

Weathering the post Covid-19 pandemic at the Exchange

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Inarguably, the DSE, as for similar markets has over the years relied on international investors as the key source of liquidity, volatility, and price discovery. Pre-Covid-19, international investors contribute over 80 percent of liquidity on the equity segment, but from mid-March to date foreign investors participation has declined to less than 20 percent of market liquidity, resulting into liquidity challenges. For cultural, structural and policy reasons domestic investors and suppliers of capital have remained narrow. Low participation of domestic investors poses the biggest threat to the resilience of the market especially under current circumstances. It has now become clear that without the support of a vibrant domestic investor base sustainability and resilience of the market could be threatened.

The one thing that is expected to challenge DSE participants, also an opportunity, is the existence of means, tools and mechanisms with capability to reach to potential domestic suppliers of capital and participants in the securities trading and investment and hence increase the domestic investor base.

Operations and resilience challenges - New opportunities

Whether access to capital via capital markets IPOs, or mechanisms and tools of mobilisation of IPO funds, or payment of dividends and bonds coupon, or remote access to market infrastructure, etc -- the silver lining seems to be on the Financial Technology (Fintechs) whose innovation will enable entrepreneurs access to capital, as well as financiers and capital suppliers to invest and get

their returns back in efficient manner. Seeking to integrate technology to develop financial services with limited operational costs seems the way to go for the market.

At the DSE, we believe that Fintechs can help mitigate the economic cost of lockdowns and avoid irreversible damage to the social economic fabric of our society. That, low-cost Fintech solutions hold the key to reaching out to more than 99 percent of Tanzanians who do not have investment accounts with the DSE. So far, mobile money developments seem to be the most utilized feature of Fintech. According to Statista Data, the mobile (money) payment market in Tanzania surpassed \$3.6 billion (Sh8.3 trillion) worth of transactions - attributed to 23 million subscriptions - on 257 million transactions. Measured against the total population of approximately 58 million, around 40 percent of Tanzanians made use of mobile money in 2019. The same can be transformed and provide leverage into the market.

Based on the foregoing, the Covid-19 crisis provides an opportunity for the DSE and Fintechs in Tanzania to mutually engage on the urgent need to leverage on the existing development, adapt and innovate financial inclusion solutions and limit the long-term negative impact of such pandemic and provide buffer against similar crises in the future.

The DSE believe that by prioritizing Fintech, we will have ensured that the vulnerable among us not only survive new cases (if any) of Covid-19 pandemic, but also, that they are given a fair chance to thrive post-pandemic.

Enhanced engagements with SMEs

The DSE established the SMEs financing (Enterprise Growth Mar-



ket) segment in 2013. It has met mixed outcome. Now, in encouraging more SMEs to access public capital and listing, the DSE considers possibilities of providing a platform to listing the pre-IPO SMEs whose investor base would be Private Equities (PEs), Venture Capital funds (VCs) and other Qualified Investors (QIs). Meanwhile, towards this end, the DSE is currently running the Enterprises Acceleration Program - which helps build capacities to SMEs on various aspects of capital raising and sustainable businesses management. The programme also provides an opportunity to profile and enhance visibility to the public for such enterprises, providing a good platform for future capital raising needs.

The way forward - Focus on technology and innovations

On the lessons learnt and the urgency to act that is being necessitated by the pandemic, the DSE in collaboration with development partners and government agencies are currently developing fintech solutions to enable: access to securities trading and investments; entrepreneurs and issues of finan-

cial instrument access to wider capital base; implement financial inclusions and inclusive economic empowerment policies.

Some of the several ICT projects that are geared to address the current market challenges are: (a) Mobile Trading Platform - the DSE is developing this platform with the objective of enabling remote access and increase its outreach to retail investors whose are currently not served by stockbrokers' networks; (b) M-Akiba bonds, targeting retail investors - the DSE and other key stakeholders are developing the Mobile Phone Platform to enable Tanzanians to invest and trade in Micro Saving Bonds enhance liquidity in the secondary market - widening the domestic investor base of the Government's financing source; and supporting the country's Financial Inclusion framework; (c) Automatic Fail-Over Process - during this pandemic the DSE has focused on enhancing its Business Continuity process and has automated the fail-over mechanism to the Disaster Recovery Site (DRS) to allow live trading, clearing, settlement and other operations to continue at the DRS without any interruption in case of continuing or further impact of the pandemic; and (d) Request for Quotations trading Module (RFQ) - the project whose purpose is enabling brokers and bonds traders to request for bonds prices and accept quotations from other participants in more transparent and competitive manner hence enhancing bonds price discovery process, volatility and transparency in price discovery.

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The Covid-19 pandemic is undoubtedly causing unprecedented disruption to both businesses and economies and has triggered the need for nations to delicately balance public health priorities on one hand and preservation of lives and sustenance of economic activity on the other.

In responding to the pandemic, we took measures and approaches relative to its own circumstances aligned to our specific social, cultural, and economic challenges. Some of these measures partly impacted business output resulting into renewed financing and operating models and opportunities. From the stock market perspective, central to recovery is the need to maintain solvency, attract liquidity and enable sustainable access to capital.

In responding to policy interventions (monetary and fiscal) by the government including relief measures offered by alternative suppliers of capital, the DSE enhanced its engagement with key stakeholders to raise awareness of the alternative approaches that could be deployed to tap into pools of contractual savings through various instruments on the market.