

AN ANALYSIS OF THE CAPITAL MARKET AND INVESTMENT

DEVELOPMENT IN RWANDA. A CASE STUDY

RWANDA CAPITAL MARKET

BY

KAYIGAMBA INNOCENT

REG NO: BBA/40642/91/DF

A RESEARCH REPORT PRESENTED TO THE SCHOOL OF BUSINESS

AND MANAGEMENT FOR THE AWARD OF BACHELOR

OF BUSINESS AND MANAGEMENT DEGREE

OF KAMPALA INTERNATIONAL

UNIVERSITY

MAY 2012

DECLARATION

KAYIGAMBA INNOCENT, hereby declaration that all this research project report is original and has not been submitted for any award to any institution and where the work of others has been used, due acknowledgement has been made

Signature: K. Innocent..... Date: 24/05/2012

KAYIGAMBA INNOCENT

ACKNOWLEDGEMENT

My sincerely thanks go to first of all to almighty God who always listen my prayers. protect me carefully during my studies and continue to guide me

I thank with all my heart my beloved parents for their support and encouragement for being there for me whether financially or morally and their greatest love and I thanks also sincerely my sister BAMURANGE BONNY and my uncle JAMES for their moral support and love for me.

A token of gratefulness goes to my supervisor Mr RUTEGANDA MICHEAL for his continuous guidance which has made me accomplish this research project; it is through his tireless contribution that this project work has been successful.

Thanks to classmates and friends who have been instrumental in my struggle to reach this point especially the following: UWIMBABAZI JOYCE, RUTH, DEBORAH and principally GISANIA GROUP

Lastly, I recognize the contribution of the lecturers of KAMPALA INTERNATIONAL UNIVERSITY during my three years.

APPROVAL

This research report has been submitted for examination with my authority as a University supervisor.

Signature:  Date: 24/ 05/2012

BBA/40642/91/0F

Table of Contents

DEDICATION	i
ACKNOWLEDGEMENT	ii
Approval	iii
List of tables.....	viii
List of figures.....	ix
CHAPTER ONE: GENERAL INTRODUCTION	1
1.1 Introduction.....	1
2. Statement of the problem	1
3. Research objectives.....	2
3.1 General objective	2
3.2 Specific objectives	2
4. Research questions.....	2
5. Scope of the study	3
6. Significance of the study.....	3
7. Methodology	3
7.1 Research design.....	3
7.2 Population of the study	3
7.3 Sample size	4
7.3.1 Sampling methods.....	4
7.4 Data collection methods.....	4
7.4.1 Primary data	4
7.4.2 Secondary data	4
7.5 Tools for data analysis	4
8. Organisation of the study	5

CHAPTER TWO: LITERATURE REVIEW	6
2.1 Introduction.....	6
2.2.1 Types of capital market instruments	7
2.2.2 The capital market in Rwanda.....	8
2.2.3 Rwanda stock exchange.	8
2.2.4 Trading operations at the Rwanda stock exchange.	10
2.2.4.1 Primary market.....	10
2.3 Key concepts used at the Rwanda stock exchange and other stock exchanges.	13
2.4 Investment in stock Exchange.....	18
2.4.1 Precautions for investor	19
2.4.2 Instruments and statistical calculations for maximum gain.	20
2.5 Investment developments in Rwanda.....	23
2.5.1 Investment destination.	24
2.5.2 COORDINATION	26
CHAPTER THREE: METHODOLOGY	29
3.1 Introduction.....	29
3.2 Research design.....	29
3.3 Study population	30
3.3.1 Sample design and sample size.....	31
3.3.2 Sources of data	31
3.3.3 Primary data	31
3.3.4 Secondary data	32
3.4 Instruments and techniques of data collection	32
3.4.1 Library search	32
3.4.2 Questionnaire	32

3.4.3 Interview guide	33
3.5 Data processing and analysis	33
3.5.1 Editing.....	33
3.5.2 Tabulation	34
3.5.3 Limitations of the study	34
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION	35
4.1 Introduction.....	35
4.2 The profile of CMAC.....	35
4.2.1 Objectives of CMAC	35
4.2.2 Vision.....	35
4.2.3 Mission.....	36
4.2.4 Core value	36
4.2.5 Organizational structure	37
4.2.6 CMAC source of fund.....	37
4.2.7 CMAC revenue sources	38
4.2.8 Authorities responsible for implementation.....	38
4.2.9 Services to the stakeholders	38
4.3 Background information of the respondents	39
4.4 Analysis and interpretation of primary findings	42
4.7 The general business environment in Rwanda.....	48
4.7.1 The general market analysis in Rwanda.....	50
4.7.2 Economic perspectives.....	50
4.7.3 Geographical perspective	51
4.8 Membership rules at the OTC market.....	51
Table 14: Membership Admission Requirements.....	52

4.8.1 The trading rules	53
4.8.2 The listing rules for equities.....	53
4.9 Regional market analysis	55
4.10 The advantages of capital market on Rwanda's economy	57
CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	59
5.1. Introduction.....	59
5.2 Summary of major findings.	59
5.3. General conclusion.....	61
5.4. Recommendations.....	61
5.5. SUGGESTIONS FOR FURTHER RESEARCH.....	62
BIBLIOGRAPHY	63
APPENDICES	65
Appendix I	65
Appendix II	66

List of tables

Table 2: The total population and selection of the sample from RSE /ROTC members.	30
Table 1: RWANDA STOCK EXCHANGE/ ROTC LISTED COMPANIES.	9
Table 3: Distribution of Respondents by gender.....	39
Table 5: Education level of respondents	40
Table 6: Length of job experience by respondents.....	41
Table 7: Understanding of the term capital market	42
Table 8: Capital market prospects	43
Table 9: Capital market impact on investment development	44
Table 10: Challenge that the capital market is likely to face	45
Table 11: Rwanda stock exchange shareholdings	48
Table 12: Presentation of business environment in relation to efficiency of stock market.....	48
Table 13: Agreement on whether membership, trading and listing rules are favourable.....	51
Table 14: Membership Admission Requirements	52
Table 15: Structure of listing rules corresponding to the basic criteria and requirements.	53
Table 16: Disclosure and listing rules for debt at the Rwanda OTC market.....	54
Table 17: Number and types of institutions in the financial sector in the region.....	56
Table 18: Listed securities in relation to its size and nature in East African capital market.....	57

List of figures

Table 1: RWANDA STOCK EXCHANGE/ ROTC LISTED COMPANIES.....	9
Figure 1: Primary market transaction process	11
Figure 2: Secondary market transaction process	12
Figure 4: The Exhibit detailing the essential needs for investors.....	26
Figure 5: Sector Strategy Implementation Framework	27

CHAPTER ONE: GENERAL INTRODUCTION

1.1 Introduction

Investing in various types of assets is an interesting activity that attracts people from all walks of life irrespective of their occupation, economic status, education and family background. When a person has more money than he requires for current consumption, he would wish to be a potential investor [<http://www.investopedia.com>].

The person or company having extra cash could invest it in securities or in other assets like gold or real estate or could simply deposit it in his bank account. All of these activities in a broader sense mean investment. According to Augusto de la Torre ET Sergio L. Schmukler (2004:49) a capital market is a place where long term funds are raised through the issuance of securities. Long term is typically considered to be one year or longer than that. A capital market encompasses both debt and equity markets. Developing a capital market is crucial for Rwanda as it seeks to achieve ambitious development goals and raise the standard of living for its people.

This will require significant investment in infrastructure in the form of roads, power, rail, airports and telecommunications. These plans also call for the active participation and expansion of the private sector in Rwanda's economy. Implementing these goals will require long term investment in infrastructure and industry, which can only be provided through the mobilization of domestic savings through the mobilization of domestic savings through capital markets.

2. Statement of the problem

According to Rwanda financial sector development program (RFSDP) report (2007:3) Rwanda's vision 2020, in its long-term development plan, it seeks to transform Rwanda into a middle income country and an economic trade and communication hub by the year 2020. An effectively functioning financial sector is fundamentally important and essential element for achieving this objective.

Rwanda seeks to develop a financial sector that is effective, in particular, by expanding credit and financial services; enhancing savings mobilization, especially long term savings and mobilizing long-term capital for investment. Thus this will translate into establishment of a

national capital market which would create a trading facility for equities, debt instrument and hybrids, after recognizing that Rwanda's financial sector was still relatively shallow, undiversified, dominated by an oligopolistic banking sector, and characterized by relatively high lending rates, extremely low insurance penetration, a scarcity of long term debt, home mortgage financing and equity capital, a virtual absence of regulation and supervision of pensions and insurance, and an inadequately functioning payment system. It's from this context that, the researcher is interested in investigating the prospects and challenges of capital market as a part of financial sector, on investment development in Rwanda.

3. Research objectives

3.1 General objective

The overall objective of this study is to make analysis on the prospects and challenges of capital markets on investment development in Rwanda.

3.2 Specific objectives

- To examine the Rwandan business environment.
- Identify prospects of the capital market on investments.
- To evaluate the benefits of capital market to the economy of Rwanda.
- To analyze, trading and listing rules for equities and debt and how favorable they are for investors.
- To find out likely challenges that the capital market is expected to face.

4. Research questions.

1. What are prospects of capital market on investment development in Rwanda?
2. What are the benefits of capital market on Rwandan economy?
3. Are the rules, listing and trading for debt and equities favourable for investors?
4. What are the likely challenges capital market is likely to face?

5. Scope of the study

The research specifically focused on analyzing the prospects and likely challenges of the capital market on investments development in Rwanda and revolving mainly on the expert analysis of the long term financial securities trading. Taking a case study of CMAC and other active participants such as STOCK BROKERS, PSF, and MINICOFIN.

6. Significance of the study

The research will help other researchers for future reference and is a pre-requisite for award of degree to the researcher. It will also enable the researcher gain knowledge and experience which will be essential to him while conducting further researches.

Finally the research will be useful to other researchers interested in field as it will be cited as reference. It will also assist both the government of Rwanda and the capital market Advisory council (CMAC) in mobilizing the investments, towards financial products.

7. Methodology

This shall cover various sub-sections as follows:

7.1 Research design

The study will be designed as a case study due to limitations of time and resources. In this case, the researcher will intensively describe and analyze single individual organization CMAC information from interviews internal and external, documentation and archive records to determine the relationship between variables under study.

7.2 Population of the study

The population under this study will be men and women that work with capital market advisory council (CMAC) in Nyarugenge district as well as active market participants in the stock market such as stock brokers and financial institutions.

7.3 Sample size

This refers to the number of selected objects or individuals from the population under which the study is conducted. In this case, the researcher by purposive sampling technique selected respondents depending on the number of respondents who are directly and /or indirectly have relationship or pertinent with capital markets in their daily activities and other active market participants at the time when the researcher was collecting data on field.

7.3.1 Sampling methods

This refers to the techniques or methods to select a sample in the population under study. Under this study, the researcher used purposive sampling technique to select the sample.

7.4 Data collection methods

In conducting this research study, the required data will be gathered from both primary and secondary data sources for attainment of the study objectives.

7.4.1 Primary data

Data that used in this research were gathered from primary data that is to say from people working on institution being research on through use of questionnaires, interviews guide and observation where possible.

7.4.2 Secondary data

Secondary data sources were also used where by relevant materials and documents and websites pertinent to the topic were consulted. Other secondary data sources were obtained in already collected records such as magazines, journals, and financial sector research papers / reports relating to the subject matter under study.

7.5 Tools for data analysis

Data collected were analyzed, interpreted and presented by use of tables, percentages and other forms deemed necessary.

8. Organisation of the study

The study was organized in five chapters where chapter one was composed of general introduction, back ground of the study, statement of the problem, objectives of the study, research questions, scope of the study, significance, and organization of the study. Chapter two was composed of literature review embracing the ideas of previous Authors on the concept of capital market and presents some literatures, reports, and journals about financial instruments as well as investment development both local and foreign ones. Chapter three sets out research methodology by indicating techniques of research to be employed, data collection techniques to be used, sampling techniques, sample size, and sample population to be used. Chapter four shows data interpretation resulting from data collected and analysis based on the study set objectives. Chapter five mainly focused on conclusions of the study findings, recommendations and suggested further researches to be carried out, or remedial actions to the identified gaps of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

As Jill Colls et Roger Hussey (2003:64) pointed out, literature review is the process of exploiting the existing literatures to ascertain what has been written or otherwise published on your chosen research topic. This chapter thus embraces the ideas of previous writers on the concept of capital market and presents some literatures, reports, and journals about financial instruments as well as, investment developments both local and foreign ones in Rwanda and goes ahead with definition of key terms forming the topic.

2.2 Definition of key concepts

Prospects: This is defined as the chance or hopes that something will happen or an idea of what may or will happen. Oxford advanced learners dictionary. (1998:931)

Challenges: According to oxford advanced learners dictionary challenges, refers as anew or difficult tasks that tests the organizations or some body's ability and skills.

Development : Kocher(1973:4),Development is a process of a general improvement in the levels of living together with decreasing inequalities of income distribution and the capacity to sustain continuous improvements overtime.

Tadaro (1981; 56), development is a multi-dimension process involving the re-organization and re-orientation of the entire economic and social systems.

Capital market: This is normally thought of as the markets in which long term securities; both debt and equity are bought and sold. The securities involved are corporate, stock and bonds both, federal state and local government bonds, notes and mortgage backed securities, among others. Fred C. et Neil E. (1989:163)

Roger Leroy Miller et David D .Van Hoose [(1997:31)] markets for financial instruments with maturities of one year or more are Capital markets. The reason for this name is that instruments with such long maturities are most likely to be associated directly with funding capital investment projects. There are several capital markets. Among these are markets for stock shares of ownership in businesses and bonds issued by corporations. Also included are markets for long

term securities issued by the U.S.Treasury and agencies of the U.S.government, state and local municipal securities, home mortgages, and bank commercial and consumer loans.

Trading in capital markets certainly can be very active. But generally there are relatively fewer buyers and sellers interacting in these markets within a given day .As a consequence, capital market instruments are less liquid as compared with money market instruments.

The financial instruments are distinguished based on the characteristics of their maturities. For example instruments with maturities of less than one year are traded in money markets while instruments with maturities equal to or more than one year are traded in capital markets

2.2.1 Types of capital market instruments

Roger Leroy miller and David D .VanHoose [(1997:34-36)] further comments that, the maturities of capital market instruments exceed one year .financial instruments with both intermediate term (10years) maturities and long-term (more than 10 years) maturities are included in this category. He also defines long-term financial securities as seen below

Equities: They are shares of ownership, such as common stock, that corporation's issue. Owners of income are residual claimants on the income and net worth of a corporation .this means that all holders of the corporations' debt must be paid before the equity owners. The key advantage of the equity ownership, however, is that the rate of return on equities varies with the profitability of the firm. Equities typically offer dividends, which are periodic payments to holders that are related to the corporation's profits.

Corporate Bonds: these are long term debt instruments of corporations .a typical corporate bond pays a fixed amount of interest each year until maturity. Some corporate bonds are convertible, meaning that the holder has the right to convert them into a certain number of equity or shares prior to maturity. Corporations that offer such a convertibility feature usually do so to make the bonds more attractive to potential buyers.

U.S.Treasury notes and bonds: these are long term debt instruments issued by the U.S Treasury notes, with maturities that range from 1to10years, and treasury bonds have maturities in excess to 10years.because these financial instruments have low risk they are traded widely in secondary markets. This makes them the most liquid capital market instrument.

Securities of U.S. Government Agencies: these are long term debt instruments issued by a variety of federal agencies .for instance, one agency called government National mortgage Association (GNMA, or Ginnie Mae) issues securities backed by the value of house hold mortgage that it holds.

Municipal bonds: they are long term securities issued either by state or local governments. An attractive feature for these bonds for many holders is that the interest payments typically are free from federal income tax. Consequently, the stated interest rates on such bonds are lower than the rates on corporate bonds.

Mortgage loans and mortgage-Backed Securities: these are long term loans to individual home owners or to businesses for purchases of land of lands and buildings. Most mortgage loans are made initially by saving banks, savings and loan associations, and commercial banks. These depository institutions sell many of the mortgage loans they initiate to other institutions Commercial and consumer loans: long term loans made by banks to businesses are commercial loans. Long term loans that banks and other institutions, such as finance companies, make to individuals are consumer loans. Until recently there were not many secondary markets for these loans, and so traditionally have been the most illiquid capital market instruments.

2.2.2 The capital market in Rwanda

The Capital Market Advisory Council (CMAC) was established by the Prime Minister's order No. 01/03 of 28/03/2007 with the rationale of guiding the development of the capital market in Rwanda. The Council is under the supervision of the Ministry of Finance and Economic Planning. In January 2008, CMAC established the Rwanda over the counter (ROTC). CMAC operated as the capital market regulator and admitted seven initial members (stock brokers) namely; African alliance Rwanda, Continental Discount House, Dallas Securities Brokerage, Dyer & Blair Rwanda, MBEA Brokerage Services and MBEA Financial Services Rwanda.

2.2.3 Rwanda stock exchange.

The **Rwanda Stock Exchange (RSE)** is Rwanda's principal stock exchange. It was founded in January 2011. The RSE is operated under the jurisdiction of Rwanda's. **Capital Markets Advisory Council**, (CMAC), which in turn reports to National Bank of Rwanda, the country's Central Bank. The exchange's doors opened for trading on 31 January 2011. That day coincided

with the First day of trading in the stock of Rwanda's only brewery, Bralirwa, which trades under the symbol: **BLRW**. The Rwanda Stock Exchange replaced the Rwanda over the Counter Exchange that had been in operation since January 2008. Having successfully launched Bralirwa, as its pioneer Initial Public Offering (IPO), the RSE also launched its next IPO which Bank of Kigali (BK)

As of February 2011, the **RSE** trades three listed local and East African companies and also carries out trading of fixed income instruments. The exchange, which is open five days a week, is a member of the African Stock Exchanges Association. The **RSE** operates in close association with the Nairobi Stock Exchange in Kenya, the Dar-es-Salaam Stock Exchange in Tanzania and the Uganda Securities Exchange in Uganda. There are plans to integrate the four stock exchanges to form a single East African bourse. In February 2011, the National Bank of Rwanda, the country's Central Bank, contracted **Central Depository and Settlement Corporation (CDSC)**, a Kenyan company, to serve the Rwanda Stock Exchange for one year and to train Rwandan'

Table 1: RWANDA STOCK EXCHANGE/ ROTC LISTED COMPANIES.

Number	Symbol	Company	Notes
1.	BLRW	Bralirwa	Brewing, Bottling
2.	KCB	Kenya Commercial Bank Group	Banking, Finance
3.	NMG	Nation Media Group	Publishing, Printing, Broadcasting, Television
4.	BOK	Bank of Kigali	Banking, Finance

Source: www.emac.org.rw

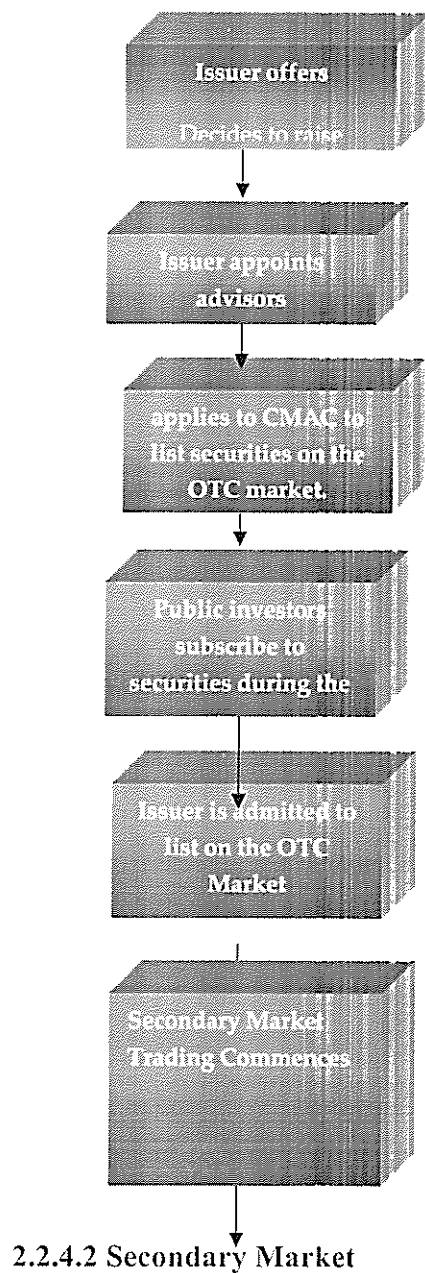
2.2.4 Trading operations at the Rwanda stock exchange.

Trading operations on ROTC commenced in January 2008 with the launch of the bonds market. The ROTC secondary market operations are conducted through a dual process. Members trade over the counter and through open-outcry trading. The bond market has five listed treasury bonds and one corporate bond. Since inception the ROTC has raised RWF 21 billion through the issue of bonds. The secondary bond market has transacted a total turnover of RWF 654 million, mainly in treasury bonds. The equity market was activated in June 2009 with the cross listing of KCB shares. KCB is a commercial bank listed on the Nairobi stock exchange (NSE), Uganda security exchange (USE) and the Dar es Salaam stock exchange (DSE). In November 2010, the National media Group (NMG) cross listed on the ROTC. NMG is the largest media house in East Africa and is cross listed on the NSE and USE.

2.2.4.1 Primary market

The capital market is further divided into primary and secondary market. The primary market is the market for new issuers or where new capital is raised. It is the market where securities are sold for the first time. At the primary market sale proceeds of the securities offered flow directly from the buyers or investors to the issuers of the securities.

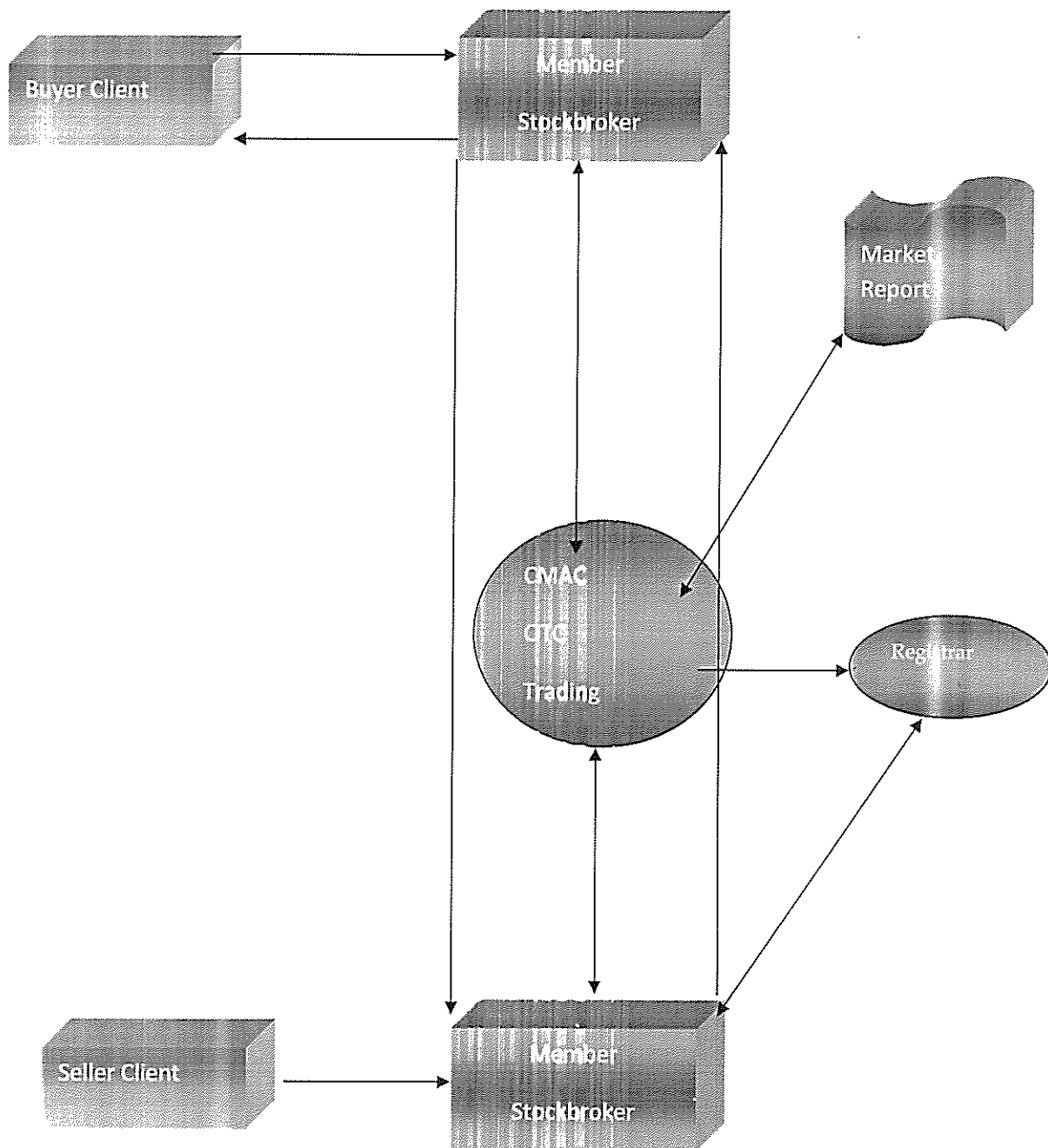
Figure 1: Primary market transaction process



The secondary market is the market for trading securities that have been sold or issued in the primary market and already in the hands of the public. Once securities have been successfully issued in the primary market, they are subsequently traded in the secondary market. The secondary market provides a very important complement to the primary market. An active

secondary market makes it easier for corporate entities and Governments to raise fresh capital through the primary market.

Figure 2: Secondary market transaction process



Source: CMAC blue print 2008

2.3 Key concepts used at the Rwanda stock exchange and other stock exchanges.

At Rwanda stock exchange, there is a number of terms that cannot be easily understood by any person who has neither participated in the market nor given a short training on securities transaction affairs, these terms are explained as follows: ABC terminologies of CMAC,(2008)

Shares or equities

A shares or equity is a unit of ownership in a company. A shareholder is one of the owners of the company. They enjoy all the rights including voting at the General meetings.

Bond

A bond is a debt .When you buy a bond, you become a lender. When you buy Treasury Bonds you become a lender to the government and the government is the borrower. Equally when you buy a corporate bond you become a lender to the company.

Stockbroker

A stockbroker is an agent of investors in the stock market. They are authorized individuals who can buy or sell securities on behalf of investors. Stockbrokers are usually representatives of companies that are members of a stock exchange.

Stock exchange

Stock exchanges means an institution or any person that maintains or provides a market place or facilities for bringing together buyers and sellers of securities or for otherwise performing with respect to securities the functions commonly Performed by a Stock Exchanges, as that term is generally understood, and includes such market places and facilities.

In Stock exchange the members meet to buy and sale stock. The principal of demand and supply is followed for price determination the exchange is managed by the board of directors consisting of certain members who may be broker, odd lot dealers and specialists.

SOURCE: CMAC blue print 2008

OTC

OTC is an abbreviation that stands for over-the- Counter market .It refers to a practice where buyers and sellers of securities negotiate directly and transact without necessarily going through a centralized trading environment.

Prospectus

A prospectus is a document produced by a company when raising capital in the stock market. It is sometime referred to as information memorandum

A prospectus introduces the company or the issuer to the public by providing such information as; who they are, what business they are in, who is directors of the company, business trends and history, how much funds they are raising and the purpose of the funds.

Sponsoring stockbroker

These are stockbrokers who have been appointed by an issuer or a company to assist them in the process or listing on the stock or capital market.

IPO

IPO stands for initial public offer. This is when a company sells shares to the public for the first time

Bid

A bid is a quoted by a stockbroker and is the price at which a buyer is willing to pay for a security he or she is looking for. There are usually several bids per price competing for one lot of shares or securities. The highest bidder is the one that ends up buying a security.

Offer/ Ask

The offer or the “ask” price is the price at which the seller is willing to sell the security he or she is offering in the market. There may be several offer prices by different sellers. The lowest offer is usually the best price and always ends up being the seller.

CDS

CDS is short for Central Depository System. It is an electronic register of shareholders or bondholders of a company..

Commission

Commission is the fees charged by stockbrokers for their services. Whenever they buy for a client they charge a fee and whenever they sell for a client they charge a fee.

Share split

Share split is a division of shares of a company into smaller affordable prices.

Unit Trust

A unit trust is an investment fund created or sponsored by an institution to allow members of the public to collectively invest in the capital market. They are common in the United Kingdom and in the United states.

Market capitalization

Market capitalization is simply the market value of a listed company. It is also commonly shortened to 'market cap'. It is arrived at by multiplying the total number of shares forming the capital of a company by the current market price.

Private Placement or Inside Trading

In the type of trading the purchase or sale is made by a person who has inside information about the company which is not generally available in the market.

Long Position:

The share is purchased with intention that in future the price of shares will go up. After observing their suitable position he sale these shares in the market and earn profit.

Short Position:

In this type of trading the investor purchase the share s of the company with intention that he sale after some time when the price of shares will go up. When the sale is made than after the purchase and again when the price go down. The earning is made time to time from such sale. This type of trading is called short position.

Portfolio:

When the investor purchases the shares of different companies to reduce the risk from the market the whole collection is called portfolio.

Capital Gain:

This is the appreciation on the price of shares, which exist in future. When the shares are bought by the investors after a some period the price of such share rise up due to excellent performance of company or any other reason, the investor can earn profit by selling it in the market this is called capital gain.

Capital gain = Market prices of shares - Price at which the shares purchased

Right Issue:

When a company wants to issue more shares in the market, it is a choice for the company that it offers shares first to existing shareholders. By using this option of right issue ownership will remain to existing shareholder and do not divided to other people. If the existing shareholder do not take interest in buying new shares than after some days the right is transferred to general public.

Bull:

Bull is a trend when the prices of most of the company's shares rise up. Market usually goes to bull when demand of shares is more than the supply of shares.

Bear:

Bear is reciprocal of bull in which the market falls down and the prices of majority of companies go down. In bear the supply of share is more than the demand of shares.

Carry Over Trade:

It the form of trade in which the individual or any institution provides the loan on short term usually for one day. The carry over trade rate is high than the market rate. The variation in carry over trade rates can negatively or positively have effect in market situation.

Blue chips:

Blue chips are those companies in which the maximum trade is done in a day. The investors do maximum trade in these companies with the expectation of maximum profit. The volume of these companies is higher than other companies in the market. The other thing is that blue chips companies are the best performer in the market. The shares of such companies are easily available. In these days BK and BRALIRWA are the blue chips.

Settlement:

There are two types of settlements

T+1

Under T+1 system the transaction is made on spot within day.

T+3

In this system the transaction is made first day and clearance is made on third day.

Term finance certificates (TFC's):

The term finance certificates are resembles to bonds, which are issued by companies for aim to generate the funds from general public. When the investors purchase TFC's they receive interest from the companies.

AGM

AGM refers to annual General meeting of a company. It is during the annual general meetings that all shareholders are invited and participate in the key decisions and resolutions of their company.

2.4 Investment in stock Exchange

The investment in stock exchange is different from other sectors of economy. When an individual commits for the investment. He first opens the account to the member of stock exchange. There three types of members in stock exchange, individual members, at partnership and corporate members. It is not necessary that all members should be active. It will be best decision for the investor for the choice best member on the basis of his reput, where he wants to open the account, is holding the office in stock exchange. In case of office is holding in other place instead of exchange building by member, investor should confirm from the stock exchange management about the existence of office. After opening the account, an investor becomes the member of the brokerage house, in which he opens his account. When the process of account is completed, the investor can acquire the shares from exchange by giving order. The shares are usually offered in lots, which varies from company to company.

Strategy to Minimize the Risk

It is better strategy for investment that the investor should be aware of company which he/she wants to purchase the shares. In stock exchange most of the investors prefer to invest in blue chips. It is because they considered that through trading in blue chips, their investment will be secured and they can protect them from big losses. There are some strategies to invest for maximum gain,

- Investment should be made in different sectors and in different companies.
- The market trend and policies of company should be analyzed before the investment.
- Before the investment, it will be better that the investor should check the reports of companies whether quarterly, semi-annually or annually. Due to this, he can check whether the company follows the code of corporate governance or not? The other advantage that he can observe the trend of profitability of companies towards the future whether their financial position is sound or not?
- The other method is taking the long position. In this method the investor expect that the prices of shares will go up as compared to now. But he should be conscious of the situation with logic and complete information about the future trend of market.
- Most investors can take short position for trading of shares in the market. The short position is usually taken for one day. It will be better for investor to take position after opening some time in market and observing high and low price in the specific day at which he is taking position in a specific day.
- By making the investment in trusts and mutual funds the risk or tension trade off for some time.

2.4.1 Precautions for investor

There are some precautions for the investor before making the investment in stock market and during the trading process. These are,

- To avoid from the rumours the investors should reconfirm the news from the responsible authorities
- After giving the order for purchase or sale of shares to broker. The investor should verify that the order is placed without any error. He should check size of lots, name of company, price which he asked for such trade, date and the price at which he wants to purchase or sell the shares.
- It is essential investor should get surety about fairness of member for the trade purpose from Rwanda stock exchange.

2.4.2 Instruments and statistical calculations for maximum gain.

Most of the investors in Rwanda stock exchange are not aware of the statistical tools for maximum gain. They prefer market trend and the situation of the market. After taking interviews they were unable to tell about the use of Statistics. There are some instruments given below to get maximum gain from the market.

Mean:

Mean is simple to use as a statistical instrument for investment in market. The mean can be got from sum of values of shares divided by number of years. For analyze the trend of a company shares for the purpose of investment in stock, it can be got sum of total market shares value for different periods divided by number of time period in which the investor is interested.

Formula:

Mean = Total values of share during different years

Total numbers of years.

Geometric Mean (G.M.):

It is defined as “the nth root of the product resulting from multiplying a series of return relatives together.”

Geometric Mean (G.M.) is the other measure of the central tendency. It measures the compound rate of growth over different periods of time. It is often used in investments and finance to reflect the steady growth rate of invested funds over some past period; that is the uniform rate at which money actually grew over multiple periods.

Formula:

$$\text{Geometric Mean} = \text{G.M.} = [(1+TR)(1+TR)\text{-----}(1+TR)] - 1$$

Where TR is abortive of total return which can be found

$$TR = I + (P1-P)/P$$

I= Interest received during the period.

P= Beginning price.

P1= Ending price.

In the case of shares TR will be

$$TR = D + (P_e - P_o) / P_o$$

D= Dividend.

P_o= Begging price.

P1= Ending price.

Standard Deviation:

The standard deviation is used to measure the data change with each price or it is a tool to measure the deviation of data. The shareholder can check the variation of prices in shares through it.

Correlation:

It is the measure of the relationship in the data between two variables. In stock exchange it is applicable when the shareholder holds the shares of two companies or more and he want to check the relationship of prices or return on two different types of shares. After calculating the correlation the followings situation came in existence.

Perfect positive correlation.

Perfect negative correlation.

Zero correlation.

Perfect positive correlation:

Perfect positive correlation exists when the relationships in securities move in same direction. This means when the return of one share or security increases then the other shares or security will also increase. It is shown by $+0.1$.

Perfect negative correlation:

In perfect negative correlation the returns move in reverse direction. It means when the return of one type of shares is increase the other share return does not follow it and decrease in same way. It is denoted by -0.1 .

Zero correlation:

In this type of correlation there is no relationship between the two variables. On the base of return one security we cannot predict the other security. It is denoted by the 0 .

Use of correlation for the investors:

Correlation defines the relationships of two variables. Through the use of correlation the investor can analyze the whet the portfolio is profitable or not.

Perfect positive correlation:

The positive correlation provides no risk security. It is because when return of one share is gone down the other share returns also fallow it. So both shares return goes down and the investor will suffer loss. The investor can protect himself from such losses by applying the result from correlation, which is positive. He can avoid him before the investment from future losses.

Negative correlation:

The negative correlation is a good sign before making investment. When the return of one share decrease the other share return protect it with increase return, combining the securities with perfect negative correlation with each other eliminate risk altogether.

Zero correlation:

In this condition the risk cannot be eliminated totally but practically it can be controlled up to some extent. Because it shows no relationship.

Perfect Negative correlation:

Perfect negative correlation with each other share can reduce the risk. In the case of perfect negative correlation the returns related to one security compensate the other Security.
(SOURCE: www.investopedia.com)

2.5 Investment developments in Rwanda

Milton moss (1973:12).defines investment as a commitment of funds for a period of time to derive future flow of funds that will compensate the investing unit for the time the funds are committed for the expected rate of inflation and also for the uncertainty involved in future flow of funds According to Michel E et Therese (1997:831), Investment is anything on which a return of any sort is anticipated. Thus people invest money, time, energy, and also personal interest and commitment in ventures as well as money. Organisations and financial industries invest in ventures on which they anticipate returns.

Article 1 of law No 14/98 of 18/12/98 establishing Rwanda investment and Export promotion Agency (RIEPA) which is now under RDB, investment is defined as, the creation or acquisition of new business assets and the expansion. Restructuring or rehabilitation of an existing business enterprise. An investment Guide to Rwanda(2006:30),narrates priority areas where investment opportunities in Rwanda is found and suitable for both local and foreign investments under the foreign direct investment (FDI).Such areas include agricultural sector, (coffee, tea, sugar, horticulture, etc); in tourism (eco-tourism, hotels, and restaurants, leisure activities); in mining

industry ,manufacturing, and training in various fields and in many areas of infrastructure including telecommunication energy and finance .

According to RDB'S report of on local and foreign direct investment (2010-2011), 460 investment enterprises have been registered and man / of these are fully operating.

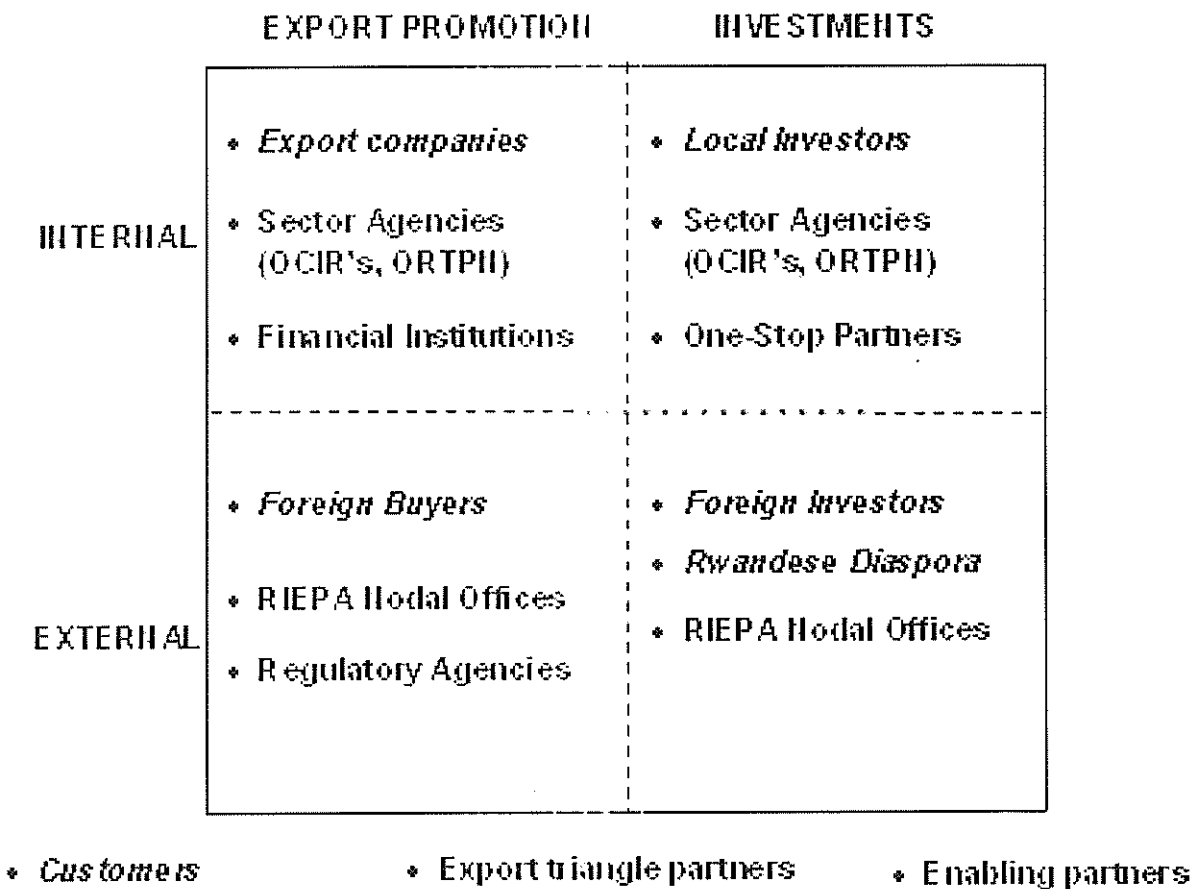
2.5.1 Investment destination.

Rwanda has developed into an attractive investment destination, with various investment opportunities and an investment enabling business environment. The top five reasons for Rwanda being an attractive investment/ business destination are:

1. Strong macro economic growth
 - 8.8% average year on year GDP growth since 2004
 - GDP growth rate in the 2008 of 11.6% and 6% in 2009
 - Controlled inflation, increasing government tax revenues and stable exchange rate.
2. Stable government climate.
 - Politically stable with a visionary leader at the helm hailed by many as “CEO President of Rwanda Inc.”
 - Zero tolerance for corruption and extremely low level of crime.
3. Investors friendly and open for business
4. Agate way to East Africa and the continent
5. Abundant of opportunities.

Www.investrwanda.com(20th /April/2011) RDB's roles to encourage investments can be divided into two dimensions: Investments & Exports' Promotion ,its major focus is Export Companies, Local Investors, Foreign Buyers, Foreign Investors and the Rwandan Diaspora. Their decisions and actions mean increased investments and exports for Rwanda as seen below in diagram.

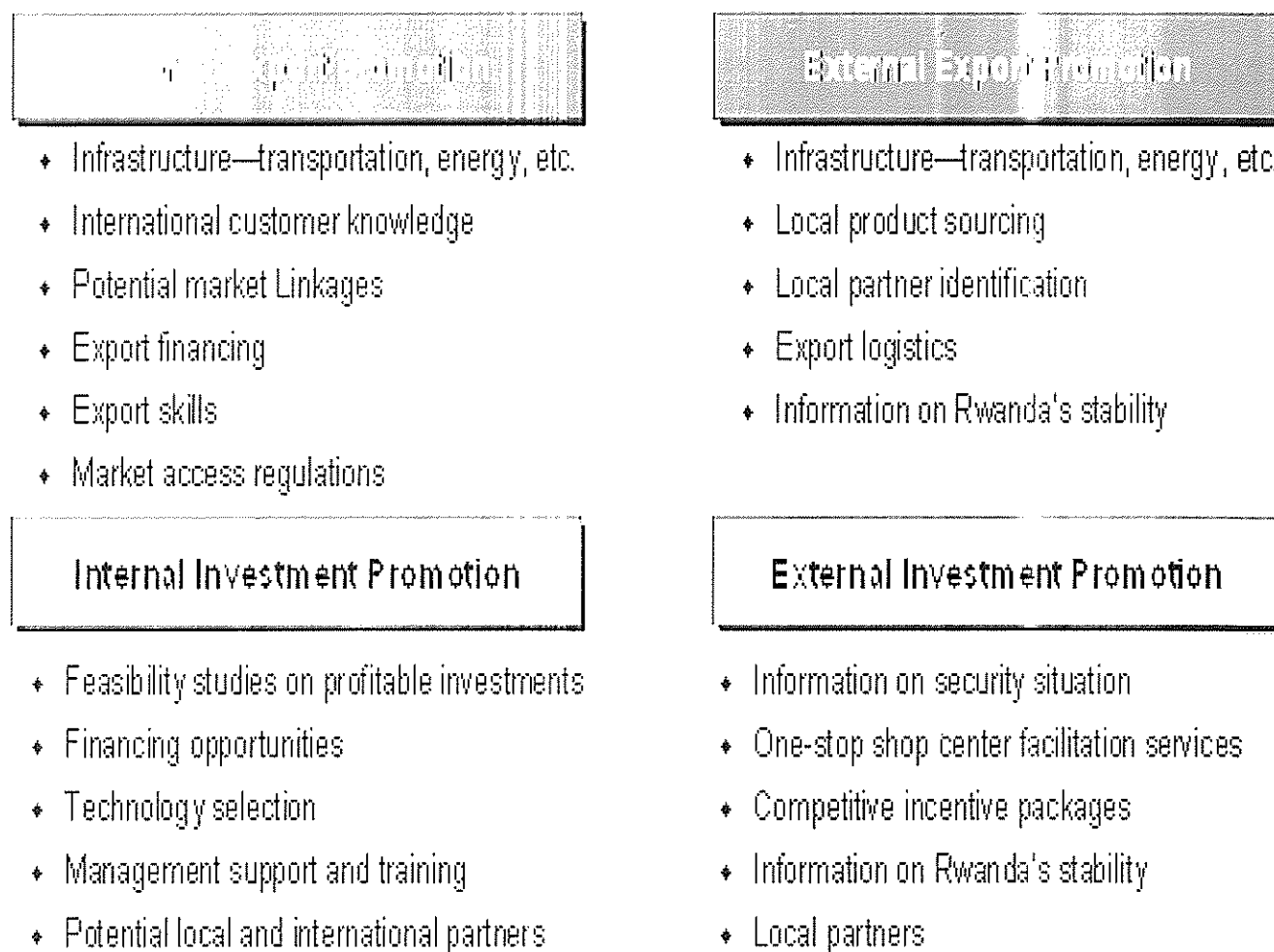
Figure 3: Investment dimensions



SOURCE: RDB secretariat, 2010

The same source, RDB provides local and foreign investors with the essential needs that can be grouped into financing, information about market and investment opportunities, information on Rwanda and facilitation.

Figure 4: The Exhibit detailing the essential needs for investors



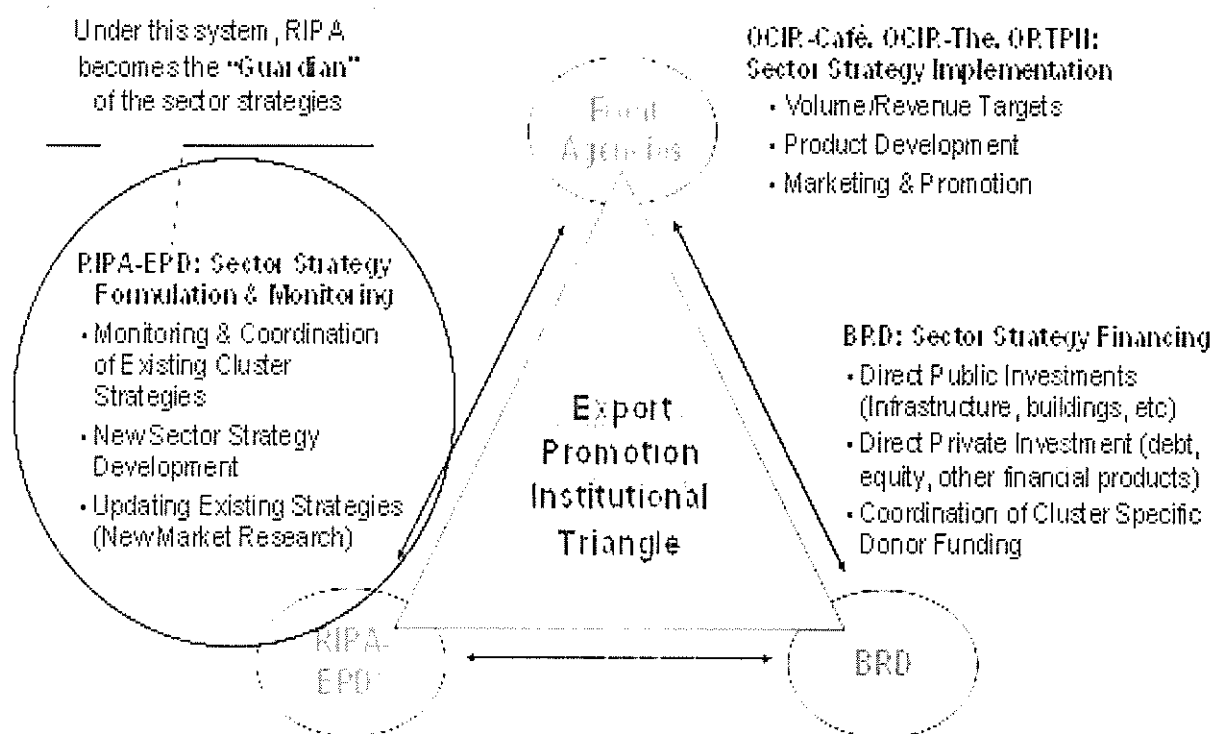
Source: RDB secretariat, 2010

2.5.2 COORDINATION

The same source still, Rwanda's exports and investments goals are very ambitious and require nothing short of a stellar performance. Yet Rwanda's long-term prosperity and existence depends on the achievement of these very goals. RDB therefore takes its new mission seriously and wants to continue executing persistently. The Agency therefore recognizes performance monitoring, coordination and governance as three critical areas that will underlie its execution capabilities.

The leadership of Rwanda has proposed an innovative institutional structure to upgrade and manage all institutional aspects of the nation's export promotion strategy; that institutional structure can be seen as Rwanda's "Export Promotion Triangle". The "Export Promotion Triangle" is represented by the graphic below.

Figure 5: Sector Strategy Implementation Framework



Source: RDB secretariat,

The three points of the triangle are represented by the following institutions or categories of institutions:

Cluster Agencies: organizations such as OCIR-Café, OCIR-Thé, and ORTPN/RDB will continue to be responsible for the implementation of approved export strategies. Their main activities will be Product Development and coordinating the Marketing & Promotion activities for their respective sectors at the national and international levels.

BRD: the BRD has been restructured and given the mission of coordinating all public investment of Rwanda's export sectors. To fulfil this objective, the BRD needs to identify all the financing needs of the different sectors, develop appropriate financial instruments to address these needs, and finally serve as the collection point for all government & donor cluster-specific monies.

RDB's Export Promotion Directorate (EPD): under this system RDB has become the coordinating and monitoring agency for all of the sector strategies. In addition, RDB will formulate new sector strategies to diversify the export base and periodically update existing strategies with new market research to stay abreast of developments in the different industry.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

The purpose of this chapter was to present the methodological approach and techniques that were employed in data collection. In this chapter the major items described were; study design, sources of data, study population, sample size, sampling design and procedure, data collection methods, data processing and analysis, plus limitations of the study.

Contemporary English dictionary (1995:231), defines methodology as a set of methods and principles that are used when studying a particular kind of work.

Kenneth D.BAILY` (1978:83) defines methodology as the set of methods and principles that are used when studying a particular kind of work. It is a method which encompasses all intellectual processes, an orderly system or arrangement that enables a research to reach an aspect of knowledge by using various techniques

Fred kerlinger, (1964:700) stressed that the methodological research is a controlled investigation of the theoretical and applied aspects of measurements, mathematics and statistics, and ways of obtaining and analyzing data.

3.2 Research design

According to Churchill (1992:108), a research design is simply the frame work or plan for a study used as a guide in collection and analyzing data.

Christensen (1991:269) defined research design as the outline, plan or strategy specifying the procedure to be used in seeking an answer to the research question. It specifies such things as how to collect and analyze the data. The research adopted for this study an expert analysis as a case study design.

Christensen (1991:92), a case study is an intensive description and analysis of a single individual, organization or event, based on information obtained from a variety of sources such as interviews, documents, test results and archival records.

The researcher took Rwanda Stock exchange (RSE) market as the basis of research in terms of case study and considered particularly experts making up CMAC membership groups like brokers, sponsors and board of directors as well as the CMAC staff. The study was both quantitative and qualitative and the primary data was obtained by the use of questionnaires supplemented by interviews. Secondary data was collected from records of CMAC publications, various libraries, Dar-as-salaam and Nairobi stock exchanges and internet websites.

3.3 Study population

According to Kenneth (1978:53), population is defined as a group or a category of human beings, animals and other objects that have one or more characteristics in common as the target population. Population can also be regarded as the sum total of all the units of analysis. The population under study was taken from the Rwanda Stock exchange/ROTC market membership group because it's the one that brings investors for business transactions the population considered was 24 individuals upon which a sample of 16 persons was made.

Table 2: The total population and selection of the sample from RSE /ROTC members.

CATEGORY	POPULATION	SAMPLE	SAMPLING TECHNIQUE	JUSTIFICATION
BOARD OF DIRECTOR	11	4	Purposive	Relevance to study
CMAC STAFF	6	5	Purposive	Relevance to study
BROKERS	7	5	Purposive	Relevance to study
SPONSORS	2	2	Purposive	Relevance to study
TOTAL	26	16		

Source: Primary data

3.3.1 Sample design and sample size

Concerning the components of the sample, the researcher used purposive sampling technique for data collection and this enabled him to acquire much data from respondents during the research study.

Kenneth (1978:803), explains purposive sampling as a method of sampling where by the researcher uses his or her own judgment about which the respondents to choose, and picks only those who meet the purposes of the study.

Sample size refers to the number of selected objects or individuals from the population under which the study is conducted.

Grinnell and Williams (1990:133), defined sample size as the number or objects in the sample. A sample itself is defined as all the people or cases selected to take part in research study. Purposive study was therefore used to select a sample of respondents who provided quality information on the prospects and challenges of capital markets on investment developments in Rwanda.

3.3.2 Sources of data

A source is one of the materials the researcher uses for collecting information during the investigation” (Paige Wilson, 1989:2) the sources of data were both primary and secondary data.

3.3.3 Primary data

Primary data are those data collected to solve the specific problem or issue under investigation. Primary data are necessary when a thorough analysis of secondary data is unable to provide satisfactory information”, Joel R. Evan and Barry Berman (1995:20)

Gilbert A. Churchill Jr. 1992:182).all further argued that, primary data are collected to fit precise purposes of current research problem.

3.3.4 Secondary data

Extensive study and review of published and unpublished documents, reports journals, magazines and policy reports relevant to the study was used. Secondary data is “a data gathering method that makes use of pre-existing data” Richard M. Grinnell and Margaret Williams, (1990:228).

Williamson (1982:401). This technique is important because it reviews the literature and tries to canvas both global and national perspectives so that the researcher could have a comparative frame work for analysis and evaluation

3.4 Instruments and techniques of data collection

The major instruments and techniques used in this research for data collection included:

3.4.1 Library search

This is a collection technique that is based on reading books and other documents relevant to the study. It is sometimes called documentation.

According to Richard M and Dr Margaret Williams (1990: 219), defined reports and documentation as the analysis of data that already exists in boxes, in some organizations basement or hidden in the core of the computer

Kenneth D.Bailey (1978:266), defines documentation as the careful reading, understanding and analysis of written documents for purpose other than social research.

In this research, the researcher used documentation method as secondary source of information to collect data from different financial securities authority's documents to achieve. Study objective

3.4.2 Questionnaire

According to Jill. C. and Roger (2003:173), a questionnaire is a list of careful structured questions chosen after considerable testing, with a view of eliciting reasonable responses from the chosen sample.

Kendall (1992:135), on the other hand defines a questionnaire as an information about attitudes, benefits , behaviours and characters from different respondents in the organization who may be affected by a given phenomenon or system.

Indeed the researcher utilized this method of data collection whereby he carefully framed two types of questions that is “open ended and closed ended” in relation to the objectives of the study to be answered by carefully selected respondents from the selected company .

3.4.3 Interview guide

Kenneth, (1982:492), the method assumes that the respondents to be interviewed have the information required. It is a method of data collection where by the interviewees are asked questions in order to find out what they do, think or feel. They can understand the question put to them and can be willing to give honest answers while they are face to face with the researcher. This method was employed where the respondents never got time to answer questionnaires.

3.5 Data processing and analysis

According to Nachmias (1978:29), data processing and analysis is defined as the link between data collection and analysis. It is concerned with the transformation of the findings collected from the field into a system of categories.

During data processing, data relevant to the objectives of the study was considered and transformed into meaningful partner for easy interpretation and understanding. This was done through editing, and tabulation.

3.5.1 Editing

According to Roger (1991:483), editing involves checking for interviewer mistakes.

Questionnaires are normally edited at least twice before being submitted for data entry. Editing refers to going through the questionnaire to make certain “skip patterns” A skip patten is the sequence in which questions are asked. The researcher used editing to discover mistakes that were made during the field study and monitored the accuracy so as to find out whether there was an unfilled space in the questionnaire and eliminate unwanted responses.

3.5.2 Tabulation

This is regarded as putting data into some kind of statistical tables such as Percentages and frequency occurrence of responses to particular questions. After the data had been edited, it was then combined together in some form of tables for statistical analysis.

The collected data will be analyzed and the researcher will summarize the information along with the major themes and the objectives of the study.

3.5.3 Limitations of the study

During the study, the researcher met a number of hindrances, which led to the delay of the research process. Some of the limitations were as follows:

Financial problems were harder for the researcher to complete his dissertation in time.

Going to CMAC and other capital market participants dairy was costly as it was the base area in search of data and questionnaire distribution.

As the research involved addressing questionnaires and interviewing top officials, appointment with such category of people could at times delay the research and even time to return the filled questionnaires could become too long.

However, irrespective of such inconveniences mentioned above, the research achieved its objectives due to the good sympathy, endurance and pledge of the researcher.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter tries to analyse and interpret the data collected for the study there by enabling the researcher to draw conclusions in the light of objectives. The chapter is presented in three parts whereby the first part covers the presentation of the profile of organization whose members were considered a base of analysis. In brief that organisation is the capital market advisory council/Rwanda stock exchange markets, the second part is concerned with primary data analysis and the third part deals with secondary data analysis.

4.2 The profile of CMAC

The Capital Market Advisory Council (CMAC) was established by the Prime Minister's order No. 01/03 of 28/03/2007 with the purpose of guiding the development of the capital market in Rwanda. The Council is under the supervision of the Ministry of Finance and Economic Planning and strives to achieve the following objectives.

4.2.1 Objectives of CMAC

- Promote and develop the securities market in Rwanda;
- Develop capacity building programs for the industry;
- Develop the rules for issuing, listing, trading and settlement of securities;
- Admit and supervise the intermediaries,
- Develop and promote a data bank and information system on capital market for the benefit of the public;
- Conduct public education and awareness program on capital market;
- Promote the culture of saving through capital market

4.2.2 Vision

To be the main driver for Rwanda to become a regional financial hub

4.2.3 Mission

Its mission is “to nurture wealth through the capital market by facilitating the development of an orderly, transparent and efficient capital market.”

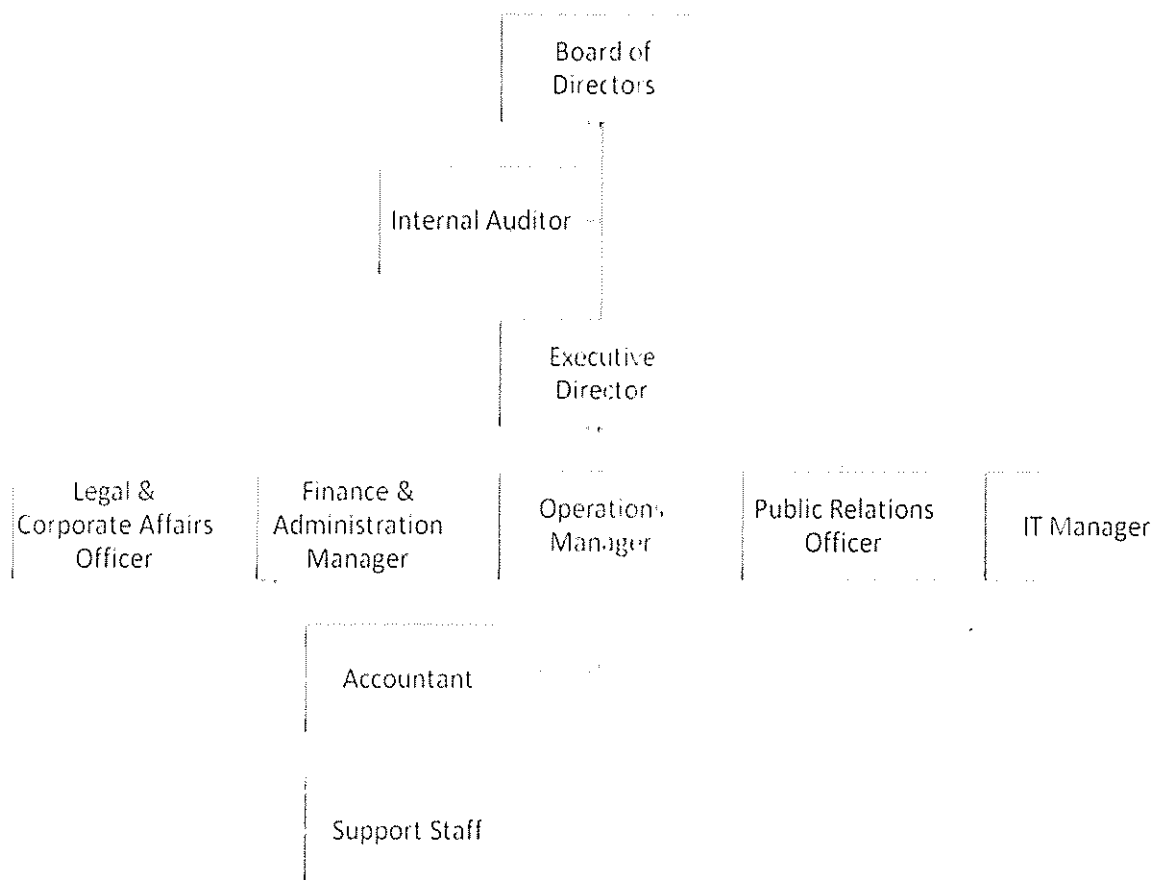
4.2.4 Core value

Confidence is the most important attribute of capital market. CMAC shall continue to uphold the following values in order to install confidence of the market among stakeholders:

- Integrity;
- Knowledge;
- Professionalism;
- Efficiency;
- Effectiveness;
- Creativity and innovation.

4.2.5 Organizational structure

The chart below shows, how CMAC is structured into departmental units.



SOURCE: CMAC secretariat

4.2.6 CMAC source of fund

The Council is funded through:

Government budget allocations;

External resources;

Revenues from its activities.

4.2.7 CMAC revenue sources

CMAC shall also endeavour to create as many revenue as possible, and with time it will have to reduce dependency. CMAC shall also create activities that generate revenues. Sources of revenue for CMAC include:

- Admission & annual listing fees
- Annual membership fees
- Corporate finance fees: CMAC shall promote corporate finance sponsors.
- Investment in other stock exchanges other related institutions.
- Training.
- Registration of professionals.

4.2.8 Authorities responsible for implementation

The Minister in charge of finance was entrusted with the implementation of the capital market through the Capital Market Advisory Council.

4.2.9 Services to the stakeholders

As a responsibility, CMAC continues to give relevant information, advice to its stakeholders as well as implementing the decisions of the Board. It also keeps on educating and raising public awareness for the interest of the general public. CMAC also partners with regional and international Capital Markets and other key players for the sake of standardizing the CMAC's way of working and comply with other positive practices

The CMAC's stakeholders are the following:

- Government;
- Public: retail investors, institutional, issuers, intermediaries, employees;
- Board members;
- Regional partners;
- International partners: Donor community. Development banks, academia, etc.

SOURCE: www.cmac.org.rw(2011)

4.3 Background information of the respondents

The information about the background of respondents described below includes sex, age, level of education and their job experience respectively.

Table 3: Distribution of Respondents by gender

Gender	Number of respondents	Percentage
Males	11	68.75
Females	5	31.25
Total	16	100

Source: primary data

As indicated in table above, 68.75% the respondents were male whereas 31.25% were females. The results therefore give an impression that, though males outnumbered females, both sex participated in the exercise and this signifies that the researcher has more chances of accomplishing the set objectives as different categories of sex with different ideals on capital market constitutes the potential to implement the targeted objectives.

Table 4: Distribution of Respondents by Age.

Age in years	Number of respondents	Percentage
20-30	3	18.75
31-40	5	31.25
41-50	6	37.5
51 and above	2	12.5
Total	16	100

Source: primary data

Table.3 revealed that, 37.5% of respondents lies in the age group between 41-50, constituting 37.5% of the total respondents, followed by those in the age group of 31-40,with 31.25%, 20-30

age group of 18.75 % and the minority one is 51 and above age group with 12.5% of the total respondents.

The analysis made is that 31-40 age group are the most employed with the potential to work hard and capable of providing information about capital market hence helping the researcher to have a good understanding of capital market prospects and challenges on investment development in Rwanda.

Table 5: Education level of respondents

Education	No of respondents	Percentage
Doctorate	1	6.25
Masters	3	18.75
Bachelor's degree (licence)	10	62.5
Professionals in accounting	2	12.5
Total	16	100

Source: primary data

The Table above indicates that, among all respondents, the majority were bachelor's degree holders who totalled to 10 employees out of 16. constituting a percentage of 62.5% of the total respondents. Also the findings reveal that among the financial securities experts consulted, there was only one doctorate holder and three with masters.

This clearly indicates that respondents are all aware of capital market operations and thus makes the researcher's contribution more efficient.

Table 6: Length of job experience by respondents

Experience	No. respondents	Percentage
Less than a year	5	31.25
1-2 years	2	12.5
3 years	1	6.25
5 years	1	6.25
Above 5 years	7	43.75
Total	16	100

Source: primary data

As shown in a table above, the more experienced respondents are above five years with a percentage of 43.75% of respondents. The rest, their experience varies from less than one year, one and two years experiences. From this regard, the researcher found out that the respondents targeted had sufficient knowledge in relation to capital market prospects and challenges on investment development in Rwanda..

The respondents are financial sector experts, some making up the board of directors of CMAC, the rest from RSE Market staff while others are working with brokerage firms and sponsors of the capital market. Based on the fact that the respondents are all members of CMAC and being familiar with capital market operations in Rwanda, the researcher found out that the selected respondents had enough knowledge as far as capital market prospects and challenges are concerned hence helping the researcher to come up with his main objectives of the study.

4.4 Analysis and interpretation of primary findings

This section embarks on the analysis and interpretation of the data primarily from the respondents in form of answers to the questionnaires and interviews all addressed to the members of the CMAC/ RSE market, as they were considered expert analysts.

These were achieved while focusing on the attainment of the research objectives. It is on this note that this section is organized according to the objectives of the study and set to tap responses from different categories of respondents. This is arranged in the following way:

Table 7: Understanding of the term capital market

Responses	Frequency	Percentage
Yes	16	100
No	0	0
Total	16	100

Source: primary data

From the above table, all respondents understand the capital market. They made it clear and explained it as the market in which long term securities; both debt and equity are bought and sold .on the other hand, all respondents denied whether the capital markets might be markets for short term financial securities .This therefore indicates that since they are all knowledgeable of capital market definition, the expected responses to the capital market prospects and challenges on investment development will be true and this will lend a hand to the researcher to be successful in his study.

Table 8: Capital market prospects

Response	No. of respondents	Percentage
Yes	12	75
No	4	25
Total	16	100

Source: primary data

Table .7 shows that 75% of the respondents said that, there are so many prospects of capital market that will prevail to investors in Rwanda, while 25% of respondents said that the prospects will be very limited because Rwanda was not yet ready for the capital market because of the missing ingredients, Like lack of sufficient infrastructures and lack of enough experts in the financial sector. This therefore indicates that there is a need to improve on infrastructures which can attract more investors to come and invest in securities and there should be enforcement of implementation of the training programs and much emphasis on public education as a way to enlighten investors and stakeholder's awareness on capital market business affairs.

Further, According to the majority of respondents, the prospects for the development of capital market in Rwanda are encouraging. In particular, persistent and high economic growth especially in 2011 characterized the commodity price boom, macroeconomic stability, reduction in political instability and internal strife, conducive macroeconomic policies, and deepening regional economic integrations anchor growth and maturity of securities exchanges in the Rwanda (CMSR Report 2011).

Other capital market prospects to investors in Rwanda are in form of benefits as revealed below.

Savings: Ability to invest in fairly small amounts encourages savings accumulation over time.

Income: Bonds pay an interest income and shares pay dividends income. This means that whenever, an investor commits his funds in securities of equities and debts, income flows to him/her continuously up to maturity.

Wealth growth: over time the value of your investment increases, whenever the prices of your stock go up and this is capital gain that leads to accumulation of investor's wealth.

Listed securities easily acceptable as collateral against loans. For that matter investors will expect more chances from capital market by raising long-term funds as well as getting easy access to loans.

Table 9: Capital market impact on investment development

Responses	No of respondents	Percentage	responses	No of respondents	percentage
Strongly agree	6	37.5	Positive influence	14	87
Agree	8	50	Negative influence	0	0
Strongly disagree	0	0	All above influences	2	12.5
Disagree	2	12.5	Other influences	0	0
Total	16	100	Total	16	100

Source: Primary data

As the results indicate 50% of respondents agreed that capital market exerts an influence on investment developments in Rwanda while majority say that, capital market influence is positive for investments since capital market enables investors to raise funds for long term projects through buying and selling of securities.

The analysis therefore indicates that, by enabling investors to raise funds for long term project, capital market encourages the mobilisation of savings among different individuals through raising capital from securities.

Table 10: Challenge that the capital market is likely to face

Respondents views on challenges	Frequency (16)	percentage
Low level of awareness among stakeholders	14	87.5
Small market size	10	65.5
Low investment base of Rwandans	8	50
Inflation risk	12	75

The above table shows that the respondents indicated that like any other business, the capital market faces some uncertainties and the majority of respondents pointed on low level of awareness among the stake holders as the key challenge that the capital market faces. Other uncertainties are described below.

All respondents said that almost all investments have some levels of challenges. Therefore trading securities also involve some challenges and high risks of loss of any fund invested. It's thus vital to bear in mind that when investing in securities like bonds, an investments return is linked to its risk. Equally, relatively safe investments offer relatively lower returns.

However, bonds in general are considered less risky compared to other securities. They further noticed that at times the securities risks become more worth during the periods of inflation and rapid rising of interest rates. When interest rate raise, bond prices fall, conversely, when it declines, bond prices rise. The longer, the time to a bond's maturity, the greater its interest rate risks

Inflation risk as asserted by the respondents, also tend to be faced by capital markets because it causes tomorrow's frw to be worth less than today hence reducing the purchasing power of a security investor's future interest payments and principal collectively known as cash flows. Inflation leads to higher interest rates which in turn leads lower security prices.

Challenges

The respondents also had to earmark most of the likely challenges as seen below:

- ❖ Low level of awareness among stakeholders; they asserted that capital market being a new business issue will be limited by low level of awareness not only by stakeholders but also the local investors .
- ❖ Liquidity as measured by the turnover ratio is Low which means that it will 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?
- ❖ Low investment base of Rwandans. Most of Rwandans are poor to the extent that they have nothing to save hence becomes difficult to widen their investment base.
- ❖ Lack of knowledge of benefits of capital markets by investors.
- ❖ Lack of motivation of corporate to list their securities on the market.
- ❖ Lack of financial resources due limited financial services which may hinder people's ability to buy securities.
- ❖ Lack of skilled manpower. There are currently few experts of the financial sector particularly long term securities markets
- ❖ Inflationary tendencies; Inflation leads to higher interest rates which in turn leads lower security prices
- ❖ Small market size. : by the fact that the market is new, it has not yet expanded through cross border listings, and even it has not yet deepened on the local market scene.
- ❖ Small market size. : by the fact that the market is new, it has not yet expanded through cross border listings, and even it has not yet deepened on the local market scene

However, as means of giving out suggestions and solutions to the challenges that the capital market is likely to face, the respondents rotated their views on the general opportunities and strengths of CMAC as the only response to curb them down. With the presence of complementary agencies like RDB, FSDP, Privatization Secretariat, PSF, RRA, as asserted by respondents things shall be slowly but surely go on at the capital market. In addition, Being an open market to FDIs (Foreign Direct Investment), being opened in a country with Stable macroeconomic environment (interest rate, exchange rates, foreign reserves, etc), and with

Unregulated environment; the capital market will less be hampered by the above challenges and limitations.

Similar to the above, the respondents' equivalent to 100% made it clear that the capital market in Rwanda stands higher chances of not being shaken by the above highlighted barriers and inconveniences due to a number of strength possessed by its regulatory body called CMAC.

CMAC has the following strengths:

- Support from stakeholders
- CMAC has full support of the government under the Ministry of Finance and a broad based Board of Directors;
- CMAC also enjoys support from the regional capital markets;
- CMAC is beginning to cultivate interest in capital market among the members of the general public.
- Staff motivation;
- Regulator and operator;
- Membership of regional organizations;
- Knowledgeable management.

After the Rwanda over the counter market has converted its self into a self independent limited liability company of stock exchange (RSE), as indicated by the respondents, the capital market has came up with a foundation that marks its progress as revealed below in the table showing the share holders of Rwanda stock exchange.

The Rwanda Stock Exchange

The Rwanda Stock Exchange has started its operations as a limited liability company with the following shareholders:

Table 11: Rwanda stock exchange shareholdings

Shareholder	Amount(in million Rwf)	% holding
BNR	60	60
CSR	20	20
BRD	10	10
SONARWA	2	2
MAGERWA	6	6
SORAS	2	2
TOTAL	100	100

Source: CMAC Secretariat 2011

The shareholding structure is expected to change.

In view of the emerging trend in the ownership nature of stock exchanges, it is appropriate for the Rwanda's Stock Exchange to remain as a limited liability company where shareholder's liability in the company is limited to shares and not by guarantee.

Table 12: Presentation of business environment in relation to efficiency of stock market

Response	Number of respondents	Percentage
Very good	2	12.5
Good	5	31.25
Fair	8	50
Poor	1	6.25
Total	16	100

Source: primary data

4.7 The general business environment in Rwanda

From the table above the respondent's attitudes on the business environment was generally perfect towards efficiency of stock market in Rwanda. 12.5% of respondents say that the business

climate in Rwanda is very good and favourable to capital market efficiency because Rwanda places a high priority on financial sector development and sees it as an integral element in its long-term plan to transform itself into a middle-income country and an economic trade and communications hub.

Further still, they remarked that the Government of Rwanda, within the context of, and looking beyond the FSAP, launched the FSDP to come up with a strategy to develop a robust financial sector that, as a key component of the EDPRS, is capable of financing sound economic growth.

The respondents confirmed that, BNR makes every effort and has established 4 supporting subcommittees, consisting of key stakeholders, in the areas of:

- Banking and access to credit;
- Long term finance and capital markets;
- Contractual savings regulation (pensions and insurance); and
- Payments systems, to develop a policy framework and detailed action program for addressing weaknesses in these four main financial sector arenas. Therefore such a background as told by respondents show a climate of business favourable to stock market.

Also 31.25% of respondents declared that business environment is good. While 50% of respondents said that generally it's fair as they make a reflection on general business background as explained below:

Rwanda has established a comprehensive and sustainable level of investments, built an enabling climate in which economic activities can take place effectively, put in place a stable macroeconomic environment, good governance, better fiscal and monetary policies, enforcing a coherent legal and regulatory system which protects the property rights of investors, and enabling entrepreneurs to operate in a business-friendly environment.

Rwanda is maintaining quality infrastructures, promoting human resource development, and intervening to correct market failures.

Rwanda has since 1994 embarked on a reform agenda of Trade liberalization and Regional Integration, which is shown by its significant advances of being integrated to various economic communities .A case in point, Rwanda is a member of EAC, COMESA mention but a few .Such

a conducive business atmosphere as described by respondents makes the business environment favourable for capital market efficiency in Rwanda.

However, 6.25% of respondent's attitude was totally different in relation to what others said. They analyzed historical perspectives and current situation of Rwanda and finally based their worries on the Geographical and economic problems which distort the image of business state online with stock market efficiency in Rwanda.

4.7.1 The general market analysis in Rwanda

Though the capital market ranks among the best priority sector of the financial economy by the government, ignoring to acknowledge the critical analysis on the likely challenges and uncertainties, would not be academics, therefore the researcher's analysis is also based on economical and geographical perspectives as seen below:

4.7.2 Economic perspectives

Although Rwanda has made significant progress from the devastated nation that emerged from the 1994 genocide, it still remains under-developed, agrarian based economy with around 60% of the population living under the poverty line. This coupled with little awareness of the Rwandese over the concept of financial market, brings about a severe impact on investing through capital market.

The economy of Rwanda is currently characterized by internal (budget deficit) and external (Balance of Payments) macroeconomic disequilibrium, alongside low savings and investment rates and high unemployment and underemployment

In addition, Rwanda's exports are composed mainly of tea and coffee – whose prices are subject to fluctuations on the international market, for instance the current financial crisis has

Dramatically affected the price of Rwandan coffee in the International market which can automatically affect saving and capital market in particular.

4.7.3 Geographical perspective

Rwanda is land-locked, with long distances from ocean ports; a factor that raises transportation costs for both exports and imports. The country lacks a link to regional railway networks, which means most trade is conducted by road.

Poor road quality creates high transportation costs leading to inflated prices of domestically manufactured products, as raw materials used for manufacturing need to be imported. These natural barriers to trade hinder industrial and other forms of developments of which capital market is inclusive.

Table 13: Agreement on whether membership, trading and listing rules are favourable

Responses	No. of respondents	percentage
Yes	12	75
No	4	25
Total	16	100

Source: primary data

As the results reveal, 75% of respondents agreed that membership, trading and listing rules on the Rwanda OTC market are favourable for investors. But 25% of respondents never agreed, they rather instigate that most rules are not favourable with the lower capacity individuals.

An investor to be a member at the OTC market, he/she must fulfil certain requirements matching together with criteria. As told by respondents and are detailed below in the table

4.8 Membership rules at the OTC market

Any person can apply for membership as a stockbroker, dealer, and sponsor under OTC market provided they meet and adhere to the rules and conditions of CMAC

Table 14: Membership Admission Requirements

Category	Eligibility	Net worth	Citizenship	Functions
Stockbrokers	Corporate	Minimum funds committed for the OTC operations Rwf.10 million	Incorporated in Rwanda	1. Investment appraisals 2. valuations of securities 3. Participation in buyout deals 4. IPOs 5. Stockbroking activities 6. Investor services
Dealers	Individual Corporate	Rwf.5m individual Rwf.8m Corporate	Legally resident in Rwanda or incorporated or registered in Rwanda	1. Dealing activities 2. Market making 3. Investor services 4. participation in buy outs.
Sponsors	Corporate	Min. funds committed to CMAC OTC operations Rwf.10m	Legally resident in Rwanda or registered or incorporated in Rwanda	1. Participation in buyout deals Appraisal of and evaluation of proposals 3. Sponsor IPOs 4. Appoint market makers for issues sponsored

Source: CMAC Blue print 2008

4.8.1 The trading rules

According to the respondents, trading rules are favourable to investors and are strict to make sure that business at the OTC market is orderly, fair, and transparent with transactions well made, client account management distribution of information to all market players, spreads (bid/offer) and ethical behaviour

4.8.2 The listing rules for equities

Table 15: Structure of listing rules corresponding to the basic criteria and requirements.

NO	REQUIREMENTS	CRITERIA
1	Nominated Adviser	Every issuer must appoint a nominated adviser who may be a person listed on the approved list of nominated advisers maintained by CMAC
2	Incorporation	The issuer must be a corporation duly incorporated or otherwise established in accordance with the laws of Rwanda ,or registered under the company's act to carry on business in Rwanda
3	Minimum number of shareholders	50 for equities
4	Minimum spread of shares to the public	25%
5	Minimum paid up capital	5000,000,000 Frw
6	Disclosure document	The disclosure document Must be lodged with CMAC

Source: CMAC Blue print2008

The disclosure and listing rules for debt at the Rwanda OTC market as reflected on the respondent's opinions and structure corresponding with requirements and criteria as explained below in table.

Table 16: Disclosure and listing rules for debt at the Rwanda OTC market.

No	REQUIREMENTS	CRITERIA
1	Incorporation	<p>Issuer must be duly incorporated under the laws of Rwanda or any other reorganized law.</p> <p>A government borrowing authority.</p> <p>A public authority (e.g. local government)</p>
2	Information on the issuers	<p>-incorporation</p> <p>-information</p> <p>Principle activities</p>
3	Share capital and assets	<p>-Authorized issued and fully paid up capital of frw 500 million</p> <p>-Net assets of frw one million(1,000,000)</p>
4	Track record and profitability	Adequate Track record, at least three financial years of positive profits.
5	Transferability	Fully negotiated and freely transferable
6	Minimum size of a bond issue	Rwf 550 million
7	Disclosure in the audited annual reports, accounts and the information memorandum	<p>Three annual reports and accounts.</p> <p>-Internationally accepted accounting standards</p>
8	Status of the business	Recent business trends, production, costs, prices etc.
9	Taxation	Disclose the implication of tax on the bond holders

Source: CMAC secretariat 2008

By the virtue of making a comprehensive analysis of the capital market prospects and challenges over the Rwanda's economy, the researcher found it necessary to first put an eye on the general state of regional security markets with types of institutions involved in the financial sector. This provided him a road map to step on the real advantages of capital market in Rwanda using the existing literatures of reports and interview results.

4.9 Regional market analysis

According to the [CMAC strategic plan (2008-2013:7-8)], the capital market in East Africa is currently comprised of Kenya, Uganda, Tanzania, Rwanda and soon to include Burundi. The total market capitalization of the 4 East African markets is 28.9 billion US\$. This represents 29% of the total GDP of the five countries combined.

Table 17: Number and types of institutions in the financial sector in the region

countries	Kenya	Tanzania	Uganda	Rwanda
Commercial Banks	42	33	16	10
Investment Banks	12	1	-	-
Stockbrokers	21	6	8	7
Insurance Companies	43	22	21	5
Pension Funds and Schemes	3000	5	n/a	1
Unit Trusts	15	2	1	-
Discount	-	-	n/a	1
Venture Capital Companies	2	-	n/a	1

Source: CMAC Secretariat. 2011

The data shows that Kenya has a big number of financial institutions compared to other countries in the region excluding Burundi and this signifies Kenya's participation in development of capital market since these institutions play a big role in promotion of capital market

In addition, Kenya and Tanzania both have an automated trading, clearing and settlement systems in place for equities market. Kenya's debt market is still manual and not automated. Uganda does not have an automated trading and settlement system, and Tanzania's debt market is also not automated.

Table 18: Listed securities in relation to its size and nature in East African capital market.

Countries	Kenya	Tanzania	Uganda	Rwanda
Market Capitalization [US dollars millions) equities only	21,000	2,800	4,200	919
GDP USS millions at market prices	28,944	18,590	14,327	2,000
Listed Companies	54	10	9	4
Cross listing	2	3	3	-

Source CMAC.2011

As shown above Kenya market capitalisation is higher than the rest of East African countries and Rwanda seems to be the least country having a low market capitalisation.

This indicates that Kenya has issued more shares on the market than Rwanda which has only listed 4 companies and this therefore makes its market capitalisation to be low compared to the rest of countries.

4.10 The advantages of capital market on Rwanda's economy

Mckinsey consultants (2004) Capital markets have become a significant part of every well functioning economy worldwide. The key role of capital market is to facilitate the mobilization of financial resources for wealth creation and growth in economic and social development. Globally these markets have accelerated the flow of international capital to the extent of influencing the social and political behaviour of citizens in all countries.

The most salient representative of capital markets are the stock exchanges whose growth worldwide has accelerated phenomenally over the last decade.

This is reflected by the growth of capital markets that registered an expansion twice the rate of GDP growth from 1993-2004. the total value that was traded worldwide in 2006 increased by almost 30% to US\$69.8 trillion. SOURCE: L. schnitker (2006) **Emerging capital markets and Globalisation**

Based on the global and regional perspectives, the researcher, wanted to know specifically the likely benefits of capital market to Rwanda's economy by having a face to face interview with most experts and came up with the following in brief

According to Robert Mathew, executive Director of CMAC,

- Capital market will enhance governance and improve management quality in businesses.
- Offers employment
- Source of long term investments.
- Financial services growth.
- Risk diversification.
- Widen ownership of growth.
- Price discovery and termination of the cost of capital.
- Privatization
- Taping savings from Diaspora.
- Public education.
- Plays a big role in Savings mobilization.

All above benefits shows that there are many prospects for the capital market to exert and gear the investment development in Rwanda through long term investments from the selling and buying of securities.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction.

This chapter seeks to present the summary of the main findings, general conclusion and derived recommendations of the study for improvement on the basis of findings. The study adopted a system approach on the total population of 26 respondents from the selected experts of CMAC membership group. Only 16 respondents were sampled purposively as they were few to be covered and the relevant literature was reviewed to achieve the main objectives of the study.

5.2 Summary of major findings.

The main purpose of the study was to make an analysis on the capital market prospects and challenges to investment developments in Rwanda. With reference to experts' analysis respectively.

The previous chapters have dealt theoretically and scientifically with various issues concerning capital markets and its expectations as well as its likely challenges on investments developments in Rwanda.

Data were gathered from both primary and secondary sources and analyzed to arrive at important conclusions. Thus the researcher came up with the following major findings.

The study examined the business environment which is generally perfect towards efficiency of stock market in Rwanda. 12.5% of respondents say that the business climate in Rwanda is very good and favourable to capital market efficiency because Rwanda places a high priority on financial sector development and it is revealed that there is an enabling environment in which economic activities can take place effectively within a stable macroeconomic environment, which protects the investors, and enables entrepreneurs to operate in a business-friendly environment. The findings also revealed that the capital market as high priority sector by Rwanda is expected as a base for mobilization of savings and long-term investment capital and to transform a country into a middle-income and an economic trade and communications hub.

The research findings evaluated the benefits of capital market and found out that the Capital markets act significantly as engines and platforms upon which development is based within very

well functioning economies worldwide. From that regard the findings made emphasis that the key role of Rwanda capital market is to facilitate the mobilization of financial resources for wealth creation and growth in economic and social development.

The findings further revealed that 75% of respondents agreed that membership, trading and listing rules are favourable for investors on the Rwanda OTC/RSE market since Any person can apply for membership as a stockbroker, dealer, and sponsor under OTC market provided that they meet and adhere to the rules and conditions of CMLAC. it was found out that the investors are treated equally before the trading and listing rules so long as one meets the criteria and requirements of all categories.

Concerning the challenges, risks and limitations that the capital market is likely to face, it was found out that, the capital market in Rwanda stands higher chances of not being shaken by the above highlighted barriers and inconveniences due to a number of strength and opportunities possessed by it its regulatory body called CMLAC as explained in the data analysis.

The research findings also indicated that capital market will play an effective role in the economy, after all the sectors of the economy will have participated fully to the highest coverage possible. The confidence of the users of the capital market in the market itself is what will attract their participation by entrusting their hard earned savings to the market.

Finally while conducting research; it was found out that, the capital market still faces some obstacles arising from:

- Low level of awareness amongst the Rwandese community about the concept of capital markets and their technical operational systems
- Limited financial resources and few products because most of investors are still relying on bank loans rather than focusing on capital market for long term capital.
- Small market size: by the fact that the market is new, it has not yet expanded through cross border listings, and even it has not yet deepened on the local market scene.
- Lack of skilled manpower; there are currently few experts of the financial sector particularly long term securities markets.

5.3. General conclusion

The purpose of this study was to analyze the prospects and challenges of the capital market on investment developments basing on experts' analysis .as a result, it was found out that, an efficient capital market is one in which the regulatory infrastructure and market conditions allow a free flow of capital into business enterprises and the ability of investors to translate their investments into readily available liquid assets and intends to be like a joint effort between investors and entrepreneurs to foster the growth of business revenue and profits which is actually the great task with the Rwanda OTC market/CMAA.

Its big deal is to bring together two basic market participants for instance business enterprises, individuals and institutional investors to match their respective interests.

Based on the findings, however, an appropriate regulatory structure should empathize to provide some protection to investors while at the same time nurturing an entrepreneurial environment for businesses to thrive.

As a prioritized sector expected for being a platform upon which country's long term development will be based, the capital market, needs to attract participation of all the sectors of the economy if it wants to play an effective and significant role in the economy of Rwanda.

5.4. Recommendations

The recommendations include some of those suggestions given by respondents and those offered by the researcher. Therefore, the researcher recommended the following;

There should be a need to improve on infrastructures which can attract more investors to come and invest in securities

There should also be enforcement of implementation of the training programs and much emphasis on public education as a way to enlighten investors and stakeholder's awareness on capital market business affairs.

Rwanda stock exchange (RSE) should train Rwandan staff to start its own securities registry other than being served by a Kenyan company called Central Depository and Settlement Corporation (CDSC).

Local and foreign investors need to be mobilized actively to invest at the Rwanda- over the counter market (ROTC), also cross border listings should be emphasized so that the market size can be widened.

CMAC should recruit a large number of people purposely to solve man power problem in form of expertise in the field of financial sector.

5.5. SUGGESTIONS FOR FURTHER RESEARCH

Making an analytical investigation concerning capital markets prospects and challenges on investment growth is too wide and complex .therefore one cannot exhaust it extensively under a single study, thus. Further researches can be conducted on topics like;

“A Comparative study of regional capital markets and their impact on economies of the respective countries”.

Capital market versus money markets in Africa.

The relevance of capital market towards saving mobilisation.

BIBLIOGRAPHY

Augusto de la Torre et Sergio L.Schmukler (2004:49) *Emerging capital markets and Globalization*

Christensen (1991), *Experimental methodology*, 5th ed, Boston Allyn and Bacon

Contemporary English dictionary (1995). new edition

Fred C. Yeager .Neil E. Seitz (1989): *Financial institution management*.

Fred N. Kerlinger (1964), *Foundation of behaviour research*, Hold Rinchant and Winston, Inc, New York

Gilbert A. Churchill Jr (1992), *Basic marketing research*, 2nd ed, the Dryden press U.S.A

Grind Richard M. Jr and William Margaret (1990), *Research in social work*, F.E peacock publishers, Inc U.S.A

Grinnell Williams (1990) *Research in social work. A premier*, F.E Peacock Publishers, Inc, Itasca, Illinois.

Howells et K.Bain (1994): *Financial markets and institutions*

Jill Collis and Roger Hussey (2003), *Business Research*, 2nd ed Palgrave, Macmillan, New York

Kenneth D. Bailey (1978), *Methods of social research*, Macmillan, New York

Kendall and Kendall J.E (1992), *systems analysis and design second edition*, Prentice hall, Englewood cliffs, New Jersey, USA

Kocher (1973) *population and development; a search for selective interventions*.

Milton moss (1973), *the measurement of economic and social performance*.

Michael E and Therese (1997), *macro-economic analysis of the linkages between transportation and investments*.

Nachmias D. and Nachmias C (1976), Research Methods in Sciences, St. Martins Press Inc, New York.

Tadaro (1981), migration and development in the 3rd world; an alternative view.

Williamson J.B, Korp A.D, Dalphin JR and Gray (1982), the research craft: An introduction for social research methods, 2nd ed Canada, Brown and company Inc

REPORTS

The Capital Market Advisory Council (CMAC) documentation reports,

Economic development and poverty reduction strategy (EDPRS) report, 2007

Rwanda financial sector development program (RFSDP) report, 2011

Capital market structure for Rwanda (CMSR) report 1/1/1998

CMAC blue print, 2008

The Capital Market Advisory Council strategic plan, 2008

Vision 2020 strategic paper, Kigali, 2008

Annual Economic Report, MINICOFIN, 2010

An investment Guide to Rwanda, 2010:30

Rwanda Development Board (RDB) Investment report 2010

ELECTRONIC SOURCE

Www.investrwanda.com(20th /April/2011)

www.cmac.org.rw(2011)

www.investopedia.com

www.encyclopedia.com

APPENDICES

Appendix I

Dear respondent,

I am called KAYIGAMBA INNOCENT. a final year student, pursuing bachelor's degree in Business Administration Department of finance at Kampala International University.

As part of my academic requirements, I conduct a research project on the topic entitled "*The analysis of the prospects and challenges of capital market on investment developments in Rwanda*"

For the success of this research, you are requested kindly to respond to the questions asked in the way you feel right. The questions asked will not be considered as an examination where answers provided are considered right or wrong.

The questions are only for research purposes and the responses obtained will remain confidential.

Thanks for your cooperation; I will be more grateful if my request meets your kind consideration

Yours faithfully,

KAYIGAMBA INNOCENT

Appendix II
Questionnaires Addressed to members of Rwanda OTC Market (CMAC)

Tick the correct answer of your choice for the alternative (multiple choices) questions in the box provided. For non multiple choice questions, you are kindly requested to give your view, opinion or perception in the space provided. If the space is not enough, you can write behind the page.

Qn1. Sex;

Male ☐

Female ☐

Qn2. Levels of education

a) Primary level ☐

b) Secondary level
- Senior four (s.4) ☐

- Senior six (A2) ☐

c) Tertiary ☐

d) University level

- Baccalaureate or equivalent ☐

- Bachelors degree (license) ☐

- Masters degree ☐

- Above masters (e.g PhD) ☐

e) Profession in accounting ☐

- ACCA profession ☐

- Certificate in accounting technician (CAT) ☐

- CPA profession ☐

Qn3. In what domain or profession did you study?

a) Economics ☐

b) Accounting ☐

c) Management/Finance ☐

d) Teachers training ☐

a) If not any other of the above domain, please specify.....

.....

Qn4. Which post do you hold?

A) Which of the following do you stand for?

a) A broker ☐

b) A dealer ☐

c) OTC market staff ☐

d) Board member ☐

Qn5 How long have you been working with financial security markets or any other related

Institution?

1 year ☐

2years ☐

3years ☐

4years ☐

5years and more ☐

What name is given to that institution?

.....

.....

Qn6. What do you understand by the term capital market? (Tick any correct response)

a) This is the market in which long term securities; both debt and equity are bought

And sold yes ☐

No ☐

b) Capital markets are Markets for financial instruments with maturities of less than one year. Yes ☐ No ☐

a) If you have any other definitions of capital market please give them.

.....

.....

.....

.....

.....

Qn7.Are there any prospects/expectations from Rwanda capital market to Investors?

Yes

No

If yes, outline them below.

- 1.....
- 2.....
- 3.....
- 4.....
- 5.....

If your answer is no, support your

view.....

.....

.....

Qn8 (1) Does capital market have influence on investment developments in Rwanda?

a) Strongly agree ☐

b) Agree ☐

c) Strongly disagree ☐

d) Disagree ☐

(II) If yes, which influence does capital market have on investments?

(a) Positive influence ☐

(b) Negative influence ☐

(c) All the above ☐

(d) Other influences please

specify.....

.....

Qn9. Are there some challenges that the capital market is likely to face?

Yes

☐

No

☐

(a) If yes, Please describe them briefly

Challenges.

- i.
- ii.
- iii.
- iv.
- v.
- vi.

(b) What solutions and suggestions can you give to overcome these challenges?

.....

.....

.....

.....

.....

.....

Qn.10 what is your attitude over business environment in relation to efficiency of stock

Market in Rwanda?

- a) very good
- b) good
- c) fair
- d) poor

e) very poor

f) please explain briefly about the Rwanda business

climate.....
.....
.....
.....

Qn.11

(a) Are membership, trading and listing rules favourable for investors on the Rwanda OTC market/Rwanda stock exchange ?

Yes ☐

No ☐

(b) If yes, what are they? Please mention them below.

i. Membership

rules.....
.....
.....
.....

ii. Trading

rules.....
.....
.....
.....

iii. Listing rules

.....
.....
.....

Qn12.briefly explain the advantages of capital market on Rwanda's economy

.....

.....

.....

.....