

The Model of Stock Market Participation with an Emphasis on Cultural and Social Factors: A Grounded Theory Approach

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Abstract

The purpose of this study was to present a model of stock market participation with an emphasis on cultural and social factors. Given that to date, there has not been any realized stock market participation model developed with social and culture considerations; therefore, there are no realized cases to be studied as a part of this paper's research methodology. hence grounded theory is applied to propose a consistent framework. The results of the study showed that the cultural and social factors play an important role in stock market participation. factors like power distance index, uncertainty avoidance index, individualism vs. Collectivism, risk aversion, belief and attitude, self confidence, optimism, social interaction, group membership, family, peer group, internet, learning from others, word of mouth communication with others and herding behavior. The results also showed that expanding financial literacy, increase the transparency of financial markets, government protection of shareholders, increase public awareness about the stock market, reduce entry and transaction costs in the stock market, are the most important strategies, which can be employed to increase stock market participation. This paper also discusses the applicability and implications of this new framework for future research.

Keywords: Stock market participation, Cultural and social dimensions, Grounded theory.

Introduction

Stock market as one of the most important economic sectors, is a systematic market where listed securities are purchased & sold according to well defined rules & regulation. In other words: A stock market is an entity that provides "trading" facilities for stock brokers and traders to trade stocks. Stock market also provide facilities for issue and redemption of securities and other financial instruments, and capital events including the payment of income and dividends(Dagar, 2014).In addition, the stock market contributes to the transparency of monetary and tax transactions. The level of stock market development is often referred to as the economic development index of countries, and the greater participation of people in stock markets indicates the development of countries' economies. People's participation in the stock market and subsequent stock market development depends on several factors.Researchers argue that stock market participation is a consequence of people's economic decisions (Najeb & M, 2013).

Stock market develops with high participation and high traded volume and low market volatility. Firms operating in a developed stock market are efficient in operations and have a consistent stream of income. Moreover, they have better stock prices, high liquidity of stocks and low volatility in the market. Investors prefers to invest in a well developed stock market which in turn results an increase in firm performance, and this is an introduction to the development of the economies of the countries(Sulong, Saleem & Ahmed, 2018).

Decision-making is a complex process which includes analysis of several factors and various steps. Investors' decisions are derived from complex models of finance. These models include those based on expected risk and return associated with an investment, and risk-based asset pricing models like CAPM (Capital Asset Pricing Model). But decisions should never be made only by relying on the personal resources and complex models, which do not consider the situational factors(Kengatharan & Kengatharan, 2014).Investments in stocks earn a substantially higher return than investment in safer assets in the long run, even after adjusting for risks in the stock market.However, participation rates are still relatively low in many countries and show a substantial variability across the globe.

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In countries like Sweden or the US, over 50% of households participate in stock market while in Southern Europe the same proportion of households does not exceed 20% (Campbell 2006; Christelis et al. 2013; Dimmock and Kouwenberg 2010; Guiso et al. 2008).

Stock market participation is a phenomenon widely discussed in finance related activities and academic literature, while the relatively large differences in country-specific stock market participation rates have been left largely unexplored. Cocco, Gomes, and Maenhout (2005) show in their research that avoiding welfare loss can and should be achieved by investing in risky assets. This can be achieved for instance by participating in the stock market. These studies confirm that only a minority of the population join the stock market and this fact, besides representing an empirical puzzle is a source of major concern to policymakers (Thomas & Luca, 2018). Stock market participation puzzle, which was first introduced by Haliassos and Bertaut (1995), has attracted extensive interest in existing literature (e.g. GG Pennacchi, 2008; Bertaut & Starr-McCluer, 2002). According to Pennacchi (2008)'s standard financial theory, all individuals should invest a fraction of their wealth into risky assets. The reality, however, is not as ideal as the standard financial theory. Following the studies of Bertaut and Starr-McCluer (2002) and Tracy, Schneider, and Chan (1999), it is found that many households have negligible financial assets. Even the median household has a slight fraction of financial assets (Fan & Kong, 2017).

Given that the wellbeing of households will increasingly depend on the individuals' ability to deal with complex choices over instruments for portfolio differentiation, a growing body of literature has tried to unveil the determinants of stock market participation and to remove the barriers that might prevent such investment opportunity. Empirical evidence of industrialized countries documents that stock market participation depends on a variety of factors, such as household financial wealth (which supports the entry costs thesis; see Alan 2006; Guiso et al. 2003; Vis-ving-Jorgensen 2002;) age and education (Bertaut 1998; Bernheim and Garrett 1996; Bayer et al. 2009), risk aversion (Campbell and Cochrane 2000; Guiso et al. 1996; Heaton and Lucas 2000), trust in financial institutions (Georgarakos and Pasini 2011), social interaction (Hong et al. 2004), home ownership (Vestman 2010) and social capital (Guiso et al. 2004).

There are many studies that focus on stock market participation and factors affecting it, that some were mentioned above. However these studies have several major limitations, namely: (1) most of the research has paid less attention to cultural and social factors that might influence investors decision making styles and might have an impact on the efficiency of stock market (Aguilera, Filatotchev, & Jackson, 2008); (2) the studies discuss the factors that affecting stock market separately; (3) the research has largely been undertaken in developed countries which have different cultural, social and economical conditions compared to developing countries; (4) In terms of purpose, most of these studies focus solely on examining the relationship between two or more variables and no provide a comprehensive model of the factors affecting stock market participation; and (5) methodologically, in general, they use relatively less valid and reliable method in determine the factors affecting stock market participation.

The general research objective of this study is to analyse cultural, social and demographic factors which influence or determine stock market participation in an integrated theoretical and conceptual framework formalized and modelled by grounded theory (GT) method. This study focuses on tehran stock market and employs Iranian connoisseurs as a qualitative sample. Some justifications regarding the use of Iranian stock market conditions as follows: Firstly, Tehran stock market is an emerging market. Secondly, Culturally and socially, Iran has special conditions compared to other countries. Thirdly, In recent years, Tehran stock market has been well received compared to previous decades. These findings provide implicit information about the importance of stock market participation in developing countries. However, most research has continued to focus on developed countries which have different problems and context from that of developing countries.

Literature review

1. Culture

Culture is the set of values, beliefs, rules, and institutions held by a specific group of people (Hofstede, 1991). It is the acquired knowledge that people use to interpret experience and to generate social behavior (Joynt & Warner, 1996). In different cultural contexts, children are imprinted with culture-specific values through modeling, reinforcement, and social interaction with different socialization agents (e.g., parents, schools). These cultural values may further modify their learning properties such as consumer decision-making styles. In other words, cultural values could have contributed to the differences in consumer decision-making styles as observed in previous studies, although they may not be the sole forces.

With the globalization of world economy, increasing research efforts are being devoted to examining the cultural influence on consumer behaviors (Brewer & Venai, 2010). Culture-focused research is becoming more widespread now and understanding culture will be viewed as increasingly important (Mooij & Hofstede, 2010).

The study of different stock-market participation behaviour began having more relevance when (Mankiw & Zeldes, 1991) first understood that the differences between stockholders and non-stockholders could help explain the equity premium puzzle. In their paper, in fact, they argue that, analyzing the consumption of stockholders and non-stockholders separately, it is possible to explain the equity premium with a coefficient of relative risk aversion. Hofstede's (2010) cultural dimensions theory provides the fundamental basis to explain cultural differences in decision making (Shi & Wang, 2011). However, most attention has been focused on one cultural dimension, individualism – collectivism (Maheswaran & Shavitt, 2000). Researchers are urged to explore the impact of other less-explored dimensions on consumer behaviors. It is believed that such an expanded focus will broaden the range of outcomes beyond those currently investigated and therefore provide greater implications for advertising and marketing programs (Thomas & Spataro, 2018).

Several papers have found evidence of a relationship between culture and other financial variables such as corporate capital structure (Chui et al. 2002, Sekely and Collins 1988, Stonehill and Stitzel 1969), banking systems (Kwok and Tadesse 2006), and stock trading decisions (Grinblatt and Keloharju 2001,). Grinblatt and Keloharju (2001) in a novel study provide the beginnings of an explanation reporting that language and culture variables do explain investment decisions in intracountry investment behavior (Pirouz & Graham, 2010).

Jong and Semenov (2002) relate the factors determining cross-country differences in stock market activity to deeply rooted norms and values in the society which are represented by the position of countries on cultural dimensions, they find that stock markets are relatively more important in countries where inhabitants accept more uncertainty (low score of Uncertainty Avoidance) and regard competition as a good way of interacting (high score of Masculinity). Bao, Zheng Zhou and Su (2003) by employing data from China and the United States, explores the effects of two cultural dimensions, face consciousness and risk aversion, on consumers' decision-making styles. The results show that consumers in the United States differ from their counterparts in China in decision-making styles. Face consciousness and risk aversion appear to contribute to such divergence (Bao, Zheng Zhou & Su, 2003). Individual investors are shown different attitudes toward risk. For this reason, individual investors may exhibit behavioral biases (Barber and Odean 2001; Anderson 2013; Nofsinger 2016; Lindblom et al. 2016).

Beckmann, Menkhoff and Suto (2007) enters new research ground by presenting comparative survey evidence on asset managers' views and behavior in the United States, Germany, Japan and Thailand. Relying on Hofstede's four cultural dimensions, they find that cultural differences are most helpful in understanding country differences which cannot be explained by pure economic reasoning. In short, controlling for various determinants, the dimension of more Individualism predicts less herding behavior, more Power Distance leads to older and comparatively less experienced managers in the upper hierarchy, Masculinity brings men into top positions and to higher volumes of assets under personal responsibility, and Uncertainty Avoidance is related to higher safety margins against the tracking error allowed and relatively more research effort (Beckmann, Menkhoff & Suto, 2007).

Statman (2008) indicates that the collective set of common experiences that people of the same culture share will influence their cognitive and emotional approach to investing, he finds that people in low-income countries have high aspirations relative to their current income because they pay with risk for a chance to move up in life, that people in collectivistic countries can afford to take more risk because their in-groups provide downside protection and that trusting people are willing to take more risk. Pirouz and Graham (2010) examine the impact of culture on stock price volatility under the assumption of the existing of a focal causal chain linking from dimensions of culture (linguistic structure and values) through globalization to the volatility of stock prices, their find that stock price volatility is influenced by both linguistic structure and values, they also suggest that the influence of cultural values is mediated by the extent of globalization of the countries.

The first to pose the question of heterogeneous beliefs and stock market participation were (Haliassos & Bertaut, 1995) using a probit regression approach to test whether, among other factors, differences in investor beliefs can account for the stock market participation decision. (Cao, Wang, & Zhang, 2005), instead, endogenizes the non-participation choice and studies the impact of non-participation to the stock on asset prices in a partial equilibrium environment, modelling the differences in investors beliefs in terms of model uncertainty. William (1977) use the heterogeneous expectations approach to study the effect of heterogeneous beliefs on asset prices. Not surprisingly, he tried to overcome some of the problems generated by the CAPM, which predicts that all individuals hold portfolios essentially identical in composition. After this seminal paper, the idea of heterogeneous beliefs was used, among the others, by (Abel, 1990) and more recently by (Basak, 2005) and (Carceles-Poveda & Giannitsarou, 2008) to study the dynamics of asset prices. Morgavi (2012) propose a different approach to explain the participation choice based on different beliefs among individuals.

This approach can easily model the stock market participation choice and is coherent with most of the observed facts on stock market participation (Chui et al, 2002). Findings of this research suggest that differences in people's beliefs influence their investment decisions and in particular their stock market participation.

In recent years, many social scientists have claimed that trust plays an important role in economic and social transactions. Fehr (2009) reviews strong biological and behavioral evidence indicating that trusting is not just a special case of risk-taking, but based on important forms of social preferences such as betrayal aversion. Behaviorally defined trust also opens the door for understanding national and ethnic trust differences in terms of differences in preferences and beliefs, and it suggests ways to examine and interpret a causal role of trust (Fehr, 2009). LaPorta et al. (1997) show that a larger share of trusting people is negatively correlated with inflation rates and positively correlated with GDP growth across countries. More recently, Guiso, Sapienza, and Zingales (2009) provide microeconomic evidence on the role of trust in financial markets. In their 2008 paper, for example, they document that less trusting individuals are less likely to buy stock, and when they do so, they buy less of it. The authors suggest that lack of individual trust in the stock market could partly explain the “participation puzzle”; that is, why so few people take advantage of the existence of a stock market.

When it comes to how an individual assess the future it has been shown to have an impact on participation. Social and medical scientists have amassed a wealth of experimental evidence indicating that dispositional optimism whereby one has a positive general outlook towards the future matters for physical and psychological well-being. Optimism is also understood to be at the root of many economic phenomena: optimism is important for financial intermediation (Coval and Thakor, 2005); it can affect corporate financial and accounting decisions (Heaton, 2002; Shefrin, 2005; Hackbarth, 2004; Ashton and Roberts, 2005, and others); it can be an important component of utility (Brunnermeier and Parker, 2005). Yet, in financial economics, there is relatively little direct evidence on the role that optimism plays in individual economic decision-making. Puri and Robinson (2005) examined the effects of optimism on stock market participation. They used the estimation of life expectancy as a proxy of optimism and found out that people who overestimated their life expectancy invested more.

In the world of behavioral finance, culture is assumed to influence preferences and behaviors of individual investors and, thus, are important determinants of the financial decision making (Pradkhan, 2014). Uncertainty Avoidance (UA) refers to the extent to which people feel threatened by uncertainty and ambiguity and try to avoid it and/or protect themselves against it. People in societies high on Uncertainty Avoidance perceive uncertainty inherent in life as a continuous threat that must be fought. Thus, they are motivated by security more than by achievement for its own sake; in fact achievement is defined in terms of security. People in these societies tend to reduce ambiguity. Conflict and competition are felt undesirable. People in societies with a low Uncertainty Avoidance accept uncertainty inherent in life much more easily. They are motivated by achievement which is defined in terms of recognition by others (rather than security). Conflict and competition are perceived as natural patterns of conduct, which can be contained on the level of fair play and used constructively. By means of a theoretical investigation Jong and Semenov (2002) have derived the hypothesis that stock market capitalization is relatively high when the score low on the index of Uncertainty Avoidance (Jong & Semenov, 2002). Cao, Wang and Zhang (2005) demonstrate that limited participation can arise endogenously in the presence of model uncertainty and heterogeneous uncertainty-averse investors. When uncertainty dispersion among investors is small, full participation prevails in equilibrium. Equity premium is related to the average uncertainty among investors and a conglomerate trades at a price equal to the sum of its single-segment components. When uncertainty dispersion is large, investors with high uncertainty choose not to participate in the stock market, resulting in limited market participation. When limited participation occurs, participation rate and equity premium can decrease in uncertainty dispersion and a conglomerate trades at a discount (Henry et al, 2005).

Kong and Fan (2017) investigates the effects of behavioral finances on stock market participation by employing data from China Family Panel Study (CFPS). Availability and trust are chosen as the target variables to explain the participation problems in the stock market. They find evidence that financial service availability and individual trust have positive influences on the stock market participation decisions. Further, when compared with financial service availability, regional economic advance does not show a significant impact on the participation rate. Additionally, a counter-intuitive finding is that females are more likely to participate in the stock market as family head in China (Fan & Kong, 2017).

2. Social Dimensions

The trades of individual investors are often influenced by social interaction and community effects, which may lead to distortions in prices. A growing body of literature examining the community effects argues that it can be associated with the equity premium puzzle, under diversification, and pricing fads (Nofsinger and Sias 1999; DeMarzo et al. 2004; Georgarakos et al. 2014;

Han and Hirshleifer 2016). Duflo and Saez (2002) find that employees tend to correlate their nonemployees equities. Consistent with these arguments, Hornuf and Schmitt (2016) find that social interaction and community effects are crucial factors in investment decision-making. More recent studies report that individual investors exhibit a bias toward proximate firms even after controlling for social interaction effects such as family and friends. However, well-diversified investors are less likely to suffer from such bias (Hornuf and Schmitt 2016).

Thomas and Spataro (2018) shed new light on the determinants of stock market participation for nine European countries in year 2010, which is a major issue both for researchers and policymakers. Using different database and different econometric specifications, they estimated the effects of such variables as financial literacy, human capital, effectiveness of the education system, social-interaction and financial attractiveness of the markets on the probability to invest in stocks, together with the effects of other socio-demographic individual characteristics and institutional/country level variables.

Interestingly enough, as for social interaction, they observed that both its size and quality do matter, in that the former exerted a positive effect on the probability to invest in risky assets, and the latter showed that individuals that were involved in charity/voluntary activities were more likely to invest in the stock market (Bricker & Li, 2015).

Given the growing body of empirical research that speaks to the importance of peer-group effects in a variety of other contexts, some of researches finds evidence of peer effects in financial settings e.g., Duflo and Saez (2000) and Madrian and Shea (2000) demonstrate that an individual's decision of whether or not to participate in particular employer-sponsored retirement plans is influenced by the choices of his co-workers. In the specific setting of the stock market, there are at least two broad channels through which social interaction might influence participation. The first is word-of-mouth or observational learning (Banerjee (1992), Bikchandani, Hirshleifer and Welch (1992)).

Zetterdahl and Hellstrom (2015) studied the heterogeneous impact of social interaction (from family and peers) on individuals' stock market participation. A main conclusion is that social interaction effects are, indeed, heterogeneously distributed over individuals. While community and parental social interaction effects, in general, display systematic patterns in regard to their considered individual characteristics, patterns are somewhat less clear for effects from partner social influence. This is, however, expected since partner correlations are likely to capture a mix of within-household mechanisms. Broadly interpreting social interaction effects over individual characteristics as capturing differences in individuals' exposure to (income, wealth, and gender), as well as individuals' valuation of (interpersonal trust and financial literacy), stock market related signals, indicate that both these features matter for the understanding of heterogeneous influence of social interaction on individuals' stock market participation (Fan & Kong, 2017).

Ellison and Fudenberg (1993, 1995) For example, potential investors may learn from one another either about the high returns that the market has historically offered, or about the details of how to execute trades. Second, in the spirit of Becker (1991), a stock market participant may get pleasure from talking about the ups and downs of the market with friends who are also fellow participants, much as he might enjoy similar conversations about restaurants, books, movies or local sports teams in which there is a shared interest.

One important and almost universal objective of securities regulation is the protection of investors from various forms of market abuse. Securities Law (the Law) sets out the objectives of securities regulation in the world. It states that the purpose of 'the Law is to standardize the issuance and trading of securities, to protect the legitimate rights and interests of investors, safeguard the economic order and public interest of the society, and promote the development of the socialist market economy'. It has also clearly articulated its objectives to maintain a 'transparent, fair, and equitable market, strengthen the protection of investors, small investors in particular, and facilitate the sound development of the capital markets(He, 2018). The ability to protect property rights is paramount to the development of financial markets and also to promoting economic growth in a market economy. If people trust that financial contracts are being enforced and that the cost of fraudulent behavior is sufficiently high, they are, presumably, also more likely to invest. In an environment of low institutional quality, where property rights are not being protected and there is no substantial punishment for fraudulent behavior, people become distrustful and less willing to engage in any type of financial contract that involves a counterparty to whom they have no personal ties (Asgharian, Liu & Lundtofte , 2014). Research results show that protection of investors and financial transparency affects stock market participation (He, 2018; Georgarakos et al. 2014; Han and Hirshleifer 2016).

3. Demographic characteristics and Economic conditions

There is a lot of evidence that some of the demographic characteristics and economic status of individuals affect their stock market participation. Thomas and Spataro (2018) found that among other relevant determinants of stock market participation, both wealth and income play a significant and positive role in shaping participation rates across countries (Thomas & Luca, 2018). Beckmann, Menkhoff and Suto (2007) concluded that factors like age, experience, gender, tracking error and research effort, clearly affect investment behavior, although in a complex way (Beckmann, Menkhoff & Suto, 2007).

Over the last 40 years, a majority of American states have adopted consumer education policies, and a sizable minority have mandated that high school students receive instruction on topics related to household financial decision-making. Evidence from an empirical investigation indicates that mandates have raised both exposure to financial curricula and subsequent asset accumulation once exposed students reached adulthood (Bernheim, Garrett & Maki, 2001).

Research literature (Jappelli 2010; Jappelli and Padula 2013; Arrondel et al. 2012; Guiso and Jappelli 2005; Van Rooij et al. 2011; Yoong 2011) document that the correlation between financial literacy and investment behaviour seems at least partly driven by reverse causality. For instance, a positive relation between participation in the stock market and an investor literacy, as in Van Rooij et al. (2011), is consistent with the argument that, on one hand, financial literacy helps alerting individuals about the excess returns on stocks/bonds, which in turn induces them to invest and, on the other hand, investing in advanced financial products, could provide some kind of financial literacy training, enabling respondents to answer more questions correctly. Additionally, this positive correlation may reflect the fact that financial literacy is not distributed randomly in the population and those who possess high levels of literacy are likely to have certain characteristics, often unobservable, such as talent, ability, or patience that may lead also to “better” financial decisions.

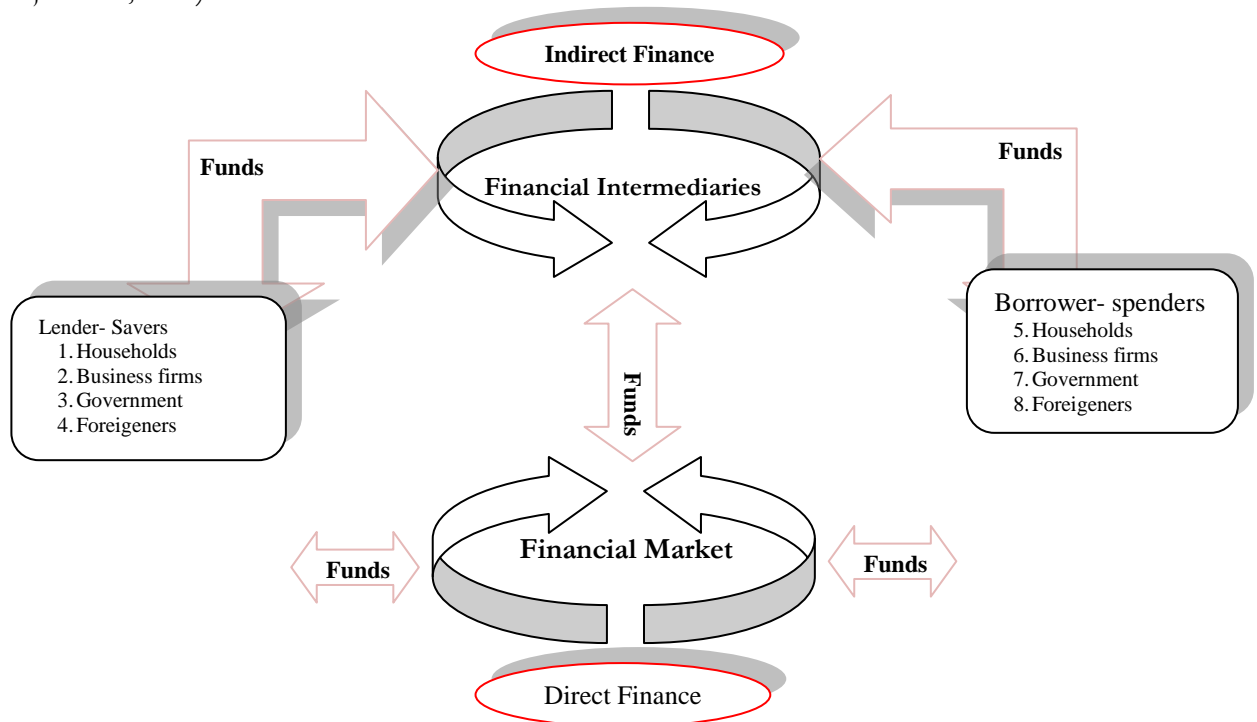
Demographically, T. Lindblom et al (2018) show that men tend to be more overconfident and trade about 40% more than women. This divergence is particularly strong in cultures where males are more dominant (Deaux and Farris 1977). It has, moreover, been observed that active trading by men leads to underperformance both against the market and against the trades of women. The recent empirical evidence is consistent with these findings (Choi et al. 2002; Agnew et al. 2003; Dorn and Huberman 2005; Anderson 2013). Taken together, studies on the overconfidence of individual investors have shown that the average male investor seems to be overconfident about his trading skills and tends to trade excessively, leading him to pay large transaction costs and underperform against the market portfolio (for further reading, see Zhu 2010; Barber and Odean Barrot 2011). Zetterdahl and Hellstrom (2015) studied the impact of gender on financial risk taking. Empirical evidence indicates the importance of gender identity and gender norms on individuals' financial risk-taking. Specifically, by use of matching and by dividing male and females into those with “traditional” versus “nontraditional” gender identities, comparison of average risk-taking between groupings indicate that over a third (about 35–40%) of the identified total gender risk differential is explained by differences in gender identities. Results further indicate that risky financial market participation is 19 percentage points higher in groups of women with nontraditional, compared with traditional, gender identities. The results, obtained while conditioning upon a vast number of controls, are robust towards a large number of alternative explanations and indicate that some individuals (mainly women) partly are fostered by society, through identity formation and socially constructed norms, to a relatively lower financial risk-taking (Zetterdahl, 2015). Thomas and Spataro (2018) found confirmation that higher effectiveness of education (lower student-teacher ratio) is also positively associated with stock market participation at country level (Thomas & Luca, 2018).

4. Stock Market Participation

Stock markets and economic functions may not be distinct to many people but, in fact, they represent a relationship between the disparate sectors in social society between savers and producers as the saving sector needs to employ their savings in more beneficial and ambitious projects. Additionally, the productive sectors always require financial sources to assist them to continue to perform more in function of economy, in which stock market performance and functions of basic economy transfer funds from people who have amassed surplus to those who have a paucity of funds (Henry, 1997).

Figure 2 shows that lender-savers must borrow funds from borrower-spenders to finance their spending in two ways. The first is an indirect transfer by financial intermediary institutions, such as banks and other commercial organisations, and the second is a direct transfer where borrowers obtain funds directly from lenders in the sale of financial instruments (security). As the financial intermediary holds the largest part of the investment to reduce the risk to the economy, and low interest rates would lead to increased investment, financial intermediary institutions work on the transfer of funds from lenders to borrowers more efficiently compared with the absence of these institutions.

In other words, intermediary institutions have a better incentive to assume the risks resulting from the possession of investment instruments because they have huge financial possibilities allowing them to diversify their portfolios and reduce investment risk rate, which is assisted by the availability of its financial experts. Their specialists take advantage of a rising surplus from the management of purchasing and selling these investment tools (Najeb & M, 2013).



Source: Mishkin and Eakins (2003)

The Role and Function of a Stock Market. In addition to the previous discussion, the economic function of these markets can be identified thus:

1. To provide or increase the amount of financial resource available, as the stock market offers many opportunities for both creditors and civilians via the provision of multiple investment channels
2. To provide financial information and projects relating to various financial assets available in the stock market, regarding information of the financial situation of companies, thus reducing the cost of access to such information in terms of effort, time and risk
3. To provide liquidity for owners of various financial assets
4. To assist in the development of diverse methods of financing (short, medium and long term) for the projects.

In point of fact, it can be observed how important a stock market is for the economy, since it allows movement of funds from persons who possess them and have no investment opportunities to those who enjoy these opportunities, by using the stock market function to increase production and to achieve economic efficiency and improve the level of prosperity in society. Financial intermediaries are determined as being: commercial banks, savings banks, investment banks and specialised lending institutions, insurance companies, pension funds...etc. These institutions play the crucial role of mediator to transfer funds from lenders to borrowers; the common factor between these intermediaries is the possibility of accessing funds through the creation of the debt on the same (in deposits coffers), then borrowing from the public to invest these funds via the purchase of investment instruments "stocks, bonds" (Najeb & M, 2013).

Research Methodology

This paper is mainly devoted to proposing a comprehensive model on stock market participation, with an emphasis on cultural and social factors. Due to the lack of thorough prior studies on these issues, an exploratory approach utilizing the grounded theory method is employed. Grounded theory is intended as a methodology for developing theory that is grounded in data, which is systematically gathered and analysed. The theory evolves during the research process and is a product of the continuous interplay between analysis and data collection.

It requires the recognition that knowledge is actively constructed with meanings of existence relevant to an experiential world. Grounded theory as a methodology was first developed by Glaser and Strauss, (1967) for the study of sociology (Nwanji et al, 2019).

Qualitative method involves subjectively understanding the meaning, themes and different aspects of phenomena. This method also allows the researchers to gain more indepth data and knowledge on the topic. The theoretical approach can be socially constructed and subjective (Creswell, 1998; Bryman, 2004). Qualitative method is particularly likely to be one reason for the research gap on the puzzle of stock market participation. This gap requires an explorative study to obtain a large volume of data for a comprehensive set of variables. This research is based on little knowledge in stock market participation that establishes more understanding and aims to provide more recommendations for further research and theory building.

To date, there has not yet been any realized Stock market participation model developed with social and culture considerations; therefore, there are no realized cases to be studied as a part of this paper's research methodology. Hence, we had to refer to experts using their published works instead of conducting face-to-face interviews, as the very few available experts in this field are geographically dispersed and not easily accessible. After studying the works of these experts, results discussed with four available experts in iran. A large number of previous relevant studies are collected as the data source. To fulfill the theoretical saturation requirement, more than 220 articles and books have been studied. Thus, the validity of the proposed framework is fully dependent on the reliability of our data source. In the next section, the research results will be explained.

Data Analysis

The analysis of the results of the survey used grounded theory coding procedures to develop categories from the data. Glaser (1992) defined categories as an area of higher order concepts. They have much more full explanatory power and pull together all the identified ideas into a theoretical framework.

Open Coding

According to Glaser (1978) "to achieve the goal the analyst begins with opening coding." Researcher using grounded theory enters the field early on in the process. Furthermore, analysis is done at the same time as the data are being collected rather than after all the information has been gathered. The analytical process should start with the writing of memos which describe the documents, scene, events and behaviours under study. Memos are notes written immediately after data collection as a means of documenting the impressions of the researcher and describing the situation. These are vital as they provide a bank of ideas which can be revisited in order to map out the emerging theory (Nwanji et al, 2019).

However, this is not to be confused with quantitative coding. Strauss (1987) warns that researchers must stop themselves from thinking in quantitative terms. Qualitative coding is not the same as quantitative coding. This distinction lies in the way in which data are collected and handled. In the early days, the analysis will be very broad and lack focus. As the data are collected they should be analysed simultaneously by looking for all possible interpretations. This involves utilising particular coding procedures, which normally begins with open coding. Open coding is the process of breaking down the data into distinct units of meaning. As a rule, this starts with a full transcription of an interview or documents, after which the text is analysed line by line in an attempt to identify key words or phrases which connect the informant's account to the experience under investigation. This process is associated with early concept development which consists of 'identifying a chunk or unit of data (a passage of text of any length) as belonging to, representing, or being an example of some more general phenomenon' (Spiggle, 1994).

Axial coding

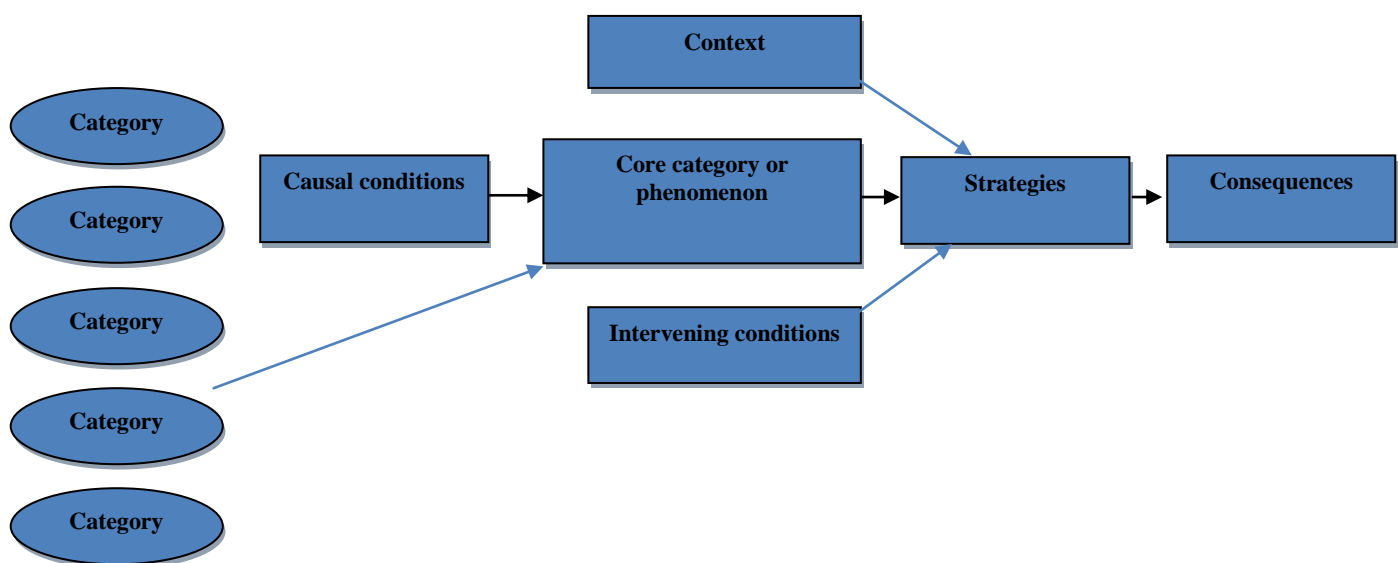
Axial coding involves moving to a higher level of abstraction and is achieved by specifying relationships and delineating a core category or construct around which the other concepts revolve. Axial coding is the appreciation of concepts in terms of their dynamic interrelationships. These should form the basis for the construction of the theory. Abstract concepts encompass a number of more concrete instances found in the data. The theoretical significance of a concept springs from its relationship to other concepts or its connection to a broader gestalt of an individual's experience (Goulding, 2002).

(Spiggle, 1994) Once a concept has been identified, its attributes may be explored in greater depth, and its characteristics dimensionalised in terms of their intensity or weakness. Using axial coding, the researcher develops a category by specifying the conditions that gave rise to it, the context in which it is embedded, and the action/interactional strategies by which it is handled, managed and carried out. These conditions, contexts, strategies and outcomes tend to be clustered together and the connections may be hierarchical or ungraded, linear or recursive (Spiggle, 1994). Moreover, evolution is an important aspect in the generation of theory.

Theory development is a gradual process which can be incredibly time consuming. In terms of process, concept analysis is an integral step in the development of the theory and is a way to prepare for theory construction (Jezewski, 1995). Jezewski proposes that:

The theoretical definition that emerges from concept analysis summarises insights that form while creating conceptual meaning and describes the essential meaning of the concept. In axial coding between the basic categories that are deployed in open coding Internal communication is established. One category is identified as the core category. The link between the categories is as follows:

1. Causal conditions: variables or events that lead to the creation or development of a phenomenon.
2. Action strategies: Activities consequence pivotal that has to do regarding the phenomenon under consideration.
3. Intervening conditions: conditions that limit or facilitate the execution of strategies.
4. Context: Refers to the field of variables. A set of conditions that affect strategies. Often , it is difficult for researchers to separate these categories from the causal categories and finally categories that are more attractive are classified as causal conditions and those that are less attractive are classified as Context conditions.
5. consequences: some classification represent the results that come from using strategies. This coding method is called the “axial coding paradigm model”, provided by Strauss and Corbin (1994).



Grounded theory coding from open coding to the axial coding paradigm

Source: Strauss & Corbin (1998)

Selective coding: The process of integrating and refining the theory

In open coding, the analyst is concerned with generating categories and their properties and then seeks to determine how categories vary dimensionally. In axial coding, categories are systematically developed and linked with subcategories. However, it is not until the major categories are finally integrated to form a larger theoretical scheme that the research findings take the form of theory. Selective coding is the process of integrating and refining categories. The first step is choosing the central category.

Criteria for Choosing a Central Category

A central category has analytic power. What gives it that power is its ability to pull the other categories together to form an explanatory whole. Also, a central category should be able to account for considerable variation within categories. A central category may evolve out of the list of existing categories. Or, a researcher may study the categories and determine that, although each category tells part of the story, none captures it completely. Therefore, another more abstract term or phrase is needed, a conceptual idea under which all the other categories can be subsumed. Strauss (1987) provided a list of criteria that can be applied to a category to determine whether it qualifies:

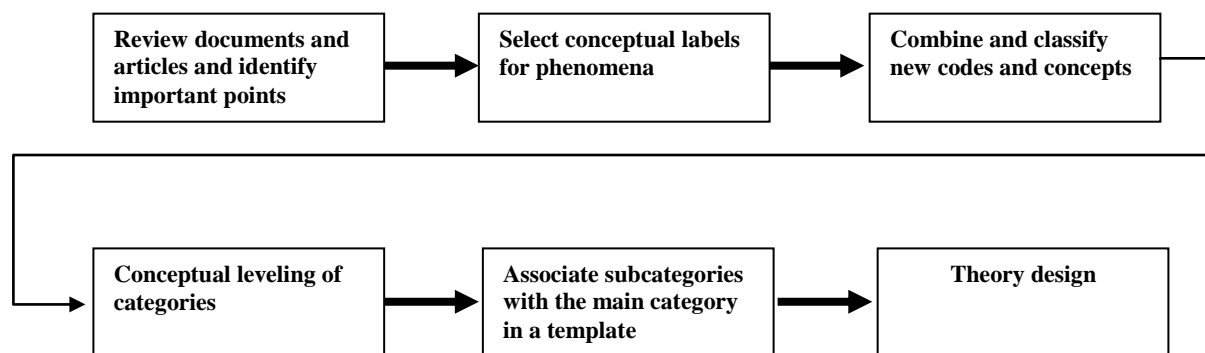
Criteria for choosing a central category

It must be central; that is, all other major categories can be related to it. It must appear frequently in the data. This means that within all or almost all cases, there are indicators pointing to that concept.

The explanation that evolves by relating the categories is logical and consistent. There is no forcing of data. The name or phrase used to describe the central category should be sufficiently abstract that it can be used to do research in other substantive areas, leading to the development of a more general theory.

As the concept is refined analytically through integration with other concepts, the theory grows in depth and explanatory power. The concept is able to explain variation as well as the main point made by the data; that is, when conditions vary, the explanation still holds, although the way in which a phenomenon is expressed might look somewhat different. One also should be able to explain contradictory or alternative cases in terms of that central idea (p. 36) (Goulding, 2002).

The next step is to establish a relationship between the other categories and the central one. In other words, other categories become descriptors and sub-categories for the core category. Finally, the grounded theory is formulated by delineating the link between the central and subcategories and the concepts of the study. In this research, the category of "stock market participation", where all categories are formed regarding and able to explain it, has been selected as the core category. Follows figures is the path of performing and completing data analysis in the present study:



The process of doing and completing analyzing research data

Validity and reliability (Research trustworthiness)

Validity is the extent to which a test measures what it claims to measure. It is vital for a test to be valid in order for the results to be accurately applied and interpreted (Goulding, 2002). In this study, specialists opinions were used to evaluate the validity. Reliability is the degree of consistency of a measure. A test will be reliable when it gives the same repeated result under the same conditions. In this paper we use audit trails and confirmability, within the context of 'expert' qualitative researchers. therefore we measured the reliability of the research by offering raw and analyzed data, codes, categories, study process, initial research objectives and questions and also research path to specialists. finally, the specialists confirmed all the steps of the research.

Results and discussion

Results

The model of this research is extracted from the triple coding process described in the previous section. According to Strauss and Corbin (1998), a grounded theorist can present his theory in three possible ways: Graphically, explanatory, or as a set of propositions. In this research, the extracted model is presented in two ways, at first research model presented through a model diagram and then narrated and described. The various sections of the research model are described below. Note that due to limitations, each section only refers to one or few of the identified categories.

1. **Causal conditions:** the most important causal conditions that emerged from studying documents and interviewing specialists are the Complex problems in financing for companies. without stock markets, businesses would largely resort to borrowing huge loans - which must be repaid with interest- from banks or individuals with well-oiled pockets. Businesses in both the developed and developing world can issue share to the public, raising vast amounts of cash that doesn't come along with a repayment burden (public companies are under no obligation to pay dividends, especially when they incur losses).

When businesses have access to such capital, they can easily expand their operations and create more job opportunities. From a national perspective, this will lower unemployment levels, and enable a government to earn move revenue from business taxes.

The next important factor is the requirements foreseen in document of 20 Years Vision of the Islamic Republic of Iran about stock market development. Improvement of major economic indicators, is the other causal conditions.

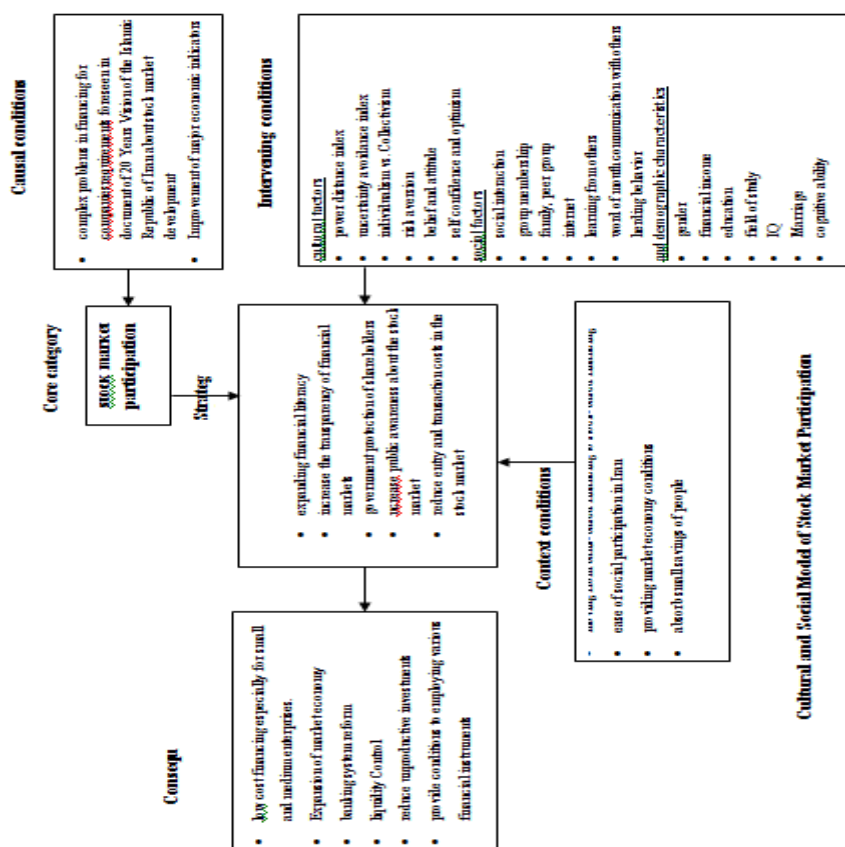
2. **Core category:** stock market participation is the core category of this research and covers other categories and conditions.

3. **Strategies:** the most important strategies that discovered from documents and interview with specialists, includes expanding financial literacy, increase the transparency of financial markets, government protection of shareholders, increase public awareness about the stock market, reduce entry and transaction costs in the stock market.

4. **Intervening conditions:** intervening conditions can be classified into three main groups, cultural factors, social factors, and demographic characteristics. power distance index, uncertainty avoidance index, individualism vs. Collectivism, risk aversion, belief and attitude, self confidence and optimism, are the most important cultural factors involved in stock market participation. social interaction, group membership, family, peer group, internet, learning from others, word of mouth communication with others and herding behavior, are the most influential social factors in participating in the stock market. Demographical factors include gender, financial income, education, field of study, IQ, marriage, cognitive ability.

5. **Context conditions:** moving from bank-based financing to stock-based financing, ease of social participation in Iran, providing market economy conditions, absorb small savings of people, are only a few of the context conditions in this researchs.

6. **Consequences:** expected consequences will emerge if the strategies are implemented correctly. for example low cost financing especially for small and medium enterprises, development of market economy, banking system reform, liquidity Control, reduce unproductive investments, provide conditions to employing various financial instruments, are the result of implementing strategies.



Discussion

There are many factors which have helped financial markets to gain prominence in many countries of the world, such as increasing the private sector's role in various economic activities, cutting edge technological advances and the phenomenal speed of access to financial information. In addition there have been advances in modes of communication and the emergence of new and effective financial tools besides new legislation that guarantees freedom of trade and movement of capital. All of these indicate the significance of stock market. also the stock market has played a significant role within both the advanced economy and the emerging market.

The active-features are stock market size in terms of market capitalisation ratio, having positive significance correlated with real per capita GDP, market liquidity and activity in terms of value traded, turnover, and further having a positive significant with growth.

However, participation in the Iranian stock market, as in many countries, is lower than expected, which shows that the non-participation puzzle is not solved yet. In this regard, present study addressed, what strategies should be considered and implemented to increase and encourage people to participate in the Iranian stock market, what conditions (context and intervening) affect this performance and what is the expected consequences. This model that presented using the grounded theory research method, can serve as a roadmap for relevant institutions to increase people participation in the Iranian stock market.

The most important limitation of this research relates to the research method which is a kind of inherent limitation. although the grounded theory is very useful for indigenous theories, like other methods of qualitative research, it has some limitations. That is, the results of this study are not necessarily appropriate for other environments and other countries. another inherent problem with this approach is the probability of bias and personal judgment of the researcher. future research could extend our study by undertaking comparative studies with other Middle Eastern countries. Based on our findings, some policy implications follow: The enhancement of financial literacy, human capital and the quality of education at both individual and country level is crucial for ensuring higher participation in capital markets. Finally, much effort should be put in filling the gender gap, and improving institutional factors such as the effectiveness of the education system and the efficiency of financial markets (e.g., by favoring the presence of institutional investors such as pension funds, or reducing entry costs).

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