

FOREIGN CURRENCY RISK AWARENESS AND MANAGEMENT PRACTICES IN TANZANIA

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ABSTRACT

This paper seeks to evaluate the capacity to manage foreign exchange risk among two groups of interest – practitioners in business and recent graduates of higher educational institutions in Tanzania. It also assesses the adequacy of the content of programmes of study in third-level business training institutions in preparing graduates to manage foreign currency risk effectively.

The research was mainly in the form of a survey. Interviews with key informants provided additional insight from which mini cases were developed to demonstrate some specific issues of interest concerning foreign currency management in Tanzania.

This paper concludes that foreign currency risk is perceived to be a significant challenge by the overwhelming majority of both respondents in business and recent graduates of higher education institutions. It also concludes that the capacity to manage foreign currency risk is either weak or mostly non-existent and there is a need to strengthen that capacity.

In self-assessment of capacities and competencies for managing foreign currency risk through hedging techniques it was evident from the results that awareness of foreign currency risk management techniques as well as competencies to put them to use were significant challenges among respondents – both in firms and to a lesser extent recent graduates. Practitioner respondents were less knowledgeable and less able to use foreign currency hedging techniques and this was the case for both internal and external hedging techniques.

Financial intermediaries on the other hand did not have readily available instruments and products for managing foreign currency risk and this did not help in enhancing the practices in place within firms.

Key words: *foreign currency risk, hedging techniques, Tanzania.*

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INTRODUCTION

BACKGROUND

Since the mid 1970s fixed foreign currency exchange regimes have been disbanded in many countries. With the support of the Bretton-Woods institutions and other leading financial institutions there has been, since the 1980's and much more recently the disbanding of fixed foreign exchange regimes in Africa, Asia and Eastern Europe. Countries with diverse economic and financial structures have adopted market-determined foreign exchange rate systems. In an environment of floating foreign exchange rates, unimpeded capital flow is envisaged.

During the era of fixed foreign exchange regimes, firms faced little risk as exchange rates were determined by some central authority and moved within very narrow bands. This was the case in Tanzania where a number of government-owned companies completely dominated the import and export trade¹. Liberalized currency markets have changed that, and firms now are exposed to risks arising from exchange rate fluctuations. Consequently, the management of foreign currency exchange risks is seen as an important activity.

Tanzania, until 1993, had a fixed foreign exchange regime. In June 1993 the Inter-Bank Foreign Exchange Market was established and paved the way for the creation of a market-determined foreign exchange rate. Prior to that foreign currency risk was not an issue of major relevance to the bulk of domestic businesses. Since the foreign currency market was decontrolled and liberalized, together with the rest of financial markets, foreign currency risk and its management have become matters of interest not only to banking institutions and businesses but also to other players in the financial markets. Due to the effects of a floating exchange rate regime, the Tanzanian shilling has become more exposed to global economic events than it was prior to 1993. Ongoing volatility in the financial markets has exposed even further the Tanzanian shilling, due to falling metal and commodity prices, dwindling capital, and donor and individual transfers in the country. Indeed the long-term direction of the Tanzanian shilling against the US dollar has been the depreciation of the Tanzanian shilling since 2001. Figure 1 presents the general trend of the Tanzanian shilling against the US dollar from 2001 to 2006.

Figure 1: 5-Year Trend of the US dollar to TAS in from 2001 to 2007

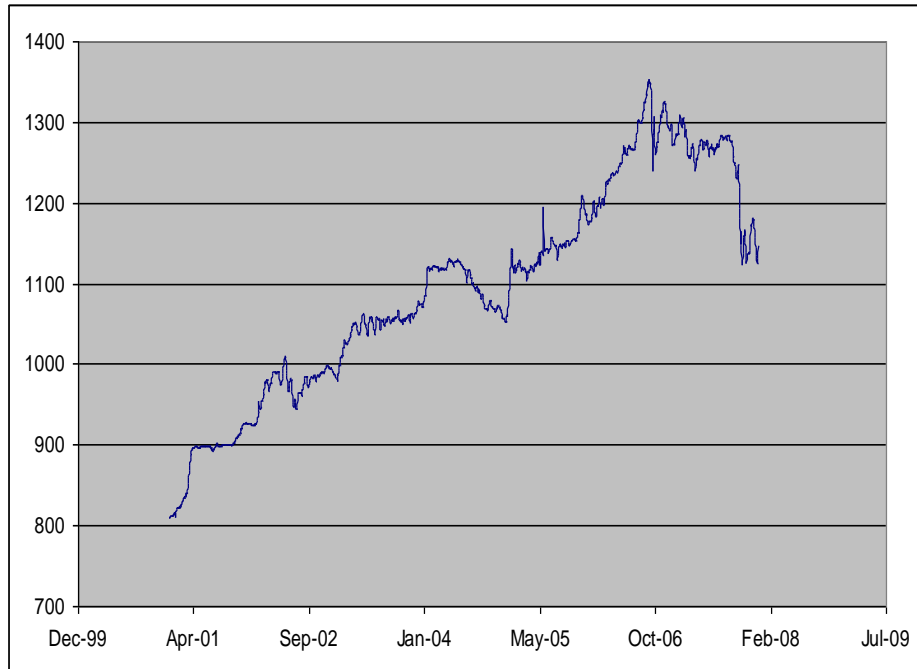
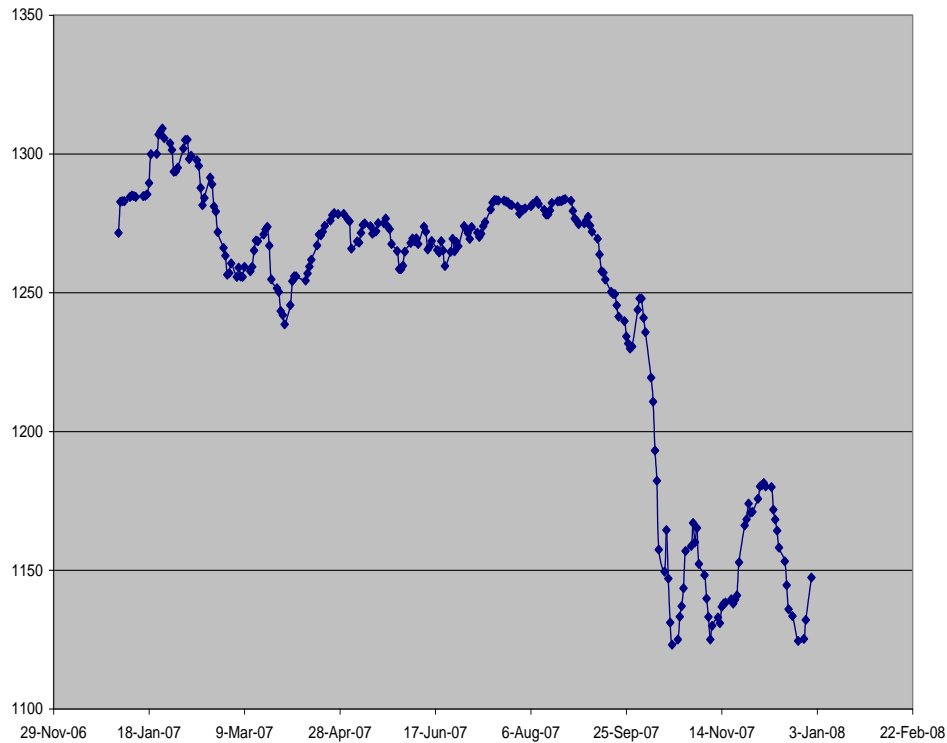


Table 1: Summary Statistics on the TAS/ US\$ 2001 to 2007

Details	2001	2002	2003	2004	2005	2006	2007
	TAS	TAS	TAS	TAS	TAS	TAS	TAS
Highest	928	1,010	1,079	1,131	1,210	1,354	1,309
Lowest	811	925	986	1,053	1,053	1,178	1,123
Mean	885	976	1,049	1,100	1,141	1,266	1,245
Mode	899	980	1,037	1,118	1,163	1,186	1,283
Median	898	980	1,054	1,110	1,142	1,268	1,268
Std Dev	36	19	17	24	26	45	53

The 7-year trend masks the volatility that is experienced within a single year. Figure 1 illustrates the movement of the US\$ against the Tanzanian shilling within one year - from January to December 2007² based on daily mean data. It is clearly evident from Table 1 and Figure 1 that the level of exposure to foreign exchange rate fluctuations is significant.

Figure 2: Trend of the US dollar against TAS in 2007



THE CONTEXT AND OBJECTIVES

Foreign currency risk ought to be a matter of importance for any sizeable firm. Managers in these firms, as a minimum, need to be aware of the existence of such risk. An understanding of techniques which can be employed to minimize foreign currency risk subsequently becomes indispensable. Financial market operators (banks, financial consultants, potential brokers, etc.) must be prepared to offer financial products and services to enable customers and clients to manage foreign currency risk effectively.

Management training institutions also need to have appropriate courses and topics in their programmes to ensure graduates are equipped with the knowledge and tools to manage foreign currency risk.

However, little is known of about the readiness of firms, financial market operators and management training institutions to face up to foreign currency risk and its management. Are these parties aware of the existence of foreign currency risk to their operations? How prepared are they to manage such risk? And what attributes

determine variability in the degree of awareness and readiness to manage foreign currency risk among individuals/firms? These are the principal questions pursued in this research.

The objectives of the research were therefore twofold – first to take an inventory of the capacity to manage foreign exchange risk by businesses and existing or potential players in the financial markets, and to identify the attributes which explain the divergence among individuals/firms, and secondly to assess the adequacy of the content of programmes in third-level business training institutions in preparing graduates to manage foreign currency risk effectively.

The remainder of the paper is organized as follows. The immediate subsequent section reviews literature on foreign currency risk management, starting with the arguments and counter-arguments for the relevance of foreign currency risk management in adding value for firms. The final position taken is in favour of foreign currency risk management as a valuable business operation that adds value in a non-idealised business environment. The third section outlines the survey as the main research approach of the study supplemented by interviews and mini case studies. The fourth and penultimate section presents the findings of the research, first with results from the practitioner respondents followed by those from recent graduates. The fifth and final section presents conclusions of the research and makes a few suggestions of practical relevance.

LITERATURE REVIEW

FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency exchange risk is the additional riskiness or variance of a firm's cash flow that may be attributed to currency fluctuations (Giddy, 1977; Brigham and Ehrhardt, 2005). Normally, foreign currency risk exists in three forms; translation, transaction and economic exposures.

Foreign currency risk management involves taking decisions aimed at minimizing or eliminating the negative effects of currency fluctuations on balance sheet and income statement values, a firm's receipts and payments arising out of current transactions, and on long-term future cash flows of a firm.

Creativity by managers and innovations in financial instruments have, over the years, made available to firms a number of avenues that can be followed in managing the impact of foreign currency rate fluctuations. These avenues are known more commonly as hedging techniques. A hedge is a means of defence against possible loss. Hedging is the process of reducing exposure, and consists of a number of techniques intended to offset or minimize the exchange risk of loss on assets or liabilities which are denominated in a foreign currency. Some hedging techniques can

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be implemented within the firm, i.e. without involving any market-based financial instruments. These are known as internal hedging techniques. All other techniques necessitate having recourse to market-based financial instruments. These are external hedging techniques.

THE RELEVANCE OF FOREIGN CURRENCY RISK MANAGEMENT

The usefulness of hedging as a tool of foreign currency risk management in increasing a firm's value has been a subject of some argument in the literature. Critics of foreign currency risk hedging argue that it is ill conceived and has little or no effect on the value of the firm. It is, they propound, at best irrelevant and at worst costly (Logue and Oldfield, 1977). This is because foreign currency fluctuations defy explanations (Van Horne, 1998). The argument against foreign currency risk management rests on the efficient market hypothesis as it relates to foreign exchange markets. Empirical findings have supported a "weak form" of efficiency in foreign currency markets. It was found that existing foreign exchange rates reflect all economically relevant information contained in past price changes (Giddy, 1977; Giddy and Dufey, 1975). As such, there is no opportunity for one to forecast accurately future exchange rates and systematically make a profit by looking at past exchange rates. In a world of free exchange rates, movements follow a random walk and one cannot consistently beat the market.

Exchange rates change for a number of reasons, including the strength of the economy, political considerations, economic expectations, relative inflation rates, capital flows, and speculation in a currency, the balance of payments, and the government's monetary and fiscal policies, interventions, tariffs and quotas, etc. The strength of an economy, for example, affects the demand, and supply of foreign currency. A fast growing economy that is strong attracts foreign currency, thereby strengthening its own. On the other hand, economic weakness results in an outflow of foreign exchange.

Political or psychological factors similarly have an influence on exchange rates because of established traditions of how such currencies behave relative to, for example, political crises in the world. Economic expectations affect the external value of a currency which, by extension, affects economic variables such as the balance of payments, export growth, inflation rates, etc.

Capital flows are one of the most important reasons for changes in exchange rates. In small and vulnerable currencies speculative activity can raise or lower the exchange rate. For example, the foreign exchange market in Tanzania is very shallow. If a speculator enters and buys US \$1 million, the value of the US dollar rises significantly. This can induce an even larger rise if other buyers enter.

Finally, governments, through monetary and fiscal policies, affect international trade, the trade balance and the supply of and demand for a currency. Central Banks also

intervene in an attempt to smoothen a disorderly market through buying or selling foreign currency to increase or reduce its supply. Tariffs and quotas when imposed also protect a country's foreign exchange by reducing demand.

Nevertheless, theoretical and recent prior empirical research has observed movements in exchange rates in relation to two important variables; the relative prices of goods in two countries and relative interest rates. The Purchasing Power Parity (PPP) theorem explains the relationship between the relative prices of goods and exchange rates. The PPP theorem propounds that, under a floating exchange regime, a relative change in purchasing power parity for any pair of currencies calculated as a price ratio of traded goods would tend to be approximated by a change in the equilibrium rate of exchange between these two currencies (Shapiro and Rutenberg, 1976).

The relationship between relative interest rates and foreign exchange rates is explained by the interest rate theory of exchange rate expectations. Nominal interest rate differentials between two countries tend to reflect exchange rate fluctuations. Giddy (1977) called this the international Fisher effect, a close relationship to the Fisher effect, a phenomenon observed by Irving Fisher in 1896. If the international Fisher effect holds, interest rates in appreciating currencies tend to be low enough, and in depreciating currencies high enough, to offset expected currency gains and losses.

If foreign exchange markets are efficient, then the two theorems must hold. Therefore, foreign exchange rates take into account all expected interest rate and purchasing power differentials. As such, critics of foreign currency risk management argue that there is no exchange risk to justify risk management activity.

In further support of the argument of the irrelevancy of foreign exchange risk management, critics also bring in the Capital Asset Pricing Model (CAPM), the logic being, even if foreign exchange risk existed, it would be either systematic or unsystematic risk. Unsystematic risk can be diversified by the investors themselves in accordance with the portfolio theory by adding low-risk, low- return securities to the portfolio. Systematic risk, on the other hand, is already discounted in asset pricing. Therefore, if foreign exchange pricing is in line with CAPM, then a firm cannot increase its value through hedging. Movement of its share price will be along the Security Market Line only, which takes account of the systematic risk (Adler, 1982; Logue and Oldfield, 1977).

Feiger and Jacquillat (1981) also argued, with some proof, using the Modigliani Miller (MM) theorem, that corporate exchange risk hedging is a superfluous activity. What a firm does an individual shareholder can do on his own account through "home-made hedging". Internal or 'home-made hedging' refers to internal techniques of foreign currency risk exposure management, which are part of a firm's own financial management and/or within the group of companies it belongs to. These techniques do not involve official markets or third parties and therefore do not need

special contractual relationships with third parties outside the enterprise. External hedging techniques on the other hand are methods of foreign currency risk exposure management that involve contractual relationships outside the enterprise or a group of companies in order to reduce the risk of foreign exchange losses.

Following the line of argument of MM it is argued that a well diversified shareholder does not need firms to seek a reduction in exchange risk. It is a duplication of effort, a costly exercise that detracts management from pure value-adding activities.

Criticisms of foreign currency risk management all rest on efficient market operating conditions. Proponents of foreign currency risk management argue their case, pointing to the limitations in assumptions and caveats inherent in the conditions necessary for foreign exchange markets to operate efficiently. Studies have indicated that, in the long term the PPP theorem holds that long term exchange rates are approximated by relative price differentials. However, short-term adjustments between price changes and exchange rates are not immediate. Studies have shown a poor correlation between exchange rate changes and relative price changes and interest rates in the short run (Giddy, 1977; Aliber and Stickney, 1975). As long as the adjustment between exchange rates and relative price changes and interest rates is not immediate, firms are exposed to exchange risk.

Moreover, although PPP holds for weighted average prices of two countries, it does not necessarily hold for relative prices of specific commodities. At the level of individual commodities losses can be suffered as a result of unexpected exchange rates and this must be viewed as exchange risk. A firm therefore cannot rely solely on the macroeconomic relationship of PPP and relinquish its responsibility to manage exposure.

Proponents of currency risk management argue that contrary to the CAPM position, risk management can add value to a firm. CAPM assumes that market imperfections like transaction costs and default risk exist, which if taken into account means that, there is an argument for a firm to manage variability of its cash flows and profitability so as to reduce its default risk status (Dufey and Srinivasulu, 1983). This reduction could translate into increased ability to raise funds and at a lower cost. This would, other things being equal, contribute to an increase in a firm's value. Other empirical studies subsequently supported this thesis (Eun and Resnick, 1988; Ma and Kao, 1990; Jorion, 1990, 1991; Choi and Prasad, 1994; Bartov and Bordnar, 1994; Prasad and Rajan, 1995; Levich, Hayt and Ripston, 1999). A survey of 298 fiduciary institutions in the US in 1998 found that at least 80 percent permitted the use of derivatives to manage risk and held the view that exposure to currency risk should be managed (Levich et al 1999). A recent study of Swedish firms (Hagelin and Pramborg, 2004) also concluded that hedging reduced a firm's foreign currency exposure.

The MM theorem-based argument against risk management contended that the individual investor is a sufficient foreign exchange hedger by himself without having to involve intermediaries in hedging. This argument also assumes that foreign currency markets are efficient. Two main imperfections prevent the individual investor from being an efficient hedger when compared to the firm. These are entry barriers and information gaps (Dufey and Srinivasulu, 1983).

Entry barriers are in the form of size and structural barriers. Minimum size requirements in financial and commodity markets tend to be too large for individual investors. They cannot, as a result, enter and efficiently operate in these markets. Moreover, internal hedging techniques are firm-structured. They are tailored to the operations of a firm and are hardly available to individual investors. Structurally, the individual investor is limited in making use of these hedging avenues.

The individual investor, in order to engage in efficient "home-made hedging", must have up-to-date information on the extent and timing of exchange exposure for all firms in his portfolio. On a practical level, this type of information is internal to the firm and not easily accessed by individual investors. Without such information "home-made hedging" becomes a purely adventurous undertaking.

Therefore, finally, in a practical non-idealized world where market imperfections abound, firms should undertake foreign currency risk management because it provides a valuable service that investors cannot undertake individually. Firms that hedge and can contain the negative impact of foreign exchange risks gain a better competitive position in business than those that do not hedge (Graham and Rogers, 2002).

The bulk of work in the area of foreign currency risk management has been undertaken in environments with well developed financial markets and large reserves of trained business and finance professionals. Tanzania, like most developing countries, does not have a well developed financial market and a large reserve of trained business professionals. These environmental differences have a major impact on a nation's capacity to manage foreign exchange risk. This research study is warranted in that context.

RESEARCH DESIGN AND METHODOLOGY

The research was conducted mainly in the form of a survey. It captured individuals' opinions and assessment of foreign currency risk management awareness, practices and competencies. In training institutions, foreign currency risk management training was assessed by appraising the content of course outlines. The objective of appraising course outlines was to gauge the adequacy of course syllabi in these institutions in preparing trained graduates who are able to function, among others, in the area of foreign currency risk management.

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The survey focused on firms and professionals within firms as well as recent graduates of the two leading business schools in Tanzania.

Interviews were also held with bank officers with the specific interest of appraising the availability of products and services to mitigate the effect of foreign currency risk on businesses.

DATA COLLECTION AND ANALYSIS

Data was collected through one basic survey questionnaire which was appropriately adapted to the two main categories of respondents³. Responses were sought to questions framed on a 5-point Likert scale, limited number of open-ended questions was included to capture the qualitative aspects or provide explanations for some responses.

Seventy (70) firms operating in Dar es Salaam were randomly selected and included in the survey. Dar es Salaam is the commercial capital of the country and the largest import and export centre. A substantial volume of foreign currency-related transactions are effected in Dar es Salaam.

Interviews were conducted with selected and willing respondents in institutions in order to obtain further insights into the challenges of managing foreign currency risk within organisations. Course outlines for programmes of study at the University of Dar es Salaam and Mzumbe University – the two largest business degree awarding institutions in Tanzania were reviewed.

Given the exploratory nature of the research data analysis was descriptive in terms of frequency tables and in observing general characteristics and relationships.

FINDINGS

RESPONSE RATES

The research had identified two principal categories of research subjects, respondents in firms and recent graduates as of 2006. In October 2007, 80 questionnaires were administered to firms in Dar es Salaam and another 80 questionnaires were sent to recent graduates of each of the two leading business schools in Tanzania. Respondents were informed that responses to the questionnaires would be confidential and the identity of respondents and their firms would not be revealed.

The response rate as summarized in Table 1 was relatively good in all categories of respondents.

Table 2: Sample and Response

Category	Administered	Response	Response Rate
Firms	80	50	62.5%
Recent Graduates:	160	103	64.4%
University of Dar es Salaam	80	50	62.5%
Mzumbe University	80	53	66.3%
Total	240	153	63.8%

Within firms research assistants were employed to follow up the questionnaires, while in training institutions assistance was requested and obtained from the Deans of Business Schools and the career and placement coordinators. The response rate for this kind of research is good and most of the responses to individual questions were usable. There were a number of incidents where the respondent chose not to respond to specific questions which are reflected in the totals of frequency tables. Our interpretation of results was based on usable responses to individual questions.

RESPONDENT PROFILES

FIRMS

The profile of respondent firms by line of business covered a range of activities as summarized in Table 2.

Table 3: Major Business Line of Respondent

Business Line	Frequency	Percent
Banking	4	10.0%
Accounting and Assurance Services	6	15.0%
Security Exchange Dealing	2	5.0%
Management Consultancy	4	10.0%
Other Services [Airport ground handling, air transport, IT solutions]	12	30.0%
Petroleum Products [Import and Wholesale]	6	15.0%
Manufacturing	4	10.0%
Motor Vehicle Import and Sales	2	5.0%
Total	40	100.0%

The range of businesses represented in the sample of respondents was wide and covered the key areas targeted for the research.

Whether or not a firm was local or a subsidiary of an overseas holding company was considered important for this research in that foreign exchange risk management strategies would have been perhaps different between local firms and subsidiaries of foreign firms. In the sample of respondents 10 of the respondent firms were subsidiaries of foreign companies domiciled in the United Kingdom the Netherlands, France and the USA.

In terms of the jobs of the respondents, they were overwhelmingly in Finance or Treasury positions which were anticipated, given the nature of the research.

As for academic qualifications as summarized in Table 4 all respondents had, as a minimum, a first degree or equivalent. Moreover, 29% had a second degree. In addition, 17 respondents had a professional accounting qualification. Professionals with accounting training therefore dominate positions that were relevant for foreign currency risk management.

Table 4: Respondents' Educational Qualifications

Educational qualification	Frequency	Percent
First Degree	28	58%
Masters Degree	14	29%
Professional	6	13%
Total	48	100%

The average work experience of the respondents was 15 years, with 3 years being the least experienced and 30 years being the most experienced. 32 respondents trained locally while 16 trained overseas. This attribute was considered important in order to demonstrate whether or not overseas training had an impact on foreign exchange risk awareness and management practices. This aspect is explored further in the results where cross-tabulations are undertaken.

The large majority of respondents completed their education more than 10 years prior to the administration of the survey instrument. Half of the respondents studied in the 90's followed by a large batch in the 70's (25%). Very few respondents (6) had graduated between 2000 and 2004.

Table 5: Respondents' Work Experience

Job Experience in Years	Frequency	Percent
3	2	4.2
4	6	12.5
5	6	12.5
6	4	8.3
7	4	8.3
10	6	12.5
15	4	8.3
18	2	4.2
22	2	4.2
27	4	8.3
29	2	4.2
30	6	12.5
Total	48	100

PERCEPTIONS OF FOREIGN EXCHANGE RISK IN TANZANIA – FIRMS

Respondents were asked about their perceptions of the nature of foreign exchange risk to Tanzanian business and all ranked the risk as very big (36%), big (12%) or potentially big (52%).

Table 6: Views on Capacity to Manage Foreign Currency Risk

	Frequency	Percent
Capacity is adequate	2	4
Capacity is somewhat adequate but needs strengthening	16	32
Capacity is weak or mostly non-existent and needs to be developed	28	56
I cannot make such an assessment	4	8
Total	50	100

Consequently 96% of the respondents recommended or strongly recommended that foreign exchange risk management be undertaken by Tanzanian businesses. Nevertheless, again the majority of respondents expressed the view that the capacity of among Tanzanian businesses to manage foreign exchange risks was weak or non-existent (56%), or where it existed it needed strengthening (32%).

In the specific institutions where the respondents worked, the research was interested in establishing whether policies or guidelines existed on how to manage

foreign exchange risk. Surprisingly, as shown in Table 8, only half had a policy or guidelines in place and the remainder had either no policy or guidelines (29%) or they were under consideration (17%). All subsidiaries of overseas holding companies had a policy document in existence on the management of foreign currency risk. There was therefore a distinction in this respect between domestic firms and subsidiaries of overseas firms.

Table 7: Existence of Policies on Foreign Currency Risk Management

Status on Existence of Policy	Type of Firm		Total	
	<i>Local</i>	<i>Foreign Subsidiary</i>	<i>Frequency</i>	<i>Percent</i>
Yes there is a policy in place	8	16	24	50.0
No but a policy is currently under consideration	6	2	8	16.7
No a policy is not considered necessary at the moment	12	2	14	29.2
No foreign currency risk mgt is handled by parent company	0	2	2	4.2
Total	26	22	48	100.0

KNOWLEDGE OF AND COMPETENCY IN FOREIGN CURRENCY RISK MANAGEMENT

As elaborated in the literature review section there are two main groups of foreign currency risk management techniques; internal hedging techniques and external hedging techniques. Internal hedging techniques are able to be executed within a firm by managerial operational arrangements. External hedging techniques on the other hand involve an instrument that can only be bought or sold through market intermediaries. External hedging techniques therefore require greater competency to execute them successfully when contrasted with internal hedging techniques.

The research sought to measure the degree of knowledge or general information as well as competency on the part of respondents on the use of specific hedging techniques. The responses from firms on their knowledge, of competency in employing internal and external hedging techniques are summarized in Table 9 and Table 10. Three kinds of responses were sought; whether the respondent was aware of and knowledgeable about a specific hedging technique; whether he was aware of and knowledgeable about the technique but was not able to use it, and finally whether the respondent was relatively competent and able to use the specific hedging technique.

INTERNAL HEDGING TECHNIQUES

It was expected that respondents would have been more aware of and competent in using internal hedging techniques, but perhaps challenged in using the more complex ones. However, as illustrated in Table 9, the respondents had very limited competency, even with respect to internal hedging techniques.

Table 8: Knowledge of and Competency of Internal Hedging Techniques

Sn	Internal Hedging Techniques	Not Informed	Informed, unable to use	Able to use
1	Invoicing exports in US\$ or Euros	13.0	26.1	60.9
2	Matching balance sheet assets/liabilities against liabilities/assets in the same foreign currency.	8.7	43.5	47.8
3	Negotiating a local currency (TAS) price for imports.	15.8	42.1	42.1
4	Switching to a local or regional supplier.	21.1	36.8	42.1
5	Matching foreign currency trade payments/receipts against receipts/payments in the same foreign currency.	19.0	42.9	38.1
6	Leading/lagging of payments to/receipts from third parties.	35.0	30.0	35.0
7	Foreign exchange adjustment clauses in contracts.	28.6	38.1	33.3
8	Adjustment of inter-company accounts through leading/lagging.	45.0	45.0	10.0
9	Adjustment of inter-company accounts through transfer pricing.	36.8	57.9	5.3

Only 'invoicing exports in US\$ or Euros' was comfortably able to be used by the majority of respondents (60.9%). And even this there was a small proportion of respondents (13%) who were not aware of this technique. The remaining internal hedging techniques were able to be used by less than half of the respondents. The last five hedging techniques were techniques in which respondents were least competent and uninformed about. Clearly some of the techniques may have no practical significance to firms in which respondents worked, such as transfer pricing opportunities. However, it was still expected that respondents, given their academic backgrounds, would have good awareness of the techniques.

Clearly there is a major challenge with respect to the transfer of skills and appropriate competencies among firms to, at least, enable them to appreciate and use internal hedging techniques that are practical to the business environment of firms in Tanzania.

EXTERNAL HEDGING TECHNIQUES

External hedging techniques are too complex for the majority of business operatives to use and the results illustrate the expected pattern of responses. As illustrated in Table 10 the majority of respondents were either not knowledgeable about the techniques or were knowledgeable but unable to use them. For example, not a single respondent was able to use ‘Forward foreign currency hedge contracts’ or ‘forward foreign currency option contracts’.

Table 9: Knowledge of and Competency in External Hedging Techniques

Sn	External Hedging Techniques	Not Knowledgeable	Knowledgeable to use	Able to use
1	Forward foreign currency borrowing.	19.0	42.9	38.1
2	Forward foreign currency hold accounts.	26.3	42.1	31.6
3	Forward foreign contracts against the TAS.	15.0	55.0	30.0
4	Forward foreign currency swaps.	22.7	50.0	27.3
5	Forward foreign contracts between two foreign currencies.	28.6	47.6	23.8
6	Forward interest rate swaps.	30.0	50.0	20.0
7	Forward future rate agreements.	23.8	61.9	14.3
8	Forward interest rate option.	23.8	61.9	14.3
9	Forward financial futures contracts.	35.0	60.0	5.0
10	Forward foreign currency hedge contracts.	28.6	71.4	0.0
11	Forward foreign currency option contracts.	31.8	68.2	0.0

Thirty five (35) percent of respondents acknowledged that they were not knowledgeable about ‘forward financial futures contracts’, 60 percent were knowledgeable but unable to use this technique with only 5 percent being able to use it. This scenario is repeated for all the external hedging techniques. There are, however, notable differences with respect to three techniques; forward foreign currency borrowing, forward foreign currency hold accounts and forward foreign contracts against the TAS, with at least 30 percent of respondents being able to use them. ‘Forward foreign currency borrowing’ was a hedging technique that was most able to be used by respondents (38.1%), followed by ‘forward foreign currency hold accounts’ (31.6) and finally ‘forward foreign contracts against the TAS’ (30%).

EXPLAINING VARIATIONS IN FOREIGN CURRENCY RISK MANAGEMENT COMPETENCY

It had been considered important at the design phase of this research to capture

information on the kind of education and training as well as country of training of respondents. The tentative hypothesis was that the kind and country of training would have provided different degrees of exposure in an appreciation of the competency need for foreign currency risk management.

Cross-tabulations were performed, pairing responses on awareness of internal and external foreign currency risk management techniques with country of training. The cross tabulation results do not support the view that the country of training offered different exposure to foreign currency risk management practices. This may have more to do with the period in which the training was undertaken, as the majority of candidates had graduated in the 90's – some even earlier than that (25 percent in the 70's). Skills transferred in those times may have broadly lacked the emphasis on some of the techniques this research was interested in. It could also be that older graduates have become rusty and whatever had been covered was no longer remembered sometimes because the knowledge was not relevant and not routinely employed in post-graduation work situations.

MINI CASES

The results were followed up by interviews in order to obtain insights into the challenges faced by firms in managing foreign currency risks. Extended interviews were conducted in July 2008 with 3 entrepreneurs in Dar es Salaam who are engaged in the import trade (used household goods from the UK, motor vehicle parts from Japan via Dubai and used motor vehicles from Japan). From these extended interviews 3 mini cases are presented and attached as Appendix 1.

What emerges from the mini cases is that even fairly large businesses by Tanzanian standards struggle with the management of foreign currency risk. Therefore, the implications for the small and medium-scale import-export businesses, it is argued, would be worrying. In most of these small and medium-scale import-export businesses the foreign currency risk management avenue of choice is to convert sales collections into US dollars at the earliest opportunity in order to accumulate sufficient currency to pay for the subsequent consignment. Although somewhat helpful this is a very rudimentary approach to managing foreign currency risk.

AVAILABILITY OF FOREIGN CURRENCY MANAGEMENT PRODUCTS IN THE MARKET

A review of the product offerings of the 4 largest banks in Tanzania was conducted in order to assess the availability of products that could mitigate and address foreign currency exposure for Tanzanian firms, especially using external hedging techniques. In none of the four institutions was there a single readily available product. However, two of the banks would be able to arrange for a product to be made available by a related overseas financial institution. A supply-led initiative has the opportunity to create demand for a product and therefore the absence of

readily available products has stunted the development and growth of foreign currency management practices in Tanzania. Of course the other side of the explanation is the lack of explicit demand for these products, which according to the results of this research is mostly accounted for by ignorance on the part of the respondents.

RESPONDENT PROFILES - RECENT GRADUATES

In order to obtain up-to-date information on current skills and competencies in managing foreign currency risk, the study had also targeted recent graduates and administered a slightly modified survey questionnaire. The principal survey questionnaire was nevertheless, essentially the same.

Graduates from the two public universities in Tanzania with established business schools were surveyed. Table 11 summarises their profiles.

Table 6: Graduates Profile – Academic Qualifications and Institutional Affiliation

Highest Academic Qualification	Training Institution	Frequency (N)	Percent (%)
Bachelor of Commerce	University of Dar es Salaam	50	48.5
Bachelor of Accountancy and Finance	Mzumbe University	53	51.5
Total		103	100.0

Except for 2 graduates of 1998 and 1999 the remainder graduated between 2003 and 2006 as illustrated in Table 12. The respondents were therefore a fairly recent output of the training institutions.

Table 7: Graduates Profile – Year of Graduation

Year of Graduation	Frequency (N)	Percent (%)
1998	1	1
1999	1	1
2003	1	1
2004	42	40.8
2005	54	52.4
2006	4	3.9
Total	103	100.0

PERCEPTIONS OF FOREIGN CURRENCY EXCHANGE RISK IN TANZANIA – RECENT GRADUATES

Recent graduate respondents were asked their perception of the nature of foreign exchange risk to Tanzanian businesses and they ranked the risk as very big (28.2%), big (49.5%) or potentially big (22.3%).

With respect to the capacity that existed to manage exposure to foreign currency risk, only 3 (2.9%) were of the view that their capacity is adequate and the remainder believed that their capacity was somewhat adequate but needs strengthening (57.3%) or was weak and mostly non-existent and needing to be developed (35.9%).

Table 8: Views on Capacity to Manage Foreign Currency Risk

	Frequency (N)	Percent (%)
Capacity is Adequate	3	2.9
Capacity is Somewhat Adequate but Needs Strengthening	59	57.3
Capacity is Weak and Mostly Non-Existent and Needs to be Developed	37	35.9
I Cant Make Such an Assessment	4	3.9
Total	103	100

Consequently, all but 3 recommended foreign currency risk management as important for Tanzanian businesses as illustrated in Table 15.

Table 9: Views on Managing Foreign Currency Risk

	Frequency (N)	Percent (%)
Strongly Recommended	54	52.4
Recommended	46	44.7
Undecided	3	2.9
Total	103	100

These views on the extent of foreign currency risk as a business problem in Tanzania and the existing capacity to manage it are convergent with those of the respondents from firms. Both groups of respondents concur that exposure to foreign currency risk is a significant challenge to Tanzanian businesses that warrants special attention.

KNOWLEDGE OF AND COMPETENCY IN FOREIGN CURRENCY RISK MANAGEMENT

Similar to the respondents from firms, this study also sought to measure the degree of knowledge or general information as well as competency on the part of recent graduate respondents on the use of specific hedging techniques. The responses from recent graduates on their knowledge of and competency in employing internal and external hedging techniques are summarized in Table 16 and Table 17. The same three kinds of responses were sought; whether the respondent was aware of and knowledgeable about a specific hedging technique; whether he /she was aware of and knowledgeable about the technique but was not able to use it, and finally whether the respondent was relatively competent and able to use the specific hedging technique.

INTERNAL HEDGING TECHNIQUES

It was expected that recent graduate respondents would have been more aware of and competent in using internal hedging techniques, but perhaps challenged in using the more complex external hedging techniques. However, as shown in Table 16 the respondents have limited competency even with respect to internal hedging techniques. However, the level of awareness of and competency in using techniques is generally better in recent graduate respondents than in the respondents from firms.

Table 10: Knowledge of and Competency in Internal Hedging Techniques

Sn	Internal Hedging Techniques	Not Knowledgeable (%)	Knowledgeable to use (%)	Able to use (%)
1	Matching foreign currency trade payments/receipts against receipts/payments in the same foreign currency.	18.6	13.7	67.6
2	Matching balance sheet assets/liabilities against liabilities/assets in the same foreign currency.	19.4	13.6	67.0
3	Adjustment of inter-company accounts through leading/lagging.	31.4	13.7	54.9
4	Leading/lagging of payments to/receipts from third parties.	26.9	19.2	53.8
5	Invoicing exports in US\$ or Euro.	36.3	10.8	52.9
6	Foreign exchange adjustment clauses in contracts.	39.4	13.1	47.5
7	Adjustment of inter-company accounts through transfer pricing.	29.4	23.5	47.1
8	Switching to a local or regional supplier.	47.4	9.3	43.3
9	Negotiating a local currency (TAS) price for imports.	48.0	10.2	41.8

In contrast to the respondents from firms, recent graduates were most comfortable with the first two internal hedging techniques – ‘matching balance sheet assets/liabilities against liabilities/assets in the same foreign currency’ and ‘Matching foreign currency trade payments/receipts against receipts/payments in the same foreign currency’. 67 percent of recent graduates were able to use these techniques as compared with 18 to 19 percent who were not knowledgeable about these techniques.

At the aggregate level there were, however, mixed results with respect to the remaining internal hedging techniques. For example, while 52.9 percent were able to use ‘invoicing exports in US\$ or Euro, an equally significant proportion (36.3%) were not knowledgeable about the technique. Similarly while 47.5 percent were able to use ‘Foreign exchange adjustment clauses in contracts,’ an equally significant proportion (39.4%) was not knowledgeable about the technique.

VARIATION IN FOREIGN CURRENCY RISK MANAGEMENT AWARENESS IN TRAINING INSTITUTIONS

The cross-tabulation of results by institution of training revealed that one of the institutions – the University of Dar es Salaam of Dar es Salaam actually accounted for a larger proportion of those who were not knowledgeable about specific internal and external hedging techniques. The difference in the proportions of those who were knowledgeable and able to use internal and external hedging techniques was statistically significant across the two training institutions.

Table 11: Cross-tabulation Results of Foreign Currency Risk Awareness in Training Institutions

	t-test			
	t	df	Sig. (2-tailed)	Std. Error Difference
Proportion of those knowledgeable about Internal Hedging Techniques [Q13]	3.251	16	0.0050	0.05811
Proportion of those able to use Internal Hedging Techniques [Q13]	-4.397	16	0.0000	0.0508
Proportion of those not knowledgeable about External Hedging Techniques [Q17]	6.73	20	0.0000	0.04701
Proportion of those able to use External Hedging Techniques [Q17]	-8.285	20	0.0000	0.04806

This is an interesting observation, especially because the review of course structures and course outlines shows that the University of Dar es Salaam has more courses at undergraduate level, which include content on foreign currency risk management. Mzumbe University had only one course that had the relevant content. Perhaps this is to do with the delivery of course content or other reasons not captured in this research.

Table 12: Undergraduate Course with Foreign Currency Risk Content in Training Institutions

Institution	Mzumbe University	University of Dar es Salaam
<i>Programme of Study</i>	<i>BBA [Accounting and Finance]</i>	<i>Bcom [Accounting or Finance]</i>
Year 1	no course offered	no course offered
Year 2	no course offered	no course offered
Year 3	ACC 361: International Finance	IB 301 International Business Finance FN 307: Treasury Management

A review of course content actually reveals that the programme offering a Bachelor of Commerce degree at the University of Dar es Salaam is more comprehensive than that of the course offering a Bachelor of Business Administration [Accounting and Finance] at Mzumbe University. Other things being equal, graduates of the Bachelor of Commerce degree programme at the University of Dar es Salaam ought to have had greater awareness of foreign currency risk and its management than those of the Bachelor of Business Administration [Accounting and Finance] course offered at Mzumbe University.

The fact that the research results indicate otherwise may be attributed to a number of factors that were not explored in this study, among them being the actual coverage of course content in class [in contrast to what appears on paper] and the competency of the trainers who actually deliver the content.

Consequently, significant challenges are represented by these results with respect to the transfer of skills and appropriate competencies within training institutions in Tanzania. Certainly the level of appreciation and understanding of the level of competent use of internal hedging techniques can and should be enhanced.

EXTERNAL HEDGING TECHNIQUES

As shown in Table 19, the majority of recent graduate respondents were able to use 6 of the 11 external hedging techniques. These techniques are ‘forward foreign currency borrowing’.(71.3%), ‘forward foreign currency hedge contracts.(64.7%),

‘forward foreign currency option contracts’ (62.7%), ‘forward financial futures contracts’ (59.8%), forward foreign contracts between two foreign currencies’ (58.8%), ‘forward interest rate option’ (58.4%) and ‘forward future rate agreements’ (57.4%).

This is a major variance from the respondents from firms who were fairly weak in these techniques. Two reasons are feasible – one is that course content as well as delivery has improved to much better levels within training institutions compared with that experienced by older graduates. But it is also possible that the responses are exaggerated to inflate the competency of recent graduates. This is a normal hazard in self-administered surveys. Perhaps an instrument accompanied by a small problem-solving case would have captured better both appreciation and competency levels. This is an area for improvement in future research of this nature in this area.

Table 13: Knowledge of and Competency in External Hedging Techniques

Sn	External Hedging Techniques	Not Knowledgeable (%)	Covered, unable to use (%)	Able to use (%)
1	Forward foreign currency borrowing.	17.8	10.9	71.3
2	Forward foreign currency hedge contracts.	24.5	10.8	64.7
3	Forward foreign currency option contracts.	25.5	11.8	62.7
4	Forward financial futures contracts.	24.5	15.7	59.8
5	Forward foreign contracts between two foreign currencies.	28.4	12.7	58.8
6	Forward interest rate option.	22.8	18.8	58.4
7	Forward future rate agreements.	29.7	12.9	57.4
8	Forward foreign contracts against the TAS.	36.5	14.5	49.0
9	Forward foreign currency swaps.	33.0	19.0	48.0
10	Forward interest rate swaps.	33.0	20.0	47.0
11	Forward foreign currency hold accounts.	51.6	15.8	32.6

CONCLUSIONS AND IMPLICATIONS

The objectives of the research were to evaluate the ability to manage foreign exchange risk by businesses and existing or potential players in the financial markets, and assess the adequacy of the content of programmes in third-level business training institutions in preparing graduates to manage foreign currency risk effectively.

In the first place the research concludes that foreign currency risk is perceived to be a significant challenge by the overwhelming majority of both categories of respondents and that there must be avenues in place to enable the management of such risk. However, there is a perception that the capacity within the country to manage foreign

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currency risk is either weak or mostly non-existent or where it is somewhat in existence that capacity needs to be strengthened.

One major lead towards better foreign currency risk management is the existence of a policy document that, would guide practice with respect to foreign currency risk management. It emerged from the research that it was not normal practice for local firms to have a policy in place. A divergent view was however observed in subsidiaries of overseas holding companies which evidently had a document in place to guide practice.

In the self-assessment of the capacity and competency needed for managing foreign currency risk through hedging techniques it was evident from results that awareness of foreign currency risk management techniques as well as the ability to put them to use were significant challenges to the respondents – both in firms and to a lesser extent recent graduates. Further analysis of the self-evaluation of recent graduates revealed interesting variances between the two leading business schools in Tanzania. Both have course structures and course outlines with content that covers foreign currency risk management as part of portfolio management or international finance. However, graduates from one of the institutions (University of Dar es Salaam) had higher incidences of respondents who were more knowledgeable about hedging techniques than the other institution (Mzumbe University). The variance may have to do with course content coverage with different batches of graduates or perhaps other reasons not captured by this research.

The respondents in firms were less knowledgeable and less able to use foreign currency hedging techniques and this was the case for both internal hedging techniques as well as external hedging techniques.

The fact that financial intermediaries did not have readily available instruments and products for managing foreign currency risk did not to in enhance the practices in place in firms. The history of the development and use of financial instruments has in many instances been supply led. The deficiencies observed in foreign exchange risk management may exist partly because of the fundamental lack of financial market development.

Given the results of this research one apparent recommendation from the conclusions of this research is to explore avenues by which Tanzania can enhance the capacity within firms to manage foreign currency risk exposure. Two specific avenues need to be pursued. One is the route of continuing education for those at work through short-term training that is very practical. Perhaps this could involve professional organizations for finance specialists, bankers, accountants, consultants, etc. Such training should ideally be off site because of the need to gather participants from diverse businesses and orientation for 3 days of training and assessment. Perhaps rather than cover foreign currency risk alone it could be preceded by introductory content on the Import-Export Trade.

As far as small and medium enterprises are concerned, special emphasis may have to be placed on the transfer of skills BDS providers, who could be prepared to become conversant with practice-oriented formats for training entrepreneurs who may not themselves be educated at high levels but who are, nevertheless, astute business people. This may involve collecting mini cases of real encounters with foreign currency risk exposure and using such cases to train others. Perhaps through such training more cases may be offered and documented. Since entrepreneurs may find it challenging to devote long continuous periods of time to training, a weekend clinic format of training may be more appropriate. This could be limited to 3 to 4 hours a session running for 4 weeks at a fixed location.

The second avenue would be to address the transfer of skills and competencies within training institutions. This may start with a comprehensive review of the relevant courses within institutions, an evaluation of instruction and content delivery and finally perhaps the preparation of simple locally contextualized supplementary course materials. Instructors may need to be attended to as they may not be comfortable with teaching foreign currency risk management, the consequence of which is observed downstream among graduates.

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APPENDIX 1: MINI CASES

The survey results were followed up by interviews in order to obtain insights into the challenges faced by firms in managing foreign currency risks. Extended interviews were conducted in July 2008 with 3 entrepreneurs in Dar es Salaam who are engaged in the import trade [used household goods from the UK, motor vehicle parts from Japan via Dubai and used motor vehicles from Japan]. From these extended interviews 3 mini cases are presented. Moreover, 11 other interviews were conducted between November 2007 and January 2008 with officials responsible for foreign currency management.

Mini Case 1: A Large Telecom Company with a Dollar Denominated Loan

Illustrating the scale of the problem of foreign currency risk, one large telecom company incurred a loss of TAS 6 billion (\$4,615,000) in the financial year ended June 2007 from foreign currency exposure on US\$ denominated loans. Only after this event had occurred did the Director of Finance contact a local subsidiary of a US bank to explore the purchase of a facility that could minimize such losses in the future.

It was suggested in an interview with a bank official that perhaps individuals who occupy positions concerned with finance, who have been trained in accounting and are experienced are more concerned with proper accounting and reporting and may not have sufficient interest in and appreciation of foreign currency risk⁵.

Another respondent, who came across as being very knowledgeable, provided an interesting perspective on the problem of foreign currency risk management. He suggested that even when competency existed, as in his case, it is the Chief Executive who, if uncomfortable in the area of foreign currency risk management, tended to delay or even resist making the appropriate decisions to hedge against foreign currency fluctuations.

Mini Case 2: The Bank with a forthcoming Commitment in South African Rands

One local bank with a growing branch network in major trading centres of Tanzania was undertaking a major expansion plan. This plan included the purchase of Automatic Teller Machines and other equipment from a South African company and would have therefore been financed and paid for in South African Rands. The total value of the equipment was TAS. 14 billion. Since the expansion plan was to take a whole year to implement and would cost a lot of money, it was suggested to lock into the South African rand, through a currency forward contract, to the extent of the value of equipment that was to be imported from South Africa.

Although a reasonable course of action, the chief executive resisted the proposal for 6 months until the impact of the exposure and losses was unbearable and very clear for all to see. In the first six months, with only a quarter of the equipment supplied, the loss incurred had reached TAS. 28 million.

These two cases involved fairly large companies by Tanzanian standards. The implications for small and medium-scale import-export businesses, it is argued, would be worrying. In most of these small and medium scale import-export businesses the foreign currency risk Management Avenue of choice is to convert sales collections into US dollars at the earliest opportunity in order to accumulate sufficient currency to pay for the subsequent consignment. Although somewhat helpful this is a very rudimentary approach to managing foreign currency risk. The following 2 mini cases illustrate this challenge small local import traders.

Mini Case 3: Amani – The Used Household Items Importer

Amani is a 28-year old enterprising young man with secondary education only, but who is a very astute business person. Before coming back to Dar es Salaam he had spent 7 months in Milton Keynes, England as a failed ‘Somali’ asylum seeker. While in England he figured out that, with reliable sourcing, the export of used household items to Tanzania would be a lucrative business. He established good collecting points in suburbs and towns across London and Essex. One of his key sources for quality products were retail chains that delivered to him defective or reject new items. When they arrived in Dar es Salaam these were seen as ‘new’.

His operations in Dar es Salaam are run from a rented former residential house in Msasani – a middle class suburb, which he has turned into a showroom and warehouse. Amani imports five 40-foot containers with mainly fridges and freezers. A single container would take 145 mixed units of freezers/fridges and would cost him £ 9,000 to buy and £ 3,000 to ship from Felixstowe, UK to Dar es Salaam, Tanzania. Shipping to Dar es Salaam takes 3-4 weeks. It takes about 2 months to sell and collect money from all his stock and this is therefore a 3-month business cycle.

The £ 60,000 investment in the stocks means that Amani is continuously exposed to foreign currency fluctuations and he recognizes that risk very well because he stated ‘If I did nothing, my investment in the stock would be eroded every time I replenished it. So how did he manage the foreign currency risk?’

First, he offloads the contents of 4 of his 5 containers on a wholesale basis and immediately buys Sterling Pound. This ensures that he is covered for 4 of his 5 containers while waiting for the last container, the contents of which he retails at his showroom. This immediately transfers the foreign currency risk to his customers once the containers have been cleared at the port.

He has another crude but effective way of managing foreign currency fluctuations. He simply tries to generate extra cash flow with each consignment by filling in the spaces in his containers with small household items and refrigerant compressors, which he buys very cheap but sells in Dar at a handsome profit. Proceeds from the sale of these items always ensure that he is able to generate sufficient local currency to maintain his stock levels. That way his capital is not eroded by depreciation of the Tanzania shilling against the pound.

Have his bankers been of help? Yes, his bankers offer him a special customer rate when he buys currency. For example, when the TAS/£ rate was TAS. 2,400 recently he bought sterling at the bank for TAS. 2,340.

In the case of Amani, with almost a fixed amount of £ that he needed for stock it would have been possible for a bank to offer a product that would guarantee locking him at a certain rate for a fixed duration at a fee that would be less than the exposure he currently manages rudimentarily.

Mini Case 4: Ayubu – The Japanese Vehicle Parts Importer

Ayubu is a 46-year-old entrepreneur who trained as a civil engineer at the University of Dar es Salaam. He runs a Japanese vehicle spare parts business and currently owns 3 outlets in the city's central business district. He is a pious person who has built his business on trusting relationships with his customers and has therefore built up a large customer base. He has recently branched off into civil engineering and construction.

His daily turnover is about TAS. 6 million [US\$ 5,000] which generates a 'reasonable' margin according to him. Is he exposed to foreign currency risk? He understands his exposure very well, especially for his slow-moving items – such as large mechanical parts for Nissan Patrol. These sell very handsomely to Government departments but they take time to move. This slow-moving stock he estimates amounts to about US \$ 80,000 at any one time.

How does he manage foreign currency risk on a routine basis? He purchases US \$ on a daily basis through a connected bureau de change. That way he is only exposed in relation to stock but not cash. Moreover, for stock he would scan competitors' prices on a weekly basis and make prices adjust his, especially if a competitor has landed a new consignment.

Although all his items are Japanese, he does not handle the Japanese Yen at any point in his transactions. He has observed the relationship of the Yen to TAS to be less stable than the Dubai Dirham to US \$. He therefore routes all his trading through a wholesaler in Dubai who is willing to trade in US \$. He is convinced that he has a much more stable trading platform in the dirham than in the Yen.

Have his bankers been of help? Not at all as he has never discussed currency trading with them.

Ayubu comes across as a trader relatively with more awareness but even he has not fully appreciated the avenues at his disposal to manage foreign currency risk exposure. Clearly in both cases the banks have not been as helpful as they could have been. Perhaps this is because of the volume of trade of the individual traders. However, if a window was made available for many of these traders, perhaps a bigger volume in total could be generated.

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END NOTE

¹Companies were formed to handle specific trades such as the Agricultural and Industrial Supplies, Buildings, Hardware and Electrical Supplies, Domestic Appliances and Bicycles, Household Supplies, etc.

²Data sourced from

http://www.botz.org/FinancialMarkets/IFEMsummaries/ifem_summaries2007.htm

³The research instrument is available from the researcher on written request.

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⁵ This view was not tested in this research and perhaps this might be a subject of interest to pursue in the future.