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## **ORGANIZATIONAL INNOVATION AND RETAIL INVESTORS' PARTICIPATION IN THE NAIROBI SECURITIES EXCHANGE**

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### **ABSTRACT**

**Purpose of the study:** The study examined the effect of organizational innovation by capital market intermediaries on retail investor participation in the Nairobi Securities Exchange.

**Research methodology:** A positivism philosophy was adopted because it enabled objective measurement and statistical testing of relationships between variables using quantifiable data. A descriptive correlational research design was employed. The target population comprised 112 licensed capital market intermediaries, from which 336 respondents were targeted through a census approach. Data were collected using structured questionnaires, achieving a response rate of 97.33% with 292 usable responses from Chief Investment Officers, Heads of Marketing, and Heads of Innovation/Technology.

**Findings:** The results show that organizational innovation by capital market intermediaries is positively and significantly related to retail investor participation ( $\beta=.764$ ,  $p<0.05$ ). The null hypothesis is rejected since the p value (0.000) is less than 0.05. Hence, organizational innovation by capital market intermediaries has a significant influence on retail investor participation in the Nairobi Securities Exchange.

**Conclusion:** The study concludes that organizational innovation by capital market intermediaries has a significant and positive effect on retail investor participation in the Nairobi Securities Exchange. The correlation and regression analysis establish that the number of management changes, speed of decision-making processes, and leadership style collectively

create the most powerful driver of retail investor engagement, forming the foundational environment necessary for effective retail investor service delivery.

**Recommendations:** The study recommends that capital market intermediaries should prioritize organizational restructuring as the foundational enabler of retail investor participation at the Nairobi Securities Exchange. The Capital Markets Authority should develop regulatory frameworks requiring licensed intermediaries to demonstrate minimum organizational standards for retail investor focus, including dedicated retail service structures, measurable retail participation targets, and board-level accountability for retail engagement outcomes.

**Keywords:** *Organizational innovation, retail investors' participation, Nairobi Securities Exchange*

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## BACKGROUND OF THE STUDY

Capital markets worldwide are shaped not only by investment products or technologies, but fundamentally by the organizational structures, leadership approaches, and management practices of the intermediaries that facilitate investor access. The World Federation of Exchanges (2024) documented that intermediaries adopting customer-centric organizational structures recorded 31% higher retail investor acquisition rates compared to institution-focused hierarchies, establishing organizational design as a foundational determinant of retail participation. The Harvard Business Review's Financial Leadership Study (2024) further found that intermediaries implementing agile organizational structures reduced new product development cycles by 42%, enabling faster responses to retail investor needs. Despite growing recognition of organizational innovation's significance, the International Monetary Fund (2024) noted that markets demonstrating 37% faster recovery during liquidity crises were characterized by both robust retail engagement and responsive institutional frameworks, confirming that organizational capacity directly shapes the depth and sustainability of retail investor participation.

Global disparities in retail investor participation reveal patterns that organizational scholars attribute to structural rather than purely technological differences among financial intermediaries. In the United States, where retail traders accounted for over 25% of equity market activity by 2020, financial intermediaries have progressively adopted decentralized decision-making structures, dedicated retail divisions, and customer-centric leadership models that prioritize individual investor experience (Martineau & Zoican, 2023). European market

variations, ranging from Sweden's 26% retail participation to Romania's below 1%, similarly reflect divergent organizational commitments to retail investor servicing among intermediaries operating under comparable technological environments (Einhorn et al., 2023). McKinsey's Global Banking Annual Review (2024) established that organizational innovations, though receiving less scholarly attention than technological interventions, demonstrate substantial impact on intermediary effectiveness in retail segments, suggesting that participation gaps across markets are partly an organizational phenomenon requiring structural solutions rather than purely technological responses.

The African capital market landscape presents an organizational challenge as much as a technological one, with intermediaries predominantly structured to serve institutional rather than retail investor segments. The African Securities Exchanges Association (2024) reported that the continent averages just 7.3% retail participation rates against a global benchmark of 18.9%, a disparity the African Development Bank (2024) links partly to limited organizational innovation within intermediaries. South Africa, possessing the continent's most developed market, reports that only 37% of assets under management in collective investment schemes originate from retail investors despite sophisticated financial infrastructure, suggesting organizational orientation toward retail remains insufficient (Financial Sector Conduct Authority, 2024). Ghana's 3.7% retail participation and Tanzania's modest improvement from 6.3% to 10.8% between 2019 and 2023 demonstrate that technology-driven financial inclusion does not automatically translate into capital market engagement without corresponding organizational commitments from intermediaries to serve retail investor populations.

Kenya's Nairobi Securities Exchange exemplifies the consequences of organizational structures within capital market intermediaries that have historically prioritized institutional over retail investor servicing. Despite registered retail investor accounts growing from 1,183,642 in 2019 to 1,477,959 in 2023, active monthly participation paradoxically declined from 0.95% representing 11,283 investors to 0.46% representing 6,843 investors, constituting a 51.6% reduction in absolute active participants over just four years (NSE Investor Demographic Report, 2024). This decline is particularly striking given Kenya's 89.2% financial inclusion rate and world-leading mobile money adoption of 93.8% (Central Bank of Kenya, 2024), suggesting that neither financial access nor technological infrastructure alone explains the persistence of retail market dormancy. Of the 1,477,959 registered accounts, over 1,471,000 remain dormant monthly, a 99.5% dormancy rate indicating that the organizational capacity of

intermediaries to activate, educate, and retain retail investors represents the critical missing link in translating registration into sustained market participation.

Organizational innovation, defined as the implementation of new methods in business practices, workplace structures, or external relations, represents an underexplored lever for enhancing retail investor participation at the NSE (Roux, 2023). Kenya's 112 licensed capital market intermediaries comprising 23 investment banks, 42 fund managers, 24 stockbrokers, 12 REIT managers, and 11 investment advisers have largely maintained hierarchical structures oriented toward institutional clients, with few establishing dedicated retail investor departments or specialized retail strategy officers (Kenya Investment Bankers Association, 2024). The Kenya Securities Association (2023) reported that intermediaries with specialized retail strategy teams experienced 36% higher growth in active retail accounts, demonstrating that organizational structure directly drives participation outcomes. The Capital Markets Authority's Strategic Plan 2023–2027 targets one million active retail investors by 2029, a 146-fold increase from current levels achievable only through fundamental organizational restructuring by intermediaries toward retail investor-centric service models.

The three dimensions of organizational innovation-management changes, decision-making speed, and leadership style-collectively determine an intermediary's capacity to serve retail investors effectively in Kenya's evolving capital market. The Innovation Association of Kenya (2024) reported that intermediaries with decentralized approval systems implemented innovations 41% faster than centralized counterparts, demonstrating how organizational innovation enables broader retail engagement. Jan et al. (2021) established that transformational and democratic leadership styles significantly foster participatory decision-making that builds investor confidence, while Phan (2019) found organizational innovations improved operational efficiency by 42% among implementing firms. In a market where trust in financial institutions remains variable (Transparency International Kenya, 2024), organizational innovations enhancing transparency, accountability, and retail responsiveness may prove more consequential than technological upgrades, underscoring the need for empirical investigation of organizational innovation's specific effect on retail investor participation at the Nairobi Securities Exchange.

## **STATEMENT OF THE PROBLEM**

A persistent organizational disconnect between capital market intermediaries and retail investor segments at the Nairobi Securities Exchange constitutes a critical impediment to inclusive

capital market development in Kenya. Active retail investor participation declined from 0.95% representing 11,283 investors in 2019 to 0.46% representing only 6,843 investors in 2023, despite registered accounts growing to 1,477,959 with over 1,471,000 remaining dormant monthly (NSE, 2024). Retail investors account for less than 10% of NSE trading volume despite constituting 99% of registered investors, a marginalization attributable partly to intermediaries maintaining hierarchical organizational models oriented toward institutional clients (Capital Markets Authority, 2024). The Capital Markets Authority's Strategic Plan 2023–2027 targets one million active retail investors by 2029, requiring transformative organizational restructuring. The Kenya Securities Association (2023) found that intermediaries with specialized retail strategy teams achieved 36% higher active account growth, underscoring that organizational innovation determines whether ambitious participation targets remain achievable.

Prior research examining organizational innovation presents significant conceptual and contextual gaps constraining understanding of its specific influence on retail investor participation in Kenya. Phan (2019) investigated organizational innovation's relationship with firm performance in Vietnam using regression on 266 firms, demonstrating 42% operational efficiency improvement, yet did not measure impacts on retail investor participation, leaving a critical void regarding whether efficiency gains translate into retail engagement. Orman (2015) proposed a theoretical model of organizational structure and capital market innovation without empirical validation in emerging market contexts where institutional dynamics differ fundamentally. Sabah (2021) examined leadership styles in Export Processing Zones without addressing how leadership orientation toward retail versus institutional clients shapes participation outcomes. Studies from developed markets such as Jan et al. (2021) examined organizational decision-making without considering Kenya's combination of high mobile penetration, low capital market literacy, and hierarchical intermediary structures moderating organizational innovation effectiveness.

Methodological limitations further prevent actionable understanding of how organizational innovation by capital market intermediaries drives retail investor participation in Kenya. Wachira and Mbutia (2021) examined research and development investment across general service firms without disaggregating capital market intermediaries, whose distinct regulatory context and client dynamics differ substantially. Ndung'u and Kung'u (2022) focused exclusively on REIT managers, creating gaps in understanding how organizational innovations

across the broader intermediary ecosystem collectively influence retail trading volumes. Critically, while Adil et al. (2021) demonstrated financial literacy moderates behavioral biases and investment decisions, whether it similarly moderates the relationship between organizational innovation and retail participation remains empirically unestablished. This study addressed these gaps by investigating how organizational innovation influences retail investor participation at the NSE.

### **RESEARCH OBJECTIVE**

To evaluate the effect of organizational innovation by capital market intermediaries on retail investor participation in the Nairobi Securities Exchange.

### **RESEARCH HYPOTHESIS**

**H<sub>0</sub>:** There is no statistically significant effect of organizational innovation by capital market intermediaries on retail investor participation in the Nairobi Securities Exchange.

### **THEORETICAL REVIEW**

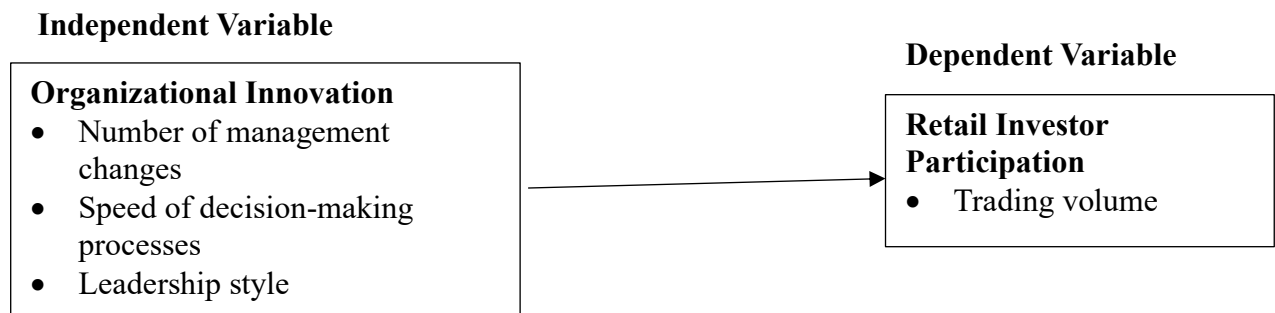
The Schumpeterian theory of innovation, proposed by Joseph Schumpeter (1942), provides the primary theoretical foundation for examining organizational innovation's effect on retail investor participation through Schumpeter's fifth innovation type-the implementation of new organizational forms. Creative destruction in the organizational context explains how intermediaries that restructure through dedicated retail departments, decentralized decision-making, and customer-centric leadership displace traditional hierarchies that have historically marginalized retail investors in favor of institutional clients. Dosi and Nelson (2018), extending Schumpeterian thought through evolutionary economics, introduced path dependence, explaining why Kenya's intermediaries persist with institution-focused structures despite declining retail participation-prior organizational investments constrain transformation trajectories. Hekkert and Negro (2020) further established that organizational innovations within intermediaries determine how effectively other innovation types reach retail investors through enabling network structures and collaborative retail-focused delivery mechanisms, confirming organizational restructuring as the foundational prerequisite for sustained retail investor participation growth at the Nairobi Securities Exchange.

The Theory of Financial Intermediation, developed by Gurley and Shaw (1960) and extended by Diamond (1984) and Allen and Santomero (2001), establishes that organizational innovation represents the structural mechanism through which intermediaries reduce market imperfections

constraining retail participation. Organizational restructuring through dedicated retail departments, streamlined approvals, and accountability-focused leadership directly reduces the transaction costs, information asymmetries, and access barriers that intermediation theory identifies as fundamental participation deterrents. Behavioral finance theory, originating from Kahneman and Tversky (1979) and extended by Thaler (2018), further explains how organizational orientation toward retail investors shapes trust perceptions and reduces the loss aversion and risk anxiety that deter participation. Transformational leadership and customer-centric organizational cultures signal institutional commitment, building investor confidence, while financial literacy moderates these relationships by determining how effectively investors recognize and respond to organizational improvements, confirming its critical moderating role between organizational innovation and retail investor participation outcomes at the NSE.

### CONCEPTUAL FRAMEWORK

Figure 1 presents the summary of the conceptual framework.



**Figure 1: Conceptual Framework**

### EMPIRICAL REVIEW

Orman (2015) employed a theoretical model analyzing organizational structure in capital markets, finding that specialized structures were 35% more likely to develop successful market innovations ( $p=0.001$ ) and achieved 28% innovation efficiency improvement compared to integrated corporations. Phan (2019) using multiple regression on 266 Vietnamese firms found that innovations in business practices improved operational efficiency by 42% ( $p=0.002$ ) and productivity by 31%, though external relations innovations showed no significant performance effects. The Capital Markets Authority Kenya (2022), reporting on market soundness, found strong governance essential for investor confidence, noting that frequent management changes affected market stability and retail investor trust. These three studies share a conceptual gap: none specifically measured how management restructuring translates into retail investor

participation outcomes, leaving the management changes dimension of organizational innovation underexplored in the Kenyan capital market context.

Sari et al. (2021) employed a mixed-methods approach in Indonesia, finding that organizational decision determinants influenced stock investment decisions, with streamlined processes enabling firms to implement customer-requested changes 2.8 times faster. Imran and Rautiainen (2021) using a quantitative study in Pakistan's manufacturing sector identified four strategic investment decision-making styles shaped by leadership, finding that leadership significantly shaped decision emphasis ( $p=0.035$ ), yet focused on corporate investment without examining retail investor participation. Gekonde et al. (2021) studied equity fund managers at the NSE using regression analysis, finding that market factors significantly influenced group investment decision-making ( $p=0.000$ ), confirming that decision-making structures shape participation outcomes. All three studies share a conceptual gap: none examined how decision-making speed within intermediaries specifically affects retail investor participation, leaving this dimension underexplored at Kenya's NSE.

Sabah (2021) investigated leadership in Export Processing Zones in Bangladesh and the UAE, finding transformational leadership significantly improved investor confidence and participation ( $p=0.001$ ) compared to autocratic styles that deterred engagement. Jan et al. (2021) employed a quantitative survey in Pakistan, finding that transformational and democratic leadership styles positively influenced investment decision-making ( $p=0.004$ ) by fostering participatory processes encouraging investor confidence and risk-taking. Ghani et al. (2021) using a survey of 137 Malaysian employees found transformational leadership significantly shaped financial decision-making environments ( $p=0.022$ ), deterring unethical behavior while promoting prudent choices. These three studies share a contextual gap: all examined EPZ, manufacturing, or banking contexts rather than capital market intermediaries, limiting direct applicability to how leadership style shapes retail investor participation at Kenya's NSE.

Lumumba and Nyaberi (2020) analyzed 178 Kenyan state corporations using a positivist descriptive design, finding leadership style significantly influenced organizational performance, though the study relied on descriptive analysis without causal methods and focused on public rather than capital market intermediaries. Mutonyi et al. (2021) collected data from 228 senior managers in Kenya's manufacturing sector, finding that supportive leadership positively predicted innovative behavior, suggesting people-focused cultures

enhance innovation capacity relevant to retail investor servicing. Mwangi et al. (2022) using a cross-sectional design in Kenyan commercial banks found transformational leadership positively affected financial performance ( $p < 0.005$ ) while laissez-faire leadership showed significant negative effects ( $p < 0.005$ ). These three studies share a sectoral gap: none examined how leadership styles within capital market intermediaries shape retail investor participation, limiting applicability to Kenya's NSE organizational innovation context.

Metawa et al. (2019) applied partial multiple regression on 384 Egyptian investors, finding behavioral biases including overconfidence and herding significantly shaped investment decisions ( $p = 0.018$ ), yet did not examine how organizational innovations could structure environments mitigating these biases. Ogunlusi and Obademi (2020) using correlation and regression on 180 Nigerian investment bank respondents found significant relationships between heuristics and investment decisions ( $p = 0.029$ ), but restricted their sample to institutional investors, limiting retail applicability. Kirera and Mburugu (2019) used a descriptive survey in Kenya's Meru County, finding information availability most significantly influenced retail investor decision-making ( $p = 0.012$ ), suggesting that organizational innovations improving information transparency directly address the dominant participation barrier. These studies establish behavioral mechanisms through which organizational innovations operate, yet none examined how specific OI dimensions address behavioral barriers among NSE retail investors.

Soumaré et al. (2021) examined capital market evolution across Sub-Saharan Africa, identifying regulatory inefficiencies and weak investor protection as constraints, noting financial innovations improved market access, yet did not analyze how organizational innovations influence retail participation in Kenya's NSE. The Kenya Securities Association (2023) found that intermediaries with specialized retail strategy teams achieved 36% higher growth in active retail accounts compared to those without dedicated units, confirming that management changes directly drive participation outcomes in Kenya. The Innovation Association of Kenya (2024) documented that decentralized approval systems implemented innovations 41% faster than centralized structures, confirming decision-making speed accelerates retail-focused delivery.

## **RESEARCH METHODOLOGY**

Positivist philosophy and descriptive correlational design were utilized in the study to evaluate the effect of organizational innovation by capital market intermediaries on retail investor

participation at the NSE (Saunders et al., 2019; Creswell & Creswell, 2018). Organizational innovation was operationalized through three dimensions: management changes encompassing dedicated retail departments and retail strategy officers; decision-making speed covering streamlined approvals and decentralized structures; and leadership style including customer-centric and transformational approaches (Roux, 2023). Twelve questionnaire items measured these dimensions with factor loadings from 0.501 to 0.911, Cronbach's alpha of 0.878 confirming reliability, and Kaiser-Meyer-Olkin of 0.681 with Bartlett's significance of 0.000 confirming validity. A census of 112 licensed capital market intermediaries targeted 336 respondents, yielding 292 usable responses at 97.33%. Regression analysis was employed to test the hypothesis that organizational innovation has no significant effect on retail investor participation, specified as;

$$Y = \beta_0 + \beta X + \varepsilon$$

Where Y represents retail investor participation and X represents organizational innovation.

### **RESPONSE RATE**

The study targeted 300 respondents across 100 licensed capital market intermediaries, comprising Chief Investment Officers, Heads of Marketing, and Heads of Innovation/Technology. Of the 300 questionnaires distributed, 292 were duly completed and returned, yielding an overall response rate of 97.33%. Response rates by category were 96.00% for Chief Investment Officers and 98.00% each for Heads of Marketing and Heads of Innovation/Technology. This high response rate was attributed to factors such as the census approach, extensive follow-up procedures, the researcher's professional networks, the topic's policy relevance, and the flexible administration of questionnaires through both electronic and physical means.

Response rates were also examined across the five intermediary types-investment banks, fund managers, stockbrokers, REIT managers, and investment advisers-and were remarkably consistent, ranging narrowly from 96.67% to 98.25%. This uniformity indicated no significant response bias linked to any particular intermediary category, thereby enhancing the representativeness and reliability of the data. Benchmarked against scholarly thresholds, where Ahmad and Halim (2017) consider rates above 60% sufficient, Hendra and Hill (2019) above 70%, and Freiman et al. (2019) above 50% satisfactory, the achieved rate of 97.33% was

considered more than adequate for analysis and generalization to Kenya's broader capital market intermediary population.

### RETAIL INVESTOR PARTICIPATION

The dependent variable in the study is retail investor participation in the Nairobi Securities Exchange. Table 1 presents the descriptive statistics of retail investor participation

**Table 1: Descriptive Statistics of Retail Investor Participation**

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
Our firm has recorded a steady rise in the total value of trades executed by retail clients on the NSE.	2.70%	7.20%	6.50%	55.80%	27.70%	3.99	0.94
Retail investor trading volumes through our firm tend to increase during market rallies on the NSE.	0.30%	4.50%	11.00%	67.80%	16.40%	3.96	0.69
The introduction of new investment tools has contributed to higher trading volumes among our retail clients.	5.80%	0.00%	6.80%	57.20%	30.10%	4.06	0.95
Retail clients at our firm actively respond to market news and updates by increasing their trading activity.	2.70%	5.10%	5.10%	41.10%	45.90%	4.22	0.96
Our firm has seen growth in day-to-day retail trading volumes on the NSE over the past financial year.	1.70%	10.60%	8.60%	38.40%	40.80%	4.06	1.04
Retail investors using our digital platforms contribute a significant portion of daily trading volume on the NSE.	2.40%	6.50%	9.20%	52.40%	29.50%	4.00	0.93
Promotions or incentives offered by our firm have led to spikes in trading volume among retail clients.	1.00%	6.20%	5.10%	48.60%	39.00%	4.18	0.87
There is a strong correlation between retail investor education efforts by our firm and increased trading volume.	0.30%	8.60%	5.80%	63.70%	21.60%	3.98	0.81
Retail clients trading with our firm are more likely to reinvest returns, leading to sustained trading volumes.	11.00%	6.80%	5.50%	47.60%	29.10%	3.77	1.25
Our firm monitors retail investor trading volumes as a key performance indicator for customer engagement.	0.70%	12.70%	4.80%	57.50%	24.30%	3.92	0.93
Real-time access to market data provided by our firm has helped drive up trading volumes among retail clients.	3.40%	5.10%	8.60%	38.40%	44.50%	4.15	1.01
Retail investor trading volumes have diversified across different sectors listed on the NSE.	5.50%	2.10%	2.10%	49.00%	41.40%	4.19	0.99
<b>Average</b>						4.04	0.95

The study results showed that respondents agreed their firms recorded steady rises in total trade values executed by retail clients (M=3.99, SD=0.94), with retail trading volumes tending to

increase during market rallies (M=3.96, SD=0.69). The introduction of new investment tools contributed to higher trading volumes among retail clients (M=4.06, SD=0.95). Retail clients actively responded to market news and updates by increasing their trading activity (M=4.22, SD=0.96), representing the highest mean score in this dimension. Firms experienced growth in day-to-day retail trading volumes over the past financial year (M=4.06, SD=1.04), while retail investors using digital platforms contributed a significant portion of daily trading volume (M=4.00, SD=0.93). Promotions and incentives offered by firms led to spikes in trading volume among retail clients (M=4.18, SD=0.87), indicating effectiveness of marketing-driven participation strategies.

The study results further indicated a strong correlation between retail investor education efforts and increased trading volume (M=3.98, SD=0.81). Retail clients trading with firms were more likely to reinvest returns, leading to sustained trading volumes (M=3.77, SD=1.25), though this represented the lowest mean score with the highest standard deviation across all participation dimensions. Firms monitored retail investor trading volumes as a key performance indicator for customer engagement (M=3.92, SD=0.93). Real-time access to market data provided by firms helped drive up trading volumes among retail clients (M=4.15, SD=1.01). Retail investor trading volumes diversified across different sectors listed on the NSE (M=4.19, SD=0.99), indicating broader market engagement beyond concentrated sectors. The overall mean score for retail investor participation was 4.04 with a standard deviation of 0.95, demonstrating strong agreement across all participation dimensions.

The qualitative responses revealed that retail participation remains low in Kenya's capital markets, with less than 10% of NSE trading volume coming from retail investors. A new retail mobile platform was in development to improve access, while digital onboarding and mobile money integration were identified as priorities. Significant efforts aimed to onboard 9 million retail investors by 2029, with investor education increasingly emphasized to tackle low literacy levels. NSE bond trading had boomed, attracting retail interest, with technology adoption seen as key to boosting participation. Hybrid bond products were being introduced to diversify options, though many retail investors continued to choose bonds over equities. A high minimum share purchase requirement (100 shares) remained a barrier, while the corporate bond market remained weak due to investor loss of confidence.

The qualitative data further revealed that lack of trust and awareness remained key hurdles, with retail investor inactivity leaving the market illiquid. Payment integration with mobile

money was planned to ease funding, while retail participation increased alongside overall returns. Investor roadshows targeted both domestic and diaspora retail audiences, though market liquidity suffered when retail investors remained inactive. Youth challenges and university programs aimed to engage young investors, while retail investors showed preference for simpler assets like Treasury bills and real estate. High inflation and cost of living reduced disposable income available for investment, with onboarding by banks and fintechs remaining limited. Despite consistently high mean scores (ranging from 3.77 to 4.22) indicating positive perceptions of participation trends, the qualitative findings highlighted substantial gaps between current participation levels (below 10% of trading volume) and desired market development outcomes, suggesting that while individual firm-level improvements were evident, systemic barriers required coordinated policy and industry interventions.

#### **EFFECT OF ORGANIZATIONAL INNOVATION ON RETAIL INVESTOR PARTICIPATION IN THE NSE**

The fourth research objective of the study was to evaluate the effect of organizational innovation by capital market intermediaries on retail investor participation in the Nairobi Securities Exchange. The summary of the descriptive statistics is presented in Table 2.

**Table 2: Descriptive Statistics of Organizational Innovation by Capital Market Intermediaries**

<b>Statements</b>	<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Mean</b>	<b>SD</b>
Our firm's creation of dedicated retail investor departments has improved service delivery, leading to increased trading volume by retail investors in the NSE.	1.00%	16.40%	6.50%	34.20%	41.80%	3.99	1.11
The establishment of innovation teams within our firm has accelerated the development of retail-focused solutions, resulting in higher trading volumes on the NSE.	2.10%	14.00%	5.10%	30.50%	48.30%	4.09	1.13
Our appointment of specialized retail strategy officers has enhanced our focus on individual investor needs, increasing trading volumes from retail clients.	1.70%	7.50%	5.50%	36.30%	49.00%	4.23	0.97
Structural reorganizations in our firm have improved coordination of retail investor services, contributing to growth in retail trading volume on the NSE.	6.20%	11.00%	3.80%	31.50%	47.60%	4.03	1.23
Our streamlined approval processes have accelerated the launch of new products, leading to increased trading activity by retail investors.	0.00%	11.60%	4.50%	45.20%	38.70%	4.11	0.94
The decentralized decision-making structure in our firm has enabled faster responses to retail investor needs, increasing their trading volume on the NSE.	1.00%	5.80%	6.50%	45.20%	41.40%	4.20	0.88
Our efficient decision-making processes have allowed us to adapt quickly to retail investor preferences, resulting in higher retail trading volume.	10.30%	11.60%	5.80%	24.00%	48.30%	3.88	1.39
The faster implementation of customer-requested changes has improved satisfaction among retail clients, boosting their trading volumes in the NSE.	2.70%	10.60%	13.40%	46.90%	26.40%	3.84	1.02
Our customer-centric leadership approach has prioritized retail investor-focused offerings, resulting in increased trading activity by individual investors.	5.10%	9.90%	3.40%	39.00%	42.50%	4.04	1.15
The innovation-focused leadership in our firm has fostered the development of new solutions, leading to higher trading volumes by retail clients.	1.00%	10.30%	7.50%	29.80%	51.40%	4.00	1.03
Transformational leadership practices in our organization have enabled more customer-focused innovations, increasing retail trading volumes in the NSE.	7.50%	17.50%	3.80%	39.70%	31.50%	3.70	1.28
Our leadership's emphasis on accountability has strengthened service delivery to retail investors, resulting in higher trading volumes on the NSE.	4.10%	4.50%	6.80%	49.00%	35.60%	4.08	0.99
<b>Average</b>						<b>4.02</b>	<b>1.09</b>

The descriptive statistics revealed strong agreement among respondents regarding management changes and their impact on retail investor participation. Respondents agreed that their firm's creation of dedicated retail investor departments improved service delivery, leading to increased trading volume (M=3.99, SD=1.11). The establishment of innovation teams accelerated the development of retail-focused solutions, resulting in higher trading volumes (M=4.09, SD=1.13). Appointment of specialized retail strategy officers enhanced focus on individual investor needs, increasing trading volumes from retail clients (M=4.23, SD=0.97). Structural reorganizations improved coordination of retail investor services, contributing to growth in retail trading volume (M=4.03, SD=1.23).

The results showed high agreement levels regarding the speed of decision-making processes. Respondents agreed that streamlined approval processes accelerated the launch of new products, leading to increased trading activity by retail investors (M=4.11, SD=0.94). Decentralized decision-making structures enabled faster responses to retail investor needs, increasing their trading volume (M=4.20, SD=0.88). Efficient decision-making processes allowed firms to adapt quickly to retail investor preferences, resulting in higher retail trading volume (M=3.88, SD=1.39). Faster implementation of customer-requested changes improved satisfaction among retail clients, boosting their trading volumes (M=3.84, SD=1.02).

The findings indicated strong agreement on the effectiveness of different leadership styles. Respondents agreed that customer-centric leadership approaches prioritized retail investor-focused offerings, resulting in increased trading activity by individual investors (M=4.04, SD=1.15). Innovation-focused leadership fostered the development of new solutions, leading to higher trading volumes by retail clients (M=4.00, SD=1.03). Transformational leadership practices enabled more customer-focused innovations, increasing retail trading volumes (M=3.70, SD=1.28). Leadership's emphasis on accountability strengthened service delivery to retail investors, resulting in higher trading volumes (M=4.08, SD=0.99).

The overall assessment showed that the average mean score for all organizational innovation statements was 4.02 with a standard deviation of 1.09, indicating strong agreement among respondents. The consistently high mean scores across all twelve dimensions demonstrated positive perceptions regarding organizational innovation's impact on retail investor participation. The relatively low standard deviations indicated consensus among respondents about the positive effects of organizational innovation strategies. All standard deviations were

below half of their respective mean scores, confirming low variability and strong agreement patterns across all organizational innovation dimensions measured in the study.

The qualitative responses revealed multiple dimensions through which organizational innovation influences retail investor participation in the NSE. Respondents indicated that organizational innovation enhances internal efficiency, boosts investor confidence, signals forward-thinking leadership to shareholders, strengthens company culture attracting ethical investors, improves adaptability to market changes, encourages transparent reporting systems, and promotes agility in decision-making reassuring investors. The responses highlighted that organizational innovation promotes flatter structures improving accountability, facilitates digital transformation attracting tech-focused investors, reduces bureaucracy enabling faster strategic shifts, enhances governance structures building trust, strengthens board diversity and expertise, and supports talent retention driving consistent performance. Respondents noted that organizational innovation encourages knowledge sharing spurring innovation-driven performance, attracts institutional investors seeking management stability, improves stakeholder alignment reducing risk, enhances employee productivity impacting financial ratios, drives investor perception of future growth, and helps firms restructure for profitability attracting buyers. Additionally, respondents emphasized that organizational innovation promotes integration of sustainability goals, supports compliance with evolving NSE regulations, encourages ethical leadership boosting brand value, enhances strategic focus improving share performance, simplifies decision chains reducing delays, and increases investor loyalty through consistency. The study results of the model fitness is presented in Table 3.

**Table 3: Model Fitness of Organizational Innovation and Retail Investor Participation**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	.758a	0.574	0.573	0.236941

a Predictor: (Constant), Organizational Innovation

The results presented in Table 3 established that organizational innovation by capital market intermediaries is significant in determining retail investor participation in the Nairobi Securities Exchange. The coefficient of determination, also known as the R square, was found to be 0.574 (57.4%). This implied that organizational innovation by capital market intermediaries could

explain 57.4% of the variations of retail investor participation in the Nairobi Securities Exchange. The results of the Analysis of Variance (ANOVA) are summarized in Table 4.

**Table 4: Analysis of Variance (ANOVA) of Organizational Innovation and Retail Investor Participation**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.95	1	21.95	390.974	.000b
	Residual	16.281	290	0.056		
	Total	38.231	291			

a Dependent Variable: Retail Investor Participation

b Predictor: (Constant), Organizational Innovation

The results in Table 4 indicate that the overall model is statistically significant. This is supported by an F statistic of 390.974 and a reported p-value<0.05, implying that the independent variable (organizational innovation by capital market intermediaries) is significant in predicting retail investor participation in the Nairobi Securities Exchange.

**Table 5: Regression coefficients of Organizational Innovation and Retail Investor Participation**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.991	0.159		6.248	0.000
	Organizational Innovation	0.764	0.039	0.758	19.773	0.000

a Dependent Variable: Retail Investor Participation

Based on the results, the regression model thus becomes;

$$Y = 0.991 + 0.764X$$

Where: Y= Retail investor participation X = Organizational innovation by capital market intermediaries

The results in Table 5 show that organizational innovation by capital market intermediaries is positively and significantly related to retail investor participation ( $\beta=0.764$ ,  $p<0.05$ ). This is supported by a calculated t-statistic of 19.773, which is larger than the critical t-statistic of 1.96. The results implied that a unitary increase in organizational innovation by capital market intermediaries would increase retail investor participation in the Nairobi Securities Exchange

by 0.764 units when other factors are held constant. The null hypothesis is rejected since the p value (0.000) is less than 0.05. Hence, organizational innovation by capital market intermediaries has a significant influence on retail investor participation in the Nairobi Securities Exchange.

## **CONCLUSION**

The study concludes that organizational innovation by capital market intermediaries has a significant and positive effect on retail investor participation in the Nairobi Securities Exchange. The correlation and regression analysis establish that the number of management changes, speed of decision-making processes, and leadership style collectively create the most powerful driver of retail investor engagement, forming the foundational environment necessary for effective retail investor service delivery. The study demonstrated that implementing management changes such as creating dedicated retail investor departments and appointing specialized retail strategy officers, combined with streamlined decision-making processes and transformational leadership styles, are essential components of successful organizational innovation strategies.

Organizational innovation creates the internal capabilities and structures necessary for other innovation types to function effectively through strategic management restructuring, enhanced decision-making speed, and customer-centric leadership approaches. The evidence shows that decentralized decision-making structures, efficient decision-making processes, and customer-centric leadership styles significantly enhance intermediaries' ability to respond to retail investor needs and preferences. The study establishes that organizational innovation serves as the foundation upon which product, process, and marketing innovations build, with the number of management changes, speed of decision-making processes, and leadership style collectively determining the success of retail participation outcomes.

## **RECOMMENDATIONS**

The study recommends capital market intermediaries should prioritize organizational restructuring as the foundational enabler of retail investor participation at the Nairobi Securities Exchange. Intermediaries should establish dedicated retail investor departments with specialized personnel focused exclusively on individual investor needs, appointing Chief Retail Officers with explicit mandates, accountability metrics, and resource authority to eliminate the current structural bias toward institutional clients. New product launch cycles should be

reduced from six to twelve months to two to three months through streamlined approval processes, while decentralized decision-making structures should empower front-line staff and regional managers to adapt services to local conditions. Customer-centric leadership should be institutionalized through executive compensation rewarding retail client acquisition, alongside training programs emphasizing customer journey mapping.

The Capital Markets Authority should develop regulatory frameworks requiring licensed intermediaries to demonstrate minimum organizational standards for retail investor focus, including dedicated retail service structures, measurable retail participation targets, and board-level accountability for retail engagement outcomes. Intermediaries should be required to report retail participation metrics disaggregated by organizational innovation types, enabling the Authority to assess which structural changes most effectively drive participation and inform differentiated regulatory treatment between retail-focused and institution-focused business models. Regulators should impose stringent sanctions on intermediaries that maintain organizational structures demonstrably excluding retail investors, including management disqualifications and license conditions.

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