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GIKONDO CAMPUS

MBA-FINANCE

**RWANDAN CAPITAL MARKET IN FINANCIAL
SECTOR RESTRUCURING AND DEVELOPMENT**

Case of selected financial institutions

(2011-2016)

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By:

BUTERA Beatrice

Reg. No: PG 112001290

Tel: 0788306818

SUPERVISED BY: Dr. Shaik Nagoor Meera, Ph.D

Tel.:+250788804050

DEDICATION

To the Almighty GOD, I am very thankful for whatever you have provided to me during my lifetime.

To my family and friends, thank you for being very wonderful people to me.

DECLARATION

I declare that this Thesis entitled **“RWANDAN CAPITAL MARKET IN FINANCIAL SECTOR RESTRUCTURING AND DEELOPMENT”** is my original work and has never been presented for any Degree or any other academic award in any University or Institution of Learning.

BUTERA BEATRICE

Name and signature of the candidate

Date

CERTIFICATION

I certify that the work reported in this thesis was carried out by the candidate under my supervision and has been submitted with my approval.

Dr. SHAIK NAGOOR MEERA, PhD

Name and Signature of Supervisor

Date

ACKNOWLEDGEMENT

The success of this research cannot be solely attributed to the efforts of one person. In fact, there was a combination of many efforts that made this research a success. It is therefore on this ground that other people deserve my sincere and profound gratitude.

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LIST OF ABBREVIATIONS

| | |
|------------------|---|
| ASEAN | Association of Southeast Asian Nations |
| ATMs | Automated Teller Machine |
| BDS | Business Development Services |
| CMA | Capital Market Advisory |
| CMAC | Capital Markets Advisory Council |
| CMAR | Capital Market Authority of Rwanda |
| CEO | Chief Executive Officer |
| CRO | Chief Restructuring Officer |
| ECCU | Eastern Caribbean Currency Union |
| EDPRS | Economic Development and Poverty Reduction Strategy |
| EPZ | Export Processing Zones |
| FDI | Foreign Direct Investment |
| FRW | Francs Rwandais |
| FSA | Financial Services Authority |
| FSDS | Financial Sector Development Strategy |
| GDP | Gross Domestic Product |
| GOR | Government of Rwanda |
| IPO | Initial Public Offerings |
| MINECOFIN | Ministry of Economic planning and Finance |
| MSI | Medium Scale Industry |

| | |
|--------------|---|
| NISR | National Institute of Statistics of Rwanda |
| OECS | Organisation of Eastern Caribbean States |
| ODA | Official Development Assistance |
| PE | Private Equity |
| POS | Point Of Sale |
| RDB | Rwanda Development Board |
| RRA | Rwanda Revenue Authority |
| RSE | Rwanda Stock Exchange |
| RSSB | Rwanda Social Security Board |
| SIDBI | Small Industries Development Bank of India |
| SEC | Securities and Exchange Commission |
| SMEs | Small and Medium Enterprise |
| SPSS | Statistical Package for Social Science |
| SWOT | Strengths, Weaknesses, Opportunities, and Threats |
| USD | United State Dollar |
| VC | Venture Capital |

ABSTRACT

The government of Rwanda has got a strategic long vision for the development of all sectors of the country life. This vision is expressed through the planned documents such as the “Vision 2020”, the Economic Development and Poverty Reduction Strategy (EDPRS).

The objective of this vision is to transform Rwanda into a middle-income country and an economic trade and communication hub in the region and EDPRS provides priorities for public spending, together with key performance targets, projected financing and needs as well as monitoring and evaluation plans. For this to be achieved, it requires a huge investment and therefore a development of a strong financial sector. The study based on the following objectives: To examine the factors and indicators of finance sector restructuring and development in Rwanda during the period of 2011 to 2016. To assess the nature of change of the capital market of Rwanda for the period from 2011 to 2016. To identify the extent to which Rwanda capital market can contribute to financial sector restructuring and development in Rwanda during a period of 2011 to 2016. To suggest a better financial restructuring and development based on SWOT analysis.

The research study was both quantitative and qualitative. Structured questionnaires and rating scales were applied for data analysis. The study used sample size of 142 respondents was selected from target population 220 respondents of the study using Random sampling technique. Findings regarding the Rwanda Capital Market in financial sector restructuring indicated that the majority of respondents perceive financial sector restructuring as very essential in the economic development of Rwanda.

Among the recommendations suggested, the following was the major of all. Creating awareness to all stakeholders of stock markets, this will create confidence among potential investors and will lead to better performance of financial sectors after their restructuring.

CHAPTER ONE

1.0 Introduction

The development of an efficient private sector spearheaded by competitiveness and entrepreneurship is an important pillar in Rwanda's Vision 2020. Capital markets are financial markets for the buying and selling of long-term debt- or equity-backed securities which is of strategic importance in achieving inclusive growth, and reducing the Balance of Payments and fiscal deficits. This chapter aims at describing the background of the study, problem statement, and objectives of the study, research questions, scope, the content and the time of the study. These markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long term investments. This study intends to conduct a qualitative research on the potential of Capital markets in unlocking financial investment opportunities to Rwanda (Andrew, 2009)

1.1 Background of the study

Capital markets are financial markets for the buying and selling of long-term debt or equity-backed securities. These markets channel the wealth of savers to those who can put it to long-term productive use, such as companies or governments making long-term investments. Capital markets are defined as markets in which money is provided for periods longer than a year. The Rwanda's Capital Market Authority (CMA), previously known as Capital Markets Advisory Council (CMAC), which in turn reports to the Ministry of Finance and Economic Planning (MINECOFIN), (International Monetary Fund, September 2005)

Modern capital markets are almost invariably hosted on computer-based electronic trading systems; most can be accessed only by entities within the financial sector or the treasury departments of governments and corporations, but some can be accessed directly by the public.^[3] There are many thousands of such systems, most serving only small parts of the overall capital markets. Entities hosting the systems include stock exchanges, investment banks, and government departments, (Jochen, R., 2007).

Capital Market Authority of Rwanda (CMAR) was established by the Prime Minister's Order of 28 March 2007 to initially guide the development of a Capital Market in Rwanda. It was

previously referred to as the Capital Market Advisory Council (CMAC) till June 9th, 2011, CMAC operated as the Capital Market Regulator, pending the creation of the CMA as provided in the Law N°11/2011 of 18/05/2011 published on 9th June, 2011. CMAC facilitated the creation of the RSE as a Stock Exchange and admitted 10 members of the RSE awaiting licensing powers provided in the newly published CMA law. One of the statutory objectives of the Capital Market is to promote and develop the financial sector in Rwanda. Investor education is one of the ways of attaining this goal, (Merton H. M., 1991).

Developed and developing countries have had restructuring being widely used. While in most cases restructuring is employed when a given structure becomes dysfunctional, companies and economies restructure to also achieve a higher level of performance or to survive. Growing competition and globalization along with tightened fiscal policies are causing both private and public sector organizations to strive for greater efficiency and higher cost effectiveness. In many cases the desired results cannot be achieved without subjecting the corporate strategy and structure to some transformation. In this context, restructuring is no longer just an option; it is a necessity for survival and growth (Rogovsky, Ozoux, Esser, Marpe, & Broughton, 2005). Restructuring takes place at different levels. At the level of the whole economy, it is a long-term response to market trends, technological change, and macroeconomic policies. At the sector level, restructuring causes change in the production structure and new arrangements across enterprises. At the enterprise level, firms restructure through new business strategies and internal reorganisation in order to adapt to new market requirements.

Restructuring is usually perceived as a change of a certain organism structure. We can therefore distinguish changes at macro and micro levels, as informed by the definition of restructuring as the change of a particular economic area structure, change of production programmes and enterprising activities. When dealing with a structural change of a national economy particular field we then use the term of a macroeconomic restructuring. If a change is being witnessed in an enterprise structure, we then use the term microeconomic restructuring.

Financial restructuring” is the process of reshuffling or reorganizing the financial structure, which primarily comprises of equity capital and debt capital.

Financial sector linkages have increased continuously in the Caribbean with cross border capital flows and financial conglomerates dominating the financial system. This has occurred largely through foreign banks' dominant presence, mainly by Canadian banks, and foreign participation in insurance markets and pension funds, securities trading abroad and direct borrowing of domestic firms in international markets. However, most of these developments have been sui generis, without any formal agreements, with the exception of the Eastern Caribbean Currency Union (ECCU), where there is a common central bank (based on the 1983 Agreement) and common stock and government securities markets.

Global Restructuring

It is said that 'generals fight the last war'. Regulators can do the same. The question is whether in the plethora of reforms that are being developed, the financial regulators are building the regulatory equivalent of the Maginot Line or whether they are devising strategies that will enable them to counter, or at the very least anticipate, the next crisis. The paper focuses on regulators' capacities for anticipation rather than resilience per se. It argues that for these capacities to be developed, the current mechanisms by which the financial regulators learn of their own and each others' performance need to be quite fundamentally reoriented and regulators need to build in stronger mechanisms for cognitive challenge. The paper analyses the cognitive shifts prompted by the crisis, and as associated policy developments. It then considers the changes in organizational structures of financial regulation at the global and EU levels, linking those to the cognitive shifts identified, and focusing on current mechanisms of observation, communication, enforcement and coordination. In particular it examines how key actors are positioning themselves within the regulatory system as a whole and the modes of coordination they are developing. It then considers how the system's existing and potential capacities for reflexive learning and dynamic responsiveness can be strengthened. It focuses on two elements of that challenge: building capacity through enhancing information and knowledge, both about what is happening outside the system in the markets and the performance of the regulatory system itself, and developing mechanisms of challenge. (The Africa Competitiveness Report 2009)

Regional restructuring

The question of whether class or territory is the stronger basis of social mobilisation is examined. It is suggested that the economic problems being experienced by many older industrial areas can give rise to regional coalitions that seek to transcend class antagonisms in order to press for state investment to improve regional growth and employment prospects. But it is further argued that, because of the heterogeneity of the socio-spatial base in such regions, supra-local coalitions will be vulnerable to the effects of allocated decisions favouring particular within-region locations. The notion of the vulnerability of regional social bases to the expression of local class interests is explored in the context of industrial South Wales. This region has been subject to successive attempts at economic revival, often in response to an apparently coherent regional voice pressing for state regional interventions. Important parts of various policies for restructuring the regional economy have been defeated in the past, precisely because of the impotence of regional coalitions to carry disadvantaged local class groupings along with them. On occasions, such local class groupings have been capable of mobilizing popular support, indicating more the defensive than offensive nature of their power. (The Africa Competitiveness Report 2009)

Restructuring in Rwanda

The Government of Rwanda has undertaken reforms aimed at restructuring public service institutions in a bid to increase efficiency and better services to citizens. While addressing the journalists in a press conference, the Minister of Public Labour and Service “Judith Uwizeye” explained that a Public Institutions Performance Analysis and Performance Audit of Institutional Mergers carried out between June 2013 and February 2014 showed the levels that hinder the delivery of services.

“The findings revealed gross shortcomings and gaps in current public institutions’ organization, thus the need for an overhaul of public institutions”, the finance Minister said.

The minister cited poor coordination among offices that are inter-linked, duplication of responsibilities – where two or more people perform similar duties – and bureaucracy, with some

tenders experiencing unnecessary delays because of a chain of signatories and verifiers, among the weaknesses.

Minister Uwizeye said the changes are aimed at improving government efficiency, accountability and keeping the growing wage bill in check.

“The objective of the restructuring is to keep building a capable developmental state and achieve effective service delivery and subsequent development through re organizing of Public service to enhance efficiency and effectiveness towards leading to professionalism and high productivity”.

Carried reforms include suppressing unnecessary posts, creation of news post where needed and merging institutions that seemed to be redundant.

The Minister of Public Labour and service reassured public servants that all would be done to keep all qualified staff. “If you are qualified and possess all required expertise, if you do your job properly, you shouldn’t worry” she said, adding, “There are chances for whose posts will be suppressed to be transferred to other government institutions that need staff to fill in new positions”.

In addition to efficiency and effectiveness, the new reforms will boost accountability and quality assurance in terms of roles and levels ensuring internal checks and controls, integration in terms of mutual working relationship and complementarily. It will also bring about span of control in terms of realistic coordination capacity, decentralization of roles and responsibility.

The restructuring of public service institutions is about different levels of the government including the central government, local government, as well as justice and legislative sector. Reforms in the sector of education, health, security will be done before the end of August this year.

Financial flows to Africa have recorded unprecedented levels of growth over the past few years. Thanks to the surge of commodity prices, African exports have almost doubled between 2000 and 2006, from USD 159 billion to USD 290 billion. Meanwhile, ODA to the continent has tripled, reaching an all time high of USD 43.4 billion in 2006. Capital flows including Foreign

Direct Investment (FDI), portfolio equity and loans have registered a fivefold increase over the period and exceeded USD 60 billion. And while FDI has reached a historical peak at USD 36 billion, portfolio equity has grown from virtually nothing in 2003 to USD 13.5 billion in 2006. Bank debt and bond flows have also increased substantially, to reach USD10 and USD 3 billion respectively. Finally, estimates put 2006 remittances to Africa at USD 22 billion. (The Africa Competitiveness Report 2009)

On the eve of the crisis, there were also more domestic resources available for African governments and private entrepreneurs than ever before. Total government revenue as a share of GDP increased from an average of 21% to over 26% between 2001 and 2006 for Sub-Saharan Africa as a whole – reaching a total of USD 185 billion, which represents nearly six times the volume of ODA to the sub-continent. In addition, between 2002 and 2007, the capitalisation of African stock markets increased from USD 250 billion to more than a trillion. (The Africa Competitiveness Report 2009)

While well regulated financial systems are essential for macro-economic stability, as demonstrated by the international Crisis, vibrant financial markets also play a critical role in channelling resources into productive investment and fostering growth. The purpose of this paper is to provide an overview of the state of financial markets in Africa, identify the main impediments to their development and give further recommendations for African governments and the international community on how to reconcile the need for increased flexibility with the necessary safeguard measures.

Innovation and a wide spread of public and private activities and partnerships can contribute significantly to the development of African financial markets. However, access to finance is still a challenge for most Africans. Overcoming this bottleneck is critical if Africa is to increase its investment rate and its growth potential, as financial intermediation is the key to channelling resources into productive activities. Making African financial markets work for investment and development will require significant efforts aimed at strengthening their legal and regulatory infrastructure, and lifting the quality and scale of their operations. Major possible reform areas include improving property rights ‘regimes, diversifying the supply of financial products and services in the banking sector and regionalizing financial markets through legal harmonisation and cross-listing at regional level. (Alfaro, Laura, Areendam Chanda, Sebnem Kalemli-Ozcan, and Selin Sayek, 2004)

The Vision CMA is to be a key contributor to Rwanda becoming a competitive financial centre through mobilization of long term capital.

The CMA's Mission to nurture wealth by facilitating the development of an orderly, fair, transparent and efficient capital market.

1.2 Statement of the problem

Restructuring is the corporate management term for the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable, or better organized for its present needs. Other reasons for restructuring include a change of ownership or ownership structure, demerger, or a response to a crisis or major change in the business such as bankruptcy, repositioning, or buyout. Restructuring may also be described as corporate restructuring, debt restructuring and financial restructuring.

Executives involved in restructuring often hire financial and legal advisors to assist in the transaction details and negotiation. It may also be done by a new CEO hired specifically to make the difficult and controversial decisions required to save or reposition the company. It generally involves financing debt, selling portions of the company to investors, and reorganizing or reducing operations.

The basic nature of restructuring is a zero-sum game. Strategic restructuring reduces financial losses, simultaneously reducing tensions between debt and equity holders to facilitate a prompt resolution of a distressed situation.

Corporate debt restructuring is the reorganization of companies' outstanding liabilities. It is generally a mechanism used by companies which are facing difficulties in repaying their debts. In the process of restructuring, the credit obligations are spread out over longer duration with smaller payments. This allows company's ability to meet debt obligations. Also, as part of process, some creditors may agree to exchange debt for some portion of equity. It is based on the principle that restructuring facilities available to companies in a timely and transparent matter

goes a long way in ensuring their viability which is sometimes threatened by internal and external factors. This process tries to resolve the difficulties faced by the corporate sector and enables them to become viable again.

The Capital Market of Rwanda plays a significant role in the investment process and financial sector restructuring. Individuals in Rwanda have excess liquid cash at their disposal due to few available investment avenues. The Capital Market is one of the investment avenues that is least developed with limited investment opportunities. Its presence encourages investment in securities, and hence economic development of the country in general. Rwanda, like other developing countries, has undeveloped financial industry. The establishment of a stock market in Rwanda was a major initiative taken by the Government to improve financial market and promote investments. Although the Capital Market is necessary to the growth and development of financial sector of Rwanda, its contributions to financial restructuring is hindered by several factors such as low savings rate, a complex tax regime, a small economy and the structure of companies that are family owned and the absence of financial intermediaries, financial advisory services, and investment banks and so on. Despite significant role of Capital Market to financial sector restructuring in Rwanda there is no empirical evidence. Developed and developing countries have had restructuring being widely used. While in most cases restructuring is employed when a given structure becomes dysfunctional, companies and economies restructure to also achieve a higher level of performance or to survive. Growing competition and globalization along with tightened fiscal policies are causing both private and public sector organizations to strive for greater efficiency and higher cost effectiveness. In many cases the desired results cannot be achieved without subjecting the corporate strategy and structure to some transformation. In this context, restructuring is no longer just an option; it is a necessity for survival and growth (Rogovsky, Ozoux, Esser, Marpe, & Broughton, 2005).

Restructuring takes place at different levels. At the level of the whole economy, it is a long-term response to market trends, technological change, and macroeconomic policies. At the sector level, restructuring causes change in the production structure and new arrangements across enterprises. At the enterprise level, firms restructure through new business strategies and internal reorganisation in order to adapt to new market requirements.

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Restructuring involves diverse activities such as divestiture of underperforming business, spin-offs, acquisitions, stock repurchases and debt swaps, which are all a one-time transaction, but also structural changes introduced in day-to-day management of the business. Before restructuring financial sector services was in poor level because transaction was done locally and international services access was difficult.

NISR Rapport (2015-2016) argues that companies need to move from Phase I restructuring to Phase II because in Phase II, the shareholder value approach is employed not only when buying and selling a business or changing the company's capital structure, but also in the planning and performance monitoring of all business strategies on an on-going basis. However the financial sector restructuring is stagnant in phase I (one).

The financial sector of Rwanda continues to be stable, well capitalized, profitable, liquid, sound and stable. As of June 2016, total assets of the financial sector expanded by 13.7% to reach FRW 3.4 trillion. The size of the financial sector, as measured by total assets, relative to GDP increased to 55% in June 2016, up from 53.8% in June 2015.

In total, 89% of adults in Rwanda are financially included (including both formal and informal financial products/services, around 5.2 million individuals). Levels of financial inclusion vary significantly from 97% in Nyarugenge and Kicukiro districts; to 78% in Karongi and Rutsiro districts (FinScope, 2016).

In driving the Country towards a cashless economy, by June 2016, the number of ATMs and POS increased by 10% from 361(June 2015) to 398 and by 27% from 1,339(June 2015) to 1,707. The volume and value of POS transactions increased tremendously by 139% (from 208,357 in June 2015 to 497,075 in June 2016) and by 65% (from Frw 18,877 in June 2015 to 31,200

million in June 2016). The number of cards slightly increased by 4% from 658,024 end June 2015 to 685,385 end June 2016.

The ratio of electronic payments transactions to GDP has increased from 0.3% in 2011 to 16.5% as of end December 2015. The number of subscribers to the credit reference bureau increased from 41 institutions in 2011 to 514 institutions in June 2016. The percentage of adult population (15 years and above) covered by credit reference bureau increased to 21.2% in June 2016 from 18.8% in June 2015.

1.3 Study Objectives

The General objective

The general objective of this study is to assess the contributions of the capital market of Rwanda in financial sector restructuring and development.

The specific objectives of the study are:

- a) To examine the factors and indicators of financial sector restructuring and development in Rwanda during the period of 2011 to 2016.
- b) To assess the nature of change in the capital market authority of Rwanda during the period of 2011 to 2016.
- c) To identify the extent to which Rwanda capital market contributed to financial sector restructuring and development in Rwanda during the period of 2011 to 2016.
- d) To suggest a better financial sector restructuring and development based on SWOT analysis.

1.4 Research questions

- a) What are the factors and indicators of financial sector restructuring and development in Rwanda during the period of 2011 to 2016?
- b) What is the nature of change in the capital market of Rwanda during the period of 2011 to 2016?
- c) What is the extent to which capital market contributed to financial sector restructuring and development in Rwanda during the period of 2011 to 2015?
- d) What are suggestions for better financial sector restructuring and development based on SWOT analysis?

1.5 Hypothesis

H0₁: There is a significant relationship between Rwanda capital market and financial sector restructuring and development.

This means that enhancing saving, companies finance sources, investment regulating and financial literacy rate have a positive effect to political environment, economic conditions government fiscal situation, expansion of access to credit, provision of client training, and development studies for competitive capacity.

Political environment, economic conditions government fiscal situation, expansion of access to credit, provision of client training, and development studies for competitive capacity depend to enhancing saving, companies finance sources, investment regulating and financial literacy rate.

1.6 Significance of the study

This study is meaningful and relevant in that it helped to show the role of capital market in financial sector restructuring and development and will be an addition to the pre-existing literature on the capital market authority, and it will provide a better understanding to individuals in business and other fields, which are not familiar with the financial sector, and recommendations will be helpful to the capital market authority of Rwanda.

This study will also inform Rwandans about the activities of capital market authority since they can finance their economic activities without only depending on financial institutions products. This study will further enlighten the merits and demerits undergone by the capital market authority in Rwanda.

1.7 Scope of the study

This study intends in scrutinising how the capital market authority of Rwanda which is located in Rwanda- Kigali city, to assess the contributions of the capital market authority of Rwanda on financial sector restructuring, and covered the period of four years from 2011 to June 2016.

1.8 Limitation of the study

Some respondents voluntarily refused to respond to some questions fearing that management may victimize them. However this was minimized by the researcher via cultivating and instilling a sense of trust in the minds of respondents and assuming them confidentiality.

Difficulty in accessing the respondents due to their busy, however the researcher used multiple skills like call backs, rearranging appointment and extensive mappings.

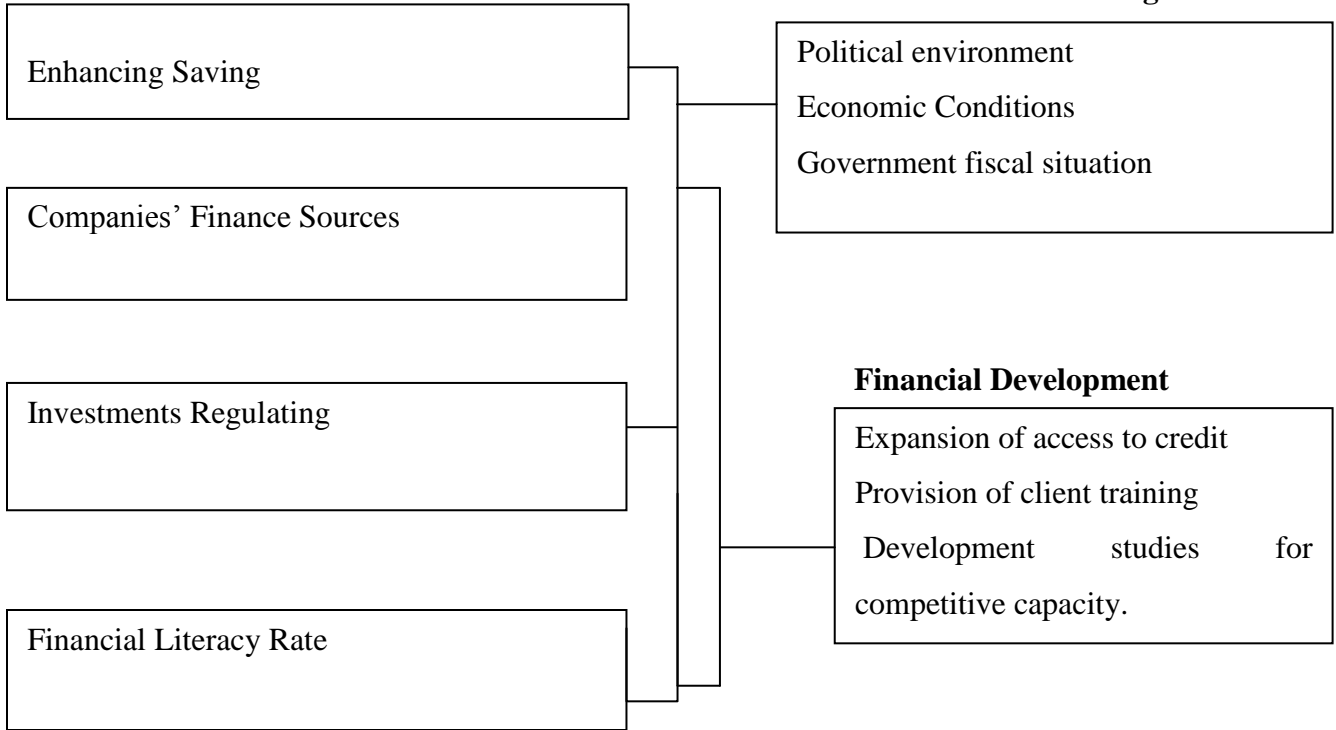
I.9 Organization of the study

This study is about finding out the contribution of Rwanda Capital Market in Financial Sector restructuring and Capital Markets Advisory Council as the case study. The study will be divided into five chapters as follows: **Chapter 1:** This chapter presents the introduction, statement of the problem, objectives, research questions, and significance of the study, scope of the study and organization of the study. **Chapter 2:** This chapter is all about literature reviews from different journal articles, It also covers an introduction, meaning of capital market, financial restructuring, origin of capital market, contribution of capital market, common capital market terminologies, functions, advantages and disadvantages of capital market, main factors affecting capital market, how capital market affect ordinary people, management and trading systems in capital market, membership and management plus trading systems of capital market in Rwanda. **Chapter 3:** This chapter deals with how the data concerned research methodology. It comprises of the introduction, research design sampling techniques; population size, sampling size, stratified sampling technique, purposive non-random sampling, methods of data collection, source of data, data collection method, data procedures and instruments and interpretations; editing, coding and tabulation, data processing and analysis. It also covers the limitations to the study and possible solutions. **Chapter 4:** it covers the chapter introduction, profile of respondents. The analysis and data interpretations of the findings are presented in this chapter relatively to the objectives. **Chapter 5:** This chapter is composed of introduction of the chapter, the summary of the findings, conclusions and recommendations and further research.

Conceptual framework

Capital Market of Rwanda
(Independent Variable)

Financial Sector restructuring and Development
(Dependent Variables)



Source: Research, 2016

CHAPTER TWO

LITERATURES REVIEW

2.0 Introduction

As the activities of the capital market tend to be specialized and not understood by common people, this chapter will give some basic definitions and review capital market history, participants, operations and importance so as to serve as a basis for understanding how capital market can help promote investment. Besides, reviews of other studies will be done in this chapter to give various dimensions on Capital market in an economy.

2.1 Elements of restructuring

The law does not specify what has to be included when drawing up a restructuring plan. To set out what is expected of stakeholders (such as lending banks), anyone drawing up a restructuring plan has to bear in mind legal precedents from the highest court and guidance from professional groups.

Restructuring plans typically use a modular, two-stage approach: The first stage involves drawing up operational measures to ensure viability, i.e. making sure the company is a going concern that is solvent and not over-indebted). In the second stage the aim is to develop a model for the restructured company that ensures it is sustainable competitive and profitable (ongoing viability).

Key elements to include in a restructuring plan are:

- A description of the subject matter and scope of the task
- A description and analysis of the business background
- An analysis of the causes of the crisis and the stage it has reached
- A model for the restructured company
- A programme of measures to be taken
- An integrated restructuring plan
- An assessment of whether the restructuring is viable, i.e. whether an objective consideration of the plan provides serious and well-founded prospects of a successful restructuring within a reasonable period.

2.1.1 The importance of restructuring

The significance of the financial sector in the economic growth cannot be denied, and the banking sector, in its capacity of intermediation between the borrower and the lender, facilitates the economic activities as a part of the financial sector. Evaluating the financial conditions and the performance of banks has been an issue of considerable importance in recent years, particularly in the developing countries. To establish a better internal control, and thereby increase the performance of the banks, various financial restructuring reforms have been developed (Nazir & Alam, 2010).

Financial restructuring generally refers to changes in the firm's capital structure in terms of leverage. This seeks to reduce payment pressures through equity-based and debt-based strategies. Where equity-based strategies may involve dividend cuts or issuance of shares as a means to retain or generate funds, debt-based strategies involve the adjustment of interest, maturity, or debt/equity ratio (Koh, Dai, & Chang, 2012).

Rapid advances in information technology and acute resources constraints across the globe, has made the business world to become more complex and fluid in recent times. To survive and compete the present day organizations should do away with their existing culture, policies, structure and start with a clean sheet. Restructuring starts with its very purpose .It began with the redefining or researching of the purpose of doing business. Once the purpose is adequately redefined, scope for restructuring surfaces. Sometimes it also happens that realization of the scope for restructuring may bring you back to the purpose and you start rethinking about the purpose (Srivastava & Mushtaq, 2011).

Financial Restructuring is focused on the capital structure of the corporate entity, in this case a bank. In any of the capital structure whenever the proportion of equity is more than debt, then there will be lower EPS. In time of prosperity and when the debts are more than equity then it will be very difficult to maintain an optimal capital due to high cost of debt. Therefore in order to maintain a proper balance in the capital structure, financial reorganization is introduced.

According to Srivastava & Mushtaq (2011), financial restructuring of the debt ratio can be achieved by reduction of fixed charge burden, by the introduction of new equity and preference share capital. When equity is more, the cost of servicing to equity will also be more which can be reduced by relying on debt whenever further funds are raised for expansion and diversification proposals. The company has to strengthen its financial position.

2.1.2 Key factors for success of financial restructuring

The corporate crises that often make a restructuring plan necessary can generally be divided into strategy, success and liquidity. The content and measures included in a restructuring plan depend on the stage and extent of the crisis and the specific stakeholder structure.

Apart from meeting the (minimum) requirements mentioned for restructuring plans and allowing for specific individual features, it is possible to identify general characteristics of effective restructuring advice that significantly increases the likelihood of success:

1. Focus on what matters

While it is essential that the documentation and analyses mentioned are provided, care must always be taken to ensure that the focus is on information which is relevant to taking decisions and that this lies at the heart of the restructuring plan. This means specifically:

- Providing the right degree of transparency for the people being addressed: for example, the analysis of the company's present position must not pull any punches operational problems or structural barriers that could impede the restructuring must be pointed out and the parameters to be met for servicing debt and equity must be made clear.
- The strategic focus of the plan must be spelled out: what matters is not working through data about the past but answering the question of how to get a grip on the crisis and make the company viable. The central anchor has to be developing and implementing immediate operational measures and planning the model for the restructured company to make it sustainably viable.

- There has to be a focus on action: every restructuring requires a central programme of measures setting out detailed action and specific requirements to be met in order of importance. The programme of measures is effectively the blueprint for implementing the plan and so must be compatible with it.
- This should be summarised in a robust business plan. The results of all analyses and restructuring measures must be shown in an integrated business plan, along with their impact on the balance sheet, income statement and cash flow. The plan must be resilient, i.e. stress-tested, and provide a firm benchmark for measuring the state of progress throughout the restructuring.

2. Be practical

Plans must always be designed so the objectives and action on which the programme of measures is based can be achieved and implemented within the relevant timeframe. Each measure must be based on a realistic objective. It can be an advantage if a plan is drawn up using skills and experience gained in successfully implementing other plans: an advisor skilled in implementation will generally be able either to assess relevant programmes faster and better or set priorities and make choices that improve the likelihood of successful implementation – both of which significantly increase the probability of the restructuring being a success.

Practice has shown that it is not sufficient to set out the restructuring measures proposed by the company management in a restructuring report. Their practicality and how long they will take must also be scrutinised critically. For the latter in particular, having an experienced restructuring advisor is a key advantage. Depending on the stage of the crisis, this applies to measures focused on liquidity just as much as adaptations to organisational structures and processes all the way through to setting a new focus and designing business models to give competitive advantage.

3. Interact with all stakeholders: the CRO as leader of the restructuring

When it comes to implementing the recommendations made in a restructuring report, stakeholders often insist on appointing a Chief Restructuring Officer (CRO). The CRO position

is that of an interim manager and normally brings together all the tasks involved in total crisis management, from implementing structural and operational measures to negotiating refinancing. An experienced CRO can relieve the burden on managers who are often not specialists in this area. The CRO also takes on managing the restructuring process and coordinates and communicates with all relevant stakeholders. The greatest impact often comes from being directly responsible for implementing the crisis measures and acting as an honest broker on behalf of all interest groups.

Management and communication skills are essential. A CRO can reduce mistrust between the parties involved by creating transparency and setting priorities. When it comes to questions on change processes in the company, the CRO is a knowledgeable and informed point of contact. Their involvement is time-limited from the start and linked to measurable objectives; once these have been achieved, the exit process starts. The CRO ensures the implementation of the operational, structural and financial measures set out in the plan and is a central success factor in re-orienting the company.

2.1.3 Reasons of financial sector restructuring

There are several reasons you may have to reorganize the operations and other structures of the organization. Restructuring a company can improve efficiency, keep technology up to date, or implement strategic or governance changes made by, or mandated to, company owners.

1. Changed Nature of Business

In today's business environment, the only constant is change. Companies that refuse to change with the times face the risk of their product line becoming obsolete. Because of this, businesses experiment with new products, explore new markets, and reach out to new groups of customers on a continuous basis. Businesses seek to diversify into new areas to increase sales, optimize their capacity, and conversely shed off divisions that do not add much value, to concentrate on core competencies instead.

All such initiatives require restructuring. For instance, expansion to an overseas market may require changes in the staff profile to better connect with the international market, and changes in work policies and routines to ensure compliance with export regulations. Starting a new product line may require changes in the system of work, hiring new experts familiar in the business line

and placing them in positions of authority, and other interventions. Hiving off unprofitable or unneeded business lines may require changes to retain specific components of such divisions that the main business may wish to retain.

2. Downsizing

One common reason for restructuring a company is to downsize the workforce. The changing nature of economy may force the business to adopt new strategies or alter their product mix, making staff redundant. Similarly, cutthroat competition and pressure on margins from competitors who adopt a low price strategy may force the company to adopt lean techniques, just in time inventory, and other measures to cut input costs and achieve process efficiency.

In such situations, the organization will need to redo job descriptions, rework its team, group, and communication structures and reporting relationships to ensure that the remaining workforce does the job well. Very often, downsizing-induced restructuring leads to a flatter organizational structure, and broader job descriptions and duties.

3. New Work Methods

Traditional organizational systems and controls cater to standard 9 AM to 5 PM office or factory based work. Newer methods of work, especially outsourcing, telecommuting, and flex time require new systems, policies, and structures in place, besides a change in culture, and such requirements may trigger organizational restructuring.

The presence of telecommuting employees, temporary employees, and outsourcing work may require a drastic overhaul of performance management parameters, compensation and benefits administration, and other vital systems. The newer work methods may, for instance, require placing emphasis on the results rather than the methods, flexible reporting relationships, and a strong communication policy.

4. New Management Methods

Traditional management science recommends highly centralized operations, and the top management adopting a command and control style.

The new behavioural approach to management considers human resources a key driver of strategic advantage, and focuses on empowering the workforce and providing considerate leeway

to line managers in conducting day-to-day operations. The top management intervenes only to set strategy and ensure compliance; strategic business units receive autonomy in functioning.

Traditional management structures were bureaucratic and hierarchical. Of late, management experts see wisdom in flatter organizations with wider roles and responsibilities for each member of the team. Job flexibility, enlargement and enrichment are key features of such new structures, but successful implementation requires changes in the communication and reporting structures of the organization. While new organizations can start with such new paradigms, old organizations have to restructure themselves to keep up with these best practices to remain competitive.

5. Quality Management

Competitive pressures force most companies to have a serious look at the quality of their products and services, and adopt quality interventions such as Six Sigma and Total Quality Management. Implementing new quality standards may require changes in the organization. Most of the new quality applications strive to imbibe quality in the actual work process rather than maintain a separate quality control department to accept or reject output based on quality specifications.

In many cases, an organizational level audit precedes quality interventions, and such audits highlight inefficiencies in the organizational structure that may impede quality in the first place. For instance, reducing waste may require eliminating certain processes, and thereby reallocation of personnel undertaking such activities.

6. Technology

Innovations in technology, work processes, materials and other factors that influence the business, may require restructuring to keep up with the times. For instance, enterprise resource planning that links all systems and procedures of an organization by leveraging the power of information technology may initially require a complete overhaul of the systems and procedures first.

Such technology-centric change may be part of a business process engineering exercise that involves redesigning the business processes to maximize potential and value added, while minimizing everything else. Failure to do so may result in the company systems and procedures turning obsolete and discordant with the times.

7. Mergers and Acquisitions

In today's corporate world, where survival of the fittest is the maxim, mergers and acquisitions are commonplace and any merger or acquisition invariably heralds a restructuring exercise. The reasons for such restructuring accompanying mergers and acquisitions are many. Some of the common reasons are:

- Reconciling the systems and procedures of the merged organizations to ensure that the new entity has consistency of approach.
- Eliminating duplication of work or systems, such as two human resource or finance departments.
- Incorporating the preferences of the new owners, and more.

Joint ventures may also require formation of matrix teams, special task forces, or a new subsidiary.

8. Finance Related Issues

Very often, small and medium scale businesses have informal structures and reporting relationships, and an ad-hoc style of decision-making. When such companies grow and want to raise fresh funds, venture capitalists and regulations might demand a more professional set up, with formal written-down structures and policies. A listed company may undertake a restructuring exercise to improve its efficiency and unlock hidden value, and thereby show more profits to attract fresh investors.

Bankruptcy may force the business to shed excess flab such as workforce, land, or other resources, sell some business lines to raise cash, and become lean and mean, to attract bail-outs or some other rescue package. Companies may try to restructure out of court to avoid the high costs of a formal bankruptcy.

9. Buy Outs

At times, the restructuring exercise may be the result of the whims and fancies of the owners. For instance, the company may have a new owner who wants to stamp his or her personal authority and style onto the business. Restructuring allows the new owner to:

- Reshuffle key personnel and provide power to trusted lieutenants.
- Start with a clean state and thereby exert greater control.

- Pre-empt any inefficiency that caused the previous owner to sell-out, and more.

With or without ownership change acting as a trigger, company owners may appoint a management consultant to review the company and suggest macro-level changes, as a routine exercise.

10. Statutory and Legal Compliance

At times, restructuring may be a forced exercise, to conform to some legal or statutory requirements. For instance, the government may mandate financial and healthcare institutions that deal with sensitive personal data to monitor their computer networks. A new bill may require that private computer networks adopt the same security measures that government networks adopt, to gain immunity from liability lawsuits in the eventuality of cyber attacks.

Any organizational restructuring is basically a change initiative. Success depends on managing resistance to change by convincing the remaining workforce of the need for change and the possible benefits, an effective communication system to lend clarity to the change process, and effective leadership.

2.2 Review of Related Studies

Capital markets provide for the buying and selling of long term debt or equity backed securities. The capital markets channel the wealth of savers to those who can put it to long term productive use, such as companies or governments making long term investments. Financial regulators, such as the UK's Financial Services Authority (FSA) or the U.S. Securities and Exchange Commission (SEC), oversee the capital markets in their designated jurisdictions to ensure that investors are protected against fraud, among other duties (Andrew, 2009). 21st century capital markets are almost invariably hosted on computer based Electronic trading systems; most can be accessed only by entities within the financial sector or the treasury departments of governments and corporations, but some can be accessed directly by the public. There are many thousands of such systems, most only serving only small parts of the overall capital markets. Entities hosting the systems include stock exchanges, investment banks, and government departments, (Modigliani, F. & Miller, M., 1958)

Physically the systems are hosted all over the world, though they tend to be concentrated in financial centres like London, New York, and Hong Kong. Capital markets are defined as markets in which money is provided for periods longer than a year (Steven, 2003). A key division within the capital markets is between the primary markets and secondary markets. In primary markets, new stock or bond issues are sold to investors, often via a mechanism known as underwriting. The main entities seeking to raise long term funds on the primary capital markets are governments and business enterprises (companies). Governments tend to issue only bonds, whereas companies often issue either equity or bonds. The main entities purchasing the bonds or stock include pension funds, hedge funds, sovereign wealth funds, and less commonly wealthy individuals and investment banks trading on their own behalf.

In the secondary markets, existing securities are sold and bought among investors or traders, usually on a securities exchange, over-the-counter, or elsewhere. The existence of secondary markets increases the willingness of investors in primary markets, as they know they are likely to be able to swiftly cash out their investments if the need arises. A second important division falls between the stock markets (for equity securities, also known as shares, where investors acquire ownership of companies) and the bond markets (where investors become creditors).

Capital markets are the markets in which firms and governments raise capital, and where securities that represent claims to capital—such as shares and bonds—are traded (Stulz, 2008). Capital markets are valuable because they mobilize and then pool savings from the public and efficiently channel them into business investment. They also help companies and individuals to manager are and, properly structured, they provide incentives for companies to raise their performance. Capital markets complement other sectors of financial system, such as banks. For firms, capital markets expand the range of funding sources—including public markets, private, and the issuance of debt securities such as bonds. For savers, they provide alternative investment opportunities and risk-adjusted returns, (Stulz, 2008).

2.3 Capital market potentials

Capital markets solve a number of problems that people face when they either raise capital to fund productive activities or search for somewhere to invest their savings (Levine,1997).For the investor, these problems include deciding: which projects are most worthy of funding; how

much to pay for investments; how much of their savings to put into particular risky investments, and whether the managers of the firm might use the investment unwisely or to benefit themselves at the expense of the investor. In the absence of capital markets to balance the demand and supply of investment products, these problems can discourage savings and investment. Consider the problem of converting an investment back into cash. People will be much keener to invest if they have some means of getting their money out if they need to do so. Capital market structures that allow investors to hold tradable shares and debt securities for as long as they wish (Levine, 2002).

Another problem is deciding how much to pay for an investment. For example, the price one should an investor pay for 100,000 shares in Telecom. Capital markets generate and collect information about firms. By participating in capital market, buying and selling securities, traders unintentionally disclose information they have about firms' prospects. This information is reflected in market prices, which tends to ensure that investors pay approximately the right price for investments, given all this is known about their risks and returns. In this way capital markets make resource allocation decisions easier and more efficient (Levine, 1997).

A third problem for potential investors is dealing with risk. High-risk projects maybe worthwhile (because of the potential for high returns), but will be unattractive to risk-averse investors if they have to invest large amounts in them. Capital markets allow investors to hold a diversified portfolio with small quantities of many different securities. This encourages investors to place some of their money into a given high risk project knowing that most of their portfolio is invested elsewhere, (Jochen, 2007).

In solving the above problems, capital markets encourage people to invest more, and more efficiently, than they otherwise would. This makes it easier for firms to raise capital. For the firm, capital markets also solve a number of other problems, such as locating potential investors, raising capital more cheaply, funding large projects, and hedging risks. Some projects are too big to be financed by asingle investor. For example, few investors could, alone, pay for a power station or a cellular telephone network. Yet these projects offer potentially high returns to investors and society. The pooling of funds through capital markets allows much larger projects to be financed than might be financed by individuals. Capital markets make investing and raising capital market easier, more rewarding, and less risky. In achieving this they promise to increase investment, improver source allocation and, ultimately, to hasten economic growth.

Besides that; capital market provides an important alternative source of long-term finance for long-term productive investments, (Khan, 2008).

This helps in diffusing stresses on the banking system by matching long-term investments with long-term capital. Provides equity capital and infrastructure development capital that has strong socio-economic benefits -roads, water and sewer systems, housing, energy, telecommunications, public transport, etc. - ideal for financing through capital markets via long dated bonds and asset backed securities. It provides avenues for investment opportunities that encourage a thrift culture critical in increasing domestic savings and investment ratios that are essential for rapid industrialization. Encouragement of broader ownership of productive assets by small savers to enable them benefit from economic growth and wealth distribution. Equitable distribution of wealth is a key indicator of poverty reduction. It promotes public-private sector partnerships to encourage participation of private sector in productive investments. Pursuit of economic efficiency shifting driving force of economic development from public to private sector to enhance economic productivity has become inevitable as resources continue to diminish, (Khan, 2008)

Capital market assists the Government to close resource gap, and complement its effort in financing essential socio-economic development, through raising long-term project based capital and provides a gateway to a country for global and foreign portfolio investors, which is critical in supplementing the low domestic saving ratio (Levine, 2002).

2.4 Capital markets within the broader financial system

It should be recognized that capital markets are only one part of the broader financial system; in particular ,bank intermediation provides many of the same functions a capital markets ,there are however other functions necessary for economic growth and development that capital markets are better equipped to fulfil:

Foster greater incentives for a wide range of participants to research firms and pool information in markets, resulting in more accurate price signals; Discipline companies by making it easier to take over underperforming companies and providing mechanisms to tie managerial compensation of a firms performance; Provide competition to banking, and reduce the excessive profits associated with concentrated banking sectors; Fund a greater range of investment opportunities, for example by providing equity, cheaper debt, or higher interest debt for projects

that bank will not finance; Provide additional services for firms, such as risk hedging (Levine, 2002).

Efficient capital markets should also increase the supply of funds to support growth and developments investors are able to better diversify their risks. (Levine, 2002) argues that financial structure— for example, whether external financing comes predominantly from stock markets or banks—appears to be less important to economic growth than the overall level of financial development. In other words, both bank and capital markets financing are necessary to maximize economic growth. Banking and capital markets provide different types of investment and funding opportunities. Firms make use of both equity and debt, and a range of capital markets exist to fund investment opportunities with .Different combinations of risk and return from those financed by banks.

The basic Modigliani, and (Miller, 1958) proposition is that the debt/equity mix doesn't matter for firm financing. There are two key reasons why this doesn't hold in practice: tax, and bankruptcy costs. Firms will seek to maximize debt in order to reduce tax costs, but they also need to hold equity to reduce the impact of failure on debt holders. Debt holders are deeply interested in the likelihood that a firm may not survive (probability of bankruptcy).The less certain the value of the firm's assets the greater the risk faced by lenders and other holders of debt. Higher risk projects and those where the value of the firm's assets are less certain need a greater proportion of equity in their finances.

2.5 Leveraging Capital Markets for Financial sector in Rwanda

Firm is considering listing on the capital markets and zero otherwise. The explanatory variables include the age of a firm need for external financing, familiarity with or awareness of capital markets, gender ownership of a firm and whether a firm is involved in export trade.

An attempt was made to include other variables of importance in the model such as the awareness about the benefits of issuing shares to the public, level of compliance with corporate governance standards as enshrined in the Capital Markets Act and the impact of listing fees on a company's decision to list. However, given the limited knowledge about capital markets amongst the surveyed firms these variables were found to be of low explanatory power and are thus excluded from the estimation. The variation is based on the gender ownership of the firm or

whether the firm exports its products. The analysis reveals that the need for external financing plays a role in determining whether a firm would consider using capital markets. This variable is statistically significant. Awareness of capital markets and involvement in export trade influence the firms' consideration to use capital markets. The age of a firm does not appear to have a statistically significant relationship with the decision to list on the capital market, (Miller, 1958)

2.6 Factors Affecting the Capital Market

Movements in the Capital Market can be quite volatile and sometimes movements in share prices can seem divorced from economic factors. However, there are certain underlying factors which have a strong influence over the movement of share prices and the Capital Market in general.

But, generally shares was in greater demand when investors have the prospect of earning more dividends. Therefore factors which make firms more profitable was tend to cause a rise in Capital Market.

2.6.1 Underlying Factors Affecting the Capital Market

Economic growth: Higher economic growth or better prospects for growth will help firms be more profitable because there was more demand for goods and services. This will help boost company dividends and therefore share prices.

Lower interest rates: Lower interest rates can make shares more attractive for two reasons. Lower interest rates help boost economic growth making firms more profitable. Also lower interest rates make shares relatively more attractive than saving money in a bank or holding bonds. If bond yields fall, it may encourage investors to switch into shares which give a relatively better dividend.

Stability: Stock markets dislike shocks that could threaten economic stability and future growth. Therefore, they will tend to fall on news of terrorist attacks or spikes in the price of oil. They will also dislike political instability which may make it difficult to pursue strong economic policies.

Confidence and expectations: A key factor is the mood of investors. If they receive economic news that gives optimism then they are more likely to buy shares. If they receive bad news they

will sell. This is why in the depth of a recession; stock markets can start to rise. Investors are always trying to predict the future. Therefore if they feel the worst is over the stock market can rally – even when economic fundamentals remain poor.

Bandwagon effect: At times the stock market seems to over-react to certain events. For example, in 1987, relatively little bad news caused the stock market to fall 25%. Even today it remains a little mystery why the stock market fell so much – there was no economic problem. In fact the stock market soon recovered its lost ground. Part of the issue is that people follow the mood. When prices fall, people may feel the need to follow suit and get out of the market.

Related markets: Often investors have choices. For example, rather than investing in stock market, they could buy government bonds or commodities. If investors feel government bonds are overpriced and likely to fall, then the stock market can benefit as people move into shares

2.7 How does the Capital Market affect financial institutions' stakeholders

Most people, who do not own shares, will be largely unaffected by short term movements in the Capital Market. However, ordinary workers are not completely unaffected by the Capital Market.

Pension funds: Many private pension funds will invest in the Capital Market. A substantial and prolonged fall in the Capital Market could lead to a fall in the value of their pension fund, and it could lead to lower pension payouts when they retire. Similarly, if the Capital Market does well, the value of pension funds could increase. Even if people don't own shares, it is quite likely people with a private pension will have some connection to the Capital Market.

Business investment: The Capital Market could be a source of business investment, e.g. firms offering new shares to finance investment. This could lead to more jobs and growth. The Capital Market can be a source of private finance when bank finance is limited. However, the Capital Market is not usually the first source of finance. Most investment is usually financed through bank loans rather than share options. The Capital Market only plays a limited role in determining investment and jobs.

Short-termism: It could be argued workers and consumers can be adversely affected by the short-termism that the Capital Market encourages. Shareholders usually want bigger dividends. Therefore, firms listed on the Capital Market can feel under pressure to increase short-term profits. This can lead to cost cutting which affects workers (e.g. zero contract hours) or the firm may be more tempted to engage in collusive practices which push up prices for consumers. It has been argued that UK firms are more prone to short-termism because the Capital Market plays a bigger role in financing firms. In Germany, firms are more likely to be financed by long-term loans from banks. Typically, banks are more interested in the long-term success of firms and are willing to encourage more investment, rather than short-term profit maximization.

2.8 Economic Effects of the Rwanda Capital Market

2.8.1. Wealth Effect

The first impact is that people with shares will see a fall in their wealth. If the fall is significant it will affect their financial outlook. If they are losing money on shares they will be more hesitant to spend money; this can contribute to a fall in consumer spending. However, the effect should not be given too much importance. Often people who buy shares are prepared to lose money; their spending patterns are usually independent of share prices, especially for short term losses. The wealth effect is more prominent in the housing market.

2.8.2 Effect on Pensions

Anybody with a private pension or investment trust will be affected by the Capital Market, at least indirectly. Pension funds invest a significant part of their funds on the Capital Market. Therefore, if there is a serious fall in share prices, it reduces the value of pension funds. This means that future pension payouts will be lower. If share prices fall too much, pension funds can struggle to meet their promises. The important thing is the long term movements in the share prices. If share prices fall for a long time then it will definitely affect pension funds and future payouts.

2.8.3. Confidence

Often share price movements are reflections of what is happening in the economy. E.g. a fear of a recession and global slowdown could cause share prices to fall. The stock market itself can affect consumer confidence. Bad headlines of falling share prices are another factor which discourages people from spending. On its own it may not have much effect, but combined with falling house prices, share prices can be a discouraging factor. However, there are times when the stock market can appear out of step with the rest of the economy. In the depth of a recession, share prices may rise as investors look forward to a recovery two years in the future.

2.8.4. Investment

Falling share prices can hamper firm's ability to raise finance on the Capital Market. Firms who are expanding and wish to borrow often do so by issuing more shares – it provides a low cost way of borrowing more money. However, with falling share prices it becomes much more difficult.

2.8.5. Bond Market

A fall in the Capital Market makes other investments more attractive. People may move out of shares and into government bonds or gold. These investments offer a better return in times of uncertainty. Though sometimes the Capital Market could be falling over concerns in government bond markets

2.9 The link between capital markets and economic growth

Financial systems of some sort have served as channels for the accumulation of capital in all modern economies. And financial institutions remain large and persistent despite the costs they impose on their users. This suggests that some level of financial development is beneficial to economic activity and growth. But how much is enough? If a country already has a functioning financial system, will financial development - and in particular capital market development - lead to faster growth? There are alternative arguments that economic growth causes financial market development (rather than the other way around); financial development is harmful to growth, or even that financial markets don't matter at all.

One line of argument is that economic growth leads to an increased demand for financial

services. Once an economy achieves a certain level of development, people look to invest retirement savings, leading to the development of pension funds and other collective investment vehicles. Similarly, if a country is expecting strong economic growth, investors and banks are more likely to invest (Khan, 2008). Turning to the econometric evidence, the majority of studies support either financial market development leading to faster economic growth, or two-way causality.

There is an argument associated with (Stieglitz, 2004) that more open financial systems engender greater volatility, which is harmful to economic development. Greater openness would generally be associated with more developed markets. (Stieglitz, 2004). However, history suggests that financial markets do develop in response to economic opportunity (hence, growth may “cause” financial development), while also enabling further growth to occur (financial development “causes” growth). For example, venture capital developed in the United States during the 1940s and 1950s in an environment of new technological and economic opportunities. However, once venture capital financing became established it enabled many new opportunities to be taken up that otherwise would have been delayed or foregone altogether (Gompers & Lerner, 2001).

2.10 Financial Sector Restructuring

Financial restructuring is the process of reshuffling or reorganizing the financial structure, which primarily comprises of equity capital and debt capital.

Financial sector linkages have increased continuously in the Caribbean with cross border capital flows and financial conglomerates dominating the financial system. This has occurred largely through foreign banks’ dominant presence, mainly by Canadian banks, and foreign participation in insurance markets and pension funds, securities trading abroad and direct borrowing of domestic firms in international markets. However, most of these developments have been sui generis, without any formal agreements, with the exception of the Eastern Caribbean Currency Union (ECCU), where there is a common central bank (based on the 1983 Agreement) and common stock and government securities markets. Barbados, Jamaica, Organization of Eastern Caribbean States (OECS) and Trinidad and Tobago, also have an agreement to cross list securities on their stock markets. While increased financial integration has facilitated the flow of funds and financial intermediation, and allowed the Caribbean countries to overcome scale

constraints, the increased interconnectedness has also built systemic risks and increased the likelihood of contagion. This was evident most recently when the collapse of the CL Financial Group sent repercussions throughout the Caribbean region. The collapse of the CL Financial Group highlighted two important broader issues. First, there is little information and systematic analysis of the interconnectedness between financial institutions and the systemic risks arising from this interconnectedness. Second, there is a critical need for financial sector reforms, including to: (i) enhance supervision on both banks and non-banks, and harmonize supervisory standards; (ii) develop a coordinated approach to supervision; and (iii) ensure closer cooperation and information sharing among supervisors.³ The main focus of this paper is to investigate the degree of interconnectedness in the financial sector and the vulnerabilities posed by such interconnectedness. The paper also discusses the current state/structure of institutional arrangements for financial sector supervision in the different countries in the region and the reforms needed to strengthen supervision and contain spill over effects in the event of negative shocks. In light of the interconnectedness of the financial sector, reforms should aim at enhancing supervision that transcends national boundaries. Harmonized supervision and cooperation on supervisory and regulatory issues, including deposit insurance and crisis resolution frameworks at the regional level, are seen as critical to prevent regulatory arbitrage and strengthen financial sector stability. The paper is organized as follows. Section II gives an overview of the structure of the financial sector in the Caribbean and recent developments. Section III analyzes the cross border linkages using the principles of network analysis; given the paucity of data on these linkages, we use several different data sets to understand the nature and depth of the linkages and the implications for systemic risk. Section IV reviews the current status of financial sector supervision in the region. Section V provides some recommendations for harmonizing and standardizing prudential regulations to limit regulatory arbitrage and discusses some areas where this would be most beneficial, (Saunders, A., & Cornett, M.M, 2004).

2.10.1 Performance of the small and medium scale sector

The Small and the Medium sector in India covers a wide spectrum of industries ranging from small, tiny and cottage segments to modern production units with significant investments. These sectors account for around 98% of the industrial units in India and contribute 65% of the output in the manufacturing sector. It has generated employment opportunities to an estimated 22

million persons in the country. The criterion for defining an industry as SSI or Medium Scale Industry (MSI) depends on the investment limit which is fixed by the government from time to time.

This sector has acquired a prominent place in the socio-economic development of the country as it not only acts as a 'nursery' for the development of the entrepreneurial talent, but also produces a wide range of products. Industrial policies relating to the SSI sector in India were hitherto largely based on policy measures of a protective nature such as reservation, fiscal concession and preferential procurement by the government etc. The concession granted to the medium sector is comparatively less as the investment limit of this type of units are higher and also the entrepreneurship skill of the promoter are assumed to be better. The overall industrial growth of the Indian industries during the period 1989-90 is 7.2% and 6.5% during the period 1997-98. The lower growth after the liberalisation indicates that the industries are yet to avail of the benefit of liberalisation. The average growth of the Small and Medium sector during the period 1998-99 was 7%, whereas the overall industrial growth was only 5%.

It has been observed that the average growth of the Small and Medium sectors is higher than the overall industrial growth of the country in the consecutive years. It is expected that these sectors will act as prime mover in realising not only the estimated industrial growth but also in giving a boost to the overall economic growth in the years to come.

2.10.2 Impact on the financial sector reform measures

The broader objectives of the financial sector reform process are to formulate the policy for improving the financial health and to strengthen the institutions. As part of the reforms process many private banks were granted license to operate in India. This has resulted into a competitive environment in the banking industry which in turn has helped in using the resources more efficiently. Traditionally the industrial units were sanctioned term loan by the development banks and working capital by the commercial banks. The reform process has changed the pattern of financing and now both the institutions are willing to extend long term loan as well as working capital loan. But there is some difference in the mode of operation. This has enabled the industrial units to avail credit facilities from a single institution. Despite the fact that the

banks provide the term loan and the working capital loans, the industrial units prefer the development banks for the following reasons.

It provides equal support to the new as well as existing industries; the period of repayment of loan is comparatively longer, besides providing financial assistance, it acts as the implementing agency for the different government sponsored schemes. Hence the industrial units can avail of both the financial assistance as well as the incentives offered under various development schemes through a Single Window System. As lending is the prime activity of these institutions, it acquires specialization in this field and can share its expertise with the industrial units.

As part of the reform process the Central as well as the State Governments have devised various schemes for the development of suitable infrastructure to encourage the growth of SSIs and MSIs. The establishment of industrial estates was started in the year 1955, which envisages the acquisition of land and construction of factory sheds etc. The establishment of the Export Processing Zones (EPZ) at various parts of the country and the special incentives offered to these units undertaking operation therein came as a boon to the government. The financial sector reform witnessed the re-organization of different development banks like abolition of cross holding by the different financial institutions and the delinking of ownership of SIDBI from IDBI. The reform process has also stressed the need of applying the prudential norms on the developmental banks which were hitherto exempted from the same. This will improve the health of the development banks and dependence on the government will be reduced. But considering the social objective of these institutions, it is felt that the application of stringent norms may vitiate the very purpose of the objective.

2.11 Financial sector development strategy

The objective of the FSDS 2011–2020 is to develop a sound financial sector that can contribute to poverty reduction by supporting economic growth and increasing poor people's access to finance.

Adjustments to the institutional framework need to take into account new finance industry developments. The Law on the Issuance and Trading of Non-Governmental Securities has established the Securities and Exchange Commission of Cambodia to act as regulator of the securities market and market participants. Given the interconnection between the securities

market and the banking sector, to ensure effective supervision of both, an effective cooperation mechanism needs to be established among related financial sector authorities.

The revision of legal and cooperation frameworks: There are currently some inconsistencies between existing laws and international standards that need to be addressed. The problem of supervision agencies whose jurisdictions overlap in some areas also needs to be addressed.

Crisis preparedness: A crisis management framework needs to be established and will require periodic testing to ensure that it suits Cambodian economic and financial conditions and addresses the new risks that may arise as a result of growing interconnections within the financial sector. Because of the high level of dollarization, it is necessary to pay close attention to the potential systemic risks. Establishing a financial stability unit within the National Bank of Cambodia and an early warning system within the banking system will help identify potential risks. In order to establish a financial stability unit and early warning system, the concerned financial authorities should set up a national financial stability committee.

In light of the government's long-term objective of promoting use of the riel and eventual de-dollarization, the establishment of sound monetary policy and supporting market infrastructure is imperative over the coming decade. Due to a limited range of monetary policy tools, the National Bank of Cambodia must explore new tools for ensuring financial stability and economic growth, build internal capacity, and gain greater autonomy in designing and implementing monetary policy.

The banking subsector continues to dominate the financial sector and will continue to be the sector's most critical segment.

With regard to banking, the priorities are:

- maintaining monetary and financial stability,
- addressing constraints in order to accelerate sector development, and
- intensifying resource mobilization and enhancing the efficiency of resource allocation through development of a money market.

The vision for microfinance is to strengthen the sector so that it can provide the poor with affordable financial services, increased income, and reduce poverty. The goal over the coming decade is to further develop the sector so that it covers greater numbers of low-income people.

For the insurance sector, the strategy is to implement the action plan specified in the first Blueprint 2001–2010, develop new products, and enhance regulations and supervisory capacity

in line with the Insurance Core Principles of the International Association of Insurance Supervisors, of which Cambodia is a member.

Steps to establish a securities market have progressed substantially. A stock market was officially launched in July 2011, and trading began in April 2012. The Securities and Exchange Commission of Cambodia will follow the core principles of the International Organization of Securities Commissions. Among others, development of a successful securities market will require supporting infrastructure and facilitation of access to the payment system.

The development and operation of the payment system must be demand-led, provide support, and facilitate market operators' access. Early connection with the ASEAN country payment network will be necessary to achieve the goal of ASEAN financial sector integration.

The FSDS 2011–2020 provides action plans for close cooperation of the banking sector with other relevant sectors to

- Build capacity for consolidated supervision and surveillance;
- Combat money laundering and the financing of terrorism;
- Promote leasing;
- Improve corporate governance, data quality, accounting and auditing as well as property valuation, real estate services, and the housing market.

Overall, the reform strategies and action plans for each sector stipulated in the FSDS 2011–2020 are critical and closely interconnected. Delays in attaining the goals for any sector will disrupt reform processes in other sectors. Based on the experience of implementing the previous Financial Sector Development Strategy, coordination and cooperation among competent authorities, international organizations, and development partners are critical for ensuring reform success. Therefore, the government emphasizes the need to regularly monitor the performance of reform programs as well as the challenges arising from rapid financial market development, and to take timely and appropriate actions when needed.

20.12 Summary

Skilled restructuring management that uses an advisor who can get things done to ensure the measures in the plan are carried out, involves all relevant stakeholders, creates transparency and regains trust and security, is a key driver when it comes to successfully restructuring a company

going through a crisis. The more closely a restructuring is focused on the key issues for survival and the more realistic the measures chosen when drawing up the plan, the greater the chances of success. It is no use drawing up the right plan for a crisis and making the right recommendations for action unless liquidity can be generated, debt serviced on time and cost cutting implemented. Efficiency improvements also have to be clearly felt in improved cash flow and profitability. Appointing a temporary CRO can be an important aid in this.

2.13 Financial sector Development

The development of an efficient private sector spearheaded by competitiveness and entrepreneurship is an important pillar in Rwanda's Vision 2020. The SMEs comprise over 90 percent of private sector establishments and employ the majority of the population, indicating that growth in the sector is of strategic importance in achieving inclusive growth, and reducing the Balance of Payments and fiscal deficits. Several interventions have been implemented during the past decade to support private sector development including SME development. However, significant challenges remain, ranging from capacity constraints in core business competencies for entrepreneurs to limited access to finance. This study endeavours to make a contribution in addressing the latter challenge by examining options for SME access to finance through capital markets and related financial instruments. The study reviews and examines: the current legal and regulatory framework to establish the extent to which it facilitates private sector access to capital markets in Rwanda; available literature and data on private sector access to capital markets in Rwanda; and available evidence on what has worked in other countries in Africa and globally including in Asia, Brazil and Israel to provide lessons for Rwanda. To complement the 2011 Establishment Census, primary data were collected from a sample of 200 unlisted/unquoted private sector firms.

1. Financial sector status analysis

In 2010, the Government of Rwanda (GoR) adopted the Small and Medium Enterprise (SME) Policy aimed at guiding the implementation of a coherent and coordinated policy framework to create an enabling environment for the growth of the SME sector. It is envisaged that the growth of the SME sector will increase non-farm employment, develop business and technical skills in

the Rwandan workforce, support targeted value-added clusters, grow the tax base, and spur industrial growth. Most micro and small enterprises employ up to four people and 93 percent of private sector establishments are SMEs with the average capital employed by an establishment at Rwf 16.3 million (US\$26,080). About 60 percent of the SMEs have a turnover of less than Rwf 50 million (US\$ 80,000). A significant number of SMEs are engaged in wholesale and retail trade, and accommodation and food processing services business. About 11.2 percent of SMEs are registered with Rwanda Revenue Authority (RRA) and 4.8 percent with Rwanda Development Board (RDB). However, 87 percent are registered at the local government level. Some enterprises are also registered with the Rwanda Social Security Board (RSSB) and Private Sector Federation (PSF). The majority of the SMEs are not incorporated. According to the laws governing capital markets in Rwanda, one of the basic requirements for an enterprise to list in capital markets is incorporation. About half of the total establishments commenced operations in 2010 and therefore relatively young. Most of the firms are family owned or sole proprietorships (91 percent), which raise the issue of corporate governance, a key pre-requisite for participating in capital markets. Key requirements for accessing most formal sources of finance include preparing a business plan, monthly cash-flow projections, audited books of accounts, and a track record of the firm's banking transactions. Only 30 percent of the SMEs have a business plan and less than 30 percent project cash flows. About 40 percent of SMEs use retained earnings to finance their operations. Thirty percent of SMEs use trade credit and 25 percent indicated that they use bank loans. A negligible percent of SMEs reported use of debt securities or equity financing. The Capital Markets Authority (CMA) in Rwanda was established in 2011 to spearhead the development of the capital market. The Rwanda Stock Exchange (RSE) Limited was incorporated in 2005 but launched in 2008 with the objective of carrying out stock market operations. Stock market operations are conducted in both the primary and secondary markets. The RSE listing rules and regulations provide a framework for facilitating trade in a fair and efficient securities market. Currently, the RSE has two domestic stocks - Bank of Kigali and Bralirwa Ltd; two cross-listings - Nation Media Group and Kenya Commercial Bank; five Treasury bonds and one corporate bond by the Commercial Bank of Rwanda. Clearly, the capital market is still nascent. The Central Bank of Rwanda has implemented an Integrated Payment and Processing System that includes the Real Time Gross Settlement, the Automated Clearing House, the Automated Transfer System and the Central Securities Depository aimed at

improving efficiency of the payment system. This has resulted into adoption of a T+2 settlement cycle for all securities traded, with the associated benefit of improving liquidity in the market, making it attractive to domestic and foreign investors. Most of the SMEs are informal and not incorporated indicating that they cannot sue and cannot also be sued. This constrains access to finance particularly from the formal sources. The range of products accessed is also limited with most of the SMEs surveyed indicating heavy reliance on term loans. This is both an indication of limited diversification of financial products but also the fact that SMEs lack of the necessary requirements to access other financial instruments. Given the low value of SME loan transactions, the per unit transaction costs of processing and tracking the performance of such loans are high. SMEs also tend to experience a more variable rate of return on their investments and higher rates of failure. These factors combined increase the risks associated with SME loans. Moreover, access to and affordability of Business Development Services (BDS) remains low. This suggests that measures to increase access to finance should be coupled with interventions to expand access to business development services so as to ensure a holistic approach to SME growth and development. The listing requirements currently do not distinguish between SMEs and large firms. These comprise a minimum capital requirement of US\$ 813,008; a well-formulated business plan; audited financial records; and a generally accepted corporate governance structure. Most SMEs do not meet these requirements. Absence of a robust SME information collection and sharing system also compounds the information asymmetry associated with the SME sub-sector and thus contributes to the limited access to financing. For equity and debt markets to be developed for SMEs, relevant and complete information about these enterprises has to be readily accessible.

2. REGIONAL AND INTERNATIONAL EXPERIENCE OF SME ACCESS TO CAPITAL MARKETS

There are initiatives being undertaken within the region and beyond to enable SMEs access financing from various sources including through the capital markets. These initiatives include private equity (PE) and venture capital (VC); fund of funds; and establishment of alternative investment market segments in the capital markets for SMEs. Lessons from Private Equity/Venture Capital: Kenya, Tunisia and Brazil Measures to support the establishment of equity funds should be coupled with broader measures to support enterprise development

including the provision of business development services. This will ensure a steady supply of clientele for the equity fund managers. While other financial institutions such as development banks could also contribute to the mobilization of risk capital, a framework to ensure complementarity of these banks with rather than substitution for venture capital funds is critical for the success of venture capital funds. PE/VC initiative can be a private-public initiative. PE/VC managers can act as catalysts for growth of companies before these companies list on the stock markets; PE/VC provides more than finances. For instance, it may require a share in the company it is investing in, provide strategic advice and access to the PE/VC's valuable business network; PE/VC exercises rigorous selection of firms to invest in, monitoring and governance that mitigate uncertainty and risks; Through an agreement, PE/VC exits take place in the stock exchange, which promotes listing of SMEs on the stock markets; and o The success of PE/VC is also dependent on economic and institutional environment, including suitable legal and fiscal system and an efficient bureaucracy. Lessons from Fund of Funds: Israel Fund of Funds Korea Fund of Funds Ghana Venture Capital Fund Government initiatives can act as triggers especially when coupled with a program design with in-built incentive structures in terms of options to buy out government shares over a given period of time; Existence of an investor base and the enterprises with growth potential is critical for successful private equity/ venture capital funding interventions; and A dynamic capital market provides several complementary benefits to private equity/ venture capital financing mechanisms including an exit option via IPOs. Government support ensures that a stable stream of private equity/ venture capital funding including during economic downturns and recessions; An institutional framework that enshrines the Fund manager's role in evaluating, selecting, and allocating capital to the most profitable uses assures professional independence and efficiency of the fund; and The public (government funding)-private (professional management from a professional and independent fund manager) sector collaboration ensures sustainability and profitability of the fund which enhances its contribution to enterprise development. Government initiative and partnership with the private sector is instrumental in particular by mitigating risks associated with financing SMEs; Coupling private equity/ venture capital financing with technical assistance so as to develop the core business competencies ensures enterprise growth and thus secures the PE/VC investment; Structured decision making ensures that investment choices and decisions accommodate the interest of all stakeholders. For instance, Fund managers are responsible for deal sourcing, selection,

monitoring and exit of Fund investments but final investment decisions are made by the Investment Committees comprising representatives of the Fund's investors and independent professionals appointed by the Fund's Board of Directors. Lessons from Alternative Investment Market Segments: Simplified or less stringent listing requirements in Uganda, Tanzania and Kenya have not resulted into listing of SMEs. For Kenya and Tanzania, it can be argued that it is still too early to infer the impact of simplified listings requirements on SME listings because effectively the implementation has not started. However, for Uganda, this suggests that simplifying the listing requirements is not a panacea. A holistic approach to dealing with constraints facing the SMEs needs to be designed as is the case in South Africa where relaxation of the listing requirements has been augmented by other business support services to the SMEs. For example, in addition to simplifying the listing requirements, programmes to support the development of core business competencies and awareness campaigns to demonstrate the benefits of capital markets to SMEs are also necessary. Complementing capital markets with alternative financing options such as venture capital and/or asset-backed securities should also be considered. Lessons from Asset-Backed Securities South Africa South Korea Spain European Investment Fund

- o Presence of legal and accounting system to support off-balance sheet transactions is necessary to mitigate the risk associated with asset backed securities;
- o Moreover, legal framework for securitization, in particular providing for the establishment of special purpose vehicles as limited liability companies to manage securitization transactions can catalyze the securitization market.

of Government initiative to establish a mortgage securitization body (KOMOCO) to issue mortgage backed securities collateralized by mortgage loans acquired from the country's National Housing Fund was key in fostering the securitization market; Ratification of Asset Backed Securitization legislation has dual benefits. First, it provides a legal framework for guiding securitizations and, second, it recognizes the activities of special purpose vehicles as limited liability companies to manage the securitized assets. Securitization legislation explicitly permitting the creation of special purpose investment companies and the establishment of a Government supported guarantee programme for SME securitizations was key in developing the securitization market in general and SME securitizations in particular. Credit guarantees/ enhancements have a positive impact on securitization including for the SMEs, by facilitating asset-backed security rating upgrades, mitigation of associated market risks, which consequently increases these assets market value and uptake by investors. The Business Development Fund in

Rwanda which currently provides credit guarantees for commercial bank loans could consider, with the ratification of supporting legislation, providing credit enhancement for SME securitization.

2.14 Conclusion

The economic reforms have favoured the need for shifting the policy objective from protection to promotion of industries and the creation of more integrated infrastructural facilities. The employment potential of the SSIs and MSIs is also a pointer to the government to take adequate steps to ensure a smooth start of these units. Among them, the timely and adequate availability of credit is the crucial one, and the development banks have a major role to ensure the same. As the banks are generally unwilling to extend credit facilities at the initial stage of an industrial unit, the major portion of the financial assistance of the development banks are availed by the new unit/ new generation entrepreneur at liberal terms. Hitherto, the social objectives acted as the backdrop of the major policies of the development banks and hence the profit earning motive was treated secondary. This has adversely affected the financial health of the development banks as there is always an inherent risk of failure lies in the financing the new units/new generation entrepreneur. The reform process has suggested for the restructuring of the development banks and making them abide by the prudential norms, but the same is difficult to achieve as the social objectives and the prudential banking cannot go hand in hand. Hence, steps should be taken to ensure the smoother flow of funds to these development banks that in turn will channelize the same to the needy sectors of the society in order to foster balanced economic growth.

SMEs play a significant role in economic development, including in Rwanda. However, in spite of several initiatives undertaken by the Government of Rwanda to address constraints facing the SMEs, some of the bottlenecks persist. This study makes a case for the need to explore options for using capital markets to finance SMEs due to various benefits including the possibility of access to more affordable funds for business growth and expansion, risk sharing and diversification via a public offering; and increased publicity and scrutiny of SMEs' operations which comes with equity investments. Drawing on regional and international experiences, this

study identifies several key recommendations for with the potential to catalyze financing SMEs through capital markets and other sources

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

As the third chapter of the research work, the methodology seeks to define and explain the tools and procedures used for the data collection, how the research is designed, population, sample, and method of analysis.

According to Red Man and (Mary,1990:23), research is a systematic effort to gain new knowledge and as an art of scientific investigation and inquiring specially through search for new facts in any branch of knowledge according to advanced learning dictionary of current English.

It explains in details the scientific approaches and instruments used in the research that is, the research design, the population, sampling techniques, source of primary data and documentary analysis, data collection instrument, data processing, presentation of research finding analysis, interpretation and limitations faced in conducting this research and how to manage it.

To research is to carry out a diligent inquiry or a critical examination of a given phenomenon. It implies exhaustive study, investigation or experimentation following some logical sequence.

Methodology refers to a set of methods and principles that are used when a particular subject or doing a particular kind of work. This chapter presents therefore, the methodology that was used.

It explains in details the sampling methods, the methods used to collect data related to the research topic, and the methods used to process, analyze and interpret the collected data as well as limitations encountered by the researcher when carrying out the study.

According to (C.R. KOTHARI,1990:19), Research Methodology refers to a way to systematically solve the research problem. It is a studying how research is done scientifically.

KOTHARI went further to explain the difference between research methodology and research methods.

He said methods refer to those methods or techniques researchers use in performing research operations. Therefore, the difference between research methodology and research methods lies in their respective scopes. The scope of research methodology is very wide and research methods to constitute a part of the research methodology.

3.1 Research design

This study was employed the descriptive survey design. Descriptive studies are *non-experimental* researches that describe the characteristics of a particular individual, or of a group. It deals with the relationship between variables, testing of hypothesis and development of generalizations and use of theories that have universal validity. Descriptive surveys are used to discover causal relationships (descriptive correlation), differences (descriptive comparative), to provide precise quantitative description and to observe behaviour.

3.2 Target Population

According to Grinnell, (1990), Study population is a totality of persons or objects with which a study is concerned. The population under this research consisted of capital market beneficiaries (Board members, Managers, and Employees) totalling to 220 potential respondents and be conducted mainly in selected financial institutions located in Kigali City

3.3 Population size

A portion of the population selected for the purpose of researching the characteristics of the whole population is called a sample. A sample was a portion of the population selected to achieve the objectives of the study. The Sloven's formula is used to determine the minimum sample size.

$$n = \frac{N}{1+N\alpha^2}$$

Where:

n = sample size

N = Population size

a = level of significance (0.05)

The sample after employing Slovene's formula comprises of 142 respondents. A sample was then taken from each stratum randomly. This sampling technique was adopted because it helped this study in achieving greater precision because the strata have been chosen so that members of the same stratum were as similar as possible in respect of the characteristic of interest. Also it provided administrative convenience as each stratum was understood and dealt with in detail and this was even assist in later stages of Analysis.

Categories of Respondents

| Stratum | Population | Proportionate Sample size |
|----------------|------------|---------------------------|
| Bank of Kigali | 45 | 29 |
| I&M Bank | 35 | 23 |
| GT Bank | 35 | 23 |
| BPR | 50 | 32 |
| Ecobank | 30 | 19 |
| RSSB | 25 | 16 |
| Total | 220 | 142 |

Source: *primary data, 2016*

3.4 Data collection

To make this research successful, the data collected included both primary and secondary data. The primary data was obtained by the use of questionnaires while the secondary data was obtained from the documented materials.

3.5 Research Instrument

To collect primary data, the researcher used a questionnaire as data collection instrument to obtain the information that relates to the opinions, perceptions, intentions and thoughts of the financial sectors staffs. For easy administration and securing clear responses, the statistical Package for social science (SPSS) was used to process the data.

3.6 Source of data

The researcher used both primary and secondary data.

i. Primary data

According to (Bailey 1987), primary data are eyewitness accounts written by people who experienced a particular event or behaviour. The collection of primary data entailed provision of questionnaire.

Secondary data

The collections of secondary data include reports, magazines, articles as well as textbooks and internet documentation.

3.6 Validity and Reliability of the Instruments

3.6.1 Validity of the Instruments

The research instrument that the researcher intends to use is questionnaire. The validity of this instrument was established by having it cross examined for approval by a research consultant, to ensure that the information they have generated is appropriate and consistent before analysis. In addition, after-test was to confirm the reliability of the questionnaire.

The validity interval is from 0 up to 1. 0 means full of errors whereas 1 means absence of errors.

Validity of above 0.5 is assumed to be valid.

In this research, the content validity index was calculated from the formula below:

$$CVI = n/N$$

Where

CVI: Content Validity Index

N: Total number of items in questionnaire

n: Number of relevant items in the questionnaire

Example: if in this research the total number of items in questionnaire (N) is equal to 13

The number of relevant items in questionnaire (n) is equal to 10

Then the content validity index (CVI) is equal to $10/13 = 0.76$

Since the content validity index (0.76) is greater than 0.5 then the instrument will be declared content valid.

3.6.2 Reliability of the Instruments

The research instrument that the researcher intends to use is questionnaire. The reliability of this instrument was established by having it cross examined for approval by a research consultant

before going out to carry out the study; the researcher has first consult his supervisor, to make sure that these instruments generated relevant information during the study.

3.7 Data presentation

This is treated as an important intermediary stage of the research between data collection and data analysis. It is not possible to obtain answers to research questions straight away from these data sources. They all need to be processed. Data analysis essentially involves Editing, summarization (coding) and classification of data in order to make them easily understandable.

Data collected were edited, coded and analyzed using the computer package. Because the study is specific and has limited respondents, the researcher largely used the qualitative approach in analyzing data. Data analysis was done in line with the study objectives, which also aligned to the conceptual framework. Verbatim quoting was also applied if and when deemed relevant to the study, then the data entered into the SPSS software and therefore analysed. To interpret the responses of the respondents, the following values and interpretation were used.

| Mean | range |
|-------------|--------------|
| 3.26 – 4.00 | Very low |
| 2.51 – 3.25 | Low |
| 1.76 – 2.50 | Moderate |
| 1.00 – 1.75 | High |

The tool of correlation analysis has been developed to study and measure the statistical relationship that exists between two or more variables. When three or more variables are considered, the study deals with multiple correlations. Correlations analysis, the purpose was to measure the strength and closeness of the relationship between each independent variable to dependent variable (Morgan & Berrett, 2006).

Evaluation of correlation

| Correlation coefficient/positive negative | Label/positive or negative |
|--|-------------------------------|
| $r=1$ | Perfect linear correlation |
| $0.9 < r < 1$ | Positive strong correlation |
| $0.7 < r < 0.9$ | Positive high correlation |
| $0.5 < r < 0.7$ | Positive moderate correlation |
| $0 < r < 0.5$ | Weak correlation |
| $r=0$ | No, relationship |

Source: *Secondary data, 2016*

3.8 Data Processing and Analysis

The data collected from both primary and secondary sources was processed and analyzed so as to find out the hidden meaning that can be based on to draw conclusions. The data from reports was compiled to determine trend of both Rwanda Stock Exchange activities reported and the investment development cases too. The liker scale was also used to analyze questions to get the extent to which Rwanda Stock Exchange contributes to investment development in Rwanda. The process of data analysis was beginning after the data is collected. (Zikmund,2003) identified the various aspects involved in the data processing and analysis. Editing detects errors and omissions, corrects them when possible, and certifies that minimum data quality standards have been achieved (Cooper and Schinder, 2008). Coding involves assigning numbers or other symbols to answers so the responses can be grouped into a limited number of classes or categories (Cooper and Schindler, 2008).Data entry converts information gathered by secondary or primary methods to a medium for viewing and manipulation. After editing, coding done and the questionnaire responses were processed. Then after the verification and correcting of errors the data will be made ready for further analysis. For data analysis SPSS (Statistical Package for Social Sciences), version 16 was used. As the analysis method, the researcher used descriptive statistics (frequencies, tables and percentages). The interpretation of results followed the analysis so as to draw conclusions and recommendations about the findings.

3.9 Ethical considerations

Social research should be ethical in collection of the data in the process of analysis. The data in dissemination of findings they are accepted to respect right dignity of those who are participating in the research project and avoid any harm to the participating in the arising from their involvement in the research and operate with honesty and integrity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter aims at analyzing, presenting and interpreting the data collected through primary and secondary data sources administered to capital market experts and stakeholders. This was done under the guidance of objectives of the study which were:

- a) To determine the indicators of financial sector restructuring in Rwanda during the period of 2011 to 2016.
- b) To assess the nature of change of the capital market of Rwanda during the period of 2011 to 2016.
- c) To identify the extent to which capital market can contribute to financial sector restructuring in Rwanda during a period of 2011 to 2016.
- d) To suggest a better financial restructuring based on SWOT analysis.

4.1 Profile of Respondents

The study used a sample of 142 respondents from various Respondents of selected institution in this study were described according to age, gender, level of education and marital status. In each case, respondents were asked through a closed ended questionnaire, to provide their respective profile information, to enable the researcher classify and compare them accordingly. Their responses were analyzed using frequencies and percentage distributions.

Table 4.1 Profile of Respondents

| Profile of respondents | Category | Frequency | Percentage |
|-------------------------------|------------------------|------------------|-------------------|
| Age category | Below 20 Years | 5 | 3.5 |
| | Between 21-28 Years | 58 | 40.8 |
| | Between 29-36 Years | 45 | 31.7 |
| | Between 37- 44 Years | 25 | 17.6 |
| | 45 years and above | 9 | 6.3 |
| | Total | 142 | 100.0 |
| Gender category | Male | 85 | 59.9 |
| | Female | 57 | 40.1 |
| | Total | 142 | 100.0 |
| Education level | Secondary school level | 34 | 23.9 |
| | University level | 108 | 76.1 |
| | Total | 142 | 100.0 |

Source: *Primary data, April, 2016*

As shows table 4.1 shows that the big number of respondents is male with 59.9% and female with 40.1% which shows the participation of both sex in this study.

Age distribution shows that 3.5 % of total number of respondents is below 20years, 40.8 % of total numbers of respondents are between 21-28 years, 31.7% of total number of respondents is between 29-36 years, 17.6% of total number of respondents is between 37-44 years, and 6.3% of total number of respondents is in 45years and above.

Education level shows that 23.9% of total number of respondents have secondary school, 76.1% of total number of respondents have University.

Table 4.2 The nature of financial sector restructuring in Rwanda

| | N | Minimum | Maximum | Mean | Std. Deviation |
|-----------------------------|------------|----------------|----------------|---------------|-----------------------|
| Political environment | 142 | 1.00 | 4.00 | 1.7958 | .79483 |
| Economic Conditions | 142 | 1.00 | 4.00 | 1.7042 | .75125 |
| Government fiscal situation | 142 | 1.00 | 4.00 | 1.8592 | .84712 |
| Valid N | 142 | | | 1.7864 | |

Source: *Primary data, April, 2016*

The table 4.2 shows that the mean interpretation of political environment is 1.7958 which is moderate; the mean interpretation of economic conditions is 1.7042 which is high, and means interpretation of fiscal situation is 1.8592 which is moderate. The average mean is **1.7864** which is moderate.

Table 4.3 The nature of change of the capital market of Rwanda

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---------------------|------------|----------------|----------------|---------------|-----------------------|
| Economic growth | 142 | 1.00 | 4.00 | 1.5352 | .63761 |
| Lower interest rate | 142 | 1.00 | 4.00 | 1.6127 | .74232 |
| Economic Stability | 142 | 1.00 | 4.00 | 1.5986 | .63088 |
| Related Market | 142 | 1.00 | 4.00 | 1.6972 | .75314 |
| Valid N | 142 | | | 1.6109 | |

Source: *Primary data, April, 2016*

The table 4.3 shows that mean interpretation of economic growth is 1.5352 which is high, mean interpretation of lower interest rate is 1.6127 which is high, mean interpretation of stability is 1.5986 which is high, and mean interpretation of related market is 1.6972 which is high. The average mean is **1.6109** which is high.

Table 4.4 Correlation between capital market and financial sector restructuring

| Restructuring indicators | | Capital market | | | |
|-----------------------------|---------------------|-----------------|---------------------|--------------------|----------------|
| | | Economic growth | Lower interest rate | Economic Stability | Related Market |
| Political environment | Pearson Correlation | .833** | .875** | .840** | .927** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 142 | 142 | 142 | 142 |
| Economic Conditions | Pearson Correlation | .866** | .925** | .915** | .981** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 142 | 142 | 142 | 142 |
| Government fiscal situation | Pearson Correlation | .823** | .860** | .822** | .900** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 |
| | N | 142 | 142 | 142 | 142 |

Source: Primary data, April, 2016

Table 4.4 shows the statistical evidence that financial sector restructuring in Rwanda has positively affected the Capital Market Authority. The Pearson correlation between Political environment and Economic growth is 0.833 which is Positive high correlation, the Pearson correlation between Political environment and Lower interest is 0.875 which is Positive moderate correlation, The Pearson correlation between Political environment and Stability is 0.840 which is Positive high correlation, and The Pearson correlation between Political environment and Related Market is 0.927 which is Positive strong correlation.

The Pearson correlation between Economic conditions and Economic growth is 0.866 which is Positive strong correlation, the Pearson correlation between Economic conditions and Lower interest rate is 0.925 which is Positive strong correlation, The Pearson correlation between Economic conditions and Stability is 0.915 which is Positive strong correlation, and The Pearson correlation between Economic conditions and Related Market is 0.981 which is Positive strong correlation.

The Pearson correlation between Government fiscal situation and Economic growth is 0.823 which is Positive high correlation, the Pearson correlation between Government fiscal situation and Lower interest rate is 0.860 which is Positive high correlation, The Pearson correlation between Government fiscal situation and Stability is 0.822 which is Positive high correlation, and The Pearson correlation between Government fiscal situation and Related Market is 0.903 which is Positive strong correlation.

Table 4.5: The extent to which capital market contributed to financial sector restructuring in Rwanda

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|------------|----------------|----------------|---------------|-----------------------|
| Building Capacity in the Financial Sector | 142 | 1.00 | 4.00 | 1.7746 | .77546 |
| Protecting Consumers and Maintaining Financial Stability | 142 | 1.00 | 4.00 | 1.8592 | .75879 |
| Increasing financing to the private sector | 142 | 1.00 | 4.00 | 1.5915 | .60909 |
| Updating the Regulatory Framework | 142 | 1.00 | 4.00 | 1.8239 | .78369 |
| Valid N | 142 | | | 1.7623 | |

Source: Primary data, April, 2016

Table 4.5 shows that in extent to which capital market can contribute to financial sector restructuring, Building Capacity in the Financial Sector has mean interpretation of 1.7746 which is moderate, Protecting Consumers and Maintaining Financial Stability has mean interpretation of 1.8592 which is moderate, Increasing financing for the private sector has mean interpretation of 1.5915 which is high, and Updating the Regulatory Framework has 1.8239 which is moderate. Average mean interpretation is **1.7623** which is moderate.

Table 4.6: Measuring the respondents views on the extent to which financial sector restructuring has affected the capital market in Rwanda.

| | N | Minimum | Maximum | Mean | Std. Deviation |
|-------------------|------------|----------------|----------------|---------------|-----------------------|
| Wealth effect | 142 | 1.00 | 4.00 | 1.6056 | .69402 |
| Effect on pension | 142 | 1.00 | 4.00 | 2.0915 | .99577 |
| Confidence | 142 | 1.00 | 3.00 | 1.7042 | .66085 |
| Investment | 142 | 1.00 | 4.00 | 1.6127 | .60551 |
| Bond market | 142 | 1.00 | 4.00 | 1.7254 | .76394 |
| Valid N | 142 | | | 1.7478 | |

Source: Primary data, April, 2016

The table 4.6 shows that mean interpretation of wealth effect is 1.6056 which is high mean interpretation of effect on pension is 2.0915 which moderate, mean interpretation of confidence is 1.7042 which is high, mean interpretation of investment is 1.6127 which is high, and mean interpretation of bond market is 1.7254 which is high. The average mean is **1.7478** which is high.

Table 4.7: Measuring the respondents views on financial sector development

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|------------|----------------|----------------|---------------|-----------------------|
| Expansion of access to credit | 142 | 1.00 | 4.00 | 2.2183 | .96841 |
| Provision of Client training | 142 | 1.00 | 4.00 | 2.7394 | .87259 |
| Organisation study and development of capacity for competition | 142 | 1.00 | 4.00 | 1.6197 | .62719 |
| Valid N | 142 | | | 2.1924 | |

Source: Primary data, April, 2016

The table 4.7 shows that mean interpretation of Expansion of access to credit is 2.2183 which are moderate mean interpretation of Provision of Client training is 2.7394 which is moderate and mean interpretation of Organisation study and development of capacity for competition is 1.6197 which is high. The average mean is 2.1924 which are moderate.

4.2 Financial Soundness Increase after Restructuring

The tables below show the development of the financial soundness indicators in Rwanda for the period from 2011 to 2016.

Table 4.8 Statistic Rwanda report

| Indicators | 2011-2012 | 2012-2013 | 2013-2014 | 2014-2015 | 2015-2016 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Capital adequacy | 25.0% | 23.1% | 21.6% | 23.9% | 24.2% |
| NPLs to Total Loans | 8.0% | 6.9% | 11.3% | 6.1% | 6.0% |
| Profitability ratio | | | | | |
| Return on Assets | 2.2% | 1.5% | 1.9% | 2.2% | 1.9% |
| Return on Equity | 10.5% | 7.3% | 13.7% | 10.4% | 10.8% |
| Net Interest Margin | 9.7% | 7.3% | 8.7% | 9.7% | 7.9% |
| Yield on Advances | 14.6% | 9.4% | 15.3% | 14.4% | 15.7% |
| Cost of deposits | 2.4% | 17.1% | 2.5% | 2.6% | 3.3% |
| Cost to income ratio | 80.8% | 3.8% | 83.2% | 80.9% | 82.1% |
| Overheads to Total income | 52.2% | 85.2% | 55.2% | 54.7% | 49.4% |
| Sensitivity to Market Ratios | | | | | |
| Forex Exposure/Core Capital | 6.6% | 52.5% | 8.8% | (0.2) % | (2.2) % |
| Forex Loans/Forex Deposits | 5.3% | (2.2) % | 0.4% | 4.4% | 29.5% |
| Forex Assets/Forex Liabilities | 111.0% | 8.3% | 106.0% | 78.9% | 84.7% |
| Short term gap ratio | 22.5% | 87.3% | 18.5% | 13.4% | 5.3% |
| Liquid Assets/Total Deposits | 45.3 | 49.6% | 57.8% | 41.2% | 48.8% |

Source: *Statistic Rwanda*

The table above shows that Public finance indicators reported this result relate to Government revenues, expenditures, overall balances (cash basis) and their financing, as well as fiscal ratios. Government Finance Statistics (GFS) are reported on fiscal year basis for Rwanda after restructuring. This result above made a researcher to confirm the Hypothesis of this study: **H0₁**: There is a significant relationship between Rwanda capital market and financial sectors restructuring and development. According to the findings in above tables, researcher confirm that enhancing saving, companies finance sources, investment regulating and financial literacy rate as independent variable have a positive effect to political environment, economic conditions

government fiscal situation, expansion of access to credit, provision of client training, and development studies for competitive capacity, and Political environment, economic conditions government fiscal situation, expansion of access to credit, provision of client training, and development studies for competitive capacity as independent variable depend to enhancing saving, companies finance sources, investment regulating and financial literacy rate as dependent variable.

SWOT analysis template

The table below indicates what financial sector assessed development of financial institutions

| Internal | Strengths | Weaknesses | Internal |
|----------|--|--|----------|
| | <p>Examples of strengths might include :</p> <ul style="list-style-type: none"> • The advantages of company product or service • Unique selling points (USP) • The resources available - including equipment, people and finances • Market reach and market share • The number and variety of sales channels • Brand strength • Qualifications, accreditation, certification • Location • Networks - including trade bodies you are a member of | <p>Examples of weaknesses might include:</p> <ul style="list-style-type: none"> • The disadvantages of your product or service • Lack of resources - equipment, people, finances • Cash flow difficulties • Poor reputation or brand identity • Lack of differentiation from competitors • Poor management structures • Low morale • An under-developed business plan with no clear goals or objectives • Location • Over-reliance on a single | |

| | | | |
|----------|---|--|----------|
| | <ul style="list-style-type: none"> Innovative about product, service or operation | customer | |
| External | <p>Opportunities</p> <p>Examples of opportunities might include :</p> <ul style="list-style-type: none"> Technological developments New markets opening up Favourable trends in your market Product or business development Competitors are looking vulnerable Social/political developments offer marketing opportunities New funding available Partnerships/joint ventures Staff training and development | <p>Threats</p> <p>Examples of threats might include :</p> <ul style="list-style-type: none"> A fall in demand The economy - eg, interest rate changes Political changes New legislation Loss of contracts or partners Loss of important staff Financial backer withdraws Competitors selling new/innovative products or services Developments in IT/technology leaves your equipment looking old-fashioned Company/institution premises are deteriorating/equipment coming to the end of its life A new competitor enters the market | External |

What remains, therefore, is for us to go back to the “strengths” and “opportunities” we have identified, and see if we can come up with practical suggestions for building on these. This represents Stage 6. As a result of Stage 6 of the Analysis, we may see the need to modify the activities that we have provisionally identified to take full advantage of strengths and opportunities.

Summary

The purpose of a SWOT Analysis is to help us to analyse (evaluate) a situation, and then identify an action plan to do something to improve it.

A SWOT Analysis helps us to focus on what is possible, rather than on what is impossible, because a SWOT analysis is a participative activity, it is good for building consensus: where everyone is agreed upon, and committed to, a practical way forward for making things better. SWOT analysis shows strengths, weakness, opportunity and treats. However financial sector need to improve its level of the week side and maintain its level of strong side. Financial sector need to use all opportunities it has and reduce threats in terms of development factors.

Based on Rwanda capital market to financial sector restructuring and development, Rwanda is strong in the following areas:

- The advantages of institutional product or service
- Unique selling points (USP)

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter presents the final summary of the research findings, the conclusion, the recommendations and suggestions for future research. Both the summary of findings and recommendations are based on the objectives of the study.

5.2. Summary of Major Findings

It was against the research objectives that the research was based on; literature related to the study was reviewed, data collected, processed, analyzed and interpreted for which major findings were obtained referring to the objectives.

5.2 Summary of Findings on Nature of Finance Sector Restructuring in Rwanda

The vision of Rwanda government to the financial sector is to develop a stable and sound financial sector that is sufficiently deep and broad, capable of efficiently mobilizing and allocating resources to address the development needs of the economy and reduce poverty. Through this vision, the financial sector plays an important role to the general economic growth of the country. The findings show that the level of financial sector restructuring is moderate according to average mean interpretation which is 1.7864, and need to be improved.

5.3 Summary of findings on nature of change of the capital market of Rwanda

From the study carried out, it can be concluded that as African continent is now emerging to be a favorites destination for international capital due to prospects for high returns on investment the government has aimed to develop its capital market as a foundation for long term capital formation and access to long term financing by both private and public sectors, this is because the government understood that access to long term capital will become a reality when the culture of wide spread ownership of shares and other financial assets becomes a norm among the population. The findings shows that the change on capital market authority in Rwanda in terms of economic growth, lower interest rate, stability, and related market is in high level

according to average mean of 1.6109 which is high. This level needs to be maintained and improved in extremely high level if possible.

5.4 Extent to which capital market can contribute to financial sector restructuring in Rwanda

The contribution of capital market to financial sector restructuring in Rwanda is well documented in the past five years. It should be recognized that when financial services reach out to the population broadly and efficiently, they accelerate economic growth, efficient allocation of resources and improved wealth distribution. The findings shows that the contribution of capital market to financial sector restructuring is in middle level with 1.7478 which is moderate which need to be improved and the finding on financial sector development shows that average mean is 2.1924 which is moderate which need to be improved.

5.5 Extent to Which Financial Sector Restructuring has Affected Capital Market in Rwanda

As capital market is meant to be Rwanda's plan for moving the financial sector forward, not the recommendations of the consultant team that prepared it. Capital market provides a foundation for the financial sector strategy being prepared as part of the Economic Development and Poverty Reduction Strategy, for implementation. The findings of this research show that financial sector restructuring has affected capital market in high level as shows by mean interpretation with 1.7478 which is high which need to be maintained.

5.6 Conclusion

The general objective of this study is to assess the effect of finance sector restructuring on capital market authority of Rwanda. The government of Rwanda should exploit all possible domestic resources for the mobilization of development finance to integrate with the formal financial sector. The researcher found out that capital market in Rwanda have to emphasise on restructuring of financial sectors and development, and should play a big role to motivate private investors by listing its shares it holds in so many local companies. Capital market should emphasis on moving from stage I (one) restructuring to stage II (stage) restructuring where the financial sectors will need to monitor the performance and plan for the next step of development.

5.7 Recommendations

From the findings and conclusions, the following recommendations were drawn:

To Capital market of Rwanda

The main issue key players do not have adequate knowledge on financial products or financial market in general; Capital market awareness campaign and encouraging the culture of saving to be on government's top agenda, increasing educational activities, public awareness campaign, support the development of institutional investors and training key institutional market players such should be under taken extensively to deal with the openness of the capital market to the general public. The capital market authority in Rwanda in terms of economic growth, lower interest rate, stability, and related market needs to be maintained and improved also.

To financial institution sectors

This is what Rwanda needs to drive the aspiration of the country's Vision 2020. To achieve a more sustainable economic growth and development, we need a deepened, broadened and developed financial system, well regulated and competitive, an inclusive and financially literate population to accelerate growth. A recent review of Rwanda's financial sector highlighted that although the sector has made remarkable achievement, it still faces major challenges that need addressing to enable the financial sector to contribute meaningfully to the overall performance of the country's economy.

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APPENDIX

APPENDIX I

Questionnaires

My name is **BUTERA Beatrice** a student in University of Rwanda, carrying out a research study on **Rwanda capital market in financial sector restructuring and development**. I request my kind respondents to answer the entire questionnaire by exhausting their opinions; therefore every answer is correct. Thank you very much for your assistance.

Please tick in the appropriate box or explain where necessary.

SECTION A.

BACKGROUND INFORMATION

1) Gender

Male

Female

2) Age

Below20

21 – 28

29 – 36

37 – 44

45 – above

3) Level of education

Secondary school Level

University Level

4) Marital status

Married

Single

Widow

SECTION B

Directions: please respond to the questions of your choice by using the corresponding letter(s) as guided;

SA : Agree with no doubt

A : Agree with some doubt

D : Disagree with some doubt

SD : Strongly disagree with no doubt

Response code: SA=1; A=2; D=4, SD=3

| The nature of finance sector restructuring in Rwanda | SA | | A | | D | | SD | |
|---|-----------|---|----------|---|----------|---|-----------|---|
| | N | % | N | % | N | % | N | % |
| Political environment | | | | | | | | |
| Economic Conditions | | | | | | | | |
| Government fiscal situation | | | | | | | | |

| The nature of change in the capital market authority of Rwanda | SA | | A | | D | | SD | |
|---|-----------|---|----------|---|----------|---|-----------|---|
| | N | % | N | % | N | % | N | % |
| Economic growth | | | | | | | | |
| Lower interest rate | | | | | | | | |
| Economic Stability | | | | | | | | |
| Related market | | | | | | | | |

| The extent to which capital market can contribute to financial sector restructuring in Rwanda | SA | | A | | D | | SD | |
|--|-----------|---|----------|---|----------|---|-----------|---|
| | N | % | N | % | N | % | N | % |
| Building Capacity in the Financial Sector | | | | | | | | |
| Protecting Consumers and Maintaining Financial Stability | | | | | | | | |
| Increasing financing for the private sector | | | | | | | | |
| Updating the Regulatory Framework | | | | | | | | |

| The extent to which capital market contributed to financial sector restructuring in Rwanda | SA | | A | | D | | SD | |
|---|-----------|---|----------|---|----------|---|-----------|---|
| | N | % | N | % | N | % | N | % |
| Wealth effect | | | | | | | | |
| Effect on pension | | | | | | | | |
| Confidence | | | | | | | | |
| Investment | | | | | | | | |
| Bond market | | | | | | | | |

| Indicators of financial development | SA | | A | | D | | SD | |
|--|----|---|---|---|---|---|----|---|
| | N | % | N | % | N | % | N | % |
| Expansion of access to credit | | | | | | | | |
| Provision of client training | | | | | | | | |
| Organisation Study and development of capacity for competition | | | | | | | | |