced wider participation on the LuSE. Promoting participation therefore requires financial education combined with practical investment support, improved programme visibility, simplified investment information and targeted efforts to address the barriers facing SMEs. The study recommends that LuSE and SEC Zambia strengthen outreach and practical training, that government integrate stock market education into SME support programmes and simplify procedures, and that SMEs participate actively in investor education. Future research should examine behavioural factors, digital financial literacy and other provinces of Zambia.

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