# Factors influencing stock market participation among South Africa's black middle class

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## Abstract

The study explored the factors influencing stock market participation among South Africa's black middle class. Despite its significant growth post-apartheid, this demographic's equity ownership of the Johannesburg Stock Exchange remains low. Adopting a qualitative approach, the study explored social, economic and psychological barriers and enablers that shape the investment decisions of this demographic. Significant themes that emerged include accessibility barriers, perceived complexity, early financial socialisation and education, motivators driving stock market participation, financial and economic constraints, lack of exposure and awareness, the impact of online investment platforms, and the lack of trust and fear of financial markets.

These findings suggest that though the broader black middle-class has grown in both stature and prominence, the majority remained at the periphery of financial inclusion due to historical factors, limited financial knowledge and resources, and their risk aversion. Those who invested highlighted their early financial socialisation and education and other motivators that shaped their financial behaviour.

These insights provide a deeper understanding of what factors hinder or enable stock market participation within this demographic, which policymakers and financial institutions can use to develop solutions to address this disparity and promote greater participation among the black middle class.

**Keywords**

Behavioural finance theory; Black middle class; Financial inclusion; Lifecycle hypothesis; Stock market participation puzzle

## Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the University of the Witwatersrand Business School. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained all the necessary authorisation and consent to perform this research.

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## Dedication

This work is dedicated to my late maternal grandmother, Khulu Beatrice “Ngcobo” Caluza, who without any formal education taught me the concept of opportunity cost.

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## Acronyms

| Acronyms | Meaning |
|---|---|
| BFT | Behavioural finance theory |
| BMC | Black middle class |
| CTT | Consumption timing theory |
| FI | Financial inclusion |
| FIT | Financial inclusion theory |
| FL | Financial literacy |
| FM | Financial markets |
| GDP | Gross domestic product |
| JSE | Johannesburg Stock Exchange |
| LCH | Life cycle hypothesis |
| MT | Microsoft Teams |
| NIP | Non-investing participants |
| OIP | Online investment platforms |
| SA | South Africa |
| SM | Stock market |
| SMP | Stock market participation |
| SMPP | Stock market participation puzzle |
| TA | Thematic analysis |

# 1. Chapter 1

## 1.1. Research title

Factors influencing stock market participation among South Africa's black middle class

## 1.2. Statement of purpose

This study sought to investigate the determinants that influence stock market participation of the black middle class in South Africa.

## 1.3. Background

South Africa's (SA) democratic transition was defined by its pursuit of political inclusivity and reduction of economic disparities remnant of apartheid (Rotich et al., 2015). Several transformative policies were implemented that created a burgeoning black middle class (BMC) which now constitutes 7% of the black population with an annual spending power of R400 billion (Burger et al., 2015; Swingler, 2022).

The lifecycle hypothesis (LCH) suggests the BMC amid its growth, will duly follow the conventional stages, adapting their savings behaviour to changes in income levels and economic circumstances (Fisher, 2018). The consumption timing theory (CTT) states that individuals should invest in stocks in periods of high income, selling these in low-earning periods. This ensures that they have sufficient capital in the future to cater for their needs (Bodie et al., 2022). Conversely, household debt amongst the BMC has continued to accelerate resulting in lower savings rates and minimal participation in the stock market (SM) (Mongale et al., 2018; Nyakurukwa & Seetharam, 2024).

This backdrop highlights the notable gap this paper sought to bridge relating to the BMC's perceptions of stock market participation (SMP), the factors influencing it, and their investment patterns (Bamiatzi et al., 2015; Mazibuko et al., 2022). Prior research on this demographic has been confined to analysing its growth, economic impact and consumption patterns.

## 1.4. Problem statement

The BMC, like its peers in developing markets is characterised by increased disposable income (Handley, 2015; Kardes, 2016). This increase, the LCH and CTT suggests will lead to increased savings and the use of securities to store wealth.

Dhlembeu et al. (2022) counter this, declaring that although the BMC has grown in stature and wealth, they saved less compared to other groups within the same strata. This although having access to various savings instruments, such as community-based schemes and products from formal financial institutions (Makgele & Chikwekwete, 2019; Nanziri & Leibbrand, 2018). This is attributed to this group's historical economic marginalisation, low levels of financial literacy (FL), and consumerism arising from their newfound access to credit (Nyakurukwa & Seetharam, 2024; Ting & Kollamparambil, 2015). Drawing from this, the BMC is less likely to participate in the SM (Nyakurukwa & Seetharam, 2024). Their non-participation does not augur well for financial inclusion (FI), wealth accumulation and the reduction of economic inequality (Amidu et al., 2021).

### 1.5. Research objectives

The study aimed to investigate the determinants that shape the perceptions and investment decisions of the BMC. The stated objectives are:

- To explore the various factors that influence the BMC's participation in the SM.
- To investigate the ways in which access to information and financial resources enables or hinders SMP among the BMC.
- To understand the perceived risks associated with SMP that inhibit the BMC from investing in the SM.

### 1.6. Rationale of the study

This study explored the factors influencing SMP among SA's BMC. It was driven by the salient need to address wealth disparities in the country and to promote FI. In investigating these factors, the research report sought to assist financial institutions and policymakers in constructing strategies to reduce barriers inhibiting this group's participation in the SM. The knowledge gained from this study will assist in informing policy intervention and financial education initiatives that promote economic empowerment and the reduction of wealth inequality in SA.

### 1.7. Delimitations of the study

The study was conducted within the boundaries of SA from May 2024 until the end of December 2024. The sample size was restricted to 25 participants. These participants were black, had higher education qualifications and earned between R22,000 and R75,000 per month.

## 1.8. Assumptions

In conducting this research several assumptions were made. Amongst these was that individuals with higher incomes, and higher education qualifications were more likely to invest in the SM. Furthermore, that lower barriers to the SM will increase SMP. Lastly, that the risk associated with the SM is a key factor inhibiting the BMC's participation (see Figure 1).

# 2. Chapter 2: Literature Review

## 2.1. Introduction

The SM is an institution where buyers and sellers trade financial instruments (Curry & Winfield, 1994). It comprises primary and secondary markets, where the primary market oversees the issuing of new securities and the secondary where investors trade existing securities (Bodie et al., 2022). Moreover, the SM undertakes the valuation of securities enabling investors to determine equity prices (Firth, 1997; Lazonick, 2017). It further provides a platform where investors can sell shares to access capital and provides access to cheaper forms of capital to companies (Chikwira & Mohammed, 2023; Masoud, 2013). In addition, it facilitates the efficient allocation of capital to investment opportunities that optimise returns, and promotes savings and investment habits (Lazonick, 2017; Tachiwou, 2010; Yartey, 2008).

## 2.2. Stock market participation and the stock market participation puzzle

SMP refers to the extent to which individuals allocate and invest their wealth in securities listed on a stock exchange (Mazibuko et al., 2022). Recently a significant number of individuals globally have begun investing in the SM (Brière, 2023; Nyakurukwa & Seetharam, 2024; World Economic Forum, 2022). This growth has been attributed to the diffusion of online investing applications (OIPs), such as Easy Equities (Nyakurukwa & Seetharam, 2024).

Despite the notable growth in the number of investment accounts opened, active accounts lagged highlighting a stock market participation puzzle (SMPP) (Brière, 2023; Kaustia et al., 2023; Purple Group Limited, 2023). The SMPP states that individuals remain inclined towards risk-free assets even though the SM has historically generated higher returns (Merkoulova & Veld, 2022; Nyakurukwa & Seetharam, 2024).

## 2.3. Universal factors influencing stock market participation

Limited SMP is central to the emergent themes of household and individual finances. Critical to this discussion is the need to understand the factors that influence individuals to participate in the SM (Kaustia et al., 2023).

Several key factors influencing SMP have previously been identified, notable among these are demographics, financial status, education level, social capital, financial knowledge, peer effects, financial independence, risk aversion, SM experience, and cultural factors (Kaustia et al., 2023; Nadeem et al., 2020; Sivaramakrishnan et al., 2017). Kaustia et al. (2023) merge these into three categories that they termed institutional and cultural environment, traditional, and behavioural factors.

### 2.3.1 Institutional and cultural factors

Institutional and cultural factors investigate a country's macroeconomic and cultural factors, and how they influence SMP (Kaustia et al., 2023). A country's high gross domestic product (GDP) per capita and high-income levels positively influence household savings and SMP. Countries with lower regulatory and investor protection measures inversely affect SMP (Adil et al., 2023; Gao et al., 2019; Giannetti & Koskinen, 2010; Kaustia et al., 2023; Nadeem et al., 2020). Furthermore, a country with a low savings culture and investment habits is likely to have low SMP (Banyen & Nkuah, 2015).

### 2.3.2 Traditional factors

Traditional factors centre on risk aversion, wealth, and accessibility to SMs. Risk aversion refers to the extent to which investors are prepared to apportion their capital to risky assets (Bodie et al., 2022). Risk-averse investors invest in risky assets when a positive risk premium exists (Dalalah, 2019). Where there are high levels of uncertainty, these investors curtail this by investing in risk-free assets (Geetha et al., 2023; Nadeem et al., 2020). Gomes and Smirnova (2021), and Rooij et al (2007) further state that SMP significantly rises with increases in income and wealth. Information and transaction costs were previously seen to hinder SMP (Ye et al., 2022). These costs have diminished with the diffusion of OIPs, which has led to increased accessibility and participation (Lu et al., 2023).

### 2.3.3 Behavioural factors

FL is a significant determinant influencing an individual's financial behaviour (Bucher-Koenen et al., 2021). People with higher levels of FL are predisposed to engaging in favourable financial behaviours, such as saving and participating in the SM (Xu et al., 2022). FL extends beyond the proficiency and understanding of financial theories and risks and encompasses the ability, desire, and purpose to utilise this cognition to make effective economic choices (Lusardi, 2019).

Compared to 14 other countries and its peers in emerging markets, SA scored the lowest in FL and savings (Mongale et al., 2018; Wentzel, 2016). South Africans with high FL levels usually have a tertiary education, are wealthy, employed full-time, and reside in urban areas (Ngcobo, 2021; Roberts et al., 2018). These individuals exhibit a positive association with SMP (Nyakurukwa & Seetharam, 2024).

### 2.4. Perceptions of the stock market

The focus on demographic and socioeconomic variables is not sufficient to explain SMP. It is pertinent in such discussions to include individuals' perceptions of the SM, as these are consequential predictors of SMP (Dobni & Racine, 2015). These include the perceived risks associated with and the complexity of participating in the SM (Australian Securities and Investments Commission, 2017; Pallathadka et al., 2022; Quaye et al., 2016). Prospective investors who have negative perceptions of the SM are unlikely to participate (Gumbo & Sandada, 2018).

### 2.5. Black middle class

The conceptual construct of the BMC solicits definitional ambiguity (Ndlovu, 2020; Southall, 2019). Given this, the research report confined itself to using the parameters set by Egan (2021) in characterising SA's middle class. Burger et al. (2015) confirm that the BMC has similar productive characteristics to other middle-class groupings in SA. In characterising SA's middle class, Egan (2021) segments them into three tiers, namely the middle, upper-middle, and top end.

The middle class consists of individuals earning between R22 000 and R40 000 per month (PM) with over 50% of them holding a tertiary qualification. The upper-middle class comprises individuals who earn between R40 000 and R75 000 PM, with over 70% having a tertiary qualification. Individuals within the top end, earn over R75 000 PM, with 80% having an undergraduate degree, and an average household income of R140 000 PM (Egan, 2021).

A distinction is drawn between the BMC and its white counterparts, where the latter enjoy higher per capita income, greater representation in financially rewarding occupations, and rely more on passive income (Burger et al., 2015). From this and other historical factors, Nyakurukwa and Seetharam (2024) deduce that black people are less inclined to invest in the SM vis-à-vis other demographic groups. Mazibuko et al. (2022) share a similar view suggesting that demographics play a role in influencing SMP.

## 2.6. Analytical framework

### 2.6.1 Theoretical framework

This study anchors on behavioural finance (BFT) and financial inclusion theory (FIT). BFT challenges economic theories of rationality by incorporating psychology into finance theory (Kawadkar, 2024). It seeks to gain an understanding of how individuals make financial decisions and argues that individuals are influenced by cognitive and emotional biases in their financial decision-making (Kengatharan & Kengatharan, 2014; Nkukpornu et al., 2020; Sharma & Atiq, 2023). FIT addresses the potential gains the majority could realise with greater access to financial instruments and services (Boshkov, 2018). Limited FI is not solely attributed to low levels of FL but to accessibility to various financial products (Hasan et al., 2021). This lack of inclusivity is demonstrated by the BMC's limited equity ownership of the Johannesburg Stock Exchange (JSE) (Thomas, 2017; Wilkinson, 2017).

### 2.6.2 Conceptual framework

Figure 1 illustrates the links between the independent, moderating, and dependent variables that this paper sought to explore pertaining to the factors influencing SMP among SA's BMC.

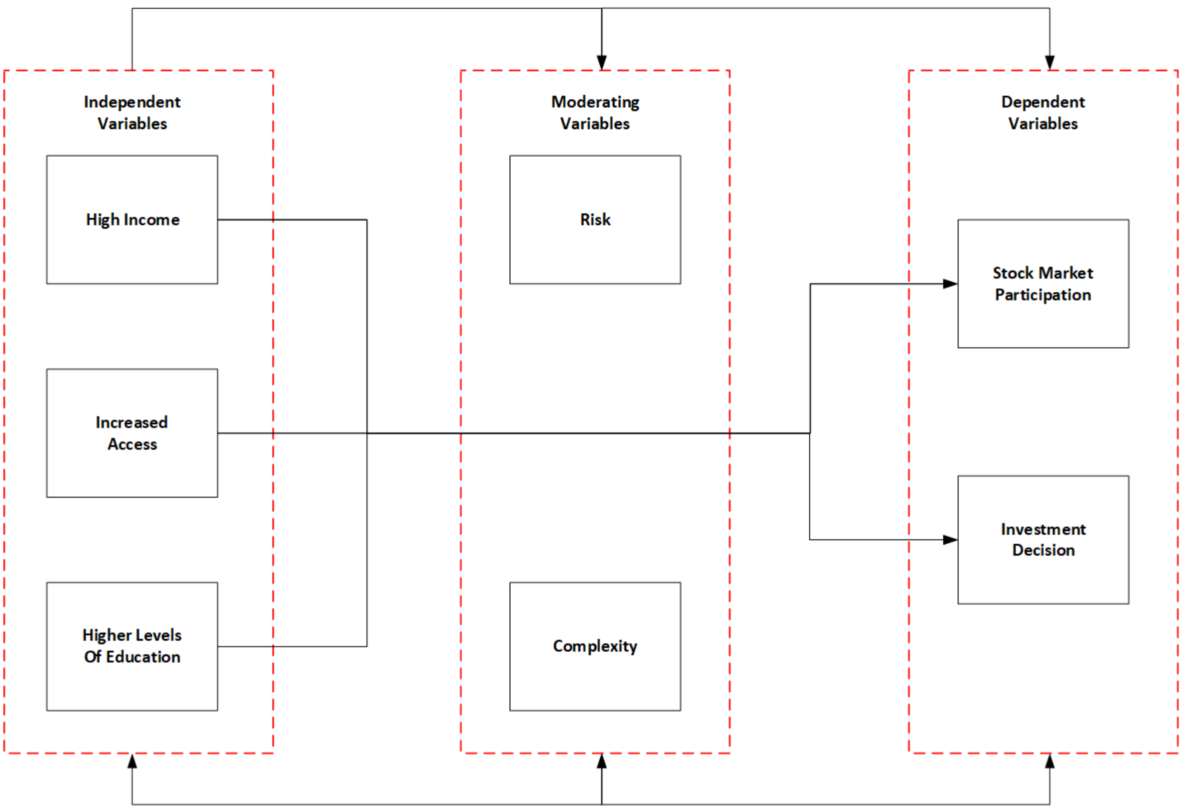


*Figure 1: Framework for stock market participation*

## 2.7 Conclusion

What is determined from the literature is that various factors influence SMP. These range from a person's level of education, their levels of FL, wealth, and country factors, such as low savings rates. Individuals with greater levels of education, wealth, income, and FL exhibit an increased likelihood of participating in the SM. Country factors, such as low FL and savings rates are seen to inhibit SMP. Market frictions also hinder SMP, however, the rise of OIPs has greatly reduced these costs leading to increased participation.

# 3. Chapter 3: Research Methodology

## 3.1. Introduction

An inductive and interpretivist epistemological approach was adopted. These approaches used together allowed us to comprehend how societal processes shape and provide meaning to societal actors (Neuman, 2014). They permitted the researcher to embed themselves in the societies being researched, allowing them to interpret various elements of the study, and providing meaningful and rich insights from which theories are formulated (Bryman, 2012; Neuman, 2014).

The adoption of the aforementioned approaches necessitated the employment of a qualitative research methodology. This was best suited for the study as it enabled us to get a comprehensive appreciation of individual actions in the context of social life (Giddens, 2006).

## 3.2. Research design

An exploratory research design was undertaken as the BMC's participation in the SM is understudied; available literature is seen to have limitations and is unclear (Sekaran & Bougie, 2016). Moreover, it provided the flexibility to assess the BMC's participation from a new vantage point (Swaraj, 2019).

## 3.3. Data collection methods

Interviews were chosen as they provide a better appreciation of participant's perceptions, experiences and understanding of the SM (Adams et al., 2014; DeJonckheere & Vaughn, 2019; Ryan et al., 2009). These Interviews were conducted virtually using Microsoft Teams (MT), from which the primary data was extracted (Akyirem et al., 2024; Salmons, 2012; Taherdoost, 2022).

### 3.3.1 Population

Using race, the study focused on the black population in SA. The target population was the BMC, these were individuals with tertiary qualifications, and with incomes ranging from R22,000 to R75,000 (Thacker, 2020).

### 3.3.2 Sample and sampling method

Several reasons underpinned the researcher's choice to use non-probability sampling; this approach permitted the researcher to select participants based on their subjective judgement, enabled the study to focus on a specified sample, and was time and cost-effective (Berndt, 2020; Bryman, 2012; Saunders, 2012). From this, useful information was extracted related to the targeted population (Sekaran & Bougie, 2016).

Snowball sampling was used as the non-probability sampling method. A social media personal finance influencer was the initial participant, who introduced the researcher to their subset of 25 participants (Kirchherr & Charles, 2018). This approach was adopted due to the inaccessibility of our target population (Naderifar et al., 2017).

### 3.4. Research instrument

Semi-structured, one-on-one interviews were employed. This required that participants answer pre-defined exploratory open-ended questions (see Appendix A). The answers provided the researcher room to further investigate themes arising from the participants' responses (Corbin & Strauss, 2015).

### 3.5. Data analysis strategies and interpretation

Thematic analysis (TA) was selected owing to its tendency to qualitative research and its use in similar research (Castleberry & Nolen, 2018; Misra & Goel, 2021).

The use of TA was guided by the six-phase framework, which required that the researcher first reads the transcripts to familiarise themselves with the data (Creswell & Creswell, 2018; Maguire & Delahunt, 2017). Following this, initial codes were generated guided by the research objectives, with the data organised in a purposeful and coherent manner (Creswell & Creswell, 2018; Nowell et al., 2017). Third, the researcher searched for themes while examining the codes to establish whether they coalesced into the themes. The themes and codes were tabulated to deduce whether patterns in the data related to the research objective (Nowell et al., 2017). Following this, the themes were reviewed. This was done to determine whether the initial themes needed to be combined, separated, refined or deleted. The next step entailed defining and refining the themes as well as identifying any subthemes. These themes were given names and distinct working definitions that captured the core of each theme. It was here that a coherent story of the data materialised (Naeem et al., 2022). The last step entailed transforming the analysis into a report that included extracts from the themes, research objectives and literature (Braun & Clarke, 2022).

### 3.6. Limitations

Several limitations were identified, among these was the sample size which might have hindered the results from being extended to a larger population, and the time afforded for this research which was seen to be restrictive for qualitative research (Faber & Fonseca, 2014; Munthe-Kaas et al., 2019; Yu et al., 2014). Sample bias was also noted owing to the use of snowball sampling. Furthermore, there was limited literature addressing the actual size of the population and the study's target population.

### 3.7. Quality assurance

The chosen research methodology required the researcher to critically reflect and justify the use of the frameworks underpinning the study (Stenfors et al., 2020). This was influenced by the need to establish the degree to which the primary data, individually and as a whole informed the findings and potential recommendations (Carroll & Booth, 2015). Given this, three criteria were used to evaluate the research, namely credibility, dependability, and transferability (Stenfors et al., 2020).

#### 3.7.1 Transferability

A thorough description of the population under study was presented to ensure transferability. This centred on demographic factors, which were black individuals who earn between R22,000 and R75,000 and have higher education qualifications (Stahl & King, 2020).

#### 3.7.2 Credibility

To reduce potential influence and potential bias stemming from the study's use of snowball sampling. The researcher employed open-ended, non-leading questions which allowed participants to express their views freely. Furthermore, a peer debriefing strategy was utilised, this entailed engaging an academic in the field to evaluate the research process and findings, offering input and highlighting any observed discrepancies. This ensured that the data gathered was reliable, corresponded, and represented the experiences of the participants (Simoni, et al., 2018).

#### 3.7.3 Dependability

An audit trail was used to document the research path adopted, and to guarantee the consistency of the study and its processes (Korstjens & Moser, 2018; Janis, 2022)

### 3.8. Ethical considerations

Several ethical issues were considered for this study; paramount was obtaining consent and voluntary participation (Arifin, 2018; Laryeafio & Ogbewe, 2023). To attain this, respondents were asked to sign a form, consenting to their non-induced and noncoerced participation (see Appendix B) (Xu, et al., 2020). This form guaranteed their anonymity and confidentiality (Dougherty, 2021). Last, all interview recordings and transcripts were securely stored on Microsoft's One Drive platform (Alotaibi et al., 2019).

# 4. Chapter 4: Findings

## 4.1. Introduction

This exploratory study sought to investigate the factors that influence SMP among SA's BMC. A TA was undertaken to uncover factors that either hindered or encouraged the BMC's participation in the SM.

## 4.2. Description of sample

Twenty-five individuals, 13 females and 12 males participated in the study. Participants were between the ages of 20 to 55 years, with the youngest in the 20-30 age group, and the eldest in the 45-55 age group.

Respondents were recruited using the non-probability snowball sampling method. To ensure and maintain confidentiality, the participants' names were substituted with unique participant ID numbers. Appendix C provides a tabulated summary which includes demographic and background information of each respondent.

## 4.3. Presentation of findings

The findings and analysis are derived from the data collected during the interviews.

This data was coded, grouped, and analysed using Atlas Ti version 25. From the TA, significant themes and sub-themes emerged.

The selection of themes and sub-themes was guided by their groundedness and density (see Appendix D). Groundedness highlighted the frequency of quotes associated with a particular code, whilst density illustrated linkages between the different codes. Codes with high frequencies were selected as they were seen to be meaningful (Braun & Clarke, 2006).

## 4.4. Findings for Objective 1

**Research Objective 1: To explore the various factors that influence black middle-class participation in the stock market**

This objective aimed to explore the various factors that affect SMP among the BMC in SA (see appendix E for themes and sub-themes related to objective one).

### 4.4.1 Accessibility barriers to stock market participation

Accessibility barriers to SMP emerged as a notable factor swaying the non-participation of some respondents. Participants highlighted several underlying issues that influenced their perception of the inaccessibility of the SM. These included the lack of knowledge and understanding of how the SM works, the perception that the SM was exclusionary and was reserved for certain groups, high platform costs, and the gatekeeping of information by financial institutions.

Non-investing participants (NIP) emphasised their limited knowledge and understanding of how the SM works as one of the key barriers to their non-participation. To this Participant 13 alluded to some knowledge being accessible, however remarked that the explanation of such knowledge and the understanding thereof was the cause of this barrier (See Appendix E.1). Participant 3 echoed this view (See Appendix E.2).

Other participants suggested that the SM was reserved for a few. There was a general belief that those who invested in the SM were of a certain wealth group, educational background and professional designation (See Appendix E.3)

### 4.4.2 Perceived complexity of the stock market

Another theme that emerged particularly with NIP was the perception that the SM was complex. This complexity, respondents added, was not only limited to the workings of the SM but also included the technical terminologies and jargon used in finance literature, which they found to be overwhelming. Participant 17 explained this point, stating that individuals without a finance background were deterred by the financial terminologies and jargon (See Appendix E.4)

Adding to this, Participant 10, who previously had shown an interest in investing, expressed feeling overwhelmed by the information, sharing that she went on an OIP to research and read the literature on investing, but became overwhelmed and discouraged (See Appendix E.5).

This perspective was equally held by some individuals with both an educational and professional background in finance, such as participant 2 who too felt that the SM was complex (See Appendix E.6).

### 4.4.3 Early financial socialisation and education

A significant influence that became apparent, particularly among those who participated in the SM, was their exposure to early financial socialisation and education. These early influences whether through parental financial socialisation or formal schooling, were noted by participants as playing a lasting role in moulding their financial habits and forming a foundation for their participation later in life. To this, Participant 16 shared how her mother's ownership of shares in a listed company influenced her to also invest in the SM (See Appendix E.7).

### 4.4.4 Motivators driving stock market participation

Participants investing in the SM noted several determinants integral to their initial and continued participation. Key among these, were the pursuit of financial security, the need to generate passive income, and the alignment of their risk appetite and investment choices.

Respondents shared the view that the SM was not only a tool to build wealth but also one that could provide financial security. Participant 6 succinctly captured this, stating the importance of financial security and how this was a key driver in his participation (See Appendix E.8).

In addition to this, Participant 16 conveyed that her continued participation was motivated by the need to attain multiple streams of income, further stating that the SM provided one such avenue through the regular payments of dividends that she received from investing in the SM (See Appendix E.9).

Respondents also underlined the importance of understanding one's risk appetite and how this shaped their approach to savings and investments. To this, Participant 5 shared how an investor's risk appetite can provide guidance into which investments to make in the SM (See Appendix E.10).

## 4.5. Findings for Objective 2

**Research Objective 2: To evaluate the extent to which access to information and financial resources hinders or enables SMP amongst the BMC**

Appendix F outlines the key findings and presents the main- and sub-themes that emerged from the analysis.

### 4.5.1 Financial and economic constraints hindering stock market participation

Economic and financial abilities significantly influenced individual decisions to participate in the SM. Respondents regardless of their participation status highlighted this as a key impediment. Most respondents revealed that limited financial resources were a significant barrier deterring them from investing or further participation. Many NIPs such as Participant 14 expressed the belief that one needed to have substantial financial reserves in order to invest (See Appendix F.1).

This not only hindered NIPs but also those already invested in the SM as in the case of Participant 6 who shared that he sometimes needed to forego certain investment opportunities due to limited financial resources (See Appendix F.2).

NIPs' also noted how their pursuit of an aspirational lifestyle hindered their potential participation. Participant 1 articulated this view, stating:

> *There's the aspiration of things you've always wanted and didn't have. 1:39 ¶ 1 in Participant 1.*

Participant 7 added to this:

> *It's just there's a certain lifestyle I'm not willing to forego to make those investments* 7:40 ¶ 1 in Participant 7.

Furthermore, NIPs highlighted added responsibilities as inhibiting their potential participation. These added financial obligations, such as home loans, school fees, and supporting extended family members, depleted any surpluses they once had (See Appendix F.3, and Appendix F.4).

### 4.5.2 Lack of exposure and awareness

Another significant barrier noted by respondents was their lack of exposure and awareness of the SM and its workings. Participant 6 outlined this challenge stating:

> *But, yeah, participation in the financial market for black people, not the easiest thing. Ease of access, education and awareness.* 6:62 ¶ 1 in Participant 6.

This pointed to a larger systemic problem where the access to knowledge of the SM and the opportunities it provided were seen to be limited.

Participant 24 reflected on this knowledge gap and institutional barrier stating:

> *If we were taught every day, if the information was accessible to all of us, I'm sure more and more young black people would have been part of the stocks, stock exchange* 24:31 ¶ 1 in Participant 24.

### 4.5.3 Impact of online investment platforms

Most respondents believed that OIPs had drastically lowered barriers to participating in the SM. One such reduction noted by participants was improved accessibility. Participant 4, spoke to this, stating:

> *I think accessibility has been broadened* 4:19 ¶ 1 in Participant 4.

The improved accessibility was also emphasised by Participant 8, who stated that banks had broadened accessibility, and simplified investing in the SM (See Appendix F.5).

Owing to this improved accessibility, respondents noted their heightened level of curiosity and interest towards participating in the SM. This was noted by Participant 14, who stated:

> *Absolutely. Because it's easy. It's in your face. So, you know, I mean, I bank with FNB, so when it, when you, when you log on to your platform, every now and then, all of these prompts come up.* 14:28 ¶ 1 in Participant 14.

Despite these lowered barriers and increased curiosity and interest, some participants remained uninfluenced. Participant 1 captured this perspective, expressing:

> *Standard Bank on the app has something about foreign investment and things like that. I glance over it and then I'm just like, it seems too complex. I'm not going to engage. So, I just shut down.* 1:26 ¶ 1 in Participant 1.

## 4.6. Findings for Objective 3

**Research Objective 3: To understand the perceived risks associated with SMP that inhibit the BMC from investing in the SM**

Appendix G presents an overview of the findings related to this objective.

### 4.6.1 Lack of trust and fear of financial markets

A prominent theme observed among NIPs as a deterrent to SMP was their lack of trust and the fear they harboured towards the FMs. Many respondents indicated that they associated the SM with high risks, financial losses and scams, stating that this discouraged them from participating.

This lack of trust and fear participants expressed, largely emanated from their lack of knowledge. Participant 9 captured this perspective in two progressive quotes, where she noted:

> *I think it's lack of information that also drives this fear* 9:21 ¶ 1 in Participant 9.
>
> *However, the other factor was also like the risk that comes with investing in the stock markets* 9:39 ¶ 1 in Participant 9.

Respondents like Participant 15 further noted that the fear they had towards the SM centred on the perceived uncertainty of the FM (See Appendix G.1).

Another significant factor contributing to the participants' lack of trust and fear in the FM was the fear of being scammed. Participant 3 highlighted how she and her close relatives had fallen victim to foreign exchange (Forex) trading scams and because of this, was hesitant to invest in the SM (See Appendix G.2).

### 4.6.2 Risk aversion

A key theme that emerged among participants was their risk aversion when discussing investment decisions. NIPs' such as Participant 13 emphasised their preference for traditional and conservative channels, citing that these were risk-free, less complicated, and had guaranteed and predictable returns (See Appendix G.3)

The role of financial advisors in shaping this cautious approach was also highlighted. Participant 17 noted how financial advisors had channelled him towards traditional and risk-free financial products (See Appendix G.4).

## 4.7. Summary of findings

This chapter presented the findings of the study. In addressing Objective 1, several themes emerged, among these were accessibility barriers that hindered the respondents' participation in the SM. Participants highlighted their lack of knowledge and understanding of the SM as a key barrier deterring their participation.

The perceived complexity of the SM was another theme identified which responded to the first research objective. Respondents emphasised the lack of accessible and simplified information related to the workings of the SM, stating that literature associated with the SM was filled with financial terminologies and jargon, which they could not comprehend, and thus dissuaded their participation.

Participants who were invested in the SM highlighted the importance of early financial socialisation and education, which emerged as the cornerstone of their financial behaviour, which ultimately led them to participate in the SM later in life. These respondents also noted several motivators that initially and continue to influence their participation in the SM. Among these were the pursuit of financial security, generation of passive income, and understanding their risk appetite.

Financial and economic constraints emerged as a key theme in response to Objective 2. Participants noted how limited financial resources were an obstacle to their potential participation. This limitation to financial resources was a result of added responsibilities and the aspirational lifestyles that some participants lived.

The lack of exposure and awareness of the SM was another prominent theme associated with the role in which access to information hinders or enables SMP. Participants noted this as a key barrier to their participation, which also reinforced their belief that the SM was complex and was reserved for a few.

The impact of OIPs accentuated the importance of access to information as an enabler of SMP. The lowered barriers provided by these platforms improved accessibility, which in turn, spurred the curiosity and interest of some participants.

In response to Objective 3, respondents highlighted their lack of trust and fear towards the FM, which they noted as a barrier to their participation. Key to this was the fear of financial loss and the fear of being scammed. This they added, led them to being risk averse and preferring traditional and conservative channels.

# 5. Chapter 5: Discussion of findings

## 5.1. Introduction

In this chapter, the findings from the preceding chapter are discussed and compared to existing literature and the research objectives highlighted in Chapter 1. The aim of this was to ascertain whether new insights emerged that could contribute to a better understanding of the determinants influencing SMP amongst SA's BMC.

## 5.2. Research Objective 1: Exploring the various factors that influence black middle-class participation in the stock market

This research objective sought to understand the various factors that either influence or inhibit the BMC's participation in the SM. The study found several barriers, such as the lack of accessibility and perceived complexity, which discouraged respondents from participating in the SM. In contrast, those who invested highlighted their early financial socialisation and education, the pursuit of financial security, quest for passive income and risk appetite as key influences and motivators to their participation. These findings correspond with previous studies and are discussed further in the section.

### 5.2.1 Accessibility barriers to stock market participation

NIPs repeatedly highlighted their lack of knowledge and unfamiliarity with the SM and its workings. This knowledge gap was attributed to a lack of financial education particularly related to the SM.

These insights correspond with those of Holt et al. (2021) who also noted accessibility barriers as significant factors hindering SMP. These barriers, according to Banyen (2022), Duraj et al. (2024) and Parvin and Panakaje (2022) are multidimensional and range from lack of awareness of investment opportunities available in the SM, high platform costs, limited knowledge and understanding of the workings of the SM, and the perceived lack of financial inclusion for some in the FMs.

Respondents also believed that the SM was reserved for certain groups which deterred their possible participation. This perception centred on the information related to the SM being inaccessible to them, and where there was information, it targeted the wealthier population. This is in line with the findings of Parvin and Panakaje (2022) who submitted that social exclusion, whether perceived or real, was a significant factor contributing to limited participation.

These findings highlight the need to address accessibility barriers in order to foster inclusivity within the FMs.

### 5.2.2 Perceived complexity of the stock market

Another barrier to participation was the general view that investing in the SM was complex. Respondents highlighted how they found it difficult to comprehend available information because of their unfamiliarity with finance-related terminologies and jargon, which they expressed, overwhelmed and discouraged them from participating.

Banyen (2022) had similar observations and proposed that the perceived complexity of the SM made potential investors hesitant to commit their capital to an asset class that they did not fully understand, and which was seen to carry a significant amount of risk. Mazibuko et al. (2022) further asserted that if available information is seen to be difficult, it would likely lead to non-participation.

This study's findings aligned with that of Banyen (2022) and emphasises the need for accessible and simplified information related to investing in the SM to be availed. The provisioning of such information would demystify the perceived complexity associated with the SM and would lead to increased participation.

### 5.2.3 Early financial socialisation and education

Respondents who were invested in the SM highlighted their early introduction to finance as a major determinant of their participation. Participants noted parental financial socialisation and formal education as playing a lasting role in shaping their financial behaviour.

The importance of early financial socialisation was emphasised by Khalisharani et al. (2022) who pointed out how financial discussions between parents and their children helped mould their future financial behaviour. Furthermore, Lusardi (2019) stated that early financial education not only led to financial literacy but could also be a catalyst for future participation in the SM.

Formal financial education in schools and higher education institutions was also seen to play a notable role in shaping the financial behaviours of those who invested. Otinga et al. (2024) made a similar observation suggesting that individuals with a financial education background were inclined to participate in the SM.

Although this observation was mostly true, it was noted in the study that there were some participants with such a background who did not participate. This suggested that even though education was a significant factor influencing participation, other determinants existed that needed to be considered when looking at what influences individual decisions regarding investing in the SM.

### 5.2.4 Motivators driving stock market participation

Participants who previously invested or continued to invest in the SM identified several factors that initially and continued to motivate their participation. Amongst these key factors, respondents highlighted the pursuit of financial security, the generation of passive income and their risk appetite.

Most participants who were invested in the SM emphasised the pursuit for financial security as a key driver in their participation. This insight from respondents aligned with Fisch and Seligman (2022) who stated that the pursuit of financial well-being significantly influenced intentions to invest and that investing in the SM was a significant predictor for preserving one's wealth. Sivaramakrishnan et al. (2017) and Sivaramakrishnan and Srivastava (2019) argued against this observation proposing that aspiring for financial security did not influence individuals to invest in the SM. These contradictory views draw attention to the complexity of financial behaviour and the need to consider multiple factors influencing investment decisions.

The quest to generate passive income was another motivator raised by participants investing in the SM. Respondents highlighted the importance of having multiple income streams in today's economic climate, noting that they could attain this by investing in the SM and earning dividends. Kochar et al. (2023) added to this observation stating that the quest for passive income influenced participation in the SM, especially for individuals with a higher risk appetite.

Participants also noted the significance of being aware of one's risk appetite especially when participating in the SM. This they noted helped shape their approaches to investing. Participants with higher risk appetites had notable demographic characteristics, such as an educational background in finance, and prior experience investing in other risky assets.

These findings from the study align with those of Nadeem et al. (2020) who stated that financial knowledge facilitated the link between demographic characteristics and an individual's risk appetite.

## 5.3. Research Objective 2: To evaluate the extent to which access to information and financial resources hinders or enables SMP amongst the BMC

This research objective assessed the extent to which the availability of financial and informational resources affects SMP among the BMC in SA.

### 5.3.1 Financial and economic constraints hindering stock market participation

Financial and economic constraints emerged as a notable barrier that hindered participants who invested in the SM and those who did not. Respondents noted that limited financial resources and the current economic climate significantly hindered their ability and willingness to participate in the SM as they lacked the discretionary income required to invest. These observations align with those of Hellström et al. (2023) who argued that the probability of a person participating in the SM increases simultaneously with their disposable income and net wealth. Lama et al. (2024) reinforced this claim, stating that one of the major barriers to SMP was the lack of disposable income.

This lack of disposable income and subsequent deterrence was also exacerbated by the aspirational lifestyle that many of the participants pursued which stemmed from the pressures of maintaining a particular type of lifestyle that was largely consumption-driven leaving little money for investing. These findings corroborate those of Choi (2016) who proposed that increasing individual household debt greatly limits potential participation in the FMs.

In addition, several participants noted how their resources were depleted because of added responsibilities, such as financially supporting extended family members and other financial commitments. These demands restricted participants' ability to save enough financial resources to invest in the SM. This is consistent with Kiran and Dhawan (2015) who stated that increases in finance-related household responsibilities lead to decreases in disposable income and reduced savings in relative terms and were a barrier to SMP.

### 5.3.2 Lack of exposure and awareness

The lack of exposure and awareness of the SM was another significant barrier to SMP highlighted by NIPs. Respondents who did not invest in the SM highlighted their lack of access to investment platforms, as well as platforms that would assist them in gaining knowledge about the SM. This lack of access to such platforms perpetuated the widely held view that the SM was complex and, therefore, added to the respondents' reluctance to participate.

These findings are supported by Gumbo and Sandada (2018) who suggested that the level to which individuals are cognisant of available financial instruments is dependent on the suppliers of such instruments to disseminate information related to the financial assets. They further argued that where such information is not widely disseminated it most likely would result in a lack of awareness of such instruments and limited participation.

In contrast to the respondents who actively participated in the SM, NIPs' highlighted the lack of financial education and guidance as a major obstacle to their possible participation.

These findings are similar to those of Kaiser and Menkhoff (2017) who noted that financial education has an influence on financial behaviour and to a larger degree, financial literacy. Conversely, a lack of financial education hinders financial behaviour and financial literacy. Epaphra and Kiwia (2021) added that individuals with financial knowledge are prone to invest in the SM compared to those with little to no knowledge.

### 5.3.3 Impact of online investment platforms

Several participants noted that OIPs increased their awareness and accessibility to the SM. This increase in accessibility was not confined to the availability of the platforms but included lower participation costs. These observations correspond to those of Lu et al. (2024) who shared that OIPs had enhanced the accessibility to the SM for individuals who wanted to invest.

Further to this, respondents also highlighted how these lowered barriers had spurred their curiosity and interest towards participating in the SM. Participants cited the ease with which they were able to access the platforms and begin investing. This finding aligns with that of Nair et al. (2023) who in their observation found that there had been an exponential increase in the installation of online investment applications. From this, they reasoned that the availability of such platforms had elevated people's interest in investing in the SM.

Although OIPs had improved accessibility and increased participants' curiosity and interest in investing in the SM, some respondents remained uninfluenced by the availability of such platforms. Maziriri et al. (2019) observed similar and suggested that the low uptake of OIPs in SA could be a result of several factors, such as perceived risk and a lack of trust.

## 5.4. Research Objective 3: To understand the perceived risks associated with SMP that inhibit the BMC from investing in the SM

This research objective sought to investigate the actual and perceived risks associated with the SM that contribute to the BMC's hesitancy to participate in the FM. The understanding of these risks is crucial to uncovering any systemic, institutional and psychological barriers that dissuade the BMC from participating. This investigation sought to shed light on the apprehensions and lack of trust that hinder the BMC from investing in the SM.

### 5.4.1 Lack of trust and fear of financial markets

A key barrier highlighted by NIPs was their lack of trust and fear towards the SM which largely stemmed from their limited knowledge and understanding of the SM, its perceived complexity and the risk associated with investing in the SM.

These observations are supported by those of Chawla et al. (2023) who stated that individuals with better financial knowledge are prone to trusting financial institutions, with the opposite seen with those with a lack of financial knowledge.

The perceived risk associated with investing in the SM was another deterrent that NIPs highlighted. Much like the fear of FMs, participants cited the lack of knowledge and the possible loss of money as the cause of this fear. Almansour et al. (2023) in their observations also noted the perceived risk as one of the causes of limited participation.

These insights align with those of Oehler and Horn (2023) who proposed that financial losses, whether perceived or real, resulted in individuals not participating in the SM. Further to this, Khoza and Motubatse (2023) observed similar to this study, stating that many South Africans had fallen victim to Forex trading scams and had lost large sums of money participating in these schemes. Hellström et al. (2023) and Oehler and Horn

(2023) reasoned that negative financial experiences endured by close relatives discouraged potential investors from participating in the SM.

The lack of trust and fear of the FMs led many respondents to become risk averse, opting instead to put their money in traditional and conservative investments. Equally, Lee et al. (2015) stated that individuals with a higher risk aversion were less likely to participate in the SM. Building on this, Colasante and Riccetti (2020) stated that such risk-averse individuals preferred safer and more prudent savings and investment alternatives. This risk aversion, Rumpf et al. (2024) proposed was further perpetuated by financial advisors who recommended safer investment options for their customers.

### 5.5. Conclusion

This discussion of the research findings outlined in Chapter 4 were presented in this chapter. These findings were compared and contrasted with existing literature to discover whether new insights emerged regarding the BMCs' participation in the SM.

## 6. Chapter 6: Summary, Conclusions and Recommendations

### 6.1. Introduction

A summary of the findings and conclusions from the data analysed and discussed in the previous two chapters is presented in this chapter.

### 6.2. Summary of the research

The research focused on exploring the various factors that influence SMP among SA's BMC.

Adopting an exploratory qualitative approach, the study investigated the barriers and drivers that shaped the BMCs' participation in the SM. Twenty-five interviews were conducted, which provided insights into this demographic's financial behaviours, their perceptions of the SM and investment decision-making processes.

The study identified several key themes that influenced SMP among the BMC. Among those who did not participate, barriers, such as accessibility challenges, perceived complexity, financial and economic constraints, lack of exposure and awareness, lack of trust and fear of the FMs, and risk aversion, were the themes that emerged as inhibiting their participation. In contrast, the motivating factors for those who invested in the SM included early financial socialisation and education, financial security, the need to generate passive income, and risk appetite. These findings accentuated the complexity of the factors that shape SMP in the BMC.

### 6.3. Conclusion

The study illustrates the intricate interplay of individual, socio-economic and systemic factors that define SMP among SA's BMC. It further revealed the gaps in financial knowledge, lack of exposure and awareness in this demographic, particularly related to the SM. This limited knowledge and exposure deterred many participants from investing in the SM and reinforced their preference for traditional and conservative channels.

Socioeconomic pressures exacerbated these challenges with competing financial obligations, such as financially supporting immediate and extended families, housing costs, and maintaining high living standards. These demands took priority and limited available financial resources that otherwise would have been used for savings and investments.

The behavioural inclination towards traditional and conservative channels also limited SMP as these were seen as risk-free and predictable with guaranteed returns. This reluctance resulted from a lack of trust and fear towards FMs and the misperception that the SM was inherently risky.

Though OIPs had made great strides in lowering barriers to entry into the SM, many respondents were still hesitant to participate. The cause of this still centred on the lack of financial knowledge, perceived complexity, socioeconomic pressures and the fear and risk that many associated with the SM.

The inverse was seen in individuals who invested in the SM. They highlighted the significance of early financial socialisation and guidance, and financial education in shaping their financial behaviour. These early influences, along with various motivators harnessed their risk appetite and enabled them to make sound investment decisions culminating in their participation.

From these findings, the need for institutions and policymakers to implement certain interventions to increase participation among the BMC is highlighted. Among these is the need to improve financial knowledge, increased awareness of the SM and the various opportunities that are associated with investing in it and constructing strategies to address the lack of trust that this demographic has in the FMs.

### 6.4. Recommendations

Several interventions taking from the findings are suggested to increase participation among the BMC. To achieve this, the lack of financial knowledge among this demographic must be addressed. Concerted efforts between financial institutions and policymakers must be undertaken to introduce financial education at the foundational school level. This will ensure early financial socialisation, which was noted in the study as fundamental in shaping future financial behaviours.

In addition, financial institutions could develop simplified platforms that are easily accessible, communicate in simple and easy-to-understand language, and mentor and guide people about the FMs.

Regulatory bodies working with financial institutions should also ensure measures are available to inform the public of reputable financial institutions where they can invest and implement policies to protect investors’ funds from scammers.

### 6.5. Recommendations for future research

The study focused narrowly on the BMC and the factors that influence their participation in the SM. Subsequent studies could investigate the factors that influence the SMP of the broader SA middle-class.

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## Appendices

### Appendix A – Data Collection tool

1. Which province and city do you currently reside?
2. What is your highest level of education?
3. Are you currently employed or self-employed?
4. What is your occupation?
5. Where between the range of R22,000 and R75,000 does your current income fall?
6. How would you describe your level of financial literacy?
7. Can you describe what your approach is to saving money and managing your finances?
8. What factors influence your savings approach and the amount you choose to save each month?
9. Can you describe your thoughts and feelings towards the stock market and investing in stocks?
10. What factors influenced or would influence your decision to participate or not participate in the stock market?
11. Which risks associated with the stock market prevented you from participating in the stock market?
12. Can you share any concerns that you had/have about investing in the stock market? And did these hinder your participation?
13. How has access to information and financial resources affected your willingness to participate in the stock market?
14. Has the availability of online investment platforms influenced your interest and or participation in the stock market?
15. Which challenges and barriers do you feel inhibited your participation in the stock market?
16. From your experience, what do you think could assist in encouraging more individuals to invest in the stock market?

## Appendix B - Consent form

### Consent Form to participate in research study

**Title of project:** Factors influencing stock market participation among South Africa's black middle class.

**Name of researcher:** Ntuthuko Mazibuko

I, ……………………………………….., agree to participate in this research project.

I agree to the following:

(Please mark with an X the relevant options below)

| | | |
|---|---|---|
| The research study was explained to me. I understand what this study is about. | YES | NO |
| I understand that I can volunteer to take part in the study | YES | NO |
| I agree that the interview may be audio recorded. | YES | NO |
| I agree that direct quotations from my interview may be used by the researcher in their research report. | YES | NO |
| I agree that my participation will remain anonymous (my name or other identifying data will not be used by the researcher in their research report) and that an alias may be used as a substitute to my name. | YES | NO |
| I agree that other researchers may use the information I provide in my interview (depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on | YES | NO |

……………………………………… (signature)
……………………………………… (name of participant)
……………………………………… (date)

……………………………………… (signature)
……………………………………… (name of researcher/person seeking consent)
……………………………………… (date)

## Appendix C – Profiles of Participants

| Participant ID | Age Group | Gender | Education level | Income Group | Interview date |
|---|---|---|---|---|---|
| Participant #1 | 30-40 | Female | Post Graduate Degree | R40,000 - R75,000 | 11/9/2024 |
| Participant #2 | 30-40 | Female | Post Graduate Degree | R40,000 - R75,000 | 20/9/2024 |
| Participant #3 | 30-40 | Female | Diploma | R22,000 - R40,000 | 4/10/2024 |
| Participant #4 | 30-40 | Male | Post Graduate Degree | R75,000 > | 26/8/2024 |
| Participant #5 | 30-40 | Male | Post Graduate Degree | R75,000 > | 14/9/2024 |
| Participant #6 | 30-40 | Male | Post Graduate Degree | R75,000 > | 19/9/2024 |
| Participant #7 | 20-30 | Female | Post Graduate Degree | R40,000 - R75,000 | 6/10/2024 |
| Participant #8 | 45-55 | Male | Post Graduate Degree | R75,000 > | 18/9/2024 |
| Participant #9 | 40-45 | Female | Degree | R40,000 - R75,000 | 18/9/2024 |
| Participant #10 | 30-40 | Female | Degree | R40,000 - R75,000 | 21/8/2024 |
| Participant #11 | 30-40 | Male | Post Graduate Degree | R75,000 > | 3/9/2024 |
| Participant #12 | 30-40 | Male | Post Graduate Degree | R75,000 > | 30/8/2024 |
| Participant #13 | 20-30 | Female | Degree | R22,000 - R40,000 | 19/9/2024 |
| Participant #14 | 40-45 | Female | Degree | R75,000 > | 29/8/2024 |
| Participant #15 | 30-40 | Female | Degree | R22,000 - R40,000 | 18/9/2024 |
| Participant #16 | 20-30 | Female | Diploma | R22,000 - R40,000 | 21/9/2024 |
| Participant #17 | 40-45 | Male | Post Graduate Degree | R75,000 > | 20/9/2024 |
| Participant #18 | 40-45 | Female | Post Graduate Degree | R40,000 - R75,000 | 6/9/2024 |
| Participant #19 | 30-40 | Male | Post Graduate Degree | R75,000 > | 8/9/2024 |
| Participant #20 | 30-40 | Female | Diploma | R22,000 - R40,000 | 28/8/2024 |
| Participant #21 | 30-40 | Male | Degree | R75,000 > | 3/10/2024 |
| Participant #22 | 30-40 | Male | Post Graduate Degree | R40,000 - R75,000 | 24/8/2024 |
| Participant #23 | 20-30 | Female | Post Graduate Degree | R22,000 - R40,000 | 6/9/2024 |
| Participant #24 | 30-40 | Male | Diploma | R40,000 - R75,000 | 25/9/2024 |
| Participant #25 | 30-40 | Male | Post Graduate Degree | R75,000 > | 19/9/2024 |

## Appendix D – Themes and Sub-themes

| Code Groups | Code | Grounded | Density |
|---|---|---|---|
| (OB1) Accessibility barriers to SMP | ● Lack of knowledge and understanding<br>● Perceived to be reserved for certain groups | 73<br>31 | 6<br>5 |
| (OB1) Complexity of the stock market | ● Lack of accessible and simplified information<br>● Perceived complexity | 41<br>28 | 4<br>3 |
| (OB1) Early financial socialisation and education | ● Parental financial socialisation<br>● Educational background | 21<br>16 | 1<br>5 |
| (OB1) Motivators driving SMP | ● Financial security<br>● Passive Income<br>● Risk appetite | 20<br>13<br>17 | 2<br>0<br>4 |
| (OB2) Financial and economic constraints hindering SMP | ● Limited financial resources<br>● Aspirational lifestyle<br>● Added responsibilities | 45<br>46<br>17 | 3<br>3<br>4 |
| (OB2) Lack of exposure and awareness | ● Lack of financial education and guidance<br>● Lack of exposure and awareness<br>● Institutional barriers | 22<br>20<br>14 | 3<br>4<br>4 |
| (OB2) Impact of online investment platforms | ● Improved accessibility<br>● Increased curiosity and interest<br>● Uninfluenced by online investment platforms | 40<br>10<br>15 | 0<br>0<br>1 |
| OB3) Lack of trust and fear of financial markets | ● Fear and risk<br>● Loss of money<br>● Fear of being scammed | 66<br>36<br>20 | 6<br>4<br>2 |
| (OB3) Risk Aversion | ● Preference for traditional channels<br>● Financial advisor | 26<br>25 | 2<br>2 |

**Appendix E – Themes and sub-themes relating to Research Objective One**

| **Themes:** | **Sub-themes** |
|---|---|
| **Accessibility barriers to stock market participation** | • *Lack of knowledge and understanding*<br>• *Perceived to be reserved for certain groups* |
| **Complexity of the stock market** | • *Lack of accessible and simplified information*<br>• *Perceived complexity* |
| **Early financial socialisation and education** | • *Parental financial socialisation*<br>• *Educational background* |
| **Motivators driving SMP** | • *Financial security*<br>• *Passive income*<br>• *Risk appetite* |

**Appendix E.1 – Direct quote from Participant 13 relating to accessibility barriers**

> *But in terms of the access to the knowledge. Well, to some knowledge, I think we do not have maybe in terms of explaining that knowledge or understanding that knowledge, that's the part where it gets a bit shaky.* 13:20 ¶ 1 in Participant 13.

**Appendix E.2 – Direct quote from Participant 3 relating to accessibility barriers**

> *I have no education around it, and I feel like I don't even understand the basics of it. And so that's why I've kept away from it. If I was to be educated and feel comfortable enough, that's something that I would definitely go for 3:19 ¶ 1 in Participant 3.*

**Appendix E.3 – Direct quote from Participant 15 relating to accessibility barriers**

> *Until today, I thought it was something that was reserved for certain individuals. Yeah. Like, you know, you must have a black card, you must earn a certain salary, you must be within a certain bracket. So I think, like my position, like I*

*would think that a person in my, like, position as in my occupation wouldn't really participate in stock markets* 15:48 ¶ 1 in Participant 15.

**Appendix E.4 - Direct quote from Participant 17 relating to perceived complexity of the stock market**

*Yeah, I think the jargon, I mean, is obviously a drawback because, you know, for somebody who doesn't have a finance background, and I'm not saying you can't learn this stuff, but, you know, when, when people are throwing, like, I don't know, like something like it's a, it's a, it's a bull market. It's a bear market* 17:46 ¶ 1 in Participant 17.

**Appendix E.5 – Direct quote from Participant 10 relating to perceived complexity of the stock market**

*But again, I think at some point, I remember going into the website and trying to read all of this, but I felt so overwhelmed. I felt so overwhelmed. And it's, I think became, oh, no, no, no, you're gonna make wrong decisions. And then, yeah, run and hide.* 10:30 ¶ 1 in Participant 10.

**Appendix E.6 - Direct quote from Participant 2 relating to perceived complexity of the stock market**

*As much as I'm in finance and, like, I'm in an investment company, I just feel like if you don't, if you're not working first-hand with it, as a person who's not in the nitty gritty or understanding what actually goes on in the stock market, I feel like it's, it's a complex thing. Like, I understand a little bit, but, like, it seems too complex.* 2:17 ¶ 1 in Participant 2.

**Appendix E.7 – Direct quote from Participant 16 relating to early financial socialisation and education**

*There is this app Easy Equities. So, they were raving about how you could easily, it doesn't matter how much you put in, but the returns in the future are way better than other stock markets. So, I went through their websites, found out the information, did my research, a bit of research about it and that got me intrigued. Oh, well, this is something that I could use in the future. Nami, my mother used to have shares. Well, she bought MTN shares and then in the long run, after I've completed my matric and I needed to further my studies and then she went there and sold her shares, this helped and then she got the money* *because she was unemployed. This helped in getting me to further my education.* 16:3 ¶ 1 in Participant 16.

**Appendix E.8 – Direct quote from Participant 6 relating to motivators driving stock market participation**

*If there's one thing that's, that matters to me is financial stability and financial success, that's the one thing that really drives me.* 6:69 ¶ 1 in Participant 6.

**Appendix E.9 – Direct quote from Participant 16 relating to motivators driving stock market participation**

*Oh, it's to get an additional income. So those dividends payouts, sometimes they arrive when you need an extra cash on the side. So when that happens, it comes in handy all the time.* 16:26 ¶ 1 in Participant 16.

**Appendix E.10 – Direct quote from Participant 5 relating to motivators driving stock market participation**

*I think first thing is, as a person, you need to understand your appetite. How much can you lose or how much are you okay to lose and how much you don't want to lose. And that can actually shape how you approach savings and investment. If you have a bigger appetite, you can actually, you know, bet on those risky investments on the stock market.* 5:73 ¶ 5 in Participant 5.

**Appendix F – Themes and Sub-themes relating to Research Objective Two**

| **Themes:** | **Sub-themes** |
|---|---|
| **Financial and economic constraints hindering SMP** | • *Limited financial resources*<br>• *Aspirational lifestyle*<br>• *Added responsibilities* |
| **Lack of exposure and awareness** | • *Lack of financial education and guidance*<br>• *Lack of exposure and awareness*<br>• *Institutional barriers* |
| **Impact of online investment platforms** | • *Improved accessibility*<br>• *Increased curiosity and interest*<br>• *Uninfluenced by online investment platforms* |

**Appendix F.1 – Direct quote from Participant 14 relating to financial and economic constraints hindering stock market participation**

> *Unfortunately, you know, you've. When you've never really, you know, earned enough money, you can't just take 10,000 and just dump it somewhere and forget about it.* 14:50 ¶ 1 in Participant 14.

**Appendix F.2 – Direct quote from Participant 6 relating to financial and economic constraints hindering stock market participation**

> *Because I was, I was about to say, sometimes you, you keep abreast, you understand where the opportunities are, but funding be like, ah, but I don't really have enough cash to play around because I've already invested in certain things* 6:33 ¶ 1 in Participant 6.

**Appendix F.3 - Direct quote from Participant 2 relating to financial and economic constraints hindering stock market participation**

> *Yeah, it definitely, like, it changes as you grow. Because when I started working, didn't have a lot of responsibilities, hence, why it was very easy for me to actually start these unit trust.* 2:46 ¶ 1 in Participant 2.

**Appendix F.4 – Direct quote from Participant 7 relating to financial and economic constraints hindering stock market participation**

> *I still got responsibilities at home. I look after my parents. I have younger siblings that I support as well sometimes. So I think the investment decision is mostly made because I just feel like I don't have the surpluses* 7:37 ¶ 1 in Participant 7.

**Appendix F.5 – Direct quote from Participant 8 relating to impact of online investment platforms**

> *I mean, of course the banks also have made it easy to invest. Of course you still have to create a separate account, an investment account for tax purposes, but it does allow you to actually buy, you know, you know, to participate in the stock market. Yeah, yeah. Directly, without even going through the broker.* 8:21 ¶ 1 in Participant 8.

**Appendix G – Themes and sub-themes relating to Research Objective Three**

| **Themes:** | **Sub-themes** |
|---|---|
| **Lack of trust and fear of financial markets** | • *Fear and risk*<br>• *Loss of money*<br>• *Fear of being scammed* |
| **Risk aversion** | • *Preference for traditional channels*<br>• *Financial advisor* |

**Appendix G.1 – Direct quote from Participant 15 relating to lack of trust and fear of financial markets**

*…and for me, stocks, it's like you have that fear. 1 minute you'll have your money or you, you've invested and then tomorrow you wake up and you don't have all the money's gone or whatever* 15:17 ¶ 1 in Participant 15.

**Appendix G.2 – Direct quote from Participant 3 relating to lack of trust and fear of financial markets**

*And so, my mom has also been. So, I grew up in the township. Right. And then, you know, like, if somebody comes across, like one of these days, they'll recruit people. So, my mom was part of the unfortunate ones that were recruited into sort of trading, if you would, and there was this guy that was showing them how to trade, that was going to, you know, come in and just guide them to their financial freedom. And he turned out to be a fraud, you know, and more often than not, you hear of those cases and you're just like, I'm not sure.* 3:33 ¶ 1 in Participant 3.

**Appendix G.3 – Direct quote from Participant 13 relating to risk aversion**

*So at least with the bank, I know if I put it in, like in a 32-day notice account, I don't have to look at it for the next whatever time, you know. So, it's purely on that. And I also trust the bank as well. If it's. It's not going to be taking money away. It might increase slowly or it might grow slow, but I trust that it's going to increase. There's no risk factor or anything like that* 13:4 ¶ 1 in Participant 13.

**Appendix G.4 – Direct quote from Participant 17 relating to risk aversion**

*It's funny because not so long ago, we were talking to our banker with the wife and there we were advised they got us with some broker at the bank and they were saying, no, guys, to your earlier point, around the 32-day plan, but it wasn't the 32-day plan, this one, you know, we see you've got so much savings here. This is the return per year. I think if you moved it here, you know, lock it in, maybe for three years, you can get better returns* 17:7 ¶ 1 in Participant 17.

## Appendix H - Participant Information Sheet

Dear Sir / Madam

My name is Ntuthuko Mazibuko. I am a Masters student in Business Administration at the University of the Witwatersrand, Johannesburg. My supervisor is Dr Jacques Totowa. I am conducting a research study about stock market participation among the black middle class. The study title is Factors influencing stock market participation among South Africa's black middle class.

I am inviting you to take part in an interview. If you decide to take part, your participation in this research study will last about an hour. The interview will take place at [TBC] at [TBC].

With your permission, I would like to audio/video record the interview. This data will be stored in Microsoft One Drive for 5 years and deleted after 5 years. Only the researcher will have access to the data.

During the research activity, I will need to ask for some personal information about you, including highest educational qualification, your current salary range and whether you save and or invest.

The interview will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decide not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study. Your travel/data costs to attend the interview will be reimbursed to a maximum of R150.

The risks for this research study are no more than what happens in everyday life OR some of the questions asked may make you feel sad or upset. If this happens, I will stop the interview and continue another time. If you need some support or counselling services following the interview, We can refer you to the University's Counselling service.

This research study will be written up as a research report. The report will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,
Ntuthuko Mazibuko

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## DECLARATION OF COPY-EDITING

This serves to confirm that I have copy-edited the research report with the title of

**FACTORS INFLUENCING STOCK MARKET PARTICIPATION AMONG SOUTH AFRICA'S BLACK MIDDLE CLASS**

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**The service excluded correcting contextual language, formatting, checking for plagiarism and using ChatGPT or AI but retained the 'student voice'.**

**The student was responsible for implementing the comments and track changes. The text may have been altered after editing had been completed.**

Prof Jane Spowart (Emeritus, UJ) 21 February 2025

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