

Influence of Marketing Innovation by Capital Market Intermediaries on Retail Investor Participation in the Nairobi Securities Exchange

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Abstract

Despite significant product and service innovations introduced by capital market intermediaries, retail investor participation in the Nairobi Securities Exchange (NSE) has remained persistently low, with active monthly participation declining from 0.95% (11,283 investors) in 2019 to 0.46% (6,843 investors) in 2023. This study analyzed the effect of marketing innovation, measured through the number of new marketing initiatives adopted, changes in the delivery of services, and marketing budget allocation by capital market intermediaries on retail investor participation (trading volume) in the NSE. Anchored on the Theory of Financial Intermediation and the Schumpeterian Theory of Innovation, the study adopted a positivist philosophy and descriptive correlational research design. A census of all 112 licensed capital market intermediaries registered with the Capital Markets Authority of Kenya was used, targeting 336 senior management respondents (Chief Investment Officers, Heads of Marketing, and Heads of Innovation/Technology). Data were collected from May to June 2025 using structured questionnaires, achieving a response rate of 97.33% with 292 usable responses. Simple linear regression was employed to test the stated hypothesis. Results revealed that marketing innovation has a significant positive influence on retail investor participation ($B = 0.496$, $\beta = 0.551$, $t = 11.239$, $p < 0.05$), where B is the unstandardized and β the standardized regression coefficient, explaining 30.3% of the variance in retail investor participation ($R^2 = 0.303$). Mobile-based marketing initiatives ($M = 4.19$) and personalized marketing campaigns ($M = 4.14$) demonstrated the strongest associations with trading volume. The study concludes that marketing innovation is a significant positive driver of retail investor participation ($R^2 = 0.303$), underscoring the need for intermediaries to integrate marketing innovation with structural and operational improvements to maximize retail participation outcomes. Capital market intermediaries are recommended to allocate at least 30% of marketing budgets to digital channels, prioritize investor education programming, and develop culturally adapted content to maximize retail participation in the NSE.

Keywords: Marketing Innovation, Retail Investor Participation, Trading Volume, Capital Market Intermediaries, Nairobi Securities Exchange, Financial Literacy.

Introduction

Retail investor participation in capital markets is a fundamental indicator of financial market development, economic inclusion, and wealth democratization. Globally, retail

investors serve as critical contributors to market liquidity, price discovery mechanisms, and long-term market stability (World Federation of Exchanges, 2025). The World Bank's Capital Market Development Report (2020) documented that each 10% increase in retail participation correlates with a 0.8% increase in GDP growth across emerging economies, demonstrating the macroeconomic significance of inclusive capital markets.

Kenya presents a particularly perplexing paradox in retail investor participation. Despite the country's reputation as a regional financial hub and world-leading mobile money adoption rates of 93.8% (Central Bank of Kenya, 2024), retail investor participation in the Nairobi Securities Exchange has experienced a troubling decline. According to the NSE Strategy (2024), while registered retail investor accounts grew from 1,183,642 in 2019 to 1,477,959 in 2023, active monthly participation decreased from 0.95% (11,283 investors) in 2019 to merely 0.46% (6,843 investors) in 2023—a 39.3% decline in the proportion of active traders and a 51.6% reduction in absolute numbers of active participants.

Marketing innovation involves new approaches to promoting investment products, communicating with potential investors, and delivering customer experiences (Li *et al.*, 2023). Borah and Skiera (2021) demonstrated that intermediaries employing both digital and traditional channels in marketing experienced 31% higher retail investor participation than those using single-channel approaches. In the East African context, financial institutions are increasingly adopting digital marketing channels to enhance customer acquisition and engagement. The evidence suggests that digital marketing contributes positively to institutional performance, highlighting the untapped potential for capital market intermediaries to strengthen retail investor participation through innovative digital marketing strategies (Ngabonzima & Ndayiragije, 2024).

In Kenya's capital market, marketing innovation has remained insufficiently transformative, with intermediaries continuing to rely predominantly on conventional relationship-based approaches that primarily reach existing or institutional investors. Consistent with evidence from Kenya's capital markets, this suggests that digital channels have yet to be fully leveraged to overcome access barriers and broaden retail investor participation. (Johnson & Arnold, 2012). Most intermediaries maintain limited social media presence, offer minimal financial education programming, and employ generic marketing messages that fail to address specific retail investor concerns.

The Capital Markets Authority's Strategic Plan 2023–2028 identifies retail investor development as a strategic priority, with an ambitious target of achieving one million active retail investors by 2029 (Capital Markets Authority of Kenya, 2023). Achieving this target requires understanding how marketing innovations by capital market intermediaries influence retail investor participation. This study therefore analyzed the effect of marketing innovation—measured through the number of new marketing initiatives adopted, changes in the delivery of services, and marketing budget allocation—on retail investor participation (trading volume) in the NSE.

Statement of the Problem

Capital market innovation initiatives in Kenya have not reversed the persistent decline in retail investor participation, evidenced by the drop in active participants from 11,283 in 2019 to 6,843 in 2023, despite a 24.9% increase in registered accounts (Nairobi Securities Exchange, 2024). Previous research has tended to examine individual marketing practices in isolation, with limited attention to the specific effect of marketing innovation dimensions-new initiatives, service delivery changes, and budget allocation-on retail trading volume. Most studies from developed markets have limited applicability to Kenya's unique mobile-centric, low-literacy environment: Cornelius and Gokpinar (2020) employed experimental crowdfunding designs disconnected from real-world secondary market conditions, Padigar et al. (2022) focused on large US corporations with extensive AI infrastructure unrepresentative of smaller Kenyan intermediaries, and Eisenbeiss et al. (2023) used techniques suited to Germany's advanced digital ecosystem rather than Kenya's emerging market context (Banyen, 2022). This study addresses these gaps by empirically examining marketing innovation's effect on retail investor participation in the NSE using data from Kenya's licensed capital market intermediaries.

Research Objectives

The specific objective of this study was to:

1. Analyze the effect of marketing innovation (number of new marketing initiatives adopted, changes in the delivery of services, and marketing budget allocation) by capital market intermediaries on retail investor participation (trading volume) in the Nairobi Securities Exchange.

Research Hypothesis

H₀: There is no statistically significant effect of marketing innovation (number of new marketing initiatives adopted, changes in the delivery of services, and marketing budget allocation) by capital market intermediaries on retail investor participation (trading volume) in the Nairobi Securities Exchange.

Literature Review

Conceptual Clarification

Marketing innovation refers to the development of new marketing methods involving significant changes in the way a firm markets its products or services, aiming to enhance its competitive edge in the market (Padigar *et al.*, 2022). These innovations focus on creating novel marketing strategies or utilizing new communication channels to engage customers more effectively (Borah & Skiera, 2021). Key dimensions of marketing innovation include the adoption of new marketing initiatives such as digital campaigns and social media strategies, changes in service delivery such as omnichannel platforms and community

investment clubs, and strategic marketing budget allocation toward investor education and digital channels (Li, & Zhang, 2023).

Retail investor participation refers to the active involvement of individual investors in financial markets, typically measured through the trading volume of securities bought and sold (Adamolekun *et al.*, 2023). Trading volume serves as a comprehensive indicator because it reflects both the number of active investors and the intensity of their market engagement (Briere, 2023). Capital market intermediaries-including investment banks, fund managers, stockbrokers, REIT managers, and investment advisers licensed by the Capital Markets Authority of Kenya-serve as the primary interface between potential retail investors and capital market opportunities (Capital Markets Authority of Kenya, 2024).

Theoretical Framework

This study is anchored on two theoretical frameworks. The Theory of Financial Intermediation, developed by Gurley and Shaw (1960) and extended by Diamond (1984), explains that financial intermediaries overcome market imperfections-including information asymmetries and transaction costs-through systematic innovation (Allen & Santomero, 1997). Marketing innovation directly addresses information asymmetry by educating potential investors and communicating product benefits, thereby reducing the knowledge gap that deters retail participation. Merton (1995) established that the primary purpose of intermediary innovation is to reduce participation barriers, directly linking innovation activities to participation outcomes.

The Schumpeterian Theory of Innovation (Schumpeter, 1976) provides a complementary framework by categorizing innovations into types, including the opening of new markets, directly corresponding to marketing innovation in the current study. Specifically: (1) new marketing initiatives such as digital campaigns and social media strategies operationalise Schumpeter's concept of opening new markets by reaching previously excluded retail investor segments; (2) changes in service delivery such as omnichannel platforms and community investment clubs correspond to the theory's notion of new methods of production and distribution that reduce participation barriers; and (3) marketing budget allocation toward investor education operationalises the theory's emphasis on creative investment in innovation as the mechanism for transforming market structure. Fagerberg (2009) adapted this framework to address collaborative innovation ecosystems where multiple actors co-create value, supporting the hypothesis that marketing innovation drives retail investor participation by enabling intermediaries to collectively reduce the information asymmetries and awareness deficits that deter retail market engagement.

Empirical Review

The adoption of new marketing initiatives is a core component of marketing innovation. Cornelius and Gokpinar (2020) examined 1,234 U.S. crowdfunding campaigns using hierarchical linear modelling and found that personalized, interactive marketing initiatives produced 35% higher success rates ($p = 0.001$). Similarly, Eisenbeiss *et al.* (2023) analysed

2,460 social media posts from 180 German campaigns and found that feature-focused content generated 27% more investments ($p = 0.003$). Padigar et al. (2022) extended this to corporate settings, finding that marketing department power combined with AI-driven personalization drove 23% higher investor responses ($p < 0.05$). However, these three findings must be critically situated: Cornelius and Gokpinar (2020) and Eisenbeiss et al. (2023) both operate in equity crowdfunding contexts, a self-selection environment fundamentally different from the NSE, where retail investors must be actively drawn from a largely unengaged population with only 28% basic investment literacy (Financial Sector Deepening Kenya, 2025). Padigar et al. (2022) focused exclusively on large US corporations with advanced AI infrastructure, missing the resource constraints of smaller Kenyan intermediaries. Critically, none of these studies report R^2 values, limiting assessment of practical explanatory power, and none address transferability to mobile-centric, low-literacy markets such as Kenya.

Regarding changes in service delivery, Borah and Skiera (2021) demonstrated that integrated omnichannel marketing across 156 European organisations increased retail investor participation by 31% ($p < 0.05$), with educational content proving most effective for first-time investors. This finding is directly relevant to Kenya, where first-time investor activation is the primary participation challenge, though the advanced digital infrastructure and financial literacy levels of European markets limit direct transferability. In the Kenyan context, Ndung'u and Kung'u (2022) demonstrated, using a descriptive correlational design with 178 respondents, that targeted investor awareness campaigns increased REIT participation by 34% ($p = 0.002$). Critically, Ndung'u and Kung'u (2022) is limited to REITs, which represents a narrow segment of the broader NSE, constraining its generalisability to the full capital market intermediary ecosystem examined in the present study.

In the broader African context, Banyen (2022) surveyed 450 retail investors and investment professionals in Ghana, finding that education-focused marketing campaigns increased retail participation ($p = 0.001$). Critically, however, Banyen's (2022) predominantly qualitative approach prevents precise quantification of effect sizes, and Ghana's different regulatory environment and market maturity limits direct transferability to Kenya's NSE context. Omondi (2013) provided the most directly applicable Kenyan evidence, finding statistically significant positive effects of customer awareness initiatives on capital market product uptake across 23 investment banks and 42 fund managers, though the study's urban-and-peri-urban scope excludes rural investor segments that represent Kenya's largest untapped participation pool. The OECD (2023) established that financial literacy amplifies marketing innovation's effectiveness, with participation increasing by 47% among financially literate consumers versus only 12% among those with low literacy, a critical contextual constraint given that only 28% of Kenyan adults possess sufficient investment literacy (Financial Sector Deepening Kenya, 2025). A critical synthesis across the reviewed studies reveals directional consensus that marketing innovation positively influences retail investor participation, but important methodological and contextual inconsistencies

undermine generalisation to Kenya's NSE: studies relying on crowdfunding platforms measure participation in contexts with self-selection mechanisms absent from NSE retail trading; reported effect sizes range from 23% to 53%, suggesting strong context-specific moderating factors; and the Kenyan evidence base remains fragmented between REIT-specific (Ndung'u & Kung'u, 2022), urban-biased (Omondi, 2013), and methodologically limited studies, collectively confirming the need for the present study's comprehensive, census-based approach to Kenya's capital market intermediary ecosystem.

Gap in the Literature

Although existing research has investigated marketing innovation in various market contexts, comprehensive empirical studies specifically examining the combined effect of new marketing initiatives, service delivery changes, and budget allocation on retail investor participation in Kenya's NSE remain limited. Methodologically, studies such as Cornelius and Gokpinar (2020) employed experimental designs disconnected from real-world conditions, while Padigar *et al.* (2022) focused on large corporations, missing insights from smaller intermediaries. Contextually, most studies were conducted in developed markets (Eisenbeiss *et al.*, 2023; Borah & Skiera, 2021) or focused on other African markets (Banyen, 2022). This study fills this gap by using regression analysis to examine internal marketing innovation determinants of retail participation in Kenya's unique mobile-centric, low-literacy environment.

Conceptual Framework

The conceptual framework positions marketing innovation as the independent variable and retail investor participation as dependent variable.

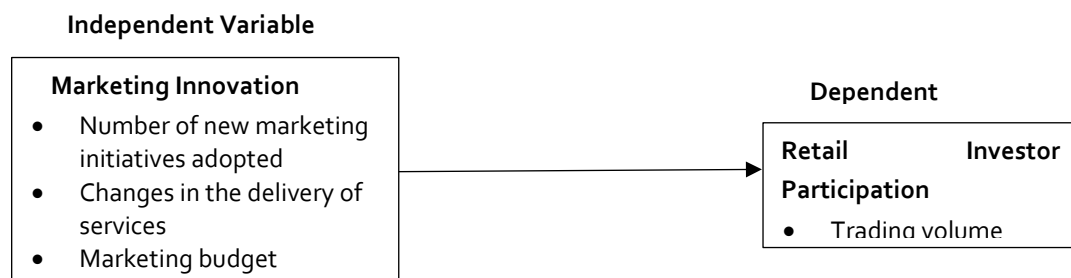


Figure 1: Conceptual Framework

Methodology

Research Design

The study adopted a positivist research philosophy, which emphasizes empirical evidence, objective analysis, and structured methodologies that allow for statistical testing of relationships between clearly defined variables (Saunders *et al.*, 2019). A descriptive correlational research design was employed as the appropriate non-experimental approach for examining relationships between variables as they naturally occur, without

manipulation. This design was appropriate because the study's objectives required examining observable relationships between marketing innovation and retail investor participation, consistent with quantitative hypothesis testing.

Population and Sample

The target population comprised all 112 licensed capital market intermediaries operating under the Capital Markets Authority of Kenya's regulatory framework as of May to June 2025, including 23 investment banks, 42 fund managers, 24 stockbrokers, 12 REIT managers, and 11 investment advisers. A census approach was adopted, targeting three senior executives per firm: the Chief Investment Officer, Head of Marketing, and Head of Innovation/Technology (total = 336 respondents). Following a pilot study with 36 respondents from 12 intermediaries, the final data collection targeted 300 respondents from the remaining 100 intermediaries.

Data Collection

Data were collected from May to June 2025 using structured questionnaires with five-point Likert scales (1 = Strongly Disagree to 5 = Strongly Agree). The marketing innovation construct comprised 12 items covering new marketing initiatives, service delivery changes, and budget allocation. Reliability testing confirmed Cronbach's alpha = 0.812, exceeding the 0.7 threshold (Saunders *et al.*, 2019). Construct validity was assessed through Kaiser-Meyer-Olkin (KMO = 0.507) and Bartlett's test of sphericity ($p = 0.000 < 0.05$). It is acknowledged as a study limitation that the KMO value of 0.507 sits at the lower boundary of acceptability, Kaiser (1974) classified values between 0.5 and 0.6 as 'mediocre', which qualifies the confidence that can be placed in the construct validity claims, and this limitation is further noted in the limitations section. Factor analysis proceeded as Bartlett's test confirmed the factor structure was statistically appropriate, and all items had loadings above the 0.4 threshold. The overall response rate achieved was 97.33% (292 usable responses from 300 targeted respondents). This exceptionally high rate is explained by the following methodological strategies: (1) all 300 target respondents were individually pre-identified by name and role prior to data collection, creating named-contact accountability; (2) questionnaires were administered both in person and via structured email follow-up, with three reminder contacts over the six-week data collection window; (3) an institutional endorsement letter from a recognised academic institution accompanied all questionnaire distributions; and (4) targeting three named senior officials per firm rather than anonymous staff increased personal responsibility for response. Response bias was mitigated through Harman's single-factor test, which confirmed that no single factor accounted for more than 50% of the variance, consistent with census-based institutional surveys in Kenya's capital market sector (Omondi, 2013).

Variable Measurement

The dependent variable is retail investor participation measured through trading volume, which captures both the frequency and magnitude of retail investor transactions (Briere, 2023). The independent variable is marketing innovation, operationalized through three dimensions: the number of new marketing initiatives adopted, changes in the delivery of services, and marketing budget allocation (Padigar *et al.*, 2022; Li *et al.*, 2023). All variables were measured using validated 5-point Likert-scale items with factor loadings confirmed above the 0.4 threshold.

Model Specification

The simple linear regression model was specified as:

$$RIPit = \theta_0 + \theta Mlit + \epsilon it$$

Where: RIPit = retail investor participation (trading volume) of intermediary *i* at time *t*; Mlit = marketing innovation; θ_0 = constant term; θ = regression coefficient; ϵit = error term. (Note: The regression coefficient is labelled β throughout this standalone manuscript, reflecting the simple linear regression specification.).

Data Analysis Technique

Data were analyzed using SPSS version 28.0. Descriptive statistics (means and standard deviations) characterized marketing innovation practices. Simple linear regression was employed to test the hypothesis. Pearson correlation analysis examined the strength and direction of the relationship between marketing innovation and retail investor participation. Content analysis was applied to qualitative open-ended responses to identify key themes.

Post-Estimation and Diagnostic Tests

Normality was confirmed by the Kolmogorov-Smirnov test ($p = 0.903 > 0.05$). The Variance Inflation Factor ($VIF = 1.394$) is acknowledged as technically redundant in this simple linear regression with a single predictor, multicollinearity is exclusively a multi-predictor concern, and its inclusion reflects that this analysis was conducted alongside a broader multi-innovation study where VIF diagnostics were relevant for the multiple regression models; it is retained here for methodological transparency and comparability with the broader study. Linearity was confirmed by scatter plot analysis. Homoscedasticity was confirmed by the Breusch-Pagan test ($p = 0.094 > 0.05$). All diagnostic tests confirmed that regression assumptions were fully satisfied.

Results

Descriptive Statistics

Table 1 presents the descriptive statistics for the 12 marketing innovation items administered to senior management respondents.

Table 1: Descriptive Statistics of Marketing Innovation by Capital Market Intermediaries

Statement	SD%	D%	N%	A%	SA%	Mean	SD
Digital marketing campaigns effectively reached new investor segments, increasing retail trading volume	2.70	7.20	3.80	47.90	38.40	4.12	0.97
Social media engagement strategies raised awareness, leading to higher retail trading volumes	1.70	13.00	11.00	35.60	38.70	3.97	1.08
Financial education programs enhanced investor literacy, contributing to increased trading volume	9.60	14.00	3.10	40.40	32.90	3.73	1.31
Personalized marketing campaigns increased retail investor engagement and higher trading volumes	2.10	4.80	5.50	52.10	35.60	4.14	0.88
Shift from branch-based to digital platform services simplified access, increasing trading volume	5.50	20.20	4.80	36.60	32.90	3.71	1.27
Omnichannel service strategies improved retail investor experience, leading to trading volume increases	3.40	15.80	2.40	21.90	56.50	4.12	1.23
Community-based investment clubs mobilized retail investors in underserved areas	1.70	14.00	4.80	35.60	43.80	4.06	1.10
Integration of investment services with everyday financial tools made transacting easier	2.70	5.80	7.20	46.90	37.30	4.10	0.96
Marketing budget allocations toward investor education improved investor behavior and trading volumes	2.10	12.30	8.90	39.40	37.30	3.98	1.07
Investment in digital marketing channels translated into higher retail trading volumes	5.50	3.40	2.10	53.80	35.30	4.10	1.00
Marketing resources directed toward underserved market segments led to growth in trading volumes	3.10	5.10	7.20	47.30	37.30	4.11	0.96
Mobile-based marketing initiatives enhanced trading convenience and increased retail trading volumes	0.70	3.10	2.70	63.70	29.80	4.19	0.69
Average						4.03	1.04

Source: Research Data (2025). *SD* = Strongly Disagree, *D* = Disagree, *N* = Neutral, *A* = Agree, *SA* = Strongly Agree.

The descriptive statistics revealed strong agreement among respondents across all marketing innovation dimensions (overall $M = 4.03$, $SD = 1.04$). Mobile-based marketing initiatives recorded the highest mean score ($M = 4.19$, $SD = 0.69$), followed by personalized marketing campaigns ($M = 4.14$, $SD = 0.88$) and digital marketing campaigns ($M = 4.12$, $SD = 0.97$). Omnichannel service strategies ($M = 4.12$, $SD = 1.23$) and community-based investment clubs ($M = 4.06$, $SD = 1.10$) also recorded strong agreement. Conversely, shifts from branch-based to digital platform services ($M = 3.71$, $SD = 1.27$) and financial education programs ($M = 3.73$, $SD = 1.31$) scored notably lower with higher standard deviations, indicating greater variability in implementation quality across intermediaries.

Correlation Analysis

Table 2 presents the Pearson correlation matrix between marketing innovation and retail investor participation.

Table 2: Correlation Matrix

Variable	Retail Investor Participation (RIP)	Marketing Innovation (MI)
Retail Investor Participation (RIP)	1.000	
Marketing Innovation (MI)	0.551**	1.000

** Correlation is significant at the 0.05 level (2-tailed)

Marketing innovation shows a moderate-to-strong positive correlation with retail investor participation ($r = 0.551$, $p < 0.05$), indicating that as marketing innovation increases, retail investor participation grows proportionally. This statistically significant positive correlation is consistent with prior evidence from Kenya and comparable African markets that marketing-led approaches to investor engagement produce meaningful participation effects (Ochieng & Oduor, 2024; Banyen, 2022), and confirms the direction of the hypothesised relationship between marketing innovation and retail investor participation at the NSE.

Model Fitness

Table 3 presents the model fitness results for the regression of marketing innovation on retail investor participation.

Table 3: Model Fitness of Marketing Innovation and Retail Investor Participation

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.551a	0.303	0.301		0.303036

a Predictor: (Constant), Marketing Innovation.

The coefficient of determination ($R^2 = 0.303$) indicates that marketing innovation explains 30.3% of the variance in retail investor participation. This meaningful but partial

explanatory contribution is consistent with the broader literature suggesting that marketing innovation addresses information asymmetry barriers, the most proximate rather than most fundamental participation constraint, and that its effectiveness is amplified when supported by adequate organisational capacity and investor financial literacy (Padigar et al., 2022; OECD, 2023).

Analysis of Variance (ANOVA)

Table 4 presents the ANOVA results for marketing innovation and retail investor participation.

Table 4: ANOVA of Marketing Innovation and Retail Investor Participation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.600	1	11.600	126.315	.000b
	Residual	26.631	290	0.092		
	Total	38.231	291			

a Dependent Variable: Retail Investor Participation; *b* Predictor: (Constant), Marketing Innovation.

The ANOVA results indicate that the overall regression model is statistically significant ($F = 126.315$, $p < 0.05$). The F-statistic of 126.315 and reported p-value of 0.000 confirm that marketing innovation by capital market intermediaries is a significant predictor of retail investor participation in the Nairobi Securities Exchange.

Regression Results

Table 5 presents the regression coefficients for marketing innovation and retail investor participation.

Table 5: Regression Coefficients of Marketing Innovation and Retail Investor Participation.

Variable	Unstandardized Coefficient (B)	Std. Error	t-Statistic	Prob.
(Constant)	2.112	0.179	11.781	0.000
Marketing Innovation	0.496	0.044	11.239	0.000

The regression results indicate that marketing innovation by capital market intermediaries is positively and significantly related to retail investor participation ($B = 0.496$, $\beta = 0.551$, $t = 11.239$, $p < 0.05$), where B is the unstandardized regression coefficient indicating the unit change in retail investor participation per unit increase in marketing innovation, and β is the standardized coefficient indicating the strength of the relationship. The calculated t-

statistic of 11.239 exceeds the critical value of 1.96, confirming statistical significance at the 5% level. The regression equation is expressed as:

$$RIP = 2.112 + 0.496(MI)$$

A unit increase in marketing innovation leads to a 0.496-unit increase in retail investor participation, holding other factors constant. The null hypothesis H_0 is therefore rejected ($p = 0.000 < 0.05$), confirming that marketing innovation has a statistically significant influence on retail investor participation in the Nairobi Securities Exchange.

Hypotheses Testing

H_0 : There is no statistically significant effect of marketing innovation on retail investor participation. Decision: Rejected ($B = 0.496$, $\beta = 0.551$, $t = 11.239$, $p = 0.000 < 0.05$). Hence, marketing innovation by capital market intermediaries has a significant positive influence on retail investor participation in the Nairobi Securities Exchange.

Discussion

The finding that marketing innovation positively and significantly influences retail investor participation ($B = 0.496$, $\beta = 0.551$, $R^2 = 0.303$) is broadly consistent with Cornelius and Gokpinar (2020), who demonstrated that personalized marketing initiatives led to 35% higher participation rates in U.S. crowdfunding campaigns. However, that study's crowdfunding context, where investors self-select into campaigns, is fundamentally different from the NSE retail context, where participation must be generated from a largely unengaged population.

The strong agreement on mobile-based marketing initiatives validates Ochieng and Oduor, (2024) who found that mobile-first service delivery produced a 53% increase in retail investor accounts in Kenya. Kenya's 93.8% mobile penetration makes digital and mobile channels natural vehicles for reaching unserved investor segments. The high score for personalized marketing campaigns ($M = 4.14$) corroborates Padigar *et al.* (2022), who found that AI-enhanced personalized communications drove 23% higher investor responses. In Kenya's context, personalization addresses the gap between generic marketing messages and specific investor concerns including risk perception, minimum investment requirements, and product complexity.

The relatively lower scores for financial education programs ($M = 3.73$, $SD = 1.31$) and branch-to-digital service delivery shifts ($M = 3.71$, $SD = 1.27$) are notable. Banyen (2022) found financial education marketing particularly effective in Ghana, but Kenya's context reveals a persistent literacy gap-only 28% of Kenyan adults demonstrate sufficient investment literacy (Financial Sector Deepening Kenya, 2025). The OECD (2023) established that innovative financial literacy programs increase participation by 47% among financially literate consumers but only 12% among those with low literacy, confirming that education programs must first reach appropriately literate audiences to produce measurable effects.

The explanatory power of marketing innovation ($R^2 = 0.303$) reinforces Padigar *et al.*'s (2022) finding that marketing effectiveness depends critically on organizational capacity—marketing innovations succeed when supported by adequate dedicated teams, sufficient budgets, and senior leadership prioritization. Open-ended qualitative responses from senior management across all five intermediary categories (investment banks, fund managers, stockbrokers, REIT managers, and investment advisers) consistently identified institutional trust deficits as a persistent barrier that marketing efforts alone cannot overcome. Respondents noted that historical market irregularities generate sector-wide scepticism that transcends individual firm marketing innovation, requiring coordinated regulatory and industry action to address, a finding consistent with Lee-Partridge and Ho's (2003) demonstration that trust deficits significantly constrain the translation of service delivery improvements into actual participation outcomes.

Theoretical and Practical Implications

The current research contributes to the Theory of Financial Intermediation by demonstrating that marketing innovation functions as a mechanism through which intermediaries address information asymmetry barriers, though its effectiveness remains contingent on underlying organizational capacity and investor financial literacy. In line with Schumpeterian Theory (Schumpeter, 1976) and Fagerberg's (2009) adaptation to collaborative innovation ecosystems, marketing innovation enables the opening of new investor segments through novel promotional and communication strategies. The $R^2 = 0.303$ found in this study confirms that marketing innovation addresses information asymmetry barriers, the most proximate participation constraint, while structural and process innovations address deeper accessibility and cost barriers, suggesting that communication-led strategies alone are insufficient tools for market development in emerging capital markets and must be embedded within a broader innovation strategy. In practice, the findings highlight that capital market intermediaries should treat marketing innovation as a necessary but insufficient condition for retail participation growth. The OECD (2023) established that financial literacy significantly amplifies the effectiveness of innovative financial approaches, with participation increasing by 47% among financially literate consumers versus only 12% among those with low literacy, confirming that education-focused marketing campaigns achieve maximum impact when targeting investors who already possess baseline investment knowledge. Policymakers and the Capital Markets Authority should therefore ensure that marketing innovation investment complements, rather than substitutes for, structural and operational reform, and that investor education represents the marketing dimension with the strongest potential for generating sustained long-term participation growth, given Kenya's 28% investment literacy baseline (Financial Sector Deepening Kenya, 2025).

Conclusion and Recommendations

Conclusion

This study analyzed the effect of marketing innovation by capital market intermediaries on retail investor participation in the Nairobi Securities Exchange. The findings confirm that marketing innovation has a significant positive influence on retail investor participation ($B = 0.496$, $\beta = 0.551$, $t = 11.239$, $p < 0.05$), explaining 30.3% of the variance in trading volume ($R^2 = 0.303$). The null hypothesis H_0 is rejected. A unit increase in marketing innovation leads to a 0.496 unit increase in retail investor participation, holding other factors constant.

Mobile-based marketing initiatives ($M = 4.19$) and personalized marketing campaigns ($M = 4.14$) demonstrate the strongest associations with trading volume, while financial education programs and branch-to-digital transitions require significant enhancement to produce measurable effects. Community-based investment clubs proved particularly effective in reaching underserved segments by leveraging Kenya's collectivist social structures. Marketing innovation ($R^2 = 0.303$) represents a meaningful but partial driver of participation; its explanatory scope confirms that marketing innovation must be integrated with structural, operational, and product improvements to maximize retail investor engagement at the NSE.

Recommendations

Based on the findings, the following recommendations are offered:

1. Capital market intermediaries should allocate a minimum of 30% of marketing budgets to digital channels-including social media, search engine marketing, and mobile app advertising-to reach previously untapped investor segments beyond Nairobi.
2. At least 25% of marketing budgets should be directed specifically to investor education programming rather than purely promotional activities, recognizing that capability building drives sustainable participation while promotional campaigns generate only temporary awareness spikes.
3. Intermediaries should establish or support community-based investment clubs to leverage Kenya's social trust networks, particularly in rural areas where digital-only approaches face connectivity constraints.
4. Marketing content should be culturally adapted to reflect Kenya's linguistic diversity, religious considerations, and communal social structures rather than importing Western individualistic marketing templates misaligned with local cultural contexts.
5. The Capital Markets Authority should implement regulatory frameworks restricting misleading financial marketing on social media platforms to ensure that legitimate intermediary communications are not overwhelmed by fraudulent scheme promotions.

Limitations and Future Research Directions

This study is limited by its cross-sectional design and reliance on senior management perceptions rather than objective marketing expenditure and performance data. Future research may incorporate actual marketing spend data, longitudinal designs tracking sustained participation effects, and multi-stakeholder surveys including retail investor perspectives. Cross-country comparisons across African capital markets would validate and extend these findings beyond Kenya's unique context.

Conflicts of Interest

The author declares no conflict of interest related to this research.

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Data Availability

The data supporting the conclusions of this study were collected through structured questionnaires administered to senior management personnel of licensed capital market intermediaries in Kenya. The dataset is available from the corresponding author upon reasonable request, subject to institutional approval and participant confidentiality agreements.

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