CRDB SHARES PERFORMANCE AT DAR ES SALAAM STOCK EXCHANGE

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By

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University a dissertation entitled "***CRDB Shares Performance at Dar Es Salaam Stock Exchange***" in partial fulfillment of the requirements for award of degree of Masters of Project Planning and Management of Mzumbe University Mwanza Centre.

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ABBREVIATIONS & ACRONYMS

ATM Automated Teller Machine

BoT Bank of Tanzania

CRDB Corporate Rural Development Bank

CMS Capital Markets and Securities

DSE Dar es Salaam Stock of Exchange

KCB Kenya Commercial Bank

KPI Key Performance Indicators

POP Point of Purchase

POS Point of Sales

ROA Return on Assets

ROE Return on Equity

ROI Return on Investment

SMEs Small and Medium Enterprises

TBL Tanzania Breweries Limited

TPA Tanzania Ports Authority

TRA Tanzania Revenue Authority

TSR Total Shareholders' Return

TOL Tanzania Oxygen Limited

ABSTRACT

This research aimed at evaluating the CRDB performance at DSE. The study's objectives were to examine the role of financial market in facilitating banks performance: To assess whether capital gain accrued by commercial banks contributes to their performance in the market: To determine the importance of shares to customers of CRDB to economic growth of the society and individual shareholders and: To examine the importance of companies like CRDB Bank to be listed at the stock market exchange.

The study used descriptive, exploratory ad explanatory design in which quantitative data was collected from secondary sources, including journals, books and annual reports from the organization. Data analysis was done using both SPSS program and Ms-Excel. Descriptive technique was used to describe the nature of the information obtained and express it into meaningful manner that can be understood by readers. Descriptive data was interpreted into mean, frequencies, standard deviation and percentage.

The study observed that shares have a great importance to shareholders' due to the impact they serve in the society. At the end of each financial year shareholders are awarded with total shareholders return and return on capital employed with accordance to the rate of capital invested in the company. This helps individual shareholder to obtain return of which is the saving obtained from buying of shares in the business. The findings also showed that investment made by stakeholders in the company at large percentage helped boost and strengthen the financial stability of the company in the business sphere. That is, the total assets return, return on investment and return on shareholders' equity are the most crucial criteria observed by major shareholders at the end of the financial to determine whether and the extent to which the company is making profit or loss.

The study recommended several issues to be addressed: The Government should regulate the securities that are provided by financial entities. These include stocks, bonds, mortgage and shares that are normally traded in the stock exchange market. Proper information need to be provided so as to determine when to buy, what price to be charged and when do shares normally mature.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF STUDY

1.0 Introduction

DSE is a security exchange that was formed by the security authority and capital markets under the Capital Markets and Securities (CMS) Act of 1994 in Dar es Salaam and then incorporated in September 1996 as a private company limited by guarantee without share capital under the company's ordinance cap.212. The exchange started officially in 1998 with TOL Gas limited as the first company to be listed with DSE followed by TBL. In 2015 the Dar es Salaam stock exchange re-registered as a public limited company and its name changed to Dar es Salaam Stock Exchange Public Limited Company. From there onwards the company started selling shares on May 2016 and currently is the third exchange in Africa after Johannesburg Stock Exchange (2006) and Nairobi Securities Exchange (2014).

The Dar es Salaam stock of exchange was introduced to facilitate the government's implementation of the economic reforms and increase the proportionate share ownership of privatized companies in Tanzania and encourage the rise of medium to long-term share capital. The mission of DSE is to provide a responsive securities exchange that promotes economic empowerment and contributes to the country's economic development through offering a range of attractive and cost-effective products and services.

The primary function of any stock market is to play the role of supporting the growth of the industry, economy of the country and it is also used as a measurement tool that gives the idea about the industrial growth as well as the stability of the economy with their performance.

1.1. BACKGROUND OF THE STUDY

The introduction of commercial banks in Tanzania especially with the provision of microfinance services was agreed by the central bank of which rules and regulations governing them were established in order to ensure the safety of customer's money. But a commercial bank is a type of financial institution where provision of services like account opening for deposits, money lending for business operations and providing investment products like fixed deposits are taken care of. Commercial bank can refer also to a bank or division or segment of a large bank which specifically deals with deposits and loan services provided to large corporations, large and middle sized business entities as different from individual members of the public business (Idiab & Idiab, 2011).

The main role of the commercial banks was to provide financial services to general public and business ensuring economic and social stability and sustainable growth of the economy. Thus credit creation become the vital function of commercial banks. In offering a loan to a client or customer normally cash is not given to the customer at hand but rather open a deposit bank account from which the borrower can withdraw.

Commercial banks accept various types of deposits from public especially from its clients, including saving account deposits, recurring account deposits and fixed deposits. These deposits are returned whenever the customer demands it or after a certain period of time. Commercial banks provide loans and advances of various forms including cash credit, bill discounting, overdraft facility and internet banking. They also demand and term loans to types of clients over proper security (Haron, 2011).

Among other obligations of commercial banks is to collect and clear cheques, dividends and interest warrants, to deal with foreign exchange transactions of which must be in line with the ones offered at the DSE, to purchase and sell securities, to accept tax proceeds and tax returns. Utility function of the commercial banks specifically CRDB is to provide money transfer facility example the Simbanking and internet banking; to provide safety locker facility to customers; accept various bills for payment: water bills, school fees, tuition fees, electricity bills and phone bills, provide various cards: credit cards, debit cards, visa cards and smart cards.

Moreover, the stock exchange market mainly provides liquidity by enabling firm to raise funds through the sale of securities with relative ease and speed. As a result, the stock exchange market

is able to influence investment and economic growth. The large stock exchange market lowers the cost of mobilizing savings, facilitating investment in the most productive technologies (Mohtadi & Agarwal, 2004).

Operationalization of the DSE has contributed substantially towards public enlightenment which has caused a few Tanzanian to invest in listed companies as a result of this transformation. It is the DSE's goal that Tanzanian appreciated and eventually adopts a thrift culture that thrives an equity ownership in successful business concern (DSE, 2008).

The main motivation behind this study was the need to evaluate the rate of investment done by individuals and entrepreneurs in the stock market and assess why investment is normally neglected or not taken seriously when it comes to investing in the stock market. But with this notion, the whole concept of investment starting from the individual level to aggregate level need to be deeply studied and its benefits gained by investing be reviewed. In order for this study to work successfully, several reports were reviewed. These helped to evaluate the trend of investment in the DSE business and to understand in depth how it operates in terms of the market share it holds and how it reaches out to the community it serves.

1.2 STATEMENT OF THE PROBLEM

Despite the existence of banks in the operation of financial services in Tanzania, commercial banks operating in the country were introduced purposely to serve the surrounding community. Introduction of commercial banks in Tanzania was mainly focused on opening bank accounts for customers instead of using the traditional and old ways of reserving money which was not safe at that time. The banks were also meant for provision of loans for capital to SMEs and large corporations, provision of insurance and leasing, payment services, treasury services. Later on after the introduction of DSE, the commercial banks started selling shares and equities to the community for capital rising.

Commercial banks are financial institutions whose most important function is to collect savings for reinvestment in form of loans and banking facilities. Banks developments have evolved in different historical stages, but main function of banks is to maintain funds. Developments that have occurred have enlarged its services to various services from old to modern forms in order to serve

their customers, motivate and remind them that their main activities are to accept deposits from clients, private and public institutions in form of current accounts or deposits payable upon demand or after order. This also includes granting of loans to all various economic activities in various forms and certain guarantees, for a reasonable return from this process (Ahmad, 2011).

Investment in deposits of various kinds, especially surplus in financial market and the employment of bank's resources takes form of loans granted to clients and investments. Taking this into account, multiple foundations invest funds with bank profitability, liquidity and safety version. They also buy and sell all kinds of checks, securities, letters of credit and purchase of personal foreign exchange sale and purchase of traveler's checks and internal and external transfers. Collection of all types of bonds and checks through clearing house and payment of checks drawn upon other banks. Others include leasing funds for rail customers and putting them at their disposal work in operations of stocks and bonds, securities and acceptance of secretariats and resolution of commercial paper and acceptances, guarantees and letters of guarantee. It further advises clients with regard to their work and development projects to achieve confidence in bank. The management of customer operations is done by proxy service cards and from which bank card automation of any immediate cash withdrawal to inquire about balance and account statement request, checks and transfer funds as well as bank card machine premier. This also includes all previous service in addition to immediate servicing of loan automation and deposit of foreign and local currency (Musleh, 2001).

According to Andru (1998), ROI is one of the most popular performance measurement and evaluation metrics used in business analysis. ROI has been widely recognized and accepted in business and financial management in both private and public sectors. However, ROI method has led to the situation today where it is often experienced as a no-rigorous, amorphous bundle of mixed approaches prone to the risks of inaccuracy and biased judgement.

The Return on Investment method was analyzed in John Dearden's article published in the Harvard Business Review (Dearden, 1969). The article indicated a wide spread of ROI method and frequent incorrect use of the measure. It states that ROI oversimplifies a very complex decision making process.

Thus, the study was set to evaluate how the involvement of commercial banks specifically CRDB Bank in the DSE has enhanced its performance and whether it is important for them to be incorporated and how it enables banks to reach its customers and stakeholders at once in a specified period of time. Moreover, this study tried to analyze and evaluate the levels of investment done by commercial banks and their return at the end of each financial year. This helped a better understanding of the need of investment of both capital and asset in accruing a better return. The findings of the current study further show the way on how the distribution of profit is paid among the potential shareholders and its impact in the stock exchange market.

This study was conducted to fill the gap that has long existed in research in Tanzania. In review of past researches in Tanzania, it is evident that most of them tried to cover the whole concept of how banks operate in their daily activities as to help improve the economic status of the customers and surrounding society. But commercial banks as a whole and their operations with DSE has its functions to providing loans at different levels of business activities. Its major source of income is through the interest charged. It also helps individuals and large corporation to acquire capital to finance their operations of which in turn expect them to grow and provide employment to the society and improve their living standards and the retained earnings are provided at the end of each financial year.

1.3. OBJECTIVES OF THE STUDY

1.3.1. General Objective

Evaluation of CRDB shares performance at DSE

1.3.2 Specific Objective

i. To examine the role of financial market in facilitating banks performance.
ii. To assess whether capital gain accrued by commercial banks contributes to their performance in the market.
iii. To determine the importance of shares to customers of CRDB to economic growth of the society and individual shareholder.

iv. To examine the importance of companies like CRDB Bank to be listed at the stock market exchange.

1.4 RESEARCH QUESTIONS

i. What are the rules and regulations that guide commercial banks in financial market?
ii. What are the importance of companies like CRDB Bank to be listed at the stock exchange market in Tanzania?
iii. When is capital gain accrued from the capital assets distributed to the investment made?
iv. Is the dividend return that is generated from holding shares with CRDB calculated the same to all shareholders?
v. What are the key performance indicators for companies at DSE?

1.5. SIGNIFICANCE OF THE STUDY

This study intended to assist organizations, government and the society and evaluate whether these commercial banks have any impact in helping the society to achieve individual goals and whether after being incorporated in the DSE is necessary for the development of projects or activities in the society. There are plenty of commercial banks in Tanzania operating under the supervision of the central bank but are not registered in the DSE and hence customers have no any participation in the decision making and being part and parcel of the companies. The findings of the study are of a help to the following stakeholders: -

i. *Researchers and academicians:* it is to be used a source of reference to other academicians but also the knowledge gained from this study was imparted to the community professionally and increasing awareness to the whole sector of commercial banks well as to its competitors as well as the stock exchange market.
ii. *The government of Tanzania:* this research study enables the government to critically analyse the conditions and terms that regulate and govern the operations of commercial banks in Tanzania and evaluate whether they help in fostering their growth and income generation at large or if they need to be revised where necessary. But also have another look on the taxation policy and evaluate how and when to tax on investment as well as dividends paid by companies to shareholders.

iii. *The society at large*: the research enables them to understand the broader meaning of having commercial banks in the society and how they help in driving/ enhancing their individual development and improving their living standards. The research aims also to impart new knowledge to the society with regard to investment; when, how, where and what to invest so as to know the advantages of investment as one way of saving.

1.6. LIMITATION OF THE STUDY

The study on the evaluation of CRDB share performance at DSE had some limitations. There was a challenge of data accessibility with regard to the concept of the study data from CRDB itself as well as its competitors and DSE. It was therefore complicated to get data due to credential issues. There were challenges due to confidentiality as the commercial banks operate in a competitive environment and need privacy with regard to its reports and data. However, some of data used were obtained from the same bank management and the DSE website. Therefore, the data used are those which were easy to access.

CHAPTER TWO

LITERATURE REVEW

2.0 INTRODUCTION

Commercial banks provide basis for financial services and transactions to be performed in Tanzania. Functions are carried out under the control and supervision of the central bank (BoT). The history of commercial banks can be traced way back and have maintained and advanced in various sector to ensure their survivor and potentiality in the banking system. But the most crucial distinguisher of commercial banks is the acceptance of current accounts and thus guarantee its possibility of paying funds to their owners at any time due.

2.1 THEORETICAL LITERATURE REVIEW

2.1.1. Financial System

Is a collection of financial market, financial intermediaries, laws, regulation and techniques through which fixed income securities, equities and other securities are packed, traded and yield are determined (DSE 2008).

Bank is a financial institution that deals with processing credit and lending operations as well as mobilizing deposits and making advances (Lester, 1996). It also facilitates payment processing including automatic payment. It facilitates all forms of electronic banking services internally and externally. According to Oxford dictionary 8th edition; the term bank is described as financial investment that a company is authorized by the state for all financial activities which include accepting deposits. It also provides the expenditure of funds and provision of loans. Banks normally engages in business investment, advice and keeping deposits safe in deposit boxes, provision of trusteeship, agency and number of other financial services which bear official stamps of a bank like point of sales (Mustafa, 1999).

Ziad Salim Ramadan (2011) said commercial banks all over the world as a result of conditions and requirements of economic global developments traders and strong businessmen banked their money. Banks as aggregate in themselves provide space for disbursement of funds and foster exchange of money in the economy. During its evolvement a customer was able to deposit gold or silver in his possession gave it to the jeweler with a receipt as a proof. This resulted in the accumulation of gold in the coffers of the goldsmith, who became a lending jeweler with gold in return for interest.

The modern existing commercial banks are a result of great advancement built on a lot of primitive pasts which include the credit operations in the first era of adult traders, merchants and people of the chapel while affecting the nature of the modern banks and their operations. During this period, credit was mentioned on the outset of their roots way back to big traders' goldsmith (Shaker, 1989).

Banks are institutions where the nature of credit receive a non-specialized retail deposits request or after short-term and deals mainly with short-term credit from bank deposits (Zeinab & Osama, 2005). While commercial banks are financial institutions based on trade funds and craft, they are basics as they act as an intermediary between capital and investment to seek access to private capital (Daiff, 1995). Any institution that opens and accepts money deposit at any time by the customers and state institutions are generally known as commercial banks (Shehab, 1987).

Since capital projects are very crucial to achieving profits or generating income, they need to be at their lowest cost possible and a mechanism to provide banking services or the creation of cashed money commercial banks (Mustafa, 1999). Financial institutions whose main focus is to collect deposits in excess for the needs of the people or customers or institutions of both the state and privately owned for the purpose of lending others according to certain bases or selected investment in securities are known as microfinance. These are primarily operating under the commercial banks (Shaker, 1989).

According to Lester (1996), money changers showed that it was not enough to accept deposits only but also start working on investment deposit and profiteering from behind. Money changers

came to allow their customers to withdraw amounts in excess of balance and deposits banked. This is currently referred to in commercial banks as overdraft. This in turn brought about a type in operation known as bankruptcy. As a number of customers could not fulfil the debt leading thinkers in the late 16th C to establish houses of purely government saving deposits and thus evolved the practice of financial ATM to house purely the commercial bank.

By the end of 19th C there was an increasing dependency on banks as a pioneer of progress and thus formed unions between banks and companies to buy most of the shares of other companies. This intensely increased after the First World War in most countries in the world of capitalism where state intervention is clear on shaping the work organization. This resulted in many banks to specialize in financing business operations and private money creation and deposits and the creation of country's central bank entrusted with the right to issue money as well as give private banking to other banks. The other advantage of central banks was to issue money and control and monitor the commercial banks and thus it was named as the bank of banks (Mustafa, 1999).

Shehab, 1987 said that after the introduction of central banks to various countries, there arose a need by banks to facilitate transactions on basis of term and trust and fulfil terms of synchronizing emergence of capitalism and contributed to developments of all aspects of industrial, financial and monopolistic and went on to the era of socialism which aimed to serve and benefit the entire community without discrimination.

2.1.2 Capital Market

Are facilities and mechanisms through which funds move from idle holders to productive users. They are facilities which channel funds at market price to productive activities. Capital market have two inter- dependent segments; primary and secondary market (DSE, 2008). A capital market is a market which is made up of markets and institutions, which facilitate the issuance and secondary trading of long –term financial instrument (Onyiuke, 2010). The capital market is a net –work of specialized financial institutions, series of mechanisms, processes, and infrastructure (Al –Fark, 2006).

2.1.3 Primary Market

Is a financial market in which new issue of securities are sold to initial buyers for the first time, commonly referred to as Initial Public Offering (IPOs). A good example is when a company floats its shares or sells it corporate bonds to the investing public for the first time. The securities issued in primary market are later sold in secondary market. There are institutions who engage in issuance of securities and strive to raise funds for capital intensive. These institutions comprise of the firms listed by DSE; these include Kenya Airways, Tanzania Breweries Limited and National Microfinance Bank. Thus securities issued in primary markets are later traded in the secondary markets (Michael et al., 2004).

2.1.4. Secondary Market

This is a later market which deals with buying and selling of securities previously issued and subscribed to (in Hand of investors) in primary market. An example of secondary market institutions is a Stock Exchange like DSE. This is a market where investors through their brokers, sell and purchase listed securities. The DSE is therefore one of the key institution of a financial system with unique function (DSE, 2008).

2.1.5. Stock Exchange Market

According to Nyong (1997), Stock Exchange Market is a complex institution imbued with inherent mechanism though which long term funds of the major sectors of the economy comprising households. Firms and government are mobilized, harnessed and made available to various sectors of the economy. The Stock Exchange Market can be a mechanism which can measure and detect the symptoms of impending economic boom or decline long before the predicted prosperity or decline actually occurs (Alile and Anao, 1986). A stock exchange market is an organized secondary market since a stock exchange is really strictly a market for existing rather than new securities (Okofar, 1983).

According to DSE (2007) & Norman (2006), a stock exchange is secondary capital market where large and small investors can buy and sell securities (share, bond). It is an organized market where

buyers and sellers of securities meet as they are represented by dealers/brokers and acquire or dispose securities. According to Benchivenga (2007), a Stock Exchange is a market whose securities are traded by members of the exchange who may act as both agents (brokers) and as principal (dealers).

2.1.6. Stock Market.

It refers to the collection of markets and exchanges where the issuing and trading of equities that is stocks of publicly held companies, bonds and other sorts of securities takes place either through formal exchanges. Also equity market/ the stock market is one of the most vital components of a free market economy as it provides companies with access to capital in exchange for giving investors a slice of ownership.

2.1.7. Return on Investment

According to Mogolon & Raisinghani (2003), ROI is a performance measure that is used to evaluate the efficiency of an investment or in order to compare the efficiency of a number of different investments. In order to calculate ROI, the benefit (gain) of an investment is divided by the cost of the investment and result is normally expressed in percentage or ratio.

Return on investment in other words is the benefit an investor obtains/gains from an investment made in some resources. A high ROI means that the investment gain is comparably favorable to its cost. For business purposes, ROI metric is used to measure per period, rates of return of money invested in an economic entity in order to decide whether or not undertake an investment (Krugman, 1995).

ROI, among other metric measures, for example Pay Back Period, IRR and NPV provides a snapshot of profitability adjusted for the size of an investment assets tied up in the company. Although ROI normally is compared to rates of return on money invested but still it is not the Net Present Value adjusted as it described with a “Year 0” investment and two to three years’ income accumulation.

There are other measures of the ROI analysis that are referred to as ROI-related measures all of which have the same goal of evaluating the performance, although their purpose varies according

to what it is intended to measure. Return on investment among other issues, intends to provide the rationale for future investment and acquisition decision relating to facilitating informed choices about which project to pursue. ROI also evaluates the existing systems, that is, project post-implementation assessment and performance management of the business units and evaluation of the individual managers in decentralized companies (Andolsen, 2004)

The Return on Investment method was analyzed in John Dearden's article published in the Harvard Business Review (Dearden, 1969). The article indicates a wide spread of ROI method and frequent incorrect use of the measure. It stated that "ROI oversimplifies a very complex decision making process.

2.1.8. Dividend

A dividend is a form of payment made by corporation(s) to its shareholders normally as a distribution of profits made (Michael Simkovic, 2009). When a company or entity earns surplus or profits from its operations, the company is capable of re-investing the profit made in the business normally retail businesses and pay a proportion of the profit as a dividend to the shareholders (Douglas Harper, 2001). The distribution to the shareholders is normally a deposit into a bank account or for the case of a company having a dividend reinvestment plan and the amount can be paid by the issue of further shares or share repurchase.

As Huston Jeffrey (2013) argues that, the dividend is a form of payment that some companies make to its shareholders that often reflect the company's profit made during that particular period. Normally dividend is paid out quarterly, semi-annually or annually with respect to the terms of the company and therefore dividends provides stockholders a steady return regardless of what happened to the stock price.

Companies or large entities normally sell their stock shares to the public in order to raise capital/fund to finance their existing operations and expand their businesses. In this case, a dividend comes in form of a reward given to shareholders for owning stock in the corporation. For large corporations or companies, dividends become a major way for them to attract investors and potential shareholders to buy their stocks (Debraj, 2013)

Some researchers have argued against the whole notion of companies to pay dividends to the public and that company's profits are better of re-invested in the company: research and development, expansion, capital investment and innovation. Proponent of this, Baker & Wurgler (2004) suggest that the desire to return profits to shareholders indicates the management having run out of good ideas for the future of the company as it was with the dividend theory. Although Jensen (1986) has demonstrated that companies that pay dividends have higher earnings growth, it thus suggests that dividend payments may be evidence of confidence in earnings growth and sufficient profitability to fund future expansion.

Moreover, some researchers oppose the notion of taxation on dividends made by companies to their shareholders. Merton Miller (2003) in his study on dividend policy indicated that, when dividends are paid, individual shareholders in many countries are faced with the problem of double taxation of those dividends. Firstly, a company pays income tax to the government which is accumulated per particular period of time. Secondly when the dividend is paid, an individual shareholder pays income tax on the dividend payment. This brings about contradiction to the idea of dividend and how income tax is to be paid.

Franco and Modigliani (2003) show that dividend is a parsing out a share of the profits and is taxed at the dividend tax rate. Unlike capital gain which is normally confused with dividend, of which a capital gain happens where a capital asset is sod for an amount greater than the amount of its cost at the time the investment was purchased. Where there is an increase of value of stock and a shareholder chooses to sell the stock, then the shareholder will pay on capital gains and when a shareholder chooses not to then the price of the holders shares could either rise or fall but the tax on the gains will be delayed until the sale of the shares in the stock market.

2.2 EMPIRICAL LITERATURE REVIEW

2.2.1. Investment Theory

Investment theory encompasses the body of knowledge used to support the decision making process of choosing investments for various purposes. Investment theory is the mother to many other theories that have been of help to the concept of investment in bigger perspective. It includes the capital asset pricing theory, portfolio theory, rational theory, pricing theory and efficient market hypothesis (William, 1996).

Keynes and Fisher (1936) both argued that investments are made until the present value of expected future revenues at the margin is equal to the opportunity cost of capital. This means that the investments are made until the net present value is equal to zero. The theories of investment are of different and in particular the underlying differences in assumptions. For example, neoclassical theory of investment, Accelerator theory and Q-theory of investment.

Moreover, Keynes emphasized the central role of investment in the theory of aggregate output and employment. And thus the focus was investment as the driving force for both aggregate demand and short-run fluctuations in economic activity.

The fundamental difference between the Keynesian view and Fisher lies in the perception of risk and uncertainty, and how expectations are formed. Keynes did not regard investment as an adjustment process toward equilibrium. Hayek (1941) and Fisher (1930), on the other hand, regarded investment as an optimal adjustment path towards an optimal capital stock. In the Keynesian theory, investment is not determined by some underlying optimal capital stock. Instead genuine or radical uncertainty takes a central position. Keynes believed that humans were animal spirited and that this, combined with irrational and volatile expectations, made the thought of investment as an adjustment process toward equilibrium futile.

2.2.1.1 Estimation of Investment Return

A return on investment is a way to calculate the financial gains and/ losses taking into account all the resources invested and all the amounts gained through increased profits, decreased costs or both (Dearden, 1969). Estimation of investment return is a tool to analyze and project how much

of the return will be gained from such investment or whether its losses too. This is tool that provides a step-by-step method of calculating the ROI for a new set of actions implemented to improve performance.

The Return of Investment Formula is given by:

$$ROI = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

Mogollon & Raisinghani (2003), said that despite the diversity in definitions on what is the real definition of return on investment, the primary notion is still the same. ROI is a fraction of which the numerator is the net gain/ profit, benefit or re-returns earned as a result of the operation or activity or project or system and whiles the denominator is the cost of the investment incurred to achieve the outcome or result.

In a view with the Estimation of ROI according to Alexei Botchkarev (2011), the metric is called the benefit-cost ratio and the estimation of ROI of 100% means that the amount of the return equals the amount of the money invested that is no additional money was gained. The estimation of ROI with 100% means that not only the return of the money invested but also gaining the same amount as profit.

ROI estimation does not only involve the ROI ratio but also other financial measures like Net present value (NPV), internal rate of return (IRR) and payback period of which are collectively called rate of return (Mogolon &Raisinghan, 2003). However, ROI variations are sometimes used to bring a mental picture of what return of investment is calculated and used in business spheres like return on total assets, return on equity, return on net worthy and return on investment capital (Andolsen, 2004).

2.2.1.2 Capital Gain

Capital gains are profits generated from the capital assets such as bonds, property and equipment and stocks. Mutual funds investors are charged capital gains on investments in the funds that are being sold by the fund during that financial year.

Capital gains are of two types subject to various tax rates; that is long-term capital gains and short-term capital gains. According to Stephen (2011), short-term gains are the gains obtained from the

tax placed on assets held for 12 months or less as ordinary income at the seller's marginal income tax rate. Long-term gains are profits accumulated from assets held longer than 12 months before they were sold.

Steven (2003)**,** indicated that capital normally is not realized until the asset is sold to a price higher than the purchase price that was paid for it. And those unrealized gains and losses reflect an increase or decrease in an investment's value but have not yet triggered a taxable event.

According to Dale (1963), there has been a controversial difference between capital gains and ordinary income as it was argued before if capital gain is also income. Capital gains is the difference between what is sold example stock for versus what was paid for it are tax preferred or are taxed less rates than ordinary income. While ordinary income involves all items like wages and interest income or compensation/ unemployment income.

But also Tracy (1985), argued that capital gains arise when capital asset is sold at a higher price than its purchase price or basis. There are further subdivided into either short term or long term that is if a stock is sold within one year of purchase the gain becomes short and is taxed at a higher ordinary income rate. The same applies if an individual holds stock for more than a year then the gain is long term and is taxed at a lower ordinary income rate.

2.2.1.3 Dividends Return

This is a financial ratio indicating how much a company pays out in dividends in a respective year to its share price. It is normally represented by a percentage and is given by dividing the value of the dividend in the respective year per stock share held by the value of the one share of stock. Its formula is represented as follows:

$$\text{Dividend Return} = \frac{\text{Annual Dividends Per Share}}{\text{Price Per Share}}$$

Dividend return is a way of measuring how much cash flow a company gets from money invested in an equity position. For situations in a company where capital gain is not present, the dividend return is effectively the return on investment for a stock. This depends on how a stock price moves

during a period, the dividend return also constantly changes as the price of the stock changes (Simkovic, 2009).

But Douglas (2001), said that investors who need a minimum stream of cash flow form their investment portfolio, can accrue their money by investing in stocks that pay relatively high and stable dividends return. However high dividends often arrive at the cost of growth potential. Jeffrey (2006), also said that every money a company pays in dividends to its shareholders is the money that the company is not reinvesting in itself in an effort to make capital gains. While being paying for holding stocks is attractive to many and for good reasons shareholders earn higher if the value if their stock increases while they hold it.

Sheffrin (2003), observed that companies at some point may pay higher dividends to their shareholders. This may be to indicate a variety of things about the company like the company might be experiencing undervaluation or that it is attempting to attract investors. Simkovic (2010), but if the company pays little or no dividends at all, it may be indicating that the company is overvalued or it wants to grow its own capital. For example, with industries when they well established and stable earnings often have good dividends even when they are not undervalued. With banks and utilities also follow this kind of category.

2.2.1.4. Total Return

According to Kuznets (1955), the total return of a stock is the total amount of an investment that changes in value calculated by adding the amount of dividend or interest income received to the investment's capital return that is change in the investment's price. Total return comprises of three components: Earnings growth which drives capital gains and the underlying intrinsic value of a stock, dividends, and changes in valuation multiples.

Kaplan (2015) argued that a total return when measuring performance of an investment, is the actual rate of return of an investment over a given period of time. Total return in other words is the amount of value an investor earns from a security over a specific period normally each year after all distributions are reinvested. It is expressed as a percentage of the amount invested. And thus it becomes the strongest measure of an investment's overall performance.

Mueller & Reardon (1993) indicate that, total return is very important when analyzing a company's trend of performance over a number of years. When calculating expected future return it puts reasonable expectations on investors' investments and helps plan for retirement or other necessary needs.

2.2.2. Risk Analysis

According to Marr (2001) risk may be defined as the combination of likelihood of uncertain event times its consequences. But also went on defining also what project risk is. Project risk is an uncertain event or condition that potentially impacts the project objectives for cost, schedule and quality. These impacts may be both positive and negative effects. A risk has its causation and if it occurs then it has direct consequences to the project.

Risk analysis is the situation whereby the values of possible outcomes can be known and the probability of each outcome can be estimated. Risk analysis can be conducted using scenario analysis to determine the values of the probability of risk to occur (Ross, 2010)

Risk analysis can be conducted under the following three important steps. These include first identifying the threats; with threats risk analysis helps an individual to identify the existing and possible threats that might occur in the future. They may originate from different sources for instance; Human: illness, injury or death, Procedural: internal systems, loss of accountability, fraud or loss of controls, Operational: loss of access to essential assets, distribution failures or disruption to supplies and operations, Financial: fluctuations in interest rates, shortage of funds, business failure or stock market fluctuations, Project: over budget, service quality or too long key tasks, Natural: diseases, natural disasters or weather, Political: public opinion, government policies, foreign influence or tax valuation and other sources. Tools as SWOT, PERT and scenario analysis can be used to identify these sources (Moffett &Eiteman, 2009)

The second step is to estimate risk. After the identification of possible risk that might occur then the calculation of the likelihood of those threats to occur and their possible impact. Mostly it is done by making best estimate of the probability of the event occurring and then multiplied by the amount it will cost to set things right when it happens. It then provides the value for the risk occurrence (Jordan, 2010)

Risk Value = Probability of Event × Cost of Event

The last step is to manage the risk. Risk is an event that is to occur; after estimating the possibility of its occurrence it comes the time to manage if it cannot be avoided in the future. Risk may be avoided, shared, accepted or least controlled. By avoiding it you skip the business venture or change the scope in order to overcome the risk associated with the risk. Sharing of risk means sharing the business venture with other people with potential gain or third parties like involving insurance so that the loss of the business the insurer will cover the cost. Accepting risk is usually best when there's nothing you can do to prevent or mitigate a risk, when the potential loss is less than the cost of insuring against the risk, or when the potential gain is worth accepting the risk (Marr, 2001). And with controlling is done after an individual has accepted risk and there are a number of things to do like reducing its impact by conducting business experiments. These are an effective way to reduce risk. They involve rolling out the high-risk activity but on a small scale, and in a controlled way. Experiments are used to observe where problems occur, and to find ways to introduce preventative and detective actions before introducing the activity on a larger scale (Ferber, 1967).

2.2.2.1 Types of Risk (sources of Investment Risk)

Interest Risk

The variability in a security's return resulting from changes in the level of interest rate is referred to as interest rate risk. Such changes generally affect securities inversely that is other things being equal, security prices move inversely to interest rates. Interest rate risk affects bonds more directly than common stocks, but it affects both and is very important consideration for most investors (Jordan, 2010).

Market Risk

The variability in returns resulting from fluctuations in the overall market that is the aggregate stock market is referred to as market risk. All securities ae exposed to market risk, although it affects primarily common stocks (Uryasev, 2002).

Inflation Risk

A factor affecting all securities is purchasing power risk or the chance that the purchasing power of invested dollar will decline with uncertain inflation, the real (inflation-adjusted) return involves risk even if the nominal return is safe for example treasury bond. This risk is related to interest rate risk since the interest rate generally rise as inflation increases because lenders demand additional inflation premiums to compensate for the loss of purchasing power (McNeil, Frey & et al., 2005)

Business Risk

The risk of doing businesses in a particular industry or environment is called business risk. It can also be said to be the measure of risk associated with a particular security also known as unsystematic risk. But mostly all business that are in the same industry are exposed to same type of risks. More generally, business risk refers to the possibility that the issuer of the stock or bond may go bankrupt or fails to pay interest or principal with the case of bonds. Most investors try to avoid this by buying mutual fuds which hold securities of many companies (Horcher, 2005).

Financial Risk

Horcher (2005) defined financial risk as associated with the use of debt financing by companies. The larger the proportion of assets financed by debts as opposed to equity, the larger the variability in the returns, other things being equal. It involves the concept of financial leverage, which is explained in managerial finance courses.

Liquidity Risk

Is associated with the particular secondary market. This means that there is the possibility of investors may not be able to buy or sell an investment as and when desired or in sufficient quantity because opportunities are limited. For financial business a good example is of selling real estate. It is normally difficult to sell a property at any given moment when the need arises unlike other type of securities or stocks (Moffett, 2009).

Exchange rate Risk

It is also named as currency risk. Exchange rate risk is a form of risk that arises from the change in price of one currency against another. The constant fluctuations in the foreign currency in which an investment is denominated vis-à-vis one's home currency may add risk of to the value of a security (Levi, 2005).

Credit Risk

This refers to the possibility that a particular bond issuer fails to discharge obligations like expected interest rate payments and/or principal repayment. As the higher the credit risk the higher the interest rate on the bond. Rockafellar (2002) also shows that for the financial institutions mostly in their operations this is the kind of risk that is more exposed to them. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills to the company.

Social/ Political/ Legislative

This type of risk is associated with possibility of nationalization, unfavorable government action or social changes resulting to loss of value. Financial systems are also named as compliance risk since changes in applicable legal and regulatory requirements, internal policies and procedures or ethical standards need to be complied in order for services to be legalized (Pilbeam, 2006).

2.2.2.2 Risk Measurements

Risk measurement is a sub-tool in risk management where before anything else as a project manager or analyst risk assessment and evaluation need to be considered. Risk management is a crucial process used to make investment decisions Artzer et al. (1999). The process involves several key steps like identifying the amount of risk involved and either accepting or mitigating the risk associated with an investment. There are various common risk measures that are used to measure the level/ extent of risk in an investment. These are standard deviation, value of risk (VaR), beta and conditional value of risk.

Hamel & Heyde (2010), defined standard deviation this measures the level of dispersion of data from the mean or expected value. The standard deviation is used in making an investment decision

to measure the amount of historical volatility or risk associated with an investment relative to its annual rate of return. It shows how much the current return is deviating from its expected historical normal return or from the mean. In case for a stock that has a high standard deviation it experiences high volatility and thus a higher level of risk is associated with the stock.

Uryasev et al. (2002) indicate that Value at risk (VaR) is a statistical measure used to assess the level of risk associated with a portfolio or company. The VaR measures the maximum potential loss with a degree of confidence for a specified period.

Beta is another common measure of risk. Beta measures the amount of systematic risk a security has relative to the whole market. In case a market has a beta of 1, then it can be used to gauge the risk of a security. And if a security's beta is equal to 1, the security's price moves in time step with the market. A security with beta greater than 1 indicates that it is more volatile than the market. The same it is for a security's beta less than 1, then it shows that it is less volatile than the market Dowd (2005).

According to Dentcheva et al. (2009), Conditional VaR is last common risk measure used to assess the tail risk of an investment. It assesses the likelihood with a certain degree of confidence that there will be a break in the VaR. This measure is used as an extension to the VaR and seeks to assess what happens to an investment beyond its maximum loss threshold. The conditional VaR is more sensitive to events that happen in the tail end of a distribution mostly known as tail risk.

2.2.3. Risk Diversification

Risk diversification means allocation of proportional risk to all parties to a contract usually through a risk premium, also called risk allocation. In financial systems, risk diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk. E. Elton & M. Gruber (1977).

According to Evans & Archer (1985), risk diversification has various advantages and thus mostly recommended to be done by maximum diversification. This means that buying the market portfolio of all available assets. It is a technique that minimizes risks by allocating investments among several financial instruments or projects and increasing return by investing in areas that each of them react separately to the same event.

This dissertation offers a theory of development that links the degree of market incompletes of capital accumulation and growth. At early stages of development, the presence projects limit the degree of risk spreading (diversification) that the economy can achieve. The desire to avoid highly risky investments slows down capital accumulation and the inability to diversify idiosyncratic risk introduces a large amount of uncertainty in the growth process. The typical development pattern will consist of a lengthy period of primitive accumulation with highly variable output followed by takeoff and financial deepening and finally steady growth. Some countries will spread relatively less time in the primitive accumulation stage and develop faster. Although all agents are price takers and there are no technological spillovers the decentralized equilibrium is inefficient because individuals do not take into account their impact on others diversification opportunities. It also shows that our results generalize to economies with international capital flows.

It is thus important to diversify among different asset groups as different assets for example stocks and bonds react in the same way to diverse events. This combination of different assets groups will reduce portfolio sensitivity to market changes. The bond and equity market also move in different directions and thus if the portfolio of an investor is diversified across both areas. The unexpected movements or shifts in the market in one will offset the other by giving positive results in another.

2.2.4. Capital Asset Pricing Model

The Capital Asset Pricing Model is a tool of analysis used to calculate the required rate of return for a risky asset. Rate of return is the increase in value expected to get on the inherent risk level of the asset (Merton, 2003).

CAPM is mostly used to determine the fair price of an investment. The risky asset's rate of return can be used to discount the investment's future cash flows to their present value and thus obtain the investment's fair value. After the investment's fair value has been obtained, then it is compared to its market price. Breeden & Rubinstein (1996) posit that if it happens price estimates are higher than the market price then the consideration for a stock bargain is vital. But when price estimates are lower than market price then the stock will be overvalued.

The capital asset pricing model provides also a formula for calculating the expected return on a security based on its level of risk. This formula is the risk free rate plus beta times the difference of the return on the market and the risk free rate (Roll, 1977).

According to Sharpe (1970), the return on an individual stock, or a portfolio of stocks, should be equal to its cost of capital. The standard formula remains that CAPM, which describes the relationship between risk and expected return. Where the formula below was introduced to calculate the amount of risk associated with the expected return.

$$\bar{r}_a = r_f + \beta_a (\bar{r}_m - r_f)$$

Where :

r_f = Risk free rate

β_a = Beta of the security

$\bar{r}_m$ = Expected market return

$(\bar{r}_m - r_f)$ = Equity market premium

Michael et al. (1972) in their empirical test for CAPM found out that beta is found in statistical analysis of individual daily share price returns with comparison to the markets daily returns over the same financial year. Scholes (1965) proved a linear relationship between financial returns of stock portfolios and their betas.

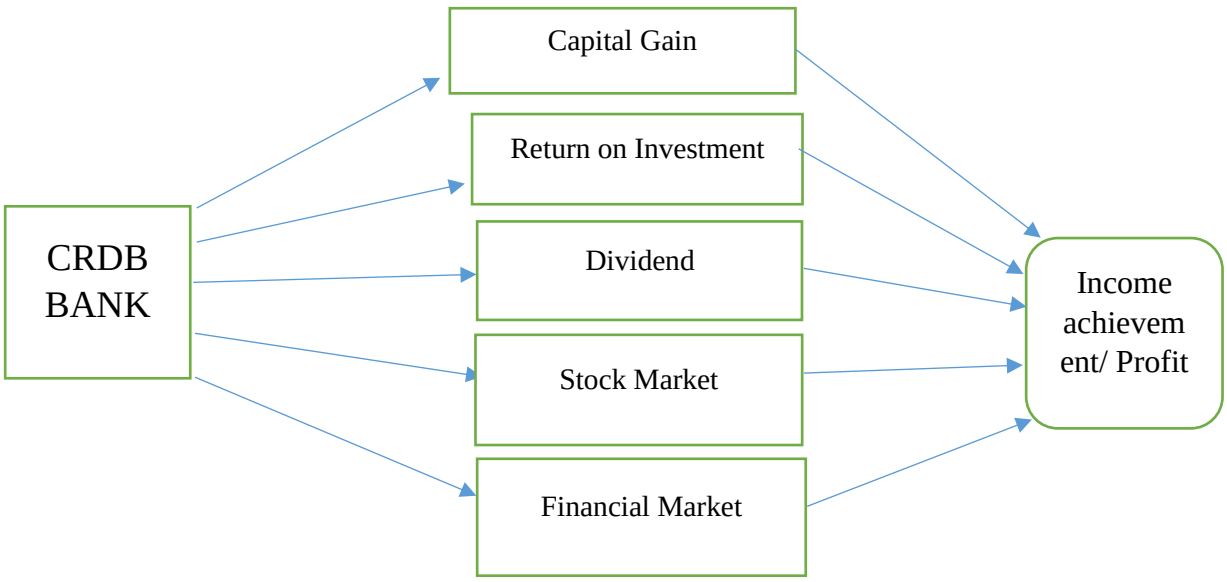
In order to understand better the capital asset model, Jensen (2012), indicates that there must be an understanding of the risk of an investment. Individual securities carry a risk of depreciation which is a loss of investment to the investor. While some securities have more risk others have less risk too and thus an investor seeks to realize a higher return on the investment. Scholes (2000), once said the risk involved when calculating particular stocks are accounted for in the capital asset pricing model with sign beta in the formula. Thus beta indicates the amount of risk accommodated in a particular stock relative to the market.

2.2.5. Company Performance Indicators at the Stock Market

According to the company the key performance indicators needed to be known to potential customers as well as shareholders to the company. In so doing the performance indicators that are looked closely by the company need to be indicated also at the stock market so that investors or individuals who are interested in acquiring shares with the bank can have a clue of how the financial business is doing.

The key performance indicators of the company that are listed too in the stock market are: Return on Equity, Total shareholders return, Return on Asset, Operating Expenses to Operating Income, Return on investment, Earning per Share, Gross loans to customer deposits, Non-performing loans (Non-performing loans include government guaranteed loans), Growth in total assets, Growth in customer deposits, Tier 1Capital ratio and Total Capital ratio.

2.3 CONCEPTUAL FRAMEWORK



From conceptual framework, CRDB as a variable is linked with independent variables to explain the relationship it has with the dependent variable. CRDB here acts as an independent variable while capital gain, return on investment, dividend, stock market and financial market are moderator variables and profit/income is the dependent variable.

CRDB sales capital assets to investors in the stock market in return to obtain capital gain by customers who invested. The capital gain accrued by individuals or investors later becomes source of income to them and or generates profit in their businesses.

CRDB has direct relationship to return on investment as the higher the investment the higher the return on investment. And the lower the investment the lower the return on investment holding other variables constant. This return on investment whether gain or loss will have also a direct impact to the profit or income status of individuals who invested with CRDB.

For the case of dividend, as it is public companies limited in shares like CRDB sale its stocks and securities in order to get capital but also extend ownership to shareholders of the company. Thus by the sale of securities and stocks annually there is dividend that given to shareholders as part of the profit made by the company in that respective year. The dividend is profit to individuals investing with CRDB inform of holding shares with the bank. And thus contribute to the income of individuals at an individual level.

Lastly, the case of stock market and financial market where with stock market is a collection of several market were securities, bonds and other exchanges are made. As for CRDB it operates under the Dar es Salaam stock exchange market where stocks and securities are traded. From the stock market is where income is generated as well as profit. And the financial market where it consists all companies operating under the financial system of Tanzania. Financial system offers rules, regulations, laws and conditions under which companies are to adhere in their operations. Of which this too contributes largely to the profit generated by companies that are listed under DSE.

The following model was used in this research

$Y = f(C, ROI, P, D)$

Where Y= Income/Profit

C= Capital gain

ROI= Return on investment

P= Price

D= Dividend

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This research chapter presents the methodology that was used during the study. It has covered the study location, sampling techniques, data collection methods and the techniques of analysis that will be used in the study. The main things considered here when choosing what data collection tools to be used includes the awareness of the kind of data to be used, that is, whether primary data or secondary data. The primary data is the data that is collected for the first time by the researcher from the field thus happen to be original. Secondary data are those which have already been collected and passed through statistical process and then documented or published for stakeholders' consumption. Both methods were used so as to obtain accurate data and reduce bias or errors that might be caused by using only one type of data collection method.

3.2. Research Design

This largely study used both quantitative and qualitative data processing approaches to explain findings and elaborate more to bring meaning to both the researcher and the third party who in one way or another seek information in this study. Observation review design was used through the use of secondary sources of data as the main source of data in this study. Journal, articles and CRDB Bank annual reports and reports and statistics from DSE were used as sources of secondary data in this study

The use of quantitative data showed the amount of shares CRDB issue per year in trend, amount of capital assets it holds, its market shares in the industry of banking system, amount of investment made in the business and general income or profit it generates per year. The information also shows whether its performance is consistence over time. Moreover, the qualitative data describes more the analysis on findings observed in the data extracted from secondary data sources.

3.2.1. Explorative

This is a statistical procedure for analyzing data, techniques for interpreting results of the data obtained. It provides data that is more accurate, precise and well presented. The study explored data from the document provided by the Dar es Salaam Stock of Exchange with regard to the shares being traded, interest being charged, equity on assets, return on investment gained by corporate companies and dividend made to shareholders of stocks in the market. Some information was drawn from CRDB annual reports to the shareholders with regard to how many shares were sold by the stock market the profit accumulated at the end of each financial and how dividend payment is made and distributed to shareholders.

3.2.2. Descriptive

Descriptive design was used to describe the type of data and its characteristics and scope of both CRDB and DSE. In this research study a case of CRDB Bank was studied but also the potential shareholders of companies registered at DSE were interviewed in order to obtain information that has been fruitful for the analysis. The survey questionnaire was used too in order to describe the respondent involved.

3.2.3. Explanatory

Data was explained using regression, correlation and other modes of analysis. Regression is a statistical measure used in finance, research methods and other disciplines to determine the strengths of the relationship between variables, that is, one dependent variable and series of other changing mostly independent variables.

3.4. Area of Study

The study was conducted at Mwanza city. Bbesides being a headquarters of the City council, it is also the headquarters of Mwanza region, a major Tanzanian port of Lake Victoria and a business center of a Great Lake Region and East Africa Community. Mwanza City is located on the southern shores of Lake Victoria in Northwest Tanzania. It covers an area of 256.45 Kilometer square of which 184.90 (72 percentages) is dry land and 71.55 Kilometer (28 percentages) is covered by water. Of the 184.90 kilometer dry land area, approximately 173 Kilometers is urbanized while the remaining areas consist of forested land, valleys, cultivated plains, grassy and undulating rocky hill areas.

According to the 2002 and 2012 Population Censuses reports, the population of Mwanza City increased from241,923 (119,617 male and122,305 female) in 2002 and reached 363,452 (177,812male and 185,578female) in 2012 with the annual natural growth rate of 3.0 percent. At ward level, the highest population increase was recorded in Buhongwa ward with an inter-censual increase of 121.7 percent between 2002 and 2012. It was followed by Mahina (85.5 percent), Mkolani (67.8 percent), Igoma (56.5 percent), Mkuyuni (41.6 percent) and lowest increase was recorded in Isamilo- ward (35.6 percent). Wards such as Mirongo, Igogo and Nyamagana had negative population increase of 44.9 percent, 0.2 percent respectively in 2012. The main reason, among others include the changing usage of dwellings from residential to commercial in these wards which caused the tenants to migrate to other wards in the city.

The unit of analysis used in this research study included a sample of respondents representing shareholders of companies that are listed at DSE. There are 26 companies that are currently listed in the DSE. Thus sampling techniques were used in order to obtain the right representative of the targeted shareholders of registered companies at DSE.

3.5. Data Collection Techniques

Survey Questionnaire

A survey is a form of data collection techniques that is used to collect, analyze and interpret the views of the group of people from a target population. Thus a set of questions were prepared to be answered by respondents in the survey group to seek general information about the issues regarding to the objectives of the study.

Documentation.

The researcher went through the CRDB Bank framed letters, memos and other documentation such as reports and journals to obtain information by reviewing different places that were of help into acquiring information as required to the report submission and evaluation of CRDB performance at DSE.

Close-ended questions and Open-ended questions

Close-ended questions are those type of questions that do not provide chance for the respondent to respondent with regard to what an individual is aware of. They are yes or no questions and those that the respondent is required to choose from given set of answers provided. With open-ended questions, these are questions that the respondent is given chance to elaborate the idea pertaining to the question asked.

Observation.

Observation technique was used as means to get information from CRDB prices that were charged per investment made and data from DSE as when companies were registered, their first IPO and the top movers in the stock exchange market.

3.6. Data Analysis Techniques

Descriptive statistics

Descriptive statistics is used to describe the basis features of the data in the study. It is used to present quantitative descriptions in manageable manner.

Data was collected and analyzed through the use of both quantitative and qualitative techniques. Quantitative data was analyzed, summarized and displayed using tables and charts to indicate the degree of performance to changes of time over a certain period and showed the measures of dispersion, variance, and distribution of frequency from larger numbers in the data obtained. Qualitative technique was used to provide meaning of the quantitative data findings obtained of which cannot be understood easily unless provided with elaboration.

Regression models

Regression analysis is set of statistical processes for estimating the relationships among variables. Mostly it analyses the relationship that exist between a dependent variable and one or more independent variables. More specifically, regression analysis helps the research and the third party to understand how the typical value of the dependent variable changes when any one of the independent variable is varied while the other independent variable is held constant.

Regression analysis used both univariate and bivariate in order to understand the relationship that the researcher opt to see among different variables involved in the study. The regression coefficients lastly brought meaning of whether the variables tested in the study were significant to the research or not significant and if whether there were missing variables that could be importance to the research study.

3.7. Validity and Reliability

The degree of reliability of this study was seen on the assessment of the tools to be used for data collection as well as journals, articles and reports used to provide such information for data analysis. This research used only secondary data and thus the information in this dissertation is precisely true and accurate as the sources to be used are also provided to the major stakeholders of the CRDB Bank and reports published by DSE monthly. The reliability of the study depended immensely on the annual reports CRDB Bank publishes to shareholders as well as the financial market trend at DSE which is found daily and on monthly basis making them genuine.

Validity refers to how well the research tools are used to support the intended results. The main research tool to be used in this research study is the secondary data through observation review. And thus reports, journals and articles were strictly from the CRDB Bank and are also published in their website and found also in the DSE market for crucial and potential clients to access the bank products offered and quest for any elaboration during board meeting held during at the end of each financial year. The markets reports from DSE were used to get necessary information about the trend of the financial market as well as the stock market.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter presents the research results in light with the research objectives and questions described in this study. This chapter analyses in depth the role of commercial banks in stock market and financial market in generating profit and facilitating individual economic growth of both customers and investors as well the performance of companies at DSE especially the case of CRDB. The CRDB Bank Plc was first incorporated in the URT in 1996 under the companies Act, Cap 212 Act No.12 and was then listed on the Dar es Salaam Stock exchange on June 17th 2009 and raised its Initial Public Offering in 2010. This was intended to use the public to raise capital from the sale of its stocks. The first price used by IPO was 115 Tanzanian shilling

The findings in this study draw from secondary data that was retrieved through books and journals provided by CRDB and DSE. Data have been analyzed and presented by using Excel, SPSS programme, graphs, charts and tables.

4.2 FINANCIAL SYSTEM

Tanzania financial system involves the Dar es Salaam stock exchange market where by all companies listed with it operate in as fixed income securities, equities and other securities are traded and returns are determined. DSE was introduced to facilitate the government's implementation of the economic reforms and increase the proportionate share ownership of privatized companies in Tanzania and encourage the rise of medium to long-term share capital. The mission of DSE is to provide a responsive securities exchange that promotes economic empowerment and contributes to the country's economic development through offering a range of attractive and cost-effective products and services.

With DSE there several companies that are listed with it including Dar e Salaam stock exchange itself as a public company. All these companies comprise the financial system under which

transaction of securities and stocks are made. Below is a graph showing the trend of prices of companies listed at DSE as per April 2018.

Figure 4.2 the Price of Companies Listed at DSE

Source: DSE as April (2018).

4.3. PERFORMANCE MEASURED BY RETURN ON INVESTMENT

4.3.1 PEFORMANCE OF CRDB MEASURED BY ROI

ROI is a measure/approach/metric or method used for analysis and comparing the efficiency of a different number of investment or of a given particular investment. It is regarded as a ratio of money or profit gained or lost of an investment relative to the money invested.

In a course of measuring the performance of CRDB, stake holders and shareholders normally become eager to know the ratio of return an investment made over a certain period of time. The only tool used would be ROI as money invested by stakeholders need to be analyzed and come up with conclusions whether it's a loss or gain.

Return on Investment is calculated by:

$$ROI = \frac{(P_1 - P_0) + D}{P_O}$$

Where by: P_1 = Price of the current year

P_0 = Price of the past year

D = Dividend

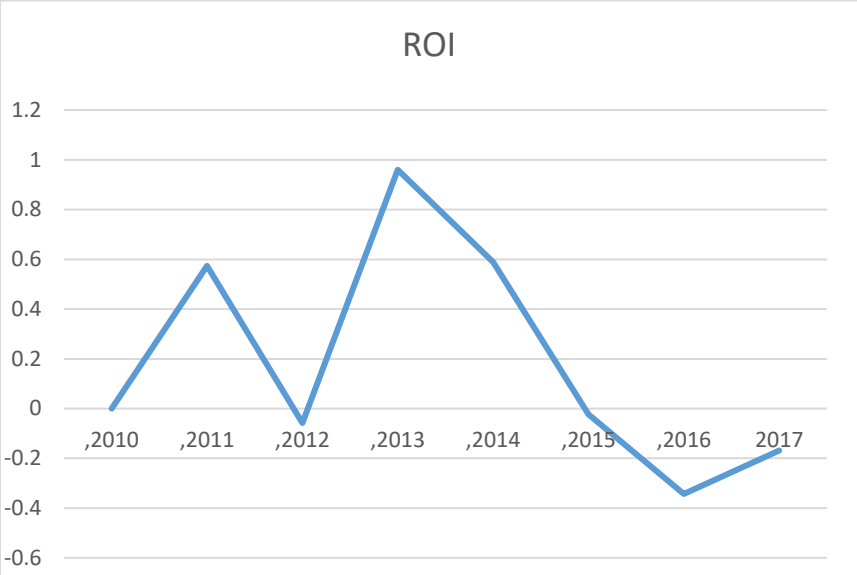
Table 4.3.1 indicating the value of ROI calculated from price and dividend

Year	**Price**	**Dividend**	**ROI**
2010	115	8	0
2011	172	9	0.5739
2012	150	12	-0.0582
2013	280	14	0.96
2014	430	15	0.5893
2015	405	15	-0.0233
2016	250	16	-0.3432
2017	190	18	-0.168

Source: Researchers Survey Data (2018).

The data of price of investment as well as the dividend was obtained from annual reports of CRDB of which was used to compute the value of return on investment achieved. The amount of return is seen to be both negative and positive of which largely was affected by the rise and fall of price of investment. In this view, the higher the price the higher the return and the lower the price the lower the return.

Figure 4.3.1: The CRDB Trend of ROI from 2010-2017



Source: Researchers Survey Data (2018)

Figure 4.3.1 shows the trend of return on investment in relation to the investment made in each respective year. As return on investment indicates the ratio of loss or gain from an investment made by a company then as for CRDB Bank, the ratio of ROI has proved to be of both gain and loss. Although the trend has shown ups and downs in the ROI ratio this may be caused by various factors in the financial business that rises in operations.

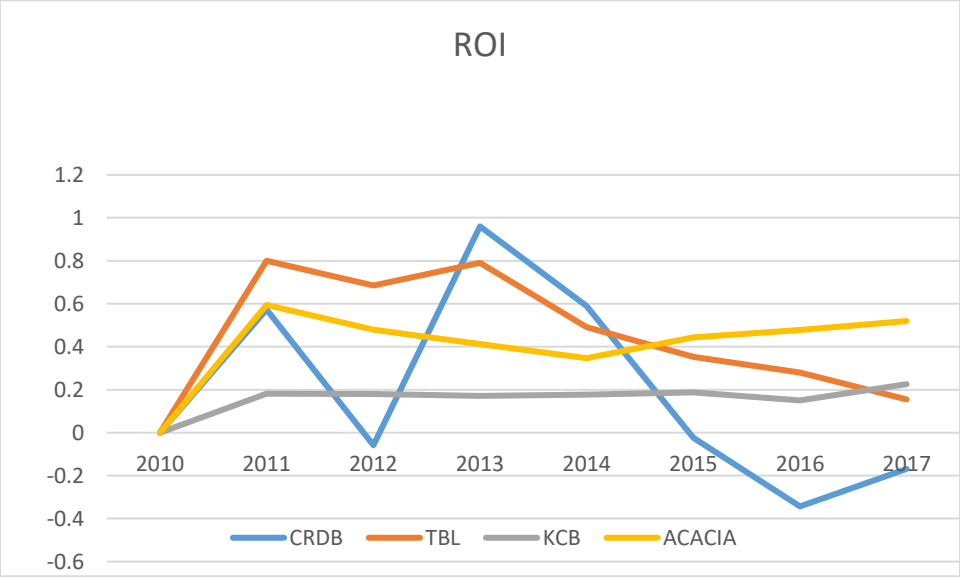
There have been fluctuations in the price of investment that has caused the rise and fall of returns which is mainly caused by market conditions. The changes of prices depend to the nature of investment as well as changes in the market environment. Although dividend provided increased in each year it did not influence the loss that happened in the returns of investment.

4.3.2. PERFORMANCE OF ROI BY CRDB, TBL, KCB AND ACACIA

Performance of CRDB can be analyzed well by looking at other companies that are top performers and operate under the same market. Among others companies that are listed with the DSE there four top movers companies of which are CRDB, TBL, KCB and ACACIA. In order to understand the performance of CRDB, the return on investment of these other companies was used to assess the strength and its operations as per DSE.

The return on investment of these companies is obtained from the prices of their respective investment as well as their dividend of each year from 2010 to 2017.

Figure 4.3.2 comparing the trend of ROI of CRDB, TBL, KCB and ACACIA.



Source: Researchers Survey Data (2018)

From the graph above (Figure 4.3.2) it can be observed that TBL is the best performer compared to other companies as its ROI is relative higher. Although its return has been decreasing since 2014, but has not reached a point of having 0 or loss in its investment return. It is being followed by ACACIA whose returns have not experienced a drastic fall but rather move in almost the same magnitude. It thus attracts more investors to invest in their stocks as they yield a positive return and of course their magnitude of change is relative smaller than the other companies.

As for KCB, its return on investment is not attractive as it has almost a flat rate value of return throughout the years. This implies that its business is either not well established or individuals are not willing to invest in a foreign company operating in the same business as the local companies. While for CRDB its return on investment has drastic fall and rise depending to the price of investment. But for the past three years it has experienced loss in the return due to government policies that have currently been introduced but also the drop in the price of investment. The price of its investment has been dropped so as increase the volume of transaction and attain capital for investment.

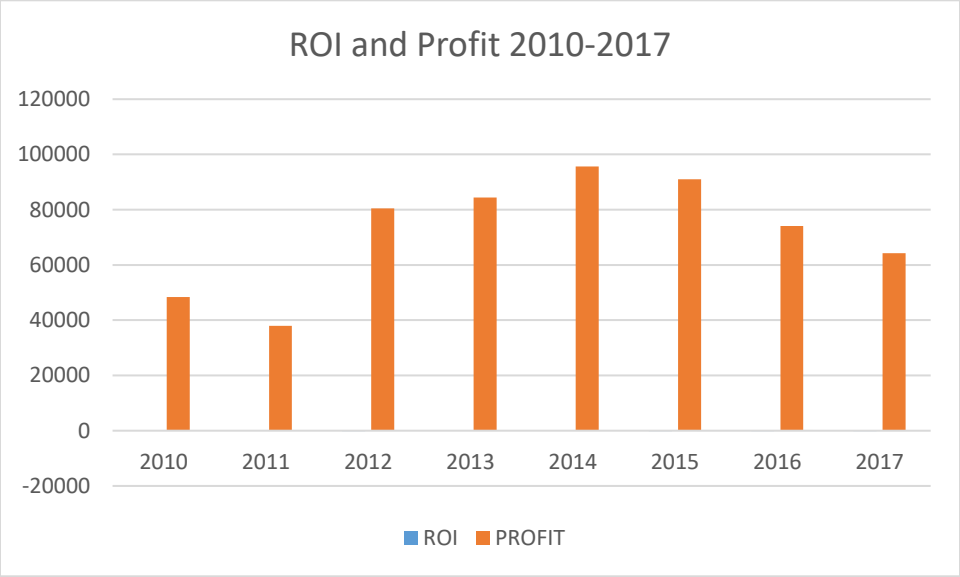
Generally, the most favorable companies to invest in are TBL and ACACIA currently as their rate of return is attractive. However, their volume of transaction will be low since their prices are very high for medium income earners to invest in unlike for CRDB. The later has reduced the prices so as to allow even the medium income earners to acquire stocks with CRDB and thus get enough capital to invest in their business.

4.3.3 CONTRIBUTION OF RETURN ON INVESTMENT IN BANK'S PERFORMANCE

4.3.3.1 CONTRIBUTION OF RETURN ON INVESTMENT TO PROFIT GENERATION

Banks capital investment is normally invested at the beginning of a financial year and forecasted to bring about return of a certain amount at the end of the financial year. As for CRDB Bank it is also the same as it acquires asset that are invested in the business in that particular year. Return on investment is a way to calculate the financial gains and/ losses taking into account all the resources invested and all the amounts gained through increased profits, decreased costs or both. Return on investment can either bring profit or loss depending to the nature of the business at that particular period of time as well as the trend in business.

Figure 4.3.1.1 Trend of ROI and Profit from 2010-2017



Source: Researcher Survey Data (2018)

From the figure above the trend of ROI and profit indicate that there is relative direct relationship between them. As return on investment was increasing profit also increased from previous year. And the same applied when return on investment decreased, profit also decreased at a certain rate. This implies that return on investment sometimes may project the profit whether it is an increase or decrease. Since the investments made inform of stocks and other securities in one way or the other provide capital for operations. But also have no direct impact since profit generated by banks comes from interest charged to loans provided, monthly bank charges and ATM charges as well as POS of which are not interacted by investment made by companies.

4.4. CRDB's PERFORMANCE ANALYSED FROM CAPITAL GAIN

4.4.1 CRDB'S CAPITAL RETURN

Capital gains are profits generated from the sale of capital assets such as bonds, property and equipment and stocks. Mutual funds investors are charged capital gains on investments in the funds that are being sold by the fund during that financial year. For the case of CRDB Bank capital assets includes stocks and shares. And thus the case of capital share is involved as the capital

gained from the sale of shares to the shareholder is calculated and at the end of the year income/profit is obtained.

The CRDB's share capital is normally paid at the end of each financial year and is paid with the accordance to the amount of shares an individual has. And in order for an individual shareholder who wants to sale shares of the company then the company will advertise the amount of shares in relation to the share price to the DSE and the stock exchange market will process the sale of the shares. And the capital gain is obtained of which normally the selling price of shares is always higher than the buying price.

Capital gain is calculated by: $\frac{P_1 - P_0}{P_0}$

Where by P_1= indicates the price of the current year

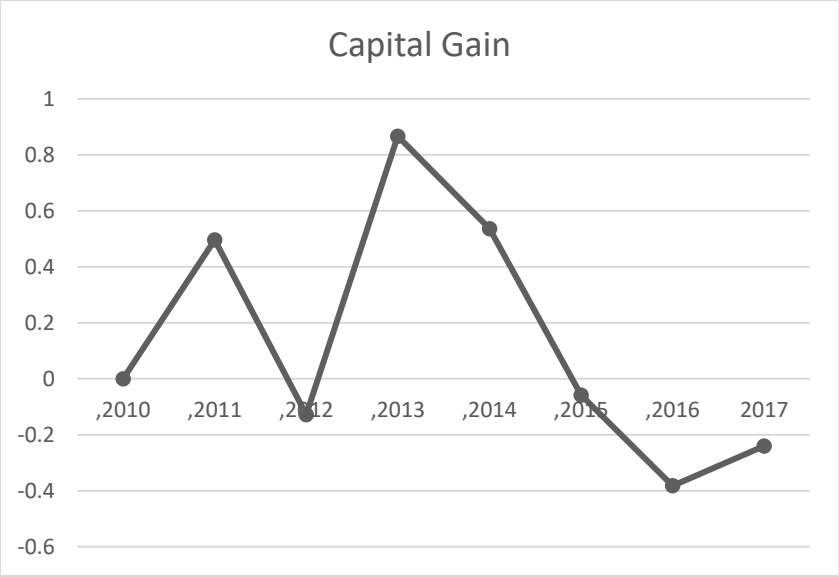
P_0= indicates the price of the last year

Table 4.4.1 the Year and Price of Investment for CRDB

2010	115
2011	172
2012	150
2013	280
2014	430
2015	405
2016	250
2017	190

Source: DSE (2018)

Figure 4.4.1 CRDB'S Capital Gain from 2010-2017



Source: Researchers Survey Data (2018)

From the figure above it is evident that the capital gain was fluctuating depending to the nature of the business of which is exposed to risk but also changes in prices has affected the fall in profits generated from the sale of capital assets. The return in capital employed depends largely on the price of capital assets. That is the higher the price the higher the return and the lower the price the lower the return in capital return.

But also this high return in capital return has been facilitated by the cash at hand which is added in the total assets. The cash is obtained from the cash deposits that is done daily by customers in the bank which influences the acquiring of it as well as interest earned from loans given to lenders of the bank.

4.4.2. PERFORMANCE OF COMPETITIVE COMPANIES MEASURED BY CAPITAL GAIN

In order to assess the performance of CRDB in terms of capital gains at DSE it is important first to assess the trend of capital gains from competing firms or companies. As for the case of DSE, CRDB, TBL, KCB and ACACIA are the top performers in the market. And thus it is relevant to analyze their capital gains and then comparing the same with capital gains accrued by CRDB respectively.

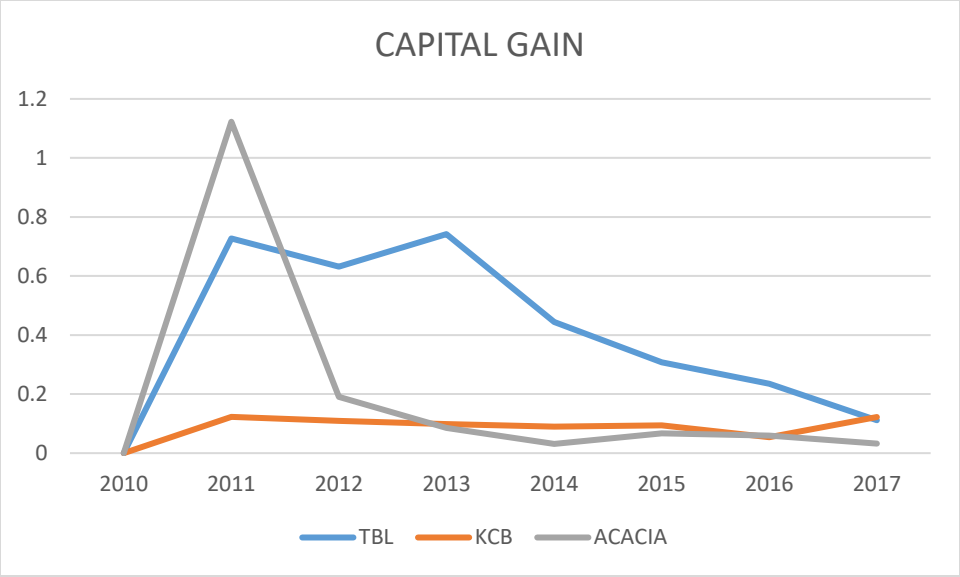
Table 4.4.2 the Prices of KCB, ACACIA and TBL

		PRICES	
YEAR	KCB	ACACIA	TBL
2010	570	1060	1100
2011	640	2250	1900
2012	710	2680	3100
2013	780	2910	5400
2014	850	3000	7800
2015	930	3200	10200
2016	980	3390	12600
2017	1100	3500	14000

Source: Researchers Survey Data (2018)

The prices from the table above were used to calculate the capital gains accrued by each company in each respective year. The capital gains computed were used to draw the trend of all companies and indicate their performance in the market and their implications to both investors and financial analyst.

Figure 4.4.2 The Trend of Capital Gain of TBL, KCB and ACACIA



Source: Researchers Survey Data (2018)

The trend of capital gain accrued by these competing companies at DSE show that have a positive return from the sale of their capital assets. But also from this figure it is evidenced that the capital gain at the initial years were performing so well by yield high return and currently there returns are dropping each year.

If these capital returns are to be compared with that of CRDB, then the trend of TBL is relative more attractive to invest in as the capital gain has more value than other companies, as the ACACIA capital trend of gain is decreasing in respect of each year investment. This shows that it is not performing so well in its mining business although it is able to accrue capital gain from its investment. And for KCB its capital gain has almost flat rate in its capital investment in each year. For the case of investment, it may be a nice venture to invest in since its returns are still positive but analyst indicates that its capital are not relative more competitive than others. This results to having capital gains that are almost the same amount of return.

4.5. CRDB'S STOCK MARKET IN GENERATING INCOME

4.5.1. RELATIONSHIP BETWEEN STOCK MARKET AND EXCHANGE RATE

Stock market refers to the collection of markets and exchange rates where the issuing and trading of equities that is stocks of publicly held companies, bonds and other sorts of securities takes place through formal exchanges. Equity market or the stock market is one of the most vital components of a free market economy as it provides companies with access to capital in exchange for giving investors a slice of ownership. The exchange rate is the rate at which one currency will be exchanged for another; this is the value of one's country currency in relation to another. This is normally determined by the foreign exchange market.

Table 4.5.1 The Descriptive Statistics of Owners Stock and Exchange Rate

Descriptive Statistics

	Mean	Std. Deviation	N
OwnersStock	2.0509E2	191.27200	18
ExchangeRate	.2544	.30973	18

Source: Researcher's Survey Data (2017)

Table 4.5.1 Relationship between Stock Market and Exchange Rate

		Owners Stock	Exchange Rate
Owners' Stock	Pearson Correlation	1	-.678**
	Sig. (2-tailed)		.002
	N	18	18
Exchange Rate	Pearson Correlation	-.678**	1
	Sig. (2-tailed)	.002	
	N	18	18

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher's Survey Data (2017).

From the table above, it may be observed that there is strong relationship between owners' stock and exchange rate as p-value is 0.002. Increasing the number of owners' stock will decrease the

rate of exchange by 0.678. But also the R-coefficient indicates there is good negative linear correlation between owners' stock and exchange rate.

4.5.2. BANK'S RETURN ON STOCK RELATIONSHIP WITH OWNERS STOCK AND MARKET SHARE.

With commercial banks in Tanzania operating under the umbrella of financial system that is well set, it becomes important to understand the relationship that exists between return on stock, owners stock, market share as well as exchange rate. CRDB Bank is one among the strongest commercial banks that has its roots well established in Tanzania and the relationship that lies between stocks a company has as well as the owner's stock capacity needs to be looked at closely. But also the return on stock, the market shares of CRDB's stocks and the exchange rate used by the bank are other crucial things to be observed.

Normally, return on stock of CRDB Bank depends largely on the market share they have at the Dar es Salaam stock of exchange that is there demand in the market as well as the exchange rate used at that particular year. Thus the amount of owners' stock also determines the return on the stock.

Table 4.5.2 Relationship between Return on Stock, Owners Stock and Market Share

Correlations

		Return On Stock	Owners Stock	Market Share
Return On Stock	Pearson Correlation	1	.485*	.575*
	Sig. (2-tailed)		.041	.013
	N	18	18	18
OwnersStock	Pearson Correlation	.485*	1	.919**
	Sig. (2-tailed)	.041		.000
	N	18	18	18
MarketShare	Pearson Correlation	.575*	.919**	1
	Sig. (2-tailed)	.013	.000	
	N	18	18	18

*. Correlation is significant at the 0.05 level (2-tailed).

Correlations

		Return On Stock	Owners Stock	Market Share
Return On Stock	Pearson Correlation	1	.485*	.575*
	Sig. (2-tailed)		.041	.013
	N	18	18	18
OwnersStock	Pearson Correlation	.485*	1	.919**
	Sig. (2-tailed)	.041		.000
	N	18	18	18
MarketShare	Pearson Correlation	.575*	.919**	1
	Sig. (2-tailed)	.013	.000	
	N	18	18	18

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher's Survey Report (2017).

Table 4.5.2 shows that there is strong significant relationship between return on stock to owners' stock and market share. As level of significance of return on stock to owners' stock is 0.041 and that of return on stock to market share is 0.013.

While the p-value of the independent variable owners' stock was 0.485 to dependent variable return on stock. Which means that the p-value is higher than 0.05 and thus the model has accommodated more error than expected.

4.6. CONTRIBUTION OF SHARES TO PROFIT MAXIMIZATION.

4.6.1 DIVIEND RETURN PER NUMBER OF SHARES

Dividend is the return a shareholder earns at the end of each financial year. As of CRDB Bank in past years during its initiation stage shares were sold at various prices in which the return was prescribed. Holding shares in institutions or companies is a way of saving for an individual and in the long run income is gained. In so doing buying shares in various firms or organizations may be a source of income to individuals who are interested in investing.

For the case of CRDB Bank, over 60% percentage of their investment is money invested by potential customers from buying shares. This has helped the organization to earn income that is accumulated annual which is both reinvested in other businesses and some is used for lending business by the bank.

As of the findings obtained from CRDB Bank, annual reports it is evident that there is a regression coefficient of 0.951 which means that each independent variable in the equation explains the dependent variable by that much. And as the principle of R^2must be greater or equal to 50, then from the table 4.3.1 shows that R^2 is 0.905 approximately is equal to 90.5%. This implies that one-unit proportionate change in independent variable (share price) results to a proportionate change in dependent variable (dividend per share) by 0.905.

Table 4.6.1.1 Model Summary of the variables

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.951[a]	.905	.892	1.63846	.861

a. Predictors: (Constant), SharePrice, ShareCapital

b. Dependent Variable: DividendPerShare

Source: Researcher's Survey Data (2017)

From the table 4.6.1.1 the researcher analyzed the sum of squares in order to establish if the model was appropriate to explain the variables in the equation. The model has proved to be significant because the residual is less than regression. This implies that the model has accommodated less error than expected. The level of significance is 0.00 which appropriate to P-value of ≤ 5%.

Table 4.6.1.1: Analysis of Variance of Variables

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	383.497	2	191.748	71.426	.000[a]
	Residual	40.268	15	2.685		
	Total	423.765	17			

a. Predictors: (Constant), SharePrice, ShareCapital

b. Dependent Variable: DividendPerShare

Source: Researcher's Survey Data (2017).

From the findings shown in Table 4.6.1.2 the standardized beta coefficient measures which variable has more influence over the other variables. Share capital has beta coefficient of 0.741which means that a unit change of share capital results to a 0.741 change in dependent variable and its significant level is 0.02 meaning that it is significant in explaining the dependent variable that is the dividend per share.

While the standardized beta coefficient of share price has less influence to the dependent variable dividend per share by 0.225. It is not significant variable in explaining dividend per share as the dependent variable in the equation. This model has been able to prove that share capital as a variable has more influence in explaining dividend per share.

Table 4.6.1.3: Regression Coefficients of Variables

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	1.670	.587		2.846	.012		
	ShareCapital	.013	.003	.741	3.748	.002	.162	6.171
	SharePrice	.009	.008	.225	1.138	.273	.162	6.171

a. Dependent Variable: DividendPerShare

Source: Researcher's Survey Data (2017)

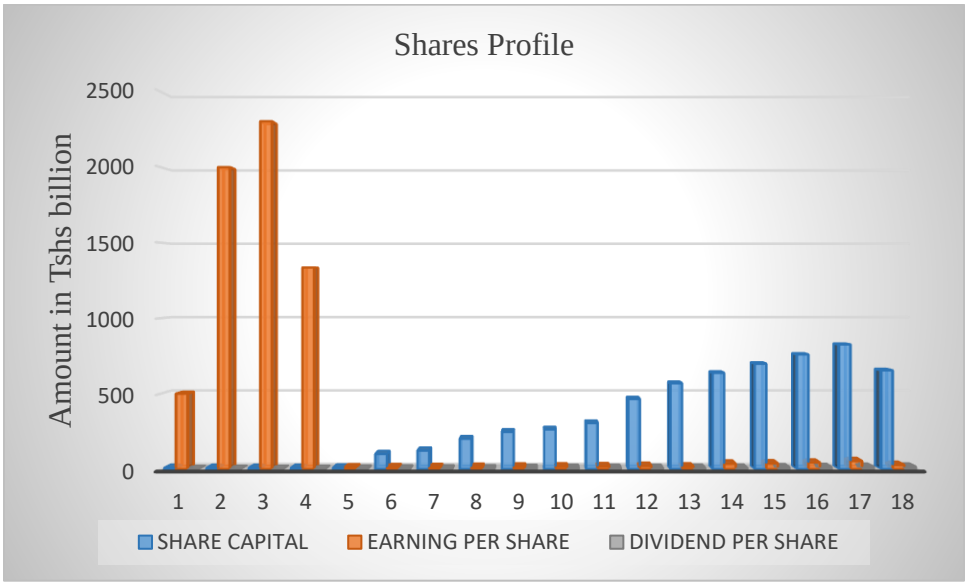
From the findings shown in tables above, it is evident that dividend per share is enhanced largely by share price and share capital. With CRDB Bank being incorporated in the Dar-es-Salaam stock exchange market it has facilitated its mechanism of selling and buying shares through it. Although recent years CRDB Bank has stopped selling shares of its stock to the customers but it has in most convenient ways maintained the shares it has with their customers. Shareholders of CRDB are still enjoying the income obtained from holding shares with the company. For a shareholder who wants to sell their shares and get their money back are normally advised to visit DSE and they will advertise the sale of shares and the money obtained will be returned back to the customer.

4.6.2 CONTRIBUTION OF SHARES TO INCOME GENERATION

CRDB Bank as one of strong commercial banks in the country is a company limited by shares, meaning that part of the bank/ organization is public owned and so in case of solvency the public need to be aware and make decision with regard to their personal interest in the bank. Shares as an investment made by customers but also the government has shares too with CRDB, need to bring back profit from the money invested in the business. From financial system operations it's normally not easy to make profit in early years of operation but rather in the long run when the business becomes well established and its roots are deep to handle challenges in the financial market system.

The findings of this study have shown that share capital increased in each year, and this contributed to the rise in the earning per share given by the bank and the dividend per share. Although share capital was not stable that is kept rising and falling but still it did not affect much the increase in dividend per share. This is due to the fact that as business kept growing each year the bank so it was appropriate to raise the dividend percentage share return to the customers. This is normally agreed upon the annual meeting with the potential shareholders of the bank and the management. In the year 2001, share capital dropped from 8.3 billion Tshs to 8.2 billion Tshs and 2002, earning per share did not fall but rather rose like the dividend per share. These results have proven that there is not direct correlation or relationship between share capital of the bank with earning per share and dividend per share.

Figure 4.6.2: The Importance of Shares To Income Generation



Source: Researcher's Survey Data (2017)

Shares in financial system market needs a lot of calculation and good business that can be able to generate return to the shareholders. CRDB Bank has proved to be a capital of using the money invested to them through shares and using them in the business to generate income of which at the end of each financial year customers are given their dividend with respect to the dividend per share times number of shares a shareholder has with the bank.

It has to be observed that there is no direct relationship between share capital the bank has with the earning per share nor dividend per share. Since each variable in the research study proved to be of importance to generation of income to both the bank as an entity and customers as shareholders. All these variables are independent from each other and so do not affect the increase in another variable.

4.7. CRDB PERFORMANCE AS AT DSE TREND OVER COMPETITORS

CRDB'S bank performance can also be traced at the trend in the Dar-es-Salaam stock market exchange where its competitors also operate. Among other companies listed with DSE that are competitors with CRDB in the same business are DCB (Dar-es-Salaam Community Bank), NMB (National Microfinance Bank) and KCB (Kenya Commercial Bank).

The performance of the company is monitored by the market and therefore a listed company is likely to perform better to meet the expectations of the public. The qualifications for the companies' listed as indicated limits to the maximum the possibilities of a company to perform contrary to the wishes of the investors. Thus it can be added as of paramount importance for the company to list her shares with the Stock Exchange, since it further helps the company to assess itself on whether it has a favorable future survival in the market.

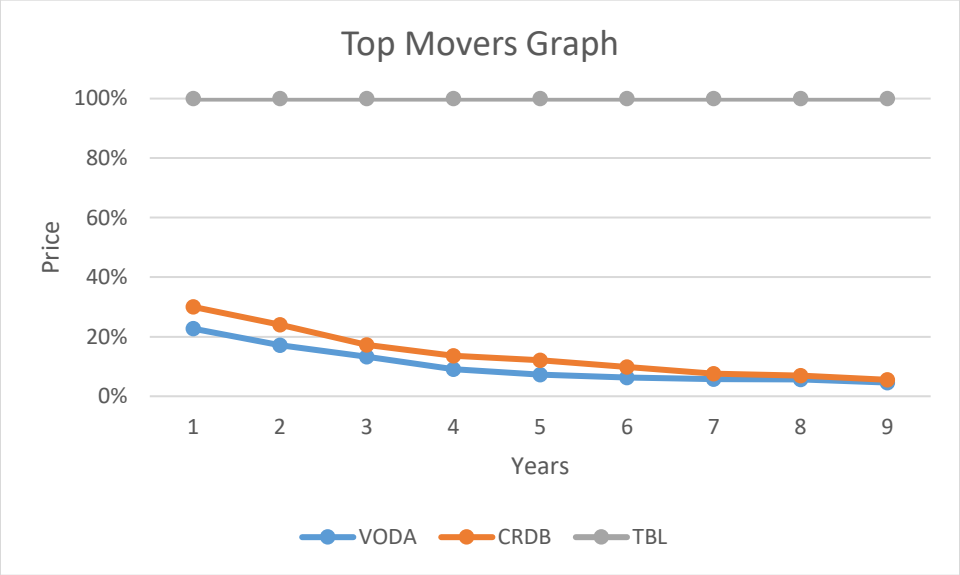
Table 4.7 Top Movers

Company Name	2010	2011	2012	2013	2014	2015	2016	2017	2018
VODA	357	429	499	570	640	710	780	850	800
CRDB	115	172	150	280	430	405	250	190	160
TBL	1100	1900	3100	5400	7800	10200	12600	14000	16400

Source: DSE Report (2018)

The Table 4.7 provides evident that, currently CRDB is performing well in the market as the price of shares is low as compared to the rest of the companies listed at DSE and thus forcing the volume of transacting shares being relative high compared to the rest of the shares in the stock market. Thus among the top movers in the industry of stock market CRDB is number two of them all 21 companies listed with the Dar es salaam stock of exchange. Therefore, listed companies are considered to be good performers and are perceived to have the potential of providing remarkable return to the investors.

Figure 4.7: The Price of Shares of the Top Movers at DSE



Source: DSE Report (2018)

From the figure above it shows that the lower the price of shares the higher the volume of transaction. In addition, the data from DSE 2018 it shows that Vodacom is the leading top mover in the market followed by CRDB and TBL being the third. Thus CRDB as being the case study it is evident that it has been able to vary in the share price that has facilitated its volume in the stock exchange market and that it can accrue enough return to pay the shareholders in that manner.

The more the volume of transaction at the stock exchange market, the stronger the company gets in the market. As for TBL its share price is higher than the rest of the top movers in exchange market and therefore its volume of transaction is a bit less than CRDB and VODA but still its competitive in market leaving behind the rest of the companies listed with DSE.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents an overview of the findings, discussion, conclusion and recommendations made based on the research problem, research questions and research objectives. This is linked with the literature review which supports the findings presented in chapter four. The chapter also provides for policy implication and suggestions on further studies.

5.2 Overview of the findings

The research aimed at evaluating CRDB share performance at DSE in Tanzania. The study's specific objectives were: to examine the role of financial market in facilitating banks performance; to assess whether capital gain accrued by commercial banks contributes to their performance in the market and: To determine the importance of shares to customers of CRDB to economic growth of the society and individual shareholder and the importance of companies like CRDB to be listed with the DSE.

The study combined descriptive, explorative and explanative research designs which intended to analyze data in depth and in the mode that can be easily understood by any reader. Quantitative type of data was collected from CRDB annual reports and journals that helped the researcher to scrutinize the information and obtain relevant and crucial details with regard to the objective of the research. And monthly reports that are produced by DSE to the stock market to show the trend of business at the market were used to obtain relevant information.

Data analysis was done by both SPSS and Ms-Excel programs, where descriptive analysis was done to present descriptive data interpreted into frequencies, percentage, mean and standard deviations. From the findings, it was observed that the growth of the bank is facilitated by enough total assets and the capital invested in the business plays a vital role in the expansion of economy of scale and trust as customer loyalty.

The existence of stock exchange market in the financial system has facilitated easy flow and exchange of stocks through the Dar –es Salaam stock exchange market. Shares that are being sold by banks have enabled customers to become part and parcel of the company. Shareholders normally are privileged by the bank by being provided with chance to question the company's operations, annual reports are sent to them but also the shareholders meeting is conducted annually so as to give opportunity to plan and oversee their interests in the bank. Being a shareholder of the bank enables an individual to earn annual income from the dividends paid by the bank at end of each financial year. This has proved to add an extra income for customers and hence improve their standard of living and opens up other chances to save or invest in firms or companies.

It was observed that profit made by banks at large percentage investment is made by customers and as well capital employed in the business. This is done by major stake holders and shareholders of the bank which in one way or the other are the part and parcel of the decision to be made with the regard to the growth of the business. With investments that have been made in the company, it was evident that a large percentage of capital comes from outside source of which invest their money as savings in order to accrue return at the end of each financial year. Without enough capital employed in the financial business it becomes very hard for companies to have competitive advantage over other companies and thus their down fall.

It was also observed that the capital gain that commercial banks earn normally comes from the sale of their own capital assets like buildings, stocks, property and equipment and equity. With CRDB Bank as one of the strongest commercial bank in the country its capital comes from mostly the stocks and shares. It sells with the help of DSE as it is listed with them. Income generated from capital gain is then re-invested at the beginning of another financial year and thus capital or investment in each year becomes more than the previous year. This increases their competitive advantage in the business and its liquidity.

5.3 Conclusion

In this section conclusion of each research objective was drawn based on the research findings.

The first research objective intended to examine the role of commercial banks in the financial market at generating income or profit. The research findings have shown that financial market plays a major role in ensuring that commercial banks have the conducive environment for their operation and enabling them reaching the customers at a great angle and serve them with tranquility and trustworthiness. Financial market acts as a bridge between the institutions itself (banks) and customers (society). Financial market under the large umbrella of the central bank that is the BoT ensures that rules, regulations, conditions and exchange rate are well placed in the system and monitors the operations of the commercial banks and ensuring that the policies applied foster the business to grow and serve the society. Thus the financial market under its policy of the central bank ensures commercial banks have reserve accounts with the BoT in case of solvency or financial crisis. The reserve account helps banks to overcome financial problems in the market as well as crisis.

The second objective was designed to assess whether capital gain accrued by commercial banks contributes to their performance in the market. Capital gains are profits generated from the capital assets such as bonds, property and equipment and stocks. Mutual funds investors are charged capital gains on investments in the funds that are being sold by the fund during that financial year. From the findings it was observed that capital gains or return depend to the share price at the market at that particular period in time. Market share of the company as well as the share price at CRDB normally change depending to the trend in business in that financial year. And that it why it was observed the share price trend was increasing by at least one shilling in each year. And for the market share this is influenced how much the stocks and shares of the organization are demanded more than the rest of the organizations or companies at DSE. This variation in the trend in share price and market share contribute a lot to the capital return amount the company earns.

The study was further meant to determine the importance of shares to customers of CRDB to economic growth of the society and individual. The knowledge of shares in past years had been not well understood unlike these recent years where shares has become well advocated and hence customers have come to awareness. CRDB Bank during the past years where it was seeking capital to finance its operations after it was privatized to be a private entity. It sold its shares to the public for any individual to buy. The importance has come to fame in the recent years as customers

holding shares with CRDB were paid their dividends at the end of each financial year of the bank. Holding shares with different firms and organization is considered as a modern way of saving one's income and accruing return of the profit made by the organization. In so doing these findings have proved that shares are of great importance if they are invested in the right organization which is not only making profit but which is stable in the business and its return per share is well determined.

Lastly, the other objective was to examine the importance of companies like CRDB to be listed with the Dar es Salaam stock exchange market. Normally the performance of companies is observed by various groups of people including the organization itself in terms of the key indicators guiding them, the shareholders of the company, stakeholders' as well as interested individuals who are looking for places to invest their money into. For that matter the performance of companies that are listed with the DSE are monitored by the market and therefore they are likely to perform much better than those not listed with DSE. This is due to the fact that stocks and bond as well as other securities like shares are traded straight with the stock exchange market. This helps an individual to observe the trend in the market of the preferred company to invest in and get to question and obtain answers to queries and thus come up with a conscience result of where to invest, when to invest and what amount of return will be earned at end of that particular year. At DSE is where the seller and buyer meet to negotiate the terms and conditions freely and openly of the business venture unlike personally with the organization where there is no guarantee of your investment.

5.4 Recommendations

In most commercial banks, the concept of stock market, capital investment as well other securities like bonds, equities and shares are not well known by the society. Banks may act as a major saving tool to individuals who are willing and able to save. From the theory of saving and investment, an individual may acquire shares that are normally sold at the stock exchange market (DSE) or equities or hold fixed deposit account that at the end of the year the amount invested yield income or profit to customers. But this stock market was it comprises all securities that is bonds, shares, property and equipment and equities, and exchange market are met and transacted are not understood by customers and many are not aware of them. Mass education is needed to customers

and the society at large so that individuals can acquire other knowledge on saving and investment that can be used as a mechanism to over poverty and improve individuals' income through saving.

The Government should regulate the exchange rate. The exchange rate charged by banks so that at the end of the day most of the people can afford to acquire securities from different financial institutions that will be used to startup business and some expand their existing business in order to improve their economic status. The exchange rate charged by financial systems is not uniform of which this rate should accommodate factors such as time value of money in favor of customer, payback period determination and reasonable gain in terms of bank. If exchange rate is charged highly in favor of the foreign currency, then household at an individual level will not be able to save through financial institutions to finance their individual growth as well as that of banks. In that manner individuals open foreign currency accounts with banks knowing that at the end of the year the return will be higher than holding a local currency savings account.

Government support: the government must ensure that financial infrastructure that supports both the investor and the lender in maximizing profit. This should be in terms of collateral base, that is the necessity to have a collateral in order access a loan, the procedures that can be included in other necessities in order to reduce the complications to customers. The government need to monitor well the commercial banks through its main bank, the central bank. This will reduce contradictions that sometimes occur due to directions that need to be adhered by the commercial banks are not well communicated and thus confuse the customers on what to do or to be followed.

Policy of investment: Policy investment can be categorized in either micro level which involves the individual phenomenon or macro level which is the aggregate phenomenon. Under the micro level of investment, the policies must try to help favor the local investors in all aspects of conducive environment, fair trade and education. Education is most crucial aspects as individual will get knowledge on why to save or invest, when to invest, what criteria to look at and the importance of investing in various markets especially the financial markets. But also the environment that is transparent where information is found easily and analyzed to ensure proper investment is made that will yield expected return.

Macro investment policy involves the government at a large perspective. This involves the government rules and regulations as well as laws that are made to either encourage or discourage

foreign investment in the local economy as well as that govern the local economy itself. As the effect of globalization among countries states had to come up with rules that would protect local markets but also manage the operations of the local economy. These include; common tax, tariffs, levies and trade regime. These are normally made also to prevent human capital flights and forcing the indigenous to invest first local assets in the local investment and not otherwise.

Policy investment are there to shape both individuals and the local economy in order to allow the smooth running of the investment sector. As it is where profits and strength of the economy come from and attract outsiders in the local market.

5.5 Area for further studies

This study raises some research problems and directions for further studies. This study does not hinder or provide final word on the evaluation of CRDB performance at DSE. The analysis of the study provides a set of concepts with regard to Dar es Salaam stock exchange market and CRDB Bank. Since the current study did not go into details pertaining to stock exchange market specifically the Dar es Salaam stock market, then there is a loophole for other researchers to study on it in depth. The study mainly based on the performance of the bank at DSE and therefore other studies may be interested to survey the implication of company's and organization registered to DSE in their operations apart from those not registered with them. The importance or advantages of CRDB that it gains by being incorporated in the stock market is another further studies can put time. Since all commercial banks in the country are obliged to be incorporated at the DSE then it will be appropriate too to analyze the advantages and disadvantages for them to form part of their duties with the stock market.

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