# Relationship Between Financial Literacy of Individual Investors and Stock Market Participation Decision Among Secondary School Teachers from Nakuru County, Kenya

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**Abstract**
The market for stocks plays a crucial role in the lives of many individual households. They stand to gain from higher returns that they earn from participating in the stock market. In reality, few individual households participate in the stock market. *Many researches have tried to provide explanation for the limited individual investor participation in the stock market.* This study sought to explain whether financial literacy could also provide explanation for the stock holding puzzle by *assessing the relationship between financial wealth and individual investor stock market participation decision among secondary school teachers in Nakuru County. Cross sectional survey research design was employed for the study. Stratified proportionate random sampling was applied and data was collected from 231 secondary school teachers using structured questionnaires. Data was analyzed using inferential statistics with the aid of SPSS. The research findings indicate that financial literacy has a significant positive relationship with stock market participation of secondary school teachers in Nakuru County. The study concludes that that financial literacy of individual investors has a significant relationship with stock market participation among secondary school teachers from Nakuru County. The study recommends that the Capital Markets Authority which is tasked with supervision, licensing and monitoring the activities of financial markets should implement comprehensive awareness and public education programs that targets the wider non-stock market participating public. This will increase participation which is an indicator of well-functioning financial market in any country.*

*Keywords: Financial literacy, stock market participation, teachers*

## INTRODUCTION

The market for stocks plays a crucial role in the lives of many individual households. They stand to gain from higher returns that they earn from participating in the stock market. In reality, few individual households participate in the stock market. In Kenya for instance, a study by the Oxford Group (2015) revealed that individual investors in the Kenya stock market were only 4% out of the total investors. Constantinides, Donaldson and Mehra (2002) sought to establish the reasons why few individuals participated in the stock market. The study noted that financial theory was yet to provide explanations for the participation puzzle. A number of factors have been identified that contribute to stock market participation and this study sought to explain whether financial literacy could also provide explanation for the stock holding puzzle.

Several previous studies have attempted to explain the behavior of individual investors in the financial markets (Aduda, Masila and Osongo, 2012; Wendo, 2015; Brown & Graff, 2013). Aduda, *et al.*, (2012) conducted a study that sought to evaluate the behavior and the performance of individual investors for companies listed at the Nairobi Securities Exchange. The study found that individual investors behave differently when making the investment decision with some making decisions rationally while others make irrational decisions in their investment. The investors can also be speculative meaning that they invest in the short run or they can be long term investors or both. Barber and Odean (2013) examined the behavior of individual investors. Their main focus was on the trading of these investors in individual stocks. The study's findings reveal that individual investors tend to hold portfolios that are not well diversified because they do not have sufficient information about the securities resulting in low returns even before considering transaction costs. The study further reveals that individual investors prefer to take up investments in the stocks of companies close to where they stay or close to their work place. The study further observed that the media also influenced the behavior of individual investors and that investors purchased the stocks that were given attention in the news. This suggests that investors lack information about the securities traded and hence have inadequate ability to select the securities they can use to form portfolios leading to poor returns.

Another study by Barber, Lee, Liu and Odean (2008) sought to estimate the amount of loses incurred by individual investors as a result of their trading activities in Taiwan. The study showed that the economic losses incurred were significant accounting for 2.2% of the Country's Gross Domestic Product. This was also equated to 2.8% of the total annual income of an individual. This further pointed out the behavior of individual investors to make uninformed decisions in their investment activities. The study concluded that individual investors should not engage in trading in the financial markets. Instead they should invest in well diversified portfolios and hold them.

Other studies suggest that individual investors are irrational even in obvious circumstances. Elton, Gruber and Busse (2011) sought to evaluate whether individual investors were rational in their investment decision making in the Standard and Poor's choice of index funds. The study investigated investors' choices of index funds where costs varied across funds with the funds having almost comparable investment strategies which predicted the anticipated differences in performance. Despite this predictability, investors invested in very costly securities with expected poorer performance. This means that individuals need to have proper knowledge and skills if at all they are to benefit from trading in the financial markets. The findings further suggested that the individual investors preferred to make investment in the stocks of companies closer to them because they have information advantage as a result of proximity and familiarity. However, this is not a justification to have too much of one investment in a portfolio. Therefore, individuals should form well diversified portfolios in order to reduce risk and earn high returns from investment in financial securities.

Calvet, Campbell and Sodini (2007) conducted a study to evaluate the efficiency of investment decisions by Swedish households. The study focused on the welfare costs of household investment mistakes and reported that individuals who were retired and those that invested mostly in pension plans were most likely to participate. This participation was also found to be positively correlated to higher income, greater wealth, and education of individuals. The study also found that participation was adversely affected by unemployment and age. Thus in relation to the study the terms of employment for teachers was always permanent and pensionable especially under Teachers Service Commission and therefore they were likely to invest in the stock market.

Previously reviewed studies (Calvet, *et al*., 2007; Barber & Odean 2011; Aduda, *et al.*, 2012) have brought out the character of individual investors to make uninformed investment decisions and many researchers have tried to find explanations as to why few individual investors participate in the stock market. The explained literature has not provided a clear role of financial literacy in their decision to participate in the stock market. This study therefore sought to explain the decision to participate in the stock market by assessing financial literacy and the stock market participation of secondary school teachers from selected sub counties in Nakuru County.

In assessing the relationship between financial literacy and stock market participation decision among secondary school teachers the following hypothesis was tested

$H_{o1:}$ There is no significant relationship between financial literacy of individual investors and stock market participation

Figure 1: Conceptual framework

## LITERATURE REVIEW

### Financial Literacy and Stock Market Participation

Financial literacy has potential of enhancing stock market participation by reducing the cost of obtaining information related to investment vehicles and stock market in general. For instance, Lusardi (2008) in a study revealed that it is more probable for better educated people to hold stocks after controlling for labor income, wealth and unemployment risk. According to the study, education gives individuals ability to understand information about the stock market and the available investment opportunities.

Mouna and Jarboui (2015) sought to determine whether financial literacy could explain investor portfolio selection in the emerging market of Tunisia Stock Market. The study used ordinary least square regression to analyze the data due to the continuous nature of the portfolio diversification variable. The study found that the investor's with greater financial knowledge also held more assets in their portfolios and the higher the diversification, the lesser the risk. The results show that financial literacy has important implications on an investor's investment management. The study recommended that investors should be educated so that they can become well equipped to make rational decisions in their investment choices. The results suggest that investors should make informed decisions regarding their investments in order to maximize their returns from their investments.

Mbabazi and Daniel (2017) investigated the effects of financial literacy on 130 small and medium enterprises participation in the market for stocks among small and medium enterprises in Rwanda. The study found that there is a positive significant association between financial literacy and stock market participation. The regression analysis revealed that financial literacy explained 81% in the stock market participation. The study further recommended that these enterprises should be trained on financial literacy in order to encourage more stock market participation. This implies that financial literacy is the main determinant of stock market participation.

Sindambiwe (2014) conducted a study on financial literacy, stock market awareness and capital market participation of an emerging stock market. The main focus was the Rwandan Stock Exchange. The objective of the study was to investigate the influence of stock market awareness of leaders of 91 selected organizations on the level of stock market participation. The study used descriptive correlative research design and collected data both qualitative and quantitative using interviews and a detailed questionnaire. The study found that directors of organizations were highly financially literate and that they apply this financial literacy in the daily running of their business. However, the study also reveals that despite the directors' high literacy levels, their organizations' level of stock market participation on the Rwandan Market was low. The study further noted that despite the findings that Commercial banks ranked first in stock market awareness, insurance firms reported the highest level of stock market participation with the manufacturing organizations ranking lowest in in both stock market awareness and participation in the stock market. The study found a significant and positive relationship between stock market awareness and stock market participation and recommended that Capital Markets Authority should develop programs aimed at increasing awareness and financial literacy training in order to increase the stock market awareness which in turn increases stock market participation.

Li, Geng, Subrahmanyam and Yu (2014) conducted a study that sought to establish whether the rich individual investors have an advantage over normal investors in terms of information. Data was obtained from a national brokerage firm in China for 1.8 million individual investor's trading and also about their record of holding for the period 2007-2009. The study employed monthly time series regression to measure the return of the portfolios held by each individual investor sampled for the study. The investors were categorized into four groups the super investors, small, middle and big investors. The study found that although generally individual investors perform poorly, the super investors were able to earn positive significant returns and that the more these super investors traded, the greater the returns they earned from their investment activities. The study concluded that these super investors were able to get positive returns because they have informational advantage over the other groups of investors. The study further suggested that investor with high value portfolios also became wealthy due to their higher cognitive abilities. This means that smart investors those who have information about financial securities are in a better position to make greater gains as they are able make informed investment decisions.

Lodhi (2014) sought to investigate the influence that financial literacy on individual investors decision making. Primary data was collected from 60 individual investors drawn from Karachi population. Probability sampling method was used to identify the final sample. The study targeted entrepreneurs, teachers, executives, officers, housewives, and students from different religious and cultural backgrounds. The study reported that financial literacy lowers information asymmetry thereby allowing investors to invest in risky securities.

Marobe (2013) conducted a study on the determinants of stock market participation by individuals in Dares-Salaam Stock Exchange (DSE) Tanzania. The objective of the study was to examine factors that influence stock market participation in Tanzania. The study specifically investigated the effects of economic, social and financial literacy factors on stock market participation. The study applied a survey approach using both purposive and incidental data collection techniques to administer the questionnaires. The study found that income, occupation, education and age significantly explained stock market participation in Tanzania. The study also found financial literacy and gender to be insignificant to the stock market participation decision. The study emphasized the need for the DSE to provide training and education to people in order to increase awareness on stock issues in order to attract more participants to trade in stock market. Following the recommendation, it was therefore important to investigate whether the lack of awareness could be the reason why we have few individual investors in the Nairobi Stock Exchange.

Brown and Graf (2013) conducted a survey that sought to evaluate how investment and borrowing is influenced by financial literacy among Swiss households. Data was collected through the use of telephone interviews from 1500 individuals aged between 20-74 years. Regression analysis was used to analyze the data. The study found that the Swiss population was relatively financially knowledgeable as they understood knowledge in basic financial concepts. The study's results reported that financial literacy positively influenced investment behavior and that more financially knowledgeable individuals were more likely to participate in the stock market, saving for retirement and mortgage borrowing.

Yoong (2011) investigated the effects of financial literacy on stock market participation. Data was collected from American Life Panel from a sample of 1000 individuals who were 40 years of age and above. The study found that lack of financial knowledge affects the decision to participate in the stock market. The findings reported that lack of knowledge in finance hinders investors from participating in the stock market and the impact is worse for risk averse individuals as the lack of awareness in financial concepts affects their ability to amass wealth. These findings illustrate the importance of financial literacy in influencing the investment decision of individual investors.

In another study, Hastings and Mitchell (2011) sought to explain whether financial literacy has a role to play in the savings for retirement and the investment behavior using data obtained from 14,000 respondents drawn from the Chilean firms' EPS over a ten year period. The results from the study reported that financial literacy is actually related with retirement saving but less associated with to the investment decision making. The study further recommended that policy makers should come in to guide individual investors in making the right investment decisions and especially where long term investment opportunities are being considered especially now that the choice of investment rests on the investors themselves. The study suggests that individual investors especially the less educated ones are incapable of making optimal investment decisions and there is need to provide training on financial literacy.

Grinblatt, Keloharju and Linnainmaa (2011) examined the effects of investor cognitive abilities on participation in the stock market. The study was revolved around the assumption that individuals having limited cognitive abilities tend to lack the ability to process information and act on it. The results reported that IQ plays a significant role in influencing individual investor decision to participate in the stock market. The study further revealed the central role that cognitive abilities played in influencing other variables of wealth and income which have direct effect on the stock market participation. The results suggest that investors with lower cognitive abilities participate less frequently in the market and in turn earn lower returns. This could explain the wealth disparities witnessed between the low and high IQ individuals.

Barber and Odean (2013) in another study examined the behavior of individual investors. The main focus was on the trading of these investors in individual stocks. The study found that individual investors do not behave rationally as they tend to hold portfolios that are not well diversified because they do not have sufficient information about the securities resulting in low returns even before considering transaction costs. The study further reveals that individual investors prefer to invest in the stocks of companies close to where they stay. The study further observed that the media also influenced the behavior of individual investors and that investors purchased the stocks that were given attention in the news. This suggests that since investors lack information about the securities traded, they have inadequate ability to select the securities they use to form portfolios.

Müller and Weber (2010) conducted an online survey on the relationship between financial literacy of retail investors and their investment in mutual funds. Data was collected from a sample of 3,228 participants in investments through an online questionnaire. The results reveal that there are majorly two distinct groups of individual investors. The more knowledgeable who have a better ability to select their investments. These investors select these investments mostly on their own and rely on information obtained from the internet therefore they reduce their overall transaction costs. Unsophisticated investors on the other hand relied heavily on advice from financial advisors who recommend investment in actively managed funds and as a result such investors incur greater costs on commissions. The study revealed that financial literacy improves the investment decisions of individual investors when considering investment in mutual funds as it improves their ability to select investments and helps in their assessment of expected returns and risks and reduces their overall transaction costs.

Hassan Al-Tamimi and Anood Bin Kalii (2009) conducted a study that assessed the relationship between financial literacy and the effects of dynamics that influence the investment decision among United Arab Emirates individual investors. Data was collected through a structured questionnaire from a convenient sample of 290 individual investors who had invested in the stocks of local companies. The study reported that financial literacy among the individual investors was far below the required level. Further, the study revealed that financial literacy was also affected by the level of education and income. With regard to gender, the women were found to be less financially knowledgeable than men. The study concluded that financial literacy influences the investment decisions of retail investors significantly. However, purposive sampling has serious limitations which may impact on reliability of the findings (Mugenda and Mugenda, 2003). There is need to replicate this study using other designs to corroborate the findings.

In a study dedicated to education and financial market participation, Cole and Shastry (2009) carried out a study that sought to examine the association between education and stock market participation. Data was collected from individual households from a large sample of United States Census data through the use of a detailed questionnaire. The study revealed that education was important in boosting individual investor participation and estimated that stock market participation for households would increase by 1.5% with one additional year of schooling.

Calvet, Campbell and Sodini (2009) evaluated the investment mistakes that many investors make in the stock market. Calvet *et al*., identifies these mistakes to include little diversification, risk taking and the inclination of investors to sell well performing stocks too soon and holding poorly performing stocks too long. Data was collected from Swedish panel and was analyzed using regression analysis. The results revealed that households that were more educated committed smaller investment mistakes and that wealth negatively influenced the three investment errors. Finally, the study reported that financial sophistication increased significantly with the affluence and household size of the investors.

Korniotis and Kumar (2010) examined the impact of cognitive abilities on investment decisions of individual investors in US. They collected data from a sample of 62,387 individual households from a US brokerage house for the period1991-1996. The study estimated cognitive abilities together with the demographic characteristics of the retail investors. Using multivariate cross sectional regression analysis, the study found that investors with cognitive abilities perform better than investors without these abilities by 6% when there are significant differences in the securities in their portfolio. The difference in the performance between the high and the low cognitive abilities investors was positive and significant at 0.05. The study suggests that investors having low cognitive abilities would be better off if they invested indirectly in the financial markets as their direct investment in the financial market would result in economic losses.

In another study, Ivkovic, Sialm and Weisbenner (2008) investigated the role of information on the selection of securities that make a portfolio for individual investors. Data was collected from 78,000 household trades from their monthly statements of position for the period 1991-1996 obtained from a discount broker. The main focus was on common stocks traded in various security markets. The households were divided into two groups of concentrated and diversified households. The data collected was analyzed using regression analysis. The study reported that the holdings of concentrated households performed better that the households that held too many stocks in their portfolios. The study revealed that households that held one or two assets in their portfolio performed better than diversified portfolios. The study also showed that these returns were more in situations of greater information asymmetry. The study suggests that the wealthy households are able to earn higher returns because they have better ability to identify and select the stocks of superior performance because they have more information about the securities.

Guisso and Japelli (2008) conducted a survey on the effect of financial literacy on portfolio diversification decision. Data was collected from a sample drawn from the largest Italian Bank from the 2007 Unicredit Customers Survey. The regression results reported a high correlation between financial literacy and portfolio selection. The study also revealed that the investors with limited financial literacy held undiversified portfolios. The study also found those investors that were risk averse, older investors, little income and less educated investors were less sophisticated financially. The study further recommended that more training should be done to improve investors' financial literacy and ultimately their investment decision making.

Lusardi (2008) sought to establish the influence of financial literacy on financial decision making. The study data was obtained from the US population and the respondents were between the ages of 40 and 60 years. The findings of the study showed that there was widespread financial illiteracy among many households in the US and particularly among individuals with little education. The study found that there was a direct relationship between financial literacy and financial decision making on matters such as savings, investing and the decision to participate in the stock market. The study further recommended that individuals should be trained on financial concepts to enable them make wise investment decisions. This shows that financial literacy is important in the decision to participate in the stock market.

Rooij, Lusardi and Alessie (2011) conducted a study to investigate the effect of financial knowledge on stock market participation. The study found that knowledge in the field of finance increases the efficiency of processing financial information and in this way result in a more individuals participating in the stock market. Data was collected through questionnaires having wide ranging questions for measuring various levels of financial literacy. The study revealed that many individuals had adequate knowledge of basic financial concepts but lacked knowledge in complex financial matters. For instance, the study observed that investors did not have adequate knowledge on financial securities like stocks and bonds and their relationship with interest rates nor were they aware about the importance of diversification. Upon including risk aversion in their empirical specification, financial literacy did not change appreciably in magnitude. It remained positively and statistically significant in explaining stock market participation.

Beckmann, Menkhoff and Suto (2007) conducted comparative study on asset managers' behavior in the United States, Germany, Japan and Thailand reveal that fund managers with a lesser learning degree were prone to herding behavior. Elton, *et al*. (2004) investigated investors' choices of index funds where costs varied across funds with the funds having almost comparable investment strategies; the variations drove anticipated differences in performance. Despite this predictability, investors invested in very costly securities with expected poorer performance. This means that individuals need to have proper knowledge and skills if at all they are to benefit from trading in the financial markets.

The studies reviewed reveal that there are mixed results on whether or not financial literacy contributes to stock market participation. The studies that have found a positive relationship between financial literacy and stock market participation decision show that the estimated effects differ. Further, many of the studies reviewed have been conducted in developed countries and therefore their findings may not be similar as those of stock markets of developing countries like Kenya. Many of these studies have also focused on other populations and none has looked at civil servants and specifically teachers who can also invest in the stock market. Therefore there was need to investigate how individuals' stock market participation can be affected by financial literacy and awareness in Kenya and specifically for secondary school teachers in Nakuru County, Kenya.

**Dual Process Theory**

Dual-process theory was developed by William James in 1980. He proposed that decisions are normally as a result of two processes. An implicit process that remains unchanged for long and an explicit process that can be varied through education and persuasion. This theory is relevant for the study in that financial literacy is a variable that is presumed to influence the stock market participation decision by individual investors. Hilgert, Hogarth and Beverly (2003) found a strong relationship between knowledge and behavior in their investigation of different groupings of financial activities. Evans (2008) in his study concluded that the dual process theories agree that decisions are driven by both intuitive and cognitive processes. Siekei, Wakoki, and Kalio, (2013) in a study supported that financial literacy expedites the decision making processes. Financial literacy facilitates the making of decisions related to investment and particularly individual stock market participation decision. The theory guided the investigation on the relationship between financial literacy and individual investors' decision to participate in the stock market.

## RESEARCH METHODOLOGY

This study employed cross sectional survey research design**.**

**Polulation and Sample**

The target population was 1,609 secondary school teachers from the Nakuru, Molo, Njoro, Naivasha and Gilgil sub counties of Nakuru County as per the Teachers Service Commission Report (2018). Stratified proportionate random sampling was used in this study where the Sub Counties represented the strata. The representative sample from each stratum was determined using simple random sampling. The sample size was 320 secondary school teachers. Out of the 320 questionnaires that were distributed to the respondents, 231 were returned fully filled. This represented a response rate 72%. This is considered sufficient for analysis according to Babbie (1990) who asserts that a response rate of 60% is good for analysis.

Primary data was used and was collected through the use of structured questionnaires. Pilot testing was used to check the instruments reliability. Cronbach alpha was used to test reliability of items measuring financial literacy. The results obtained an overall Cronbach Alpha correlation coefficient of 0.845 on financial literacy and a coefficient of 0.853 on stock market participation. Factor analysis was used to check construct validity and all the items that met the loading cut off of 0.4 were retained for analysis. Hair, Babin, Anderson and Tatham (2011) assert that factor loadings greater than 0.4 should be accepted.

Inferential statistics such as correlation coefficient, ANOVA and regression analysis were used to analyze the data with the aid of Statistical Package for Social Scientists (SPSS) version 25. Regression analysis was used to establish the relationship between

financial literacy and stock market participation. Research hypothesis was tested at 5% significance level using the regression while F-statistic was used to measure whether the model fits the data significantly.
The study employed the following regression model
$$\mathbf{Y = \beta_0 + \beta_i X_i + \varepsilon}$$

Where;
Y - Stock market participation
$X_i$ - Financial literacy of individual investors
$B_i$ - Regression coefficients for the independent variable
$\beta_0$ - Regression Constant
$\varepsilon$ - Stochastic error term assumed to be normally distributed

## ANALYSIS AND FINDINGS
### Financial Literacy of Individual Investors

The study found that the correlation between financial literacy and stock market participation was positive and statistically significant ($r$ =0.313, p <0.05)

As shown on Table 1, the R square is 0.098 which implies that 9.8% variation in stock market participation can be explained by financial literacy of individual investors. This means that 90.2% variation in stock market participation decision can be explained by other factors other than financial literacy.

Table 1
*Model Summary for Financial Literacy and Stock Market Participation*

| | | | | | Change Statistics | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .313[a] | .098 | .094 | .81566 | .098 | 24.835 | 1 | 229 | .000 |

***Source: Research Data, 2019***

The results on Table 2 indicate that the model was statistically significant. The model had F-statistics of the regression ($F_{(1, 229)}$ = 24.835) which was statistically significant (p<0.05). This indicates that the model applied significantly predicted the change of the dependent variable as result of the predictor variable included in the model suggesting that the model significantly fits the data.

Table 2
*ANOVA Results for Financial Literacy and Stock Market Participation*

| Model | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 16.523 | 1 | 16.523 | 24.835 | .000[b] |
| | Residual | 152.353 | 229 | .665 | | |
| | Total | 168.876 | 230 | | | |

***Source: Research Data, 2019***

As presented on Table 3 show that there exists a statistically significant positive relationship between financial literacy of individual investors and stock market participation among secondary school teachers from selected sub counties in Nakuru County ($\beta$ = 0.378, p<0.05). A beta coefficient of 0.378 implies that when financial literacy of individual investors increases by an additional unit, stock market participation increases by 0.378. This means that the null hypothesis (**$Ho_1$**) was rejected by implying that “Financial literacy of the individual investors has significant effect on stock market participation”.

The following regression equation was obtained

$$Y = 2.009 + 0.378\, X_1$$
Where;
Y – Stock market participation
$X_1$ – Financial Literacy of individual investors

Table 3
*Coefficients for Financial Literacy and Stock Market Participation*

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 2.009 | .266 | | 7.555 | .000 |
| | Financial Literacy | .378 | .076 | .313 | 4.984 | .000 |

***Source: Research Data, 2019***

The results support the observed responses of the respondents where majority of the respondents agreed that they consider the ability to access financial market information from print media sources while making the investment decision. Further, most of the respondents agreed that they consider the knowledge acquired from investment workshops attended while making the investment decision.

The findings concur with those of Mbabazi and Daniel (2014) who found a positive significant association between financial literacy and stock market participation. The study concur with those of Lusardi, *et al.* (2007) in another study done in Dutch concluded that knowledge in the field of finance increases the efficiency of processing financial information and in this way result in a more individuals participating in the stock market. The study reported that financial literacy was positively and statistically significant in explaining stock market participation. The results concur with those of Hassan Al-Tamimi and Anood Bin Kalii (2009) who conducted a study that assessed the relationship between financial literacy and the effects of dynamics that influence the investment decision among United Arab Emirates individual investors. The study concluded that financial literacy influences the investment decisions of retail investors significantly.

The findings are inconsistent to those of Marobe (2013) who examined factors that influence stock market participation in Tanzania. The study reported that financial literacy was insignificant to the stock market participation decision. A theoretical explanation that could account for this is the differences in the questions that measured financial literacy. The results also support those of Brown and Graf (2013) who conducted a survey that sought to evaluate how investment and borrowing is influenced by financial literacy among Swiss households. The study's results reported that financial literacy positively influenced investment behavior and that more financially knowledgeable individuals were more likely to participate in the stock market.

## CONCLUSIONS AND RECOMMENDATIONS

It can be concluded that financial literacy of individual investors has positive significant relationship with stock market participation decision among secondary school teachers from selected Sub Counties in Nakuru County, Kenya.
Secondary school teachers focusing on stocks investment have limited access to financial market information. Although they are aware of the investment opportunities available they lack the ability to understand financial markets information. It can be concluded that secondary school teachers consider their ability to access financial markets information from print media resources when making the investment decision. Further, it can be concluded that there is low understanding of market processes and fundamental stock analysis among secondary school teachers who participate in investment in the stock market.
Based on the conclusions, the study recommends that the Capital Markets Authority, which is tasked with supervision, licensing and monitoring the activities of financial markets should implement comprehensive awareness and public education programs that targets the wider non-stock market participating public. This will increase participation which is an indicator of well-functioning financial market in any country.

The study further recommends that other factors that could explain stock market participation should be investigated since financial literacy could only explain 9.8% of variation in the stock market participation of teachers. This means that 90.2% of variation in stock market participation could be explained by other factors other than financial literacy.

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