AN INVESTIGATION INTO THE FACTORS INFLUENCING PUBLIC PARTICIPATION IN THE SECURITY EXCHANGE MARKET BY RESIDENT'S IN NYERI MUNICIPALITY.

BY

GERALD WACHIRA MWANGI
REG. No. D53/NYI/PT/21459/2010

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE AWARD OF MASTERS IN BUSINESS ADMINISTRATION DEGREE (FINANCE) AT THE SCHOOL OF BUSINESS KENYATTA UNIVERSITY.

APRIL 2013
DECLARATION

I declare that this Paper, entitled “An investigation into the factors influencing public participation in the security exchange market by residents in Nyeri municipality” is the result of my own work and that it has not been submitted in this or any other university for the award of any degree or diploma.

Signed: ___________________________ DATE 19/04/2013

GERALD WACHIRA MWANGI
REG. No. D53/NYI/PT/21459/2010

DECLARATION BY SUPERVISORS

This research project has been submitted for examination with my approval as University supervisor.

Sign: ___________________________ DATE 18/04/2013

Mungai J N
Department of Accounting and Finance

This research project has been submitted for examination with my approval as the chairman, Department of Accounting & Finance, School of Business.

Sign: ___________________________ DATE 22/04/2013

F. Ndede.
A Security exchange market is a corporation or mutual organization which provides trading facilities for stock brokers and traders, to trade stocks and other securities. It may be a physical trading room where the traders gather, or a formalized communications network. Creation of a stock exchange is a strategy of economic development. Stock markets may affect economic activity through the creation of liquidity. Liquid equity markets make investment more attractive because they allow savers to acquire equity and to sell it quickly and cheaply. At the same time, companies enjoy permanent access to capital raised through equity issues. The purpose of this study was to explore the factors influencing public participation by Nyeri residents in the securities exchange market. The study was geared towards identifying policies which can be put in place to address the issue of limited participation in the exchange market and thus affecting the market liquidity and growth. The study was guided by the following four specific objectives; To find out the residents level of awareness on the available financial assets in the securities exchange market, to determine the level of income/wealth impact towards active participation in the securities exchange market, to determine the effect of information dissemination by issuers and distributors on active participation in the securities exchange market and examine the influence of education level to active participation in the securities exchange market. The study further provided an overview of the existing literature in this area which drew upon key variables which informed the design of the study. The study adopted a descriptive research design. Data was collected using questionnaire that comprised of both open ended and closed ended questions. The target population was Nyeri municipal residents categorized according to their estates. Data was analyzed using quantitative and qualitative analysis techniques and regression model. Statistical Packages for Social Sciences (SPSS) was used to generate the descriptive statistics. On the residents’ level of awareness on the available financial assets in the securities exchange market, the study found that the awareness of shares, bonds and unit trusts was relatively high; a share of 40% of the study population rated their awareness of the three stock exchange items as high. On the participation of the residents in the securities market, the study found that on average, the majority (77%) of the respondents had never invested in the securities market. On the residents' income and its effect on the participation in the securities market, the study found that most of the respondents were self-employed. On education and training and its effect on the participation in the securities market, the study found that most (48.7%) of the respondents in the study had gone as far as college education. On the dissemination of information and its effect on the securities market, the study found that the electronic media (79.2%) and the print media (71.8%) were rated highly as being very reliable. The electronic media (76.9%) and the print media (75.9%) were also rated as the two sources of information that had the highest timeliness. Awareness on the available financial assets (sig. = 0.000), level of income (sig. = 0.000) and information dissemination (sig. = 0.013) predicted 22% of participation of Nyeri residents in the securities exchange market.

The study concluded that to be a successful player in securities one has to have had an adequate amount of awareness, have substantial income and have access to various sources of information on the securities market. The study recommended that the government should invest heavily in the education and training of the public on the securities market. There is evidence that education and training improves participation by increasing awareness. This can be done through the school curriculum as well as the mass media.