

THE CHALLENGES OF EMERGING STOCK MARKETS IN AFRICA, A CASE OF RWANDA STOCK EXCHANGE

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Abstract

A number of studies previously carried out indicate that capital market development of any economy is synonymous with the growth and economic development, and almost every African country has put an effort to establish a stock market, including Rwanda. This study focuses on the challenges faced by emerging stock markets in Africa, a case study of Rwanda Stock Exchange. The main objectives of this study include establishing the types of securities traded, rules governing the market, challenges facing the market and the suggested recommendations to counter these challenges. A population comprising of five listed companies and the Capital Market Authority were considered and in each case, one respondent was selected using purposive sampling technique. Although this research used more of secondary data that was obtained through literature review, primary data was also collected using an interview guide. The study has found that currently, the types of securities traded include three government bonds and one corporate bond, and stocks from five companies that have listed and cross-listed on the market. The study established that rules are provided and well adhered to and challenges facing the market include among others the general public which is not fully knowledgeable about trading in stocks, coupled with less skilled investment experts and lacking long-term credit, all this reduce profitability and thus limit the chances of listing stocks onto the stock market. It has been suggested that public education through various mediums like television stations, newspapers, radio stations and public conferences with the general public, among others, be increased.

Key words: capital markets, challenges, emerging, Rwanda, stock exchange, e.t.c.