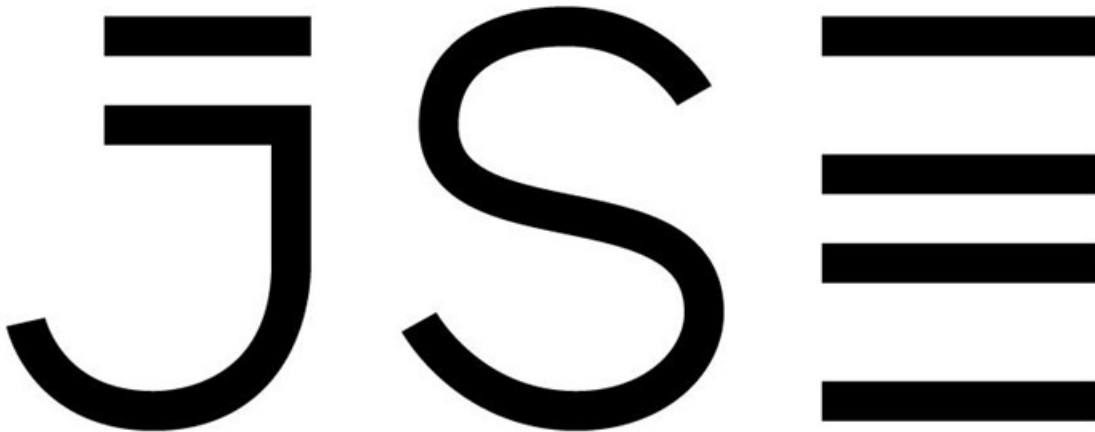


# African exchanges should focus on smaller businesses

By [Nonkululeko Nyembezi-Heita](#)

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The African growth story is no longer a fairy tale. Over the past decade multinational companies, private equity funds and infrastructure development programmes have channelled capital to the continent as they began to realise the true potential it holds, but like most emerging market regions, Africa is no longer the 'flavour of the month'.



Yet those of us who run Africa's Capital Markets have to admit that only a small portion of global investment flows to this region come through our platforms. Although there are 29 stock exchanges located across 27 African countries, many still do not offer enough liquidity to attract meaningful levels of investment.

This is a difficult obstacle to overcome, as a lack of liquidity can only be addressed through higher levels of investment on our exchanges. Many of our exchanges also still need to realise the importance of providing accurate and timely market information. This lack of information makes investors much more hesitant about investing on the continent and perpetuates the view that Africa is still the dark continent.

More liquidity, better access to information and enabling regulation will generate more interest from foreign market participants because as a continent we are competing with other emerging and frontier markets for both local and international investment flows.

The role of African stock exchanges is far greater than providing foreign investors with a potential entry point to the continent. Our markets provide platforms for companies to raise capital to fund their growth and expansion and can therefore play a vital role in fostering and sustaining economic growth.

However, for Capital Markets to truly make a meaningful difference to economic growth and development we must be truly inclusive in our approach. Our markets cannot be accessible to only large companies. While big companies make important contributions to an economy, they do not represent it in its entirety.

Share price trends of these groups often do not truly reflect the economic reality that most Africans experience and in which they are trying to build their businesses. The [JSE](#)'s answer to this challenge has been to move down the continuum of funding to also provide capital-raising platforms for small and medium-sized businesses which form the true engine driving many developing economies.

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In 2003, the JSE created the AltX platform to enable companies to grow within the framework of a highly reputable market place, while also providing investors with exposure to these businesses in a regulated environment. At present, there are 61 companies listed on the AltX, with a total market capitalisation of R39.19 billion as at 21 November 2016.

Since the inception of the AltX 13 years ago, more than 29 companies have migrated to the JSE's Main Board, demonstrating that the AltX is a catalyst for growth. We are also working on a project to assist even smaller companies than those on our AltX board to raise capital. This will provide these companies with the opportunity to expand their roles in the real economy.

The development of platforms for small to medium-sized businesses to list across African capital markets will also allow private equity investors to consider listing as an effective way to realising the return on their investments. This means that the development of stock exchanges will not only encourage further investment through the exchanges themselves, but also in the broader real economy. The listing process can also contribute to a company's development through encouraging greater transparency and stronger corporate governance.

How to bring stock exchanges and smaller businesses together will be one of the key topics discussed this month at the Annual African Securities Exchanges Association (ASEA) Conference and General Meeting. The theme of this year's conference, taking place in Kigali, Rwanda, is 'The Road to 2030: Making the African Capital Markets Relevant to the real economy'. This key annual event in Africa's Capital Markets sector enables markets to discuss how African securities exchanges can become more effective so that they can play a bigger role in mobilising capital for African businesses to drive our economies onto the global economic stage.

We cannot deny that Africa is currently experiencing uneven levels of economic growth, but there are some markets that are showing consistently good growth which we need to take advantage of. The world is facing challenges on multiple fronts as the U.S. Federal Reserve continues its monetary tightening, Europe is struggling to manage migrant and debt crisis, China's financial stability is in doubt – all weighing on emerging economies.

Most of these influences fall outside our control. But what is left within Africa's control is the ability to create an environment in which small and medium-sized businesses can thrive. The shift in focus from large corporates to smaller enterprises is but a natural progression in the evolution of capital markets as these are the businesses which are creating jobs, fostering innovation and pushing the African economy forward despite stronger headwinds like lower global growth and depressed commodity prices.

## ABOUT THE AUTHOR

Nonkululeko Nyembezi-Heita is Chairman of the Johannesburg Stock Exchange (JSE).

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