

**AN INVESTIGATION INTO INVESTORS' SATISFACTION WITH THE
ISSUANCE AND ADMINISTRATION OF GOVERNMENT DEBT
SECURITIES: A CASE STUDY OF THE BANK OF NAMIBIA**

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ABSTRACT

The study investigated the investor's satisfactions with the issuance and administration of government debt securities in Bank of Namibia. A mixed-method approach was used in this study. The primary data was gathered through structured questionnaires, administered to portfolio managers, treasurers, directors, dealers, economists and Accountants from four economic sectors. Secondary data from related literature and official document reviews such as Debt Management Strategy and the Guideline for Effective Debt Management from the Ministry of Finance, IMF and the World Bank were used in gathering the necessary information for this study. Quantitative analysis of the data collected by structured questionnaires showed that overall investor's respondent felt that the government debt instrument issuance and administration to be effective, very important weaknesses in the process need to be considered very seriously. The noted concerns are the legal framework that needs to recognize the electronic trading platform and allow the incorporation of the bonds into the book entry system. The need for the automation of the auctioning system and the method of submission of bids for tender and the linkage of Book Entry System to a settlement system to achieve Delivery Vs Payment in markets for government debt securities. The use of structured questionnaires for data collection is a significant departure from the methods used in other studies in this area. The rich and contextual data gathered from the structured questionnaires justified this choice and contributed to the identification of issues not mentioned in the literature. Past studies have concluded that customer satisfaction is very important. Debt securities are issued through auction at the Bank of Namibia (the government fiscal agent), as per the government calendar and the borrowing plan. This is done by issuing debt securities/instruments such as treasury bills and bonds to the public. This is done with a purpose to raise funds to finance its budget deficit. As the monetary authority in Namibia, the BoN issues, redeems, and carries out all the administration related to the debt securities on behalf of the government. This study sought investors' views on the debt management operation. Therefore, Bank of Namibia should always strive to ensure that investors are very satisfied with the issuance and administration for government debt securities.

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IFAD: International Monetary Fund Employment

MOP: Ministry of Finance

BON: Bank of Namibia

DMS: Debt Management Strategy

LIST OF ABBREVIATIONS

WB: World Bank

IMF: International Monetary Fund

MOF: Ministry of Finance

BON: Bank of Namibia

DMS: Debt Management Strategy

DEDICATION

This study is dedicated to the Bank of Namibia, Ministry of Finance and all employees of Namibian financial market industry.

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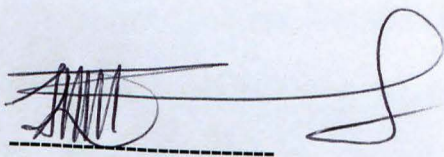
Thank you all

DECLARATION

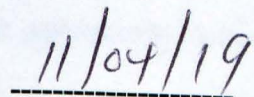
I Erastus Johannes declare hereby that this study is true reflection of my own research, and that this work or part thereof has not been submitted for a degree in any other institution of higher education.

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A handwritten signature in black ink, consisting of a series of vertical lines on the left and a large, stylized 'J' on the right, positioned above a dashed horizontal line.

Erastus Johannes

A handwritten date '11/04/19' in black ink, positioned above a dashed horizontal line.

DATE

CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 INTRODUCTION

This study investigates the satisfaction of the investor over the issuance and administration of government debt securities in Bank of Namibia. The study focuses primarily on the current practices of the debt securities issuance and administration, the needs of market participant, the impediments to the administration of debt securities and how these impediments might be improved. The Namibian Government funds most of its financing needs by borrowing money from domestic sources. This is done by issuing debt securities/instruments i.e. treasury bills and bonds to the public. These debt securities are issued through the auction at Bank of Namibia (the government fiscal agent), as per the government calendar and the borrowing plan. This is done with a purpose for the government to raise funds to finance its budget deficit. Bank of Namibia issues, redeems, and carries out all the administration related to the debt securities on behalf of the government.

The issuance and administration of debt instrument is described by IMF as a process of selling government debt paper to the public to enable the government to raise fund to finance its budget deficit or any preferred project (IMF, guideline for public debt management, 2003). The World Bank define the issuance and administration of government debt securities as a process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and maintaining an efficient market for government securities (World Bank, on Public debt management, 2005). In his debt

management booklet, the debt management specialist Ian Storkey stated that a well-established investor based for government debt securities can create a reliable foundation for government to meet its borrowing needs, (Ian Storkey, (2003). The measurement of customer satisfaction is defined as process of determining the gap between expectations and perceptions of the service by the customer, as an indication of service quality Gerpott *et al.*, (2001). Parasuraman and Zeithaml, (1985) further pointed out that satisfaction is thought to result from the comparison between predicted service and perceived service, whereas service quality refers to the comparison between desired service and perceived service.

Given, the importance of these responsibilities carried out by the central bank, the main aim of the study is to assist the bank in promoting the best practices as recommended by the International Monetary Fund and the World Bank. To achieve this, the bank needs to know how its debt management operation meets the expectation of the market participant. The study will seek investor's view on the debt management operation. With this in mind, the researcher believes that the study will lead to improve the efficiency in issuance and administration of government debt securities.

Generally, the institutions actively involved in purchasing and trading of government debt securities include commercial banks and stock brokers. The commercial banks buy these securities for their own book and for their clients, while stock brokers mainly buy these instruments for their clients only. Clients in this case are the Asset Management Companies, Mutual Funds, and contractual savings institutions such as pension funds, insurance companies and also individual with excess cash. Typically, a customer will buy these securities directly from Bank of Namibia during the primary issuance or buy these securities from the secondary market (one party buying from

other party) and have the securities transferred into his/her name at bank of Namibia after they agreed and exchange the payment.

In this regard this paper inquires into the issuance and administration of central government debt securities in an effort to highlight the weakness in the current practices. The main focus of the paper is to measure/investigate the satisfaction of the investors with the issuance and administration of government debt securities. The paper summarizes the present debt management practices in Namibia and highlight some concerns and weaknesses in the current process of issuing the government treasury bills and bonds. The study further provides conclusions and recommendations with implications for further study.

1.2 BACKGROUND OF THE STUDY

At independence in 1990, the issuance for Government debt securities in Namibia was practically non-existent as there were neither debt securities on issue nor any form of market infrastructure for government debt securities. To aid the development and growth of the financial market, the Government of the Republic of Namibia took deliberate measures to develop the local market for Government debt securities. The Government put the development of the local money and capital markets in the national development agenda in the First National Development Plan (NDP1) issued in 1993. The ultimate objective of developing the money and bond market was to ensure continuous access to funds in the market at affordable prices in order to fund its budget deficit. It is against this background, in the early 1990s, the Government of the Republic of Namibia took a conscious decision to issue treasury bills and Internal Registered Stock (Government bonds) in the local financial market. The objectives of this decision were twofold. The first objective was to fund its budget deficit in the local market as opposed to external borrowing. This has been the Government borrowing

strategy since then to date. As a result of this strategy the Government borrowed about 85 percent of its debt in the domestic market and the remaining 15 percent externally. The second objective was to facilitate the development of the local money and capital markets by issuing securities that would serve as a benchmark for private, corporate and public securities to be issued afterwards.

The function of debt management is co-shared by the Ministry of Finance and Bank of Namibia. The issuance of debt securities is the responsibility of Ministry of Finance. This responsibility had been passed over to the Bank of Namibia as its fiscal agent. Therefore, the Bank of Namibia issue and administer the government debt securities on behalf of the government. It is unfortunate that Bank of Namibia runs the debt management operations with very limited staff.

1.2.1 Legal and Institutional Framework

The State Finance Act, 1991 (Act 31 of 1991) grants the Ministry of Finance (MOF) the authority for public borrowing, both domestically and externally. Such power has been entrusted in the Minister of Finance or any person authorized by the Minister of Finance in writing, to borrow and sign all loan agreements entered into by the Namibian Government. In carrying out its duties in this regard, the Ministry is assisted by Bank of Namibia (BoN) in terms of section 44 of the Bank of Namibia Act, (1997) that serves as fiscal agent and advisor to the Ministry of Finance.

Ministry of Finance (MOF)

Section 29 (1) of the Act stipulates inter alia that “The Minister may at any time borrow moneys within or outside Namibia...” and section 29 (2) stipulates that “...the Minister may enter into agreements with banks or other financial institutions, including the Bank of Namibia, an international bank or a foreign institution...” As

for the signing of loan agreements, Section 29 (4) determines that “Agreements entered into and securities issued ... shall be signed ... by the Minister or any other person authorised thereto by the Minister in writing. In carrying out this task the Ministry of Finance provides broad guidelines of domestic debt issuance and among them are the borrowing calendar and the borrowing plan. This document details the borrowing requirement for the government for the specific financial year.

Bank of Namibia (BoN)

In terms of the Section 42(1) of the Bank of Namibia Act No. 15 of 1997 as amended, the Bank is entrusted with the issue and management of the government debt securities by the Government. The Bank fulfils this agency role with respect to the issue, administration and recording of domestic instruments such as Treasury Bills and Government bonds. This agency role is duly reflected in an agreement between the Bank and the Ministry of Finance, entitled “Agency Agreement for the issue, administration and redemption of Treasury Bills, Internal Registered Stock and any other Government Instrument”, dated 15 May 1991 and as amended on 24 September 1991. These statutory obligations make the Bank a major responsible organ on the issuance and management of government debt securities.

1.2.2 Issuance and administration of government debt securities in Namibia

As noted earlier, the Government adopted a policy of funding its budget deficit by borrowing money from the domestic market with the view to develop the local financial markets. At the end of December 2010, Domestic Government debt securities stood at N\$10.188 billion or 11.16 percent of GDP, chart 1 below illustrate the government debt securities issued by the government of the republic of Namibia since 1991, (Bank of Namibia).

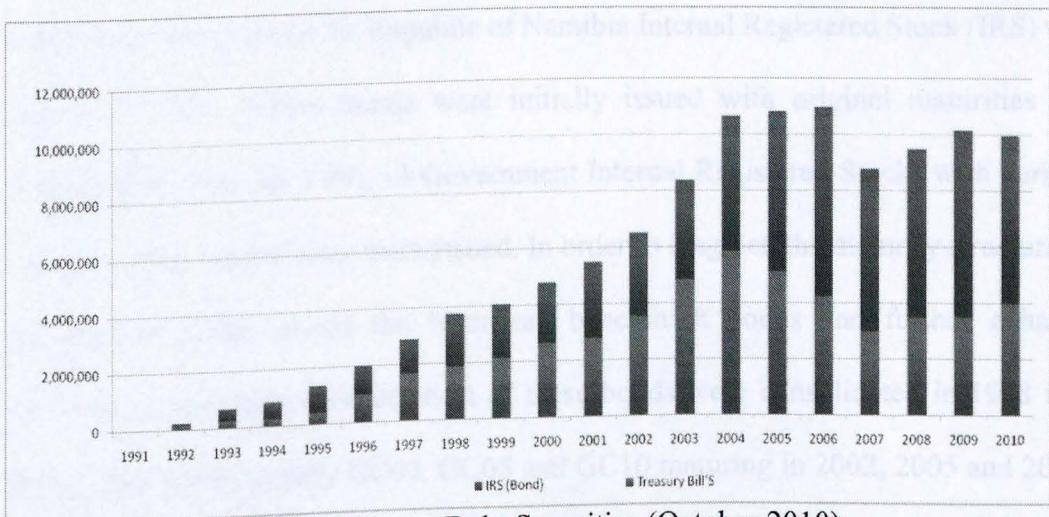


Figure 1.1: Domestic Government Debt Securities (October 2010)

Source: Bank of Namibia

The first Namibian Government treasury bills (T-Bills) were issued in 1991. Initially, T-Bills were issued with original maturities of three (3) months and six (6) months. In 1999 Government of the Republic of Namibia introduced twelve months (12) or one-year T-Bills. At the end of December 2010, amounts outstanding in T-Bills stood at N\$3.99billion which is 40 percent of the total domestic Government debt securities issued.

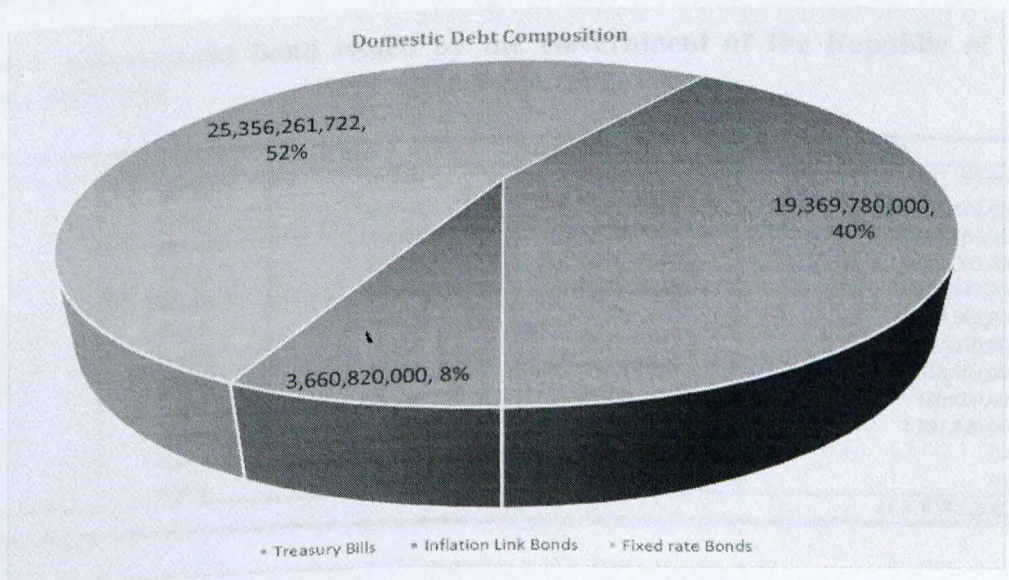


Figure 1.2: Government Debt Securities Composition in billion (March 2010/2018)

Source: Bank of Namibia

The first Government of the Republic of Namibia Internal Registered Stock (IRS) was issued in 1992. These bonds were initially issued with original maturities not exceeding 6 years. By 1998, 13 Government Internal Registered Stocks with various maturities and coupon rates were issued. In order to lengthen the maturity structure of government bonds, create the Namibian benchmark bonds and further enhance liquidity on secondary market, most of these bonds were consolidated in 1998 into three major bonds namely GC02, GC05 and GC10 maturing in 2002, 2005 and 2010, respectively. In April 2002, the Government further issued two bonds namely the GC07 and GC15 due in 2007 and 2015, respectively. There after depending on the market demand and the needs to finance the government deficit, the government has been issuing bonds every two years. The latest bond issued is GC21, GC27 and GC30 issued in November 2010 and January 2011 respectively. Currently the Government has seven bonds in issue (Figure 4), while five of the government was redeemed successfully in 2002, 2005, 2007, 2008 and 2010, 2012, 2015. Table 1.1 below indicates the government bonds issued and matured since 1998.

Table 1.1: Government bond issued by the Government of the Republic of Namibia since 1998

Bonds	Coupon rate	Issued Date	Maturities Date	Issued Valued (N\$)
GC02	12.00%	May-98	15-Apr-2002	897,185,000
GC05	12.00%	May-98	15-Apr-2005	1,163,604,000
GC07	12.50%	Apr-02	15-Jul-2007	1,195,860,000
GC08	8.50%	Feb-05	15-Jul-2008	582,200,000
GC10	12.00%	May-98	15-Jan-2010	1,749,647,200
GC12	10.50%	Jul-05	15-Oct-2012	1,379,500,000
GC15	13.00%	Apr-02	15-Oct-2015	1,647,270,000
GC18	9.50%	Jun-08	15-Jul-2018	1,058,500,000
GC21	7.75%	Nov-10	15-Jul-2021	100,000,000
GC24	10.50%	Aug-04	15-Oct-2024	1,803,220,000
GC27	8.00%	Jan-11	15-Jul-2027	0.00
GC30	8.00%	Jan-11	15-Jul-2030	0.00
Total				11,576,986,200.0

Source: Bank of Namibia

By January 2011 the government issued a total of N\$11.78 billion worth of bonds since 1998, while an average of Treasury bills worth of N\$3.90 billion has been rolled over

every year (Figure 3) below indicate the total amount outstanding in government treasury bills as of December 2010.

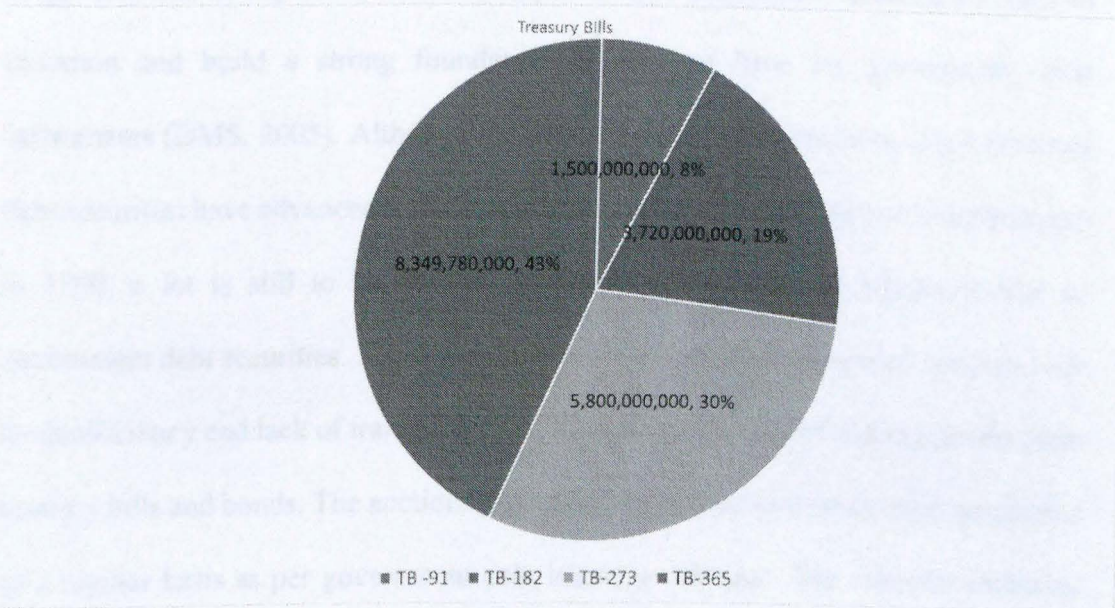


Figure 1.3: Treasury bills composition (December 2010)

Source: Bank of Namibia

The amount outstanding in Government IRS bonds has been increasing steadily since the first stock was issued in 1992. IRS increased from N\$50 million in 1992 to N\$6.108 billion December 2010.

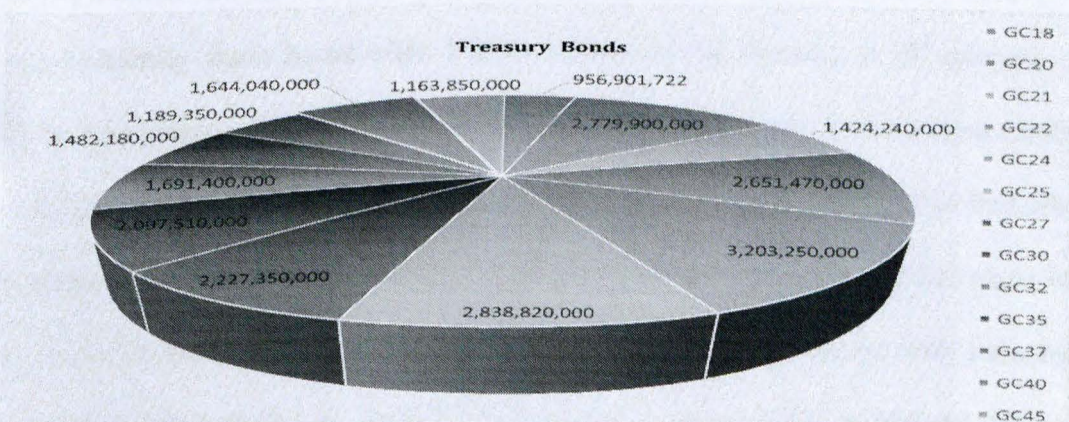


Figure 1.4: IRS (bonds) Composition (December 2010)

Source: Bank of Namibia

1.3 STATEMENT OF THE PROBLEM

The Debt Management Strategy 2005, demands that the issuance and administration of government debt practices need to improve to an acceptable standard in order to maintain and build a strong foundation of investor base for government debt instruments (DMS, 2005). Although the debt management operations of government debt securities have advanced significantly compared to the level before independence in 1990, a lot is still to be desired in terms of issuance and administration of government debt securities. The investor on several occasions expressed concern over the inefficiency and lack of transparency of the auction process of issuing government treasury bills and bonds. The auctions process of these debt instruments are conducted on a regular basis as per government debt issuance calendar. The calendar indicates the issue dates and it is available to the public six month earlier. However, the securities calendar is not accompanied by amounts to be issued. Amounts to be issued are only announced a week before the auction date. This gives the investor less time to arrange their funds to enable them to participate in the auction.

On the auction date, the submissions of tender forms start at 8:00 o'clock. The submission of tenders' deadline is 10:00 and the announcement of the tender result is approximately three hours after 10:00 instead of 10 minutes to 20 minutes on electronic bidding system. The time taken to conduct the auction to the announcement of tender result is too long, that the unsuccessful investor finds it difficult to find other investment avenue on the someday. The payment for successful bidder takes place one day after auctions. Upon the receipt of payments investors are issued with statement of holding generated by the Book Entry System for treasury bills or Internal Register Stock (IRS) certificate in case of bonds issuance (Bank of Namibia 2005-2015).

However, the exchange of payment and securities are not simultaneous i.e., there is no Delivery Versus Payment (DVP) in the market for Government securities. The process of preparing and printing certificates for bond holder has proven to be rather cumbersome and inefficient in light of the modern practice of simply electronically registering in the electronic system. There is no integral and simultaneous process for transferring securities from sellers to buyers and for the settlement of transactions in the secondary market. The transfer of securities' ownership takes place at the Bank of Namibia, while payments are arranged between the parties to the transactions. Given the above concern the question to this end is "What should be done to the issuance and administration of government debt securities process in order to improve the auctions procedure, transparency and efficiency in debt management practices?"

1.4 OBJECTIVE OF THE STUDY

The aim of the study was to investigate the level of customer satisfaction with the issuance and administration of government debt securities in Bank of Namibia. In order to make Namibia's primary and secondary markets for government debt securities more attractive to internal and foreign investors. The study will further seek the investor view on the debt management operation. With this in mind, the researcher believes that the study will lead to improve the efficiency in debt management operation.

The main objective of this study was to measure the customer satisfaction with the issuance and administration of government debt securities, with a view to improving the auctions procedure, transparency and efficiency in debt management practices.

The study focused on the following specific objectives:

- To explore and describe the demographic data of the stakeholders
- To determine the level of investors' satisfaction on:
 - The Bank as a service provider
 - The Issuance Arrangement and
 - The Issuance Technique

In this research study, the following research questions are applicable:

- Are investors satisfied with the issuance arrangement and administration of government debt securities?
- How do investors view the GRN debt securities issuance technique employed by the Bank of Namibia?

1.4.1 Paradigmatic Perspective

A study of this nature requires a paradigmatic perspective which is a collection of logical connected concepts and proposition that provide a theoretical perspective or orientation that frequently guides the research approach towards a topic (Amukugo, 2002). Assumptions are useful in directing research decisions (Mouton, 1996).

1.4.2 Meta-theoretical assumption

In this study the researcher has made specific assumptions about specific theories and methodological strategies that have been tested in order to direct this researcher towards guidelines on which decisions should be made (Mouton, 1996). Based on the reason, this research is based on the theory, Developing and Maintaining the Efficient Market for Government Debt Securities, (DMEMDGS) and Customer Satisfaction Theory (CST). The theory for DMEMDGS and CST consists of the debt securities

issuance and administrations of government securities, the issuance procedure, distribution channels and the electronic trading systems (Blommenstein, 2003).

The researcher believes in the following assumptions

- Effective and efficient debt management need a well-structured government debt security issuance plan and administration in order to maintain a large investor's base.
- Advancing the issuance technique by acquiring appropriate information system will help the Bank improve the issuance procedure.

1.4.3 Definition of Concept

The concepts to be defined in this study are derived from the title "**The measurement of the investor's satisfaction with the issuance and administration of government debt securities in Bank of Namibia**". The concepts are described/ defined as follow:

- **Measurement:** is defined as a process of assessing the effects of quality, value, and customer satisfaction on consumer behavioural intentions in service environments.
- **Customer/Investor satisfaction:** In this study the customer satisfaction is distinct from service quality. Satisfaction is thought to result from the comparison between predicted service and perceived service, whereas service quality refers to the comparison between desired service and perceived service. Satisfaction in this paper is defined as how is the investor satisfied with the issuance and administration of government debt instrument. Customer satisfaction in this case referred to people investors.
- **Government Debt Securities:** Government securities are essentially IOU declarations (or debt instruments) by the Government in terms of the State Finance

- Act of 1991. Namibian Government securities are issued in the form of Treasury Bills (TB's) and Internal Registered Stock (IRS) or (Bond's). They are used by the government to borrow money from the public and agree to repay the money with interest at a later time or maturity.
- **Debt Issuance:** Debt issuance occurs when a government borrows money and agrees to repay the money with interest at a later time. This practice is similar to when an individual borrows money to pay for a house and then makes monthly mortgage payments.
 - **Bank of Namibia:** The Bank of Namibia is the Namibian central bank established in 1993 by the Act of Parliament. The Bank of Namibia is the only institution that is permitted to issue the Namibian dollar, and government debt securities in primary market
 - **Investors:** Investors are defined as the financial institutions, stock brokers, pension funds or individuals with excess funds to invest in government securities.

1.5 SIGNIFICANCE OF THE STUDY

The issuance and administration of government debt securities is one of the essential components of government debt management. A well-structured investor based for government debt securities can create a reliable foundation for government to meet its borrowing needs to finance the budget deficit whenever it's needed. Many countries in the world are shifting from borrowing from external sources of funding to domestic sources of funding with the aim of avoiding exchange rate risk associated with foreign currency. Therefore, building a larger customer base for government debt securities is essential in this regard. It is also critical to understand how the local investors feel about the whole debt management operations in order to derive informed expectation

about the issuance procedure and administrations of government debt securities. The results of this study will contribute toward improving the government debt securities issuance and administration. This should enable the management of Bank of Namibia and Ministry of Finance to improve the issuance procedure and administration of government debt. By so doing, the study results will enable the debt manager to become aware of the weakness in the debt management operation and be able to take appropriate decision. Furthermore, there is no study conducted of this nature to address the needs of investor in Namibia.

1.6 LIMITATIONS OF THE STUDY

The study is limited in the sense that it was only conducted over a period of four months. The study is reliant on the willingness of the subjects to take part and the findings of the study depend on the integrity of the responses provided by the participants.

1.7 DELIMITATIONS OF THE STUDY

Over the last few decades, research tells us that there has been a growing emphasis placed on debt management practices in many countries in the world. The emphasis of the study will be on issuances and administration of government debt securities in Bank of Namibia. Specifically, the study will only focus on investor satisfaction with the issuances and administration of government debt securities by the central bank. For the intends and purposes of this study, the effectiveness of the program will only be measured in terms of the number of employees who are involved in purchases of government debt securities from the primary and secondary market in selected

financial institutions. It is recognized that the issuance and administration of government debt securities is just a few components of debt management. However the study did not evaluate the content and depth of the debt management even though such an assessment may have provided valuable insight on whether the Namibian debt management operations meet the best practices as described by the IMF and World Bank. Moreover, due to time and administrative constraints, the study did not evaluate the international best practises even though such analysis may have provided valuable insights on some aspect to consider when issuing government debt securities.

1.8 SUMMARY

In this chapter, the background to the problem, problem statement, the significance, the purpose and the objectives of the study were discussed. The paradigmatic perspective, theory, Meta- theoretical assumptions, and definition of concept on which the study is based was discussed. Scope and delimitations of the study is also highlighted. The next chapter is on Literature review on the theoretical aspects of the study.

CHAPTER 2

LITERATURE REVIEW

1.1 INTRODUCTION

In this chapter, the theoretical background against which the study was conducted will be explored and reviewed to determine those aspects that have been proven and applied regarding the debt issuance and administration of government debt securities. The literature will focus on the general customer satisfaction and the issuance and administration of government debt securities looking at the debt management best practises. Other countries experience will also be considered in this review. An outline of the rest of the chapter is as follows: Section 2.2 presents the theoretical literature review and framework; Section 2.3 Issuance and administration of government debt securities; Section 2.4 International experiences and the chapter concludes with a summary of the Literature reviewed.

The purpose of this literature review was to assist the researcher in locating the research objective central to this study. The aim of the study is to measure the level of customer satisfaction with the issuance and administration of government debt securities.

2.2 THEORETICAL FRAMEWORK

First Theory; the theory that explains this study is Hom (2003)'s customer satisfaction theory (CST). The theory conceptualizes the application of customer satisfaction theory to business community planning debt management services. The researcher used the phrase customer satisfaction theory for the sake of convenience although many people will argue that investors are not always (or not even usually) customers

in the traditional sense as exemplified by people who purchase goods and services in the retail sector.

Second theory; is the International Monetary Fund theory for Developing and Maintaining the Efficient Market for Government debt Securities, (DMEMDGS).

2.2.1 Developing and Maintaining the Efficient Market Theory

The theory for Developing and Maintaining the Efficient Market for Government Securities focus on the overall debt management functions: the debt securities issuance and administrations of government securities. The theory is used by Blommestein (2003) when he set up the IMF policy guideline that is currently used by many countries as framework for debt management. The theory has been used in a number of studies such as; New Challenges in Government debt issuance, procedure, techniques and policies in the Euro markets (Blommestein, 2003), the government debt Management: New trends and Challenges (Ian Storkey, 2002). The theory illustrates, how the issuance and administration of government debt securities as an important component of government debt management. The theory places more weight on how government debt issuance procedure should be designed in a way that they take into account the interests of both issuers and investors (Blommestein, 2003).

2.2.2 The (CTS) Customer Satisfaction Theory

The use of CST has occurred in a number of professional services such as healthcare and in a wide variety of operations for both government and nonprofit organizations. Academic researchers in debt management have analyzed this theory in the setting of posts secondary education (Taylor, 1996). The International Monetary Fund and the Word Bank have used financial markets satisfaction surveys such as the Noel-Levitz,

Bowen, Bok, Knox, Lindsay and Kolb (1993)'s instrument for a variety of countries but hardly without debate (Olshavsky & Spreng, 1995). Major studies of policy in debt management have used investor satisfaction to help draw their conclusions on service delivery (Bowen & Bok, and Knox, Lindsay, & Kolb, 1993). Day (1994) said that the identification and satisfaction of customer needs leads to improved customer retention. Klark (1997 p56): "Customer retention is potentially one of the most powerful weapons that companies can employ in their fight to gain a strategic advantage and survive in today's ever-increasing competitive environment".

Many researchers have looked into the importance of customer satisfaction. Kotler (2000) defined satisfaction as: "a person's feelings of pleasure or disappointment resulting from comparing a product or service's perceived performance (or outcome) in relation to his or her expectations". Hoyer and MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight.

A recent survey by the staff of the World Bank and the IMF, indicate what debt managers functions should entails and states that for the government debt function to be effective several weaknesses need to be improved as matter of urgency. The noted concern includes the design of legal and institutional frameworks, coordination of debt management with macroeconomic policies, new borrowing policy, and the human and technical requirements for performing basic debt management functions (IMF & World Bank, 2001).

2.3 ISSUANCE AND ADMINISTRATION OF GOVERNMENT DEBT SECURITIES

Research literature revealed that the issuance and administration of government debt securities differs from country to country. Many countries have been involved in

modifying their debt issuance procedure and have adopted several changes when it comes to government debt issuance procedures and administration (Blommestein (2009). This is done with an effort to address the consequences of increased competition for government instruments. Many governments have also introduced new distribution facilities like appointing debt issuance agency and primary dealer that take the role of marketing the government debt securities to the public.

UNITRA (2004) stated that the issuance of government securities, in particular treasury bills and bonds to cover budget deficit, redemptions, and net new borrowing is regarded as distributions system of government debt instruments commonly called primary market to investor who intends to invest in government debt instruments. Therefore; to minimize cost and risk over the medium to long run, debt managers should ensure that their policies and operations are consistent with the development of an efficient government securities market.

Richard and Moyeen (2003) assert to this view and pointed out that sovereign debt management is the process of establishing and executing a strategy for managing the government's debt in order to raise the required amount of funding, achieve its risk and cost objectives, and to meet any other sovereign debt management goals the government may have set, such as developing and maintaining an efficient market for government securities. Ndove (2007), points out that the allocation of responsibilities among the ministry of finance, the central bank, or a separate debt management agency, for debt management policy advice, and for undertaking primary debt issues, secondary market arrangements, depository facilities, and clearing and settlement arrangements for trade in government securities, should be publicly disclosed.

William *et al.*, (2006) reveals in the Government debt management: New trends and Challenges that maintaining investor relations has become more important than before with many Debt management Office (DMOs) reporting greater urgency for organising road shows for large (foreign) investors. Especially in the current circumstances with high borrowing needs, many DMOs observed that a broad and diverse *foreign* investor base remains essential in maintaining a diversified and liquid domestic government debt market. This means that it is important that the preferences of foreign and domestic investors are taken into account when making changes in issuance procedures and techniques. A recent survey by the staff of the World Bank in Eastern European country on government debt management best practices, confirmed that there has been extensive emphasis to strengthen the processes of issuing debt securities in the euro area. The emphasis was to improve the auctions procedure and be able to access the large market electronically.

For the government debt instrument issuance and administration to be effective, several important weaknesses need to be considered very seriously. Notably in the design of legal and institutional frameworks, coordination of debt management with macroeconomic policies, new borrowing policy, and the human and technical requirements for performing basic debt management functions. (IMF & World Bank, 2003).

There is strong argument that the public should be provided with information on the past, current, and projected budgetary activities, including its financing, and the consolidated financial position of the government (Ian Storkey, 2002). This argument is supported by Blommestein, H. J. (2010), that the government should regularly

publish information on the stock and composition of its debt and financial assets, including their currency, maturity, and interest rate structure.

Risks of government losses from inadequate operational controls should be managed according to sound business practices, including well-articulated responsibilities for staff, and clear monitoring and control policies and reporting arrangements (Richard & Moyeen, 2002). Richard & and Moyeen *et al.*, (2002/3) further stated that the debt management activities should be supported by an accurate and comprehensive management information system with proper safeguards and staff involved in debt management should be subject to a code-of-conduct and conflict-of-interest guidelines regarding the management of their personal financial affairs. He further stated that sound business recovery procedures should be in place to mitigate the risk that debt management activities might be severely disrupted by natural disasters, social unrest, or acts of terrorism.

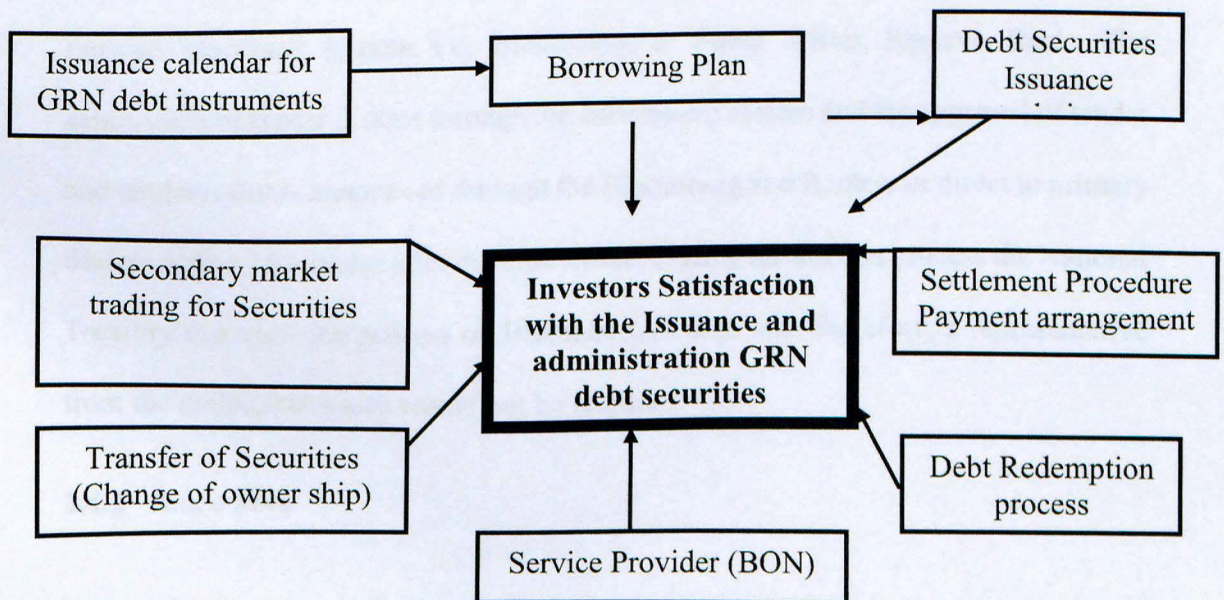


Figure 2.1: Schematic diagram of the theoretical framework: showing the phenomenon

Source: Researcher's own construct from literature

2.4 INTERNATIONAL EXPERIENCE

2.4.1 Republic of South Africa

In the case of RSA the National Treasury; Cash Management Division determines the monthly funding requirement for the whole financial year similar to Namibia's borrowing plan. The funding plan details the borrowing requirement on monthly and on weekly basis and is used by both National Treasury and South Africa Reserve Bank as an approved plan of action. This borrowing plan is shared with the investor as soon as it is approved and any change to the borrowing plan is communicated to the investor timely.

The issuing of government debt securities is governed by the public Finance Management Act (No. 1 of 1999). In this regard, SARB as government fiscal agency is legally mandated to conduct, approve and announce the auction outcome on behalf and as prescribed by National Treasury on weekly basis. The auction is conducted through electronic system i.e. Bloomberg at South Africa Reserve Bank. The submission of tender is done through the Bloomberg system and the approval of tender and tender result is announced through the Bloomberg and Reuters or direct to primary dealers within 15 minutes after the bids closed. During the auction process the National Treasury can view the process on Bloomberg at their site; therefore, a representative from the national treasury would not be required.

2.4.2 Euro area

Financial integration in Europe increased strongly in response to the introduction of the Euro in 1999. Since Euro-area government debt policies remained at the same time decentralized (issuance remained in the hands of the different EU governments) this

jump in integration increased the „competition“ between market practices and policies, leading, in turn, to more similar policies, procedures and instruments in the euro-zone(The implementation of monetary policy in the euro area 2005). It is therefore not surprising that their government securities markets are highly liquid and efficient, with market participants operating in a transparent debt policy environment.

It is observed that all EU countries broadly use similar issuance procedures and operations with a high degree of transparency and predictability. For example, the widespread use of auction calendars and electronic auction systems is evidence of the results of this transparency objective in primary markets. However, the Euro area has two types of auctions process, being the standard tender and quick tender process. The tender invitation for government debt securities is in 24 hours, with the time between the submission of tender deadline and the announcement of tender result is approximately two hours for the standard tender process. A time frame of ninety (90) minute elapses in between during the quick tender.

2.4.3 United States of America

U.S. Treasury securities are issued by competitive auction and are generally issued in the maturities and according to the schedule shown below. The week before an auction (usually on Wednesday), the Treasury announces the details of the forthcoming auction. The most important detail is the amount to be auctioned. If it is larger than expected, it can cause a selloff in the market; if it's smaller than expected, it can cause a rally.

To participate, a dealer must submit a bid to the New York Fed by 1:00 p.m. (New York time on auction day). A bid specifies the yield the dealer wants and the amount the dealer is bidding for. Non-dealers may submit bids either through a dealer, or

directly to the Fed. Currently, the Treasury uses both regular and Dutch auctions to issue its notes and bonds. In the regular auction competitive bidders receive the yield they bid, however, in a Dutch auction all bidders receive the same yield that being the highest yield bid in the distribution group. On the issue date, about a week after the auction, the Treasury delivers the new bonds or notes and receives payment from the successful bidders. This is also the day when-issued trades settle. After the issue date, Treasury trades settle on the normal T+1 schedule.

Table 2.1: Auction Schedule for the federal reserve bank of US

Instrument	Time to maturity	Auction Schedule
T-Bills	13 weeks	weekly
	26 weeks	weekly
	1 year	monthly
T-Notes	2 years	monthly (last day)
	3 years	once per three months 15th
	5 years	monthly (last day)
	10 years	once per 2 months (15th)
T-Bonds	30 years	3 times a year (15th)

Source: Federal Reserve Bank of the US

Secondary Market Trading

The secondary market is a 24-hour market. The U.S. Treasury market is an over-the-counter market. The most important market makers in this market are called Primary Government Securities Dealers. The New York Fed appoints primary dealers and monitors their activities. To become a primary dealer, a firm must commit to making an ongoing two-sided market in all Treasury securities.

Clearing and Settlement

Most Treasury securities are held in book entry form in accounts maintained by banks at the Federal Reserve. These accounts hold the securities of both the banks themselves and their customers. Because every bank also maintains a reserve account, or cash account, at the Fed, settling a treasury trade between the customers of two different banks is simply a matter of instructing the Fed to make the proper cash and security transfers.

Suppose, for example, a customer of Bank A wishes to transfer a bond to a customer of Bank B. Upon receiving instructions from its customer, Bank A will simply instruct the Fed via **Fed wire** to transfer the bonds from its account to the account of Bank B. The Fed will make the appropriate cash and security transfers and notify B of the transaction. **Fed wire** is a computerized communication network connecting U.S. commercial banks with the Federal Reserve Banks. It is the heart of the U.S. funds transfer system. Because every commercial bank has a reserve account at the Fed, funds transfers can be made almost immediately by simply debiting one reserve account and crediting another. The **Fed wire** system is also used for transferring the ownership of Treasury securities held in book-entry form.

If both customers have accounts at Bank A, no Fed transfer is required. The bank will simply reduce the bond account of customer A and increase the bond account of customer B on its own books.

2.4.4 Sri Lanka

In terms of Section 113 of the Monetary Law Act, the public debt management function is entrusted to the Central Bank of Sri Lanka (CBSL). Accordingly, the Public Debt Department (PDD) of the CBSL acts as the agent of the Government in handling

domestic debt, while several other government institutions deal with activities related to foreign debt

Primary Market

Information on auctions for Treasury Bills and Treasury Bonds are normally announced in the leading newspapers at least two days prior to the auction date. Treasury bond series available for foreigners are announced by the Public Debt Department via e-mail to all participants in the *Central Depository System*. In the case of Treasury Bills, newspaper advertisements are published on every Monday and the auctions are held on Wednesdays. Bids are accepted through the *fully automated online bidding system*. Treasury Bills are issued weekly, while 3-4 Treasury bond auctions are held every month based on the Government's cash requirement. All investors who are willing to participate in primary auctions should submit their bids through Primary *Dealers before 11 a.m.* on the auction date which is the Primary Dealer's deadline for submission of bids to auction. The successful bidders are informed **within two hours** of the deadline for the submission of bids. Press releases are published in **leading newspapers** on the following day.

Settlement of successful bids in the primary market is on two business days after the auction date (**T+2**). Sri Lanka Government debt securities are *scrip less* and therefore securities transfers take place on an *electronic basis*. Settlement is via the electronic payment system and the *Real Time Gross Settlement System* on a delivery vs. payment basis. Investors are required to maintain accounts with Commercial Banks or Primary Dealers for cash settlement for their transactions as well as for the crediting of coupon payments. Ownership of securities is recorded in the Central Depository System maintained by the Central Bank of Sri Lanka.

Secondary Market

An investor can either hold a tradable security until maturity or sell in the secondary market prior to maturity at the current market price. Investors can also buy tradable securities already issued to the market by the Central Bank of Sri Lanka. Primary Dealers/Commercial Banks quote buying and selling prices of Treasury Bills, Treasury Bonds daily for different maturities. Investors can shop around and bargain to obtain attractive market rates for these securities. Sri Lankan Government debt securities are scrip less and the securities transfer is done on an electronic basis. In the *Scrip less Securities Settlement System* (SSSS) transfer instructions are carried out on a trade-by-trade basis, with the transfer of securities and the transfer of funds for payment taking place simultaneously (*Sri Lanka debt manual*).

2.4.5 Namibia

Namibia trading platforms for government debt securities do not essentially differ from some of the above international experience but the process lacks some automation and an electronic trading platform to facilitate the issuance, transfer and redemption government debt securities. In the current process, The Bank of Namibia places advertisements on its website (<http://www.bon.com.na>), on the Reuters System, and sends e-mails officially inviting investors to participate in tenders for government securities. Advertisements inviting tenders for TBs and IRS are placed one week prior to auction date.

Tender forms may be obtained from the website and Bank of Namibia at 71 Robert Mugabe Avenue in Windhoek on each business day subsequent to the announcement of an issue. Completed tender forms are submitted in sealed envelopes addressed to *The Deputy Director: Investments and Domestic Markets Division* and deposited into the designated tender box by 10:00 at the Bank on the auction date stated in the

advertisements. Alternatively, tender forms can be sent to the Bank via its dedicated fax number, 061-2835214.

The Bank of Namibia, in conjunction with the Ministry of Finance, determines the allotments of the issue shortly after the closure of the bid. The auction is run on excel base file. Tender results are announced through the media, fax, e-mail and telephone not later than 12:30 on the auction date. For TB's allotments are made in a descending order of bid prices, meaning that the most attractive (i.e., relatively high) prices stand a better chance of getting an allotment, because a relatively high price subjects the Government to lower cost of borrowing. However, for IRS allotments are made in an ascending order of yield to maturity.

Bids for TBs must be for a minimum of N\$10 000. For IRS the minimum is N\$50 000, but, larger amounts can be tendered for in multiples of N\$10 000. Successful bidders are required to provide payment (**settlement**) at the Bank of Namibia, not later than 10:00 a.m. on the next business day following the announcement of the allotment on the auction date.

Settlements by commercial banks can be made through NISS (**Namibia Inter Bank Settlements System**), or authorisations to debit the accounts of those banks with the Bank of Namibia. For others, that is, businesses and individuals, settlement can be made in the form of bank cheques. Personal cheques and cheques certified or guaranteed by banks are not acceptable for settlement. All amounts paid by individuals exceeding N\$5 million should be paid through the NISS system. On maturities, if redemption or interest payment falls on a non-working day, the payment would take place on the following working day without interest compensation. (Bank of Namibia securities brochure 2008).

Table 2.2: Time table for Namibian Treasury Bills and Bonds Auctions

Activity	Namibia
Auction Frequency	Bi-weekly
Tender Invitation	4-2 days before
Method of Invitation & announcement	E-Mail/Webpage
Bidding open	9:00 a.m.
Bidding closes	10:00 a.m.
Method of Submission	Fax/e-mail (PDF doc.)
Tender Allotment	10:00 -11:30 (Book Entry)
Approval of Tenders	11:30 - 12:30 p.m. (MoF)
Announcement of Tender Result	12:30-13:00 p.m. (BoN)
Settlement of the Transaction	T+1

Source: Bank of Namibia

Secondary Market

The secondary market is a 24-hour market. The Namibian Treasury market is an over-the-counter market. But there is no trading system or platform on the secondary market for Namibian securities. There is no integral and simultaneous process for transferring securities from sellers to buyers and for the settlement of transactions in the secondary market. The transfer of securities' ownership takes place at the Bank of Namibia, while payments are arranged between the parties to the transactions.

2.5 SUMMARY

In this chapter different theories on government debt issuance and customer satisfaction theory were discussed including assumptions, definition of concept of reference related to the debt securities issuance and administration of government debt. The literature review shows that research done in various developed and developing countries has made significant improvement in the field of debt management. The researcher strived to investigate investors' satisfaction with issuance and administration of government securities at the Bank of Namibia.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter, the research design and methods were described. This serves to clarify the quantitative methods in bringing out the measurement of the investors' satisfaction with the issuance and administration of government debt securities in the Bank of Namibia. The study was carried out in 12 institutions consisting 4 commercial banks, 4 Stock Brokers, 2 Asset Management's Companies, the Bank of Namibia and the Ministry of Finance. Ethical as well as trustworthiness considerations were discussed to ensure the scientific value of the study.

3.2 RESEACH DESIGN

Research designs are plans and procedures for the research, while research methods are tools and processes for obtaining and analyzing data (Babbie & Mouton, 2012). A research design is viewed as a mental plan for the research that highlights basic strategies applied to the research to obtain relevant data (Blaikie, 2010). From the definition above, a research design can be understood as, the complete plan on how the entire research will be undertaken, the total road map of how the whole research will be conducted to accomplish its objective.

This study employed a mixed method approach to collect primary data. Cohen, Manion, & Morrison (2008) believed that qualitative research can be described as being non-numerical, descriptive, using words and applying reasoning. Blaikie (2003) asserted that qualitative research is commonly used to develop theory or explore a topic. It describes the situation and gets the feeling and meaning of the situation. In contrast to qualitative research, quantitative research on the other hand, focuses on

showing causal relationships, testing theory and establishing facts. It is based on the measurement of quantity or amount (De Vos E. , Strydom, Fouche, & Delpont, 2011).

Given the nature of the present study, both qualitative and quantitative approaches were found to be appropriate to capture the needed data. The qualitative dimension of the study adopted is the descriptive type. For example, qualitative research was most appropriate to obtain the respondents' personal perceptions, ideas, feelings and behaviors with regard to marketing options. On the quantitative dimension the study adopted the descriptive non-experimental design. Bryman & Bell (2015) stated that non-experimental designs are mainly used in descriptive studies in which the units that have been selected to take part in the research are measured on all the relevant variables at a specific time. Quantitative research was used in assessing the relationship between the various variables in the study which included age, gender and which employment position one holds.

Christensen, Johnson, & Turner (2010) further mentioned the types of mixed methods as convergent parallel design whereby the researcher relates both quantitative and qualitative data and analyses the results simultaneously, the explanatory sequential design, whereby the researcher first collects and analyses quantitative data, then the qualitative analysis will be based on the quantitative outcomes. This study adopted the convergent parallel design to interpret the quantitative and qualitative data together.

In this study, a quantitative research, exploratory research, descriptive design and conceptual was used. A research design is a set of guideline, plan and instructions that guide an investigator as to how data should be collected and analysed in order to answer a specific research problem.

3.2.1 Quantitative design

A quantitative approach was used in order to explore and describe the observation of the market participants over the issuance and administration of government debt securities in Bank of Namibia. This design was chosen, because it is regarded as a systematic approach that allows the researcher to measure the satisfaction of the market participants (Marshall and Rossman, 2014). The purpose why qualitative design was used was because of rich descriptions, data synthesis and abstraction required for the study. Thus, qualitative enquiry is a process of documentation, description, identification of concepts, identifying relationships between concepts, and creating theoretical explanations that explains reality. The qualitative aspect of the research method sought to address the objective on the level of investors' satisfaction on: the bank as a service provider, the issuance arrangement and the issuance techniques.

3.2.2 Exploratory design

The rationale to choose an exploratory design is to determine the facts and obtain the understanding as to the level of satisfaction of the market participants over the issuance and administration of government debt securities in the debt management context. Upton, Seaman, & Dyer (1993) Identified the advantages of an exploratory design, that were also applicable to this study, as:

- Enable the researcher to assemble a broader range of data with a richness of details. Such data helped the researcher to develop and describe the satisfaction of investor with issuance and administration of debt securities a
- Help the researcher to view all the findings holistically that involved describing, comparing and classification of data.

The researcher explored the perceptions of the participants at different financial institution such as Banks, financial broker, Asset Management Company, pension funds, Ministry of Finance and Bank of Namibia in Windhoek. Extensive literatures were explored during the identification of the concepts: categories and sub – categories, identification of central statement.

3.2.3 Descriptive design

Descriptions were used in order to gather knowledge of debt securities issuance and administration. Polit & Hunger (1995) defined descriptive research as a non-experimentally study in which the researcher gather data from a portion of a population in a defined community in a real-life situation, as they currently exist. The researcher chooses this design to produce scientific knowledge that is based on rigor, objectivity and control in order to avoid bias, to have control over variables to be researched on, and limit the effects of outside variables that are not being studied. That will allow the researcher to use control instrument that will generate numerical data. Statistical analyses are conducted to reduce and organize data to determine the difference among groups so that finding can be generated (Bruns & Grove, 1997:29).

3.2.4 Contextual design

The aim of using the contextual design in this study was to study the perception of the market participant over the issuance procedure and administration of government debt securities in Bank of Namibia. This was done purposively not to disturb the natural setting of the phenomenon being studied. This ensured getting true, valid and accurate information without the influence of the external factors. This design allowed the researcher to study the perceptions on the phenomenon of participation of investor in government debt securities auctions in Bank of Namibia, which indicated the fundamental and immediate contextual significance of the study.

3.3 POPULATION

A population is referred to as “the group of a well-defined set of people or objects, from which a sample is selected” (Kruger, 2013:56). The term population refers to all the elements, objects or substances that are the focus of the research and that meet the sampling criteria (Burns & Grove, 2009:343).

It is therefore correct to say that a research population is a large collection of individuals or objects that is the main focus of an inquiry. In addition, a research population is also known as a well-defined collection of individuals or objects known to have similar characteristics. All individuals or objects within a certain population usually have a common, binding characteristic or trait.

The study population comprised of four categories from four financial sectors. The first category collected data from all four Namibian Commercial Banks, four Stock Brokers, and 2 Asset Management Companies. The Bank of Namibia and the Ministry of Finance that were directly involved in trading with government debt securities from the primary and secondary markets also contributed to the population. The researcher selected personnel that dealt with the purchases of the government debt instruments from these institutions. To avoid bias in the findings, the second category collected data from Bank of Namibia and the Ministry of Finance Debt Management units.

3.4 SAMPLE

In research terms a sample is a group of people, objects, or items that are taken from a larger population for measurement. The sample should be representative of the population to ensure that we can generalize the findings from the research sample to

the population as a whole. Belland, French, & Ertner (2009:23) define a sample as “the section of a population chosen for a study”.

The measurement of investor satisfaction for 12 institutions with a record of 36 employees from four (4) financial sectors was conducted. The targeted population consisted of employees from four (4) Commercial Banks, three (4) Stock Broker, (2) Asset Management Company, The Bank of Namibia and the Ministry of Finance that are directly involved on trading with government debt securities from the primary and secondary markets. Due to the relatively small size of the population, the study sought to collect data from only 23 members of the target population. The data collected was subsequently analysed to draw conclusions about the population identified above.

3.4.1 Sampling Technique

Sampling refers to choosing individual units to measure from a larger population (Babbie & Mouton, 2012). This is to say that sampling is the process of selecting units (e.g., people, organizations) from a population of interest so that by studying the sample we may fairly generalize our results back to the population from which they were chosen (Christensen, Johnson, & Turner, 2010). Sampling method is defined by Burns and Grove (2009:349) as “the process of selecting a group of people, events, behaviors or other elements that represent the population being studied”.

Target representative sample of the targeted population; sampling was done in the following way:

- Firstly, all employees ranging from; Portfolio manager, Dealers, and Economist\Accountant from four economic sectors were identified. There are twelve (12) Money and Capital market dealers and four (4) treasuries from four Commercial Banks, eight (8) Money and Capital market dealers from Stock

brokers, four (4) from Asset Management Companies, three (3) officials from Bank of Namibia and five (5) officials from Ministry of Finance, totalled 36 selected personnel that are frequently involved with debt securities issuance and administration.

- Out of the total 36 employees, 23 employees were stratified and randomly selected: eight (8) employees i.e. two each from commercial banks and eight employees (8) i.e. two each from stock brokers, two (2) i.e. one each from the two Asset Management Companies, two (2) employees and three (3) employees from the Bank of Namibia and the Ministry of Finance, respectively.

3.5 RESEARCH INSTRUMENT

A self-complete questionnaire was used to collect data from the financial industry. The objective of the questionnaire was to obtain views and opinions on how the investors perceive the issuance and administration of government debt securities. A questionnaire was selected as a method of data collection since it is inexpensive to administer. A pilot study was conducted with three (3) people to ensure that the questionnaire is effective and meet the intended purpose before distributing it to the larger population. Burns and Grove (2009:549) describe a pilot study as a small study conducted prior to a larger research in order to determine whether the methodology, questionnaire and analysis method implemented are adequate and appropriate. According to Polit & Beck (2010: 563), a pilot study is a small trial run of the actual study.

Telephonic interviews were also conducted with two commercial banks, two stock brokers one each from the Bank of Namibia and Ministry of Finance. The objective of the interviews was to obtain the employers views and opinions on the level of

investors' satisfaction on: the bank as a service provider, the issuance arrangement and the issuance techniques..

3.6 PROCEDURE

As mentioned above, the first phase of the study used questionnaires to collect data from all financial institutions constituting the target population. The questionnaire was used to obtain quantitative as well as qualitative opinions from the target population. The questionnaire consisted of two sections. Section A was the demographic data, while Section B consisted of three different questions about; the Bank as a service provider, satisfaction about the issuance plan for GRN debt securities and the technique employed when conducting auction. Due to practical considerations such as time and funding, the questionnaires were distributed to the participants by means of electronic mail and were given one (1) week to complete the questionnaire online. The second phase of the study used telephonic interviews to collect data from key stakeholders of the financial market participant. Institutional documents were also reviewed to corroborate empirical data that was collected. The Debt Management Strategy, IMF and World Bank guideline and the BON and MOF debt management guideline was reviewed to ascertain the mission and objectives of the administration of debt securities. Ethical considerations were also taken into cognizance when collecting and analysing the data. All subjects were informed that their response will be anonymous and that confidentiality will be maintained.

3.7 DATA ANALYSIS

Data analysis forms part of the analytical phase and aims to answer the research question. According to Brink (2006:170), it entails classifying, collating, manipulating the data and describing it in meaningful terms. It begins with reviewing of the study

objectives to identify what is needed to satisfy each objective. Polit & Beck (2010:392) further maintain that data needs to be systematically analyzed in an organized manner with the help of statistical analysis. In this study, data were analysed by means of computer utilising the Microsoft Excel. The quantitative data collected was organized into frequency distribution tables and graphs showing the responds from the following:

- The numbers of persons employed by commercial bank, stock brokers and asset management companies that are mainly the recipients of government debt securities.
- The numbers of persons employed by Bank of Namibia and Ministry of Finance that are directly involved in the issuance and administration of government debt securities.

The frequency distribution data above was then analysed to determine the investor satisfactions over the issuance and administration of government debt securities. The data was also analysed to determine the level of investors' satisfaction on: the bank as a service provider, the issuance arrangement and the issuance techniques. Information for this was gathered from the officials employed by Bank of Namibia and the Ministry of Finance who worked for a period not shorter than the period of three (3) years. Bar graphs and Pie charts were used to show high and low values of measurements of different categories.

The data collected using the questionnaire was organized into categories according to the main themes covered by the main debt management operational themes as prescribed by the Namibian Debt Management Strategy (2005). The data was then analysed to determine the distribution and range of responses as well as the relationship between the variables represented by the themes.

3.8 RESEARCH TOOL

The questionnaire consisted of four sections: (See Annexure 1)

Section A: This section focused on demographic data of the personal details of the selected personal like the type of institutions they work for, the years of experience with government debt securities and the position that they hold in the current employment.

Section B: This part of the questionnaire elicited information about the service provider. Bank of Namibia is responsible for the issuance of government debt securities therefore the bank provides the service to the investors. The participants were asked to express themselves as to how they feel about the bank, being the administrator of government debt securities.

Section C: Questions covering aspects of the measuring the satisfaction of the market participant where asked to determine the level of satisfaction with the issuance of government debt securities. A number of statements covering the range of activities over the issuance and administration of government debt securities where developed and the market participant were asked to rate processes of government debt securities in the Bank of Namibia.

A rating criterion of; 5- Very Satisfactory, 4- Somewhat Satisfaction, 3 – Neither Satisfied nor Dissatisfactory, 2- Somewhat Dissatisfactory and 1- Very Dissatisfied were developed.

Section D: The market participant where asked to rate the issuances technique employed by the bank when issuing government debt securities.

3.9 RELIABILITY

Reliability refers to the degree to which data collection techniques and procedures yield constant findings (Kumar, 2013). Kumar (2013) further explained that reliability is about the robustness of the questionnaire and whether or not it will produce constant outcomes at different times and under different conditions. The researcher was present when the questionnaires were completed in order to attend to all queries relating to the questionnaires. This ensured the reliability of the research.

Reliability refers to the degree to which the instrument can be depended upon to yield consistent results if used repeatedly over time on the same person, or if used by two researchers (Brink, 2006: 165). Botma *et al.*, (2010:177) further propose that reliability is an indication of the extent of random error in the measurement method. To ascertain reliability, the statistician guided the entire process from the development of the questionnaire to assisting with the analysis of the data to ensure objectivity. Internal Consistency was maintained by using the same questionnaire for all respondents.

The data collection exercise took six (6) weeks to complete. Thus, reliability coefficients were higher for a shorter period of time, this questionnaire was administered to the respondent once. Items on the rating scale were 24 questions and the split- half technique could also be applied too. The odd items are measuring the same attribute as the even items, ensure internal consistency (Polit & Hunger: 370).

3.10 VALIDITY

Kuvare, Maharero, & Kamupingene (2009) defines validity as whether the answers are really about what they seem to be about. In this study, content validity on the rating scale instrument was measuring to assess the investor's knowledge to the issuance and

administration of government debt securities and to determine whether Affirmative Action policy has been effectively applied in the banking sector.

3.11 ETHICAL CONSIDERATIONS

Ethical considerations are based on ensuring that in the process of the research the researcher must ensure that they follow the correct channels and do the right thing to avoid actions that may be tantamount to the contravention of the rights of the people involved in the research. In the research study the participants voluntarily participated in the study as informed consent was sought from all. All participants used pseudonyms during the completion of the questionnaire. This was done to maintain anonymity and confidentiality on the side of the participants. The researcher tried as much as possible not to harm participants physically or emotionally. The researcher also informed the participants about their rights either to participate or not to participate in this survey with full knowledge of relevant risks and benefits.

Ethical considered in this study are discussed as follow:

3.11.1 Permission to conduct the research

Permission was obtained from the Director Financial Markets of Bank of Namibia.

3.11.2 Confidentiality and anonymity

Confidentiality requires that the participants' personal information and responses be kept private (Burkhardt & Nathaniel, 2008: 309). The researcher ensured confidentiality by not revealing the names of the participants.

The researcher has the responsibility to protect the anonymity of the subjects and to maintain the confidentiality of data collected during this project, this was done as follows:

- Anonymity of the participants as well as institutions that took part in this research project was protected in the report by making it impossible to link the specific data to a specific person or institution.
- The researcher also planned writing the research report in such a way that individual or group cannot be identified through their responses.
- For the institutions that took part in this project no name was mentioned in the report, the researcher kept a master list of the subject's name and their code number in a locked place.
- The master list of the subject's name and code number was kept separate from the data collected in order to protect the subject's anonymity.
- The consent forms were not stapled to the instrument or data collection tools. This was done in order to be impossible to identify the participants and their responses.
- Data collected was analysed in groups so that individuals cannot be identified by his writing. (Burns & Grove 2009: 99)

3.11.3 Privacy

Privacy is an individual's right to determine the time, extent and general circumstances under which personal information will be shared with or withheld from others (Burns & Grove, 2009:194). The researcher ensured privacy of the participant by ensuring that, no one was allowed or accessed to the records except the researcher and the supervisor. The participants were assured that no private information would be shared without the individual's knowledge or against his/her will.

3.11.4 Consent

It is very essential to get consent from the participant in order to conduct the ethical research (Buns & Grove, 2009: 103). Therefore, informed consent was obtained from the manager and supervisors who are working under them.

The researcher informed the participants that the research process was clear and understandable to them, and the questionnaires include the following information:

- The aim and objective of the research,
- The method and the procedure of the research
- The duration of the study and confidentiality,
- Privacy maintained,
- The type of the participants.

Individuals have been granted permission to withdraw if she/he saw that the project no longer adheres to the standard set in planning implementation and reporting or something infringing upon his/her right was mentioned above.

3.12 SUMMARY

Debt management Strategy is used as guideline for government debt issuance and administration in Namibia. The policy document proposed a number of changes to the debt management operation. Almost fifty percent (50%) of the proposed changes has not been implemented to date since the inception of the policy March 2005. A descriptive and explorative survey design was used to explore the investor satisfaction with the issuance and administration government debt securities. Data was gathered through the use of self-structured questionnaires; individually, voluntarily, and confidentiality were assured.

CHAPTER 4

RESULTS & DISCUSSION

4.1 INTRODUCTION

In this chapter, a detailed description of the results of the study is given. The results are based on the data collected by means of structured questionnaire that was distributed by the researcher to the selected market participant. A descriptive analysis and summary of relevant data reflecting frequency, and percentage for relevant variables is presented in this chapter. Bar charts and pie charts were used to present relevant variables. All respondents represent investors therefore the analysis will be considered as one group rather than different categories.

4.2 CHARACTERISTICS OF THE SAMPLE

The characteristics of the samples are described as follows:

- To explore and describe the demographic data of the stakeholder in the measurement of investor satisfaction with the issuance and administration of GRN debt securities.
- To measure the level of investors satisfaction on:
 - The Bank as a service provider
 - The Issuance Arrangement and
 - The Issuance Technique

4.3 DEMOGRAPHIC DATA (SECTION A)

4.3.1 Response rate

Figure 4.1 shows the results of respondents (N=23). An overall response rate of 78 % was achieved in this study. Data was collected from 23 (n=23) people representing

different financial institutions (market participant) from different financial institutions. Only 18 of the 23 person sample (78%) responded, while 4 (22%) could not participate. Given the rate of 78% response such rate was adequate and reliable for the researcher to draw conclusions. Those who could not participate have indicated that the time was too short and that they did not have enough time to complete the questionnaire. It was encouraging to note that the responses were wide-ranging covering all the selected institutions. Figure 4.1 below indicates the responses per institutional categories.

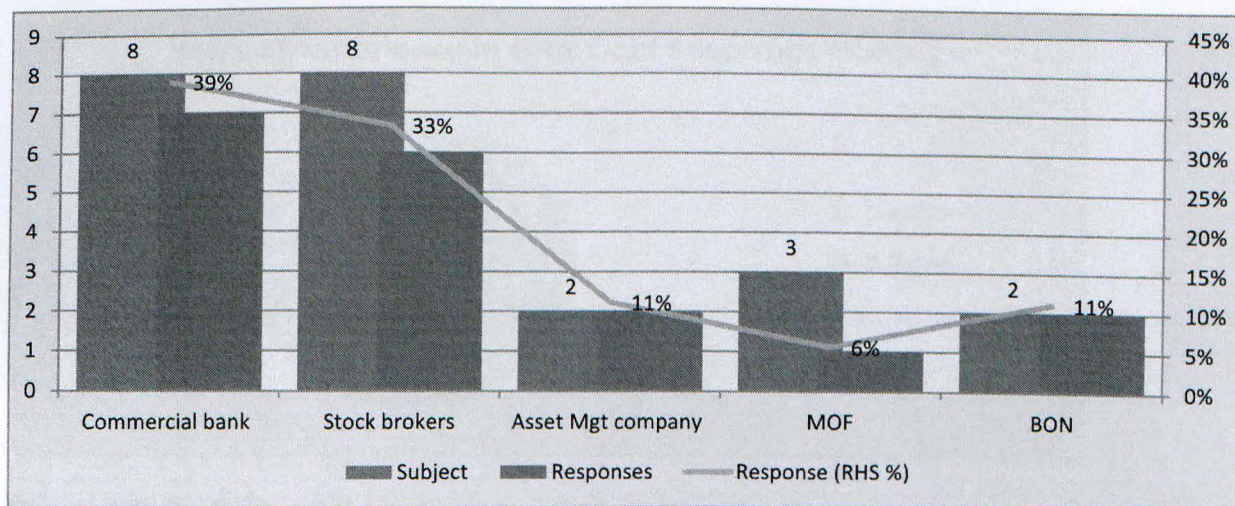


Figure 4.1: Respondent institutions

Source: Research Finding

As indicated in the figure 4.1 above 39 percent of the respondents are from commercial bank followed by 33 percent respondent from stock brokers. The Bank and Asset Management Company though only constituted 11 percent each the response was 100 percent. Only one person responded from MoF constituting only 6 percent.

Professional Experience in the field debt Instrument

It is also important to note that 9, (50%) of the responses received had worked for 8 years or more with government debt securities. As depicted in the chart below show

that 50 percent respondents represent eight (8) years and more experience in the field of debt issuance and administration. This is very encouraging that 50 percent of the respondents possessed the necessary understanding of debt issuance and administration. These are followed by 28 percent representing the new entry to the market i.e. 1 to 4 years of experience and 22 percent with experience ranging from 4 years to 8 years. Figure 6 below indicate the responses on years of experience in government debt securities trading.

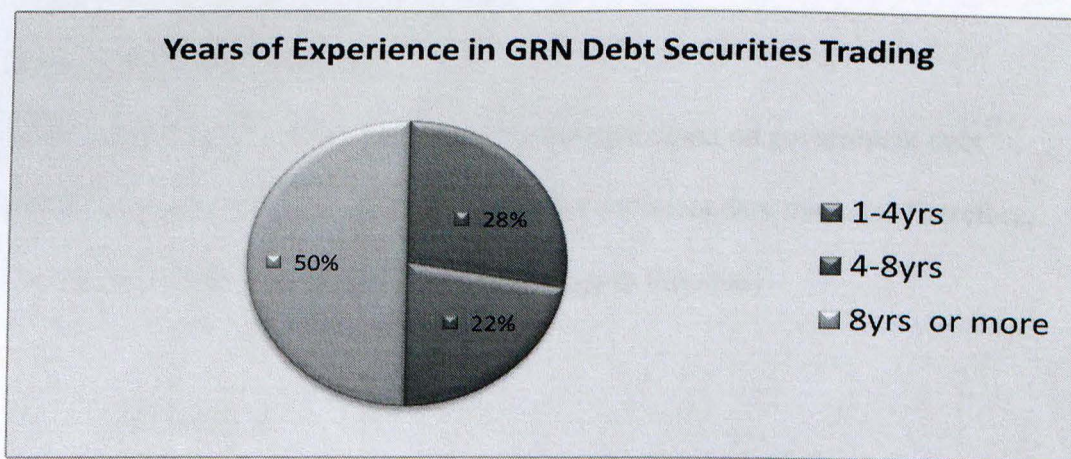


Figure 4.2: Professional Experience in debt Instrument

Source: Reasearch Finding

As indicated in Figure 4.3 below, it is worth noting that most of the respondents 8 (44%) were money market and capital market dealer, followed by the economists with 4 (22%) percent, while portfolio managers, directors or deputy directors and treasurer/finance manager constituted 3 (17%), 2 (11%) and 1 (6%) respectively.

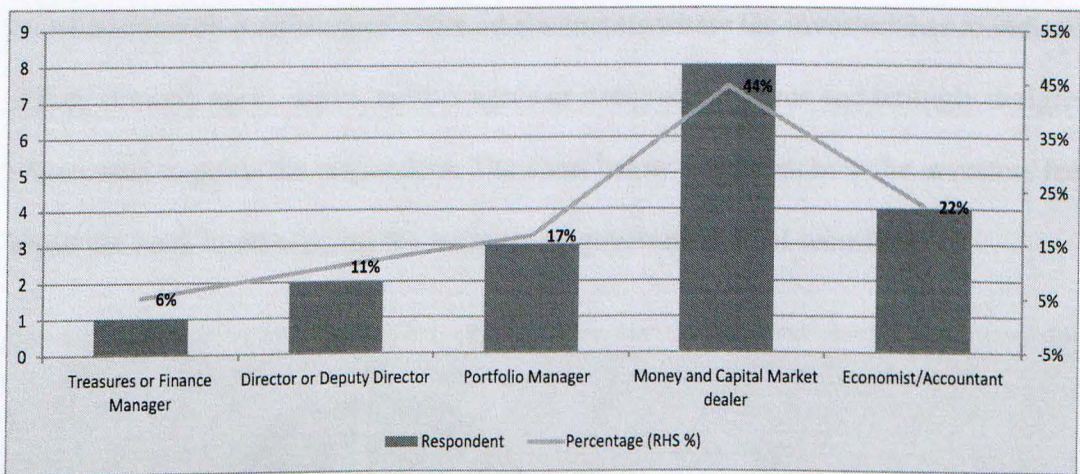


Figure 4.3: Respondent job categories

Source: Research Finding

Money and Capital market dealers are the co-participant on government debt securities auctions both in the primary market and secondary markets. Therefore, having such higher representation is a privilege to this study.

4.4 SECTION B

4.4.1 Investors Perception about the Bank of Namibia

In this section a profile of statement about Bank of Namibia as a service provider is selected based on the services that the Bank provides to investors. The Bank is entrusted with the administration of government debt securities, several positive statements about the professional contact of the bank (as a service provider) were developed. The respondents were asked to mark the appropriate answers with (X) where relevant. This was done to gain a rich understanding as to how the investors perceive the Bank as a professional institution. Bank of Namibia is responsible for the issuance of government debt securities therefore the Bank provide the service to the investors. Therefore, the representatives where asked to express themselves as to how they feel about the bank, being the administrator of government debt securities. A

questionnaire consisting of different statements where the investors has to indicate if they strongly agree, agree, neither agree or disagree, disagree and strongly disagree where used to guide the respondent. The chart below illustrates how the investors feel about the bank in mananging the issuance of government debt securities.

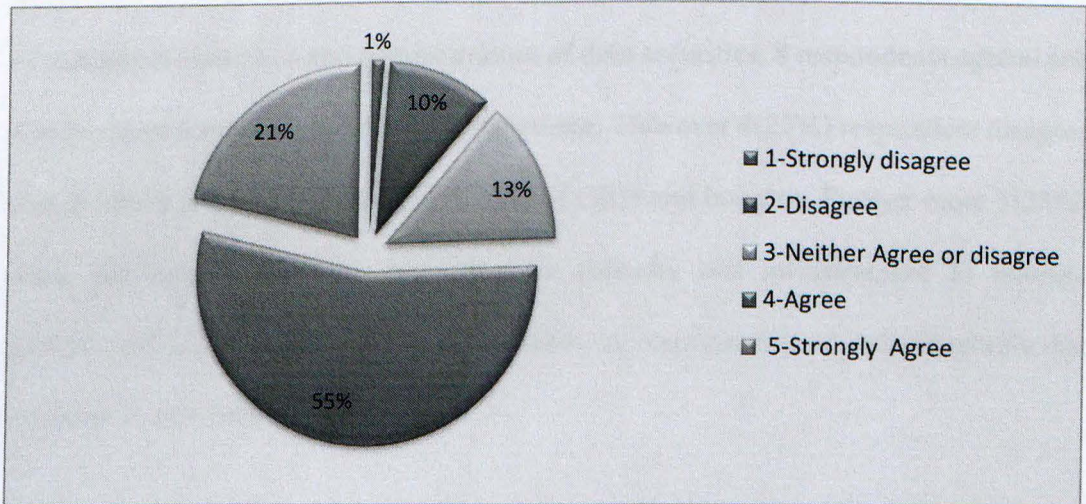


Figure 4.4: representing overall rate of the response about the service provider (BON)

Source: Reasearch Finding

As depicted in Figure 4.4 above, the majority of 55% of the respondent agreed, while 21% strongly agreed positively to those statements developed to determine the credibility of the Bank as an administrator of government debt securities. A 13% of the participants were neutral, while 11% disagree with the statements. However, on overall rating the positive perception outweigh the negative perception.

4.4.2 Response to the Bank as service provider

As indicated in chart 4.5 below, these finding revealed that 12 (66%) agreed and 4 (22%) strongly agreed that the Bank is a professional and credible institution. Only 1 (6%) person disagreed to the abovementioned statement. As to whether the bank

provides clear accountability and responsibility for managing GRN debt securities, the total positive response where 11 (61%) agreed and 3(17%) strongly agreed to the statement. A total 14 (78%) of 18 investors also agreed and strongly agreed that the Bank support the development of financial market. With regard to whether the bank work in the interest of government and investor and has adequate capacity and infrustrature to manage the issuance and administration of debt securities, 8 respondents agreed and 4 respondent strongly agreed to both statement. However 4(22%) respondent disagree that the bank always work in best interest of GRN and investor. Further more 5(28%) were not sure if the bank has adequate capacity and infrastructure to manage government securities. Chart 9, below present the response rate on individual role that the bank is entrusted with.

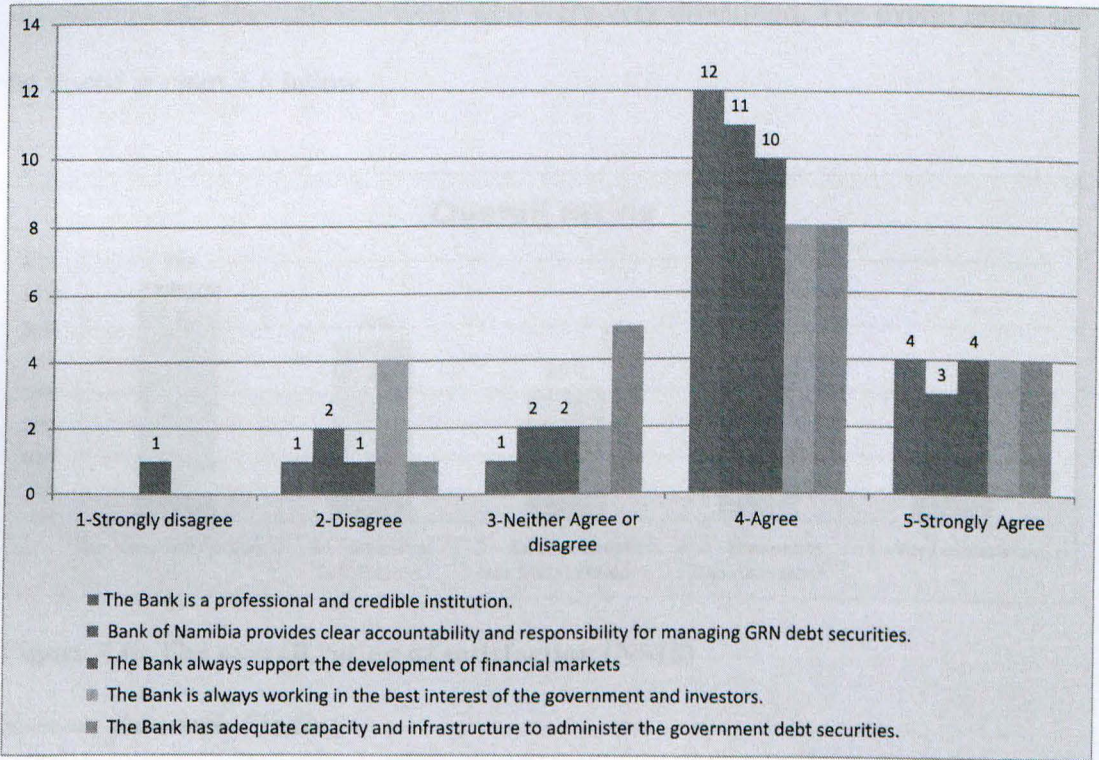


Figure 4.5: Response to the Bank as service provider

Source: Reasearch Finding

4.4.3 Investor Satisfaction with the issuance of government debt securities

To measure the level of satisfaction of investor over the issuance and administration of government debt securities, a satisfactory question across the major five operational categories was developed. This was designed with a purpose to determine whether the bank lives up to its vision and effectively carries out its mission when issuing and administering the government debt securities.

Table 4.1: Average satisfaction results for 2011

4.4.4 Overall rating (Issuance Arrangement)

Considering the response received from 18 respondents 37% were very satisfied with the processes, while 28% were somewhat satisfied and 20% were neither satisfied nor dissatisfied. A negative response rating was 11% of those who were somehow dissatisfied and 4% represent those who were very dissatisfied. The overall rating can be viewed in chart 4.6 below.

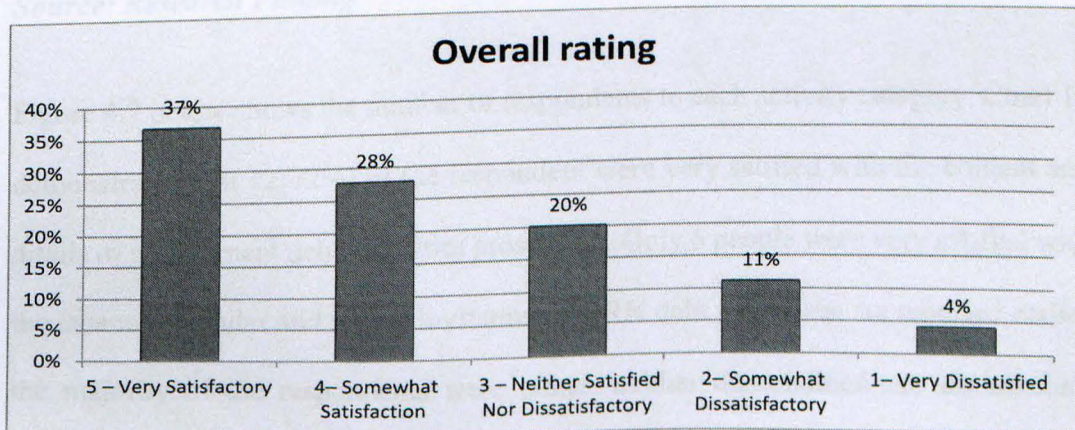


Figure 4.6: The overall rating of satisfaction (N=18)

Source: Research Finding

Considering the responses received on a the issuance of government debt securities, the results, as depicted in the table 2 below, only an average of 33% of the respondent are very satisfied and 31% somewhat satisfied bringing the total positive response

across all activities to 64% (33%+31%). A total of 36% (17%+10%+7%) responses express their dissatisfaction with processes employed by the bank when conducting the activities related to the issuance and administration of government debt securities. Therefore it is worth noting that the availability of the borrowing plan to the investors received a complete negative response (zero) rating under the very satisfaction categories.

Table 4.1: Average satisfaction results (n=18)

Rating criteria	5 – Very Satisfactory	4– Somewhat Satisfaction	3 – Neither Satisfied Nor Dissatisfactory	2– Somewhat Dissatisfactory	1– Very Dissatisfied
Issuance calendar Time frame	28%	39%	0%	17%	17%
Availability of The Government borrowing plan	0%	28%	39%	17%	17%
Tender invitation and announcement of tender result	33%	39%	28%	0%	0%
Time frame from submission of bids to announcement of tender result	33%	50%	0%	17%	0%
The GRN debt securities prospectus is clear (N=18)	72%	0%	28%	0%	0%
Average (mean%)	33%	31%	19%	10%	7%

Source: Research Finding

Figure 4.7 below shows the number of respondents to each activity category. Chart 11 demonstrated that 12(72%) of the respondent were very satisfied with the content and details of government debt securities prospectus. Only 6 people were very satisfied with the issuance calendar and tender invitation of GRN debt securities. As reported earlier the majority of the respondents were either, neither dissatisfied nor dissatisfied, somewhat dissatisfied or very dissatisfied with the arrangement of borrowing plan for debt instruments.

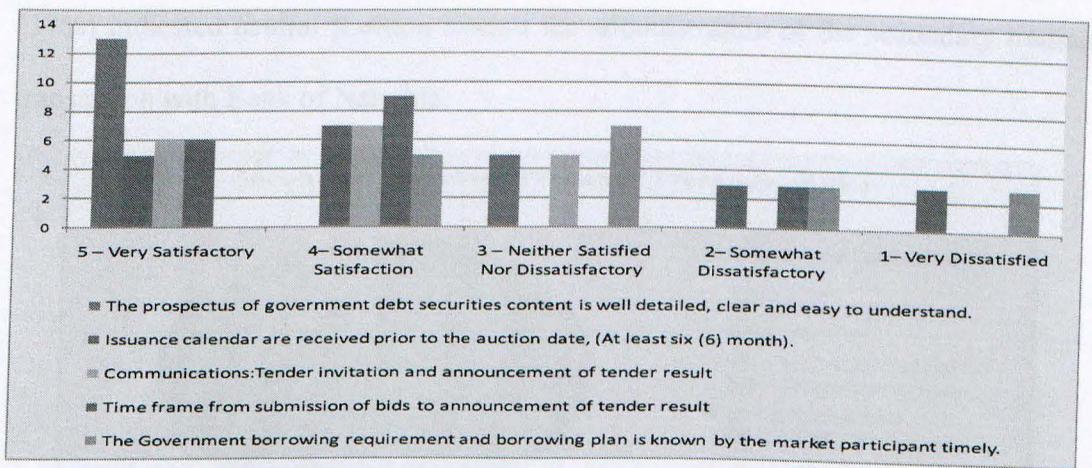


Figure 4.7: Satisfaction by each activities (N=18)

Source: Research Finding

4.4.5 Overall rating (Payment Arrangement)

On payment arrangement, 11(61%) were very satisfied, while 3(17%) were somewhat satisfied with the payment arrangement. 3(17%) were neutral and only 1(5%) was somewhat dissatisfied.

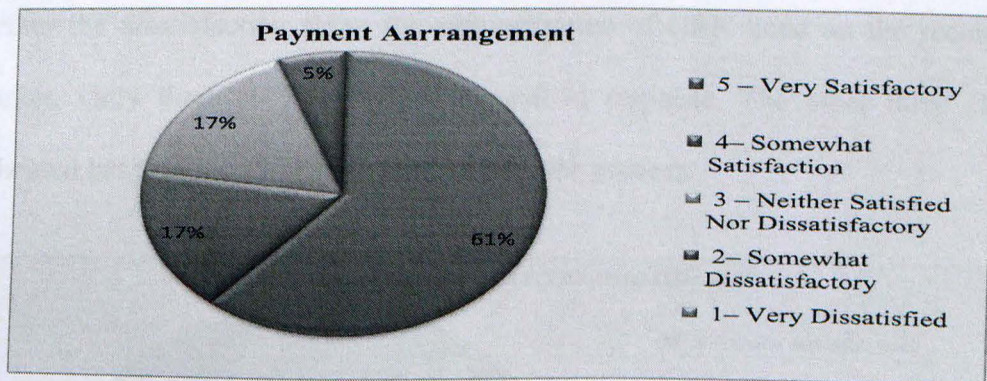


Figure 4.8: Payment Arrangement

Source: Research Findings

4.4.6 Secondary market trading

Depicted in the Figure 4.9 below, out of the total of 18 nine (50%) of the respondent indicated that they are very satisfied with the administration of treasury bill on the secondary market. six (33%) of the respondent were somewhat satisfied, while three

(17%) indicated neutral position toward the administration of the secondary trading transaction with Bank of Namibia.

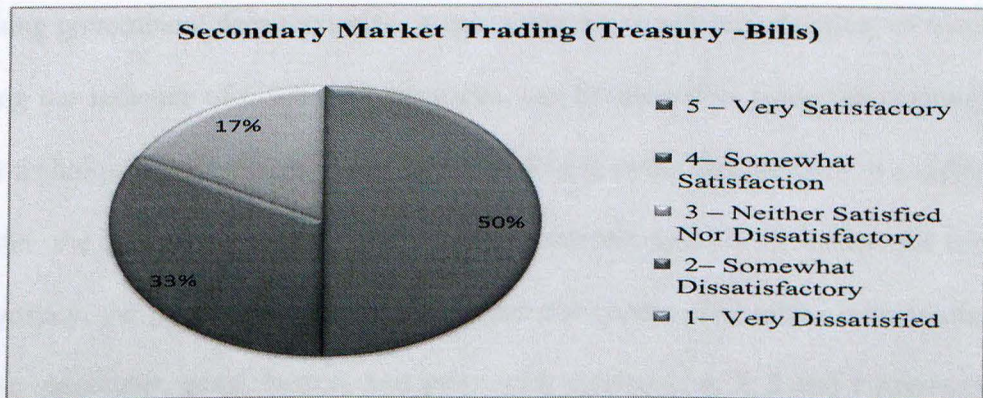


Figure 4.9: Secondary market Trading (T-Bills)

Source: Research Findings

Unlike the treasury bill, the administration for bonds on the secondary market transaction is somehow presenting a different picture. Six (33%) respondent indicated that they are somehow dissatisfied, and six (33%) could not qualify their satisfaction neither the dissatisfaction about the administration of GRN bond on the secondary market. Only three (17%) provided a positive response. The other three (17%) indicated that they are somehow satisfied with the process.

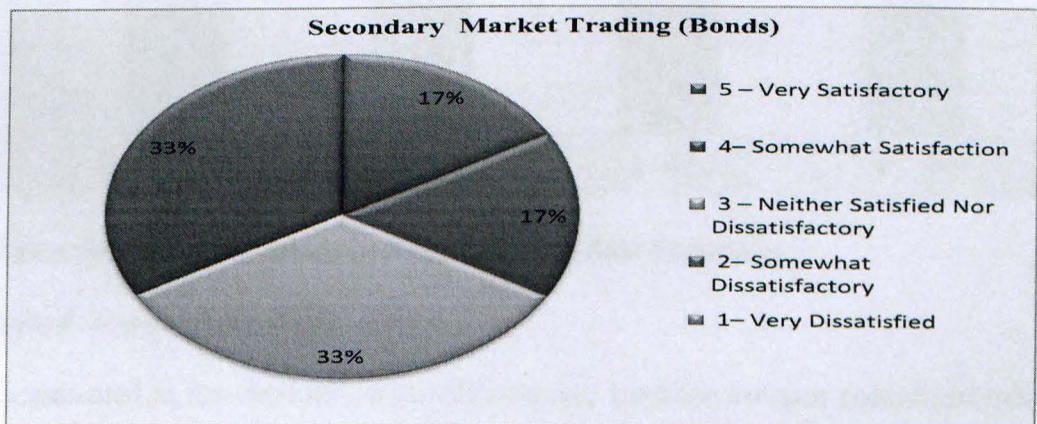


Figure 4.10: Secondary market Trading (Bonds)

Source: Research findings

4.4.7 Issuances Technique

Section D presents the ratings of the investors to the technique used by the bank when issuing government debt securities. A questionnaire consisting of variety of activities along the issuance of GRN debt securities was developed to guide the respondents. The techniques presented here are the auctioning systems that are used to conduct the tender, the auction procedures, the method of submitting bids for tender, the auction frequency, the pricing system and the settlement system. The rating criteria ranging from: **excellent, good, better, and poor** with a value at **4, 3, 2 and 1** respectively, were set for the investor to mark the appropriate answer that fit. The purpose was to assess how the investors feel about the technique used by the bank when issuing the GRN debt instrument. Chart 5: below present the rating level of the issuance technique employed by the Bank when conducting GRN debt securitie's auctions.

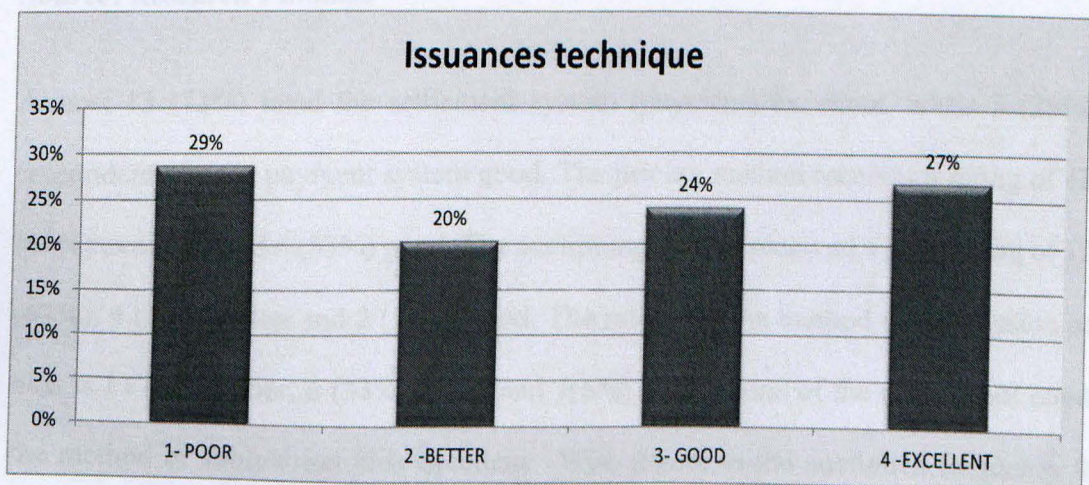


Figure 4.11: Overall Issuance Technique for debt Securities

Source: Research Findings

As indicated in the chart above overall response from the investor consists of mixed results. Out of 18 respondent 29% of the respondent rated the technique poor, while 27% of the respondents rated the technique excellent, 24% rated good and 20% of the respondents rated the issuance technique better. It is worth noting that the overall

positive response outweighs the negative response, i.e. 52% to 48%. Chart16: below present the rating of individual technique.

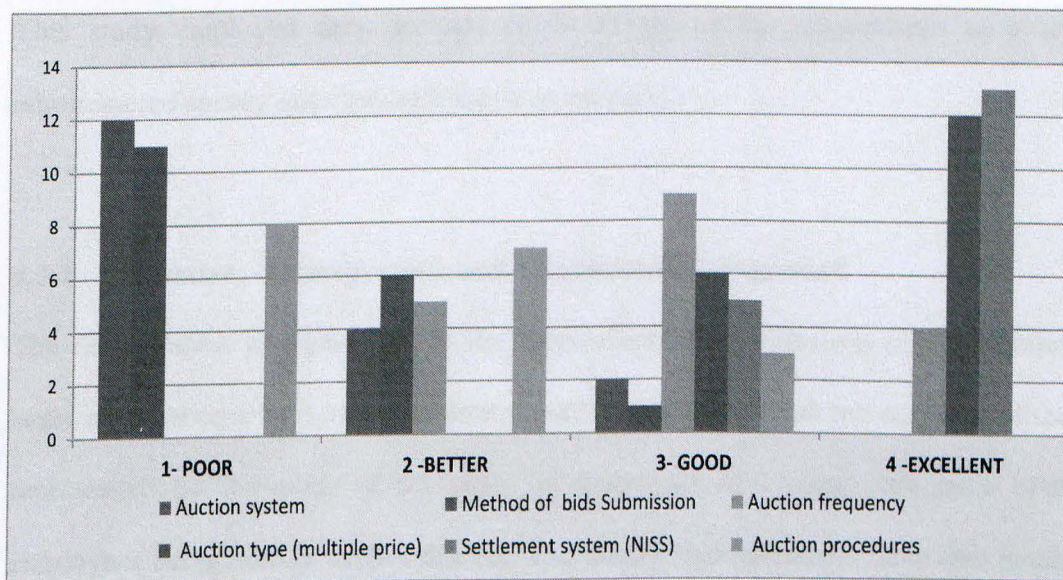


Figure 4.12: Individual rating activities of the Issuance Technique for debt securities

Source: Research Findings

Almost 13 (72%) rated the settlement system (payment) excellent, while 5 (28%) respondent rate the payment system good. The pricing method receives a rating of 12 (67%) excellent and 6 (33%) good. The auctioning system received a poor rating of 12 (67%), 4 (22%) better and 2 (11%) good. The rating for the method of submission of bids is 11 (61%) poor, 6 (33%) better and 1 (6%) good. None of the respondent rated the method of submission bids excellent. With regard to the auctioned frequency 9 (50%) of the respondent rated good, 5 (28%) rated better and 4 (22%) rated excellent to the auctions frequency.

4.5 DISCUSSION OF RESULTS

The discussion of the findings is based on the objective of the study. The objective of this study is to measure the investor's satisfaction with the issuance and administration

of government debt securities in Bank of Namibia. The objectives were formulated and findings are discussed as follows:

This study employed data analysis of 18 (78%) of the respondents to a self-administered survey questionnaire that was returned.

4.5.1 Objective – Demographic and Educational background

The demographic characteristic of the respondents are institutions of employment, years of experience in the field of debt securities and the current job category of their representation. The mode of the years of experience is 6 years with most of the employees being money market dealers. The money market dealers have also made a big fraction of the employees in the field of investment where GRN debt securities fall. The Economists and Accountants have made up a second largest fraction with portfolio managers making up the third smallest fraction, while the treasurers and directors' category are the smallest of the selected employees. Most of the respondents are from commercial banks and stock brokers. The asset Management companies and Ministry of Finance were also well represented.

4.5.2 Objective - The measurement of investors satisfaction with the service offered

Investors' Perception on the Bank of Namibia

Data was analysed using the Microsoft excel spreadsheet. Bar charts and pie charts were used to measure different variables. Considering the responses received per group category, the Bank received a positive rating of 76%. This means that 78% of respondents are in agreement with that the bank is a professional institution and carry out its functions of issuing and administration of debt securities in a professional manner. However most of them were of the opinion that some administration

procedures need immediate attention in order to meet the investor expectations. In this section a profile of statement about Bank of Namibia as a service provider is selected based on the services that the Bank provides to investors. William *et al* (2006) reveals in the Government debt management: New trends and Challenges that maintaining investor relations has become more important than before with many Debt Management Offices (DMOs) reporting greater urgency for organising road shows for large (foreign) investors to participate in the auction for government debt securities.

The mesurment of investors satisfaction

Issuance and Administration: Overall the study found that the investors are somehow satisfied with the issuance and administration of government debt securities in Bank of Namibia. According to Reichheld (1996), 65 to 85 percent of customers who say that they were somehow satisfied or very satisfied with the service could be considered as a positive rating. The researcher took this rating as a standard rating for this study. According to this study an average of the somehow satisfied and very satisfied amount to 64 percent slightly below the minimum of 65 percent. One can conclude that the investors are not extremely satisfied with the issuance of government debt securities.

The results showed that the government borrowing plan does not meet the investor expectation and lack transparency and efficiency. A 72% of the respondent express dissatisfactory with the government borrowing requirement and borrowing plan management. On enquiry it was found that the borrowing plan is only shared by the BON and MOF as internal operational guideline document and not shared with investors. According to the GRN debt securities brochure, amounts to be issued are only announced a week before the tender to for Treasury bills and bonds. And the

calendar is issued six months before, but the calendar does not consist the amount to be issued. In this case the DMS suggest that sales schedule and announcing the volume to be sold ahead of auction timely will allow investors to plan their participation.

Investors however express their satisfaction with, the tender invitation and announcement of tender results. The time frame from submission of bids to announcement of tender result scored (72%) i.e. 33% of somewhat satisfied and 39% very satisfied, while the government prospectus for debt securities scored 83% of the two positive response components.

Generally, when it comes to payment arrangement and the secondary market trading for treasury bill the investors seems to be satisfied with the service that the Bank is offering. However, the secondary trading for bond receives a negative response from the market participant. Investors had also emphasized on the lack of delivery vs. payment (DVP). DVP is a system in which the buyer and the seller exchange security and cash simultaneously.

According to DMS Treasury bill are issued in the Book Entry System (BES). This system allows the electronic title holding for treasury bill and the transfer of this instrument from one holder to another holder is done electronically and without delay. Bond holders are issued with physical certificate and the process takes about a week to transfer the certificate from the previous holder to the new holder as opposed to treasury bills. This process also contains a settlement risk since the exchange of payment take place between the party while transfer of the script is done at Bank of Namibia as per the advice of the previous owner.

4.5.3 Objective -The Issuance Technique

With regard to the issuance technique it has been rated below the acceptable rate of 65 percent. Though the positive responses outweigh the negative response i.e. 52% to 48% the overall response is far below the minimum 65 percent. It is evident that the Bank lack modern system and proper trading platform for the issuance and administration of GRN debt management. Apart from the Book Entry System in which the treasury bills are electronically registered the auctions are contacted manually in the excel spreadsheet. The IMF guide line recommends that the institutions managing the GRN debt securities should possess adequate capacity and infrastructure to improve the auctions procedure and be able to access the large market electronically. Richard & Moyeen et al (2003) also supported the policy by stating that the debt management activities should be supported by an accurate and comprehensive management information system.

The auctioning system and the method of submission of bids are poorly rated from the respondent. The poor rating result from lack of proper information system and automation processed. Considering the observed from other country experience in the literature review the process of issuing government debt securities and the trading in the secondary market is guided by powerful electronic system. The payment systems are likened with trading system. Ownership of the securities is electronically registered.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The chapter aims to integrate the data analysed in the previous chapter. The researcher seeks to translate the results into findings and attach meaning to them. Evidence from DMS document, experience country and previous research will be examined and compared with the present study findings, and from this the conclusion shall be drawn. The significance of the findings will be explained and the results linked to the population studied. The implication of the research findings will be explained.

This chapter will present a summary of the study, the conclusions from the findings and recommendations for future research. The aim of this study was to investigate the investor's satisfactions with the issuance and administration of government debt securities in Bank of Namibia. The study adopted a mixed method research design (Christensen & Johnson, 2012). The research questions for the study were (1) **which institution do you work for?** (2) **Years of experience in government debt securities trading?** (3) **What is your present job title?**

The questions were all answered in Chapter 4 where research findings were presented and discussed in detail.

The study had three main objectives namely to:

- To measure the level of investors satisfaction on:
 - The Bank as a service provider
 - The Issuance Arrangement and
 - The Issuance Technique

5.2 RECOMMENDATIONS

Recommendations will be made regarding the **satisfaction of investor with the issuance and administration of GRN debt securities**, the need for further research in this field, the possible changes to the issuance plan, improvement to the secondary market trading, and the need for the electronic trading system in order to automate the process:

5.2.1 Research

More in-depth study should be conducted to look at the challenges affecting the issuance and administration of government debt securities, in a view of improving the auctions procedure, transparency and efficiency in debt management.

5.2.2 Issuance Plan

- The government and the bank need to start issuing longer term dated calendars for government debt securities with reliable estimates for short and long-term borrowing needs in order to allow investors to plan appropriately.

5.2.3 Secondary market trading for bonds

- To achieve a safe and timely title registration, transfer of securities and settlement the government need to; amend the State Finance Act to incorporate Bonds into the Book Entry System and link the Book Entry System to the settlement system.
- In the long-term the Government shall strive towards achieving delivery vs. payment in the market for Government debt securities.

5.2.4 Issuance Technique

- The most important thing as suggested by investors is the electronic trading systems and the automation of auction procedures vis-à-vis the use of manual procedures in order to enhance speed, reliability and cost-effectiveness.
- The Bank should consider acquiring sophisticated system that can allow investors to bid directly in auctions and purchase the electronic auction systems to streamlining the process of submitting bids so that auction results can be faster processed and disseminated in a matter of minute as opposed to hours.
- The Bank of Namibia needs to employ appropriate machinery for issuing government securities and embark on activities that will strengthen the development of government securities market.

5.3 SUMMARY

Based on the views and research done by numerous researchers and academicians, it can be concluded that customer satisfaction is very important. This point has been echoed by Gerpott *et al.*, (2001) when they said “customer satisfaction is a direct determining factor in customer loyalty, which, in turn, is a central determinant of customer retention”. Therefore, Bank of Namibia should always strive to ensure that investors are very satisfied with the issuance and administration for government debt securities.

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ANNEXURE A: QUESTIONNAIRE

THE RESEARCH QUESTIONNAIRE

Title: An Investigation of the Investors Satisfaction with the Issuance and Administration of Government Debt Securities: A case study of the Bank of Namibia

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Course: Masters of Business Administration: Management Strategy

Institution: University of Namibia

Qualification: (1) Bachelor of Honours Degree; Banking and Finance
(University of Namibia)

Supervisor: Prof Zororo Muranda – Chinhoyi University of Technology,
Zimbabwe.

The aim of this questionnaire is to:

- Measure the level of customer satisfaction with the issuance and administration of government debt securities in Bank of Namibia.

The objectives of the questionnaire are:

Section A:

- Explore and describe the demographic data of the investors Satisfaction with the issuance and administration of government debt securities.

Section B

- To measure the level of investors satisfaction on:
 - The Bank as a service provider
 - The Issuance Arrangement and
 - The Issuance Technique

Instruction:

1. Please complete the included questionnaire by making an X in the applicable column
2. Answer all the question in section A and B
3. Be open , honest and objective in your answer, as this will determine the results of this study and the recommendations resulting from this research study
4. Please do not write your name on the questionnaire to guarantee anonymity
5. This questionnaire will take you approximately five minutes to complete.

SECTION A: DEMOGRAPHIC DATA OF THE MARKET PARTICIPANT

1.1 Which institution do you work for?

Commercial bank	
Financial stock brokers	
Asset management company	
Pension fund	
Ministry of Finance	
Bank of Namibia	

1.2 Years of experience in government debt securities trading?

1-4yrs	
4-8yrs	
8yrs or more	

1.3 What is your present job title?

Treasures or Finance Manager	
Director or Deputy Director	
Portfolio Manager	
Money and Capital Market dealer	
Economist/Accountant	
Others:	

SECTION B: MEASUREMENT OF THE SATISFACTION OF THE MARKET PARTICIPANT

1.1 Objective-Service Provider

Bank of Namibia is entrusted with the administration of government debt securities. Given the important role that the Bank is entrusted with, could you please tick the answers of your choice with an (X) where relevant?

The rating below is applicable:

- 1- Strongly disagree
- 2- Disagree
- 3- Neither Agree or disagree
- 4- Agree
- 5- Strongly Agree

STATEMENT	1 Strongly disagree	2 Disagree	3 Neither Agree or disagree	4 agree	Strongly Agree
1. The Bank is a professional and credible institution.					
2. Bank of Namibia provides clear accountability and responsibility for managing GRN debt securities.					
3. The Bank is always working in the best interest of the government and investors.					
4. The Bank always support the development of financial markets					
5. The Bank has adequate capacity and infrastructure to administer the government debt securities.					

1.2 Objective-Issuance Arrangement

How do you rate the issuance and administration processes of government debt securities in the bank of Namibia?

Rating criteria to be used for this question are as follow:

- ❖ 5 – Very Satisfactory
- ❖ 4– Somewhat Satisfaction
- ❖ 3 – Neither Satisfied nor Dissatisfactory
- ❖ 2– Somewhat Dissatisfactory
- ❖ 1– Very Dissatisfied Outstanding

You can as well give comments/explain in the space provided on the right-hand side,

SERVICE	RATING	COMMENTS
ISSUANCE PLAN		
Issuance calendar are received prior to the auction date, (At least six (6) month).		
The Government borrowing requirement and borrowing plan is known by the market participant timely, (beginning of the fiscal year).		
Communications: Tender invitation and announcement of tender result		
Time frame from submission of bids to announcement of tender result		
The prospectus of government debt securities content is well detailed, clear and easy to understand.		
SETTLEMENT		
Payment arrangement		
SECONDARY MARKET TRADING		
Timely title transfer of Treasury bills in book entry System		
Timely title transfer of Internal Registered Stock (bonds) and printing of certificate		

1.3 Objective - Issuances technique

The Bank uses the following technique to issue government debt securities, how do you rate the technique employed by the bank?

The rating Criteria is as follow,

- 1- Poor
- 2- Better
- 3- Good
- 4- Excellent

Issuances technique	1- POOR	2- BETTER	3- GOOD	4 -XCELLENT
Auction procedures				
Auction system				
Method of bids Submission				
Auction frequency				
Auction type (multiple price)				
Settlement system (NISS)				
Others please specify				

Thank you for your time & effort.

ANNEXURE B: STATISTICAL TABLES OF RESULTS

Objective 1-Demographic data

Demographic Data

Respondent institutions 18 ÷ 23 = 78%	Subject	Responses	Response (RHS %)
Commercial bank	8	7	39%
Stock brokers	8	6	33%
Asset Mgt company	2	2	11%
MOF	3	1	6%
BON	2	2	11%
Total	23	18	100%

Years of Experience in GRN Debt Securities Trading	Frequency	Percentage
1-4yrs	5	28%
4-8yrs	4	22%
8yrs or more	9	50%
total	18	100%

Response Job Title	Respondent	Percentage (RHS %)
Treasurers or Finance Manager	1	6%
Director or Deputy Director	2	11%
Portfolio Manager	3	17%
Money and Capital Market dealer	8	44%
Economist/Accountant	4	22%

Objective 2 -Service Provider

Service provider (BoN)

Statement	1-Strongly disagree	2-Disagree	3-Neither Agree or disagree	4-Agree	5-Strongly Agree	Subject (n = 18)
The Bank is a professional and credible institution.		1	1	12	4	18
Bank of Namibia provides clear accountability and responsibility for managing GRN debt securities.		2	2	11	3	18
The Bank is always working in the best interest of the government and investors.		4	2	8	4	18
The Bank always support the development of financial markets	1	1	2	10	4	18
The Bank has adequate capacity and infrastructure to administer the government debt securities.		1	5	8	4	18
Overall rating	1	9	12	49	19	90

Service provider (BoN) in %

Statement	1-Strongly disagree	2-Disagree	3-Neither Agree or disagree	4-Agree	5-Strongly Agree	Subject (n = 18)
The Bank is a professional and credible institution.	0%	6%	6%	67%	22%	100%
Bank of Namibia provides clear accountability and responsibility for managing GRN debt securities.	0%	11%	11%	61%	17%	100%
The Bank is always working in the best interest of the government and investors.	0%	22%	11%	44%	22%	100%
The Bank always support the development of financial markets	6%	6%	11%	56%	22%	100%
The Bank has adequate capacity and infrastructure to administer the government	0%	6%	28%	44%	22%	100%
Weighted average	1.11%	10.00%	13.33%	54.44%	21.11%	500%

Objective 3-Issuance Arrangement

ISSUANCE PLAN	5 - Very Satisfactory	4 - Somewhat Satisfaction	3 - Neither Satisfied Nor Dissatisfied	2 - Somewhat Dissatisfactory	1 - Very Dissatisfied	Total (n = 18)
Issuance calendar are received prior to the auction date. (At least six (6) months).	5	7		3	3	18
The Government borrowing requirement and borrowing plan is known by the market participants timely. (beginning of the fiscal year).		5	7	3	3	18
Communications Tender invitation and announcement of tender result	6	7	5			18
Time frame from submission of bids to announcement of tender result	6	9		3		18
The prospectus of government debt securities content is well detailed, clear and easy to understand.	13		5			18
Total	30	28	17	9	6	90
SETTLEMENT						
Payment arrangement	11	3	3	1		18
SECONDARY MARKET TRADING						
Timely title transfer of Treasury bills in the book entry system	9	6	3			18
Timely title transfer of Internal Registered Stock (bonds) and printing of certificate	3	3	5	5		16
Total	12	9	8	6		36
Overall rating	37%	28%	20%	13%	4%	144

ISSUANCE PLAN in %	5 - Very Satisfactory	4 - Somewhat Satisfaction	3 - Neither Satisfied Nor Dissatisfied	2 - Somewhat Dissatisfactory	1 - Very Dissatisfied	Total (n = 18)
Issuance calendar are received prior to the auction date. (At least six (6) months).	28%	39%	0%	17%	17%	100%
The Government borrowing requirement and borrowing plan is known by the market participants timely. (beginning of the fiscal year).	0%	28%	39%	17%	17%	100%
Communications Tender invitation and announcement of tender result	33%	39%	28%	0%	0%	100%
Time frame from submission of bids to announcement of tender result	33%	50%	0%	17%	0%	100%
The prospectus of government debt securities content is well detailed, clear and easy to understand.	72%	0%	28%	0%	0%	100%
Total	33%	33%	19%	10%	7%	500%
SETTLEMENT						
Payment arrangement	61%	17%	17%	6%	0%	100%
SECONDARY MARKET TRADING						
Timely title transfer of Treasury bills in the book entry system	50%	33%	17%	0%	0%	100%
Timely title transfer of Internal Registered Stock (bonds) and printing of certificate	17%	17%	33%	33%	0%	100%
Total	67%	50%	50%	33%	0%	200%
Overall rating	20.14%	12.22%	10.69%	6.11%	0.83%	800%

Objective -4 Issuances technique

Issuances technique	1- POOR	2 -BETTER	3- GOOD	4 -EXCELLENT	Total (n= 18)
Auction procedures	8	7	3		18
Auction system	12	4	2		18
Method of bids Submission	11	6	1		18
Auction frequency		5	9	4	18
Auction type (multiple price)			6	12	18
Settlement system (NISS)			5	13	18
Total	31	22	26	29	108
Total=%	29%	20%	24%	27%	100%

Issuances technique in %	1- POOR	2 -BETTER	3- GOOD	4 -EXCELLENT	Total (n= 18)
Auction procedures	44%	39%	17%	0%	100%
Auction system	67%	22%	11%	0%	100%
Method of bids Submission	61%	33%	6%	0%	100%
Auction frequency	0%	28%	50%	22%	100%
Auction type (multiple price)	0%	0%	33%	67%	100%
Settlement system (NISS)	0%	0%	28%	72%	100%
Wegheited Average (%)	29%	20%	24%	27%	600%