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The Role of Capital Markets in the Provision of Long-Term Finance for Business Enterprises in Uganda: A Case Study of the Uganda Securities Exchange

The topic of study was to establish the role of capital markets in providing long term finance to business enterprises in Uganda. The study was based on the challenges faced by companies and governments in accessing long term finance and the use of short-term finance to fund long term projects and the need to explore other avenues of raising long term finance away from the traditional personal and bank finance. The findings indicated that capital markets can offer a source of long-term finance for governments and corporations and that a number of companies had made use of the capital markets as a source of finance. It was, however, noted that many Ugandan companies have not tapped its potential to generate an alternative source of capital for funds for medium- and long-term projects. The number of listed companies is still small and the market is characterised by limited number of products and players and a manual clearing and settlement system. It was also noted that no private companies have listed on the stock exchange. It was established that the Capital Markets Authority (CMA) and Uganda Security Exchange (USE) have put measures in place to facilitate and improve the operation of the capital market in Uganda that include among others; public awareness campaigns, approval of the SCD bill and the Alternative Investment Markets. These are aimed at improving public participation and efficiency of the stock exchange. In light of the findings, recommendations have been suggested as ways of enhancing participation in capital market in Uganda. The major recommendations include increased awareness campaigns, encouraging the listing of private companies, introduction of more innovative methods and boosting liquidity.

Key words: Capital, Market, Finance, Enterprises, Business