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DETERMINANTS OF MALAYSIAN RETAIL INVESTORS' PARTICIPATION IN THE CAPITAL MARKET

[1]Mohamad Fazli Sabri, [2]Siong Hook Law, [3]Husniyah Abd. Rahim, [4]Ahmad Nasir Mohd Yusoff, [5]Megawati Simanjuntak & [6]Mervin Anthony

[1,3&4]Faculty of Human Ecology, Universiti Putra Malaysia, Malaysia
[2]School of Business and Economics, Universiti Putra Malaysia, Malaysia
[5]Department of Family and Consumer Sciences, Faculty of Human Ecology, IPB University, Indonesia
[6]Malaysian Financial Planning Council, Malaysia

[1]Corresponding author: fazli@upm.edu.my

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ABSTRACT

Despite the rapid development of Malaysia's capital market and broader access to investment platforms, retail investor participation remains limited due to low financial literacy, reliance on informal information sources, and cautious savings behaviour. This study aims to investigate the determinants of Malaysian retail investors' participation in the capital market by examining demographic and socio-economic factors, capital market literacy, financial capability, access to financial product information and planning services, and perceptions toward financial planners. It further analyses the combined effects of these variables to provide a comprehensive understanding of the drivers influencing market engagement. This study employed a purposive sampling approach, involving 1,500 Malaysians aged 18 to 64 from diverse socio-economic groups, and collected data via closed-ended questionnaires. Data were analysed using SPSS with inferential statistics to examine their influence on capital market participation. The study finds that capital market participation in Malaysia is significantly influenced by education, employment status, income level, ethnicity, age, income adequacy, and investment allocation ratio. Specifically, graduates, employed individuals, higher-income groups, individuals of Chinese ethnicity, younger respondents, those with adequate income, and those with higher investment allocation ratios demonstrate greater participation in the capital market. Capital market literacy and financial awareness positively affect capital market participation, while financial behaviour is not significant. Access to product information through colleague support participation while negative

perceptions toward financial planners hinder participation. The findings emphasise that improving market information, financial planner training, and investor education especially for lower-income and middle-income households, can encourage participation and promote inclusive financial growth in Malaysia.

Keyword: Capital market, financial planner, financial capability, literacy, planning, product information.

INTRODUCTION

In the evolving landscape of financial markets, retail investor participation has become a pivotal aspect of economic development and capital market resilience. In Malaysia, the capital market has undergone a significant transformation, offering a diverse range of financial instruments and investment platforms. Despite increased accessibility and digitalisation, retail investor participation in Malaysia remains relatively low compared to that in developed economies. According to the Securities Commission Malaysia (2022a), the value-traded participation rate of retail investors fell from 34.6 per cent in 2021 to an average of 25.7 per cent in 2022. Understanding the factors that influence individuals' engagement with capital market instruments is therefore essential to fostering broader participation, financial inclusion, and wealth creation.

Capital market participation, understood as engagement with financial vehicles that facilitate long-term investment, encompasses both traditional and emerging instruments (Hayes, 2025). Traditional products include equities, bonds, commodities (e.g., gold), and foreign exchange, while newer avenues involve digital markets such as cryptocurrencies and crowdfunding. In Malaysia, additional products such as investment-linked funds, the Private Retirement Scheme (PRS), and Real Estate Investment Trusts (REITs) are also recognised for their underlying capital market exposures and for their significance in shaping local investor behaviour.

Most Malaysian capital market products, such as equities, bonds, unit trusts, REITs, crowdfunding, and digital assets, are regulated under the Capital Markets and Services Act 2007 (CMSA) by the Securities Commission Malaysia (SC). REITs and PRS operate under additional SC guidelines, whereas crowdfunding and digital assets fall under the Recognised Market Operators framework. Investment-linked funds are jointly supervised: the investment component by the SC under the CMSA and the insurance component by Bank Negara Malaysia (2023) under the Financial Services Act 2013 (FSA) and Islamic Financial Services Act 2013 (IFSA). This regulatory framework highlights the layered governance of Malaysia's capital market, designed to protect investors, ensure market integrity, and promote sustainable financial participation.

The Securities Commission Malaysia (2024) has consistently emphasised accessibility and inclusivity as key drivers of broader market participation. In its 2024 Annual Report, the SC noted that the Malaysian capital market grew to RM4.2 trillion, supported by initiatives such as reduced stamp duties and fractional shareholding mechanisms, which lowered entry barriers for retail investors. The report also highlighted strong fundraising activities and the expansion of alternative financing platforms, underscoring how institutional measures complement socio-economic factors in widening participation. Furthermore, the SC's 2022 thematic review stressed that a diverse investor base contributes to market stability, aligning with evidence that socio-economic variables such as education and income play a more significant role than demographic factors in influencing participation (Securities Commission Malaysia, 2022a).

Despite the rapid development of Malaysia's capital market and the introduction of innovative financial products, participation among individual retail investors remains relatively low compared to developed markets. Recent reports highlight that Malaysian households continue to rely heavily on traditional savings instruments such as deposits and retirement funds, while engagement with equities, unit trusts, and private retirement schemes remains limited (Securities Commission Malaysia, 2022a). This underrepresentation of retail investors raises concerns about the inclusivity of the financial system and households' ability to accumulate long-term wealth through diversified investments. More broadly, limited retail participation also constrains the capital market's potential to promote financial inclusion, mobilize domestic savings, and contribute to sustainable economic growth.

One major challenge is the persistently modest level of financial literacy in Malaysia, particularly among lower-income and middle-income groups (Mansor et al., 2022; Sabri et al., 2022). A limited understanding of capital market instruments reduces households' confidence in investing and increases their vulnerability to financial misinformation. Access to reliable financial information and advice remains uneven, as many retail investors rely on informal sources such as social media, family, and friends, which may lack accuracy and regulatory oversight. This widens information asymmetry between institutions and retail investors, creating barriers to effective participation.

The primary objective of this study is to examine the determinants of Malaysian retail investors' participation in the capital market. Specifically, the study seeks to analyse how demographic and socio-economic factors influence retail investors' engagement in capital market activities. It further aims to assess the role of financial literacy in shaping investment decisions, particularly through its interaction with capital market participation and financial capability. In addition, the study evaluates the impact of access to financial product information and financial planning services on investors' participation behaviour. Another key objective is to investigate retail investors' perceptions of financial planners and determine how these perceptions affect their market engagement. Finally, the study analyses the combined effects of these factors to provide an integrated understanding of retail investor participation in the Malaysian capital market.

Retail investor perceptions of financial planners and intermediaries play a crucial role in shaping investment decisions. In developed markets, trustworthiness and professionalism consistently found influence investor behaviour (Gennaioli et al., 2015). Trust and expertise, in particular, are pivotal drivers of investor engagement with financial professionals, underscoring the importance of cultivating strong environments (Verma et al., 2025). In Malaysia, however, this dimension remains underexplored. Emerging evidence suggests that similar dynamics apply, as surveys by the Federation of Investment Managers Malaysia (2024) reveal that investors, more than non-investors, rely on licensed consultants, largely due to limited financial knowledge.

Although various initiatives, such as the Capital Market Masterplan 3 (CMP3), aim to improve financial literacy, expand product accessibility, and leverage technology to promote inclusivity (Securities Commission Malaysia, 2021), empirical studies systematically examining the determinants of capital-market participation among Malaysian retail investors remain limited. Without clear evidence on the relative importance of demographic, behavioural, informational, and institutional factors, policymakers and practitioners face challenges in designing effective strategies to increase retail investor involvement. Therefore, it is critical to investigate the determinants of Malaysian retail investors' participation in the capital market. Addressing this gap is crucial not only for enhancing household financial resilience and wealth accumulation but also for strengthening financial inclusion and supporting the sustainable growth of Malaysia's financial sector and economy.

LITERATURE REVIEW

Theories

Capital market participation can be explained through an integrated framework combining the Theory of Planned Behaviour (Ajzen, 1991), Modern Portfolio Theory (Markowitz, 2008), and Behavioural Finance Theory (Shefrin, 2002). The Theory of Planned Behaviour emphasises how attitudes, social norms, and perceived behavioural control shape investment intentions, linking demographic and socio-economic factors, financial literacy, and access to planning services with participation. Modern Portfolio Theory highlights diversification as a strategy for balancing risk and return; however, the ability of investors to implement diversification effectively is also influenced by financial capability, behavioural factors, and trust in financial advisors. Behavioural finance further explains biases such as herd behaviour, overconfidence, and loss aversion that override rational decision-making. Together, these theories show how knowledge, trust, and behavioural tendencies interact to influence engagement in capital market products and diversification practices.

Empirical Studies on Capital Market Participation

Demographic and Socio-economic Factors

Retail investor participation is influenced by age, gender, income, ethnicity, and education. In Malaysia, these factors matter but are strongly shaped by financial literacy and access to the capital market, financial products, and financial planning information and services. The Securities Commission Malaysia (2024) reported higher participation among young, educated, and digitally literate investors who are more familiar with online trading platforms and digital investment tools, consistent with Janussek (2022). Ethnicity also matters, where Rahman et al. (2020) found higher participation among Chinese communities, linked to cultural values. Geetha and Leo (2019) confirmed that income encourages participation when paired with financial literacy.

Stable employment and higher income remain critical (Suryadi et al., 2022; Xiao & Porto, 2017), with Senda et al. (2020) identifying income as being more influential than age in Indonesia. However, regional studies note demographics diminish in importance once financial capability is included. In Malaysia, good financial habits enhance household outcomes, while financial stress among B40 groups limits participation (Sabri et al., 2023). Malaysian Unit Trust Schemes (UTS) and Private Retirement Scheme (PRS) investors also show higher net worth than non-investors (42% vs. 28%) (Federation of Investment Managers Malaysia, 2020). Saving habits support long-term investment goals (Morgan & Trinh, 2019). Recent Malaysian evidence also demonstrates that socio-economic pressures influence financial decision-making and economic behaviour among younger populations. These demographic and socio-economic characteristics influence capital market participation primarily by affecting financial capacity, investment knowledge, and life-cycle financial goals, which determine individuals' willingness and ability to engage in higher-risk investment instruments. Tok and Cheah (2024) found that cost-of-living pressures significantly affect financial management patterns among Malaysian university students, highlighting how income constraints and expenditure structures shape financial engagement. This supports the present study's emphasis on income adequacy and savings capacity as structural enablers of capital market participation.

Financial Literacy and Capability

Financial literacy and capability are key to investment behaviour. Beyond knowledge, behavioural tendencies also shape financial outcomes. Hamid and Harizan (2023) show that behavioural biases significantly influence credit repayment behaviour among Malaysians, suggesting that cognitive and psychological factors may override rational financial knowledge. This insight aligns with Behavioural Finance Theory and supports the need to examine whether financial capability translates into actual capital market participation, as tested in the present study. Malaysian youth show low awareness of capital market products (Securities Commission Malaysia, 2022b). Financial literacy and advice-seeking improve participation in Malaysia (Hii et al., 2022; Samsulbahri et al., 2021; Zainordin et al., 2025). Millennials in Malaysia who lack an understanding of the time value of money are more likely to exhibit risk aversion in investment decision-making. In contrast, those with higher levels of financial literacy are more willing to take calculated risks (Sabri, 2016). Mahat and Lau (2023) identified financial literacy, experience, and risk tolerance as key factors, with experience often more influential. Studies across nations support the link between financial literacy, trust, and product quality (Simanjuntak et al., 2020; Hikmah & Rustam, 2022; Nugraha et al., 2022; Pan et al., 2020; Carolina et al., 2025; Song et al., 2023). As in Malaysia, millennials' stock intentions are shaped by financial literacy, attitudes, and behavioural control (Sabiran et al., 2023). While other factors such as self-efficacy, regulation, and transparency also matter (Wibawa & Noveria, 2025).

Access to Information and Planning Services

Access to product information and professional advice translates knowledge into action. Malaysia has introduced initiatives such as reduced stamp duties and fractional shareholding to boost inclusivity (Securities Commission Malaysia, 2024). Such information to enhance their participation in the capital market includes stock market trends, expected risk-return characteristics of financial products, diversification strategies, and professional investment advice. Evidence shows that investors who rely on licensed planners are more engaged (Federation of Investment Managers Malaysia, 2020). However, many still depend on informal sources such as family or social media (Ismail et al., 2018).

Digital platforms and social media now play a major role in shaping investment behaviour and entrepreneurial marketing (Khatik et al., 2021). Digital financial access mechanisms have also been shown to influence participation in formal financial services. Aqilah and Fathoni (2023) find that technological readiness and trust significantly determine mobile banking adoption in Indonesia, indicating that digital channels can serve as gateways to broader financial engagement. This reinforces the importance of examining digital information sources, such as social media and online platforms, in shaping capital market participation within Malaysia.

During COVID-19, financial discussions surged online, and finfluencers gained credibility among younger investors, influencing decisions in Poland (Musialik-Chmiel et al., 2025) and Germany (Zureck et al., 2025). While broadening access, this also raises the risk of misinformation. Globally, social media engagement encourages capital market involvement (Harchekar, 2017; Haritha & Uchil, 2020; Lam & Nie, 2020; Litt et al., 2020). In Malaysia, herding, social interaction, and financial literacy drive Gen Z investment (Yang et al., 2021; Khalisharani et al., 2022; Zainordin et al., 2025). Nevertheless, low-financial-literacy investors often avoid seeking advice or engaging with markets (Kramer, 2016). Professional advice enhances both participation and diversification (Kramer, 2016; Moreland, 2018). Malaysian studies (Hii et al., 2022; Securities Commission Malaysia, 2022a) confirm that credible guidance improves retail investment behaviour.

Perceptions toward Financial Planners

Perceptions toward planners are crucial for market participation. Trust, professionalism, and ethics shape willingness to engage (Poudel et al., 2023). Global studies show that transparency and ethical practice by advisers encourage participation (Smithfield, 2024). Trust remains a stronger determinant of decisions than demographics, while its absence raises perceived risks (Fisch & Seligman, 2022; Carolina et al., 2025). Among Malaysian youth, advice from family, peers, and professionals is highly valued (Securities Commission Malaysia, 2022b). Trust is identified as a fundamental element in financial interactions that influences investment decisions and overall client satisfaction (Kulal et al., 2024). Family perspectives further shape financial planning (Rootman et al., 2014).

In Malaysia, participation is best explained by a combination of demographics, capabilities, behavioural factors, and trust. The Securities Commission Malaysia (2024) highlights that inclusive growth requires education, access, and trust-building. Overall, engagement in capital markets depends more on capability, credible information, and adviser perception than on demographic background.

METHODOLOGY

This study used a quantitative correlational design to examine factors affecting Malaysians' capital market investment decisions. It targeted individuals who are potentially economically active, representing 69 per cent of the population (Department of Statistics Malaysia, 2023), and are legally above 18 years old to be eligible to enter into investment contracts and participate in capital market investments. Thus, the target population ranged in age from 18 to 65 years. Based on Krejcie and Morgan's (1970) table, a minimum of 1,500 respondents was required for a 95 per cent confidence level with a 2.5 per cent margin of error. Purposive sampling covered four groups: public sector employees, SME/private employees and the public, FELDA/rural residents, and higher education youths to ensure diverse socio-economic representation.

Data were collected through a cross-sectional survey using closed-ended questionnaires in Malay and English from June to September 2023. A pilot test with 40 respondents helped refine wording and instructions. Besides demographics and socio-economic data, capital market literacy was measured using five standard questions on the time value of money, inflation, asset risk, diversification, and the relative risk of shares versus unit trusts (refer to Table 2 for the questions). These multiple-choice items (correct/incorrect/do not know) were adapted from Lusardi and Mitchell (2014) and the OECD/INFE toolkit (Organisation for Economic Co-operation and Development, 2018), widely used internationally and in Malaysia. The capital market literacy score was derived from the number of correct responses to these questions.

Financial capability was measured using nine items adapted from the Bank Negara Malaysia Survey on Financial Literacy of Malaysian Adults 2010, which is part of the Organisation for Economic Co-operation and Development (OECD) international survey 2010. Respondents rated their agreement on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The items captured behaviours such as expense planning, timely bill payment, reviewing spending, saving for emergencies, and preparing for retirement. Two items assessed financial awareness: interest in financial products and willingness to understand financial issues. Factor analysis confirmed two dimensions for financial capability: financial behaviour (seven items; loadings 0.627-0.773) and financial awareness (two items; loadings 0.833-0.866), with strong reliability ($\alpha = 0.860$ & 0.852; Nunnally & Bernstein, 1994). Only

these two factors used composite scores, while all other variables were included in the analysis as individual items that did not require factor analysis or reliability testing. The classification of low and high financial behaviour and financial awareness was determined using a median split based on composite scores.

Access to financial product information was measured across 10 sources, including social media, radio/television, banks, colleagues, and a licensed financial planner. In contrast, access to planning services was assessed by asking respondents to select their top three financial planners from a list of 10 providers. Perceptions of planners were rated on a 5-point scale covering trustworthiness, past success, and market knowledge and were used in the regression as individual items rather than a composite score. Graduates are defined as respondents who have attained a diploma-level qualification or higher. Income adequacy was measured using the question: "Which one best describes your current income adequacy?" with four response options: (1) Not sufficient, (2) Enough for basic needs only, (3) Enough for most things, and (4) Enough to buy all the items you wished for and could save money (Gildner et al., 2019). Respondents selecting the last two options were classified as having adequate income.

The 40 per cent investment ratio was chosen to reflect a high investment ratio well above the general financial planning benchmark (10-25%). Financial planning guidelines commonly recommend saving approximately 15 to 25 per cent of income to support long-term financial security (Certified Financial Planner Board of Standards, 2020). While retirement planning guidelines frequently suggest saving at least 15 per cent of income over a working life to accumulate sufficient retirement funds (Fidelity Investments, 2023).

Data were analysed with SPSS version 25.0, using factor analysis for multi-item measures and inferential tests (Chi-square and regression) to examine relationships and the effect on capital market participation. Demographic, socio-economic characteristics, access to product information, and other categorical variables were included in the regressions as dummy variables, with one less than the number of categories for each variable to avoid perfect multicollinearity (Gujarati & Porter, 2009; Wooldridge, 2020). For example, age was represented by four dummy variables, whereas individual income reclassified into three groups based on the income thresholds for B40, M40 and T20, required only two dummy variables in the regressions.

RESULTS

Objective 1: To Examine the Influence of Demographic and Socio-Economic Factors on Malaysian Retail Investors' Participation in the Capital Market

The capital market participation model demonstrates moderate explanatory power (Cohen, 1988), with an R-square of 0.168, indicating that 16.8 per cent of the variance is explained by demographic and socio-economic factors ($F = 11.024$; $p = 0.000$). On average, individuals hold one to two types of capital market investments (Mean = 1.36; SD = 1.301).

Regression results in Table 1 show that education is the strongest predictor ($\beta = 0.165$, $t = 4.351$, $p < 0.001$), underscoring the role of higher attainment in fostering participation. Employment status is another significant factor ($\beta = 0.126$, $t = 3.044$, $p = 0.002$), suggesting that stable income enhances investment capacity. Ethnicity (Chinese) ($\beta = 0.112$, $t = 2.176$, $p = 0.030$) and income adequacy ($\beta = 0.112$, $t = 3.657$, $p = 0.000$) were also important, showing that socio-cultural background and perceived sufficiency of income influence decisions.

Among age groups, those aged 30 to 39 years showed a positive effect (β = 0.108, t = 2.128, p = 0.034), highlighting mid-adulthood as a key entry stage. Income group differences were also notable, where the B40 had a negative effect (β = -0.108, t = -2.728, p = 0.006), while the T20 showed a positive contribution (β = 0.081, t = 2.498, p = 0.013). The practice of allocating a high proportion of income to savings, particularly 40 per cent, was significant (β = 0.092, t = 3.020, p = 0.003), reflecting disciplined saving as a facilitator of investment.

Table 1

Demographic and Socio-Economic Characteristics

Dependent Variable: Capital Market Participation

Model 1	B	Standard Error	Beta	t	Sig.
(Constant)	0.384	0.129		2.980	0.003
Male	0.046	0.035	0.042	1.317	0.188
Malay	-0.005	0.067	-0.005	-0.080	0.936
Chinese	0.166	0.076	0.112	2.176*	0.030
Indian	-0.029	0.114	-0.009	-0.258	0.796
Bumiputra Sabah/Sarawak	0.077	0.101	0.028	0.762	0.446
Single	-0.137	0.102	-0.128	-1.343	0.180
Married	-0.172	0.090	-0.160	-1.919	0.055
Graduate	0.201	0.046	0.165	4.351**	0.000
Employed	0.137	0.045	0.126	3.044**	0.002
B40 income	-0.155	0.057	-0.108	-2.728**	0.006
T20 income	0.277	0.111	0.081	2.498*	0.013
Age 18-20 years old	0.119	0.107	0.047	1.113	0.266
Age 20-29 years old	0.006	0.079	0.006	0.077	0.938
Age 30-39 years old	0.142	0.067	0.108	2.128*	0.034
Age 40-49 years old	0.071	0.064	0.051	1.109	0.268
Income adequacy	0.162	0.044	0.112	3.657**	0.000
40% saved for investment	0.422	0.140	0.092	3.020**	0.003

Notes. ** $p \leq 0.01$; * $p \leq 0.05$

Objective 2: To Assess the Role of Capital Market Literacy and Financial Capability in Shaping Investment Decisions

The chi-square test in Table 2 examined the link between capital market literacy and participation. Certain capital market literacy items significantly influenced participation. A higher proportion of respondents who participated in the capital market (36.2%) answered the first question correctly ("Assume a friend inherits RM10,000 today and his sibling inherits RM10,000 three years from now. Who is richer?") than those who answered the time value of money question incorrectly (30.7%) (χ^2 = 3.986, p = 0.046).

Similarly, the statement "Shares are normally riskier than unit trust" showed a significant association (χ^2 = 5.008, p = 0.025), with higher participation among correct respondents than among those who answered incorrectly (73.9% versus 68.0%). Other questions on understanding inflation ("income doubled but prices also doubled in the future"), and risk-return trade-off ("which asset shows the highest fluctuations") were not significant. However, correct answers were still associated with slightly higher participation, except for the diversification question ("spreading money across different assets").

Table 2

Capital Market Literacy and Capital Market Participation

Capital Market Literacy	Answer	Capital Market Participation (%)			
		No	Yes	Total	χ^2
Assume a friend inherits RM10,000 today and his sibling inherits RM10,000 three years from now. Who is richer because of the inheritance? My friend	Incorrect	69.3	30.7	100.0	3.986*
	Correct	63.8	36.2	100.0	
Suppose that in the year 2025 (in the future), your income has doubled and prices of all goods have doubled too. In 2025, how much will you be able to buy with your income? Exactly the same	Incorrect	55.1	44.9	100.0	0.253
	Correct	53.7	46.3	100.0	
Normally, which asset displays the highest fluctuations over time? Shares	Incorrect	35.9	64.1	100.0	0.016
	Correct	35.5	64.5	100.0	
When an investor spreads his money among different assets, does the risk of losing money? Decrease	Incorrect	57.6	42.4	100.0	0.076
	Correct	58.3	41.7	100.0	
Shares are normally riskier than unit trust. True	Incorrect	32.0	68.0	100.0	5.008*
	Correct	26.1	73.9	100.0	

Notes. * $p \leq 0.05$

Table 3 shows the relationship between financial capability (financial behaviour and awareness) and capital market participation. Respondents with higher financial behaviour reported greater participation (73.2%) than those with lower behaviour (66.4%), though the difference was not significant ($\chi^2 = 2.438$, $p = 0.118$). Similarly, higher financial awareness was associated with slightly higher participation (73.0% versus 69.0%), but the association was not significant ($\chi^2 = .907$, $p = 0.341$).

Overall, although both financial behaviour and financial awareness showed positive trends with participation, the results suggest that these dimensions of financial capability did not exert a statistically significant influence on capital market participation in this study.

Table 3

Financial Capability and Capital Market Participation

Financial Capability Dimensions	Level	Capital Market Participation (%)			
		No	Yes	Total	χ^2
Financial Behaviour	Low	33.6	66.4	100.0	2.438
	High	26.8	73.2	100.0	
Financial Awareness	Low	31.0	69.0	100.0	0.907
	High	27.0	73.0	100.0	

Notes. All are Not Significant.

Objective 3: To Evaluate the Impact of Access to Financial Product Information and Planning Services on Participation Behaviour

The cross-tabulation analysis in Table 4 explored the impact of access to financial product information sources on capital market participation behaviour. Respondents who obtained information from social

media reported significantly higher participation in the capital market (74.0%) compared to those who did not (68.7%), with a significant difference ($\chi^2 = 3.840$, $p = 0.050$). Access through banks also showed a strong positive effect ($\chi^2 = 17.762$, $p = 0.000$), with 78.5 per cent of bank users participating in the capital market compared to 68.7 per cent of non-users.

In contrast, those relying on friends and family were less likely to participate (69.3% versus 75.9%), a difference that is also significant ($\chi^2 = 8.224$, $p = 0.004$). Similar to reliance on radio/television, which was significant ($\chi^2 = 4.119$, $p = 0.042$), with slightly lower participation among users (72.7%) than non-users (73.9%). Other sources, including print media, online media, colleagues, official websites, licensed planners, and seminars, showed no significant associations, as the difference in participation rates was small between users and non-users (e.g. printed media: 74.6% users & 72.3% non-users).

Table 4

Access to Financial Products Information and Capital Market Participation

Access to Financial Product Information	Answer	Capital Market Participation (%)			
		No	Yes	Total	χ^2
Social media	No	31.3	68.7	100.0	3.840*
	Yes	26.0	74.0	100.0	
Radio/ Television $^{\gamma}$	No	26.1	**73.9**	100.0	4.119*
	Yes	**31.7**	72.7	100.0	
Bank	No	31.3	68.7	100.0	17.762**
	Yes	21.5	78.5	100.0	
Printed Media	No	27.7	72.3	100.0	0.477
	Yes	25.4	74.6	100.0	
Online Media	No	25.7	74.3	100.0	3.221
	Yes	30.0	70.0	100.0	
Colleagues	No	28.3	71.7	100.0	2.972
	Yes	23.3	76.7	100.0	
Friends & Family $^{\gamma}$	No	24.1	**75.9**	100.0	8.224**
	Yes	**30.7**	69.3	100.0	
Official Website	No	27.9	72.1	100.0	0.657
	Yes	25.8	74.2	100.0	
Licensed Financial Planner	No	27.7	72.3	100.0	0.761
	Yes	24.6	75.4	100.0	
Seminar/ Financial Talk	No	28.4	71.6	100.0	3.530
	Yes	23.0	77.0	100.0	

Notes. ** $p \leq 0.01$; * $p \leq 0.05$; $^{\gamma}$ Negative Association

Table 5 presents the results of cross-tabulation between access to financial planning service providers and capital market participation. Those who preferred wealth managers were more likely to participate in the capital market (80.5%) than those who did not (69.9%), with a significant relationship ($\chi^2 = 16.327$, $p = 0.000$).

Similarly, respondents who engaged with insurance advisors showed higher participation (83.5%) than non-users (69.8%), with a strong significant association ($\chi^2 = 23.296$, $p = 0.000$). A significant relationship was also observed among unit trust consultants, with 76.2 per cent of users participating in the capital market compared to 70.5 per cent of non-users ($\chi^2 = 5.928$, $p = 0.015$).

However, those who did not prefer AKPK (Credit Management & Counselling Agency) financial advisory services had higher participation (75.8%) compared to those who did (67.3%), indicating a significant negative association ($\chi^2 = 12.603$, $p = 0.000$). In contrast, no significant relationships were found for preferences toward bank managers, bank officers, independent financial advisors, real estate agents, and retirement advisory services, as indicated by non-significant chi-square values.

Table 5

Financial Planning Services and Capital Market Participation

Access to Financial Planning Services	Answer	Capital Market Participation (%)			
		No	Yes	Total	χ^2
Wealth Manager	No	30.1	69.9	100.0	16.327**
	Yes	19.5	80.5	100.0	
Bank Manager	No	27.7	72.3	100.0	0.248
	Yes	26.5	73.5	100.0	
Bank Officer	No	26.8	73.2	100.0	0.430
	Yes	28.4	71.6	100.0	
AKPK Financial Advisory Services $^{\gamma}$	No	24.2	**75.8**	100.0	12.603**
	Yes	**32.7**	67.3	100.0	
Insurance Advisor	No	30.2	69.8	100.0	23.296**
	Yes	16.5	83.5	100.0	
Unit Trust Consultant	No	29.5	70.5	100.0	5.928*
	Yes	23.8	76.2	100.0	
Independent Financial Advisor	No	27.0	73.0	100.0	0.208
	Yes	28.1	71.9	100.0	
Real Estate Agent	No	27.4	72.6	100.0	0.008
	Yes	27.0	73.0	100.0	
Retirement Advisory Services	No	27.3	72.7	100.0	0.004
	Yes	27.5	72.5	100.0	

Notes. ** $p \leq 0.01$; * $p \leq 0.05$; $^{\gamma}$ Negative Association

Objective 4: To Investigate Retail Investor Perceptions toward Financial Planners and How These Perceptions Affect Market Engagement

The analysis of respondents' perceptions toward financial planner's reveals varying levels of agreement across different attributes (Table 6). The highest mean score was observed for the statement "Provides independent advice" ($M = 3.94$, $SD = 1.383$), indicating that retail investors generally view financial planners as impartial and capable of offering unbiased recommendations. This is followed by "Is able to refer you to other specialists if the need arises" ($M = 3.51$, $SD = 1.111$), suggesting recognition of planners' role as facilitators within a wider financial services network.

Table 6

Perceptions toward Financial Planners

Perceptions toward Financial Planners	Mean (1-5) (M)	Standard Deviation (SD)
Is trustworthy	1.44	1.029
Provides evidence of success in the past	2.64	1.158
Provides up-to-date information regarding the marketplace	2.78	1.025
Is able to refer you to other specialists if the need arises	3.51	1.111
Provides independent advice	3.94	1.383

Perceptions of financial planners' ability to provide up-to-date market information also scored moderately (M = 2.78, SD = 1.025), as did perceptions of their ability to provide evidence of past success (M = 2.64, SD = 1.158). The lowest mean score was observed for a financial planner who "Is trustworthy" (M = 1.44, SD = 1.029), reflecting significant concerns about the credibility and integrity of financial planners among Malaysian retail investors.

The analysis of the association between perceptions of financial planners and capital market participation highlights the extent to which these perceptions affect investor engagement (Table 7). A significant relationship was found between two dimensions: trustworthiness and the ability to provide up-to-date information about the marketplace. Respondents who perceived financial planners as trustworthy were more likely to participate in the capital market (73.6%) compared to those with lower perceptions of trustworthiness (65.3%), with the relationship being statistically significant ($\chi^2 = 5.388$, $p = 0.020$).

Similarly, respondents who believed that financial planners provided up-to-date market information showed higher participation (79.4%) than those who perceived otherwise (69.4%), with a strong significant association ($\chi^2 = 16.834$, $p = 0.000$). On the other hand, no significant relationships were found for other attributes of financial planners, namely providing evidence of past success ($\chi^2 = 0.415$, $p = 0.519$), ability to refer clients to other specialists ($\chi^2 = 0.627$, $p = 0.429$), and providing independent advice ($\chi^2 = 0.994$, $p = 0.319$), as capital market participation rates were relatively similar between groups.

Table 7

Perceptions toward Financial Planners and Capital Market Participation

Perception toward Financial Planners	Level	Capital Market Participation			
		No	Yes	Total	χ^2
Is trustworthy	Low	40.0	60.0	100.0	5.3880*
	High	26.4	73.6	100.0	
Provides evidence of success in the past	Low	28.2	71.8	100.0	0.415
	High	26.7	73.3	100.0	
Provides up to date information regarding the marketplace	Low	30.6	69.4	100.0	16.834**
	High	20.6	79.4	100.0	
Is able to refer you to other specialists if the need arises	Low	27.8	72.2	100.0	0.627
	High	25.6	74.4	100.0	
Provides independent advice	Low	27.9	72.1	100.0	0.994
	High	25.0	75.0	100.0	

Notes. ** $p \leq 0.01$; * $p \leq 0.05$

Objective 5: To Analyse the Combined Effects of These Variables on Overall Participation in the Malaysian Capital Market

Regression Model 2 ($R^2 = 0.200$; $F = 6.338$; $p = 0.000$) in Table 8 shows moderate explanatory power, with demographic, socio-economic, and financial factors significantly influencing capital market participation. Compared to Model 1, Model 2 confirmed the same significant predictors for demographic and socio-economic factors: being a graduate ($\beta = 0.130$, $p = 0.001$), aged 30 to 39 ($\beta = 0.114$, $p = 0.025$), and of Chinese ethnicity ($\beta = 0.112$, $p = 0.032$). Similarly, financial adequacy ($\beta = 0.100$, $p = 0.001$), employment ($\beta = 0.097$, $p = 0.023$), and higher income showed significant effects, with B40 showing a negative effect ($\beta = -0.093$, $p = 0.019$) and T20 a positive one ($\beta = 0.080$, $p = 0.015$). Saving at least 40 per cent of income for investment also had a positive impact ($\beta = 0.089$, $p = 0.004$).

The results indicate varying strengths of influence among the examined factors. The perception that financial planners can refer clients to other specialists when needed showed the strongest effect, though in a negative direction ($\beta = -0.094$, $t = -2.362$, $p = 0.018$), suggesting that this perception was unexpectedly associated with lower participation. Among the positive predictors, financial capability, measured by financial awareness, exerted the strongest influence ($\beta = 0.079$, $t = 2.240$, $p = 0.025$), followed by capital market literacy ($\beta = 0.072$, $t = 2.174$, $p = 0.030$). Accessing product information from colleagues also demonstrated a significant positive effect, albeit weaker ($\beta = 0.065$, $t = 2.002$, $p = 0.046$).

Table 8

Factors Influencing Capital Market Participation

Model 2	B	Std. Error	Beta	t	Sig.
(Constant)	0.031	0.550		0.056	0.955
Male	0.056	0.035	0.051	1.610	0.108
Malay	0.037	0.068	0.032	0.553	0.581
Chinese	0.165	0.077	0.112	2.147*	0.032
Indian	0.012	0.115	0.004	0.106	0.915
Bumiputra Sabah/Sarawak	0.061	0.101	0.022	0.599	0.549
Single	-0.139	0.102	-0.130	-1.360	0.174
Married	-0.150	0.091	-0.139	-1.655	0.098
Graduate	0.158	0.048	0.130	3.324**	0.001
Employed	0.105	0.046	0.097	2.276*	0.023
Income B40	-0.134	0.057	-0.093	-2.341*	0.019
Income T20	0.271	0.112	0.080	2.432*	0.015
Age less than 20	0.133	0.107	0.053	1.244	0.214
Age 20 to 29	-0.016	0.080	-0.015	-0.206	0.837
Age 30 to 39	0.151	0.067	0.114	2.250*	0.025
Age 40 to 49	0.068	0.064	0.048	1.053	0.293
Financial Adequacy	0.145	0.045	0.100	3.202**	0.001
Save 40% for Investment	0.408	0.140	0.089	2.919**	0.004
Capital Market Literacy	0.029	0.013	0.072	2.174*	0.030
Financial Capability: Financial Awareness	0.025	0.011	0.079	2.240*	0.025
Financial Capability: Financial Behaviour	-0.002	0.004	-0.017	-0.509	0.611

(continued)

Model 2	B	Std. Error	Beta	t	Sig.
Access to Product Information: Banks	0.044	0.039	0.041	1.122	0.262
Access to Product Information: Official website	0.020	0.042	0.016	0.474	0.636
Access to Product Information: Licensed financial planner	-0.005	0.057	-0.003	-0.096	0.923
Access to Product Information: Social media	-0.028	0.044	-0.022	-0.646	0.518
Access to Product Information: Radio/Television	-0.072	0.044	-0.055	-1.630	0.103
Access to Product Information: Printed media	-0.066	0.053	-0.042	-1.250	0.212
Access to Product Information: Online media	0.024	0.039	0.021	0.619	0.536
Access to Product Information: Colleagues	0.088	0.044	0.065	2.002*	0.046
Access to Product Information: Friends and family	-0.004	0.039	-0.004	-0.102	0.919
Access to Product Information: Financial talk	0.017	0.042	0.013	0.400	0.689
Access to financial planners	0.291	0.496	0.018	0.587	0.558
Trustworthy financial planner	-0.077	0.090	-0.027	-0.860	0.390
Financial planner provides evidence of success	0.023	0.066	0.013	0.356	0.722
Financial planner provides up-to-date information	0.045	0.081	0.019	0.558	0.577
Financial planner is able to refer client to other specialists if needed	-0.144	0.061	-0.094	-2.362*	0.018
Financial planner provides independent advice	-0.049	0.050	-0.046	-0.988	0.323

Notes. ** $p \leq 0.01$; * $p \leq 0.05$

By contrast, financial behaviour was not significant ($\beta = -0.017$, $t = -0.509$, $p = 0.611$), and most other channels of information access, including banks, licensed financial planners, official websites, social media, printed and online media, and seminars, did not show a significant influence. Similarly, perceptions of financial planners regarding trustworthiness, evidence of success, up-to-date information, and independent advice were not significant predictors of capital market participation.

DISCUSSION

Influence of Demographic and Socio-Economic Characteristics on Capital Market Participation

The regression findings of Model 1 in Table 1 reinforce the significance of demographic and socio-economic characteristics in shaping capital market participation. The positive influence of Chinese ethnicity on participation supports past studies in Malaysia, which reported higher investment participation among Chinese communities due to cultural emphasis on financial planning and wealth accumulation (Rahman et al., 2020). The strong effect of educational attainment on participation is consistent with Kaur and Hassan (2018), who argued that higher education enhances financial knowledge and investment decision-making.

The results also highlight the role of employment and income groups. Employed individuals have greater access to financial resources and employer-linked financial products, which enhances participation (Organisation for Economic Co-operation and Development, 2022; Senda et al., 2020; Xiao & Porto, 2017). The contrasting outcomes between the B40 and T20 groups reflect inequality in financial capacity, aligning with Sabri et al. (2023), who noted that low-income households often face liquidity constraints, limiting their investment opportunities, while higher-income groups actively engage in wealth accumulation.

Age differences further suggest that individuals in their 30s are at a life stage when financial stability enables more active participation in the capital markets. This result is in line with Senda et al. (2020) among Indonesians. Moreover, income adequacy and a deliberate strategy of saving for investment

were strong predictors, underscoring the role of financial discipline in enabling participation and reflecting stronger financial management practices that lead to better allocation of resources toward long-term investment (Morgan & Trinh, 2019).

However, beyond age and education, deeper structural and systemic barriers remain. Rural-urban divides limit participation due to uneven digital infrastructure and weaker access to financial institutions outside metropolitan areas (World Bank Group, 2022). Income inequality further amplifies exclusion, as lower-income households face persistent liquidity constraints and higher vulnerability to financial shocks, reducing their ability to invest. Regulatory challenges, including weak retail investor protection and limited reach of advisory services, may also discourage wider participation, particularly among vulnerable groups. These barriers suggest that capital market participation is not only a matter of individual choice but also reflects structural inequalities within Malaysia's financial system.

Overall, the regression results confirm that demographic and socio-economic factors particularly employment, education, income, income adequacy, and saving behaviour are critical enablers of capital market participation, along with specific age groups and Chinese ethnicity. This highlights the need for policies to improve financial literacy among the B40 group, enhance access to investment products, and encourage structured savings to promote inclusive participation in Malaysia's capital market. At the same time, persistent challenges such as the country's low savings rate and inadequate retirement planning (Lusardi & Mitchell, 2014; Securities Commission Malaysia, 2022a) indicate that financial literacy gaps and structural constraints must be addressed to ensure households can build long-term wealth and resilience.

The Model 2 multiple regression findings presented in Table 8 indicate that demographic and socio-economic characteristics, when controlled for financial variables, continue to play a critical role in shaping participation in Malaysia's capital market. The same significant demographic and socio-economic characteristics persisted in Model 2, with financial variables as controls. Employment status aligns with prior research showing that stable income sources provide individuals with greater confidence and resources to invest (Xiao & Porto, 2017). The significance of Chinese ethnicity is consistent with earlier study by Rahman et al. (2020), suggesting cultural and social factors influence risk-taking and investment behaviour in Malaysia (Abd Sukor et al., 2021).

Educational attainment emerged as one of the strongest predictors and is consistent with evidence that higher education enhances financial literacy and awareness of investment opportunities (Lusardi & Mitchell, 2014). The contrasting outcomes between B40 and T20 income groups highlight the structural inequality in capital market participation. Lower-income households may face liquidity constraints and prioritise consumption over investment (Organisation for Economic Co-operation and Development, 2020; Sabri et al., 2023), whereas higher-income households are more financially resilient and able to take investment risks.

Age effects reveal that individuals aged 30 to 39 are significantly more engaged in capital market participation, consistent with Senda et al. (2020). This could reflect a life-cycle pattern, in which individuals in this stage accumulate disposable income and set long-term financial goals, making them more proactive investors. The role of financial adequacy and saving behaviour further reinforces the importance of financial capability in enabling investment decisions. As suggested by Morgan and Trinh (2019), individuals with stronger financial management practices are better positioned to allocate resources toward long-term investment.

Capital Market Literacy and Capital Market Participation

The cross-tabulation findings in Table 2 suggest that specific aspects of capital market literacy are more critical than others in predicting participation. As found by Sabri (2016), Malaysian millennials who lack an understanding of the time value of money are more likely to exhibit risk aversion in investment decision-making. In contrast, those equipped with advanced financial literacy are more willing to take calculated risks. Knowledge of the time value of money was significantly associated with higher participation, supporting Lusardi and Mitchell's (2014) argument that understanding intertemporal choices is central to financial decision-making. This suggests that individuals who recognise the trade-off between present and future value are more likely to engage in investment activities, reflecting more rational financial behaviour. Moreover, the significant association between recognising shares as riskier than unit trusts and participation aligns with previous studies that highlight the importance of risk perception in investment decisions (Lathief et al., 2024). When investors are aware of the relative risk levels of financial instruments, they are better positioned to make informed choices, thereby increasing their likelihood of participating in the capital market.

Other capital market literacy items, such as understanding inflation, diversification, and asset volatility, were not statistically significant, even though they showed positive trends. This suggests that while these concepts are important in theory, they may not strongly influence the actual behaviour of Malaysian retail investors. Sabri (2016) found that only certain aspects of capital market literacy, like understanding the time value of money and risk, have a stronger effect on behaviour, while others are less predictive. Overall, the findings show that capital market literacy is not uniform; specific areas, especially the time value of money and risk awareness are more influential in encouraging participation. This highlights the need for targeted financial education in Malaysia that focuses on core capital market literacy skills directly linked to investment behaviour and inclusion (Organisation for Economic Co-operation and Development, 2022).

The composite score for capital market literacy, when included in the regression model together with demographic, socio-economic, and financial variables, was found to significantly influence capital market participation, as shown in Table 8. This result is consistent with a substantial body of literature indicating that financial literacy in the capital market plays an important role in shaping investment behaviour. Earlier empirical work demonstrates that individuals with higher financial literacy in the capital market are significantly more likely to participate in stock markets because they are better able to understand risk diversification and evaluate financial products (Van Rooij et al., 2011).

Similar findings have also been reported in more recent Malaysian studies. For instance, research shows that financial literacy and access to financial advice significantly increase the likelihood of stock market participation among Malaysian investors (Zainordin et al., 2025). Likewise, financial knowledge in the capital market, investment experience, and risk tolerance have been identified as key determinants of participation in the Malaysian capital market (Mahat & Lau, 2023). These findings suggest that higher levels of capital market literacy reduce informational barriers and increase investors' confidence in making financial decisions, thereby encouraging greater engagement in investment activities. Consequently, improving financial education and capital market awareness remains an important policy strategy for expanding retail investor participation in Malaysia.

Financial Capability and Capital Market Participation

The cross-tabulation findings in Table 3 indicate that, while higher financial capability, as measured by financial behaviour and awareness, appears to be associated with greater capital market participation, the relationships were not statistically significant. This outcome aligns with past studies, which suggest that financial behaviour is more predictive of financial well-being than market participation alone (Sabri et al., 2024). In practice, individuals may exhibit responsible financial behaviour (e.g., budgeting, timely bill payments, regular saving) without necessarily translating it into active capital market participation. The non-significant effect of financial awareness resonates with prior evidence showing that general awareness of financial concepts does not always translate into investment actions. Awareness provides foundational knowledge, but factors such as risk tolerance, trust in financial institutions, and access to investment platforms often play more decisive roles (Adinugroho, 2025).

However, the positive direction of the cross-tabulation results indicates potential for improvement through targeted interventions. Previous studies in Malaysia have shown that enhancing both financial behaviour and awareness through structured financial education can encourage greater participation in investment products (Samsulbahri et al., 2021). The Organisation for Economic Co-operation and Development (2022) also emphasises that financial capability is multidimensional, requiring not only awareness but also confidence and motivation to act. Thus, while financial capability alone may not guarantee capital market participation, its improvement remains an essential foundation for long-term investor inclusion and financial resilience in Malaysia.

The regression findings from Table 8 show that the financial capability dimension namely financial awareness is crucial for encouraging participation, even after controlling for demographic, socio-economic, and other financial variables, contrary to the insignificant result from the cross-tabulation. This aligns with studies suggesting that greater financial knowledge helps reduce uncertainty and information gaps (Lusardi & Mitchell, 2014). The lack of impact from financial behaviour suggests that good money habits alone do not lead to market involvement without specific investment knowledge (Xiao & Porto, 2017; Zainordin et al., 2025).

Access to Financial Products Information and Capital Market Participation

The cross-tabulation findings in Table 4 highlight that the credibility and reliability of financial information sources play a critical role in shaping capital market participation. Access to financial information through banks had the strongest positive association, consistent with the fact that banks are highly regulated institutions and serve as a trusted source of investment-related information. This finding aligns with past studies indicating that official financial institutions serve as gateways to building investor confidence (Organisation for Economic Co-operation and Development, 2020).

The positive link with social media shows its growing role as a source of financial information, especially for younger, tech-savvy investors. However, social media also carries a high risk of misinformation (Sabri & Aw, 2019), highlighting the need for digital financial literacy to help investors identify reliable content. In contrast, the negative link with advice from friends and family reflects the limits of informal sources, which often lack accuracy and verification. This aligns with Lusardi and Mitchell (2014), who argue that relying on non-expert advice can weaken effective investment behaviour.

Results that are not significant for printed media, online media, official websites, financial planners, and seminars suggest that, while these sources may provide accurate information, their impact on actual investment participation is limited, possibly due to low accessibility, limited reach, or underutilisation. This indicates the importance of not only providing accurate information but also ensuring it is accessible, engaging, and practical for potential investors. The results emphasise that trusted, regulated sources (banks) and accessible modern platforms (social media) are critical in promoting wider retail participation in the capital market. Efforts to strengthen financial literacy programs should also focus on enhancing individuals' ability to evaluate the quality of financial information, particularly from informal or high-risk sources.

However, after controlling for demographic, socio-economic, and other financial variables, access to financial product information through colleagues was found to be a key source of information, as shown in Table 8. Peer-to-peer sharing appears more influential than formal channels like banks or official websites, reflecting the importance of social networks in Malaysia's collectivist culture (Yang et al., 2021). In contrast, mass media and social media had a limited impact, possibly because their content is too general or overwhelming to prompt action. However, social media can still enhance financial literacy and confidence in certain settings, such as among self-employed individuals in Germany (Zureck et al., 2025).

Access to Financial Planning Services and Capital Market Participation

The cross-tabulation results in Table 5 suggest that preferences for specific financial planner's influence individuals' likelihood of participating in the capital market. The significant role of wealth managers, insurance advisors, and unit trust consultants highlights the importance of specialised financial guidance in fostering greater capital market participation. These professionals often provide tailored advice, investment options, and structured financial products, which may directly encourage individuals to invest in capital market instruments. This finding is consistent with past studies, which show that professional financial advice enhances investment participation and portfolio diversification (Kramer, 2016). In the Malaysian context, Hii et al. (2022) and Securities Commission Malaysia (2022a) also found that access to credible financial guidance positively influences individuals' investment behaviour.

Conversely, the negative association with AKPK financial advisory services may be explained by its primary role in assisting individuals facing financial distress, debt management, and budgeting issues. Clients who rely on AKPK may be more focused on restoring financial stability rather than engaging in capital market investments. This supports findings by Lusardi and Mitchell (2014), who argued that financially constrained individuals are less likely to participate in risky asset markets, even when advisory services are available.

The non-significant results for bank-related services, independent financial advisors, real estate agents, and retirement advisory services indicate that these providers may play a limited role in influencing direct participation in the capital market. Banks and retirement advisory services often focus more on savings products, pensions, or deposits, which are not directly tied to capital market investments. Similarly, real estate transactions may absorb household financial resources, reducing the likelihood of allocating funds to market instruments.

Overall, the findings emphasise the need for policymakers and regulators to enhance the visibility and accessibility of professional advisors, particularly wealth managers, insurance advisors, and unit trust consultants, who appear to be key drivers of capital market participation. By doing so, financial literacy

and investment confidence could be improved, thereby expanding retail participation in the Malaysian capital market.

When access to financial planners representing different types of advisory services was included in the regression model, after controlling for demographic, socio-economic, and other financial variables, the result was not statistically significant in influencing capital market participation, as shown in Table 8.

Perceptions toward Financial Planners and Capital Market Participation

The cross-tabulation findings in Table 7 indicate that trust and timely information are critical determinants of investor behaviour in the capital market. Trust in financial planners is associated with higher market participation, as it lowers perceived risk and enhances investor confidence (Fisch & Seligman, 2022). Studies from the United States further demonstrate that trusted advisers promote broader market participation and portfolio diversification (Smithfield, 2024). Similar patterns are observed internationally, where trust significantly influences investment preferences and decision-making (Carolina et al., 2025). Consistently, Kulal et al. (2024) found that trust fosters both satisfaction and confidence among investors.

Access to up-to-date market information significantly affects investment participation. Investors who view planners as well-informed are more likely to invest, as transparency leads to better decisions. In Malaysia, timely advice matters due to information gaps between retail and institutional investors (Bank Negara Malaysia, 2022). Strengthening trust and transparency through agencies such as the Securities Commission Malaysia and the Financial Planning Association Malaysia (FPAM) is essential to closing information gaps and boosting retail participation.

After controlling for demographic, socio-economic, and other financial variables in the regression model (Table 8), an unexpected finding was that the perception of financial planners referring clients to other specialists was associated with lower capital market participation. This may reflect investors' interpretation of such referrals as an indication that the planner lacks comprehensive expertise, thereby reducing confidence in the planner's ability to provide complete financial guidance. As a result, referrals to other financial specialists may generate negative perceptions among investors and weaken trust in financial planners. This supports past findings that trust and perceived competence are crucial for strong client-planner relationships (Fisch & Seligman, 2022). When clients believe their planner cannot handle their diverse investment needs on their own, their trust and willingness to follow advice may decline, which can discourage or limit their involvement in the capital market.

Compare with other Southeast Asian Nations, Malaysia's participation patterns mirror trends with younger urban populations driving financial technology adoption, but rural areas and low-income groups remain underserved (World Bank Group, 2022). Countries like Indonesia and Thailand face similar gaps in access to capital market products between high- and low- income groups. In contrast, developed markets such as Singapore have achieved broader inclusion through stronger financial education, regulatory safeguards, and more accessible investment platforms. These global and regional comparisons highlight the urgency for Malaysia to adopt more inclusive strategies to bridge demographic, socio-economic, and structural divides in its capital market.

CONCLUSION AND IMPLICATIONS OF THE STUDY

This study revealed that demographic and socio-economic factors, particularly education, income adequacy, and investment allocation ratio, are critical enablers of capital market participation in Malaysia. Employment status, income, ethnicity, and age also influence participation in the capital market. Specifically graduates, employed individuals, higher-income groups, and the Chinese ethnicity show higher engagement. Capital market literacy, when targeted at practical concepts such as risk, diversification, and the time value of money, exerts a stronger behavioural impact than general knowledge. Capital market literacy and financial awareness positively affect capital market participation, while financial behaviour is not significant. Access to product information through colleagues supports capital market participation, while negative perceptions toward financial planners may weaken investor confidence. In particular, referrals by financial planners to other specialists may be interpreted by investors as a lack of expertise, reducing trust in the planner's ability to provide comprehensive financial guidance.

The findings carry important implications for policy, practice, and research. For policymakers, tiered financial education programs tailored to low-income and middle-income households are needed to close socio-economic gaps. Such programs should integrate saving and investment modules into workplace-based training and community outreach, particularly for low-income groups. Enhancing access to affordable, simplified investment products, especially through FinTech channels, can further reduce barriers to first-time investors in rural and underserved areas. Regulators, in turn, must strengthen transparency, oversight, and ethical practices among financial planners to build investor trust and safeguard households against misinformation and fraud.

For practitioners, continuous professional training, culturally sensitive advisory practices, and responsible digital engagement are essential. Financial service providers should embed clear risk disclosures, decision-support tools, and trust-building measures into digital platforms. Community organisations and educators can complement these efforts by embedding financial and digital literacy into outreach programs, focusing on budgeting, retirement planning, and diversification strategies.

For researchers, the results highlight the importance of behavioural and socio-cultural factors that extend beyond basic financial knowledge. Future studies should refine measures of financial literacy and employ longitudinal or experimental designs to better understand how trust, literacy, and advisory support interact to shape actual investment behaviours.

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