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Assessment of Perceptions of Shareholders towards the Benefits of Investing in Shares:

The Case of Awash International Bank S.C.

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Certification

This is to certify that **Kibru Birhanu** has completed his project work entitled **"Assessment of Perceptions of Shareholders towards the Benefits of Investing in Shares: The Case of Awash International Bank S.C."** successfully in partial fulfillment of the requirement for the award of the Degree of Master of Science in Accounting and Finance. In my view, the work is original effort of the candidate and all materials used to the project work have been acknowledged.

Dr. Ulaganathan Subramanian

Advisor

Declaration

The project entitled **"Assessment of Perceptions of Shareholders towards the Benefits of Investing in Shares: The Case of Awash International Bank S.C."** is my original work and has not been presented or submitted by anybody; for any degree or diploma in any other university and all materials used for the project work have been duly acknowledged.

Declared by:

Kibru Birhanu		June 15, 2009
Name	**Signature**	**Date**

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ACRONYMS

1	AGM	Annual General Meeting
2	AIB	Awash International Bank
3	AIC	Awash Insurance Company
4	ANOVA	Analysis of Variance
5	DF	Degree of Freedom
6	DRIP	Dividend Reinvestment Plan
7	OECD	Organization for Economic Co-operation and Development
8	SPSS	Statistical Package for Social Sciences

Abstract

The main focus of this paper is assessing the perception of shareholders towards the benefits of investing in shares. A questionnaire was answered by 86 respondents in Awash International Bank S.C. The sample of this study is relatively heterogeneous, which allows the researcher to have an overview of the perceptions and behavioral tendencies of a variety of shareholder groups in setting objectives, risk-taking, and in understanding the benefits of investing in shares. The majority of shareholders have long-term objectives and in general high risk taking tendencies were observed. In risk-taking, there is a significant difference between gender and among age categories.

The findings suggest that the shareholders have inadequate knowledge of the benefits to be realized in relation to investing in shares. The problem spreads across a broad spectrum of shareholders of various categories, both genders, and different academic disciplines. Consistent with previous studies, the results have shown that female shareholders are less knowledgeable about the benefits than male shareholders; non-business majors are less knowledgeable than business majors, and institutional shareholders have better understanding than either individual or joint shareholders. The differences between these groups are statistically significant. The secondary data analysis also supports the hypotheses constructed. On the other hand, the corporate governance practices of the bank in protecting the rights of shareholders are collectively encouraging. Generally, the findings suggest that low awareness levels of the benefits of investing in shares exist among shareholders and the issue needs to be addressed.

Assessment of Perceptions of Shareholders towards the Benefits of Investing in Shares:

The Case of Awash International Bank S.C.

CHAPTER ONE

INTRODUCTION

1.1 General Background

One of the obstacles to investment in shares is the low level of investors' enlightenment on the benefits of investing in shares, which greatly affect the acceptance level negatively. In Ethiopia, lack of public awareness campaign and the absence of secondary stock markets have contributed for the low level of the awareness.

The main focus of this research is to assess the perceptions of shareholders towards the benefits of investing in shares. The study was conducted with the sample of shareholders of Awash International Bank S.C., the secondary data collected from the bank, and interviews with the officials of the bank.

Awash International Bank S.C. was established as the first private commercial bank (post 1991) on November 10, 1994 by 486 founder shareholders with a paid-up capital of Birr 24.2 million and started banking operations on February 13, 1995. The number of shareholders and the amount of paid-up capital has reached 2683 and Birr 438.5 million respectively as of February 28, 2009.

Shareholders, whether they are individuals, joint, or institutional, have their own objectives and constraints in setting their investment policies. While many principles of investments are quite general and apply to virtually all investors, some issues are peculiar to the specific investor. For example, tax bracket, age, risk tolerance, wealth, job prospects, and uncertainties about futures make each investor's circumstances somewhat unique (Bodie et al., 2004).

Economic gain represents the primary motive for the purchase of shares. The gain or return from shares consists of two parts: dividends - the periodic payments made from profits and appreciation - the capital gain realized from selling a share for more than its purchase price.

Similarly, an investment is the current commitment of money or other resources in the expectation of reaping future benefits. For example, an individual might purchase shares of stock anticipating that the future proceeds from the shares will justify both the time that his/her money is tied up as well as the risk of the investment. The Investor sacrifices something of value now, expecting to benefit from that sacrifice later (Bodie et al., 2004).

Some investment alternatives are preferred over others since the risk and return characteristics on such underlying investment alternatives satisfy the individual investor's expectations (Narayan Prasad Paudel, 2002). Dividends are one way in which companies "share the wealth" generated by running the business. They are usually a cash payment, often drawn from earnings, paid to the investors in a company - the shareholders. These are paid commonly on an annual basis. The companies that pay them are usually more stable and established, not "fast growers". Those still in the rapid growth phase of their life cycle tend to retain all the earnings or encourage their shareholders to reinvest their annual dividends to increase the capital base of the companies.

In addition to having a claim on company profits, shareholders are entitled to vote in person or by proxy on a variety of corporate matters, including the most important matter of who should run the corporation. When the company issues new stock, shareholders have priority to buy a certain number of shares before they are offered for public sale. Shares generally are negotiable, which means shareholders have the right to sell or transfer their shares to another individual. There are also a number of benefits which can be achieved by investing in shares and these are described in the literature review part.

The stock market has become an essential market playing a vital role in economic prosperity that fostering capital formation and sustaining economic growth. Stock markets are more than a place to trade securities; they operate as a facilitator between savers and users of capital by means of pooling of funds, sharing risk, and transferring wealth. Stock markets are essential for economic growth as they insure the flow of resources to the most productive investment opportunities. Yishak (2000) as cited in Belayneh (2005) stated that the absence of secondary markets in Ethiopia makes entry and exit of individuals holding equity shares relatively difficult and probably at high cost and it discourages individuals from holding shares. However, it is believed that there are many unorganized and illiquid internal stock trading practices which are held through the companies. Hence, stock markets are essential to realize the capital gain or at least to divest the investment.

The organization of the paper is as follows: The next chapter reviews some important previous studies and the theoretical descriptions of the benefits associated with investing in shares. The third chapter describes the methodology of the study. The data analysis and findings of the study is presented in the fourth chapter and finally, the researcher presents summary, conclusions and recommendations of the study in chapter five of the paper.

1.2 Statement of the Problem

There are various benefits associated with investing in shares. Some of these include: i) Return on investment by way of dividend payment* (share of profit by the company on each share owned by the shareholder) and this of course depends on the number of shares held by the shareholder, ii) Capital appreciation; this is an increase of share price over time. The value of a company share increases due to performance and demand/supply factors, iii) Diversification benefits; the aim of diversification is to reduce the risk of losing money, iv) Share certificates are proofs of ownership and can be used for security/collateral for loan purposes. Furthermore, they can be used as gifts, v) Shareholders have voting rights to be exercised in the general meetings, vi) Rights issue, this is an additional share given to shareholders based on the number of shares owned by each shareholder free of charge at a ratio approved by the Board of Directors/Management, and vii) Investing in shares protects money from the effect of inflation. The above mentioned benefits and some other more are potentially available for shareholders by investing in shares.

However it is supposed that significant numbers of shareholders are not aware of these benefits in relation to their investments. Hence, it needs investigation by conducting a study so as to analyze the shareholders' perceptions towards these benefits and the researcher believe that creation of awareness regarding these benefits is essential to

* The dividend declared by the company's Directors must be approved at the company's Annual General Meeting.

encourage investments in shares. Again, it is essential to assess the primary objective of the shareholders and their risk tolerances in relation to investing their capital in the shares of the company.

Unlike debt instruments in which the borrowed funds are to be repaid, an investor in a common stock must sell the stock in order to try to recover the amount invested. Whether the amount received when the stock is sold is more or less than the amount initially invested depends on the stock's price at the time of sell, which is uncertain [Fabozzi F. & Modigliani F., 1996].

Assessment of the actual practices of shareholders in realizing the benefits of investing in shares is believed to be essential. It is obvious that there is a missing element in the area of stock trading. The discussion of the internal stock trading practice of the bank is crucial to know the effect of the non-existence of the secondary stock market on liquidity of stocks. Availability of capital only may not be the determinant factor for the investment in stocks. The important element is the availability of opportunities to realize gains by selling the stock holdings or off-load the stock holdings at any price when the cash is badly needed. Furthermore, it is essential to assess the trend of dividend utilizations, the use of rights issues, share certificates as collateral or for other purposes, the utilization of services of the bank, and assessment of the practice of corporate governance.

1.3 Objective of the Study

The objective of this research is to assess and closely evaluate the perceptions of shareholders towards the benefits of investing in shares and to examine their objectives and risk-taking tendencies in realizing these benefits. The specific objectives include:

- To assess the main interest of shareholders for investing in shares,
- To evaluate the risk-taking behavioral tendencies of shareholders,
- To assess the awareness level of shareholders in realizing the benefits of investing in shares,
- To examine the differences in awareness levels among different categories of shareholders, gender, and academic disciplines,
- To describe the actual practices of shareholders in realizing the benefits, and
- To examine the practice of corporate governance by the bank in preserving shareholders' rights.

1.4 Hypotheses

In this section, the hypotheses that will be tested in this study are presented. The hypotheses are constructed on the basis of existing literature, and focus on shareholders objectives, the risk-taking tendencies, and their awareness towards the benefits of investing in shares.

- **Hypothesis 1:** The majority of shareholders are interested in long-term benefits.
- **Hypothesis 2:** Men show higher risk taking behavior than women.
- **Hypothesis 3:** Risk taking tendencies are dependent on age categories of shareholders.
- **Hypothesis 4:** Awareness on the benefits of investing in shares is generally low in this study.
- **Hypothesis 5:** Male respondents show more awareness on benefits of shares than female respondents.
- **Hypothesis 6:** Shareholders with academic disciplines of business majors are

more knowledgeable than those of non-business majors.

- **Hypothesis 7:** Institutional shareholders are more knowledgeable than individual and joint shareholders on the understanding the benefits.

1.5 Scope of the study

The primary focus of this paper is on the perceptions of shareholders of Awash International Bank towards the benefits of investing in shares. The scope of the present study is, therefore, confined to the examination of shareholders' objectives, risk-taking tendencies and awareness levels in utilizing the benefits derived from investing in shares. A closer look in to the specific group of shareholders is essential for the possibility of better testing, more thorough investigation of missing, wrong, or suspicious information, better supervision, and better processing of the data. However, the suggestions and recommendations may also apply to shareholders in other companies in Ethiopia provided that shareholders of the bank may also have invested in other companies.

1.6 Significance of the Study

It is the researcher's view that this paper has added value by making some contribution to a better understanding of the benefits of investing in shares by shareholders. As no adequate investigation has been made in the country in evaluating the shareholders attitudes towards these facts, the researcher believes that this research paper finds out the solutions for the problems by creating awareness on the benefits of investing in shares. Shareholders awareness would help policy makers in designing appropriate strategies for sustainable awareness creation campaigns. In showing the root and triggering causes of difficulties in divestment of stocks by closer look in to the bank, the paper can bring the issue to be considered by different responsible bodies. Moreover, the study can be used for further studies that will be done on the study area as a secondary data source.

1.7 Limitation of the Study

Though the study presents a comprehensive theme over the succeeding chapters, it is not free from limitations. There was a challenge in conducting the study due to the limited time frame and the limited access to the shareholders as the contact was mainly through the bank's office and some of the shareholders were not willing to participate. It was also difficult to gather sufficient information for the study due to the limited number of related prior research works regarding the perception or awareness of shareholders towards realizing the benefits of investing in shares.

Due to lack of systematic records of the utilizations of benefits relating to shares, the difficulty was faced during the secondary data collection. Despite the researcher's intention to include the data covering from year 2001 to 2008, most of the available data related to the benefits of investing in shares were from year 2004 to 2008. Hence, the data analysis was made with these limitations.

CHAPTER TWO

THE RELATED LITERATURE REVIEW

The literature review has attempted to discuss the related empirical studies and theories associated with the types of investors, investment objectives, risk tolerance, investment knowledge, and the benefits of investing in shares.

2.1 Types of Investors

A) Individual Investors

According to Bodie et al. (2004), the basic factors affecting individual investor usually arise from that investor's stage in the life cycle. The first significant investment decision for most individuals concerns education, which is an investment in "human capital". Most young people start their adult lives with only one asset- their earning power. In this early stage of the life cycle an individual may not have much interest in investing in stocks and bonds. The needs for liquidity and preserving safety of principal dictate a conservative policy of putting savings in a bank or money market funds. If and when a person gets married, the purchase of life and disability insurance will be required to protect the value of human capital.

When they are young, investors can respond to a loss by working harder and saving more of their income. In middle age, most investors will be willing to take on a meaningful amount of portfolio risk in order to increase their expected rates of return. As retirement draws near, however, risk tolerance seems to diminish.

B) Institutional investors

Major institutional investors include pension funds, mutual funds, insurance companies, banks, and endowment funds (Bodie et al., 2004). In Ethiopia, the relatively large share ownership is prevalent by institutional investors that are interrelated as sister companies. In addition, significant proportion of shares is also owned by private limited companies which have invested on a long-term basis (Belayneh, 2005) and informal financial institutions.

Life insurance companies generally invest so as to hedge their liabilities, which are defined by the policies they write. The company can reduce its risk by investing in assets that will return more in the event the insurance policy coverage becomes more expensive. Non-life insurance companies such as property and casualty insurers have investable funds primarily because they pay claims after they collect policy premiums. Typically, they are conservative in their attitude toward risk. A common thread in the objectives of pension plans and insurance companies is the need to hedge predictable long-term liabilities.

Most bank investments are loans to businesses and customers and most of their liabilities are accounts of depositors. As investors banks try to match the risk of assets to liabilities while earning a profitable spread between the lending and borrowing rates.

C) Joint Investors

These are individuals who own the shares jointly. An individual may hold the shares with his/her spouse, children, a friend or any other person. The issuing company treats these shareholders jointly as a single shareholder. The joint shareholders can legally be represented by one of the individuals for participating in AGM, deciding on their annual dividends declared by the issuing company, and in selling the shares.

2.2 Investment Objectives

It is obvious that investors differ on the basis of their investment objectives. Their objectives arise from a number of factors. For individual investors, the basic factor for the investment objective is usually the stage in life cycle. Risk tolerance becomes higher in the middle ages and diminishes as retirement approaches. For institutional investors, their investment policies depend on the nature of the institution. Both individual and institutional investors, however, have to consider how likely they are to need cash in short notice (Bodie et al., 2004).

Investment objectives center on the risk-return trade-off between the expected return the investors want (return requirements) and how much risk they are willing to assume (risk tolerance). Investors will differ in their choice of investments because they differ in their willingness to trade off expected return against risk.

Marilyn Clark Murphy &Geoffrey N. Soutar (2003) conducted a study with a conjoint analysis approach, which has previously been used in non-financial product choice research, to investigate the attributes that influence individual investors when they make a decision to buy shares. The results obtained suggested that the majority of individual investors have little interest in speculation and are, by nature, long-term investors. In deciding to buy a particular stock, financial measures, such as dividend and price–earnings ratio are relevant. However, they are less important than the company's management or recent movements in the share's price.

2.3 Risk -Taking Tendencies

Broadly defined, risk-taking means the implementation of options that could lead to negative consequences (Byrnes et al., 1999). Risk-taking behavior is a concept that has been studied extensively in the past few decades. The context and goals of different studies vary significantly, but some general patterns in risk-taking behavior can be found when comparing their results.

Although risk tolerance is only an individual preference, large deviations of risk preference among social groups of people (e.g., race, education, gender) can lead to different portfolio returns and wealth inequalities (Smith, 1995 cited in Tahira K. Hira, 2007).

Byrnes et al. (1999), for example, conducted a meta-analysis of 150 studies and found that large gender differences exist in terms of risk-taking tendencies. Men, in general, are more likely to show risk-accepting behavior than women, was their conclusion. Further more, Tahira K. Hira (2007) stated that men are categorically more risk tolerant than women.

According to Bodie et al. (2004), the empirical study suggested that attitudes shift away from risk tolerance and toward risk aversion as investors near retirement age. With age, individuals lose the potential to recover from a disastrous investment performance. Similarly, Tahira K. Hira (2007) found that age has a negative impact on risk tolerance. According to him marital status has no impact on risk tolerance level.

Using a mixture of experimental and survey data, Estes and Hosseini (2001) cited in Tahira K. Hira (2007) found that women are generally less confident in their investment decisions regardless of education or age.

2.4 Investment Knowledge

As stated in Volpe et al. (1996), Poor investment knowledge is one of the main reasons Americans have failed to manage their personal finances. Inadequate knowledge was caused by lack of a sound financial education. According to them, college education enhances the level of personal investment literacy. They have examined college students' knowledge of personal investment and the relationship between the level of investment literacy and gender, academic discipline, and experience. The results have shown that female students are less knowledgeable about investing than male students. Non-business majors are less knowledgeable than business majors.

Brigitte Fünfgeld & Mei Wang (2008) conducted a research entitled ‘The Attitudes and Behavior in Everyday Finance: Evidence from Switzerland’. The aim of this study was to examine the underlying dimensions of self-stated attitudes and behavior concerning everyday financial affairs, and classify individuals based on those dimensions. A questionnaire was answered by 1282 respondents in the German- speaking part of Switzerland.

In the survey conducted by Brigitte Fünfgeld & Mei Wang (2008), Participants were first asked to give their self-assessment by answering seventeen questions on their financial behavioral practice or attitude towards financial affairs. The response format was a 5-point-Likert type scale with ‘absolutely’ and ‘not at all’ as the two ends of the question spectrum. The private investors were divided into five clusters with specific characteristics in their financial day-to-day behavior and certain socio-demographic variables (e.g., gender, age, and education). Each cluster raises key issues to meet their needs and to use of adequate financial instruments. The results indicated that gender shows a significant difference in the distribution within the clusters. The number of women is in all of the three precarious clusters disproportionately high. The main reasons were that women were less interested in financial affairs, more anxious and were more prone to spending money. Regression showed that the younger group was less interested in financial matters, and sees less need for precautionary saving, but was more likely to enjoy spending money. The distribution in the clusters concerning education differed significantly from the distribution in the overall sample in the ’Anxious spenders’ cluster in that people with a lower level of education are more anxious and insecure.

Robert L. Clark et al. (2003) stated on their survey related to Financial Education and Retirement Savings. The objective of the paper was to examine how financial education affects the choice of retirement goals, the level of retirement savings, and investment choices in retirement accounts. Survey responses indicated that after an educational event, individuals were altered their retirement goals and changed their retirement savings behavior. To determine the influence of new information, they have examined the responses from two surveys completed by individuals before and after participation in a financial education seminar. The results were clear. A significant proportion of the respondents indicated that they had revised their goals and planned to modify their savings and investments.

Lusardi (2000) cited in Robert L. Clark et al. (2003), agreed that financial literacy is a key to effective retirement savings. To finance consumption during nonworking years, individuals save a portion of their earnings earlier in life. These consumption and savings decisions determine their retirement income at their chosen retirement ages.

2.5 The Theoretical Review of the Benefits of Investing in Shares

Spending money is a lot more fun than saving it. So why is it that essential to know how to save and invest money instead of out somewhere spending it? The answer: benefits. Investing in the shares provides many benefits to investors. While this list is by no means exhaustive, here will be discussing the following benefits:

2.5.1 Dividends

Dividends are one way in which companies "share the wealth" generated by running the business. They are usually a cash payment, often drawn from earnings, paid to the investors in a company - the shareholders. These are paid on an annual or a quarterly basis. Dividend payments, whether they are cash or stock, reduce retained earnings by the total amount of the dividend. In the case of a cash dividend, the money is transferred to a liability account called dividends payable.

Shareholders of a certain company might have two alternatives in utilizing the declared dividends. These are the option to take the cash dividends or the reinvestment of the dividends to buy additional shares of the company.

2.5.1.1 Cash Dividends

The cash dividend is the most common type of dividend. As the name suggests, these are cash payments made directly to shareholders, and they are made in the regular courses of business. Some times firms will pay a regular cash dividend and an extra cash dividend. By calling part of the payment “extra”, it is indicating that the “extra” part may or may not be repeated in the future. A special dividend is similar, but the name usually indicates that this dividend is viewed as a truly unusual or one time event and won’t be repeated. Finally, the payment of a liquidating dividend usually means that some or all of the business has been liquidated (Ross et al., 2008).

Ross et al. (2008) stated that there are three real world factors favoring a high-dividend payout: the desire for current income, tax and legal benefits from high dividends and the resolution of uncertainty. On the other hand, there are two real world factors favoring a low dividend payout: taxes and flotation Costs. It has been argued that the group of retired people and others living on a fixed income desire current income in the form of cash dividends.

2.5.1.2 Dividend Reinvestments

A) Definition

A dividend reinvestment program or dividend reinvestment plan (DRIP) is an equity investment option offered directly from the underlying company. It allows shareholders participating in the plan to easily and cheaply reinvest cash dividends in additional shares of the company (http://en.wikipedia.org).

This allows the investment return from dividends to be immediately invested for the purpose of price appreciation and compounding, without incurring brokerage fees or waiting to accumulate enough cash for a full share of stock. Some DRIPs are free of charge for participants while others do charge fees and/or proportional commissions.

DRIPs have become popular means of investment for a wide variety of investors as they enable them to effectively take advantage of dollar cost averaging with income in the form of corporate dividends that the company is paying out. Not only is the investor guaranteed the return of whatever the dividend yield is, but he/she may also earn whatever the stock appreciates to during his/her time of ownership. However, this is also subject to whatever the stock may decline to, as well.

B) Advantages of DRIPs

- DRIPs are a cost-effective way for investors to put stock dividends to better use - purchasing more shares of the company - than simply spending the money or having it sit in a money market account. Most DRIPs allow dividends to be reinvested at no fee.
- Dividend reinvestment plans are a very effective way to introduce the discipline of a systematic savings and investment program. Reinvesting dividends each period provide shareholders into the two most important benefits of saving systematically: the magic of compounding and dollar cost averaging.
- One of the main advantages that DRIPs provide to investors is their affordability. As a result, investors adopt a long-term horizon and often invest small amounts of money on a regular basis.

In general, dividend structures of companies are basically influenced by various factors. The factors though may be similar in most organizations or industries, but they are uniquely determined by the nature of the company. Due to the susceptibility of the profit of banks, their dividend policy is often to maintain a low but steady payout. Foremost among the determinants of the dividends structure are the liquidity position of the company. This is a function of the profitability of the company. Organizations that have investment projects will rely on their after tax profit. Thus, the availability of alternate investment opportunity shapes what the dividend will eventually be. Dividend clientele is a very formidable factor in the consideration of a dividend policy. Managers are more inclined to formulate policies that suit the investors' interest.

In Ethiopia, cash dividends or withdrawals of profits from private limited companies are subject to ten percent dividend tax whereas the capital gains from the sale of shares are subject to thirty percent capital gain tax (Income tax Proclamation No. 286/2002). These rates apply to all types of shareholders. However, when the shareholders reinvest their dividends, they will not pay the dividend taxes on these reinvested dividends. It is believed that this tax exemption encourages shareholders to boost their share holdings in the companies.

2.5.2 Capital Appreciation

***What Does Capital Appreciation Mean*?-**It is a rise in the value of an asset based on a rise in market price. Essentially, the capital that was invested in the security has increased in value, and the capital appreciation portion of the investment includes all of the market value exceeding the original investment or cost basis. Capital appreciation is one of the two main sources of investment returns, with the other being dividend.

A shareholder can enjoy capital appreciation as the market price of the shares bought increases (Adedayo Emmanuel, 2008). Over the long-term, shares can produce significant capital gains through increases in share prices. Some companies also issue free or bonus shares to their shareholders as another way of passing on company profits or increases in their net worth.

According to the survey conducted by Brad M. Barber & Terrance Odean (2001), overconfident investors trade shares excessively. They have tested this prediction by partitioning investors on gender. Psychological research demonstrated that, in areas such as finance, men are more overconfident than women. Thus, theory predicts that men will trade more excessively than women. Using account data for over 35,000 households from a large discount brokerage, they have analyzed the common stock investments of men and women from February 1991 through January 1997. They have documented that men trade 45 percent more than women.

2.5.2.1 The Price Volatility of Stocks

There is a risk that a shareholder could lose all or a portion of his/her investment in a company. The value of the investment in the company will go up and down with the prices of the securities in which the shareholder invests. The prices of equity securities change in response to many factors, including the historical and prospective earnings of the issuer, the value of its assets, general economic conditions, interest rates, investor perceptions and market liquidity. This is especially true with respect to common stocks of smaller companies, whose prices may go up and down more than equity securities of larger, more-established companies.

2.5.2.2 The Importance of Stock Market

As stated in Belayneh (2005), Secondary markets for equity shares are of value to corporations, investing public and economy. It creates marketability of shares to the issuing corporation. Schwartz (1988) as cited in Belayneh (2005) stated that the marketability increases share prices in the primary market and reduces the cost of financing capital for the firm. Sastry (2000) as cited in Belayneh (2005) argued that securities markets proved efficient in bringing savers and borrowers together in such a way that they cut middlemen such as banks and other institutions stand between savers and borrowers.

Kohn (1994) as cited in Belayneh (2005) stated the three major uses of the market: i) it determines a fair price for securities they trade (price discovery), ii) enable transactions to be made at this price quickly and easily (the provision of liquidity) and, iii) enable transactions to be made at as low a cost as possible (minimization of trading costs). Hamelmal (2000) stated that security markets can make the process of privatization easier in the country by distributing shares to the public in the transparent way. Moreover, securities markets could serve as a venue through which assets to flow in to the country.

According to Abebe (2006), stock markets would be more appropriate due to the very fact that they permit risk sharing even among shareholders. The listing and operating requirements, such as the disclosure issue will benefit banks as they can find their clients more transparent. Furthermore, stock markets protect investors by upholding rules and regulations that insure buyers' fair treatment and gains that exactly match that what they pay for. They also support the use of state-of-the-art technology and the business of brokering. Hence, traders can buy and sell securities quickly and efficiently. According to him, the investors in Ethiopia are not fully realizing the benefits of investment in shares due to the inexistence of the stock market in the country and the shareholders can unload their holdings by going back to the firm, which originally sold the shares and ask it to sell their holdings to someone who can be interested or to find by their own, some other people who are willing to buy their shares.

2.5.3 The Benefits of Diversification

Often, one hears investors talking about diversifying their portfolio. By this an investor means constructing a portfolio in order to reduce portfolio risk without sacrificing return. This is certainly a goal that investors should seek (Fabozzi & Modigliani, 1996). In order to diversify the investment portfolio, the investor will probably have part of his/her money in the share investment.

In finance, diversification means spreading the investments so an investor doesn't have all his/her eggs in the one basket. No two investments perform the same way at the same time.

The aim of diversification is to reduce the risk of losing money, so that if one investment produces poor results or is completely wiped out, the investor still has other investments that may offset the loss or at least save him/her from losing everything.

An investor may need to diversify between or within asset classes.

i) Diversification between different asset classes-Cash and fixed interest investments generally suit situations where an investor need to get the money back within 2-3 years or where he/she need to be sure that, can get the original capital back without loss. For the extra peace of mind, the investor generally gets a lower return. Property and shares generally suit situations where the investor can invest for 5 years or more and want to see the capital grow. For the extra growth, the investor take a higher risk that the property or shares might lose value.

ii) Diversification within asset classes-Few, if any, people never make a mistake. Especially with riskier assets, including some fixed interest products, as well as property or shares, it's generally safer to spread the money around. For example, an investor could spread his/her money among 10 or more shares in different companies, each operating in different parts of the economy.

Finding the right amount of diversification depends on an investor’s own personal needs and circumstances. Business owners might have all their money tied up in their business. That might not be so risky for them, because they know exactly what's going on. Individual investors may find that far too risky because they have limited time and information to be confident that all's going well.

According to Fabozzi & Modigliani (1996), diversification results from combining securities whose returns are less than perfectly correlated in order to reduce portfolio risk. The portfolio return is simply a weighted average of the individual security returns, no matter the number of securities in the portfolio. Therefore, diversification will not systematically affect the portfolio return, but it will reduce the variability of return. If an investor places funds in the shares of an investment company, the company in turn can invest the funds in the shares of large number of companies. By doing so, the investment has diversified and reduced its risk. Investors who have a small sum to invest would find it difficult to achieve the same degree of diversification because they would not have sufficient funds to buy shares of a large number of companies (Fabozzi & Modigliani, 1996).

2.5.4 The Benefits of Share Certificates

2.5.4.1 Share Certificates as Collateral

Collateral is a security that a borrower gives to a creditor to guarantee repayment of a loan. It is usually necessary to supply some kind of collateral in business transactions, especially when loans are being made by banks or other financial institutions. Shares of quoted companies are one of the most acceptable forms of collateral to secure loans and advances by financial institutions (Ishola Ireti, 2007). According to Adedayo Emmanuel (2008), shares can be used as collateral to obtain loan from banks.

Zerihun (2000) as cited in Belayneh (2005) stated that stocks can be used as collateral for bank loans. Loan value of listed shares in the stock market is related to liquidity. Illiquid shares have very little or no loan value and they may not be accepted by financial institutions for loans, or they are acceptable only for loan amounting to a small fraction of their original purchase price. However, a substantial portion of bank loans else where in the world is secured by stocks as a collateral for loans.

2.5.4.2 Share Certificates as a proof of ownership

Much like the deed to a house, share certificates are the proofs of ownership shareholders hold in a company. Depending on the size of the company, share certificates may denote either individual shares or bundles thereof.

2.5.4.3 Share certificates as gifts

Children often share certificates given as gifts. In some families it is a tradition for birthdays and major holidays to not only give a tangible gift to the child but also one share certificate that is supposed to be added to a growing college savings account. This is done in such a way that the families purchases shares in the name of the children and give them the proof of ownership of shares on their special days.

2.5.5 Shareholders' Voting Rights

Shareholders have a say in the affairs of the company. One of the ways they express themselves is by voting at the annual and Extra-ordinary general meetings of the company (Ishola Ireti, 2007). The board of directors needs the ratification of shareholders, before any major decision is taken. For instance, shareholders must give their consent before a company embarks on a public offer or a right issue. They also have the rights to sack erring directors.

According to Mark Gillen (2008) shareholders exercise their powers through voting. These powers are the power to elect directors, the power to approve the amendment of by-laws, the power to approve fundamental changes such as changes to the articles, an amalgamation of the corporation, the continuance of the corporation under another corporate statute, the sale, lease or exchange of all or substantially all of the corporation's assets, or the dissolution of the corporation.

As noted previously the shareholders have the power to elect directors at annual shareholder meetings. This is one of the most important rights of shareholders allowing them a means to exert some control over who manages the corporation. Although the default rule is that directors have the right to initiate by-law changes in corporations these changes must be ratified by the shareholders at the next annual meeting of shareholders. As noted, it is a default arrangement and it can be altered in the articles, by-laws or a unanimous shareholder agreement. Even where the power to initiate changes in the by-laws is left in the hands of the directors, the shareholders can make proposals for changes in the by-laws.

2.5.6 Potential Directorship of the Company

Becoming the board director of a company is not the exclusive preserve of only those who start the company. All a prospective director needs to do is to acquire a certain percentage of the company shares (this varies from one company to another). There are so many benefits attached to being a board director of a company. Directors get monthly as well as annual fees for their service, and they also get all the other benefits, they deserve as an investor (Ishola Ireti, 2007).

2.5.7 Rights Issues

A rights issue is a way in which a company can sell new shares in order to raise capital. This is an additional share given to shareholders based on the number of shares owned by each shareholder at a discount or free of charge at a ratio approved by the Board of Directors or Management and ratified at the company's AGM. With the issued rights, existing shareholders have the privilege to buy a specified number of new shares from the firm at a specified price within a specified time. A rights issue is offered to all existing shareholders individually and may be rejected, accepted in full or accepted in part (http://en.wikipedia.org).

2.5.7.1 The pre-emption principle

The priority granted to existing shareholders on particular terms in subscribing for new shares issued by their company is a fundamental right enshrined in UK and European law. The same is true in Ethiopia. The pro-rata basis of subscription protects shareholders from the consequent involuntary transfer of value to others. Moreover it is integral to the UK system of corporate governance with its basis in "comply-or-explain." This principle will not be effective if managements are free to offer stock on a non-pre-emptive basis (Association of British Insurers, 2008).

2.5.7.2 Timetable of Rights Issue

Rights issues take longer than other modes of capital raising, not least because the timetable is designed to meet the needs of investors. Companies are assured of receiving their additional capital through the normal practice of underwriting, but the involvement of new market participants and the greater prevalence of short-selling have led to concerns that companies undertaking issues are nowadays at increased risk of destabilization during a lengthy subscription period. For most issuers this will not be a significant risk but it is clear that companies needing to strengthen their balance sheets and suffering a drop in investor confidence will be at greater risk (Association of British Insurers, 2008).

2.5.8 Protect Money from Inflation

Investing in the shares is a means of protecting money from the ravages of inflation. The investor's money can keep working for him/her without depreciating in value (Adedayo Emmanuel, 2008). Bonds are a safer investment than shares, especially in times of deflation (a period when the prices of goods and services are generally falling). Stocks, however, are usually the better investment during periods of inflation (a period when the prices of goods and services are generally rising) because they represent ownership of assets that will probably rise in value as fast as or faster than prices in general. Because the dollar value of bonds is fixed, they cannot serve as a hedge or protection against inflation as do common stocks (Encarta, 2008).

2.5.9 Prestige and Peace of Mind

Having shares also elicits some form of satisfaction. An investor, who sees the price of his stock appreciating, will be happy. Another investor, who sees a product of his company, may say to himself, 'I am a part owner of that company'. It could also give an investor peace of mind, because he/she knows he/she has something to fall on in case of an emergency (Ishola Ireti, 2007).

2.5.10 Benefits from the Services of the Bank

Banking is the business of providing financial services to consumers and businesses. Commercial banks offer various services to their customers. For businesses, commercial banks provide specialized cash management and credit enhancement services. Cash management services are designed to allow businesses to make efficient use of their cash. Another important business service performed by banks is a credit enhancement. Commercial banks back up the performance of businesses by promising to pay the debts of the business if the business itself cannot pay. This service substitutes the credit of the bank for the credit of the business. Moreover, the deposit and loan services provided by banks benefit an economy in many ways.

As a commercial bank, AIB provides most of the above services to its customers. And as customers of the bank, shareholders also have an opportunity to get the services. Shareholders may have saving accounts in the bank and they can utilize this saving account in many ways in relation to their investment.

AIB can credit the saving accounts of its shareholders, in order to pay the cash dividends with periodic written instructions by shareholders or standing instructions made by shareholders once. Moreover, the shareholders can instruct the bank to debit the saving accounts and purchase additional shares of the bank in the name of the shareholders without doing with the cash or the check.

Employees of AIB have an opportunity to obtain loans with low interest rates as a benefit package. This encourages them to purchase the shares of the bank with these loans and benefit from their investment. Employee ownership comes in different forms. There are employee benefit plans that allow employees to buy shares with discounts. Research shows that employee ownership enhances their motivation, which is likely to lead to higher productivity (S.Fransen, 2007).

2.6 Growth Prospects of the Banks in Ethiopia

Ethiopia's economic policy over the last eighteen years has been framed for the transition from command to market oriented economy. This transiting had to be made in tandem with the strategy of economic development, within wider strategy of Agricultural Development Led Industrialization.

The chief function of banks is financial intermediation in the form of accepting deposits and lending, thus bringing together savers and borrowers. The challenge for banks is however, operating in an environment which is characterized by lack of information, especially the problem of knowing borrowers. Such information gap can be bridged over the years through building a database in cooperation with other banks. What is important for banks is to balance the frontiers of cooperation and competition. The frontier for cooperation can be defined over time through such forum as the Ethiopian Bankers Association.

In regard to borrowers who default, there is a need to differentiate between inability to pay and unwillingness to pay. When borrowers have hidden intent not to pay, the legal system, in the form of the foreclosure law, helps banks to recover the money they lent to such defaulters. Banks can benefit if they cooperate in developing a credit rating system which is explicit. Both banks and borrowers can benefit from a transparent credit rating system.

The banking sector must deal with a new variable, Operational Risk, for explaining various recent crises and bankruptcies. Operational Risk, which can be defined briefly as the risk generated by possible failures of a entity's Information Systems (IS), must be measured, covered, mitigated and managed by applying a series of methodologies, each of which assumes that the IS of the bank operates at a certain Stage of Sophistication (Enrique Bonson et al., 2008) .

The futures of banking in Ethiopia hinges on two factors: improving corporate governance and bank modernization. Corporate governance can be improved if the necessary system is put in place allowing for clarity, transparency and accountability while it is essential to delegate tasks, a well informed management must know what goes on within, and between different operating parties (AIB/AIC, 2005).

2.7 The impact of the financial crisis on the Banks

The Ethiopian Economy is one of the least monetized in the world with over 85 percent of the population having little access to banking and financial services. From this perspective it might appear that Ethiopia has little to fear from the current global crisis (Amdissa Teshome, 2008).

According to Yared (2008), Ethiopia's financial sector, as mortgage borrowing is not a particularly significant activity of the national economy, is not directly affected by any "Sub-Prime Mortgage" crisis. However, it would be naïve to say that Ethiopia's economy will not be affected by the credit crunch or global recession, not least because a big chunk of the money spent in Ethiopia comes from those countries that are now in dire-straits. The money flowing into the country; be it through international aid or remittance etc, is all subject to this global phenomenon.

Ethiopian banks have not yet felt the global financial meltdown, at least not at a noticeable extent. This has been attributed to the less integrated parallel working relationship with that of the developed world. Although the impacts of the crisis are felt in some aspects of Ethiopia's economy, a more devastating situation is expected, unless proper preventive systems are put in place (Hilina Alemu, 2009).

2.8 Corporate Governance Practices

Every company should be headed by an effective board, which is collectively responsible for the success of the company. The board's role is to provide entrepreneurial leadership of the company within a framework of prudent and effective controls which enables risk to be assessed and managed. The board should set the company's strategic aims, ensure that the necessary financial and human resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards and ensure that its obligations to its shareholders and others are understood and met (Anthony Carey, 2004).

2.8.1 The OECD Principles -Related to Shareholders

The OECD Principles of Corporate Governance were endorsed by OECD Ministers in 1999 and have since become an international benchmark for policy makers, investors, corporations and other stakeholders worldwide. The Principles have been thoroughly reviewed to take account of recent developments and experiences in OECD member and non-member countries (OECD, 2004). Here under, two of the principles, which are related to the shareholders rights, are discussed.

2.8.1.1 The Rights of Shareholders and Key Ownership Functions

This is one of the principles and it states that the corporate governance framework should protect and facilitate the exercise of shareholders' rights. According to the principle:

- Basic shareholder rights should include the right to: 1) secure methods of ownership registration; 2) convey or transfer shares; 3) obtain relevant and material information on the corporation on a timely and regular basis; 4) participate and vote in general shareholder meetings; 5) elect and remove members of the board; and 6) share in the profits of the corporation.
- Shareholders should have the right to participate in, and to be sufficiently informed on, decisions concerning fundamental corporate changes.
- Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.

2.8.1.2 The Equitable Treatment of Shareholders

The second principle related to shareholders is that the corporate governance framework should ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights. Hence:

- All shareholders of the same series of a class should be treated equally.
- Insider trading and abusive self-dealing should be prohibited.

- Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the corporation.

2.8.2 Corporate Governance for Banking Organizations

Given the important financial intermediation role of banks in an economy, their high degree of sensitivity to potential difficulties arising from ineffective corporate governance and the need to safeguard depositors' funds, corporate governance for banking organizations is of great importance to the international financial system and merits targeted supervisory guidance(The Basel Committee on Banking Supervision, 2006). The Basel Committee published guidance in 1999 to assist banking supervisors in promoting the adoption of sound corporate governance practices by banking organizations in their countries. This guidance drew from principles of corporate governance that were published earlier that year by the OECD with the purpose of assisting governments in their efforts to evaluate and improve their frameworks for corporate governance and to provide guidance for financial market regulators and participants in financial markets.

From a banking industry perspective, corporate governance involves the manner in which the business and affairs of banks are governed by their boards of directors and senior management.

CHAPTER THREE

METHODOLOGY

This chapter specifies the methods and procedures for sampling techniques, the data collection, measurement, and data analysis for the study.

3.1 Population and Sampling

3.1.1 Population

The target population for the study is all the shareholders of Awash International Bank S.C. and included are the outsiders: individuals, joint, and institutional shareholders; and the insiders: board members and employee shareholders.

3.1.2 Sampling

It is a part of the target population, carefully selected to represent the population. Samples of 100 shareholders are selected from the population of 2683 shareholders by using stratified and systematic sampling techniques (see table 3.1). The sample size comprised approximately 4% of the total population. The research's major time and cost constraints and accessibility of the geographically dispersed shareholders is taken in to account in setting the number of subjects in to one hundred.

First, the population is divided in to the appropriate strata. Then, the outsiders are categorized in to individual, joint and institutional shareholders. In turn, the individual shareholders are also classified in to male and female. Moreover, the insiders are classified in to board members and employees (classified in to male and female) shareholders. The population in each stratum is listed in ascending order of the share ownership levels. The sample size drawn from each stratum is proportionate to the stratum's share of the total population.

The sample is then selected from each stratified list of shareholders by using systematic sampling technique as follows: The number of shareholders in each subgroup is divided by the number of shareholders from the subgroup to be included in the sample. The values that obtained from these calculations were used as "k" values or skip interval values. Every k^{th} element in the population is sampled, beginning with a random start of an element in the range of 1 to k. Then based on the intervals the next samples were selected until the already determined number of samples is reached.

Table 3.1: Summary of Sampling Technique

	Population			Sample		
Category	**Male**	**Female**	**Total †**	**Male**	**Female**	**Total**
Outsiders:						
Individuals	1760	547	2307	66	20	86
Joint			188			7
Institutional			83			3
Insiders:						
Employees	61	33	94	2	1	3
Board members			11	1		1
Total	**1821**	**580**	**2683**	**69**	**21**	**100**

3.2 Instruments

Primarily, a self administered Questionnaire was designed in English language.

† The total number of shareholders taken as target population was as per records of February 28, 2009.

Then, it was translated in to Amharic to include shareholders who can't read and write in English.

Nominal and ordinal scales were used for categorization questions to cover variables that allow shareholders' answers to be grouped for analysis.

The risk taking tendencies of shareholders are measured by using the nominal scale with 'Yes' or 'No' options. To assess the risk-taking tendencies of the participants, game theory method was applied. This method was based on previous literature, obtained from S. Fransen (2007) which was used to measure the risk taking tendencies of Ghanaian households in business. And this instrument was modified in to the context of this study to evaluate the risk taking tendencies of shareholders in their investments of shares in the bank.

Furthermore, the Likert scale developed by Rensis Likert was applied to measure the perceptions of shareholders. The respondents were asked to agree or disagree with each statement and chose one of five levels of agreement (1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree & 5-Strongly agree). Each response is given a numerical score to reflect its degree of attitudinal favorableness. The instrument has 20 items and the total scores expected to range from 20 to 100. On the other hand, some of the items were worded negatively to counteract the halo-effect[‡].

Finally, the English and Amharic versions of questionnaires were distributed to the hundred shareholders through the hand delivery as well as through the mail. From the total sample of one hundred shareholders, the researcher has received back eighty six

[‡] Error caused when prior observations influence perceptions of current observations.

responded questionnaires. The respondents consist of seventy eight individual shareholders, five joint shareholders, and three institutional shareholders.

3.3 Methods of Data Collection

The study relied on both primary sources and secondary sources of data. The primary data were collected to assess the perceptions of shareholders through questionnaires. The researcher, apart from gathering the required data from the sample respondents by using questionnaire, secondary data sources were used to assess the actual practice of utilizing the benefits of investing in shares by the overall shareholders of the bank, and the interview guide used to collect essential information from officials of the bank. Secondary data sources include annual financial reports, procedure manuals and other unpublished records of the bank. Moreover, included in the secondary data were from year 2001 up to year 2008.

3.4 Methods of Data Analysis

Upon completion of primary data collection, it was analyzed by using the SPSS software. Both descriptive analyses of the data and inferential analyses designed to test the hypotheses were applied. After the data are described, specific analyses were made for each of the hypotheses raised. Besides, tables and qualitative expressions are used to present the information gathered from secondary data sources and through interviews. The following techniques were used to summarize the collected data:

- Descriptive statistics-to summarize information about variables by using frequency distribution, central tendency, dispersion or variability, and cross-tabulation.

- Inferential statistics- to make inferences from the data to general conditions and to conduct significance tests. The techniques applied include: i) parametric tests- one-sample t-test, independent samples t-test, and ANOVA (one-way and pair-wise multiple comparisons), and ii) Non-parametric significant tests- by using chi-square tests. To summarize the results, tables are used.
- To test the significance, the alpha level is set at 0.05[§].
- Furthermore, tables and figures that show only the most relevant or important information are presented to analyze the data.

[§] A statistical result is considered significant if it is shown that the significance value (**Sig.**) of the result is 5 percent or less.

CHAPTER FOUR

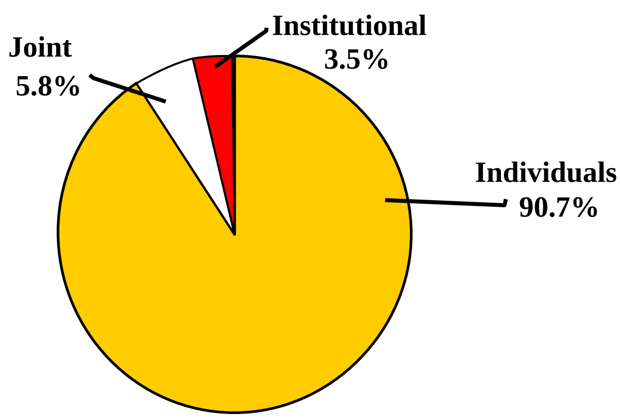
DATA ANALYSIS AND FINDINGS

Before analyzing the collected data from respondents, description of the sample is presented so as to create an overview of the overall sample of the study.

4.1 Description of the sample

The total sample taken was 100 shareholders and 86 of them were responded the questionnaires. Individual shareholders comprise 90.7 percent of the total respondents of eighty six shareholders. Included in the sample of individual shareholders were seventy four outsiders, three employees, and one board member. Women were 25.6 percent of the individuals and men were 74.4 percent.

Figure 4.1: Summary of shareholders category



From the total respondents, 5.8 percent were joint shareholders and the remaining 3.5 percent were institutional shareholders. Generally, it is believed that the sample was reasonably diverse.

4.1.1 Age Profile of Individual Shareholders

Age varied from 18 to 72 for both males and females. The ages of the majority of the respondents range from 31-50, that comprising 55.2 percent of the total respondents.

Table 4.1: Age summary of Individual Respondents

	N	Minimum	Maximum	Mean	Std. Deviation
Male	58	18	72	44.00	11.97
Female	20	23	57	42.65	11.11
Total Sample	78	18	72	43.65	11.70

4.1.2 Academic Background of Respondents

The distribution of educational attainment is 3.8 percent that didn't complete secondary school, 10.3 percent with secondary school completion, 16.7 percent with a certificate, 30.8 percent with a diploma, and 30.8 percent with a degree, 6.4 percent with a masters degree, and 1.3 percent with PhD and above.

Moreover, 51.3 percent of individuals in the sample have graduated with majoring in business and 48.7 percent have majoring in non-business academic disciplines.

4.1.3 Share ownership Levels and Sources of Investment

A great proportion of the shareholders included in the sample have 11-50 shares comprising 30.2 percent of total respondents. All the institutional shareholders included in the sample owned more than 100 shares.

The sources of investment for shareholders that comprise 59.3 percent of the total sample are savings from their personal income. Of these shareholders, 35.3 percent are in the share ownership levels of 11-50 shares. Shareholders that have invested from their business income follow with 20.9 percent and the majority of these shareholders have owned 501-1000 shares. The sources of investments for the rest 40.7percent of the respondents are inheritance, gifts, provident funds and loans.

Table 4.2: Share-ownership levels of respondents

Share-ownership levels	Number of Respondents	Percentage
1-10	17	19.7
11-50	26	30.2
51-100	13	15.1
101-500	20	23.3
501-1000	5	5.8
1001-5000	4	4.7
5001-10000	1	1.2
Total	**86**	**100**

4.1.4 Share Holding Periods

A majority of the sample, comprising 54.6 percent of the respondents have investments made prior to 8 years. The remaining 45.4 percent have invested 8 years back. Of whom, 8.1 percent have shares with investment periods of less than a year.

4.2 Data Analyses

4.2.1 Analysis of the Questionnaire Responses

4.2.1.1 Objectives of Shareholders

According to Bodie et al. (2004), most investors would agree with the notion that they want to earn as much money on their investments as possible. Investors will differ in their choice of investments because they differ in their willingness trade-off expected return against risk. For individual investors, the basic factor for the investment objective is usually the stage in life cycle. However, for institutional investors, their investment objectives depend on the nature of the institution. Hence, it is essential to specify the shareholders' objectives with return requirement and risk tolerance.

Most of the respondents in this study have purely business oriented objectives. Of these, 54.7 percent of them have long-term profitability objectives, 14 percent of the shareholders have an objective of annual cash dividends, and 15.1 percent of the shareholders have objectives of partially to reinvest and partially to receive in cash of their annual dividends. No shareholders have a short-term objective of capital gains. Furthermore, 11.6 percent of the shareholders responded that their objectives are determined by the current income needs. Insignificantly, 3.5 percent and 1.2 percent intended to increase group affiliation and enhance the relationship with the bank respectively (see appendix 4).

The cross-tabulation of the shareholders objectives with the latest year 2007 dividend utilization trends (appendix 4) shows that there is a relationship between the objectives and the dividend utilizations. Shareholders acted according to their intended objectives and this significant relationship is confirmed with chi-square test at 0.05 significance level (chi-square=116.56, Sig.=0.00).

For instance, from 54.7 percent of the total sample shareholders that have long-term objectives, 89.4 percent of them fully reinvested their dividends of year 2007. Similarly, from 15.1 percent of shareholders that have intended to take the dividends partially and to reinvest partially, 79.9 percent of them have acted according to their objectives. On the other hand, 50% of the shareholders who have the objectives of annual cash dividends have utilized their dividends according to their objectives. The hypothesis constructed has been tasted in this part was stated as: **Hypothesis 1:** The majority of shareholders are interested in long-term benefits. As the results show the majority of shareholders have business oriented objectives. This result is consistent with the findings of Belayneh (2005). But it is observed that there is no shareholder who has an objective to obtain profits from the sell of shares. Most of the shareholders are interested in long-term profits and this finding is consistent with the findings of Marilyn Clark Murphy &Geoffrey N. Soutar (2003).

The results also showed that there is a significant relationship between the shareholders' objectives and how they use their annual dividends. Their dividend utilizations depend on their objectives. The majority of shareholders who have long-term objectives have reinvested the latest declared dividends of year 2007.

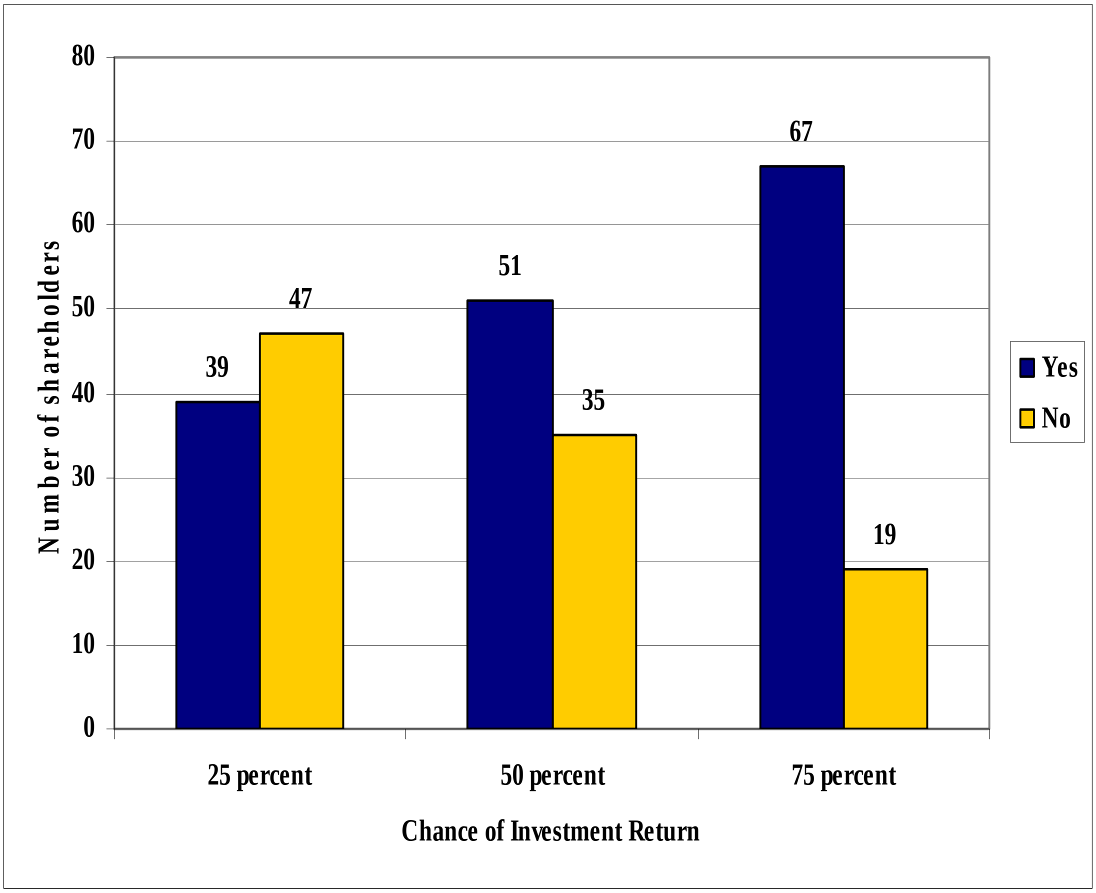
4.2.1.2 Risk-Taking Tendencies

According to financial theories, a key measure of shareholders' success is the rate at which their funds have grown during the investment period. The holding period depends on the increase or decrease in price of shares over the investment period as well as on any dividend income the share has provided. It is also obvious that any investment involves some degree of uncertainty about future holding period returns. Sources of investment risk range from macro-economic fluctuations to the changing fortunes of various industries and asset specific unexpected developments.

The game theory method was used to assess the participants, risk-taking tendencies. Analysis of the data shows that the participants, in general, display high risk-taking tendencies.

In figure 4.2 below, 45.3 percent of the participants were willing to invest in a highly risky business (chance of investment return is 25 percent). When the chance of investment return was 50 percent, 59.3 percent of the participants were willing to invest. 78 percent of the participants were willing to invest in a business that had a 75 percent chance of investment return.

Figure 4.2: Risk-Taking Tendencies of Respondents



4.2.1.2.1 The Relationship between Risk-Taking Tendencies and Gender

The significance values of the chi-square test for the male and female respondents who were willing to invest at each of the three chances of investment returns were statistically significant at the 0.05 level. This shows that male participants are willing to take investment risks significantly higher than female participants.

Table 4.3: Summary Statistics of Risk-Taking Tendencies and Gender Differences

Chances of Investment Return	Responses	Male respondents		Female respondents		Chi-Square	Sig.
		N	%	N	%		
25 % investment return	Yes	30	51.7	5	25	4.294	0.038
	No	28	48.3	15	75		
50 % investment return	Yes	37	63.8	7	35	5.014	0.025
	No	21	36.2	13	65		
75 % investment return	Yes	48	82.8	12	60	4.339	0.037
	No	10	17.2	8	40		

Note: N (males) = 58, N (females) = 20, df= (2-1)*(2-1) =1, Significance levels<0.05.

The significant levels also indicate that there is a relationship between the chance of investment returns and the gender differences. The following hypothesis was tested in relation to the risk taking tendencies of the respondents: **Hypothesis 2**: Men show higher risk taking behavior than women.

Risk-taking tendencies were measured for each respondent with the three measurement items. As can be derived from table 4.3, men show a higher tendency to invest in risky shares than women. A chi-square test for independence was run for every category of investment return. The chi-square test was chosen in this case because both variables (gender and willingness to invest) are categorical, and have only two categories. Hence, a two by two design was constructed for every category of investment return. Hypothesis 2 is accepted in that the proportion of males that decided to invest is significantly higher than the proportion of females in each category of investment return.

These findings are consistent with the findings of Byrnes et al. (1999). They found that large gender differences exist in terms of risk-taking tendencies and stated that men, in general, are more likely to show risk-accepting behavior than women. It is also confirmed by the findings of Tahira K. Hira (2007) that men are categorically more risk tolerant than women. It was reviewed in the literature review that Estes and Hosseini (2001) found women are generally less confident in their investment decisions regardless of education or age. But the finding of this study is not consistent with the earlier findings of S.Fransen (2007) that stated the risk taking tendencies of women are relatively high. The finding of S.Fransen (2007) inconsistent with others may be due to the cultural variations or differences in sample size.

4.2.1.2.2 The Relationship between Risk-Taking Tendencies and Age

To examine the age effect, the sample was partitioned into six age groups. Results are reported in table 4.4. Significant shares of respondents with in age ranges of 31-40 are willing to take risks to invest in 25 percent, 50 percent & 75 percent chances of investment returns respectively. It is observed from the table that there is a significant relationship between willingness to invest and differences in age ranges. As the age of the shareholders increases, the willingness to invest in a risky investment opportunity become diminishes.

The chi-square tests for the significance of the 25 percent chance of return (chi-square= 41.28, Sig.=0.000), 50 percent chance of return (chi-square= 38.47, Sig.=0.000), and 75 percent chance of return (chi-square= 14.01, Sig.=0.016), indicate that willingness to invest in a risky investment depends on the difference in age categories and the relationship is significant at 0.05 level for each investment. The hypothesis tested and accepted is: **Hypothesis 3**: Risk taking tendencies are dependent on age categories of shareholders.

Table 4.4: Summary Statistics of Risk-Taking Tendencies and Age Differences

Age Category	25% Return				50% Return				75% return			
	Yes		No		Yes		No		Yes		No	
	N	%	N	%	N	%	N	%	N	%	N	%
Below 21			1	100.0			1	100.0	1	100.0		
21-30	5	62.5	3	37.5	7	87.5	1	12.5	7	87.5	1	12.5
31-40	22	91.7	2	8.3	22	91.7	2	8.3	23	95.8	1	4.2
41-50	7	36.8	12	63.2	12	63.2	7	36.8	14	73.7	5	26.3
51-60	1	4.5	21	95.5	3	13.6	19	86.4	14	63.6	8	36.4
Above 60			4	100.0			4	100.0	1	25.0	3	75.0
Chi-square test:												
Value	41.28				38.47				14.01			
df	5				5				5			
Sig.	0.000				0.000				0.016			

Note: N (Individual Respondents) = 78, df= (6-1)*(2-1) =5, Significance levels<0.05.

The result of this study is consistent with the theory that the attitudes shift away from risk tolerance and toward risk aversion as investors near retirement age (Bodie et al., 2004). The majority of the shareholders in the age ranges of 31-40 are willing to take higher risks and the risk taking tendencies diminishes as the age increases. This is consistent with the earlier findings of Tahira K. Hira (2007) that age has a negative impact on risk tolerance. However, the finding of this study is not consistent with the earlier findings of S.Fransen (2007) stated that the effect of age was not significant in risk taking tendencies. This inconsistency may be due to the difference in the sample size of the studies.

4.2.1.3 Perceptions of Shareholders towards the Benefits of Investing in Shares

It seems obvious that increased financial awareness would be beneficial for investors. Comprehensive financial education can help provide shareholders with the financial knowledge necessary to make strategic investment decisions for their retirement and it enhances awareness on the benefits associated with their investments.

As discussed in the theoretical review of chapter two, there are numerous benefits accruing to shareholders who invest in shares. Such benefits include: Dividends, capital appreciation, diversification, share certificates (as proof of ownership, collateral, or gifts), voting rights, potential directorship of the company, rights issues, protect money from inflation, prestige and Peace of mind, and benefits from the services of the bank. The results of this study are presented to see the awareness levels of the shareholders on understanding these benefits.

An examination of the participants' responses to each item reveals that lack of awareness is spread across a broad range of topics on the basic benefits of investing in shares. Results indicate that on average the survey participants' knowledge of the benefits of investing in shares is grossly inadequate. The majorities of respondents have good knowledge on dividends and rights issue. For example, the results of the survey showed that 72.09 percent of respondents are knowledgeable about the benefits of dividends and about 42 percent of the respondents know that they have the right to purchase the newly issued shares at par value prior to offer to public sale. However, the awareness level of the respondents on the benefits associated with their shares other than dividends and rights issue is inadequate.

4.2.1.3.1 Comparison of Perception Scores of Sub-Samples

The overall mean of the perception scores of the 86 participating shareholders is only 63.23. A perfect perception score is 100 which is not scored by the respondents as the maximum score attained is 92. The next best scores are between 80 and 90, indicating one has awareness on the investment basics. A score below 80 suggests that the shareholders have no satisfactory knowledge regard to the benefits of investing in shares. If it is assumed that all the respondents strongly agree with each of the twenty items, the mean score would be 100. Hence, it is used as the test value for the one-sample t-test.

Table 4.5: One-Sample T- Test for each sub-sample

					Test Value = 100		
Sub-samples	**N**	**Mean**	**Std. Deviation**	**Mean Difference**	**t**	**df**	**Sig. (2-tailed)**
Category:							
Individuals	78	62.46	8.929	-37.538	-37.128	77	0.000
Joint	5	63.40	2.608	-36.600	-31.384	4	0.000
Institutional	3	83.00	2.646	-17.000	11.129	2	0.008
Gender:							
Male	58	63.83	8.631	-36.172	-31,917	57	0.000
Female	20	58.50	8.799	-41.500	-21,093	19	0.000
Academic Discipline:							
Business	40	67.72	7.562	-32.275	-26,995	39	0.000
Non-business	38	56.92	6.647	-43.079	-39,951	37	0.000
Total Sample	86	63.23	9.330	-36.767	-36.545	85	0.000

Note: -The t value displays the observed t statistic and df= N-1.
-The mean scores are rounded to two decimal places.

Table 4.5 displays the sample size, mean, and standard deviation for each sub-sample and show the results of the one-sample t-test. The mean scores of all sub-samples are significantly lower than the test value of the perfect mean score of 100 at 0.05 significance level. The mean perception scores of shareholders when compared to the test value were generally low.

The one sample t-test was applied to test hypothesis 4 and it showed that the mean score of the total sample is not satisfactory. Hence, **hypothesis 4**: Awareness on the benefits of investing in shares is generally low in this study, is accepted.

Most shareholders seem to have extremely limited knowledge of the benefits of investing in shares and how much they need to invest to achieve a retirement income goal. Shareholder education aims to ensure that shareholders have the ability to understand and question the information and advice given to them. Financial illiteracy could easily result in sub-optimal choices such as investing too little and not having enough retirement income. Specifically, if shareholder's prior behavior had been based on incorrect information, they could respond by changing their expected age of retirement or the amount of desired retirement income. They also could alter their savings rates and investment behavior in order to attain their retirement goals. It is important to empower shareholders to safeguard their own interests and manage the risks. Unfortunately, there is no formal way of shareholders' awareness creation campaigns held by the bank.

Indeed, the most effective investor protection starts with an informed, educated investor. The merits of a company in which to invest or financial product are not matters for the regulators to determine; these are matters reserved for investors and investment professionals. The primary objective of regulators is to ensure that investors receive sufficient information in order to make judgment for themselves. Investors need to take responsibility for their decisions. In Ethiopia, where we have no stock market, investment analysis is more individualistic than use of investment counselor (Belayneh, 2005). Therefore, the need for financial education to improve the level of financial literacy of shareholders is an important issue.

4.2.1.3.2 Gender and Academic Discipline Differences on Perception Scores

The average female participants' scores are lower than those of male participants. The mean perception score for female participants is 58.50, whereas for male participants it is 63.83.

Table 4.6: Independent Samples T-test of Mean perception scores

Variables	Sub-samples	N	Mean	Standard Deviation	T-value	df	Sig. (2-tailed)
Gender	Males	58	63.83	8.631	2.369	76	0.020
	Females	20	58.50	8.799			
Academic Discipline	Business	40	67.72	7.562	6.688	76	0.000
	Non-business	38	56.92	6.647			

Note: df equals the total number of cases in both samples minus 2.

As can be observed from table 4.6, there is significant difference between male and female respondents on mean perception scores (t (76) =2.369, sig.=0.02). Male respondents scored higher mean scores of 63.83 than the female respondents with the score of 58.50. Hence, the difference is statistically significant at the 0.05 level.

Hypothesis 5 stated that Male respondents show more awareness on benefits of shares than female respondents. The results of the study showed that male respondents scored significantly higher than the female respondents (acceptance of hypothesis 5).

This finding is consistent with the literature that women experience more problems in managing their finances than men and females are less knowledgeable in some areas of personal finances (Volpe et al.,1996).This study provides further evidence on the difference between male and female participants' knowledge about investment basics. According to S.Fransen (2007), securing and enhancing women's financial status leads to empowerment in the form of socially independent behavior and higher levels of education.

The sample was partitioned into sub-samples of business and non-business majors to test hypothesis 6. It is expected that the former would be more knowledgeable about investment basics than the latter because of additional business training received. The Independent-samples t-test supported this fact that the business majors scored the mean of 67.72 and the non-business majors scored 56.92. This indicates that there is a significant difference between business majors and non-business majors (t (76) =6.688, sig.=0.00). These differences are also statistically significant at 0.05 level. Hence, **Hypothesis 6:** Shareholders with academic disciplines of business majors are more knowledgeable than those of non-business majors, is accepted according to the results.

As indicated, the independent-samples t-test results showed that business majors are significantly more knowledgeable than the non-business majors. This result agrees with the earlier findings of Volpe et al. (1996) that financial education or the lack of it has a significant impact on one's knowledge about financial basics. In the findings of Volpe et al. (1996), business majors scored higher than those of non-business majors. The result is also consistent with Lusardi (2000) cited in Robert L. Clark et al. (2003), agreed that financial literacy is a key to effective retirement savings.

Financial education seems often to be designed to meet the needs of people, who are already involved in financial matters. In this new environment where individuals have greater responsibility for determining their own retirement income, factors such as general financial knowledge, an understanding of the retirement savings process, and recognition of the need for adequate knowledge on investment benefits have become critical to successfully achieving one's retirement objectives.

4.2.1.3.3 Comparison of the Mean Scores of Shareholders Category

The respondents were classified in to three categories as individuals, joint and institutional shareholders to examine the differences in awareness levels. They have scored mean perception of 62.46, 63.4, and 83 respectively.

One-way ANOVA was used to test the difference between shareholders categories in perceptions towards the benefits of investing in shares. As can be seen from table 4.7: F (2, 83) =8.183, Sig.=0.001, the mean perception scores of the three groups are significantly different at 0.05 level.

Table 4.7: Comparison of the Mean Scores with One-way ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1218.764	2	609.382	8.183	0.001
Within Groups	6180.585	83	74.465		
Total	7399.349	85			

Note: Between groups: df= 3-2=2 and within groups: df= 86-3=83

To compare every mean against every other mean the pair-wise Multiple Comparisons were applied.

Table 4.8: Pair-wise Multiple Comparisons of Mean Scores*

Shareholders Category A	B	Mean Difference (A-B)	Sig.
Individuals	Joint	-0.938	0.973
	Institutional	-20.538(**)	0.001
Joint	Individuals	0.938	0.973
	Institutional	-19.600(**)	0.01
Institutional	Individuals	20.538(**)	0.001
	Joint	19.600(**)	0.01

***Scheffe's Test of Pair-wise Multiple Comparisons was used.**

****The mean difference is significant at the 0.05 level.**

Table 4.8 provides information on the pair-wise multiple comparisons of the mean scores of different groups of shareholders. When the mean scores of individual shareholders are compared with each of the mean scores of joint and institutional shareholders, no significant difference is observed between individual and joint shareholders. But, there is significant difference between the scores of individual and institutional shareholders that is significant at 0.05 level. Similarly, there is significant difference between the scores of joint and institutional shareholders significant at 0.05 level. Hence, it is confirmed that the scores of institutional shareholders are significantly higher than those of the individual and joint shareholders. The pair-wise multiple comparisons therefore supported the hypothesis that institutional shareholders are more knowledgeable compared with the other groups. Therefore, **hypothesis 7:** Institutional shareholders are more knowledgeable than individual and joint shareholders on the understanding the benefits of investing in shares, is accepted.

Mostly, institutional shareholders are constrained by regulations. Institutions that manage other people's money have responsibilities to restrict investments to assets that would have been approved by the shareholders of the institutions. Generally, it is believed that the investment decisions of institutional shareholders are made by a group of professionals that they have and are expected to have better knowledge of the benefits associated with their investments in shares. Furthermore, institutional shareholders have significant shareholdings in most companies. Hence, possibly, they are strict in following-up the status of their investments and in realizing the expected benefits related to their investments.

4.2.2 Analysis of Secondary Data and the Interview

4.2.2.1 Number of Shareholders, Earning per Share and Dividends

In this section, the analysis of the secondary data and interview responses is done. The periods included in the secondary data analysis were from years 2001 to 2008. Furthermore, the interview was conducted with the Finance Manager and one official in the shareholders' service section of the bank.

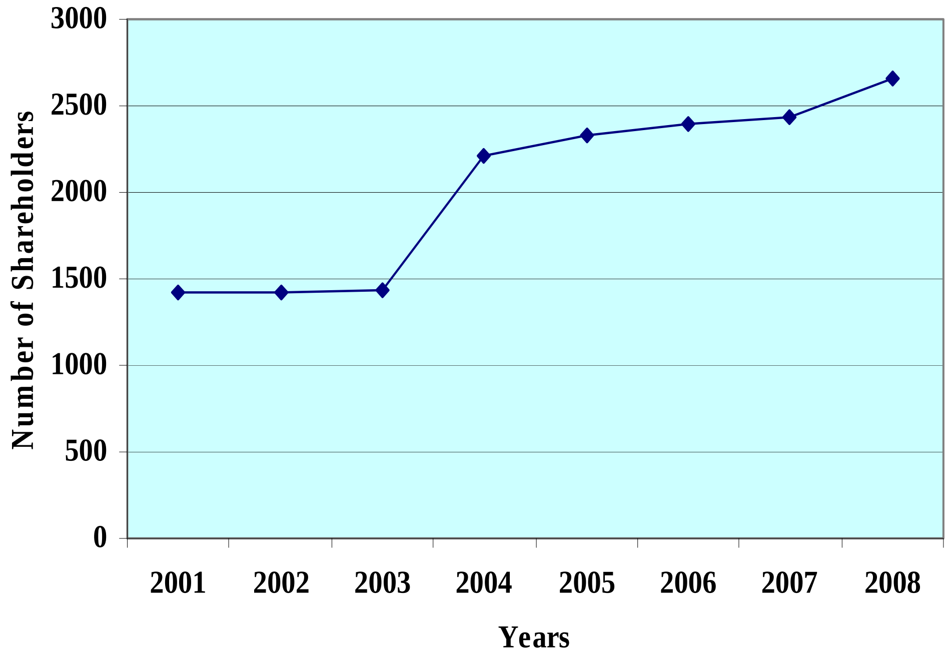
Table 4.9: Growth of Number of Shareholders, Earning per share & Dividends (2001-2008)

Years	Number of Share-holders	Earning per Share (in Birr)	Annual Dividends (In Birr)
2001	1423	209	11,121,042
2002	1424	94	6,137,580
2003	1428	157	10,237,561
2004	2205	279	23,017,158
2005	2327	302	34,955,390
2006	2397	529	70,104,397
2007	2440	526	93,622,551
2008	2662	_	_

Source: Annual reports of AIB.

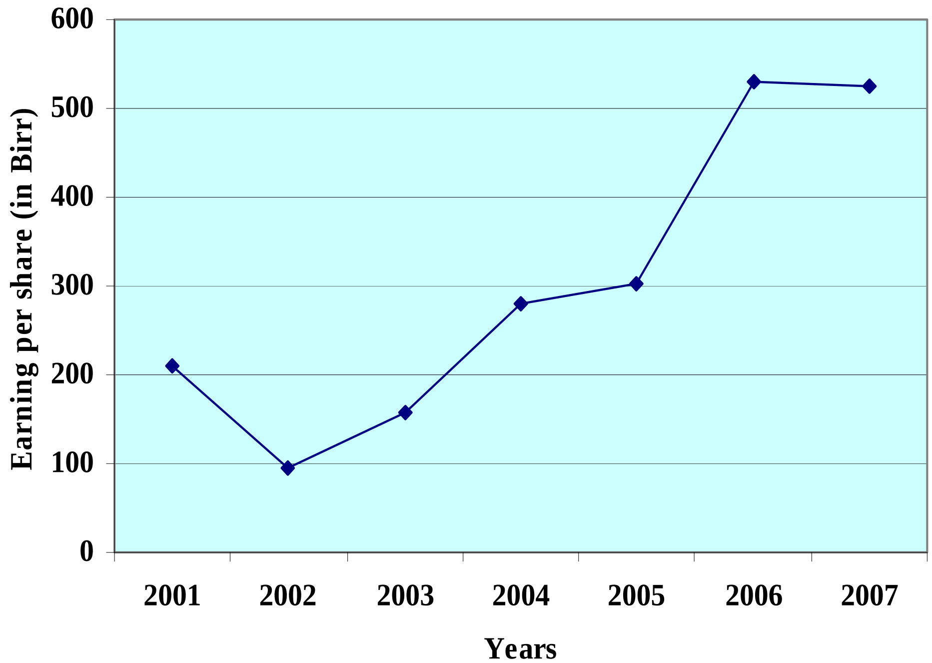
The numbers of shareholders of the bank have shown increases consistently. Table 4.9 showed that the number of shareholders of the bank in the year 2001 was 1423 and grew by 87 percent in year 2008 to 2662. Figure 4.3 below also illustrates the information that the trend of the increase in number of shareholders is indicated by the upward slope.

Figure 4.3: The Growth of Number of Shareholders



Earning per share of the bank indicates the sustainable profitability of the bank. In the year 2001 it was Birr 209 per share and increased by 66.25 percent which reached Birr 526 per share in 2007, which is the latest report of the bank. A significant increase was observed in 2006 and 2007. As indicated in figure 4.4 the low level of EPS was in year 2002. After then a consistent increase was recorded with a significant growth in earning per share in the year 2006.

Figure 4.4: The Growth of Earning per share



The dividends distributed in the years from 2001 to 2007 grew consistently (Table 4.9), except in the years 2002 and 2003. A sizable increase in the amount of dividend was observed in latest annual report of year 2007 by 34% from that of year 2006 and by 168% from that of year 2005.

4.2.2.2 The Utilization of Benefits of Investing in Shares

The secondary data was collected to assess the actual practices of shareholders in utilizing their annual dividends, share trading practices, rights issues, use of share certificates as collaterals, and utilizing the services of the bank.

4.2.2.2.1 Utilization of Annual Dividends

According to the secondary data collected from the bank, the results of the annual dividend utilization trends of the shareholders of the bank for the periods covering from years 2004-2007** are displayed in table 4.10. Moreover, Appendix 5.1 showed that the lion's share of the amounts of the annual dividends were reinvested in the all the years observed.

The utilization of the latest dividend declared in 2007 indicated that, 64.22 percent of the shareholders of the bank have fully reinvested, 15.25 percent have taken in cash, 11.72 percent have partially reinvested or taken in cash, and 8.81 percent have not taken any action on their dividends.

Table 4.10: Statistical Summary of Dividend Utilizations

Particulars	Percentages of shareholders			
	Year 2004	**Year 2005**	**Year 2006**	**Year 2007**
Fully reinvested	48.44	53.97	59.41	64.22
Fully Taken in cash	23.76	21.19	16.73	15.25
Partially reinvested or taken in cash	5.44	8.81	11.60	11.72
No Decisions on Dividends	22.36	16.03	12.26	8.81
TOTAL	**100.00**	**100.00**	**100.00**	**100.00**

Source: Own Computations from Appendix 5.1

When the percentage of shareholders who have reinvested their annual dividends was observed, it has showed consistent increases in the assessed years. The percentages of shareholders who have partially have taken in cash and partially reinvested also showed an increase in the years. However, the percentage of shareholders who have taken their dividends in cash and the shareholders who have not visited the bank to decide on their dividends declined consistently.

** The year 2008 dividend is not declared yet as AIB has changed its end of fiscal year from December 31 to June 30.

Generally, the results of the first section of analysis are supported by the secondary data analysis that most shareholders have good knowledge regarding their dividend utilizations. As confirmed from the interview with the Finance manager, currently the bank has no dividend policy and the shareholders are free to decide on their annual dividends without the influence of the bank. Furthermore, it is also confirmed by the interviewee that dividend tax exemption from reinvestments encourage shareholders to reinvest their dividends. Because, most shareholders say that they want to take advantage of the tax exception during their reinvestment decisions. Hence, the results of the secondary data analysis showed that the majority of shareholders have long-term objectives that they have decided to reinvest their annual dividends and supports hypothesis 1 of the study. This result is not consistent with Belayneh (2005), in that in his survey indicated that the majority of shareholders prefer cash dividends than reinvestments. This inconsistency may be due to differences in sample size or dividend policy of the companies under his study.

4.2.2.2.2 Share Trading Practices of Shareholders

As it is displayed in the table 4.11, the number of shareholders who have sold their shares increased from 37 in year 2004 to 71 in year 2008. The rate also showed an increase in year 2007 and 2008. There were no shareholders who have sold shares above the rate of Birr 1200 per share before year 2007. But in 2007 and 2008 the prices of the bank's shares showed significant rises above Birr 1200 per share. As a result the number of shareholders who have sold shares at these rates showed an increase.

During the interview, it was confirmed by the bank's official that the reasons for the majority of the shareholders who have sold their shares is the need of cash for personal problems. The increase in the prices of shares attracted few shareholders to sell their holdings for short-term capital gains which were not their objective during their investments. These high prices were resulted from the high demand of the bank's shares by new shareholders. And it is believed that the demand was increased due to increase in profitability of the bank in the recent years.

Table 4.11: Statistical Summary of Shareholders who have Sold Shares

Price per share	Percentages of Shareholders				
	Year 2004	**Year 2005**	**Year 2006**	**Year 2007**	**Year 2008**
At par value of 1000	54.05	62.79	30.56	13.46	26.76
1001-1100	40.54	25.58	2.78	1.92	1.41
1101-1200	5.41	11.63	66.66	40.38	7.04
1201-1300				34.62	16.90
1301-1400				5.77	35.21
1401-1500				3.85	12.68
Who have sold	**37**	**43**	**36**	**52**	**71**
% of total no. of Shareholders	**1.68**	**1.85**	**1.50**	**2.13**	**2.67**

Source: Own Computations from Appendix 5.2

Table 4.11 displays that from the total number of the bank's shareholders, only 1.68 percent, 1.85 percent, 1.50 percent, 2.13 percent, and 2.67 percent have sold their holdings in years 2004, 2005, 2006, 2007, and 2008 respectively. However, a single shareholder may sell at various rates and at various times in a year. Hence, the actual number of shareholders who have sold their shares in a year may be overstated. Generally, the numbers of shareholders who have sold shares in each year were not significant compared to the total number of shareholders in the respective years.

The secondary data and the interviews conducted confirmed that the bank has issued detail share transfer procedures. The shareholder of AIB can sell/transfer his/her shares to another shareholder of AIB by mutual agreement between the buyer and seller. The existing shareholders of the bank have priorities to buy the offered shares. If no existing shareholder requested to buy, the shares can be presented to the new applicants upon the approval of the board.

A shareholder of the bank or a new applicant who wants to buy shares of other shareholders submits a standard share purchase application and a shareholder who wants to sell his/her shares submits share sales application. The price per share at which an applicant wants to buy or sell shares has to be specified by the applicant in the application forms. Sales applications of sellers have to be accompanied by the sellers' share certificates. The purchase and sales applications are registered by AIB's Finance department in the order in which the applications are received. The process of sales of shares continues until the demand and supply are fully met at the offered prices.

AIB's shares transfer procedure prohibits the sale of shares below par value. All share purchases and sales are registered by AIB at par value irrespective of the price at which the shares are bought and sold. The shares of the bank are to be sold only to Ethiopian nationals. Furthermore, a standard share transfer agreement has to be prepared in three copies and signed by the buyer and seller for shares bought and sold. The buyer and the seller will pay service charges for each consummated share transfer transaction.

Regardless of the availability of the procedure of share transfer, a few shareholders intend to utilize the benefits related to the capital gains. This was indicated in table 4.11 that the majority of the surveyed shareholders have never sold their holdings in the assessed years of 2004-2008. The reasons include: First, lack of awareness of shareholders and the absence of information for shareholders on the status of the demand and supply of the shares. Second, shareholders are discouraged to sell shares as they have to wait for longer periods to find new buyers willing to buy at the prices intended to sell the shares. Third, most purchase applicants will change their minds and not willing to buy when they are invited to pay the values of the shares which they have intended to buy. On the other hand, of the surveyed shareholders, it was not found a shareholder who has an objective of short-term capital gains from share selling. Hence, it is confirmed from the interview that most shareholders are forced to sell their holdings by waiting for long periods in some compelling conditions such as running short of cash and this finding is consistent with the earlier findings of Belayneh (2005).

4.2.2.2.3 Use of Share Certificates as Collaterals

Insignificant numbers of shareholders have used their share certificates as collaterals in the years indicated. And there are no significant increases in the percentages of shareholders who have utilized the benefits associated with the share certificates.

Table 4.12: Statistical Summary of Use of Share Certificates as Collaterals

Particulars	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008
Total no. of shareholders	2205	2327	2397	2440	2662
Who have used share certificates as collateral	2	3	5	5	7
Percentage of the total	**0.09**	**0.13**	**0.21**	**0.20**	**0.26**

Source: AIB Records & Own Computations

In the literature review it was explained that share certificates can be used as proof of ownership, as gifts and as collaterals. The interview with the bank's officials confirmed that most shareholders recognize their share certificates as proof of ownership and some shareholders transfer shares to their children as gifts. In spite of the acceptance of share certificates by most commercial banks in Ethiopia as collaterals, the majority of the shareholders are not using their certificates for this purpose. From shareholders who have used their share certificates as collaterals, the majority are institutional shareholders of the bank.

According to the interview, the share certificates issued for new buyers and for existing shareholders who have bought additional shares will be kept in each shareholder's files. Considerable numbers of shareholders do no take their share certificates from the bank in time. The majority of the shareholders visit the bank annually for deciding on their dividends and some of them take their share certificates at that time. Indicated by the bank's official that most shareholders do not know even what the benefits of share certificate are and it seems no difference for them to keep the share certificates in their home or in the bank's custody. Therefore, it is observed from the analysis that shareholders have inadequate awareness in using their share certificates as collaterals.

4.2.2.2.4 Utilizations of Rights Issues

Rights issues were allotted by the bank according to the percentages of shareholdings. The allocation proportions were 43 percent, 50 percent, and 83 percent in April 2005, April 2007, and April 2008 respectively.

Table 4.13: Statistical Summary of Utilizations of Rights Issues

Methods of Utilization	Percentages of Shareholders		
	April, 2005	**April, 2007**	**April, 2008**
Fully Utilized	46.73	44.65	47.53
Partially Utilized	23.86	28.87	28.43
Not Utilized	29.41	26.48	24.04
Total	**100.00**	**100.00**	**100.00**

Source: Own Computations from Appendix 5.3

Considerably, 70.59 percent, 73.51 percent, and 75.96 percent of the bank's shareholders have fully or partially purchased the allotted shares in April 2005, April 2007, and April 2008 respectively (table 4.13). The remaining 29.41 percent, 26.48 percent, and 24.04 percent have not purchased the allotted shares at all in the respective years. When comparisons were made in each issuance year, the results showed that there was no significant difference in the proportion of shareholders who have used each utilization methods for the allotted shares.

The results indicate that the majority of the shareholders have utilized their allotted shares which are issued to them with lower costs. According to the theory discussed in chapter two, additional shares are given to shareholders based on the number of shares owned by each shareholder at a discount or free of charge at a ratio approved by the Board of Directors or Management and ratified at the company's Annual General Meeting. With the issued rights, existing shareholders have the privilege to buy a specified number of new shares from the firm at a specified price within a specified time.

The findings are consistent with rights issue theory. Moreover, as per the interview, most of the shareholders of the bank have better understanding of these low cost offerings and they utilize the allotted shares through dividend reinvestments and through cash payments.

4.2.2.2.5 Utilizations of Services of the Bank

As can be observed from table 4.14, from the total number of 2662 shareholders of the bank, recorded as at December 31, 2008, only 33 shareholders have instructed the bank to directly credit their annual dividends to saving accounts when the dividends are declared. These comprise 1.24 percent of the total number of shareholders.

Table 4.14: Statistical Summary of Standing instructions by Shareholders

Particulars	Dividends to be credited to the saving accounts	Dividends to be Reinvested	Total
No. of shareholders utilized the service	33	61	94
% of the total No. of shareholders	**1.24**	**2.29**	**3.53**

Source: AIB Records & Own Computations

On the other hand, 61 shareholders, who comprise 2.29 percent of the total, have instructed the bank to directly reinvest their annual dividends. Hence, the cost effective way of utilizing the dividends is used by only 3.53 percent of the shareholders. The remaining 96.47 percent have to visit the bank annually or have to fill the forms annually to decide on their dividends. Some shareholders instruct the bank annually to credit their cash dividends directly to their saving accounts in the bank. However, most shareholders go to the bank's office and receive cash dividends annually by incurring additional costs such as wastage of time and transportation costs.

According to the bank's officer, amazingly, some shareholders may not decide on their dividends for years and the dividends are kept in dividend payable account without any interest earned on it. Some of these shareholders may be abroad and the dividends will be kept in payable account until their arrival. If the shareholders were instructed the bank to credit their saving accounts or to reinvest, they would be benefited from saving interest or from the compounding of dividends respectively. This result shows the inadequacy of the understanding of shareholders in utilizing the services provided by the bank in relation to their investments.

4.2.2.3 Corporate Governance Practices

According to the interview conducted with the officials of the bank, it is confirmed that all shareholders of the bank have the right to sell or transfer their shares (unless prohibited by legal or collateral cases), have equal rights to participate and vote in general shareholder meetings, have the power to elect and remove members of the board, and have the right to share in the annual profits of the bank.

Shareholders of the bank have the right to participate in decisions concerning fundamental corporate changes such as amendments to the statutes or articles of incorporation and the authorization of additional shares. All shareholders have the right to participate and vote in general shareholder meetings and extra-ordinary meetings. The bank informs all the shareholders regarding the date, location and agenda of general meetings, as well as full and timely information regarding the issues to be decided at the meeting, through their postal addresses, news papers, television, and radio. In order to participate in the meetings and election of board members, shareholders can present in person or through their proxies. As the entire bank's shares are ordinary shares, all shareholders of the bank are treated equally and all the shares have the same rights. Generally, most of the corporate governance practices of the bank agree with that of the principles of OECD.

However, there is no a formal way of providing operational and performance reports of the bank on a timely and regular basis (quarterly or semi-annually), as the annual report is provided to shareholders only once a year in AGM.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

This study attempts to assess the perceptions of shareholders towards the benefits of investing in shares, taking Awash International Bank as the case study. Specifically, assessing the main objectives of shareholders for investing in the shares of the bank, to evaluate the risk-taking behavioral tendencies of shareholders, assessing the awareness level of shareholders in realizing the benefits of investing in shares, to examining the differences in awareness levels among different categories of shareholders (individuals, joint, and institutions), gender, and academic disciplines, to describe the actual practices of shareholders in realizing the benefits, and to examine the practice of corporate governance by the bank in preserving shareholders' rights. Furthermore, there were seven hypotheses constructed and tested, based on the above objectives.

In addition to the survey questionnaires, which were responded by 86 respondents, the secondary data on the utilization trends of benefits of investing in shares by the shareholders of the bank was collected. Furthermore, interview was conducted with the bank's officials on the issues of the benefits of investing in shares and the practice of corporate governance.

Hypothesis 1 was tested by assessing the objectives of shareholders for investing in the shares of the bank. The results show that 54.7 percent of the respondents interested in long-term benefits. Moreover, a relationship between the objectives and the dividend utilizations trends was observed as the majority of the respondents reinvested their latest dividends of year 2007. The secondary data analysis also supported the hypothesis that the majority of the bank's shareholders reinvest their annual dividends for long-term benefits.

Risk-taking tendencies were measured at the individual level by means of game theory method. The main goal of this part of the study was to create an overview of the risk-taking tendencies of the men and women in this sample in order to detect a gender effect on risk-taking tendencies, and to test the effect of age differences in risk-taking tendencies. Chi-square test was used to test the significant differences. The results show that men take more risk than women and hence hypothesis 2 is accepted. Hypothesis 3 is also accepted that the effect of age in risk-taking-tendencies is statistically significant and as age increases risk-taking tendency diminishes.

An assessment of the participants' responses to each item reveals that lack of awareness is spread across a broad range of topics. Results indicate that the majorities of respondents have good knowledge on dividends and rights issue but unsatisfactory knowledge on the other benefits.

The overall mean of the perception scores of the 86 participating shareholders is only 63.23. One-sample t-test was used to test the significant difference of the mean scores of each category of shareholders against the test value of 100. One hundred was used as a test value because if all respondents were knowledgeable about the items, the mean score would be 100. All the mean scores except for institutions were generally lower than the test value and the significance test show that each sub-sample of shareholders scored significantly lower scores than the test value. Hence, it confirmed hypothesis 4 that awareness on the benefits of investing in shares is generally low in this study.

Independent-samples t-test was used to compare two sub-samples in each category. Women and non-business majors earned the lowest scores and these were significantly lower than their counterparts of men and business majors respectively. This lead to the acceptance of both hypothesis 5, which assumed that male respondents show more awareness than the female respondents, and hypothesis 6, which assumed shareholders with business majors are more knowledgeable than the non-business majors.

ANOVA test was used in order to compare the mean scores of more than two categories and to test hypothesis 7 which stated that institutional shareholders are more knowledgeable than individual and joint shareholders. The One-way ANOVA test shows that there is a significant difference in mean scores between the categories but it does not compare every mean against every other mean. To do this, the Pair-wise Multiple Comparisons were applied. Among the categories of shareholders, institutional shareholders scored the highest scores, which were significantly higher than those of the other two. Hence, hypothesis 7 is accepted.

Most shareholders have good understanding regarding benefits associated with dividends and rights issues. However, the proportions of shareholders who have utilized capital gains, share certificates as collaterals, and who gave standing instructions for their dividend utilizations are inconsiderable as compared to the total numbers of shareholders of the bank. Hence, the analysis of secondary data and the interview supported the hypothesis that the awareness level of shareholders is generally low in this study.

It is confirmed from the study that the corporate governance practice of the bank is well established. According to the interview conducted, it is confirmed that all shareholders of the bank have the right to sell or transfer their shares, have equal rights to participate and vote in general shareholder meetings, have the power to elect and remove members of the board, and have the right to share in the annual profits of the bank. However, there is no a formal way of providing operational and performance reports of the bank on a timely and regular basis (quarterly or semi-annually), as the only report provided to shareholders is the annual report once a year in AGM.

5.2 Conclusions

The following are deduced from the assessment made so far:

- The majority of shareholders have long-term objectives and they are inclined in to dividend reinvestments. Most of the shareholders of the bank have a trend of dividend reinvestments and this shows their decisions of risk taking by purchasing additional shares of the bank.
- The profitability and future prospects of the bank increased the expected returns of shareholders and it leads the shareholders to take high risks by increasing their share holdings through dividend reinvestments and cash purchases. Furthermore, the dividend tax exemptions on reinvestments encouraged shareholders towards reinvesting their annual dividends.
- The shareholders of the bank have inadequate knowledge of how to utilize the benefits of investing in shares. Hence, they lack the awareness on fully realizing the benefits associated with shares. The problem cuts across a broad spectrum of the participating shareholders.

- Institutions, men, and shareholders who have business educational backgrounds have better understanding on the benefits of investing in shares.
- Education helps to improve financial literacy of shareholders. If shareholders could obtain assistance from an independent, authoritative source to help them clarify their objectives, get the relevant information, understand the risks, their rights and obligations, identify what sort of investment or service may best meet their needs, they would be better equipped to consider various options and eventually make an informed decision on their investments.
- Despite the availability of the share transfer procedure in the bank, it takes longer periods to divest the shares. Due to the extended average liquidation periods, it become difficult to get back the money invested during immediate cash needs. Hence, the absence of stock market affected the share trading activities.
- The corporate governance practices of the bank are encouraging. But, it lacks the tradition of providing the timely and regular information to shareholders on operational and financial performances. The current practice is providing reports annually at Annual General Meetings.
- It is believed that the results obtained from the analysis may apply to shareholders of other companies in Ethiopia. But caution should be exercised when generalizing the results because the sample was drawn from one bank.

5.3 Recommendations

In light of the above findings and conclusions, the following recommendations are forwarded:

- Uneducated shareholders never step back and ask why they invest and whether an investment is suitable for them. It is discussed previously that shareholders didn't obtain assistance from an authoritative source to help them make informed decisions and best meet their needs as currently there is no stock market and no independent regulatory body. Hence, the bank should encourage shareholders to set clear, realistic objectives, assess their risk tolerance, ask the right questions, and choose the options that suit their needs.
- The awareness of the shareholders of the bank on the benefits associated with dividends and rights issues are encouraging. In addition to these, there are a number of benefits that can be acquired by shareholders. However, no efforts were made by the bank or by any other party to create awareness on benefits associated with the investments in shares. Hence, some awareness creation campaigns should be conducted by the bank to enhance their knowledge. Workshops on financial topics especially on the benefits of investing in shares should be arranged quarterly or semi-annually for interested shareholders by inviting financial experts. Furthermore, the bank should publish free brochures and articles in print media on investment-related issues for the shareholders, and if possible, operate an Electronic Investor Resources Centre (eIRC) to help Internet user shareholders learn about investing, the benefits of investing, and carry out their own decisions.
- Special attention also has to be given to create awareness to shareholders who have non-business educational backgrounds and to female shareholders so as to

enable them to utilize the benefits at least up to the same levels as their counterparts.

- Shareholders' awareness and attitude towards the benefits of investing in shares would be more visible if there were established secondary markets in the country for share trading. Markets provide liquidity, essential information and protections against any malfunctions through regulatory agencies. Unfortunately, we have no the market. As a result, it is hard to utilize the benefits related to the capital gains. Even in the situations of immediate cash need, most shareholders don't know how to divest their holdings. Hence, the bank's share transfer procedure should enable shareholders to divest their holdings with in reasonable period of time, at least when they need immediate cash. Furthermore, the bank should have a transparent way of informing shareholders regarding the procedures and how to convert their shares in to cash.
- It would be reasonable to suggest that, at least to provide for the liquidity of shares, the stock market be operational in Ethiopia. Hence, as the first private commercial bank in Ethiopia, AIB should urge for the initiation of the establishment of stock market in the country.
- The current practice shows that the bank announces audited annual financial reports to its shareholders once a year. No attempts were made to provide quarterly or semi-annually operational and financial reports or any other new information to its shareholders. Hence, the bank should have to provide the necessary information on a timely and regular basis to its shareholders by

balancing the benefits with the increase in costs associated with greater shareholder rights.

- As to the knowledge of the researcher, the study is the first in Ethiopia to examine the perceptions of shareholders towards the benefits of investing in shares and provides evidence that lack of awareness exists. Further research should be done on how shareholders business education, especially those offered by companies, improves their awareness. Furthermore, to gain a better understanding of the shareholders' knowledge, attitudes, and behavior in the related topics further studies have to be conducted.

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APPENDICES

Appendix 1: Questionnaire-English

Appendix 2: Questionnaire- Amharic

Appendix 3: Interview Guide

Appendix 4: Objectives * Div Utilization of year 2007 Cross-tabulation

Appendix 5: Statistics Tables of Secondary Data

Appendix 1: Questionnaire-English

ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

FACULTY OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

Questionnaire

Dear Respondent,

This questionnaire is designed to help conduct a study entitled **"Assessment of Perceptions of Shareholders towards the Benefits of Investing in Shares: the case of Awash International Bank S.C."**. It is used to assess your attitude towards the benefits of investing in shares in order to find out your understanding on the subject matter. The study is conducted for the partial fulfillment of the Degree of Master of Science in Accounting and Finance offered by the Addis Ababa University.

The results of this study are believed to be essential for you, the esteemed shareholder of the bank; and for the other potential investors, as it is useful to create awareness so as to fully realize the benefits of the investment. All the responses that you provide here are strictly confidential and only the statistical part will be used for the research purpose. Furthermore, your true, honest and valuable responses are the key to the success of this study. Thank you in advance for your cooperation!

1.0 General Information

- Please put "√" mark to provide your responses or fill the blank spaces provided as appropriate.

1.1 Shareholder category

☐ Individual ☐ Joint ☐ Institutional

- If you are an institutional or joint shareholder, skip from numbers **1.2** to **1.5**

1.2 Your age ______

1.3 Sex: ☐ Male ☐ Female

1.4 Educational Level

☐ Didn't complete secondary school ☐ Degree

☐ Secondary School ☐ Masters Degree

☐ Certificate ☐ PhD and above

☐ Diploma

1.5 Academic Discipline

☐ Business major ☐ Non-business major

1.6 What was the main source of the funds for your investment?

☐ Savings ☐ Provident Funds

☐ business profit ☐ Loan

☐ Inheritance ☐ Other, please specify__________________

☐ Gifts

1.7 For how many years have you been a shareholder in the bank?

☐ Less than 1 Year ☐ 1 - 3 Years ☐ 4 - 7 years

☐ 8 - 10 years ☐ More than 10 Years

1.8 What is your share ownership level in the bank?

☐ 1-10 shares ☐ 501 -1000 shares

☐ 11 -50 shares ☐ 1001 -5000 shares

☐ 51-100 shares ☐ 5001 -10000 shares

☐ 101-500 shares ☐ Above 10000 shares

2.0 Investment Objectives

- What is your **main** objective of investing in the shares of the bank?

☐ Long-term profitability (reinvestment) for future retirement income

☐ Annual cash dividends

☐ Annual dividends with partially to reinvest & partially to receive in cash

☐ Short-term profits from capital gains

☐ Determined by current income needs

☐ Increase social participation (group affiliation)

☐ Increase relationship with the bank

➢ **Please read each statement below and mark "√" under your choice-Yes or No.**

3.0 Risk-Taking Tendency measures

No.	Items	**Yes**	**No**
1	You get the chance to invest Br.1 million in shares. The chance that the shares go well is 25 %, and the chance that the shares go bad is 75%. If the shares go well, you make a profit of 2 million per year. If the shares go bad, you loose your investment. Are you willing to invest?		
2	You get the chance to invest Br.1 million in shares. The chance that the shares go well is 50 %, and the chance that the shares go bad is 50%. If the shares go well, you make a profit of 2 million per year. If the shares go bad, you loose your investment. Are you willing to invest?		
3	You get the chance to invest Br.1 million in shares. The chance that the shares go well is 75 %, and the chance that the shares go bad is 25%. If the shares go well, you make a profit of 2 million per year. If the shares go bad, you loose your investment. Are you willing to invest?		

➢ **Please read each statement below and mark "√" under your choice based on your attitudinal favorableness.**

⇒ Strongly Disagree (SD)

⇒ Disagree (D)

⇒ Neutral (N)

⇒ Agree (A)

⇒ Strongly Agree (SA)

4.0 Perception (awareness level) towards the benefits of investing in shares

No.	Items	SD	D	N	A	SA
1*	Annual cash dividend has more advantage than the reinvestment in a growing company.					
2	Dividend reinvestments are useful to benefit form future compounding of dividends & capital appreciations.					
3	I can avoid wastage of time for cash accumulation for additional investment by reinvesting my dividends.					
4*	Dividend tax exemption discourages me from choosing cash dividends.					
5	I have invested Br.20, 000 for 20 shares two years ago. The share's trading price declined 10% the first year and rose 10% the next. As a result, I've lost money.					
6*	I have to pay 30% capital gain tax on the par value of any sold shares.					
7	Stock markets are helpful to sell the shares quickly and effectively with fair prices.					
8	Through stock markets, information about the companies trading in the market can be obtained easily & it increases marketability of their shares.					
9	The risk of investment can be reduced through diversification of investment in different companies or in different assets.					
10	I can use my share certificates as the proof of ownership, as collateral & as gifts.					
11*	I have a clear idea of my financial needs during retirement.					
12	My voting rights gives me the power to elect board directors, approve annual reports & fundamental changes					

No.	Items	SD	D	N	A	SA
13	I am the potential board of director of the bank.					
14	I have the right to purchase the newly issued shares at par value prior to offer to public sale.					
15	Shares are usually the better investment during periods of inflation.					
16	Having shares provides me some form of satisfaction and peace of mind.					
17	Sustainable profitability & growth prospects of the bank are factors in my investment decisions.					
18	Investing in shares of the banking sector is not as such risky in Ethiopia.					
19*	I can obtain loans from the bank by investing in the shares of the bank.					
20	My saving account in the bank is used as a cost effective way of receiving cash dividends, sales proceeds, and to pay for additional purchase of shares.					

* **The items worded negatively to counteract the halo-effect were reversed during data analysis.**

5.0 What are your opinions and comments on the benefits of investing in shares?

____

____

____

Thank You Once Again!!

Appendix 2: Questionnaire- Amharic

አዲስ አበባ ዩንቨርሲቲ
የድህረ ምረቃ መርሃ ግብር
ቢዝነስና ኢኮኖሚክስ ፋካልቲ
የአካውንቲንግና ፋይናንስ ትምህርት ክፍል

<u>መጠይቅ</u>

ውድ መልስ ሰጪ፡

ይህ መጠይቅ የተዘጋጀው **'ባለአክሲዮኖች አክሲዮኖችን በመግዛታቸው ሊያገኟቸው በሚችሏቸው ጥቅሞች ላይ ያላቸውን እውቀት ለመለካት የአዋሽ ባንክ ባለአክሲዮኖችን መሠረት በማድረግ'** ሲሆን ይህ ጥናት የእርስዎን ግንዛቤ ለማወቅና ለማዳበር ይረዳል፡፡ የዚህ ጥናት አላማ በአዲስ አበባ ዩንቨርሲቲ ለሚሠጠው ማስተርስ ዲግሪ ማሟያ ነው፡፡

ከዚህ ጥናት የሚገኙ ውጤቶች ለእርስዎ ለባንኩ ባለአክሲዮንና ወደፊት አክሲዮኖችን ለሚገዙ ባለሀብቶች ጠቃሚ ናቸው ተብሎ የሚታመን ሲሆን ከአክስዮኖቹ ሊገኙ የሚችሉትን ጥቅሞች ለማወቅና በተገቢ ሁኔታ ለመረዳት ይጠቅማል፡ ማንኛውም ከእርሶዎ የሚገኝ መልስ አግባብ ባለው ሁኔታ ለጥናቱ ብቻ የሚውል ሲሆን ለሌላ ለምንም ዓላማ እንደማይውል ላረጋግጥ እወዳለሁ፡፡ በተጨማሪም የእርሶዎ እውነተኛና ቀና ምላሽ ትክክለኛ የሆነ የጥናት ውጤት ላይ እንድደርስ ይረዳኛል፡፡ ለሚያደርጉልኝ ትብብር በቅድሚያ አመሠግናለሁ!

1.0 አጠቃላይ መረጃ

- ለእያንዳንዱ ጥያቄ መልስ ለመስጠት "√" ምልክት በማድረግ ወይም ባዶ ቦታዎች ላይ በመፃፍ እንደአስፈላጊነቱ ይሙሉ፡፡

1.1 የባለአክሰዮን አይነት

☐ ግለሠብ የጋራ☐ ድርጅት ☐

(በጋራ ወይም በድርጅት አክሰዮኖችን ከገዙ ከተራ ቁጥር 1.2 እስከ 1.5 ያሉትን ጥያቄዎች ይለፉ)

1.2 እድሜ ___________

1.3 ፆታ ☐ ወንድ ☐ ሴት

1.4 የትምህርት ደረጃ

☐ ሁለተኛ ደረጃ ያላጠናቀቀ/ች
☐ ሁለተኛ ደረጃ
☐ ሰርተፍኬት
☐ ዲፕሎማ
☐ ዲግሪ
☐ ማስተርስ ዲግሪ
☐ ፒ.ኤች.ዲ እና ከዚያ በላይ

1.5 የትምህርት ዘርፍ

☐ ቢዝነስ
☐ ከቢዝነስ ውጪ

1.6 ለአክስዮን ግዢ የዋለው ገንዘብ ምንጭ ምን ነበር?

☐ ቁጠባ
☐ ንግድ
☐ ውርስ
☐ ስጦታ
☐ የጡረታ ክፍያ
☐ ብድር
☐ ሌላ:-እባክዎን ይግለጹ ______________

1.7 የባንኩ ባለአክስዮን ከሆኑ ምን ያህል ዓመት ሆኗል?

☐ ከ 1ዓመት በታት
☐ ከ 1-3 ዓመት
☐ ከ 4-7 ዓመት
☐ ከ 8-10 ዓመት
☐ ከ 10 ዓመት በላይ

1.8 በባንኩ ውስጥ ያለዎት የአክስዮን ብዛት?

☐ ከ 1-10 አክስዮኖች
☐ ከ 11-50 አክስዮኖች
☐ ከ 51-100 አክስዮኖች
☐ ከ 101-500 አክስዮኖች
☐ ከ 501-1000 አክስዮኖች
☐ ከ 1001-5000 አክስዮኖች
☐ ከ 5001-10000 አክስዮኖች
☐ ከ 10000 በላይ

2.0 የኢንቨስትመንት አላማ

- የባንኩን አክስዮኖች ሲገዙ ዋና አላማዎ ምን ነበር?

☐ የረጅም ጊዜ ትርፍ
☐ በየዓመቱ የሚገኝና በገንዘብ የሚከፈል የትርፍ ድርሻ
☐ በየዓመቱ በተወሰነው ገንዘብ ተጨማሪ አክስዮኖችን ለመግዛትና ቀሪውን በገንዘብ ለመውሠድ
☐ ከአክስዮን ሽያጭ ትርፍ ለማግኘት
☐ ማህበራዊ ግንኙነትን ለማዳበር
☐ ከባንኩ ጋር ያለኝን ቅርርብ ለማሻሻል

☞ **ቀጥሎ ያሉትን ጥያቄዎችን ያንብቡና "አዎ" ወይም "በፍፁም" የሚል ምላሽ በባዶ ቦታው ላይ "√" ምልክት በማድረግ ይግለፁ፡፡**

3.0 **መጥፎ ሁኔታዎችን የመቋቋም ብቃት**

ቁጥር	ጥያቄ	አዎ	በፍፁም
1.	1 ሚሊዮን ብር ቢኖርዎትና በአክስዮኖች ላይ ኢንቨስት የማድረግ እድል ቢያጋጥምዎት:- አክሰዮኖቹ ትርፍ የማስገኘት እድላቸው 25% ቢሆንና ሁኔታዎች ቢሣኩ 2 ሚሊዮን ብር ትርፍ ያገኛሉ፡፡ ነገር ግን ሁኔታዎች ባይሣኩና ነገሮች በመጥፎ ሁኔታ ቢሄዱ ኢንቨስት ያደረጉትን ገንዘብ ጭምር ያጣሉ፡፡ ኢንቨስት ለማድረግ ፈቃደኛ ነዎት?		
2.	1 ሚሊዮን ብር ቢኖርዎትና በአክስዮኖች ላይ ኢንቨስት የማድረግ እድል ቢያጋጥምዎት:- አክሰዮኖቹ ትርፍ የማስገኘት እድላቸው 50% ቢሆንና ሁኔታዎች ቢሣኩ 2 ሚሊዮን ብር ትርፍ ያገኛሉ፡፡ ነገር ግን ሁኔታዎች ባይሣኩና ነገሮች በመጥፎ ሁኔታ ቢሄዱ ኢንቨስት ያደረጉትን ገንዘብ ጭምር ያጣሉ፡፡ ኢንቨስት ለማድረግ ፈቃደኛ ነዎት?		
3.	1 ሚሊዮን ብር ቢኖርዎትና በአክስዮኖች ላይ ኢንቨስት የማድረግ እድል ቢያጋጥምዎት:- አክሰዮኖቹ ትርፍ የማስገኘት እድላቸው 75% ቢሆንና ሁኔታዎች ቢሣኩ 2 ሚሊዮን ብር ትርፍ ያገኛሉ፡፡ ነገር ግን ሁኔታዎች ባይሣኩና ነገሮች በመጥፎ ሁኔታ ቢሄዱ ኢንቨስት ያደረጉትን ገንዘብ ጭምር ያጣሉ፡፡ ኢንቨስት ለማድረግ ፈቃደኛ ነዎት?		

☞ **ቀጥሎ የተዘረዘሩትን ጥያቄዎች በማንበብ መስማማዎትን ወይም አለመስማማዎትን የ“√” ምልክት በመልስ መስጫው ላይ ካሉት አማራጮች በአንዱ ላይ በማኖር ይግለፁ፡፡**

4.0 አክስዮኖች ላይ ኢንቨስት በማድረግ ሊገኙ በሚችሉ ጥቅሞች ላይ ያሎትን እውቀት ለመለካት

ቁጥር	ጥያቄ	በጣም አልስማማም	አልስማማም	አላውቅም	እስማማለሁ	በጣም እስማማለሁ
1.	በየአመቱ የሚገኘውን የትርፍ ድርሻ በካሽ መውሰድ በእድገት ላይ ባለ ድርጅት ውስጥ ተጨማሪ አክስዮኖችን ከመግዛት ይመረጣል፡፡					
2.	የትርፍ ድርሻን ወደ አክስዮኖች ማዛወር ወደፊት የሚኖረውን የትርፍ ድርሻ ለማሣደግና ከአክስዮኖች ሽያጭ ለመጠቀም ይረዳል፡፡					
3.	የትርፍ ድርሻን ለተጨማሪ አክስዮኖች ግዢ ማዋል አክስዮኖችን ለመግዛት ገንዘብ እስኪጠራቀም የሚጠፋውን ጊዜ ይቆጥባል፡፡					
4.	የትርፍ ድርሻ ለአክሰዮን ግዢ ሲውል ታክስ አለመኖሩ ትርፍን በገንዘብ እንዳልወስድ ይጫነኛል፡፡					
5.	ከሁለት አመት በፊት በ20,000 ብር 20 አክሰዮኖችን ገዝቼ በመጀመሪያው አመት የአክስዮኖች የሽያጭ ዋጋ በ10% ቢቀንስና በሚቀጥለው አመት በ10% ቢጨምር በአመቱ መጨረሻ ኪሣራ ያጋጥመኛል፡፡					

ቁጥር	ጥያቄ	በጣም አልስማማም	አልስማማም	አላውቅም	እስማማለሁ	በጣም እስማማለሁ
6.	በአክስዮን ዋጋ (1000ብር) አክስዮኖችን ብሸጥ 30% የሽያጭ ታክስ እከፍላለሁ፡፡					
7.	የአክስዮን ገበያዎች መኖር አክስዮኖችን በፍጥነትና በጥሩ ዋጋ ለመሸጥ ይጠቅማሉ፡፡					
8.	በአክስዮን ገበያዎች አማካይነት በገበያው ውስጥ የሚሠሩ ድርጅቶችን በሚመለከት መረጃዎችን በቀላሉ ለማሠባሰብና የአክስዮን የመሸጥ እድል ይጨምራል፡፡					
9.	ኢንቨስትመትን በሚመለከት ኪሣራን በተለያዩ ድርጅቶች ውስጥና በተለያዩ የኢንቨስትመንት አይነቶች ኢንቨስት በማድረግ መከላከል ይቻላል፡፡					
10.	የአክስዮን ሠርተፍኬቶችን ለባለቤትነት ማስረጃነት፣ ለብድር ማስያዣና ለስጦታ ማዋል ይቻላል፡፡					
11.	በጡረታ ጊዜ የሚያስፈልገኝን የፋይናንስ ሁኔታ በሚመለከት በአሁኑ ጊዜ ግልፅ የሆነ ሐሣብ አለኝ፡፡					
12.	በባለአክስዮንነቴ የማገኘው የመወሰን መብት የቦርድ አባላትን ለመምረጥ፣ አመታዊ ሪፖርቶችን ለማፅደቅና በባንኩ ውስጥ መሠረታዊ ለውጦችን ለማምጣት ይረዱኛል፡፡					

ቁጥር	ጥያቄ	በጣም አልስማማም	አልስማማም	አላውቅም	እስማማለሁ	በጣም እስማማለሁ
13.	እኔ የባንኩ የቦርድ አባል የመሆን እድል አለኝ፡፡					
14.	ባንኩ አዲስ የሚሸጣቸውን አክስዮኖች ለህዝብ ክፍት ከመደረጋቸው በፊት በዋና ዋጋቸው በመግዛቴ ተጠቃሚ ነኝ፡፡					
15.	የገንዘብ የመግዛት አቅም በሚቀንስበት ጊዜ ባለአክስዮኖች ተጠቃሚ ይሆናሉ፡፡					
16.	አክስዮኖች ስላሉኝ እርካታና የአዕምሮ እረፍት አገኛለሁ፡፡					
17.	የባንኩ የማይዋዥቅ ትርፋማነትና እድገት አክስዮኖችን እንድገዛ ገፋፍተውኛል፡፡					
18.	ኢትዮጵያ ውስጥ ባሉ ባንኮች ውስጥ ኢንቨስት ማድረግ ያንያህል ኪሣራ (መጥፎ ሁኔታ) የማጋጠም እድል የለውም፡፡					
19.	ከባንኩ አክስዮኖችን በመግዛቴ ከባንኩ ብድር ላገኝ እችላለሁ፡፡					
20.	በባንኩ ውስጥ ያለኝ የቁጠባ ሂሣብ የትርፍ ድርሻና የአክስዮን የሽያጭ ዋጋዎችን ለመቀበል እና ተጨማሪ አክስዮኖችን ከሂሣቤ በማስቀነስ በቀላሉ እንድገዛ ይረዳኛል፡፡					

5.0 በአክስዮኖች ላይ ኢንቨስት በማድረግ የሚገኘውን ጥቅም በሚመለከት አስተያየት ካለዎት ይግለፁ፡፡

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በድጋሚ አመሠግናለሁ!

Appendix 3: Interview Guide

This is an interview guide designed to initiate a discussion on the role of the bank in helping the shareholders to achieve the perceived benefits of the investments in shares. Furthermore, it is used to know the actual practice of the shareholders of the bank in realizing the benefits of investing in shares and the corporate governance practices of the bank.

Hence, the interviewer requests you to take some time to discuss on the issues mentioned below.

1. **Company Profile**
    - Establishment of the bank
    - Growth of number of Shareholders and financial Highlights
2. **The benefits of investing in shares**
    - Dividend utilization trends of shareholders
        - Cash dividends
        - Dividend reinvestments
    - Share trading activities
        - The activity of the bank on behalf of participants
        - The problems related to the share trading
    - The practice of utilizing the share certificates as collaterals by shareholders
    - The practice of rights issues to shareholders
    - Services the bank provides to its shareholders in relation to their investment
3. **The practice of corporate governance**
    - The experience of the bank in protecting shareholders' rights
4. **Comments and opinions**
    - Regarding the awareness of shareholders on the benefits of investing in shares
    - Any other opinion

Appendix 4: Objectives * Div Utilization of year 2007 Cross -tabulation

		Div Utilization of year 2007					
		Reinvested	**Cash**	**Partial**	**No action**	**No dividend**	**Total**
Long-term profitability	Count	42	2	2		1	47
	% within Objectives of shareholders	89.4	4.3	4.3		2.1	100.0
	% within Div Utilization of year 2007	79.2	20.0	13.3		14.3	54.7
	% of Total	48.8	2.3	2.3		1.2	54.7
Annual cash dividends	Count	2	6	1		3	12
	% within Objectives of shareholders	16.7	50.0	8.3		25.0	100.0
	% within Div Utilization of year 2007	3.8	60.0	6.7		42.9	14.0
	% of Total	2.3	7.0	1.2		3.5	14.0
Annual dividends with partially to reinvest & partially to receive in cash	Count			10		3	13
	% within Objectives of shareholders			76.9		23.1	100.0
	% within Div Utilization of year 2007			66.7		42.9	15.1
	% of Total			11.6		3.5	15.1
Determined by current income needs	Count	8	1	1			10
	% within Objectives of shareholders	80.0	10.0	10.0			100.0
	% within Div Utilization of year 2007	15.1	10.0	6.7			11.6
	% of Total	9.3	1.2	1.2			11.6
increase social participation(group affiliation)	Count	1		1	1		3
	% within Objectives of shareholders	33.3		33.3	33.3		100.0
	% within Div Utilization of year 2007	1.9		6.7	100.0		3.5
	% of Total	1.2		1.2	1.2		3.5
Increase relationship with the bank	Count		1				1
	% within Objectives of shareholders		100.0				100.0
	% within Div Utilization of year 2007		10.0				1.2
	% of Total		1.2				1.2
Total	Count	53	10	15	1	7	86
	% within Objectives of shareholders	61.6	11.6	17.4	1.2	8.1	100.0
	% within Div Utilization of year 2007	100.0	100.0	100.0	100.0	100.0	100.0
	% of Total	61.6	11.6	17.4	1.2	8.1	100.0

- **Chi-square test: Value= 116.56, df= (6-1)*(5-1) =20, and sig.=0.00, which is significant at 0.05 level.**

Appendix 5: Statistics Tables of Secondary Data

Appendix 5.1: Summary Statistics of dividend utilization trends

Particulars	Year 2004		Year 2005		Year 2006		Year 2007	
	No. of Share-holders	Dividends (in Birr)	No. of Share-holders	Dividends (in Birr)	No. of Share-holders	Dividends (in Birr)	No. of Share-holders	Dividends (in Birr)
Fully Reinvested	1068	12,461,247	1256	22,660,815	1424	47,069,817	1567	62,652,087
Fully Taken in cash	524	5,630,995	493	7,374,507	401	11,871,317	372	13,475,127
Partially reinvested & Taken in cash	120	2,849,856	205	2,991,855	278	7,752,423	286	13,624,651
No Decisions on Dividends	493	2,075,059	373	1,928,213	294	3,410,841	215	3,870,686
TOTAL	**2205**	**23,017,158**	**2327**	**34,955,390**	**2397**	**70,104,397**	**2440**	**93,622,551**

Source: AIB's records

Appendix 5.2: Summary Statistics of Share Trading Practices

Price per share	Year 2004		Year 2005		Year 2006		Year 2007		Year 2008	
	No. of share-holders	No. of shares	No. of share-holders	No. of shares	No. of share-holders	No. of shares	No. of share-holders	No. of shares	No. of share-holders	No. of shares
At par value	20	2391	27	1350	11	993	7	239	19	487
1001-1100	15	271	11	687	1	200	1	10	1	9
1101-1200	2	25	5	60	24	963	21	1655	5	658
1201-1300							18	274	12	719
1301-1400							3	25	25	3234
1401-1500							2	18	9	724
Total	**37**	**2687**	**43**	**2097**	**36**	**2156**	**52**	**2221**	**71**	**5831**

Source: AIB's records

Appendix 5.3: Summary Statistics of Rights Issued to Shareholders

Methods of Utilization	April, 2005		April, 2007		April, 2008	
	No. of Share-holders	No. of shares	No. of Share-holders	No. of shares	No. of Share-holders	No. of shares
Fully Utilized	1,079	26,659	1,069	42,525	1,202	127,539
Partially Utilized	551	22,737	691	38,687	719	45,951
Not Utilized	679	10,604	634	18,788	608	76,510
Total	**2,309**	**60,000**	**2,394**	**100,000**	**2,529**	**250,000**

Source: AIB's records