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Community Awareness of the Investment Opportunities in Dar Es Salaam Stock Exchange

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ABSTRACT

Purpose: This paper examines on the awareness status of individuals in Ilala Municipality (Dar es Salaam city) on the investment opportunities available at DSE (Dar es Salaam Stock Exchange) and participation of the individuals in exploiting such investment opportunities. The paper assessed on the awareness of individuals on investment opportunities available at DSE. The specific objectives were to examine the awareness on investment opportunities found at DSE, to evaluate the factors influencing the community to capture awareness on investment opportunities found at DSE and to determine the relationship between the awareness and participation in DSE activities.

Methodology: The research was executed using a cross-sectional study design whereby respondents from different places within Ilala Municipality were approached as a source of primary data. A structured survey method of data collection was used; questionnaires were administered to 91 respondents who were obtained through convenient and purposive non-probability sampling. Statistical Package for Social Sciences (SPSS) was used for analysis that included frequencies and percentage. Cross tabulation was used to analyze the relationship between the awareness about the DSE and participation in the exchange. Multiple responses were used to analyze the contributing factors towards the awareness about the DSE and reasons for respondents to exploit the investment opportunities in DSE.

Findings: The study found out that most of the respondents were aware of investment opportunities which are available at DSE. Factors that influenced the respondents' awareness of investment opportunities at the DSE can be ranked in order of importance starting with media reports/publications, occupation/profession, social interaction and education/schooling. There exist a positive and direct relationship between the awareness of individuals on investment opportunities available at DSE and their participation in exploiting the investment opportunities at the exchange. Respondents who were participants in DSE investments stated the reasons for investing at DSE to be dividends, capital gains and investment preference. Additionally, the respondents who responded to be aware but were not investing at the exchange were asked to give reasons behind of not investing in the available securities at the exchange, and the reasons were low savings, riskiness to hold the securities as well as lack of interest and ignorance about the working of the securities.

Recommendations: The study recommended that strategies have to be adopted to enhance the investors and non-investors' awareness on various aspects pertaining to investment opportunities available in DSE. Steps have to be taken to attract more listings of companies to widen the investment scope. Insights pertaining to the DSE and its opportunities have to be incorporated in the education curriculum from ordinary level to higher learning institutions. Media has to be used efficiently and effectively by different entities that are directly involved in the securities industry including brokers and dealers, fund managers and investment advisory firms to impart awareness to individuals concerning stock exchange operations and the investment opportunities found at the exchange. Operations of DSE, have to be extended to the periphery (inland) of the country, instead of being nucleated in Dar es Salaam city. Actions have to be taken to encourage the prospective investors to put aside a portion of their monthly income through their employers for the purpose of investing in the available securities.

Keywords: *Dar Es Salaam Stock Exchange (DSE), Initial Public Offers (IPOs), Community Awareness.*

1.0 INTRODUCTION

Capital markets are facilities and mechanisms through which funds move from idle holders to productive users. They are facilities which channel funds, at market price, to productive activities (DSE, 2016). Pilbeam (2018) define capital market as a market in which corporate equity and longer-term debt securities are issued and traded to raise capital for the growth of businesses and economy. They are the markets through which Public Limited Companies (PLC) and governments obtain long-term capital to run their business operations and finance development projects respectively through the issuance and sale of long-term financial assets in form of equity or debt.

Equity, means shares/common stocks which are the long-term financial assets that guarantee an investor a stake of ownership in a company basing on the size of shareholding represented by the number of shares held by the investor, whose reward is that they guarantee an investor the entitlement to receive periodic dividends (mostly annual or semi-annual) as a portion of profits obtained by the company in a particular accounting period/year and the dividends rewarded to the investor depend on the number of shares held by the investor (Broyles 2020). Debt, means bonds in particular. Bonds issued by companies (corporate bonds) and the governments (treasury bonds) represent the long-term loans issued by investors to the companies and governments in return for a promised annual or semi-annual coupon rate (interest rate) in a term of more than one year. (Broyles 2020). Capital markets have two inter-dependent segments; primary and secondary markets whereby the primary market is a capital market segment in which new issues of securities are sold to initial buyers for the first time, commonly referred to as Initial Public Offers (IPOs) and the secondary market is the capital market segment which deal with buying and selling of securities previously issued and subscribed to (in the hands of investors) in primary markets (DSE, 2016).

The capital market in Tanzania is the Dar Es Salaam Stock Exchange (DSE) that was incorporated in 1996 whereby during the very same year the Stock Exchange Rules were approved. In the year 1998, the DSE began its operations with the first privatization and listing of state-owned entity (Tanzania Breweries Limited). In the year 1999 a Central Depository System (CDS) was installed at the exchange and there occurred the listing of the first corporate debt. In the very same year (1999), Guidelines for the Issue of Corporate Bonds were issued. In 2002, the government listed its Treasury Bonds at the exchange and trading of Treasury Bonds began. In 2004, the exchange made a milestone through cross listing of the first foreign company and listing of the first airline company (Kenya Airways). In 2006, the deployment of Automated Trading System (ATS) linked with a new three tier CDS took place. In 2008, the DSE listed the first commercial bank (Dar Es Salaam Community Bank-DCB). (www.dse.co.tz)

In 2011, the first mining company (African Barrick Gold) was listed at the exchange and there was the publication of regulations to govern introduction of Real Estate Investment Trusts (REITs). In the year 2013, migration of to the new efficient ATS and CDS took place, the second-tier market (Enterprise Growth Market-EGM) was launched and there occurred the listing of the first company on the EGM (Maendeleo Bank). In 2014, the ATS was deployed on the Wide Area Network (WAN), remote trading by brokers began and Foreign Investors Limits Regulations were uplifted. (www.dse.co.tz).

In 2015, there was the introduction of the regulatory framework, subsequent use of mobile phone technology in IPOs and Secondary Trading and DSE Demutualization and Re-incorporation into a Public Limited Company. 2016 was marked by DSE IPO and self-listing, DSE joined the world federation of exchanges supporting United Nations (UN) Sustainable Stock Exchanges (SSE) initiative and initiation of DSE Member Award. In 2017, Vodacom Tanzania Plc, the first and the largest telecom company in the country was listed (www.dse.co.tz). And recently in 2020 the first agricultural company (JATU PLC) was listed at the exchange.

Therefore, the DSE currently has 28 listed equities. It has listed Treasury bonds whereby the minimum maturity Treasury bond available is of 2 years whereas the maximum maturity Treasury bond is of 20 years. Treasury bonds available between those maturity limits are the Treasury bonds of 5 years, 7 years, 10 years and 15 years. Notable Corporate bonds at the DSE are the Exim Retail Bond and the NMB Retail Bond offering coupon rate of 14% and 10% respectively and having a maturity of 6 years and 3 years respectively (DSE, 2021).

2.0 MATERIALS AND METHODS

2.1 Research design and sampling procedure

The research was executed using a cross-sectional study design whereby different subjects / respondents from different places within Ilala Municipality were approached as a source of primary data. The study used purposive / judgmental non-probability sampling in order to get 91 respondents who were most suitable for the study and who could be within the categories sought. Furthermore, the study also used convenience non-probability sampling in order to obtain respondents who were willing to respond to the questionnaires.

2.2 Data collection and Analysis

The study used both primary and secondary data. Primary data were collected directly from the field (DSE registered users i.e., investors and brokers). Secondary data were obtained by reviewing different documented materials from internet, literatures, brokers report and financial policies of the DSE. Other secondary sources were Tanzania respective boards and regulatory agencies expressing stock exchange market and capital market authority. The questionnaires and checklists were distributed to respondents.

Data were analyzed both qualitatively and quantitatively. Data analysis involved the use of Statistical Package for Social Sciences (IBM SPSS Version 20). The analysis included descriptive statistics inclusive of cross tabulation, frequencies and percentages. Cross tabulation was used to analyze the relationship between the awareness about the DSE investment opportunities and participation in the exchange. Multiple responses were also used to analyze the aspects or variables of assessing the awareness of individuals on DSE investment opportunities, contributing factors towards the awareness about the Dar es Salaam Stock Exchange investment opportunities, reasons for investing in DSE securities and reasons for not investing in DSE securities.

3.0 FINDINGS AND DISCUSSIONS

3.1 Individual's Awareness of the DSE Investment Opportunities

A total of 48 respondents among 91 respondents were aware of the investment opportunities available at DSE, which is 52.7%. On contrary, 43 respondents responded that they were not aware of the investment opportunities available in DSE representing 47.3% of the total population. Prior to this observation, it can be concluded that most of the respondents are aware of the investment opportunities found in DSE (Table 1).

Table 1: Respondents' Awareness of the DSE Investment Opportunities

	Frequency	Percent (%)
Aware	48	52.7
Unaware	43	47.3
Total	91	100.0

Aspects/variables used to obtain more insight into the respondents' awareness of the DSE investment opportunities include Listed Shares and Bonds, Price of Listed Shares and Bonds, Maturities of Listed Securities, Coupon Rates of Listed Bonds and Tax Incentives for investing in DSE. A total of 48 respondents were aware of the DSE investment opportunities. The study showed that all of them were aware of the listed shares and bonds, and 38 respondents were aware of the price of listed shares and bonds which is equal to 21.2% as indicated in table 2.

A total of 35 respondents were aware of the maturity of securities listed at the DSE (19.6%). Talking of equities/shares, they have an indefinite maturity, meaning that, their maturity depends upon the investor's decision to sell-off the shares. Therefore, if it happens that the investor does not sell the shares, and then he/she may hold them up to an undetermined period of time even forever, since equities are inheritable from generation to generation. For the case of Treasury bonds in Tanzania, they are of different maturities including 2-year bond, 5-year bond, 7-year bond, 10-year bond, 15-year bond, 20-year bond and 25-year bond. A total of 31 respondents (17.3%) responded that they were aware of coupon rates of bonds listed at the DSE. Treasury bonds in Tanzania are issued by the central bank (BoT) whose coupon rates entail the interest rates promised by the bond issuer to the bond investors to be paid annually. They include 7.82% (2-year bond), 9.18% (5-year bond), 10.08% (7-year bond), 11.44% (10-year bond), 13.5% (15-year bond), 15.49% (20-year bond) and 15.95% (25-year bond) (BoT, 2021).

From table 2, 27 respondents were aware of the tax incentives for investing in DSE (15.1%). The existing tax incentives in Tanzania include tax exemption on interest paid to long-term (at least 3 years of maturity) bond investors, tax exemption on capital gains earned by equity investors of listed companies, lower tax rate of 5% on dividends paid to investors by listed companies, contrary to tax rate of 10% on dividends paid to investors by unlisted companies, exemption of stamp duty in the event of transfer of shares of listed companies, tax exemption on income earned from ICF which boosts the liquidity of the ICF, hence increasing confidence of compensation to investors in event of any losses are subject to compensation (DSE, 2016).

This observation reveals that there is a constrained awareness status of individuals on investment opportunities found at the DSE. Most individuals' awareness is strictly limited to listed shares and bonds and their prices.

Table 2: Variables on Respondents' Awareness of DSE Investment Opportunities

Respondents Awareness Aspects/Variables	Responses	
	N	Percent
Awareness of respondent on Listed Shares and Bonds available in DSE	48	26.8%
Awareness of respondent on Price of Listed Shares and Bonds available in DSE	38	21.2%
Awareness of respondent on Maturity of Securities Listed in DSE	35	19.6%
Awareness of respondent on Coupon Rates of Bonds Listed in DSE	31	17.3%
Awareness of respondent on Tax Incentives for investing in DSE	27	15.1%

3.2 Factors Influencing the Community to Capture Awareness on Investment Opportunities in DSE

The study found that the factors that influence individuals' awareness of the investment opportunities in DSE were media reports/publications, individuals' education level/schooling, individuals' occupation/professions and social interactions as discussed. From table 3 below, 26 respondents (41.3%), captured awareness of DSE through media, reports and publications. Hence it can be concluded that media, reports and publications have greater contributions towards individual's awareness concerning stock exchange investment opportunities. (Turner & Walker 2018).

A total of 11 respondents (17.5%) obtained awareness as a result of their education level/schooling. This factor is seen to have a very minimal contribution towards imparting awareness to individuals pertaining to the investment opportunities available in the DSE simply because it seems to be overlooked. In case actions are taken to employ the factor (schooling) possibly it will be fruitful to the stock market industry and the economy at large. The importance of this factor can be found in the study undertaken by Baihaqqy and Sari (2020), Nadeem *et al.*, (2020) explaining that the exposure to financial education, particularly knowledge concerning capital markets in the period of schooling or in the course of climbing the educational ladder results into more saving and participation in the stock exchange investment opportunities.

A total of 13 respondents (20.6%) obtained awareness from their occupation/professions. This reveals that due to the nature of an individual's profession, this can be an incentive to promote DSE investment opportunities and ultimately lead into participation in or exploitation of the investment opportunities available at the exchange. A total of 13 respondents (20.6%) captured awareness of DSE investment opportunities from social interactions. Therefore, it can be concluded that social interactions have notable contribution towards an individual's awareness of the stock exchange investment opportunities and the exploitation of such opportunities. This concurs with the findings of Liang P and Guo (2015), who revealed that sociability of an individual can make the stock exchange more attractive for him/her to participate in the situation where his/her peers participate in the exchange. Liang P and Guo (2015), also supports that in a sociable community, interactions among individuals had a significant effect on their participation in stock market.

Table 3: Factors Influencing the Community to Capture Awareness on Investment Opportunities in DSE

Factors Influencing Awareness on DSE	Responses	
	N	Percent
Media Reports/Publication	26	41.3%
Education/Schooling	11	17.5%
Occupation/Profession	13	20.6%
Social Interaction	13	20.6%
Total	63	100.0%

Note: Number of respondents increased because of multiple responses.

3.3 Relationship between the Awareness and Participation in Dar es Salaam Stock Exchange Investment

The study found that, most of the individuals who were aware of the investment opportunities available at DSE had already began exploiting the investment opportunities found at the exchange (they were investing in the securities found at the exchange). A total of 33 respondents (68.8%) out of 48 respondents who were aware of DSE investment opportunities, were investors at the exchange while 15 respondents (31.3%) out of 48 respondents who were aware of DSE investment opportunities, were not exploiting the investment opportunities found at DSE (Table 4). Therefore, it can be said that, the individuals' awareness of DSE investment opportunities has a positive relationship with their participation in DSE investment opportunities. In accordance with Sarkar and Sahu (2017), Epaphra and Kiwia (2021), a good percentage of people with awareness/knowledge about capital markets or stock markets opportunities invest in the securities listed in the markets. Their findings have proven a direct relationship or correlation between awareness of individuals on stock markets investment opportunities and their participation in exploiting the opportunities. For the case of our country (Tanzania), this has been

proven by the recent IPO (which commenced on 1st June, 2021 to 15th July, 2021) of a youth-led agribusiness company, JATU PLC that intended to raise TZS 17.5 billion through the sale of 15,000,000 shares. Through the IPO, the investor base within the capital market industry (DSE) increased to a significant level since it attracted over 10,000 new investors in the stock market through the purchase of JATU PLC shares, of which 99% of the IPO subscribers were Tanzanian investors and five subscribers were foreign investors (<https://jatu.co.tz/wp-content/uploads/2021/06/Jatu-Prospectus-Final-Print-28th-May.pdf>). This shows that it is a good step towards promoting investment in the stock market industry in Tanzania. Through the IPO, the company managed to reap TZS 17.7 billion capital which is above the targeted plan of raising TZS 17.5 billion as capital to invest in commercial farming and establishment of factories for agricultural value addition. The achievement of the IPO was made possible by the company's public sensitization towards the IPO through a countrywide extensive public awareness campaign with a slogan "Buku Tano Inatosha", meaning five thousand Tanzanian Shilling is enough to buy 10 shares of JATU PLC each 500 TZS. (<https://jatukilimo.com/2021/07/15/kilele-cha-buku-tano-inatosha/>).

In this context, it proves the positive relationship between individuals' awareness of the DSE investment opportunities and their participation in exploiting the investment opportunities available in the DSE, since more investors were attracted to subscribe to the shares of the IPO through the sensitization program of the company that imparted awareness to the individuals on the IPO and its associated benefits, hence increasing the number of investors in the DSE.

Table 4: Relationship between the Awareness and Participation in Dar es Salaam Stock Exchange Investment

Awareness of Respondent on Investment Opportunities available in DSE	Exploitation of Investment Opportunities in DSE		Total
	Yes	No	
Aware Count	33	15	48
% Within Awareness of Respondent on Investment Opportunities available in DSE	68.8%	31.3%	100.0%

3.3.1 Reasons for Investing in Securities at DSE

From table 4 above, as it shows a total number of 33 respondents (68.8%) out of 48 respondents who were aware of DSE investment opportunities, were investors at the exchange while 15 respondents (31.3%) out of 48 respondents were aware of DSE investment opportunities, but were not exploiting the investment opportunities found at DSE. Hence, the study went beyond to find out the notable reasons inducing individuals to invest in securities found at DSE as among 48 respondents who were aware of DSE investment opportunities, only 33 respondents (68.8%) were exploiting the investment opportunities at DSE. The following are the reasons as it has been shown in table 5 below. The majority 22 respondents, (59.5%) gave the reason that they invest in securities in order to reap the dividends and capital gains from the securities. This was also found

in the study done in Ghana by Acquah-Sam and Salami (2013) whereby most of the respondents who claimed to be investing in the stock exchange, their foremost reason/motive was the dividends and capital gains. And it also found that most of the respondents who invested in the exchange due to the motive of dividends and capital gains were disappointed since most of the companies into which they have invested their funds rarely pay dividends.

Furthermore, 8 respondents, (21.6%) said that they invest in securities simply because they prefer to invest in the securities at the exchange rather than other assets in investment universe. 4 respondents (10.8%) responded that they invest in the exchange due to the motive of being a part owner of a company. 2 respondents (5.4%) responded that they invest in the securities available at the exchange due to the motive of retirement planning. The motive of capital preservation was found to be the least motive of investing in DSE securities since only one respondent (2.7%) responded to be investing due to that motive.

Table 5: Reasons for Investing in Securities at DSE

Reasons for Exploitation of Investment Opportunities	Responses	
	N	Percent
Dividend & Capital Gain	22	59.5%
Investment Preference	8	21.6%
Retirement Planning	2	5.4%
Capital Investment Preservation	1	2.7%
The Need to be a Part Owner of a Company	4	10.8%
Total	37	100.0%

Note: Number of respondents increased because of multiple responses.

3.3.2 Reasons for Not Investing in Securities at DSE

Additionally, the 15 respondents who responded to be aware but were not investing at the exchange were asked to give reasons behind of not investing in the available securities at the exchange. As it has been discussed from table 4 above, a total number of 33 respondents (68.8%) out of 48 respondents who were aware of DSE investment opportunities, were investors at the exchange while 15 respondents (31.3%) out of 48 respondents were aware of DSE investment opportunities, but were not exploiting the investment opportunities found at DSE. Hence the 15 respondents were asked as to why they do not invest at DSE while they are aware of it. Table 6 shows that 37.5% (6 respondents) of respondents who do not invest in securities at the exchange responded that low savings was the reason. Savings tend to be low due to low incomes paid to individuals, hence proving that in case incomes are increased individuals' participation in the exploitation of the exchange's investment opportunities will be boosted, given that the

individuals are aware of the investment opportunities and there are appropriate incentives towards investing. (Acquah-Sam and Salami, 2013).

Among respondents who do not invest in the exchange securities, 31.3% (5 respondents) of the respondents who responded not to invest in securities at the exchange because of riskiness to hold the securities. Other 3 respondents representing 18.8% responded that they do not invest in the exchange securities because of lack of interest and ignorance about the working of the securities. Furthermore, 1 respondent (6.3%) responded not to be investing because of preference for saving with banks and investing in Treasury bills and the last 1 respondent (6.3%) responded that he does not invest in the exchange securities due to preference in real estate.

Table 6: Reasons for not investing in Securities at DSE

Reasons for not Investing in DSE	Responses	
	N	Percent
Risky to Hold	5	31.3%
Low Savings	6	37.5%
Preference for Saving with Banks & Investing in Treasury Bills	1	6.3%
Lack of Interest & Ignorance about the Working of the Securities	3	18.8%
Preference for Real Estate	1	6.3%
Total	16	100.0%

Note: Number of respondents increased because of multiple responses.

4.0 CONCLUSION AND RECOMMENDATIONS

4.1 Conclusion

It was concluded that most of the respondents were aware of investment opportunities within the DSE though the awareness is limited to the listed shares and their prices. Factors that influenced the respondents' awareness of investment opportunities at the DSE can be ranked starting with media reports/publications, occupation / profession, social interaction and education / schooling. Education/schooling is seen to have a very minimal contribution in promoting awareness of investment opportunities available at the DSE. There exist a positive and direct relationship between the awareness of individuals of investment opportunities available at DSE and their participation in exploiting the investment opportunities at the exchange. The reasons for participating in DSE investments are dividends, capital gains and investment preferences. The major reasons for not investing in securities at the exchange are low savings, riskiness of the securities and lack of interest and ignorance about the working of the securities.

4.2 Recommendations

It is recommended that strategies have to be adopted to enhance the investors and non-investors' awareness on various aspects pertaining to investment opportunities available in DSE. Steps have to be taken to attract more listings of companies at the exchange to widen the investment scope and enable effective diversification of investment resources. Insights pertaining to the DSE and its opportunities have to be incorporated in the education curriculum and taught as from ordinary and advanced secondary schools to the higher learning institutions. The government should adopt relative expansionary monetary and fiscal policies in order to boost savings and investment in the economy. Medias have to be used efficiently and effectively by different entities that are directly involved in the securities industry including brokers and dealers, fund managers and investment advisory firms to impart awareness to individuals concerning stock exchange operations and the investment opportunities found at the exchange. Companies should adopt favorable dividend policies by increasing the dividend payout ratio to the potential investors. Operations of DSE intermediaries including stock brokerage firms, dealers, investment advisory firms and fund managers have to be extended to the periphery (inland) of the country, instead of being nucleated in Dar es Salaam city to attract more investors in the exchange. Actions have to be taken to encourage the prospective investors to put aside a portion of their monthly income through their employers for the purpose of investing in the available securities.

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