



# **CAPITAL MARKETS INVESTORS SURVEY 2012**

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# CAPITAL MARKETS INVESTORS

## SURVEY REPORT

### 2012

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## **ACRONYMS**

AIMS	Alternative Investment Markets Segment
CMA	Capital Markets Authority
FISMS	Fixed Income Securities Market Segment
IPO	Initial Public Offers
MIMS	Main Market Investment Segment
SCD	Central Securities Depository
USE	Uganda Securities Exchange

## **EXECUTIVE SUMMARY**

This is a survey report focusing on the understanding of capital markets by the different players. The survey intended to collect adequate information from CMA Primary and secondary stakeholders. Specifically, the survey intended to:

- i) Establish the profile of investors in Uganda's capital markets;
- ii) Establish the levels of awareness and understanding of capital markets among investors;
- iii) Establish the levels of awareness about the capital Markets Authority among investors;
- iv) Establish the levels of awareness and understanding about capital markets participants among investors;
- v) Establish the levels of awareness and understanding about investors rights among investors
- vi) Establish the factors affecting investments in Uganda's capital markets.

The scope of the study covered individual and corporate investors; the Board of Directors, Management and staff of the Capital Markets Authority (CMA) and Uganda Securities Exchange (USE); the Market intermediaries and the Ministry of Finance. In total the survey covered 410 respondents. A summary of findings from the survey is as follows.

### **I. DEMOGRAPHIC CHARACTERISTICS**

Under the demographic characteristics of the respondents, the following results were obtained:

- + **29.3%** of the surveyed investors in the Capital Markets fell within the age category of 30-39 years. Other significant proportions of the investors were in the age range of 21-29 (24.6%) and 40-49 (24.6%).
- + Males dominated the capital markets comprising of **66.3%** doubling the female participants in the market who were **33.7%**.
- + With regard to education, majority of the surveyed investors, **51.8%** had attained a bachelor's degree as their highest level of education and **21.5%** had completed masters' degrees.
- + It emerged that majority of the investors accounting for **52.1%** of the respondents in the capital markets were in full time employment.
- + Majority of the investors accounting for **33.1%** of the total respondents were earning between Uganda shillings 1,000,001-5,000,000 per month and **22.1%** was earning within the range of Uganda shillings 500,001 – 1, 000,000 per month

## II. KNOWLEDGE AND UNDERSTANDING OF CAPITAL MARKETS

With regard to knowledge and understanding of the Capital markets the findings included:

- + Most of the respondents stated that they were familiar with the terminology used in the capital markets industry and that they also knew what these terminologies meant. They were generally aware of: shares (**83.3%**); CMA (**79.4%**); Investment adviser (**78.1%**); dividend (**77.9%**) and USE (**75.8%**) among others.
- + **59.1%** of the total respondents indicated that they acquired information about capital markets from personal study or research, **17.2%** acquired this knowledge from schools and **7%** from newspapers.

### III. CAPITAL MARKET INVESTMENT

Concerning Capital market investment, the survey established that:

- + **27.9%** of the total respondents were motivated by anticipated dividends or profits to invest in capital markets. A significant proportion of other investors were encouraged by: the fact that investing in capital markets is an easy way of saving money (**15.9%**); friends (**12.7%**); availability of money (**6.4%**); and personal interest (**6.1%**) among other reasons
- + 46.4% of the total respondents had invested Uganda shillings One million and below.
- + The age categories that had invested the highest amount of money were 30-39 and 40-49 where 35% and 42.5% respectively invested Ush.10,000,000 and above.
- + The investors who had invested least in the capital markets were those who had attained primary as their highest level of education with 4.5% investing **Ushs1,000,001- Ushs 5,000,000**.
- + Those that invested in capital markets everyday were **3.7%**; **7.2 %** investing at least once a week; 7.4 % invest at least once a fortnight.
- + **28.6%** of the total respondents perceived that there was moderate risk in investing in capital markets where as 23.1% perceive that there is low risk.

### IV. INVESTOR PROTECTION

Under investor protection, the following were found out.

- + **50.4%** of the respondents reported to be fairly confident qualification of firms in capital market
- + The level of confidence in the products on the market in regard to their suitability to needs of the clients is still low.

- + **15.1%** of respondents were very confident in the complaints handling mechanism compared to **51.2%** who were fairly confident.
- + **29.7%** reported to be very confident CMA regulating the industry compared to **48.3%** who were fairly confident.

## **V. SEEKING FOR INVESTMENT ADVICE**

With regard to seeking investment, the results were as follows:

- + **46.4%** of the respondents had sought professional advice on investment in capital markets compared to **48.5%** who had not
- + Most of the investors accounting for **48.5%** of the total respondents got the advice from brokers or dealers representatives; and **17.2%** got professional investment advice from an investment adviser's representative.
- + **30%** of the respondents had a lot of confidence in the investment advice; and **37.7%** were fairly confident that the advice was appropriate to their circumstances.

## **VI. FACTORS AFFECTING INVESTMENTS IN UGANDA'S CAPITAL MARKETS.**

The factors affecting investments in capital markets in Uganda were reported to be:

- i) low financial literacy;
- ii) low compliance levels of potential investors;
- iii) limited number of listed companies;
- iv) limited geographical coverage;
- v) low level of completion in the market;
- vi) High inflation and illiquidity among others.

## VII. RECOMMENDATIONS

From the issues that emerged, a number of recommendations were made including:

- i) Designing products that are friendly with their earnings of the local potential investors
- ii) Increasing operations of capital markets in order to intensify their visibility.
- iii) Providing tax incentives for individuals willing to invest in shares.
- iv) Develop incentive mechanisms for parties interested in participating in capital markets
- v) Identification of challenges that investors face which is a precursor to their doubts would be a step in the right direction .This suggests that clients' needs be identified so that products can be tailored accordingly
- vi) Further popularizing information about complaints handling systems would produce desirable results
- vii) Disseminating laws, rules and regulation governing capital markets and procedures for their enforcement and information about the key players in the market, listed firms and licensed ones to investors would also be instrumental
- viii) Initiating forums such as trade fairs and meetings of business associations to inform the stakeholders and business associations about the mandate and functions of USE and CMA
- ix) Providing information on the need for investment advisory services
- x) Providing information on licensed firms that provide professional investment advice
- xi) Disseminating information on listing requirements and possibilities to obtain input from e.g. business support institution.



## **1.0 INTRODUCTION**

The Capital Markets Authority (CMA) was established by an Act of Parliament in 1996 to regulate and promote the development of capital markets in Uganda. Fifteen years later the capital markets in Uganda boasts of 14 companies, 5 corporate bonds and over 15 government bonds listed on the Uganda Securities Exchange as well as over 40,000 investors. Out of the 40,000 investors, 8,920 have so far demobilized their certificates and opened Central Securities Depository (SCD) accounts. One of the cornerstones of capital Markets regulation is investor protection. Therefore, if CMA is to adequately protect the investors in Uganda's Capital Markets, it needs to fully understand the nature and needs of these investors. It was against this background that CMA sought to procure the services of a consultancy firm to undertake a survey of capital markets investors in Uganda.

### **1.1 Purpose of the Survey**

The overall purpose of this survey was to collect adequate information from CMA stakeholders. This information would become a basis for CMA interventions and focus on stakeholders' needs and concerns. The study would also provide practical recommendations for future planning

### **1.2 Objectives of the Survey**

The survey intended to achieve the following objectives.

- i) Establish the profile of investors in Uganda's capital markets
- ii) Establish the levels of awareness and understanding of capital markets among investors
- iii) Establish the levels of awareness about the capital Markets Authority among investors
- iv) Establish the levels of awareness and understanding about capital markets participants among investors

- v) Establish the levels of awareness and understanding about investors rights among investors
- vi) Establish the factors affecting investments in Uganda's capital markets

### **1.3 Approach and Methodology**

The assignment was highly participatory involving a broad range of stakeholders including but not limited to Board of Directors (BoD), Management and staff of CMA and all relevant stakeholders. This participatory approach was instrumental in maximizing ownership of the assignment deliverables since it made it possible for participants to focus on facts while allowing rapid appraisals. Both quantitative and qualitative methods of data collection were used.

#### **1.3.1 Population, Sample Size and Sampling Strategies for the Study**

##### **Target Population**

The study targeted:

- i) The Key stakeholders' i.e. individual and corporate investors.
- ii) Board of Directors, Management and staff of CMA and USE respectively.
- iii) The Market intermediaries and market participants
- iv) The relevant staff of the Ministry of Finance, Planning and Economic Development.

##### **Sample Size determination and Selection procedures**

###### **Sample size determination**

A sample frame of all individual investors has opened Central Securities Depository (SCD) accounts were used to randomly select study participants. Given that 10,000 investors had opened accounts with SCD, 10,000 were used as the study population. Using a confidence of level of 95% with marginal error of 5% a sample size of sample

size of 370 respondents was generated. By applying a confidence level of 95% with a marginal error of 5% for a 10,000 population on a Random Sampling Table in *Appendix 2* generated a sample size of 370 respondents. This sample was increased by 10%, to cater for non-response. This increased the sample size to 407 (adjusted to 410). Therefore, the study had a sample size of 410 individual investors.

#### Procedure for Selecting Individual investors to participate on the Survey

A systematic sampling technique<sup>1</sup> was used to determine the investors to participate in the survey. The following formula was used:

$$k = \frac{N}{n}$$

Where

**k**, is Sampling interval,

**N** is the population size and n is the Sample size.

**Given that N= 10,000 and n= 410;**

**Therefore k = 10,000/410 = 24.**

So, every 24<sup>th</sup> individual investor on the sampling frame was selected after a random starting point between 1 and 24. This process was repeated until the Sample size of 410 was obtained.

#### **Corporate investors**

All the corporate investors participated in the study.

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<sup>1</sup> Systematic Sampling is random sampling with a system in which units are selected from a given population at a regular interval. The individuals to participate on the study will therefore be determined through a Systematic Sampling Technique. Systematic sampling is a statistical method that is usually used when a population size is known and a sample size has been determined.

## **Selection of Key Informants**

The key informants mainly included officials from Board of Directors, Management and staff of CMA and USE respectively. They also included Market intermediaries and market participants, and relevant staff of the parent ministry.

### **1.3.2 The Methods of Data Collection**

The methods to be used will include among others the following:

#### **i) Pilot Survey**

The pretest of the tools was conducted to determine the effectiveness of survey tools. Pretesting also helped to determine the strengths and weaknesses of survey concerning question format, wording and order and other deficiencies that needed to be corrected before the actual survey commenced.

#### **ii) Structured and Semi-structured Face to Face Questionnaire Interview.**

The Questionnaire was administered to the investors selected from the sample frame. The questionnaire covered the thematic areas spelt out in the terms of reference and objectives, targets and expected outputs.

#### **iii) Key Informant Interviews**

Key informant interviews/In-depth interviews were conducted with the BoD CMA and USE, relevant officials in MEMD, development Partners and other stakeholders using a key informant interview guide.

#### **iv) Literature Review/Secondary data or Desk Review:**

A desk review of relevant documents of in regard to CMA and USE and other umbrella organisations including concept papers, planning documents, MOUs, agreements, financial and progress reports, budgets, work plans, logical

framework, M & E systems, baseline data, policy documents and sector guidelines was conducted. A checklist was used to summarise the required information according to the different indicators that were being studied. Data from documents was analyzed using content analysis.

### **1.3.3 Data Processing, Analysis and Management**

#### **i) Data Editing, Coding and Cleaning**

Data collected using the questionnaire and other tools mentioned above, was edited, coded, and cleaned by well-trained data managers. Both qualitative and quantitative data obtained from the field was entered via a data entry interface customized to the layout of the field data forms. Further, data entry, verification; screen editing and system development were done sequentially to enable the preparation of Draft Report of the preliminary findings.

#### **ii) Data Analysis Package**

The quantitative data were analyzed using EpiData, and exported to SPSS. Other MS office Processing Programs (MS Word, MS Excel) were used to synthesis the findings. Qualitative data on the other hand was categorised, summarised, and analysed along the themes of the major variables. A sequential and content analysis was undertaken to provide a much deeper insight into data collected.

## 2.0 CAPITAL MARKETS INVESTORS' PROFILE

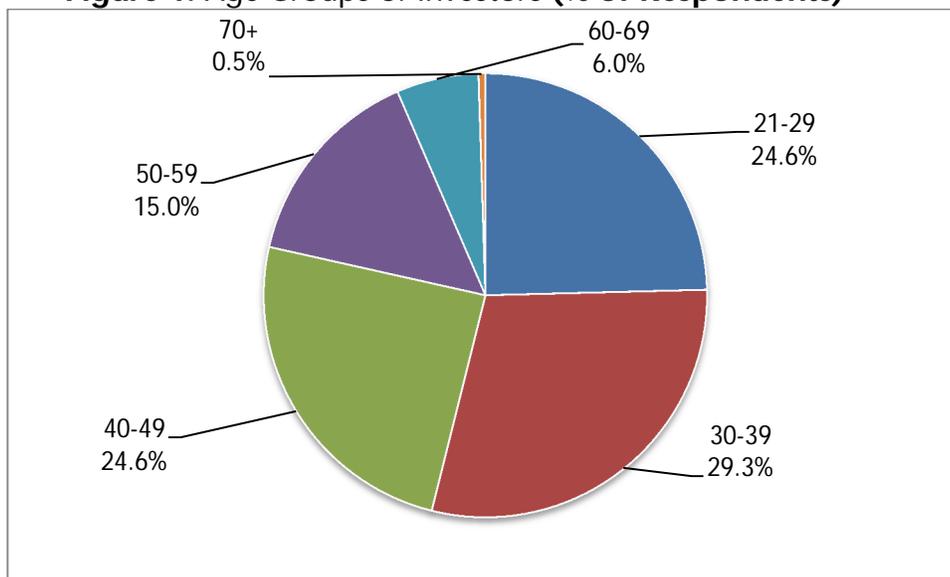
### 2.1 Introduction

This section of the report lays out the characteristic of the surveyed investors in terms of: age; sex; level of education; employment status and level of income. It was important to have these characteristics studied in order to ascertain their individual preferences in investment decisions.

### 2.2 Age

The study tried to establish whether age has a bearing on the investors' preferences in investment of capital markets products, the respondents were asked to reveal their age (See table 1 for a breakdown of the age profile of the respondents).

**Figure 1: Age Groups of Investors (% of Respondents)**



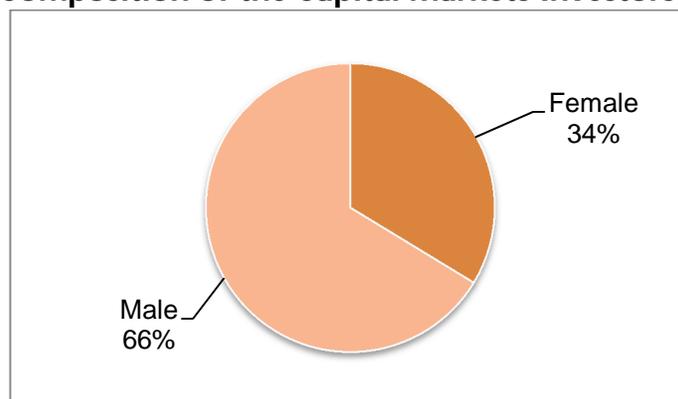
**Source:** Survey Findings

According to the findings, 29.3% of the respondents fell within the age category of 30-39 years. The respondents who are 50 years of age and above were 21.5%. Therefore, majority of the investors surveyed were below 50 years of age accounting for 79.5% of the total respondents.

## 2.2 Gender of the Capital Markets Investors.

The gender of the respondents was also recorded during the survey. Figure 1 shows a breakdown of the respondents by gender.

**Figure 2: Composition of the Capital Markets Investors by Gender**



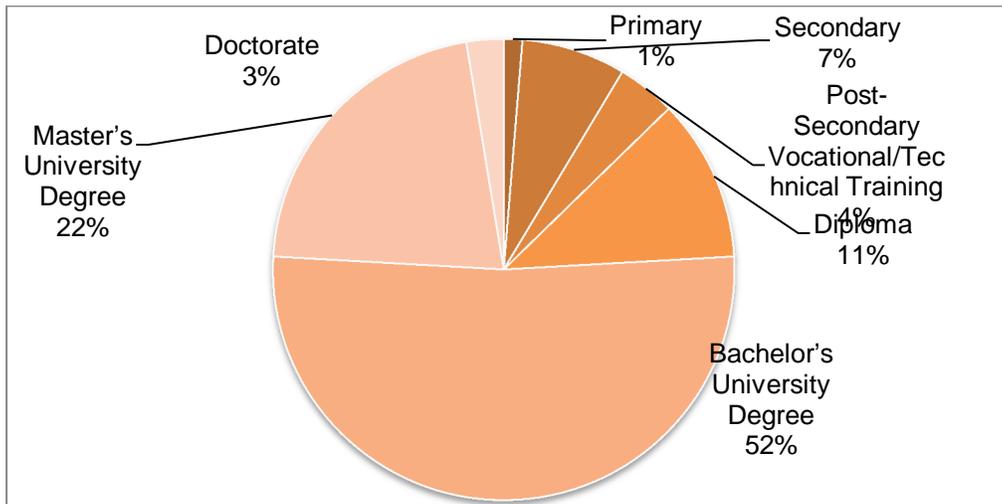
**Source:** Survey Findings

The findings in figure 1 indicate that males dominate the capital markets investments accounting for 66.3% of the survey respondents which are double the proportion of female investors. The male dominance in the sector could be associated with the risk taking trait of that sex.

## 2.3 Level of Education

Respondents were also asked the highest level of education that they attained. Figure 2 shows the details of the findings.

**Figure 3: Level of Education of Investors (%)**



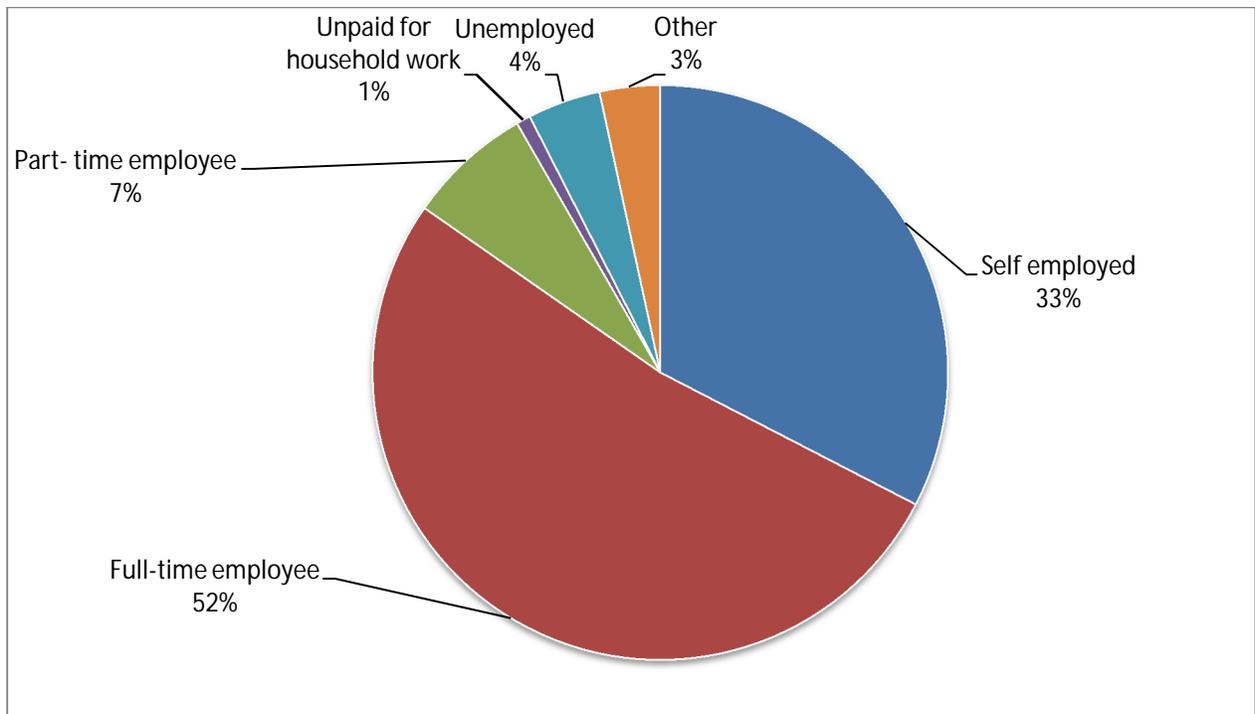
**Source:** Survey Findings

From the findings, it was apparent that the majority of the surveyed investors (**51.8%**) had attained a bachelor's degree as their highest level of education. This implies that it would be very easy to sensitize the investors about Capital Markets since most of the investors have attained a commendable level of education.

#### **2.4 Employment Status**

The respondents were asked about their employment status to be able to establish the nature of their employment and whether this could have an effect on their investment choices in the capital markets. The findings are as shown in the figure 3.

**Figure 4: Employment Status of investors**



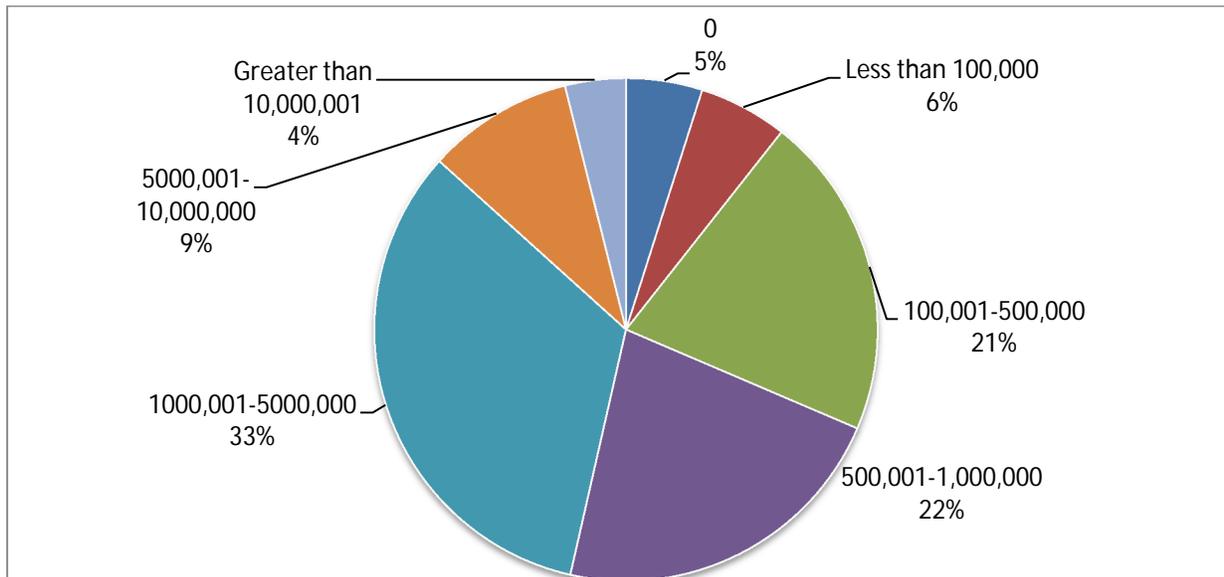
**Source:** Survey Findings

From the findings, it emerged that majority of the investors (52.1%) in the capital markets were in full time employment. A sizeable **32.6%** were self-employed and 7% were in part-time employment. It ought to be noted that the nature of employment will determine the level of earnings and how much money one can be able to invest in Capital Market products. It also affects the timing of earnings for investment.

## 2.5 Level of Income

An investor's level of income was also established to be able to understand the effect it would have on the level and choices of investment in capital markets. Analysis of findings is presented in figure 4.

**Figure 5: Level of Income**



**Source:** Survey Findings

Figure 4 shows that 33.1% of the investors (were earning between Uganda shillings 1,000,001-5,000,000 per month. Another significant proportion (22.1%) was earning within the range of Uganda shillings 500,001 – 1, 000,000 per month. It should also be noted that approximately 31% of the surveyed investors earn 500,000 and below. Compared to the national average, the average monthly income derived from all sources was UGX 303,700 indicating an increase in average earnings compared to UGX 170,800 in 2005/06. At regional level, Kampala stood out with an average monthly income of about UGX 960,000 followed by the Central region (UGX 389,600) while the Northern region had the least (UGX 141,400)<sup>2</sup>. It is critical that this category forms the biggest of the segment of the population. It would be prudent to design products that are friendly with their earnings.

<sup>2</sup> UBOS (2010): Uganda National Household Survey 2009/10

## 3.0 KNOWLEDGE AND UNDERSTANDING OF CAPITAL MARKETS INDUSTRY

### 3.1 Introduction

Capital markets are inevitable in the emerging economies like Uganda. The level of knowledge of the capital markets industry by investors is central to their level of participation. For instance, any investor needs to understand how the market operates, the products and markets and the mathematics that explain it. As new products emerge on the national and regional market, investors must understand all of this from an informed perspective. Therefore, this section explores the level of knowledge that investors have with regard to capital markets.

### 3.2 Knowledge of capital Markets Terminology

All the respondents were asked: whether they had ever heard of a number of Capital Markets' terminologies or not and whether they know what the terminologies meant. The findings are presented in figure 6. Most of the respondents stated that they were familiar with the terminology used and that they knew what the terminologies meant. They were generally aware of shares as reported by **83.3%**.

It should also be noted that 73% of the population that is 10 years and above is literate. However, this literacy is limited to reading with understanding and writing in any local language<sup>3</sup> and not related to financial literacy. Such literacy levels (reading and writing) may not be helpful in understanding of the complex capital markets operations by the population. This seems to be in line with the position of the one of the key informants thus:

*.....Literacy levels in the country, and more especially financial literacy, are still low..... There is a lot of need for financial literacy about the CMA and its products as component of saving (Head of Legal Department, CMA)*

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<sup>3</sup> UBOS (2010), Uganda National House hold Survey 2009/10.

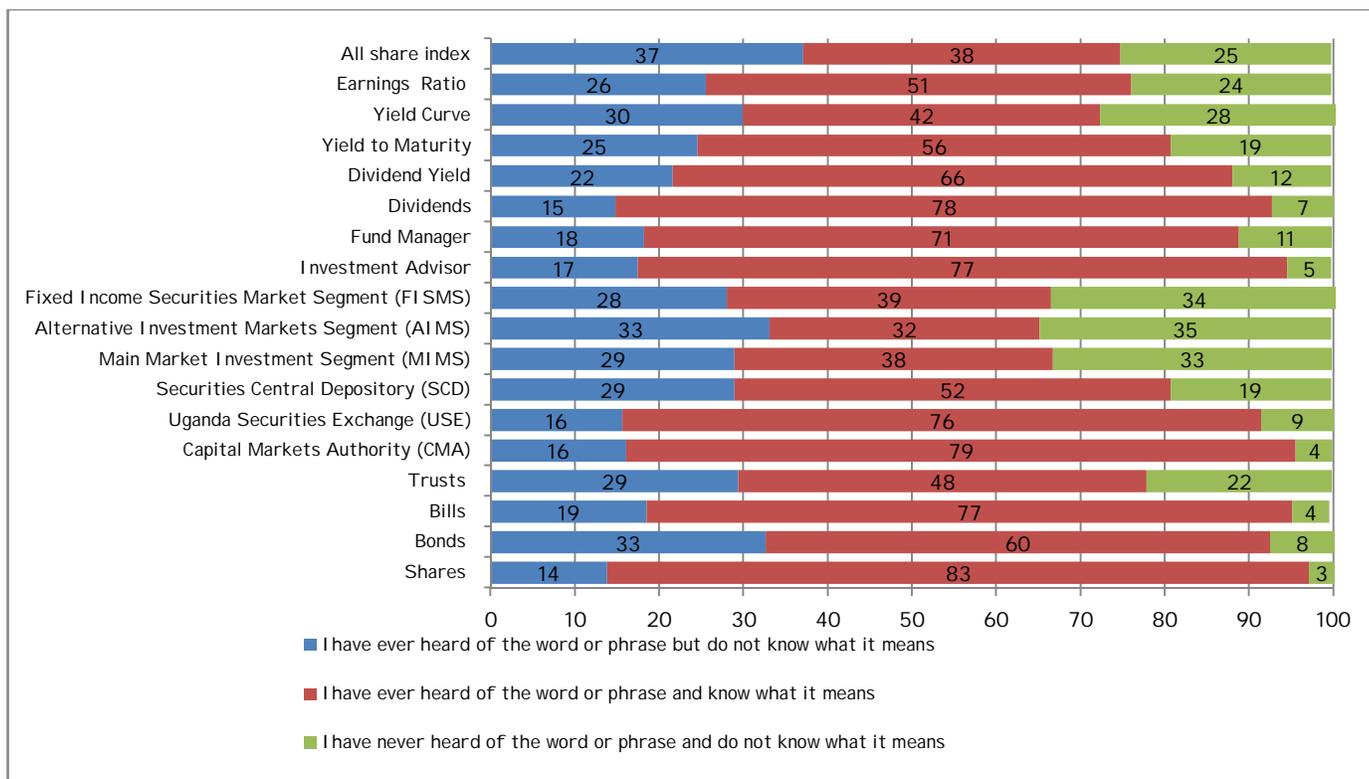
In addition, another respondent who shared a similar thought reported as follows:

*....The level of awareness about capital markets is low and skewed towards mainly debt instruments..... There is need for combined effort from both public and private sectors to sensitize people on how the capital market works including comparison of capital market investments to conventional investment vehicles and the risks and returns involved in Capital market investments*  
**(Respondent from DFCU Bank)**

There was a feeling of limited participation of the population in capital markets which has constrained the growth of the industry. One of the respondents reported that:

*.....there is visible limited engagement of the Capital markets with stakeholders in the industry. There is too much ignorance about usefulness of the Capital markets by local businesses. This means that CMA should identify and sort out the existing gaps in the markets and encourage stakeholders to take advantage of the available opportunities.* **(Respondent from Crane Bank)**

**Figure 6: Knowledge of Terminologies used in Capital Markets**



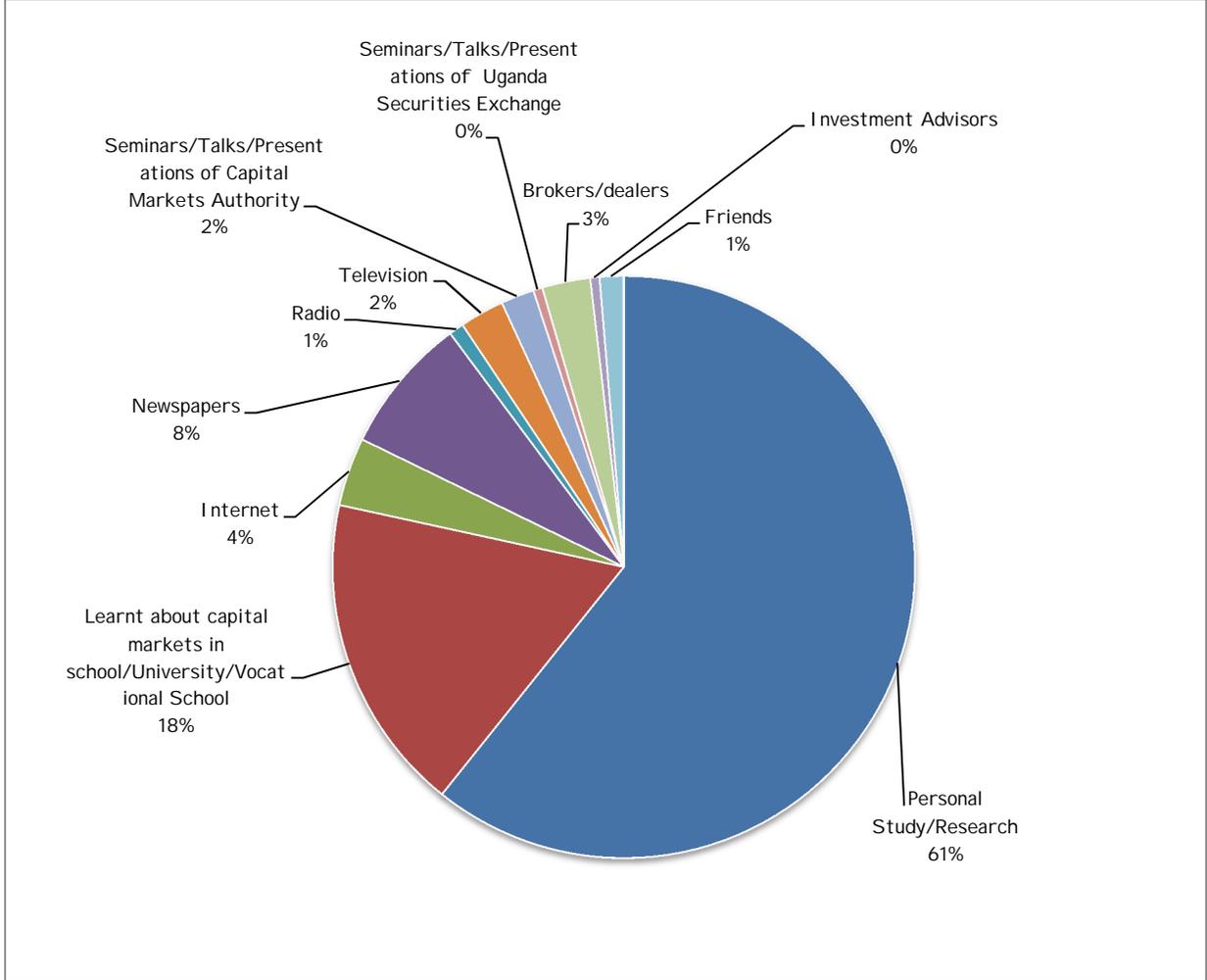
Source: Survey Findings

There was an observation that potential Capital Markets Investors need to have tangible experiences of a capital market to become interested. This implies that a fully functional capital markets' industry should generate increase products and visibility. This would encourage potential investors that are currently skeptical about listing on the Uganda Securities Exchange to reconsider their position.

**3.3 Source of knowledge of Capital Markets**

The respondents were asked where they acquired knowledge about capital markets and the related terminologies from. Figure 7 presents the various sources where the respondents got information on capital markets from.

**Figure 7: Sources of knowledge of Capital Markets**



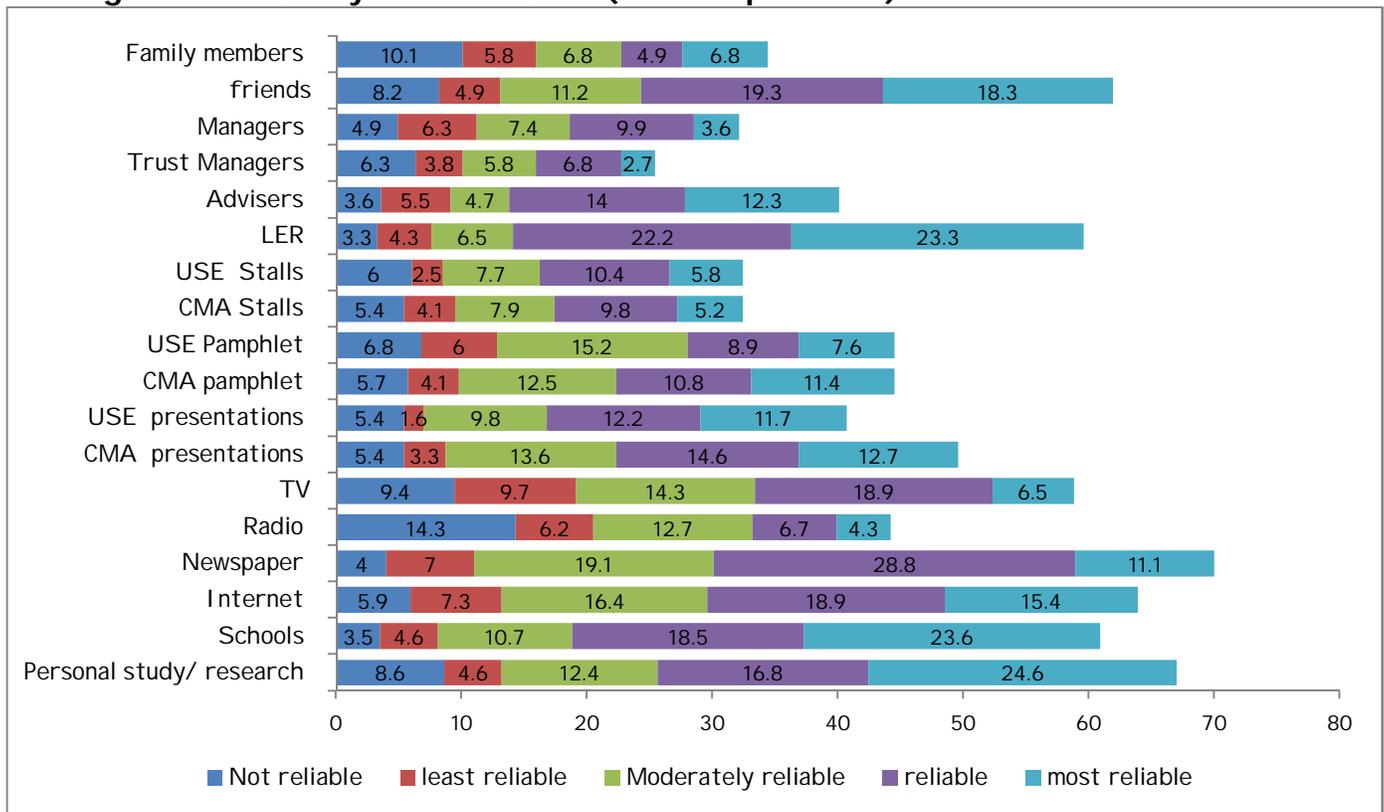
Source: Survey Findings

It was established that majority of the surveyed investors (59.1%) acquired information about capital markets and related terminologies from personal study or research. A significant 17.2% acquired this knowledge from schools where as 7% got from newspapers. This could be attributed to limited access to such sources of information.

### 3.4 Reliability of Sources of Information

Subsequently, investors were asked whether the sources of knowledge about capital markets were reliable or not. Various responses were generated from the survey as shown in figure 8.

**Figure 8: Reliability of Information (% of Respondents)**



**Source:** Survey Findings

The most reliable source of information was personal study followed by research and schools as reported by 24.6% and 23.6 % of the surveyed investors respectively.

Notable among the reliable sources of information were: newspapers (28.8%); Television (18.9%); schools (18.5%); and personal study / research (16.8%).

## 4.0 CAPITAL MARKETS INVESTMENTS

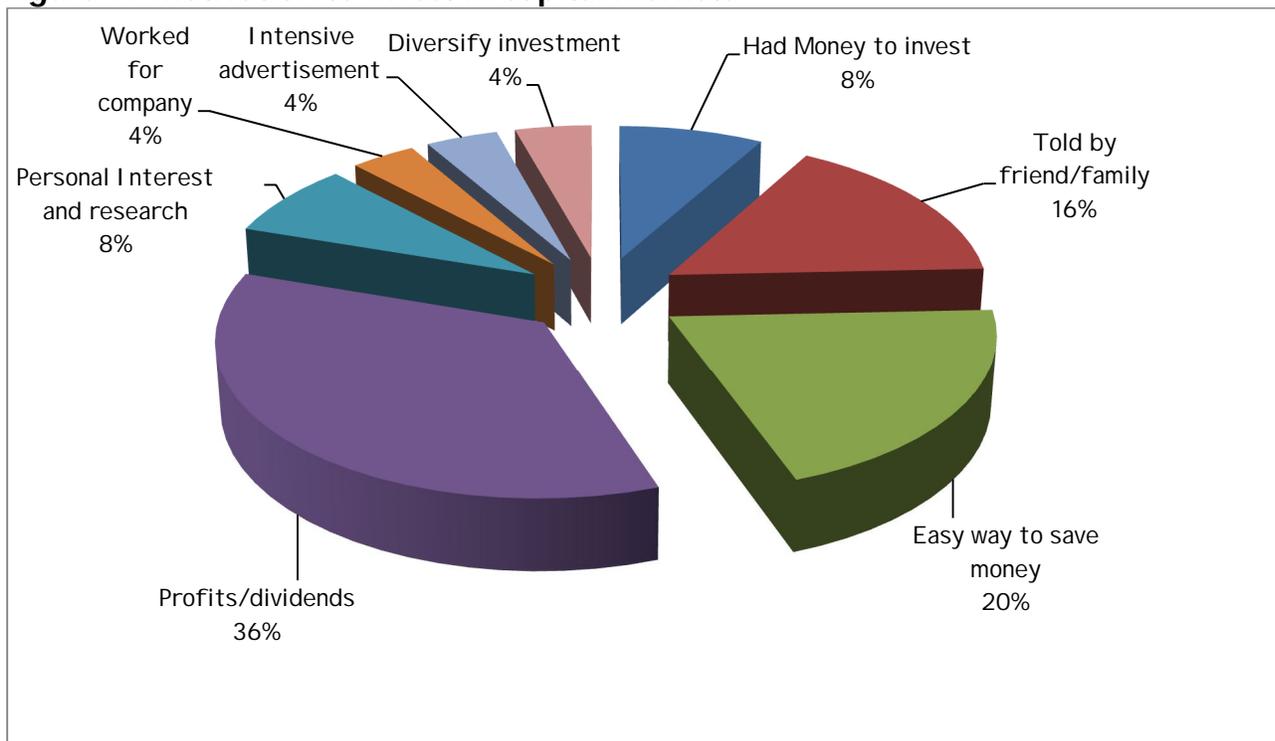
### 4.1 Introduction

This chapter lays out motivations for the investors to buy or sell securities in the capital markets. An investor is anyone who commits money to investment products with the expectation of financial return. Generally, the primary concern of an investor is to minimize risk while maximizing return<sup>4</sup>. There are some investors who depend on the advice of other people while purchasing or selling a particular stock.

### 4.2 Motivation to Invest in Capital Markets

Given the background that investors are motivated by different reasons, they were asked what motivated them to invest in capital markets. Figure 9 presents the findings of the survey.

**Figure 9: Motivation to invest in Capital Markets**



Source: Survey Findings

<sup>4</sup> 57 <http://www.investorwords.com/2630/investor.html> accessed on 23 April 2012

From figure 9, most of the investors (27.9%) were motivated by anticipated dividends or profits to invest in capital markets among other reasons. This seems to suggest that many potential investors may not be fully aware of the likely benefits available in investing in capital markets and thus may be not be attracted to such investments. It was also noted by one of the key informants that most times people invest in the capital markets when they anticipate a lot of profit.

*... The market is still young and slow. Investors are not putting money when there are no profits.*

***(Head of Legal Department, CMA)***

Another respondent also concurred with such a position and reported that:

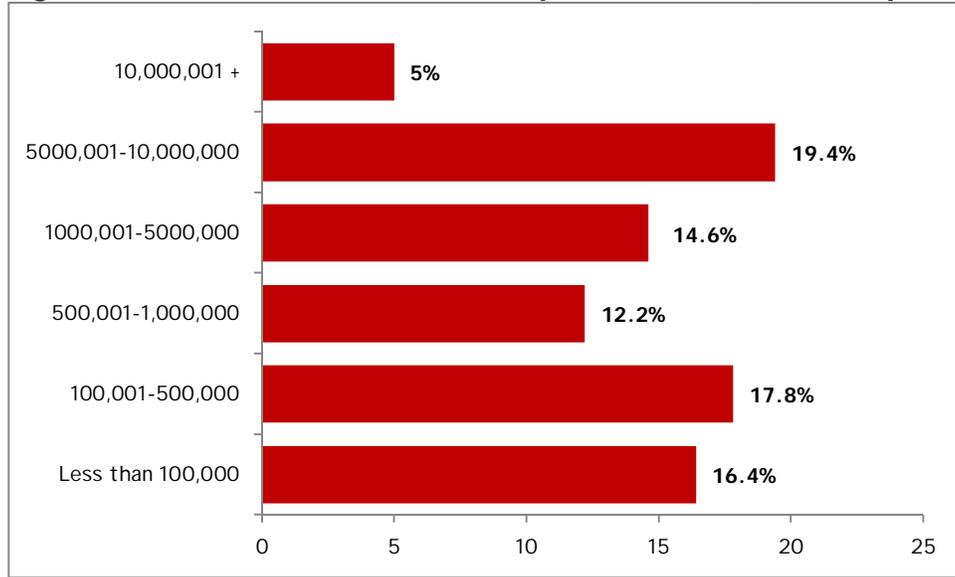
*Investors want returns above pre-determined benchmarks, both the dividends and capital gain.....Investors need assured access to money for investment and profit actualization*

***(Secretary and Director DFCU Bank)***

#### **4.3 Level of Investment**

The respondents who had invested in Capital Markets were asked how much money they had invested in capital markets. It was revealed that different categories of people devoted varying amounts of money to such investments. Figure 10 shows the details.

**Figure 10: Level of Investment in Capital Markets (% of Respondents)**



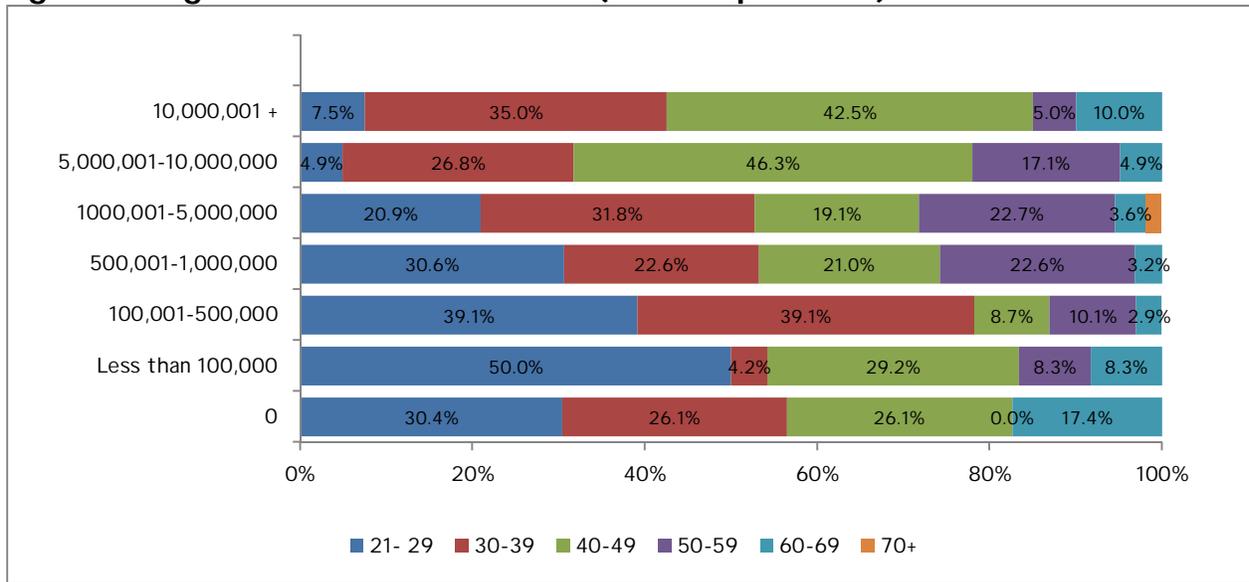
**Source:** Survey Findings

The findings show that the big segment of investors (46.4%) had invested Uganda shillings One million and below. In addition, 19.4 % of the respondents had invested Uganda Shillings 5-10 million and 5% had invested Uganda shillings. 10 million and above. It should be noted that the numbers of investors reduced with increase in the amount of money. This means that investment options or products that required higher amounts of money were likely to attract few people to invest.

#### **4.3.1 Age and Level of Investment**

To ascertain the influence age may have on the preferences and choices of investors in capital markets, analysis of data was carried as shown in figure 11.

**Figure 11: Age and Level of investment (% of Respondents)**



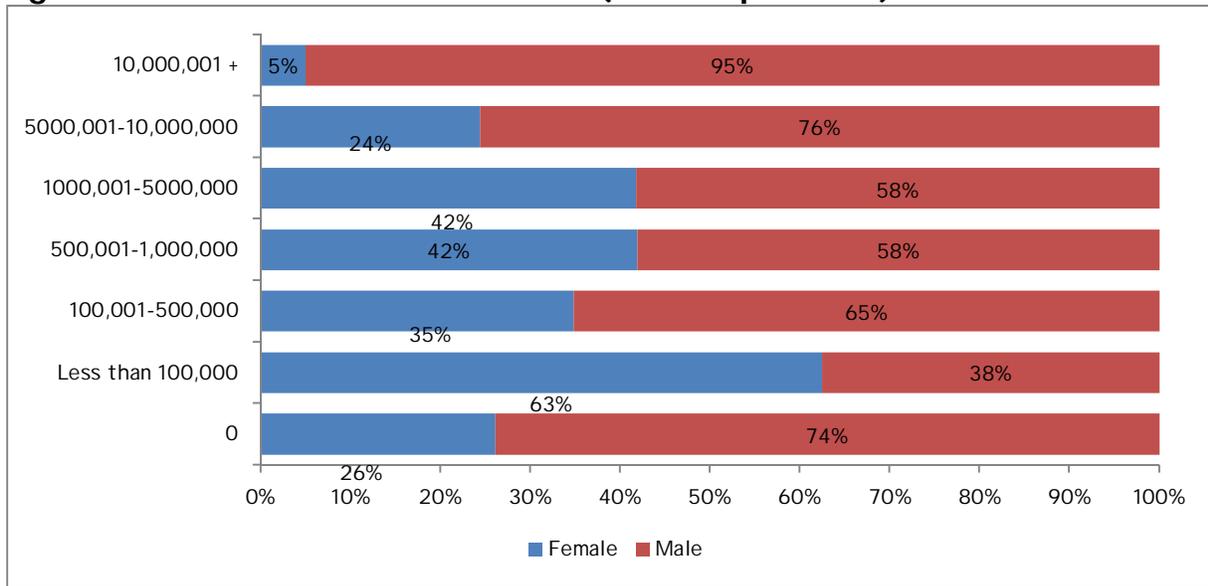
**Source:** Survey Findings

The findings show the age of an investor impacts on the choices and preferences in capital markets investments as well as how much one can commit to invest. The age categories that had invested Ush.10, 000,000 and above were 40-49 and 30-39 represented by 42.5% and 35% respectively. It was also established that the relationship between age and level of investment was very significant ( $P=0.000$ ).

#### 4.3.2 Sex and Level of Investment

Given that investment in the capital markets is influenced by a number of factors, it was important to establish whether sex of the investors contributed to their level of investment. figure 12 presents the findings.

**Figure 12: Sex and Level of Investment (% of Respondents)**



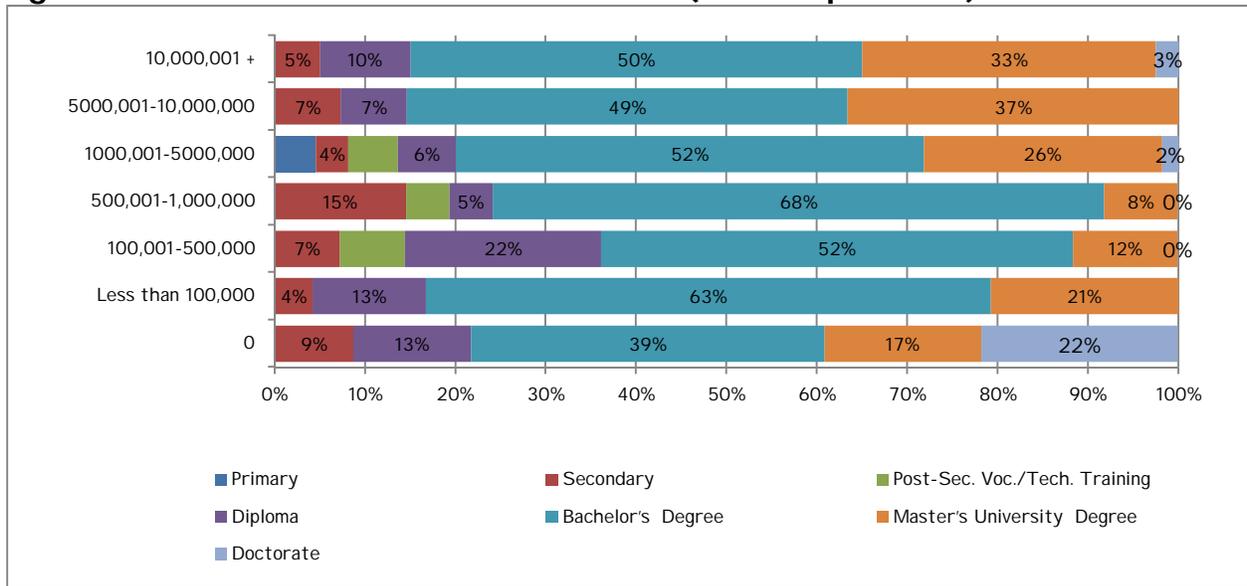
**Source:** Survey Findings

From figure 12, it can be observed that sex of the investor is very critical as the level of investment is concerned. The findings revealed that men tend to invest more than women in capital markets in each of the investment categories. It is important to note that the relationship between sex of the investor and the amount of money one was able to invest in capital markets was very significant ( $P=0.000$ ). This means that the investment choices in capital markets are largely influenced by the sex of the investor. There are investment options that males can take on which will not be appealing to females and vice versa.

### 4.3.3 Level of Education and Investment

In order to establish whether the level of education had a bearing on the level of investment in capital markets that investors had so far made, the findings were cross tabulated as shown in figure 13.

**Figure 13: Level of Education and Investment (% of Respondents)**



**Source:** Survey Findings

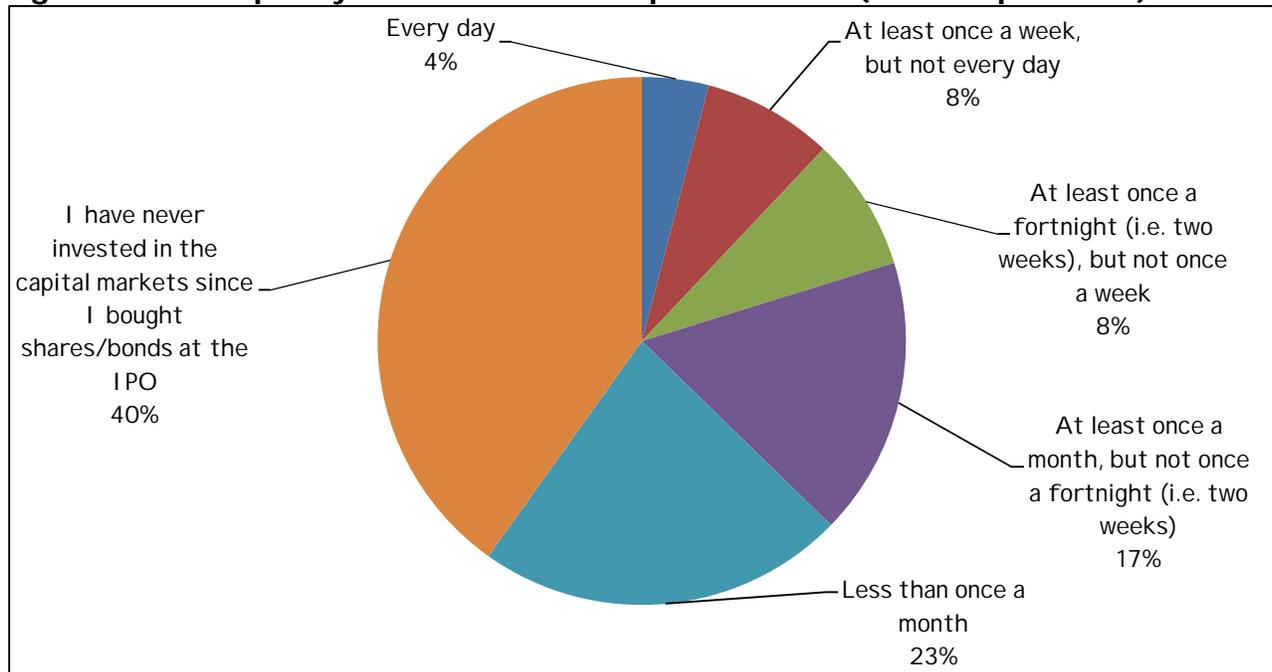
From the findings, it was generally observed that the level of education largely influences the level of investment. For instance, the people who had invested least in the capital markets were those who had attained primary as their highest level of education with 1.3% investing in capital markets.

Compared with investors who had attained a bachelor’s degree as their highest level of education, on average, 52.9% had invested in capital markets. From the findings, it can be concluded that relationships between the highest level of education attained and level of investment was very significant ( $P=0.000$ ). This implies that the design of the products on the market should be cognizant of the difference in education of potential investors and thus the difference in appeal. The communication strategies for should also put this into consideration so the communication is tailored to needs of the different categories of investors and potential investors.

#### 4.4 Frequency of Investment

The respondents who had invested in capital markets were asked how often they commit their resources to capital markets. From observation the frequency of investment is not very high among many. Figure 14 shows the details.

**Figure 14: Frequency of investment in Capital Markets (% of Respondents)**



**Source:** Survey Findings

The findings show that frequency in investment in capital markets was low. The findings indicate that 36.3% of the respondents did not invest again in capital markets after buying shares. Such frequency in investment is not likely to stimulate the market and even offer bigger returns for investors. Such behavior has been attributed to a narrow market with few products that are appealing or affordable to investors. From a key informant interview a respondent revealed:

*The Capital market comprises of bonds (Government & corporate), equities (Ugandan & Kenyan). However, secondary markets for bonds tend to be illiquid due to low investor participation in these markets... ..Currently, the exchange listings of shares and bonds are leading in the market, although other products need to be modified due to low saving culture and also very expensive and not financially viable for the investors.....The treasury*

*bills would in future lead the market because clients would be guaranteed of the money at 27% per annum compared to shares which are very risky, yet very few people know about it***(Respondent from UAP).**

In a related development another key informant reported that:

*The market is still young and must grow through increased incentives that attract key investors. Investors would be willing to come to the market when they see the benefits or big companies joining. The biggest problem of markets going down today emanates from lack of options***(Respondent from CMA).**

*The conditions for SMEs to be listed are still hard for many to join the market, yet this is where the industry can grow. There is need to focus on SMEs as driving factor for local capital market expansion in Uganda***(Respondent from CMA).**

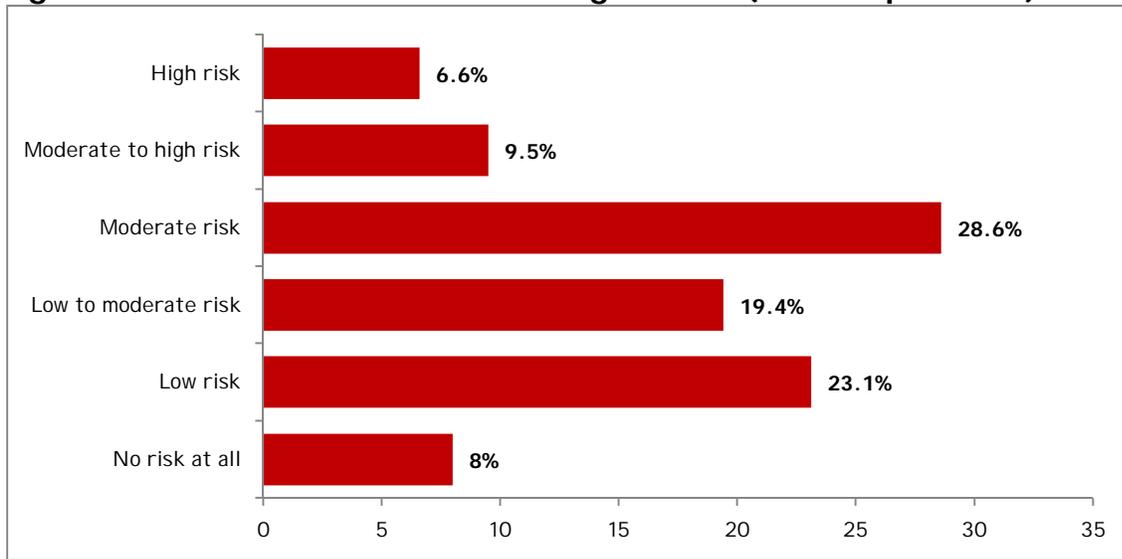
The small size of the market was also among the reported reasons for limited and frequency of investment. The findings show that most of capital markets' participants were concentrated in central Uganda with limited or no participation of people from the upcountry. In support of this argument, a respondent reported that:

*Uganda capital markets need more companies listed on the stock exchange market such that if one is not doing well, another can be picking up. The capital market is mainly concentrated in Kampala. Brokers are profit making organizations and are reluctant to go up country where the majority of the population is. Access is still a problem because many people do not know about the market***(Respondent from African Alliance).**

#### **4.5 Perception of Risks**

When making investment, capital markets investors may not consider risks involved. In this regard, the respondents were therefore asked to the level of risk they are willing to take in making investments in capital markets. Figure 13 shows positions held by respondents.

**Figure 15: Level of Risk Investors Willing To Take (% of Respondents)**

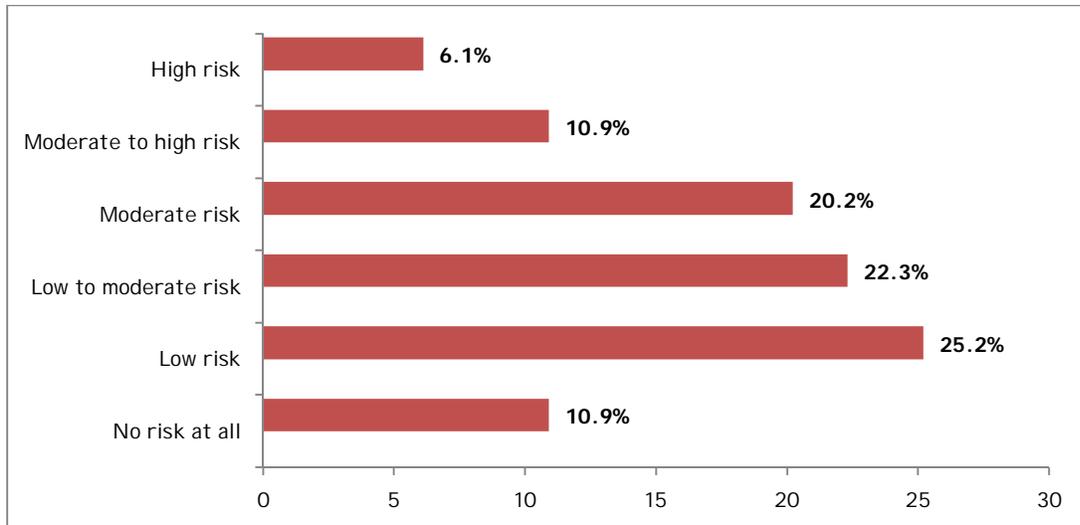


**Source:** Survey Findings

Based on findings from respondents, 28.6% perceived that there was moderate risk in investing in capital markets where as 23.1% perceive that there is low risk. The investors who were risk averse would not be attracted to invest. This will largely depend on their previous experience in the market of perception from friends. It is therefore instrumental for investors and potential investors to know what risks exist and how such risks can be minimized in order to increase participation of more investors and frequency of investment.

In addition, investors were asked their perception of the risk that they might lose some of the money they have invested. Figure 4.5 shows the details of the findings.

**Figure 4.5: Risk that Investor Might Lose Some Money Invested (% of Respondents).**



**Source:** Survey Findings

According to the findings 25.2% of respondents revealed that the level of risk that they might lose their money is low; 23.3% reported that it is low to moderate; 20.2% reported that is moderate; 10.9 reported moderate to high; and 6.1% reported high risk. The findings demonstrate that most of the investors are not apprehensive about the risks involved in the investment.

## **5.0 INVESTOR PROTECTION**

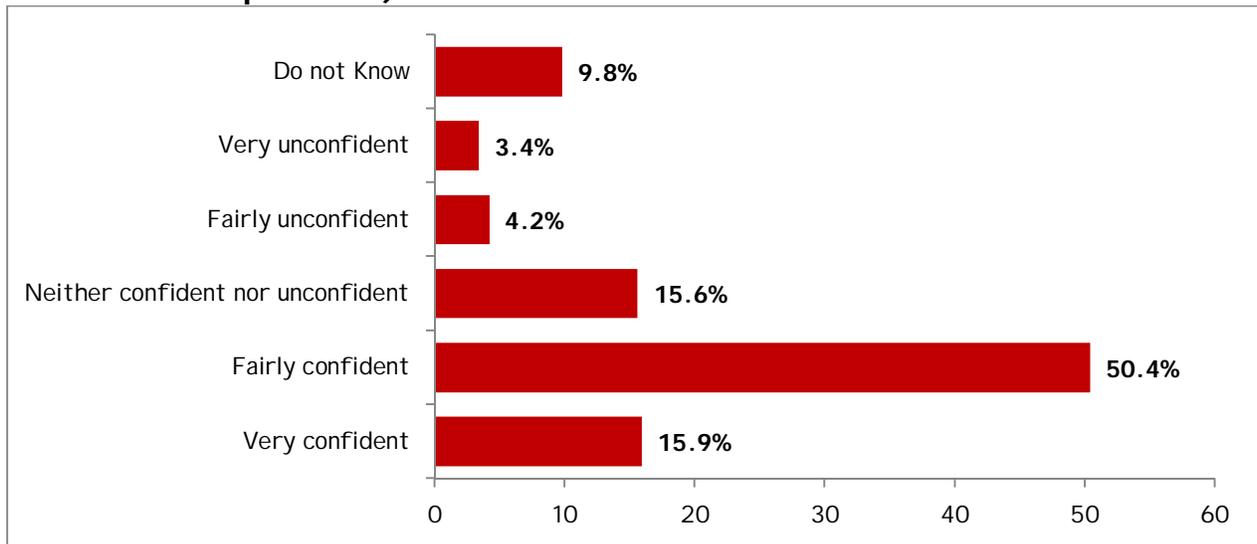
### **5.1 Introduction**

It is no coincidence that the capital markets have laws that govern them. There are numerous regulations and laws that provide guideline on how capital markets should be run. These include among others: Capital Markets Authority Act, Cap 84 Laws of Uganda 2000, the Capital Markets (Prospectus Requirements) Regulations, 1999; Capital Markets (Cross Border Introductions) Regulations, 2004; Capital Markets (Licensing) (Amendment) Regulations, 2003; and the Companies Act, Cap 110 Laws of Uganda 2000. These laws, regulations and guidelines are supposed to level the ground for players in the capital markets industry, provide protection to investors and boast confidence among the players in the market. This section therefore attempts to explore the levels of confidence of investors in the framework that is in place.

### **5.2 Perception on Qualification of Capital Markets Participants**

In this context, the respondents were asked how confident they were that firms licensed in Uganda's capital markets industry have adequately qualified staff and enough money to operate. The findings show varying levels of confidence as shown in figure 16.

**Figure 16: Confidence in Qualification of Capital Markets Participants (% of Respondents).**



**Source:** Survey Findings

The levels of confidence in the qualification of firms in capital markets across the board were found not to be very high. Most of the respondents reported the confidence levels to be fair (50.4%). This shows that there are some institutional and legal challenges that investors were battling with that made their confidence waver. With such low level of confidence, investment levels are more likely to be severely affected. It is paramount that the duty bearers focus on boosting the confidence of the key stakeholders in institutional and legal framework of capital markets for it to flourish. Identification of challenges that investors face which is a precursor to their doubts would be a step in the right direction.

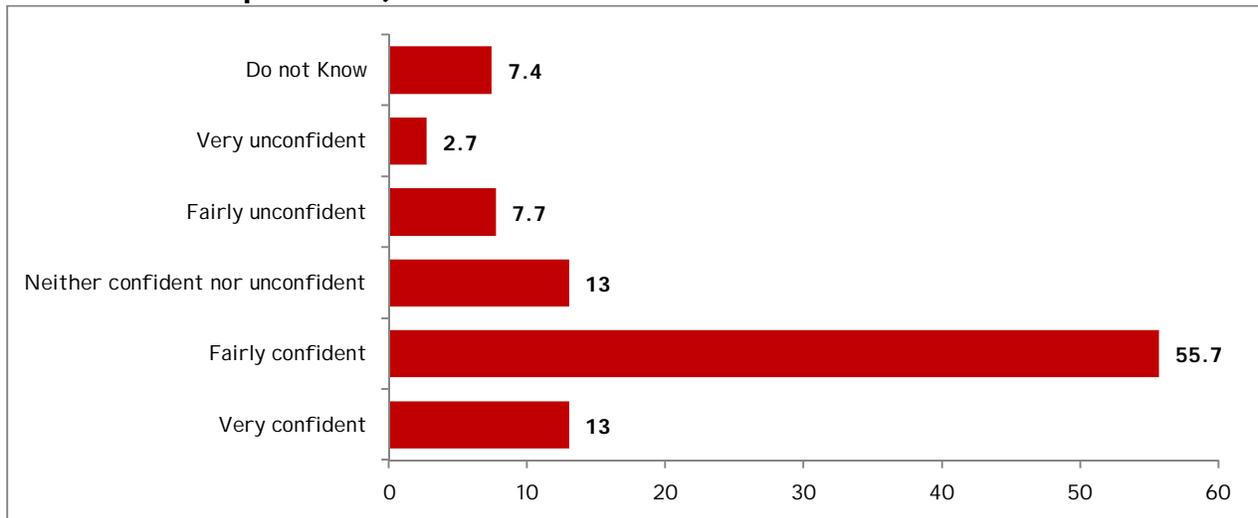
## **5.2 Perception on the Suitability of Products on the Market to Needs of Customers**

Whenever investors want to commit funds to capital markets, they always look out for products that suit them. These financial products are also referred to as securities and are generally traded on a stock (securities) exchange in the Uganda Securities Exchange<sup>5</sup>. This is mainly based on the amount of money available and that they are willing to invest. Investors will therefore move to licensed firms seeking to invest in a

<sup>5</sup> The common products are shares, collective investment schemes and bonds.

product which is appropriate at that moment. Investors were therefore asked about the appropriateness of the products that were on the market. The responses are shown in figure 17.

**Figure 17: Confidence in the Suitability of Products for Consumers' Needs (% of Respondents).**



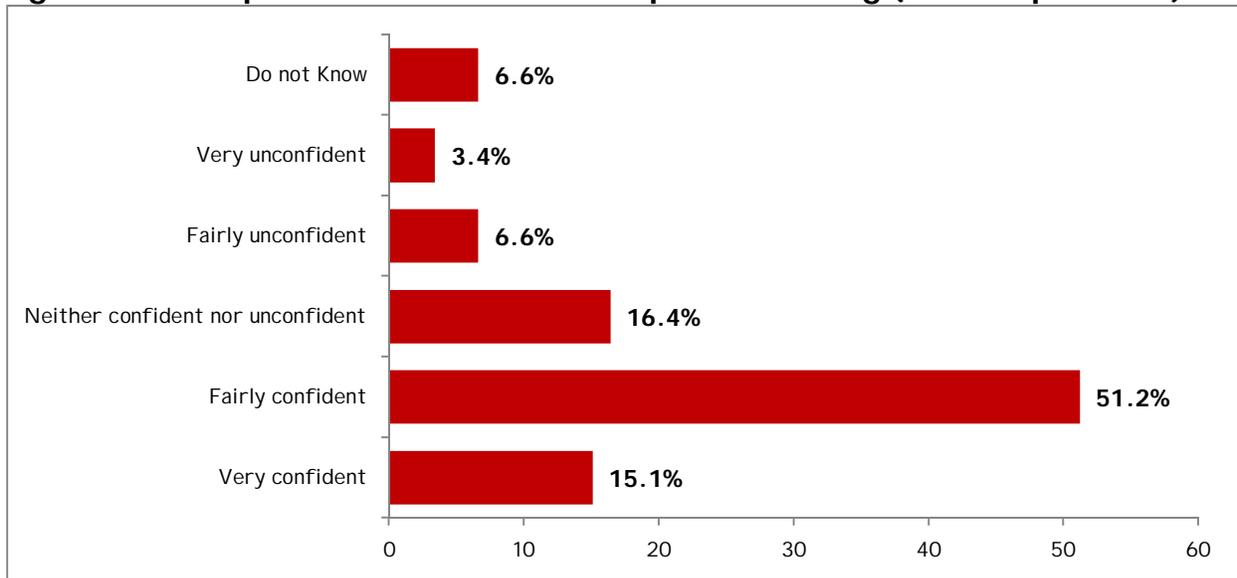
**Source:** Survey Findings

The findings also show that the level of confidence in the products on the market in regard to their suitability to needs of the clients is still low. This was demonstrated by: 55.7% who reported that they were fairly confident; 13 % who were not sure; 7.7% who were fairly unconfident and 2.7% who reported to be very unconfident. This is a demonstration by significant proportion of investors that the all products offered on market may not be suitable to needs of the client. This suggests that clients' needs be identified so that products can be tailored accordingly.

### **5.3 Perception of confidence in Complaint Handling**

With regard to perception of confidence in complaints handling, the investors were asked whether they had confidence in compliant handling mechanism within the capital markets industry .i.e. whether their complaints would be resolved fairly or not. Figure 18 presents a graphic summary of the findings.

**Figure 18: Perception of confidence in Complaint Handling (% of Respondents).**



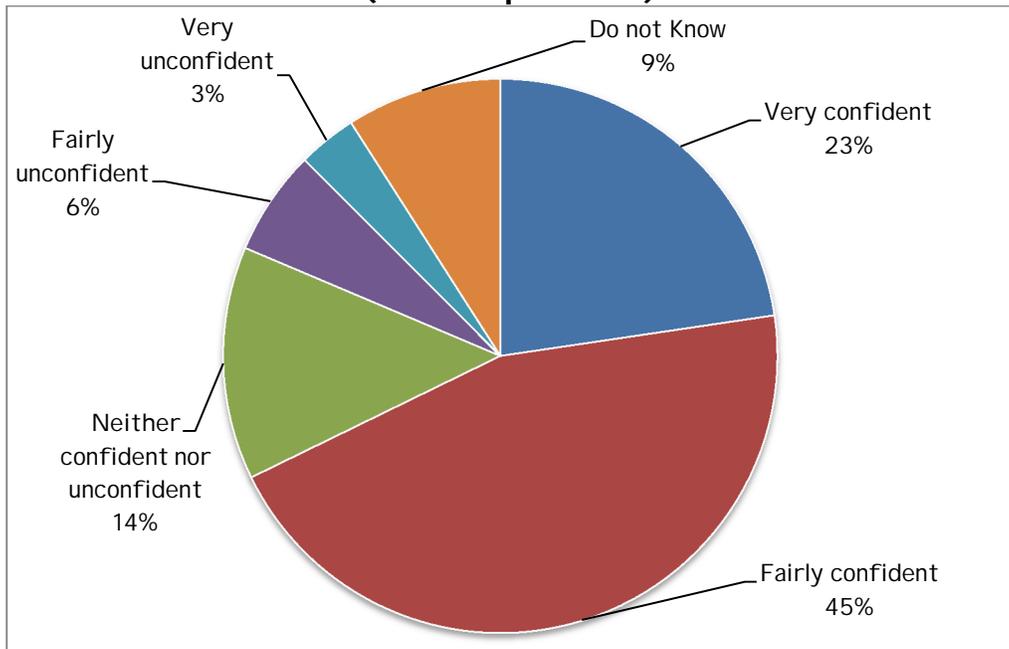
**Source:** Survey Findings

Half of the respondents (51.2%) were fairly confident in the complaints handling mechanism for the capital markets. In addition, another sizeable proportion (15.1%) reported being very confident in the mechanism. It ought to be noted the level of confidence may also be affected by level of knowledge among investors that such systems exist which may influence them to swing either way. Popularizing information about such complaint handling systems would produce desirable results.

#### **5.4 Perception on Compliance with the Capital Markets laws**

Respondents were asked whether they have confidence that licensed firms operating in Uganda's capital markets industry follow the laws and Capital Markets Authority regulations. Figure 19 shows the details of findings.

**Figure 19: Confidence on Compliance with the Law and CMA Regulations (% of Respondents).**



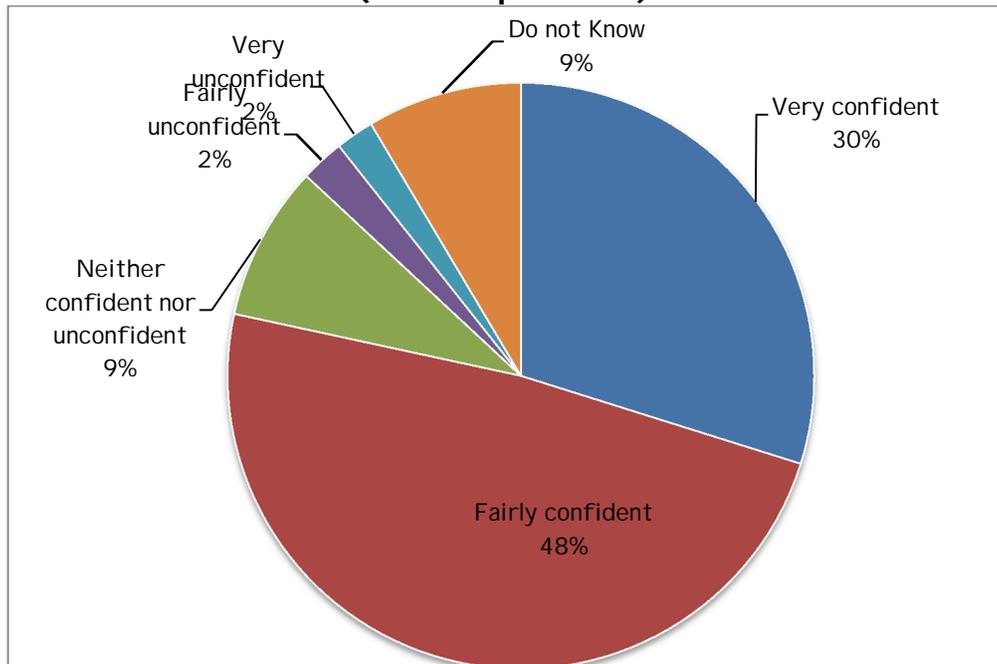
**Source:** Survey Findings

The findings also show that majority (44.8%) reported having fair confidence level. In addition, 22.5% reported that they were very confident that licensed firms were following laws and regulations. Such levels of confidence may be a pointer to limited levels of knowledge on the laws and regulation that govern the capital markets industry as well as procedure for enforcement.

### **5.5 Perception that CMA regulates Capital Markets Effectively**

Some mention was made of the ability of capital markets ability to effectively regulate the market. In this regard, study surveyed the perceptions of investors about their confidence that CMA was effectively regulating the market. A number of responses were generated as presented in figure 20.

**Figure 20: Perception that CMA regulates Capital Markets Effectively (% of Respondents).**



**Source:** Survey Findings

It is apparent from figure 20 that most of the investors (48%) were fairly confident that CMA was effectively regulating the capital markets industry at the time the survey was conducted. A substantial 30% reported to be very confident CMA regulating the industry. It was observed that some of the investors were not aware of the mandate of CMA as a regulator in the market and how CMA relates to USE.

## 6.0 SEEKING FOR INVESTMENT ADVICE

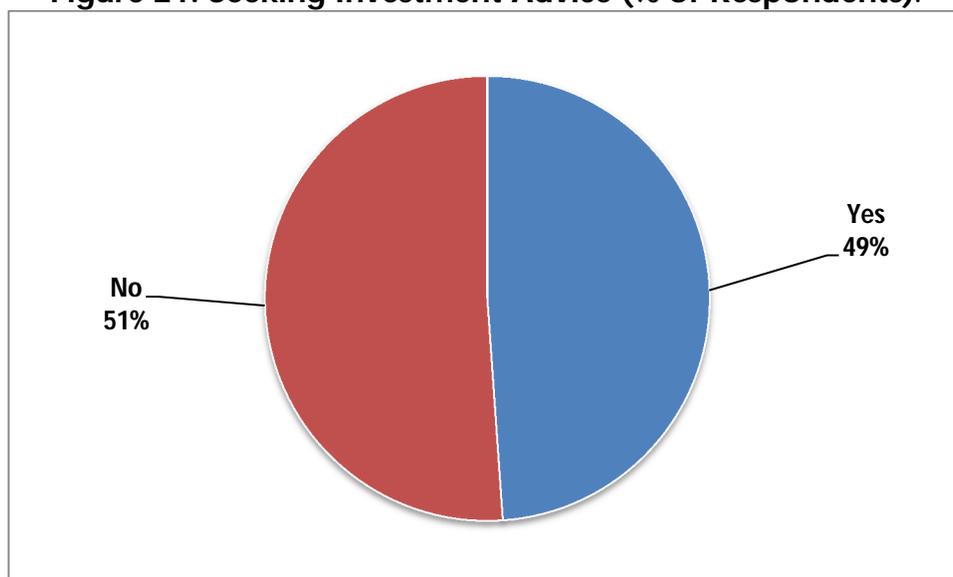
### 6.1 Introduction

Capital Market's professional advisory are critical in making sound investment decisions whether the investor is well-informed investor or a novice, an active or a passive. The capital markets investors require this service if they plan to invest, or even more if they have already invested. These services help to identify right investment opportunities, help the investor build a portfolio to suit his/her risk-return equation, and sometimes keep monitoring on behalf of the investor and suggest actions based on price movements and industry. It is partly on this basis that the survey explored the level utilization of professional capital investment advisory services presented in this section.

### 6.2 Ever Sought Investment Advice

The respondents were asked whether they had asked for professional investment advice or not about capital markets products in the last 12 months. The results are shown in figure 21.

**Figure 21: Seeking Investment Advice (% of Respondents).**



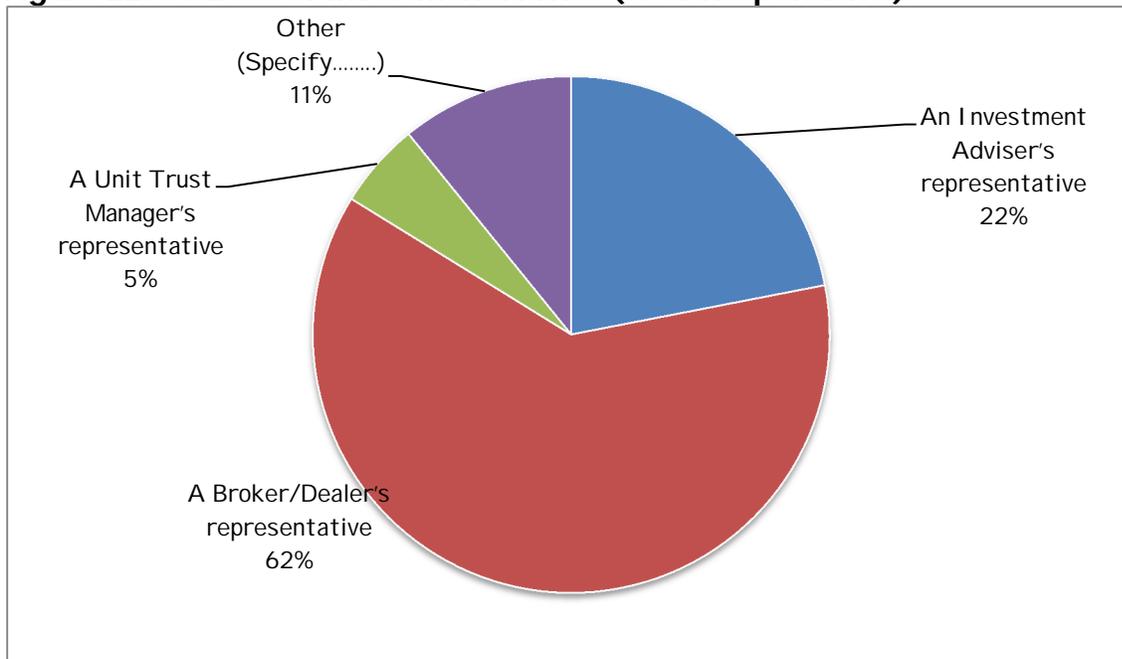
Source: Survey Findings

From the results, 46.4% of the respondents had sought professional advice on investment in capital markets compared to 48.5% who had not. This implies that very many investors do not utilize the services of investment advisers partly because they may not know that they exist or they want to avoid the costs involved. Such practice may increase the level of risk on part of the investor.

### 6.3 Source of Investment Advice

The respondents that had sought professional investment advice were asked where they sought this advice from. The sources of advice reported are presented in figure 22.

**Figure 22: Sources of Investment Advice (% of Respondents).**



**Source:** Survey Findings

The study revealed that 48.5% of the investors got the advice from brokers or dealers representatives. Much as some investors attempted to seek investment advice from professionals, the engagement of such professionals by investors was still low. The visibility and accessibility of these professional investment advisers on the market leaves a lot to be desired.

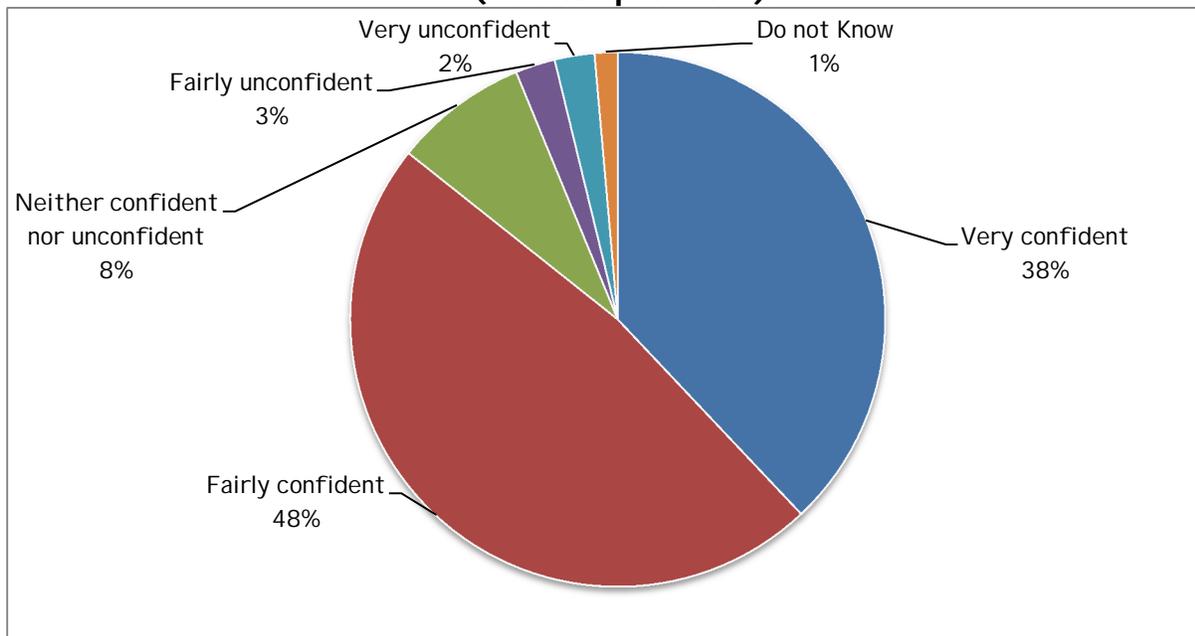
In this regard, a key informant noted that:

*.....The investors have a right to knowledge. There is need to provide them with key information to make better investment decisions in the capital market industry. For those who are yet to be investors, they need to hear more about the benefits while investors would want more information on websites, print media, radios and public advocacy campaigns. This means they should have accesses to information on products, structure return potential, and risk expectations. The investors must know that there are risks in the capital markets that need to be managed. This will give them ability to buy shares and invest where there is risk management. (Official from Uganda Securities Exchange (USE) Governing Council)*

#### 6.4 Perception about Appropriateness of Advice Given

The investors who reported to have sought professional investment advice were further asked whether the advice received from investment advisers was appropriate or not. Figure 23 presents the results.

**Figure 23: Confidence in Appropriateness of Investment Advice Given (% of Respondents).**



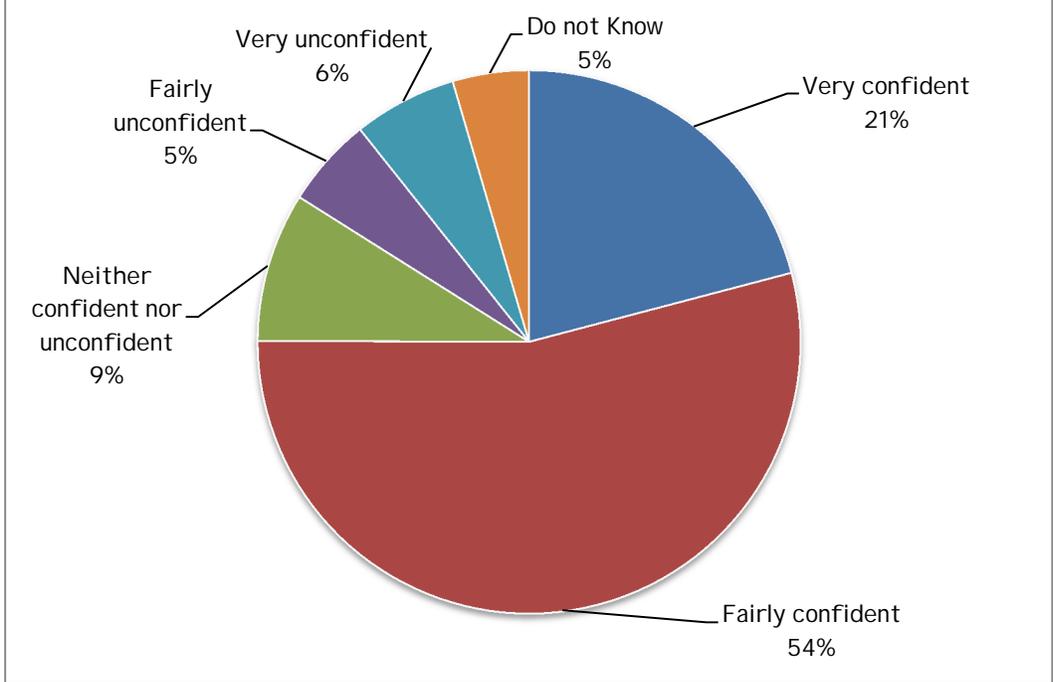
Source: Survey Findings

Findings revealed that 30% of the respondents had a lot of confidence in the investment advice; and 37.7% were fairly confident that the advice was appropriate to their circumstances. The findings therefore imply that investment advisers need to understand the needs of their customer’s vis-à-vis what is prevailing on the market.

**6.5 Perception on Treatment of Customers**

The respondents were asked about their perception on level of confidence regarding treatment of customers by the firms licensed to operate in Uganda’s capital markets. The results are presented in figure 24.

**Figure 24: Level of Confidence on Treatment of Customers (% of Respondents).**



Source: Survey Findings

Majority of the respondents (53.6%) reported to be fairly confident in firms’ treatment of customers. In addition, 20% were very confident in the firms operating in the market regarding their fair treatment of their customers. Thus, it more than necessary to keep the stakes for good customer care and treatment as the life blood for any business. The findings also revealed that investors’ rights should be respected, the operations in the

market should be transparent and the market should treat all investors fairly. This was revealed by some Officials from USE Governing Council, thus:

*The investors need assurance that their money is safeguarded. Some rights of investors are violated because; sometimes their shares are sold by brokers without knowledge of investors and ploughed back after making profits. (Respondent from USE Governing Council)*

*..... Investors in the market should not be cheated by brokers. The rule of transparency should override the market. Also investors should know their rights through displays, etc, so that they know the benefits of joining capital markets. Such benefits like discounts, and tax holidays are factors that can attract investors.*

**( Respondent from USE Governing Council)**

*.....There is need for the same investment environment applied for all investors to operate without any discrimination whatsoever. They should receive the same information across the board. There should not be any privilege for the chosen few. For example, in case of loss of stock brokerage or fraud, investor has a right to be given back his/her price through rights issue. ...the investors should have a right to repatriate their savings.( Respondent from USE Governing Council)*

## **7.0 FACTORS AFFECTING INVESTMENTS IN UGANDA'S CAPITAL MARKETS**

### **7.1 Introduction**

A well regulated and properly functioning capital market clearly plays many roles and offers many benefits. Capital markets allow the efficient transfer of funds between borrowers and lenders. Households and investors who are short of funds to take up profitable investment opportunities that yield rates of return higher than the market are able to borrow funds and invest more than they would have done without capital markets. However, to play the above roles and attain these ideals, a capital market needs to be effectively organized and operated, with a continuous flow of orders around the equilibrium prices. To this effect a number of factors were found to impact on the achievement of a fully functional and well regulated capital market in Uganda including:

### **7.2 Factors Affecting Investment**

#### **7.2.1 Low Financial Literacy Levels**

It was reported that financial literacy levels were still low among most of the potential players. In this regard, many potential investors were not able to make appropriate investment decisions in capital markets. This was not only limited to finances but also limited knowledge about usefulness of the Capital markets by local businesses persons and the trading process. This has resulted in visible limited engagement of the Capital markets with stakeholders in the industry.

#### **7.2.2 Compliance of Companies**

In addition, there were compliance challenges where very few companies were in position to comply with the present standards set and the legal regime. For a company to be listed, it would be required to declare profits for the last 5 years. Those that made losses would not be eligible to be listed. Many potential companies are still operating

informally and did not express any interest to be listed in the capital markets due to the costs involved like paying taxes.

### **7.2.3 Number of Listed Companies**

The number of listed companies on the market is still very limited and this has made the market shallow and small. At the time of the study, it was established that there were only 7 Ugandan companies and the rest are cross-listed. Most investors had a limited range of choices where they could invest their money. It was established that majority of the investors in capital markets only buy shares. It was also observed that the companies do not have a variety of products to be able to spread their risks. They need to see more listings of companies on the market.

### **7.2.4 Limited Geographical Coverage**

It was been observed that, the nature of the current trading system is that, most companies have not been able to go beyond Kampala. This severely affected scope of operation and venturing into virgin markets in the country side. The capital market was reported to be mainly concentrated in Kampala. Brokers are profit making organizations and are reluctant to go up country where the majority of the population is. Access was still a problem because many people do not know about the market.

### **7.2.5 Level of Competition**

The level of competition in the market was found to be low. At the time of the study, there were only 8 brokers and 6 fund managers. This meant that there were only 14 companies listed of which only 7 of them were Ugandan. Others were cross-listed and mainly from Kenya. There was virtually no competition in the market as the market was full of monopolists.

### **7.2.6 Inflation**

At the time of the survey, Uganda was still experiencing high levels of inflation. For around 5 months (September 2011- January 2012), inflation increased to 24% from 10%.

As a result of a high inflation, investment value had been eroded due to reduced purchasing power. The high lending rates affected clients' investable funds due to increased monthly loan commitments. In light of such a challenging environment, investors began to re-align investment priorities leading reduced activity in capital markets. Such an environment made the capital markets dull.

### **7.2.7 Liquidity**

In terms of liquidity of the markets, measured by the value traded, it was reported that capital markets experienced low levels of liquidity, in some instances zero values were recorded

## 8.0 EMERGING ISSUES AND RECOMMENDATIONS

From the analysis of data a number of critical issues emerged and recommendations to address them have also been generated as shown in table 1.

**Table 1: Emerging Issues and Recommendations**

Emerging issues	Recommendation
<p><b>Another significant proportion (22.1%) was earning within the range of Uganda shillings 500,001 – 1, 000,000 per month. It should also be noted that approximately 31% of the surveyed investors earn 500,000 and below</b></p>	<p>It would be prudent to design products that are friendly with their earnings.</p>
<p><b>There was an observation that potential capital market investors need to have tangible experiences of a capital market to become interested.</b></p>	<p>There is need to generate an increase in operations of capital markets in order to increase their visibility. Provide tax incentives for individuals willing to invest in shares.</p>
<p><b>most of the investors (27.9%) were motivated by anticipated dividends or profits to invest in capital markets</b></p>	<p>Develop incentive mechanisms for parties interested in participating in capital markets</p>
<p><b>The levels of confidence in the qualification of firms in capital markets across the board were found not to be very high. Most of the respondents reported the confidence levels to be fair (50.4%).</b></p>	<p>Popularize minimum qualification and firms for firms to be license in capital markets trading. Identification of challenges that investors face which is a precursor to their doubts would be a step in the right direction.</p>
<p><b>The findings also show that the level of</b></p>	<p>This suggests that clients' needs be</p>

<p><b>confidence in the products on the market in regard to their suitability to needs of the clients is still low. This was demonstrated by: 55.7% who reported that they were fairly confident; 13 % who were not sure; 7.7% who were fairly unconfident and 2.7% who reported to be very unconfident</b></p>	<p>identified so that products can be tailored accordingly.</p>
<p><b>Half of the respondents (51.2%) were fairly confident in the complaints handling mechanism for the capital markets</b></p>	<p>Further popularizing information about such complaint handling systems would produce desirable results</p>
<p><b>It was observed that the low levels of confidence may be a pointer to limited levels of knowledge on the laws and regulation that govern the capital markets industry as well as procedure for enforcement</b></p>	<p>There is need to disseminate laws, rules and regulation governing capital markets and procedures for their enforcement. Provision of information about the key players in the market, listed firms and licensed ones would also be instrumental</p>
<p><b>It was observed that that some of the investors were not aware of the mandate of CMA as a regulator in the market and how CMA relates to USE.</b></p>	<p>Initiate forums where such as trade fairs and meetings of business associations to inform the stakeholders and business associations about the mandate and functions of USE and CMA.</p>

<p><b>46.4% of the respondents had sought professional advice on investment in capital markets compared to 48.5% who had not. This implies that very many investors do not utilize the services of investment advisers partly because they may not know that they exist or they want to avoid the costs involved. Such practice may increase the level of risk on part of the investor.</b></p>	<p>Provide information on the need for investment advisory services          Provide information on licensed firms that provide professional investment advice.          Disseminate information on listing requirements and possibilities to obtain input from e.g. business support institution</p>
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## **ANNEXES**

### **A.1 Questionnaire**



### **CAPITAL MARKETS INVESTORS SURVEY**

Capital Market Authority (CMA) was established by an Act of Parliament in 1996 to regulate and promote the development of capital markets in Uganda. One of the cornerstones of capital Markets regulation is investor protection. Therefore if CMA is to adequately protect the investors in Uganda's capital markets it needs to fully understand the nature and needs of these investors.

APAS Consultants Ltd has been contracted to carry out a survey determine the needs of investor so that CMA in turn can make relevant interventions that will make CMA meet it mandate of protecting the investor.

Capital Market Authority has selected you as an important stakeholder to participate in this study. In carrying out this study, APAS will interview selected investors in Uganda Securities Exchange. Your identity will remain anonymous in our reports and your participation is voluntary although you are encouraged to participate.

## A. CAPITAL MARKETS INVESTORS' PROFILE

**A1.** Can you tell me in which of these age groups you belong to? *(Tick where appropriate)*

Code	Age Range	Tick	Code	Age Range	Tick
1	18-20		6	60-69	
2	21-29		7	70+	
3	30-39				
4	40-49				
5	50-59				

**A2.** Gender *(Tick where appropriate)*

Code		Tick	Code		Tick
1	Female		2	Male	

**A3.** What is your highest level of education you attained? *(Tick where appropriate)*

Code	Level of Education	Tick	Code	Level of Education	Tick
1	Primary		7	Doctorate	
2	Secondary		8	Never been to School	
3	Post-Secondary Vocational/Technical Training		9	Don't Know	
4	Diploma		10	Other (SPECIFY)	
5	Bachelor's University Degree				
6	Master's University Degree				

**A5.** Employment Status *(Tick where appropriate)*

Code	Employment Status	Tick	Code	Employment Status	Tick
1	Self employed		6	Other (specify)	
2	Full-time employee				
3	Part-time employee				
4	Unpaid for household work				
5	Unemployed				

**IF UNEMPLOYED GO TO SECTION B. IF EMPLOYED IN ANY FORM GO TO QUESTION A6.**

**A6.** Level of Income per Month *(Tick where appropriate)*

Code	Income Range (Ushs)	Tick	Code	Income Range (Ushs)	Tick
1	Less than 100,000		6	10,000,001 +	

2	100,001-500,000	
3	500,001-1,000,000	
4	1000,001-5000,000	
5	5000,001-10,000,000	

## B. KNOWLEDGE AND UNDERSTANDING OF CAPITAL MARKETS INDUSTRY

**B1.** Have you ever heard or do you know the following words/statement/phases? *(Tick where appropriate)*

		I have ever heard of the word or phrase but do not know what it means	I have ever heard of the word or phrase and know what it means	I have never heard of the word or phrase
Code		1	2	3
a	Shares			
b	Corporate Bonds			
c	Government Bonds			
d	Treasury Bills			
e	Unit Trusts			
f	Capital Markets Authority (CMA)			
g	Uganda Securities Exchange (USE)			
h	Securities Central Depository (SCD)			
i	Main Market Investment Segment (MIMS)			
j	Alternative Investment Markets Segment (AIMS)			
k	Fixed Income Securities Market Segment (FISMS)			
l	Broker/Dealer			
m	Investment Advisor			
n	Fund Manager			
o	Dividends			
p	Dividend Yield			
q	Yield to Maturity			
r	Yield Curve			
s	Price to Earnings Ratio			
t	USE All share Index			

IF YOUR ANSWER TO ANY OF THE QUESTIONS IN B1 IS EITHER 1 "I HAVE EVER HEARD OF THE WORD OR PHRASE BUT DO NOT KNOW WHAT IT MEANS" OR 2 "I HAVE EVER HEARD OF THE WORD OR PHRASE AND KNOW WHAT IT MEANS" THEN GO TO **B2**

IF YOUR ANSWER TO ANY OF THE QUESTIONS IN B1 IS "I HAVE NEVER HEARD OF THE WORD OR PHRASE" THEN GO TO **Section C**

**B2.** What was your source of knowledge of capital markets? *Tick where appropriate?*

Code		Tick	Code	
<b>a</b>	Personal Study/Research		<b>k</b>	Capital Markets Authority Stall at Trade fairs
<b>b</b>	Learnt about capital markets in school/University/Vocational School		<b>l</b>	Uganda Securities Exchange Stall at Trade fairs
<b>c</b>	Internet		<b>m</b>	Broker/Dealers
<b>d</b>	Newspapers		<b>n</b>	Investment Advisors
<b>e</b>	Radio		<b>o</b>	Unit Trust Manager(African Alliance Uganda)
<b>f</b>	Television		<b>p</b>	Fund Managers
<b>g</b>	Seminars/Talks/Presentations of Capital Markets Authority		<b>q</b>	Friends
<b>h</b>	Seminars/Talks/Presentations of Uganda Securities Exchange		<b>r</b>	Family Members
<b>i</b>	Brochures/Pamphlets of Capital Markets Authority		<b>s</b>	Any Other (Please Specify...
<b>j</b>	Brochures/Pamphlets of Uganda Securities Exchange			

**B3.** On a scale of 1 to 5 where **1** = least reliable and **5** = most reliable, 4= reliable, 3 = Moderately reliable , 2= least reliable , please rank the sources of knowledge on the capital markets.

Code		Tick	Code	
<b>a</b>	Personal Study/Research		<b>k</b>	Capital Markets Authority Stall at Trade fairs
<b>b</b>	Learnt about capital markets in school/University/Vocational School		<b>l</b>	Uganda Securities Exchange Stall at Trade fairs
<b>c</b>	Internet		<b>m</b>	Broker/Dealers
<b>d</b>	Newspapers		<b>n</b>	Investment Advisors
<b>e</b>	Radio		<b>o</b>	Unit Trust Manager(African Alliance Uganda)
<b>f</b>	Television		<b>p</b>	Fund Managers
<b>g</b>	Seminars/Talks/Presentations of Capital Markets Authority		<b>q</b>	Friends
<b>h</b>	Seminars/Talks/Presentations of Uganda Securities Exchange		<b>r</b>	Family Members
<b>i</b>	Brochures/Pamphlets of Capital Markets Authority		<b>s</b>	Any Other (Please Specify...
<b>j</b>	Brochures/Pamphlets of Uganda Securities Exchange			

**C. CAPITAL MARKETS INVESTMENTS**

C1. What motivated you to invest in the capital markets? *Provide at least two one reason*

.....

.....  
 .....  
 C2. How much money have you so far invested in the capital markets? *Please tick where appropriate*

Code	Income Range (Ushs)	Tick	Code	Income Range (Ushs)	Tick
1	Less than 100,000		6	10,000,001 +	
2	100,001-500,000				
3	500,001-1,000,000				
4	1000,001-5000,000				
5	5000,001-10,000,000				

C3. How many years have you been invested in Uganda's capital markets? .....

C4. In how many Initial Public Offers (IPOs) have you participated in? .....

C5. How frequently do you invest in the capital markets? *Please tick where appropriate*

Code		Tick
1	Every day	
2	At least once a week, but not every day	
3	At least once a fortnight (i.e. two weeks), but not once a week	
4	At least once a month, but not once a fortnight (i.e. two weeks)	
5	Less than once a month	
6	I have never invested in the capital markets since I bought shares/bonds at the IPO	

C6. How much risk are you prepared to take that you might lose some of the money you invest in the capital markets? *Please tick where appropriate*

Code		Tick
1	No risk at all	
2	Low risk	
3	Low to moderate risk	
4	Moderate risk	
5	Moderate to high risk	
6	High risk	

C7. Thinking about your investments in the capital markets, in your view, what is the risk that you might lose some of the money you have invested? *Please tick where appropriate*

Code		Tick
1	No risk at all	

2	Low risk	
3	Low to moderate risk	
4	Moderate risk	
5	Moderate to high risk	
6	High risk	

#### D. INVESTOR PROTECTION

D1. How confident are you that firms licensed to operate in Uganda's capital markets industry have adequately qualified staff and enough money to operate? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

D2. How confident are you that firms licensed to operate in Uganda's capital markets industry ensure that investment products they sell are suitable for the needs of the consumers? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

D3. If you needed to make a complaint to a financial firm, how confident would you be that the firm would resolve your complaint fairly? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

D4. Overall how confident are you that firms licensed to operate in Uganda's capital markets industry follow the capital markets laws and CMA's regulations? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	

6	Do not Know	
---	-------------	--

D5. Overall how confident are you that the CMA is effectively regulating the capital markets industry? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

## E. SEEKING FOR INVESTMENT ADVICE

E1. Have you received professional investment advice about a capital markets product in the past 12 months? *Please tick where appropriate*

Code		Tick
1	Yes	
2	No	

E2. Thinking about the last time you received such advice, did it come from.....? *Please tick where appropriate*

Code		Tick
1	An Investment Adviser's representative	
2	A Broker/Dealer's representative	
3	A Unit Trust Manager's representative	
4	Other (Specify.....)	

E3. Thinking about the advice you received, how confident are you that the advice was appropriate to your circumstances? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

E4. **IN GENERAL**, how confident are you that firms licensed to operate in Uganda's capital markets industry treat their customers fairly? *Please tick where appropriate*

Code		Tick
1	Very confident	
2	Fairly confident	
3	Neither confident nor unconfident	
4	Fairly unconfident	
5	Very unconfident	
6	Do not Know	

## A.2 Key Informant Guide



# CAPITAL MARKETS INVESTORS SURVEY

## A SURVEY QUESTIONNAIRE FOR MARKET PARTICIPANTS AND REGULATOR

Capital Market Authority (CMA) was established by an Act of Parliament in 1996 to regulate and promote the development of capital markets in Uganda. One of the cornerstones of capital Markets regulation is investor protection. Therefore if CMA is to adequately protect the investors in Uganda's capital markets it needs to fully understand the nature and needs of these investors.

APAS Consultants Ltd has been contracted to carry out a survey determine the needs of investor so that CMA in turn can make relevant interventions that will make CMA meet its mandate of protecting the investor.

Capital Market Authority has selected you as an important stakeholder to participate in this study. In carrying out this study, APAS will interview selected investors in Uganda Securities Exchange. Your identity will remain anonymous in our reports and your participation is voluntary although you are encouraged to participate.

### **TARGET AUDIENCE: TECHNICAL STAFF OF CMA, USE, BROKERS AND MINISTRY OF FINANCE?**

1. Do you have any knowledge about capital market in Uganda?
2. If yes, how do they operate?
3. What types of capital markets are you aware of?
4. Who are the players of capital markets in Uganda?
5. Do you think there has been growth in capital market?

6. From your own experience, what do you have to say about the level of awareness of investors on the following of the capital markets?
  - a) Trading Systems
  - b) Listing of companies
  - c) Operation of stock markets
  - d) Equity markets
7. What challenges do you think Capital markets face in Uganda?
8. Do you have the knowledge about Capital market Authority?
9. If yes what does it do?
10. Do you have any relationship with CMA?
11. In which way are you related?
12. How do you rate your relationship with CMA?
13. What Challenges do you face while working with the CMA?
14. How do you think these challenges could be solved?
15. Do you know about your rights as an investor?
16. Which rights of investors do you know?
17. Are you aware of the laws governing investment in Uganda?
18. If yes what are the laws governing investment in Uganda?
19. For how long have you been in the investment?
20. What type of investment do you practice?
21. Where does the owner come from /which country of origin is the investment/where the head office is located. **(Investor)?**
22. What do you think are the factors affecting investment in Uganda?
23. What challenges do you face in the investment?
24. Do you think other investors face the same challenges?
25. If no, which other challenges do you think other investors face?
26. How do you think these challenges could be addressed?

## A.3 LIST OF KEY INFORMANTS

### CMA Board Members

NAME	ORGANISATION	TITLE
Mr. Patrick Paul Mwanja	Ministry of Finance, Planning and Economic Development	Senior Economist
Ms Agnes Tibayeitalsharaza	DFCU Bank	Secretary and Director
Mr John Fischer Kanyemibwa	Kateera and Kagumire Advocates	Director
Mr. AwelUwihanganye	UNCCI	Secretary General

### Uganda Securities Exchange (USE) Governing Council

NAME	ORGANISATION	TITLE
MrKenethKitariko	African Alliance Ltd	Chief Executive Officer
Mr A.R Kalani	Cranes Financial Services	Chief Executive Officer
Mr. Pramod Gupta	Baroda Capital Markets U Ltd	Director
Mr. Suraj K Srivastava	Baroda Capital Markets U Ltd	Head Capital Markets
Mr. Edward Ruyonga	Equity Stock Brokers U Ltd	Manager
Mr. Kennedy Riungu	UAP Financial Services	CEO

### Fund Managers

NAME	ORGANISATION	TITLE
MrKenethKitariko	African Alliance Ltd	Chief Executive Officer
Mr Arnold Byarugaba	Stanbic Financial Services Ltd	Investment Analyst
AnneteRumanyikaMulira	Stanbic Financial Services Ltd	General Manager
Mr. Nicholas Malaki	Pine Bridge Investment Co Ltd	CEO
Mr. Kennedy Riungu	UAP Financial Services	CEO
Mr Denis Magalya	Insurance Co of EA Ltd Investment Services	Officer