



**SECURITIES AND EXCHANGE
COMMISSION, NIGERIA**

Capital Market Financing for SMEs

Contents

EXECUTIVE SUMMARY	- 1 -
1.0 Introduction.....	- 1 -
1.1. Background and rationale	- 1 -
2.0 Overview of the MSME Market	- 2 -
2.1 Definition of Micro, Small and Medium Enterprises (MSMEs).....	- 2 -
2.2 National Policy on micro, small and medium enterprises (MSMEs).....	- 3 -
3.0 Access to finance	- 4 -
3.1 The State of SME Finance in Nigeria	- 4 -
3.2 Access to funding for Micro, Small and Medium Enterprises (MSMEs).....	- 5 -
4.0 SMEs funding through the capital market	- 6 -
4.1 Capital Market financing	- 6 -
4.2 Nigerian Alternatives Security Market (“ASeM”).....	- 7 -
4.3 Challenges of Alternatives Securities Market (“ASeM”)	- 8 -
5.0 IOSCO guidelines to ease SMEs’ access to capital markets	- 9 -
6.0 Conclusion / Key Takeaways.....	- 12 -
6.1 Conclusion	- 12 -
6.2 Key takeaways	- 12 -
References.....	- 14 -
Appendix 1: NSE listing requirements:	- 16 -
Appendix II: Members of ASeM	- 17 -
Appendix III: International Experiences.....	- 18 -

EXECUTIVE SUMMARY

Micro, Small and Medium Enterprises (MSMEs) in Nigeria face a financing gap that restricts their economic prosperity. This report examines the prospects of capital markets solutions for MSMEs financing in Nigeria. It maps out the main features of capital market financing technique. It details the enabling factors, listing requirement and reviews international experiences. The report appraise IOSCOs recommendations on how to close the financing gap and outlines actionable solutions that could make the capital market a more effective and viable source of finance.

1.0 Introduction

1.1. Background and rationale

There are an estimated 37,067,416 million Micro, Small and Medium Enterprises (MSMEs) in Nigeria, out of which over 36,994,578 million are micro-enterprises, 68,168 are Small and 4,670 are medium (SMEDAN 2013). MSMEs represent 96% of the businesses in Nigeria and contribute 84.02% of national employment¹. In nominal terms, the sector contributes an estimated 46.54% to the nation's Gross Domestic Product (NEPZA 2013). Thus growth in the MSME sector is directly linked with growth in the Nigerian economy and in the level of employment.

World Bank estimate² identifies MSMEs lack of access to formal financing of their productive activities as a key constraint to business. 73.24% of the top most priority of assistance needed by MSME operators was access to finance (SMEDAN 2010). As a result, many Nigerian MSMEs fund their activities through retained earnings as only a few large enterprises benefit from formal financial sector intermediation for their working capital or investment needs (IMF 2013). It is estimated that, despite the fact that 80 percent of MSMEs seek financing only 5 percent of enterprises have a loan (ibid).

¹The total number of persons employed by the MSME sector as at December, 2013 stood at 59,741,211, representing 84.02% of the total labour force

² See the World Bank Enterprise Survey on Nigeria (2008) Fuchs, M. and I. Radwan (2009). " Making Finance Work for Nigeria." Retrieved 11th July 2016, from http://siteresources.worldbank.org/INTAFRISUMAFTPS/Resources/Making_Finance_Work_for_Nigeria.pdf.

In light of the important role MSMEs play as engines of growth, it is critical to ensure that MSMEs in Nigeria have access to the necessary credit they need to expand and continue to perform their function in investment, growth, innovation and employment. In a country where underemployment is estimated at 70.5%³, MSMEs finance is important in supporting growth and reducing poverty through employment creation. Nigeria needs to support the sector given its potential opportunities for growth and poverty reduction.

The capital market presents an opportunity of financing the MSME sector. Capital markets have always played a role in bringing together those with savings to invest and those who need capital thereby supporting economic growth. The International Organisation of Securities Commissions (IOSCO) has emphasized the need for capital markets to support small and medium-scale enterprises in addressing this financing challenge by providing alternative funding sources.

This report examines MSMEs access to the Nigerian capital market and explores possible measures to develop and enhance their access. The report is structured as follows. Section 2 provides an overview of the classification of MSMEs in Nigeria and briefly reviews the National policy on MSMEs. Section 3 begins by exploring the state of MSMEs finance and provides an overview of select number of interventions. Section 4, introduces the concept of Capital market financing and introduce the Nigerian Alternative Securities Market Board (ASEM). In section 5, we outline IOSCOs guidelines on SME financing through the capital market while Section 6 concludes.

2.0 Overview of the MSME Market

2.1 Definition of Micro, Small and Medium Enterprises (MSMEs)

According to the National Policy on MSMEs, the definition for micro, small and medium enterprises adopt a classification based on the dual criteria of employment and assets (excluding land and buildings) as shown below. Whenever there exist a conflict on classification between employment and assets criteria the employment- based classification will take precedence.

Micro Enterprises employ between 1 and 9 persons. The 2013 National MSME collaborative survey put the estimated number of micro enterprises at 36.99 million with a minimum total employment of 57.84 million. This group is dominated by those who engage in wholesale & retail trade, repair of motor vehicles and household goods which accounts for about 54.67%

³ Ibid

Only 1 in 10 working Nigerians is formally employed

followed by manufacturing (13.21%). Other numerically significant sectors include agriculture (8.92%), other services (7.80%), accommodation and food services (5.51%), transport & storage (4.76%) and arts, entertainment & recreation (1.06%).

Classification of MSMEs (according to the National Policy on MSMEs)

S/n	Size Category	Employment	Assets (N million) Excl. land and buildings
1	Micro Enterprises	Less than 10	Less than 5 million
2	Small Enterprises	10 to 49	5 to less than 50 million
3	Medium Enterprises	50 to 199	50 to less than 500 million

Source: National Policy of MSMEs

Small enterprises employ from 10 - 49 persons and cover the same range of enterprise types concentrated in the more modern end. The 2013 National MSMEs Survey put the number of small enterprises in Nigeria at 68,168.

Medium enterprises are the formal face of Nigerian enterprises employing between 50 and 199 persons. The 2013 National MSMEs Survey put the number of medium enterprises in Nigeria at 4,670. The medium enterprises are concentrated in manufacturing, transportation, information and communication technology, agro & agro-allied and oil & gas.

2.2 National Policy on micro, small and medium enterprises (MSMEs)⁴

In May 2015 the Federal Government of Nigeria approved the revised national policy on MSMEs. It is a comprehensive and robust national policy to appropriately guide the current MSME environment. The current policy will be in place from 2015 to 2025 and be reviewed every four years. The original National Policy on MSMEs was developed and launched in 2007 by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). However initial implementation was plagued by limited stakeholder buy-in from public and private sector institutions, lack of strong commitment to MSME development by all tiers of Government, weak synergy amongst institutions involved in MSME development, Ineffective funding of the MSME development process(SMEDAN,2015; Augusto & Co, 2016).

The National Policy on MSMEs outlines key objectives, strategies and programmes for influencing development of MSMEs. The Policy delineates several programmatic areas as

⁴ Please refer to SMEDAN (2015). "National Policy on MSMEs." Retrieved 10th July, 2016, from <http://www.smedan.gov.ng/images/NBS2015/NATIONAL%20POLICY%20ON%20MSMEsFinal%20Copy.pdf>.

follows: finance, institutional, legal and regulatory framework, human resources development, technology, research and development, extension and support services, marketing and infrastructure & cost of doing businesses. The policy will give the necessary sturdy framework and guidance for the MSME stakeholders and will create an enabling environment for MSMEs to thrive.

3.0 Access to finance

3.1 The State of SME Finance in Nigeria

Nigeria's businesses are starved of capital, poor access to finance constitutes a major constraint for Nigerian SMEs⁵ and is continuously touted as the main challenge affecting MSMEs in Nigeria. The exorbitant lending rates (ranging from 21% - 30% for commercial banks to as high as 48% - 60% per annum for microfinance banks) discourage MSMEs from accessing bank loans⁶. Nigeria is also reported to have the shortest average loan maturity (21 months) among comparison countries, such as Kenya, Brazil, China and India(Iarossi, Mousley et al. 2009).

High interest rates on Government securities also act as disincentive to banks to intensify lending to MSMEs⁷. These reasons are why the bulk of Nigerian MSMEs rely on equity from personal savings and contributions from family and friends as capital, which largely proves inadequate⁸.

According to World bank estimates, as of 2012, only 5 percent of SMEs have a loan, despite the fact that 80 percent of them seek financing. Furthermore, financing constraints seems to depend on the size of the firm. An estimated 59 percent of small firms report difficulties in accessing finance compared to 35 percent of medium firms and 11 percent of large SME firms⁹

The main reasons Nigerian SMEs give for not applying for loans are:

- short loan maturities,
- inaccessible collateral requirements,

⁵ Iarossi, G., P. Mousley, et al. (2009). "An Assessment of the Investment Climate in Nigeria." Directions in Development. from http://siteresources.worldbank.org/INTAFRsuma/FTPS/Resources/NIGERIA_ICA_EBOOK..pdf.

⁶ Augusto&Co (2016). "A Review of the Nigerian MSME Policy Environment." from <http://fatefoundation.com/policyreport.pdf>.

⁷Berg, G. and M. Fuchs (2013). "Bank Financing of SMEs in Five Sub-Saharan African Countries." Working Paper 6563. from http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2013/08/08/000158349_20130808113228/Rendered/PDF/WP6563.pdf.

⁸ Augusto&Co (2016). "A Review of the Nigerian MSME Policy Environment." from <http://fatefoundation.com/policyreport.pdf>.

⁹ Fuchs, M. and I. Radwan (2009). " Making Finance Work for Nigeria." Retrieved 11th July 2016, from http://siteresources.worldbank.org/INTAFRsuma/FTPS/Resources/Making_Finance_Work_for_Nigeria.pdf.

- high interest rates and
- cumbersome application procedures.

3.2 Access to funding for Micro, Small and Medium Enterprises (MSMEs)

Over the past few years, the Federal Government has introduced a number of financing schemes in order to increase access to finance for the MSME sector. Below is a list of a select few

- **Small and Medium Enterprises Equity Investment Scheme (SMEEIS)**

The scheme was launched in 1999 and required all banks in Nigeria to set aside 10% of their profit after tax (PAT) for investment and promotion of small and medium enterprises.

- **CBN's ₦200 billion Refinancing and Rediscounting Scheme (RRF)**

The scheme was launched in 2002 to encourage medium and long-term loans to the real sector for growth and development. Eligible projects have a concessionary rate of 2% below minimum rediscounting rate (MRR). The scheme also aimed to encourage medium and long term lending in order to expand and diversify the country's production base.

- **CBN's ₦235 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)**

Launched in April 2010, the fund is administered at the prime lending rate of the participating bank. The scheme target market was Manufacturing, Agricultural value chain, Educational institutions. The Fund objectives were to accelerating the development of the SME manufacturing segment by providing credit guarantee from banks to SMEs and manufacturers.

Increasing output, generating employment, diversifying the revenue base increasing forex earnings and providing sustainable inputs for the industrial segment.

- **Real Sector Support Facility (RSSF)**

The ₦300 billion fund launched in 2014 targeted Manufacturing, Producing and processing of tangible goods, Fabricating, deploying plants, machinery or equipment to deliver goods or providing infrastructure to facilitate economic activity in the real sector Agriculture, Services. The fund objectives were to fast track the development of SMEs in the manufacturing, agricultural value chain and services sub-sectors.

- **The National Enterprise Development Programme**

The National Enterprise development programme is a strategic way of addressing the critical factors that have restricted the growth of the MSME sector. NEDEP interventions cuts across all tiers of enterprise and provides the tools to assist enterprises grow from micro to small, small to medium and medium to large.

4.0 SMEs funding through the capital market

4.1 Capital Market financing

In order to address financing challenges that are facing small and medium sized businesses capital market solutions are increasing being adopted. Capital markets are clear alternative to bank lending and MSME funding could be sourced from the capital markets¹⁰. However, raising capital by issuing equity or debt securities attracts high average transaction costs, arduous listing requirements and complex legal and regulatory frameworks¹¹. For these reasons, it has been mainly large firms that usually access the capital market (Peterhoff et al, 2014).

SME focused equity platform is a capital market solution available to well established SMEs offering an alternative to the main listing boards on national stock exchanges. The SME platform acts as a second-tier listing alternative and such platforms are characterized by lower listing requirements and costs to list than the main board. SME equity platforms are best suited to the largest SMEs such as the medium segment due to the initial cost and ongoing listing requirements most platforms demand (Peterhoff et al, 2014).

According to IOSCO(2015)¹², certain jurisdictions have implemented the SME platforms differentiating SME issuers from others in capital markets. Successful platforms across the world that have grown briskly and maintained a substantial number of listings include the Alternate Investment Market (London), TSX Venture (Canada), HK GEM (Hong Kong), Mothers (Japan), Alternext (Europe) and AltX (South Africa) (Peterhoff et al, 2014).

¹⁰ Peterhoff, D., J. Romeo, et al. (2014). "Towards Better Capital Markets Solutions For Sme Financing." from http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/files/insights/financial-services/2014/July/FINAL3_BetterCapitalMarketMechanismsSMEs.pdf.

¹¹ ibid

¹²IOSCO (2015, 6th July 2016). "SME Financing Through Capital Markets ". from <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD493.pdf>.

4.2 Nigerian Alternatives Security Market (“ASeM”)

The Alternative Securities Market (ASeM) is a specialized board of the Nigerian Stock Exchange (NSE) for emerging enterprises with high growth potential. ASeM provides smaller companies the avenue to access the capital market and raise longterm finance through less stringent listing rules and requirements in line with regulatory requirements, of the Corporate Affairs Commission(CAC) and the Securities and Exchange Commission (SEC)(Onyema 2013; NSE ND).

Businesses could list in one of the twelve sectors on the NSE: Agriculture, Construction/Real Estate, Consumer Goods, Financial Services, Industrial Goods, Information & Communications Technology (ICT), Natural Resources, Oil & Gas, Services Utilities, and Conglomerates. ASeM is designed to address issues and challenges associated with emerging businesses in Nigeria, which include but are not limited to: Difficulty in accessing long term capital due to high cost of funds as a result of perceived high risk Increased cost of operations due to inadequate basic public infrastructure, including access roads, power, security, etc. Inability to build capacity required to deliver results due to high staff turnover Informal nature of operations, which undermines strategies, policies, processes and corporate governance Lack of proper accounting standards, controls and management of financial resources (NSE ND)

Small and medium sized companies with high growth potential are given the opportunity to raise long-term capital from the capital market at a relatively low cost, thereby enabling them to grow and institutionalize.(Ajumogobia&Okeke 2015).

GMA(2013) listed the benefits of listing as follows:

- Access to long term capital for growth and expansion
- Platform for facilitating long term sustainability of the company
- Reduction of financial burden and spreading of risks amongst shareholders
- Access to investors focused on high growth potential SMEs in emerging markets
- Professional guidance (Designated Adviser) to ensure company benefits
- Opportunity for initial investors to realize some or all of their investments
- Liquidity of the market
- Reduced stringent listing requirements
- Transparent price discovery mechanism

Before a company can be listed on the ASeM, it must satisfy the following pre-listing requirements:

- Pre Tax Profits-Medium term (at least 2 years) comprehensive business plan
- The company must submit financial statements/business records for the 2years prior
- Financials-Date of last audited accounts must not be more than 9 months

- Minimum of 15% of share capital must be offered to the public
- At least 51 shareholders

Listing on the ASeM can be done either through:

- Initial Public Offer or
- Introduction

Owners may retain up to 85% of total shareholdings of the company; requirement is for 15% minimum public ownership . Concern about associated cost of being listed:The benefits of being listed far outweigh cost as applicable fees on ASeM are relatively low. Disclosures will improve the adherence of the company to transparency, which improves confidence and brand integrity(Onyema 2013).

4.3 Challenges of Alternatives Securities Market (“ASeM”)

Omoluabi Savings and Loans PLC recapitalized to meet the CBN capital base requirement for the primary mortgage institutions through ASeM in the twilight of 2013 (Morgancapitalgroup 2014). This was the first straight equity IPO in the capital market since the recession of 2008. This gave impetus to the IPO market and the ASeM as more investors and institutions signified interest in raising capital through ASeM platform.

However, as of June 30, 2016, ASeM currently had 9 Equities listed with a market capitalization of N8,443,180,449. The 52-week change of the NSE ASeM index from July 2015 to June 2016 is only 0.01%(NSE). The NSE ASEM Index is currently 1,213.68 points as investors shy away from these companies’ stocks. In spite of regulatory efforts at reviving the alternative securities market (ASeM) of the Nigerian Stock Exchange (NSE), companies listed on this segment of the market are yet to attract the needed liquidity from local and foreign investors .

ASeM was meant to provide the opportunity for small companies to raise long-term capital at relatively low cost from the capital market. The Alternative Securities Market (ASeM) appears to be heading the same path as the Second Tier Securities Market (SSM). Consequently, the NSE’s goal of achieving a \$1 trillion market capitalisation by 2016, has not been realized.

5.0 IOSCO guidelines to ease SMEs' access to capital markets

In its detailed report on 'SME Financing through Capital Markets', IOSCO issued the following seven recommendations to make it easier for SMEs to access capital market

(i) Review current securities regulatory requirements on SME issuers¹³¹⁴

- Regulators should remove disclosure requirements that are of less significance to SMEs
- Make relevant information on SMEs more readily available to allow for informed decisions
- Reduce the scale of requirements such as: amount of minimum paid up capital, the number of years of operation and minimum free float, revenue, market capitalization, the number of public shareholders, the number of minimum shareholders, equity, paid up capital and profitability.
- To reduce the cost of capital, it is necessary for regulators to reduce registration and listing fees for SMEs.
- Regulators should delegate market operators with the responsibilities of appraising the prospectuses of companies seeking admission to SME markets.
- Consider paving way for an SME agency to bear the cost of IPOs

(ii) Offer alternatives to a public offering.

- In terms of access route, an alternative window for SMEs should be provided to access financing from capital markets. Even with no prospectus or modified prospectus or offering document certain prescribed SMEs could be allowed to conduct Private placements. Given the costs, time, and disclosure requirements associated with a public offering, SMEs that prefer to stay private with no intention to ever become public entities can still be able to obtain funds through the capital markets.
- Issuance options such as private placements and hybrid offer regimes should be made more available. These options will increase the flexibility of the primary market's regulatory framework and attract and facilitate SME financing.

(iii) Ensure investor protection.

¹³ Vollmer, S. (2015). "7 ways to ease SMEs' access to capital markets." Retrieved 12th June, 2016, from <https://www.linkedin.com/pulse/7-ways-ease-smes-access-capital-markets-rodger-stephens-cpa-cgma>.

¹⁴ IOSCO (2015, 6th July 2016). "SME Financing Through Capital Markets ". from <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD493.pdf>.

- Investor confidence is important for increase in investment flows into the SME markets. Retail investor need to be particularly protected given their importance as the main investors in SMEs securities. Hence, the challenge for regulators is to strike the right balance between an adequate level of investor protection and the optimum level of requirements for issuers. Although less disclosure should not necessarily mean less investor protection.
- Where necessary, additional disclosure requirements can be placed on SME issuers to underscore any big investment risks unique to them

(iv) Support the market for SME shares.

- For the benefit of the market, regulators should introduce a market making system for liquidity of SME shares. This will guarantee SME securities have reliable price formation process and increase the number of shares held by the public. The reverse will be the case where there is inadequate liquidity.
- Regulators should promote accessibility to good investment research information. Inducements that will promote independent research on and ratings of SMEs should be provided. Investors are generally not eager to pay for research on SMEs due to high cost. Potential investors should have access to research and rating information in order to reduce the information asymmetries associated with smaller companies. This can be improved through publishing periodic analysis and rating reports by relevant institutions on SME securities.
- In order for SMEs management to remain committed and that securities issued are appropriately valued. Policymakers could consider introducing lock up provisions that would allow an SME to grant another company the option to buy its stock as a prelude to an acquisition,¹⁵ this will guarantee that
- A low number of outstanding shares and a narrow investor base can make it difficult to sell SME shares. Introducing a market-making system may help.
- Frequent investment research on SME securities by relevant institutions should be encouraged so that investors interested in SMEs could easily and cheaply access the analysis and rating information.
- Policymakers should consider introducing provisions that would allow an SME to grant another company the choice to buy its stock as a prelude to an acquisition. This will protect the integrity of the SME market. Similar lock-up provision would ensure that management remains committed and that securities issued are appropriately valued.

¹⁵This will protect the integrity of the SME market

(v) Increase financial literacy/ public awareness for the need of SME financing.

- Regulators and policymakers should organize promotional campaigns, public seminars and conferences to increasing public awareness on the importance, benefits and the need for SME financing
- Regulators should also conduct surveys to examine why SMEs fail to exploit the full advantage of the capital markets, to determine their willingness to access the capital market
- Furthermore, regulators should explore setting up an internal working group or development team to promote SME access to capital market financing.
- It is important for regulators to set up training and education initiatives in order to promote SMEs compliance. Regulators could consider setting up teams to respond to SME questions relating to regulatory requirements. SMEs may be reluctant to explore the benefits of capital markets owing to a lack of professional staff that are able to comply with technical regulatory requirements.
- To inform, educate, publish analyst reports and assist SMEs and investors, Policymakers could consider setting up a website

(vi) Set up a system to ensure that SMEs comply with regulatory requirements.

- Compliance with regulatory requirements should be monitored more closely. A special team for direct monitoring of SME compliance could be set up. However, proportional and lighter regulation for SMEs does not mean that supervision should also be lighter for SMEs.
- Furthermore SME compliance with security regulatory requirements could also be promoted through the use of nominated advisers. These advisers will be registered with a stock exchange and will assist SMEs during the application procedure for listing on the stock exchange. The advisers will also be liable jointly with the issuer - for the accuracy of the information and documents disclosed to the public.¹⁶
- To maintain investor confidence and market discipline, shares of SMEs should be closely monitored and investigated where necessary given they are likely to be more susceptible to market manipulation
- SME agencies, governmental bodies, stock exchanges and public authorities needs to harmonize their efforts and also explore alternatives.

¹⁶The Alternative Investment Market (AIM), of the London Stock Exchange delegates a company known as NOMAD with the primary responsibility to help a new company in its admission to the AIM, and to provide advice and to avoid the delisting of the new company. The London Stock Exchange sets strict criteria for becoming an AIM Nomad, in order to safeguard the integrity of the market, and to ensure that existing and prospective AIM companies have access to the high-quality advice they deserve. A similar system is found in a number of jurisdiction, albeit called different names.

(vii) Foster investor demand for SME shares.

- There should be measures to promote long term institutional investor demand for SME securities as retail investments are likely to remain an inadequate source of financing.
- The top rated SMEs should be considered for inclusion into pooled securities structures in order to draw institutional investors and lower transaction costs

6.0 Conclusion / Key Takeaways

6.1 Conclusion

The capital market is critical to a country's economic development. Long-term financing is an essential element for supporting investment and growth. Access to long-term financing enables MSMEs solves their financing needs over the long term and this has a positive effect on economic growth and on employment generation.

6.2 Key takeaways

- MSMEs play important roles as engines of growth therefore it is critical to ensure that MSMEs in Nigeria have access to the necessary credit they need to expand and continue to perform their function in investment, growth, innovation and employment.
- The capital market presents an opportunity of financing the MSME sector. Capital markets have always played a role in bringing together those with savings to invest and those who need capital thereby supporting economic growth.
- The SEC should consider reducing disclosure obligations that are of less value to SMEs. In addition to registration and listing fees for SMEs. This will go a long way to reducing the hurdles for SMEs to list in the stock market
- For SMEs that have no plans to go public, the SEC should explore the possibility of backdoor listing for prescribed firms
- The SEC should further strengthen its drive towards investor protection as this will build confidence on the SME capital market without putting burden of SMEs
- Measures to improve liquidity of the market for SME shares should be pursued and improve the investor base

- Cheap and affordable analysis and rating information related to SMEs should be readily available to interested investors. Periodic investment research on SME securities should be promoted.
- There should be room for lockup provisions. In the event of an acquisition SMEs should be allowed the right to grant another company the option to buy its stock. This will ensure management remains committed and that securities issued are appropriately valued.
- The benefits of capital markets can be promoted by Regulators and policymakers through such mediums as promotional campaigns, public seminars, and conferences. This will increase public awareness of the need for SME financing.
- To enlighten, inform, and aid SMEs and investors, Policymakers should put up a website for publishing periodic analyst reports for SME securities.
- There is need for a team to respond to SME questions and supervise compliance with regulations.
- SME shares should be closely monitored and investigated when necessary for market manipulation.
- Authorized Nominated advisers registered with the stock exchange should assist SMEs during the application procedure for listing on the stock exchange. The advisers along with the issuer should be held liable for the accuracy of the information and documents released to the public.

References

- Agusto&Co (2016). "A Review of the Nigerian MSME Policy Environment." from <http://fatefoundation.com/policyreport.pdf>.
- Ajumogobia&Okeke (2015). "A comparative guide to listing on the LSE and NSE." from <http://www.ajumogobiaokeke.com/assets/media/348d7dafc86057408411ebc059b527ff.pdf>.
- Berg, G. and M. Fuchs (2013). "Bank Financing of SMEs in Five Sub-Saharan African Countries." Working Paper 6563. from http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/08/08/000158349_20130808113228/Rendered/PDF/WPS6563.pdf.
- Fuchs, M. and I. Radwan (2009). " Making Finance Work for Nigeria." Retrieved 11th July 2016, from http://siteresources.worldbank.org/INTAFRsuma/FTPS/Resources/Making_Finance_Work_for_Nigeria.pdf.
- GMA (2013). "Alternative Securities Market (ASeM)." Goldbank Management Associates Limited News letter. from http://gma.com.ng/uploads/reports/ASeM%20NEWSLETTER_1.pdf.
- Iarossi, G., P. Mousley, et al. (2009). "An Assessment of the Investment Climate in Nigeria." Directions in Development. from http://siteresources.worldbank.org/INTAFRsuma/FTPS/Resources/NIGERIA_ICA_EBOOK.pdf.
- IMF (2013). "Nigeria: Financial Sector Stability Assessment " IMF Country Report No. 13/140. Retrieved 11th July 2016, from <https://www.imf.org/external/pubs/ft/scr/2013/cr13140.pdf>.
- IOSCO (2015, 6th July 2016). "SME Financing Through Capital Markets ". from <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD493.pdf>.
- Morgancapitalgroup (2014). "The Nigerian Economy, the Capital Market, Banks & the CRR Hike To 75%, and the Outlook for 2014." from http://morgancapitalgroup.com/pdf/outlook_2014_report.pdf.
- NEPZA (2013). "National Enterprise Development Programme(NEDEP)." Retrieved 7th July, 2016, from <http://www.nepza.gov.ng/downloads/nedep.pdf>.
- NSE (ND). "The Alternative Securities Market (ASeM): A Guide to Listing." from <http://www.nigerianstockexchange.com/investors/becoming-an-investor/FAQs/ASeM%20-%20Guide%20to%20Listing.pdf>.
- Onyema, O. (2013). The Alternative Securities Market Of The Nigerian Stock Exchange. Launching Of The Alternative Securities Market For Emerging Business, The Muson Centre, Onikan Lagos.

Peterhoff, D., J. Romeo, et al. (2014). "Towards Better Capital Markets Solutions For Sme Financing." from http://www.oliverwyman.com/content/dam/oliver-wyman/global/en/files/insights/financial-services/2014/July/FINAL3_BetterCapitalMarketMechanismsSMEs.pdf.

SMEDAN (2010). "2010 National MSME Collaborative Survey." from <http://www.smedan.gov.ng/images/collaborative%20survey%20report.smedan-nbs.pdf>.

SMEDAN (2013). "SMEDAN and NBS Collaborative Survey: Selected findings." Retrieved 9th July, 2016, from http://nigerianstat.gov.ng/pdfuploads/SMEDAN%202013_Selected%20Tables.pdf.

SMEDAN (2015). "National Policy on MSMEs." Retrieved 10th July, 2016, from <http://www.smedan.gov.ng/images/NBS2015/NATIONAL%20POLICY%20ON%20MSMEsFinal%20Copy.pdf>.

Vollmer, S. (2015). "7 ways to ease SMEs' access to capital markets." Retrieved 12th June, 2016, from <https://www.linkedin.com/pulse/7-ways-ease-smes-access-capital-markets-rodger-stephens-cpa-cgma>.

Appendix 1: NSE listing requirements:

Subject	Main Board	ASeM Board
Pre Tax Profits	Cumulative consolidated pre-tax profit of at least N600m within 1 or 2 years or the option of consolidated pre-tax profit of at least N300m for the last 3years, with a pre-tax profit of at least N100m in 2 of those years.	Medium term (at least 2 years) comprehensive business plan
Market Cap	At least N4bn at the time of listing based on the issue price and issued share capital	Capital to be raised & anticipated market capitalization
Operating Record	3 years operating track record of company and/or core investor	Company must have been in operation for at-least 2 years
Financials	3 years financials and date of last audited accounts must not be more than 9 months	2 years financials and date of last audited accounts must not be more than 9months
Public Float	Minimum of 20% of share capital must be offered to the public	Minimum of 15% of share capital must be offered to the public
Public Shareholders	At least 300 for equity shares	At least 51 shareholders
Continuing Obligations	Promoters to retain 50% of shares pre-IPO for 12 months. Submission of quarterly, semi – annual and annual statements.	Promoters to retain 50% of shares pre-IPO for 12 months. Submission of quarterly, semi – annual and annual statements. Companies must retain a Designated Adviser to assist with regulatory compliance.
Accounting Standard	All financial accounts are to be prepared following the International Financial Reporting Standard (IFRS)	All financial accounts are to be prepared following the International Financial Reporting Standard (IFRS)

SOURCE: Nigerian Stock exchange

Appendix II: Members of ASeM

As at 29/04/2013 ASeM had a total of eleven(11) members with market capitalization of N4.1 billion.

These members are:

1. Ads Witch Plc
2. Afrik Pharmaceuticals Plc
3. Anino International Plc
4. Capital Oil Plc
5. Juli Plc
6. McNichols Consolidated Plc
7. Rak Unity Petroleum Plc
8. Rokanna Industries Plc
9. Smart Products Nigeria Plc
10. Union Venture & Petroleum Plc
11. West Africa Aluminium Products Plc

Presently, ASeM has a total of nine(9) members. These are:

1. Afrik Pharmaceuticals Plc.[Mrs]
2. Anino International Plc.[Mrs]
3. Capital Oil Plc[Rst]
4. Juli Plc.[Mrs]
5. McNichols Plc
6. Navitus Energy Plc[Dip]
7. Omoluabi Savings And Loans Plc
8. Rak Unity Pet. Comp. Plc.
9. Smart Products Nigeria Plc[Mrf]

Appendix III: International Experiences

The London Stock Exchange's Alternative Investment Market (AIM), which was set up in 1995, has succeeded in attracting a large number of small-sized companies globally, including a few Indian ones. AIM facilitates easy entry and less tedious disclosure requirements, but it has in place an appropriate level of regulation for smaller companies. It also provides a faster admission process and no pre-vetting by the regulator. Currently, firms have raised almost 30 billion pounds via IPOs on AIM with companies coming from 37 sectors, 90 sub-sectors and 26 countries (AIM 2014).

The National Stock Exchange (NSX) in Australia is the fully regulated main board stock exchange focused on listing SMEs. There is an alternative exchange for SMEs in South Africa (AltX). The Shenzhen Stock Exchange in South China's Guangdong Province has a board for SMEs. Similarly, Egypt launched has an SME Exchange (NILEX).

Other SME exchanges are GEM (Growth Enterprise Market) in Hong Kong and the Market of the High-Growth and Emerging Stocks (MOTHERS) in Japan. GEM is a separate dedicated stock exchange different from AIM and MOTHERS, which are trading platforms of their respective main stock exchanges

Other initiatives include TSX Ventures Exchange (TSX-V) in Canada, Catalist in Singapore, KOSDAQ in the Republic of Korea and MESDAQ in Malaysia. NASDAQ also started as an SME Exchange and provides special facilities for listing of small and medium enterprises.

The Rwanda Stock Exchange (RSE) has also started an initiative for small and medium enterprises' (SMEs) listing on the alternative market segment of the bourse. The Istanbul Stock Exchange (ISE) in Turkey has a particular segment catering to the funding requirements of SMEs.