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The Practice of Ownership Transfer of Shares & the Need for Stock Market: In Case of Ethiopian Banks

Mr. Elias Emiru Worke, Co-Author-Dr. Tripiti Gujral(Phd)
Phd Scholars at Parul University Institute of Management Faculty Department of Finance.
Ethiopia, East Africa.

Abstract: *The study assessed the need for stock market and the practice of ownership transfer in Ethiopia. To achieve the overall objective of the study and data were gathered from both primary sources as well as secondary sources. Accordingly, management officials of banks participated in the study as a primary sources of the study while, scholar's arguments, regulatory of the country, policy, and other related researches and articles were collected as a secondary data. Both the primary and secondary data of the study were analyzed in mixed approach. This is because, as the study is argumentative in its very nature, it was difficult to reach on conclusion only considering primary respondents view, so that the study was substantively compare and contrast respondents view with several types of scholar arguments as well as government regulatory and policies. In this regard, the collected data from several sources were analyzed using descriptive analysis method. And the study was generally, discussed in three main parts, in the first part the study tried to indicate respondents' background, in the second part is to assess the existing practice of ownership transfer in Bank in Ethiopia. In the third part the study also to identify the need for stock market in Ethiopia, and finally the analyses were to explore the challenges of ownership transfer in Ethiopia with particular emphases on Bank. Based on the analyses the finding implied that is in need of stock market development. So the researcher suggested the government of Ethiopia has to give attention for establishment of* stock market *in the country.*
Key words: *Ownership Transfer,* Stock Market, Ethiopian Banks, Bank Managers.

Introduction

Ever since the monarchical government, the Ethiopian economy has been under state control through a series of industrial development plans. During the Derg regime (1976 to 1991), it was managed as a Soviet-style centralized economy under the socialist government. However, the Government since 1991 took significant development steps. Of which the most important examples are a revisions of investment proclamation that created additional incentives for foreign investors was approved in 1996,duty-free entry of most capital goods and a reduction of the capital gains tax from 40 percent to 10 percent and opening of a number of previously closed sectors of the economy to foreign investment. The recent years study such as Ruediger(2011) indicates, as Ethiopia has been one of the fastest growing economies in Africa. Nevertheless, Ethiopia's financial sector is relatively small, shallow and much less developed than those of its neighbors.

Of the major problems in financial sector of Ethiopia, the first is the ownership of government over the Commercial Bank of Ethiopia(CBE), the largest banks that dominates major banking transactions in the nation. As described by Ruecker (2011) the other problems in the financial sector of Ethiopia is monopolization of all foreign currency transactions by National Bank of Ethiopia, which is a central bank. Moreover, it supervises all payments or remittances made overseas; the Birr is not freely convertible and residents can only hold foreign currency for 45 days before they have to exchange it at a bank. The other most important problem in financial sector of Ethiopia is absence of Stock exchange market.

Stock exchange market has a multiple advantage especially for the developing or emerging economy. The study, Firew, (2009) described as financial markets assist the role of the private sector in the economy by providing the required financial resources, diversified investment options and liquidity functions. This means financial market promotes economic efficiency by channeling money from those who do not have an immediate productive use for it to those who do. Besides, several scholars explain economic significance of stock markets. All of them favored the formation of a capital market citing several advantages for the development of the country.

Additional justification described by Mohammed (2010), cited in Legesse (2011) from the viewpoint of its prospective for establishment of stock exchange market one there is the existence of adequate shareholding constituency in Ethiopia currently where there is no market for share trading implying that there is high share illiquidity. If this illiquidity persists, the existing shareholders tend to frustrate and new shareholders will be discouraged to get into share company business, which in effect hinders the growth of investment and private sector involvement in the Economy. This justifies the establishment of share market.

All the mentioned conditions signify the need for establishing financial market in Ethiopia. However, establishing financial markets is not an easy exercise; rather it is constrained by several factors in the environment such as political, economic, social, and technological.Even though, there is no stock exchange established in our country and this study will attempt to assess the practice of transferring ownership interest in financial sector, which is underemphasized by other studies. Some studies in the past concluded that, as it is difficult to predict from the situation, when the stock exchange would be established in Ethiopia. Therefore, this study attempted to see whether this is the right time to establish a stock exchange in Ethiopia or not by rechecking the existing challenges.Based on problems discoursed in the statement of problem this study will addresses the following questions.

1. How do stockholders transfer their ownership to other whenever they need to liquidate their investment in Bank in Ethiopia?
2. What is the level of need for stock market in Ethiopia, particularly in the environment of Banks?
3. What are the challenges faced by banks in Ethiopia during ownership transfer?

2.1. Review of Theoretical Literature

2.1.1. Definition of Stock Exchange

Different scholars define stock exchange in different ways. Stock exchanges are formal organizations that are made up of members that use the facilities to exchange certain common stock (Fabozzi and Modigliani, 1996). Stock exchange, like other financial markets, is a place where financial assets are bought and sold (Viney 2007).

Stock market is a market for corporate securities. Corporations may also issue debt securities, but the basis of all corporate enterprise resides in stock. It is stock that provides the initial capital for a corporate venture (Teweles and Bradley, 1998). A stock exchange is a corporation or mutual organization which provides trading facilities for stock brokers to trade in stocks and other securities. Simply put, stock exchanges are open markets that trade in financial assets (Sakhile).

The stock market refers to the collection of markets and exchanges where regular activities of buying, selling, and issuance of shares of publicly-held companies take place. Such financial activities are conducted through institutionalized formal exchanges or over-the-counter (OTC) marketplaces which operate under a defined set of regulations. There can be multiple stock trading venues in a country or a region which allow transactions in stocks and other forms of securities. A stock exchange is an entity that provides services for stockbrokers and traders to trade stocks, bonds and other securities. Stock exchanges also provide facilities for issue and redemption of securities and other financial instruments, and capital events including the payment of income and dividends. Securities traded on a stock exchange include shares issued by companies, unit trusts, derivatives, pooled investment products and bonds (Kibuthu, 2005).

So from the above definitions we can say that stock exchange has a specified place and is also a formal organization which is made up of members, where financial assets including the common stock, debt securities and so on are bought and sold. The Role of Stock Exchanges. Stock exchanges have multiple roles in the economy and those roles or benefits of stock exchange are interrelated and interdependence. A well-established stock exchange have a role of raising capital for businesses; mobilizing savings for investment; facilitating company growth; profit sharing; corporate governance; creating investment opportunities for small investors; government capital-raising for development projects and it becomes barometer of the economy

Stock Exchange and Long-Term Economic Growth

In the area of stock exchange and economic growth there is still a debate between scholars in finance and economics. The debate has two extremes. The first extreme is financial market development including stock exchange development creates and accelerates economic growth (Levine, 1996; Viney, 2007; Nowbutsing and Odit, 2009; Sakhile; Nazir et al, 2010). On the other side there are scholars which supports the idea the economic growth creates a need for financial market and financial market development follows economic growth and/or the financial market development doesn't have a contribution in the economic growth of the nation (Azarmi et al, 2005; Ake and Ognaligui, 2010).

When we see the debates let us start with the first group, the scholars that supports the idea of financial market development including stock exchange development creates and accelerates economic growth. Although some analysts view stock markets in developing countries as "casinos" that have little positive impact on economic growth, recent evidence suggests that stock markets can give a big boost to economic development.

Stock markets may affect economic activity through the creation of liquidity. Many profitable investments require a long-term commitment of capital, but investors are often reluctant to relinquish control of their savings for long periods. Liquid equity markets make investment less risky and more attractive because they allow savers to acquire an asset, equity, and to sell it quickly and cheaply if they need access to their savings or want to alter their portfolios. At the same time, companies enjoy permanent access to capital raised through equity issues. By facilitating longer-term, more profitable investments, liquid markets improve the allocation of capital and enhance prospects for long-term economic growth. Further, by making investment less risky and more profitable, stock market liquidity can also lead to more investment.

Put succinctly, investors will come if they can leave. The empirical evidence strongly supports the belief that greater stock market liquidity boosts, or at least precedes, economic growth. To see how, consider three measures of market liquidity, three indicators of how easy it is to buy and sell equities. These three measures are the total value of shares traded on a country's stock exchanges as a share of GDP, the value of traded shares as a percentage of total market capitalization (the value of stocks listed on the exchange) and the value-traded ratio divided by stock price volatility. And based on these three measures of liquidity the empirical evidence shows that stock market development explains future economic growth (Levine, 1996).

In briefing the link between stock market liquidity and economic growth Levine (1996) states that multiple regression procedures suggest that stock market liquidity helps forecast economic growth even after accounting for a variety of non-financial factors that influence economic growth. After controlling for inflation, fiscal policy, political stability, education, the efficiency of the legal system, exchange rate policy, and openness to international trade, stock market liquidity is still a reliable indicator of future long-term growth.

In the same manner Viney (2007) states that economic growth (and the benefits, such as increased employment, that flow to the community from that growth) is critically reliant on the existence of strong primary markets. Primary market transactions lead to greater productive investment. Secondary markets, although not directly involved in the process of channeling funds from savers to users of funds, do encourage both savings and investment. They enhance the marketability and liquidity of primary-issue instruments and thus make them more attractive to savers.

Nowbusting and Odit (2009) states that in principle, a well-developed stock market have a positive impact on the economic growth by increasing saving and efficiently allocate capital to productive investments, allocating capital to the corporate sector, increasing liquidity of financial assets, making global risk diversification easier for investors, promoting wiser investment decisions by saving-surplus units based on available information, forcing corporate managers to work harder for shareholders‟ interests, and channeling more savings to corporations. Investors are more easily persuaded to invest in common stocks, when there is little doubt on their marketability in stock exchanges. This, in turn, motivates corporations to go to public when they need more finance to invest in capital goods. Sakhile also mentions for any company to be established or expanded, financial assets need to be available. The birth and growth of companies positively affects the nation's economy. The stock exchange makes the above easier thus accelerating economic growth. In sum we can say that the development of stock markets is highly important in sustaining a better economic growth (Nazir et al, 2010).

Rahman and Salahuddin (2009) also reflect the same idea with different way by reviewing the literatures and present it by dividing into four. First, at the initial stages of economic development, financial markets are undeveloped and very small in their magnitude. During these stages, banks and other similar types of financial intermediaries primarily dominate financial markets. There is almost no role of stock markets or, even if they exist in any form, their size is negligible. Once there insufficient liquidity, a stock market opens and higher growth ensues. This higher economic growth occurs because the exchange increases the economy's efficiency, either the informational efficiency, the efficiency of physical capital's allocation, both, or in some other way. In addition, based on their findings they conclude countries grow faster relative to the rest of the world after a stock exchange opens.

When we see the second group of the debate, they said the financial development does not have a positive impact on the economic growth or the financial development is coming from the economic growth. Azarmi et al (2005) bring in their paper conducted in the stock exchange of India and their finding suggests that stock market development in India is not associated with economic growth over a twenty-one year study period. And they add as their results are consistent with the assertion that the Indian stock market may be viewed as a casino that is not contributing to the economic growth of the country. In addition findings of a study conducted in one developing country (Cameroon) by Ake and Ognaligui (2010) suggest that there is no relationship between Douala stock exchange (a stock exchange in Cameroon) and economic growth for Cameroon.

The results indicated that stock market is not influencing Cameroonian economic growth because Granger-Causality estimation does not confirm the bi-directional causality between stock market development and economic growth in the case of Cameroon. They add, as their results do not match with the other author's findings who confirm a positive relationship between stock market development and economic growth. They try to explain their results by the low value of market liquidity, which means that the Douala Stock Exchange is not active enough as to boost Cameroonian economy. If the aim of the creation of the Douala Stock Exchange was to attract investors and help company to increase easily their capital, we can conclude that the purpose is far from to be reached.

In addition, they suggest to the Cameroonian government to encourage companies to introduce their capital in the Douala Stock Exchange and to introduce the national companies instead of other forms of privatization in the hands of foreign investors.

As the variance decomposition showed, if the Cameroonian government increase market capitalization by introducing public companies to Douala Stock Exchange, the Cameroonian economy will also grow up. In order to encourage companies to introduce their capital in the DSX, they think that policy makers should remove impediments to stock markets, such as tax, legal, and regulatory barriers. One of the reasons Cameroon has a small stock market is low saving rate. To promote stock market development, government should encourage savings and investment by appropriate policies. Therefore, equal importance must be given to both, bank-based financial sector and market-based stock market of the economy.

The above listed scholars and studies are some of the scholars conducting a study in this area and some of the study done in the area too. Therefore, by taking these we can see the debate between the scholars in the area of relations between financial markets including stock market and economic growth. And from these findings we can understand that even though in some developing countries and emerging markets there is no relation between the financial market development and economic growth, as the efficiency of the market increases it will increase its benefits and it contribute something to the nation's economy.

2.3. Review of Empirical Literature

Different research researchers have addressed the topic and reached on different conclusions. The researcher review these studies as follow:

Kibuthu (2005) studiedthe topic and concluded that challenges of developing stock market in Africa: the political and economic decisions that were translated into legal framework for the establishment and operation of the stock exchanges were rushed in many African countries; Many of Africa's stock exchanges are small, underdeveloped and illiquid.

Asrat (2003) studied the issue and identified different challenges for establishment of stock exchange including: low level of public awareness about securities markets; Lack of public confidence in share investment; Lack of institutional capacity to facilitate securities trading; The underdeveloped state of the bond (debt) market; A low level of private sector development and a low level of market orientation in the economy; Easy access to loans by wealthy and financially sophisticated Ethiopians, and probably those with a strong link to the party ruling the country; Problems with the supply and demand for securities at least initially and absence of input by the business community in the formulation of economic policy by the government.

In addition to this Abebe (2006) states that the current state of affairs does not make the country ready for a full-fledged stock market (the study is conducted in 2006). In addition, it states that the absence of an accounting disclosure may become a challenge for the establishment of stock exchange.

3. Materials and Methods

3.1. Research Design and Approach

This study adopted both descriptive and exploratory survey research design. Using descriptive design, the study tried to describe the existing practice of ownership transfer in Banks in Ethiopia, identifying the need for stock market in Ethiopia with particular emphasis on Banks, and explore the challenges for transfer of ownership and stock market in Ethiopia.On the other hand, the study used exploratory research to answer the research questions that are formulated based on empirical review of various scholars' works and theories to achieve the objective of the study. To obtain the desired results of the study and to describe detailed evidence about the problems, the study adopted a case study research design by using both qualitative and quantitative approaches. Which means the study followed quantitative and qualitative approaches. To get responses from different respondents the study followed qualitative approach. For quantitative approach, the study analyzed figures from the firm's documents over different years to assess the practices of transfer of ownership interest.

3.2. Population of the Study, Sampling Technique and Sample size

The entire population of the study was management bodies of the Private Banks of Ethiopia. This is because that population relatively has knowledge related with the stock market as indicated by preliminary observation. According to NBE annual report (2018/19), Ethiopia consists of 16 Private commercial banks such as, Dashen Bank S.C (DB), Awash Bank S.C (AB), Wogagen Bank S.C (WB), United Bank S.C (UB), Nib Bank S.C (NB), Bank of Abyssinia S.C (BOA), Lion Bank S.C (LB), Cooperative Bank of OromiaS.C (CBO), Berehan Bank S.C (BB), Buna Bank S.C (BUB), Oromia Bank S.C (OB), Zemen Bank S.C (ZB), Abay Bank(AB),Addis International Bank(ADIB),Debub Global Bank(DGB) and Enat Bank (EBC).

The study used purposive sampling technique. There are 30 senior management bodies in all commercial banks in their head quarter who were considered to have knowledge in the areawho have knowledge about the stock market, using convenient sampling technique, the researcher selected them as sample size.

3.3 Data Type and Sources, Collection and Analysis Methods

For getting enough data from the target respondents, the study used both the primary and secondary sources of data. The first and mainly used source of data were primary source. Theprimarydatawerecollectedfrombanksmanagersusing structuredquestionnaireanddirect personal interview.The questionnaire was developed in English version and distributed to the respective managers. In addition direct personal interview was conducted with mangers. After data collection process is finished, the collected data was analyzed using different methods like percentage, tables, ratio etc, which are descriptive analysis technique. Since the primary data that was collected, especially through questionnaireis quantitative and qualitative in nature, descriptive analysis technique was used and the results was compared and discussed with relevant stock exchange concepts.

3.4 Measures for reliability and validity

Reliability and validity are central issues in research (Neuman 2004). They represent the yardsticks by which the qualities of all kinds of research quantitative, qualitative or participatory are evaluated. The following sections explain how this was done, especially using the questionnaire surveys. The reliability of the results of this study materialized through a particular question relevant for the survey research that gave the same results when applied to different groups or samples. The validity of the results of this study was ensured not only by the consistency of results but also by the quality of the questionnaire that was developed to measure all areas relevant to the research issue.

3.5 Ethical Consideration

The information which was collected from the respondents was confidential and used only for academic purpose. In-addition, the researcher was not mention the name of the respondents, be neutral and not undermines the political, religious, and social attitudes of the respondents.

4. Results& Discussion

This section presents data collected through questionnaire and direct perusal interview with 28 from management out of 30 mangers purposively selected from banks in Ethiopia with response rate of the study was 93%. This tell us have responded with their valuable comments and feed backs.The descriptive statistics analysis of data collected from managers of banks were started with demographic information of managers, followed by analysis on the existing practice of ownership transfer, the need for stock market in Ethiopia with particular emphases in banks, and finalized by challenges of ownership transfer practices in Ethiopia.

4.1 Demographic information of Managers of Share Companies

Table 1: General information of the respondents (managers of companies)

Description		**Number of respondents**	**Percentage**
Gender	Male	18	62.5
	Female	10	37.5
	Total	**28**	**100**
Age Group	25-35		0
	36-50	28	100
	50 and above	0	0
	Total	**28**	**100**
Educational Status	Below Diploma	0	0
	Diploma	0	0
	BA/BSC	10	37.5
	Masters & above	18	62.5
	Total	**28**	**100**
Service year	1-5	0	0
	6-10	0	0
	11-15	21	75
	16-20	7	25
	21 and above	0	0
	Total	**28**	**100**
Division of work	Finance	28	37.5
	Human resource	0	37.5
	Sourcing & facilities	0	25
	Total	**28**	**100**
Holding position	Staff	0	0
	Supervisor	0	0
	Manager	28	100
	Total	**28**	**100**

Source: Survey result, 2020

Response was obtained from 28 managers of companies. In terms of sex of managers,62.5% (19) are male, while 37.5% (3) are female. Age wise, 100% (28) of the respondents between 25 - 35and 36-46 years' old There are no respondents who are greater than 46 years old. In terms of educational background, 62.5% hold masters or higher qualification, while 37.5% hold Bachelor's degree (BA/BSC). From the educational background it can be said that the respondents have sufficient knowledge on the subject matter of the study and the responses they provide to be valid. Concerning service year or experience, 75% of the respondents have 11-15 years of work experience, while 25% of them have 16-20 years of work experience. This implies that the respondents are experienced and can provide appropriate responses on the stock exchange issues. Regarding divisions where managers work, 37.5 % of respondents indicated that there are working in finance, 37.5% of them are working in human resource and the rest 25% of respondents are employed in sourcing and facilities division. All of the respondents (100%) hold managerial position.

4.2 The Existing Practice of Ownership Transfer in Bankin Ethiopia

Table 2: The existing practice of ownership transfer

	Number of respondents	Percentage
For what purpose your company issued the share?		
For setting up cost	0	0
For financing short-term investment	10	37.5
For financing the acquisition of supplies	0	0
For financing long-term investment	8	25
For financing long-term investment and diversifying the risk of financing	10	37.5
Total	28	100
2. How did you determine the price of your share to sale it to investors (What are the determinant factors for pricing your shares)?		
The profitability of the company and the demand for share of a company.	14	50
The goodwill of the company.	7	25
Status of the country	7	25
Total	28	100
3. Where and how your company did sell its share to investors?		
Other Bank	5	100
From company's head office	23	100
Total	28	100
4. At what circumstances and interval your company issues the share?		
It is based on the need to increase the paid up capital and National Bank of Ethiopia's requirements.	18	62.5
There is no interval; it depends on the need of organizations	10	37.5
Total	28	100
5. How do holders of ownership stock transfer to other whenever they need to liquidate their investment in your company?		
Selling back to your company	3	12.5
To shareholders of your company	18	62.5
Selling to brokers or through brokers	7	25
Total	28	100
6. Did your company hold shares of another share companies?		
Yes	21	75
No	7	25
Total	28	100
7. If your answer for Q6 is yes, for what purpose your company acquired other companies share?		
To influence the financial and operating policies of the investee company, the investor company acquires shares of other companies	28	100
Total	28	100

Source: Survey result, 2020

As it can be seen from the above table, 37.5% of the respondents indicated that share companies issued shares for financing short-term investment, 37.5% of the respondents replied that share companies issued shares for financing long-term investment and diversifying the risk of financing, and 25% of them said that companies issue shares for financial long-term investment. These show that share companies issue their shares for the purposes of financing short-term and long-term investments, and for diversifying the risk of financing.

With regard to the determination of share price, 50% respond that issuing companies determine the selling price of their shares on the basis of profitability and demand for shares; 25% of them said that they determine share's price based on the goodwill of their company and again 25% respond that companies determine share's price. This indicates that the selling price of shares is determined by the profitability of the issuing company and the demand for shares.As it is seen from the above table 100% of respondents respond that share companies sell their shares from their head office. 62.5% of respondents respond that share companies issue shares based on the need to increase the paid up capital and National Bank of Ethiopia's requirements, and 37.5% of them answer that there is no interval in issuing shares; it depends on the need of organizations.
Regarding how do holders of ownership stock transfer to other whenever they need to liquidate their investment, 12.5% of respondents answer that shareholders transfer ownership stock by selling back to the issued company; 62.5% of them respond that they transfer ownership shares to shareholders of the company and 25% of them replied that ownership shares are transferred through selling to brokers. These indicate that shareholders liquidate their investment on the shares of companies by selling it to other shareholders of companies.Most of the respondents (75%) answered that share companies hold shares of other companies for influencing the financial and operating policies of the investee company.

4.3 The Need for Stock Market in Ethiopia with Particular Emphases in Banks

Table 3: The Importance of Establishing Stock Market In Ethiopia

	Number of respondents	**Percentage**
1. Do you think that the establishment of stock market in Ethiopia is important?		
Yes	28	100
No	0	0
Total	**28**	**100**

Source: Survey result, 2020

From the above table one can observe that all respondents (100%) of the managers surveyed, who have the knowledge of stock exchange, depicts that they think of establishing stock exchange. The researcher conducted the direct personal interview with managers of each bank and the responded that establishment of stock market in Ethiopia is important because, it contributes to the economic growth of the country, it helps to easily sell and buy shares, the securities market can fill the gap of bank loans which require huge collaterals, the securities market can facilitate the mobilization of domestic resources, the securities market creates alternative channels for saving and investment, it serve as an alternate source of finance, it helps to attract more domestic and foreign investors, the security market facilitates ongoing and future privatization goal of the country, promote efficient financial system, allow de-concentration of ownership, improve accounting and auditing standards, provide effective tools for monetary and fiscal policy and help privatization efforts by the government.

4.4 Level of the need for stock market in Ethiopia

Table4: Level of the need for stock market in Ethiopia

	Number of respondents	Percentage
3. What is the level of need for stock market in Ethiopia, particularly in the environment of Banks?		
High	28	100
Medium	0	0
Low	0	0
Total	28	100

Source: Survey result, 2020

From the foregoing table, 100% (all respondents) of the surveyed managers have indicated that the need for stock market in Ethiopia is high. The response indicates that there is sufficient level of awareness and knowledge regarding the benefit and basics of stock exchange markets to the country.

4.5The Challenges of Ownership Transfer Practices in Ethiopia

Table 5: Challenges of ownership transfer Practices in Ethiopia

	Number of respondents	Percentage
1. Was it easy to sell your shares to investors?		
Yes	24	87.5
No	4	12.5
Total	28	100
2. Was the absence of investment bank affected your practice of share exchange?		
Yes	10	37.5
No	18	62.5
Total	28	100
3. Is there any compliance from shareholders to sell the shares back to your company?		
Yes	7	25
No	21	75
Total	28	100

Source: Survey result, 2020

Regarding the challenges of ownership transfer or sale of shares, 87.5% of respondents answer that it is easy to sale share to investors. Most of the surveyed managers (62.5%) state that the absence of investment bank has not affected share exchange. 75% of respondents respond that there is no complain from shareholders to sell the shares back to share companies; only 25% of them state that there is compliance from shareholders to sell the shares back to the company. The source of compliance is laws written on memorandum and article of association up on commencements of organization. To this end, share companies solve the compliance by including in the contract as you do not have an obligation to buy back the shares and assisting them to get buyers (like brokers). as per direct personal interview with mangers of the bank legal factor, legal infrastructural factors & regulatory factors are the absences of well-organized market for share trading, the degree of stability, peace and internal security of a country, inadequate laws and regulations, low democratic accountability, corruption and bureaucratic quality, absences of the legal framework, lack of clarity, lack of understandable, and inconsistent with relevant laws and regulations, absence of articulated legal basis for its activities to relevant authorities and participants, lack of clear rules, procedures, and contracts those are enforceable in all relevant jurisdictions.Also, the mangers responded that, inappropriate applications of internationally acceptable accounting and auditing standards is another challenge in Ethiopia and Influence of macroeconomic stability on the ownership transfer were Increase the cost of living due to high rates of inflation, Low income and saving capacity of individuals, Low domestic investments and productions. Additionally, technological infrastructure were insufficient technological infrastructure such as ICT, lack of competent experts in the financial sector, limited number of companies in the industry. Other factors affecting the transfer of ownership and absence of the proper institutions that could facilitate the trade low level of public awareness and trust about stock markets.

5. Conclusions

The following conclusion have been drown from the study, share companies issue their shares for the purposes of financing short-term and long-term investments, and for diversifying the risk of financing. The selling price of shares is determined by the profitability of the issuing company and the demand for shares. Shareholders liquidate their investment on the shares of companies by selling it to other shareholders of companies.

The establishment of stock exchange in Ethiopia at this time helps to easily sell and buy shares, to fill the gap of bank loans which require huge collaterals, to facilitate the mobilization of domestic resources, to create alternative channels for saving and investment, to obtain alternate source of finance, to attract more domestic, foreign investors and to facilitate ongoing and future privatization goal of the country, to promote efficient financial system, allow de-concentration of ownership, improve accounting and auditing standards, provide effective tools for monetary and fiscal policy and help privatization efforts by the government. This in turn contributes to the economic growth of the country.

There is sufficient level of awareness and knowledge regarding the benefit and basics of stock exchange markets to the country. The prospects or opportunities for the establishment of stock market in our country are poverty reduction goal of the country, increasing in the size and number of Share Companies, the increasing in number of experts, development in banking and other financial sector in a country, current economic development and growth, increase in the rate of domestic savings and the nation's foreign relations and policies. Shareholders invest on the shares of different companies to obtain a source of income (dividend) and to earn gain on sale of securities when their price appreciates.

Shareholders purchase shares by hearing/reading advertisement made by the issuing company through Social Medias and directly from the company on percent basis, and from the country's private banks, public banks and other agents of the issuing company. Shareholders determine the price of shares on the basis of profitability of a company and expected dividend per share of a company, expected number of company's shareholders and authorized shares to be issued, and par values or stated values of the shares. Shareholders sell their shares to brokers or other parties through brokers. Shareholders who decide to sell their shares find buyers through discussion with friends, relatives and other buyers, and through brokers. The degree of stability, peace and internal security of a country, inadequate laws and regulations are the legal factors that potentially affect the establishment of stock exchange market or the practice of ownership transfer in Ethiopia.

Lack of good regulation and supervision that provides protection investor from potentially opportunistic behavior of insiders, deficient corporate governance and public authority which is responsible for securities regulation to protect investors and the economy from malpractice are regulatory factors that potentially affect the practice of ownership transfer in Ethiopia. The practice of ownership transfer is influenced by increase in the cost of living due to high rates of inflation, low income and saving capacity of individuals, and low domestic investments and productions. Insufficient technological infrastructure such as ICT influences the ownership transfer practice of the country, lack of competent experts in the financial sector and limited number of companies in the industry is challenges that influence the ownership transfer practice of the country.Absence of the proper institutions that could facilitate the trade affects the practice of ownership transfer, and low level of public awareness and trust about stock markets influences the practice of ownership transfer.

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