FACTORS AFFECTING THE DEVELOPMENT OF THE STOCK MARKET: A CASE OF DAR-ES-SALAAM STOCK EXCHANGE (DSE)

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________ Date: ______________________________

Shirima Juvenile (ID No. 634568).

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________ Date: ______________________________

Mr. Samuel Wainaina

Signed: ___________________________ Date: ______________________________

Dean, Chandaria School of Business

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ABSTRACT

This study was motivated by the need to determine the factors affecting stock market development in Tanzania: To achieve the study objective the study sought to establish how economic, socio –cultural, government regulations affected the development of Dar es Salaam Stock Exchange market. In addition, the study also studied the influence of education and government Regulation on the development of stock Market in Tanzania.

The study adopted a descriptive research design. The population of the study was 223 consisting of 176 institutional investors and 47 brokerage firms. The sample size was 114 consisting of 100 institutional investors and 14 brokerage firms. Convenient sampling technique was employed to effectively collect primary data using closed and open-ended questionnaire. Data was analyzed using descriptive and inferential statistics and presented in tables, graphs and charts. SPSS was used as data analysis tool.

The study found that economic, socio-cultural and government factors influenced the development of stock market. Economic factors were found to have an effect on the stock market operations. Factors such as increase in interest rate, depreciation of currency, purchasing power or disposable income and increase in the number of sellers affect the prices and demand of the stock securities which eventually affect the development of stock. The study found that socio-cultural factors such as disasters, adverse weather, regime governance and election events among others. The findings on government regulation found that government public awareness programs, government spending, tax laws, subsides and tariffs, government support for local companies and strengthening of banking sector improve stock market development in Dar es Salaam.

The study concluded that DSE was affected by the changes in inflation, natural and man-made disasters, terrorism and war. The development of stock was also influenced by the type of political leadership and the extent of advancement of technology. However, geographical location had no influence on the development of stock.

To improve the development of stock market in Dar es Salaam, the study suggested that DSE monitors the economic factors such as inflation, interest rate, supply and demand and take appropriate economic advice and decisions to boost growth. Politically, DSE should take advantage of the peaceful a political environment of Tanzania to reduce uncertainties

in the stock market. Another factor found to influence stock development was the extent of technological use, it is suggested that DSE innovatively uses technology to reduce cost, time and increase efficiency to boost the growth of the stock at DSE.

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DEDICATION

This project is dedicated to my parents who have taught me perseverance is a source of excellence and success. To my siblings who have been a source of encouragement and support.

In addition, this project is dedicated to all my friends who have been a great source of motivation and inspiration. Lastly, I dedicate to all those who believe in the richness of learning and knowledge.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Problem

Financial system plays the key role in the economy of any country by stimulating the economics growth and performance. All this is achieved through financial infrastructure whereas institution with funds allocates the funds to those people who are potentials more productive in way to invest those funds. The financial system makes it possible for the money transfer between people or entities. Financial system composes of three main components, namely financial markets, financial intermediary and financial regulators (Darskuviene, 2010).

Financial markets facilitate the flow of funds for financing investments by governments, corporations and individuals. Financial institutions play key role in the financial system as they perform function of intermediation and therefore determine the flow of funds. Financial regulators perform the role of monitoring and regulating the participants in the financial system (Darskuviene, 2010). Financial market is divided into two; the market, which facilitate short-term fund known as money market, and the market, which facilitate long-term funds known as capital market.

Capital market facilitates the long-term flow of fund. These include bonds and stocks which mature for more than one year. Example of Stock Markets includes Nairobi Stock Exchange, Dar es Salaam stock Exchange, New York Stock Exchange. A developed capital market can contribute to the speedy economic growth of the country. It mobilizes funds from people to further investments in the productive channels of an economy. The capital market also enhances the production and productivity of the national economy as it can make money available for long time (Ziorklui, 2001).

Capital markets have become an integral part of the global economy now more than ever. The Karachi Stock Exchange was found in 1947 in Pakistan. The Karachi Stock Exchange is the biggest capital market in Pakistan with average turnover of 254 million shares and market capitalization of US 41 billion. Efficient stock markets is of high importance especially with the dynamic nature of working individuals and the continuously changing competitive business environment which causes the room for manipulations by companies to over or under value shares for individualistic interests. The relationship between stock market development and economic growth has long been a significant subject of debate. Scholars argue that a well-functioning stock market can have an accelerating effect on economic growth by channeling more savings to investment and enhancing capital productivity through the efficient allocation of resources (Kaur, 2014).

Over the last two decades Stock Markets in developing countries have grown significantly Zhan (2014. Factors such as the improvement in macroeconomic fundamentals, which include improved monetary stability and higher economic growth, have been key aspects in the growth of the stock markets in the developing countries. Moreover, general economic and specific capital markets reforms, including privatization of state-owned enterprises, financial liberalization, and an improved institutional framework for investors, have further encouraged capital markets development.

Moreover, some of financial markets are still poorly performing, the major factor contributing to the severe economic recession example the one during the Great Depression (Alghamed, 2012). He further pointed out that, there is a direct link between financial markets and real activities financial markets assist such as permitting the extension of borrowers' financial capacity make inter-temporal trade more efficient, can pool investors' funds, and offer producers external finance. Hence, financial markets are vital to development as they improve physical capital accumulation. Financial market are considered as an important aspect of economic growth if are well developed, however in Tanzania the development of the Stock market has been growing at a small rate due to presence of different hindrances.(Shivji, 2010).

Aurangzeb (2012) explains factors that affect stock market in India stock exchange as economic and political instability. The political instability in India has affected the India share price and hence affected the growth of capital market in India. He also stated that inflation rate in India determined the consumer pricing power which had bigger effect on capital market development. The volatility in the inflation rate is mostly governed by the liquidity conditions in the market. The higher the liquidity the higher the inflation rate and vice versa.

Liquidity is the flow of money in the markets. When liquidity conditions are favorable in the market, means that consumer has better purchasing opportunities. Thus, it has positive impact on stock market and better buying or investing opportunities makes the stock market bullish. However, excessive high inflation can result in crash of stock market as the investors have less money to invest and at the same time, it may result in excessive selling in the market. In addition, the increase in the inflation rate also results in increase in the nominal interest rate (Joshi, 2013).

Macroeconomic variables such as exchange rate, interest rate, industrial output and inflation have been suggested to be the determinants of stock prices. The higher the exchange rate the higher the stock price and the lower the demands. When stock prices are high, the demand of stock price is lower hence hinder the development of capital market (Atiq, 2010). According to Atiq (2010) growth of Karachi stock market in Pakistan had been affected by the high interest rate, high exchange rate and high inflation rate. All these macroeconomic variables had made the price of Stock to be high. Atiq (2010) further explain it is believed that government financial policy and macroeconomic events have large impact on general economic activities in an economy including the stock market.

Dar as Salaam Stock Exchange was incorporated in 19 September 1996 under Cap 212 as a private company limited by guarantee (Cap, 212; DSE, 2011). It was followed by enactment of the capital market and Securities act 1994, which is the industry regulatory body established with the mandate of promoting an orderly, fairly and efficient capital market in Tanzania (DSE, 2011). As of January 2017, their 24 listed companies where by 18 companies are domestic and six are cross listed companies. The first companies to be listed are Tanzania Oxygen Limited (TOL) and Tanzania Breweries Limited (TBL) in 1998 (DSE, 2011). While the latest domestic companied listed is Mucoba Bank in 2016. The first foreign company to cross-listed is Kenya Airways Limited (KQ) in 2004 (DSE, 2014).

According to report from DSE annual report (2016), the total market capitalization of Tanzania as of December 2016 was TZS 21 Trillion. The DSE is governed by the capital market and security authority (CMSA) which is the government agency established to promote and regulate security business in the country. The DSE All Share Index (DSEI), which comprises all listed companies at DSE, has risen to 2,479.78 points on July 1 2016, compared to 1588.45 on the corresponding date in 2013. This represents an increase of 56% (DSE 2016).

1.2 Statement of the Problem

The need to have a capital market that is operating and functioning well is important for the fact that there is an increasing link between capital market development and economic development of a country. A well-developed and functioning stock market can boost economic growth by enhancing faster capital accumulation and allow in for better resource allocation (Zhuang & Niimi, 2009).

Baker & Bloom (2014) explain factors, which hinder the development of stock market in the USA. There are numerous factors which setbacks the development of stock Exchange in the US markets such as regulation of investors through high taxation. The stock market is also affected by national election cycle as well. According to Baker & Bloom (2014) some social cultural disaster such as war and terrorism also influenced the growth of stock exchanges in the US such as the September 9/11 attacks where people cashed out their investments due to panic after the event. The event had a major effect on the stock development as it took about 2 years for the market to be recovery again (Baker & Bloom (2014).

Aurangzeb (2012) explain the factors, hinders the development of stock markets in south Asian countries taking Karachi Stock market and India Stock Market Data. He explains macroeconomics variable such as money supply, inflation rate, political instability, interest rate, Treasury bill rate as factors, which hinder the development of stock markets in South Asia markets.

Osei (1998) explains economic factors that hinder development of stock market in Ghana as barrier of entry and exit and taxation of investment income. The government charges higher tax to investors. This has made investors to exit the market. Stock market is also expected to lower cost of capital and hence stimulate investment by spreading risk of long term investment. It is therefore essential that all stakeholders and authorities concerned must work together towards achieving capital market efficiency, which will ensure sustainable mobilization of resources in developing counties.

Aduda, Masila and Onsongo (2012) noted that the stock market had not yet played the role it was expected to play by bridging the gap in long-term capital mobilization. It is well acknowledged that if the financial sector is properly organized, it could be a source of much needed capital, which is necessary for economic development of a country (Aduda, Masila, & Onsongo, 2012).

Although there have been several studies on factors affecting the development of stock market in developing and developed countries, very little research has been done to assess the factors for the development of stock market in Tanzania. Ghobakhlo, Ariaas Aranda, & Benitez Amado,(2011) agree that research which is related to stock market is very scarce esspecialy in developing countries.The limited reseach done and scarcity of literature review on factors affecting stock market in Tanzania. There remains a gap on the understanding of the factors affecting stock development in Tanzania. This study sought to bridge this gap in knowledge on the stock development in Tanzania by studying factors affecting stock market in Tanzania with a bias on Dar es Salaam Stock Exchange DSE.

1.3 Purpose of the Study

The purpose of the study is to explore the factors affecting growth and development of the Dar es Salaam Stock Exchange (DSE) in Tanzania.

1.4 Research Objectives

1.4.1 To evaluate the economic factors affecting the development of stock exchange in Tanzania.

1.4.2 To examine the social cultural factors affecting the development of stock exchange in Tanzania.

1.4.3 To determine how government regulation affecting the development of stock exchange in Tanzania.

1.5 Significance of the Study

1.5.1 Government

The research findings enable the government and the members of parliament in Tanzania to make well-informed decisions regarding laws and regulations, fiscal and monetary policies that affect the well development of the stock market in the country.

1.5.2 Body of Literature

Furthermore, this study adds more information to the body of literature concerning stock market in Dar es Salaam, as there has been little research done regarding stock markets in Tanzania.

1.5.3 Potential investors

The study generated useful information on the factors affecting the development of the Dar es Salaam Stock Exchange. This information is useful to the potential investors who may want to invest in stocks in Dar es Salaam by evaluating various factors before making their investment decisions.

1.6 Scope of the Study

This study will confine in assessing the Factors affecting stock market development in Tanzania. The study will be conducted in Dar es Salaam city, this is because the case study that is Dar es Salaam stock exchange is located in this city, and hence it simplified the process of data collection. The data collection period for this study was done in a period of three weeks from 21st June to 10th July 2017.

1.6 Definitions of Terms

1.7.1 Stock Exchange

Stock exchange is an organized market for buying and selling financial instruments known as securities, which include stocks, bonds, options, and futures (Bonnelo, 2008).

1.7.2 Stock Markets

Economic and Social Research Foundation (2004) defines a Stock Market as a public market for the trading of company stock/shares and derivatives at an agreed price; these securities are listed on a stock exchange as well as those only traded privately.

1.7.3 Economic growth

Economic growth is an increase in the capacity of an economy to produce goods and services, compared from one period to another. Increase in the capital stock, Stock Exchange and advances in technology are considered the principal causes of economic growth (Elliot , 2008).

1.7.4 Stockbroker

Stockbroker is an employee of a brokerage firm. The individual investor contacts his or her stockbroker and provides the stockbroker with the details of the transaction the investor wants to complete (Kumar & Vikkraman, 2011).

1.8 Chapter Summary

The chapter gives an introduction to Stock Exchange, the factor that affect the stock exchange in Tanzania. The chapter also provides the background of the study in Tanzania. The chapter also explains the significant of the study and where the research was conducted. It also shows the research objective and research questions which will be used in this study. Chapter two reviews the literature of different scholars on the purpose of the study is to explore the factors affecting growth and development of the Dar es salaam Stock Exchange (DSE) in Tanzania and chapter three enlightened on the research methodology of the study, the methods and procedures which were used to carry out the study. Chapter four presents the results and findings of the study. Chapter five highlights the summary, discussion, conclusion and recommendations of the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The main purpose of literature review was to identify and examine what other scholars and researchers have done in relation to factors affecting stock market in Tanzania and the world in general. A detailed knowledge of what has been done helped to avoid unnecessary and unintentional duplication of other research, demonstrated familiarity with the existing body of knowledge, form a framework within which the research finding was interpreted and finally to overcome the limitation of previous study.

2.2 Economic Factors Affecting the Development of Stock Exchange

Stock market is the market was stock exchanges are traded. The market development is well depending on the economic situation of the country. The following are the economic factors that affect the development of stock exchange in Tanzania

2.2.1 Inflation and Deflation

Inflation can have an adverse effect on the stock market; Inflation is the rate at which the price of goods and services increases. Inflation is bound to influence all sectors, either directly or indirectly. Inflation and stock market have a very close association. Inflation affects the stock markets tremendously. Inflation is the result of several factors, including rise in the cost of manufacturing, transporting and selling goods. When inflation is at a low rate, the stock market responds with a surge in selling. High inflation causes investors to think that companies may hold back on spending; this causes an across the board decrease in revenue and the higher cost of goods coupled with the drop-in revenue causes the stock market to drop (Downes, Hanslow, & Tulip, 2014).

Deflation is the general reduction in the price level in an economy. When there is high deflation in the country, the prices of goods drops. Subsequently, securities in the stock market are sold at cheaper price. This causes a drop in the stock market because investors perceive deflation as the result of a weak economy. (Rani, 2014).

2.2.2 Interest rate

The money market rate is considered as a proxy for interest rate. The money market is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. It is a market where, participants borrow and lend money in the short term, from several days to just under a year. An increase in the interest rate will result in falling stock prices because high interest rate will increase the opportunity cost of holding money, causing substitution of stocks for interest bearing securities (Alam & Uddin, 2009).

Interest rate is one of the important macroeconomic variables and is directly related to economic growth. From the point of view of a borrower, interest rate is the cost of borrowing money while from a lender's point of view; interest rate is the gain from lending money. When interest rate is high, company will find it hard to borrow money from banks, as the loan becomes expensive... In this situation, the company's spending will decrease too. This reduction of the companies' spending reduces the number of economic activities which slows down the growth of the company. Investors will not purchase stocks, as they fear the company will not grow in future thus affecting the growth of stock Market in most developing countries. The interest rate is expected to be negatively associated to stock returns (Alghamed, 2012).

2.2.3 Exchange rate

The next macroeconomic variable used in this study is the exchange rate, which in this case is the bilateral nominal rate of exchange. Muthukumaran & Somasundaram (2014) explained that increase in exchange rate (depreciation) causes a decline in stock prices because of expectations of inflation. Moreover, heavy importer companies will suffer from higher costs due to a weaker domestic currency and will have lower earnings, and lower share prices. As a result, the stock market, which is a collection of a variety of companies, tends to react negatively to currency depreciation. However, domestic exporters benefit from currency depreciation because it causes domestic products to become cheaper to foreign clients. Therefore, on macroeconomic level, currency depreciation will boost the domestic export industry and depress the import industry. The stock prices of companies which export may positively respond to currency depreciation while the stock prices of the heavy importing companies may decline. Overall, the effect of exchange rate on stock prices can be either a positive or a negative relationship (Klein & Shambaugh, 2010). This study sought to establish how exchange rate affects the development of stock exchange in Kenyan firms.

2.2.4 Supply and Demand

Supply and Demand forces play a vital role in stock market. Price of stocks changes as supply or demand changes. Demand is positively related to price of the stock i.e. if demand is more than supply, prices will rise. Supply is inversely related to the stock i.e. if supply increases beyond current demand, prices will fall. Stocks fluctuate on a short and long-term scale, creating trends (Evance, 2012). The threat of supply drying up at current prices forces buyers to buy at higher and higher prices, creating large price increases.

According to age-old economic model (Bouchaud, Farmer, & Lillo, 2010), if a large group of sellers enter the market, the supply of stock available increases which is likely to push prices downwards. When the price of stock is low (or supply is high), investors will buy more, creating a demand for that stock. After a while, the price rises (supply decreases) as investors have proven they are willing to pay a higher amount for successful stocks. When the price is too high, however, demand decreases. Thus the supply and demand force in the stock market is likely to influence the price of stock prices.

The amount of money in an economy is referred to as the money supply. This consists of far more than the bills and coins circulating. In fact, the physical money makes up less than one-tenth of all the money in a typical, developed economy. The rest of the money in the economy is virtual. The unused line of credit in your credit card account or in that of a large corporation's commercial bank account are considered part of the money supply, because these can be used just as readily as bills and coins to buy goods and services (Ayopo & Isola, 2016). Economists keep a close eye on money supply, because this figure determines the purchasing power and therefore potential demand for products and services.

When money supply grows, it stimulates the economy, which leads to greater credit being available to firms to expand production, and then increases sale resulting in increased earnings for firms. This results in better dividend payments for firms leading to an increase in the price of stocks. However, money supply can also be negatively associated to stock exchange. When money supply decrease it lead to low sales and production in which it lead to low dividend paid to shareholders. Investors will pull away their investments if there is no money. Hence, with low money supply the company stock market will struggle to grow (Kennedy, 2010).

2.2.5 Economic Expectation

The expectation of the investors about the future growth of the economy may influence the prices of stock. If the investors expect the economy to grow in future, they may buy more stocks eyeing future profits and higher stock prices. On the contrary, if the economic expectation is uncertain, investors may reduce their buying or start selling. Also, when there is fear that economy will fall in future the investors will run away because they know that they will get loss if they continue to invest in that company. Confidence plays a major role in stock trading. Investors who believe in the market are more likely to purchase stocks, take more risks and drive up the price of stocks. When this confidence fails, the market falls. When investment firms began to collapse, investors lost confidence and refused to take risks and fund investments (Bonnelo, 2008)

When a new government comes into power, it may decide to make new policies. Sometimes these changes can be seen as good for business, and sometimes not. They may lead to changes in inflation and interest rates, which in turn may affect stock prices. Government can change the economic policy to regulate the economy of the country. For example, if a government decides to increase taxes, the number of investors in the market may reduce due to the fear that tax reduction will be out of their profit. Thus, although government may increases tax to increase government earning in order to stabilize the economy it may be to investors. The government may also decide to limit external investors to promote internal investors. Change in economic policy can bring both positive and negative effect to the stock market. The Government can lower the inflation rate or taxation to promote investment although it can increase the rate of taxation to increase government earning in effect it negatively affects stock price and stock market development in general. (Aduda & Onsongo, 2012).

2.2.6 Substitute Market

Often investors make choices based on the substitute products in the markets. Some of the common substitutes for stock are bonds and derivatives. An investor may go for the substitute products instead of the stock if the stock appears more expensive to the latter. Mostly, when the investor sees that stock prices are high but bonds are cheaper he or she will go for bond. Investors also investigate if buying stock generates more money than bonds and then makes decision. This shows that investors will go for a market, which will give him more wealth. If investors feel government bonds are overpriced and likely to fall, then the stock market can benefit as people move into shares (Liu & Park, 2015).

2.2.6 Unemployment Rate

Unemployment rate shows the number of people who had no employment during particular period but were available for jobs and sought for the jobs during the reference period. Unemployment rate is the strong indicator that affects stock markets. Rate of employment illustrate the development and the strength of the economy. The higher the employment rates increases the income of the people and the aggregate income of the people which makes money available to invest in economic activities including stock market. When there is low, employment, people have little money for investment especially in purchase of stocks which in turn diminishes the stock market (Gonzalo & Taamouti, 2014).

2.3 Social- Cultural Factors Affecting the Development of Stock Exchange.

Social cultural activities can have both positive and negative effects in development of stock exchange markets. Some aspects such as culture influence the preferences of economic agents. These preferences shape the behavior of the agents as well as their investment behavior which may influence the investment in stock market. Also cultural differences across countries leads to differences between nations with respect to preferences, economic institutions and investment patterns which may lead to differences in stock market operations. The following are the social cultural factors that affect stock market development

2.3.1 Natural and Man-made disasters

Natural or man-mad disasters with economic consequences also affect stock markets. If an earthquake happens in a bustling city where there is lots of economic activity, markets will move down as investors fear a negative impact on economic growth. Similarly, if there is a disaster at a fabricated facility of economic importance, such as an oil refinery blowing up, it can put downward pressure on stock prices (Kaouu & Taisuke, 2012). Natural disaster may include earthquakes, tornados, floods, tsunami and landslides. Example of Hurricane Katrina happens in the US, and the September 11 disaster in US, which lead to 11.6% loss to stock market. This phenomenon will affect the overall stock market of any country because of investors fear. Investors will fear to invest because they will see there will be more risk to invest in these companies (Baker & Bloom, 2014).

The location of countries influences the trades that businesses do. Adding to that, many climatic changes alter the trade of stock and the way consumers react towards a certain offering that is launched in the market. The environmental factors include geographical location, climate, weather and other such factors that are not just limited to climatic conditions. The geographical location of the country affects the stock market development. There are countries or places, which are not easily accessible by investors. The climate and weather of the country is also a factor for development of stock markets. If the climate is suitable for agriculture many company will invest in agriculture. With this it will lead to many investors come to invest in that particular country. These in particular affect the stock market and business in general (Karolyi, 2006).

Naturally, fear can change investment habits example in America after 9/11, people cashed out their investments and exits their investment. People panicked and selling of shares stopped after a few days, and it took about two years for the market to fully recover from the terrorist attacks and the war in Iraq. This proves that when there is war or terrorism investors tend to exit the market. Example what happens in Kenya after al-Shabaab attack, any investors quit fearing for their lives. Hence, wars and terrorism has great effect to the development of stock market in any country. This factor is of negative effect to stock market (Luo, 2012). This shows that the development of stock market may be highly influenced or hindered by man-made activities. This study seeks to establish whether some social factors such as man-made disasters influence the development of stock market in

Kenya.

2.3.2 Politics

Investors beliefs that control of the government by one party or the other will hurt or benefit them can move the market as whole. This is especially true in times of intense domestic turmoil. An election involving one of the major trading partners that brings to power an avowedly hostile government can push markets lower. However, the converse is also true that election of a friendly foreign government can move markets higher. We might see these scenarios in trading partners with democracies. In non-democratic countries with which we trade, coups, general strikes and revolutions may be more likely. The positive or negative effect on the stock market would depend on the country and the circumstances, but uncertainty generally moves markets lower. Political instability also affects stock market negatively. No investors will like to invest in a country whereas there is political instability and civil wars. (Anderson, 2010).

2.3.3 Speculative activities

Speculators are usually risk takers. They are rational investors and they predict trends by looking at the fundamental factors of the stock. They invest when the prices are too low and sell when prices are too high. Speculators are the driving forces of the stock market. If speculators decide to buy more shares, they will promote the development of stock market. When investors become speculators, they are purchasing a stock with the sole purpose of selling it to someone else at a higher price. They can easily lift and move the stock market prices down by any point of time (Gonzalo & Taamouti, 2014).

Some changes in companies may affect the price of its stock and stock market in general. These changes may include mergers and acquisitions, the suspension of dividends, the development or approval of a new innovative product, the hiring or firing of company executives and allegations of fraud or negligence. A company which keeps firing its employee then may not be stable in the stock market because many investors will fear that the company may shut down any time. A company with strong internal development will always attract investors to invest. Also a company, which keeps opening and closing its offices, means it has no strong leadership since. On the contrary, investors are likely to withdraw their investments in a company with poor management. As a result, stock market movements will be most drastic when these internal developments are weak (Manjula, 2013).

2.3.4 Technology

Technology changes every minute and therefore companies need to stay connected along the way and integrate as and when needed. In addition, these factors are analyzed to understand how the consumers react to technological trends and how they utilize them for their benefit. Technology includes the development of information, communication and network technologies. In developed countries, technology has helped them in strengthen their Stock Market. The use of mobile devices to bid for shares or to purchase shares has simplified the work. In developing countries, we still struggle for that technology and that is why investors find hard to invest because of long procedures, which would be simplified, with technology (Sumnitch, 2008).

On the other hand, technology has led to market vulnerability induced by the presence of electronic trading. In particular, algorithmic trading is vulnerable to unpredictable events. Example in May 2010 the Flash Crash caused a violent fluctuation in prices over some ten minutes in the U.S. equity which was due to the start of the Flash Crash episode, one algorithm’s automated execution of a very large sell order confused and dislocated other algorithms. This disruption discouraged many market participants from buying stock of such episodes resulting into a market liquidity problems and turbulences in the stock market. The event shows that mechanistic algorithmic errors disrupts other algorithms leading to unexpected and unprecedented events in stock sales since it is automatically operated unlike humans, who have common sense and their activities are not automated. In such circumstances, the human brain performs better than the digital computer (International Forum 2010).

2.4 Government regulation affecting the Development of Stock Exchange

Government policies and regulations as well as the influence of the political leadership may influence the operations of the stock market either directly or indirectly. The following sections discuss the way in which politics and governance may influence stock market development.

2.4.1 Lack of public awareness and knowledge on stock exchange;

Lack of public awareness about the capital markets is strongly observed in developing countries since the market needs people and people should be aware of the market and products or services available in the market. Despite the efforts, which have been done by DSE to publicize and provide market information via TV and radio programs, seminars, fair exhibitions and regional integration, there are number of Tanzanians who are still unaware of its existence and basic information about capital markets in Tanzania. The statistics shows that 75% of Tanzanians population is in rural areas and many are participating in agricultural and self-entrepreneurship activities. In addition, many of them are earning low income and fail even to have little to save. This is also a big challenge to capital markets in Tanzania since the main participants who are participating in the stock market are corporations, financial institutions, business companies, government parastatals, rich people and medium income earners, which account for low volume of trade in DSE (Shivji, 2010).

Currently, DSE has 17 listed companies, which is a very low number. The market participants in the stock market compared to the total population is very low while the total population is 44.9 million people (Shivji, 2010). According to unpublished statistics, it has been said that an estimated number of individuals who are participating in stock exchange trading apart from government corporations, parastatals, business companies and financial institutions are 200,000. Few market participants discourage investors to come and invest. With few participants, there will be more risk of market to shut down because of few investors. Increase in investors depends on number of companies in the market. The fewer the companies the lower the investors and hence poor development of stock market. (Wuyts, 2010).

2.4.2 Government Fiscal and monetary policy

These are the policies that affects the taxation of capital gains, dividend and interest gains, in which eventually have an effect on market activity (Afonso & Sousa, 2009). For example, favorable policies such as tax cuts could persuade investors to become more active in buying and selling securities, while unfavorable policies might cause individuals to move to fixed income securities or other investment. In addition, the government through its spending can influence investors. The government may decide to build Industries and increase the number of companies in the market for investors to buy shares. With this government spending, the development of stock market in the country is promoted (Hsing, 2013).

Governments can indirectly involve themselves in the market by adjusting the interest rate and taking part in opening market. In theory, cutting rates will discourage investors and companies from putting (or parking) their money into fixed-income investments - the lower rates instead may encourage borrowing for investment purposes. The government can decide to increase money in the circulation to motivate people to invest. It can also reduce money in the circulation. The government also can decide to set high return rate to motivate more investors to come to invest. It can also discourage investment by lowering the return interest rate. (Parker & Kirkpatrick, 2012).

2.4.3 Subsides and Tariffs

Subsides and tariffs are same thing in perspective of a taxpayers. In case of subsidy, the government taxes the public and gives the money to a chosen company to promote it or make it profitable. In case of tariffs, the government increase taxes to foreign products to make them expensive to promote domestic companies with their products. Both of these actions can affect stock market in both positive and negative way. When government promotes a company through subsidies, the company makes more revenue and more profit, which in turn is spent in that company. In turn, it makes the company more profitable and known to the public too. This will lead to growth of the company stock market, as investors will prefer to invest in a profitable company and well known company rather than the company which is not profitable.. The vice versa is true when the company has no government support its will not be profitable and investors will withdraw themselves. In case of tariffs when the government increases tariff it will make import of good and services to be expensive. This makes locally made goods and services cheaper and affordable to the citizens who may subsequently increase sales and profits resulting into development of the local industries (Scott, 2014). This growth creates confidence among the investors and may influence price of the stock.

2.4.4 Government Debt

The debt issued by a government can be referred to as sovereign debt, government debt or public debt. A country's government needs to issue debt when running a fiscal budget deficit. Fiscal budgets are most likely in either surpluses or deficits. However, there are several reasons as to why a government may run a deficit. It can be for investment purposes in health, education, research or infrastructure but it can also be due to consumption or service current debt. Government debt can discourage stock market developments. This happens when Government decides to sale Bonds to the public in order to pay its debt. Since bonds are less risky than stock especially if are government bonds, the public investors opt for government bonds to company stocks resulting to decline in stock market operations. If the government decided to sale Bonds at lower price with higher return many investors will buy bond. In this scenario, it will negatively affect the growth of stock market in both developed and developing countries (Scott, 2014).

Demirguc-Kunt (1992) considers the unique role for both the banking and equity markets in developing countries. The relationship between debt and equity finance shows the existence of an active stock market that increases debt capacity of companies. The results then imply that equity markets and financial intermediaries are complements such that the existence of an active stock market results in increased volumes of business for financial intermediaries. Thus, countries with well – developed stock markets tend to have well-developed financial intermediaries. Similarly, Murinde (1993) argues that the development of a stock market facilitates reforms in the banking sector. Dailami and Atkin (1990) noted that most problems in the banking sector stem from unbalanced capital structures in the company sector, especially where equity markets are non-existent.

2.5 Chapter summary

In this chapter, an attempt is made to review the applied literature on factors that affect the development of stock market in Tanzania. Other scholars have explained the economic factors that affect the stock market in Tanzania. The chapter also explains the social factors that affect the development of stock market. The chapter also gives in account for education and government regulation, which may affect stock market. Chapter three enlightened on the research methodology of the study, the methods and procedures that were used to carry out the study. Chapter four presents the results and findings of the study.

Chapter five, highlights the summary, discussion, conclusion and recommendations of the study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter contained a comprehensive description of the chosen research design. It described the research and methodology. The chapter comprised of a number of subsections, which included the following target population, research design, sampling design and sample size, data collection instrument, data collection procedure, reliability and validity, and data analysis and presentation.

3.2 Research Design

According to Creswell (2014) "research design is the conceptual structure within which research is conducted". The function of research design as Creswell (2014) further notes "is to provide for the collection of relevant information with minimal expenditure of effort, time and money". A descriptive research design was employed for this study. The design was ideal for the study in guiding data collection and analysis thus providing a true and fair view of the factors affecting the development of stock market in Tanzania. The study sought to measure the factors affecting growth of stock market in Tanzania the case of DSE. The nature of this research prompted the use of quantitative approach. Therefore, descriptive design was justified for this study as the research try to explore the factors affecting stock market development in Tanzania.

3.3 Population and Sampling Design

3.3.1 Population

Cooper and Schindler (2008) defined population as the total of the elements upon which inferences can be made. A sample is concerned with the selection of a subset of individual from a population in order to estimate characteristic of the whole population. The target population for this study was 223 institutional firms and brokerage firms who had knowledge on Dar es Salaam stock market.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Cooper and Schindler (2008), defined sampling frame as a complete list of all the cases in the population from which your sample was to be drawn. In this study, the criteria for selecting the sampling frame of authorized brokerage firms was obtained from the Capital Market Securities and Authority (CMSA. The sampling frame was made up 176 institutional employees and 47 on brokerage firms.

3.3.2.2 Sampling Technique

Kothari (2004) defines sampling technique "as a definite plan determined before any data is actually collected for obtaining a sample from a given population". The study used the purposive sampling technique to identify the respondents of the study. Saunders *et al.*, (2007) argues that purposive or judgmental sampling enables the researcher to use his judgment to select cases that enabled him to answer the research questions and to meet the objectives.

In this study, purposive sampling was used to locate only those firms and institutions that traded in NSE only and not any other firms. This ensured that the respondents identified for the study had enough information and experience on the subject matter for the study.

3.3.2.3 Sample Size

The sample size is a smaller set of the larger population (Cooper and Schindler, 2008). Cooper and Schindler (2008) argue that the sample size is important for economic reasons. An under-sized study can be a waste of resources for not having the capability to produce useful results, while an over-sized one uses more resources than are necessary. The researcher adopted a confidence level of 90% and margin of error is 10%.

The sample was divided into two strata: the institutional employees and brokerage firms According to the CDS database and CMSA, institutional employees were 176 and brokerage firms were 47 respectively. The following formula was used to get a sample size for the study.

$$n = \frac{Z^2 pq}{d^2}$$

n= the desired sample size

z=the standard normal deviate at the required confidential level.

P=the proportion in the target population to have characteristics being measured

Q=1-p

d=the level of statistical significance set

In this study, the estimate of the proportion of the target population is 90-95%. Therefore the proportion of the target population with a certain characteristic is approximately 0.92, the z-statistic is 1.96 (constant), and the desired accuracy at .05 level, then the sample size is:

$$n = \frac{(1.96)^2 (0.92)(0.08)}{(.05)^2}$$

=113.0967 Thus the estimated sample size of the study will be 114.

The researcher targeted 100 respondents from institutional employees and 14 respondents from brokerage firm. Therefore the sample size for the study was 114 as shown in table 3.1

Table 3: 1 Sample Size Distribution

Category	**Sample Size**
Institutional employees	100
Brokerage firms	14
Total	**114**

3.4 Data Collection Method

Data collected for this study was both primary and secondary data. Kothari (2004) defined primary data as data, which are collected afresh and for the first time, and thus happen to be original in character. Primary data collection method used will be questionnaires. Kothari (2004) defines secondary data as those data that are collected through reviewing different literatures that contained information concerning the research topic. The researcher generated secondary data from sources such as files, report documents, published data, magazines, newspapers, different survey research papers, and presentations. According Kothari (2004), a questionnaire is a method of collecting data, which uses a set of question for collecting data. In the method, data is collected with the help of question. Respondents have to answer questions on their own and bring back to the researcher. Questionnaires are developed and administered to various levels and it included a mixture of closed and open-ended questions. Closed ended questions were used in the form of multiple choices and respondents were asked to put a tick against the answer of their selection, while for open ended questions, the respondents were required to fill in the empty spaces so as to give their recommendations, feelings, opinions and experiences.

Documentary review enables the researcher to learn what other scholars have written on the same or similar subject and thus being able to point out what knowledge gaps still exist. Indeed, this method is more economic as it saves time and money since the data already exist for answering research questions (Kothari, 2004). In this, study documents reviewed included a review of existing literatures that provided key concepts currently in use in the area of interest. The researcher also consulted various material records documents, books, journals and websites with information relating to research topic. This method of data collection is suitable because employees and their manager may fail to respond to all imposed questions due to lack of correct memories and shortage of time.

3.5 Research Procedure

Arksey and O'Malley (2005) state that it is imperative for a researcher to test the reliability of the data collection instrument for the study results to be reliable. The researcher developed a questionnaire based on the research questions; the questionnaire was pilot tested by being administered randomly to a selected sample of ten respondents who were investment analysts, financial manager, brokers and managers researchers to refine it and test the reliability of the instrument and ensure that the questions therein would be able to meet the objectives of the study.

After the pilot test, the questionnaires were corrected and then administered through the "drop and pick" method to the selected respondents who were investment analysts, financial manager, brokers and managers researchers .The researcher also used emails and text messages to remind the respondents to fill the questionnairress and also possible date of colletcion of the questionnairrres to increase the response rate. Also the respondents were given ample time of two weeks to respond to the quetsionnairres befoe they were collected for analysis.

3.6 Data Analysis Method

According to Cooper and Schindler (2008:93), data analysis is the process where collected data is reduced to a more controllable and convenient size, and where the researcher can start to identify trends or patterns, applies statistical techniques and summaries the data. Cox, (2008) argued that data analysis entailed editing, coding and tabulation of data collected into manageable summaries that is easy to interpret.

In this study, the data collected through use of questionnaires was coded and entered into a computer statistical application for analysis called SPSS version 22. The data was analyzed using descriptive tests such as mean, standard, frequencies and percentages to describe the factors and how they appeared to affect the development of stock market. Inferential statistics tests included use of regression and correlation test. Regression was used to determine the influence of the factors on the dependent variables (development of stock market) while correlation test was used to determine the strength and direction of the factors. The results were then presented in tables, graphs and charts. A brief interpretation of the findings has been done for each result.

3.7 Chapter Summary

The chapter described the research methodology that was used to carry out this study. First it defined the population then described the sampling technique, and size. This was followed by a description of the method that was used to conduct the research and the justification of the use of the chosen method. At the end, the chapter looked at the data analysis methods, which were used by the researcher to analyze the collected data, and make conclusive remarks on the study. Chapter four presents the results and findings of the study. Chapter five highlights the summary, discussion, conclusion and recommendations of the study.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter addresses the results and findings on factors affecting the development of the stock market the case study of Dar es Salaam Stock exchanges. The findings are outlined according to the specific objectives of the study. The findings are based on the responses from the questionnaires filled and information gathered on the research objectives. The first research objective determined the economic factors affect the development of stock exchange. The second objective explained the social cultural factors affect the development of stock exchange, and the third objective identified education and government affect the development of stock exchange.

Table 4. 1 Response Rate Analysis

Category	**Target Respondents**	**Response**	**Response Rate (%)**
Institutional Employees	100	70	70%
Brokerage Firms	14	14	100%
Total	**114**	**84**	**74%**

As demonstrated in the study 74% of the target respondents responded to the study while 26% did not respond. Thus, the response rate was representative enough to answer the research objectives.

4.2 Demographic Analysis

This section analyzed the general information of brokerage firms and institutional investors (Professional Respondents) and individual investors.

4.2.1 Institutional Investors and Brokerage Firms Respondents

4.2.1.1 Respondents Position in the Firm

The findings on figure 4.1 illustrated that 40% of respondents were investment analysts, 15% of respondents were financial managers, 20% were brokers, and 25% of respondents were manager researchers. The findings indicated that most respondents had high level of responsibility in their respective firm.

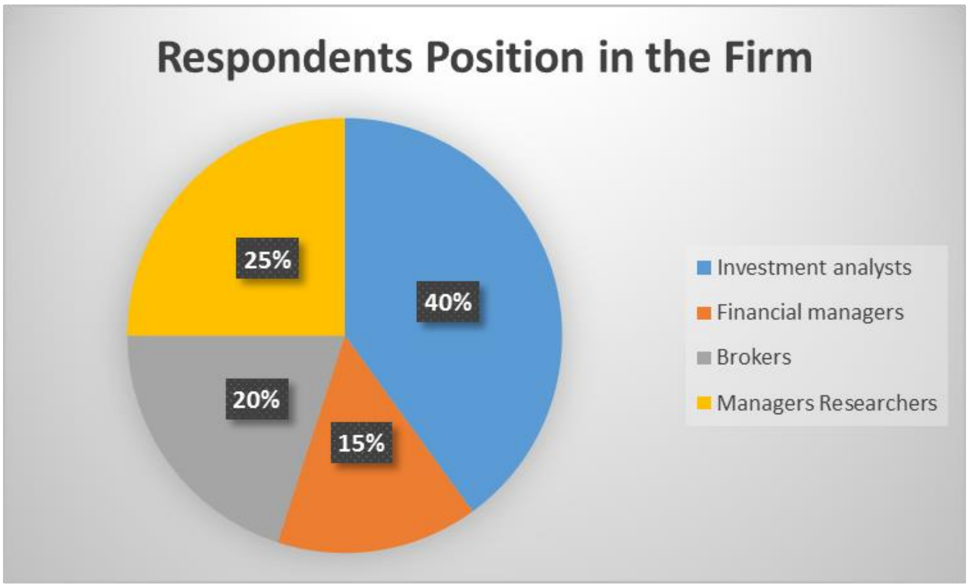

Figure 4. 1 Respondents Position in the firm

4.2.1.2 Years Participated in DSE

The results on number of years participated in DSE revealed that 46% of respondents participated between 3-5 years, 32% of respondents participated between 6-10 years, and 16% of responded were over 10 years. The results showed that a large number of respondents have experience and knowledge on DSE as indicated in Table 4.2.

Table 4. 2 Years Participated in DSE

Number of years Participated in DSE	Data Distribution	
	Frequency	**Percent**
3-5 years	39	46%
6-10 years	27	32%
Less than 2 years	5	7%
Over 10 years	13	16%
Total	**84**	**100.0**

4.2.2.3 Level of Academic Education

This section analyzed the level of education from the respondents in the study. The brokerage firms, institutional investor's questionnaire, and individual investors question. The results revealed 70% brokers and institutional investors' respondents were graduates and 30% of individual investors respondents were graduates. The findings revealed that most of respondents were relatively well educated as indicated on Figure 4.2.

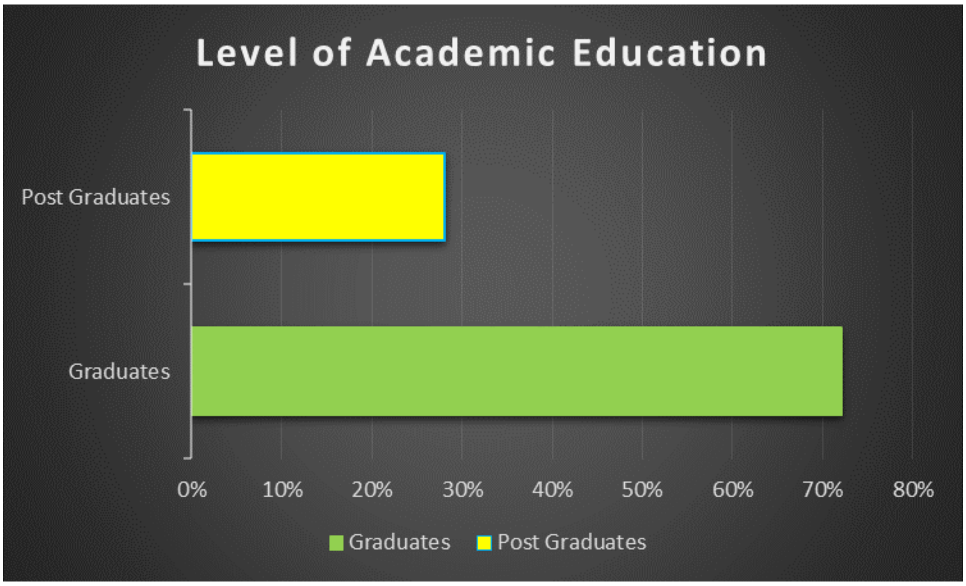

Figure 4. 2 Level of Academic Education

4.2.2.4 Level of professional Education

The findings in Figure 4.3 revealed that 36% of respondents had CPA, 34% of respondent had ACCA, and 23% of respondent had CMSA dealer certification. This reveals that most of the respondents are relatively professionally educated.

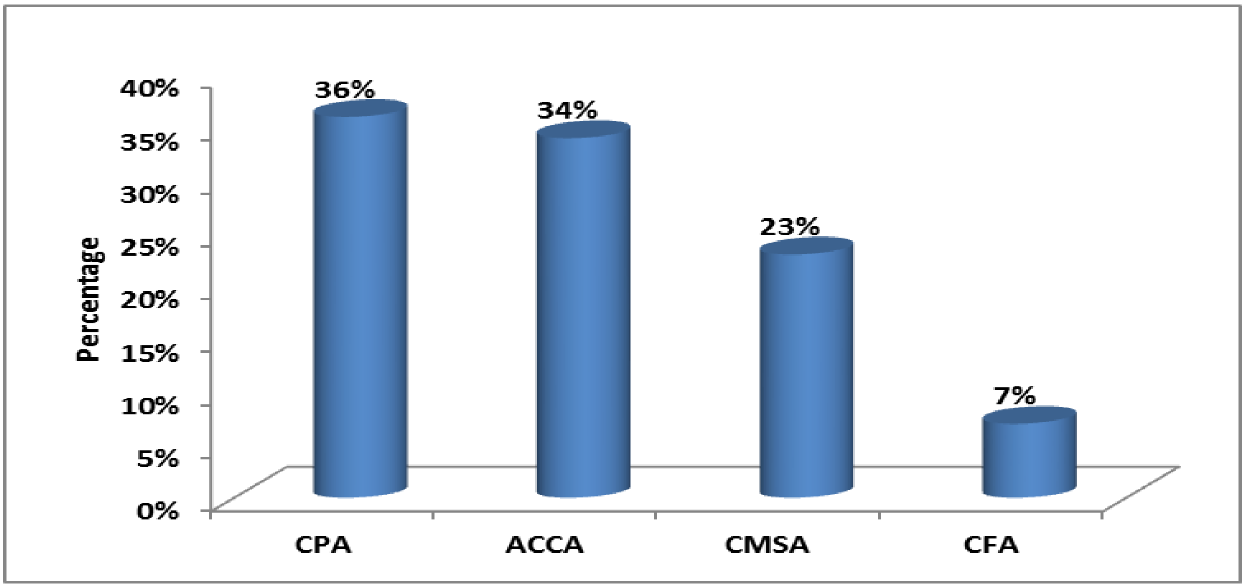

Figure 4. 3 Level of Professional Education

4.3 Economic Factors affecting the development of Stock Market

This section aimed at analyzing the economic factors affecting the development of stock market. This was measure by variable such as inflation and deflation, interest rate, exchange rate, supply and demand, economic expectation and substitute market.

4.3.1 Inflation and Deflation

This section measures the extent to which inflation and deflation affects DSE market Inflation is the rate at which the price of goods and services increases (Rani, 2014). The findings revealed that 55% of respondents strongly agreed that companies hold back on spending which influence the expansion on the economy consequently growth of DSE market. However, 50% 0f the respondents strongly disagreed that Investors buy stock when there is deflation. Moreover, 51% of the respondents disagreed that the economy is currently with high supply of money. Lastly, 64% of the respondents strongly disagreed that there is a continuous change on prices of stocks/commodity. The findings are indicated in Table 4.4

Table 4. 3 Inflation and Deflation

Inflation and Deflation	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Companies hold back on spending	-	-	25	30%	1	1%	12	14%	46	55%	84	100%
Investors buy stock when there is deflation	42	50%	31	37%	-	-	6	7%	5	6%	84	100%
The economy is currently with high supply of money.	40	48%	43	51%	-	-	-	-	1	1%	84	100%
There is a continuous change on prices of stocks/commodity.	21	25%	54	64%	-	-	-	-	9	11%	84	100%

4.3.2 Interest rate

The aim of this section was to determine the effects of interest market on development of stock market. The money market rate is considered as a proxy for interest rate (Avolio, Gildor, and Andrei, 2002). In this view, the findings have revealed that 68% of respondents agreed that there much transaction on the money market in the economy. 68% of respondents agreed that the lending interest rates in the market changes continuously. However, 78% of respondents strongly disagreed that the economy encourages saving. The findings are presented in Table 4.5

Table 4. 4 Interest rate

Interest rate	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
There much transaction on the money market in the economy	-	-	-	-	-	-	57	68%	27	32%	84	100
The lending interest rates in the market changes continuously	-	-	19	23 %	5	9%	57	68%	-	-	81	100
The economy encourages saving	66	78%	16	19 %	-	-	2	3%	-	-	84	100

4.3.3 Exchange rate

This section sought to determine the influence of exchange rate in the growth of DSE. The findings indicated that 73% of respondents stongly agreed that have being continuously changes in exchange rate. This was followed closely by 73% of investors who strongly agreed that the foreign investors depend on the exchange rate to make investments in the particular economy. 68% of the respondents strongly agreed that currency depreciation affects the stock market. Furthermore 57% of respondenets strongly agreed that currency is included as an asset in investments fund. Its evident that excgange rate in DSE is considered to be an important factor in promoting the growth of the market. The findings are presented in Table 4.6.

Table 4. 5 Exchange rate

Exchange rate	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
There have being continuously changes in exchange rate	-	-	-	-	-	-	23	27%	61	73%	84	100
The foreign investors depend on the exchange rate to make investments in a particular economy	-	-	-	-	-	-	12	27%	61	73%	73	100
Currency depreciation affects the stock market	-	-	-	-	5	6%	22	26%	57	68%	84	100
Currency is included as an asset in investments fund	-	-	3	4%	9	11%	24	28%	48	57%	84	100

4.3.4 Supply and Demand

The study aimed to determine the effect of supply and demand in the growth of DSE. The results revealed that 86% of respondents agreed that investors have high purchasing power. Moreover, 52% of respondents agreed that the change in supply and demand in the economy drives the stock prices. However 52% of respondents strongly disagreed that the There is enough money supply in the market, and 55% of respondents also strongly disagreed that large group of sellers in the stock market leads to lower prices of stocks. The fndings are presented in Table 4.7.

Table 4. 6 Supply and Demand

Supply and Demand	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Investors have high purchasing power	-	-	2	3%	9	11%	72	86%	-	-	83	100
The change in supply and demand in the economy drives the stock prices	-	-	21	25%	19	23%	44	52%	-	-	84	100
There is enough money supply in the market	44	52%	-	-	-	-	21	25%	19	23%	84	100
Large group of sellers in the stock market leads to lower prices of stocks	46	55%	25	30%	12	14%	1	1%	-	-	84	

4.3.5 Economic Expectation

This section aimed to examine the influence of economic expectation on DSE. . If the economic Expectation is uncertain, investors may reduce their buying or start selling (Bonnelo, 2008). The results reveal that, 51% of respondent strongly agreed that future growth of the economy leads to expansion of stock government. 61% of respondents agreed that changes in economic policies in the economy leads to growth of stock market. On the other hand 36% of respondents strongly disagreed that unemployment rate in an economy leads to changes in the economy. In addition, 57% of respondents disagreed that prohibiting external investor's leads to growth of stock market. It is evident that if there is expectation the economy will grow, the markets grow simultaneously. The findings are revealed in Table 4.8.

Table 4. 7 Economic Expectation

Economic Expectation	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Future growth of the economy leads to expansion of stock government	-	-	4	5%	12	14%	25	30%	42	51%	83	100
Changes in economic policies in the economy leads to growth of stock market	-	-	-	-	23	27%	51	61%	10	12%	84	100
Unemployment rate in an economy leads to changes in the economy	30	36%	23	27%	19	23%	12	14%	-	-	84	100
Prohibiting external investor's leads to growth of stock market.	25	30%	49	57%	9	11%	1	2%	-	-	84	100

4.3.6 Substitute Market

This section aimed to examine the effect of substitute market in the growth of DSE. The results reveal that, 50% of respondent strongly disagreed that stock market offers different products to invest. 61% of respondents disagreed that the investors in the economy prefers uncertainty. Moreover, 56% of respondents strongly disagreed that investor's research on the market before investing. In addition, 57% of respondents disagreed that shares are mostly preferred in the economy. It is evident that the economy is in different in investing the stock market. The findings are revealed in Table 4.9.

Table 4. 8 Substitute Market

Substitute Market	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Stock market offers different products to invest	-	-	42	50%	12	14%	25	30%	5	6%	84	100
Investors in the economy prefers uncertainty	23	27%	51	61%	-	-	10	12%	-	-	84	100
Investors research on the market before investing	25	30%	47	56%	9	11%	2	3%	-	-	83	100
Shares are mostly preferred in the economy	25	30%	48	57%	9	11%	1	2%	-	-	83	100

4.3.7 Relationship between Economic Factors affecting the development of Stock Market

Table 4.10 presents the results of correlation analysis between the development of stock market and economic factors. The rule of thumb here is that if the correlation coefficient between two independent variables exceeds 0.8 then multicollinearity is a serious problem (Gujarati, 2004). From Table 4.10, it is clear that some of the pair wise correlation coefficient in excess of 0.8 and thus multicollinearity was a serious problem in our models.

Table 4. 9 Correlation Matrix for Economic Factors affecting the development of Stock

	Inflation and Deflation	Interest rate	Exchange rate	Supply and Demand	Economic Expectation	Substitute Market
Inflation and Deflation	1					
Interest rate	.058	1				
Exchange rate	.037	.575	1			
Supply and Demand	.87	.044	.366	1		
Economic Expectation	0.64	0.79	0.86	0.78	1	
Substitute Market	0.36	0.45	0.05	0.88	0.55	1

4.4 Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development.

This section analyzed socio-cultural facts that affect the development of stock exchange. The study investigated on natural and fabricated disasters, politics, speculative activities, and technology

4.4.1 Natural and man-made disasters

The study aimed to examine the implication of natural and man-made disasters in the growth of DSE. The study revealed that 95% of the respondents agreed that disasters lead to stock market decline. On the other hand, 50% of respondents disagreed that the location of a country affects the growth of the stock market. 64% of the respondents disagreed that the weather of the country affects the growth of stock market. On the other hand, 56% of respondents strongly agreed that wars and terrorism affects the growth of stock market. The findings are indicated in Table 4.11.

Table 4. 10 Natural and man-made disasters

Natural and man-made disasters	**Strongly Disagree**		**Disagree**		**Neutral**		**Agree**		**Strongly Agree**		**Total**	
	Frequency	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**	**Frequency**	**%**
Disasters lead to stock market decline	-	-	-	-	4	5%	80	95 %	-	-	84	100
The location of a country affects the growth of the stock market	36	43%	42	50%	6	7%	-	-	-	-	84	100
The weather of the country affects the growth of stock market.	23	27%	54	64%	-	-	7	8%	-	-	84	100
Wars and terrorism affects the growth of stock market	-	-	11	13%	9	11%	17	20 %	47	56%		100

4.4.2 Politics

The study aimed to investigate the impact of politics on growth of DSE market. The findings illustrated that 55% of respondents strongly agreed that the regime governance of a country affects the stock market growth. 57% of respondents strongly agreed that the democracy of a country affects the stock market. Moreover, the findings indicated that 66% of respondents strongly agreed that legal rules of the country affect the stock market. This indicates that politics plays a significant role in growth of DSE as indicated in Table 4.12.

Table 4. 11 Politics

Politics	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
The regime governance of a country affects the stock market growth	-	-	-	-	-	-	38	45%	46	55%	84	100
The democracy of a country affects the stock market	-	-	-	-	-	-	36	43%	48	57%	84	100
Legal rules of the country affects the stock market	-	-	-	-	-	-	29	34%	55	66%	84	100

4.4.3 Speculative activities

The study aimed at investigating the impact of speculative activities on the growth of DSE. The study illustrated that 75% of respondents disagreed that mergers and acquisition occur in the economy. 57% of respondents strongly disagreed that issuance of dividends in the market occurs frequently. Additionally, 59% of the respondents agreed that the economy has many speculators while 61% of the respondents disagreed that lack of trust for those who managing the fund. This indicate that majority of the respondents agrees speculation promotes the growth of DSE, as indicated in Table 4.13.

Table 4. 12 Speculative activities

Speculative activities	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Mergers and acquisition occur frequently in the economy	21	25%	63	75%	-	-	-	-	-	--	84	100
Issuance of dividends in the market occurs frequently	35	43%	49	57%	-	-	-	-	-	-	84	100
The economy has many speculators	-	-	-	-	-	-	50	59%	34	41%	84	100
Lack of trust for those who managing the fund	-	-	51	61%	15	18%	18	21%	-	-	84	100

4.4.4 Technology

The findings illustrated that 68% of respondents strongly disagreed stock market uses mobile platform to buy/sell shares. 59% of respondents strongly disagreed that Stock market uses the website/internet to buy/sell shares. Moreover, 59% of respondents strongly agreed that investors fully utilize all available information on related. Followed closely by 50% of respondents strongly agreed the stock market automation leads to growth of the market. On the other hand, 70% of respondents strongly disagreed that automated stock exchange leads to information storage. This indicates that technology adoption would increase the growth of stock market as illustrated in Table 4.14.

Table 4. 13 Technology

Technology	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Stock market uses mobile platform to buy/sell shares	13	16%	57	68%	13	16%	-	-	-	-	83	100
Stock market uses the website/internet to buy/sell shares	50	59%	23	27%	-	-	11	14%	-	-	84	100
The stock market automation leads to growth of the market	-	-	11	14%	-	-	23	27%	50	59 %	84	100
Technology has increased liquidity	9	11%	-	-	9	11%	24	28%	41	50 %	83	100
Automated stock exchange leads to information storage	56	70%	11	14%	13	16%					80	100

4.4.5 Regression Analysis

The study used a regression model to study the influence of advancement in technology on the Dar es Salaam Stock market development. The findings are shown in table 4.15. The model summary shows a R square value of 0.587. This means that advancement in technology explains 58.7% of the variation in stock market development. This shows that technology explained a considerably big proportion of stock market in Dar er Salaam. Further, the coefficients table shows that advancement in technology had a significant effect on the stock market as shown by the p value of less than 0.05. The results shows that holding all factors constant, an improvement of the technology by 1% increases the stock market development by 1% and vice versa.

Table 4. 14 Regression Analysis

Model Summary				
Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.766	.587	.581	.307
a. Predictors: (Constant) Ignores Customer Reality				

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig
		B	Std. Error	Beta		
1	(Constant)	5.099	.087		60.095	.000
	Advancement of technology	-.310	.031	-.766	-9.977	.000
a. Dependent Variable: Development of DSE						

4.5 Government regulation affecting the Development of Stock Exchange

This section analyzed government regulations affecting the development of stock exchange. The study investigated on lack of public awareness and knowledge, government and monetary policy, subsides and tariffs, and Government Debt.

4.5.1 Lack of public awareness and knowledge

This section analyzed the impact of lack of public awareness and knowledge in DSE. The findings indicated that 89% of respondents strongly disagreed that their awareness programs on investment on DSE. 53% of respondents strongly agreed that individuals earning middle income to invest in DSE. However, 46% of respondents strongly disagreed that companies do not register in stock market. This indicated that majority of respondents agreed that there is lack of knowledge on investing in DSE as illustrated in Table 4.165.

Table 4. 15 Lack of public awareness and knowledge

Lack of public awareness and knowledge	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Their awareness programs on investment on DSE	75	89%	3	4%	6	7%	-	-	-	-	84	100
Individuals earning middle income to invest in DSE	-	-	-	-	10	12%	29	35%	45	53 %	84	100
Companies don't register in stock market	39	46%	19	23%	14	17%	12	14%	-	-	84	100

4.5.2 Government and Monetary policy

This section aimed at investigating how government and monetary policy affects the development of DSE. The findings illustrated that 59% of respondents strongly agreed tax laws are not favorable to investors in stock market. 50% of respondents strongly agreed that government spending increases growth on the stock market. Moreover, 68% of respondents strongly agreed that the government intervenes with macro-economic factors to boost stock market growth. This indicates that government should adjust their policies for growth of the stock as illustrated in Table 4.17.

Table 4. 16 Government and Monetary policy

Government and Monetary policy	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Tax laws are not favorable to investors in stock market	-	-	-	-	1	1%	33	40%	50	59%	84	100
Government spending increases growth on the stock market	-	-	7	8%	-	-	35	42%	41	50%	83	100
The government intervenes with macro-economic factors to boost stock market growth	-	-	1	1%	2	2%	24	29%	57	68%	84	100

4.5.3 Subsides and Tariffs

This study aimed at investigating the impact of subsides and tariffs on the development stock exchange. The results postulated 74% of respondents disagreed that government promotes the stock market. Followed closely 54% of respondents strongly disagreed that governments encourage foreign investors to invest in the market. Additionally, 55% of respondents strongly agreed that government supports local companies to list in the market. This indicated that the government needs to boost subsides and tariffs as indicated in Table 4.18.

Table 4. 17 Subsides and Tariffs

Subsides and Tariffs	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Government promotes the stock market	18	26%	62	74%	-	-	-	-	-	-	80	100
Governments encourages foreign investors to invest in the market	45	54%	37	44%	2	2%	-	--	-	-	84	100
Government supports local companies to list in the market	-	-	46	55%	16	19%	22	26%	-	-	84	100

4.5.4 Government Debt

This section aimed at analyzing the impact of government debt on the development of stock market. The findings revealed that 81% of respondents strongly agreed that the economy has developed banking sector. This was followed closely by 76% of respondents agreed that the economy has various government bonds. Moreover 55% of respondents agreed that bonds are less risk than stocks. However, 48% of the respondents disagreed that the government has various methods to pay their debts. The findings are indicated in Table 4.19.

Table 4. 18 Government Debt

Government Debt	Strongly Disagree		Disagree		Neutral		Agree		Strongly Agree		Total	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
The economy has developed banking sector	-	-	-	-	-	-	16	19%	68	81%	84	100
The economy has various government bonds	-	-	9	11%	11	13%	64	76%	-	-	84	100
Bonds are less risk than stocks	-	-	9	11%	11	13%	46	55%	18	21%	84	100
The government has various methods to pay their debts	40	48%	21	25%	11	13%	12	14%			84	100

4.5.5 Relationship between Government regulations affecting the Development of Stock Exchange

Table 4.19 presents the results of correlation analysis between the development of stock market and economic factors. The rule of thumb here is that if the correlation coefficient between two independent variables exceeds 0.8 then multicollinearity is a serious problem (Gujarati, 2004). From Table 4.20, it is clear that some of the pair wise correlation coefficient in excess of 0.8 and thus multicollinearity is not a serious problem in our models.

Table 4. 19 Correlation Matrix for Government regulation factors

	Lack of public awareness and knowledge	Government and Monetary policy	Subsides and Tariffs	Government Debt
Lack of public awareness and knowledge	1			
Government and Monetary policy	.058	1		
Subsides and Tariffs	.037	.575	1	
Government Debt	.214	.044	.366	1

4.6 Chapter Summary

This chapter has discussed on results and findings in which each subsection derives from the research question of the study. The data collected from the field analysis pertaining to the three research objectives. The findings on demographics, determined the economic factors affect the development of stock exchange, explained the social cultural factors affect the development of stock exchange, and the third objective identified government regulations affect the development of stock exchange. The data was presented in tables, charts and figures. Chapter five addressed the discussion, conclusion and recommendation based on findings.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a discussion on the findings of the research as compared to the findings in the literature review, the summary of the study and recommendations for further measures to be taken to develop the stock exchange market. The research was concluded based on the conclusions drawn from the research objectives.

5.2 Summary of the Study

The purpose of this study was to investigate factors affecting the development of the stock market a case of Dar es Salaam Stock exchange. The research was guided by three research objectives which sought to evaluate economic factors affecting the development of stock exchange in Tanzania, analyze social cultural factors affecting the development of stock exchange in Tanzania and identify government regulation affecting the development of stock exchange in Tanzania.

From the results on the economic factors affecting the development of Stock Market, majority of the respondents strongly agreed that the companies hold back on spending to the market. However, respondents strongly disagreed that investors buy stock when there is deflation and majority of respondents strongly disagreed that the economy is currently with high supply of money. A large proportion of respondents agreed that there much transaction on the money market in the economy others agreed that the lending interest rates in the market changes continuously. Moreover, a larger number of respondents agreed there have being continuously changes in exchange rate. On the other hand, a large number of respondents strongly disagreed large group of sellers in the stock market leads to lower prices of stocks. Many respondents agreed changes in economic policies in the economy leads to growth of stock market. However, a larger number of respondents agreed stock market offers different products to invest.

Regarding Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development. Majority of respondents agreed that disasters lead to stock market decline. Moreover, they strongly agreed that wars and terrorism affects the growth of stock market. However, majority of respondents strongly disagreed issuance of dividends in the market occurs frequently. Majority of respondents strongly agreed that the regime governance of a country affects the stock market growth. Additionally, majority of respondent's legal rules of the country affects the stock market. On the other-hand, respondents strongly disagreed that lack of trust for those who managing the fund. Large number of respondents agreed the stock market automation leads to growth of the market. Moreover, majority of respondents agreed that technology has increased liquidity; respondents also agreed that stock market uses the website/internet to buy/sell shares

The findings on the government regulation affecting the development of stock exchange, majority of respondents strongly disagreed that their awareness programs on investment on DSE. A large proportion of respondents strongly disagreed that companies do not register in stock market. Majority of respondents agreed that tax laws are not favorable to investors in stock market. Moreover, a larger number of respondents the government intervenes with macro-economic factors to boost stock market growth. A large number of respondents disagreed government promotes the stock market while majority of respondents strongly disagreed that the government has various methods to pay their debts. Lastly large number of respondents agreed the capital economy has government bonds.

5.3 Discussion

5.3.1 Economic Factors affecting the development of Stock Market

The findings indicated that 55% of respondents strongly agreed that companies hold back on spending. The results were consistent with Downes, Hanslow, & Tulip (2014) study that postulated that high inflation causes investors to think that companies may hold back on spending; this causes an across the board decrease in revenue and the higher cost of goods coupled with the drop-in revenue causes the stock market to drop. The study by Downes, Hanslow, & Tulip (2014) was inconsistent with findings that 50% of respondents strongly disagreed that investor's buy stock when there is deflation. The findings portrayed that 48% of the respondents disagreed there is a continuous change on prices of stocks/commodity. The findings are similar with Downes, Hanslow, & Tulip (2014) in which they claim that during inflationa and deflation the prices changes significantly affecing the purchase patterns of the economy. Hence, a large number of respondents agreed that the development of DSE is affected to some extent with inflation rate.

The findings indicated that 68% of respondents agreed that there much transaction on the money market in the economy. This implies that even the market index of the DSE market increases due to many transactions. The respondents agreed that the lending interest rates in the market changes continuously contradicts a study conducted by (Alam & Uddin, 2009) whom explained interest rate is one of the important macroeconomic variables and is directly related to economic growth. From the point of view of a borrower, interest rate is the cost of borrowing money while from a lender's point of view; interest rate is the gain from lending money. Moreover, the respondents strongly disagreed that the economy encourages saving. This findings are in line with a study done by (Alghamed, 2012). They explained an increase in the interest rate will result in falling stock prices due to the fact that high interest rate will increase the opportunity cost of holding money, causing substitution of stocks for interest bearing securities.

An increase in exchange rate (depreciation) will cause a decline in stock prices because of expectations of inflation. The findings showed that 73% of respondents agreed that the foreign investors depend on the exchange rate to make investments in a particular economy. In addition, respondents agreed that currency depreciation affects the stock market, moreover respondents they agreed at 57% that currency is included as an asset in investments fund. These findings are consistent with the study done by Klein & Shambaugh, 2010 who explains that the stock market, which is a collection of a variety of companies, trends to react negatively to currency depreciation. They claimed that the overall effect of exchange rate on stock prices could be either a positive or a negative relationship.

The findings revealed that 86% of respondents agreed investors have high purchasing power. This findings are in line with a study done by Ayopo & Isola, (2016) who explained that economists keep a close eye on money supply, because this figure determines the purchasing power and therefore potential demand for products and services. Moreover they also the unused line of credit in your credit card account or in that of a large corporation's commercial bank account are considered part of the money supply, because these can be used just as readily as bills and coins to buy goods and services.

The findings strongly contradict with a study done by Kennedy (2010) that low money supply the company stock market will struggle to grow. 55% of respondents strongly disagreed that there is enough money supply in the market. Furthermore 73% of respondents to a large extent disagreed that large group of sellers in the stock market leads to lower prices of stocks which was consistent with findings from (Bouchaud, Farmer, & Lillo, 2010) who explained the when the price of stock is low (or supply is high), investors will buy more, creating a demand for that stock. After a while, the price rises (supply decreases) as investors have proven they are willing to pay a higher amount for successful stocks. When the price is too high, however, demand decreases and investors move on.

5.3.2 Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development.

The findings indicated that 95% of respondents agreed that Disasters lead to stock market decline and 52% of respondents agreed to large extent that Wars and terrorism affects the growth of stock market .This findings are consistent with Gakeri (2011) study who potrayed the legal framework must facilitate the proper functioning of he securities markets by ensuring the relavant disclosure requiremnts are complyed by relevant institutions. However 63% of respondents disagreed the weather of the country affects the growth of stock market and 50% of the respondents disagreed that the location of a country affects the growth of the stock market . These findings contradicts with the study done which contradicts with Karolyi (2006) that who stated that the geographical location of the country affects the stock market development. He states that there are countries or places which are not easily accessible by investors. The climate and weather of the country is also a factor for development of stock markets. If the climate is suitable for agriculture many company will invest in agriculture. With this it will lead to many investors come to invest in that particular country

The findings revealed that 55% of respondents stongly agreed that the regime governance of a country affects the stock market growth and 57% of the respondents strongly agreed that the democracy of a country affects the stock market . These findings were similar with studies done by Anderson (2010) who explained that the positive or negative effect on the stock market would depend on the country and the circumstances, but uncertainty generally moves markets lower. He further portrayed that the election of a friendly foreign government can move markets higher. These are scenarios we might see in trading partners with democracies. In non-democratic countries with which we trade, coups, general strikes and revolutions may be more likely.

Speculators are usually risk takers. They are rational investors and they predict trends by looking at the fundamental factors of the stock (Gonzalo & Taamouti, 2014). 57% of respondents disagreed that the economy has many speculators. This corresponds to a study done by Gonzalo & Taamouti (2014) speculators are the driving forces of the stock market. If speculators decide to buy more shares they will promote the development of stock market. When investors become speculators, they are purchasing a stock with the sole purpose of selling it to someone else at a higher price

The findings revealed that 75% of respondents disagreed that Mergers and acquisition occur frequently in the economy. This finding controverts with Manjula (2003) who explained that developments that can occur within companies would affect the price of its stock and stock market in general. This development includes mergers and acquisitions, earnings reports, the suspension of dividends, the development or approval of a new innovative product, the hiring or firing of company executives and allegations of fraud or negligence.

The findings indicated that 68% of respondents disagreed that stock market uses mobile platform to buy/sell shares and 59% of the correspondents strongly disagreed that stock market uses the website/internet to buy/sell shares. This contradicts to a study done by (Sumnitch, 2008) who explained that to increase efficiency a stock market should increase its efficiency through use of media. The media should disclose all relevant information especially the macroeconomic information on the related stock. Transaction cost is recognized in information efficiency in terms of information asymmetry between the buyer and the seller of a related stock (Kissel, 2006). This study was incosistent to the findings where by 70% of the respondents strongly disagreed that Automated stock exchange leads to information storage. However 50% of respondents strongly technology has increased liquidity.

5.3.3 Government regulation affecting the Development of Stock Exchange

The findings indicated that 89% of respondents strongly disagreed that their awareness programs on investment on DSE. These findings corresponds to Shivji (2010) who explained that lack of public awareness about the capital markets and DSE market in Tanzania was pointed out by all DSE stockbrokers who were interviewed since the market needs people and people should be aware of the market and products or services available in the market.. On the other hand, 54% of respondents strongly agreed that individuals earning middle income to invest in DSE. This contradicts with a study done by Shivji (2010) who explained there is also a big challenge to capital markets in Tanzania. This is because the main participants who are participating in the stock market are corporations, government parastatals, rich people and medium income earners, which account for low volume of trade in DSE

The findings revealed that 50% of respondents strongly agreed Government spending increases growth on the stock market. Moreover, 68% of respondents agreed the government intervenes with macro-economic factors to boost stock market growth. These results corresponded to the study done by Hsing (2013) and Parker & Kirkpatrick (2012), they explained the government through its spending could influence investors. The government may decide to build Industries and increase the number of companies in the market for investors to buy shares. With this government spending, promote the development of stock market in the country. The study added the government could decide to increase money in the circulation to motivate people to invest. It can also reduce money in the circulation. The government also can decide to set high return rate to motivate more investors to come to invest. It can also discourage investment by lowering the return interest rate.

The findings revealed 59% of the respondents strongly agreed that tax laws are not favorable to investors in stock market. The findings align with a study done by Afonso & Sousa (2009) who explained this is the policy that affects the taxation of capital gain and dividend and interest gains may eventually have an effect on market activity.

Subsides and tariffs are same thing in perspective of a taxpayers. In case of subsidy, the government taxes the public and gives the money to a chosen company to promote it or make it profitable. In case of tariffs when the government increases tariff it will make import of good and services to be expensive. This will promote internal industries investing as it will be more profitable to invest internal than in foreign countries Scott (2014). However, the findings contradict with the study in which 74% respondents disagree government promotes the stock market and 54% of strongly disagreed that governments encourage foreign investors to invest in the market.

Additionally, the findings indicated that 55% of respondents disagreed that government supports local companies to list in the market. The findings match with a study done by Scott (2014), he explained that in case of tariffs when the government increases tariff it will make import of good and services to be expensive. This will promote internal industries investing as it will be more profitable to invest internal than in foreign countries.

Findings showed that 81% of respondents strongly agreed that the economy has developed banking sector and 76% of respondents largely agreed that the economy has various government bonds. These finding are in line with the study done by Scott (2014), who explained that government could decide to sale Bonds to the public in order to pay its debt. Bonds are less risky than stock especially if are government bonds. Public investors will opt to government bonds than company stocks. If the government decided to sale Bonds at lower price with higher return many investors will by bond. In this scenario, it will negatively affect the growth of stock market in both developed and developing countries.

5.4 Conclusions

5.4.1 Economic Factors affecting the development of Stock Market

Regarding inflation majority of respondents strongly disagreed that investors buy stock when there is deflation, and the economy is currently with high supply of money. Moreover, respondents strong disagreed that there is a continuous change on prices of stocks/commodity. However, a large number of respondents strongly agreed that

Companies hold back on spending. This indicated that majority of respondents in this study agreed that the DSE market is affected by inflation and deflation.

The study analyzed how interest rate affects the growth of DSE. Majority of respondents agreed that there much transaction on the money market in the economy and they agreed that the lending interest rates in the market changes continuously. However, the respondents strongly disagreed that the economy encourages saving. This indicated that interest rate plays important role in growth of stock market.

On exchange rate, majority of respondents strongly agreed that have being continuously changes in exchange rate, the respondents also agreed that the foreign investors depend on the exchange rate to make investments in a particular economy, and the Currency depreciation affects the stock market. Moreover, respondents agreed that currency is included as an asset in investments fund. This implies exchange rate has influenced DSE growth.

On supply and demand, a large number of respondents strongly agreed that Investors have high purchasing power however majority of respondents strongly disagreed. There is enough money supply in the market. The respondents also strongly disagreed that the large group of sellers in the stock market leads to lower prices of stocks. This indicates that, both supply and demand affects the growth of DSE.

Regarding economic expectation majority of respondents strongly disagreed that unemployment rate in an economy leads to changes in the economy. Moreover, respondents strong disagreed that Prohibiting external investor's leads to growth of stock market. However, a large number of respondents strongly agreed that Future growth of the economy leads to expansion of stock government. This indicated that majority of respondents in this study agreed that the DSE market is affected by economic expectation.

Lastly, the study examined substitute market and growth of DSE, majority of respondents disagreed that stock market offers different products to invest; they also agreed that Investors in the economy prefers uncertainty. Moreover, majority of respondents disagreed that investor's research on the market before investing. This implies majority of respondents agreed investors prefers substitute markets rather than DSE.

5.4.2 Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development.

On natural and man-made disasters respondents agreed disasters lead to stock market decline,however majority of respondent strongly disagred the location of a country affects the growth of the stock market and the weather of the country affects the growth of stock market.This implies that the geograpghical location doesn't tot imact the groeth of DSE however war and terrorosm does.

On politics, majority of respondents strongly agreed that the regime governance of a country affects the stock market growth, legal rules of the country affects the stock market, and respondnets strongly agreed that the democracy of a country affects the stock market.This implies that politics affects tremedously the growth of DSE.

On speculative activities respondents strongly agreed that the economy has many speculators,. However, respondents disagreed that mergers and acquisition occur frequently in the economy and disagreed that issuance of dividends in the market occurs frequently This indicate that the respondets agree that speculative activities lead to growth of DSE.

On technology, majority of respondents strongly disagreed that Stock market uses mobile platform to buy/sell shares. They also strongly disagreed that i Stock market uses the website/internet to buy/sell shares and automated stock exchange leads to information storage. On the other hand, respondents stronly agreed that the stock market automation leads to growth of the market and technology has increased liquidity This indicate that if new technology is applied in DSE, it will bosst its growth.

5.4.3 Government regulation affecting the Development of Stock Exchange

On lack of public awareness and knowledge, majority of respondents strongly agreed individuals earning middle income to invest in DSE. However, majority of respondents strongly disagreed that their awareness programs on investment on DSE and companies do not register in stock market. This indicated that with awareness program on the middle class the DSE would increase their growth

Government and monetary policy, a large number of respondents strongly agreed Tax laws are not favorable to investors in stock market; the respondents also agreed Government spending government intervenes with macro-economic factors to boost stock market growth. This indicates that the Tanzania government does not have policies for growth of DSE. On subsidies and tariffs, majority of respondents disagreed that government promotes the stock market and governments encourages foreign investors to invest in the market. In addition, respondents disagreed; Government supports local companies to list in the market.

Government debt, majority of respondents strongly agreed that the economy has developed banking sector, the respondents agreed that the economy has various government bonds; the respondents also agreed that Bonds are less risk than stocks. However, they disagreed that he government has various methods to pay their debts. Thus, majority of respondents disagreed that the government debt affects the growth of DSE.

5.5 Recommendation

5.5.1 Recommendation for Improvement

5.5.1.1 Economic Factors affecting the development of Stock Market

The study suggested that DSE should monitor the inflation and deflation rate. Moreover, since the interest rate affects the growth it has should be highly monitored must. DSE should make appropriate measures of how to increase the supply and demand of the economy in their favor. Moreover, the study suggested that DSE should have alternative instruments, which will increase the investors and curb on the increase growth of the economy in general.

5.5.1.2 Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development.

The study proposed that DSE should take advantage of the peaceful a political environment of Tanzania to reduce uncertainties in the stock market. DSE should innovatively use technology to increase cost, time and information efficiency Moreover the study suggested that use of electronic trading would increase the market liquidity however, DSE should have mechanisms that will reduce technical faults, human brain and effective laws and regulation should be used together with algorithm trading to prevent technical faults and price manipulation.

5.5.1.3 Government regulation affecting the Development of Stock Exchange

The study proposed that for DSE to increase on the growth, they suggested that government agencies to list in DSE which will increase on competition and public trust on the exchange. Moreover, the study suggested that DSE should increase number of products in the market to attract more investors in the market and increase number of listed companies in the exchange. Additionally, DSE should use more innovative ways to educate the public on benefits of investing in a stock exchange; this in turn will increase on public awareness enormously.

5.5.2 Recommendation for Further Studies

The study targeted only three areas affecting the growth of DSE. The study suggests that future researchers can be conducted to analyze more determinates of growth of DSE and ways of improving the DSE. In addition to that, future researchers can add on knowledge gap on the discrepancies of the study that the economy can be growing yet the growth of stock exchange is low.

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APPENDICES

Appendixes 1: Data Collection Instrument

Mr. Shirima Juvenile is a student at United States International University Kenya, Major in Business Administration concentration on Finance. He conducts research in area of stock market. The research is about the factors affecting stock market development in Tanzania: The case of Dar es Salaam Stock Market. This is a requirement for the partial fulfillment of the MBA degree.

The data collection instrument of this research is Questionnaire. The purpose of this questionnaire is to collect information and data appropriate for this study. The information and views collected shall be treated with the utmost confidentiality and this to assure you that the information you provide shall be highly valued and treated with confidentiality.

Please respond to and complete the questionnaire honestly. The researcher guarantees to protect the identity of everyone who complete the questionnaire and use it for academic purpose only.

Part A: Background Information

1. What position do you hold in the firm ………………………………?
2. For how long have you participated in the Dar es Salaam Stock Exchange?

   Less than 2 years ☐

   3-5 years ☐

   6-10 years ☐

   Over 10 years ☐

3. Level of Academic Education

O- Level ☐

A-Level ☐

Graduate ☐

Post-graduate ☐

Others…………………

4. Level of Profession Education

CPA ☐

ACCA ☐

CFA ☐

Others ……………….

5. Investors target group

Individual Investors ☐

Institutional Investors ☐

Foreign Investors ☐

Others ……………….

(i) Part B: Economic factors, which affect the development of Stock market.

The following are economic factors which affect the development of DSE, you are therefore required to rate each factor using the following scale 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree

	Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Inflation and Deflation					
Companies hold back on spending	1	2	3	4	5
Investors buy stock when there is deflation	1	2	3	4	5
The economy is currently with high supply of money.	1	2	3	4	5

There is a continuous change on prices of stocks/commodity.	1	2	3	4	5
Interest rate					
There much transaction on the money market in the economy	1	2	3	4	5
The lending interest rates in the market changes continuously	1	2	3	4	5
The economy encourages saving	1	2	3	4	5
Exchange rate					
There have being continuously changes in exchange rate	1	2	3	4	5
The foreign investors depend on the exchange rate to make investments in a particular economy	1	2	3	4	5
) Currency depreciation affects the stock market	1	2	3	4	5
) Currency is included as an asset in investments fund	1	2	3	4	5
Supply and Demand					
) Investors have high purchasing power	1	2	3	4	5
) The change in supply and demand in the economy drives the stock prices	1	2	3	4	5
) There is enough money supply in the market					
) Large group of sellers in the stock market leads to lower prices of stocks	1	2	3	4	5
Economic Expectation					
Future growth of the economy leads to expansion of stock government	1	2	3	4	5
Changes in economic policies in the economy leads to growth of stock market	1	2	3	4	5
Unemployment rate in an economy leads to changes in the economy	1	2	3	4	5
Prohibiting external investor's leads to growth of stock market.	1	2	3	4	5
Substitute Market					
Stock market offers different products to invest					
Investors in the economy prefers uncertainty					
Investors research on the market before investing					
Shares are mostly preferred in the economy					

Part C: Socio-Cultural Factors that affect Dar es Salaam Stock Exchange market development.

The following statements are factors that affect Dar es Salaam stock market from Socio – cultural perspectives. You are therefore required to rate them using the Following scale 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Natural and man-made disasters					
) Disasters lead to stock market decline	1	2	3	4	5
) The location of a country affects the growth of the stock market	1	2	3	4	5
) The weather of the country affects the growth of stock market.	1	2	3	4	5
) Wars and terrorism affects the growth of stock market	1	2	3	4	5
Politics					
) The regime governance of a country affects the stock market growth	1	2	3	4	5
) The democracy of a country affects the stock market	1	2	3	4	5
) Legal rules of the country affect the stock market	1	2	3	4	5
Speculative activities					
) Mergers and acquisition occur in the economy	1	2	3	4	5
) Issuance of dividends in the market occurs frequently	1	2	3	4	5
) The economy has many speculators	1	2	3	4	5
) Lack of trust for those who managing the fund					
Technology					
) Stock market uses mobile platform to buy/sell shares	1	2	3	4	5
) Stock market uses the website/internet to buy/sell shares	1	2	3	4	5
) The stock market automation leads to growth of the market					
) Technology has increased liquidity	1	2	3	4	5
) Automated stock exchange leads to information storage					

Part D: Government regulation affecting the Development of Stock Exchange

The following statements are factors that affect Dar es Salaam stock market from other factors such as education and government support. You are therefore required to rate them using the following scale 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Lack of public awareness and knowledge					
) Their awareness programs on investment on DSE	1	2	3	4	5
) Individuals earning middle income to invest in DSE	1	2	3	4	5
) Companies don't register in stock market	1	2	3	4	5
Government and Monetary policy					
) Tax laws are not favorable to investors in stock market	1	2	3	4	5
) Government spending increases growth on the stock market	1	2	3	4	5
) The government intervenes with macro-economic factors to boost stock market growth	1	2	3	4	5
) Subsides and Tariffs					
) Government promotes the stock market	1	2	3	4	5
) Governments encourages foreign investors to invest in the market	1	2	3	4	5
) Government supports local companies to list in the market	1	2	3	4	5
Government Debt					
) The economy has developed banking sector	1	2	3	4	5
) The economy has various government bonds	1	2	3	4	5
) Bonds are less risk than stocks					
) The government has various methods to pay their debts	1	2	3	4	5