

Appendix I

**TITLE PAGE OF THE SENIOR ESSAY
ASSESSMENT ON THE FORMATION
AND OPERATION OF SHARE
COMPANIES IN ETHIOPIA**

Senior Research Paper

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COVER PAGE OF THE SENIOR ESSAY

**ANALYSIS OF THE PROBLEM AND SUGGESTED
SOLUTION FOR THE FORMATION AND
OPERATION OF SHARE COMPANIES IN
ETHIOPIA**

**A Senior Essay Submitted to the Department
of Law St. Mary's University College**

By

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THE APPROVAL SHEET OF THE SENIOR ESSAY

ST. MARY'S UNIVERSITY COLLEGE COLLEGE OF OPEN AND DISTANCE LEARNING

As a member of examining board of the final senior essay presentation/defense, We certify that we have heard and evaluated this paper prepared by Damenu kibret entitled Assessment on the formation and operation of share companies and recommended that it be accepted as the Partial Fulfillment of the requirements for the degree of LAW/LLB

Examiners

Signature

Department Head

Examiner (I)

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DECLARATION

DECLARATION

I the undersigned declare that this senior essay/project is my original work, prepared under the guidance of W/rt Tenadam Laleab. All sources of materials used for the manuscript have been duly acknowledged.

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Signature-----

Date of submission -----

**Content of the senior research paper for the title
Assessment on the Formation and Operation of Share
Companies**

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1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Any research paper is designed to give to readers brief if not detailed knowledge on the topic selected. Accordingly I would like to present the very concept of share companies, how it is formed, by whom can it be formed, its guiding principle, problems encountered by share holders, minimum capital, its similarity and difference with other business organization and soon.

In Ethiopia like any developing countries business organizations were formed in a form of private or group called associations through cultural or religious heritage for almost a century period until 1950's where the commercial code of 1960 was promulgated.

It was the beginning of modern business that still guide business organizations specifically explain the duties and responsibilities of state, individuals, legal bodies and formed business organizations.

Although the topic of the research was assessment on the formation and operation of share companies, the paper would give some clue on the different types of business organizations how share companies are different from others, what kind of problems share holders are facing, what duties and responsibilities ministry of trade do have and how it is providing support for all share

companies formed/operational and for the public in order to have knowledge on share companies.

After making detailed research on the problems share companies are facing I have tried to put in the paper all findings and solutions suggested including my own recommendations

Business organization is any association arising of a partnership agreement. Any business organization other than a joint venture shall be deemed to be a legal person.

There are six types of business organizations

1. Ordinary partnership
2. Joint venture
3. General partnership
4. Limited partnership
5. Share company
6. Private limited company

Ordinary partnership

It is an ordinary partnership within the meaning of this title where it does not have characteristics which make it a business organization. Each partner shall make a contribution which may be money, debts other property or a skill unless otherwise agreed. Contributions shall be equal and of the nature and extent required

for carrying out the purpose of partnership. Where a partner contributes a debt he guarantees only equivalent to the existence of the debt and not the solvency of the debtor unless otherwise agreed.

Where property is contributed the risk shall pass to the partnership in accordance with the provisions relating to sale, where the use of property is contributed, the risks shall remain with the contributing partner. Decision of ordinary partnership will be made by the majority of partners where majority means having a share of majority holding in the partnership.

The appointment of an attorney or carrying out any case that goes outside normal partnership practice need the consent of all partners. Each of the partners do have the right to be manager if the partnership has not already agreed or decided to appoint one or more people or a third part to be the manager.

Each partner shall be liable to the other partner in respect of any damage which he has caused by his default. Any benefit which he has procured for the partnership in handling other business may not be set off against such damage. No partner may handle either for his own benefit or for a third person any business which would be contrary or prejudicial to the partnership.

Where a partnership continues for more than one year partners may request the management a report to be prepared and

presented at the end of each fiscal year. Unless otherwise agreed every partner shall have an equal share in the profit and losses irrespective of his/her contribution.

If a partner has given notice to dissolve under commercial code Art. 258, the rest partners may prevent the dissolution by paying out his share and the partnership shall continue as between the other partners.

Joint venture

It is an agreement between partners on terms mutually agreed and is subject to the general principles of law relating to partnerships. Joint venture is not made known to third parties, its agreement may not be in writing and is not subject to registration and other forms of publication required in respect of other business organizations even it may not have legal personality.

A joint venture may not issue negotiable securities. It shall be managed by one or two managers who may not be partners. If manager is not appointed or assigned all partners shall have the status of managers.

A joint venture may be dissolved on one of the following

- Expiry of the terms explained on the memorandum of understanding (MOU)
- Completion of its purpose

- Failure of the purpose to perform
- Unanimous decision of the partners
- Court's decision to dissolve
- By the request of one partner
- The acquisition of all shares by one partner
- Death or bankruptcy or incapacity of a partner
- Decision of manager/s.

A partner may be expelled by court and he will be paid what is due to him on the day of expulsion

General partnership

It consists of partners who are personally, jointly, severally and fully liable as between themselves and to the partnership for the partnership's firm undertakings.

The name of the firm shall consist of the names of at least two names of partners followed by the words "General partnership" and may not contain names of persons who are not partners.

General partnership will have Memorandum of Association that is drawn by the partners containing the following

1. Names, address and nationality of each partner
2. Business name
3. Head office and branch

4. Purpose of the firm Business
5. Each partner's Contributions its value and method of valuation
6. Partners contributing skill and service required from them
7. Each partners profits and losses and the procedures for allocation
8. Managers and agents of the business
9. Period of establishment

General partnership will be administered by one or two managers they may or may not be partners, if manager is not assigned each partner shall be a manager.

Manager may be freely dismissed by the partners. Contributions, risks, interest, appointments of an attorney, right to check books, report getting notice to dissolve, power of liquidations, settlement with creditors and distribution of profit or loss will be the same as ordinary partnership.

Limited partnership

In limited partnership there are two types of partners

1. General partners in full liable personally, jointly and severally
2. A limited partner is liable only to the extent of contribution.

Limited partnership shall have a firm name consisting of the names of the general partners with the words "Limited Partnership". If a limited partner allows his name to be included he shall be liable to third parties as though he was a general partner.

Memorandum of Association of limited partner contains all the particulars of general partners and particulars of limited partners are.

A limited partner shall not act as manager when he

1. Consults with other partner
2. Deals with the firm
3. Investigates managerial acts
4. Gives advice and counsel to the firm
5. Gives permission to do acts outside manager's powers

Companies limited by shares

They are those whose capital are fixed in advance and divided in shares and whose liabilities can meet only by the assets of the company. Its name can be any one including the word "share company"

Their capital should not be less than 50,000.00 Birr, the amount of each share should not be less than 10.00 Birr When established share holders may not be less than five.

Persons who signed on MOA and subscribe the capital do have legal status of founders. Others such as initiators, facilitators and whose name appears on the prospectus can be called founders.

- The founders shall be fully, jointly and severally liable to the parties in respect of commitments ensured for the formation of the company

- The company shall take over these commitments from the founders and refund to share holders with all expenses made by them in so far as such commitments and expenses were necessary for the formation of the company or approved by the general meeting of the subscribers
- If the company is not established for any reason, the subscribers shall not be liable for all expenses and commitments' made by the founders

Liability of the founders of companies limited by shares

The founders shall be jointly and severally liable to the company and to the third parties for any damage in connection

- ✚ The subscription of the capital and expenses made for the formation of the capital
- ✚ Contributions made under commercial code Art 315 (valuation of contribution in kind)
- ✚ The accuracy of statements made to the public in respect of the formation of the company

A share company shall not be formed until




1. The capital has not been fully subscribed at least one quarter of the total capital MOA has been paid up deposited in a bank in the name of the company

2. Where registration has not been effected within one year from deposit in a bank the sums deposited shall be repaid to the subscribers, such repayments shall be effected by the founders who shall be jointly and severally liable.
3. After one year such sum shall bear interest at the legal rate
4. When the time to buy shares has been expired the founders shall call meeting of the subscribers.

The purpose of the meeting shall be

1. To verify that the requirements relating to the formation of the company have been complied with
2. To draw up the final text of the MOA
3. To approve contributions in kind if any and the share in the profits allocated to the founders
4. To make all appointments required under the MOA
5. To make final or edit as appropriate the MOA and Article of Association
6. To elect new Board of directors or approve the earlier one

Private limited companies

-  It is a company whose members are liable only to the extent of their contributions
-  It shall not have less than two or more than fifty members and is always commercial in form
-  Shall not issue transferable securities in any form

- ✚ Capital of plc shall not be less than fifteen thousand Birr and amount of each share shall not be less than 10.00 Birr
- ✚ The capital of the company shall appear on all company documents, invoices, publications and other papers.

In modern world trade, industry, agriculture and any financial transactions share companies are the most preferred and advantageous form of business that give rise to prosperity to share holders and provide employment opportunity to majority and increase economic development of the country.

Those companies who are transnational and monopolies have been once formed as share companies with small initial capital. This is a historical development of share companies. All government of developed and developing countries are giving incentives for individuals to form share companies rather than PLC or trading enterprise.

During Hail Selassie Regime the notion of share companies has been started where the government has prepared commercial code of 1960 that still serve as a legal ground to establish share companies. Some legal experts believe or comments on this commercial code that can serve as legal base for the next decades, but it needs procedure and rules that will help all stake holders how to follow and supervise the establishment and regulate share holders operation. In now a day's Ethiopia where there exist

globalizations, complex business activity, interaction between Ethiopians and foreign business men or organizations there is a need to have special rules and regulations to strictly adhere all relevant bodies to clearly identify or show the basic rights and duties of ministry of trade, share holders, promoters, organizers and board members.

As explained above share holding companies are the one which will give advantage for the share holders, employee and the state in different forms, but the government and individuals who are organizers, promoters, board members and even share holders do not know their rights and duties when the share company is formed and during operation.

The government should have to aware the investors or potential share holders what kind of advantage and disadvantage do share holders, customers, public and employee get from share companies, so that all will have common understandings on share companies.

During my research I have found that concerned ministry (ministry of trade) individuals who form S.C and serve as board members promoters, organizers don't even know their duties and responsibilities as a result there is complaint of share holders where share companies could not be operational. The reason for those established share companies not to be operational are

shortage of capital (bank loan), filer of the government to support share holding companies in getting land or working capital

1.2 STATEMENT OF THE PROBLEM

The objectives of the research has been to identify the main problems of share companies formation, operation and propose solution, from the stated point of complicated problems

When share holders are formed there are two main and necessary things to exist

1. Capital
2. Professionals

Capital will be raised from share holders but it may not do business by itself alone rather it needs talented individuals to form an enterprise or entity. The enterprise will have legal status as opposed to share holders, here shareholders may not have right to direct or order the enterprise to run the business as they wish, but based on the rules, regulations and structure shareholders may assume position in the structure and get financial benefit in form of salary or allowance.

When we say a share company has organizational structure we mean that without the existent or non-existent of founders, general manager or any official the daily activity of the company will

continue. At the same time one department or head will control or check, the performance of the other for the smooth operation of the enterprise in accordance to objectives and goal set up in advance

On the other hand the regulatory body who is ministry of trade is not in a position to supervise and give guidance for the founders and evaluate their performance, this may be due to lack of trained manpower in the field or other reasons not identified by the researcher.

The researcher has contacted those individuals who are complaining over founders/board members of the share companies without being operational for a long period of time that result a loss of capital and enrichment of founders, organizers or board members.

I have made discussion with ministry of trade experts and director of trade and registration directorate on the issues who clearly express their dissatisfaction on the formation, operation and performance of promoters and board members obligation in accordance to the 1960 commercial code. The Ministry has not accomplished its duties this is

- Because of the existing organizational structure that has not given attention for share companies.
- Knowledgeable experts are not assigned or employed
- No system of follow up and supervision on share companies during formation and operation

Even if there is a system in performing their duties the practical application may differ when ever system is not supported by law, procedure and strong disciplined person or official. Share companies are basically engaged in agriculture, industry, agro-industry and service sectors.

In Ethiopia not less than 700 share companies are registered to be formed by relevant government office but I could not get reliable data of how many of them are still on formation stage or dissolved or died before being operational. This is because except the national bank which is in charge of controlling banking and insurance companies ministry of trade is not in a position to follow, supervise and give guidance for share companies due to different reasons

Share companies employ skilled and unskilled persons and government will collect tax from profit and income tax. Then share companies will play a great role in countries development activities at the same time increase their capital. So rather than dreaming to get foreign capital it is a great opportunity for Ethiopian investors to form share company and establish strong organizational structure with clear rules, regulation and system with fertile ground.

Though the research is directed to evaluate share companies formation and operation who are under the auspicious of ministry of trade, it is worth to write some facts how the national bank is controlling, supervising and follow up the performance of banking and insurance companies. Before six years national bank has endorsed procedural law for financial sector companies which makes reasonable for share holders.

Some of the National Bank's procedural laws of 1999 articles are

- National bank should approve chair person of the board of directors and chief executive officer before they assume their position
- National Bank has limited board of directors service period
- From the total number of board of directors 1/3 of them should be from those who has a minimum share
- The general meetings of share holders and their discussion including deliberation, minutes and video recordings should be sent to national bank for verification
- Board nomination committee will be elected to serve for three years
- When the bank decide to give loan for any person outside the national bank policy the bank will be penalized to pay Birr 10,000.00

While as those share companies formed under ministry of Trade let alone to have procedural law the ministry do not have independent directorate or division who is assigned to follow share

companies , this shows that the ministry did not give attention for the sector

1.3 OBJECTIVES OF THE STUDY

1. To identify problems on the formation of Share companies in relation to rules and regulations
2. To specify duties and responsibilities of organizers, promoters and supervising ministry
3. To propose solutions for all problems

1.4 .SIGNIFICANCE OF THE STUDY

The problem on the formation and operation of Share Companies, failure of ministry of trade to supervise, follow up, and give guidance and respond to complaint of share holders needs to get solution

Lack of awareness of the community and investors on the advantage of share companies should be acknowledged by the government and increase awareness through all means

Finally the reach is expected to propose solution that will benefit all stake holders

The research should be made on the real problem why share holding companies are not flourishing and be strong as compared to other country's share companies. Through identifying the different types of problem on the formation and operation of share companies we can stimulate others to propose solution

1.5 LIMITATION/SCOPE OF THE STUDY

During my research the problem i faced are literatures are not abundant where scholars and writers did not give attention to share holding companies or may be due to negligence. Even rules, regulations specifically the commercial code does not cover all issues related to share companies.

People whom i contacted them to reply for my questions or fill questioners are reluctant and some of them are not cooperative.

My scope of study was intended to start from the concept of share companies, problems on the formation, operation and follow up their development up to solutions suggested by others and final conclusion forward by the researcher.

I believe that i have tried to bring what share companies do play in the countries development, the problems they encounter and the government failure to play its role in promoting share companies in the mind of investors and to the public at large to your attention if not covered the whole part.

1.6 DELIMITATION OF THE STUDY

As far as the writer is concerned I would like to thank St. Marry University college library personnel who has given me the right access to search any literature in the library written by Ethiopians, Although I could not get the right books or magazine that could have given me all information on the problems and solutions related to share companies formation and operations.

The researcher was passionate to get other literature but could not get this is because most intellectuals and concerned did not give attention to the issues and recommend or call all individuals to dwell their writings and research give recommendations where the document or the paper will educate or create awareness on the share companies.

2 RESEARCH METHODOLOGY

The method of research I employ would be two types.

Questioners and interview .Other than these methods I have tried to get literature's that may give as how far lawyers, economists, administrators, sociologists, politicians and other elites have seen share companies formation in contrast with other countries and Ethiopian law.

As I have explained and pointed earlier on the some of the literature written by some scholars and interested persons we need more literatures to be written by all scholars who are interested on the topic mentioned.

In my questioner and interview I am not satisfied and not sure of getting the best response that could give readers enough knowledge how the problem has came into being and what solution is forwarded by them. This is because all respondents those who have share holders having complained on the board members and Share Company are not cooperative to fill questionnaires. Off course they may be exhausted of their complaint for not getting satisfactory response from board members and supervising ministry.

Any way I have attached the response of some of the interviewee for readers to have a clue for the conclusion drawn by the writer.

2.1 Research questioners

- How are share companies formed?
They are formed without having enough knowledge on the share company's formation
 - Which legal source can we refer for Share Company's formation?
Commercial code of 1960
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
There is no legal constraint but no support from government
 - Which ministry is responsible to supervise and legalize S.C. ?
All ministries directed to the Share companies objectives
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
I do not know
 - What remedy do you suggest for the above problem?
I am not sure of the problems
-

Research questioners

- How are share companies formed?
They are formed on the base of business partnership
- Which legal source can we refer for Share Company's formation?
Commercial code of 1960
- Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Yes such as the non existence of directives to lead the formation
- Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade and industry
- Do you think that the supervising ministry has fully accomplished his assignment? Why?
No because the ministry even do not know what is expected from him
- What remedy do you suggest for the above problem?
I am not sure of all the problems and also of the solutions

Research questioners

- How are share companies formed?
They are formed with the support of the MOU and AOA made or prepared by the organizers
 - Which legal source can we refer for Share Company's formation?
Commercial code of 1960
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Scarcity of Capital and land
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of finance and economic development
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
Yes
 - What remedy do you suggest for the above problem?
There is no problem except capital and land
-

Research questioners

- How are share companies formed?
They are formed with promotional works made by organizers
 - Which legal source can we refer for Share Company's formation?
Investment law
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Yes there is no procedural law the will regulate or supervise the board of directors
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of Trade
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
No
 - What remedy do you suggest for the above problem?
-

Non

Research questioners

- How are share companies formed?

They are formed on friendship base

- Which legal source can we refer for Share Company's formation?

Commercial law of 1960

- Is there any legal constraint in now a days on the formation and regulation of S.C. ?

The organizers has exploited and has taken the whole capital of the company

- Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade

- Do you think that the supervising ministry has fully accomplished his assignment? Why?

No

- What remedy do you suggest for the above problem?

Organizing new ministry for share companies

Research questioners

- How are share companies formed?
By the order of government
 - Which legal source can we refer for Share Company's formation?
Proclamation

 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Yes
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade and industry

 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
No I don't know

 - What remedy do you suggest for the above problem?
Dissolving all share companies and reestablish them
-

Research questioners

- How are share companies formed?

They are formed on the base of their main objectives

- Which legal source can we refer for Share Company's formation?

Commercial code of 1960

- Is there any legal constraint in now a days on the formation and regulation of S.C. ?

I don't know

- Which ministry is responsible to supervise and legalize S.C. ?

Ministry of trade

- Do you think that the supervising ministry has fully accomplished his assignment? Why?

Not at all They even do not know the concept of Share companies, its benefit for the share holders, community and for the government in generals

- What remedy do you suggest for the above problem?
-

Up grading the knowledge of organizers, promoters, share holders, experts at ministry of trade on how to establish share companies and make operational so that all will be beneficial of end result

Research questioners

- How are share companies formed?
They are formed for getting capital and knowledge to accomplish their objectives
 - Which legal source can we refer for Share Company's formation?
Commercial code of 1960
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Although there was commercial code of 1960 there was no regulations that can help organizers and promoters on how to establish share company
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
More or less yes
 - What remedy do you suggest for the above problem?
To have regulations, procedures and law
-

Research questioners

- How are share companies formed?
They are formed by those people who are civilized and modern
- Which legal source can we refer for Share Company's formation?
Commercial code of 1960
- Is there any legal constraint in now a days on the formation and regulation of S.C. ?
There is no constraint
- Which ministry is responsible to supervise and legalize S.C. ?
Ministry of Trade
- Do you think that the supervising ministry has fully accomplished his assignment? Why?
It is trying its best to accomplish but not successful
- What remedy do you suggest for the above problem?
The ministry has to organize itself in order to serve the public on how to follow up the established share companies and provide response for those who complain on organizers, Promoters and board members

Research questioners

- How are share companies formed?
They are formed by people who know each other
- Which legal source can we refer for Share Company's formation?
Commercial code of 1960
- Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Off course there are so many
- Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade and industry
- Do you think that the supervising ministry has fully accomplished his assignment? Why?
No let alone accomplishing its assignment it is not ready to give solution for the problems raised by share holders how request the ministry to interfere of to dissolve the share companies who are still on the formation stage for more than 3-5 years
- What remedy do you suggest for the above problem?

Assigning an independent government body who can handle and follow up share companies including to provide support for share holders, promoters and new share companies at the stage of formation

Research questioners

- How are share companies formed?
They are formed by business persons
- Which legal source can we refer for Share Company's formation?
Commercial code of 1960
- Is there any legal constraint in now a days on the formation and regulation of S.C. ?
Yes luck of knowledge and support from government
- Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade
- Do you think that the supervising ministry has fully accomplished his assignment? Why?
No because the ministry don't have its own rules and regulations for
- What remedy do you suggest?
The ministry has to organize itself by manpower, system and procedures that will help those stake holders

Research questioners

- How are share companies formed?
They are formed with friends who trust each other
 - Which legal source can we refer for Share Company's formation?
Commercial code of 1960
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
There is no
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade and industry
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
I don't know
 - What remedy do you suggest for the above problem?
-

Research questioners

- How are share companies formed?
They are formed on the base of commercial law of 1960
 - Which legal source can we refer for Share Company's formation?
Commercial code of 1960
 - Is there any legal constraint in now a days on the formation and regulation of S.C. ?
There is no as long as I understand
 - Which ministry is responsible to supervise and legalize S.C. ?
Ministry of trade
 - Do you think that the supervising ministry has fully accomplished his assignment? Why?
I don't know
 - What remedy do you suggest for the above problem?
-

4. DATA ANALYSIS AND INTERPRETATION

Share companies are a business entities formed by individual persons and legal bodies for the purpose of getting profit at the end of the year. The share holders capital should be more than 50,000.00 and number of share holders should not be less than 5 their contribution should not be less than 10,000.00 if the members are only 5. When the number of share holders increase their contribution may decrease.

According to information or response made by respondents and interviewee those share companies licensed by ministry of trade do have their own problems both internally and externally which makes them to be penalized and dissolved if not dead

From the response which I gathered I have understood that the whole problem rest on the lack of knowledge both on the side of the organizers, promoters, board members and the supervising ministry.

Other than this the literature review has shown us that having known the problems of share companies formation and operation state has taken measure to give attention by our parliament and ministry of trade, accordingly one department has been formed within ministry of trade which is entitled to take over the duties and responsibilities of providing support both in terms of knowledge sharing, system development, upgrading the knowledge of public how share companies can be formed.

4.1 Problems identified during research could be summarized

1. Lack of promotion by ministry of trade on the advantage of share companies
2. Founders, board members, promoters and share holders are not aware of their duties and responsibilities
3. Lack of attention given by ministry of trade for share company and share holders
4. Some share holders may not attend the general meetings and when they attend they may not actively participate in the discussion
5. The company could not take over those commitments assigned from the subscribers to make the company operational
6. If the company is not established for any reason, the subscribers should not be liable for all expenses and commitments' made by the founders
7. Share holders do not want themselves to be part of the problem and recommend solution rather than refrain from giving any contribution of idea and suggestions.

As a result of the above seven main problems the number of share companies expected to be formed every year is decreasing in number and the established one could not reach the stage of operation which means share holders are losing their share and

our country could not benefit from the fruit of share holding companies operation

5. SUMMARY, CONCLUSIONS AND RECOMMEDATION

5.1 SUMMARY

After securing a huge capital the goal of Share Company's formation will be establishing large business enterprise that can benefit not only share holders, community, the state, customers and contribute something for the countries development and infrastructural works.

From share holders inception they have problems, still they offer benefit for many citizens since the participants are many. For example In Ethiopia some share companies do have more than 10,000 members or share holders; again these share holders will have at least five family members who will get benefit every year. Then if the existing and potential problems are solved and if government and all stake holders provide them full support and all preconditions are fulfilled directly or indirectly members or citizens who benefit will increase in two or three fold of share holders and their families.

As stated earlier the objectives of the research is identifying the major and specific problems of share companies' formation, operation and follow up of S.C. by ministry of trade.

In order to find the problems and suggest solution the research method used are questioners, interview and literature review.

The organizers, board members and promoters have convinced share holders for their own economic benefit. This may be lack of share holder's knowledge, non existence of clearly update law and regulation on the formation, operation of share companies, when and how share holders can get dividend

Finally after reviewing commercial law of 1960, interviewing individuals, experts, team leaders and department head I have reached to a conclusion that all stake holders to share companies need to sit down and get a solution to the problem in order to get the best for share holders, for the country and for the community or public at large.

Even government should give focus of attention how share companies will provide benefit for share holders, community, employee and state through tax and revenue.

5.2 CONCLUSIONS

Although the research could not cover all aspects of S.C. problems from the stand point of interviewing, questioner and literature review.

The general conclusions that the researcher has reached are

1. The government could not give attention to share holding business
2. Individuals don't have knowledge about S.C.
3. Share companies could not get support from government in getting capital (working) and land

5.3 Recommendation

As to the researcher understanding of the problems and solutions forwarded by respondents, interviewee and literature his recommendations are

1. Formally a directorate or equivalent to this should be structured under ministry of trade with having mandate to create awareness of S.C. procedural law, follow up and supervise formation and operation of S.C.
2. Government should provide working capital and land for share companies

3. Individuals who are organizers, board members, promoters should be genuine knowledgeable about share companies their duties and responsibilities.
4. Government should give incentives to share companies during formation period and when they get profit such as exemption of profit tax for one or two years
5. Provision of land at a cost or outside tender or on negotiation.

I do not think the proposed solutions and strategies may bring result easily. Off course if all intellectuals in all field contribute their opinion and comment on the problem defined I believe permanent and an agreed upon solution will come forth.

6 . REFEEENCES

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