

**THE IMPACT OF CAPITAL MARKET DEVELOPMENT ON INVESTORS'  
CONFIDENCE IN UGANDA: A CASE STUDY OF STANBIC BANK UGANDA  
MUKONO DISTRICT**

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**J22B33/031**

**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT  
FOR THE REQUIREMENTS FOR THE AWARD OF A DEGREE OF BACHELOR OF SCIENCE  
IN ACCOUNTING AND FINANCE OF UGANDA CHRISTIAN UNIVERSITY**

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**UGANDA CHRISTIAN  
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## DECLARATION

I, Kinobe Daphine declare that this Research Dissertation is presented in its original form and has not been presented to any other University or Institution for any academic award.

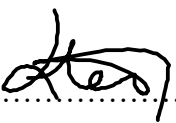

Signature.....*KD*.....

Date:.....*5<sup>th</sup> / September / 2024*.....

KINOBE DAPHINE J22B33/031

**APPROVAL**

This is to certify that this Research Dissertation titled “**The Impact of Capital Market Development on Investors’ Confidence in Uganda, A Case Study of Stanbic Bank Uganda in Mukono District**” has been done under my supervision and submitted for examination with My approval.

Signature .....  ..... Date.....  .....

MR. ALEX AHABWE

## **DEDICATION**

This Research is dedicated to my Late father Martin Nakilimira may his soul continue to Rest in Peace and my mother Annet Timujibwa.

## **ACKNOWLEDGEMENT**

I would like to extend my appreciation to the following individuals who, in one way or another, have contributed to the successful completion of this report. First and foremost, I will start with the support and guidance provided by my supervisor Mr. Alex Ahabwe, whose untiring efforts in researching became so instrumental in the study at hand. God bless him abundantly. I am also deeply grateful to the staff and management of Stanbic bank for their cooperation in filling out my questionnaires promptly on time. Lastly, I would also want to thank my friends, mother, and coursemates, above all my group members, who have supported me throughout this work. First and foremost, I thank God for the gift of life, wisdom, and knowledge; without His blessings, this achievement would not have been possible.

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## **ABSTRACT**

This study aimed to establish how the growth in capital markets is influencing investor confidence in Stanbic bank. The two key research questions guiding this research were basically how capital market growth and investor confidence relate to one another in Uganda and the current status of development and confidence in Uganda's capital market. This study took a mixed approach in conjunction with a cross-sectional survey design, and the sample size used was 28 shareholders, as determined through the Taro Yamane's mathematical formula. Results indicated that capital market development affects investor confidence at Stanbic bank. The sample consisted of 50% males and 50% females. The majority of the respondents, 82.1%, were between the age brackets of 18-25 years, while 75% of the respondents had attained tertiary education. The study concludes that, with the long term potential capital financing, Uganda should fully embrace capital markets in order to cover the capital gap as a means of bettering microeconomic stability. Small size, institutional and unstable economic policies have been identified as the limiting conditions to the local capital market. The research design is both qualitative and cross-sectional in nature, since the data collection was done between April and August 2024.

# **CHAPTER ONE**

## **GENERAL INTRODUCTION**

### **1.0 Introduction**

The information presented is meant to make a big impact in the context of domestic and foreign institutional investors, investment banks, finance companies, asset managers, debt issuers, market infrastructures, broker-dealers, regulators, and generally all persons or entities involved in the capital market in respect of the development of the country in question, Uganda. The background of the study, the problem statement, the purpose of the study, the objectives, the scope, and the significance of the research project can be found in this chapter.

### **1.1 Background to the study**

These would mean better risk-sharing and also capital allocations to the real economy, fostering economic growth and welfare. Yet, not all capital markets can be said to be equally adequate, while in most cases, government-initiated programs for the creation of local capital markets have remained incomplete. A few of the facilitators that lead to the development of a local capital market include investor confidence, CM transactions in the stock and bond markets, and the development of the economic and financial market.

Capital markets are a platform where securities such as bonds and shares are traded. The sellers are the issuers, which include governments and corporations in need of funds. The buyers are investors with excess money such as pension funds, insurance companies, and Collective Investment Schemes. These intermediaries take part to facilitate transactions among these parties, and these include brokers/investment banks, fund managers, stock exchanges, and central depositories.

Capital markets deal with long-term securities, which include debt and equity as well. Among the goals of financial regulators is to make sure that investors are protected from fraudulent activities. In Uganda, the capital market has attained significant growth within the last 10 years, with the involvement and active participation of shareholders. The capital market can also be utilized by Uganda in mobilizing national resources in order to finance investment projects.

The capital market in Uganda began to develop upon the establishment of the Capital Markets Authority and the Uganda Securities Exchange in 1996 and 1997, respectively. The CMA is mandated with the promotion, development, and regulation of capital markets in Uganda, with provisions for investors' protection and efficiency in such markets. The USE has indeed recorded tremendous growth in areas related to listings in the capital market, market capitalization, and turnovers.

The capital market plays a number of roles: the raising of capital for the long term; mobilizing and channeling local savings to productive enterprises; setting minimum levels for various market players; and the provision of alternative long-term financing. Securities laws help to reduce risks originating from corporate issuers selling bad securities to the public and help in restoring the confidence of investors. Private contracting could result in a need for certain regulations to standardize the private contracting framework so as not to mislead investors.

In countries where equity ownership in corporations is too concentrated and corporate governance is weak, strong investor rights and securities laws cannot develop local capital markets in terms of equity and corporate bond markets. Reforms in corporate governance may be required to nurture stronger oversight of the corporate board and eliminate impediments to takeover threats.

### **THE RATIONALE OR MOTIVATION FOR CAPITAL MARKETS**

Local capital market development brings numerous benefits to borrowers, investors, and governments alike because they facilitate efficient allocation of capital and the distribution of risk. Among the various ways through which the benefits can be realised are financing of large fiscal deficits through local bond markets, support for monetary policy conduction by the provision of instruments needed for policy implementation, improved access to long-term financing, and better access to local currency financing by investors desiring to manage inflation and exchange rate risk. Moreover, capital market development favors financial deepening, bank loans competition, and enlarging quality and disclosure of information supplied to markets by firms. While financial market liberalization may attract foreign capital to lower the cost of capital, it may also generate some unwanted effects, such as migrating trading to international financial sectors and poorer quality issuances by high-quality firms fleeing local markets. Finally, the risk management capabilities of financial intermediaries can

contribute to financial stability, and bond markets can act as a "spare tire" for bank finance in periods of banking crisis.

**Factors or conditions in development of successful capital markets include:**

1. Putting stable macroeconomic policies in place gives confidence to both the issuer and investor to invest in the market for the long term.
2. A strong legal and institutional framework, including a coherent fiscal policy, protects against legal risks and allows tax-effective investments.
3. The availability of financial information gives investors confidence in informed decision making and protects their investments from operational risks.
4. Market infrastructure provides a means of transacting safely and minimizes the risks of ownership, settlement, and transfer of securities.
5. Bigger markets are usually more liquid, offer more choice, and efficiencies of scale and are thus more appealing than small markets with weak regulatory and legal mechanisms.

Much has been said regarding the promotion of derivative products in emerging markets, but such promotion is, of course, justified when there is sufficient infrastructure and capabilities to handle the risk which they present. Though derivatives provide the market with more liquidity and price discovery, they also give rise to other forms of risk.

The IMF, World Bank, and OECD have advocated capital market development. Local capital market development leads to financial development and integration, efficiency in capital allocation, and effective risk-sharing. These markets also allow the governments to finance sizeable deficits without financial repression or resorting to foreign borrowings.

Relatively better private enforcement of laws and regulations relating to securities, better investor rights, and enforcement of contracts in some countries result in the development of capital markets. The positive investor-friendly laws are available across different legal systems; the relation between the legal origin and the developments in the capital markets remains vague.

Economic theory suggests that capital markets might spur economic growth either by increasing the volume or productivity of investment, or possibly both. Domestic capital markets provide the means for mobilizing private capital for domestic development with a

minimum of currency mismatches and systemic risks. Development banks can contribute to the strengthening of capital markets in a number of ways.

## **1.2 Problem statement**

The forecast for economic growth in Uganda is under threat both from within and without the national jurisdiction-forces within being: increase in population, increase in demand for employment, and infrastructural expansion; and forces from outside the national jurisdiction represented by the high global food and fuel prices. This is evident in the level of job creation, which is well below capacity, the dilapidated infrastructures, and the inability of the economy to fully sustain itself locally. This has resulted in increased poverty and lately, social tensions mainly over unemployment and high fuel and commodity prices.

It has identified the various priority areas, such as infrastructural investment and creation of employment opportunities, all of which require reliable long-term capital availability for financing. Success of the capital market is now looked at as a lasting solution to the lack of domestic development capital as the country struggles to become self-sustaining. It is, therefore, important to carry out an assessment of the role of capital markets in promoting economic growth through promoting investment, capital availability, and job creation. That is what compelled the researcher to do this study.

## **1.3 General Objective:**

The main objective of this study is to examine the relationship between CMD and IC in Uganda.

### **1.3.1 Specific Objectives of the study:**

The study will be carried out with the following specific objectives:

- To examine the relationship between capital market development and investors' confidence in Uganda.
- To evaluate the level of development of Uganda's capital market.
- To assess the level of investors' confidence to capital market of Uganda.

## **1.4 Research questions**

- What is the relationship between capital market development and investors' confidence?

- How can the level of development in a capital market be evaluated.
- What is the current level of development of the Uganda capital market?

## **1.5 Scope of the Study.**

The research was conducted in the Mukono Cathedral House building at plot number 37/39 along Kampala-Jinja Highway, hosting Stanbic Bank Mukono branch. The area had been purposely chosen for a number of reasons: this was near where the researcher resides because of the minimum cost of transport to the office. Besides being one of the few listed financial institutions on the Uganda Securities Exchange, some employees at this branch were bound to be particularly well-positioned in terms of having meaningful comments about capital markets.

### **1.5.1 Content**

In this research, both CM and IC will be analyzed and assessed. The main focus will be on a low-cost area that lacks infrastructure and facilities. Geographical location is an important aspect to consider as the study will take place in Mukono district's central region, which represents both the affluent and poor urban communities of central region.

### **1.5.2 Geographical Scope**

The study will focus solely on Mukono district in Uganda due to its advantageous positioning, as it borders Kampala.

### **1.5.3 Time scope**

The research sample will be comprised of individuals from Stanbic Bank Mukono. The data collection approach will be cross-sectional, with a specific period in 2024 designated for data gathering.

## **1.6 Significance of the Study**

It is expected that the results expected from this study will contribute extensively to the extent of the literature on the capital market. The findings will help policymakers in providing guiding policies that may help the investors to surmount any constraints related to the CM. The results will also benefit future researchers on similar or related topics. Likewise, these findings are likely to help Ugandan financial institutions' managers to design more appropriate business

strategies. The originality of the study is that two variables will be combined, capital market development and investors' confidence. It would motivate other researchers. Quantitative method research will be followed to collect data. A structured questionnaire will be used to acquire data on a quantitative basis.

### **1.7 Justification of the study**

The reason for selecting Mukono district in Uganda for conducting a study on the impact of capital market development on investor confidence is based on its advantageous geographical location.

### **1.8 Summary of the chapter**

The chapter comprises an introduction, the study's background, research problem, purpose and objectives, hypothesis, scope, significance, justification, and theoretical framework.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

In this chapter, the researcher provides a review of the relevant literature on empirical studies regarding CM. These studies have been conducted globally and will assist in the current study. The chapter also explores related concepts such as investors' confidence and a conceptual framework. The significance of capital market in a country's growth and development is highlighted. The primary aim of this study is to investigate the correlation between CM and IC in Uganda.

#### **2.1 Theoretical Review**

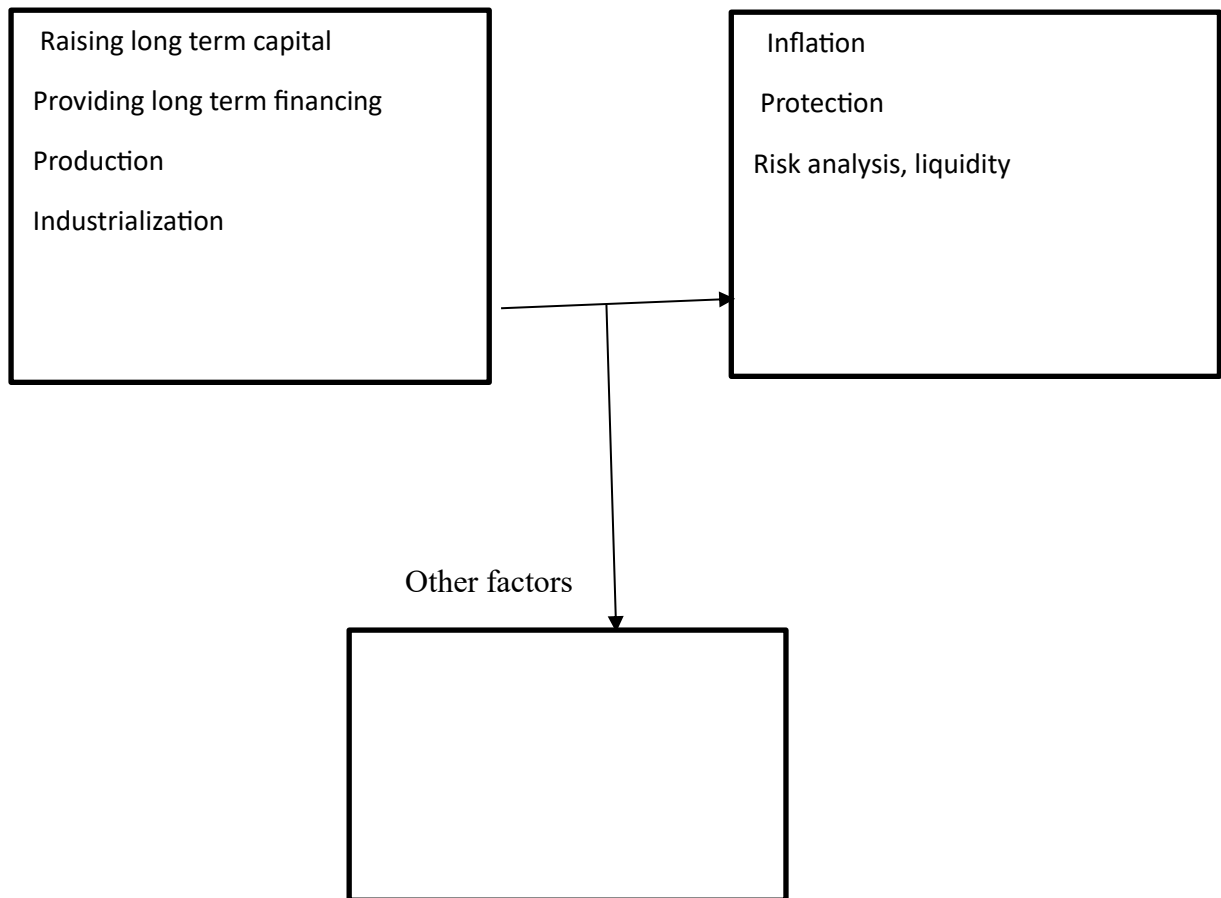
The unit presents the research carried out by other scholars that relates to the subject under investigation. An attempt is made to establish a theoretical and conceptual framework that will agree with the objectives of the study. The review tends to add to the knowledge and help the researcher understand how other scholars may have progressed with the topic. One of the theories that guides the study on capital markets and investors' confidence as variables is economic theory. According to economic theory, capital markets could spur economic development by enhancing investment volume or investment productivity. If private investment is to increase, for instance, larger portions of savings flows should be allocated to productive projects through the primary market. Consequently, each issue of equity is not likely to be offset with less bank credit or other alternative forms of financing. It also comments on the relevance of domestic capital markets in efficiently mobilizing private capital in funding domestic development while reducing systemic risks by reducing currency mismatches for the borrowers leading to employment and economic growth.

#### **2.2 Conceptual Framework**

The conceptual framework outlines the primary components of the research and the potential links between the independent and dependent variables. It provides a model for understanding how these variables might interact with each other.

Capital market development

Investors' confidence



Source: Adopted from review of literature of.

Based on the conceptual frame work above, it is indicated that IC from independent variable while CMD is the dependent variable.

### **Brief summary of the variable's indicators**

CMD is evaluated by obtaining long-term capital and supplying long-term funding. IC is assessed by ensuring protection for the business, interest rate, and inflation.

### **2.3 Review of related literature**

The idea of the Capital market is a concept of a platform or place specifically meant for the exchange of securities. This is also a very important aspect of the financial system. It provides an excellent and effective channel of distribution for the administration and allocation, utilization and supply of long-term funds meant for investment. Capital Market is believed to

be one of the major means of income generation for the households and an important channel for raising funds for the companies operating in the economy. In a country, with proper financial structure and facilitation through the capital market, business growth and economic progress may occur. The capital market has been seen as consisting of organisations devised to facilitate the effective origination and trading in medium-term and long-term capital instruments. It has the potential to have equity and debt financing in its platform. The institutions in the market assist in issuing and secondary trading of financial securities targeted for long-term financing. It provides funds required to businesses and governments that would wish to have access to long-term capital meant to meet their capital needs.

### **Capital Market Development**

Capital markets provide a platform for the investors and companies or governments in need of long-term financing in forms such as equity and debt. According to Greenwood and Jovanovic 1990, capital markets play a vital role in financial intermediation by merely redistributing funds from surplus users to those with deficit needs. Capital markets can be divided into either a primary market for initial security issuance or a secondary market for the trading of securities among investors thereafter. Securities are also distinguished by their type, including the equity market, where common shares and equity-related instruments are traded, and the bond market, where debt-related instruments are traded.

### **Investors' confidence**

The scientific concept of "investor confidence" has developed into an intriguing issue in financial markets among observers, participants, researchers, and regulators for quite a long period of time. Ko (2017) defines investor confidence as an act in the willingness of investors to participate in investment opportunities and related mediation channels. It all depends on their perception of risk and return. Investor confidence spans two aspects: optimism about the "fundamental" risk and return on investments, and trust in the protections afforded to investors in financial markets against possible losses from expropriations by other market participants. Any gap between investor trust and actual level of protection against expropriation, or any gap between investor optimism and actual level of "fundamental" risk and return, can result in a loss of welfare. This might lead investors to conduct shallow due diligence or miss valuable investments altogether.

Capital Market Depth: It is a general term describing the state of development a financial system has achieved, especially with regard to the integration of the capital market with international financial institutions. Market capitalization, trading, and turnover of securities are some of the main variables that are always used in various research literature in quantifying the inner structure of a capital market and comparing them with other variables as a way of measuring observable relationships. A capital market plays a very important role in improving liquidity because its activities have implications for economic growth.

Market capitalization is the size of businesses and corporations measured against the price of the market share and the total number of outstanding shares. To be precise, the meaning of market capitalization is the complete number of shares times the price of market share. This figure is utilized by investors to estimate the value and size of the company. Capital market development is going to affect economic growth by enhancing liquidity provision, risk diversification, the provision of information, and capital resources mobilization.

Recently, there has been a rise in volumes of trading at the Uganda Securities Exchange and an increase in both equity and debt listings in the Ugandan Capital market. The contribution of capital markets is very crucial in mobilizing private capital for domestic development financing and reducing systemic risks. Development banks can help foster stronger capital markets through local bond issuances, partial credit guarantees, anchor investments, risk-sharing, and securitization assistance.

#### **2.4 The impact of capital markets development towards investment**

The stock market reduces the cost of collecting funds and, hence, investment in efficient technologies. It puts investors together with entrepreneurs who can better deploy the funds in bringing newer ideas into the marketplace, hence contributing more to jobs and growth in an economy. Liquidity is another critical factor for economic development, and an efficient capital market becomes a boost for any developing economy.

Capital markets can also provide the basis for reform initiatives in finance like financial liberalization. This type of approach encourages diversification of financial risks and enhance the potentiality of foreign competition. Financial institutions become more effective, and profit on investments is more significant.

Other benefits of capital markets are that they facilitate price discovery through the signals sent out to decision-makers about optimal resource allocation. Capital markets can eventually exert external pressure on management to maintain effective governance and control mechanisms. It acts as a signal to managerial performance and efficiency; it is maintained, which is very important for such companies that have major ideas but no funding to materialize them.

In general, there is a consensus on the efficiency of investment brought by the development of capital markets. The relation of the firms' investment decisions and internal resources is significant, internal funds become more attractive to investors than external funds because of imperfection in the capital markets.

Capital markets allow the availability of financial resources that can be invested in productive firms. This will help in the mobilization of local savings, development of the private sector, and hence job creation to improve the standard of living. Capital markets form a source of a transparent, well-regulated, and highly liquid system that fuels business growth and enables job creation.

Several empirical studies conclude that the development of the capital market is positively related to economic growth. Conditions such as macroeconomic stability, sound banking systems, high institutional quality, and an appropriate regulatory and supervisory framework should be put in place for the capital markets to bloom in emerging economies.

# CHAPTER THREE

## RESEARCH METHODOLOGY

### 3.0 Introduction

In this section, the Researcher will explain the various methods used in data collection. It involves discussing the research design, the data collection procedure and tools used, the description of the respondents, the setting of the study, the sampling strategy, as well as how data was managed, analyzed, and presented in terms of research design. What is more important is that the section identifies the main limitations of the study.

### 3.1 Research design

The investigator intends to employ the analytic approach, specifically the quantitative method that entails drawing inferences, predictions, and approximations. The selection of this design is appropriate due to the nature of the study, which depends on individual viewpoints. Amin (2003) defines cross-sectional research as an operation that gathers information about the target population at a single period regarding sports and uses the data to infer findings related to the issue in examination.

### 3.2 Area of the study

The investigation endeavored to assess the influence of the advancement of the financial market on the assurance of investors in Uganda, specifically focusing on Stanbic bank Uganda situated in the district of Mukono. The survey was conducted at Stanbic bank, which is a distinguished financial institution conveniently accessible from the primary road, situated in the center of Mukono town on the Kampala-Jinja Highway.

### 3.3 The study population

The target population will comprise of 28 shareholders of Stanbic Bank in Mukono District

### 3.4 The sample size

Sample size refers to the number of units of people that are chosen from which the researcher wishes to gather information or data the researcher will a mathematical formula of Taro Yamane

to determine the sample size. The study will use a sample size of large respondents to ascertain reliability results from the population (Sotirios, 2013).

Illustrated as  $n = \frac{N}{1 + N(e)^2}$

Where the N = Population

E = error term

n = the sample size

$n = \frac{30}{1 + 30(0.05)^2}$

n = 28 respondents

### **3.5 The sampling design**

The sample design will be determined before any data will be collected for obtaining a sample from the given population. The research will use stratified and purposive sampling design.

### **3.6. Sources of Data**

Data will be gathered from the primary sources listed below.:

#### **3.6.1 Primary data:**

This data will be gathered from participants via surveys and conversations. Primary information will be utilized primarily to counteract the drawbacks of secondary data, particularly in regards to precision. As Mugenda (2003) suggests, primary data sources grant investigators the opportunity to cross-validate the accuracy of secondary data.

#### **3.6.2 Secondary data**

The researcher will also use secondary data as a source of data. Secondary data refers to the data collected by someone other than the primary user. In other words, it is the already existing data or information collected by other researchers. The data will be obtained from the banks' annual reports, published journals, articles, available information on the internet as well as existing literature from researchers carried about the variables under study.

### **3.7 Instruments of data collection**

Questionnaires are used to collect primary data from the respondents. Open-ended questionnaires will be used to solicit opinions of the respondents on the subject under research. The Likert scale questions will be designed on a scale of 1-5 to enable the respondents to judge whether they strongly agree or strongly disagree with the variables under investigation.

### **3.8. Data Processing and Analysis**

#### **3.8.1 Data Analysis**

This segment will showcase information that will be gathered and examined for enhanced comprehension. A distinctive software for the social sciences, namely, SPSS, will be deployed.

### **3.9. Measurement of variables**

According to Amin (2005), a minimum average index of 0.7 is necessary for the tool to be deemed valid. Similarly, Yin. R.K, (2009), and Enon (1998) assert that ensuring reliability and validity in research is crucial for obtaining credible, applicable, and representative data. The data will be gathered from voluntary participants.

#### **3.10 Content Validity**

Its validity shall be affirmed through consultations with experts and through the calibrated likert's scale. In contrast, reliability is defined as dependability or credibility of a measuring instrument, to wit, it is the consistency with which the instrument measures what it is supposed to measure. The tool is reliable if it results in a consistent result if applied more than once to the same respondents.

#### **3.11 Ethical Considerations**

In this study, the researcher will take into consideration the ethical issues such as consent, privacy, anonymity, and confidentiality. Saunders et al., (2009) defined ethics as sets and principles that guide moral judgments about our actions and contact with other human beings. All the respondents and interviewees shall be fully informed about the purpose and objectives of the study to ensure they are able to make an informed decision on whether to take part or

not. In addition to this, any information regarding the identity and nature of the respondents will be treated as highly confidential.

### **3.12 Limitations to the study**

In a financial point of view, there is limited financing since finance is the major factor that influences carrying out the study. Therefore, financial limitations are likely to limit the study. Time can also limit it since the researcher may not have enough time to go through all the processes.

### **3.13 Conclusion.**

In this chapter, the method and plan for information collection were discussed in detail. The tool used for dissection and deliberation of the results was the central issue of the fourth chapter. With some limitations, the methods of collation, scrutiny, and extrapolation of data eventually led to proper inferences. In the next chapter, the findings from the fieldwork and the records concerning the objectives and materials were presented and evaluated.

## CHAPTER FOUR

### DATA PRESENTATION, INTERPRETATION AND ANALYSIS

#### 4.0 Introduction

This section presents the data that were collected in the field, their analysis, and discussion. The study was undertaken with the objective of establishing three different variables, namely: how capital markets development explains investment, capital markets development explains the availability of capital and how the growth of capital markets explains employment opportunities. The results presented here are in tabular form and include frequency counts and percentages. The present study aimed to confirm the relative importance of some factors in relation to capital markets development and economic growth in Uganda. Various studies on different research areas, including other studies, provided a basis for the current research.

#### 4.1 Demographic profiles of respondents

This displays the classification of participants based on variables including age, gender, or sex, expressed as their corresponding frequencies and proportions. The research employed a group of 28 subjects from Stanbic bank in Mukono.

Table 4.1 below shows the reliability of the instruments

#### 4.2 Reliability Statistics

**Table 1: Reliability Statistics**

Cronbach's Alpha	N of Items
.815	2

Source: Field data

A reliability estimate of 0.7 was considered reliable, and values above 0.8 were considered adequate. The high Cronbach's Alpha rating of 0.815 signifies a high internal consistency

between the items; therefore, it is very reasonable to conclude that the items were measuring the same thing.

## **GENDER**

The table shows a summary of the gender distribution of the respondents

**Table 2: GENDER**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid male	14	50.0	50.0	50.0
Valid female	14	50.0	50.0	100.0
Total	28	100.0	100.0	

Source; primary data

According to the data presented in Table 4.2, there were an equal number of male (14) and female (14) respondents, each representing 50%. Based on this, the researcher inferred that Stanbic Bank has a relatively even-handed approach to staff recruitment in terms of gender.

## **Age**

The results are presented below after considering the age of the respondents.

**Table 3: Age Group (years)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-25	23	82.1	82.1	82.1
Valid 26-35	4	14.3	14.3	96.4
Valid 36-45	1	3.6	3.6	100.0
Total	28	100.0	100.0	

Source; primary data

Table 4.3: Distribution by age bracket Table 4.3 presents that out of the total number of respondents, 23 representing 82.1% were aged between 21-25 years, 4 (14.3%) were those above 26-235 years old. Only 1(3.6%) was within the category of 36-45 years. It thus means they were mostly in their prime years and would thus invest much time in the development of the hospital.

### Education level

In conducting the study, the educational backgrounds of respondents were taken into account and the results are outlined below.

**Table 4: Education level**

	Frequency	Percent	Valid Percent	Cumulative Percent
Masters' degree	1	3.6	3.6	3.6
Diploma	1	3.6	3.6	7.1
Bachelors' degree	21	75.0	75.0	82.1
Certificate	2	7.1	7.1	89.3
Postgraduate degree	3	10.7	10.7	100.0
Total	28	100.0	100.0	

Source; primary data

Source: Field data (2023)

Results in table 4.4 show that 1(3.6%) of the respondent was master's degree holder, 1(3.6%) also was diploma holder, 21(75.0%) were bachelor's degree holders while 2(7.1%) were certificate holders and 3(10.7%) were postgraduate. From the findings, it means that most of the respondents were degree holders. This postulates that most respondents had a proper understanding of how to handle the developments in the capital market on investor confidence.

#### 4.4.2 Work Experience of the respondents

The study also took into account the respondents' work experience, and their findings regarding this variable are displayed in table 4.4.2 as well.

**Table 5: Experience**

	Frequency	Percent	Valid Percent	Cumulative Percent
1 year and below	4	14.3	14.3	14.3
1-3 years	5	17.9	17.9	32.2
Valid 4-6 years	9	32.1	32.1	64.3
7 years and above	10	35.7	35.7	100.0
Total	28	100.0	100.0	

*Source:* Field data

From table 4.4, findings show that 1(3.6%) of the respondent was master's degree holder, 1(3.6%) also was diploma holder, 21(75.0%) were bachelor's degree holders while 2(7.1%) were certificate holders and 3(10.7%) were postgraduate. Findings imply that most of the respondents were degree holders; this is important as it means most respondents had a proper understanding of how to handle capital markets development on investors' confidence.

#### 4.5 DESCRIPTIVE STATISTICS

The descriptive statistics provide a summary provide a summary of key variables measured in the study. This covers the mean and standard deviations which help to understand the distribution and spread of the data.

#### CUSTOMER ENGAGEMENT

**This table gives descriptive statistics summing up the responses related to investors engagement and satisfaction with Stanbic bank.**

Customer engagement

**Table 6: CUSTOMER ENGAGEMENT**

**Descriptive Statistics**

	N	Mean	Std. Deviation
Regulation and oversight How effective do you believe the regulatory frameworks in protecting investors in the capital markets?	28	4.14	1.044
2)To what extent do you trust the enforcement of market regulations by relevant authorities?	28	3.57	.836
3)how does perceived integrity of regulatory bodies influence your confidence in the market?	28	3.71	1.213
Valid N (listwise)	28		

**Source; Primary data**

From the table above, an analysis of descriptive statistics is made to see how Stanbic bank enhances client engagement;

From the statement “Stanbic bank enhances the researcher’s engagement with the mean which was 4.14 and a standard deviation of 1.044, this implied that most of the respondents agree that Stanbic bank influences their engagement with the banks, however the relatively high standard deviation showed a bit of variation in the responses.

The respondents felt more connected to their banks due to Stanbic bank banking services and with a high mean which was 3.75 and a standard deviation of 0.836 which showed a huge agreement among respondents and a little variability in responses because of the high standard deviation.

The respondents strongly agree that Stanbic bank provides timely updates and notifications about transactions which was evidenced by a high mean of 3.71 and a relatively low standard deviation of 1.213 whereby the researcher said that they were a relatively closer agreement.

This table gives descriptive statistics summing up the responses related to how effective is Stanbic bank when it comes to time saving with its services.

**Table 7: INFORMATION TRANSPARENCY**

**Descriptive Statistics**

	N	Mean	Std. Deviation
<b>INFORMATION TRANSPARENCY</b>			
1)How accessible do you find reliable and timely information about market activities and listed companies?	28	3.61	1.031
2) To what extent does transparency in financial reporting influence confidence in the market	28	3.18	1.156
3)How does the availability of accurate market data impact investment decision?	28	3.54	.838
Valid N (listwise)	28		

**Source: Primary data**

From the responses, there appears to be a consensus among the clients that Stanbic Bank actually keeps customers abreast of market activities and with speed, thereby saving clients' time since they may not need to visit the brick and mortar location. The mean was 3.62, and the standard deviation was 1.031, meaning the responses varied to some extent.

There was also some consensus on the part of investors that transparency in financial reports is one of the boosting factors in their confidence that market transactions are processed swiftly through Stanbic Bank, with a mean score of 3.18 but a relatively high standard deviation of 1.156, which suggests some variance in the responses.

The customers also agreed that the access to particular market data normally informs their investment decisions and are satisfied they could access Stanbic Bank services whenever they needed them. The standard deviation for this was 0.838, which shows a very minimal variation in dispersion about this response.

The data sums up that Stanbic Bank is perceived as a useful tool by the respondents in terms of saving time, high-speed transactions, and flexible banking services. But the standard deviation is relatively very high, meaning that all the respondents did not agree on this issue regarding Market Liquidity.

**This table gives descriptive statistics summing up the responses related to market liquidity when it gets to Stanbic bank services.**

**Table 8: market liquidity**

**Descriptive Statistics**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
<b>MARKET LIQUIDITY</b>			
<b>1) HOW DO YOU RATE THE LIQUIDITY OF CAPITAL MARKETS IN UGANDA</b>	<b>28</b>	<b>3.75</b>	<b>1.266</b>
<b>2) To what extent does liquidity affect your confidence in investing in the capital markets</b>	<b>28</b>	<b>3.57</b>	<b>.997</b>
<b>3)How have you experienced difficulties in liquidating your investments in capital markets</b>	<b>28</b>	<b>3.79</b>	<b>1.031</b>
<b>Valid N (listwise)</b>	<b>28</b>		

**Source: Primary data**

The findings from the table above show a general consensus about the market liquidity is handled in Stanbic bank when it comes to privacy with the high mean values

The respondents felt the rate the liquidity of capital markets in Uganda is slightly moderate when using Stanbic bank having a mean value of 3.75 and a relatively high standard deviation of 1.266 showed that there is a bit of variation in the responses

The respondents felt that liquidity affect their confidence in investing in the capital markets and that Stanbic bank providers have clear privacy policies with a high mean of 3.57 and a

relatively low standard deviation of 0.997 which showed that the respondents were in a very close agreement

The respondents agreed that they have experienced difficulties in liquidating your investments in capital markets which implies that Stanbic bank providers should protect their financial data having a mean of 3.79 but the relatively high standard deviation of 1.031 implied a slight variation in the responses

Therefore, the data showed that the customers felt that their privy which implies cy was upheld due to the high mean values however the high standard deviation values implied a bit of disagreement among the respondents.

#### 4.5.4 Investors confidence.

This table gives descriptive statistics summing up the responses related to the investors confidence when it comes to Stanbic bank services.

**Table 9: Investor confidence**

#### Descriptive Statistics

	N	Mean	Std. Deviation
<b>Investor confidence</b>			
<b>1)HOW CONFIDENT ARE YOU IN INVESTING IN THE CURRENT CAPITAL MARKETS</b>	28	3.32	1.278
<b>2)To what extent does the stability of the market influence your investment decisions</b>	28	3.18	1.124
<b>3)do you believe that the risk in the capital markets are well managed and communicated to investors?</b>	28	3.54	1.232
<b>Valid N (listwise)</b>	28		

Source: Primary data

From the responses, one can notice that there is some consensus where this agrees with the responses that Stanbic Bank provides timely and, as such reliable, information about activities in markets to its customers since they would have saved time which would have otherwise been used to go physically to a bank branch. The mean score for this was 3.62, with the standard deviation of 1.031, therefore showing some degree of dispersion.

The investors further agreed that the transparency in financial reporting contributes to their confidence that market transactions are being efficiently processed through Stanbic Bank, with a mean score of 3.18 but a relatively high standard deviation of 1.156, indicating some dispersion in responses.

Respondents also agreed that proper market information helps them make informed investment decisions and appreciated the fact that Stanbic Bank services are accessible at any time. The response had a standard deviation of 0.838, implying that there was a minimal variation in responses.

The results point to a situation where the respondents perceive Stanbic Bank as a facilitating resource that can save them time and enable them to transact faster, thus allowing flexibility in banking services. Overall, the standard deviations remain high, which indicates that the measurement of Market Liquidity is not shared in the same light by all the respondents..

#### 4.5.5 Investment climate

**This table gives descriptive statistics summing up the responses related to the investment climate when it gets to Stanbic bank services.**

**Table 10: Investment climate**

##### Descriptive Statistics

	N	Mean	Std. Deviation
<b>INVESTMENT CLIMATE</b>			
1)How confident are you in the future growth potential of the capital market in your country	28	4.50	.694
2)How important is government policy in shaping your confidence in capital markets	28	4.04	1.105
3)How does the overall investment climate affect your confidence in capital markets?	28	4.18	1.090
Valid N (listwise)	28		

Source: field data

Descriptive statistics were drawn from the table above, which was assessed in determining whether or not the investment climate is well in agreement with the empathy component of the serv equal model. The analysis has indicated that the investors are confident in the future growth potentials of the capital market in Uganda as shown by the mean score of 4.50 and a standard deviation of 0.694. It suggests that most of the respondents believe Stanbic Bank addresses their needs. This standard deviation, although pretty high, shows some kind of variability within the responses. This therefore, implies that the respondents viewed the government's policies to be playing a critical role in setting, building, or gaining confidence in the providers of capital markets to take care of their issues. The response is supported by a low mean score of 4.04 and a standard deviation of 1.105 indicating limited dispersion resulting from a low standard deviation.

Overall, the respondents tend to agree to a relatively high degree that the investment climate influences confidence in capital markets, as evident by the mean score of 4.18 and a relatively high standard deviation of 1.090, revealing a positive variation of responses made with a high level of agreement among the respondents.

#### 4.5.6. Market stability

This table gives descriptive statistics summing up the responses related to the market stability when it gets to Stanbic bank services.

**Table 11: Market stability**

#### Descriptive Statistics

	N	Mean	Std. Deviation
<b>MARKET STABILITY</b>			
1)How important is the overall market stability to your confidence in investing?	28	3.79	1.067
2)To what extent does economic stability in your country influence your confidence in capital markets	28	3.64	1.162
3)How frequently do market down turns affect your confidence in the market	28	4.07	.979
Valid N (listwise)	28		

#### 4.6 REGRESSION ANALYSIS

**Table 12: REGRESSION ANALYSIS**

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.709 <sup>a</sup>	.503	.483	.58060

a. Predictors: (Constant), INDEPENDENT

VARIABLE

From the above table, it is evident that capital market development contributes much to investor confidence. This is further evidenced by the relatively high R square value of 0.503, showing that there is a pretty high correlation between the variables. The high significance levels also indicate that the findings are significant and not accidental. The R value of the correlation

coefficient 0.709 shows a strong positive relation between capital markets and investors' confidence.

#### 4.7 ANOVA<sup>a</sup>

**Table 13: ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	8.856	1	8.856	26.272	.000 <sup>b</sup>
Residual	8.764	26	.337		
Total	17.620	27			

**a. Dependent Variable: DEPENDENT VARIABLE**

**b. Predictors: (Constant), INDEPENDENT VARIABLE**

The table above is an analysis of variance (ANOVA) and evaluates the significance of the regression model

From the above table, it is evident that capital market development contributes much to investor confidence. This is further evidenced by the relatively high R square value of 0.503, showing that there is a pretty high correlation between the variables. The high significance levels also indicate that the findings are significant and not accidental. The R value of the correlation coefficient 0.709 shows a strong positive relation between capital markets and investors' confidence.

#### 4.8 REGRESSION COEFFICIENT

The following table displays the coefficients obtained through the regression analysis, indicating the correlation between service delivery and mobile banking.

**Table 14: REGRESSION COEFFICIENT**

##### Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.478	.658		.726	.474
	INDEPENDENT	.911	.178	.709	5.126	.000

**a. Dependent Variable: DEPENDENT VARIABLE**

It can, therefore, be established from the results that, indeed, confidence in investors actually impacts capital market development. A coefficient of 0.911 indicates that for every unit increase in the capital market, there is a resulting increase of 0.911 units in investors' confidence. The low significant values of (0.000) further suggest that these are not chance results but are actually statistically significant. The beta value of 0.709 suggests that the development of the capital market is a strong predictor in investors' confidence.

# CHAPTER FIVE

## SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

### 5.0 Introduction

The current chapter provides a summary of the study's findings, conclusions, and recommendations in relation to the established objectives. It also highlights potential avenues for future research.

### 5.1 Summary of findings

This study assessed how capital market development influences investors' confidence in Stanbic bank Mukono, and it had three clear objectives: to assess the impact of capital market development on investment by identifying its role in ensuring capital availability, and ascertaining whether it influences investor confidence. The results from the 28 shareholders sampled, show that male and female respondents are equally represented at 50% each. The majority of the respondents were between the ages of 18-25 years, consisting of 82.1%, while only a handful were between the 26-35 and 36 years and above age brackets. Most of the respondents had a tertiary education, the majority being 75%, while others represented primary and secondary education. Other results indicated that 7.1% had a university degree, while those with a postgraduate degree were 10.7% In the analysis of the data, frequencies and percentages were used.

## 5.2 CONCLUSIONS

This is not devoid of challenges with respect to local capital market development. In developing and emerging market economies, the institutions are weak, macroeconomic policies unstable, and markets too small, all putting a drag on the development of the local market. Each one of these bottlenecks takes some considerable time to surmount, and hence, one needs to be practical with regards to what can be achieved without making investors suffer.

Policymakers need to consider a few preconditions when trying to develop local capital markets. First, there should be good macroeconomic policy with a legal environment that upholds property rights. The government's role can be very important in terms of providing a stable macroeconomic environment, building the financial infrastructure necessary for trading in securities, and establishing a regulatory framework in terms of issuance of securities and market conduct.

The development of local capital markets is a matter that requires time and proper sequencing. Various markets require a different level of financial infrastructure and legal protection to flower. Many markets are complementary, and optimal sequencing of capital market reform should be carefully coordinated with financial liberalization.

Third, policies increasing market size may induce capital market development. For example, private pension funds, financial liberalization, and tax reforms may broaden and diversify the investor base. Regulations which favor informational disclosure and securities product standardization and penalize misbehavior in securities activities would develop the market better.

Conclusion: With the enabling conditions in place, any country can have an efficient local capital market that ensures effective capital allocation to the economy. Still, in an increasingly globalizing world, not every country has to build up a fully-fledged physical capital market at

home, and the optimal balance between local capital market development and integration in global capital markets depends on the conditions in each country..

### **5.3 Recommendations**

Based on the various findings uncovered in the study and the conclusions reached, the researcher made various recommendations, which she believes that if properly considered, they can guide all stakeholders in better understanding of the aspects of Capital markets development on the investors confidence in the whole country in general; The fiscal authorities in the country should put more attention to the progress of capital markets in Uganda since its seen as a source of long tern capital finance, long-term loans, medium-term loans, overdrafts and the buying and selling of treasury bills. Given the fact that Uganda faces a challenge of capital financing, capital markets should be fully embraced since it's in position to cover the capital gap.

Strengthen institutional framework and microeconomic stability. The conclusion highlights that the development of local capital markets is challenged by factors like small market size which institutions and unstable economic polices. Those challenges hinder the creation of a stable and enabling environment for capital market growth. So, the government should prioritize establishing sound macroeconomic policies and legal environment that protects property rights and this can be achieved by creating a stable institutional framework that promotes investors confidence and facilitates market operation which includes the development of rating agencies for independent credit risk assessment. By addressing those structural weaknesses, the government can create more robust and attractive capital markets which encourages both local and foreign investments which can reduce risk such as market illiquidity, mispricing, ultimately leading to more vibrant and sustainable financial markets.

Adopt a well-structured reform sequence for the capital markets whereby its emphasized that careful reform sequencing is necessary for the growth of local capital markets because certain markets require more advanced financial infrastructure and robust legislative protection in order to thrive. it also emphasizes that capital market development is a slow process and how bad sequencing can cause so volatility in the economy. Before granting access to foreign money enacting extensive financial liberalisation, policy makers must give top priority to the construction of necessary financial infrastructural and legislative save guards by utilizing this

strategy, it is ensured that the markets are strong enough to with stand the change without becoming unstable.

#### **5.4 Further research areas**

Due to the study's limited scope and constraints, additional areas requiring greater attention have been identified by the researcher. Future research efforts should focus on examining the relationship between the development of capital markets and incentivizing savings in the country.

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## **APPENDICES**

### **APPENDIX 1**

Questionnaires for selected officials of Stanbic Bank Mukono

Dear Respondent This questionnaire is designed to seek information from you on capital markets development and economic growth. It is carried as a partial fulfillment of the requirements for the award of a Bachelor in accounting and finance of Uganda Christian University Mukono. Your contribution, opinions and experience will be highly appreciated.

Thanks for your cooperation

#### **A BACKGROUND.**

##### 1. Gender

- male
- female

##### 2. Age in years

- 18 - 25
- 26 - 35
- 36 - 45
- 45 - above

##### 3. Academic level

- Masters' degree
- bachelor's degree
- diploma
- certificate

#### **B CAPITAL MARKET DEVELOPMENT**

4. How effective do you believe the regulatory frame work is in protecting investors in capital markets?

- not effective
- slightly effective
- moderately effective
- effective

5. How does the perceived integrity of regulatory bodies influence your confidence in the market?

- not at all
- slightly
- moderately
- very significantly

6. To what extent do you trust the enforcement of market regulations by the relevant authorities

- not at all
- slightly
- moderately
- very significantly

C INVESTOR'S CONFIDENCE

7. How would you rate the liquidity of the capital market in your Uganda?

- very low
- low
- moderate
- high
- very high

8. To what extent does liquidity (the ability to buy/ sell quickly) affect your confidence in investing in the capital market?

- not at all
- slightly
- moderately
- significantly
- very significant

9. How accessible do you find reliable and timely information about market activities and listed companies?

- not accessible
- slightly accessible
- moderately accessible
- accessible
- very accessible.

## APPENDIS II

### Time frame / work plan

#### Time frame for research report

<b>Duration</b>	<b>Activities</b>
<b>two weeks</b>	<b>Proposal</b>
<b>four weeks</b>	<b>data collection</b>
<b>three weeks</b>	<b>data editing and coding</b>
<b>two weeks</b>	<b>data analysing</b>
<b>two weeks</b>	<b>report writing and compiling</b>

## APPENDIX 3: DATA COLLECTION LETTER



**UGANDA CHRISTIAN  
UNIVERSITY**

A Centre of Excellence in the Heart of Africa

### SCHOOL OF BUSINESS

19<sup>th</sup> Aug, 2024

TO WHOM IT MAY CONCERN

Name: **KINOBE DAPHINE**

Reg. **J22B33/031.**

A bachelor's student who is seeking permission from your office to collect data for her dissertation titled

**THE IMPACT OF CAPITAL MARKET DEVELOPMENT OF INVESTORS CONFIDENCE. A CASE STUDY OF STANBIC BANK UGANDA MUKONO DISTRICT**

We shall be grateful if you could render assistance to her in collecting the necessary data for her dissertation

The Uganda Christian University School of Business thanks you in advance

A handwritten signature in blue ink, appearing to read 'Mukisa Simon Peter'.

.....  
Mukisa Simon Peter  
Research coordinator

A Complete Education for A Complete Person

---

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Ugandachristianuniversity @UCUniversity, Founded by the Province of Church of Uganda, Chartered by the Government of Uganda.