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"Opportunities and Problems of Investment in the African Stock Exchange: A Selection of Nse, Gse &Rse"

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Abstract: *All too often people view Africa through the prism of aid, conflicts and corruption. Africa is far from these; a place of investment opportunities, entrepreneurs and businesses. This paper explores the investment opportunities within the African stock exchange markets and their associated problems with special references to the Nigeria stock exchange (NSE), Ghana stock exchange (GSE) and the Rwanda stock exchange (RSE). Investment opportunities are not only good for investors, but will also benefit the African businesses and entrepreneurs by allowing them source for capital to grow the African economy. However, there still remains serious problems, some are disparities in level of economic development, absence of uniform regulatory frame work, uniform accounting standards, e.t.c. it is recommended that the selected stock exchange markets should set up an effective regulatory frame work, expansion and modernization of stock markets and the integration of stock market among African countries.*

Keywords*: Africa, stock exchange/stock market, Nigeria stock exchange (NSE), Ghana stock exchange (GSE), Rwanda stock exchange (RSE), investment opportunities and challenges/problems/constraints*

I. Introduction

All too often people view Africa through the prism of aid, conflicts and corruption. Africa is far from these; a place of investment opportunities, entrepreneurs and businesses. Duddridge (2014), pointed out how people were skeptical about investment opportunities available in Africa and decided to put his money where his mouth was and invested in the continent of Africa by setting out £ 1000 per month, for 12 month, in 12 different Africa stock exchange, in 12 different sectors and got the following result; first in Botswana in wilderness safari and got 14% gain, secondly was in the Nigeria stock exchange were he targeted a share that would grow with rising middle class spending and got 21% gain. After these two successes he invested in the other 10 African countries which all prove to be gainful. These were proves of investment opportunities and also to change people perception. He also stated the challenges with the African stock exchange market which was buying shares in Africa stock market was too difficult; spending several hours, many forms and administrative hassles unlike in the developed countries (Duddridge, 2014). Stock exchanges play an increasingly important role not only for channeling resources, but also for promoting reforms to modernize the merging economics (Abiola & Okodua, 2008). The stock market is expected to accelerate economic growth by providing a boost to domestic savings and increasing the quantity and the quality of investment (Singh, 1997 in Yertey & Adjasi 2007).

Eromosele (2013) stated that the African securities market has witnessed considerable development since the early 1990s. Prior to 1989, there were only eight stock market in the entire continent of which three were in North Africa and five in the sub-Saharan Africa. Today there are over 22 stock exchanges in the continent (Eromosele, 2013). There has also been a significant growth in market capitalization and the number of listed companies. The market capitalization for the entire continent was only about $ 569 billion in mid 2010. Salami (2013) also pointed out that in 2010, the net portfolio investment flows to sub- Saharan African countries amounted to about half billion U.S dollars. As a result of this trend Africa has been dubbed a "second generation emerging market (NSE,GSE,RSE etc)" or what is now best know as a "frontier market" by foreign portfolio investors (Salami, 2013). The term frontier market is commonly used to describe a subset of emerging markets that have small financial sectors and/or have low annual turnover and liquidity but nonetheless demonstrate a relative openness to and accessibility for foreign investors. They are generally in the early stages of financial market development (Salami, 2013).

Duddridge (2014), describe investing in Africa is not just good return but social investing is increasingly popular, the Africa based investment platform that was established to allow Africa in Diaspora to put their money where their roots are and make a difference back home. In January 2014, the IMF predicted the sub Saharan economy to grow by 6.1% in 2014, now compared with the Europe 1% predicted growth and you begin to see how well Africa is doing and what great opportunities that are available to investors (Duddridge, 2014). The rapid development of stock market in Africa (NSE, GSE, RSE, etc) doesn't mean that even the most advanced African stock market is mature (Yartey and Adjasi, 2007). In most of the stock markets, trading occurs in only a few stocks which accounts for a considerable part of the total market capitalization. Beyond these actively traded shares, there are serious informational and disclosure deficiencies for other stocks (Yartey and Adjasi, 2007). Supervision by regulatory authorities is often far from adequate and the less developed of the stock markets for example the Rwanda stock exchange suffers from a far wider range of such deficit.

This work examines the various opportunities and challenges of investing in the African stock markets with reference to three selected countries, two from the West African region which are the Nigeria stock exchange (NSE), the Ghanaian stock exchange (GSE) and lastly one from East African which is the Rwanda stock exchange. This paper covers the followings: the introduction, literature review- concept of stock exchange, the importance of stock exchange, stock market development in Africa, the Nigeria stock exchange, the Ghanaian stock exchange, the Rwanda stock exchange and empirical studies, the third chapter focuses on the various opportunities and challenges in the selected African countries (NSE, GSE and RSE) and the last chapter talks about the conclusion and recommendations.

II. Review Of Related Literature

2.1 The Concept of Stock Exchange

Stock Exchange or Stock Market is an organized market for the trading of stocks, bonds and other securities. It provides a mechanism through which companies can raise capital for expansion purposes by selling and issuing securities (stocks and bonds). According to Avadhani (2002) in Musonera (2008), Stock Exchange means anybody or individuals whether incorporated or not, constituted for the purpose of assisting, regulating or controlling the business of buying, selling or dealing in securities; it is an association of member brokers for the purpose of self-regulation and protecting the interests of its members. Stock exchanges are the most perfect type of market for securities whether of government, semi-government bodies or other public bodies as well as for shares and debentures issued by the joint-stock companies (Musonera 2008). Abiola & Okodua (2008) describe the capital market is a network of specialized financial institutions, series of mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long-term capital for investment in socio-economic developmental projects. It embraces all the arrangements that facilitate the buying and selling of securities. The stock market has been identified as an institution that contributes to the economic growth of emerging economies, they are also considered as a variable in explaining the economic growth in the most-developed ones (Abiola & Okodua 2008). Adenuga (2010) pointed out how Stock markets may affect economic activity through the creation of liquidity. It contributes to economic development by enhancing the liquidity of capital investments. Many profitable investments require a long-term commitment of capital, but investors are often reluctant to relinquish control of their savings for long periods. Liquid equity markets make investment less risky--and more attractive because they allow savers to acquire an asset--equity--and to sell it quickly and cheaply if they need access to their savings or want to alter their portfolios. At the same time, companies enjoy permanent access to capital raised through equity issues (Adenuga, 2010).

Stock markets support resource allocation and spur growth through different channels. By reducing transaction costs and liquidity costs, stock markets can positively affect the average productivity of capital (Levine 1991; Bencivenga, et al. 1996 in Adenuga, 2010).Stock exchanges play an increasingly important role, not only for channeling resources, but also for promoting reforms to modernize the financial sector legislation as is experienced in Nigeria and other emerging economies (Abiola & Okodua 2008). In a study published at the beginning of the nineties, Levine (1991 in Abiola & Okodua 2008) points out two key arguments on how stock exchanges speed up the economic growth. The first is by making property changes possible in the companies, whilst not affecting their productive process; the second is by offering higher possibilities of portfolio diversification to the agents. Stock market provides the bridge through which the savings of surplus units may be transformed into medium and long-term investments in the deficits units. It is reputed to perform critical functions, which promote economic growth and prospects of the economy (Adenuga, 2010).

2.2 The Importance of Stock Exchange

The economy of the world relies on the stock exchanges to facilitate trade in the stocks of companies by connecting people who seek money with those who can provide it. While the typical role of the stock market as a centre of trading in securities is the raising of funds for investment in long term assets to the investing public. Musonera (2008) summarized the importance of the stock exchange as follows:

Mobilizing savings for investment: When people draw their savings and invest in shares, it leads to a more rational allocation of resources because funds, which could have been consumed or kept in unused deposits with banks, are mobilized and redirected to promote commerce and industry.

Redistribution of wealth: By giving many people a chance to buy shares of listed companies and therefore become part-owners of profitable enterprises, the stock market helps to reduce large income inequalities because many people get a chance to share in the profits of businesses that were set up by other people.

Creating investment opportunities for small investors: As opposed to other businesses that require a huge capital outlay, investing in shares is open to both large and small investors because a person buys the number of shares that he can afford. Therefore the stock exchange provides an extra source of income to small savers.

Raising Government capital for development projects: The Government and even local authorities may decide to borrow money in order to finance huge infrastructure projects by selling another category of shares known as bonds. These bonds can be raised through the stock exchange whereby members of the public buy them. When the Government or the local authority gets this alternative source of funds, it no longer has the need to overtax the people in order to finance development.

Control on company management: The role of the stock exchange is also to monitor the market to ensure that it is working efficiently, fairly and transparently. Over the decades, the stock exchange has been raising requirements for new corporations seeking listing. These requirements relate to the submission of all financial information regarding companies whose securities are sold on the stock exchange. Such requirements exercise a control on a company management and keep its malpractice in check.

Barometer of the Economy: At the stock exchange, shares rise and fall depending, largely, on market forces.Share prices tend to rise or remain stable when companies and the economy in general show sign of stability. Therefore, the movement of share prices can be an indicator of the general trend in the economy (Musonera 2008).

2.3 Stock Market Development in Africa

Most African stock markets are small, fragile, and have yet to become central financial institutions in national economies. In many African countries stock market development can be interpreted as part of a deliberate and rational strategy to reform their financial sectors, which is in turn a key component of wider economic restructuring efforts to encourage greater economic activity and generate higher levels of wealth (Musonera 2008).The most apparent features of African stock markets are their small size and low levels of liquidity. They are truly small by global standards. At the end of 2OOO the capitalization of all exchanges in sub-Saharan Africa outside SouthAfrica totaled less than $ 13 billion. South Africa's equity market alone, itself only a medium-sized emerging market was more than fifteen times greater at about $ 2O5 billion. By comparison, the UK market is valued at about $ 2.5 trillion, or about 200 times all the African markets combined (excluding South Africa).

As a result of their small size, non-liquidity, and often unstable political and economic environments, returns on these markets tend to be somewhat volatile. Africa's smaller markets tend to float between 10 and 20 percent of GDP (Musonera 2008).

Eromosele (2013) pointed out that In Africa, the three biggest stock exchanges, South Africa, Egypt and Nigeria account for more than 90 per cent of the market capitalization in the continent. The market capitalization of Egypt's Exchange was 100 per cent of GDP in 2008 while it is slightly less than 50 per cent of GDP in South Africa. In Nigeria it is about 30 per cent. "However, in the rest of the countries market capitalization as the per cent of GDP is very low. Research showed that, market capitalization for Africa in 2005 excluding South Africa and Zimbabwe was 27 per cent of GDP which contrasts with other emerging markets like Malaysia with a capitalization ratio of about 161 percent, the liquidity as measured by turnover ratio was as low as 0.02 per cent in Sierra Leone in 2005 compared with about 29 per cent in Nigeria. Low liquidity, he stated, means that it would be harder to support a local market with its own trading system, market analysis, brokers, and the like because the business volume would simply be too low (Eromosele, 2013).The major exception is the South African stock exchange, with market liquidity, measured by the annualized turnover as a percentage of market capitalizations, 61 per cent at the beginning of 2008 (Eromosele, 2013).

2.4 The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) which evolved in 1977 from the Lagos Stock Exchange, established on June 5, 1961. As at end-2007, there were ten trading floors of the NSE in Lagos, which serves as the Head office of the exchange, Enugu, Ibadan, Onitsha, Kaduna, Kano, Port Harcourt, Yola, Benin and Abuja. Each branch has a trading floor, which creates opportunities for buying and selling of securities. Other than these, there are institutions such as the Securities and Exchange Commission (SEC), which is the regulatory authority established in 1979, issuing houses, Investment Advisers, Portfolio Managers, Investment and

Securities Tribunal (IST), the stock broking firms, registrars and other operators. The interactions among these players influence the width and depth of the market. As December 2013, It has about 200 listed companies with a total market capitalization of about N12.88 trillion ($ 80.8 billion).

2.5 The Ghanaian Stock Exchange

The Ghana Stock Exchange (GSE), incorporated in July 1989 with trading commencing in 1990, is the primary stock exchange of Ghana. Currently, the GSE has 36 listed companies, 3 government bonds, and 1 corporate bond. The report by the U.S Department of State stated that the GSE composite index (GGSECI) was one of the best performers among emerging markets in 2008, but in 2009, it was one of the worst performers, recording a decline of 47.9 percent. While the GSE recovered in 2010, gaining 32.3 percent, it declined by a modest 3 percent in 2011, but rebounded by about 23 percent in 2012. The GSE has decided to create a market called the Ghana Alternative Market (GAX) for the assistance the Small and Medium Enterprises (SME) that will help raise capital for growth and expansion of their business and will accommodate companies at various stages of their development. At the time of listing, SME's must have a minimum stated capital of GHC250, 000 ($125,800) and at least 20 shareholders at the time of the public float. The Managing Director of GSE, Kofi Yamoah said that the GSE has already contributed an initial amount of $50,000 to the establishment of the Support Fund and is expecting about $600,000 from the Africa Development Bank, plus an initial amount of $100,000 from Ghana's Venture Capital Fund. It currently lists 37 equities (from 35 companies) and 2 corporate bonds. All types of securities can be listed, criteria for listing include capital adequacy, profitability, spread of shares, years of existence and management efficiency.

2.6 The Rwanda Stock Exchange

The Rwanda stock exchange is Rwanda's principal stock exchange. It was founded in January 2011. The RSE is operated under the jurisdiction of Rwanda's capital market authority (CMA), previously known as capital market advisory council (CMAC), which in turn reports to the ministry of finance and economic planning (MINECOFIN). The exchange's door opened for trading on 31 January 2011. The day coincided with the first day of trading in the stock of Rwanda's only brewery, Bralirwa, which trades under the symbol: BLR. The Rwanda stock exchange replace over the counter exchange that had been in operation since 2008 with two companies listed, namely Kenya commercial bank listed on June 18 June 2009 and national media group listed on 2 November 2010. Having successfully launched Bralirwa as its pioneer initial public offering second was Bank of Kigali, launched 31 June 2011. In February 2011, the national bank of Rwanda, the country's central bank contracted central depository and Settlement Corporation, a Kenyan company, to serve the Rwanda stock exchange for one year to train Rwandan staff until Rwanda can start and operate its own securities registry. As of December 2012, the RSE trades four listed local and East African companies and also carries out trading of fixed income exchange instrument and in addition Rwanda stock exchange also has bond listing from I&M Bank (Rwanda) and bonds issued by the government of Rwanda.

2.7 Empirical Studies

Eromosele (2013), in a recent empirical studies found out that countries with relatively liquid stock markets in 1976 grew much faster over the next 18 years than countries with illiquid markets, even after adjusting for differences in other factors that influence growth, such as education levels, inflation rates, and openness to The studies, also indicated, in promoting economic growth, a liquid stock market complemented a strong banking system, suggesting that banks and stock markets provided different bundles of financial services to the economy. Stock markets were the life blood of the economy."In recognition of the importance of stock markets in economic development, several African countries launched stock exchanges during the past two decades. At present more than 50 per cent of the 54 African countries operate stock exchanges. "Rapid expansion of stock exchanges in the continent contributed to economic development in various ways. These are, among others, facilitating the privatization process, diversifying the financial services, facilitating long term capital mobilization, provision of alternative investment opportunities, attracting foreign capital inflows and serving as a signal of overall macroeconomic performance. However, most African stocks exchanges are still at early stage of development and face several constraints. The main challenges are: political instability in some economies, high volatility in economic growth, macroeconomic uncertainty, liquidity constraints, limited domestic investor base, underdeveloped trading and settlement structures, and limited market information (Eromosele, 2013).

III. Opportunities And Problems Of Investing In The Nse, Gse & Rse

3.1 Introduction

The primary aim of any investor is to get a good return on his or she investment. Investing in the capital market goes with a lot of benefits and prospects, if investment decision is wisely taken putting into consideration the viability of the company which an investor wishes to invest, critically analysis of its fundamentals, past financial performance, management structure, business environment, market competitiveness, economic environment and of course political environment, among others

3.2.0 The Nigeria Stock Exchange: Opportunities

Until about two decades ago, the Nigerian capital market had little economic significance to the economy and companies listed on the exchange hardly had any foreign portfolio investor interest or, for that matter, were Nigerian corporations in a position to list on foreign stock exchanges (Salami, 2013).Nonetheless, a different picture is emerging today and the Nigerian capital market has witnessed unprecedented growth. The growth in Nigeria is reflective of the general growth trends reported for Africa and according to the IMF; there has been a six-fold increase in total capital flow in the form of both foreign direct and foreign portfolio investment since 2000. (Salami, 2013) described the following opportunities in the Nigeria stock exchange:

i. **Nigeria the Second Largest Stock Market in Africa**

The interest of foreign portfolio investors in Nigeria is not surprising as it has the second largest capital market in sub-Saharan Africa after South Africa. Nigeria is also of particular interest as South Africa has growth trends which are heavily synchronized with advanced economies due to the linkages its markets have with advanced markets. This is the reason why the recent financial crisis affected South Africa the most in comparison to other sub-Saharan African countries. As such, Nigeria is set to be next in line as the most attractive destination for foreign portfolio investment in Africa

ii. **Political stability in Nigeria**

There has been political stability in Nigeria for nearly two decades and this has fostered economic growth and engendered confidence in investors seeking opportunities to do profitable business. As SMEs grow, so too has the middleclass which has also created more opportunities for investors to do business.

iii. **International Exposure**

Another reason for increased interest in Nigeria is that Nigerian companies are beginning to have exposure internationally as they are now listing on global stock exchanges. This creates more opportunities for foreign investors investing in these companies.

iv. **Stronger Financial Regulatory Environment**

Also, the financial regulatory environment is stronger than it used to be and the Nigerian SEC, in particular, appears to be taking a more proactive and zero tolerance approach to market abuse and misfeasance although a lot still needs to be done with regard to strengthening financial disclosure and strengthening the enforcement of financial regulation.

Others include:

v. The Nigeria stock exchange offers some of the highest yields available at maturity and the potential for capital appreciation.
vi. Favorable government policy towards foreign investment, which will also enable easy importation and exportation of capital.
vii. Growing per capital income as a result of an economy that is growing over 7% annually (www.nse/ng)
viii. Record low valuation offer, the potential for some of the highest returns

3.2.1The Nigeria Stock Exchange: Problems

Salami (2013), despite records of growth and the interest of foreign portfolio investors in the Nigerian capital market and in Nigerian debt securities, there are still numerous challenges confronting the capital market. The main challenges include:

i. Illiquidity
ii. A small number of companies listed on the Nigerian Stock Exchange (NSE) (in comparison to the Johannesburg Stock Exchange (JSE) in South Africa
iii. Fewer foreign investors in comparison to the number investing on the JSE, a dearth of domestic institutional investors
iv. A weak financial regulation and enforcement.

3.3.0 The Ghana Stock Exchange: Problems

There are many challenges facing the Stock Exchange. These challenges are enumerated by Mensah et al… (2012) as:

i. Problem of liquidity,
ii. Limited number of securities,
iii. Small number of floating shares,
iv. Non-performing companies,
v. High cost of listing on the Stock Exchange and
vi. Inadequate capitalization of Licensed Dealing Members.

3.3.1The Ghana Stock Exchange: opportunities

Ghana has one of the most promising markets in West Africa considering its plentiful natural reserves. Mensah et al… (2012) pointed out despite the challenges faced by GSE, they also identify some opportunities which are:

i. Its stellar economic progression,
ii. Political stability, and healthy demographic profile, most foreign investors perceive Ghana, as a comparatively favorable region to do business.
iii. The exchange has the potential to assist companies to raise long term capital as the exchange has done over the years.
iv. The exchange also provides secondary market for trading of listed stocks.
v. These dual roles have granted an access to capital for companies and liquidity for investors

3.3.2 Other opportunities are:

vi. As the exchange has been automated it has the potential to improve efficiency of service delivery and to facilitate business on the Stock Exchange.

vii. The Small and Medium Scale Enterprise that wish to raise long term funds are also catered for by the creation of special desk at the Exchange to meet their needs.

3.4.0 The Rwanda Stock Exchange: Opportunities

Musonera (2008) highlighted the opportunities in the Rwanda stock exchange which will attract investors, especially from East Africa, who wish to extend their shares by investing them in the new stock exchange.

i. Foreign Direct Investment

Attracting Foreign Direct Investment is an advantage to be gained by the upcoming Rwandan Stock Exchange. The government of Rwanda could use the capital markets to increase Foreign Direct Investment by allowing foreign strategic investors to acquire major shareholding through take-over in the stock market. The establishment of a stock exchange market in Rwanda will generate an interest in the minds of foreign investors. The assumption is that the new market will attract the Foreign Direct Investments due to the favorable Rwandan environment which is justified by the macroeconomic stability. In addition, the new stock market will promote a good functioning of financial intermediaries to complement existing banks in terms of investments.

ii. Market Monitoring

Stock exchange may play the role of market monitor to ensure that the said market is working efficiently, fairly and transparently. This will be done by setting up requirements related to the submission of all financial information regarding companies whose securities are sold on the stock exchange. Such requirements exercise a control on a company management and keep its malpractice in check thus improving corporate governance.

iii. Source of Capital

The stock market will also provide capital to entrepreneurs. The stock market will enable government and industries to raise long-term capital for financing new projects, and expanding and modernizing industrial or commercial firms. It is in this regard that the Rwandan stock market is expected to become a financing source for entrepreneurs who wish to run their projects in the country. Also, the creation of a stock market in Rwanda will attract investors, especially from East Africa, who wish to extend their shares by investing them in the new stock exchange as Rwanda is largely opening its doors to the East African Community.

iv. Commercial Banks

The creation of a stock market in Rwanda will compliment commercial banks in term of investments. Banks have developed expertise to distinguish between high risk and low risk borrowers and can deal with the two problems directly. Economies that have both well-developed banking sectors and capital markets thus have an advantage.

v. Education

Furthermore, the capital markets through the brokerage community, investment advisers, security analysts, and well developed financial journalists serve to educate the investing public. Such institutions are critical to an economy. The exchange can in fact be mandated to educate the public on the benefits associated with trading on stock markets. Some other opportunities regarding the establishment of a stock market in Rwanda include: Regional integration, Diaspora resources to be channeled into the stock market, the entrepreneurial spirit of Rwandans and Geographic advantage with Rwanda being the center of East Africa.

3.4.1 The Rwanda Stock Exchange: Problems

The creation of a vibrant stock market has been accepted as a necessary concomitant to the development agenda of the country. Though the stock exchange market is necessary to improve the Rwandan economy, its implementation may face many challenges such as:

i. **Low Domestic Saving:** The low domestic savings rate is probably due to low income (real GDP per capita is around US$ 230) used rather for consumption than for saving. The culture of domestic savings and deposits should be encouraged.

ii. **Tax Regime:** Rwanda is said to have a complex tax regime from taxes on goods and services, taxes on external trade, taxes on income, taxes on property, customs taxes to value added taxes. This obstacle need to be addressed and the government should simplify the tax regime to attract more investors.

iii. **Absence of Financial Intermediaries**: Not only lack of financial intermediaries is an obstacle but also lack of merchant banks, financial advisory services and investment banks which are vital to the successful functioning of stock exchange markets. An investment bank is an institution that acts as an advisor to institutions which may wish to raise money from capital markets by way of shares or bonds. At the present time there are no investment banks in Rwanda and therefore normal merchant banking services such as underwriting of equities and bonds, asset management and corporate advisory services do not exist. These need to be created in order to facilitate the upcoming Rwandan Stock Exchange.

iv. **Lack of Adequate Accounting and Auditing Systems**: The existence of a reliable financial accounting system is an important factor in the development of stock exchanges. The authorities are conscientious of the necessity to address deficiencies in accounting and auditing system. The most pressing issues that need to be addressed include setting appropriate accounting standards for different categories of companies operating in Rwanda. One of the major requirements for any company wishing to list is that it will be required to provide a full disclosure of its financial and operating activities. Rwandan companies should be encouraged to adopt international accounting standards and to agree to report along the lines of international best practices if they wish to be listed on the stock exchange.

v. **Family Owned Companies:** The structure of companies that are family owned is also an obstacle to the creation of a stock market in Rwanda. Rwanda has a large number of businesses that are family owned and which are likely to have enough resources to issue shares but whose managers may fear losing control by opening up their businesses to public ownership. Generally, the main factors limiting the supply of equities include the unwillingness of small, family-owned businesses to reduce ownership and the perception by many companies that the risks associated with additional disclosure are not adequately compensated by additional returns. Since banks do not require public disclosure like the stock market does, many firms would prefer to remain unlisted and source their capital from banks. As a result, these firms cannot be for any use to the stock market. The government should encourage privately owned companies to go public.

vi. **Lack of Information:** Most of the Rwandan public is not familiar with negotiable instruments. As the project of launching the stock exchange in Rwanda is under study, many people do not know enough about the stock market. Generally, there is lack of information on the roles, functions and operations of the stock exchange. The lack of public awareness with stock markets is the major barrier to corporate participation in many African stock exchanges. The public should be sensitized about benefits associated with the securities market and encouraged to participate in individual and collective investments. The government should also promote public education on investment.

vii. **Infrastructure:** The market infrastructure is underdeveloped; especially the payment system is traditional and underdeveloped and could not facilitate transaction payments particularly with regard to trading, settlement and delivery using a manual system. This will indeed lead to low settlement and delivery of securities traded. The manual trading system is slow, costly and limits the range of products that can be provided. It also delays international integration of the market.

viii. **Bond Market:** The inexistence of a bond market in Rwanda is another challenge to the establishment of a stock exchange. A bond market does not exist, yet it has the potential of mobilizing significant amounts of capital. It can also give to the stock exchange a tremendous increase in turnover, as bonds are usually more attractive to investors than stocks. There is a need for the government to establish a market in medium and longer term government bonds. These bond issues will ease a shortage for long term domestic financial assets and help in the further development of the local capital market and access to credit. In addition, trading on the stock exchange will require a lot of transparency and corporate governance, issues that are not well developed in the country.

ix. **Capacity Development:** The challenges to capacity building require a solid commitment to financial sector reforms on the part of the authorities, as well as continued support by external providers of technical assistance in some areas like monetary policy design and implementation, financial sector supervision (including commercial banks, microfinance, and non bank financial institutions such as insurance companies), capacity development in the microfinance sector, payment systems modernization, capital market development, improvement of the legal framework , and similarly improvement in the accounting and auditing framework.

IV. Conclusion And Recommendation

4.1 Conclusion

This paper discussed the various investment opportunities and challenges faced by the African stock exchange market with greater emphasizes to the Nigeria stock exchange, Ghanaian stock exchange and the Rwanda stock exchange. Investment opportunities in Africa are not only good for investors but will also benefit African businesses and entrepreneurs by allowing them to get their hands on capital and grow their businesses in order to boost the African economy, eradicate poverty and provide jobs. However there still remain serious constraints. Some of the salient constraints are disparities in the level of economic development, absence of uniform regulatory and accounting standard, lack of currency convertibility and restriction on capital transfers.

4.2 Recommendations

To sustain the current level of investment opportunities in the Nigeria stock exchange, Ghana stock exchange, Rwanda stock exchange and in the continent of Africa the followings are suggested:

1. **Expansion & modernization of stock markets:** NSE, GSE, RSE and other African countries should expand, develop and modernize their stock market. Evidence from recent empirical studies suggests that deeper, broader and better functioning stock market can stimulate investment opportunities.

2. **Setting an effective regulatory frame work:** an effective frame work will minimize the problems and certainly make a marked difference in the interest of portfolio investors in the African stock exchange markets.

3. **The integration of stock markets among African countries:** the benefit of stock markets integration, as a part of an economic integration plan would include; pooling together scarce savings and increasing investment opportunities through risk diversification. An example of stock market integration can be seen in the success of Eco Bank Transnational Inc. which is currently listed on three stock exchanges in west Africa- the Nigeria stock exchange, in cote d' ivoire and the Ghanaian stock exchange. These exchanges in 2006 attracted huge investor interest within the three countries involved.

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