Lack of corporate governance, information sharing systems, and strong financial management and reporting are some of the critical challenges that limit Small and Medium Enterprises (SMEs) from accessing finance from capital markets and equity capital.

These challenges were highlighted during the 28th ASEA Conference 2025, held in Kigali in November under the theme “Adapting to Global Market Shifts: Strategies for Resilience and Growth.”

Experts noted that most African SMEs rely heavily on bank financing rather than capital markets, largely due to non-compliance with regulatory requirements set by capital market authorities. As a result, between 70 and 80 percent of SMEs across the continent depend on bank loans, with capital markets remaining a marginal alternative.

In Rwanda, an African Development Bank (AfDB) report shows that about 40 percent of SMEs finance their operations through retained earnings, 30 percent rely on trade credit, and 25 percent use bank loans.

“Most SMEs do not meet requirements, and this limits their chances to list on the stock markets and raise relatively more affordable and longer-term capital.” the report notes.

According to Rwanda’s Minister of Finance and Economic Planning, Yusuf Muranga, across Africa, bank lending still accounts for over 70% of corporate financing, while equity markets remain relatively very shallow.

He indicated that only 14 African exchanges have market capitalization exceeding 10% of GDP, compared to a global average that is closer to 100%.

“To empower Africa’s enterprises, we must shift from relying primarily on loans to embracing equity, risk sharing, and long-term investment. A strong equity culture enables wealth creation, builds resilience, and drives economic transformation.” Murangwa said.

Jean Bosco Iyacu, the chief executive officer at the Access to Finance Rwanda, said to access finance, SMEs and companies should prove readiness, especially in terms of governance. He emphasizes that this is critical for guaranteeing accountability and building strong confidence.

“Lack of governance and structure has caused some large companies to fail. Yet it continues to be a critical part of putting everything together to come to the capital market.It is important for companies and SMEs to understand what is required. They go to the bank first because it seems that it’s the only thing that they know about.” Iyacu shared.

Laws governing capital markets in Rwanda state that one of the basic requirements for an enterprise to list on the capital markets is incorporation. It suggests that the SMEs should aim for incorporation as a first step towards tapping into long-term finance from the capital markets.

The Capital Market Authority (CMA), the regulatory body in Rwanda emphasizes that regulations are put in place to promote proper laws in the industry.

“You need to put in proper guidelines and regulations that enable SMEs to be able to come to the market in terms of the requirements that are needed for bonds and in terms of the requirements that are needed for corporate governance,” said Thapelo Tsheole, CEO of the Capital Market Authority.

Constraints and Solutions in Rwanda.

Celestin Rwabukumba, CEO of Rwanda’s CMA and President of ASEA, told Rwanda Dispatch that the adoption of the capital market in the country still faces constraints, including insufficient financial literacy, incentives, and lack of knowledge about how capital market works.

Celestin Rwabukumba, CEO of Rwanda’s CMA and President of ASEA

“We don’t have enough savings. We are promoting savings and financial literacy. We are making sure to disseminate knowledge about the capital market. Currently, the Rwandan capital market is widely recognized across Africa, and we are leading. Therefore, for Rwanda’s market, it’s a good limelight and exposure to make it known as a developing financial center.” He said.

He said that Rwanda looks to many incentives, good laws and regulations, and new products that will facilitate the growth of the market.

At the ASEA conference 2025, Rwanda Stock Exchange launched the Green

Exchange Window, Africa’s latest platform dedicated to expanding and financing sustainable investment opportunities in environment, climate, and renewable energy. RSE also launched a Multi-currency Denominated Securities Market Segment that will allow investors to issue and trade securities in multiple currencies.