

**AN ASSESSMENT OF THE REGULATION OF FINANCIAL MARKETS AND THE  
PERFORMANCE OF THE STOCK MARKET OF UGANDA**

**A CASE STUDY OF UGANDA SECURITIES EXCHANGE KAMPALA-UGANDA**

**A RESEARCH REPORT SUBMITTED TO THE SCHOOL OF BUSINESS AND  
MANAGEMENT IN PARTIAL FULFILLMENT OF THE REQUIREMENT  
FOR THE AWARD OF BACHELOR DEGREE IN INTERNATIONAL  
BUSINESS ADMINISTRATION OF KAMPALA  
INTERNATIONAL UNIVERSITY.**

**PRESENTED BY**

**OKOT P. DENIS**

**BIB/11692/61/DU**

**JUNE, 2009**

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## DECLARATION

I declare that this research report is my original work and has never been submitted to any university for the award. Where the works of others have been cited acknowledgment has been made.

Signature.......... Date 6<sup>th</sup> / July / 2009.....

OKOT P. DENNIS

BIB/11692/61/DU

### APPROVAL

This is to certify that the work submitted by this candidate was under my supervision and guidance. This work is ready for submission to be awarded for the award of a Bachelor of International business Administration at Kampala International University.

Supervisor M. Ruteganda Date 06/07/09

Mr. Ruteganda Michael

BBA (USA), MSC (UK), ACIS

## **ACKNOWLEDGEMENT**

The author wishes to express sincere gratitude to all those who contributed directly or indirectly to this research work, particularly the staff and management of Kampala International University and the management of USE and Capital Market of Uganda.

Special thanks go to Supervisor Mr. Michael Ruteganda whose effort and advice cannot go unnoticed towards the completion of this research report.

Special thanks go to my family, Dad, Mum, brothers and sisters for their encouragement, inspiration and financial support towards my education especially gathering of data for my research project.

Lastly, I would like to extend my sincere appreciation to all my class mates and the entire Kampala International University community.

## **DEDICATION**

I wish to dedicate this research report to my beloved parents Mr. and Mrs. Oketch for their relentless contribution towards my education, my brothers and sisters who have always been my source of inspiration.

## **LIST OF ABBREVIATIONS**

EASE: East African Securities Exchange

USE: Uganda Securities Exchange

EABL: East African Breweries Limited

EADB: East African Development Bank

ALSI: All Listed Share Index

NYSE: New York Securities Exchange.

IPO: Initial Public Offer

BOU : Bank Of Uganda

NSE : Nairobi Stock Exchange.

DSE: Dar-salaam Stock Exchange

SEC: Securities Exchange Commission

## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL .....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
LIST OF ABBREVIATIONS.....	v
TABLE OF CONTENTS .....	vi
LIST OF TABLES .....	ix
LIST OF FIGURES.....	x
LIST OF ACRONYMS.....	xi
RESEARCH ABSTRACT.....	xii
 CHAPTER ONE .....	 1
INTRODUCTION.....	1
EXECUTIVE SUMMARY .....	1
1.0 Background of the study. ....	2
1.2 Statement of the Problem.....	4
1.3 Objectives of the Study.....	5
1.4 General objective.....	5
1.5 Specific objective. ....	5
1.6 Research questions .....	6
1.7 Significance of the study.....	6
1.8 Conceptual Framework.....	6
1.9 Scope of the study .....	8
1.10 Limitations of the study. ....	8
 CHAPTER TWO .....	 9
LITERATURE REVIEW .....	9
2.0 Introduction.....	9
2.2 Origin and Growth of the Exchange.....	9
2.3 Regulation on stock Market. ....	10



2.4 Performance of the stock market.....	12
2.5 Benefits of Stock Securities Exchange Market .....	13
CHAPTER THREE.....	15
METHODOLOGY.....	15
3.0 Introduction.....	15
3.1 Research Design. ....	15
3.2 Area and Population of Study .....	16
3.3. Target Population .....	16
3.4 Sample Size.....	16
3.4.1. Sampling. ....	16
3.5 Methods of Data Collection .....	16
3.6 Questionnaire. ....	17
3.7 Interview method.....	17
3.8 Data analysis and processing.....	18
3.8.1 Methods of data collection. ....	18
CHAPTER FOUR.....	19
DATA PRESENTATION, ANALYSIS AND INTERPRETATION .....	19
4.0 Introduction.....	19
4.1 Background of Information of USE .....	19
4.2 Presentation of results to establish the status and contribution of USE towards economic investment. .....	20
CHAPTER FIVE.....	32
SUMMARY, FINDINGS AND RECOMMENDATIONS .....	32
5.0 Introduction.....	32
5.2 Recommendation.....	33
5.3 Room for further Studies. ....	33
REFERENCES .....	34

APPENDIX I .....	xiii
QUESTIONNAIRE.....	xiii
APPENDIX II .....	xv
APPENDIX II .....	xvi
CURRICULUM VITAE.....	xvi
APPENDIX III .....	xix
THE BUDGET.....	xix
APPENDIX IV.....	xx
MAP OF UGANDA.....	xx
APPENDIX V .....	xxi
MAP OF KAMPALA AREA OF CASE STUDY .....	xxi

## LIST OF TABLES

Table 1 showing the fraction of respondents with ordinary shares and preference (individual investors).....	21
Table 2 shows the knowledge of the respondents about the rapid economic growth in Uganda.....	23
Table 3. Which source do investors use when investing in the stock market?.....	24
Table 4.The results show that USE regulation and performance towards investment in Uganda's economy.....	25

## LIST OF FIGURES

Fig: 1:1 A Line graph showing organizational storage of USE ALSI Trend map from October 2003-December 2008.....	20
Figure 2. A pie chart showing the fraction of respondents with ordinary shares and preference shares.....	21
Figure 3: The graph below shows the knowledge of the respondents about the rapid economic growth in Uganda.....	23
Figure 4: The graph showing the sources that investors use when investing in USE.....	24
Figure 5: A bar graph showing the percentage respondents on the contribution of USE towards investment in various sectors .....	26
Figure 6: A pie chart showing the fraction of USE performance in various sectors.....	26
Figure 7: Headline and underlying inflation rate Jan 2000 March-2009.....	28
Figure 8: Interest rate (end period weighted discount rates) Jan 2000- March 2009.....	29
Figure 9 : Inter-bank Foreign Exchange Mid-rate Jan 2000-March 2009.....	30
Figure 10: USE Activity comparison-turnover.....	31
Figure 11: USE activity comparison in volume.....	31

## LIST OF ACRONYMS

EASE	East African Securities Exchange
USE	Uganda Securities Exchange
EABL	East African Breweries Limited
EADB	East African Development Bank
ALSI	All Listed Store Index
NYSE	New York Securities Exchange
IPO	Initial Public Offer
BOU	Bank of Uganda
NSE	Nairobi Stock Exchange
DSE	Dar-es-salaam Stock Exchange
SEC	Securities Exchange Commission

## **RESEARCH ABSTRACT**

This study was carried out in Uganda Securities Exchange located in Kampala- Uganda. The study aimed at assessing the regulation and performance of financial and stock markets of Uganda.

Therefore, the researcher read related literature review of the topic and went to the field to collect data using review, interview and questionnaires method, which were manipulated, analyzed and the hypotheses were tested to draw the final report.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **EXECUTIVE SUMMARY**

Financial markets are arenas where money is bought and sold. It is a place where those with money, savings avail it to those with need for it usually for the purpose of investment. Finance or money as the life blood of a business has become a major pre-occupation in the board rooms.

Where to find it, how to use it, what to pay for it, all these are important pre-occupations. Business success is ultimately measured in how much money has been generated and what is in surplus of revenues after all expenses and this has a bearing closely tied to economy.

Stock markets have come to play very important roles in countries worldwide. People with savings want to secure future income take their monies to these markets and buy shares.

However, there are speculators who want to make quick profits in markets. Consequently, countries come up with laws that attempt to protect investors from abuse and fraud that are perpetuated by unscrupulous dealers.

### **1.0 Background of the study.**

Uganda securities exchange market was licensed to operate as an approved stock exchange in June 1997 by the capital markets Authority of Uganda. USE began final trading operation in January 1998 following the licensing of its maiden instrument. The East African Development Bank (EADB) bond currently the products listed on the USE includes bonds and equities.

Uganda clays limited is the company whose shares were first to be listed on the securities exchange on January 18<sup>th</sup>, 2000 while a multinational British American Tobacco (BAT) shares initially listed on the USE on October 3<sup>rd</sup>, 2000.

The first cross listing of a Kenyan Company East African Breweries limited (EABL) on USE was undertaken in April 2001 increasing USE's market capitalization to over shs, 69 million because of the volume of instrument on the exchange, trading of equities take place twice a week on Tuesday and Thursday.

Trading for fixed income securities may take place any time through a licensed broker and trade must be reported to the exchange during working hours. Trading is conducted at the USE floor under a continuous open outcry auction trading system in which trade is effected when a bid and offer are matched.

The USE council has approved the establishment of electronic trading, clearing and settlement and central depository mechanism.

Corporate bonds, Municipal bonds, ordinary shares and Treasury bills, Commercial papers are other securities set to be traded on the securities exchange. Discussions are underway at a regional level sector saving a regional stock exchange which will mobilize private sector savings that stimulate productivity and increase the standards of living.



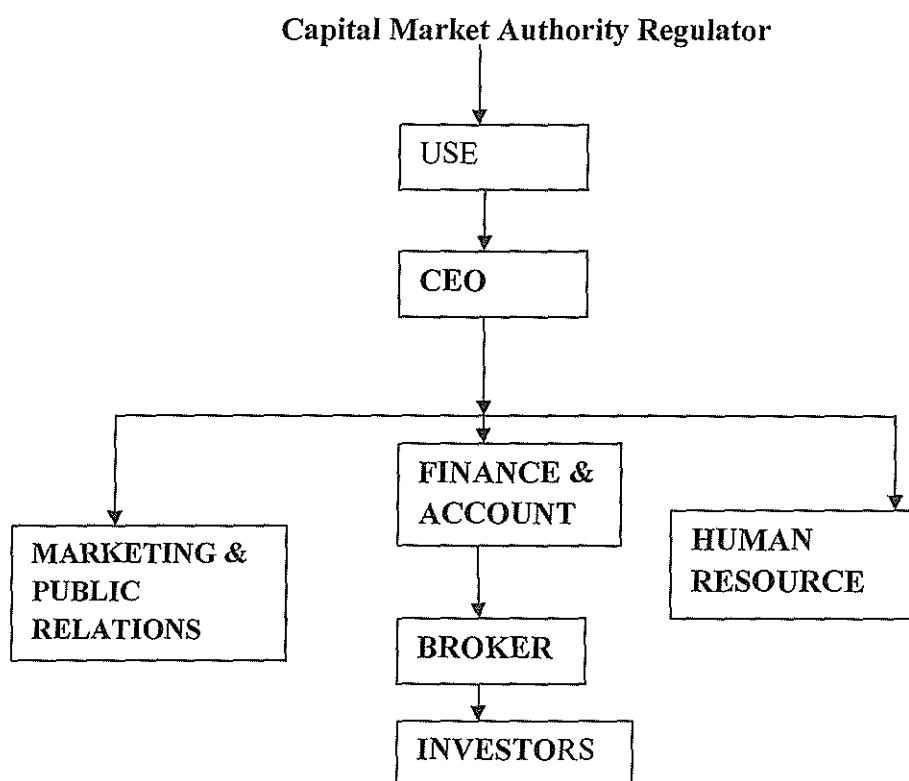
**Table 1: COMPANIES LISTED ON THE USE**

COUNTER	FULL NAME	NATURE OF BUSINESS
BATU	British American tobacco Uganda (ug.00000022)	Manufacturing, marketing Distribution and sale of cigarettes
BOBU	Bank of Uganda (UG 000000055)	Finance and banking
DFCU	Development Finance company Uganda Ltd. (UG000000047)	Finance and banking
EABL	EAST AFRICAN BREWERIES Ltd (KE0009081092)	Production, marketing and distribution of malt beer.
JHR	Jubilee Holdings Ltd (KE0000000273)	Financing and insurance.
KA	Kenya airways (KE 009081084)	Transport and cargo
NVL	New vision Printing and publishing company Ltd (UG 0000000162)	Media and publications
SBU	Stanbic Bank Uganda (UG 000000014)	Finance and Banking
UCL	Uganda Clays Limited (UG 000 000014)	Production, sale and Distribution of roofing tiles and other building materials
KVB	KCB Group (KE 000 000315)	Finance and Banking
ALSI	Use All Share Index (UG 000 000071)	

Source: [www.use.com](http://www.use.com)

As stated above there are 11 listed companies on the USE. Four (4) are cross listed and 7 are domestic companies. However there are so many companies in Uganda which could be listed in order for the USE to meet its main objective which is to encourage the wider share ownership of privatized and all companies in Uganda and facilitate raising of medium and long term capital.

**Figure 1: Organizational structure**



Source: [www.use](http://www.use)

## 1.2 Statement of the Problem

As stated above, the USE is a non-profit making body created to facilitate the government implementation of the economic reforms and to encourage the wider share ownership of privatized companies and all the companies in Uganda and facilitate raising of medium and long-term capital.

From the above, it can be deduced that regulation and performance is an area that USE market need to implement. Inadequate regulations and performance could have negative effect on the overall operation. The study, therefore aimed at finding out whether the contribution of the regulating and performance of USE had attracted investment in Uganda's economy. This will shed some light and point out the importance of regulation of the financial market with the aim of improving the overall operation and its performance.

### **1.3 Objectives of the Study**

The general objective of this study is to understand the concept of stock exchange market and investigate its role and performance in economy of Uganda. Understanding this concept in relation USE in Kampala and realizing this contribution towards attracting investment in the economy will enable the government know the importance of its regulation on the performance of stock market (USE).

### **1.4 General objective**

The primary objective of this study is to investigate the contribution of the regulation and performance of USE towards economic investment.

### **1.5 Specific objective.**

1. To find out if the effective regulation of the financial market and its performance can lead to increase economic growth.
2. To investigate and identify the importance of the USE to the listed companies.
3. To establish whether the regulation and performance of USE can protect investors from abuse and fraud that could be perpetuated by unscrupulous dealers.
4. To find out the possible solutions to attract and encourage the public to buy shares of the listed companies and other private companies to get on the USE market.

5. To provide knowledge that could be used by the government and USE practitioners to improve the development financial market in Uganda and to provide insights to other researchers for further studies.

### **1.6 Research questions**

1. What is the interaction between government sectors and USE?
2. Are the conditions too tough for the companies to meet?
3. Does the listing interfere with ownership or management of the company?
4. What are the different products traded on in the USE market floor?
5. Which sources do the public or investors use when accessing information in the USE market?
6. What is the impact of USE on the economic development of Uganda?

### **1.7 Significance of the study.**

The study was carried out for the following importance.

The study will enable the government to design some policies and regulation that relate to the function of the financial markets.

The management and investors will need to know the regulation that protects them from unscrupulous dealers and fraud

Other students of Research will know what is researched on the areas. This will equip them with necessary skills and knowledge of the research.

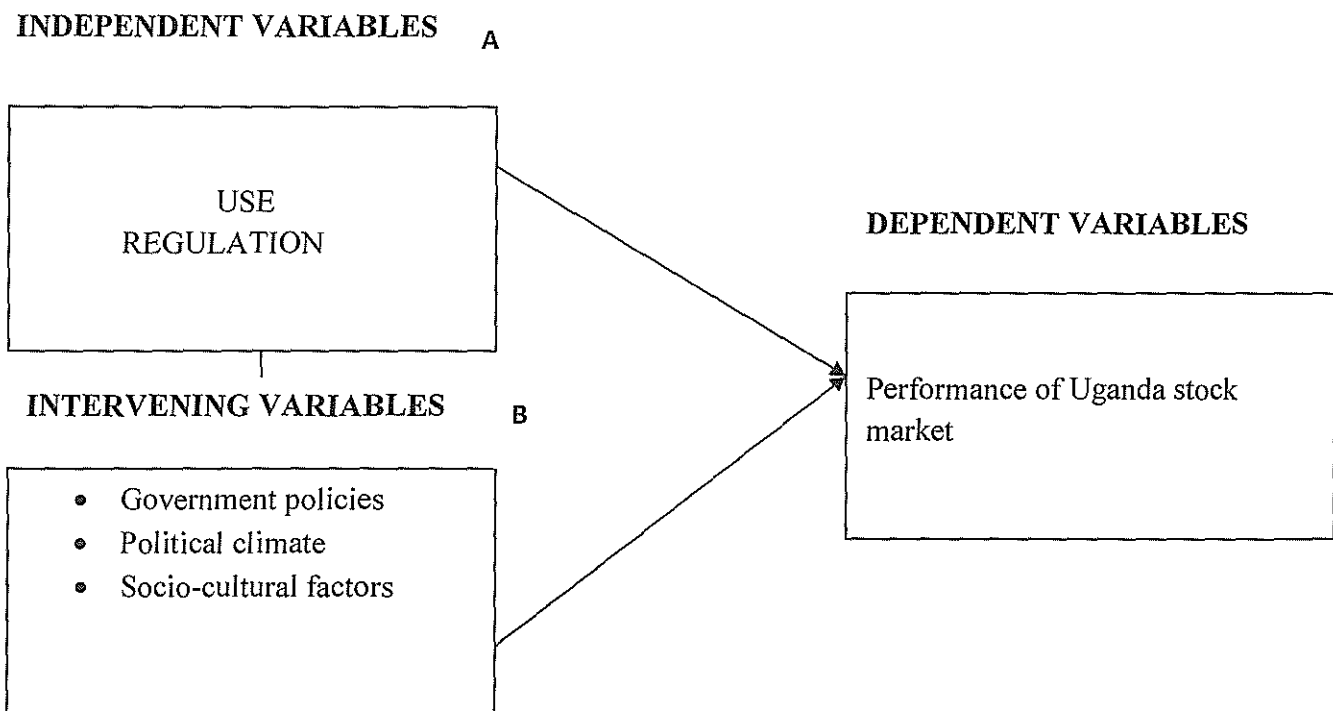
### **1.8 Conceptual Framework.**

This helps us to define the research topic through the explanation of the variables within the topic. There are independent variables which predict, control, influence and determine dependent variables. We also have intervening variables which work with the independent variables to

influence the dependent variables. For the purpose of this research, the independent variables will be the regulation and performance of financial markets and the dependent variable will be performance of stock market. And intervening variable will be government policies, political climate and socio-cultural factors,

This diagram can be illustrated in the diagram shown below;

**Figure 2: Conceptual Model**



(b) Indirect influence.

A- Indirect influence

B- Direct influence

Source: Researcher

### **1.9 Scope of the study**

The case study of the research was USE, coverage area of the study was Kampala in which most of the companies in Uganda have their headquarters situated in; This was easy for the research to be carried out. The study was limited to the contribution of regulation and performance of USE.

The research expected to collect data from fifteen companies five of whom should have listed their shares at USE and then should not have listed shares at USE. And also expected to collect data from at least twenty (20) persons from the general public.

### **1.10 Limitations of the study.**

It was not possible to study the whole population due to the main constraints such as limited time, inadequate resources and manpower, the researcher therefore selected few subjects from the study but results generated were generalized to the whole population.

A small population of people to participate was selected as samples and this was a good representative of the total population. This is because; most of the population, characteristics was represented.

Rules and regulations in the organization may made certain valuable information inaccessible.

Some respondents were difficult to trace due to frequent changes of address and places of work and some staff were too busy and could not spare time for interview.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter presents the view of other writers from various sources. Such information are in relation to the topic being researched. They give assumptions which could assist the researcher to reach the final conclusion of the variables of the topic. In this research work, it will relate to the contribution of the regulation of financial market and performance of the stock market of Uganda.

#### **2.2 Origin and Growth of the Exchange.**

The stock exchange is an institution of recent growth, the oldest of them; the London Stock Exchange is about 200 years old. However, exchange arose in Europe in the 16<sup>th</sup> Century as trade grew at that time, trade bills started being exchanged for goods as promised to pay. Antwerp, Lyons, Amsterdam and London became celebrated all over Europe for their stock exchange in trade bill.

London stock exchange is the earliest of the modern types of stock minutes. This list of securities traded greatly compared to other exchange and the vast majority of securities became international as contrasted with home issues.

The New York stock exchange (NYSE) came into existence immediately the United States became independent, It was estimated in 1792 when a group of merchants and traders decided to meet daily at regular hours, under a bottom wood tree on wall street, New York to buy and sell Securities in the 19<sup>th</sup> century. After World War II, the US took over the world economic and

financial leadership and NYSE, also known as Wall Street took over from London As the leading financial center of the world.

Today, there are 14 economic trading pots on the NYSE each dealing in specific stock.

Hong Kong, Tokyo Seoul in Asia and Frankfurt and Paris in Europe developed in the 1980's.

In every developed capitalist country and in many developing countries stock exchange exists in varying degrees.

### **2.3 Regulation on stock Market.**

Wall Street town (2008), treasury secretary Henry Paulson claimed recently that "There is no way to stabilize the markets other than through government intervention" In similar vein SEC chairman Christopher Cox called on congress for statutory authority to plug a "regulatory hole that must be immediately addressed"

Securities exchange Act of 1934, states that 'frequently, the prices of securities on such exchange (NYSE) and markets are susceptible to manipulation and control and the dissemination of such prices give rise to excessive specialization resulting in sudden and unreasonable fluctuations in the prices of the securities. Obviously, these changes in the prices of securities are important components of total returns and fluctuations in these prices contribute to the variance return.

Benston (1975), there have been more studies made of government regulation of industry in the last fifteen years or so, particularly in the United States, then in the whole preceding period. These studies have been both quantitative and non quantitative. The main lesson to be drawn from the studies is clear. They all tend to suggest that the regulation is either ineffective or that when it has a noticeable impact on balance of effect is bad, so that consumers obtain a worse product in a higher priced product or both as a result of regulation. Indeed, this found so uniformly as to create a puzzle. one would expect to find all these studies, at least some government programs that do more good than harm.



Publish what you pay ( Pwyp, 2002) call for the amendments to the rules of stock markets listing authorities to require all listed oil, gas and mining companies to disclose a disaggregated break down of payments (taxes, fees, royalties and other transactions).

Companies wishing to raise capital or have their stock traded a national stock market need to disclose information about their activities according to the rules set by what specific stock market regulator. The New York Exchange rules for example are set by the securities exchange commission (SEC).

The introduction of disclosure uses requiring listed companies to report payments, when applied to major stock exchanges around the world including London, Tokyo Toronto and Berlin capture most of the major extractive companies. Those companies would then be obliged to comply with specific stock market regulations where they are listed and report payments as required.

With the introduction of a stock market listing rules that would require companies to report payments to government on a country, by country basis and by payment type.

Citizens can gain in two ways. Firstly by accessing the information they need to hold their governments to account for the use of national resources and secondly citizen can judge whether the company payments are appropriate for the for the resources, gained. These are the main drives for pwyp's interests in greater transparency of company finances.

In addition, incorporating revenue transparency requirements into stock market disclosure rules has advantages from a business perspective. Stock market listing regulations would currently hamper companies that would otherwise be able to disclose their payments.

Secondly, the stock market regulation would level the playing field because of the breadth of companies covered and as such, those companies that wish to disclose because it is in their best interest, do not face a potential competitive disadvantage.

EASEA (Article 85, 86, 87). The East African Securities Exchange namely the Stock exchange (EASEA) Uganda securities exchange (USE) and Dar-salaam stock Exchange (DSE), and Nairobi Stock Exchange (NSE) have established a working relationship among them in the spirit of integrating and developing capital markets in East African Community (EAC). It recognizes the importance of promoting simultaneous public issues of securities in the region with the ultimate objective of attracting regional flows of capital to enhance economic development within the community.

#### **2.4 Performance of the stock market.**

J.F Weston (1975) the stock market is one of the most important sources for companies to raise money. This allows business to be publicly traded or raise additional capital for expansion by selling shares of ownership of the company in a public market. The liquidity that an exchange provides affords investors the ability to quickly and easily sell securities. This is an attractive feature of investing in stock compared to other less liquid investments such as real estate.

History has shown that the price of shares and other assets is an important part of the dynamics of economic activity and can influence or be an indicator of social mood. An economy where the stock market is on the rise is considered to be an up and coming economy. In fact the stock market is often considered the primary indicator of a country's investment and vice versa.

Share prices also affect the wealth of households and their consumption. Therefore, central banks tend to keep an eye on the control and behaviors of the stock market and in general on the smooth operation of financial system function.

Exchanges also act as the clearing house for each transaction, meaning that they collect and deliver the shares and guarantee payment to the seller of a security. This eliminates the risk to an individual buyer or seller that the counter party could default on the transaction.

The smooth functioning of all these activities facilitates economic growth in that lower costs and enterprises risks promote the production of goods and services as well as employment. In this way the financial system contributes to increased prosperity.

Martin Ongom Owiny (2008) According to him 2008 turned out to be quite eventful for the financial industry and stock markets. The highlight for many Ugandans began the Safaricom initial public offering (IPO) in April 6000 Ugandans participated in the IPO which made history as East Africans largest IPO.

Ugandans need to realize the need to nurture and grow our own stock exchange. It is an avenue through which any Ugandan can share in corporate wealth whether through individual funds, a retirement benefits fund or a cooperative society. Much as we live in a global village, if Uganda were the majority participants in their stock exchange, it would be able to exhibit much more positive trend.

## **2.5 Benefits of Stock Securities Exchange Market**

The stock exchange is a hallmark of free enterprise and is indispensable for the functioning of capitalist economies. It performs a number of vital economic functions and also measures the political and economic developments in a country. Among the numerous functions the following are singled out.

Provides a ready market for existing securities, investors wishing to buy and sell securities have continuous market and the market facilitates conversion of securities into cash and vice versa whenever required.

An Agency for capital formation. People with excess incomes have an avenue to invest their money by buying shares which is a method of saving. This makes the stock exchange an active participant in the capital formation process of a country.

Facilitate regulation and monitoring of performance of companies and their management. Listed companies must fulfill the requirement, rules and regulations of stock market exchange. This also facilitates a proper canalization of capital since the public will know the good companies and will buy shares.

Facilitates evaluation of companies. Besides monitoring of company performance, the stock exchange facilitates evaluation of companies whose securities are traded. Trading and publishing of share prices enable investors to know the worth of the company and also of their holdings.

Other functions include guiding of the companies, facilitating trade, movement of funds and measuring the rate of economic development of a nation.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.0 Introduction**

This chapter represents a detailed description of the methodology that the researcher used in the study so as to accomplish the stated objectives of the study. It portrays the plan, structure, strategy, the research design, the study population, sampling techniques, sample size, data collection instruments, procedures of data collection and data analysis. It also gives light to the study area by pointing out the subjects to be used and reasons for the preference of the subject.

#### **3.1 Research Design.**

This study followed a descriptive research design of USE market in Kampala Uganda. Both qualitative and quantitative methods were used to assess the contribution of the regulations and performance of financial market towards economic investment in Uganda.

The quantitative techniques according to Marshal Ross Man (1995) are appropriate for research that deals in department with complexities and processes such as the respondents experiences, attitudes, and benefits that are normative and sensitive in nature.

This method was used to collect and analyze data on the status of USE market as well as different responses from investors. The methods were used to quantify and make numerical comparisons between the respondents. I chose this method due to the fact that accuracy is inevitable and it minimized biasness and increased reliability of the results.

The qualitative techniques was used to assess the status of USE from relevant literatures and through the observations which were made on the history of stock market.

### **3.2 Area and Population of Study**

The study was carried out at the USE which is located at Perlingston Street NSSF Building Kampala

### **3.3. Target Population**

With regards to the kind of information that was required from the target population, the following people and the organizations helped the researcher get the necessary data. The human resource manager, supervisor, brokers from USE and the staff of Capital Market of Uganda.

### **3.4 Sample Size**

The survey was made up to 40 respondents who are employees of both USE and Capital Market and the public who have shares on the listed companies. Those respondents were randomly selected to participate in this study.

#### **3.4.1. Sampling.**

The small population of people to participate in the study was selected as samples. The sample was a good representative of the total population. This is due to the fact that most of the population characteristics were represented.

The researcher used the purposive which refers to the sampling techniques that helps get information from a source which is adequate enough for any piece of the study and random sampling techniques when selecting samples..

Kein (1996) referred to purposive sampling technique as the gathering of information with rich materials from chosen social people.

### **3.5 Methods of Data Collection**

In my study I used both primary and secondary data primary data was collected by line use of questionnaires and interview method.

*Primary data.* This is the first hand information collected by the researcher from the original source. This method used in this data collection involves interview, observation and questionnaire.

*Secondary data.* It is the data being collected by the researcher from over existing literature to support his or her research, normally it is the second hand information being used by the researcher and it involves any existing work from the library, internet and other sources.

The secondary data was collected by line use internet, library materials, books, various articles written in newspapers which are related to stock exchange market reports and publications of various association, or bodies conducted with financial market/stock market, statistics, historical documents and magazines.

### **3.6 Questionnaire.**

This is a method of collecting data by a questionnaire is sent to the respondent with a request to answer the questions and return the questionnaire.

A questionnaire consists of a number of printed or typed questions in a definite order on a form

This was administered to the selected participants in the study.

### **3.7 Interview method.**

This type of collection involves the presentation of oral or verbal stimuli and reply in terms of oral or verbal responses.

Collection of data through the interviews in my study were done through different methods such as face to face interview, telephone interviews when needed and depth interview with the key officers or informants.

### **3.8 Data analysis and processing.**

Analysis refers to the computation of certain measures along with in methods of data analysis. Thus, in the method of data analysis the researcher used graphs and charts such as histograms and pie charts to present any data because they are cautious in presenting them in drawings. They are also good package of data presentation in terms of relationship in data elements and values of data elements. The researcher also used percentage numbers, as this indicated the percentage number of people who gave their views concerning USE regulation and performance of stock markets of Uganda.

#### **3.8.1 Methods of data collection.**

The researcher collected data using two approaches quantitative and qualitative. Therefore the data analysis was separated according to the approaches used to obtain the data.

The collected data was analyzed descriptively. The researcher critically assessed the data by developing meaning out of the responses to each particular item in accordance with the objectives of the study. A careful assessment of each response was aimed at obtaining research data contained in the objectives though the use of context analysis to extract the meaning given by the respondents.

*Qualitative data analysis.* Data which is in form of views and opinions of the respondents about USE system in the organization was categorized in the form of themes or meaningful categories to enable the researcher establish the number of respondents sharing the same view.

However, some data that describes same phenomena from some respondents was directly quoted in the findings

*Quantitative data Analysis.* Data from questionnaires whose questions bore alternative answers were coded and fed into Microsoft windows excel spread sheets.

The data was presented in tables, frequencies and percentages, graphs, pie-charts and pyramids.



## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND INTERPRETATION**

#### **4.0 Introduction.**

This chapter presents the findings, analysis and interpretations of data that was collected in response to the research questions in order to fulfill the requirements of the research objectives set in chapter one.

#### **4.1 Background of Information of USE**

USE principle activity is raising funds for long term investments as well as mobilization of savings for investment.

In productive enterprises bonds, municipal bonds, ordinary shares. Treasury bills, commercial paper that are traded on securities exchange.

Other activity of market is facilitating the divestiture of government owned companies through the floatation of shares on the secondary market.

This report describes the different transactions, how companies listed on the stock exchange market and the public can participate in the exchange markets and organizational arrangement that USE has developed to attract investors in the country at large

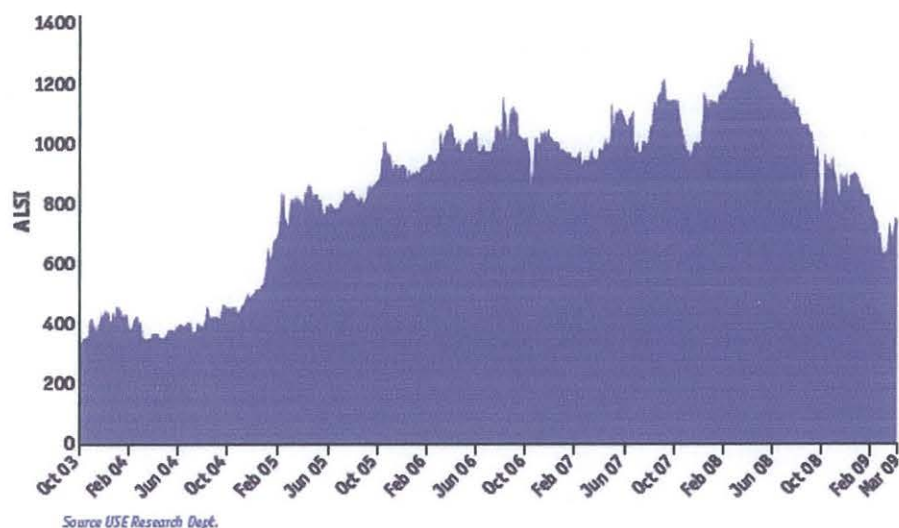
The study also includes evidence from government and private companies, central bank and capital market authority that regulates all the activities in the markets.

## 4.2 Presentation of results to establish the status and contribution of USE towards economic investment.

The findings relating to the status of USE were captured and presented in tables, pie-charts and bar graph as follows.

**Fig: 1:1 A Line graph showing USE ALSI Trend map from October 2003-December 2008**

**USE ALSI Trend map: October 2003 - March 2009**



### USE all Share index

The ALSI maintained a downward trend during the quarter posting an opening 781.29 in January before dropping to a low of 660.50 in February. On 10th March, the ALSI hit a new 28 month low of 553.62. Subsequently, the ALSI then posted gains towards the end of the quarter; closing at 652.27.

### Types of shares owned by the respondent (individual)

The research findings on the types of shares was that 30 of the 40 respondents have ordinary shares and 10 of the 40 respondents have preference share.

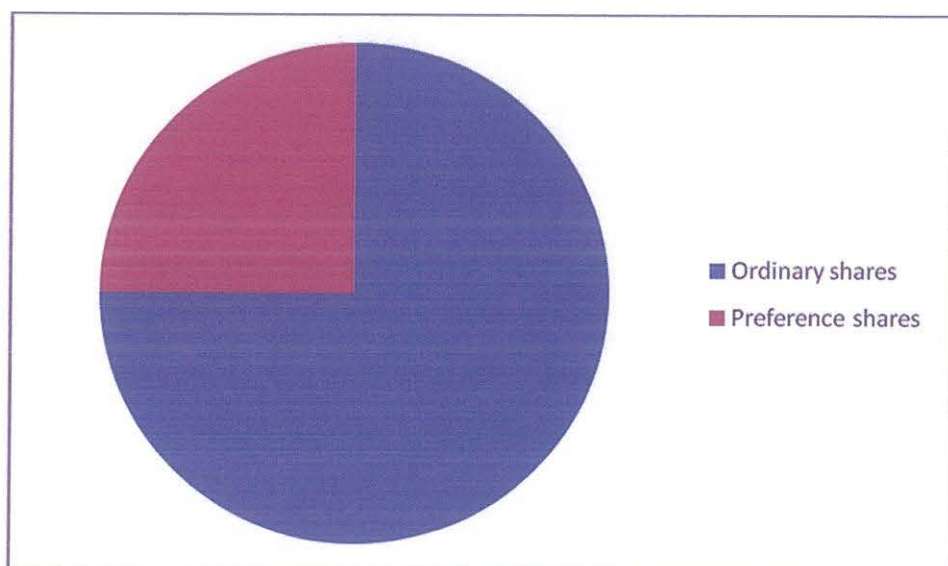
Basically, as a shareholder you will be involved in certain decision regarding the future of the company when the company performs dividends payment

**Table 1 showing the fraction of respondents with ordinary shares and preference (individual investors).**

Respondents	No	Fraction (degrees)
Ordinary shares	30	270
Preference shares	10	90
Total	40	360

Source: primary data.

**Figure 2. A pie chart showing the fraction of respondents with ordinary shares and preference shares**



Source: primary data.

### **The different types of preference share;**

Preference shares are shares which carry a preferential right regarding both payment of dividends and return of capital. Preference shares are paid a fixed rate of dividends and it is paid before any dividend is paid to other shareholders. This fixed rate is aimed at by the time of issuing the share and it depends on the circumstances

(i) *Participating or non-participatory*; participating preference shares are those that after receiving their dividends will participate in the dividends left for equity shareholders as recommended by the board of directors. Non-participatory doesn't participate.

(ii) *Redeemable or irredeemable*. These shares are those which at the time their issues are specified as to be repaid or discharged after a certain date. Irredeemable are those that cannot be paid during the life time of the company and are only repaid if the company is liquidated.

(iii) *Cumulative or Non-cumulative*, under normal circumstances non-cumulative shares received dividends which reflects on profit in a particular year no dividends will be paid.

The cumulative shares are those that will accumulate dividends such that in a year when there are no profits they will not be paid but will be paid in the subsequent year(s) when there are profits.

### **Knowledge and understanding about the rapid economic progress in Uganda as a result of the regulation and performance of USE**

Do you think that the rapid economic progress in investment in Uganda is as a result of the regulation and performance of USE?

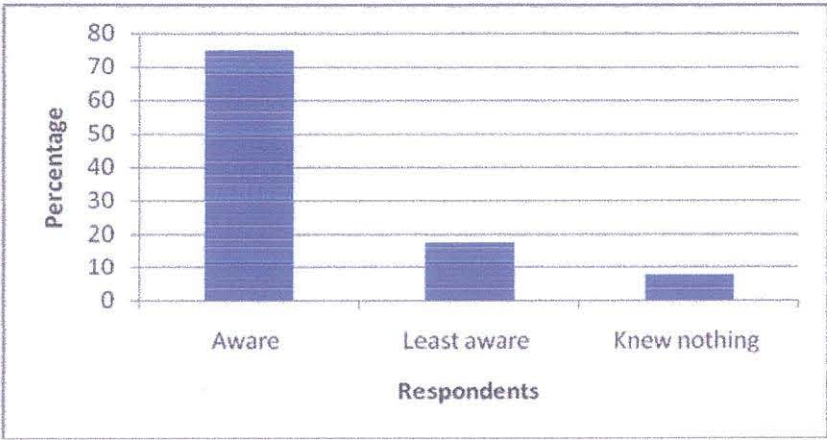
From the research findings, all the respondents apart from 7 of strongly agreed the rapid economic growth in Uganda is as a result of other factors while 33 of them neither agreed nor disagreed meaning that they are not sure about it. This has been represented in the table and graph below;

Table 2 shows the knowledge of the respondents about the rapid economic growth in Uganda.

Respondents	No	Percentage
Aware	30	75
Least aware	7	17.5
Knew nothing	3	7.5

Source: primary data.

Figure 3: The graph below shows the knowledge of the respondents about the rapid economic growth in Uganda.



Source: Primary data

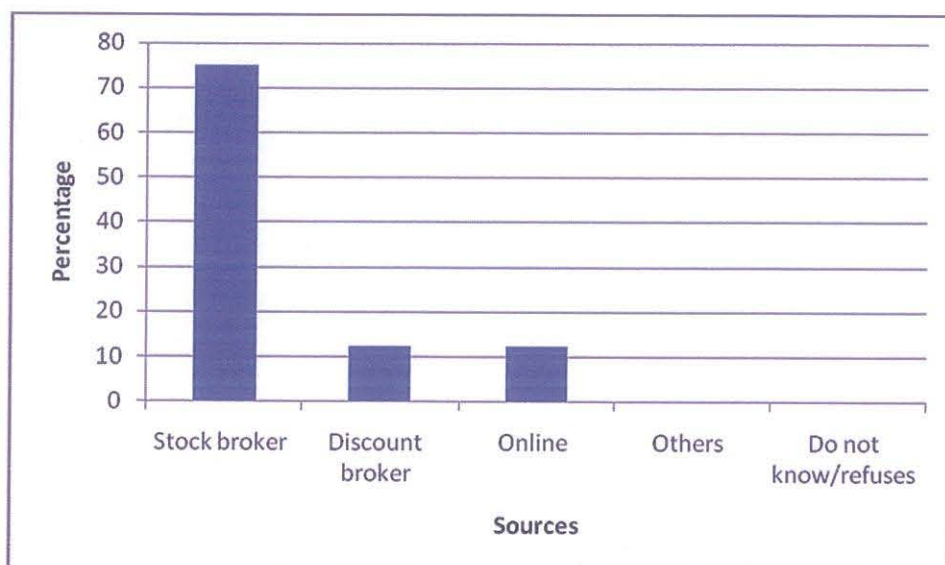
From the above, majority of the respondents are aware of or have the knowledge about the rapid economic growth in Uganda for the past years. Whereas 17.5 % have little knowledge and 7.5 % of the respondents were ignorant or knew nothing.

**Table 3. Which source do investors use when investing in the stock market?**

Source	Response	Percentage
Stock broker	30	75
Discount broker	5	17.5
Online	5	17.5
Others	-	-
Do not know/refuses	-	-
Total	40	100

Source: primary data.

**Figure 4: The graph showing the sources that investors use when investing in USE**



Source: Primary data

From the above, majority of the respondents (75 percent) used stock brokers as their main source of getting information that they may require in USE. While the rest of the respondents used discount broker and online information. This is due the fact that many people have not advanced technologically hence they cannot trade online. Therefore, it is only a few who have the knowledge that can trade or acquire information online.



**Does USE regulation and performance play any important role towards economic development in Uganda?**

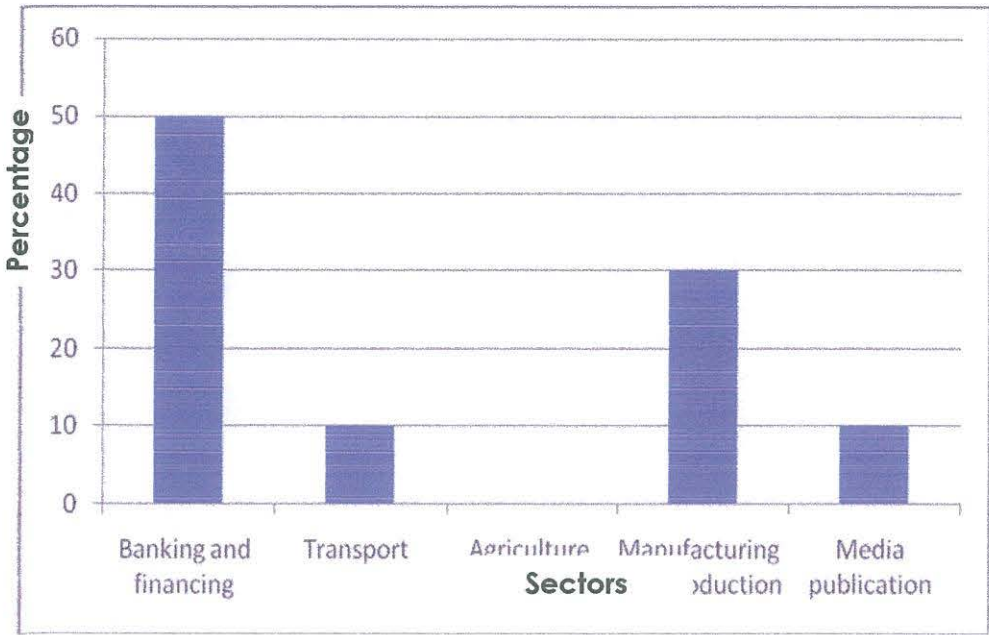
The research findings show that USE contributes a lot towards promoting investment in Uganda through offering various ways by which companies and individual investors can raise capital as represented in the table and graph below;

**Table 4. The table Showing USE Regulation and Performance towards the Economy of Uganda.**

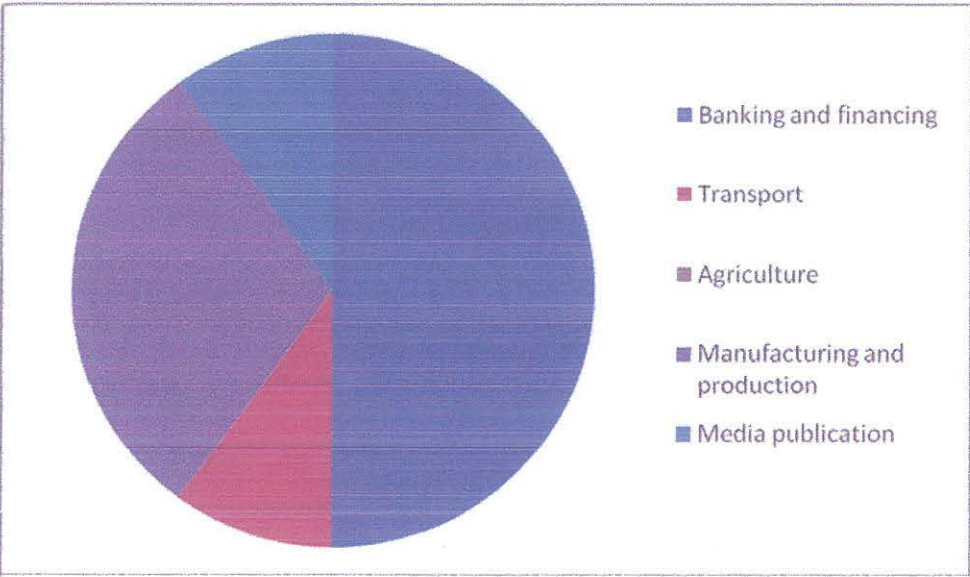
<b>Sectors</b>	<b>Percentage</b>	<b>Degree</b>
Banking and financing	50	180
Transport	10	36
Agriculture	-	-
Manufacturing and production	30	108
Media publication	10	36

Source: primary data.

**Figure 5: A bar Graph Showing the Percentage Respondents on the Contribution of USE towards Investment in Various Sectors.**



**Figure 6: A pie Chart Showing the Fraction of USE Performance in Various Sectors**



Source: primary data.



From the findings, the most active sector in the USE market is finance and banking with five listed companies, followed by manufacturing and production with three listed companies while media and publication and transport are least.

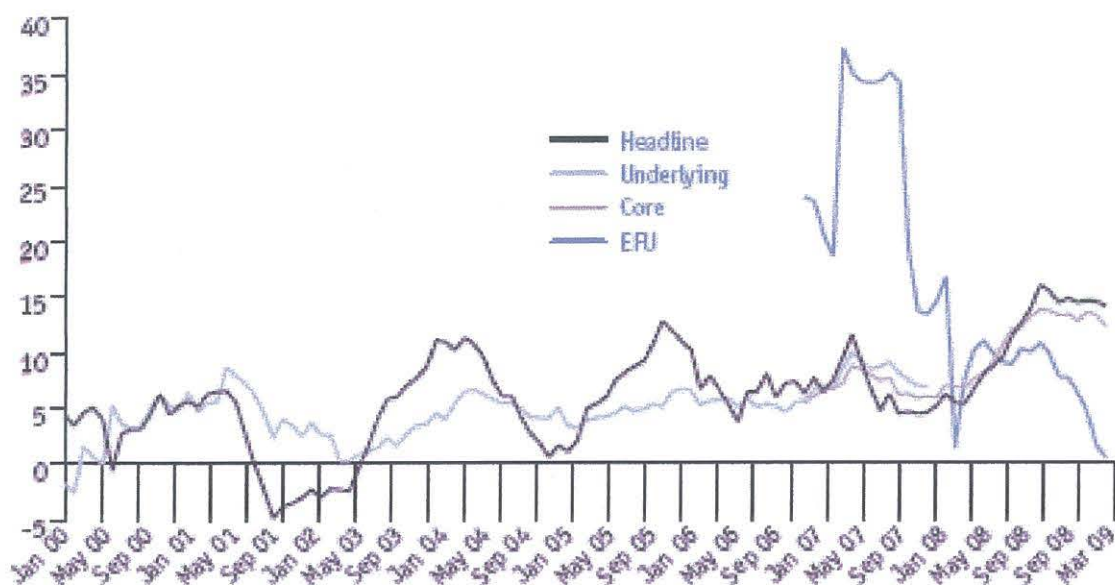
## **Uganda's Economic and Financial Indicators**

### **Inflation – Double Digits**

Save for EFU, inflation retained double-digit status throughout the period under review. While marginal decreases were reported between February and March, the challenge remains to bring inflation down to the targeted single-digit status. On the account of high food crop inflation, annual Composite inflation rose to 14.4% in January and on to 14.8% in February before declining marginally to 14.0% in March. Food crop inflation rose to as high as 30.4% in March while Core inflation moved from an opening 13.4% to 12.1% in March. EFU posted 0.3% in March. Analysts have continued to warn that as the economy looks to absorb local and international demand and supply shocks; inflation is estimated to stay high on the short term. Key aspects to watch include local and regional demand versus supply for food Items; and the exchange rate.

**Figure 7: Headline and underlying inflation rate Jan 2000 March-2009**

### Headline and Underlying Inflation rate Jan 2000 - March 2009

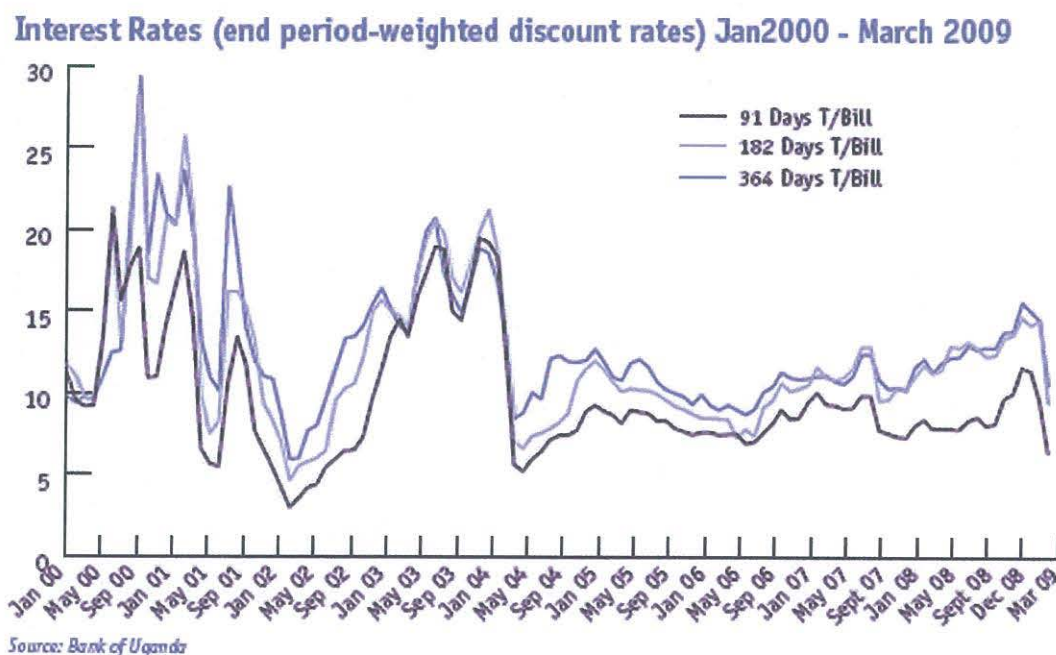


Source: Bank of Uganda and UBOS

### Interest rates – Declining

Interest rates dropped during the quarter with the 91-day, 182 day and 364 day Treasury bill discount rates falling from 11.39%, 14.20% and 15.08% respectively in January to 6.40%, 9.47% and 10.57% respectively in March. The drop has been attributed to the surplus liquidity situation that hit the market in late March which, most analysts say, was caused by the auction cancellations of the preceding months. Analysts are now predicting stabilization as auctions frequency and liquidity conditions normalize. Others are viewing BOU's deliberate downward adjustment of the policy rates as a clear sign that BOU is seeking to keep rates low and stable.

**Figure 8: Interest rate (end period weighted discount rates) Jan 2000- March 2009**



### Foreign Exchange rates

With surplus shilling liquidity, declining shilling interest rates and global pressures; the shilling depreciated markedly against the dollar during the period under review. The interbank foreign exchange monthly average mid-rate rose from Ushs 1975.97 to the dollar in January and crossed the Ushs 2,000 psychological level to hit Ushs 2,035.80 in March; which is approx 2% higher than the July 2003 peak. Analysts expect the rate to remain above Ushs 2,000 if not rise higher during the next few months.

Figure 9: Inter-bank Foreign Exchange Mid-rate Jan 2000-March 2009



Source: Bank of Uganda

Figure 10: USE Activity comparison-turnover.

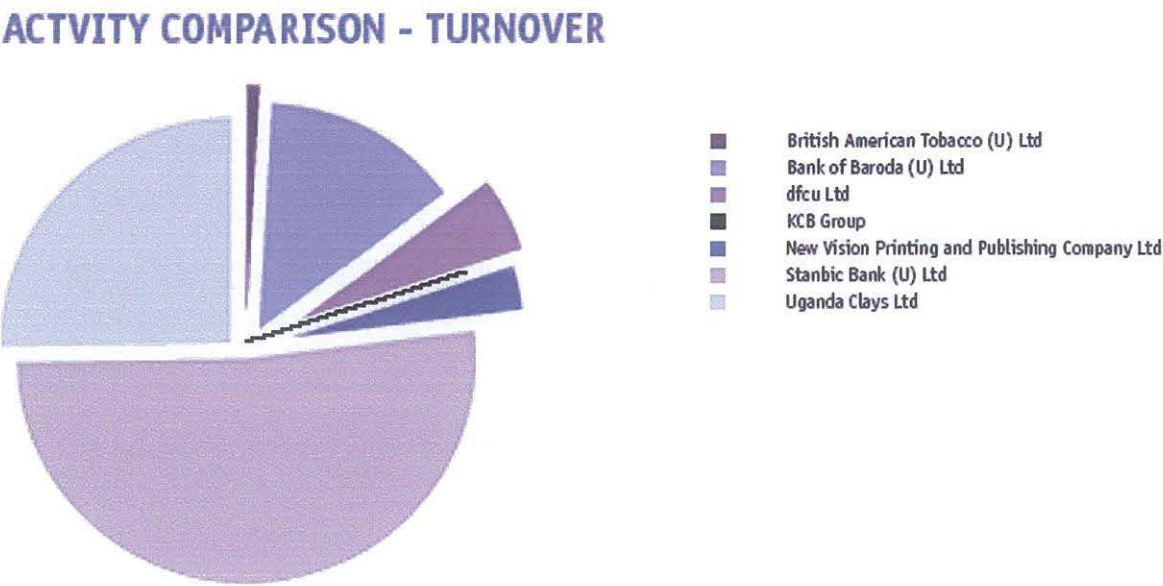
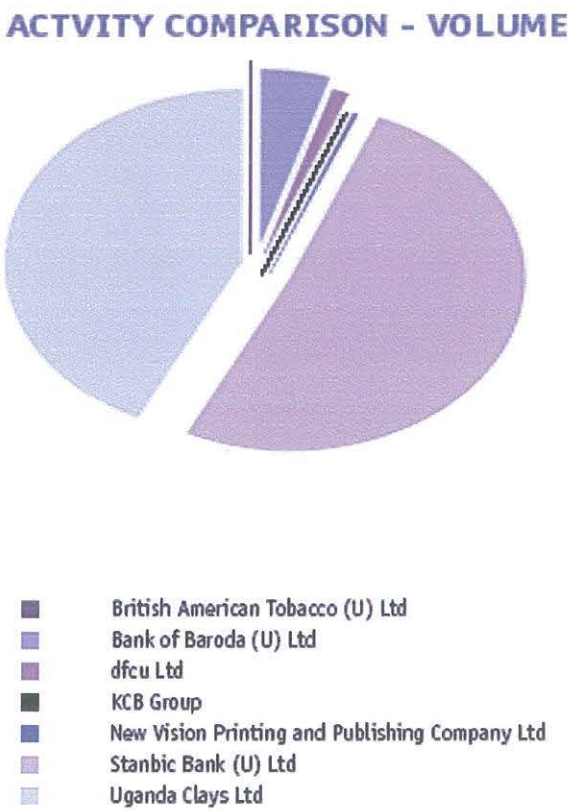


Figure 11: USE Activity Comparison in Volume.



## **CHAPTER FIVE**

### **SUMMARY, FINDINGS AND RECOMMENDATIONS**

#### **5.0 Introduction**

The overall objectives of this study were to examine and establish the regulation and performance of stock market of Uganda with reference to USE. This chapter therefore reviews the key findings of the study drawing appropriate conclusions and recommendations.

#### **5.1 Conclusion**

From the above findings, it is clear that regulation of financial market and performance of stock market (USE) has an impact on the economic development of Uganda.

USE has come to play very important roles towards economic investment through providing ready market for existing securities, an agency for capital formation, monitoring of performance of companies and their management, facilitating trade, movement of funds and measuring the economic development of a nation.

Therefore people with savings who want to secure future income take their monies to these markets and buy shares.

However, there are speculators who want to make quick profits in the market consequently the laws and regulations protect investors from abuse and fraud that are perpetuated by unscrupulous dealers.



## **5.2 Recommendation**

The study recommends the following in order to enhance the performance of USE.

The stock market under the Capital Market Authority should provide adequate information to the public pertaining what the market is all about, its importance and the requirements that companies and individual investors must fulfill before being registered into the market.

The study further recommends that the management and the regulatory body of Stock Market in Uganda to embrace fair business practice, adopt sound business code of conduct ethical policies and standards to define the principal activities or function of the market in order to encourage more people to buy shares on the listed companies and make share holders be involved in certain decisions regarding the future of the company due to the fact that this is a new market in developing countries.

For the increment of national wealth and development of this market, the government need to issue long-term dated bonds to provide a basis for pricing ask and return. And also transfer of share listed on the market to be exempted from stamp duty to boost development of the market.

## **5.3 Room for further Studies.**

The researcher suggests that further study should be done on the following areas such as fraud, corruption and embezzlement of funds in order to find out whether they have an influence on the regulation of financial and stock market performance in Uganda's economy.

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[www.sec.govt/about/gpa:html](http://www.sec.govt/about/gpa:html)

<http://www.bis.org/pub>

Ronald Coase '*Economists and public policy* HTTP/[www.economic/stock](http://www.economic/stock)

## APPENDIX I

### QUESTIONNAIRE

Kampala international university

Dear sir/madam, my names are Okot P. Denis pursuing a bachelors degree in international business administration.

I would like to kindly request you for your corporation and fill the following. These questions are strictly for academic purpose and are meant to obtain your opinion on the contribution of regulation and performance of USE towards economic investment of Uganda. All your response will be treated with utmost confidentiality and shall only be used for the purpose of the study.

#### Instructions

- (i) Tick the appropriate answer
- (ii) Fill the blank spaces.

#### SECTION I

##### Personal information

##### 1. Highest academic qualification

(a) Diploma ☐ (b) degree ☐ (C) masters degree and above ☐

Job category/profession

(a) Programmer or information system analyst ☐

(b) finance and accounting ☐

(c) Human resource administration ☐

## Section II stock/securities issues

1. Do you have any shares in any of the listed companies in USE?

(a) Yes ☐

(b) No ☐

2. If yes, from question 1 section 2 what kind of share do you have?

(a) Ordinary share or equity shares ☐

(b) Preference share ☐

3. Does listing interfere with ownership or management of the company that are listed in the securities market or USE?

(a) Yes ☐

(b) No ☐

4. If yes from question 3 sections 2, what opinion do you suggest?

.....  
.....

5. Are there other cheaper sources of capital for companies and the public to invest in apart from USE in Uganda?

(a) Yes ☐

(b) No ☐

6. Are the returns before and after tax sufficiently attractive to potential investors

(a) Yes ☐ (B) NO ☐

7. Does the government impose very heavy taxes on dividends and capital gains?

(a) Yes ☐ (B) No ☐

8. Do you think the rapid economic growth in Uganda is as a result of the regulation and performance of USE?

(a) Yes ☐ (b) No ☐

9. If No, what do you think facilitated Uganda's economic growth for the past ten years?

.....

10 Comment in your opinion whether positive or negative about the regulation and performance of USE.

.....

.....

**Thank you for your time**

## **APPENDIX II**

### **CURRICULUM VITAE OKOT P. DENIS**

**+256779195081**

**Email: deno104@yahoo.com**

#### **BIO DATA**

Nationality	Ugandan
Date of birth	24/12/1984
Sex	Male
Marital status	Single
Profession	Business Administrator

**Career objective:** To fully utilize my potentials and explore relevant heights within my career, devoting all the knowledge, skills and abilities imparted in me to achieving a better end satisfactorily both to the organization and myself.

#### **EDUCATION**

**2006-2009: Kampala International University**

**Award;** Bachelors of International Business Administration

**2003-2005: Uganda College of Commerce**

**Award:** Diploma in Business studies, Accounting

**2000-2002: Kyambogo College School**

**Award :** Uganda advanced certificate of education

**1997-2000: Manjasi High school**

**Award:** Uganda certificate of education

**1981-1996: Kitgum Public primary school**

**Award:** Primary leaving certificate of education

## **LANGUAGE**

- English
- Luganda
- Luo
- Kiswahili

## **INTEREST AND ACTIVITIES**

Enjoy meeting new people and experiencing new culture, travelling, watching movies and soccer

## **ACHIEVEMENTS**

Work as a cashier and assistant accountant in Atiak Technical School (2004-2006)

Publicity secretary of Uganda Pakwach Acholi students association (2003-2005)

Participated in academic exhibition when at Kampala International University (2009)

## REFEREES

OKETCH MC. NYEKO HARRY

NATIONAL EXECUTIVE VICE CHAIRPERSON

TECHNICAL/FARM SCHOOLS

PRINCIPLE

OLIO COMMUNITY POLYTECHNIC SCHOOL

P.O. BOX 239, SOROTI

TEL 0782 41 88 20

Email: [h/teacher-oketch-harry@yahoo.co.uk](mailto:h/teacher-oketch-harry@yahoo.co.uk)

O CAN PHILLIP

INSCOR UGANDA LTD

(NANDOS)

P.O BOX

KAMPALA

TEL: 0782 3395 17

### APPENDIX III

#### THE BUDGET

Item	Estimate in Uganda Shillings
Stationary expenses	50,000
Transport expenses	30,000
Typing, printing, photocopying and binding	80,000
Inflation allowances	30,000
Total	190,000



## MAP OF UGANDA



### MAP OF KAMPALA AREA OF CASE STUDY







**KAMPALA  
INTERNATIONAL  
UNIVERSITY**

Ggaba Road, Kansanga \* PO BOX 20000 Kampala, Uganda  
Tel: +256 (0) 41 - 266 813 \* Fax: +256 (0) 41 - 501 974  
E-mail: admin@kiu.ac.ug \* Website: <http://www.kiu.ac.ug>

**OFFICE OF THE DEAN  
SCHOOL OF BUSINESS AND MANAGEMENT**

Date: 12<sup>th</sup> June, 2009

Our Ref: KIU/SBM/RL/002-06/09

UGANDA SECURITY EXCHANGE,  
CAPITAL MARKET AUTHORITY

Dear Sir/Madam,

**RE: OKOT P. DENIS REG.NO.BIB/11692/61/DU**

The above mentioned is a bonafide student of Kampala International University pursuing a Bachelor of International Business Administration programme in the School of Business and Management of the University.

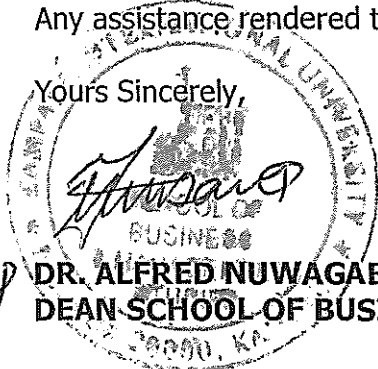
He is currently conducting field research and the title of the Research project is "AN ASSESSMENT OF THE REGULATION OF FINANCIAL MARKETS AND THE PERFROMANCE OF THE STOCK MARKET OF UGANDA." A CASE STUDY OF UGANDA SECURITIES EXCHANGE". As part of his studies (research work) he has to collect relevant information through questionnaires, interviews and other relevant reading materials.

The purpose of this letter is to please request you to avail him with the necessary information he may need.

All and any information shared with him will be used for academic purposes only and we promise to share our findings with your institution.

Any assistance rendered to him in this regard will be highly appreciated.

Yours Sincerely,



**DR. ALFRED NUWAGABA  
DEAN SCHOOL OF BUSINESS AND MANAGEMENT**