



Achieving Sustainability: The Role of Access to and Usage of Financial Services and Markets

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Agenda



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Access to Capital Markets



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Introduction

Why Access to Financial Services?

To be financially included, one has to have access to basic financial services first

- Financial Sector Development Master Plan 2020/21 – 2029/30
 - **Rationale number (i):** *Inadequate access and usage of financial services*
 - **Rationale number (iv):** *Limited long-term resources*
- Tanzania Development Vision 2050: *Financial Inclusion to reach 90 percent by 2050*
- UN Sustainable Development Goals (SDGs)
 - **SDG 1, NO POVERTY:** *Access to financial services , including microfinance, for all men and women by 2030*
 - **SDG 2, ZERO HUNGER:** *Equal access to financial services by 2030*
 - **SDG 5, GENDER EQUALITY:** *Reforms to give women equal rights to as well as access to financial services*
 - **SDG 8, DECENT WORK AND ECONOMIC GROWTH:** *Formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services*
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all
 - **SDG 9, INDUSTRY, INNOVATION AND INFRASTRUCTURE:** *Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit*

Capital Markets Opportunities

Capital-raising Opportunities

- Raising debt capital through issuance of vanilla as well as specialized debt instruments such as Sustainability and Infrastructure Bonds
- Shariah compliant financing (e.g. Sukuk)
- Alternative financing for SOEs, LGAs and Government Agencies for investments in the environment, public utilities, clean energy, clean water, food security, blue economy, etc.
- Raising equity financing in the Main Investment Market Segment (MIMS) as well as through the Enterprise Growth Market segment (EGM) with a view to graduate to MIMS on the DSE
- An opportunity to be profiled and raise financing through traditional debt or equity as well as through venture capital or angel investors, via Endeleva Platform
- Access to international investors; backed by a track record of successful issuances; some of which have been cross-listed in Luxembourg and London
- A well-established international collaboration network regionally and globally

Investment Opportunities

- Opportunities to invest in listed equities and debt as well as Shariah-compliant instruments
- Use of investments as collateral to access financing from Banks and other licensed Lenders
 - *Currently credit appetite is still low and limited to Government Bonds*
- Impact and Ethical Investment
- Ability to participate fractionally
- Creation of wealth through capital gains and reinvestment of proceeds
- Management of cashflows
- Retirement planning



Capital Markets Performance

Capital Markets Overview

A growing number of participants and products but the market size, depth and breadth is still low.

- One Stock Exchange (DSE)
- One Commodity Exchange (TMX)
- 20 Licensed Dealing Members
- 8 Custodians of Securities
- 4 Nominated Advisors
- 8 Licensed Bond Traders
- 23 Investment Advisors
- 12 Fund Managers
- 1 Central Securities Depository
- 15 Collective Investment Schemes (one being Shariah Compliant)
- 28 Listed Companies with a market capitalization of TZS 19.22 trillion (less than 10% of GDP)
- 22 Domestic companies with a market capitalization of TZS 12.79 trillion
- Outstanding Government Bonds worth TZS 29.18 trillion
- TZS 777.55 billion worth of LCY Corporate Bonds (including Sukuk, Sustainability & Infrastructure Bonds)
- USD 73 million worth of FCY Corporate Bonds
- TZS 53.12 billion worth of Sub-national Bonds

Bond IPO Performance 2022-2025

Encouraging performance on Bond IPOs with all of the issuances over the last 3 years being oversubscribed

- NMB Jasiri Bond - raised TZS 74.27 billion. Oversubscribed by 197.08% – April 2022
- KCB Sukuk Bond raised TZS 11.043. Oversubscribed by 10.40% – December 2022
- NBC's Twiga raised TZS 39 billion. Oversubscribed by 29.7% – December 2022
- TMRC's Bond (4th Tranche) raised TZS 11.28 billion. Oversubscribed by 12.8% – April 2023
- CRDB Kijani (Green) Bond raised TZS 171.83 billion. Oversubscribed by 212.42% – October 2023
- NMB Social Bond raised TZS 212.9 billion. Oversubscribed by 183.87% – November 2023
- US\$ NMB Social Bond raised US\$ 73 million. Oversubscribed by 630% – November 2023
- Tanga UWASA Water Infrastructure Green Revenue Bond planned to raised TZS 54.72 billion. Oversubscribed by 3% – April 2024
- Azania Bondi Yangu raised TZS 63.27 billion. Oversubscribed by 110.9% – January 2025
- Samia Infrastructure Bond raised TZS 323.07 billion. Oversubscribed by 115.4% – February 2025

Access to Capital Markets

Investor Participation in Capital Markets

Investor participation very low (between 650k-1.1mn which is less than 1.5% of the population at best)

- Around 650k CSD accounts on the DSE (639k being individual Tanzanians)
 - *More than 57k onboarded on Mobile Trading Platform.*
- Around 20k BOT CDS accounts
- Around 420k investors in Collective Investment Schemes
 - *Largest Participation being in schemes managed by UTT' AMIS with over 400k investors across 6 funds with a total NAV of TZS 2.7 trillion*
 - *Faida Fund is a distant second with 7.2k individual investors*
 - *M-Wekeza is growing fast with more than 51k investors in a span of just 3 months*
- Around 10k investors in Corporate Bonds
 - *Largest participation in terms of numbers for a Corporate Bond is just under 7k individual retail investors*

Challenges & Constraints facing Markets

Reasons for low levels of participation for both investors and potential issuers

- Limited financial resources for majority of Tanzanians and low saving culture amongst Tanzanians
- Low level of financial education and public awareness of capital markets products and services (even with those that have knowledge of and access to all other parts of formal financial services)
 - Perceived notion of exclusivity to institutional investors and the ultra rich members of society
- Limited access to participants in Capital Markets with most players having offices in Dar es Salaam only and a very few with offices in major metropolises in the country
- Low levels of liquidity for some of the products
- Inability to use some of the products as collateral to access short-term borrowing
- Fear of transparency for some potential issuers
- Limited knowledge of capital raising opportunities for some of the potential issuers, particularly in the SME segment
- Cost of going public, particularly for potential issuers in the SME segment

DSE Mobile Trading Platform

Mobile trading has been a revelation in terms onboarding new investors as well as growing turnovers

- DSE Mobile Trading Platform (“MTP”). developed in 2020.helps investors access the market using the internet (web-based) as well as mobile
- On mobile, it is available as an app that can be downloaded on both the App Store as well as Play Store. The app is called **DSE Hisa Kiganjani**
- Integration with Mobile Network Operators; Banks and Integrators to simplify settlements and reach a wider customer base
- Hisa Kiganjani allows an existing investor to register with the app and start buying and selling shares as well as view their existing holdings and access market information. The app also allows for registration for new investors
- Investors can also open accounts and invest on behalf of minors in their custody
- Investments can be done 24/7 (including weekends and public holidays). Payment can be through mobile money; bank transfers or using debit and credit cards
- To date, there are more than 57,000 investors registered; equivalent to 8.7% of investors. These investors generate 35.9% of volumes
- DSE Hisa Kiganjani can also be used to subscribe to Initial Public Offerings

Conclusion: Key Takeaways and Way Forward

Key Learnings and way forward

- Use of mobile technology (success from DSE Hisa Kiganjani, UTT and M-Wekeza)
 - Integration and partnerships to widen the investor base
- Investor education and public awareness campaigns
- Simplification of communication (success story from UTT-AMIS)
- Embed Capital Markets Training in the formal educational system at a relatively early stage (upper primary school classes)
- Brick and mortar cannot be ignored
 - NMB and Orbit Agency Agreement
 - Vertex International Securities and Tanzania Posts Corporation
 - CRDB Brokerage Services and CRDB Bank
- Fractionalization of investments
- An integrated approach to helping SMEs access capital markets
- Liquidity improvement and use of securities to access credit
- Alternative financing for SOEs and LGAs (success from Tanga UWASA)

Thank you for your attention