

FINANCING FIRM GROWTH:

The Role of Capital
Markets in Low- and
Middle-Income Countries



CESAIRE A. MEH, IFC

SERGIO L. SCHMUKLER, World Bank



What is the **role of capital markets** in the growth of firms, jobs, and productivity in low- and middle-income countries?



Document the **large expansion of capital market financing** access by firms around the world since 1990



Document **how** capital market expansion is **driving investment, business growth, and employment**



Document the **role of policy reforms** in capital markets growth

Financing Firm Growth uses a novel database of issuances since 1990

80,000 Firms
Worldwide



Focus on the 20,000 firms located in 106 low- and middle-income countries (excl. China)

DEBT AND EQUITY
ISSUANCES:
Securities Data
Company Platinum,
LSEG

FIRM BALANCE
SHEET:
Worldscope, LSEG

COUNTRY INCOME
GROUPS:
1990 World Bank
income categories

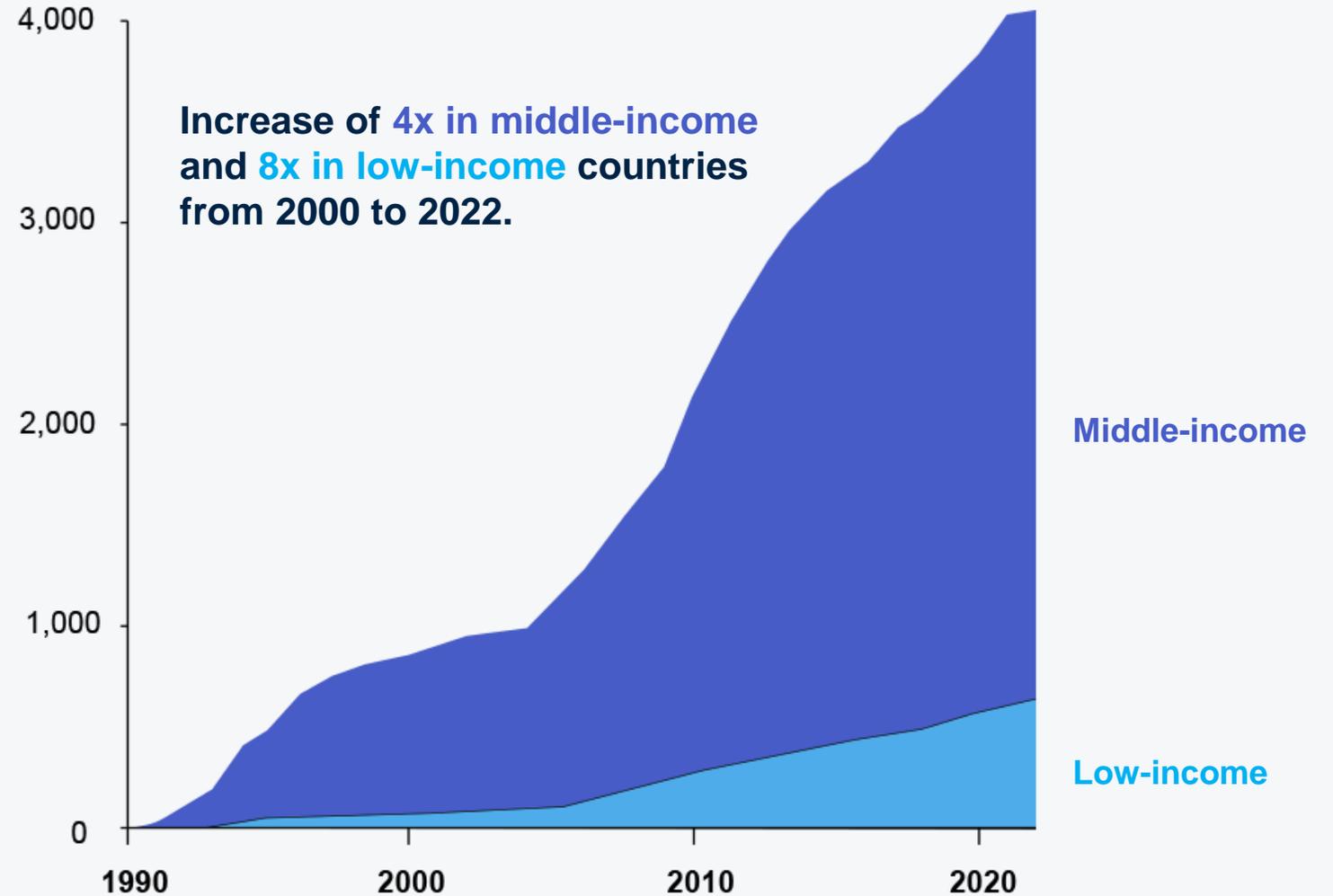
Measure of expansion of capital markets:
cumulative net capital issuance

Equity issuances
+ Bond issuances
since 1990

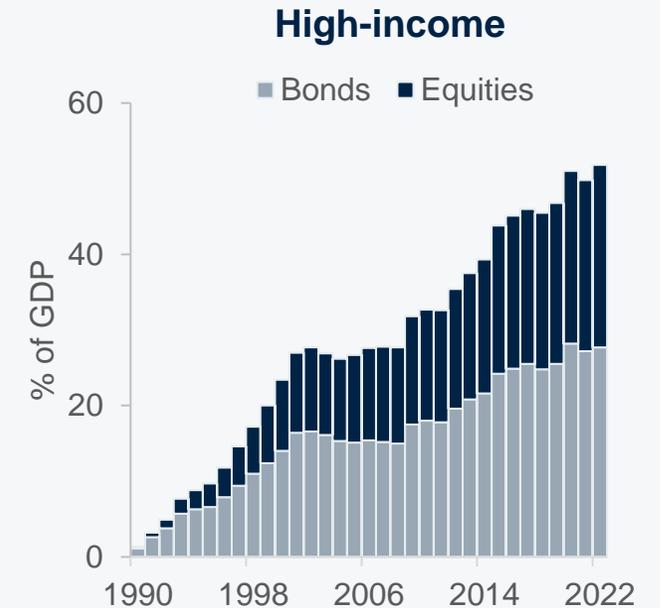
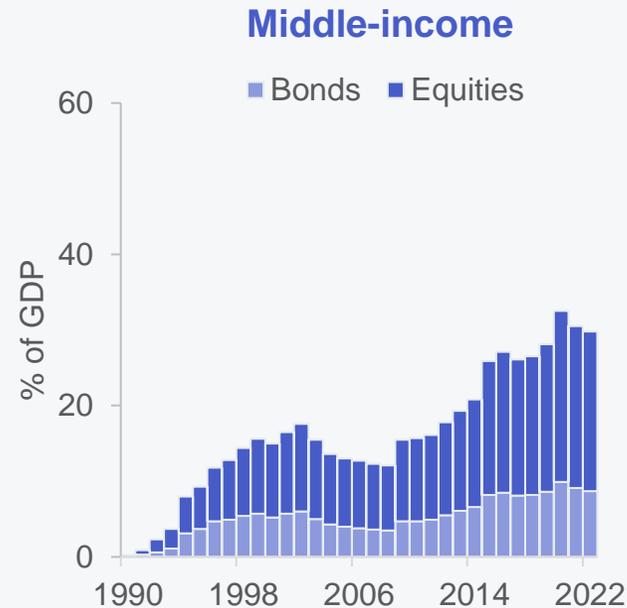
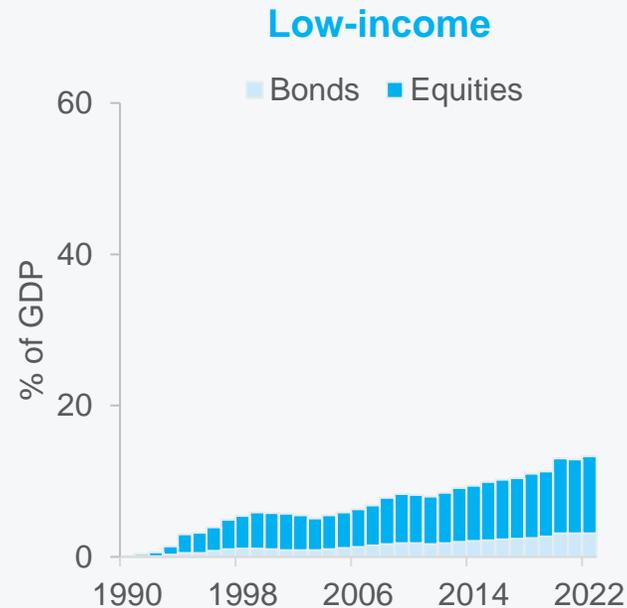
minus bonds that
have matured

Capital market financing for firms in low- and middle-income countries has grown by \$4 trillion since 1990

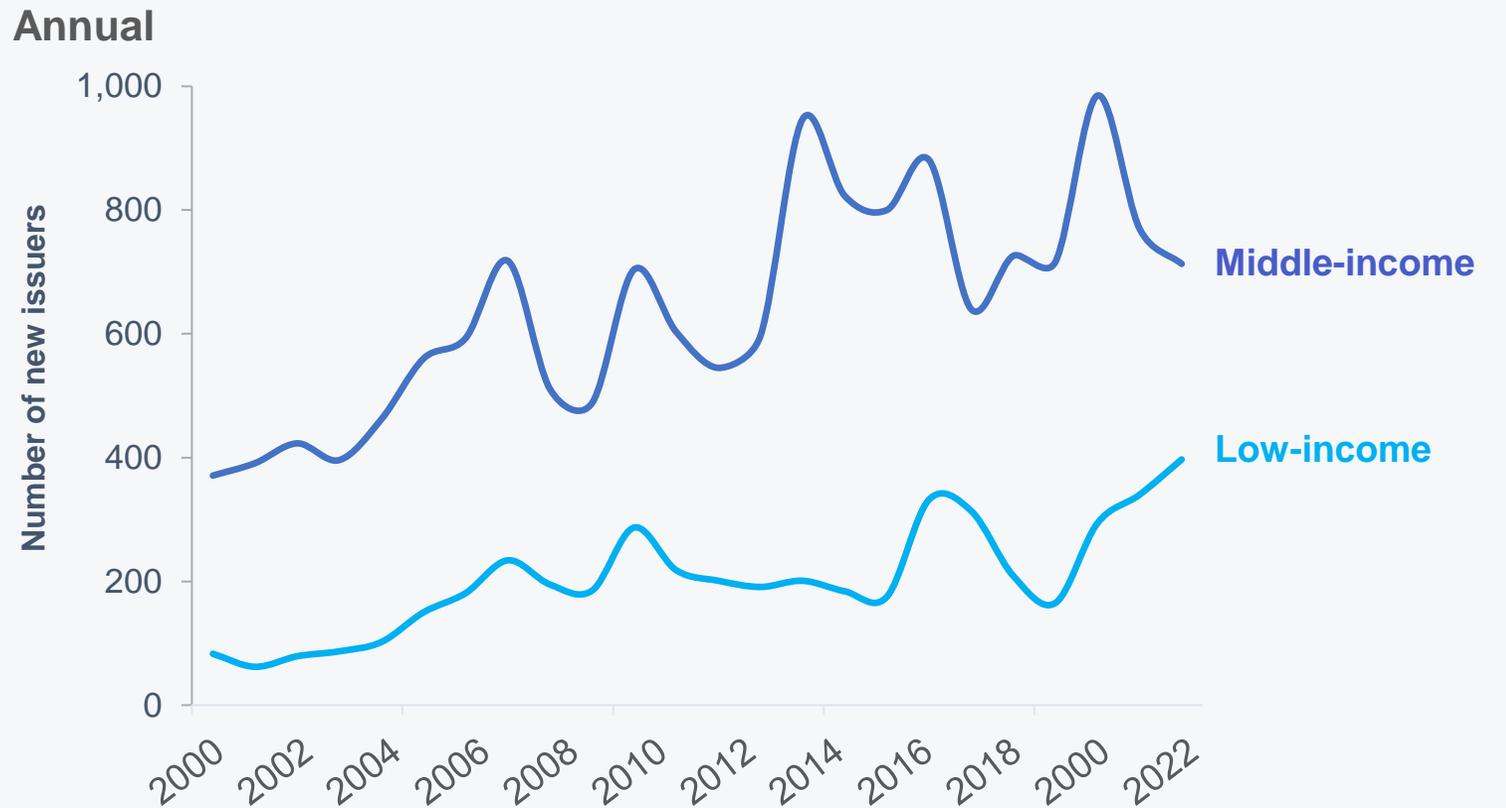
Billions of constant 2020 U.S. dollars



Financing through equity has been more prominent in low- and middle-income countries

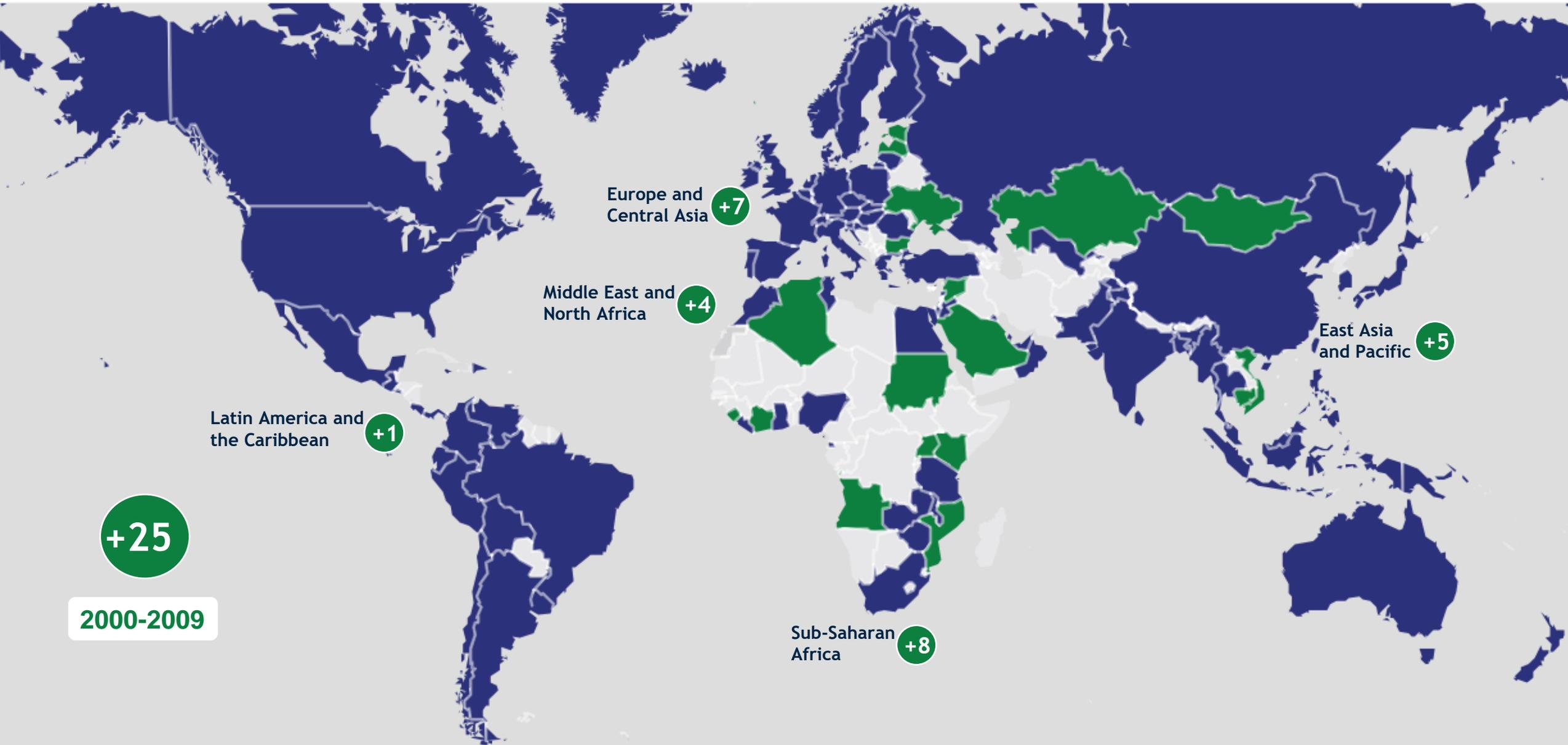


Expansion of capital market financing is associated with a growing number of new issuers in low- and middle-income countries

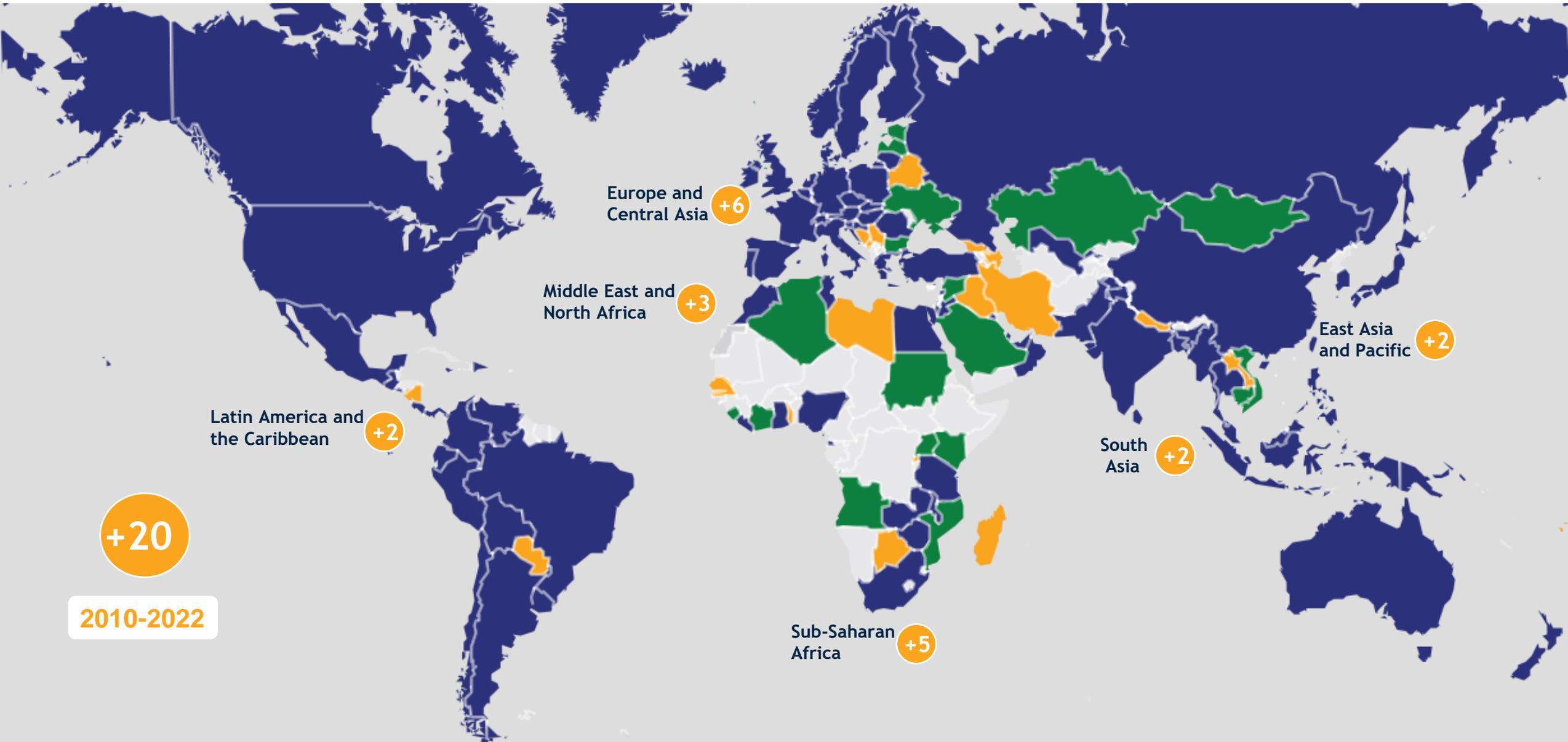


14,000 firms became new participants in capital markets between 2000 and 2022 in low- and middle-income countries.

Firms in more countries accessed capital markets: 2000-09

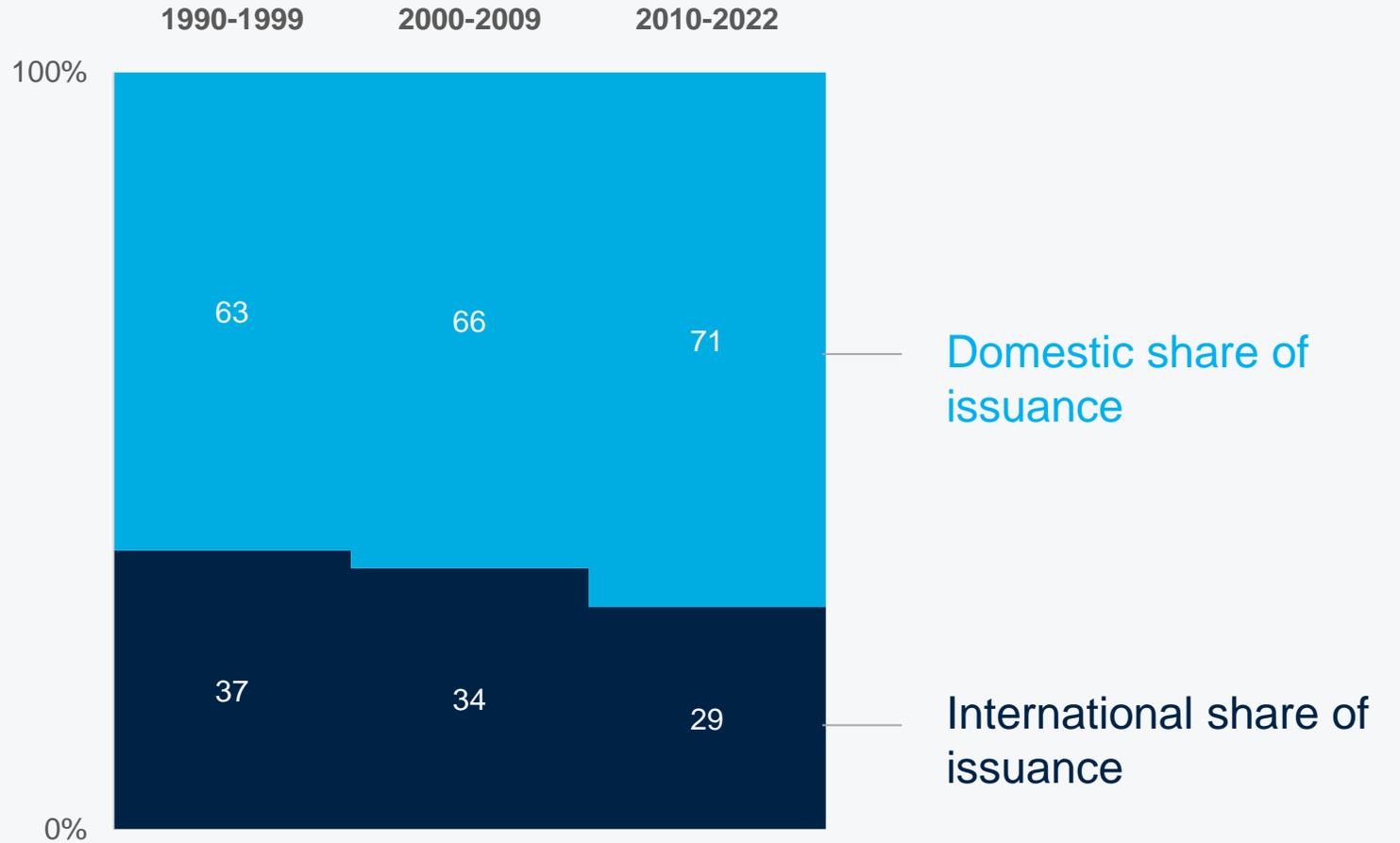


Firms in more countries accessed capital markets: 2010-22



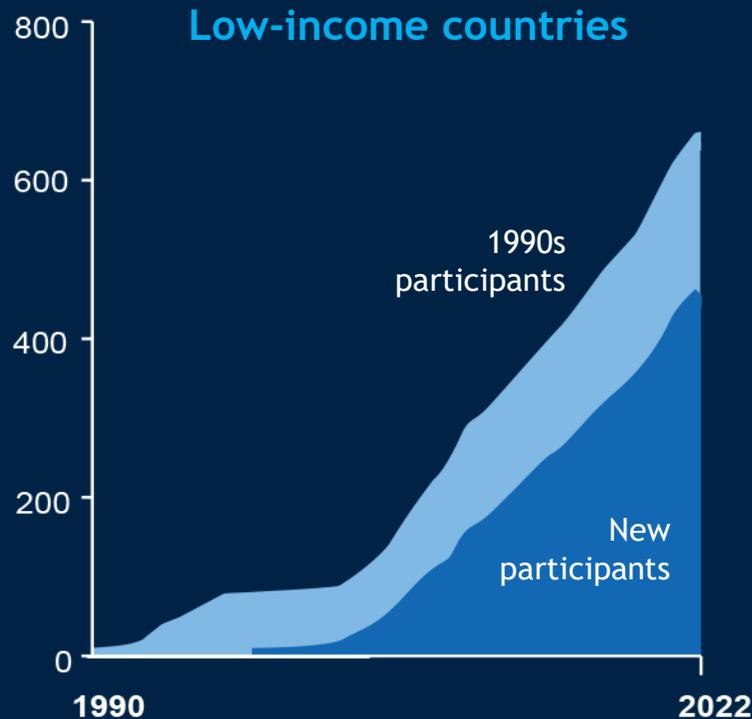
Most growth took place in domestic capital markets rather than international markets

% of cumulative net capital issuance



New issuers accounted for an increasing share of capital market financing in low- and middle-income countries

Billions of constant 2020 U.S. dollars

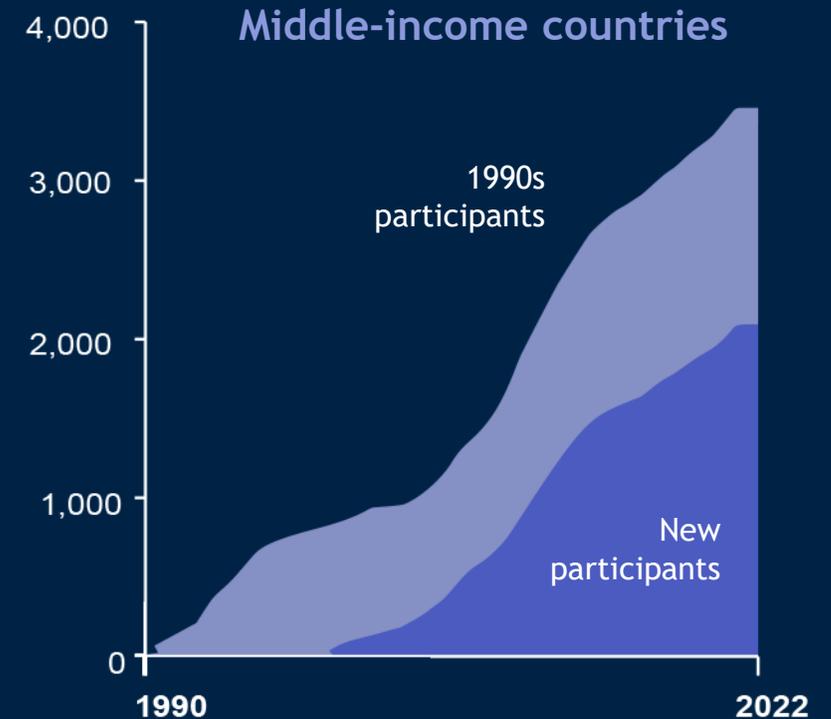


61%

of total capital market financing by 2022 came from new issuers in low- and middle-income countries.

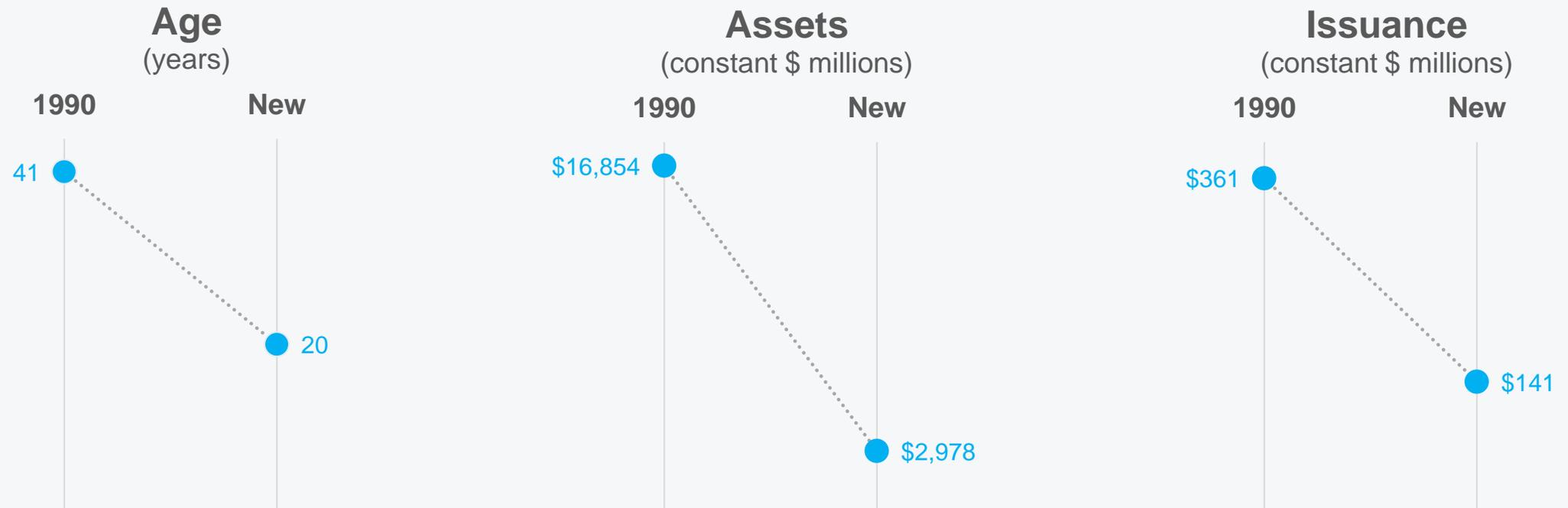
High-income countries accounted for 42%.

Billions of constant 2020 U.S. dollars

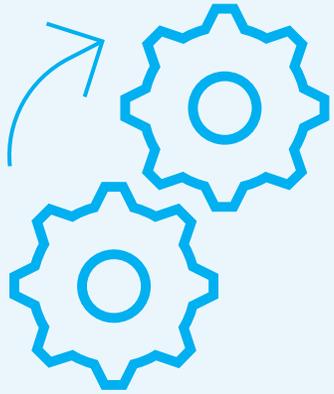


New issuers are younger, smaller, and issue smaller amounts

Distribution of 1990s and new participants, by age, assets, issuance size



Whether capital market financing enables growth depends on how issuance proceeds are used



Do firms use capital market financing to **invest productively?**



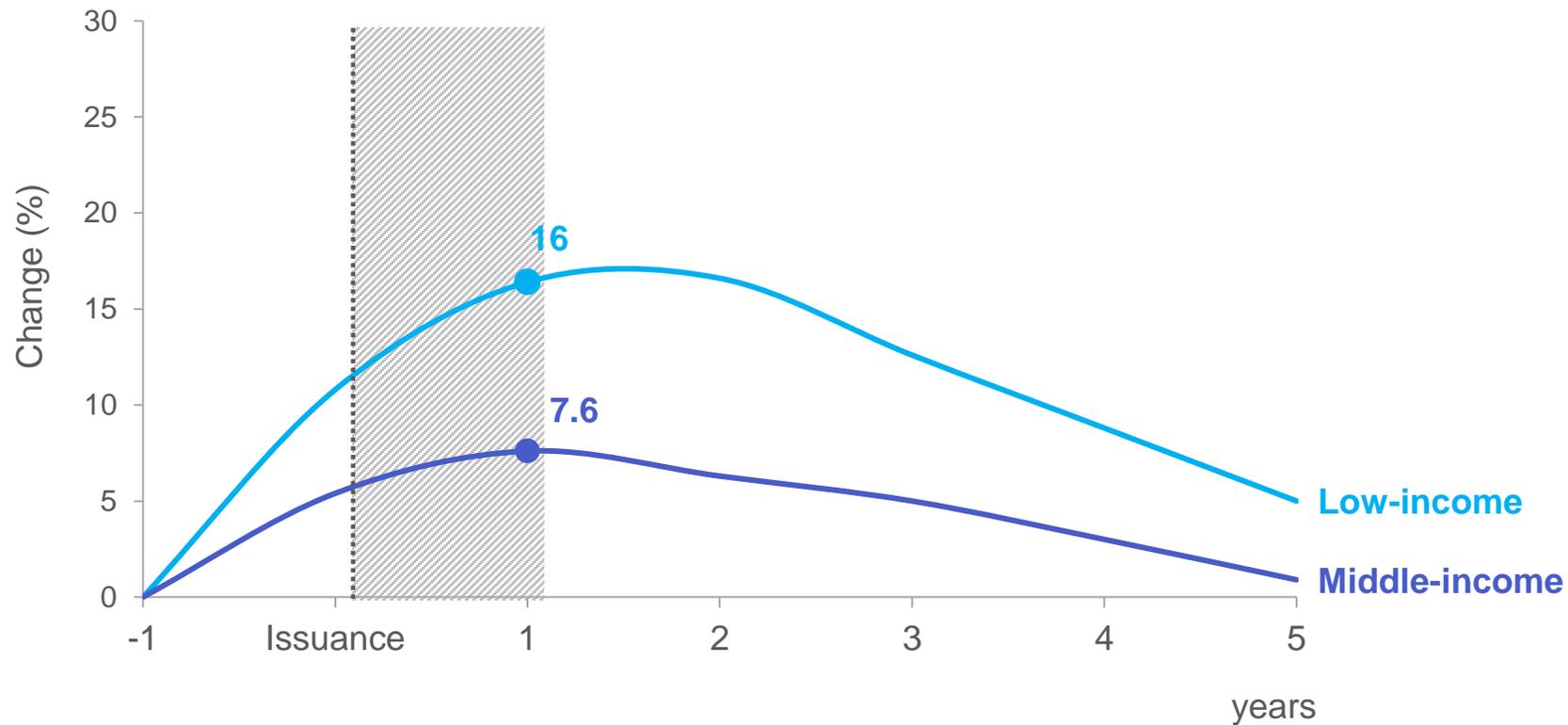
Do firms apply capital market financing to **non-productive uses?**

- to repay expensive loans
- change leverage ratio
- increase cash holdings



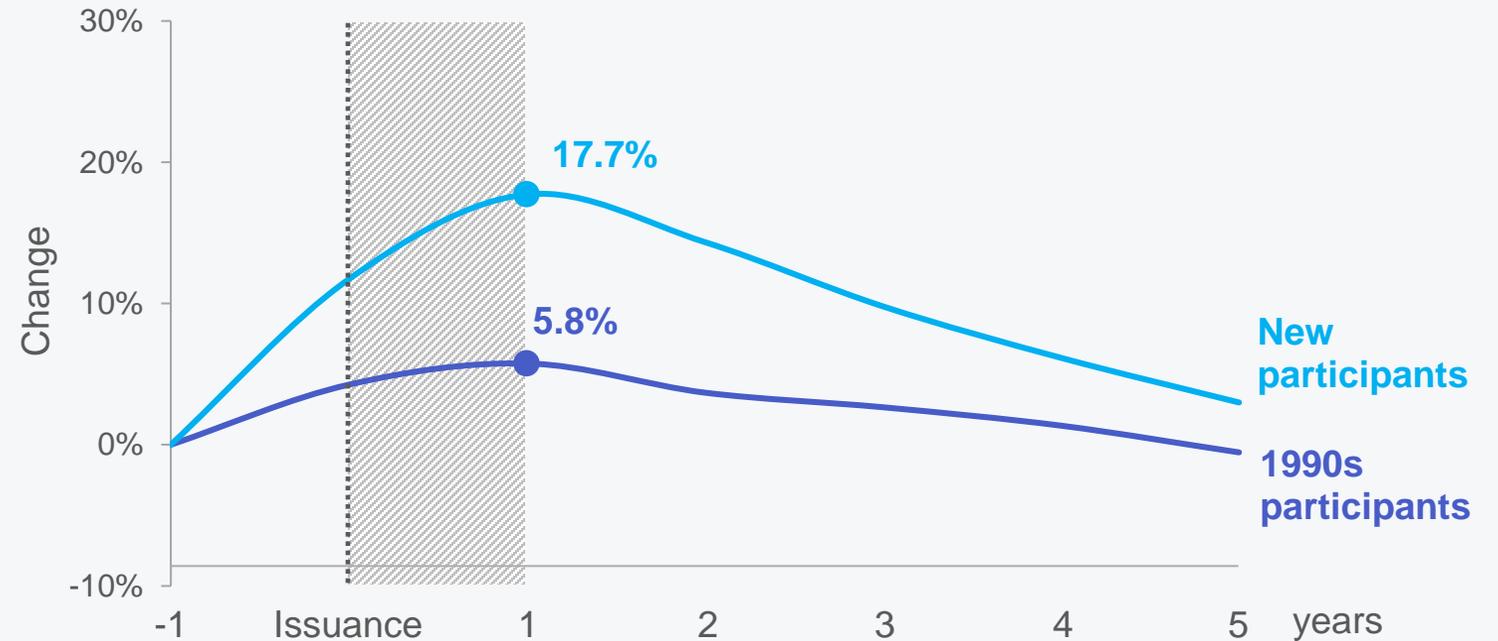
Firms invest more in physical capital after their first issuance

Cumulative percentage change from year before issuance



Firm growth after capital markets issuance is stronger for new issuers

Cumulative percentage change in physical capital from year before issuance



Capital market issuance contributes to **economy-wide growth**

12%

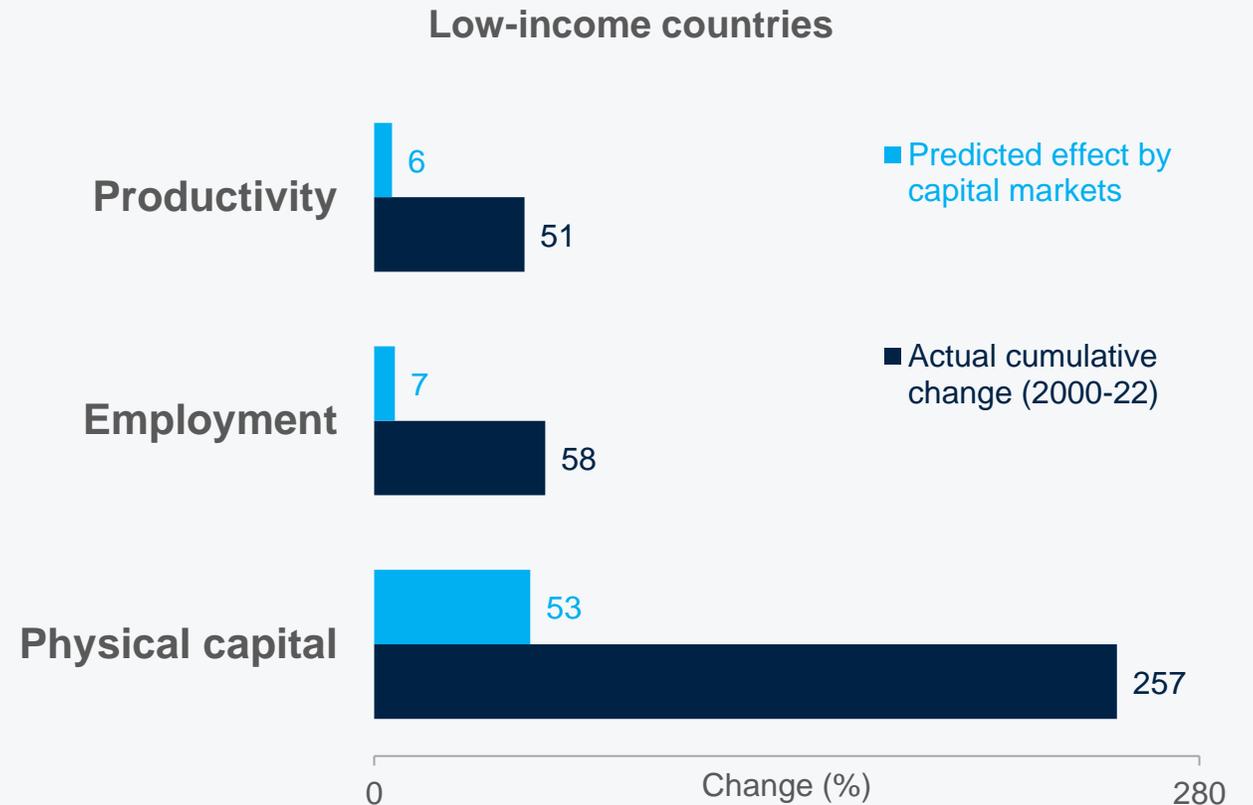
Increase in **productivity**

12%

Increase in **employment**

21%

Increase in **physical capital**

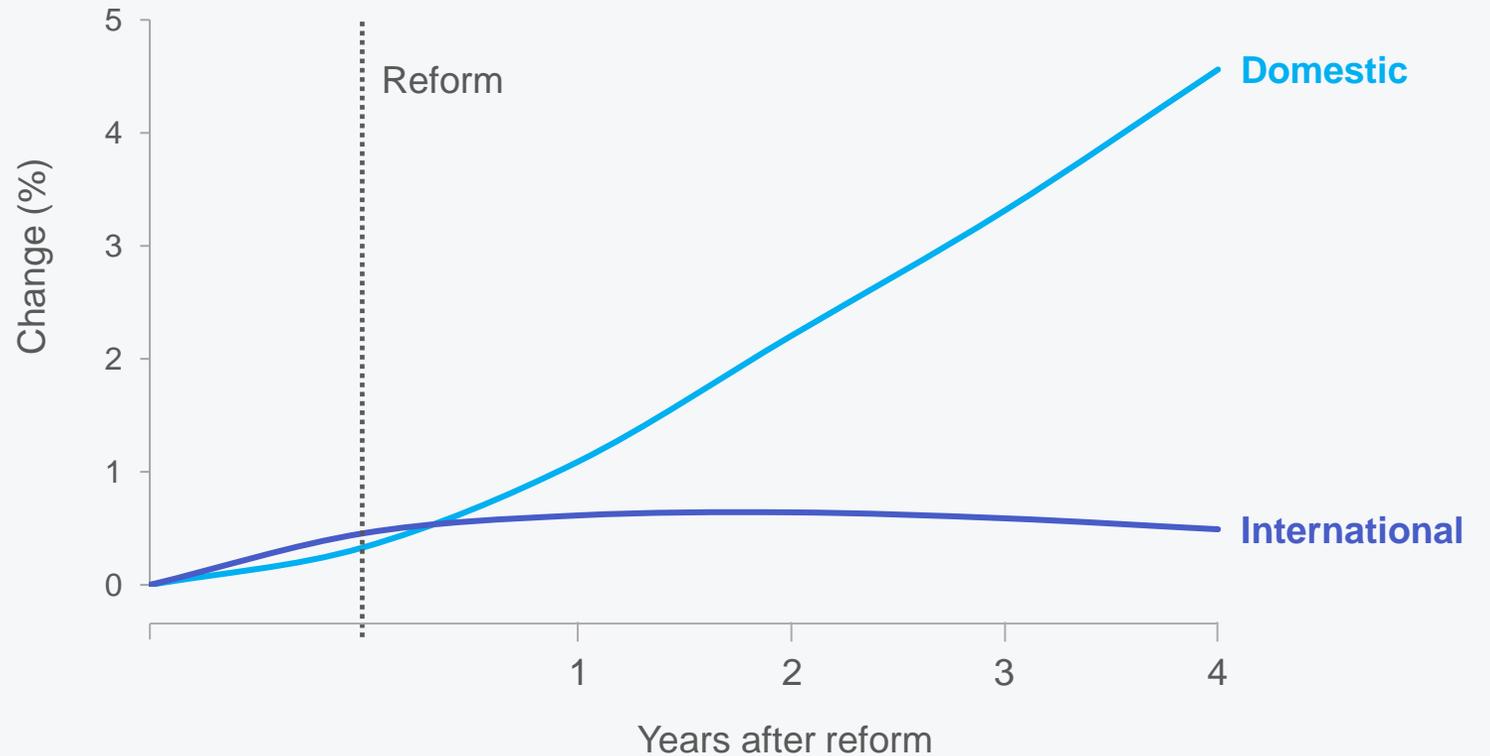


Policies to grow investable savings can promote capital issuances

Moving to a prefunded pension system:

- Grows local investor base
- Increases domestic issuances by firms

Change in cumulative net issuance (as % of GDP)



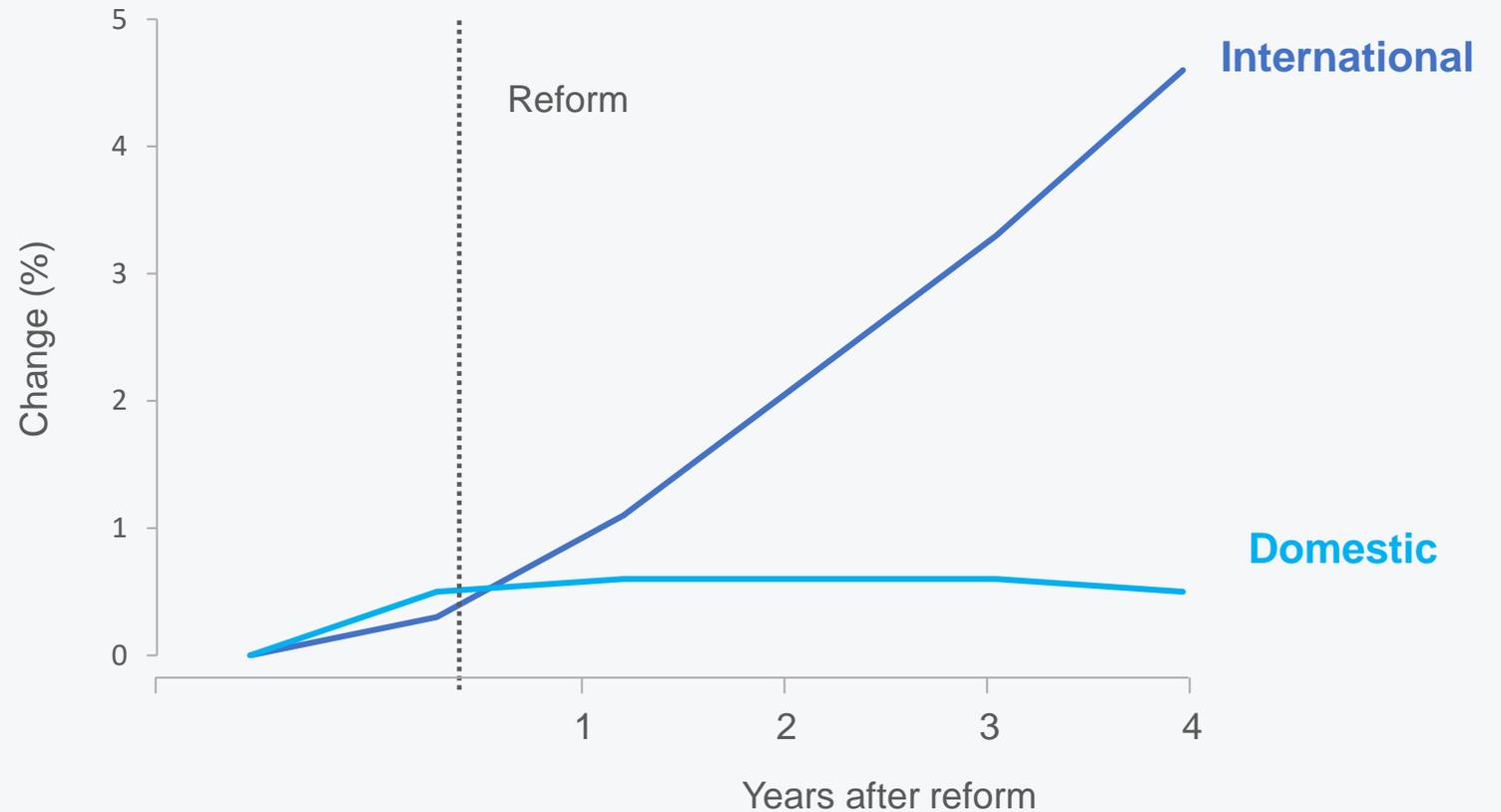
Pension reforms introduced mandatory or quasi-mandatory individually funded programs

Capital account liberalization boosts foreign bond issuances

Policies include:

- Easing regulations
- Reducing capital controls
- Opening markets to foreign investors

Change in cumulative net issuance (as % of GDP)



What policymakers can do to promote capital market growth

Policymakers

Policymakers have an important role to play

Need for a series of reforms rather than a single policy

- **Regulations on market infrastructure**
- **Corporate governance and reporting requirements**
- **Institutional investor and retail investor participation**
- **Liberalization of financial markets**

Capital markets portal

An interactive tool to explore trends in capital market activity

Capital Markets Portal

The Capital Markets Portal is a digital initiative by the World Bank Group, designed to explore recent trends in capital market financing and estimating their impact on aggregate economic outcomes. As the online companion to *Financing Firm Growth: The Role of Capital Markets in Low- and Middle-Income Countries (2025)*, this interactive platform allows users to compare capital market financing at country, regional, or income levels, promoting greater transparency in capital markets financing.

[Read More](#)

At a Glance

Capital Market Financing Is Growing Faster Than Bank Financing Worldwide

Income Group	1990-95	1996-2000	2001-05	2006-10	2011-15	2016-22
Low-income	2	7	8	11	14	18
Middle-income	4	14	16	16	23	33
China	2	7	8	15	25	50
High-income	11	35	52	62	90	90

Legend: Bank financing (line), Bonds (light blue bar), Equities (dark blue bar)

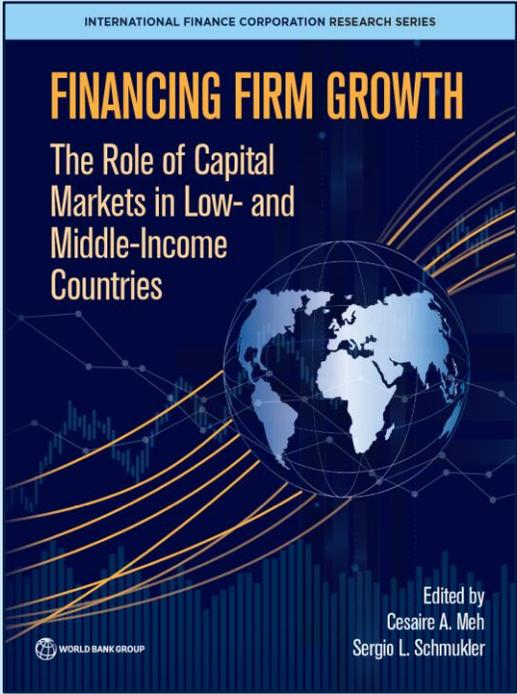
Source: Calculations using issuance data from the Securities Data Company Platinum database from LSEG and GDP and bank claims data from the World Bank's World Development Indicators.

- > Expansion of Capital Markets
- > Effects from Issuance Activity
- > Correlation with Economic Growth

Users can reproduce figures and tables for any country and region

Featuring interactive graphs, world maps, and much more!

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MAIN AUTHORS:
M. García-Santana
P. Hernando-Kaminsky
A. Pedraza
I. Ul Haq