Abstract

With globalization and liberalization of international financial and economic systems, economies, particularly small and fragile ones need to consolidate their economic and financial institutions to provide efficient and functioning systems, in order to benefit from huge flows of global investment resources.

The Second West African Monetary Zone, which includes economies of former British West African colonies and Guinea, is a program to harmonize the monetary policies of six countries. This is to further integrate the economies of these countries. However, the ultimate aim of the monetary zone is to launch a single currency that will foster trade and investment activities among the member countries.

Investment, either direct or portfolio investment is very scarce in West Africa. Despite high abundance of investment opportunities, investors are not easily enticed to the region. Also, existing firms find it difficult to raise necessary capital for expansion into profitable (large) scale operations, due to very high interest rate.

Alongside the single currency or monetary zone program, this thesis explores the feasibility and potential impacts of common stock market on corporate investments in the zone. Single currency and common stock market could be complementary in promoting business activities in the sub-region.
Generally, stock markets in the region are small and inefficient and thus cannot attract important foreign investors, especially foreign institutional investors. Establishing a well regulated common stock market, which can provide fair, efficient and transparent trading, will be a tool for attracting needed capital to boost business activities in the sub-region.