

THE PERCEPTION OF THE LAO SECURITIES EXCHANGE WITHIN THE LAO COMMUNITY

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Abstract: *This study focuses on the Lao Securities Exchange (LSX) which was officially opened on October 10, 2010, with two companies listed, EDL-Generation and Banque Pour Le Commerce Exterieur Laos. Specifically, it aims to investigate the perception of the LSX among the Lao community and determine whether an investment culture is developing and capable of supporting the LSX growth through stock investment. This research also seeks to assess the relevance of the government incentives in terms of promoting stock purchasing and determine the perception of the LSX by Lao people. The research used a combination of quantitative and qualitative techniques to probe the willingness of Lao people to be more involved in the LSX. All respondents were Lao citizens, representative of the Lao community at large. A mixed methodology consisting of a questionnaire, semi-structures and unstructured interviews, was utilized. The findings indicate that Laotians do not have an investment culture yet. They are also cautious in their approach to investment and lack financial capital knowledge to feel comfortable investing in stocks. Moreover, it was found that they have little confidence in the LSX ability to discipline itself and navigate through the risk of insider trading. While the government has mostly focused on incentives to boost the number of companies listed, it was found it also needs to better communicate the capital-raising role of LSX in the Lao community and better regulate stock brokers so as to instill more confidence in their services. Still, it is believed that, as the Lao government is expanding funds to boost education and raise the country GDP, knowledge, perception and acceptance of the LSX will keep growing.*

1. Introduction

Starting in 1986, Lao PDR (Laos) has engaged in major structural economic reforms which include among others price deregulation and openness to foreign investment. With the introduction that same year of the New Economic Mechanism (an extensive transformation program), the country has been gradually moving from a centrally-planned economy toward a market-oriented system.

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One clear evidence of the policy shift that has taken place since is the establishment of the Lao Securities Exchange (hereinafter the 'LSX') on 10 October 2010. The LSX, a joint venture between the Bank of Laos (BOL) and the Korea Exchange (KRX), with the BOL as a majority owner (51%) and the Korea Exchange a minority one (49%), was set up with a view to raise fund for investors and boost economic growth. The LSX is supervised by the Lao Securities Exchange Commission (LSEC). Out of the 10 ASEAN member states, the LSX was the 9th securities exchange to be created (Myanmar has yet to open a securities market). The LSX started trading

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