

Analysis of Factors affecting The Growth of Capital Markets: A Case of The Lusaka Securities Exchange

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Abstract

This study investigates the key factors affecting the growth of Capital Markets in Zambia, with a specific focus on the Lusaka Securities Exchange (LuSE). The research aimed to achieve three main objectives: to determine the effect of Stock Market Liquidity on Capital Market growth, to assess the impact of Foreign Direct Investment (FDI), and to explore the perceptions of market participants regarding the challenges and drivers of LuSE's growth. Recognized as a vital component of Zambia's economic development, LuSE facilitates capital raising and investment opportunities. However, between 1995 and 2023, the exchange experienced notable fluctuations in both the number of listed companies and its market capitalization, raising concerns about its stability and growth trajectory. To address existing knowledge gaps, the study adopted a mixed-methods approach. Quantitative data from 1995 to 2023 were analyzed using the Vector Autoregressive (VAR) model through STATA 15.0, focusing on the dynamic effects of Stock Market Liquidity and FDI. The analysis found that Stock Market Liquidity had no significant short-run effect on market capitalization, with p-values of 0.379 and 0.998. Conversely, FDI showed a significant positive influence in the second lag (coefficient = 0.2194731, $p = 0.043$), indicating a delayed yet meaningful contribution to Capital Market growth. The qualitative component, based on structured questionnaires from randomly selected participants, revealed investor education and regulatory inefficiencies as major concerns. Specifically, 35.7% of respondents rated investor education poorly, while 57.2% believed that this lack led to poor investment decisions. Over half of the participants criticized the regulatory framework for being unclear and rigid. Although most respondents did not view limited product offerings as an immediate barrier, some acknowledged the long-term importance of market diversification. The study concludes with strategic policy recommendations to support LuSE's development and enhance Zambia's overall financial market performance.

Keywords: Capital Markets, Stock Market Liquidity, Foreign Direct Investments, Lusaka Securities Exchange, Regression Analysis, Capital Market Growth

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1. Introduction

Capital markets play a vital role in economic development by providing financing and investment opportunities for businesses and governments (Mutafu & Mazhambe, 2023; World Bank, 2022). Through the issuance of securities such as stocks and bonds, companies can raise capital to fund expansion, job creation, and innovation, which supports long-term economic growth (St. Louis Fed., 2022). Investors, in turn, benefit from portfolio diversification and reduced risk exposure. Capital markets also encourage transparency, as listed companies are required to publish financial disclosures, enhancing accountability and investor confidence (Soumaré et al., 2021). These dynamics foster efficient resource allocation to productive sectors of the economy.

In Zambia, capital markets are viewed as key instruments in achieving the country's development goals, particularly the targeted 7% economic growth by 2030 (Musawa & Mwaanga, 2017). Notable examples of capital market contributions include Copperbelt Energy Corporation's US\$50 million bond issue in 2015 and ZCCM Investments Holdings' international share trading platform launched in 2021 (SEC, 2014; Kambandu, 2021).

The Lusaka Securities Exchange (LuSE), Zambia's main stock exchange, established in 1994, is regulated by the Securities and Exchange Commission and facilitates the trading of equities and bonds (Lungu, 2020). LuSE also operates a Central Securities Depository to ensure secure and transparent transactions. By April 2023, LuSE had grown to 22 listed companies from just six in 2000, reflecting increased investor participation and a more diverse market (Daka, 2019). This growth signifies not only enhanced market performance but also stronger investor confidence and a healthier business environment (Soumaré et al., 2021).

Table 1: Main Listing Requirements on LuSE

#	LuSE Listing requirements
1	Incorporation and Registration: The company must be registered in Zambia and must have a valid certificate of incorporation.
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3	Financial Performance: The company must have a minimum track record of three years of audited financial statements, demonstrating profitability and financial stability.
4	Minimum Capitalization: The company must have a minimum share capital of ZMW 1 million (approximately USD 57,000).
5	Shareholding Structure: The company must have a minimum of 100 shareholders, with no more than 75 percent of the shares held by a single shareholder.
6	Corporate Governance: The company must comply with good corporate governance practices and must have an independent board of directors.
7	Compliance: The company must comply with all relevant laws and regulations, including those set by the Securities and Exchange Commission of Zambia.
8	Disclosure Requirements: The company must provide detailed information on its business activities, financial performance, and future plans to potential investors.
9	Professional Advisors: The company must engage a sponsor, a financial advisor, and a legal advisor who are registered with the LuSE.
10	Timely Reporting: The company must submit its annual reports, interim financial statements, and any other relevant information to the LuSE on a timely basis.

Although companies that meet the Lusaka Securities Exchange (LuSE) listing requirements may apply and undergo a due diligence process, overall growth in listings has remained slow. In 27 years, only 25 companies have been listed—averaging one listing every 14 months—highlighting limited market expansion. Given the critical role that listings and market capitalization play in supporting capital market performance and economic growth, it is essential to investigate why many companies remain unlisted. Market capitalization on LuSE grew from ZMW2.1 billion in 2019 to ZMW3.1 billion in 2020, driven largely by a 148% surge in bond market activity (LuSE, 2021). Trading volumes also rose by 20.5% in the same period (PWC, 2021), though LuSE still lags far behind exchanges like South Africa's JSE, which had a market cap of over US\$1 trillion in 2021 (Njenga et al., 2022). Trend analysis from 1995 to 2022 shows initial growth followed by long-term stagnation, pointing to persistent structural and regulatory barriers.

A brief recovery was observed around 2012, as the number of listed companies started to increase, reaching 24 by 2014. Yet, this recovery didn't last, and the subsequent years were characterized by stagnation, with only limited growth. This extended period of stagnation raises concerns, suggesting that the underlying issues inhibiting growth may not have been adequately addressed. In the more recent years of 2020 to 2022, there were marginal increases in the number of listed companies, with 25 in 2022. This modest growth implies that challenges and barriers to entry persist, hindering the expansion of the securities exchange.

The trend in the number of listed companies on LuSE underlines several significant issues that justify further investigation. These include prolonged stagnation and slow growth, indicating underlying problems that deter companies from seeking listing. Additionally, the economic environment in Zambia, with its instability and uncertainties, may have discouraged companies from choosing LuSE for listing. Regulatory barriers, fluctuations eroding investor confidence, competitive positioning compared to other regional exchanges, and analysing the demand for capital in Zambia are all critical areas that necessitate scrutiny.



Figure 1: Growth of the Lusaka Securities Exchange by number of Listed Companies (Source: Author (2025))

In conclusion, the fluctuating and stagnant trend in the number of companies listed on the Lusaka Securities Exchange (LuSE) from 1995 to 2022 underscores the need for a comprehensive study. Such a study should delve into economic stability, regulatory issues, investor confidence, competitive positioning, and market demand to enable the exchange's growth and contribution to Zambia's economic development. This research is crucial as it aims to address the challenges and barriers that have hindered LuSE's development and attractiveness to both retail and institutional investors, and more listings. Similarly, the trend in Stock Market Capitalization as a percentage of GDP in Zambia, as depicted in the provided Figure 2, showcases fluctuations and intermittent data gaps. This trend also raises concerns about the growth prospects of the Lusaka Securities Exchange and warrants a comprehensive study to investigate the factors influencing its development.

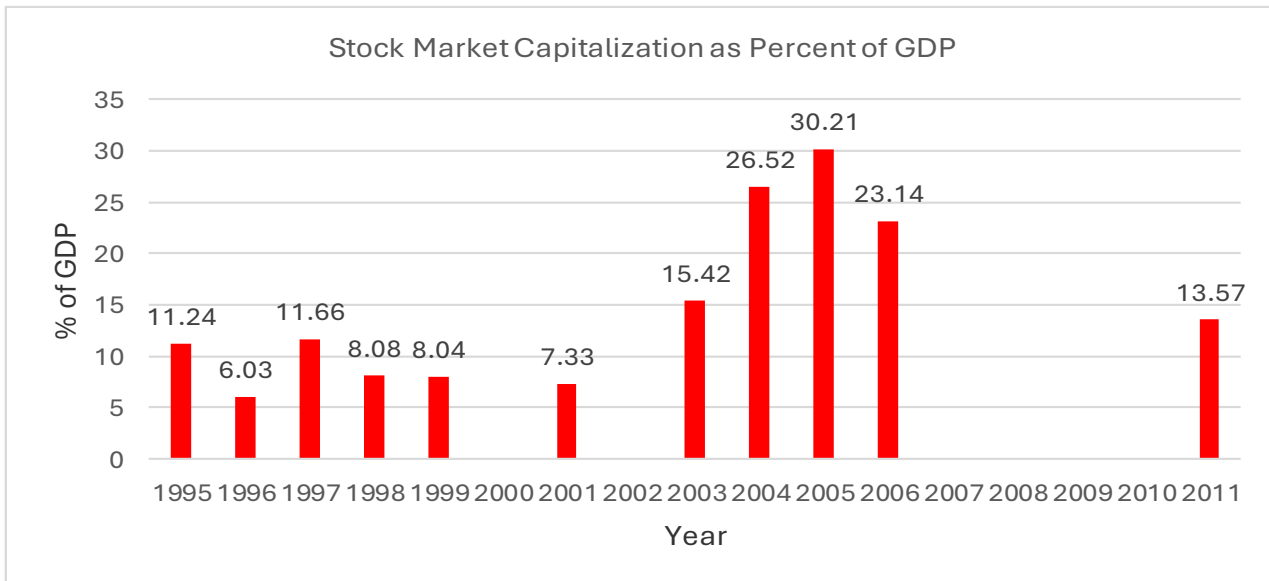


Figure 2: Growth of Stock Market Capitalization (Source: Author (2025))

An analysis of Zambia's Stock Market Capitalization as a percentage of GDP from 1995 to 2015 reveals notable fluctuations, highlighting instability and inconsistent growth within the capital market. In 1995, the ratio was 11.24%, but it fell sharply to 6.03% in 1996, then rebounded in 1997 and 1998 to 11.66% and 8.08%, respectively. However, it remained below the 1995 level, indicating a volatile market that could deter investor participation. Data gaps in 2000 and 2002 further complicate trend assessment, raising concerns about transparency and data quality.

From 2003 to 2005, there was significant growth, peaking at 30.21% in 2005, suggesting rising investor interest and market activity. Yet, this was followed by a decline to 23.14% in 2006 and missing data through 2011, which may reflect weakening investor confidence or market setbacks. Such volatility points to regulatory, economic, or structural issues requiring further investigation (Claessens, 2019; Carvajal & Elliott, 2009).

Monthly data from January 2002 to April 2015 further illustrates instability. While the average Market Capitalization during this period was around ZMW 20,107.9 million, values fluctuated significantly. The peak of ZMW 66,456 million in

December 2014 was followed by a slight decline in early 2015, indicating challenges in sustaining momentum. These inconsistencies suggest deeper issues, including limited public participation, few listed companies, macroeconomic volatility, and policy uncertainty. Addressing these challenges is vital to improve market stability, attract investment, and ensure long-term growth of the Lusaka Securities Exchange (CEIC, 2015).

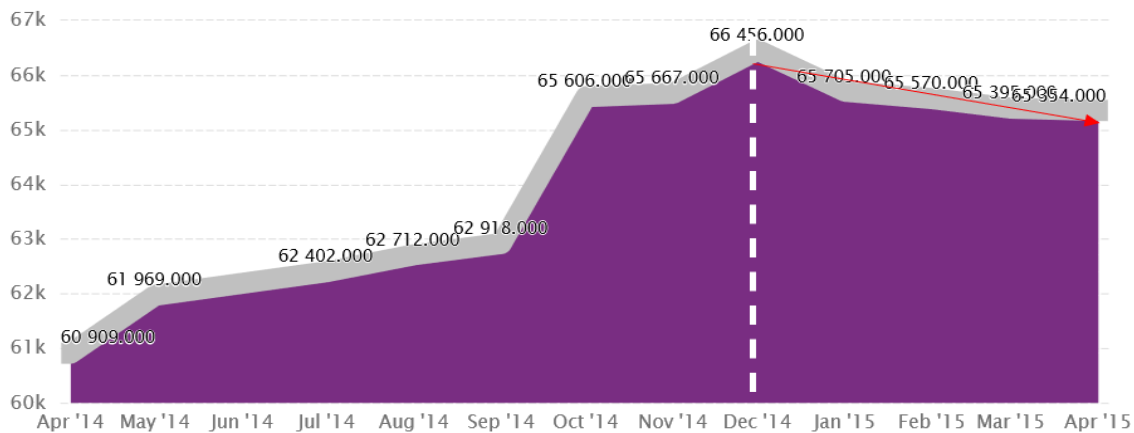


Figure 3: Lusaka Securities Exchange: Market Capitalization in ZMW (Source: Author (2025))

Therefore, while Zambia's Capital Market has shown moments of growth, but the overall trends analysis reveals that it has not performed well in maintaining sustainable and stable expansion. These observations underscore the need to address structural challenges and implement reforms that can support long-term growth and investor confidence in the LuSE.

1.2. Statement of the Problem

Despite ongoing efforts to expand Capital Markets in Zambia, the Lusaka Securities Exchange (LuSE) has continued to demonstrate underperformance and stagnation. Market Capitalization, a key indicator of capital market health, has experienced considerable volatility. For instance, it declined slightly from ZMW65,395 million in March 2015 to ZMW65,354 million in April 2015, after reaching a peak of ZMW66,456 million in December 2014 (CEIC, 2015). Between January 2002 and April 2015, the average Market Capitalization was ZMW20,107 million, yet these average masks fluctuations including a historical low of ZMW750 million in May 2004. Such inconsistency reflects an unstable market environment, which may discourage long-term investment and market participation (Shamalime & Yohane, 2024; Claessens, 2019).

The growth in the number of listed companies has also been slow and inconsistent. From just two in 1995, listings increased to thirty by 2002 but declined to only twenty-five by 2023 (Global Economy, 2023). This suggests persistent structural, regulatory, and macroeconomic challenges, as well as limited investor outreach. Previous studies have explored capital market growth but left critical gaps. Muyanga (2019) focused on macroeconomic indicators without considering Foreign Direct Investment or structural drivers. Chola (2019) assessed market capitalization and turnover but ignored stock market liquidity and failed to incorporate primary data. Daka (2019) omitted a detailed analysis of regulatory barriers and government incentives. Shamalime and Yohane (2024) addressed retail investor constraints but lacked qualitative insights from key stakeholders. To bridge these gaps, the current study adopts a mixed-methods approach. Quantitatively, it will assess market growth through Market Capitalization (Fernando et al., 2025), while qualitatively, it will evaluate trends in company listings. This comprehensive approach aims to uncover both empirical and perception-based factors influencing LuSE's development and overall Capital Market growth in Zambia.

1.3. Objectives of the Study

- i. To establish the effect of Stock Market Liquidity on the growth of Capital Markets.
- ii. To investigate the effect of Foreign Direct Investment (FDI) on the growth of Capital Markets.
- iii. To explore the perceptions of market participants on the key factors influencing the growth of the Lusaka Securities Exchange (LuSE).

2. Literature Review

2.1 What is the Effect of Stock Market Liquidity (SML) on Growth of Capital Markets?

To understand the effect of Stock Market Liquidity (SML) on Capital Market Growth, various regional and global studies have been conducted. In the Middle East and North Africa, Ben et al. (2007) analyzed data from twelve Arab countries using fixed and random effects models. They found that SML, savings rate, financial intermediaries, and macroeconomic stabilization are key drivers of Capital Market Growth. Importantly, they argued that financial intermediaries and capital

markets complement rather than substitute each other.

Torre et al. (2015), in a comparative study of East Asia and Latin America, emphasized that high SML boosts Market Capitalization and encourages investor confidence by enabling easier trading without significant price changes. Likewise, Abdelbaki (2013), focusing on Bahrain, found that SML, along with domestic investment and income levels, significantly influenced Market Capitalization as a share of GDP, reinforcing the link between liquidity and market depth.

In the Philippines, Sin-Yu et al. (2017) used ARDL bound testing to analyze macroeconomic determinants of stock market growth from 2001 to 2016. They found that trade openness negatively affected the stock market in the long run, while banking sector development and exchange rate had positive short-term effects.

In Africa, Aduda et al. (2012) identified SML, institutional quality, per capita income, domestic savings, and banking development as key contributors to the Nairobi Stock Exchange's growth. However, they found no significant links between market development and macroeconomic stability, inflation, or private capital flows. Ayadi and Williams (2023) extended this to Egypt, Kenya, Nigeria, and South Africa, showing a positive correlation between Stock Market Capitalization, Gross Fixed Capital Formation, and FDI, underscoring the role of industrial growth.

In Zambia, research remains limited. Chola (2019) found a positive relationship between turnover (as a proxy for SML) and market utilization, but not long-term growth. Muyanga (2019) linked SML to money supply, but did not assess trading liquidity directly. Most studies confirm the importance of SML but overlook structural enablers like technology, investor diversity, and regulation. This study addresses these gaps by empirically analyzing the impact of SML, using turnover ratios and trading volumes, on Zambia's Capital Market Growth over a 28-year period.

2.2 What is the Effect of Foreign Direct Investment (FDI) on the Growth of Capital Markets?

In response to the above Research Question, global evidence suggests that FDI contributes positively to market growth, especially when supported by robust legal and institutional frameworks. Kim (2020), in a study on Russia, emphasized that FDI is drawn to markets with policy, stability and transparency, which in turn boosts Stock Market efficiency and capitalization. Cumming and MacIntosh (2006) conducted a similar study in Canada also argued that legal systems and good Corporate Governance practices attract FDI, which then supports Stock Market Growth and Development.

Akinlo and Egbetunde (2010) extended the above analysis to the Nigerian context and reaffirmed that FDI has a significant and positive effect on Stock Market Growth, provided that the host country maintains macroeconomic stability. Raza et al. (2012) reached a similar conclusion in Pakistan, stressing that FDI enhances liquidity and encourages broader participation in Stock Markets.

In Sub-Saharan Africa, Ayadi and Williams (2023) conducted a panel analysis across four major economies - Egypt, Kenya, Nigeria, and South Africa, and found that FDI is positively correlated with Market Capitalization. Yet, they did not investigate how regulatory incentives or governance issues may moderate this relationship.

When it comes to Zambia, the question 'What is the effect of Foreign Direct Investment (FDI) on the growth of capital markets?' remains largely unanswered. Muyanga (2019), who studied macroeconomic influences on Stock Market performance, omitted FDI as a variable, while Daka (2019) focused on firm-level listing factors but did not examine how external capital flows like FDI influence broader Capital Market Growth.

This study addresses this gap by using time-series data to analyse how FDI inflows have affected Zambia's market capitalization and overall Capital Market Growth between 1995 and 2023.

2.3 What are the Perceptions of Market Participants on Factors Affecting the Growth of Capital Markets?

This question is essential for understanding the non-quantifiable drivers and barriers to Capital Market Development and Growth. Chiad and Hamoudi (2022) explored this issue by examining how institutional quality, including Corporate Governance and investor protection, influences Stock Market Growth. Their findings indicate that market participants perceive 'a strong legal system' as foundational to market performance. Rajan and Zingales (2003), supported by Degryse et al. (2018), also found that political systems, legal protections, and economic freedoms shape how investors view markets. The authors further postulate that factors such as legal protection for investors, Corporate Governance, financial liberalization, and trade openness contribute positively to Stock Market Growth. Their studies highlighted that when political structures protect investor rights, Capital Markets flourish. This is consistent with Kim's (2020) observation that policy reforms also foster the growth of financial markets, leading to market efficiency, equity issuance, and the attraction of FDI as was the case in Russia.

Using primary and secondary data collected through field work questionnaires and random interview, Ziorklui (2001) carried out a study to investigate Capital Market Development and growth in Tanzania. In this study, descriptive statistical tests and econometric models were used to analyse the Capital Markets in Tanzania. The study found that region integration and globalization of the country's Capital Market attracted foreign capital, efficiency of utilization of capital and corporate governance. The findings also revealed that policy changes have a positive impact on Capital Market Development in Tanzania.

Meanwhile, Aduda et al. (2012) focused on institutional quality in their study. The study revealed that law and order,

bureaucratic quality, democratic accountability and corruption index were important determinants of Stock Market Development in Kenya as they enhance the viability of external finance. Aduda et al. (2012) also recommended that the share of bank lending which goes to the private sector ought to be increased to avoid public sector programmes crowding out private investment financed through financial saving. They further suggested that government should address constraints affecting domestic saving and policy approaches should be geared toward strengthening the banking legal infrastructure.

In the Zambian context, Daka (2019) investigated firm-specific listing decisions but did not engage directly with market stakeholders such as LuSE employees or brokers. Shamalime and Yohane (2024) investigated constraints to Capital Market Growth using quantitative tools but failed to explore the qualitative views of internal stakeholders. This study fills that void by directly collecting qualitative data from LuSE employees to gain insight into their perceptions of operational challenges, regulatory gaps, and opportunities for market expansion.

2.4 Gaps in Literature

The growth of stock markets, particularly in Zambia, remains poorly understood due to contradictory findings and a lack of consensus on the key driving factors. Several existing studies offer valuable insights but leave critical gaps that this study seeks to address. Muyanga (2019) examined macroeconomic variables—interest rates, exchange rates, and money supply—as determinants of LuSE performance. However, this research focused on short-term indicators and did not consider long-term growth factors or the role of Foreign Direct Investment (FDI), which can significantly influence market liquidity and expansion. This study builds on Muyanga's work by explicitly analyzing the impact of FDI on capital market stability and growth over time. Chola (2019) explored Capital Market Utilization through metrics like market capitalization, turnover, and listed companies but did not examine Stock Market Liquidity as a separate determinant. Furthermore, the study relied entirely on secondary data. By incorporating liquidity as a key variable and including primary data through surveys, the current study enhances understanding of how trading frequency and ease affect investor confidence and market resilience.

Daka (2019) did not delve into government incentives or regulatory challenges, which are vital to encouraging market participation. This study addresses those omissions by gathering perspectives from market participants. Similarly, Shamalime and Yohane (2024) focused on retail investor participation and macroeconomic constraints using only quantitative methods, neglecting qualitative insights from institutional investors and brokers. This study incorporates those perspectives to provide a more nuanced view. In summary, while each prior study contributes to understanding Zambia's capital markets, none has examined the combined effect of Stock Market Liquidity, FDI, and investor perceptions. This study integrates these elements to offer a holistic framework for understanding and promoting sustainable capital market growth on the Lusaka Securities Exchange (LuSE).

2.5 Theoretical Framework

This study is grounded in three key theories—Financial Intermediation Theory (FIT), Endogenous Growth Theory (EGT), and Institutional Theory (IT)—which together provide a comprehensive framework for understanding the growth of Capital Markets in Zambia, particularly through the Lusaka Securities Exchange (LuSE). Financial Intermediation Theory (FIT) highlights the crucial role of financial institutions such as banks and Stock Markets in mobilizing savings, reducing transaction costs, and efficiently allocating capital (James et al., 2024). It supports the inclusion of Stock Market Liquidity (SML) and the Bank Capital to Assets Ratio as key independent variables. A liquid market allows for smooth trading and attracts investment (Gbadebo, 2024), while a well-capitalized banking sector signals financial health, boosting investor confidence and supporting market development (Berger & Bouwman, 2012). FIT also aligns with the study's qualitative focus, capturing how stakeholders perceive the efficiency of capital market intermediaries (Putri & Tanno, 2024).

Endogenous Growth Theory (EGT), developed by Romer and Lucas, posits that internal factors such as innovation, human capital, and institutional quality drive long-term economic growth (Sredojević et al., 2016). This theory informs the use of Market Capitalization as the dependent variable and Foreign Direct Investment (FDI) as a key independent variable. FDI enhances firm valuation, corporate governance, and innovation—core drivers of capital market and economic growth (Yang, 2024). EGT also supports the qualitative component by linking institutional perceptions and policy interventions to internal growth mechanisms (Arslan & Alqatan, 2020).

Institutional Theory (IT) focuses on how formal and informal institutional structures shape economic behavior and market development. It underpins the study's qualitative approach by analyzing perceptions of LuSE stakeholders regarding regulation, transparency, and legal enforcement (Kawimbe, 2022). Strong institutions foster investor confidence and market participation (Alzoubi, 2021), while weak governance leads to underdevelopment. IT justifies exploring institutional variables and stakeholder insights to better understand how Zambia's regulatory and governance environment impacts Capital Market Growth (Levine et al., 2015).

Together, these theories justify the study's mixed-methods approach and the inclusion of both financial indicators and qualitative perceptions to assess the multifaceted drivers of Capital Market development in Zambia.

2.6 Conceptual Framework

A Conceptual Framework serves as a visual representation that outlines the relationship between variables within a study, typically highlighting independent, dependent, and where applicable, moderating or intervening variables (UTAMU, 2014). In this study, the framework is designed to quantitatively examine the key determinants of Capital Market Growth in Zambia, using Market Capitalization as the dependent variable. Market Capitalization, which represents the total market value of shares in all companies listed on the Lusaka Securities Exchange (LuSE), reflects the size, performance, and attractiveness of the capital market. It is widely regarded as a key indicator of investor confidence, financial market maturity, and economic development.

The study identifies three independent variables: Foreign Direct Investment (FDI), Stock Market Liquidity (SML), and the Bank Capital to Assets Ratio. These were selected based on theoretical grounding and prior empirical research. FDI is expected to have a positive impact on Market Capitalization by introducing capital inflows, enhancing corporate governance, and encouraging business expansion, which can result in higher firm valuations and increased stock exchange listings. Stock Market Liquidity is also anticipated to influence Market Capitalization positively. A liquid market facilitates fast and efficient trading, which can boost investor participation, elevate stock demand, and drive up share prices—ultimately increasing the overall market value. Lastly, the Bank Capital to Assets Ratio serves as a measure of financial sector stability. A robust banking system increases investor confidence and supports economic activities, thereby reinforcing the capital market. In conclusion, the framework positions Market Capitalization as a comprehensive indicator of Capital Market Growth, shaped by both external investment flows and internal financial sector health. It provides a structured basis for evaluating how these factors collectively contribute to the development of Zambia’s capital markets (see figure 4).

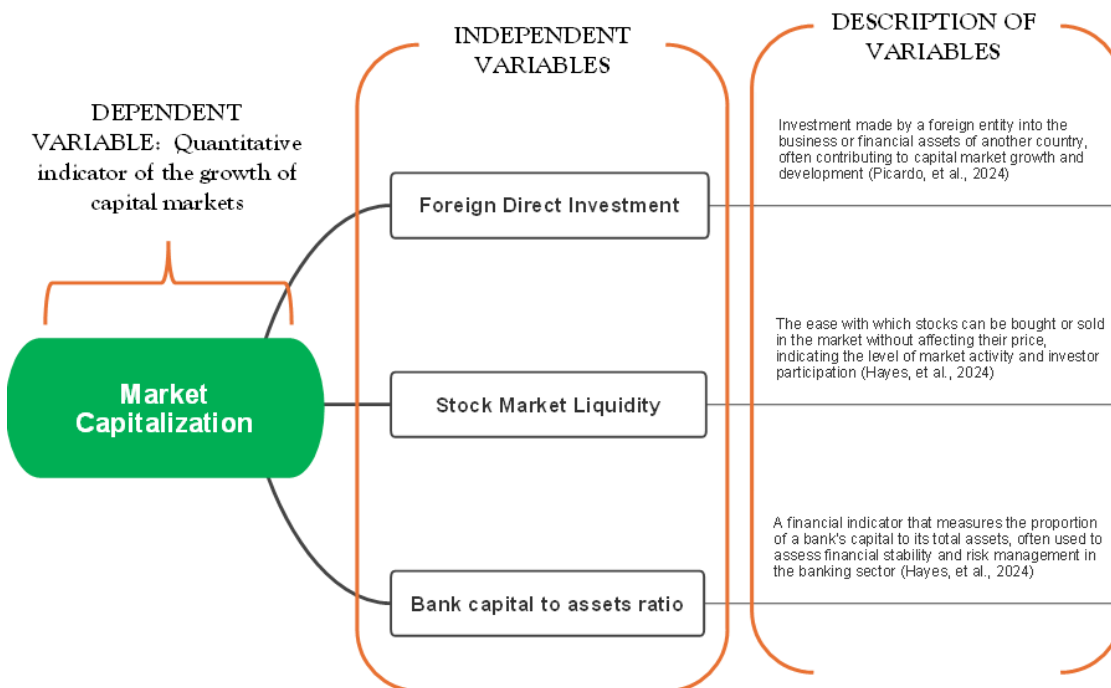


Figure 4: Conceptual Framework for Quantitative Analysis (Source: Author (2025))

Furthermore, the qualitative conceptual framework of this study focuses on understanding the institutional and perceptual factors influencing the growth of Capital Markets in Zambia. In this component, the dependent variable is the 'Growth of the Capital Market', which is qualitatively measured by the growth in the number of listed companies on the Lusaka Securities Exchange (LuSE). An increase in the number of listings is widely regarded as an indicator of market development, investor confidence, and a favourable business environment for equity financing. This framework explores the influence of four key independent variables: (1) regulatory framework, (2) transparency, (3) product offerings, and (4) literacy levels. These variables were selected based on their institutional relevance and insights drawn from both theoretical models and empirical studies (see Figure 5).

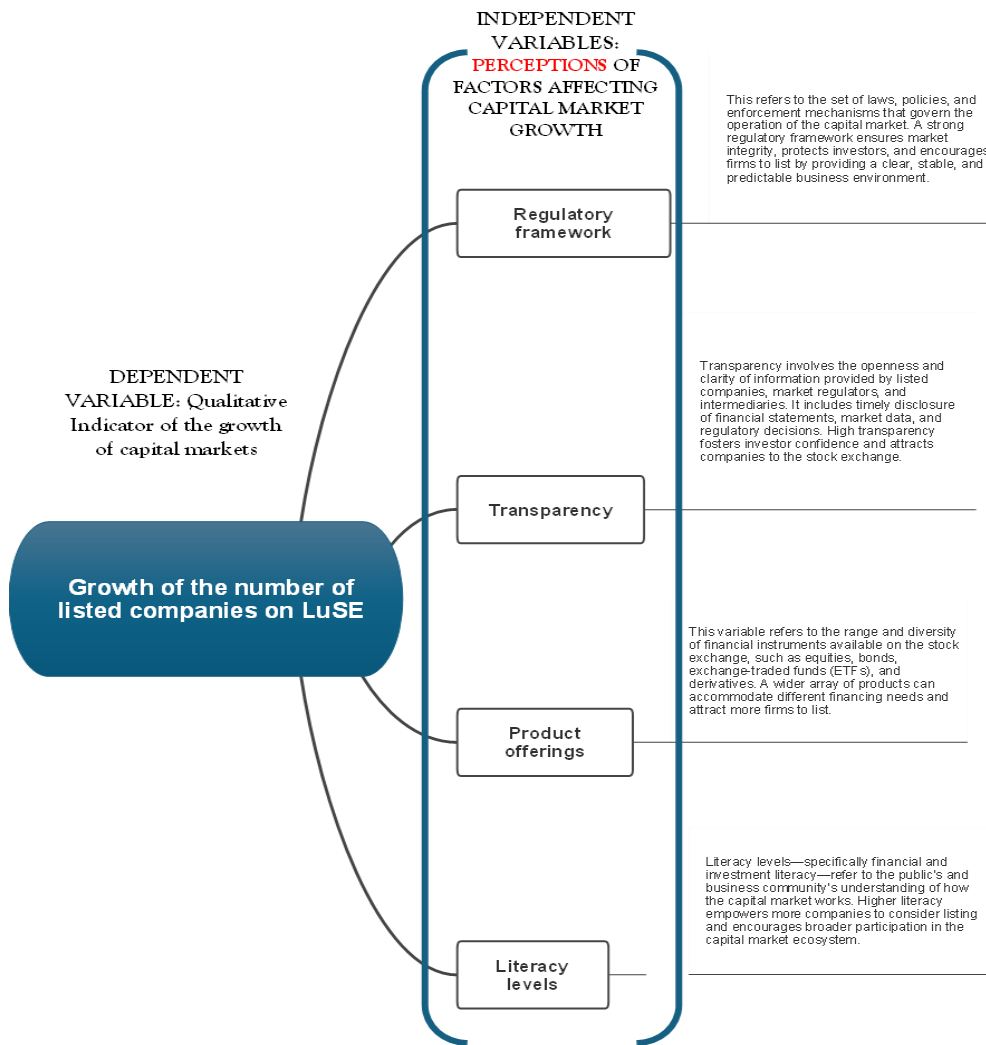


Figure 5: Conceptual Framework for Qualitative Analysis (Source: Author (2025))

Several institutional and perceptual factors are expected to positively influence the number of companies listed on the Lusaka Securities Exchange (LuSE). A strong regulatory framework that ensures investor protection, enforces disclosure, and reduces bureaucratic barriers encourages firms to list, while weak regulation deters participation. Market transparency—through reliable financial reporting and clear regulatory communication—builds investor and issuer confidence, fostering listings and enhancing credibility. Additionally, the diversity of product offerings, including equities, corporate bonds, and alternative investments, attracts more issuers by offering flexible financing options. Financial literacy is also vital; when business owners and the public better understand how capital markets function, they are more likely to participate. Together, these factors create an enabling environment that supports the qualitative growth of Zambia’s capital market by encouraging more firms to go public. The framework emphasizes that both institutional strength and public perception play critical roles in driving market development (see Figure 5).

3. Research Methodology

3.1. Research Philosophy

A Research Philosophy encompasses the foundational beliefs that guide how a study is designed and conducted. This study adopted the Pragmatic Worldview, which aligns well with mixed methods research by integrating both quantitative and qualitative approaches. Unlike philosophies strictly tied to a single view of reality, pragmatism emphasizes practical inquiry, allowing researchers to use methods best suited to their specific research context (Tamminen & Poucher, 2020). Given the study’s aim to analyze factors influencing the growth of Zambia’s Capital Market, pragmatism enabled the combination of statistical analysis—covering Stock Market Liquidity, Foreign Direct Investment, and banking sector development—with qualitative techniques such as interviews and focus groups. This approach allowed the researcher to capture both objective market trends and subjective insights from market participants and regulators. By embracing this dual perspective, the study offered a more comprehensive understanding of the Zambian Stock Market, addressing both

empirical indicators and individual perceptions shaping market growth.

3.2. Research Design

This study adopted an abductive research approach, which involves an iterative process between theory and empirical data. Abduction allows for flexibility, creativity, and refinement of theoretical understanding as new evidence emerges (Conaty, 2021). This approach was especially useful in exploring the complex factors influencing the growth of Capital Markets in Zambia. A mixed research design was employed, integrating both cross-sectional and longitudinal elements. For the qualitative component, a cross-sectional design was used to gather data at a single point in time from employees of the Lusaka Securities Exchange (LuSE). This design enabled the researcher to capture current perceptions and experiences related to regulatory frameworks, transparency, financial literacy, and available market products. It was efficient and provided rich insights into institutional and structural issues affecting market growth.

The quantitative component utilized a longitudinal time series design. Using 28 years of data (1995–2023), the study assessed the relationship between Market Capitalization (as the dependent variable) and three independent variables: Foreign Direct Investment (FDI), Stock Market Liquidity (SML), and Bank Capital to Assets Ratio. This design enabled the identification of patterns and long-term trends, allowing for a deeper understanding of how these financial variables have influenced Zambia’s Capital Market growth over time. A Sequential Explanatory Strategy was applied, starting with quantitative data analysis, followed by qualitative exploration to explain and contextualize the statistical findings. This helped provide a holistic interpretation of both numerical trends and human perceptions. Primary data was gathered from selected LuSE participants to gain firsthand insights into perceived growth barriers and enablers within the Zambian Stock Market. In parallel, secondary data was used for the time series analysis, offering objective metrics on market performance. Overall, the study’s integrated design produced a well-rounded and in-depth examination of capital market growth determinants.

3.3. Target Population and sample size

This study adopted a mixed-methods approach, targeting two distinct populations for its qualitative and quantitative components. For the qualitative aspect, the targeted population consisted of all 30 employees at the Lusaka Securities Exchange (LuSE), Zambia’s primary stock market institution. Given the small size and strategic relevance of this group, the entire workforce was included to gain insights into internal, institutional, and regulatory factors affecting capital market growth. These employees were well-positioned to offer informed perspectives due to their involvement in market operations and oversight. For the quantitative component, the study focused on annual time series data rather than individuals. It used 28 years of data (1995–2023) sourced from reputable institutions like the World Bank and The Global Economy. The analysis included one dependent variable—Market Capitalization, representing Capital Market Growth—and three independent variables: Foreign Direct Investment (FDI), Stock Market Liquidity (SML), and Bank Capital to Assets Ratio. Each variable was measured annually, allowing the study to identify long-term financial trends and their impact on Zambia’s capital market performance. Together, these two populations—LuSE employees and financial data points—provided both qualitative insights and empirical evidence to comprehensively explore the determinants of Capital Market Growth in Zambia.

Sample Size refers to the number of items that are selected from the whole world to make up a sample. When the purpose of empirical research is to make conclusions about a certain population based on a sample of that community, the size of the sample being studied is an essential component. Largely, the sample size that is employed in research is determined by the cost of collecting the data, and it must have sufficient statistical power (Creswell, 2014). This is consistent with Cooper and Schindler (2011) who argue that Sample Size is important for economic reasons as an under-sized study can be a waste of resources for not having the capability to produce useful results, while an over-sized one uses more resources than necessary. For qualitative analysis, a sample design for the population of 30 employees who are known to work at the Lusaka Securities Exchange corporate office in Lusaka is as follows, based on the formula presented by Yamane (2015), with a confidence interval of 95 percent and a margin of error of 5 percent:

$$\text{Sample size } (n) = \frac{N}{1 + N(e^2)} = \frac{30}{1 + 30(0.05^2)} = 27.91 \approx 28 \text{ employees}$$

Therefore, the Sample Size for this study is 28 employees drawn from the Lusaka Securities Exchange Corporate Office.

3.4. Data collection instruments

To collect data, the researcher used questionnaires, allowing participants to complete them at their convenience. This approach suited the busy schedules of individuals involved in Zambia’s Stock Market and helped improve response rates, enhancing data richness and representativeness (Pahwa, 2023). The questionnaire aligned with the study’s objective of exploring stock market participants’ perceptions of Capital Market growth determinants. It incorporated both Likert scale and structured questions, making it an effective tool for capturing both subjective and objective data. The Likert scale enabled respondents to express varying levels of agreement or disagreement, allowing for nuanced insights into attitudes

and perceptions (McLeod, 2023). Meanwhile, structured questions provided clear, standardized responses on specific aspects of the Zambian Stock Market, such as market indicators and regulatory frameworks, facilitating efficient data analysis and comparison (Cleave, 2023). In summary, this method allowed for participant flexibility, quantified subjective opinions, and ensured systematic, consistent data collection.

Secondary data presented and discussed in this study was obtained from secondary sources such as the LUSE website, Global Economy website, World Bank website, published articles, SEC website and Finance Journals, among others. The two main collection methods of secondary data in this study were document review and internet data download methods. For example, data relating to independent variables such as Stock Market Liquidity and Foreign Direct Investments (FDI), as well as Banking Sector Development was downloaded from Global Economy and World Bank websites, while the data presented in the literature review was collected from various publications.

The study focused on the time frame from the year 1995 to 2023, primarily due to the availability of comprehensive and reliable data during this period. This period encompasses significant economic and financial developments in Zambia, providing a robust dataset for analysis. Starting from 1995 allows the inclusion of post-liberalization economic reforms, which significantly impacted the financial markets. Further, this timeframe captures key events such as the introduction of modern regulatory frameworks and the rise of Stock Market activities. Including data up to 2023, made it possible to analyse the most recent trends and developments, ensuring relevance and timeliness. This extensive period facilitated a thorough examination of long-term patterns and correlations, enhancing the study's ability to draw meaningful conclusions about the factors influencing the growth of capital markets in Zambia. This timeframe was therefore chosen to maximize the study's depth and accuracy, leveraging the best available data.

3.5. Data Analysis

The data obtained from the disseminated questionnaires was analysed using the Statistical Package for the Social Sciences (SPSS). This is a powerful statistical software platform used for statistical analysis in various fields, including social science, finance, health, and market research. Originally developed by IBM, SPSS provides a user-friendly interface for conducting statistical analyses and generating reports (IBM, 2023). Cross tabulations, standard deviations, intercorrelations, reliability, and descriptive statistics are some of the statistical methods that were employed in the research to conduct a thorough examination of the data.

3.6. Theoretical and Empirical Model for Quantitative Analysis

This study used a regression model for data analysis. To justify this, different authors have adopted this type of model including Yartey (2008) and Aduda et al. (2012). Thus, the study was divided into two models namely, Theoretical Model and Empirical Model. The Theoretical Model is generally developed based on analysis of the literature which forms the basis for collecting and analysing data. In the case of this study, Theoretical model included the following components such as Y_t , which stands for Capital Market Growth (CMG), α_0 , for constant term of the model, β_i ; 1.....4, stands for the coefficient of the predictors, ε_t stands for the Error term for each observation and X_i 2.....4, stand for the predictor as independent variables. Therefore, the Theoretical Model is:

$$Y_t = \alpha_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \varepsilon_t \quad (1)$$

Where; Y_t = Dependent variable

α_0 = Constant term of the model

β_i ; $i=1,2$ and 3 = Coefficient of predictors i

ε_t = Error term for each observation

X_i , $i=1,2$ and 3 = predictor (Independent Variable i)

Furthermore, the specification of the Empirical Model was guided by the empirical literature. In this study, the Empirical Model comprises the different variables in a question as determinants of Capital Market Growth in Zambia. Therefore, the following variables were considered for the Empirical Model based on the availability of data from different sources. Thus, the Empirical Model is:

$$CMG_t = \alpha_0 + \beta_1 SML_{1t} + \beta_2 BSD_{2t} + \beta_3 FDI_{3t} + \varepsilon_t \quad (2)$$

Where; CMG = Capital Market Growth

α_0 = Constant term of the model

ε_t = Error term for each observation

SML = Stock Market Liquidity

BSD = Banking Sector Development

FDI = Foreign Direct Investment

β_1 = Beta coefficient for stock market liquidity

β_2 = Beta coefficient for Banking Sector Development
 β_3 = Beta coefficient for Foreign Direct Investment

However, the Vector Autoregressive Model (VAR) has been identified as the suitable econometric model for the type of data used in the study, following the necessary specification and diagnostic tests in time series analysis and it was estimated as:

$$CMG_t = \sigma + \sum_{i=1}^k \beta_i CMG_{t-i} + \sum_{j=1}^k \nu_j SML_{t-j} + \sum_{p=1}^k \varphi_p BSD_{t-p} + \sum_{q=1}^k \delta_q FDI_{t-q} + e_{1t}$$

(3)

$$SML_t = \sigma + \sum_{i=1}^k \beta_i CMG_{t-i} + \sum_{j=1}^k \nu_j SML_{t-j} + \sum_{p=1}^k \varphi_p BSD_{t-p} + \sum_{q=1}^k \delta_q FDI_{t-q} + e_{2t}$$

(4)

$$INV_t = \sigma + \sum_{i=1}^k \beta_i CMG_{t-i} + \sum_{j=1}^k \nu_j SML_{t-j} + \sum_{p=1}^k \varphi_p BSD_{t-p} + \sum_{q=1}^k \delta_q FDI_{t-q} + e_{3t}$$

(5)

$$BSD_t = \sigma + \sum_{i=1}^k \beta_i CMG_{t-i} + \sum_{j=1}^k \nu_j SML_{t-j} + \sum_{p=1}^k \varphi_p BSD_{t-p} + \sum_{q=1}^k \delta_q FDI_{t-q} + e_{4t}$$

(6)

$$FDI_t = \sigma + \sum_{i=1}^k \beta_i CMG_{t-i} + \sum_{j=1}^k \nu_j SML_{t-j} + \sum_{p=1}^k \varphi_p BSD_{t-p} + \sum_{q=1}^k \delta_q FDI_{t-q} + e_{5t}$$

(7)

Where $e_{1t}, e_{2t}, e_{3t}, e_{4t}$ and e_{5t} are the equivalent error terms for equations (3.3), (3.4), (3.5), (3.6) and (3.7) respectively.

4. Research Results and Analysis

This study assessed the stationarity of four key financial variables—Capital Market Growth, Foreign Direct Investment (FDI), Stock Market Liquidity, and Bank Capital to Assets Ratio—using statistical tests at both level and first difference. Results showed that Capital Market Growth, FDI, and Bank Capital to Assets Ratio were non-stationary at the level, indicated by test statistics higher than the 10% critical values and high p-values. However, after first differencing, all three variables became stationary, with significant test statistics and p-values below 0.05. This transformation removed time-dependent trends, ensuring the data were suitable for further analysis. In contrast, Stock Market Liquidity was found to be stationary even at the level, with a test statistic below the critical value and a highly significant p-value. This suggests that Stock Market Liquidity is a stable variable over time, requiring no differencing. Overall, the findings highlight the need to address non-stationarity in financial data. Differencing was essential for most variables to avoid biased or misleading results, while Stock Market Liquidity remained consistent and robust throughout. Properly transforming non-stationary data is crucial for accurate analysis of trends and relationships in financial research (see table 2).

Table 2: Stationarity tests: Augmented Dickey Fuller test

VARIABLES AT LEVEL				VARIABLES AT FIRST DIFFERENCE		
Variable	Test statistic	10% critical value	P-value	Test statistic	10% critical value	P-value
Capital Market Growth (Capital_Markets)	-0.657	-2.622	0.8575	-2.889	-2.623	0.0466
Foreign Direct Investment (FDI_net)	-1.919	-2.622	0.3233	-4.732	-1.313	0.0000
Stock Market Liquidity (StockMarket_liquidity)	-4.132	-3.223	0.0057	-2.688	-1.313	0.0060
Bank capital to assets ratio (%) (Bank_CTAR)	-1.152	-3.223	0.9199	-4.646	-3.226	0.0009

This study determined the optimal lag length for the regression model using multiple selection-order criteria, including the Akaike Information Criterion (AIC), Hannan-Quinn (HQIC), Schwarz Bayesian Information Criterion (SBIC), and Final Prediction Error (FPE). Lag 1 was identified as the most suitable, with the lowest values across these indicators and

a significant likelihood ratio test ($p = 0.000$), indicating a strong model fit for analysing the relationship between key financial variables (see Table 3).

Table 3: Optimal Lag Selection

SELECTION-ORDER CRITERIA								
Lag	LL	LR	dF	P-value	FPE	AIC	HQIC	SBIC
0	-1435.68				5.7e+36	95.9784	96.0382	96.1652
1	-1353.38	164.6	16	0.000	6.9e+34*	91.5585*	91.8574*	92.4927*
2	-1343.6	19.556	16	0.241	1.1e+35	91.9733	92.5112	93.6548
3	-1336.81	13.581	16	0.630	2.4e+35	92.5873	93.3643	95.016
4	-1312.74	48.133*	16	0.000	2.0e+35	92.0495	93.0656	95.2256
N	30							

To evaluate the existence of a long-term equilibrium relationship among the variables, the Johansen Cointegration Test was conducted using two lags. The test examined different ranks (cointegrating vectors) and compared trace statistics with 5% critical values. At all tested ranks (0 to 3), the trace statistics were consistently below the critical values, and the corresponding eigenvalues decreased with each additional rank. This pattern confirmed the absence of cointegrating relationships, meaning the variables are not bound together by a stable long-run equilibrium (see Table 4).

When the maximum rank is 0, the log-likelihood was -1458.3644, and the trace statistic was 43.0992. This trace statistic is lower than the 5 percent critical value of 47.21, suggesting that there is no evidence to reject the null hypothesis of no cointegrating relationship at this level. At maximum rank 1, the eigenvalue was 0.54531, and the trace statistic dropped to 17.8790, which is also lower than the corresponding 5 percent critical value of 29.68. This further suggests the absence of cointegration at rank 1, as the trace statistic does not exceed the critical value.

At maximum rank 2, the eigenvalue reduced to 0.27628, and the trace statistic was 7.5316, which is well below the 5 percent critical value of 15.41. This result implies that there is no cointegrating vector at rank 2, as the null hypothesis of no cointegration cannot be rejected. Finally, at maximum rank 3, the eigenvalue further decreased to 0.20971, and the trace statistic reached 0.0000, which is lower than the critical value of 3.76. This confirms the lack of any cointegration at higher ranks as well (see Table 4).

The eigenvalues observed at each rank provide additional support for these findings. The eigenvalues progressively decrease as the maximum rank increases, indicating that the strength of the linear relationships among the variables weakens with higher ranks. The decreasing trace statistics further suggest that the likelihood of finding cointegrating vectors diminishes as more potential relationships are tested.

Overall, the trace statistics across all ranks fail to exceed their respective critical values at the 5 percent significance level, leading to the conclusion that there is no long-run equilibrium relationship between the variables in this model. The null hypothesis of no cointegration cannot be rejected at any of the tested ranks, implying that the variables are not cointegrated and do not move together in the long run (see Table 4).

Table 4: Cointegration test

JOHANSEN COINTEGRATION TEST						
Lags = 2						
Number of observations = 32						
Number of observations	Maximum rank	Parms	LL	Eigenvalue	Trace statistic	5% critical value
32	0	20	-1458.3644	.	43.0992*	47.21
32	1	27	-1445.7543	0.54531	17.8790	29.68
32	2	32	-1440.5806	0.27628	7.5316	15.41
32	3	35	-1436.8148	0.20971	0.0000	3.76
32	4	36	-1436.8148	-0.00000		

4.1. The Effect of Stock Market Liquidity on the Growth of Capital Markets

The findings indicate that Stock Market Liquidity (SML) did not demonstrate a significant short-run effect on Capital Market Growth based on the analysis of its first and second lags. The first lag of SML yielded a coefficient of $-9.58e+07$, with a p-value of 0.379, suggesting that it does not have a statistically significant effect. Similarly, the second lag of SML reported a coefficient of -323514.6 and a p-value of 0.998, reinforcing the conclusion that Stock Market Liquidity lacks a notable effect on capital market growth in the short term (see table 5).

These results imply that liquidity within the Stock Market may not directly contribute to Capital Market Growth over brief periods. The negative coefficients of both lags suggest that rather than positively influencing growth, liquidity could

potentially hinder it or, at the very least, show no beneficial effect. Given the significance of liquidity in facilitating trading and attracting investors, these findings raise questions about the mechanisms at play within the Zambian Capital Market context (see table 5). In conclusion, the analysis indicates that Stock Market Liquidity does not significantly affect the growth of Capital Markets in the short run. This finding suggests a need for further investigation into other factors that may influence Capital Market Growth or an exploration of the potential long-term effects of liquidity that were not captured in this analysis. Enhancing liquidity could still be vital, but its immediate effect appears limited based on the current results (see table 5).

4.2. The Effect of Foreign Direct Investment on the Growth of Capital Markets

The first lag of FDI exhibited a coefficient of 0.0383588 with a p-value of 0.707, indicating no significant short-run effect on Capital Market Growth. However, the second lag of FDI produced a more compelling result, showing a coefficient of 0.2194731 and a p-value of 0.043. This suggests that FDI lagged by two periods has a statistically significant positive effect on Capital Market Growth (see table 5).

The positive coefficient of the second lag indicates that increased Foreign Direct Investment two periods prior, has a beneficial influence on the current Capital Market Growth, albeit modest in magnitude. This finding implies that while immediate effect of FDI may not be evident, its delayed effects can contribute to market expansion and development. The results underscore the importance of fostering an environment conducive to attracting foreign investments, as they may yield positive returns over time (see table 5).

In conclusion, the analysis reveals that while the first lag of FDI does not significantly affect Capital Market Growth, the second lag demonstrates a statistically significant positive relationship. This indicates the critical role of FDI in promoting Capital Market Growth, particularly with respect to its timing. Strategies to attract and maintain foreign investment could, therefore, enhance the growth prospects of Capital Markets in Zambia, supporting overall economic development.

Table 5: Vector Autoregressive Model results from quantitative analysis

VECTOR AUTOREGRESSIVE (VAR) MODEL				
SHORT-RUN EFFECTS				
Variable	Lags (2)			Number of observations = 32
DEPENDENT VARIABLE: Capital Market Growth (Capital Markets)	Coefficient	Standard error	Z-statistic	P-value > Z
Capital Market Growth (Capital_Markets)				
L1.	.9244663	.1666134	5.55	0.000
L2.	-.1382594	.1582721	-0.87	0.382
Foreign Direct Investment (FDI_net)				
L1.	.0383588	.1021193	0.38	0.707
L2.	.2194731	.108303	2.03	0.043
Stock Market Liquidity (StockMarket_liquidity)				
L1.	-9.58e+07	1.09e+08	-0.88	0.379
L2.	-323514.6	1.07e+08	-0.00	0.998
Bank capital to assets ratio (%) (Bank_CTAR)				
L1.	9402679	1.80e+07	0.52	0.600
L2.	3.19e+07	1.70e+07	1.88	0.061
_cons	5.85e+08	1.55e+08	3.76	0.000

In this study, the results of the Lagrange Multiplier (LM) test, the Eigenvalue Stability Condition, and the Jarque-Bera test provide insight into model diagnostics, particularly in terms of serial correlation, model stability, and normality of the residuals.

The Lagrange Multiplier (LM) Test was conducted to assess whether there is any serial correlation in the residuals of the model at different lag orders. The LM test for the first lag produced a chi-square statistic of 8.0744 with 16 degrees of

freedom and a p-value of 0.94662. Similarly, for the second lag, the chi-square statistic was 13.2988 with 16 degrees of freedom and a p-value of 0.65080. Since the p-values for both lag orders are much higher than the typical significance level (such as 0.05), it was concluded that there was no evidence of serial correlation in the residuals at either lag. In other words, the residuals from the model did not exhibit any autocorrelation, indicating that the model was well-specified with respect to serial correlation and that the lag structure was appropriate for capturing the relationships between the variables in the system (see Table 6).

This study conducted several model diagnostic tests to evaluate the reliability and validity of the regression model. First, the Eigenvalue Stability Condition confirmed that the model is stable, with all eigenvalues having moduli less than one—the largest being approximately 0.890459. This implies that any shocks to the system will gradually dissipate, rather than causing explosive or unstable behaviour in the variables, affirming the model's structural soundness and long-term reliability (see Table 6).

Next, the Jarque-Bera Test was used to assess the normality of residuals in each equation of the system. The results showed significant deviations from normality across all variables: Capital Market Growth, FDI, Stock Market Liquidity, and Bank Capital to Assets Ratio. P-values for each equation were below 0.05, with some as low as 0.00000, indicating a strong rejection of the null hypothesis of normally distributed residuals. This non-normality may result from outliers, model misspecification, or non-linear relationships, which can affect the accuracy of hypothesis testing, standard errors, and confidence intervals (see table 6).

Despite this, the Lagrange Multiplier (LM) Test showed no evidence of serial correlation, suggesting that the lag structure is well-specified. Therefore, while the non-normality of residuals raises caution for inference, the overall model remains appropriate for examining relationships among the variables, due to its stability and lack of autocorrelation. In conclusion, the model is stable and well-specified, but the significant non-normality of residuals highlights potential limitations in classical inference. Future research may consider refining the model or using robust estimation techniques to account for outliers or non-linearity in the data (see table 6).

Table 6: Diagnostic tests

Lagrange Multiplier test			
LAG	CHISQUARE	DF	Prob > chi2
1	8.0744	16	0.94662
2	13.2988	16	0.65080
Eigenvalue stability condition			
Eigenvalue	Modulus		
.8589709 + .2347043i	.890459		
.8589709 - .2347043i	.890459		
.8511469	.851147		
.7019961	.701996		
-.3848579	.384858		
-.2031282 + .2086991i	.291233		
-.2031282 - .2086991i	.291233		
.06678113	.066781		
Jarque-Bera Test			
Equation	chi2	df	Prob > chi2
Capital Market Growth (Capital_Markets)	43.576	2	0.00000
Foreign Direct Investment (FDI_net)	10.459	2	0.00535
Stock Market Liquidity (StockMarket_liquidity)	8.294	2	0.01581
Bank capital to assets ratio (%) (Bank_CTAR)	122.223	2	0.00000

4.3. The Perception of Market Participants on Key Factors Influencing the Growth of the Lusaka Securities Exchange

While 53.6% rated it as moderate, 35.7% considered it poor or very poor, indicating a significant gap in public understanding of the Capital Market. Respondents noted that many Zambians lack awareness of how the Stock Market functions, often viewing it as exclusive to the elite. This perception, attributed to low financial literacy, underscores the need for comprehensive investor education programs. Furthermore, 57.2% of participants believed that poor investor education leads to misguided investment decisions based on speculation rather than informed analysis. Respondents

emphasized that investor education should be central to capital market development. Opinions on limited product offerings varied, with over 64% considering it only slightly or not significant. However, some highlighted that product diversity could reduce risk, provided education precedes expansion. Concerns about the regulatory framework were also raised, with over 50% rating it poorly. Participants cited rigidity, slow processes, and inconsistent rule enforcement as barriers to growth. In summary, the study highlights that improving investor education, strengthening regulations, and carefully expanding investment products are vital for LuSE's sustainable development.

4.4. Discussion of results in relation to empirical literature

This study explored the factors influencing Capital Market Growth in Zambia by integrating quantitative analysis with qualitative perceptions. Results showed that Stock Market Liquidity (SML) had no significant short-run impact on Capital Market Growth, aligning with previous findings by Cumming and MacIntosh (2006) and Choudhry et al. (2012), who argued that while liquidity facilitates trading, it may not drive immediate market expansion—especially in less mature markets like Zambia. Limited liquidity and investor diversity, as noted by Chola (2019), could explain this result. Foreign Direct Investment (FDI) showed no significant short-run effect at the first lag but a significant positive effect at the second lag. This suggests a delayed impact, consistent with Akinlo and Egbetunde (2010), who emphasized that FDI supports Stock Market Growth over time by increasing firm value and investor confidence.

Qualitative findings revealed that low investor education is a critical constraint. While 53.6% rated education as moderate, 35.7% rated it poor, and 57.2% believed it contributes to poor investment decisions. Most respondents did not see product diversity as a major barrier, though some highlighted its long-term potential. Over 50% criticized the regulatory framework, citing slow, rigid systems and inconsistent enforcement as growth obstacles. The findings strongly support the study's conceptual and theoretical frameworks. The Financial Intermediation Theory is validated through the positive relationship between banking stability, SML, and Market Capitalization. The Endogenous Growth Theory is supported by FDI's positive long-term effect, reinforcing its role in knowledge transfer and innovation. The Institutional Theory is affirmed through qualitative insights on governance, transparency, and regulatory inefficiencies affecting LuSE growth. Together, these results confirm that both financial structures and institutional quality play critical roles in Zambia's Capital Market development, highlighting the need for holistic strategies that combine economic reforms with institutional strengthening.

5. Recommendations

i. Enhance Investor Education and Public Awareness

Develop and implement nationwide investor education programs targeting various groups (e.g., retail investors, students, SMEs) using digital platforms, media campaigns, and institutional partnerships. This will improve financial literacy, address misconceptions about the Stock Market, and promote informed investment decisions.

ii. Strengthen the Regulatory and Institutional Framework

Simplify and modernize regulatory policies to align with global standards. Improve enforcement, enhance transparency, and protect minority investors. Clear communication, real-time market data, and fair treatment of all participants will foster greater trust and participation.

iii. Boost Stock Market Liquidity

Introduce market-making programs, encourage retail investor participation through incentives, and enhance corporate governance and transparency among listed companies. These efforts will attract more investors and improve trading activity on the Lusaka Securities Exchange.

iv. Attract and Sustain Foreign Direct Investment (FDI)

Develop long-term FDI strategies focused on high-growth sectors (e.g., mining, manufacturing, renewable energy), simplify investment procedures, and improve infrastructure. This will stimulate Capital Market Growth and integrate foreign investment into Zambia's financial system.

v. Diversify Financial Products and Strengthen Collaboration

Expand investment instruments (ETFs, REITs, green bonds) and promote alternative financing (e.g., venture capital). Collaborate with educational and financial institutions to embed Capital Market education in training programs and support inclusive, long-term market development.

Conflict of Interest

The authors declare that they have no conflicting interests

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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