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Research Article

Stock Market Development Determinants in Africa: A Review of Literature

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Abstract

The development of stock markets is crucial for economic growth, capital formation, and financial stability, particularly in Africa, where economies are often characterised by volatility and underdevelopment. Results of this paper are drawn from a systematic literature review which synthesizes findings from twenty-nine newly published research papers published in peer-reviewed journals between 01 January 2020 and 31 December 2024, obtained freely on Google Scholar. The main objective of this paper is to identify the determinants of stock market development across different African countries. From the twenty-nine reviewed papers, it can be noted that the key determinants include macroeconomic indicators such as economic growth, inflation, interest rates, trade openness, and foreign investment. The review of literature highlighted the mixed effects of these factors, indicating that their influence can vary significantly across countries and regions. Stakeholders, such as policymakers, investors, and financial institutions, have shown increasing interest in understanding these dynamics due to the potential for stock markets to enhance capital mobilization and economic resilience. The review of literature also identified contested areas in the literature, suggesting that while some determinants are widely acknowledged, others remain debated. Future research directions include exploring the impact of technological advancements, regulatory frameworks, and socio-political factors. This paper underscores the need for a nuanced understanding of stock market dynamics to inform effective policy interventions aimed at fostering sustainable economic growth in Africa.

Keywords

Africa, Capital Formation, Determinants, Stock Market Development, Stock Markets, Systematic Literature Review

1. Introduction

The purpose of this article is to present a concise review of the literature that examines the determinants of stock market development in Africa. Stock market development plays a pivotal role in the economic landscape of African nations. As a mechanism for capital mobilisation, stock markets facilitate investments that can drive economic growth and development. The importance of stock markets lies not only in their ability to provide funding for businesses but also in their potential to enhance financial stability, attract foreign investment, and improve economic resilience [14]. Stakeholders, including

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policymakers, investors, and financial institutions, have increasingly focused on stock market development due to its implications for economic performance and financial inclusion.

Previous studies have predominantly concentrated on macroeconomic determinants such as Gross Domestic Product (GDP) growth, inflation, and interest rates, often highlighting their varying impacts on stock market performance across different contexts [20]. While some researchers emphasise the positive effects of economic growth on stock market development, others indicate that high inflation can deter investment [29]. Additionally, factors such as trade openness and foreign investment are believed to influence market dynamics, but the extent and nature of these impacts remain the subject of ongoing debate [6, 17].

This review aims to synthesize existing literature on the determinants of stock market development in Africa, exploring whether these determinants differ across African countries and regions. The comprehensive review will aid the current study in prescribing effective policies based on the integration of the findings of previous researchers. Furthermore, it seeks to identify areas for future research and evaluate the contested nature of stock market determinants within the literature.

The subsequent sections of the study are structured as follows: section 2 gives a review of theoretical literature that underpin this study. Section 3 outlines the methodology employed for the review. Section 4 discusses the most credible existing studies that explore stock market development determinants in African countries. In Section 5, recommendations for future research are provided. Finally, Section 6 offers the concluding remarks and some policy recommendations.

2. Theoretical Literature Review

Several theories provide a framework for understanding the determinants of stock market development. This section discuss nine key theories: Dow theory, Efficient Market Hypothesis (EMH), Capital accumulation framework, Economic growth theory, Calderon-Rossell theory, Liquidity theory, Macroeconomic determinants theory, Banking sector development framework, and Institutional theory.

The Dow Theory posits that market trends are driven by the collective movements of stock prices and can be divided into primary, secondary, and minor trends. The Dow Theory is a foundational concept in technical analysis and stock market theory, developed by Charles Dow in the late 19th century. It emphasizes the importance of confirming trends through the performance of key indices, such as the Dow Jones Industrial Average and the Dow Jones Transportation Average [21]. This theory provides insights into stock market development by highlighting determinants such as market sentiment, economic indicators, and the role of institutional quality in attracting investments. For instance, in the context of Africa, factors like government policies, economic stability, and technological adoption critically influence market growth [15, 12]. A robust institutional framework, which includes transparency and investor protection, is essential for sustaining capital inflows and enhancing market maturity [11]. These elements collectively underscore the interplay between market dynamics and broader economic conditions, thereby shaping the growth trajectory of stock markets in emerging economies.

The EMH posits that stock prices reflect all available information, making it impossible for investors to consistently achieve higher returns than the overall market without taking on additional risk. This theory is fundamental in explaining stock market development as it suggests that a well-functioning market will efficiently allocate resources based on available information, thus enhancing investor confidence and participation [12]. In the context of African markets, factors such as information transparency, regulatory frameworks, and technological advancements play crucial roles in determining market efficiency [11]. For instance, the adoption of information and communication technologies (ICT) can improve access to market data and trading platforms, thereby fostering greater participation and liquidity in stock markets [15]. Additionally, strong financial regulations can enhance market integrity, further supporting the development of efficient capital markets [14]. Thus, the EMH provides a framework for understanding how various determinants contribute to the growth and resilience of stock markets in Africa.

The Calderon-Rossell theory. The Calderon-Rossell theory suggests that macroeconomic stability and well-functioning financial systems are crucial for stock market development. This framework indicates that factors such as inflation control, fiscal discipline, and stable monetary policies facilitate a conducive environment for capital markets to thrive. Also, the development of capital markets is influenced by various economic factors, including investment climate, regulatory frameworks, and market structure. Afonso and Reimers reinforce this theory by showing that the establishment of stock exchanges in African countries can enhance economic growth, provided that macroeconomic fundamentals are stable [2]. For instance, a study by Fagbemi and Ajibike illustrates how regulatory clarity in West African emerging economies impacts stock market participation and development [11]. Additionally, Mlambo highlights that international portfolio investments can stimulate economic growth, particularly in regions with robust financial regulations [15]. The theory further suggests that a well-developed financial infrastructure, as indicated by the findings of Igwilo and Sibindi, enhances the relationship between ICT adoption and stock market development, demonstrating how technological advancements can facilitate market efficiency [12]. Overall, the Calderon-Rossell theory provides a comprehensive framework for understanding the multifaceted determinants of stock market development in various economic contexts.

Liquidity theory. Liquidity theory posits that the liquidity of a stock market is a critical determinant of its development.

Therefore, the ability to quickly buy or sell assets without significantly affecting their price is crucial for the functioning and development of stock markets. A liquid market allows investors to buy and sell securities easily, which encourages participation and investment. Asravor and Fonu found that in Ghana, stock market liquidity significantly affects returns and overall market development [4]. Higher liquidity reduces transaction costs and risks, fostering a more attractive investment environment. For instance, Mlambo notes that increased liquidity in African stock markets can enhance investor confidence and participation, thereby stimulating economic growth [15]. Furthermore, the study by Igwilo and Sibindi emphasizes that effective ICT adoption can improve market liquidity by facilitating faster transactions and better information dissemination, which is essential for engaging both local and foreign investors [12]. Additionally, Fagbemi and Ajibike indicate that macroeconomic stability and regulatory frameworks are vital in ensuring liquidity, thus reinforcing the notion that a robust legal and institutional environment is necessary for liquid markets [11]. Overall, the liquidity theory provides a comprehensive lens through which the dynamics of stock market development can be understood, particularly in the context of emerging markets in Africa.

Economic growth theory. Economic growth is often considered a fundamental driver of stock market development. The theory posits that various factors, including investment, technological advancements, and policy frameworks, significantly influence a country's economic growth and, by extension, the development of its stock market. According to Adoms et al., a robust economic environment enhances corporate earnings and attracts investments, thereby expanding the stock market [1]. Alfonso and Reimers support this view, suggesting that the introduction of stock exchanges can stimulate economic growth by enhancing capital mobilization and investment opportunities [2]. Mlambo emphasizes the role of international portfolio investment as a double-edged sword, capable of stimulating growth while also introducing volatility [15]. Similarly, Molefhi highlights that macroeconomic stability and sound government policies are critical for cultivating an environment conducive to stock market development [16]. Fagbemi and Ajibike further illustrate that in emerging economies like Ghana and Nigeria, the interplay between economic growth and stock market development is vital for financial deepening [11]. Overall, the theory underscores that the health of a stock market is intrinsically linked to broader economic factors, which can either promote or hinder its growth.

The Capital Accumulation Framework emphasizes the role of capital formation in driving economic growth and development, particularly in relation to stock market development. It posits that the mobilization of savings and investments through financial markets is crucial for funding productive ventures and infrastructure projects. Adoms et al. highlight that in Sub-Saharan Africa, effective capital markets can significantly influence economic development by mobilizing savings and directing them towards productive investment [1]. Mlambo highlights how international portfolio investments contribute to capital inflows, enhancing liquidity and market depth, which are vital for stock market growth [15]. Additionally, Fagbemi and Ajibike note that effective capital accumulation can improve market conditions, attracting more investors and facilitating economic stability [11]. This theory underscores the necessity of robust stock markets for economic prosperity. The framework also underscores the importance of macroeconomic policies that foster a conducive environment for capital accumulation, as evidenced by the findings of Igwilo and Sibindi, which show that ICT adoption and financial freedom are significant determinants of stock market development [12]. Thus, the framework provides a comprehensive lens through which to understand the interaction between capital markets and broader economic growth dynamics in Africa.

Macroeconomic determinants theory. This theory encompasses various macroeconomic variables such as interest rates, exchange rates, and inflation that influence stock market performance. This theory emphasizes that stable macroeconomic conditions foster a conducive environment for investment, thereby enhancing stock market performance. Akash, Prashant, and Mohammed conducted a systematic literature review and found that economic growth positively affects stock market development, while inflation has a negative impact [3]. They also noted mixed effects from trade openness and foreign investment, emphasizing the complexity of these relationships. Mlambo highlights how international portfolio investments can be both a catalyst for growth and a source of volatility, depending on the prevailing macroeconomic landscape [15]. Similarly, Molefhi discusses the impact of macroeconomic variables on capital market development, indicating that sound economic policies can stimulate investor confidence [16]. Furthermore, Igwilo and Sibindi point out that financial freedom, as a macroeconomic factor, plays a critical role in promoting stock market growth, suggesting that deregulation can enhance market attractiveness [12]. Overall, the theory provides a framework for understanding how macroeconomic dynamics shape the landscape of stock market development in Africa.

Banking sector development model. The framework posits that the banking sector plays a crucial role in stock market development by providing financial intermediation. This framework suggests that strong banking institutions facilitate efficient capital allocation, promote savings, and support investment, which are essential for stock market growth. Becker emphasizes that a well-developed banking sector can enhance access to finance, thereby promoting stock market activity [7]. Conversely, weak banking systems can limit capital mobilization and investment opportunities, negatively affecting market growth. According to Mlambo, foreign portfolio investment can significantly influence economic growth, indicating that robust banking systems attract such investments by providing the necessary financial infrastructure [15]. Furthermore, Molefhi asserts that macroeconomic stability, supported by a sound banking sector, is crucial for capital market development [16]. Fagbemi and Ajibike also highlight that effective banking regulations can enhance investor confidence, thereby stimulating stock market activity [11]. Overall, the framework illustrates that the health of the banking sector is intrinsically linked to the vitality of the stock market, as both contribute to broader economic development.

Institutional theory. Institutional theory focuses on the role that institutions play in shaping the financial environment and influencing stock market development. The theory posits that the development of financial markets, including stock markets, is significantly influenced by institutional frameworks and governance structures. This theory emphasizes how formal and informal institutions shape economic behaviour and market dynamics. Strong institutions promote better regulatory frameworks, transparency, and investor protection, which are essential for market confidence. Chowdhury, Khraiche, and Boudreau argue that the effectiveness of financial institutions directly impacts market performance, particularly in developing economies where institutional weaknesses can hinder growth [9]. A study by Mlambo highlights that the role of effective regulatory bodies can enhance investor confidence and attract foreign portfolio investments, thereby fostering stock market growth [15]. Similarly, Fagbemi and Ajibike argue that the quality of institutions, including legal frameworks and property rights, is crucial for capital market development in emerging economies like Ghana and Nigeria [11]. Additionally, Igwilo and Sibindi demonstrate that the adoption of ICT in financial markets is linked to institutional preparedness, which affects overall market efficiency and growth [12]. This perspective underscores that robust institutions are vital for creating conducive environments for stock market development, influencing factors such as transparency, market access, and regulatory quality.

These theories collectively provide a comprehensive understanding of the various factors that influence stock market development. They highlight the interplay between macroeconomic stability, liquidity, institutional quality, and capital market structures.

3. Review Method

The review was conducted using peer reviewed published articles, with a focus on current studies published between January 1, 2020, and December 31, 2024. In the fast-paced financial environment, recent periods studies can reveal emerging trends in stock market development, such as the influence of digital technologies, ESG (Environmental, Social, and Governance) investing, and shifts in capital flows. Furthermore, financial markets often undergo structural changes due to regulatory reforms, technological advancements, and shifts in investor behaviour. The search utilized Google Scholar, employing keywords such as "stock market development," "determinants," and "Africa." Google Scholar provides access to a vast array of academic literature, and this breadth allowed the study to explore diverse perspectives and findings. Many research papers available on Google Scholar are open access, and this enabled the current study to obtain full-text articles without institutional subscriptions. In addition, the platform suggests related articles based on the user's search, facilitating a more comprehensive literature review. This helped in discovering relevant studies not initially considered. Furthermore, Google Scholar includes literature from various fields, encouraging interdisciplinary research. Lastly, the search interface is user-friendly, making it easy to find relevant papers using keywords, phrases, or specific authors. The available advanced search options further refine results, especially considering publication period restraint. A total of 29 relevant articles were included in the review based on their publication in peer-reviewed journals and their focus on the African context. Concerning the exclusion criteria, studies that were published prior to 2020 were excluded. Studies conducted before 2020 may not reflect current market dynamics, making them less relevant for understanding today's determinants. Moreso, research conducted prior to COVID-19 pandemic may not account for the profound changes in investor behaviour, market volatility, and regulatory responses that emerged in its aftermath. In addition, thesis and dissertation papers were excluded from this review. Theses and dissertations often undergo less rigorous peer review compared to articles published in reputable journals. By focusing on published research, the study ensures the inclusion of higher-quality, validated findings. The composition of the reviewed research papers is shown in Table 1.

Table 1. *Reviewed Research Papers.*

Region	Number of research papers
West Africa	5
East Africa	2
Southern Africa	3
Sub-Saharan Africa	4
Specific countries	3
General Africa (Pan-African)	12
Total	29

Source: Authors' compilation

Table 1 above, shows the composition of the reviewed papers. The research papers cover the continent of Africa; hence this guarantees an effective exploration of the literature to match the objectives of the study.

Reviewed papers by year of publication are presented in Table 2 below;

Table 2. *Distribution of Research Papers by Year of Publication.*

Year of publication	Number of research papers
2020	2
2021	5
2022	12
2023	6
2024	4
Total	29

Source: Authors' compilation

From Table 2 above, publications pertaining to stock market development determinants exist for each year of the five-year period. The year 2022 has the most research articles published. Twelve papers were published in 2022. The study utilised the 2022 twelve research papers in the review in addition to those from other years.

4. Stock Market Development Determinants for the African Region

4.1. The African Stock Market Sector: Challenges and Opportunities

Over the past five years, the African stock market sector has experienced notable growth, alongside significant challenges. The rise in market capitalisation and the number of listed companies has been driven by factors such as increased trade openness and economic growth. However, the sector still grapples with hurdles including liquidity issues, insufficient regulatory frameworks, and external shocks like the COVID-19 pandemic and global financial crises, which have adversely affected investor confidence [2]. For instance, the liquidity levels in markets, such as Zimbabwe, have shown volatility, impacting overall market performance [8].

Despite these challenges, opportunities for growth persist, particularly through foreign investment and technological advancements. The attractiveness of African markets for foreign investors has been bolstered by various reforms and improved governance [7]. Moreover, the integration of ICT has begun transforming the landscape, providing a platform for greater market participation and efficiency [12]. With ongoing efforts to enhance regulatory frameworks and financial literacy, the potential for capital market development remains promising, which could significantly contribute to economic growth across the continent [1, 6].

4.2. Determinants of Stock Market Development

Numerous studies have examined the various determinants of stock market development, leading to a rich body of literature that highlights the complexity and variability of these factors across different regions. This review synthesizes findings from 29 research studies, arranged chronologically, to provide a comprehensive overview of the determinants of stock market development, their regional differences, and ongoing debates within the literature. The comprehensive review will aid the current study in prescribing effective policies based on the integration of the findings of previous researchers.

Ongo et al. in their research aimed to identify drivers of financial market growth in Africa, utilising data from 1995 to 2023 [20]. Findings highlighted the importance of regulatory frameworks, investor education, and macroeconomic stability as crucial determinants. A study by Dave and Akongwale focused on the green bond market in South Africa [10]. The aim was to understand its development determinants, utilising a mixed-methods approach. Results highlighted the importance of regulatory support and investor awareness in fostering market growth. Becker analysed the attractiveness of African stock markets for foreign investors [7]. The study, covering the years 2010 to 2022, highlighted determinants such as political stability, market liquidity, and transparency. Findings indicated that improving market conditions could enhance foreign investment inflows. Also, Shamalime and Yohane explored factors hampering growth in Zambia's capital markets from 2000 to 2022 [22]. Findings indicated that regulatory inefficiencies and lack of investor education were significant barriers to development.

Uchendu in a study analysed the effect of selected financial instruments on capital market development in Nigeria from 2000 to 2022 [28]. The study results indicates that regulatory frameworks and financial innovation are critical determinants. In their systematic literature review, Akash, Prashant, and Mohammed analysed macroeconomic determinants of stock market development across various studies [3]. The review highlighted determinants such as inflation, interest rates, and political stability. The findings underscored significant disparities in determinants across regions, suggesting that local contexts significantly influence stock market dynamics. A study by Ayadi and Williams focusing on Egypt, Kenya, Nigeria, and South Africa, examined the relationship between stock market development and capital formation from 1991 to 2017 [6]. Using fixed-effect and random-effect econometric models, the study found that market capitalization positively influenced capital formation, while turnover had no significant relationship. Imhanzenobe investigated the historical development of frontier stock markets in Sub-Saharan Africa (SSA) using qualitative methods. The findings highlighted key determinants such as historical context, governance, and economic policies that shaped market evolution [13]. Próchniak et al. investigated stock exchanges' maturity in

Africa from a pre-pandemic perspective, employing a mixed-methods approach [21]. Key determinants identified included market structure, governance, and investor participation. Sulaiman, Adejayan, and Ilori in a research examined capital market development and economic growth in West African countries from 2000 to 2020 [24]. Results indicated that economic diversification and regulatory quality significantly influenced market development.

Atuna investigated the determinants of cross-listing in SSA, and this study utilised data from 2000 to 2020 [5]. The researchers employed logistic regression to identify factors such as market size, liquidity, and regulatory frameworks. Results showed that better regulatory environments and larger market sizes positively influenced cross-listing decisions. Bonga, Chimwai, and Choga examined stock market liquidity in Zimbabwe from 2010 to 2021 [8]. Using econometric modeling, key determinants included trading volume and regulatory frameworks. Results showed that liquidity is crucial for stock market development, but regulatory constraints hindered growth. A study by Chowdhury, Khraiche, and Boudreau explored the impact of corruption on stock market development across developed and developing economies [9]. The analysis, covering 1995 to 2020, employed cross-country regression methods. Findings indicated that corruption negatively impacts stock market development, particularly in developing economies. In a study, Fagbemi and Ajibike compared stock market development in Ghana and Nigeria from 2000 to 2020 [11]. Using comparative analysis, the study identified determinants such as economic diversification and regulatory quality. Results indicated that Nigeria's market faced more challenges due to regulatory inefficiencies compared to Ghana. Mlambo focused on international portfolio investment and economic growth in selected African states from 2000 to 2020 [15]. Results indicated that foreign portfolio investments positively influenced market development, contingent upon regulatory frameworks. Njenga, Machagua, and Gachanja provided an overview of capital markets in SSA [17]. The authors identified key determinants such as governance, regulatory quality, and market liquidity as fundamental to market growth.

Afonso and Reimers investigated whether the introduction of stock exchange markets boosts economic growth in African countries [2]. It covered the period from 1990 to 2020 and employed panel data analysis. The significant determinants included foreign direct investment (FDI) inflows and governance quality. The findings suggested a positive correlation between stock market introduction and economic growth, though the impact was mediated by institutional quality. Nyakurukwa and Seetharam in their study analysed stock market integration in Africa using an information-theoretic framework from 2000 to 2020 [19]. Critical determinants included information flow and market liquidity, with results indicating varying integration levels across the continent. Temile, Owoeye, and Jatmiko analysed the stock market and economic growth nexus in Nigeria and South Africa from 2000 to 2020 [25]. Using cointegration analysis, the study found that stock market development positively affects economic growth, although the extent varies by country. Tiamiyu, Odugbemi, and Adelaja examined financial deepening and stock market development in Nigeria from 1981 to 2019 [26]. Findings emphasized the role of financial literacy and regulatory quality as significant determinants. A research paper by Tumwebaze et al. focused on stock market participation in less developed countries, specifically Uganda [27]. The study employed survey methods to identify barriers such as lack of information and financial literacy that hindered market participation. Uhunmwangho investigated the determinants of stock market volatility in Africa from 2000 to 2020 [29]. Findings underscored macroeconomic stability and investor confidence as main determinants influencing volatility levels.

Asravor and Fonu focused on Ghana. They analysed the dynamic relationship between macroeconomic variables and stock market returns from 1991 to 2019 [4]. Employing a Vector Autoregressive Model (VAR), they found that GDP growth, inflation rate and macroeconomic stability significantly influence stock market performance. Igwilo and Sibindi analysed ICT adoption and stock market development in Africa from 2005 to 2019 [12]. Employing ARDL bounds testing, the study found that ICT significantly influences market development, with variations reported across different countries. A study by Michael et al. examined the relationship between stock market development, financial deepening, and economic growth in Africa from 1990 to 2020 [14]. The study identified financial literacy and institutional quality as critical determinants for market development. Molefhi explored the impact of macroeconomic variables on capital market development in Botswana from 2000 to 2020 [16]. Utilizing regression analysis, the findings highlighted GDP growth and inflation as significant determinants. Soumaré analysed progress, challenges, and innovations in capital market development in SSA [23]. The study identified governance, market liquidity, and regulatory frameworks as paramount determinants.

Adoms et al. conducted a comparative study of three SSA emerging economies, specifically Ghana, Nigeria, and Kenya [1]. The aim was to explore the relationship between capital market development and economic growth. The study period spanned from 1990 to 2018, utilizing a descriptive research design and econometric analysis. The determinants identified included market capitalization, liquidity, and economic stability. Results indicated that while capital markets contribute significantly to economic development, the extent varies by country. Nkwede focused on bond market development in Nigeria, and the study examined macroeconomic determinants from 2000 to 2019 [18]. Findings suggested that inflation and interest rates significantly influenced bond market growth.

4.3. Summary of Review

The review of literature highlights several critical determinants of stock market development, including macroeconomic stability, regulatory quality, market liquidity, and investor education. While some determinants are consistently identified across studies, such as economic stability, institutional quality, investor confidence, and governance, others vary significantly by country and region. For instance, the role of ICT adoption appears particularly significant in enhancing market development in certain African countries. Noted is that, the determinants show consistency across regions, others reflect significant variation based on local economic conditions and institutional frameworks. Notably, the role of stock market infrastructure and macroeconomic policies is widely acknowledged. The literature reflects ongoing debates regarding the effectiveness of stock markets in promoting economic growth, with some studies questioning the direct impact of stock market development on capital accumulation, particularly in regions with underdeveloped financial systems. This suggests that while there is a general consensus on the importance of stock markets for economic growth, the specific determinants and their impacts are indeed contested and warrant further investigation. Continued research is essential to unravel the complexities of stock market development, particularly in dynamic and diverse regions such as Africa. Understanding the local context and the interplay of various determinants will be crucial for policymakers seeking to enhance financial market structures and promote sustainable economic growth.

5. Directions for Further Research

Future research on the determinants of stock market development in Africa should focus on a multi-faceted approach that considers the unique economic, social, and political contexts of different regions within the continent. One direction could involve a deeper exploration of the impact of technological advancements, particularly in ICT, on stock market dynamics. As indicated by several studies, the integration of ICT into financial markets could enhance market efficiency and participation, yet more specific analyses are needed to understand its effects across various African economies. Additionally, the role of institutional factors, such as governance quality and regulatory frameworks, warrants further investigation, especially in light of findings that suggest these elements significantly influence market performance and investor confidence.

Another promising avenue for future research is the comparative analysis of stock market development among African nations, particularly focusing on cross-listing and foreign investment trends. As indicated in several articles, the relationship between macroeconomic variables and stock market performance varies significantly across countries, which calls for a nuanced understanding of regional characteristics. Researchers should also consider the influence of global economic conditions, such as the impact of the COVID-19 pandemic and subsequent recovery phases, on stock market resilience and investor behaviour. Incorporating a broader diversity of methodologies, including qualitative approaches and case studies, could enrich the understanding of these complex interactions and foster more effective policy recommendations tailored to enhance stock market development in Africa.

6. Conclusion and Policy Recommendations

This literature review has provided a comprehensive overview of the determinants of stock market development in Africa, synthesizing insights from twenty-nine recent studies published between January 2020 and December 2024. The findings underscore the critical role that stock markets can play in fostering economic growth, capital formation, and financial stability within the continent. Key macroeconomic indicators such as economic growth, inflation, interest rates, trade openness, political stability, regulatory environment, and foreign investment were identified as significant determinants, although their effects were found to vary considerably across different countries and regions. This variability highlights the complexity of stock market dynamics in Africa, suggesting that a one-size-fits-all approach to policy formulation may not be effective.

Moreover, the review has illuminated contested areas within the literature, indicating that while certain determinants are well-recognized, others are still the subject of debate. The increasing interest from stakeholders—including policymakers, investors, and financial institutions—in understanding these dynamics is encouraging, as it points to the potential of stock markets to enhance capital mobilisation and economic resilience. Future research should focus on the influence of technological advancements, regulatory frameworks, and socio-political factors to develop a more nuanced understanding of stock market development. Through addressing these gaps, stakeholders can better formulate strategies that harness the full potential of stock markets as instruments for sustainable economic growth in Africa.

The paper, from its analysis, has valuable policy suggestions. To foster the development of stock markets in Africa, it is essential for policymakers to adopt a multifaceted approach that addresses the key determinants identified in the literature. First and foremost, enhancing macroeconomic stability is crucial; this includes implementing policies that stimulate economic growth while controlling inflation and interest rates. By fostering a stable economic environment, investor confidence can be bolstered, which is vital for attracting both domestic and foreign investment. Additionally, promoting trade openness through the reduction of tariffs and non-tariff barriers will facilitate greater market access and encourage FDI, further enhancing capital flows into stock markets.

Furthermore, establishing clear and transparent regulatory frameworks is imperative for ensuring fair practices and reducing risks in the financial markets. Strengthening regulatory institutions will empower them to effectively monitor compliance and enforce regulations, thereby enhancing market efficiency. Policymakers should also encourage the integration of financial technology solutions, which can improve trading efficiency and lower transaction costs, making stock markets more accessible to a broader range of investors. Educational initiatives aimed at enhancing digital literacy will support this goal, enabling more individuals to participate in stock markets.

Addressing socio-political factors is equally important; promoting political stability and good governance will create a more favourable environment for investment. Engaging diverse stakeholders in discussions about stock market reforms can ensure that policies are inclusive and reflect the interests of various groups within society. Finally, ongoing research into contested areas, such as the impacts of technological advancements and socio-political factors, will provide valuable insights that can inform future policy interventions. By adopting these comprehensive strategies, African nations can harness the potential of stock markets to drive economic growth and enhance financial stability.

Abbreviations

ARDL	Auto Regressive Distributed Lag
EMH	Efficient Market Hypothesis
ESG	Environmental, Social, and Governance
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and Communication Technologies
SSA	Sub-Saharan Africa
VAR	Vector Auto Regression

Conflicts of Interest

The authors declare no conflicts of interest.

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