

Who is responsible for JATU's destiny?

WHILE the stock market in Tanzania and elsewhere is supposed to be a sanctuary in addition to banks for investors to rise suitable capital so that it can be directed to investment activities that will ultimately bring benefits to investors and the nation as a whole, a statement published in the Daily News newspaper dated 23rd August /2022 pg.3 gave me a hard time not being able to stop looking on who could have led to this shocking revelation over JATU PLC.

After cautiously and sensibly reading the published article and going through the opinions of many, including the Minister of Agriculture, Hussein Bashe's marks and other additional published by daily news on 23rd August 2022 pg.13, made me ask a lot of questions. In my assessment as an investment analyst, if the trend is left unchecked, it will disappoint our fellow Tanzanians, particularly the diaspora, who have good intentions to facilitate and invest at home.

In this JATU PLC's saga, where CMSA was on top of the company's operation after sanctioning them to list or were left to operate in their way or did they turn a blind eye on approving the company's prospectus? Was JATU's prospectus in detail appraised during review before listing to DSA?

Did CMSA have to wait for Minister to carry out an investigation following a public cry about what appears to be defrauded billions of shillings invested in the company tweeted on Tuesday 16th August 2022? Who should have been on top of issues on due-diligence matters, the CMSA or the DSA supposedly to be overseers of conduct of listed companies? Was there any alarm from CMSA on the conduct of JATU's company management conduct?

To the best of my knowledge, JATU acronym Jenga Afya Tokomeza Umaskini or build health end poverty is a public limited company that brands itself as a company that unifies farmers and enables them to conduct modern farming after harvest the company sell all the crops before developing products are sold to JATU members through network marketing.

While analysis of listed companies lately reveals that JATU has a relatively impressive performance by recording a turnover higher than many other big companies listed in DSA, hearing and reading news that companies governance is in trouble and perhaps its conducts have worried Tanzania's diaspora who injected their money in JATU voicing their fear over their finances amounting to a total of a TZS one billion should sadden every agriculture enthusiast who might think JATU was going to be their trusted path



into agriculture sector as the model that the company came up with was not only creative and innovative but inspiring.

Appalling leaks over JATU PLC are emerging while it is known that the principal role of a stock exchange in any economy is to mobilize resources and direct them to the productive sectors of the economy. It presents a comparatively cheap source of capital for investment and working capital requirements contrasted to the traditional financial intermediaries.

Agriculture growth and development are critical to Tanzania's overall economic and social development. In 2020, the sector directly contributed to the share of agriculture in Tanzania's gross domestic product was 26.74% of Gross Domestic Product (GDP) and a further significantly through linkages with manufacturing, distribution, and services-related sectors.

Based on previous national census conducted ten years ago, about 80% of the population lives in rural areas and depends mainly on agriculture and fisheries for livelihood. All along,

many households live in rural economic areas where the main pursuits are in Agriculture. A good number of Tanzanians are food vulnerable while the significant potential for increased production remains largely unexploited.

Apart from JATU's conduct that is so sad to investors, in my view, the bourse enables the business community to access long-term capital for investment through shares, bonds and debentures. All the listed companies have issued shares to raise long-term investible capital.

Apart from enabling the primary issue of securities, the bourse serves another important function. It accelerates secondary trading and the transfer of ownership of securities. By so doing, shareholders have conferred an avenue through which they can give up their ownership of a company and new ones can come in. A quoted company enjoys other benefits and here is what I believe JATU's management failed to view the long-term benefit of the inspiring company they brought to the market.

The market acts as a con-

stant value of its worth so when primary shareholders wish to sell their stake, the market price provides a basis for valuation. Compare this with the lengthy, laborious process and hard bargaining that it takes the shareholder of a private company to dispose of his or her ownership.

It is regrettable for JATU now as it is heading to be investigated by the corruption bureau (PCCB) prevention. If regulators and supervisors of publicly listed companies were more cautious and on top of issues, the position JATU found itself shouldn't have gotten where it is today.

In my judgement, in this way under good governance, the bourse could have enhanced the development of the agricultural sector by enabling those wishing to raise cheap and long-term capital to do so. Agricultural businesses should have taken advantage of this to raise financial resources to expand their business and diversify into other areas.

What transpired to JATU retells me of an old saying from our elders that says if you are bitten by a snake, next time even if a leaf touches you, you will be stunned, and scarred thinking is the same snake. This means, that what JATU did was to destroy opportunities for Tanzanians and here, especially diasporas who had hopes of making their contribution to the agricultural sector and gaining benefits for themselves and the nation.

This is a lost opportunity, and JATU will regret losing this opportunity for years to come but also a wakeup call for overseers to be more vigilant to avoid such a humiliation. The common tendency for companies to rely on commercial banks' credit for business expansion or to delay their investment plans until they generate sufficient funds internally, these methods can be quite expensive. Bank credit can be costly, as witnessed in the local market when looking to raise capital for investment.

From an investment point of view, setting aside shocking revelations over JATU PLC and who should have played what part to avoid such a situation to be reached including being placed under PCCB scrutiny, the attitude of the financial institution towards the agricultural sector has proved wanting in absolute terms despite Tanzania's financial sector being dynamic, and asked to lower the rate of interest when issuing loans to the sector admits on-going initiatives to provide fertilizer and input subsidies.

Business savings through retained profits, particularly for a sizeable project, often take longer to build up. At the same time, by waiting to finance business or investment through internally generated savings, a business may lose business opportunities or fail to undertake or take off the envisaged expansion due to cost increases.

What is being articulated here is that provided the companies operating in various sections, including agricultural business, are efficient and well managed, they can benefit enormously by using the exchange to raise long-term investible capital. Some companies' management and pioneer shareholders know the benefits of listing but are afraid of losing control of their businesses to newcomers. Was this in JATU's PLC company owners? The answer could be yes or no dependent on which side you look at it's exulted shocking news.

My plea to most business owners in Tanzania is very simple. One does not automatically lose control by going public. When listed securities, such as bonds, debentures and loan stocks can be issued instead of shares. Even the most traditionalist shareholders or management, thus, could enter the market and raise investible capital.

But one key question that needs stern answers is how did it happen for a company whose governance was questionable and was permitted to be listed without proper groundwork and close continued monitoring on products that could have endangered shareholders' interests given it was a start-up venture? Lessons from JATU PLC should help to improve how those trusted with powers to list and delist work more competently.