



**CAPITAL RAISING OPPORTUNITIES FOR  
SMALL AND MEDIUM ENTERPRISES (SMEs)  
ON STOCK EXCHANGES IN AFRICA**



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# FOREWORD



# ENABLING SMALL AND MEDIUM ENTERPRISES TO FUEL AFRICA'S ECONOMIC GROWTH

**S**mall and Medium Enterprises (SMEs) play a crucial role in promoting economic development, especially on the African continent. In both developed and developing countries, they contribute to the stability of national economies, enabling them to cope with the shocks of economic cycles.

On the continent, SMEs create close to 80% of the continent's employment<sup>1</sup> and have contributed to the development of a new middle class that is in turn fuelling demand for new goods and services.

Given the incredible potential that SMEs have to fuel growth, especially in the developing world, the role of SMEs in economic development has been one of the most popular discussions tabled by governments, policy makers, academics, researchers, scholars, economists, think tanks and development agencies.

A common outcome of research studies and discussions on SMEs is that, despite their economic importance, SMEs struggle to gain access to finance to enable them to grow and truly realise their potential<sup>2</sup>. Inclusive of this access to finance, is the ability for SMEs to raise capital on African stock exchanges. These insights and findings led to the African Securities Exchanges Association (ASEA), establishing a working group called the ASEA SME Facilitation Working Group ('the group') in 2017, in order to proactively explore financing options for SMEs through African Capital Markets. The group's role is to engage and collaborate with various stakeholders, such as the African Development Bank (AfDB) to propose viable opportunities of capital raising for SMEs on and across ASEA member stock exchanges. Part of the group's directive is to work with member exchanges to position Africa's Capital Markets as platforms for capital raising for SMEs, and to identify the challenges facing SMEs in Africa when it comes to accessing capital. The group also aims to develop suitable solutions for the limitations faced by SMEs.

In order to achieve these objectives, ASEA commissioned a survey to assist the group in determining the fundamental issues experienced by African SMEs in accessing finance, as well as

the opportunities available for these SMEs to raise capital on exchanges.

This report is a consolidation of survey responses of 15 ASEA member exchanges that participated in the survey, and it unpacks why SMEs list, the requirements for listing and the challenges facing SMEs wanting to list. It also explores how governments and the private sector can contribute meaningfully, in order to truly make SMEs the engine for long-term growth in Africa.

The group also requested that the participating exchanges provide information on a listed SME, in order to give first-hand insight into their individual reasons for listing, the success of their listing and the challenges they face in staying listed. Their feedback supports the overall feedback provided by the exchanges. These case studies are interspersed throughout the report.

## ASEA COMMISSIONED A SURVEY TO ASSIST THE GROUP IN DETERMINING THE FUNDAMENTAL ISSUES EXPERIENCED BY AFRICAN SMEs, AS WELL AS THE OPPORTUNITIES AVAILABLE FOR THESE SMEs

The World Federation of Exchanges (WFE) and the Milken Institute Centre for Financial Markets, have also recently published research examining how and why SMEs access stock exchanges and the role of stock exchanges in financing SMEs<sup>3</sup>. The results of these surveys have been taken into consideration when developing the recommendations and conclusions of this report.

The group hopes that this report will provide ASEA member countries with valuable insights that may be beneficial in the development of solutions to assist in meeting the capital raising needs of SMEs in Africa.

The working group participants included:  
 Johannesburg Stock Exchange – Ms Zeona Jacobs (Chairperson)  
 Nigerian Stock Exchange – Mr Mohammed Aliko Mohammed  
 Nairobi Securities Exchange – Ms Jacqueline Mwiti  
 Bourse Régionale des Valeurs Mobilières - Afrique de l'Ouest (Regional Stock Exchange - West Africa) – Mr Birahim Diouf  
 Casablanca Stock Exchange – Mr Badr Benyoussef  
 Botswana Stock Exchange – Mr Kopano Bolokwe  
 AfDB Representative – Mr Peter Anuro Onyango

**SME Facilitation Working Group  
 ASEA**

<sup>1</sup> <https://www.weforum.org/agenda/2015/08/why-smes-are-key-to-growth-in-africa/>

<sup>2</sup> <http://www.banking.org.za/what-we-do/sme/financial-institutions-hurdles-to-sme-financing>

<sup>3</sup> <https://www.world-exchanges.org/home/index.php/news/world-exchange-news/world-federation-of-exchanges-publishes-joint-report-with-milken-institute-on-sme-exchanges>

# ABOUT THIS REPORT



**T**his report is based on a survey conducted by the ASEA SME Facilitation Working Group. As a starting point for the survey, the group developed a questionnaire consisting of 21 questions targeted at all 27 ASEA member exchanges. The premise being to establish whether or not most of the member exchanges have boards that encourage and facilitate SME listings, and to determine how different these listing requirements are to that of their main boards. Derived from the survey were specific and significant questions posed such as:

- How are SMEs defined on the continent?
- Do all ASEA member exchanges have SME boards?
- What are the reasons for SMEs listing on exchanges?
- What are the broader challenges faced by SMEs?
- What are the ASEA member countries doing to support the growth of SMEs?

Of the 27 ASEA member exchanges, 15 exchanges participated (56%), from the following member countries:- Botswana; Cameroon; Egypt; Kenya; Mauritius; Morocco; Mozambique; Namibia; Nigeria; Seychelles; South Africa; Sudan; Swaziland; Zambia and Zimbabwe.

<sup>4</sup> <https://www.world-exchanges.org/home/index.php/news/world-exchange-news/world-federation-of-exchanges-publishes-joint-report-with-milken-institute-on-sme-exchanges>

# CASE STUDY

## LISTING ON NIGERIA'S ALTERNATIVE EXCHANGE REAPS REWARDS



**Company name:** Omoluabi Mortgage Bank Plc  
**Country:** Nigeria  
**Stock exchange:** Nigerian Stock Exchange  
**SME Bourse:** Alternative Securities Market (ASeM)  
**Website:** www.ombplc.com  
**Sector:** Financial services  
**Date of listing:** March 2014  
**Market cap on listing:** USD \$6.925 million (N2.5 billion)  
**Current market cap:** USD \$11.08 million (N4 billion)

Omoluabi Mortgage Bank was the first company to list on the Alternative Securities Market of Nigeria in March 2014. It provides mortgage banking services, housing and property development solutions and general financial services.

Incorporated in 1993, Omoluabi listed in order to access public funding and diversify its ownership base. While access to funding opportunities was the main reason cited for listing on the capital markets, other advantages included improving their profile, enhancing their governance and improving their attractiveness for debt financing. Since its IPO Omoluabi has grown from 41 employees to 56 employees.

Omoluabi believes that the capital markets would be even more attractive as a funding source if reporting and filing requirements were relaxed, as this will reduce the cost of continuous presence on the listing board. The company remains listed on Nigeria's SME board.

## BOTSWANA FINANCIAL SERVICES COMPANY ACCESSES LONG-TERM INVESTORS



**Company name:** Afinitas Limited  
**Country:** Botswana  
**Stock exchange:** Botswana Stock Exchange  
**SME Bourse:** Venture Capital Board  
**Website:** www.afinitas.co  
**Sector:** Financial Services  
**Date of listing:** July 2015  
**Market cap on listing:** USD \$22.49 million (BWP 213.94 million)  
**Market cap:** USD \$23.61 million (BWP 224.64 million)

Afinitas Limited is a pan-African investment holding company with a mandate to provide seed capital and develop new Africa-focussed businesses. It aims to take advantage of the global interest in Africa as an investment destination, especially from large institutional investors.

Afinitas has 3 investee businesses namely: Africa Events Limited (a specialist events management company), Ethiopia Investments Limited (owns and develops new businesses in Ethiopia) and Adventas Limited (an African-focussed asset management company). The company, which employed 1 person at listing, now employs 30 people.

The company named multiple reasons for listing, including access to funding from institutional investors. Its IPO was warmly received at the time of listing. Further, it cites access to long-term investors as the main advantage of having opted for the capital markets as a source of financing over other funding alternatives. Afinitas believes that listing could be made even more attractive by increasing the liquidity of shares on the market.

# INTRODUCTION

## UNLOCKING AFRICA'S SOCIO-ECONOMIC GROWTH POTENTIAL THROUGH SMEs



**T**he United Nations predicts that by 2050, Africa's total population will double to 2.4 billion and with that will come the need to dramatically increase job opportunities.

SMEs not only create new jobs, but create thriving private sectors, expand the tax base, contribute to innovation, drive entrepreneurship and enhance competition and productivity.

According to the World Bank<sup>5</sup>, formal SMEs contribute up to 60% of total employment, and up to 40% of national income (GDP) in emerging economies. Furthermore, most formal employment is generated by SMEs in emerging economies, which create four out

of five job opportunities. These numbers are significantly higher when informal SMEs are included.

SMEs are the backbone of the economy and play a significant role in generating employment, nurturing a culture of entrepreneurship, supporting large-scale industries and opening new business opportunities.

### **CAPITAL – THE KEY CONSTRAINT TO THE GROWTH OF SMEs**

Like all businesses, SMEs need capital to start up and keep going until they become profitable. However, accessing adequate and

<sup>5</sup> <http://www.worldbank.org/en/topic/sme/finance>

# INTRODUCTION

timely financing on competitive terms, is a major stumbling block to many SMEs.

For example, a survey by South Africa's World Wide Worx<sup>6</sup>, found that business owners have often cited cash flow woes at the top of the list of their challenges and daily fight for survival. The reasons were listed as: SMEs start with less capital than they need, are unable to adequately manage their cash flow, receive late payments from debtors, and many have large overheads.

Small business owners who need funding to get their business off the ground have historically been underserved by the public, private and banking sector. Traditional lenders such as banks require collateral against SME loans - with the result that the many SMEs who lack collateral, are unable to have their loans approved.

According to the World Bank<sup>7</sup>, over half of the formal SMEs in emerging markets globally, do not have access to the capital they need to grow. Rather than being able to access traditional loans, they rely on personal funds and loans from friends or families, - a fact that hinders their growth.

Overall, approximately 70% of all micro, small and medium-sized enterprises (MSMEs) in emerging markets, do not have access to credit. While the gap varies considerably from region to region, it is particularly wide in Africa and Asia. The current credit gap for formal SMEs is estimated to be US\$1.2 trillion, the total credit gap for both formal and informal SMEs is as high as US\$2.6 trillion (World Bank, 2015).

But why is it so difficult for SMEs to gain access to credit?

Some of the main reasons why SMEs do not have easy access to formal finance include: a lack of formality in running their businesses, a lack of discipline in financial record keeping, inadequate or incoherent business plans which leads to financial institutions not having confidence and not being able to rely on these SMEs to provide them with reliable information, whether they are financial statements or business data.

The truth is SMEs can only grow and contribute positively in the economic growth and development of any given country, if they are well supported by the state and also by other business institutions in that country.

## OPPORTUNITIES FOR CAPITAL RAISING ON AFRICA'S STOCK EXCHANGES

Listing on the SME boards of African Stock Exchanges is another alternative to accessing capital for SMEs. SME boards generally offer more cost effective and longer-term capital compared to banks.

Through ASEA, African exchanges are looking to collaborate and engage in order to:

- align better to facilitate more capital raising across member stock exchanges;
- create best practices across member exchanges;
- streamline listing requirements;
- highlight and share successes across exchanges.

Unfortunately, SMEs are often deterred from capital markets by the costs associated with listing as well as pre- and post listing requirements (continuing obligations) of securities exchanges.

To fulfil its role as the premier association of leading exchanges in Africa, ASEA is committed to driving economic and societal transformation within Africa, by positioning African stock exchanges as the key to unlocking the continent's socio-economic growth potential.

It is clear that promoting a viable SME sector is essential in any nation's stride towards broadening the sources of growth and sustaining the growth momentum.

ASEA believes that with the African exchanges' commitment to play a more active role in fuelling the African growth story, it is imperative that member exchanges establish the necessary criteria to both attract investment and convince companies to list and remain listed on their exchanges.

## TOP CHALLENGES FACING SMEs IN SOUTH AFRICA

The United States Agency for International Development (USAID) undertook a comprehensive five-year research and development project in South Africa to identify the challenges faced by SMEs wanting to access finance.

The findings revealed that the main reasons SMEs struggle to access finance are:

- a lack of finance literacy - not understanding finance terminology;
- a lack of knowledge about who the lenders are, how to access them and what lenders require from them;
- a lack of knowledge about the different types of loan products and which one/s are appropriate for their lending needs; and
- most importantly, a lack of finance readiness.

<sup>6</sup> <http://www.worldwideworx.com/category/sme-research/>

<sup>7</sup> <http://www.worldbank.org/en/topic/sme/finance>

# CASE STUDY

## MULTIPLE BENEFITS FOR MAURITIAN PROPERTY COMPANY



**Company name:** Ascencia Limited  
**Country:** Mauritius  
**Stock exchange:** Stock Exchange of Mauritius  
**SME Bourse:** Development & Enterprise Market (MDEM)  
**Website:** [www.ascenciamalls.com](http://www.ascenciamalls.com)  
**Sector:** Commercial retail property  
**Date of listing:** December 2008  
**Market cap on listing:** USD \$12.92 million (RS431 million)  
**Current market cap:** USD \$241.94 million (RS8,08 billion)

Ascencia Limited invests in, owns and manages commercial retail assets in Mauritius. Established in 2008, it is the largest company in Mauritius exclusively dedicated to property.

Although, given its market cap, it is not technically defined as an SME according to the SMEDA Act of 2009. However, Ascencia is listed on the SME board but is contemplating listing on the main board, subject to adequately reviewing its current structures. Ascencia cited its primary reason for listing was to allow investors to invest and disinvest in property without land transfer taxes and registration duties. Further, its listing also allowed pension funds to revalue their investments and exit at any time.

Multiple benefits were achieved by listing, including access to capital, which has cultivated expansion of the company. Furthermore, as a listed company it now enjoys an enhanced public profile amongst both local and foreign investors. It has also enabled the company to gain additional leverage when applying for loans from banks and allowed it to exchange shares of the company against acquisition of new assets. While Ascencia raised the required capital upon listing, investors were not sourced from the stock market, instead it had to undertake road shows and invest heavily in developing a pipeline of investors.

Ascencia believes that a listing on the Stock Exchange of Mauritius (SEM) could be more attractive if the listing requirements or rules were more coherently set out. Furthermore, a REIT framework would be beneficial for the commercial property sector. Improving the online experience such as the ability to submit results online and software solutions in place for individuals to trade from an online platform would be helpful. Guidance from the SEM on how to improve liquidity and investor relations was also seen as an opportunity for improving the listing experience.

# FINANCING OPPORTUNITIES FOR SMEs

## FINANCING SMEs THROUGH AFRICAN CAPITAL MARKETS



**A**s mentioned in the foreword to this report, this report and its findings are based on a decision by ASEA to explore financing options for SMEs through the African Capital Markets. To inform this, ASEA conducted a survey amongst its member exchanges. In total, 15 member exchanges participated.

### WHAT IS THE DEFINITION OF AN SME?

This study is set out to understand how SMEs are defined in different African countries and to get an understanding of whether there are any similarities based on the different definitions. The intention is to establish a concise definition of an SME in the African Capital Market context. Based on the responses from the participating exchanges, it is evident that every country and economic organisations have their own unique definition of what is considered a small and a medium-sized enterprise.

There were, however, commonalities among all the exchanges on the basis of the annual turnover and the number of employees in the business. In general, SMEs maintain revenues, assets or a number of employees below a certain threshold. For small businesses the number of employees would be from 1 to 50 and the annual turnover would vary from (+/-) 72,000 to 360,000 (USD). On the other hand, a medium sized company would employ 50 to 500 employees, and the annual turnover would vary from (+/-) 360,000 to 3,6 million (USD).

### THE EMERGENCE OF SME BOARDS ON AFRICAN EXCHANGES

Since 2002, 20 African stock exchanges have created specialist SME boards to help SMEs gain access to equity. The SME board is a segment of the stock exchange, dedicated for trading the shares/securities of SMEs, who otherwise find it difficult to get listed on the main board of the exchange.

The concept originated from the difficulties faced by SMEs in gaining visibility and attracting sufficient trading volumes when listed along with bigger stocks on the main board. It is also understood that the listing requirements for the SME boards are less onerous than the main boards. This is in order to make it more accessible for SMEs to list.

In this study of the 15 participating member exchanges surveyed, 12 have an SME board on their exchange; namely Botswana (BSE); Casablanca, Morocco (CSE); Douala, Cameroon (DSX); Egypt (ESX); Johannesburg, South Africa (JSE); Nairobi, Kenya (NSE); Lusaka, Zambia (LuSE); Mauritius (SEM); Mozambique (BVM); Nigeria (NSE); Seychelles (Trop-X) and Swaziland (SSX). The JSE's SME board, The Alternative Exchange (AltX) currently has the most listings - 53 (as at 31 December 2017), followed closely by the SEM's Development & Enterprise Market (MDEM), which has 49 listings (as at 31 December 2017).

# FINANCING OPPORTUNITIES FOR SMEs

## AFRICAN STOCK EXCHANGES

The table below shows all African countries that have stock exchanges and indicates which ones have SME boards. Of the 15 exchanges that participated in the survey, 12 has SME boards, and of these, 9 has listings, which is highlighted below. (Listing figures are as at 31 December 2017).

| ECONOMY  | STOCK EXCHANGE   | SME BOURSE   | LISTINGS |
|--|--|--|----------|
|  ALGERIA                                  | Algiers Stock Exchange<br>Algiers – 1997   |  |          |
|  ANGOLA                                   | Angolan Debt and Stock Exchange (Bodiva)<br>Luanda – 2016  |  |          |
|  BOTSWANA                                 | Botswana Stock Exchange<br>Gaborone – 1989   | Venture Capital Board  | 7        |
|  CAMEROON                                 | Douala Stock Exchange<br>Douala – 2001   | Douala Stock Exchange  |          |
|  CAPE VERDE                               | Bolsa de Valores de Cabo Verde<br>Mindelo – 2005   |  |          |
|  CÔTE D'IVOIRE                            | Bourse Régionale des Valeurs Mobilières<br>Abidjan – 1998  |  |          |
|  EGYPT                                    | The Egyptian Exchange<br>Cairo, Alexandria – 1883  | Nile Stock exchange (NILEX)  | 32       |
|  eSWATINI (previously known as Swaziland) | Swaziland Stock Exchange<br>Mbabane – 1990   | SME Board  |          |
|  GHANA                                    | Ghana Stock Exchange<br>Accra – 1990   | Ghana Alternative Market (GAX)   |          |
|  KENYA                                    | Nairobi Securities Exchange<br>Nairobi – 1954  | Growth Enterprise Market Segment (GEMS)  | 5        |
|  LESOTHO                                  | Maseru Securities Exchange<br>Maseru – 2016  |  |          |
|  LIBYA                                   | Libyan Stock Market<br>Tripoli – 2007  | Libyan Sub-Market  |          |
|  MALAWI                                 | Malawi Stock Exchange<br>Blantyre – 1995   | Alternative Capital Market   |          |
|  MAURITIUS                              | Stock Exchange of Mauritius<br>Port Louis – 1988   | Development & Enterprise Market (MDEM)   | 49       |
|  MOROCCO                                | Casablanca Stock Exchange<br>Casablanca – 1929   | Growth Market  | 12       |
|  MOZAMBIQUE                             | Mozambique Stock Exchange<br>Maputo – 1999   | SENCOD Market  | 1        |
|  NAMIBIA                                | Namibia Stock Exchange*<br>Windhoek – 1992   |  |          |
|  NIGERIA                                | Nigerian Stock Exchange<br>Lagos – 1960  | Alternative Securities Market (ASeM)   | 10       |
|  RWANDA                                 | Rwanda Stock Exchange<br>Kigali – 2008   | SME Market Segment   |          |
|  SEYCHELLES                             | Trop-X Ltd<br>Victoria – 2012  | SME Board  | 1        |
|  SOMALIA                                | Somali Stock Exchange<br>Mogadishu – 2015  |  |          |
|  SOUTH AFRICA                           | JSE Limited<br>Johannesburg – 1887   | Alternative Exchange (AltX)  | 53       |
|  SUDAN                                  | Khartoum Stock Exchange<br>Khartoum – 1994   | Alternative Board (AB)   |          |
|  TANZANIA                               | Dar es Salaam Stock Exchange<br>Dar es Salaam – 1998   |  |          |
|  TUNISIA                                | Bourse de Tunis<br>Tunis - 1969  | Tunis Stock Exchange Alternative Market  |          |
|  UGANDA                                 | Uganda Securities Exchange<br>Kampala – 1997<br>ALT X East Africa Exchange<br>Kampala – 2013           | Growth Enterprise Market Segment (GEMS)  |          |
|  ZAMBIA                                 | Lusaka Stock Exchange<br>Lusaka – 1994<br>Agricultural Commodities Exchange of Zambia<br>Lusaka – 2007 | Alternative Market   |          |
|  ZIMBABWE                               | Zimbabwe Stock Exchange<br>Harare – 1948   | The Zimbabwean Stock Exchange does not have an SME board but there are plans to introduce one in the near future, under the name Zimbabwean Emerging Enterprises Market (ZEEM) |          |

The 15 African stock exchanges that participated in the survey

# FINANCING OPPORTUNITIES FOR SMEs

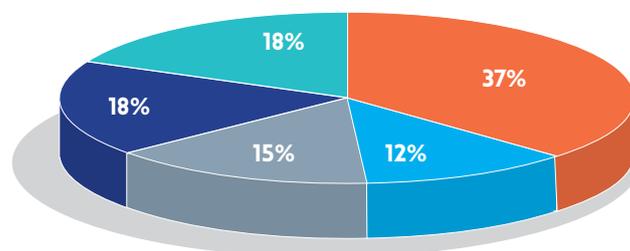
## THE BENEFITS OF LISTING

Listing on an exchange plays a key role in terms of business growth and liquidity, especially for SMEs. SME boards generally offer more cost effective and longer-term capital compared to banks.

Furthermore, there are other benefits to listing such as improved corporate governance and operational efficiency, as well as a boosted public profile of the listed company.

## LISTING MOTIVES FOR SMEs

In this study we explored the different motivations that SMEs have to list on exchanges, from an exchange perspective. While the outcome of the survey shows that there is a slight difference on the motives behind SMEs listing on exchanges, most of the reasons given are aligned. The key motivating factors identified in this survey were access to finance (37%), followed by corporate governance and marketing (both at 18%).



15 AFRICAN STOCK EXCHANGES WERE SURVEYED

| OUT OF THE 15 SURVEYED | CHALLENGE                                    | DETAILED RESPONSES   |
|------------------------|--|--|
| 12/15                  | <b>Financial gain (37%)</b>                  | <ul style="list-style-type: none"> <li>• Access to capital (debt and equity)</li> <li>• Creating a liquidity path for existing shareholders</li> <li>• Overcoming borrowing constraints</li> <li>• Raising long-term capital growth</li> <li>• Strengthening the balance sheet</li> <li>• Offers financial partners opportunities for capital gains</li> </ul>                     |
| 4/15                   | <b>Learning and skills development (12%)</b> | <ul style="list-style-type: none"> <li>• Increase employee commitment and recruiting power</li> <li>• Facilitation of financial participation by employees</li> <li>• Greater use of management documentation and reporting</li> <li>• Expands business relationships</li> </ul>   |
| 5/15                   | <b>Infrastructure development (15%)</b>      | <ul style="list-style-type: none"> <li>• Migration to the main board</li> <li>• Technology development</li> <li>• Diversify shareholder base; get access to larger and complementary pools of capital</li> <li>• Mergers and Acquisitions to further expand the company (integration)</li> </ul>   |
| 6/15                   | <b>Marketing (18%)</b>                       | <ul style="list-style-type: none"> <li>• Increase company awareness and positioning</li> <li>• Enhanced company status among employees, suppliers, customers and bankers</li> <li>• Attract new investment/investors</li> </ul>  |
| 6/15                   | <b>Corporate Governance (18%)</b>            | <ul style="list-style-type: none"> <li>• Transparency - disclosure of company financials and structure</li> <li>• Better quality information disseminated internally and externally</li> <li>• Monetisation tool for existing shareholders</li> <li>• Exit of initial investors and privatisation of government shares</li> <li>• Corporate tax rate incentive benefits</li> </ul> |

## REQUIREMENTS FOR LISTING VARY ACROSS EXCHANGES

Listing requirements for SME boards are usually more relaxed compared to the main trading boards, with the aim of cutting barriers. However, exchanges across the continent have varying listing requirements.

For example, when listing on Ghana's Alternative Market (GAX), companies only need \$59,207 in capital and 20 shareholders.

In comparison, Nigeria's Alternative Security Market (ASeM) has no set limit, however, there is a requirement of no less than 51 shareholders. Botswana's Venture Capital Board requires a free float of 5% of each class of equity shares; whereas the Growth Enterprise Market Segment (GEMS) of Kenya's rules require a free float of 15% of each class of equity shares.

While listing requirements may vary between exchanges, the perceived benefits of listing remain consistent.

# FINANCING OPPORTUNITIES FOR SMEs

## LISTING REQUIREMENTS VARY ACROSS THE EXCHANGES

| REQUIREMENT                                  | BOTSWANA STOCK EXCHANGE   | CASABLANCA STOCK EXCHANGE (MOROCCO)   | EGYPTIAN EXCHANGE   | GHANA STOCK EXCHANGE   | JOHANNESBURG STOCK EXCHANGE (SOUTH AFRICA)   | LUSAKA STOCK EXCHANGE (ZAMBIA)   |
|--|---|---|---|--|--|--|
| SME BOURSE                                   | Venture Capital Board   | Growth Market   | Nile Stock exchange (NILEX)   | Ghana Alternative Market (GAX)   | Alternative Exchange (AltX)  | Alternative Market   |
| <b>Profit history</b>                        | <ul style="list-style-type: none"> <li>Profit history is not necessary</li> </ul>   | <ul style="list-style-type: none"> <li>1 certified financial period</li> </ul>                                | <ul style="list-style-type: none"> <li>The company is required to introduce financial statements for two fiscal years prior to its listing request, with exception of submitting the financial statements for at least one fiscal year, provided that the company submits a viable business plan endorsed by a qualified sponsor</li> </ul> | <ul style="list-style-type: none"> <li>The company must have operated for at least one year and have published or filed accounts in accordance with the Companies Act, 1963 (Act 179) for at least the latest financial year.</li> <li>Admission may be granted to a start-up company, provided the applicant submits to the GAX a 3-year business plan, demonstrating clearly the sustained viability of the applicant</li> </ul> | <ul style="list-style-type: none"> <li>A profit history is not necessary but the applicant should, in its analysis of future earnings, indicate credible returns on capital that, on a time-weighted basis, are above average</li> </ul>   | <ul style="list-style-type: none"> <li>Must show a 5-year operation history or show increased revenue for the past 3 years or a business plan</li> </ul>                                 |
| <b>Minimum capital</b>                       | <ul style="list-style-type: none"> <li>Subscribed capital, of at least P500 000 million (=US\$47 939)</li> <li>No less than 1,000,000 equity shares in issue</li> </ul> | <ul style="list-style-type: none"> <li>No fixed limit</li> <li>No less than 30,000 shares in issue</li> </ul> | <ul style="list-style-type: none"> <li>When applying to list on the Exchange for the first time, a company's issued and paid up capital may be less than 100 million Egyptian pounds but not less than 1 million Egyptian pounds (or its equivalence in foreign currencies)</li> </ul>  | <ul style="list-style-type: none"> <li>Minimum stated capital of GH¢ 250 000 (=US\$59 207)</li> </ul>  | <ul style="list-style-type: none"> <li>Subscribed capital, of at least R500 000 (=US\$37 634)</li> <li>No less than 1,000,000 equity shares in issue</li> </ul>  | <ul style="list-style-type: none"> <li>Subscribed capital - A minimum trading turnover of \$25000 to a max of \$200,000</li> <li>Not less than 500,000 equity shares in issue</li> </ul> |
| <b>Minimum number of public shareholders</b> | <ul style="list-style-type: none"> <li>75 for equity shares</li> <li>25 for preference shares</li> <li>10 for debentures</li> </ul>                                     | <ul style="list-style-type: none"> <li>No set limit available</li> </ul>                                      | <ul style="list-style-type: none"> <li>The company's shareholders must not be less than 100, taking into consideration that allotment of shares should be made as per Exchange regulations, with a view of ensuring that the offering is not fictitious</li> </ul>  | <ul style="list-style-type: none"> <li>The minimum number of public shareholders shall be twenty (20)</li> </ul>   | <ul style="list-style-type: none"> <li>75 for equity shares</li> <li>25 for preference shares</li> <li>10 for debentures</li> </ul>  | <ul style="list-style-type: none"> <li>Public shareholders shall be at least 30</li> </ul>   |
| <b>Free float</b>                            | <ul style="list-style-type: none"> <li>5% of each class of equity shares</li> </ul>   | <ul style="list-style-type: none"> <li>No requirements available</li> </ul>                                   | <ul style="list-style-type: none"> <li>No less than 10% of the company's total shares or 1/8 per thousand of EGX free float market capital and no less than 5% of the company's shares</li> </ul>   | <ul style="list-style-type: none"> <li>25% of each class of equity shares</li> </ul>   | <ul style="list-style-type: none"> <li>10% of each class of equity shares</li> </ul>   | <ul style="list-style-type: none"> <li>10% of each class of equity shares</li> </ul>   |
| <b>Management</b>                            | <ul style="list-style-type: none"> <li>The majority of the directors and managers have successful records of achievement in their respective roles</li> </ul>           | <ul style="list-style-type: none"> <li>No requirements available</li> </ul>                                   | <ul style="list-style-type: none"> <li>The board members of the applicant company must be formed from executive, non-executive and independent positions, and the number of independent members should not be less than two</li> </ul>  | <ul style="list-style-type: none"> <li>Management should have requisite expertise in the core business of the GAX applicant</li> </ul>   | <ul style="list-style-type: none"> <li>The majority of the directors and managers must have a successful record of achievement in their respective roles, which shall be evidenced to the satisfaction of the JSE</li> <li>Directors are also required to attend an AltX Directors' Induction Programme</li> </ul> | <ul style="list-style-type: none"> <li>Must present a board of 5 directors, majority being non-family.</li> <li>Directors to undergo Director Induction Production</li> </ul>            |

Table continued on following page

\* Exchange rates at the end of business on the 31st August 2017 from the relevant central bank sites were used to convert the respective local currencies to dollar amounts for comparison sake.

# FINANCING OPPORTUNITIES FOR SMEs

| REQUIREMENT                                  | MOZAMBIQUE STOCK EXCHANGE (BVM)  | NAIROBI SECURITIES EXCHANGE (KENYA)  | NIGERIAN STOCK EXCHANGE   | SWAZILAND STOCK EXCHANGE (eSWATINI)   | THE STOCK EXCHANGE OF MAURITIUS   | TROP-X (SEYCHELLES)   |
|--|--|--|---|---|---|---|
| SME BOURSE                                   | SECONd Market  | Growth Enterprise Market Segment (GEMS)  | Alternative Securities Market (ASeM)  | SME Board   | Development & Enterprise Market (MDEM)  | SME Board   |
| <b>Profit history</b>                        | <ul style="list-style-type: none"> <li>Equities - Reports and Accounts of the last 2 years</li> <li>Bonds - Reports and Accounts of the last 9 months</li> <li>However, no profitability history required</li> </ul> | <ul style="list-style-type: none"> <li>Track record of operations for at least a year but no profitability record needed</li> </ul>  | <ul style="list-style-type: none"> <li>Minimum of two (2) years' operating track record and comprehensive plan of the company's business prospects covering a period of not less than one (1) year</li> </ul> | <ul style="list-style-type: none"> <li>A satisfactory profit history for the preceding two (2) financial years (or, in exceptional circumstances, a lesser period) or alternatively, show prospects of the company for the next two years that are acceptable to through submission of a business plan</li> </ul>             | <ul style="list-style-type: none"> <li>An applicant, even though such applicant has no proven track record, provided the applicant submits to the SEM a sound business plan, certified by an independent financial adviser acceptable to the SEM, covering at least 3 years and demonstrating clearly the sustained viability of the applicant. The applicant shall also disclose the risk factors specific to the company or its industry and that are material to the securities being admitted to trading</li> </ul> | <ul style="list-style-type: none"> <li>The applicant must provide a minimum of 1 (one) year externally audited financial statements for the most recent financial year</li> </ul>   |
| <b>Minimum capital</b>                       | <ul style="list-style-type: none"> <li>Equities - Minimum Market capitalisation: 4 MZN million (64,641.24 USD)</li> <li>Bonds - Minimum value of issue: 2 MZN million (32,320.62 USD)</li> </ul>                     | <ul style="list-style-type: none"> <li>Subscribed capital, of at least KES 10 million (≈US\$96 948)</li> <li>No less than 100 000 equity shares in issue</li> </ul>  | <ul style="list-style-type: none"> <li>No set limit</li> </ul>  | <ul style="list-style-type: none"> <li>Subscribed capital of at least E500 000 (Proposed listings requirements have reduced this to E250,000)</li> <li>No less than 500 000 equity shares in issue</li> </ul>   | <ul style="list-style-type: none"> <li>Minimum stated capital of MUR 20 Million</li> </ul>  | <ul style="list-style-type: none"> <li>No set limit</li> </ul>  |
| <b>Minimum number of public shareholders</b> | <ul style="list-style-type: none"> <li>None required</li> </ul>  | <ul style="list-style-type: none"> <li>No less than 25 shareholders within 3 months of listing</li> </ul>  | <ul style="list-style-type: none"> <li>No less than 51 shareholders</li> </ul>  | <ul style="list-style-type: none"> <li>At least 10 for equity shares, 3 for preference shares and 5 for debentures</li> </ul>   | <ul style="list-style-type: none"> <li>The minimum number of public shareholders must be 100</li> </ul>   | <ul style="list-style-type: none"> <li>A minimum of 15% (fifteen percent) of the issued shares must be held in public hands by a minimum of 20 (twenty) persons</li> </ul>  |
| <b>Free float</b>                            | <ul style="list-style-type: none"> <li>5% of equity shares</li> </ul>  | <ul style="list-style-type: none"> <li>15% of each class of equity shares</li> </ul>   | <ul style="list-style-type: none"> <li>15% of each class of equity shares</li> </ul>  | <ul style="list-style-type: none"> <li>5% of each class of equity share</li> </ul>  | <ul style="list-style-type: none"> <li>A class of securities where less than 10% of that class is in public hands or where the number of shareholders is less than 100 provided that the applicant undertakes to increase the shareholding in public hands to 10% and the number of shareholders to 100 not later than the end of the first year of admission</li> </ul>  | <ul style="list-style-type: none"> <li>15% of each class of equity shares</li> </ul>  |
| <b>Management</b>                            | <ul style="list-style-type: none"> <li>No requirements available</li> </ul>  | <ul style="list-style-type: none"> <li>5 directors, of which a 1/3 should be non-executive; directors with no bankruptcy, fraud, criminal offence or financial misconduct proceedings for 2 years</li> <li>Competent board and senior management – at least 1 year experience in the business</li> </ul> | <ul style="list-style-type: none"> <li>No requirements available</li> </ul>   | <ul style="list-style-type: none"> <li>The directors and senior management of an applicant shall have collectively appropriate expertise and experience for the management of the group's business. Details of such expertise and experience shall be disclosed in any listing particulars prepared by the company</li> </ul> | <ul style="list-style-type: none"> <li>No specific requirements available</li> </ul>  | <ul style="list-style-type: none"> <li>The issuer must have and maintain a minimum of 2 (two) executive directors who are in the full time employ of the issuer that must include at a minimum the Managing Director/ CEO and the Financial Director / CFO or equivalent</li> </ul> |

Table continued on following page

\* Exchange rates at the end of business on the 31st August 2017 from the relevant central bank sites were used to convert the respective local currencies to dollar amounts for comparison sake.

# FINANCING OPPORTUNITIES FOR SMEs

## LISTING REQUIREMENTS VARY ACROSS THE EXCHANGES (Continued)

| REQUIREMENT  | BOTSWANA STOCK EXCHANGE  | CASABLANCA STOCK EXCHANGE (MOROCCO)   | EGYPTIAN EXCHANGE  | GHANA STOCK EXCHANGE  | JOHANNESBURG STOCK EXCHANGE (SOUTH AFRICA)              | LUSAKA STOCK EXCHANGE (ZAMBIA)   |
|--|--|---|--|---|---|--|
| <b>SME BOURSE</b>  | Venture Capital Board  | Growth Market   | Nile Stock Exchange (NILEX)  | Ghana Alternative Market (GAX)  | Alternative Exchange (AltX)                             | Alternative Market   |
| <b>Part of Main Board or Separate Exchange</b>                                   | • No – separate board called Venture Capital Board but within the Exchange                                       | • No – separate board called Growth Market but within the Exchange  | • No – separate board called NILEX but within the Exchange   | • No – separate board called Ghana Alternative Market (GAX) but within the Exchange   | • No- separated board call AltX but within the Exchange | • No- separated board called the LuSE Alternative Market but within the Exchange |
| <b>Presence of SME Listing Support Fund</b>                                      | • Not available  | • Not available   | • The Listing Committee may accept the admission of securities of a company that has no certified sponsor, if a venture capital fund, or an investment or financial institution is among its shareholders, provided that the shares of that fund/ institution are not less than 10% of the issuer's total shares, and that such fund/institution undertakes in writing not to sell its shares unless two years elapse from the date of listing | • Not available   | • Not available   | • Not available  |
| <b>Regulator</b>   | • Botswana Stock Exchange  | • Financial Market Authority in Morocco (AMMC)  | • Financial Regulatory Authority (FRA)   | • Ghana Stock Exchange  | • Johannesburg Stock Exchange                           | • Lusaka Stock Exchange  |
| <b>Requirement for Nominate Advisors/ Designated Advisors/ Sponsoring Broker</b> | • Yes – a Sponsoring Broker has to be appointed and acts as a conduit between the company and the Stock Exchange | • Yes – a financial advisor and global coordinator for the offering (investment bank) will assist and advise the company during the entire listing process. | • Yes - The advisor is one of the specialised companies in financial consultancy. Their role is limited to qualifying the company to be listed on NILEX, preparing for the process of offering the company's shares to be traded on the exchange and providing training for the company's employees on the Listing and Disclosure rules and how to comply with them  | • Yes – Licensed Dealing Members, Investment Advisors or Issuing Houses shall sponsor an application for listing on the GAX | • Yes – a Designated Advisor                            | • Yes – a Designated Advisor   |
| <b>Number of Listed Companies (as at December 2017)</b>                          | 7  | 12  | 32   | Not available   | 53  | Nil  |
| <b>Minimum share price</b>   | • Minimum initial issue price of equity shares shall not be less than 50 thebe per share                         | • No stated requirement   | • Not less than 10 Egyptian piasters per share   | • No stated requirement   | • No stated requirement                                 | • None   |

Table continued on following page

\* Exchange rates at the end of business on the 31st August 2017 from the relevant central bank sites were used to convert the respective local currencies to dollar amounts for comparison sake.

# FINANCING OPPORTUNITIES FOR SMEs

| REQUIREMENT   | MOZAMBIQUE STOCK EXCHANGE (BVM)   | NAIROBI SECURITIES EXCHANGE (KENYA)   | NIGERIAN STOCK EXCHANGE   | SWAZILAND STOCK EXCHANGE (eSWATINI)  | THE STOCK EXCHANGE OF MAURITIUS  | TROP-X (SEYCHELLES)  |
|---|---|---|---|--|--|--|
| SME BOURSE  | SECONDD Market  | Growth Enterprise Market Segment (GEMS)   | Alternative Securities Market (ASeM)  | SME Board  | Development & Enterprise Market (MDEM)   | SME Board  |
| Part of Main Board or Separate Exchange                                   | <ul style="list-style-type: none"> <li>No- separated board called the SENCOND Market but within the Exchange</li> </ul>   | <ul style="list-style-type: none"> <li>No - separate board called the Growth Enterprise Market Segment but within the Exchange</li> </ul>   | <ul style="list-style-type: none"> <li>No - separate board called Alternative Securities Market (ASeM) but within the Exchange</li> </ul>   | <ul style="list-style-type: none"> <li>No - separate board called the SME Board but within the Exchange</li> </ul> | <ul style="list-style-type: none"> <li>No - separate board called the Development &amp; Enterprise Market (DEM) but within the Exchange</li> </ul> | <ul style="list-style-type: none"> <li>No - separate board called the SME Board but within the Exchange</li> </ul> |
| Presence of SME Listing Support Fund                                      | <ul style="list-style-type: none"> <li>Not available</li> </ul>   | <ul style="list-style-type: none"> <li>Not available</li> </ul>   | <ul style="list-style-type: none"> <li>Not available</li> </ul>   | <ul style="list-style-type: none"> <li>Not available</li> </ul>  | <ul style="list-style-type: none"> <li>Not available</li> </ul>  | <ul style="list-style-type: none"> <li>Not available</li> </ul>  |
| Regulator   | <ul style="list-style-type: none"> <li>Central Bank of Mozambique</li> </ul>  | <ul style="list-style-type: none"> <li>Nairobi Securities Exchange</li> </ul>   | <ul style="list-style-type: none"> <li>Nigerian Stock Exchange</li> </ul>   | <ul style="list-style-type: none"> <li>Financial Services Regulatory Authority (FSRA)</li> </ul>                   | <ul style="list-style-type: none"> <li>The Stock Exchange of Mauritius</li> </ul>  | <ul style="list-style-type: none"> <li>Trop-X</li> </ul>   |
| Requirement for Nominate Advisors/ Designated Advisors/ Sponsoring Broker | <ul style="list-style-type: none"> <li>Companies choose the broker that will lead the operation/ BVM also offers assistance during the listing process</li> </ul> | <ul style="list-style-type: none"> <li>Yes - Nominated Advisers (NOMADS) responsible for ensuring the compliance of applicant companies; marketing the GEMS market to prospective SMEs, and advising on pricing or supporting the market for the shares of the applicant</li> </ul> | <ul style="list-style-type: none"> <li>Yes - Designated Advisors, whose role is to advise on the listing process and advise the company on an ongoing basis to ensure that it satisfies the ASeM's requirements for initial and continued membership</li> </ul> | <ul style="list-style-type: none"> <li>Yes - Sponsoring broker</li> </ul>  | <ul style="list-style-type: none"> <li>No concept of a Sponsor on the Exchange</li> </ul>  | <ul style="list-style-type: none"> <li>Yes - Sponsor Advisor</li> </ul>  |
| Number of Listed Companies (as at December 2017)                          | 1   | 5   | 10  | Nil  | 49   | 1  |
| Minimum share price   | <ul style="list-style-type: none"> <li>None</li> </ul>  | <ul style="list-style-type: none"> <li>None</li> </ul>  | <ul style="list-style-type: none"> <li>None</li> </ul>  | <ul style="list-style-type: none"> <li>No less than 100 cents per share</li> </ul>                                 | <ul style="list-style-type: none"> <li>No requirement for a minimum share price</li> </ul>   | <ul style="list-style-type: none"> <li>No stated requirement</li> </ul>  |

\* Exchange rates at the end of business on the 31st August 2017 from the relevant central bank sites were used to convert the respective local currencies to dollar amounts for comparison sake.

# FINANCING OPPORTUNITIES FOR SMEs

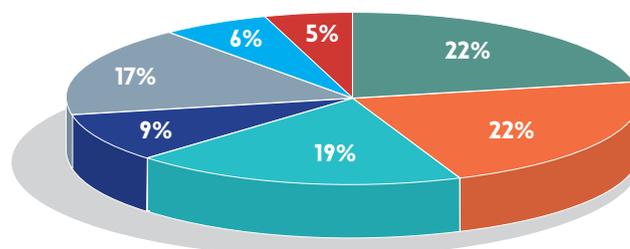
## THE CHALLENGES FACING SMEs SEEKING TO LIST

SMEs have been identified as productive drivers of inclusive economic growth and development in Africa and around the world. However, for them to contribute significantly to the economy,

they need access to finance (amongst other things). SMEs are thus faced with many challenges as far as financial support is concerned. This study puts forward some of the common challenges that Africa's SMEs experience in their respective countries, which hinder their growth and listing on the exchanges.

## THE CHALLENGES TO LISTING

The study's results found that financial management (22%) and funding issues (22%) were the main perceived challenges to listing. Corporate governance hurdles (19%), and concerns regarding organisational infrastructure and skills development (17%) were also identified as key concerns. Over coming these issues is critical to ensuring a successful listing.



15 AFRICAN STOCK EXCHANGES WERE SURVEYED

| CHALLENGE  | DETAILED RESPONSES   |
|--|--|
| <b>FUNDING (22%)</b>   | <ul style="list-style-type: none"> <li>Affordability of costs associated with listing a company</li> <li>Access to capital</li> <li>Support from government and private institutions/investors</li> </ul>  |
| <b>FINANCIAL GAIN (22%)</b>  | <ul style="list-style-type: none"> <li>Marginal/limited liquidity</li> <li>No collateral</li> <li>Low return on equity (ROE) – dilution of returns and declining profits</li> </ul>  |
| <b>SERVICES &amp; COSTING (S&amp;C) (6%)</b>                             | <ul style="list-style-type: none"> <li>Increased employee commitment and recruiting power</li> <li>Facilitation of financial participation by employees</li> <li>Greater use of management documentation and reporting</li> <li>Expanding business relationships</li> </ul>  |
| <b>ORGANISATIONAL INFRASTRUCTURE AND SKILLS DEVELOPMENT (OISD) (17%)</b> | <ul style="list-style-type: none"> <li>Migration to the main board</li> <li>Technology development</li> <li>Diversifying shareholder base; access to larger and complementary pools of capital</li> <li>Mergers and Acquisitions to further expand the company (integration)</li> </ul>                            |
| <b>MARKETING (9%)</b>  | <ul style="list-style-type: none"> <li>Lack of company visibility and brand awareness</li> <li>Access to investment/investors</li> </ul>   |
| <b>CORPORATE GOVERNANCE (19%)</b>  | <ul style="list-style-type: none"> <li>Adherence to corporate governance structures and standards</li> <li>Regulatory issues (e.g. listing requirements being too stringent)</li> <li>Lack of business acumen</li> <li>Lack of business continuity and sustainability</li> <li>Indistinct business plan</li> </ul> |
| <b>OWNERSHIP (5%)</b>  | <ul style="list-style-type: none"> <li>Concern with losing complete ownership of the company</li> <li>Concern with becoming overpowered or intimidated by larger corporates</li> </ul>   |

## SMEs FACE SIMILAR CHALLENGES AROUND THE WORLD

When referring to studies done by the ASEA SME Facilitation Working Group (African context) and the World Federation of Exchanges (WFE) and the Milken Institute (global context), it is evident that there is no holistic definition of an SME because the definition differs across jurisdictions. The findings however show that there are common challenges facing SMEs' growth globally – it is not only in Africa where small businesses struggle to flourish – it is a global concern. Furthermore, the research shows that African SMEs and other SMEs from the rest of the world share common motivations or reasons, as far as listing on exchanges is concerned.

### THE WFE AND MILKEN INSTITUTE FINDINGS

The WFE conducted a study on SME Financing and Equity Markets, which focused on SMEs gaining access to equity market financing from a global perspective, they also undertook another joint study with the Milken Institute (Milken). These reports researched some of the areas which are similar to those investigated in this study, including; the definition of an SME, the challenges SMEs face and the reasons for SMEs listing on exchanges.

Based on their findings, there is consistency between the results they obtained and the results obtained in this study as far as the definition of an SME is concerned. The common aspects are; a definition based on the number of employees in the company and the annual turnover/market capitalisation. Hence, there seems to be a global consensus on the fact that an SME is uniquely defined by each respective jurisdiction. This implies that there is no specific definition for an SME, which can be used as a global standard at this point in time<sup>8</sup>.

The WFE and Milken joint report focused mainly on the availability and the cost of equity finance, and did not include a broader range of presiding challenges for SMEs globally (which has been touched on in this study as detailed in previous sections). Nevertheless, based on the challenges of services and costing, this study and both that of the WFE and Milken, obtained similar results, which show the direct and indirect costs' challenge.

Some of the common costing challenges noted include:

- listing requirements being too stringent or listing costs too high
- costs of ensuring on-going compliance (continuing obligations)
- costs of sponsor and advisor fees (initial and on-going)
- the opportunity cost of management time spent on on-going compliance and investor relations
- perceived market short-termism translating into share price volatility

The WFE and Milken report also covered the rationale behind the listing of SMEs on the world's exchanges. The common reasons obtained from all three studies shows that SMEs list on exchanges because they want to:

- position the firm for growth
- diversify their investor base
- lower costs of funds
- improve brand reputation
- improve competitive advantage
- enhance their ability to attract talent

<sup>8</sup> WFE and Milken studies

# CASE STUDY

## KENYA'S HOME AFRIKA GROWS FOLLOWING SUCCESSFUL IPO



**Company name:** Home Afrika Limited  
**Country:** Kenya  
**Stock exchange:** Nairobi Securities Exchange  
**SME Bourse:** Growth Enterprise Market Segment (GEMS)  
**Website:** [www.homeafrika.com](http://www.homeafrika.com)  
**Sector:** Real Estate  
**Date of listing:** July 2013  
**Market cap on listing:** USD 48.63 Million (KShs.4.863 Billion)  
**Current market cap:** USD 2.83 Million (Kshs.283.68 Million) as of August 2018

Home Afrika Limited is a leading property development company based in Kenya. Incorporated in 2008, the company seeks to create communities around Africa by providing quality, sustainable and affordable housing.

The company listed in order to achieve share price discovery for shareholders, share price liquidity, to raise capital and to enhance its brand profile. Home Afrika has grown from 41 employees on listing to 73 employees to date.

It deemed its IPO a success in that it raised sufficient debt capital while at the same time it improved their profile and ensured enhanced governance. The Company sees the main advantages of having opted for the banks, as having the less stringent collateral requirements compared to getting funding from banks as well as the more flexible terms, and of being able to access longer term funding. Regulatory vigilance and reporting requirements have had a positive effect on the company. Further a perceived future benefit will be the ability to use the company's stocks as a currency for mergers and acquisitions.

In order to make listings more attractive, Home Afrika believes that the cost of listing needs to be brought down, not just with regards to the regulator but also to other service providers including PR companies, lawyers, accountants and investment banking services. However, it did raise concerns relating to the expectation that SMEs must abide by the same regulatory requirements listed on the main board, for example publishing financials in two newspapers which is a costly undertaking. Home Afrika remains listed on the GEMS.

# ALTERNATIVE SOURCES OF FUNDING



**S**MEs can only grow and contribute positively to economic growth and development if they are well supported by the state and other business institutions.

African governments and the private sector should create an enabling environment where SMEs have the necessary aid to succeed. Areas for consideration include programmes that provide business financial acumen, access to a variety of funding types and initiatives to cut the red tape.

Fortunately, there are already programmes underway to support SMEs with long-term liquidity and technical assistance. They include: the AfDB Africa SME Programme; the African Guaranteed Fund; the African Local Currency Bond Fund; ELITE Growth; FinFind; RainFin; GroFin; VC4A and the South Africa SME Finance Association. We look at these programmes in more detail in the sections that follow.

## WHAT SUPPORT CAN BE PROVIDED TO SMEs?

Providing access to SME growth support programmes is critical. In this study, we investigated whether the 15 countries in question have some of the key government programmes and private sector initiatives in place to support the growth and development of SMEs in their respective countries.

The study shows that from the 15 ASEA member exchanges surveyed, all have government programmes that are aimed at the growth and development of SMEs. South Africa has a variety of initiatives including the Small Business Development Fund, the Incubation Support Programme and the Small Enterprise Development Agency. Botswana supports SMEs through its Citizen Entrepreneurship Development Agency, the Citizen Economic Empowerment and the Economic Diversification Drive. In Zimbabwe, there is the Ministry of Small and Medium Enterprises, Small and Medium Enterprises Development Corporation and ZimASSET.

From a private sector perspective, approximately 70% of ASEA member countries have programmes in support of SME growth and development, while some of the other 30% of member countries are fully dependent on financing from their commercial banks.

**The African Development Bank (AfDB)** supports SMEs through its Africa SME Programme. It supports African local Financial Institutions (FIs) with long-term liquidity, and provides technical assistance so that FIs can successfully provide relevant financing to SMEs. This helps build larger and good quality SME loan portfolios. The programme also provide SMEs with the tools to ensure better loan application preparations, for example, how to develop business plans as well as financial literacy training.

**The African Guarantee Fund ("AGF")<sup>9</sup>** is a company limited by shares incorporated under the business laws of Mauritius, it is owned by the Government of Denmark through the Danish International Development Agency (Danida) and, the Government of Spain through the Spanish Agency for International Development Co-operation (aecid), and the African Development Bank (AfDB). Launched in 2012 in Tanzania, the AGF's key mandate is to assist financial institutions increase their financing to African SMEs through the provision of partial financial guarantees and capacity development assistance.

**The African Local Currency Bond Fund (ALCB)<sup>10</sup>** was established to address the current underdevelopment of local currency bond markets in Africa. Its aim is to improve access to long-term funding in local currency, strengthen the capacity of local markets and create opportunities for local investors. In order to do so, the Fund acts as an anchor investor and provides technical assistance for

local currency bond issuances by financial service providers and companies operating in developmental sectors. The Fund focuses on financial inclusion programmes, within the agriculture, housing, education and renewable energy sectors. It seeks to improve the sustainability and diversity of funding sources for target issuers to reduce risk at the level of the individual financial institution or company, while reducing systemic risk across the financial sector; and it facilitates sustainable borrowing, long-term investment and financial-sector sustainability. The Fund also ensures greater economic opportunity for its target beneficiaries, specifically low-income households and MSMEs. The mission of the ALCB Fund follows the G20 Action Plan to support the development of Local Currency Bond Markets (LCBMs), adopted by the Group under the French Presidency in 2011.

**The South Africa SME Finance Association (SASFA)<sup>11</sup>** was launched following the rapid growth of the SME funding marketplace in South Africa. It came about as a result of the need to create industry standards to ensure SME customers are fairly treated and the reputation and sustainability of the SME Finance Sector is maintained. It provides industry guidelines to ensure that any financial products provided to SMEs are clearly explained and relevant to the borrower.

### PRIVATE SECTOR INITIATIVES

This study also investigated platforms such as FinFind and Elite, that provide online solutions for SMEs to gain access to capital growth and financing.

**ELITE Growth<sup>12</sup>** is an international platform that brings together companies, advisors, investors and stakeholders who have an interest in supporting SMEs. In each market it forms partnerships with local institutions to achieve its goals. The Elite programme is designed to help companies prepare and structure for the next stage of growth through access to long term financing opportunities (Refer to case study on page 26).

**Finfind<sup>13</sup>** provides online access to finance solutions, it brings together the providers and seekers of SME finance with a focus on finance readiness. It aggregates all the public and private sector SME finance offerings into one simple platform and provides an automated matchmaking facility between the lender and the seeker. Finfind has over 200 lenders and over 350 loan products available to SMEs and each lender's listing and their loan product information is kept up to date on a daily basis. FinFind's primary objective is to link SMEs who are seeking finance with appropriate lenders. To do this the SME simply enters their company information and loan requirements into an easy step-by-step form. Finfind uses

<sup>9</sup> [www.africanguaranteefund.com](http://www.africanguaranteefund.com)

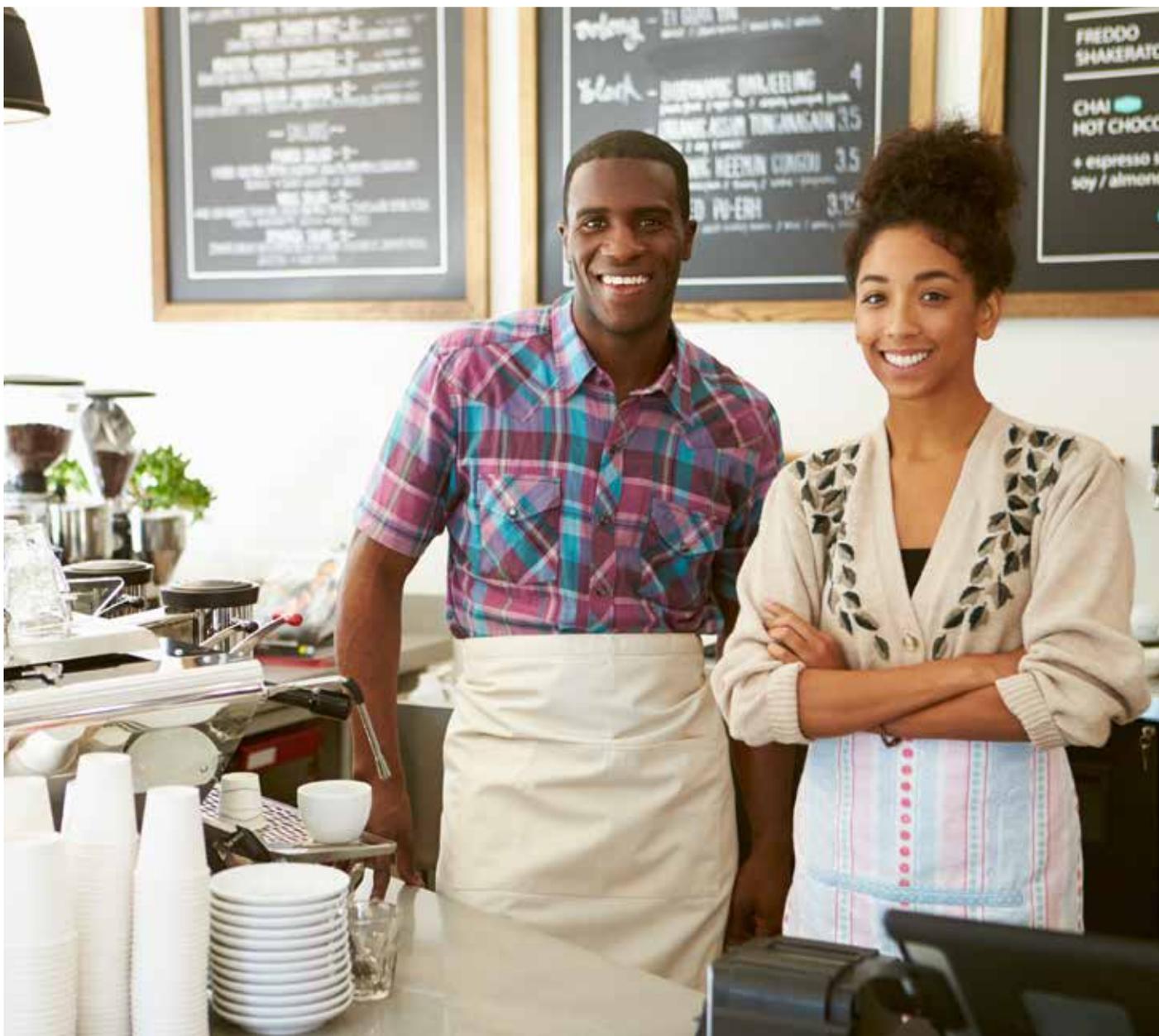
<sup>10</sup> [www.alcbfund.com](http://www.alcbfund.com)

<sup>11</sup> <http://sasfa.net/>

<sup>12</sup> <https://www.elite-growth.com/>

<sup>13</sup> <https://www.finfindeasy.co.za/>

# ALTERNATIVE SOURCES OF FUNDING



this information to link the SME with all the matching loan offerings. It also provides educational tools to help businesses prepare for investment. Finfind does not lend money to SMEs directly; its purpose is to provide an easy, one-stop shop for SMEs to find and link with all the available SME lenders and loan offerings in the market.

**RainFin**<sup>14</sup> is a straightforward online exchange platform/credit market place that connects Lenders, looking for competitive returns, with Borrowers, seeking transparent, cost effective loans.

**GroFin**<sup>15</sup> is a pioneering development financier specialising in financing and supporting small and growing businesses (SGBs) across Africa and the Middle East. They combine medium-term

loans and specialised business support to grow emerging market enterprises. By generating employment, strengthening value chains and building markets, their investments bring about inclusive growth and improved living conditions in low and middle-income countries.

**VC4A**<sup>16</sup> strengthens Africa's start-up community by connecting entrepreneurs creating innovative and scalable businesses with the knowledge, network and funding they require to succeed. Entrepreneurs have access to the VC4A Start-up Academy, mentorship opportunities and the ability to raise capital. Programme partners engage members with their entrepreneurship programmes, competitions and services. Investors are able to discover great companies, research opportunities and follow up with founders directly.

<sup>14</sup> <https://www.rainfin.com/>

<sup>15</sup> <http://www.entrepreneurmag.co.za/directory/funding-directory/government-funding/grofin-africa-fund/>

<sup>16</sup> <https://vc4a.com/>

# CASE STUDY

## TOOLS AVAILABLE TO READY SMES FOR LISTINGS

The **Casablanca Stock Exchange** in Morocco, in partnership with the **Ghana Stock Exchange** and the African Development Bank (AfDB), is working on an “ELITE” programme targeted at reducing the burden (cost) for SMEs seeking to list on the Moroccan and Ghanaian exchanges. The AfDB also has an Africa SME programme which is a USD 129 million programme, launched in 2013, and through which the Bank provides lines of credit and technical assistance to financial institutions that focuses on financing loans SMEs - it is less linked with exposing the environment to securities’ listing.

The AfDB’s strategy for Morocco is articulated around two main themes namely; enhancing governance and social inclusion; and supporting the development of “green” infrastructure. Through budgetary support and projects, it has invested around USD 594,900,000 million per year in sectors such as agriculture, health and education to support Moroccan national programmes, and in large infrastructure projects in the water and renewable electricity sectors.



### What is Elite?

ELITE is a programme that helps fast-growing private companies prepare and structure for further growth through sharing experiences, access to financing opportunities and education. It accelerates long-term this growth by offering access to a diverse network, a range of funding options, and a dedicated training programme.

### Who does it serve?

The programme serves the most exciting and ambitious businesses with a strong business model, clear growth strategy and the commitment to implement useful changes for development.

### How?

ELITE offers an innovative approach through training and access to a diverse community of companies, entrepreneurs, investors and corporate advisors.

Companies access a unique digital platform enabling collaboration and communication with peers and partners.

The programme is delivered in three progressive phases:

### Phase 1 (1 year duration)

This is a comprehensive training programme for founders and managers to stimulate organisational change and evaluate long term financing opportunities.

### It includes six (6) thematic modules:

- National and international growth strategies
- Organisation and governance of a growth company
- Establishment of a Business Plan
- Financial diagnosis and business valuation
- The different financing options
- Equity Story

# CASE STUDY

## **Phase 2** (1 year duration)

Coaching phase based on progressive adoption of new management practices to prepare for further growth and external investment.

## **Phase 3** (No duration limit)

Capitalise on the implemented changes and broad ELITE community to access new business, networking opportunities and financing options.

### **Benefits of joining the ELITE programme:**

- o **Diverse Network**  
Join local and international companies, investors, corporate advisers, and leading business schools.
- o **Access to Investors**  
Gain unique access to a range of capital options to finance and accelerate company growth.
- o **Collaborative experience**  
Interact, learn and share experiences with peers, and join an environment of collaboration and innovation.
- o **Continual Development**  
Develop the expertise to help make informed business and funding decisions for your company.
- o **Enhance Profile**  
Enable greater visibility with the business and financial community on a national and international level.

### **How has the programme worked for Morocco?**

Throughout their engagement, ELITE companies access a vibrant community that facilitates long-term structured engagement with business and financial stakeholders. It serves the most exciting and ambitious businesses with a strong business model, clear growth strategy and the commitment to implement useful changes for development. ELITE access requirements include:

- o High quality and ambitious companies
- o Evidence of past growth and future potential
- o Commitment to participate in the programme and motivated to implement valuable changes
- o Desire to obtain funding in the future to accelerate growth
- o Credible company management

### **ELITE Morocco results:**

- o 5 cohorts (Since April 2016);
- o 58 companies;
- o 18 industries;
- o 15.5 Billions MAD consolidated Turnover and 12,000 Employees;
- o 21 Partners and 7 Investors;
- o 10 West African Companies (Partnership with West Africa Stock Exchange 'BRVM').

### **Moroccan ELITE companies' feedbacks**

Younes BOUMEHDI, CEO of HIT RADIO:

"For a growing company like ours, it's important to look at all financing options. The capital market is particularly suited to external growth operations or to accompany over the long term an ambitious development plan."

Soumaya BENJELLOUN, CEO of BURINTEL:

"The different training modules of the ELITE programme as well as the exchange's, with the experts or the entrepreneurs of this 2nd Cohort will help us to better know the mechanisms of fundraising available on the capital market, and to identify the best options to us, to support our development and our strategic vision."

## WHAT NEEDS TO BE DONE

# WHAT NEEDS TO BE DONE TO MAKE SMEs MORE ATTRACTIVE TO INVESTORS?



Lack of adequate access to finance is considered as one of the major challenges and constraints to the growth of SMEs. However, there are clear ways to assist SMEs in their growth and development goals, going forward, through support for skills development, access to technology; better infrastructure, innovation and business development; increased networking opportunities; market linkage formation; promotional support service and improvement of advisory services.

It is believed that should the above be addressed, SMEs could play a more critical role in terms of job creation, entrepreneurship and income generation. It would become an ideal platform for governments and the private sector to invest in and support, to reduce the gap between the haves and the have-nots.

### SKILLS NEEDED TO PROSPER

Research by the International Finance Corporation and the World Bank shows that the skills required by entrepreneurs fall into three distinct categories: technical skills, business management skills, and personal entrepreneurial skills. Technical skills include written

and oral communication, technical management and organising skills. Business management skills are managerial skills like planning, decision-making marketing and accounting<sup>17</sup>.

However, SMEs are finding it difficult to invest in training because it is too expensive. They are also concerned that training their staff will lead to demands for higher salaries, and that training would disrupt workflows.

It is therefore, suggested that there should be private sector and government collaboration to drive the development of SMEs.

### INNOVATION

Various ASEA SME development surveys show that business performance has always been linked to overall innovation. Innovation is frequently viewed as the key to success in many arenas, from individual businesses to general economic growth. It is seen as a vital element in economic growth, where the economy is dominated by small and medium-sized businesses.

<sup>17</sup> [https://www.ifc.org/wps/wcm/connect/277d1680486a831abec2fff995bd23db/AM11IFC+IssueBrief\\_SME.pdf?MOD=AJPERES](https://www.ifc.org/wps/wcm/connect/277d1680486a831abec2fff995bd23db/AM11IFC+IssueBrief_SME.pdf?MOD=AJPERES) <http://documents.worldbank.org/curated/en/docsearch/newtopic/Skills%20Development%20and%20Training%20in%20SMEs>

# WHAT NEEDS TO BE DONE

Entrepreneurs agree that innovation not only promotes growth but also enhances a variety of capabilities that improve the ability to enter markets and attract customers. Discovering new ways of doing things, employees also become more energised and productive, further leading to improvements in financial performance.

While larger companies are more likely than SMEs to control the resources necessary for innovation, including human and financial capital, SMEs, however, face significant challenges in their attempts to innovate due to their small size and limited resources.

The research and development efforts of SMEs are often hampered by a lack of funding and a paucity of human resources. In many cases, they are trapped in the vicious circle where they have an idea for a new or improved product, process or service, but not generating the profit levels required to invest in its on-going research and development. These profit levels are in turn being squeezed by their inability to invest in improvements.

Innovation is the bedrock of future prosperity, but too often small businesses do not prioritise this and damage their prospects. Innovation is necessary for future survival, but when times are hard, it is innovation that tends to get squeezed.

However, there are risks of failure to innovate. By neglecting innovation, an organisation is putting the control of its future on hold. There will not be time to catch up later because when the economy picks up the pressure on managers becomes greater still. Before that happens, businesses face a more immediate risk.

A step change in the market - such as the emergence of a new competitor, a new customer segment or a new ground-breaking technology - could create havoc, leaving companies that have no mechanism for achieving breakout innovation, poorly placed.

For future sustainability and profitability, companies must position themselves to react quickly to changing market conditions and customer needs - and that means finding ways to innovate, despite economic pressures and market volatility. Small firms need to create an innovative culture and look beyond their own four walls for resources and ideas.

## TECHNOLOGY

Close to technology, information technology (IT) infrastructures and services is an essential contributor to an SME's success.

According to the World Bank, common goals for innovation include developing a new product, selling or licensing the results of innovation, protecting or expanding market share, increasing recognition in the marketplace, better retaining staff and improving operational efficiency.

In particular, there is a need for digital skills by the SMEs workforce. This includes having more advanced in-house IT skills to enable deeper technical work to be done with software and maximise existing IT architecture, network and security management, and specific skillsets for positions such as social media specialists, content creators and a press release writer.

Technology is essential or very important for an SME's plans for growth. According to the World Bank, in the fast-moving digital economy, the companies most likely to succeed and grow are those with technically skilled staff. Business can also help them to move from good to great by giving greater priority to IT training where needed and realising best value from their existing teams.

The Bank mentions that, in the IT space, handling security issues is far from straightforward for SMEs, despite their relatively small footprint. Smaller enterprises often lack the means to secure their networks appropriately, largely due to financial restrictions, limited resources and inadequate in-house expertise.

There is also a strong belief between SMEs that security in the organisation can be adequately provided by deploying anti-virus software and configuring a firewall. Some managers therefore, deem IT security to be a low priority. Furthermore, IT infrastructure is often either managed by one employee or a handful of employees.

However, while these personnel may possess basic technical skills, they very often have limited expertise with regard to security.

SMEs need to accept the realisation that security is an essential cost of doing business, and give it the priority it merits. In the final analysis, the various surveys demonstrates the inability of SMEs to use state-of-the-art technology, is another drawback for SME development. Unlike in other countries across the world, African SMEs' adaptability to the latest technology, is very limited to lack of know-how, high investment cost and poor accessibility to finance.

## ONLINE SOLUTIONS

There is growing evidence of the link between innovation, IT, Internet and telecommunications use, and business performance.

SME entrepreneurs agree that the Internet enables online sales and purchases, often carried out through a website, can also have an effect on productivity. Across the continent, an increase in electronic sales appears to contribute significantly to labour productivity.

Small firms agree that fast-growing firms in manufacturing tend to engage more intensively in online sales and purchases. Greater

**“IF SMEs ARE TO PROSPER, IT IS IMPORTANT THAT GOVERNMENTS, BANKS AND INDEPENDENT FINANCIAL INSTITUTIONS IMPROVE THE EASE OF STARTING A BUSINESS.”**

# WHAT NEEDS TO BE DONE

use of the Internet can also help boost international and regional trade. SMEs with a high-speed connection were noted to make more use of the Internet, which in turn helped raise productivity.

As mentioned above, broadband connectivity has a positive effect on productivity in countries that already have a medium or high level of information communication technology (ICT) use measured.

However, it is worth noting that most SMEs in Africa are not effectively using the newer technologies, especially the Internet, to explore business opportunities. There are many reasons cited for the low usage of ICTs. These include: costs of the technologies, poor Internet connections and speed, and most importantly, lack of awareness of what the Internet offers.

## MOBILE PHONE USE

Tied to innovation, technology and broadband, mobile phones have emerged as the most widespread ICT in the developing world. Mobile technologies have made communication and information access very convenient and timely to users from the comfort of their own homes and offices or elsewhere. The use of mobile phones to conduct business among SMEs, is growing every day.

## UNTANGLED RED TAPE

While it is accepted that innovation, technology and broadband, mobile phones are critical for SME growth, however, such growth is often constrained by the difficulties of meeting the requirements of red tape and bureaucracy.

Small businesses are constantly challenged to meet the requirements of government agencies and departments through paperwork and superfluous form filling.

That is why streamlining processes such as registering a company, obtaining tax clearance certificates, for example, could help ease the administrative burden on SMEs, allowing them to focus on growth and job creation.

According to the World Bank Group's Trade and Competitiveness Global Practice says, the important thing is for Africa to keep moving forward in its efforts to make the regulatory environment simpler and more efficient, and provide business-friendly regulatory environments.

The Bank advises that governments should recognise the need to review their policy and regulatory environments that continues to hinder development, growth and competitiveness of small businesses.

Entrepreneurs tend to favour approaches that are high on innovation and low on bureaucracy, but what will really help SMEs is a joint approach from both public and private sectors. By working together, both parties could capture the goodwill of those who want Africa to succeed, in developing a more robust economy with a stronger indigenous business base.

There are some examples elsewhere in Africa where bureaucracy is indeed being successfully reduced. Rwanda is a case in point.

According to the World Bank's Doing Business Report, Rwanda is ahead in the ease of starting a business, obtaining construction permits, getting electricity, registering a property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

In practical terms, small business owners in Rwanda can expect reduced times when registering a business, application for finance, obtaining a tax clearance certificate in order to transfer property, and reducing the cost and time associated with filing tax returns.

For example, in the 2014/15 Global Competitiveness Report, South Africa was ranked 120th out of 144, while Rwanda is ranked 6th out of 144 in terms of the 'burden of government regulation'.

Furthermore, while it takes a mere six and a half days to start a business in Rwanda, South African SMEs can expect the process to take about 46 days. In terms of registering for VAT, in Rwanda it takes business owners one day, while South African business owners can expect to wait up to 21 days.

If SMEs are to prosper, it is important that governments, banks and independent financial institutions improve the ease of starting a business. Indeed, if the small firms sector is to prosper, African countries must have economic development policies, which provide the right support, tailored to the needs of both new and existing firms.

# CASE STUDY

## EGYPTIAN MANUFACTURING COMPANY UNLEASHES EXPONENTIAL GROWTH



**Company name:** MB Engineering  
**Country:** Egypt  
**Stock exchange:** Egyptian Stock Exchange  
**SME Bourse:** Nile Stock Exchange (NILEX)  
**Website:** www.mb.com.eg  
**Sector:** Manufacturing  
**Date of listing:** March 2016  
**Market cap on listing:** USD \$4.14 million (EGP 72 million)  
**Market cap:** USD \$7.43 million (EGP 130.9 million)

MB Engineering is a manufacturer of low voltage electrical components based in Egypt. Established in 1981, MB Engineering has over the last three decades succeeded in becoming one of the leading suppliers of low voltage electric supplies including protection devices, automation devices, control devices, distribution and panel boards.

The company listed in March 2016 with an aim of building a robust capital structure to unleash exponential growth. Listing gave the company quick access to funding, enabling them to realise their growth strategy and maximise shareholder wealth. It provided liquid currency for organic and inorganic expansions, bolstered and diversified the shareholder base and provided monetisation for shareholders (offering a partial exit window). The company has grown from 90 employees to 200 since listing on the Nilex.

The company remains listed on the SME exchange, however it is working towards another internal or external listing in the near future. MB Engineering bases its successful listing on the support team and the process it followed to its IPO. Part of this process involved a road show around Egypt, which was the first of its kind. The IPO was significantly over subscribed.

To make a listing even more attractive MB Engineering recommends that an exact timeframe and clear roadmap is provided for all listings, and that ranked nominated advisors should be given. Hosting a pre and post IPO awareness workshop would also be beneficial.

MB Engineering has realised multiple operational, financial and sustainability benefits from list. Operationally these include stronger inter-business bonds, increased compliance, branding and exposure for new business opportunities. From a financial perspective, the company has benefited through greater visibility to a wide range of investors, improved credibility and increased debt capability. On the sustainability track, it has benefited from improved corporate governance, awareness and recognition, and attracting and retaining high calibre talent.

# CONCLUSION



**T**his study shows that there is no consistent definition for an SME in the African context; each country has its own unique definition. However, there is support for SME businesses seeking to access finance from the African Capital Markets with 80% of the 15 participating exchanges having SME boards on their exchanges. These typically have less onerous listing requirements than the requirements for listing on the main board. However, just as there is no clear definition for SMEs, listing requirements vary from exchange to exchange.

Research conducted in this study shows that there are common reasons for SMEs to list on exchanges. These include: finance, followed by corporate governance and profiling. Other reasons include; infrastructure development, and learning and skills development.

The study has also highlighted the perceived challenges to listing. Other key challenges include corporate governance hurdles and concerns regarding organisational infrastructure and development.

What is clear is that providing access to SME growth support programmes is critical. SMEs can only grow and contribute positively to economic growth and development if they are well supported by the State and other business institutions. This study shows that as far as SMEs' support is concerned (from each country), all 15 participating member countries have government programmes in place to assist, and approximately 70% have private sector support with 30% relying more on loans from their banks. Yet, in spite of this, challenges continually persist.

# RECOMMENDATIONS



In summary, our conclusion shows that there are challenges facing SMEs to take advantage of the capital raising opportunities that lie on African Capital Markets. It is the intention of ASEA to work together as an association with member exchanges and the public and private sectors, to develop solutions to promote the prospects of SME companies to raise capital on exchanges and drive further economic development.

Key highlights:

- **Alignment on revenue targets and sizes of SMEs to list on ASEA exchanges**  
ASEA to consider aligning member exchanges' revenue targets, for listing SME companies, in order to ensure a standardised approach to the listing of SME companies on ASEA member exchanges, across the continent.
- **Member exchanges to take a partnership approach in educating SMEs prior to and post listing**  
ASEA to develop standardised education programmes, in partnership with academic institutions, to prepare SMEs for listing on stock exchanges. The programmes should focus on governance, risk management and Directors' training.
- **Partnerships with incubator organisations to foster SME development**  
ASEA member exchanges to establish partnerships with existing incubator organisations on the continent to promote ongoing growth and development of the listed SME, for example, strategy and business development, formalisation of the SME's business and how the SME can gain access to the market.

A detailed outline of the above highlights are set out on the following pages.

# RECOMMENDATIONS

## WHAT CAN EXCHANGES DO TO ATTRACT SME LISTINGS?

### **Mentoring**

- Introduce an SME Mentoring programme which guides SMEs' to list on an exchange.
- Exchanges to partner with government institutions, funding institutions and development finance institutions to facilitate access to training on preparedness for listing.
- As part of its Corporate Social Investment (CSI) goals, exchanges to conduct stakeholder education engagements, to educate SMEs, and the broader public, on the role of the stock market in the economy.
- Ensure that all exchange listings requirements include the appointment of a Nominated/Designated Advisor, to play a mentorship role in terms of guiding and upskilling the SME, leading to listing and on continuing obligations.

### **Costs**

- Lowering of fees applicable to SMEs in order to reduce the barriers to listing by making it affordable to the SME.
- Exchanges to work in collaboration with their governments to provide concessionary taxes to incentivise raising capital on exchanges, in support of SME growth and development.

### **Roadshows**

- Sponsoring countrywide initiatives that expose SMEs to raising capital on Exchanges.
- Promoting competition among intermediaries by capacitating junior advisors (legal firms, accounting firms), to a point where they can be part of the listing ecosystem for SMEs.
- Establishing engagements with all parties that are interested in listing or learning more about the role of an exchange - this allows for more smaller intimate sessions where individuals are at liberty to ask questions freely - for example, business schools, professional bodies, incubators, etc.

### **Eco-system**

- Ongoing mentoring and coaching of the SME, once listed.

# RECOMMENDATIONS

## HOW CAN THEY DO IT?

### Through skills and development training

- Establish governance education programmes throughout the African Capital Markets, for all executive and non-executive directors of SMEs, listed or due to list, to provide knowledge to directors in an effort to enhance competence. The programme should
  - (i) address of the role directors;
  - (ii) meet the existing and emerging needs of directors;
  - (iii) provide case studies, knowledge and experience for discussion; and
  - (iv) be interactive and provide delegates with practical tools for immediate implementation.
- Offer regular training on listing processes targeted to all market participants including SMEs. This training will cover securities regulation, exchange/listing requirements, ongoing disclosure obligations and corporate governance, in the capital markets space.
- Once listed, establish an inclusive and collaborative approach to ongoing obligations for SMEs and provide intensive guidance specifically to issuers (companies) that are unfamiliar with a corporate/listed environment.

## PRACTICAL WAYS THAT ASEA MEMBER EXCHANGES' AIMS TO GET THE STUDY INTO THE RESPECTIVE AFRICAN COUNTRIES

- Host forums specifically targeted at SMEs in order to educate and drive the financial inclusion agenda.
- Distribute the information to the SMEs, via governmental structures, Development Finance Institutions (DFIs) and other financial institutions that have been tasked with the mandate for financial literacy and that work closely with SMEs.
- Foster relationships with small business incubators, government initiatives supporting small businesses as well as government research institutes that conduct research which forms government policy decisions and legislation.
- Engage the use of mass media and social media to get the information across to SMEs.
- Publishing the abridged version of the study in the ASEA Magazine, its website and that of its member exchanges.
- Feature the study at any of the relevant ASEA conferences and that of its member exchanges.
- Relay the study through the exchange's communication channels that sends information to major market participants, i.e. data vendors, listed companies, stock brokers, banks, etc.





