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Editorial Note

Dear authors and readers of the Ruaha Business, Economics and Management Sciences Journal. It is with great pleasure that I welcome you to the fourth volume of Ruaha Journal of Business, Economics, and Management Sciences for which I have been appointed as the Chief Editor

Our goal is to provide worldwide scholars with comparative research papers on recent business, economics, and management sciences advancements in Tanzania and elsewhere. This journal is the brainchild of the Faculty of Business and Management Sciences and is intended to bridge the gap between the business, economics, and management academic tradition and the international arena. Our goal is also to improve access by other scholars and ensure the journal gains global recognition.

Second, we are very flexible in our editorial policies and thus welcome articles from other countries. It is our vision that the Ruaha Journal of Business, Economics, and Management Sciences transitions to a platform of international comparative discussions on various business, economics, and management sciences themes. Our scope is limitless and thus accommodates a wide range of interdisciplinary fields.

Finally, I would like to thank all prominent members of our Editorial Board for joining us in this new fascinating, and promising academic project. I thank all contributors to our journal.

Prof. Dominicus Kasilo
Chief Editor

TABLE OF CONTENTS

Ruaha Catholic University
Faculty of Business, Economics and Management Sciences
Ruaha Journal of Business, Economics and Management
eISSN 2507-79945 Vol 5, December, 2022

Contribution of Government Electronic Payment Gateway (GEPG) towards Effectiveness of Revenue Collection: A Case of TRA Iringa Regional Office

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Abstract

Government electronic payment gateway (GePG) could not only help to overcome the challenges of corruption, tax evasion, tax exemption but also may facilitate the effectiveness and efficiency in revenue collection performance. However, there is little knowledge about the contribution of government electronic payment gateway system on revenue collection. This paper focuses on the assessment of contribution of government electronic payment gateway in effectiveness of revenue collection performance. The study was carried out in Iringa TRA Regional office. Mixed method include interview, questionnaire and documentary review were used to collect data from Iringa TRA Regional office. The quantitative data were analyzed using Statistical Package for Social Sciences (SPSS), while qualitative information was analyzed using content analysis. The study findings indicated that government electronic payment gateway system plays a significant role on effectiveness revenue collection performance. This is supported by the fact that the system facilitates transactions by eliminating the use of cash in government payments, enhance budget compliance, ensure compliance with rules and regulations, facilitate transferring of government income, reduce cost of compliance and reduce cases of taxes invasion or offense. The study concludes that efforts on taxes invasion, pro-poor taxation, cost of compliance and budget compliance is suggested for effectiveness revenue collection performance as it is lower than 80% decision criteria. This should go along with strengthening the use of electronic payment gateway system for effective and efficiency revenue collection performance.

Key words: *Government electronic Payment Gateway System, Effectiveness on revenue collection performance, Iringa TRA Regional office.*

Introduction

Tanzania government has been implemented the Government Electronic Payment Gateway (GePG) system to improve government revenue collection in the country. As of July 2020, the system was implemented in 660 public institutions and is integrated into 28 commercial banks and 6 mobile money operators. While the system has been widely accepted, evaluation on its adequate and performance is necessary as many similar initiatives implemented in Africa have failed to deliver the desired outcomes (Sanga, 2015). Inception of the technology enabled the government to overcome the challenges in collecting revenues, including high costs associated with service offered by revenue collection agents, complicated procedures for paying for government services, limited payment options, corruption and lack of real-time visibility of the revenue that impacted into enhance government revenue collection performance. Recently the system was implemented in 660 public institutions and is integrated into 28 commercial banks and 6 mobile money operators. While the system has been widely accepted, evaluation on its adequate and performance is necessary as many similar initiatives implemented in Africa have failed to deliver the desired outcomes (Sanga, 2015). In view of this argument Studies by Kaongo(2015) and Nuluva (2015) carried out in Tanzania on the performance of revenue collection in Local Governments Authorities revealed that administrative incapacity, inexperienced staff, corruption; poor plans and policies hamper effectiveness and efficiency on revenue collection performance.

Mtebe and Sausi (2021) carried out an investigation on Revolutionization of revenue collection with government e-payment gateway system in Tanzania. The study revealed that the use of the e-government system increased revenue collection by 44.28% while reducing the cost associated with revenue collection by 27.10% between 2015/2016 and 2019/2020 in the surveyed institutions. Kishura (2020) studied Impact of Government Electronic payment Gateway on Revenue collection in Tanzania. Result indicates that GePG play a significant role to the increase of revenue collection from a mean of 2.63888 to 3.3878. This is to say that past studies have not sufficiently addressed the contribution of government electronic payment gateway system on effectiveness of revenue collection performance as it focused on impact of the system. It is in this light that this study sought to addresses the contribution of government electronic payment system on revenue collection in Iringa TRA Regional office and how it has improved the performance of revenue collection as it filled the existing knowledge gap, to recommend on ways to fully adopt technology in revenue collection. The study was guided by the following objective: to examine the contribution of government electronic payment gateway on revenue collection performance.

Contribution of Government electronic Payment Gateway on revenue collection

Innovation of government electronic payment gateway marked a dramatic change in revenue collection all over the world as it replaces manual systems including manual receipts, and manual recording resulted into problems high collection costs, fraud, underpayment, and other revenue leakages (Fjeldstad and Heggstad, 2012). Several studies justified changes in revenue collection after adoption of e-payment. Gidisu (2012) provided evidence on this positive effect in Ghana due to the introduction of automation system reducing the cost of tax administration and increasing the effectiveness of revenue collection.

Oduor, et al (2016) did a study on Automating revenue collections in Kenya: A case of Kiambu County. The study focused on ascertaining the impact of adopting automated revenue collection system and its effects on governance and service delivery in Kiambu County. The results of the study showed an increase in revenue realization and granular visibility of county revenues and trends. The study further reveal an increase of 60% improvement in revenue collection within the first of the implementation of County Pro system as 74% of respondents were satisfied with automated revenue collection.

Sanga (2015) carried out a study on Electronic Revenue Collection in Tanzania. The study examined effects of electronic revenue collection systems. Quantitative approach coupled with questionnaire used in data collection and analysis. The findings show the system is effective and efficient and has improved revenue collections to a great extent. It is expected that the system will be very effective when full deployed as it will reduce cash lock up associated with the paper system and the trend towards control of revenue show significant improvement.

Kessy (2019) studied Electronic Payment and Revenue Collection in Local Government Authorities in Tanzania: Evidence from Kinondoni Municipality. Simple random sampling procedures coupled with semi-structured questionnaire was distributed to revenue collectors and administrators. Data were analyzed using descriptive statistics and linear regression. The findings revealed that most of the respondents admitted that e-payment influences revenue collection by enabling the Municipal increase tax compliance. It was further revealed that e-payment provide additional competitive edge in monitoring revenue sources, and improving the quality of financial reporting. Furthermore, the findings revealed a positive linear relationship between e-payment and revenue collection in terms of tax compliance, monitoring of revenue sources, and financial reporting. Though the studies reviewed provided valuable information to the present study on government electronic payment gateway system and revenue collection, very few have addressed the effectiveness on revenue collection performance in Tanzania with reference to Iringa TRA Regional office. This is the facts that call for the need of this study.

Methods

The design of this research was case study research. The population for this study was composed of the Iringa TRA Regional office staff. The study was conducted to a sample size of 40 respondents. The study used questionnaire and interview to collect data from TRA staff, TRA regional manager and ICT technician. The study conducted a pre-testing of the research instrument before administering it, to test the reliability and validity of the research tool. Data from questionnaire was coded and logged in the computer using Statistical Package for Social Science (SPSS V 22). Data collected from interview was analyzed qualitatively. The collected data was analyzed using both quantitative and qualitative data analysis methods. In this study decision criteria used to ascertain effectiveness on revenue collection performance is 80%.

Discussion

The study sought to examine the contribution of government electronic payment gateway system on effectiveness on revenue collection performance at Iringa TRA Regional office. The respondents were requested to indicate their level of agreement or disagreement on the contribution of electronic payment system in each statement provided on a five Likert scale. The results are shown in table 4.1 to 4.10

Table 4.1 Facilitates transaction by eliminating the use of cash in government payments

Variable	Frequency	Percent
Strongly agree	14	35
Agree	26	65
Total	40	100

Source: Field data, 2022

The findings as shown in table 4.1 shows that 65% of respondents interviewed agreed on the statement that government electronic payment gateway system facilitates transaction by eliminating the use of cash in government payments and 35% of respondents were strongly agree with the statement. Therefore, from the above analysis it can be concluded that 100% agree that Government electronic payment gateway system is more efficiency and effective in revenue collection as it is greater than 80% decision criteria. Findings from documentary review informed that the system is effective in revenue collection performance as collection increase yearly. For example in 2018/2019 regional targeted to collect 58,353,620,000.00/= but the actual amount collected was 61,379,563,494.95/= equivalent to 105.19%. It signifies that electronic payment system facilitated the elimination of cash in government payment. These findings is in line to Oduor, et al (2016) explained that electronic payment contributes to an increase of 60% improvement in revenue collection within the first of the implementation of County Pro system as 74% of respondents were satisfied with automated revenue collection.

Table 4.2 Enhance budget compliance

Variable	Frequency	Percent
Strongly agree	17	42.5
Agree	12	30

Neutral	5	12.5
Disagree	6	15
Total	40	100

Source: Field data, 2022

Table 4.2 shows that 42.5% strongly agree that Government electronic payment gateway system enhance budget compliance, 30% agree, while 15% disagree on the statement and 12.5% neither agree nor disagree. Cumulatively 72.5% opined that budget compliance contribute to the effectiveness of revenue collection. However given 80% decision criteria effort should be made on budget compliance with the use of government electronic payment gateway system for effective revenue collection. The finding is contrary to what Okiro (2015) who revealed a significant relationship between level of compliance to budget estimates in before adoption electronic payment (p-value= .000) and level of compliance to budget estimates after adoption of e-payment (p-value = .041) and revenue collection performance in Nairobi City County government since the p value for each predictor variable was less than 0.05.

Table 4.3 Electronic payment ensure compliance with government rules and regulations

Variable	**Frequency**	**Percent**
Strongly agree	15	37.5
Agree	18	45
Neutral	7	17.5
Total	40	100

Source: Field data, 2022

Table 4.3 shows that 45% of respondents agree that electronic payment ensure compliance with government rules and regulations, 37.5% strongly agree, 17.5% neither agree nor disagree. Therefore, from the above analysis we can infer that 82.5% agree that electronic payment ensure compliance with government rules and regulations and is effective in revenue collection as it is greater than 80% decision criteria. It signifies that the system operations are based in the statutory requirements under the Public Finance Act 2001 as amended by the Finance Act 2017, which specifically provides that all public money shall be collected electronically through the GePG system.

Table 4.4 Multiple channels for their users to choose suitable or comfortable payment channel

Variable	Frequency	Percent
Strongly agree	10	25
Agree	20	50
Neutral	7	17.5
Disagree	1	2.5
Strongly disagree	2	5
Total	40	100

Source: Field data, 2022

Table 4.4 indicates that 50% of respondents agree that multiple channels for their user to choose suitable payment channel contribute on revenue collection, 25% strongly agree, 17.5% neither agree nor disagree, while 5% strongly disagree and 2.5% disagree with the statement. Thus, from the above analysis we can deduce that 75% agree that multiple channels for user are suitable and effective in revenue collection. However, it is lower than 80% decision criteria: suggesting that more effort needed.

Table 4.5 Facilitates transferring of government income

Variable	Frequency	Percent
Strongly agree	10	25
Agree	25	62.5
Neutral	5	12.5
Total	40	100

Source: Field data, 2022

Table 4.5 shows that 62.5% of respondents agree that revenue collection facilitated by transferring of government income with government electronic payment gateway system, 25% strongly agree with the statement, 12.5% neither agree nor disagree. It is clearly noticeable that 87.5% agree that government electronic payment gateway system is effective in revenue collection as it simplifies transferring of government income. Hence it is effective in revenue collection as it greater than 80% decision criteria. Interview findings informed the same that with the system there is effectiveness in revenue collection as government income channeled to commercial bank for reconciliation purpose.

Table 4.6 Reduce cost of compliance

Variable	Frequency	Percent
Strongly agree	12	30
Agree	19	47.5
Neutral	6	15
Disagree	3	7.5
Total	40	100

Source: Field data, 2022

Table 4.6 shows that 47.5% of respondents agree that electronic payment system reduce cost of compliance, 30% strongly agree, 15% neither agree nor disagree, while 7.5% disagree with the statement. From these findings we can deduce 77.5% of respondents agree that government electronic payment gateway system contributes to the effectiveness of revenue collection performance. The findings is in line to Gidisu (2012) explained that introduction of automation system reducing the cost of tax compliances, administration, and increasing the effectiveness of revenue collection. Allahverdi (2017) opined that transition to the electronic tax system positively affected the tax revenues and reduced the cost per tax.

Table 4.7 Facilitate pro-poor taxation

Variable	Frequency	Percent
Strongly agree	14	35
Agree	17	42.5
Neutral	3	7.5
Disagree	5	12.5
Strongly disagree	1	2.5
Total	40	100

Source: Field data, 2022

According to the findings in table 4.7, 42.5% of respondent agree that GePG facilitate pro-poor taxation, 35% strongly agree, 12.5% disagree, 7.5% neither agree nor disagree, and 2.5% strongly disagree with the statement. Therefore, from the above analysis we can conclude that 77.5% agree that government electronic payment gateway system is effective in revenue collection as it facilitate pro-poor taxation collection. Though, still lower than 80% decision criteria: suggesting that more effort need in pro-poor taxation collection. Perhaps with the inception of technology revenue collection performance improved as it replace paper revenue collection system which may last for a while.

Table 4.8 Payment information kept on the database

Variable	Frequency	Percent
Strongly agree	15	37.5
Agree	25	62.5
Total	40	100

Source: Field data, 2022

Table 4.8 shows that 62.5% of respondents agree that payment information with government electronic system is kept on the database and 37.5% strongly agree. From these findings we can inferred 100% agree that the process of keeping payment information on data base is effective and efficiency in revenue collection. The findings signifies that the system enhance security and monitoring of revenue collected from different source. Interview findings informed that the system offers reliable and accurate information pertaining to revenue collection performance since all payment information are secured enough through a centralized system, and this minimize problem in data storage.

Table 4.9 Reduces cases of taxes invasion/offense

Variable	Frequency	Percent
Strongly agree	19	47.5
Agree	10	25
Neutral	6	15
Disagree	3	7.5
Strongly disagree	2	5
Total	40	100

Source: Field data, 2022

Table 4.9 indicates that 47.5% of respondents strongly agree that with government electronic payment system cases of taxes invasion/offense reduced, 25% agree, 15% neither agree nor disagree, while 7.5% disagree and 5% strongly disagree with the statement. Thus, from the above analysis we can conclude 72.5% agree that the system is effective in revenue collection. However, still is lower than 80% decision criteria: suggesting that more effort need on taxes invasion or offense so as to improve performance of revenue collection.

Correlation analysis was used to establish relationship between government electronic payment gateway system and revenue collection as shown in table 4.10;

Table 4.10 Correlation analysis between Government electronic payment gateway system and revenue collection

		Government electronic payment gateway	Revenue collection
Government electronic payment gateway	Pearson Correlation	1	.102
	Sig. (2-tailed)		.533
	N	40	40
Revenue collection	Pearson Correlation	.102	1
	Sig. (2-tailed)	.533	
	N	40	40

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

Correlation analysis revealed a positive correlation between government electronic payment gateway system and revenue collection with r= .533 statistical significant. It signifies that government electronic payment gateway system plays a significant role on revenue collection effectiveness and performance. These findings supported by Sanga (2015) elaborated that electronic payment system is effective and efficient as it contributes positively to the improvement of revenue collections to a great extent as the trend towards control of revenue show significant improvement.

Conclusions and recommendations

Conclusion

The study concludes that partly government electronic payment gateway system enhances effectiveness in revenue collection performance despite the fact some initiatives need to be taken into consideration to smoothen the whole process of revenue collection. This is supported by the fact that regional revenue collection varies significantly as it shows an increase and decreases yearly. The situation could be associated with increase or decrease of sources of revenue collection.

Recommendations

The study further found out that government electronic payment gateway is effective on revenue collection performance as it offers a great deal to elimination use of cash in government payment, compliance with government rules and regulations as well as transferring of government income. However, electronic payment process may not work well if prop-poor taxation and tax invasion is substandard. This study therefore recommends that revenue office should undertake the initiative to all procedures related to revenue collection regularly.

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Effect of Tanzanian Shilling Depreciation against United States Dollar on International Trade Performance in Tanzania

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Abstract:

The purpose of this study was to examine the Effect of Tanzanian Shilling Depreciation against United States Dollar on The International Trade Performance In Tanzania; this was done through analyzing the effects that occur on either import levels or export levels. The relationship has been tested in a number of studies but lack of clear results made the room for this study. The interest on the study increases due to the fact that it has not been tested so thoroughly for Tanzania. The study was undertaken by evaluating theoretical and empirical considerations of the effects of currency depreciation on international trade performance. All the data used in the study are based on the data for Tanzania between the years 2007 and 2021. The methodology comprised of the statistical analysis using statistical regression analysis, specifically through Excel Microsoft. International Trade performance is the dependent variable, while the effects of depreciation on imports and exports are the independent variables.. The overall conclusion of the study examined that the depreciation of the local currency affects the export volumes but restricts the import volume.

Key Terms: Exchange rate, Depreciation of a Currency, International Trade

Introduction

An understanding of the reactions of the exchange rate fluctuations on the international trade is inevitable; this is especially for the trending open economy in a globalized world of trade. Due to the role played by the exchange rate in International trade, the situation did make Economists to put serious emphasis on the interrelation between the two; this is since that the analysis of the macroeconomic development unveils (Annette & Sofia, 2010). The results reveal that the issue had been dealt since the middle of twenty century. The reality proves that exchange rate deeply determines the trend of the economy, financial markets and the people. The influence of the exchange rate goes wider to a number of macroeconomic variables such as inflation rate, employment levels, and interest rates but also the price levels, wages and production levels. In a nutshell it impacts largely the living standard of people, indeed the everyday life. The case of Brexit procedure revealed how to some point competitiveness of exchange rate can be examined against the International trade performance especially in situations where key policies regarding trade are triggered by the political decisions and the existence of setting tariffs and quotas (Bostan, 2018). But the fact comes to be that exchange rate affects multitude of areas and its changing leads to multiple results on areas such as financial markets, external trade competitiveness and even real economy at large (Bostan, 2018).

Basically the effects of exchange rates can be different in the long-run compared to the short-run. The reason behind this is that a slow adjustment of the trade quantity to the new exchange rate level. Ahead of the foreign exchange fluctuations, this paper aimed at examining how depreciation in the exchange rate influences the performance of the International trade in Tanzania. It focused on determining the period through which the trade balance comes to improve, if so, due to depreciation in the exchange rate. Most economists on International trade argue so strongly as to whether depreciation causes decrease in trade deficit or not (Bahman-Oskooee, 1989). For an understanding, the terms overvalued and undervalued exchange rate are of close concern, where an exchange rate to be overvalued refers to as reduction or decline in its price competitiveness in transacting, and being undervalued is interpreted as increase in its competitiveness hence an action towards fastening economic growth (Cakrani et al., 2013).This paper is aligned on how a real depreciation of the exchange rate (not nominal), affects international trade (trade balance, a component of export levels and import levels over a period of time). Concentration on the real exchange rate changes and not nominal exchange rate is due to the reason that a nominal

exchange rate decline may be offset by existence of a higher domestic inflation and has no effect on the net exports (Annette& Sofia, 2010). The determination was based on the short run and the long run. Thus, following the contemporary circumstances the study aimed at examining how depreciation may affect the export and import levels.

Theoretical Review

Trade balances are a result of the international trade performance. The trade balance as a component of the Balance of Payments (BOP) goes at ending up with trade deficits or surpluses which mostly are being determined using the export to import levels that are executed at a time. But sometimes, not so often they are attributed to intentionally low or high exchange rate levels.

Exports generally include high import content and Imports includes high content of exports. If exchange rate depreciation makes export of final product cheaper, then it makes imported component more expensive for domestic producers. For that reason, it means that real depreciation affects the competitiveness of commodities that a country is expected to export. How? A number of theories have been put forward to reflect how a nation may experience a real depreciation of the exchange rate and its core effects on the trade balance. The theories are such as The J-effect theory, Marshall-Lerner Theory, Elasticity theory. The focus of this study was on the J-curve theory. The theory was the mostly acknowledged theory hence provided a direct connection to the study.

J-Curve effect

The theme behind the use of J-curve on this was that, the economic concept of the J-curve relates closely to the depreciation of the depreciation of the exchange rate. The J-curve was for the first time introduced by Magee (1973). According to the J-curve concept, the depreciation so explained is the real depreciation of the exchange rate and not nominal depreciation. The theory explains that, immediately after the depreciation, the real exchange rate depreciation tends to worsen the trade balance this is in the short run, being unveiled by the situation that exists at that time where the domestic imports comes to face rise in prices on foreign goods in terms of the domestic currency which has then depreciated, making the net export levels initially fall. At this point, it means that trade balance will face a decrease being resulted by sticky prices as a result of slowness in recognizing the changes, working out to make the right decisions, facing delays in delivery, procurement of raw materials and the cost effectiveness being faced in continuing the process of production. Means that, goods will still be traded at the former price levels in the producer's currency, and the depreciation will make the domestic country to face a higher relative price for its imports and a lower relative price for its exports. This makes the trade balance and the terms of trade to worsen due to higher value on the imports in the short run. The other side, in terms of the foreign currency, the foreign markets faces the lower prices for the exports but since the demand for the exports and imports are relatively inelastic in the short run there comes a need of some time for the adjustment to the changes in prices for the export and import volumes.

As stated prior, elasticity of demand is influenced by the sluggishness in the change people's consumer behavior or even the time lag of the renegotiating contracts. In the long run, the quantity (demand) will adjust to the new price levels and the resulted change in exchange rates as a result market at large, and the domestic country will come to experience increase in export volumes and decrease in import volumes and the trade balance tends to improve. But the improvement that exists is not huge enough to achieve a surplus. The effects of the depreciation lead to a fall in the prices of the exports relative to the imports. The fall in the exports levels when compared to the Import levels tend to make the movement in the trade balance which take a shape of a curved-J thus the term J-curve theory.

Literature Review

Krugman and Obstfeld (2015) showed that depreciation refers to the decrease in value of a currency relative to another currency. It is a scenario where a currency becomes less valuable (less expensive) and therefore comes to be exchanged for (can buy) a fewer amount of foreign currency. In most cases goods denominated in a depreciated currency becomes less expensive, here exports becomes cheaper while imports gets more expensive.

There is a number of approached being studied concerning the effects of currency depreciation, where each gives its own findings as such to reflect as for how much the depreciation of the currency against the foreign currency (most currencies from weak economies against that from strong economies as the case of the USD), and among such an approach is the 'Absorbance theory' (Bostan, 2018). The theory by itself gives pictures of how the exchange rate bears big influence on not only the international trade sphere but also the whole scope regarding the national income of a country. The theory states (basing on the effects of the depreciation of the currency against that of the stable economies as the case of the USD) that, the effects of the depreciation won't be shown just at once, instead it will take time to come and experiences such effects. (Bostan, 2018) showed that the effects even if exists will take a lapse of time to be unveiled. According to the literature review regarding this topic, some studies found out there exists a significant negative effect of depreciation of the currency on International trade where these effects might either be in the short run or even in the long run, while some others conclude a non-significant effect that exists. For instance, Kurtovic (2017), under the study 'The Effects of Depreciation of the Exchange Rate on the trade balance of Albania', where aimed at investigating the effect of the real effective exchange rate depreciation of the Lek (ALL), the Albanian currency on the trade balance of Albania using the quarterly data from 1994 to 2015, came up with the findings that, there exists a long term co-integration between the exchange rate depreciation and the trade balance. Taking an account of how influential that depreciation is to trading aspect, on specific terms the exchange rate depreciation in its real terms bears effects positively on the trade balance of Albania, this is in both the long run and the short run. There comes a point that, his findings showed that the depreciation favors exportation over importation. The literature review approaches a frame work which was general that, where exchange rate has significant effects on the key decision making processes basing on the International trade activities, an instant reaction by the core participants of the International trade only when the depreciation so explained are very high, in the perspective of having a long term depreciation it is acknowledged so widely that the depreciation of the currency bears effects on the volume of International trading (Bostan, 2018). Empirical arguments have been formulated by Nicita (2013), under the study 'Exchange rates, International trade policies' where the study covered a period of ten years came up with findings that Currency depreciation tends to promote export levels at the same time restricts the import levels. Showing further that the favor being depicted on the exportation flows must go hand in hand with the effective trade policies otherwise in the long run in the absence of such policies there exists a worsening situation of trade balance as in general the weakening of the currency comes to disrupt its competitiveness. Marilyne & Korinek (2011), postulated their findings that the value of trade between China and US is more affected by currency changes (taking an account the depreciation of the Chinese Yuan against USD), than that of the US - Euro are or Euro area - China. But came up with findings that, the stable economies are less impacted by currency changes, hence exchange rate does not seems to be powerful determinant in dictating trade flows between these large economies, but the case might be different for small economies.

Hericourt and Poncet (2015), came up with recommendations that, developing countries should not only focus on the effects by the exchange rates, but have to be cautious regarding relaxation in the exchange rate and just come to embrace the floatation exchange rate, which might come to be a danger for International Trade performance at large without them structuring effective and Well-developed financial systems. These results came up after conducting their econometric studies.

Methodology and Statistics

Data Set

The study's Empirical Analysis based on the regression, the statistical technique that was used to identify the relationship between the two variables under study, the independent variable, being the depreciation of the TZS against the independent variable, the International Trade performance, composing the Exportation flows and the Importation flows. The study aimed at analyzing the effects that might be resulted into the International Trade performance by the depreciation of the TZS against the USD, hence deciding how significantly the depreciation effect of the currency impact the trading performance in terms of the Import levels/volumes and export levels/volumes. The data was collected through documentary methodology where the source of these data as per Appendix 1 is the Bank of Tanzania (BOT), covering a period of 2007-2021. The methodology of the study came to relies on the linear regression that estimated the best value and an independent or explanatory variable. The linear regression provides an equation that predicts one variable, be it independent variable from the other variable, and be it dependent variable hence coming with the results that explains as to whether the exchange rate as the independent variable affects the International trade performance as the independent variable. Means that depreciation of the TZS is an exogenous variable which may influence International trade while, Tanzanian exports and imports being endogenous variable which indicates the effects being resulted at the end of analysis.

Multivariate Analysis: Trend Analysis and Regression Analysis

Robust Check: Regression Analysis.

The study applied regression analysis in Excel Microsoft application to code, enter and compute the measurements of the linear regression, where the coefficient of determination came to explain the extent to which changes in independent variable comes to impact the independent variable. The regression is based on the OLS method which implies finding the unique coefficients for which the sum of residual squares is minimal. The Linear regression adopted is guided by the following model:

The model is presented below:

$$y_n = \beta_0 + DP_i x_i + \varepsilon_i,$$

Where:

DPx_i = Explanatory variable or independent variable, the Depreciation of the TZS against the USD.

Yn_i= the dependent variable (The International Trade Performance).

ε_i= Estimation error.

βo = Parameter to be estimated (The coefficients βo are found by minimizing the error of prediction).

The study based on the notion that, the exchange rate is influenced by demand and supplies referring to the floating exchange rate, where there are rare interventions by the Central bank are rare, and strive for avoidance of imbalances that may destabilize the economic and financial environment (including the exchange rate, specifically depreciation). To assure the robustness of the model, specific lags have been added. The study covers a 15 years period, both recession and economic recovery have been taken into an account, and it then demonstrates what effects the depreciation causes in the performance of International trade. The trend analysis set of data, used in the empirical analyses is presented in the Appendix 1.

Table 4.1 and 4.2 shows the Regression Model Summary results where R square, adjusted R square and standard error are presented.

Table 4: 1 Regression Model Summary – Import as Dependent Variable

Model	R	R Square	Std Error of the Estimate	F	Sig.
1	0.17703	0.31341	0.2175	22.105	0.00005279

Source: (Author's own Calculation 2022)

The study shows that the findings for the independent variable are statistically significant (where the probability value is below 0.05), further it shows that the influence of depreciation of the currency can be manifested after three years, where even though there is depreciation of the currency, the rate at which the import levels shoot is not in correlation to the depreciation rate. Results shows when depreciation raises one unit, it the importing volumes goes higher by almost 31.34%. The results as per figure 4.1 indicate a picture that import flows are not only influenced by the exchange rate depreciation. The R value shows that relatedness between these two variables is minimal to a level of 0.1770 which is too minimal. For-instance, the drop in import flows were registered during the financial crisis of between 2008 - 2009 and the COVID Pandemic of 2020. To that extent shown, it can be said that depreciation of domestic currency diminishes the transacting competitiveness hence influencing negatively the imports.

Table 4: 2 Regression Model Summary- Export as Dependent Variable

Model	R	R Square	Std Error of the Estimate	F	Sig.
1	0.84367	0.71179	0.9181	42.0644	0.00007717

Source: (Author's own Calculation, 2022)

It is manifested by fig 4.2 that, after financial crisis of 2008-2009, the trend of export levels were almost proportional to the rate at which the depreciation of local currency was taking place. Therefore the results reveal that depreciation of a local currency influence positively the level of exportation by the country. This is in line with a concept that, the competitiveness of the foreign goods is minimized such that making them becomes affordable. Furthermore, the results suggests that the rise with one unit of the currency depreciation, results into 71.17% as shown by the R-square value, but also the relatedness of the dependent variable and the independent variable is almost 0.8437 as shown by the R value. The results then indicate that currency depreciation is a sufficient stimulus for higher exports volume, but should go hand in hand with well-structured financial systems and enforceable policies. Ahead of that measures should be taken to improve the export levels through other available channels beside this of exchange rate depreciation.

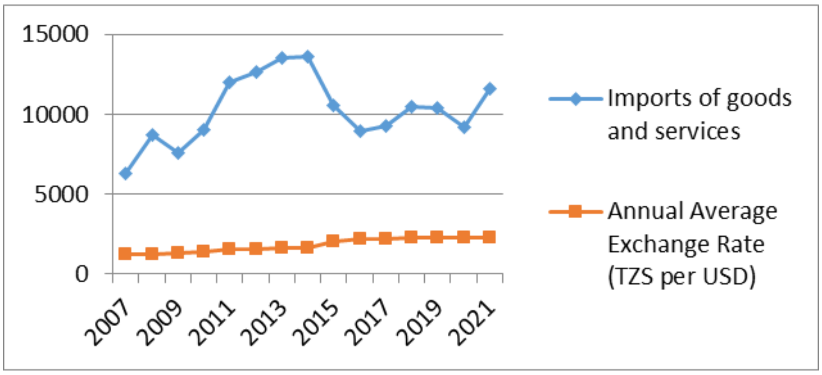
Trend Analysis

This involved the analysis of the trends of the variables for a specified period under study. It involved analyzing the effects being brought by depreciation of the currency to both the export levels and import levels hence depicting an overall picture of how the International trade is impacted. The determination of these effects was put into two areas which cover the International Trade, examining the effects of depreciation on the Import level and the effects of depreciation on the Export levels in Tanzania.

i. Effect of Depreciation of TZS against USD on the Import levels in Tanzania

Here the Import levels were the dependent variable and the depreciation of the exchange rate being the independent variable. The findings were extracted from the analysis of the data that were obtained as per Appendix 1. Figure 4.1 shows that from 20107 to 2008 there was a slight appreciation, while from 2009 currency have constantly depreciated with a reasonable margin. The depreciation came to be of small margin between 2016 and 2020. The dependent variable, Import levels on the other side for the whole period has kept increasing, even though its margin was higher than that of the exchange rate (as it tremendously shouted between 2009 to 2015) , revealing that there are might be other macro-economic variables that trigger such a situation. For such findings it is shown that, direct effect of currency depreciation on the import levels is minimal.

Figure 4: 1 Period Average Exchange Rate (TZS per USD) and Import Levels of Goods and Services in USD

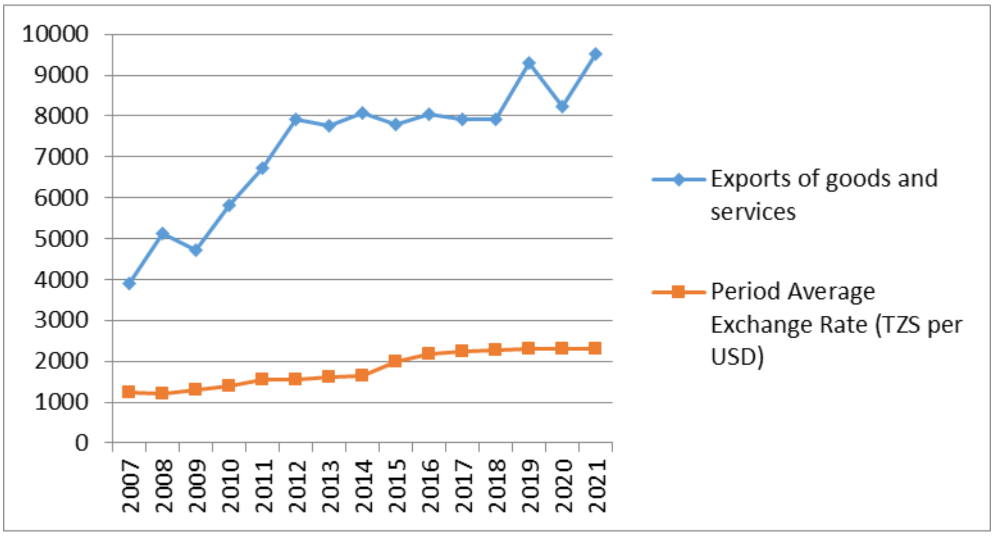


Source: (Author's own Calculations 2022)

ii. Effects of Depreciation of TZS against USD on the Export levels in Tanzania

The export levels were the dependent variable and the depreciation of the exchange rate being the independent variable. The findings were extracted from the analysis of the data that were obtained as per Appendix 1. Figure 4.2 shows that from 20107-2008 there was a slight appreciation, while from 2009 currency have constantly depreciated with a reasonable margin. The depreciation came to be of small margin between 2016 and 2020. The dependent variable, Export levels on the other side has shown a proportional increase to the rate of currency depreciation. The existence of such a situation shows the inter-relation between the dependent variable and the independent variable; as such even in absence of other factors in between, the dependent determines the movement of the independent variable. These results as per trend show, gives a picture that there is a direct effect of currency depreciation on the export levels, this is a point that has been shown in the regression model as well.

Figure 4: 2 Period Average Exchange Rate (TZS per USD) and the Export Level of Goods and Services in USD



Source: (Author's own Calculation, 2022)

Conclusion

The study aimed at investigating the effects of the currency depreciation on the International trade performance in Tanzanian, where the analysis of the study based on the trend analysis using the regression statistics in the Excel Microsoft utilizing data set for a period ranging from 2007 to 2021. The findings of the study are in line with those that have been given in a number of literatures. According to the paper the results shows that depreciation of the currency has effects on either way, on the Imports values and export values, whereby there exist effects on import values that are being brought by the reality that it leads to increased costs on the import of goods due to rise in price. The scene then tend to discourage importation, even though there might arise other factors. This has been manifested in the figure 4.1. The study further found that there is a significant negative effect of depreciation of TZS against USD on the export values to an extent of favoring the trade balance. The effects are resulted by the decrease in prices of the goods and services that are being exported thus making them affordable as manifested by figure 4.2. The need to manage effects of the depreciation of the currency on International trade performance unveils that, countries should monitor their exchange rate relative not only to that of their trading partners but also in relation to that of their competitors.

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Effects of Foreign Direct Investment on Economic Growth of Tanzania: A Case of Iringa Region

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Abstract

The main objective of the study was to determine effects of foreign direct investment on economic growth of Tanzania. The specific research objectives of the study were to examine the effect of capital inflow from FDI on economic growth, to determine whether or not transfer of new technology from foreign investors has affect economic growth, and to identify if creation of employment from FDI has effect on economic growth. The Neo-classical Growth Theory and The Monopolistic Advantage theory are supported by the study's findings. The study employed a quantitative research approach. The target population of the study was the population from the society how are involved within agriculture and industrial sector and work with foreign investors in Tanzania. The sample period was the period 2007 to 2022. Diagnostic and model specification tests were done on the data. Some data was treated of the problems of times series data and a suitable model, that would address the problems of untreated data was selected. With the aid of Eviews software the study used least squares regression model to perform a regression of the independent variables on the dependent variable. Results were interpreted based on the regression output. On objective one which was to examine the effect of capital inflow from foreign investors, the study found that there is a positive significant relationship with economic growth of Tanzania. The second objective was to determine whether or not transfer of new technology from foreign investors has affected economic growth. The study found that transfer of new technology had a positive significant relationship with economic growth of Tanzania. The third objective was, to identify creation of employment from FDI has effect on economic growth. The study found that employment creation had a positive significant effect economic growth Tanzania. From the findings the study concludes that foreign direct investment has positive relationship with economic growth. From the conclusions the study recommends that, there is need to encourage the foreign direct investors to invest in Tanzania because the benefit to gain from them is more compared to the loss. Therefore if the rules and regulation are set foreign direct investment is more beneficiary than exploitative.

Keywords**: Foreign direct investments, economic growth.**

Introduction

This section presents an introduction of the research topic on the “Effect of Foreign Direct Investment on Economic Growth of Tanzania a case of Iringa. In Tanzania and most developed countries believe that FDI is there to affect the economy negatively by exploiting raw materials and generate profit for their home country and live their county staving with poverty, but FDI is more important when it is being controlled. Here need to have FDI since it results to capital inflows whereby through investment from foreigners brings new items and machinery as well as funds for investment so the host country will be benefit financially. The other one is technology transfer whereby foreign investors bring new technology skills to the host county when operating their investment in Tanzania. The last one is creation of employment where by foreign investors bring new employment to the people by employing that at their investment industries as well as indirect employment to the society who provide services to the employees of the industry. All these benefit the host country (Tanzania) economically by boosting the economy to grow so there is a need to set rules and policies so as we can benefit from FDI instead of neglecting it.

General Objective

The main objective of the study was to assess the effects of Foreign Direct Investment on Economic Growth of Tanzania.

Specific Objectives

To achieve the general objective described above, the following specific objectives were examined:

i. To examine the effect of capital inflow on economic growth.

ii. To determine whether or not transfer of new technology has an effect economic growth.

iii. To identify creation of employment having an effect on economic growth**.**

Literature Review

Theoretical Literature Review

The theory that guided the study was Neo-classical theory and Monopolistic Advantage Theory

Neo-classical theory

The Neo-classical Growth Theory is also known as, the Solow-Swan growth model or the exogenous-growth theory. It is an economic growth model that defines how stable economic growth occurs when three economic factors come into play; capital, labour, and technology. The theory implies that the accumulating of exogenous productive resources, like capital, technology, and labour force, drives economic growth. Using the exogenous model (Cobb &

Douglas, 2011) developed empirical research on economic growth that employs the aggregate production function.

It has shown that the accumulation of capital contributes directly to economic growth through this framework, in proportion to the share of capital in national output. Besides, economic growth relies on an increase in the labour force and technological development. FDI raises the capital stock in the host country, according to this theory; and this, in turn, will influence economic development (Mahembe & Odhiambo, 2014)

Through the exogenous or neo-classical growth model, capital accumulation and the inclusion of new inputs and foreign technologies in the host country's production function, FDI can directly impact economic growth. Therefore, the neoclassical growth model shows that by increasing the amount and the efficiency of investment in the host country, FDI promotes economic growth (Mahembe & Odhiambo, 2014)

FDI influences income growth by increasing the amount of capital per person. It spurs long-run growth through such variables as research and development and human capital. Through technology transfer to their affiliates and technological spill over to unaffiliated firms in host economies MNCs can speed up the development of new intermediate product varieties , raise product quality facilitate international collaboration on research and development and introduce new form of human capital (Ikara 2003). In the neoclassical growth models FDI promotes economic growth by increasing the volume of investment and/or its efficiency but FDI affects growth only in the short run because of diminishing returns to capital in the long run. Long run growth in the neoclassical models arises from exogenous growth of the labor force and exogenous technological progress.

Monopolistic Advantage Theory

The monopolistic advantage theory by Stephen H.Hymer 1976 suggests that the mult-national enterprises possess monopolistic advantages, enabling it to operate subsidiaries abroad more profitably than local competing firms can.

Monopolistic advantage is the benefit accrued to a firm that maintains a monopolistic power in the market. Such advantages are specific to the investing firm rather than to the location of its production. Stephen H. Hymer found that FDI takes place because powerful MNEs choose industries or markets in which they have greater competitive advantages, such as technological knowledge not available to other firms operating in a given country. These competitive advantages are also referred to as firm-specific or ownership-specific advantages. According to this theory, monopolistic advantages come from two sources: superior knowledge and economies of scale. The term knowledge includes production technologies, managerial skills, industrial organization, and knowledge of product.

Empirical Literature Review

Effect of Capital inflow on Economic Growth

Ndiweni (2021) in his study assesses the relationship between international capital inflows and economic growth in developing economies. Methods of threshold regression were employed to examine whether capital flows have different effects in developing economies with weak institutions as compared to those with good institutional infrastructure. Our findings show that a threshold effect exists in the capital inflows and growth nexus. More precisely, the results obtained demonstrated that the impact of capital inflows on economic growth is positive and significant once a defined threshold level of institutional quality has been exceeded. At any point below that threshold level, the capital inflows-growth relationship appears to be non- existent. These results support the notion of the capital inflows and growth relationship being contingent on the level of institutional development in an economy. Therefore, providing vital policy implications for policy makers and government in ensuring the improvement of a country's institutional environment with the purpose of enhancing economic growth through capital flows.

Effect of Technology Transfer on Economic Growth

Modarress (2014) in the study "The Impact of Technology Transfer through Foreign Direct Investment in Developing Nations", foreign investments have evolved over the past two decades to become the most critical business strategies for many companies. While developed countries have been the originators of more than 86% of foreign investment outflows, they receive only 65% of foreign inflows. By contrast, inward investments for developing countries have risen from 28% in 1990 to 53% in 2012.This increase is the result of a growing perception among recipients that attracting FDI to their nations contributes to technology transfer, which enhances human capital formation, leading to reduced income inequality and sustainable economic growth. Therefore, the purpose of the paper was to examine the aforementioned perceptions in the United Arab Emirates (UAE), a developing nation. The study is based on a mail survey of 123 companies, personal interviews with 12 executives, and the review of documents from United Nations Conference on Trade and Development, Annual World Investment, IMF, OECD, UAE Ministry of Economy reports, and several local agencies. The findings indicate that there has been a significant transfer of technology to the UAE, which has had a positive impact on human capital formation. However, evidence of the relationships between technology transfer and income.

Effect of Employment creation on Economic Growth

Romanyuki (2019) emphasizes that labor is one of the main factors of production. Economic growth and social development depend on the full use of it and the quality of the workforce. The article discusses the direct and inverse links of employment and productivity with economic development changes in the structure of the economy (on the example of the Russian economy). The author revealed the fact of insufficiently effective use of labor resources in Russia and offered measures to improve employment and increase productivity.

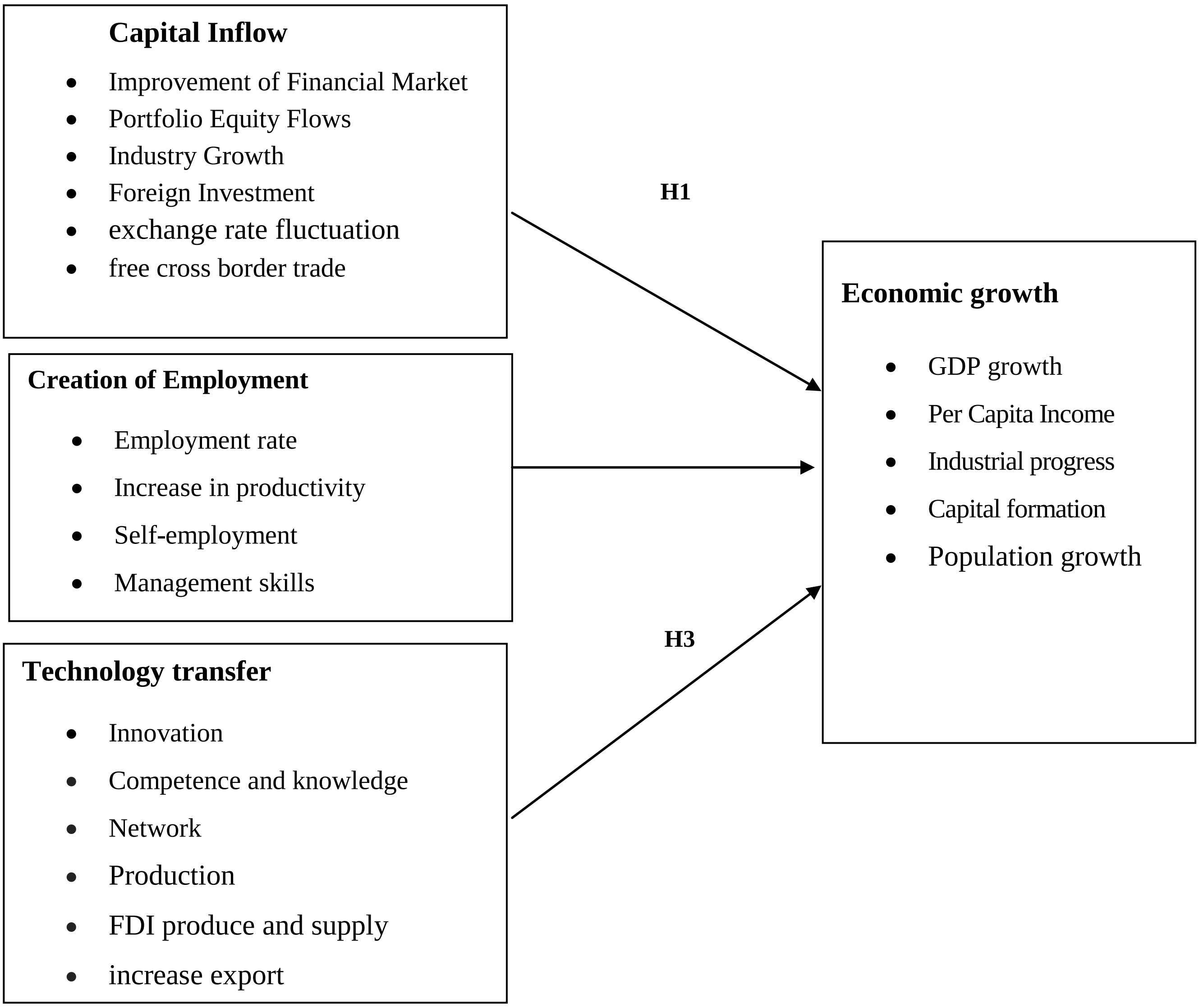
Sudrajat (2008) analyzed “The Relationship between Economic Growth and Employment in Indonesia Period 1993-2003” This study analyses the relationship between employment and regional economic growth on district level during the period 1993-2003 in Indonesia using panel data model as a analysis tool. The result shows a negative relationship especially on distribution effect model and quintile distribution effect model and it is contradict to some empirical analysis. Electricity, gas and water supply is an expansive growth sector but it gives small contribution to economic output about 1.58%. Share of rural population has a positive sign, and also number district split up. Only primary education attainment gives positive effect on employment. In quintile term split up by household income, only share of rural population and primary education give positive effect on employment for all quintile.

Conceptual Framework

A conceptual framework represents the researcher’s synthesis of literature on how to explain a phenomenon. Conceptual framework is the researcher understands of how the particular variables in his study connect with each other (Patrick, 2015).In this study there are two major kinds of variables; dependent variables and independent variable. It is called dependent because it "depends" on the independent variable. Independent Variable is the variable that is stable and unaffected by the other variables you are trying to measure. The independent variables in this study are technology transfer, employment creation, capital inflow. Dependent variable of this study is economic growth in Tanzania.

Figure 2.1: **Conceptual Framework: effects of Foreign Direct Investment in Economic Growth in Tanzania.**

Effect of Foreign Direct Investment in Economic Growth in Tanzania.



Source: Researcher (2022)

Hypotheses Formulation

Using the above conceptual framework, hypotheses were formulated as follows:

Ha$_1$: *There is a positive significant relationship between capital inflow and economic growth.*

Ha$_2$: *There is a positive significant relationship between technology transfer and economic growths.*

Ha$_3$: *There is a positive significant relationship between employment creation and economic growth*

Methodology

In this study positivism paradigm was used. Positivism paradigm argues for the existence of a true and objective reality that can be studied through the premises of empirical evidence and theory. Thus, the suitability of positivism paradigm in the current study was justified as it offered a chance for the researcher to understand reality and acquire knowledge on the effect foreign directi investment in economic growth using existing theory and empirical evidence. Since the current study was based on empirical studies, positivism paradigm was used to test if capital inflow,technolgy transfer, employment creation have effects on Economic Growth of Tanzania.

Quantitative approach was used in this study. This study used quantitative approach in order to test the hypothesis on the effects of Foreign Direct Investment on Economic Growth of Tanzania.This also enabled the researcher to determine if capital inflow,technolgy transfer, employment creation have effects on Foreign Direct Investment on Economic Growth of Tanzania.

In this study both explanatory research design and descriptive research design were used. Descriptive research design was used to profile respondents' characteristics of the study. This study was conducted in Tanzania - Iringa. The study involved the agriculture and industrial sector, this sectors were selected because they are one of sectors with popoulation which itself involve themself with foreign investors. Therefore, collecting data from them helped the researcher to mobilize evidence and get required data in order to understand effects of Foreign Direct Investment on Economic Growth of Tanzania.

Stratified sampling was employed to get population respondents from various places in Iringa. Proportional stratified sampling was then used to ensure a fair representative of respondents across the identified places. Finally, simple random sampling was applied to select respondents from strata to complete the survey.

Accoding to Krejcie and Morgan (1970), sample size estimation methods provided a given number of population (N) and size (S). Respondents will be citizens and foreign investors with population of 100 and sample size of 88.

The study used a questionnaire to collect data. Quantitative data analysis was performed by using multiple regression analysis and correlation analysis to test the extent or magnitude of each factor effect on economic growth in Tanzania-Iringa.

Data Analysis, Interpretation and Discussion of Findings

Validity of the study

The researcher measured the validity of the study by using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of sphericity through SPSS. According to Malhotra (2010), the Bartlett's of 0.5 and above is adequate for multivariate analysis. In this study, all variables have an average value of 0.5 and above. The result extracted from SPSS is presented in the Table 4.1 below which gives the information. From the table researcher found out that sample sufficiency index KMO by Kaiser-Meyer-Olkin, which compares the sizes of the observed correlation coefficients to the sizes of the partial correlation coefficients for the sum of analysis variables is 0.839 or 83.9%, and it is valid because it above 0.5 or 50% which is the cut-off.

Table 4. 1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.839
Bartlett's Test of Sphericity	Approx. Chi-Square	965.343
	Df	253
	Sig.	.000

Source: Field data (2022)

Reliability

Table 4.2 indicates the reliability conducted for all independent variables and dependent variables used in this study. According to Hair et al. (2009) Cornbrash's alpha is the most common reliability coefficient which estimates internal consistency by determining how all items on a test related to all other items where Cornbrash's alpha (CA) >6 indicate adequate and composite reliability (CR) >7 indicate good. Based on the reliability analysis, all constructs have Cronbach's alpha value greater than 0.6, which indicates the internal items are accurate and good. Reliability statistics shows the value of the coefficient alpha or Cronbach's alpha for the research scale is 0.863 or 86.3% which is an acceptable value for the internal consequence of the conceptual construction of the investigated scale.

Table 4. 2: Reliability Statistics

Variables	**Items**	**Cronbach's Alpha**	**Cronbach's Alpha Based on Standardized Items**
Independent variables			
Capital inflow	7	0.860	0.863
Creation of Employment	7	0.854	0.863
Technology transfer	7	0.855	
Dependent Variable			
Economic Growth	7	0.745	

Findings according to Objectives

In these sections, findings have been interpreted in light of literature reviewed and data collected from field. The objectives of the study were to examine the effect of capital inflow from FDI on economic growth, to determine whether or not transfer of new technology from foreign investors has affect economic growth, to identify creation of employment from FDI has effect on economic growth of Tanzania.

Table 4.10 indicates that there is a correlation between each independent variable and the dependent variable. From the findings, the following hypotheses are accepted.
Ha1 There is a significant relationship between capital inflow and economic growth; Pearson correlation value is 0.903 and is significant at the 0.01 level.
Ha2 There is a significant relationship between technology transfer and economic growth, Pearson correlation value is 0.820 and is significant at the 0.01 level.
Ha3 There is a significant relationship between employment creations; Pearson correlation value is 0.907 and is significant at the 0.01 level

Table 4. 1: Correlation

		Capital Inflow	Technology Transfer	Employment	Economic Growth
Capital Inflow	Pearson Correlation	1	.730	.521	.903**
	Sig. (2-tailed)		.000	.000	.000
	N	81	81	81	81
Technology Transfer	Pearson Correlation	.730	1	.603**	.820
	Sig. (2-tailed)	.000		.000	.000
	N	81	81	81	81
Employment	Pearson Correlation	.521	.603**	1	.680
	Sig. (2-tailed)	.000	.000		.000
	N	81	81	81	81
Economic Growth	Pearson Correlation	.903**	.720	.680	1
	Sig. (2-tailed)	.000	.000	.000	
	N	81	81	81	81

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

a) Model Summary

The overall estimation results are supported by the value of the R square value of is 70.0%. This explains about 70.0% of the variance to the dependent variable, which is economic growth. Furthermore, the R-value, which represents correlation, is 0.801, which indicated a positive relationship between the independent variables and the dependent variable. (Capital inflow, technology transfer and employment creation from foreign investors has a positive relation with economic growth. This implies that the model results in this study fit the data used in the analysis to a large extent.

Table 4. 2: Model Summary

Mode	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.801[a]	0.700	0.757	1.41239

a. Predictors: (Constant): Capital inflow, Technology transfer, and employment creation

The results show that F-statistics is 39.971 at a p-value of 0.000, whereas the sum of squares 318.943 at 4 degrees of freedom. In summary, the model is statistically significant as the p-value is less than the cutoff of 0.05. From the ANOVA results, the research can conclude that model results fit the data, and all predictors of foreign investors have a significant effect on Economic growth.

Table 4. 3: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	318.943	4	79.736	39.971	.000[b]
	Residual	91.763	46	1.995		
	Total	410.706	50			

a. **Dependent Variable:** Economic Growth

b. Predictors: (Constant), Capital inflow, Technology transfer and Employment creation

The overall model estimate indicates that the regression coefficient β= 0.562 at p = 0.592 and t-value of 0.541. Furthermore, the estimate revealed that all parameters are statistically significant with Economic growth. Capital inflow has positive effects on economic growth with β = 0.261, t = 2.708, and p = 0.008. Technology transfer has significant positive effects on Economic growth with β = 0.316, t =2.660, and p = 0.009. Employment creation also has significant positive effects on Economic Growth with β = 0.378, t = 4.046, and p = 0.000. Based on the regression results, all factors have effects on economic growth. To conclude, all the three independent variable namely capital inflow,technology transfer and emlpoyment creation has a positive relationship Economic Growth.

Table 4. 4: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.562	1.385		.541	.592
	Capital Inflow	.261	.096	.242	2.708	.008
	Technology Transfer	.316	.119	.275	2.660	.009
	Employment	.378	.094	.448	4.046	.000

a. Dependent Variable: Economic Growth

Implications of the Findings

To the Policy Makers and Government

The findings can be used to provide practical guidance in solving different economic problems which face the economy of Tanzania such as inflation, balance of payment deficit which can be controlled through making policy which limits the investors to take profit out at a time to equalize the balance of payment. The findings can also be used by the government to find out significant contribution to the economic growth in Tanzania.

Other Researchers and Academicians

The findings of this study can be used to contribute to the stock of available theoretical knowledge in the subject area of foreign investment and economic growth. The study findings can help academicians who may wish to carryout research on related topics.

To Investors

The finding of this study can be used by investors in creation of new jobs and more opportunities as investors build new companies in foreign countries. This can lead to an increase in income and more purchasing power to locals, which in turn leads to an overall boost in targeted economies.

Recommendations for Action

Emanating from the above findings and discussions the researcher provides the recommendations for actions in Iringa municipality where this study was conducted. The recommendations are as follows:

Effect of capital inflow on economic growth.

Foreign direct investment is important since it brings inflow of capital from other countries. From the indicators of this objective the result show that Capital inflows provide a major source of financing with high mean so the government should encourage the inflow of FDI so as to have different source of financial from different countries. FDI is also important because it improve financial market since it brings new currency of other country hence improve exchange rate as well. In addition FDI brings the capital and machines which are not available in the country. This is agreed by many of the respondents that we need FDI to have new capital and machines to increase production in the country. Furthermore foreign investors contribute to revenue collection since they also pay tax for their investment this adds revenue to the host country.

Effect of technological transfer on economic growth

From this objective the researcher recommends FDI is important since it bring new technology from their country which at the end benefit the host country and increase the level of production. The other thing FDI brings knowledge on production of innovative product which is quality and hence increases export. The respondent agree on all this items this why the researcher advice to have foreign direct divestment so to have new knowledge and skills this will lead to increase in production since technology simplify production.

Effect of employment creation on economic growth

Majority of the respondent agree on the effect of employment creation on economic growth. On the following items respondents agree; recipient of FDI often gain employee training here the researcher advice the policy maker to set rules so as the investors to employ the people of the host country this will make them to train them so they will have knowledge from them, There is self-employment which provided services to FDI employees this means that that the society where the investment is they can employ themselves by supply services such as food, shops, and other services can be consumed by the those employees.

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Effects of Mobile Money Levy on the Performance of Mobile Money agents in Tanzania: Evidence from Mobile Money Agents in Iringa Municipality

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Abstract

The purpose of this study was to investigate the effects of mobile money levy on the performance of mobile money agents in Tanzania taking evidence from mobile money agents in Iringa Municipality. Specifically, the objectives of the study were: to examine the effect of number of transactions on the performance of mobile money agents; to determine the effect on value of transactions on the performance mobile money agents and to analyze the effect of commission on the performance of mobile money agents. Simple random sampling was used to select 95 mobile money agents in Iringa Municipality. Questionnaire was used as the tool for data collection. Data was analyzed using descriptive and inferential statistics with the help of the Statistical Package for Social Sciences (SPSS) Version 20. The results of the study revealed that, reduction in number of transactions had significant effect on performance of mobile money agents. This is confirmed by 83.9% of the respondents who agreed that introduction of levy had resulted in the reduction in number of transactions which in turn has negatively affected their overall performance. Furthermore, 79.5% of the respondents agreed that mobile money levy effect on value of transactions affected the performance of mobile money agents. Moreover, analysis of the results revealed that commission had significant negative effect on performance of mobile money agents. The study recommends that the government of Tanzania reduce mobile money taxes to stimulate usage of mobile money services which will in turn increase agent network in order to promote financial inclusion and financial depth. It is further recommended that the government review its tax policies in order to avoid policies that constraint financial sector growth and limit employment.

Key words: **Effects, Mobile Money Levy, Mobile Money Agents, Performance**

Introduction

Mobile Money is a term describing electronic financial services performed via a mobile phone (Subia, 2014). Mobile Money services can be broadly categorized in three groups: m-transfers, m-payments and m- financial services. M-transfers involve money transfer from one user to the other normally without any accompanying exchange of goods or services. These are also referred to as person-to-person (P2P) transfers and may be domestic or international (Chale, 2014). M-payments involve money exchange between two users with an accompanying exchange of goods or services. M-financial services are mobile money services in which mobile money may be linked to a bank account to provide the user with a whole range of transactions that they would access at a bank branch. Users access financial-related services like insurance and micro-finance among others via their mobile phones (Chale, 2014).

Likewise, agent distribution network has been at the heart of successful mobile money services. Responsible for converting physical cash to digital value and performing crucial tasks such as on-boarding, supporting and educating millions of customers on a daily basis, mobile money agents represent the face of mobile money services around the world. In 2018, $136 billion (the total value of cash-in transactions) were digitized by mobile money agents globally. By way of comparison, this is equivalent to more than twice the overall value of international remittances flows to Sub-Saharan Africa the same year (Kaputo, 2019).

Agent networks are the distribution channel that relies on individual entrepreneurs under a franchise-like model in which agents earn commission for every transaction. Agent networks can flourish in areas that support healthy numbers of transactions. In those locales, the transaction fees earned by agents more than compensate for the financial costs and operational burdens of the business (Shalini, 2019). Reductions in the number of transactions for whatever reasons impact negatively the agent network which in turn impacts financial inclusion (Kaputo, 2019).

One of the major areas of regulatory controversy is the taxation of Mobile money services and products. The last few years has seen the emergence of mobile money sector specific taxation across Sub-Saharan Africa largely driven by governments' need to find innovative means to widen the tax base and plug budget spending deficits. Yet structural weaknesses within these environments often lead to badly designed taxes, in part due to a lack of capacity and national policy frameworks to guide at the policy level, with the result that the full impact of mobile money taxes across the whole of the tax system is not properly assessed. Since many mobile money users belong to marginalized societal groups, the negative impact of mobile money tax on financial inclusion and broader development goals is significant (Katusiime, 2021).

Tanzania introduced a levy to be charged on mobile money transfer and withdrawal transactions through the Finance Act 2021, which amended the National Payment Systems Act, 2015 (NPS Act).(PWC, 2021). The levies are independent of the mobile money transfer taxes which are excise duty (10%) and Value Added Tax (VAT) at 18%.(PWC, 2021).These taxes have an effect on mobile money agents' network. The rather seemingly low cost and ubiquitous financial services are made expensive by the additional taxation. Agents' number and value of cash transactions are likely to decline as well as agents' commissions due to low utilization of mobile money services as a result of increased taxes (GSMA, 2021). Given the accrued importance of mobile money agents in job creation and aiding the financial inclusion agenda, it is important to investigate the extent to which mobile money agents have been affected by new levy in Tanzania by taking a case study of Iringa Municipality.

Literature review

Theoretical Literature review

The Transaction Cost Theory (TCT)

The transaction cost theory was developed by Ronald Coase in 1937. The theory suggests that markets transactions entails costs which may be reduced if transactions take place within the firm. These costs entail information search, negotiation and decision-making, contracts, supervision, execution, and conversion (Rindfleisch, 2019). It is believed that the transaction costs emerge from the market failure caused by the interaction of various factors of human nature and relevant factors of the trading environment. These interactions make transactions more difficult to occur (Lu, 2021).

The transaction costs are influenced by the number of transactions. A larger frequency of the transactions justifies alternative shifts of consumption patterns (Matins, 2010). Williams (1979) who further developed the Transaction Cost Theory, suggests that buyers and sellers would make price and quantity adjustments in response to changing circumstances in frequently occurring transactions(Rindfleisch, 2019). Consumers will evaluate whether the total transaction cost is optimized for determining whether to adopt or convert their trading behavior. Therefore, increasing transaction costs will negatively impact consumers, while reducing transaction costs will positively impact consumers (Lu, 2021).Transaction costs in terms of fees in mobile money payments have fundamental impact in consumers' choice on the use of mobile money services. This theory suggests that adjusting transaction costs will influence uptake of mobile money services thereby increasing growth of mobile agent networks and financial inclusion

Theory of Reasoned Action (TRA)

The Theory of Reasoned Action (TRA) was developed by Ajzen and Fishbein in 1980. The theory contends that beliefs influence attitudes and social norms which in turn shape a behavioral intention that ultimately guides or even dictates an individual's behavior (Njenga, 2016). The theory defines attitude as an individual's positive or negative feeling about performing the target behaviour and subjective norms defined as person's perception that most people who are important to him or her think he or she should or should not perform the given behaviour (Bali, 2020).

The theory indicates that individuals have control on whether to perform or not perform a certain behavior. In the context of mobile money transactions, individuals have a choice whether to use the services. The choice of using or not using the mobile money services depends on a number of factors including cost. Rising mobile money costs resulting from mobile money levy in Tanzania negatively affects individual choices on the use of mobile money services.

Empirical Literature Review

Shalini et al (2018), conducted a study on how mobile money agents can expand financial inclusion in Kenya. The researcher interviewed both money agents as well as users of mobile financial services. The findings of the study reveal that agent networks can flourish in areas that support healthy numbers of transactions. It further posits that the transaction fees more than compensate for financial costs and other operational burdens of the business (Shalini, 2019**).** According to the study, the motivation to set up agent business is dependent upon the expected number of transactions.

Clifford (2020) Conducted a comparative study across four sub-Saharan African countries that have recently proposed a mobile money transaction tax: Uganda, Côte d'Ivoire, Republic of Congo, and Malawi, and attempts to answer two principal questions: What is the motivation behind the proposal of these taxes? What might some of the unintended consequences of these taxes be? Interviewees included stakeholders from the public sector, mobile network operators (MNOs), civil society organizations (CSOs), multilateral organizations and development think tanks. It was found that mobile money has seen a fast adoption in the decade since its emergence, becoming the formal financial service of choice for many underserved groups in developing countries. Its success has attracted the attention of tax authorities seeking to broaden their revenue base. The resulting taxes, especially mobile money transaction taxes, are controversial and incidents of it are increasing. The role that mobile money is playing within the economies is either not fully understood at a policy level or is ignored. There have been accusations of policy copying as countries appear to replicate the policies of others without necessarily following their own established policy processes. The result is often poorly designed taxes whose consequences, both industry and development practitioners fear, have not been fully considered. On the other side, governments and revenue authorities feel that their motives are misunderstood.

Ivan Rivadeneyra, Daniel D. Suthers and Ruben Juarez (2022) conducted a study on Mobile Money networks with tax incentives in Ecuador. The major aim was to determine how agents' behavior responded to tax incentives and measure changes in behavior of agents after the incentives. The study was designed to test the effectiveness of the Ecuadorian government project to encourage the adoption and diffusion of mobile money through tax incentives in the form of a refund into the user's mobile money account. The study used a comprehensive data set of the governments MM project from 2014 to 2017. A regression analysis between economic activity measurements and agent network metrics was run in order to measure changes in the behaviour of agents after the incentives. The results of the study indicated an increase in the frequency and value of the transactions that users were making before the tax incentive was in place. The study indicates further that there was an increase in the number of agents after the policy. The study show that tax incentives have a positive bearing in the growth of mobile money in spite of the necessity to accurately design the policies in order to increase the chances of the success of such projects

Kihoma (2016) conducted a study on how Mobile money transfer services as a popular service in Tanzania, used to facilitate financial transactions for business activities and family matters. This study investigated and established the contribution of mobile money services in marketing and agricultural products to women, which involve agribusiness. It also analyzed various factors that motivated agribusiness women to use mobile money services in marketing their agricultural products. The study employed a case study design and it was done in Morogoro Municipality in Tanzania. Both qualitative and quantitative from primary and secondary data were used in the study. Primary data were collected from agribusiness women within Morogoro Municipality, Secondary data were collected from network service providers, library and from the internet. Then quantitative data were analyzed by using SPSS program version 20 and qualitative data were analyzed by employing the content analysis. The study identified that the services were used by agribusiness women and age, education, type of business products, capital and type of customer were the factors that motivated agribusiness women to use Mobile Money Transfer services. It was identified that service providers agents' problems, unavailability of network, high transaction cost compared to bank were among the challenges that faced in using mobile money transfer and promotion, time saving, security of their money are among of the advantage's agribusiness women get from using MMT. The findings revealed that due to its potentiality in facilitating money transactions; mobile money transfer service providers should make sure that their services are convenient, affordable and easy to use by their customers.

Mas et al (2013) conducted a study titled, 'Mobile Agents in Tanzania: How Busy, How Exclusive? The study aimed at exploring the situation of M-Pesa agents in Tanzania in terms of number of transactions and profitability and whether they operate only M-Pesa services or have multiple operations. In terms of profitability, the study indicates that most agents were attracted to money agency business because they wanted to make profits in terms of commissions (Mas, 2013)**.** The study indicates that money agents who processed 30 or more transactions per day earned more than those who performed less transactions (Mas, 2013). The reduction in number of customers due to additional transaction costs resulting from taxation is likely to impact profitability of money agents negatively (Gilman, 2016).

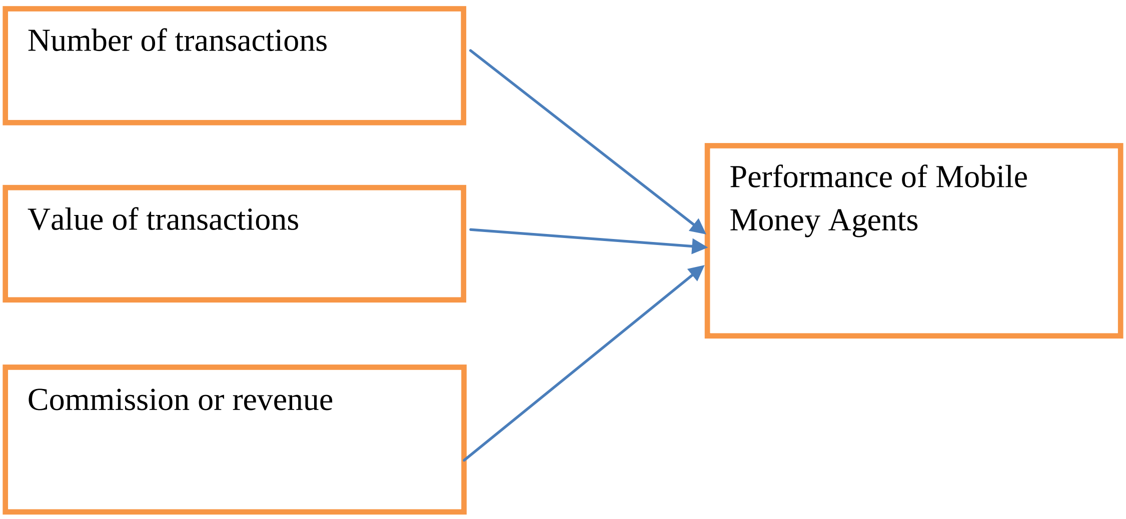
Conceptual Framework

For analysis and interpretation purposes, a framework of the relationship between the effects of mobile money levy in terms of number of transactions, value of transactions and commission is presented. Performance of mobile money agents is presented as a dependent variable whereas agents' number of transactions, value of transactions and agents' commissions are independent variables.

Figure1. Conceptual framework

Independent Variables **Dependent variable**

Effects of Mobile Money Levy



Source: Researcher (2022)

Methodology

The study applied a quantitative research approach. A quantitative research method employs deductive reasoning, where the researcher forms hypotheses, collects data in an investigation and then uses the data to test hypotheses and make conclusions (Kothari, 2014). The research approach was used to assess the effect of mobile money levy on the performance of Mobile Money agents in Iringa Municipality in terms of number of transactions, value of transactions and commission. It involved closed ended questions administered to mobile money agents. In this study, an explanatory research design was applied. An explanatory research design is the one that seeks to ascertain causality between factors and to determine effects on behavior of a phenomenon and to predict how one phenomenon will change or vary in relation to another variable (Strydom, 2014). Given the nature of the research approach, this research design was the most appropriate. The researcher adopted a cross sectional research design technique. This technique involves collection of data at a single point in time. The technique has the advantage of saving time as well (Bell, 2007). This technique suited the study as it allowed the researcher to reach Mobile money agents within allocated time and get a snapshot of the results. The choice of this technique was as a result of financial constraints and limited time frame on the part of the researchers.

This study used simple random sampling technique. This was because mobile money agents are spread around all areas of Iringa municipality. This method is suitable for the study as it gives an equal chance for all the units in the population to be selected. It minimizes sample selection bias resulting into more accurate results. Closed ended questionnaires were administered to 95 mobile money agents dealing with M-Pesa, Tigo Pesa, Airtel money and Halopesa. Data classification was done using tables and excel sheets. Both inferential and descriptive analysis was done using charts, frequency tables and percentages. Moreover, chi-square and t-tests were used to analyze the relationship with the aid of Statistical Package for Social Sciences (SPSS) 20version.

Reliability of the Study

Table 1 shows the value of the Cronbach's alpha coefficient which is the research scale as 0.913 or 91.3%. This is above 50%, which is a medium value for the internal consequence of the conceptual construction of the investigated scale. Therefore, because the value is greater than 0.5 the data is reliable.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.913	21

Source: Field data, (2022)

Validity of the Study

The validity of the study was measured using the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of sphericity through the SPSS. The KMO Index compares the sizes of the observed correlation coefficients to the sizes of the partial correlation coefficients for the sum of analyzed variables. From table 2 below, the researchers found a sample sufficiency index (KMO) of 0.720 or 72.0% which is reliable as it is above the cut off 0.5 or 50%. In addition, the Bartlett supposition test of sphericity (Ho: All correlation coefficients are not quite far from zero) is rejected on a level of statistical significance p<0.0005 for Approx., so that the second acceptance of factor analysis is satisfied; Chi-Square=1278.377.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.720
Bartlett's Test of Sphericity	Approx. Chi-Square	1278.377
	Df	210
	Sig.	.000

Source; Field data (2022)

Findings

From the 95 questionnaires administered to mobile money agents in Iringa Municipality, 93 equivalent to 97.89% of the questionnaires were filled and returned for analysis while 2 questionnaires were not returned. Findings revealed that 72 respondents equivalent to 77.4% were men while 21 equivalent to 22.6% were women. Furthermore, the majority of the respondents were within the age groups of 18-35 years (41.9%) and 36 to 45 years (47.3%). Moreover, 30 (32.3%) respondents had primary education and 40 (43%) had secondary education while Diploma and Higher education constituted the remainder 23 (24.7%). The findings indicate that the respondents had varying years of experience in the business where 26 (28%) had above 5-year experience, 20 (21.5%) had 5-year experience, 24 (25.3%) had 4-year experience and 23 (24.7%) had 3-year experience. This shows that the sample had enough representation in terms of gender, age, education and experience.

Number of Transactions

These are cash withdrawal and deposit transactions which an agent performs in a certain period of time usually a day. Customer flow determines the number of transactions an agent processes in a day. A small number of transactions is a disincentive to agents (GSMA, 2021).

The results of the study revealed that 78 equivalent to 83.9% of the respondents agreed with the statement that, they processed more transactions before introduction of levy on September, 2021. Moreover, 67 equivalent to 72.0% of the respondents agreed that, the number of transactions have declined because of levy. In addition, 47 equivalent to 50.5% and 44 equivalent to 47.3% of the respondents agreed that, reduction in levy will increase number of transactions per day. This implies that mobile money levy resulted in the decline of number of transactions performed by mobile money agents.

Value of Transactions

This is the monetary value of the transactions processed by the mobile money agent. With the levy, mobile money users may opt to transact in small amounts in order to take advantage of the small fees in lower bands which in turn affects agents' profitability (GSMA, 2021).

The findings of this study show that 54 equivalent to 58.1% of the respondents disagreed with the statement that the size of transactions processed had not changed since they started operations, while the other respondents were neutral about the statement. In addition, 46 equivalent to 49.5% of the respondents agreed that, customers were transacting in lower amounts because of levy whereas, 42 equivalent to 45.2% of the respondents agreed that, customers will transact more value if levy is reduced. This indicates a significant negative relationship between the mobile money levy and value transacted by mobile money agents.

Commission

This is the payment made to mobile money agents as a compensation for the services they offer to customers on behalf of Mobile Network Operators (mobile telephone companies). Mobile money levy reduces the amount of commission due to its effect on number and value of the transactions (Rivadeneyra, May, 2016)..

In this study, 72 equivalent to 77.4% of the respondents agreed with the statement that they used to receive a high amount of commission before the introduction of levy in September, 2021 whereas 14 equivalent to 15.1% of the respondents were neutral about the statement. In addition, 82 equivalent to 88.2% of the respondents agreed with the statement that, the introduction of levy has affected the amount of commission that mobile money agents receive while 71 equivalent to 76.3% of the respondents disagreed with the statement that, the introduction of levy has not affected the amount of commission they receive. Moreover, 76 equivalent to 81.7% of the respondents agreed that, reduction in levy will result in the increase of the commission per month. Furthermore, 63 equivalent to 67.7% of the respondents disagreed with the statement that, reduction in levy will not increase commission to the mobile money agents.

Discussion

The main objective of this study was to investigate the effects of mobile money levy on the performance of mobile money agents in Tanzania drawing evidence from mobile money agents in Iringa Municipality. The Specific objectives were: to examine effect of number of transactions on the performance of mobile money agents in Tanzania; to determine the effect of value of transactions on the performance mobile money agents in Tanzania and to analyze the effect of commission on the performance of mobile money agents in Tanzania.

Findings have revealed that there is a significant negative relationship between mobile money levy effects on number of transaction and performance of mobile money agents. This coincides with Clifford (2020) who found that poorly designed mobile money taxes in African countries have consequences which include reduced number of transactions.

Moreover, the findings indicate that there is a significant negative relationship between mobile money levy effects on value of transactions and performance of mobile money agents. This finding relates to Rivadeneyra et al (2022) which concluded that tax incentives tend to increase the frequency and value of mobile money transactions.

The results of this study show that there is a significant negative relationship between mobile money levy effects on commission and the performance of mobile money agents. This coincides with Mas (2013) who found that reduction in number of customers due additional transaction costs because of taxation is likely to impact profitability of money agents negatively.

Based on the findings, all null hypotheses were rejected while all alternative hypotheses accepted. Therefore, mobile money effects in terms of number of transactions, value of transactions and commission have affected the performance of mobile money agents in Tanzania. Mobile money agents are processing less transactions, low value transactions and receive lower commission compared to the period before the introduction of the levy.

Conclusion

This study aimed at establishing whether the introduction of mobile money levy in September, 2021 in Tanzania had negatively affected the performance of mobile money agents in terms of number of transactions, value of transactions as well as agents' monthly commissions. The findings of the study have implications to the government, Mobile Network Operators (MNOs) as well as Academicians and Researchers.

The results indicates that mobile money levy has reduced the number of transactions processed by agents, affected the transaction amounts as well as reduced the amount of commission agents receive. This suggests that survival rates of agents decline. Some agents have closed their outlets because the commission is not enough to cover running costs. This implies that the levy constrains growth of agent network as well as curtailing financial inclusion. It also affects employment of people in the mobile money sector. It is therefore imperative for the government to review mobile money tax policies in order to promote usage of mobile money services which in turn promotes both financial inclusion and deepening. The tax reviews will attract more users and increase both number and value of transactions and increase commission earned by agents as well. In addition, the government is likely to generate more revenues due to the increase in number of transactions.

The overall effect of reduced agents' number of transactions, value of transactions and commissions falls on Mobile Network Operators (MNOs) who contracts the agents. This affects MNOs returns. Mobile Network Operators (MNOs) should design strategies on how to incentivize mobile money agents such that tax effects are minimized and the agent network maintained.

The results of the study underscore the harm that taxes exert on growth of mobile money services and consequently mobile agent network in Tanzania. With mobile money taxes, the pivotal role that mobile money plays in the economy is halted. There is therefore a need to regularly assess mobile money practices and the relevant tax policies in order to institute appropriate redress mechanisms for fostering further growth of the sector.

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Factors Influencing the Inflows of Foreign Direct Investment in Tanzania: A Case of Selected Foreign Investment Companies in Dar es Salaam and Iringa

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Abstract

The main objective of this study was to assess the significant factors that influence the inflows of FDI in Tanzania: A case of selected foreign investments companies in Dar es Salaam and Iringa. The specific research objectives of the study were to assess the effect of regulations on natural resources towards inflows of FDI in Tanzania, to examine the effect of Inflation on inflows of FDI in Tanzania, and to examine the effect of economic-political stability on inflows of FDI in Tanzania. Relevant empirical and theoretical literature was reviewed to support the objectives of the study and to form a basis for discussion of results. The study employed a quantitative research design. Structured questionnaires were used to collect data from169 investors and employees of foreign investment companies and tourism enterprises in Iringa and Dar es Salaam. Data analysis was done using multiple regression analysis and correlation analysis by the use of software programs statistical package for social science (SPSS). Findings of Cronbach alpha indicated that all variables which were included in this study had achieved an accepted range of internal consistent by yielding a Cronbach alpha p-value greater than 0.6. Using multiple regression analysis findings revealed that regulations on natural resources, inflation and economic-political stability are significant factors that influencing the inflows of FDI. From the finding the study concludes regulations on natural resources had a positive significant effect on inflows of FDI, Inflation had a positive significant effect on inflows of FDI and economic-political stability had a positive significant effect on inflows of FDI in Tanzania. From the conclusions the study recommends that with regard to regulations on natural resources government should make more efforts to ensure that the all regulations related with natural resources are fairly so as to attract more FDI inflows to Tanzanian economy. Additionally, policy makers should continue to adopt the effective policy measures so as to attract more foreign investors for generating new employment for the people in the country. On the second conclusion government of Tanzania should put in place policies to control corruptions, to improve democracy and accountability to make it more attractive to potential investors in order to attract more FDI.

Key words: Inflows of FDI, Regulations on natural resources, Inflation, Economic-political stability

Introduction

Foreign direct investment has an important role in supporting a country's development, especially for developing and emerging market countries. It is one of the key drivers of the economic growth of a country as it can assist the transfer of new technology and also increase domestic capital formation (Mfinanga, 2018). If the FDI is allocated to productive assets and is well-managed, countries can get many benefits, such as the provision of capital, generation of employment, enhanced market access and competition, and contributions to technology transfer, good governance and raising the welfare of people as well as improvement of managerial skills.

As a result, the Tanzania Arusha declaration was abandoned in the mid-1980s, and the government started to initiate and implement policies for economic liberalization. These reforms resulted into a rise of FDI inflow in Tanzania. As well as in 1997 Tanzania Investment Centre was established by the government basically to coordinate, encourage, promote and facilitate investment in Tanzania and to advise the Government on investment policy and related matters. Those efforts were done for the purpose of attracting and encouraging inflows of FDI (UNCTAD, 2012).

However, despite all these, Tanzania still does not have enough foreign investors who come to invest. Senkunku, (2015) concluded that the reasons were lack of adequate and reliable electric power, poor infrastructure, lack of designated areas for investment projects which investors may acquire for investment purposes, and negative image of Africa propagated by western media about the continent.

The reason for stagnation of FDI was lack of adequate and reliable electric power, poor infrastructure, lack of designated areas for investment projects which investors may acquire for investment purposes, and negative image of Africa propagated by western media about the continent. These obstacles tend to delay the rapid movement of investors in Tanzania compared to its expectation (Senkunku, 2015).

There are different reasons for studying the factors influencing FDI inflows in Tanzania. First, businesses operating in developing countries have seen a dramatic shift in the business environment since the 1980s as a result of technology transfer and reforms that brought about market liberalization (Ullah and Khan, 2017). Second, Tanzania is one of the most peaceful and political stable countries in Africa and has never experienced a civil war or any major internal strife. Citizens continue to live in peace and with a sense of a common national identity without ethnic division. Third, Tanzania enjoys an abundance of natural wealth, which offers fabulous investment opportunities for investors. So, the researcher wanted to prove whether the regulations on natural resources, inflation, and economic-political stability are significant in attracting FDI in Tanzania or not.

The above past studies showed the obstacles on inflows of FDI in Tanzania but no one discussed factors that may hinder like, regulations on natural resources, inflation and economic-political stability. In this study, the researcher wanted to know given the political stability and the economic growth experienced that has improved the living standard of citizens why are foreigners not coming in growing numbers to invest in Tanzania or are government regulations too restrict for foreign investors. This study fills that research gap by using the theory of Institutional FDI fitness, Entry Mode Theory and Capital Market Theory to assess and examine the effect of regulations on natural resources, inflation and economic-political stability on inflow of FDI in Tanzania

General Objective

The general objective of this study was to assess the significant factors that influence the inflows of Foreign Direct Investment in Tanzania

Specific Objectives

i) To assess the effect of Regulations on Natural Resources towards inflows of Foreign Direct Investment in Tanzania.

ii) To examine the effect of Inflation on inflows of Foreign Direct Investment in Tanzania.

iii) To examine the effect of economic-political stability on inflows of Foreign Direct Investment in Tanzania.

Literature Review

The theory that guided the study was the Entry Mode Theory, Capital Market Theory, Institutional FDI fitness.

Entry Mode Theory

This theory was extended to the eclectic paradigm by Dunning (1993). In this theory he categorizes multinational enterprise activities according to their motives into four types of FDI but here the focus is on "Resource-seeking FDI". This type of FDI aimed mainly at obtaining raw materials from the host countries in order to use them as inputs in the industry. This type of FDI is mostly done in countries that have abundant physical natural resources at the lower cost that could not be obtained in their home country. Moreover, the resource -seeker firms expand their activities abroad to take advantage of low labor costs particularly in the sectors that depend on labor-intensive processed like manufacturing and services sector (Kang and Lui, 2016). According to Kalyvas and Webster (2011) the activities of foreign firms that work in developing countries have been determined mainly by this type of FDI, especially when the country is rich in natural resources.

Capital Market Theory

The capital market theory was put forward by Aliber (1971) who argued that firms are more likely to expand abroad when their currency value in the home country is strong. While, firms that are hosted by countries with have a weak currency avoid investing abroad (Moosa, 2002, Faeth, 2009). Moreover, higher currency fluctuations in the host countries encourage foreign firms to borrow money at lower interest rate than domestic companies.

According to Boddewyn (1985), the capital market theory explained the reasons behind firms' investment abroad, where he mentioned three situations which encourage firms to expand their activities overseas. One of them is lower (undervalued) exchange rate in the host country, which allows lower production costs in the host countries. That is why it favors FDI which allows control of host country assets (Hennart, 2015).

Institutional FDI fitness

The theory of institutional FDI fitness was developed by Wilhelms and Witter (1998), the term FDI Fitness refers to a country's ability to attract, absorb and retain FDI by reacting swiftly to dangers and opportunities, creativity and flexibility in carving out a niche in which a country can survive against competitors. According to this theory countries with high Institutional Fitness experience higher inflows of foreign direct investment than countries with low Institutional Fitness. High Institutional Fitness means that a country's institutions are transparent, well-functioning, reliable and predictable. It is country's ability to adapt, or to fit to the internal and external expectations of its investors, which gives countries the upper-hand in harnessing FDI inflows. Basically, this theory states that; A country's ability to attract, absorb, and retain foreign investments is based on its ability to create an environment that attracts investors when their requirements and expectations are met (Makoni, 2015).

Empirical Literature Review Influence of Natural Resources Regulations on inflows of FDI

Sekunku (2015), focused on Factors Influencing Foreign Direct Investment Inflow in Tanzania. This study had three major objectives. The first objective was to investigate whether the government terms and regulations can affect the inflow of foreign direct investment in Tanzania. Whereby the result showed that there is no relationship between these two variables. Second objective was to find out whether the abundant of natural resources can affect the inflow of foreign direct investment in Tanzania. The result showed that there is a relationship between FDI and natural resources. Peprah et al, (2019) on their study explored connections between FDI inflows and natural resource. The paper was an effort to investigate a sample of 10 most resourced SSA and examine the influence of natural resources on FDI inflow. Further, natural resource wealth is reflected to weaken the FDI inflow. This study discovered if the natural resource overflow affects the FDI inflows, the paper employed fixed effects method and settles that natural resource slows down FDI inflow of the host nation. The results indicate that economic growth, labor force, trade openness and financial development framework promote FDI inflow in SSA.

Influence of Inflation on inflows of FDI

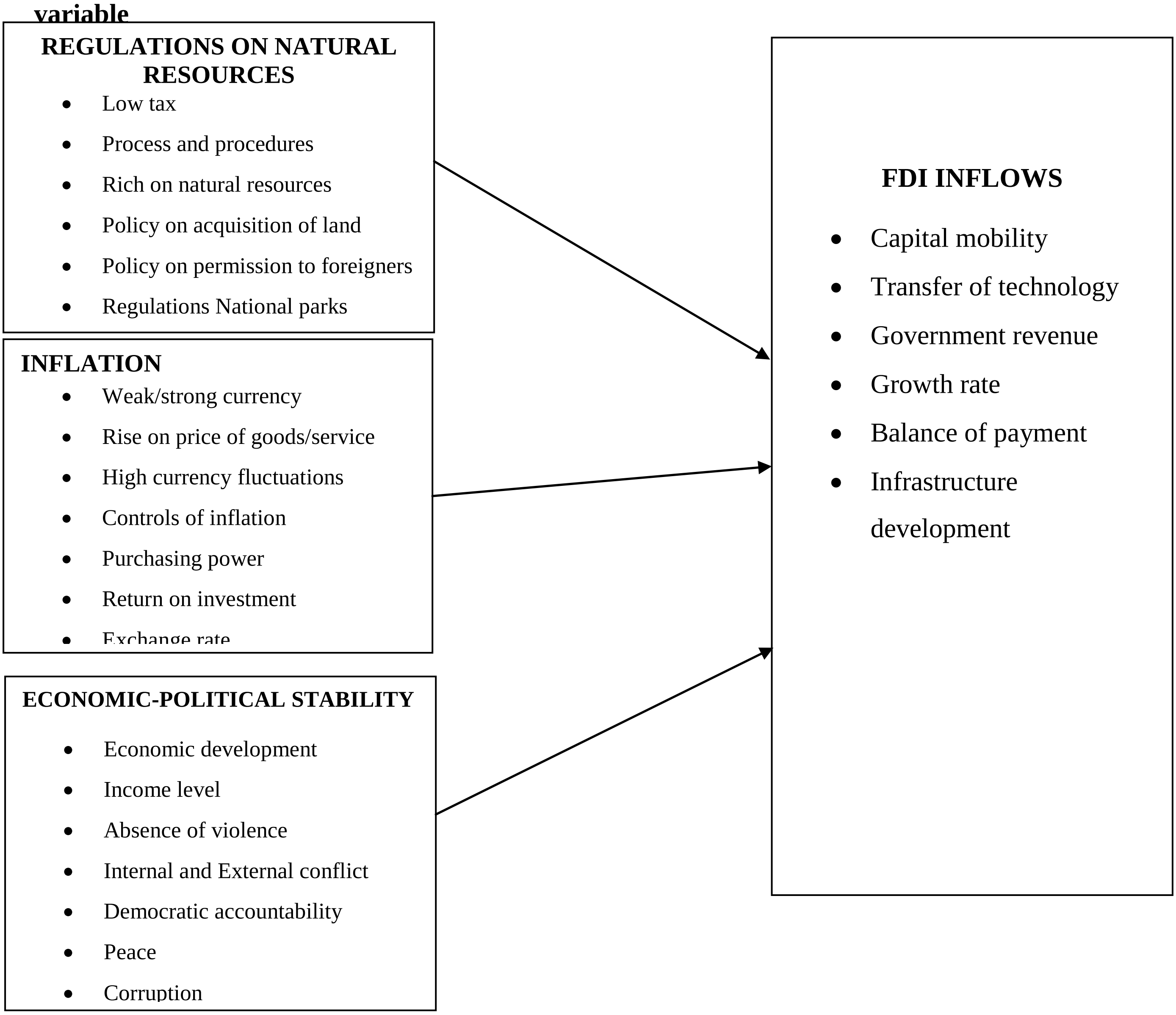
Mustafa, (2019) the main objective of this study was to examine the linkages between FDI and inflation in Sri Lanka for the time periods from year 1978 to year 2017. The findings showed the causal relationship between the inflation and FDI is significant because the rate of high inflation affects the inflows of FDI into the economy of Sri Lanka and slows down the process of economic growth and development. Hong, et al (2020) examined the effect of inflation towards the foreign direct investment in Malaysia and Iran. The testing period ranged from year 1986 to 2016. The findings of this study showed that the inflation rate have negative effects on the foreign direct investment in the long run. Elar, (2015) the study sought to determine the effect of inflation on FDI in Kenya. The results revealed that the individually interest rates, economic growth and exchange rates are not significant determiners of FDI inflows in Kenya while inflation is a significant determiner. The researcher recommended that there is need for policy makers to regulate inflation levels prevailing in the country bearing in mind that they significantly influence FDI inflows in the country.

Conceptual Framework

The conceptual framework composed of three independent variables namely Regulations on Natural Resources, Inflation, and Economic-Political stability, and one dependent variable namely factors influencing the inflows of FDI as discussed in the empirical literature in the section above and diagrammatically described below;

Fig 2.1 Conceptual Framework: Factors Influencing the Inflows of Foreign Direct Investment

Independent Variables **Dependent variable**



Source: Researcher (2022)
Source: constructed by researcher from the literature review (2022)

Hypothesis

From the above conceptual frame work the following hypothesis were formulated:

H1: Regulations on natural resources have a positive significant influence on the inflows of Foreign Direct Investment

H2: Inflation have a positive significant influence on the inflows of Foreign Direct Investment

H3: Economic-political stability has a positive significant influence on the inflows of Foreign Direct Investment.

Methodology

In this study, the positivism paradigm was selected because it tests the theories and hypothesis after which principle is confirmed, refuted or modified whether is valid or invalid. The current study had many previous empirical studies and theories from different contexts which were used in explaining the reality and in guiding knowledge acquisition about factors influencing the inflows of foreign direct investment. This means that through positivism a researcher understood the reality and acquired knowledge about factors influencing the inflows of FDI in Tanzania.

This study used a quantitative approach in order to test the hypothesis on the factors that influence the inflows of foreign direct investment in Tanzania. This enabled the researcher to establish the relationship among variables; regulations on natural resources, inflation and economic-political stability toward the inflows of FDI in Tanzania.

In this study, both explanatory research design descriptive research design was used because the researcher employed questionnaire when collecting data in the field and systematic measurements involving numbers. Descriptive research design was used to profile respondents' characteristics of the study. This study comprised the citizens of Tanzania and foreigners in Iringa and Dare es salaam were chosen. The reason of choosing this was due to the fact that, in Iringa there are many attractions for tourists like Ruaha National Park, vast arable land suitable for commercial farming as well as good weather which attracts tourists and in Dare es salaam there are many investment companies. From this population, the researcher was got the required data to understand the factors influencing the inflows of foreign direct investment in Tanzania.

The study employed probability sampling via a stratified random sampling which was used to ensure a fair representative of respondents across the identified area. The reason for choosing stratified sampling was that the target group comprised of citizens and foreigners, and therefore it was assumed that they have an idea about inflows of FDI and hence citizens were chosen randomly and foreigners as well. Table 3.1 below shows sample size:

Table 3. 1 Sample Size Based on Iringa and Dar es salaam

Area	**Population**	**Sample size**
Iringa – 5 Tourism Enterprises	100	56
Dar es salaam – 10 Foreign Investment Companies	200	113
Total	**300**	**169**

According to Krejcie and Morgan (1970), their table showed sample size estimation methods provided a given number of populations (N) and its sample size (S). Respondents were citizens and foreigners, with a population of 300, and a sample size of 169.

The study used a questionnaire to collect data. Quantitative data analysis was performed by using multiple regression analysis and correlation analysis was involved in determining the extent of relationship between the study variables while regression analysis was involved in establishing the cause and effect between independent and dependent variables.

Data Analysis, Interpretation and discussion of Findings

Reliability

In this study reliability tested by using Cronbach's alpha, customarily values above 0.5 of Cronbach's alpha coefficients were considered significant even through Cronbach's alpha coefficients that range from 0.6 and above were considered more acceptable in scientific research although lower values were used as well as accepted (Kothari 2004). Table 4.1 below shows the value of the coefficient Cronbach's alpha for the indicator variables used in this study.

Table 4. 1 Reliability Test

Variables	**No of Items**	**Items**	**Cronbach's Alpha**
Regulation on Natural Resources	7	Tax policies, process and procedure, rich of natural resources, acquisition of land, permission to foreigners, natural attractions, policy on profit repatriation	0.619
Inflation	7	Weak currency, high price, currency fluctuation, controls of inflation, purchasing power, returns on investment, exchange rate	0.709
Economic-political stability	7	Living standard, peace, corruptions, conflicts, democracy and accountability, absence of violence, economic development	0.730
Inflows of Foreign Direct Investment	7	Government revenue, capital inflow, transfer of knowledge, employment, growth rate, balance of payment, infrastructure development	0.884

Source: Field data, (2022)

Validity

From table 4.2 above, the researcher found a sample sufficiency index of KMO by Kaiser-Meyer-Olkin, which compares the sizes of the observed correlation coefficients to the sizes of the partial correlation coefficients for the sum of analysis variables, is 0.682 or 68.2%. It is valid since it is above 0.5 or 50% which is the cut-off. In addition, supposition test of sphericity by the Bartlett test (Ho: All correlation coefficients are not quite far from zero) is rejected on a level of statistical significance $p<0.0005$ for Approx., therefore, the second acceptance of factor analysis is satisfied (Golafashani, 2003).

Table 4. 2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.682
Bartlett's Test of Sphericity	Approx. Chi-Square	145.054
	Df	6
	Sig.	.000

Source: Field data, (2022)

Findings according to Objectives

In these sections, findings have been interpreted in light of literature reviewed and data collected from field. The objectives were centered in establishing the perception of the respondents about the factors influencing the inflows of foreign direct investment in Tanzania.

Table 4.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.630[a]	.397	.386	4.97124

Source: Field data (2022)

a. Predictors: (Constant), Economic-Political Stability, Inflation, Regulation on Natural Resources

This table provides the R and R^2value. The R value represent the simple correlation which is 0.630 as well as R^2value represent the simple correlation and is 0.397. Also, it showed that dependent variable “inflows of foreign direct investment” is explained by independent variables; regulations on natural resources, inflation and economic-political stability go well with users” to a small extent as demonstrated by R2 of 39.7% which is low percent and is below 0.5 (50%) as required by first assumption.

Table 4.3 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2682.551	3	894.184	36.182	.000[b]
	Residual	4077.686	165	24.713		
	Total	6760.237	168			

Source: Field data (2022)

a. Dependent Variable: Inflows of Foreign Direct Investment

b. Predictors: (Constant), Economic-Political Stability, Inflation, Regulation on Natural Resources

The results provided in table 4.3 ANOVA above showed that overall, the model applied in this study statistically significantly predict the outcome variable of relationship between dependent variable" inflows of foreign direct investment" and independent variable" regulations on natural resources, inflation and economic-political stability" to a large extent as demonstrated by p-value less than 0.05 in ANOVA table above. This indicate that the overall hypothesis which states the strongly significant relationship between independent variables and dependent variable is well accepted.

Further analysis of the individual indicators on predicting inflows of foreign direct investment is described in the table below:

Table 4.4 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.358	2.902		.123	.902
	Regulation on Natural Resources	.162	.107	.107	1.511	.133
	Inflation	.409	.090	.289	4.571	.000
	Economic-Political Stability	.540	.088	.429	6.129	.000

Source: Field data (2022)

a. **Dependent Variable: Inflows of Foreign Direct Investment**

At 5% level of significant and 95% confident level, the value of predictions or independent variables should be $P \leq 0.000 - 0.05$. Coefficients above showed that out of three variables, two variables (Inflation and economic-political stability) were significant at 0.05 confidence level. According to the data analyzed and per Table 4.4 above it can be found that regulations on natural resources such as policy on tax, policy on profit repatriation, policy on acquisition of land and permission to foreigners are considered to be not supportive to inflows of foreign direct investment by most respondents.

Implications of Findings

Implication to the Government

Findings from this study will be beneficial to the government of Tanzania especially Tanzania Investment Center (TIC) since it will see how to review policies dealing with foreign investors also information, process and procedures on permission to foreigners. This on the other hand will help them improve on how to attract foreign investors in order to increase inflows of FDI.

Investors

Foreign investors may also find this study useful as it intends to examine the economic condition and political stability of Tanzania. This study may assist investors in decision making with regard to invest in Tanzania. Findings of the study may also contribute to the body of knowledge on the variables under study and Foreign Direct Investments in Tanzania.

Another researcher

The framework of this study was developed based on the modified entry mode theory developed by Dunning (1993), capital market theory developed by Aliber (1971) and institutional FDI fitness Wilhelms and Witter (1998). Each theory was explained one objective, regulations on natural resources, inflation and economic-political were found to have a strongly predictive power on influence on inflows of FDI. These implied that any theory that was developed from different context when modified can be used in other context and become applicable. Hence, this data will serve as a data base to support future studies providing evidence on the same context.

The researcher

Will receive her master degree of finance and international investment management having completed conducting the study and having contributed a body of knowledge that scholars will use when researching on the subject of influence of regulations on natural resources towards inflows of FDI.

Recommendations for action

This part focuses on the major recommendations for action in lieu of the research objectives:

Influence of Regulations on Natural Resources towards inflows of FDI

In this specific objective, it was found out that regulations on natural resources was significant relationship with factor influencing inflows of FDI in Tanzania. Based on these findings it is recommended that since the results found regulations on natural resources to be significant with inflows of foreign direct investment to Tanzania, it indicates that regulations on natural resources discourage the inflows of foreign direct investment into the country, therefore, the government should make more efforts to ensure that the all regulations related with natural resources are fairly so as to attract more FDI inflows to Tanzanian economy.

Influence of Inflation on inflows of FDI

Based on the survey data of this study, it was found that inflation strongly influenced inflows of FDI in Tanzania. After seen the inflation to have a positive impact on foreign direct investment inflow into the country, it indicates that fluctuated exchange rate policy adopted by the government increases the inflow of foreign direct investment for the period of the study. Therefore, to improve the inflows of FDI, this study recommended that the policy makers should continue to adopt the effective policy measures so as to attract more foreign investors for generating new employment for the people in the country.

Influence of economic-political stability towards inflows of FDI

In this study economic-political stability was found to be one of the factors that strongly influence the inflows of FDI, it is therefore recommended that government of Tanzania should put in place policies to control corruptions, to improve democracy and accountability to make it more attractive to potential investors in order to attract more FDI.

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Effect of Covid- 19 Pandemic on Stock Market Performance in Tanzania: A case of Dar es Salaam Stock Exchange

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Abstract

The COVID 19 pandemic has threatened the world in this 21st century. Despite taking millions of lives, the pandemic affected several economic activities as well. Financial markets, being among the key economic activities that facilitate economic development of a country are not left out. This study aims at examining the effect of COVID 19 pandemic on stock market performance in Tanzania: A case of Dar es Salaam Stock Exchange. Descriptive statistics was used to analyze data collected. Trends of the weekly stock prices calculated from the historical prices of the listed companies at DSE were used to understand the performance of the stock market before and during COVID 19 pandemic. A sample of 21 listed companies based in Tanzania was used out of the population of the 28 listed companies. Companies were stratified basing on their sectors as listed in DSE to ensure representativeness of the sample from the heterogonous population to form homogeneous sector. Findings represented from line graphs revealed that during the COVID 19 pandemic, stock market performance was affected negatively as the weekly stock prices were declining. The researcher recommends that the leading stakeholders of stock market exchange should provide awareness to the public on opportunities available in the financial markets. And also, they should use media and other visibility forums to lay a platform for awareness provision to the public concerning opportunities available in financial markets both before and during pandemic periods.

Key words: ***Covid- 19 Pandemic, Stock Market Performance***

Introduction

Uncertainties normally occur unaware. Among them are world pandemics like diseases, floods, draught and just to mention a few. All of these affect the world socially, economically, politically and physically. Financial markets among the key economic activities that facilitate economic development of a country is also being affected. Thus, the emergence of world pandemics destabilizes the economic development of several countries. For instance, the COVID 19 pandemic which emerged from 2019 is still hitting the world to date though not at the same severity as the moment it first occurred. Due to this world pandemic, Stock markets have declined over 30% (OECD, 2020). Several studies have been conducted to understand the effect of COVID 19 pandemic on stock market performance in various parts of the world. To understand the COVID 19 pandemic, how the spread and transmission occur and how the stock market performance is being affected; the following paragraphs will explain in detail;

COVID-19, Corona Virus Disease-2019, is an infectious disease caused by SARS-CoV-2, (World Health Organization, and 2020a). On 29th December 2019 a cluster of cases of viral pneumonia of unknown etiology were reported to health authorities in Wuhan, Hubei Province, the viral pneumonia is currently known as SARS-CoV-2 pneumonia (Wenjie et al., 2020). This outbreak was associated with a large seafood and animal market. Despite the infection having unclear origin, researchers found that the SARS-CoV-2 showed a higher sequence homology to Bat-CoV-RaTG13 that was previously detected in Rhinolophusaffinis from Yunnan Province than Bat-SL-CoVZC21 and Bat-SL-CoVZC45, which suggested that the Chinese chrysanthemum bat is the origin of SARS-CoV-2, (Yang, et al., 2020). World Health Organization (WHO) established the COVID-19 as a global pandemic that affected many countries on 12th March, 2020. WHO (2020b) noticed that COVID-19 spreads between people through direct, indirect (through contaminated objects or surfaces), or close contact with infected people via mouth and nose secretions. These include saliva, respiratory secretions, or secretion droplets.

Corona virus, COVID-19 pandemic, which is accepted as the third serious corona virus outbreak in less than 20 years (Yang, et al., 2020), it has caused a global pandemic, with approximately 3.1 million confirmed cases and 227,000 deaths as of April 30, 2020 (Roser et al., 2020). The harsh measures imposed, such as closing borders, sealing off cities, stay-at-home orders and lockdowns severely hit many countries' economies and financial markets. Countries have been announcing their number of cases and deaths since the onset of the pandemic. According to Worldometer, until May 1st, 2022, COVID-19 has spread in 228 countries, with a total of 513,312,529 cases, 6,260,672 deaths, 39,811,869 current infected patients, and 467,239,988 recovered patients, (Worldometer, 2022).

According to Massele et al., (2015), stock market is a regulated and standardized market of financial capital which is essential in an economical world whereby people, corporations, firms, companies, and governments are either investing their funds or raising funds by using this formal financial system and organized capital market. Stock market emergency can be traced back around 1602 where the Dutch East India Company was launched. The launching initiated Amsterdam's transformation from a regional market town into a dominant financial center. The Company introduced easily transferable shares, and within days buyers had begun to trade them. Soon the public was engaging in a variety of complex transactions, including forwards, futures, options, and bear raids, and by 1680 the techniques deployed in the Amsterdam market were as sophisticated as any we practice today (Lodewijk, 2014).

As for Africa, the growth of the stock market improved in the 1990s compared to 1980s where there were only eight (8) stock exchanges on the entire African continent (Ihejirika, 2015). Currently, there are more than 50 percent of the 54 nations on the African continent established stock exchanges. The rise in the stock exchange in Africa was a result of the development and modification of the business sector of African nations to develop the economic situation (Senbet & Otchere, 2008).

In Tanzania, stock exchange activities are conducted by DSE. It enables stock brokers and traders to buy and sell securities such as shares of stock and bonds and other financial instruments. The Dar Es Salaam Stock Exchange (DSE) was incorporated in September 1996 as a private company under the Capital Market and Securities Act (CMSA) of 1994.Trading activities commenced on 15th April 1998 after two years of background preparatory work under the stewardship of the Government through the CMSA. With effect from 15th December 2006, trading has been conducted at the DSE trading floor through an automated electronic trading system which matches bids and offers (DSE, 2008). The matched orders are being displayed on computer terminal in the trading room and projected in the public gallery. The DSE started as a result of the government effort to transform the economy from a government-led economy to a private sector-led economy (Millinga & Raphael, 2018)

DSE is a member of the African Stock Exchanges Association with 28 listed companies, 10 licensed brokers and 3 custodian banks, (DSE, 2022). The DSE operates in close association with the Nairobi Securities Exchange in Kenya and the Uganda Securities Exchange in Uganda. Plans are underway to integrate the three to form a single East African bourse (DSE, 2022).The listed companies at DSE include TOL Gases Limited, Tanzania Breweries Limited, Tanzania Cigarette Company Limited, Tanga Cement Company Limited, Swiss port Tanzania PLC, National Microfinance Bank PLC, Kenya Airways Limited, East African Breweries PLC, Jubilee Holdings Limited, Kenya Commercial Bank Limited, CRDB Bank PLC, DCB Commercial Bank PLC, JATU PLC, Maendeleo Bank PLC, Mkombozi Commercial Bank PLC, MUCOBA Bank PLC, Mwalimu Commercial Bank PLC, National Investments Company Limited, The Nation Media Group Limited, Precision Air Services PLC, The Dar es Salaam Stock Exchange, Swala Oil and Gas (Tanzania) PLC, Tanzania Portland Cement Company Limited, TATEPA Limited, TCCIA Investment PLC, Uchumi Supermarket Limited, Vodacom Tanzania Limited and Yetu Microfinance Bank PLC.

The COVID 19 pandemic is not only a global health emergency but also a significant global economic downturn too. The emergence of the COVID 19 pandemic made governments to take unprecedented measures to protect the population’s health and business operations. For example, European states provided significant funds to support companies in difficulty, and additionally, delayed tax payments with no interest or fees for the delays, temporarily cut taxes and implemented measures for the most affected sectors, such as paid leaves due to unemployment (EY, 2022). On top of that, many countries adopted strict quarantine policies to fight the unseen pandemic leading to suddenly shutdown of their economic activities. Transports being limited and even restricted among countries have slowed down global economic activities. Most importantly, consumers and firms have prevented their usual consumption patterns due to the creation of panic among them and created market abnormality both in advanced and developing economies, (Bora & Basistha, 2021). In this context, the financial market has responded with dramatic movement and adversely affected. The effects might have not pass by the DSE of Tanzania since it is not an isolated island despite of not adopting some control measures in full. This study aims at examining the effect of COVID 19 on stock market performance in Tanzania.

The general objective of this study was to examine the effect of COVID 19 pandemic on stock market performance in Tanzania; Case of Dar es salaam stock exchange. The study had three specific objectives which were; to examine the stock market performance before the COVID-19 pandemic, to examine the stock market performance during the COVID-19 pandemic and to examine the contribution of investors' behavior and attitude to stock market performance during the COVID-19 pandemic. In this article one objective will be presented which is to examine the stock market performance during the COVID-19 pandemic.

Literature review

This part aims at selecting appropriate theory/models that inform the researcher on the variables to be included in the development of a conceptual model in the process of examining the effect of COVID 19 pandemic on stock market performance in Tanzania. Theories guiding this study are explained below:

Theoretical literature review

Emergent Norm Theory

This is the major theory of this study as it was originally proposed by Turner and Killian in 1972. The theory hypothesizes that nontraditional behavior (such as that associated with collective action) develops in crowds as a result of the emergence of new behavioral norms in response to a precipitating crisis. Turner & Killian (1987) added that for proponents of emergent norm theory, collective action includes all types of social behavior in which the conventional norms stop functioning as guides to social action and instead people collectively overturn or go beyond the normal institutional practices and frameworks of society. And therefore, new conventions must form as part of the collective action. The basic suppositions of emergent norm theory are that collective action is rational, that collective action is a response to an ambiguous precipitating event, and that new norms of behavior appropriate to the collective action situation emerge through group processes without prior coordination and planning, (Arthur, 2013).

Turner & Killian (1987) proposed that the norms that develop within crowds are not strict rules for behavior. Rather, they are more like overarching frameworks for behavior that set limits on what is appropriate. These norms develop through either emergent or pre-existing social relationships. Turner and Killian (1987) suggested that anything which facilitates communication among crowd participants facilitates the emergence of norms, and they called this process “milling.” In addition, though the emergent norm theory perspective does contest the notion that crowd behavior is particularly irrational, it suggests that many crowd participants are suggestible and that this suggestibility contributes to the spread of emergent norms, (Arthur, 2013).In particular, emergent norm theory has gained a strong foothold in disaster research, as it is used to understand the behavior of groups who experience a precipitating crisis (a disaster) and then are forced to find new ways to respond that will help to ensure the safety and survival of as many people as possible, (Arthur 2013). Therefore, this theory was useful in this study mainly to understand the reactions of stock market stakeholders before and during the COVID 19 pandemic through the stock market performance. Thus, this theory was useful to the researcher on exploring the stock market performance during the COVID 19 pandemic.

Empirical literature review

This part explores several empirical studies reviewed basing on this study’s specific objective which is to examine the stock market performance during the COVID-19 pandemic.

Stock market performance during the COVID-19 pandemic

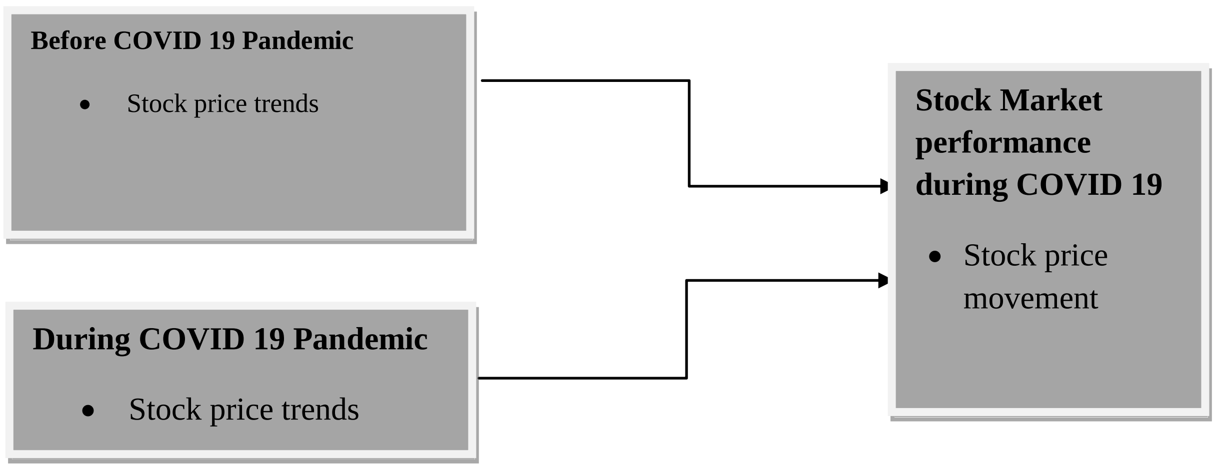
The study of Dospatliev, et al., (2022) provided the first empirical research that analyzed the effects of the COVID-19 pandemic on the Bulgarian stock market before its onset and in the four pandemic waves. The researchers used a fixed effect panel data regression model for the stock returns of 23 companies listed on the Bulgarian Stock Exchange from 2 January 2020 to 16 November 2021. The study showed that the growth rate of COVID-19 deaths per day in Bulgaria had a negative effect on the stock returns and had the strongest influence on them in the fourth pandemic wave. In addition, their results showed that stock returns in healthcare, IT, utilities, and real estate sectors were negatively affected before the COVID-19 pandemic while the first COVID-19 pandemic wave had a positive effect on healthcare and consumer staples sectors. During the second COVID-19 wave, the stock returns of the IT sector had a positive effect, while Utilities sector had a negative effect. The third COVID-19 wave had a positive effect on industrials and consumer staples sectors, while healthcare, real estate, and IT sectors showed a negative effect. During the fourth COVID-19 wave, the stock returns of the IT sector had a positive effect and consumer staples sector had a negative effect. Also, Khan, et al., (2020) investigated the impact of COVID-19 pandemic on the stock markets of sixteen countries. Pooled OLS regression, conventional t-test and Mann-Whitney test were used to estimate the results of the study. The researchers constructed a weekly panel data of COVID-19 new cases and stock returns. Pooled OLS estimation result showed that the growth rate of weekly new cases of COVID-19 negatively predicts the return in stock market. Next, the returns on leading stock indices of these countries during the COVID-19 outbreak period were compared with returns during the non-COVID period. The researchers used a t-test and Mann-Whitney test to compare the returns. The results reveal that investors in the sixteen countries did not react to the media news of COVID-19 at the early stage of the pandemic. However, once the human-to-human transmissibility had been confirmed, all of the stock market indices negatively reacted to the news in the short- and long-event window. Interestingly, the researchers noticed that the Shanghai Composite Index, which was severely affected during the short-event window, bounced back during the long-event window. This indicates that the Chinese government's drastic measures to contain the spread of the pandemic regained the confidence of investors in the Shanghai Stock Market. And also, Insaidoo, et al., (2021), assessed the extent to which the Ghana stock market performance had been impacted by the novel COVID-19 pandemic. The study used the exponential generalized autoregressive conditional heteroscedasticity (EGARCH) model, by using daily time series data from 2 January 2015 to 13 October 2020. Both pre-estimation (Augmented Dickey-Fuller and Phillips-Perron) and post-estimation tests (Jarque-Bera) were conducted to validate the results. The study results show a statistically insignificant negative relationship between the COVID-19 pandemic and the Ghana stock returns. Their results confirmed that the COVID-19 pandemic had occasioned an increase in the Ghana stock returns volatility by 8.23%. Furthermore, the study confirmed the presence of volatility clustering and asymmetric effect, with the latter implying that worthy news tends to affect volatility more than unwelcome news of equal size. The researchers recommended that, to dampen uncertainties that trigger stock market volatility, the government should surgically target worse affected COVID-19 pandemic businesses and households to check the drop in profits and demand. Also, rigidities associated with stock market operations must be addressed to make it attractive to investors even in the midst of a pandemic.

Conceptual Framework

This frame was composed of two independent variables namely Before COVID 19 and During COVID 19 and one dependent variable namely Stock market performance just as discussed in the empirical literature in the section above and diagrammatically described below;

Figure 1: Conceptual Framework

Independent variable **Dependent variable**



Source: Researcher 2022

Methodology

The post-positivism philosophy was used in this investigation. As a branch of philosophy, the post-positivist paradigm evolved from the positivist paradigm. It is concerned with the subjectivity of reality and moves away from the purely objective stance adopted by the logical positivists (Hallebone and Priest, 2009). The researcher used post-positivism philosophy because post-positivism offers a fresh perspective here through acknowledgement of such built-in partiality. The knowledge that develops through a positivist understanding is based on careful observation and measurement of the objective reality that exists “out there” in the world. The quantitative approach was used in this study, hence data collection was through observation of weekly stock prices during the period of COVID 19 pandemic.

The researcher adopted the descriptive research design, a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. Descriptive research includes collecting information, describing the phenomenon and then organizing, tabulating, depicting and describing data collected in the form of graphs and charts to assist the reader to know how information is distributed. (Cooper and Schindler, 2011).

In order to ensure fair representation and generalization of finding to the general population, simple random sampling technique was used in which 21 listed companies at DSE, basing in Tanzania were used in this study. Companies were stratified basing on their sectors as listed in DSE to ensure representativeness of the sample from the heterogonous population to form homogeneous sector.

Findings and discussion

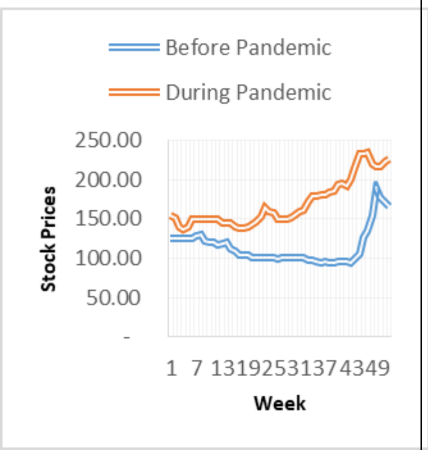
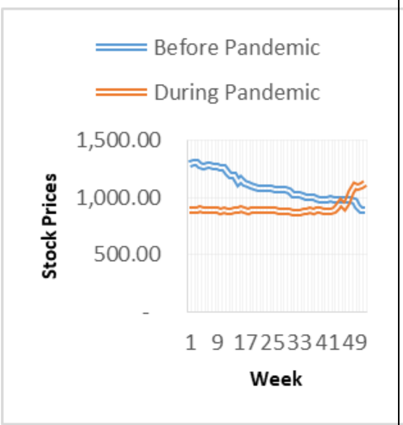
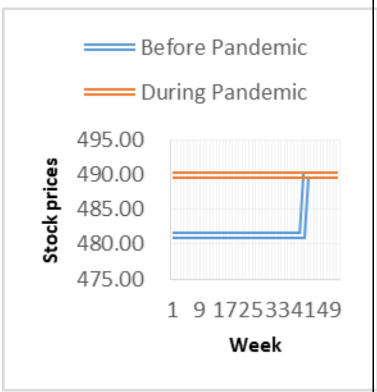
Findings have been interpreted in light of literature reviewed and data collected from field as follows:

Stock market performance during the COVID-19 pandemic

This objective aimed at examining the stock market performance during COVID 19 pandemic through observation of weekly stock price trends. The results will be discussed according to sector as classified by DSE.

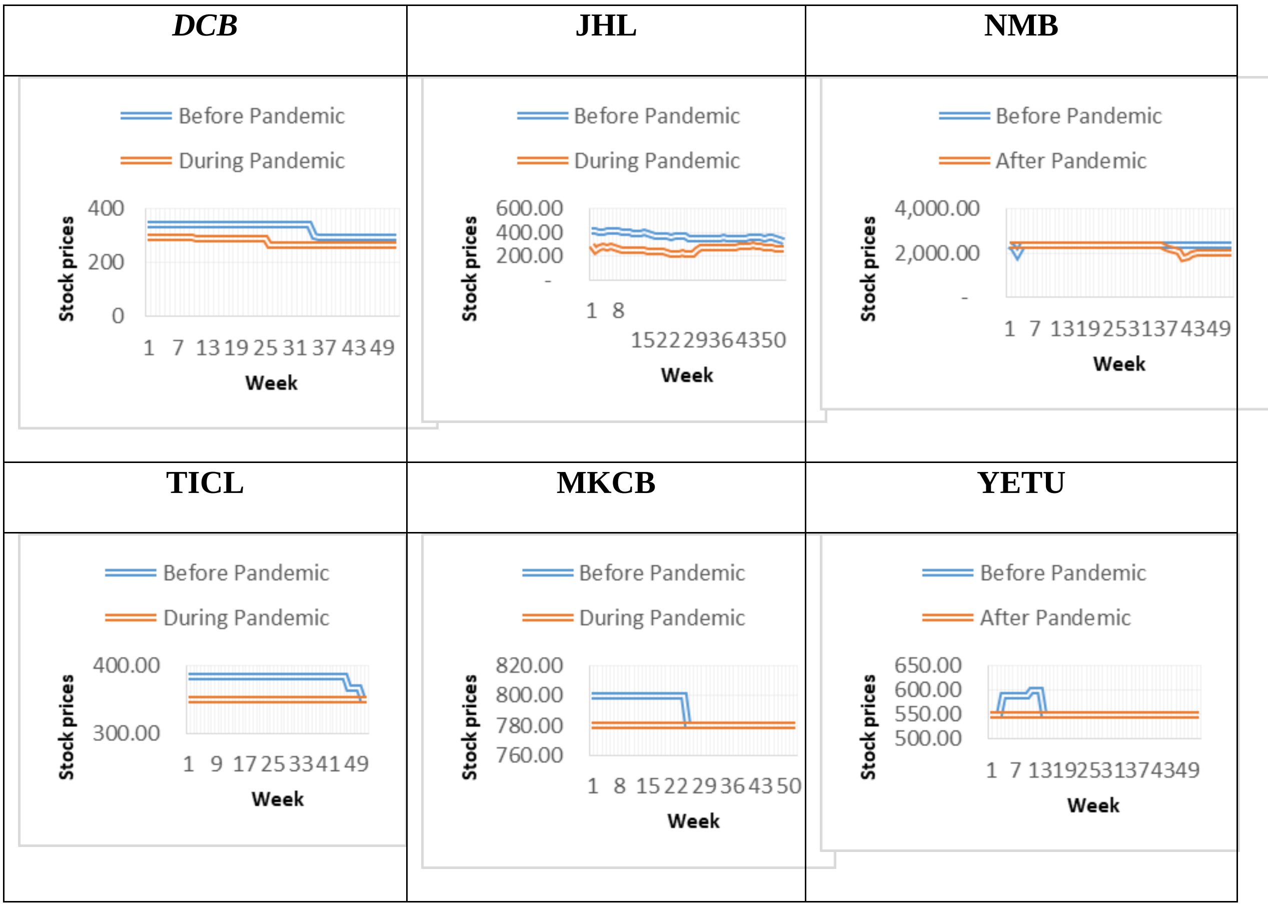
Bank, finance and investment sector has 11 listed companies that base in Tanzania where the study's main focus is. Out of eleven companies, three companies (CRDB, DSE and MBP) had upward movement of weekly stock prices stock prices during the COVID 19 pandemic, six companies (DCB, JHL, NMB, TICL, MKCB and YETU) had downward weekly stock price movement during the pandemic and two companies (MCB and MUCOB) had fixed weekly stock price movement (as shown in figures below). Since the majority companies in this sector had prices steadily trending downwards, then the bank, finance and investment sector had downward weekly stock prices during the pandemic.

Figure 2: Graphical comparison of the average weekly stock prices before and during the COVID - 19 pandemifor CRDB, DSE and MBP

CRDB	DSE	MBP
		

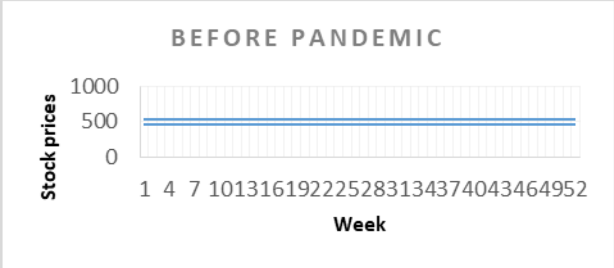
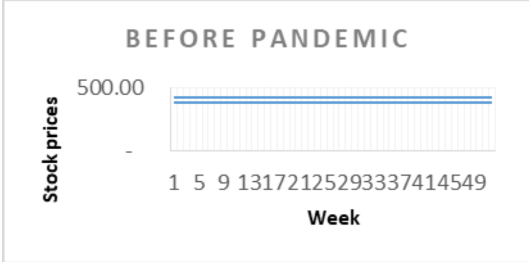
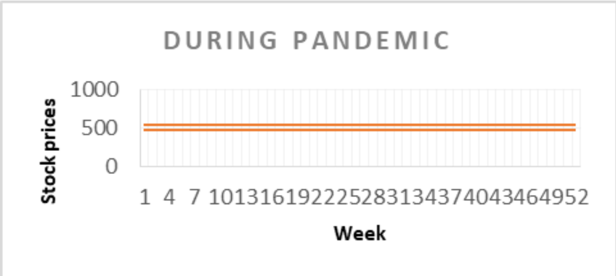
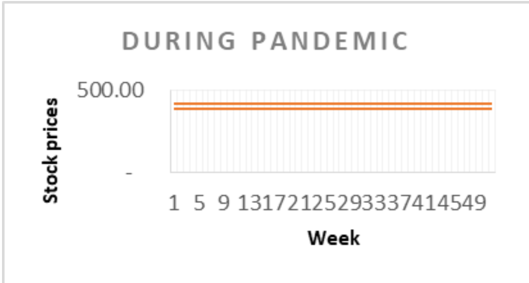
Source: Field data, (2022)

Figure 3: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for DCB, JHL, NMB, TICL, MKCB and YETU



Source: Field data, (2022)

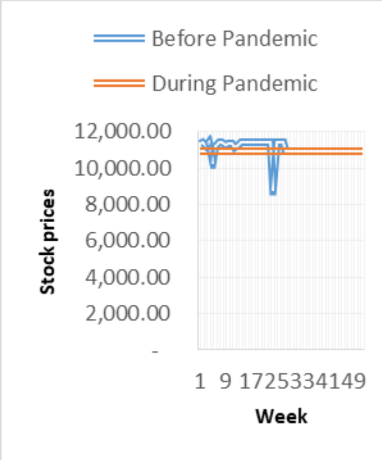
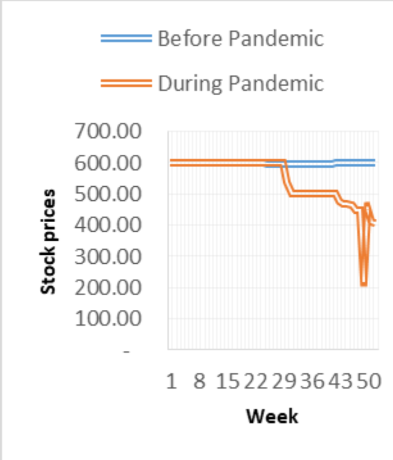
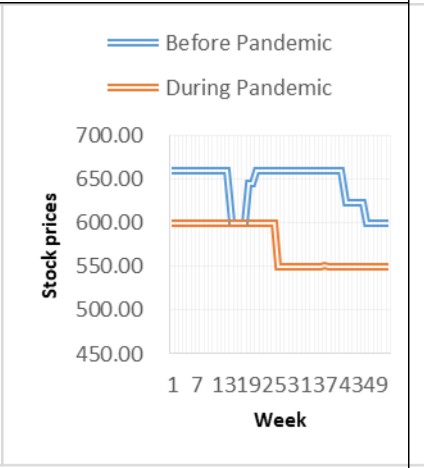
Figure 4: Graphical comparison of the average weekly stock prices before and during the COVID 19 pandemic for MCB and MUCOB

MCB	MUCOB
	
	

Source: Field data, (2022)

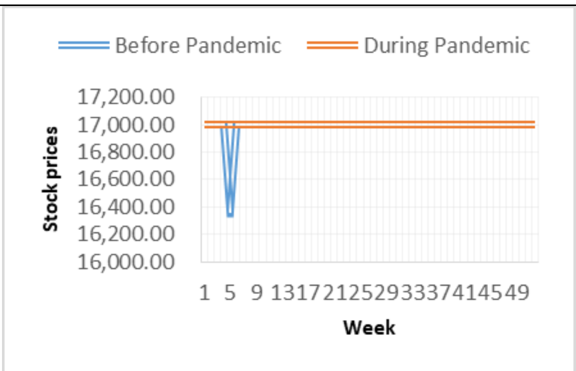
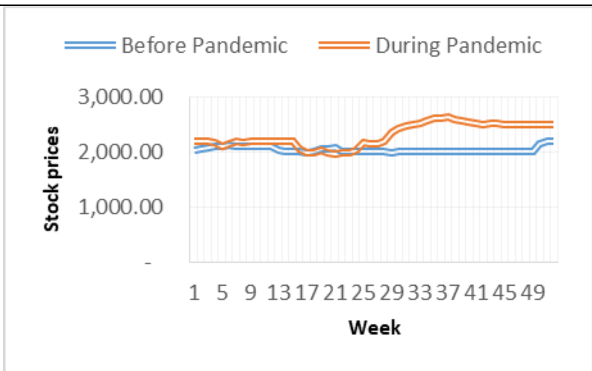
Industrial and allied sector has 7 listed companies in which only six companies were considered in this study because one of the companies had missing data. Out of the six companies, three companies (TBL, TCCL and TOL) had weekly stock prices that were steadily trending downwards, two companies (TCC and TPCC) had weekly stock prices that were steadily trending upwards and one company (TTP) had a constant weekly stock price movement (As shown in figures below). Since the majority companies had stock prices that were steadily trending downwards, then the industrial and allied sector had downward stock price movement during the pandemic.

Figure 5: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for TBL, TCCL and TOL

TBL	TCCL	TOL
		

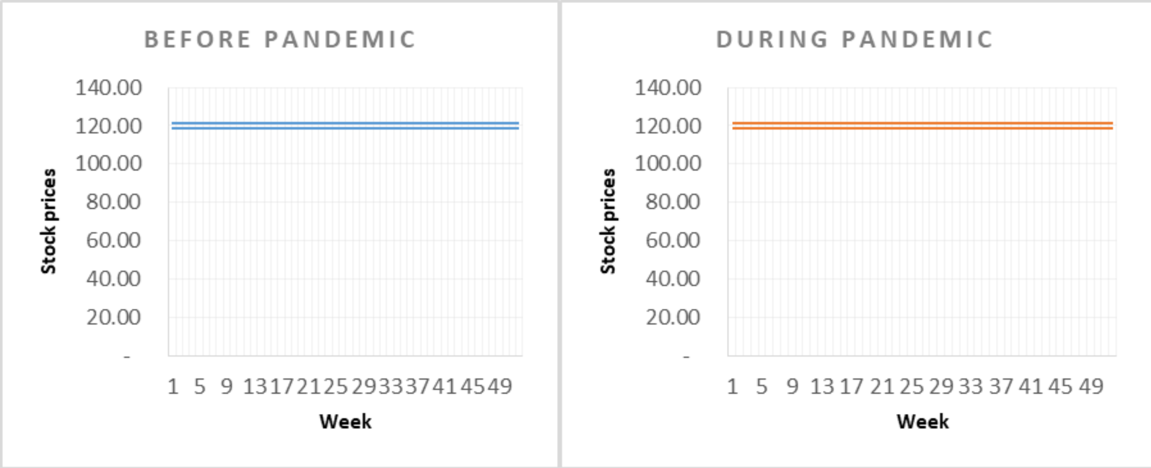
Source: Field data, (2022)

Figure 6: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for TCC and TPCC

TCC	TPCC
	

Source: Field data, (2022)

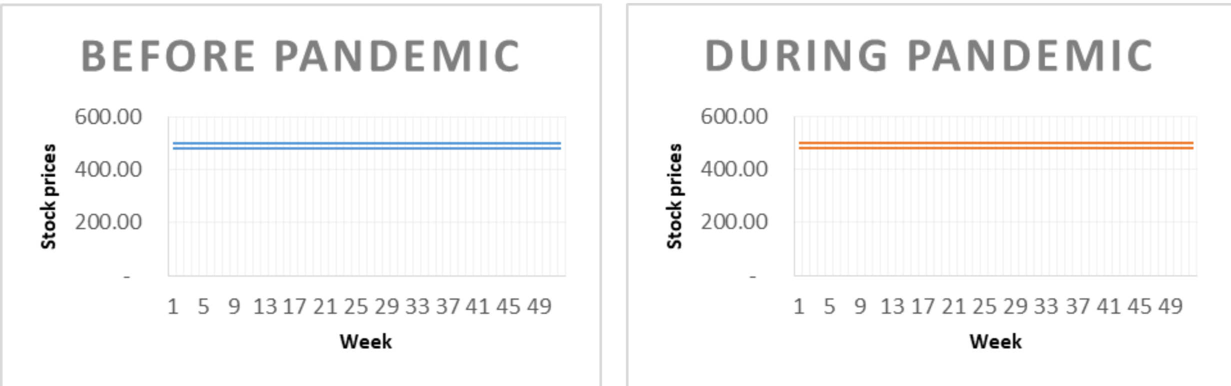
Figure 7: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for TTP



Source: Field data, (2022)

Oil and gas sector has one listed company (SWALA), the weekly stock prices at this company were trending at a constant figure (shown in Figure 8 below). Thus, before the pandemic there was a steady situation for this sector.

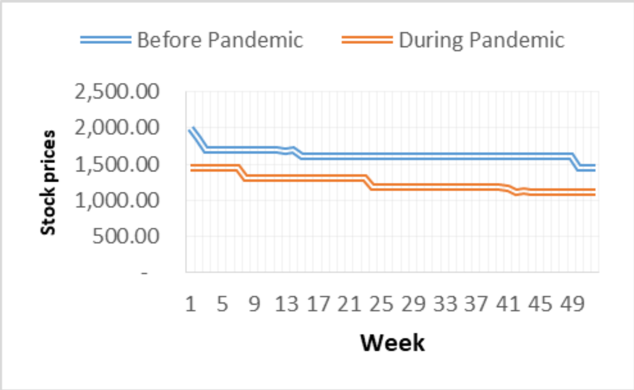
Figure 8: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for SWALA



Source: Field data, (2022)

Commercial service sector has one listed company (SWIS). Weekly stock prices for this company were steadily moving downwards during the pandemic as shown in figure 9 below;

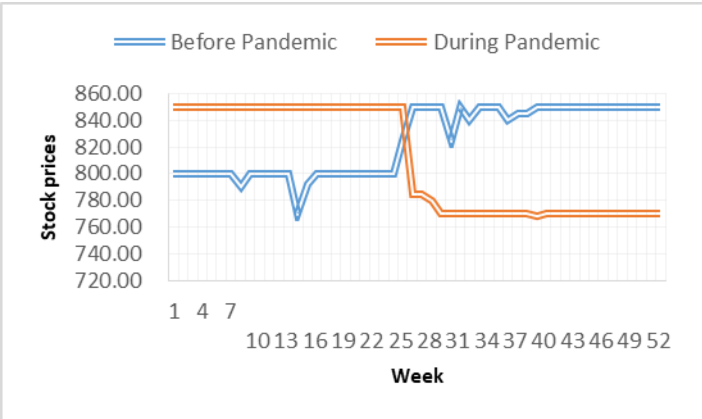
Figure 9: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for SWIS



Source: Field data, (2022)

Telecommunication sector has one listed company (VODACOM). In this company, the weekly stock prices were steadily moving downwards during the pandemic. Figure 10 below shows the trends;

Figure 10: Graphical comparison of the average weekly stock prices before and during the COVID19 pandemic for VODACOM



Source: Field data, (2022)

These findings are similar to the study of Bora & Basistha, (2021) who investigated the impact of COVID-19 on the volatility of stock prices in India. The findings revealed that the stock market in India had experienced volatility during the pandemic period. While comparing the result during COVID period with that of the pre-COVID, they found that the return on the indices was higher in the pre-COVID-19 period than during COVID-19.

Recommendation

This part is composed of recommendation for action and recommendation for further studies as shown below;

Recommendations for Action

Considering the finding of this study, the following are recommendations from the researcher:

i. Practitioners of stock market exchange should provide awareness to the public on opportunities available in the financial markets.
ii. Media and other visibility forums should lay a platform for awareness provision to the public concerning financial markets.
iii. Companies being listed at financial markets should provide detailed information so as to enable new investors and academicians to understand their growth for better investment decisions.

Recommendations for Future Research

This study focused on quantitative approach which is limiting the in-depth insight of interpretation, it is therefore recommended that future researches to be carried out should focus on qualitative aspect in order to increase the exploratory aspect of Effect of COVID 19 pandemic on stock market performance. Also, a different study should be conducted covering all listed companies other than those which base in Tanzania as did by the researcher. In addition to that, this study compiled all industrial sectors as listed in DSE, other researchers can be detailed and base only in one sector in the future studies.

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