Analysis for a Secondary Stock Market to Cater for Small to Medium Businesses in Zimbabwe

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Abrstact:- This study premised on the problem that the small medium enterprises are lagging behind in listing and grappling with capital financing woes, undertook a critical analysis for the instituting of a Secondary Stock Exchange for small to medium businesses in Zimbabwe. Mixed methods were used to collect data through: questionnaires plus in-depth interviews from a sample of 67 participants drawn from Zimbabwe Stock Exchange stakeholders. These qualitative and quantitative methods produced descriptive statistics results.

- ***Findings:***

The small to medium businesses failed to qualify for listing on the stock exchange due to the heavy regulations placed on prospective firms. The high minimum share equity level set by the ZSE is out of reach for many small medium businesses coupled with their distaste for offering part of their shareholding to the public.

- ***Recommendation:***

The fundamentals for establishing a secondary stock exchange: reducing the minimum listing share equity level, initiating training on raising capital through a stock exchange market and government guaranteed issuance of shares to public and potential investors of the Alternative Stock Exchange.

Keywords:- *Establishment, Secondary Markets, Alternate Stock Exchange, Small Medium Enterprises, Listing, Capital Financing; Share Equity, Shareholding.*

I. INTRODUCTION

Bank loans or personal savings are the main sources of funding for small medium businesses (IMF, 2017). Bank financing has been shown to be an unreliable source of funding during recent times of systemic stress (ICSA, 2013). The regulatory actions implemented in response to the crisis during the past 12 years tightened regulations governing capital requirements, significantly complicating efforts to finance small to medium businesses through bank loans (ICSA, 2013). Thus, varied alternative sources of capital for small medium business became increasingly necessary. Schellhase and Woodsomem (2017) posit that public equity funding is one option that can improve small medium businesses expand and have the potential to satisfy the listing criteria. From that vantage point, this paper examines the financing of small and medium-sized businesses in Zimbabwe.

Small and medium-sized businesses contribute to the economic development of a nation (IMF, 2017). In the European Union small and medium-sized firms produced 56.4% of the sector's added value and 66.6% of employment (European Commission, 2018). The Financial Tribune (February 2018), posited that small medium businesses in Zimbabwe employed more than 75% of the country total workforce contributing $8.58 billion to its GDP in 2016. Access to credit lines and finance is a problem for small to medium businesses (Block and Heinz, 2016; Hossain and Yoshino, 2018). While access to capital is the lifeblood of financing small to medium businesses daily operations. Small- and medium-sized enterprises expansion and daily operations depend heavily on access to bank funding (Dauda et al. 2014; Zubair et al. 2017). The establishment of specific secondary stock markets has been suggested to create capital market divisions for small and medium-sized businesses. Many stock exchanges in developing and emerging markets have recently started creating market sectors specifically for small medium businesses (Schellhase and Woodsomem, 2017). The main objective of these small-medium businesses stock exchanges has been to increase equity financing access for relatively small expanding businesses showing the potential to considerably boost employment and GDP. In emerging nations, the small size of SMEs has made creating Alternative Stock for small medium enterprises exchanges a significant problem (Harwood and Konidaris 2015). Despite this, capital markets only account for a very modest portion of global SME finance, particularly in developing nations. Since 2002, certain African nations have established alternative stock exchanges to help SMEs obtain access to long-term funding. With more than 200 SMEs from Morocco, Botswana, and Mauritius listing throughout Africa in 2013, African nations including Ghana, Kenya, Nigeria, and Tanzania stock exchanges generated growth markets (Johnson and Kotey, 2018). These contain 33 Moroccan firms, with the bulk of those listed in Egypt (African Banker, 2016). A tiny number of SMEs have listed since the establishment of this alternative exchange, despite the fact that four SMEs were listed on Ghana's alternative market, which failed to achieve its objectives (Johnson and Kotey, 2018).

Zimbabwe has lagged behind in creating an alternative stock exchange for its small- medium enterprises, which make up the majority of the economy, The Zimbabwe Stock Exchange (ZSE) is accessible to local SMEs and other Zimbabwean businesses but its listing rules specify how listed firms must operate, trade, and disclose, coupled with a three-year track record of successful operations, which are

ISSN No:-2456-2165

weak points for many small to medium entities. To be eligible for listing on the stock exchange, a company must have capital and reserves totalling at least $10 million ZWL (ZSE, 2020; Changunda, 2020).

The defined ZSE laws and standards have an impact on small to medium enterprises' capacity to be listed especially given the extremely low number of businesses and particularly this sector, which do not do so.

Small medium size businesses in Zimbabwe face limited access to external lines of credit and funding. Bank regulatory loan measures have reinforced capital financing regulations, making it harder for small to medium enterprises to receive bank funding. Globally, just a small portion of SME finance comes from capital markets (ICSA, 2013; Schellhase and Woodsomem, 2017). Due to a lack of the anticipated standards and rules imposed by the stock exchange authorities, the majority of SMEs in emerging countries have been unable to list on the current stock markets. The small size of the small-medium enterprises has made creating Alternative Stock Exchanges in developing nations a challenging task.

Johnson and Kotey (2018) acknowledge that, despite the potential importance of creating a successful alternative stock exchange market in a developing nation for small-medium enterprises, this goal is not always achieved, especially in extremely small markets where there are obstacles to effective market operations. The study was enabled by the following research goals and questions in order to solve the issue.

Critically evaluating the viability for establishing an alternative stock exchange for small to medium-sized businesses in Zimbabwe was the study's principal research goal.

The following specialized research goals complemented the main goal.

- Identifying the difficulties preventing SMEs from going public.
- Identifying the necessary foundations for building an alternative stock exchange that can list SMEs in Zimbabwe.
- The readiness of Zimbabwean SMEs to list on the Alternative Stock Exchange will be looked at under this item
- Additionally, the research questions listed below helped in reaching the main goal. They are as follows:
- What are the difficulties SMEs face in becoming public companies?
- What are the foundational creation elements of an alternative stock exchange suitable for listing SMEs in Zimbabwe?
- Are Zimbabwean small and medium-sized businesses prepared to float on the Alternative Stock Exchange?

II. LITERATURE REVIEW

Espel, P., Brettel, M., Breuer, W. and Abedin, A. (2009) based their study on theory of planned behaviour and the Perking theory to investigate small-medium enterprise funding practices. Espel et al. (2009) utilized private equity from the standpoint of small to medium enterprise owner managers by using the idea of planned behaviour. The theory was used in that study to define the demand side perspective while evaluating the utilization of public equity for the firms. Pengfei, Jianjun, Xiaoming, and Haizhonget (2016) posited that the theory dictates that a certain behaviour depends on having the intended behavior in mind. Therefore, the desire to do the same is required for someone to get public money for their business. According to the theory of planned behaviour, small- medium enterprises behaviour toward public equity attitudes, social norms, and perceived behavioural control are all described by three components (Ajzen, 1991; Espel et al., 2009). Espel et al. (2009) posit, the attitude constructions are driven by factors including the perception of increased public equity value and the unfavourable attitude toward the anticipated and perceived loss of control over a business. The study also evaluated the obstacles to listing on the stock in the context of the current study; perceived control was identified as one of these obstacles as an attitude in the theory of planned behaviour (Espel et al., 2009; Wehinger, 2012).

Small-Medium Enterprises owners of family-owned enterprises, are hesitant to transfer control of their company and as a result, do not list on the public market. In a mixed methodology research, Wehinger and Nassr (2014) discovered that businesses felt that the minimum ownership dispersion required by the stock exchange was intolerable.

Espel, P., Brettel, M., Breuer, W. and Abedin, A. (2009), posits that the effect of the enterprises internal and external financial decision makers is described by the social norm dimension of the theory of planned behaviours. This element shows that a small- medium enterprise is most likely to favour using public equity in situations when decision makers are involved and exhibit a favourable attitude about it. When contextualized to the current study, it implies that when it comes to listing on a stock market for public equity, decision makers should be involved and must have a favourable attitude. The level of knowledge that small- medium enterprise managers and owners have regarding equity, which is the last dimension of the theory of planned behaviour, is a crucial component (Espel et al., 2009). Another important component is how equity is believed to be accessible. According to this research's interpretation, the majority of small -medium enterprises find the numerous listing requirements and regulations to be followed numerous as well as far-reaching, noted by (Inamdar (2016).

The Perking Order theory is grounded on the firm preference of internal sources of funding to external funding and favours use of debt to equity in the event that external funding is used (Myers, 1984). This means that if firms go for external financing, debt financing is preferred ahead of equity financing, depending on the minimum costs (Luigi, 2013). Murray and Vidhan (2007), posit that debt capacity limits the amount of debt assumed by the firm. The Perking theory, a useful indicator of the capital structure of an organisation is in this study a crucial equity financing mechanism vital for expanding the capabilities and operations of small-medium enterprises given the severe lack of debt financing through bank loans. In addition, this study examines the viability of establishing a secondary stock exchange as a last option for funding small and medium-sized businesses using equity. Listing on the Secondary Stock Exchange is ideal for small -medium enterprises' long-term growth and finance.

The main purpose of the Zimbabwe Stock Exchange (ZSE) is to make it easier to raise long-term capital through the secondary market trading of securities and issuer regulation services (Zimbabwe Stock Exchange, 2020). Some of the pre-listing conditions by the ZSE include the placement of approved updated documents by the issuer to ZSE. The documents must have the following details: the issuer's full name, place and date of incorporation, full names and addresses of its directors, a description of the rights of securities holders in the event of the issuer's liquidation and business rescue proceedings, a description of how the proceeds from the sale of the securities will be used by the issuer, and any other information that the ZSE may deem pertinent (ZSE, 2020). In addition, sets of complete financial statements for the past five years reflecting the profitable operations of the business, underwriters guarantee to take up unsubscribed shares at the initial listing are challenges faced by small medium enterprises (Changunda, 2020; ZSE, 2020). Developing Alternative or Secondary Stock Exchanges for small medium enterprises in developing economies has been a challenge, largely due to the trivial size of the small medium enterprises (Harwood and Konidaris 2015). However, the current share of small medium enterprise financing through capital markets is rather small all over the world especially in developing economies, although capital markets offer an alternative long-term financing source (ICSA, 2013; Schellhase and Woodsomem, 2017).

The majority of small medium enterprises' balance sheets generally rely on long- and short-term loans from banks and other external sources of debt financing (CFA Institute, 2013). Luigi (2013), posits that in the Perking order hypothesis, small medium enterprises favour debt funding over equity financing. Sestanovi (2016) emphasizes that financial institutions are drastically holding back on lending to businesses, with the majority of small medium enterprises suffering as a result. When debt financing becomes unavailable, additional external sources of funding, including public equity, have been used to maintain financial soundness.

Since they are one of the most well-known and prospective sources of external long-term equity financing, public stock exchanges have become a viable source of funding for many economies (Sestanovic, 2016). The majority of the main stock exchanges now in operation are progressively focusing on the small medium enterprises sector by creating niche platforms that fall under the multilateral trading facilities' legal purview and have less entry criteria than regulated markets (Chemmanur and Fulghieri, 2016; Sestanovic, 2016). They have lately emerged as a promising alternative for small medium enterprise financing at various stages of their lifecycle. The current share of small medium enterprise financing through capital markets is small all over the world especially in developing economies, although capital markets offer an alternative long-term financing source (ICSA, 2013; Schellhase and Woodsomem, 2017). This has led to the need of alternative or secondary markets that provide small medium emterprises funding.

III. ALTERNATIVE MARKETS

Johnson and Kotey (2018) explain that a different stock exchange is created to trade shares and securities of small and medium-sized enterprises (SMEs) because they are too small to be included in the main stock markets. This is a stock market made specifically for small businesses that cannot meet the rules of the main stock exchange in order to raise money. (Zimbabwe National Chamber of Commerce, 2010) In previous writings, different words are used to mean the same thing as Secondary Stock Exchange or Alternative Stock Exchange. This is called the Alternative Stock Exchange according to Johnson and Kotey (2018). It is a stock market for small and medium-sized businesses, as mentioned by Peterhoff, Romeo, and Calvey (2014). Johan (2011) refers to it as an exchange specifically for small and medium-sized enterprises. The London Stock Exchange calls it the Alternate Investment Market (2016).

Peterhoff, Romeo, and Calvey (2014) agree that there are new platforms being developed specifically for small and medium-sized businesses. These platforms offer an alternative to the big stock markets for companies looking to be publicly traded. A different stock market for small and medium-sized businesses helps them get noticed, allowing investors to find and support these up-and-coming, fast-growing businesses (S-Cap, 2014). Other stock exchanges have been made to be a second option to the main stock exchange. These exchanges usually have more relaxed rules.

The capital market is an urgent part of a decent working monetary framework and a basic vehicle for an economy's turn of events. The improvement of a solid capital market is basic since past investigations have shown that there is a critical positive connection between capital market advancement and financial development (Oteh, 2010). Oteh (2010) emphasizes that capital business sectors connect the people who have the assets to contribute with the individuals who could utilize this money to transform novel thoughts into organizations, creating positions, working on expectations for everyday comforts and adding to the economy. With regards to Elective Financial exchanges, these small medium enterprises-centered trade markets are progressively acquiring prevalence among famous stock trade administrators across the globe.

A number of famous examples comprise HK GEM (Hong Kong), NewConnect (Warsaw Stock Exchange), Korea Exchange (KRX), EnterNext and Alternext (Euronext), the Bombay Stock Exchange (BSE), Bursa Malaysia, AIM (London Stock Exchange), KONEX in Singapore Exchange (SGX), First North (NASDAQ OMX), AIM Italia - Mercato Alternativo del Capitale (Borsa Italiana), Alternext (Europe), and TSX Venture Exchange (Toronto Stock Exchange), Mothers (Japan)), U.S.A.'s NASDAQ, GreTai Securities Market, BSE and NSE boards for SME (in India), SME Board (Shenzen Stock Exchange) pinpointed by previous authors(Cumming and Johan, 2011; Asian Development Bank, 2014, Finance and Markets Global Practise Group, 2015).

African countries; Ghana, Kenya, Nigeria and Tanzania, have stock exchanges which created growth markets with more than 200 SMEs from Morocco, Botswana, and Mauritius listing across Africa (Johnson and Kotey, 2018). Four small medium enterprises were listed on the Alternative Market in Ghana; however, this alternative market failed meeting its aims due to the small number of SMEs listed (Johnson and Kotey, 2018). The World Federation of Exchanges (2015) similarly pointed out that Alternative Stock Exchanges are regarded as essential in the financing ecosystem. Nevertheless, there has been a low success rate in developing SME markets in various jurisdictions.

Small -medium enterprises face insignificant chances to get outside funding because of the absence of mindfulness or data imbalances (Colombo et al., 2016; North et al., 2013). Wehinger (2014) uncovers that the instructive hole of private companies to public value funding adds to their non-posting on these stock trades. Pleasantly, Inamdar (2016) found in a blended strategy concentrating on the absence of data or information on wellsprings of outer support, where for example, elective stock trades lead to a loss of certainty on a piece of the small-medium enterprises prompting their hesitancy and absence of drive to participate in the posting system. In that case, small- medium enterprises trades in India flopped before the progress of the laid-out progressive third elective stock trade. Inamdar (2016) set that the disappointment of the past trades was because of an absence of promoting the endeavours between the stock trade specialists and connected partners. This prompted a lack of Stock Trade posting and venture data.

Van Heerden (2015) likewise showed that uncovering the absence of showcasing and mindfulness, instigates a couple of additional difficulties especially in that the small-medium enterprises in South Africa might neglect to see the advantages of posting which incorporate development to the principal bourse. Using this finding helpful, the elective stock trade frameworks in China greatly advertised their foundations and ascertained how to draw in eighty (80) new postings each year on normal as contrasted with Brazil which just pulled in two (2) new postings each year on normal because of unfortunate showcasing and data dispersal (Harwood and Konidaris, 2015; Inamdar, 2016). An absence of value culture and mindfulness plus the small-medium enterprise instructive hole, coupled to the absence of suitable monetary schooling and abilities, adversely affects both the interest and the inventory side of small-medium enterprise value markets (Wehinger and Nassr, 2015).

The absence of accessibility of great credit data of the right structure (likeness) and brilliancy (idealness) is ostensibly the main hindrance to the showcase-based SME funding, especially at the obligation side of the range (Wehinger, 2014). In this manner, scarcity of data and the absence of a framework for data sharing and examination as far as stock trade posting and speculations, are significant supporters of non-leaning to stock trades by SMEs in many nations, particularly in emerging nations.

Johnson and Kotey (2018) studied the stock trade in Ghana to evaluate the predominant elements impacting small -medium enterprises posting on the Ghana Elective Market (GAX). The investigation noted that less than half of the small -medium enterprises had some data about the GAX yet had restricted information with respect to the advantages of posting on the GAX as well as what is expected to list. Zidana (2015) uncovered that the absence of exposure meant zero small-medium enterprises postings on the Malawi Stock Trade. Johnson and Kotey (2018) suggested that the important partners ought to be seen giving more data and training about the GAX, making it a commonsense choice for them. The Johannesburg Stock Trade has a compulsory Chiefs' Enlistment Program where they are shown posting prerequisites, guidelines and financial backer connections (Harwood and Konidaris, 2015) and likewise this is a necessity with the ZSE. South Africa made a countrywide trade posting effort, preparing programs with different areas and business affiliations on the stock trade business. The programs did not draw in critical new postings implying that absence of mindfulness about South Africa's elective stock trade was not justification for the non-posting of small- medium enterprises. The discoveries on absence of mindfulness as a test of posting on stock trade appear to be blended for various business sectors - an inspiration to complete and concentrate in the Zimbabwean setting.

The listing requirements on existing stock exchanges and alternative stock exchanges are too stringent and broad for small-medium enterprises, leading to an inability to access public equity markets (Quartey, Turkson, Abor and Iddrisu, 2017). Zvendi (2015) posited that listing requirements for SMEs in Nigeria were too stringent due to their small size and heterogeneous nature. The OECD (2015) found that small enterprises have structural disadvantages in accessing financing and attracting public equity investments. The right balance must be struck to balance administrative costs and the regulatory burden for SMEs. Capital markets provide a sustainable external source of financing for SMEs, but it comes with high transaction costs, listing requirements, and regulations. Costs associated with listing and compliance being the major obstacle, hindering SMEs from listing and obtaining capital to grow (Wehinger et.al 2015).

Baker and McKenzie (2012), Peterhoff, Romeo, and Calvey (2014), Oteh (2010), and Moritz, Block and Heinz (2016) all agree that SMEs face challenges in raising public equity funding due to high transaction costs and complex legal and regulatory procedures. Additionally, the World Federation of Exchanges (2016) demonstrated that the company incurs direct and indirect costs to prepare and maintain the listing, which are not dependent on the enterprise size.

➢ *Liquidity and Macroeconomic Environment*

Low levels of liquidity, in some way inherent in the small -medium enterprise category, stands as one of the major significant restrictions to investment in public small -medium enterprise equities (Wyman, 2014). Due to the requirement to give up share ownership or lose control of their company, SMEs have difficulties when trying to list on stock markets. They frequently keep ownership within their own family, which might make listing more difficult. As AIM has no minimum shareholder prescription, lowering the minimum prescribed shareholder portion may encourage SMEs to list. The macroeconomic climate and low liquidity both limit investment in public SME stocks. According to studies, SMEs have substantial obstacles to enter into the capital market,having a high credit risk, and being susceptible to unforeseen changes in the unstable economic climate. Additionally, SMEs frequently avoid listing on alternative exchanges due to investors' unfavorable opinions of their lack of liquidity.

Bridging the information gap between the alternative stock exchange authorities and small -medium enterprises prospecting to list on the alternative stock exchange; the issuers and investors, is one of the fundamentals for establishing a sustainable alternative stock exchange (Konidaris, 2015). In related points, (Zvendi, 2015; Chen, 2016) reports that China established the China Information Institute and the Center for Advice and Support for Small and Medium Enterprises - Organizations and Platforms technology offering free information and seminars, a user-friendly website and access to electronic databases (Harwood & Konidaris, 2015). This effort to increase stock market information generated about 80 new listings a year on average (Inamdar, 2016). The importance of access to information in the IPO process of some small -medium enterprises has been recognized by the Nairobi Stock Exchange. Journalists disseminated poor information and misinformation from investors, stock- exchange investment and ongoing operations (Nairobi Stock Exchange, 2012). In addition, Mwarari (2013) recommended the need to market commercial data globally through agencies that sell information and to hire professional staff to conduct commercial data marketing.

At the same time, the London Stock Exchange (2016) emphasizes information dissemination about how the company is perceived in the public domain to potential investors (London Stock Exchange, 2020). Nassr and Wehinger (2015) suggested educating companies about external financing options more broadly and specifically using equity market funding. Konidaris (2015) emphasizes awareness and training on the necessity and benefits of registration, because many small- medium enterprises avoid registration as they do not understand the benefits of registration and do not want to disclose information on finance or expand ownership and control. Training should seek to debunk the idea that registration is expensive and complicated. Konidaris (2015), argues that stock exchanges should provide training programs to educate small and medium enterprises on the benefits of listing, pre-listing training should include corporate governance, company, information disclosure, capacity building, and assistance with the preparation of offering documents and advice on valuation, valuation and how to attract investors. Training should cover registration requirements, investor targeting, investor relations, financial management and communications (JSE, 2019; Konidaris, 2015).

Tlhwaele (2019), posited that alternative stock market costs be addressed by reducing them for SMEs, example the Johannesburg Stock Exchange costs are still high for SMEs. Reducing costs for SMEs trading on alternative exchanges is an important fundamental factor outlined in the current literature. However, Harwood and Konidaris (2015) emphasized that the regulatory requirements could not just be reduced to become attractive to the SMEs. This could negatively affect investor confidence and expected protection from probable financial risks.

Harwood and Konidaris (2015) reiterate that investor confidence is fundamental in a capital market.

Government support and intervention plays an active role in facilitating the entry of small and medium enterprises into the market, especially in emerging developing countries where very small enterprises are located. Weild, Kim, and Newport (2013) argue that improving economic incentives for SME stock market participants can encourage the development of a healthy and vibrant small business ecosystem. Konidaris (2015) demonstrates that governments can provide various types of incentives and support, including tax incentives for issuers and investors, direct investment in the SME market and providing grants to issuers covering subscription costs. Small and medium-sized businesses in the alternative investment market benefit from favourable tax status on AIM shares in personal savings accounts.

➢ *Regulatory Conditions*

Estanovi (2016) argues that the bulk of the current primary stock market participants are increasingly focusing on SMEs through the creation of specialized platforms operating under the multilateral trade facilities' legal framework which have less entry requirements than regulated marketplaces. The purpose of easing stock exchange laws is to resolve difficulties with shareholder structure, corporate governance, and the minimum net worth requirements for any business prospecting to list on an alternative stock exchange (Securities Commission of Zimbabwe, 2010). Regulations are major determinants of whether SMEs list on the Alternative Stock Exchange, as demonstrated in Nigeria, South Africa, Ghana, India, Kenya, and London (London Stock Exchange, 2020).

Konidaris (2015), posited that accommodating policies, adaptable rules, and minimal regulations should be implemented. The U.S., the U.K., and Canada, three of the world's most industrialized economies, have successfully implemented reporting requirements for businesses during the 2015 year. According to the London Stock Exchange (2020), the AIM is home to businesses with a market capitalization of zero. Zvendi, (2015) acknowledged that AIM's performance is actually predicated on adaptable and reasonably-adjusted regulatory criteria, including the absence of any minimum company size requirements, trade record requirements, or minimum capital requirements. Harwood and Konidaris (2015) warned, however, that the regulatory standards could not simply be scaled back to attract small -medium enterprises because this might undermine investor trust and the expectation of protection from potential financial risks. Investor confidence is essential in a healthy economy, according to Harwood and Konidaris (2015).

Depending on the country's nature and economic situation, different countries have different regulatory frameworks for securities sectors, Zimbabwe National Chamber of Commerce 2010). Wehinger and Nassr (2015), the regulators set a high shareholder spread for the Johannesburg Stock Exchange in order to ensure liquidity while not discouraging investors. The softening of corporate governance differs from one country to another, a reflection of the nature and type of the country’s economy. This was done to attract SMEs on the securities’ market.

IV. METHODOLOGY

This study was founded on critical realism because it resonates well with the mixed methods technique used therein. Realism is one of the three main epistemological research philosophies in literature (Leedy and Omrod, 2019). The critical research takes the position that social reality is historically created (social reality and beliefs already exist in the environment) and recognizes the complexity of social phenomena as well as a means of articulating this complexity (Saunders et al., 2016). As a result, this study, conducted from the standpoint of a critical realism adopted a pluralist and pragmatic posture to answer the presented research challenge, using multiple perspectives and research approaches.

The variables investigated in the study can be statistically measured (Sunders et al. 2016). In this study, a quantitative rating scale was used to statistically assess the readiness of the Zimbabwean small medium enterprises to list on the alternative stock exchange. Again, through inferential statistical analysis, the quantitative research dimension also provided a way to assess the importance of correlations between some of the research variables (Creswell, 2014). To quantitatively analyse the relationships, cross tabulations and chi-square tests were performed. Due to its emphasis on objective measurements and statistical analysis of data obtained, the quantitative research approach was helpful since it helped ensure the objectivity of research outcomes in studies (Saunders, et al.).

The study's qualitative component enabled extraction of insightful qualitative data in order to evaluate the viability of launching a secondary stock market for small to medium enterprises in Zimbabwe. In-depth interviews were used to qualitatively probe these issues in order to fully understand the difficulties encountered, preventing SMEs from listing on the stock exchange. The requirements for establishing a Secondary Stock Exchange compatible with listing small to medium enterprises in Zimbabwe, as well as the readiness of the Zimbabwean SMEs to list on the alternative stock exchange were also probed. The use of both quantitative and qualitative research methods allowed the study's methodologies to balance out each other's shortcomings, enhancing the validity and dependability of the research findings (Bryman and Bell 2015).

The focus on populace of this inquiry consolidates two clusters of members. The primary cluster focused on where information was gathered were the ZSE office bearers and counted the ZSE representatives, directors, committee individuals and board individuals, making a total of 62. The representatives were drawn from the different division within the ZSE which envelops ICT; Fund; Lawful, Compliance & Observation; Human Assets; Exchanging; Trade Advancement; Showcasing & Corporate. The second target cluster was comprised of 18 stockbrokers that actively and straightforwardly undertake work with the ZSE. Subsequently, the whole target populace was 80. The ZSE representatives, supervisors, board individuals and stockbrokers were favoured since they effectively and specifically worked with endeavours which endeavoured to list on the ZSE, thus, they were best suited to highlight the challenges confronted by little endeavours on posting on the stock trade advertise and their status to list on any shape of stock trade thereof.

In determining the sample size the number of respondents used as representative of a population was unequivocally calculated using a sample formula Raosoft (www.raosoft.com) (Beullens, Loosveldt 2014).

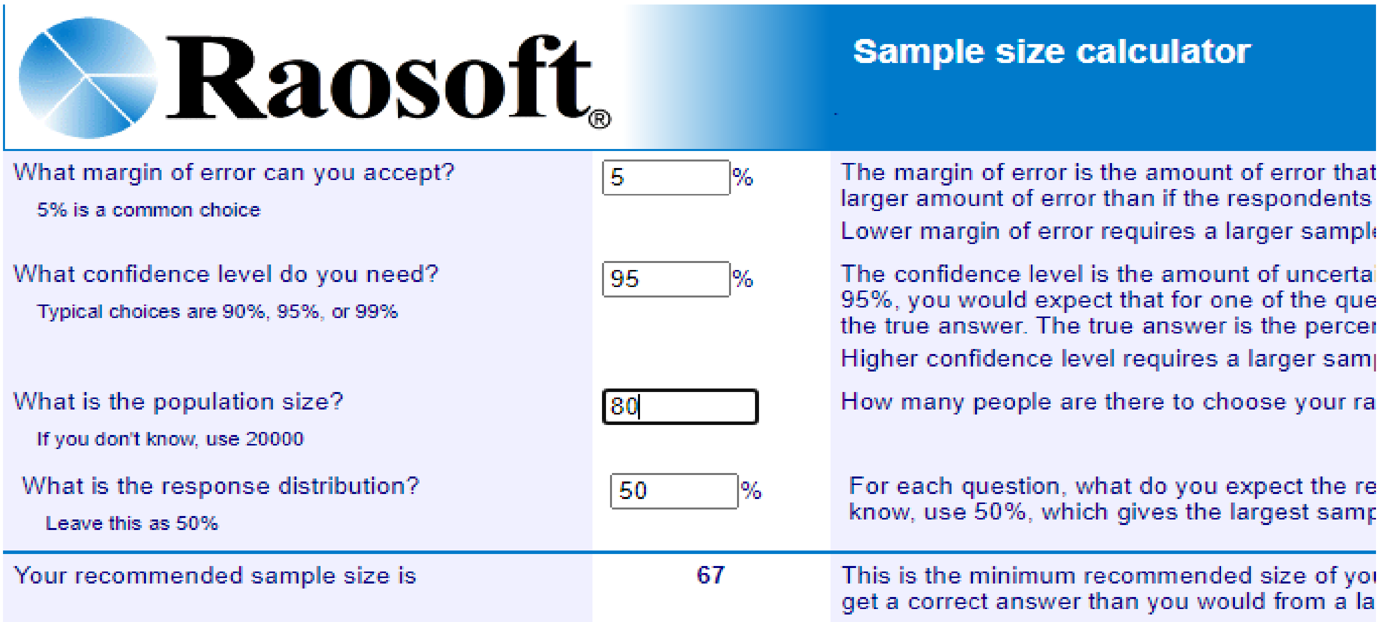

Fig 1 Sample Size Calculation Using Raosoft Sample Size Calculator.
Source: http://www.raosoft.com/samplesize.html, 2021.

The sampling technique applied ensured that the population distribution was represented since ZSE is departmentalised. Therefore, when selecting study participants to answer the questionnaire, sample subjects were selected based on their functional domain in relation to ZSE (group stratification). With this in mind, different functional areas were considered as heterogeneous floors with internal homogeneity within groups.

Applying stratified sampling technique, the different functional domains are considered strata and a corresponding random sample is selected from each stratum or functional domain.

Based on the sample size determined in Figure 1

Based on the already determined sample size in Figure 1 above, the following proportional stratified sampling table was produced (Table 1).

Table 1 Stratified Proportional Sample

Branch	**Target Population**	**Proportion**	**Stratified Proportionate Sample**
ICT	4	83.75%	3
Finance	12	83.75%	10
Legal, Compliance & Surveillance	4	83.75%	3
Human Resources	5	83.75%	4
Trading	17	83.75%	14
Business Development	8	83.75%	7
Marketing & Corporate Affairs	13	83.75%	11
Broker	17	83.75%	15
Total	**80**	83.75%	**67**

When using faculties segmented by ZSE, the sampling method is preferred because it ensures that the sample size is proportional to the size of the population as well as the size of each branch. To mitigate this challenge, the researcher was instructed with segmented functional domains to group the participants according to their function in relation to the ZSE. The respondents for the in-depth interviews were purposively chosen based on their knowledge, experience in the related field. The four key informants selected were a representative from the Ministry of Finance and Economic Development, a Senior Manager from the Securities and Exchange Commission of Zimbabwe and Senior Manager with the Ministry of Small and Medium Enterprises and Cooperative Development. Saunders, Lewis and Thornhill (2019) advances that the upside of judgmental sampling enables the extraction of rich data provided by informants with in-depth experience with the phenomenon being researched. The primary data for the study was collected using a structured self- administered questionnaire for quantitative data from the bulk of the research participants. In addition, in-depth interviews using an open-ended interview guide were used to the earmarked key informants.

The data collection instruments were tested for validity through a pilot test to ensure they measured the expected construct (Saunders et al, 2019). The instruments were verified by experts in the field and adjustments incorporated accordingly to ensure content validity (Bryman & Bell 2015). In addition, measuring of the consistency of the research instruments used in this study was done using the reliability score analysis in SPSS 25.0. Afterwards the actual questionnaires were captured and Cronbach's alpha computed for all questionnaire variables.

A cumulative Cronbach's Alpha for all the variables was computed as shown in Table 2 below.

Table 2 Reliability Score

Case Processing Summary			
		N	%
Cases	Valid	10	100.0
	Excluded	0	.0
	Total	10	100.0
a. Listwise deletion based on all variables in the procedure.			
Reliability Statistics			
Cronbach's Alpha		No. of Items	
.799		37	

Source: Pilot Study, 2021

The universally accepted Cronbach's Alpha should be at 0.7 for an instrument to be deemed reliable. The study's computed Cronbach's Alpha was 0.799 meaning the questionnaire was reliable and adopted for the complete data collection exercise. Research ethics were observed before embarking on the full-fledged data collection exercise for this study. Informed consent was professionally sought from the ZSE organisation and from each respondent and stockbroker involved in the data collection exercise. Confidentiality, a key ethical consideration in any research was observed in this study.

V. RESULTS AND DISCUSSION

Prior to analysing the data related to the research objectives, the analysed demographic information of the respondents is shown in Table 3 below.

Table 3 Response Rate

Targeted Sample Size	Number of Questionnaires completed and Returned	Response Rate
67	62	93%

Source: Researcher's Own computation, 2023

Table 3 above depicts that out of 67 distributed questionnaires, 62 of the participants successfully completed and returned their questionnaires. This translates to a considerably high response rate of 93% which enabled a credible and meaningful data analysis exercise. This is consistent with Dommeyer (2002) who reports that a survey response rate should be at least 50% to enable to enable a credible data analysis exercise. In this study, the 90% mark was surpassed by a bigger margin giving the researcher the right level of confidence to proceed to carrying out the full-fledged analysis. The demographic analysis revealed that the majority of the respondents (90%), held as least a diploma or first-degree qualification which empowered and enabled them to comprehend research questions. This aided the extraction of valid, reliable credible data for the analysis exercise. The findings for each objective were presented using descriptive statistics and tables as follow.

The Challenges that Hinder SMEs from Qualifying for Listing on the Stock Exchange. Table 4 below shows the findings pertaining to these challenges in a detailed manner as follows.

Table 4 The Challenges that Hinder SMEs from Qualifying for Listing on the Stock Exchange

N = 62	Disagree	Neutral	Agree	Strongly Agree	Total	Mean	Mode	Std. Deviation
High Share Capital Requirements		10%	40%	50%	100%	4.40	5	0.664
Distaste Spreading of Shareholding Ownership Control		8%	34%	58%	100%	4.50	5	0.647
Lack formalisation with required well instituted Organogram at the Top		18%	52%	30%	100%	4.13	4	0.689
Lack of consistent Audited Financials	10%	21%	50%	19%	100%	3.79	4	0.871
Distaste Disclosure of Financials	10%	21%	42%	27%	100%	3.87	4	0.932
Listing and ZSE Maintenance Costs	5%	15%	48%	32%	100%	4.08	4	0.816
Heavy Regulation Requirements		5%	34%	61%	100%	4.56	5	0.590
Lack of a Profitable Track Record		8%	45%	47%	100%	4.39	5	0.636

Source: Primary Data and SPSS Results, 2023

ISSN No:-2456-2165

The results in Table 4 above show that 90% of the respondents agreed (40%) or strongly agreed (50%) that the high share capital requirements were a hindrance to list on the ZSE by SMEs in Zimbabwe; only 10% neither agreed nor disagreed. These results are supported by what emerged from the key informant interviews where Key Informant 1 said:

"A company has to have a minimum of share equity of ZWL 10 million dollars and this has been one of the major barriers to listing by the small enterprises including SMEs since majority of the SMEs fall short on that threshold requirement"

"One of the greatest impediments to listing SMEs on the stock exchange in Zimbabwe has been the set minimum requirement of at 10 million Zimbabwean Dollars. A big number of SMEs have less than 100 000 shares translating to a total share equity value of at most ZWL 5 000 000." Key Informant *2.*

It can be observed from both the quantitative and qualitative research findings that one of the greatest impediments to listing on the ZSE, by SMEs in Zimbabwe, has been the set minimum requirement in which every company prospecting to list on the ZSE is expected to have at least ZWL 10 million in share equity. This regulatory issue must be observed by every company wishing to list on the ZSE. In-line with the regulation issues, 95% of the survey participants revealed that the heavy regulations on listing on the ZSE have been a serious deterrent to listing by SMEs in Zimbabwe. These results are consistent with past studies which reveal that developing Alternative Stock for SMEs exchanges in developing economies has been a difficult challenge, largely due the paltry size of the SMEs themselves (Harwood and Konidaris 2015).

It emerged from the interviews that the listed companies should be guided by sound corporate governance practices stipulated by the ZSE; some SMEs sometimes want to take shortcuts in their business processes which do not align with the tenets encapsulated in the corporate governance business ethics stipulated by the ZSE. Additional regulations and corporate governance ethics expected of the listed companies are on disclosure of financial statements and ensuring maintenance of audited financial statements; some SMEs displayed distaste for disclosure of financial statements to the public. Konidaris (2015) highlighted in a past study that SMES harbour a distaste for disclosure of financial information even if it's a key expectation by stock exchanges.

In further deeper analysis, a relationship between lack of consistent audited financials by the SMEs and their distaste for discourse of financials to public was discovered.

Table 4.1 Cross-Tabulation: Lack of Audited Financials Versus Distaste Discourse of Financials

Q4g Lack Consistent Audited Financials * Q4h Distaste Disclosure of Financials Cross-tabulation						
Count						
		Q4h Distaste Disclosure of Financials				**Total**
		Disagree	**Neutral**	**Agree**	**Strongly Agree**	
Q4g Lack Consistent Audited Financials	Disagree	3	3	0	0	6
	Neutral	2	9	2	0	13
	Agree	1	1	**23**	**6**	31
	Strongly Agree	0	0	**1**	**11**	12
Total		6	13	26	17	62

Source: SPSS Results

In Table 4.1, the cross-tabulation results, shows that 41 of the respondents in the bold (66%) who either agreed or strongly agreed that they lack maintenance of consistent audited financials also agreed or strongly agreed that they found distasteful the disclosure of financials to the public. Thus, it could be insinuated from the cross-tabulation results that the SMEs problem of lacking consistent audited financials is compounded by their distaste to disclose their financials to the public – a cumulative disposition that fails the SMEs to qualify for listing on the ZSE. The Securities Commission of Zimbabwe seeks to set minimum standards of corporate governance with the directors of every listed SME voluntarily promising to commit themselves to adopting good corporate governance practices (Zimbabwe Chamber of Commerce, 2010).

From the additional results in Table 4 above, 69% (50% agreed and 19% strongly agreed) testified that they do not consistently maintain audited financial statements; as such they then fall short on the ZSE requirement of maintaining audited financials for at least three (3) of its previous financial years of operations. Another 69% of respondents agreed (42% plus 27% strongly agreed) that they found public disclosure of their financial statements distasteful. In further regulations, companies expecting to list on the exchange are expected to have a proven track record of profitable operations dating back at least 5 years. Ninety two percent, 45% agreed and 47% strongly agreed, that in their operations, lack of a proven track record of profitable operations dating back at least 5 years has been a factor hampering their drive to list on the ZSE. It emerged from interview findings, that the non-profitable patch was attributed to the hyper-inflationary volatile business environment which has been eroding businesses profits with SMEs being the major victims. In relation, Hearn and Piesse (2013), a study on the development policy for small stock markets in developing countries noted that macroeconomic barriers such as inflation and liquidity crisis choked efficient market operations in small stock markets. This leads to failure in establishing a successful stock market.

In related results, Table 4 above indicates that 52% agreed and 30% strongly agreed that they lacked formalisation with the required well-constituted organograms at the top; only 18% were neutral. Yet the ZSE requires that the listing companies should comply with the expected formalization of a well- instituted organisational structure having an executive Financial Director, Compliance officer and the DA who have the appropriate expertise and experience. Among other operating costs, SMEs try to reduce costs by having lean management with accountants, finance managers and administration officers assigned to multiple areas with large sets of responsibilities. These results are supported by the interview findings in which the Key Informant 1 said:

- *Key Informant 1*

"SMEs always try to have a lean management at the top in which they do not appoint a Financial Director among other top managers. They assign multiple and large sets of job tasks to Accountants, Finance Managers and Administration officers with less defined benefits and salaries as compared to Executive Directors who require large perks."

- *Key Informant 2:*

"Companies always try to avoid costs in the form of engaging external audits. Yet a company must have a minimum of 3 years audited financials as per the ZSE requirements. SMEs then try to avoid these costs by not listing on the ZSE"

- *Key Informant 3:*

"The company is expected to be changed from a Private Limited to a Public Company – a process that adds additional costs to the SMEs. SMEs then shun these costs and listing."

- *Key Informant 4:*

"A company needs to prepare a prelisting statement, and SMEs usually don't have the knowledge so they have to hire consultant to prepare the pre-listing statement – a costly exercise too which SMEs to avoid but not listing at all. The SME are already having liquidity and working capital challenges in hyper-inflationary business environment"

The above listed qualitative findings were in sync with the quantitative findings (Table IV) in which 80% respondents concurred (constituting 48% agreed and 32% strongly agreed) that SMEs avoid listing on the ZSE due to the costs incurred for listing and compliance with regulation and disclosure of financial information. It could thus be noted that SMEs shun listing on the ZSE because of reasons linked to costs among other factors. In related interview results, it emerged that 0.05% of the value of securities is subject to a minimum initial listing fee of $450 000 and maximum fee of $4500 000. These costs are compounded by additional listing fees in which 0.05% of the value of securities is subject to a maximum of $4 000 000, prorated from the date of listing to the next billing date. Additional costs are incurred in the form of annual listing fees, document review fees, rulings and penalty fees. Harwood and Konidaris (2015), posited that the cost of listing and compliance as a key challenge and discouragement, particularly for the smaller enterprises within the SME category. In relation to this, Baker and McKenzie 2012), agreed that SMEs regularly encounter challenges in raising public equity funding because of stock exchange processes involving high transaction costs, with costs for very complex legal and regulatory procedures to produce this harmony (Peterhoff, Romeo, and Calvey (2014).

In the additional statistics in Table IV, the mean score range was between 3.79 (SD = 0.871) and 4.56 (SD = 0.590), all rounded off to 4 (agree)to indicate that the SMEs were agreeing to encountering challenges on listing on the ZSE due to high share capital requirements, lack formalisation with required well instituted organogram at the top, lack of consistent Audited financials, lack of a profitable track record, listing and ZSE maintenance costs, heavy regulation requirements and distaste for disclosure of financials. Having the standard deviations under 1 unit signifies that there was less variability in the responses given by the survey participants with regard to the challenges being encountered across SMEs when it comes to listing on the ZSE. The mean 4.50 (SD = 0.647) and mode 5 (strongly agree) shows that the majority of the respondents concurred that they avoided giving away ownership control in the form of the mandatory minimum shareholding that should be given to the public for each class of equity securities. The ZSE requires the SMEs to cede a minimum of 30% of their share capital to the public – a step that most SMEs find distasteful since they usually do not want to give away shares beyond immediate family connections. SME owners and managers usually shun spreading their ownership / shareholding requirement beyond their immediate family members' relatives. This was in harmony with Wehinger and Nassr (2015) who posited that firms consider the minimum holding of ownership stipulated by the stock exchange was unfavourable to them.

The Fundamentals for establishing an alternative stock exchange compatible with listing SMEs in Zimbabwe

The objective of the study sought to ascertain the fundamentals for establishing an alternative stock exchange compatible with listing SMEs in Zimbabwe. The research findings associated with this research objective are summarised in the form of descriptive statistics (Table 5).

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Table 5 Fundamentals for Establishing an Alternative Stock Exchange

N = 62	Disagree	Neutral	Agree	Strongly Agree	Total	Mean	Mode	Std. Deviation
Relaxed Regulatory stance		23%	42%%	35%	100%	4.13	4	0.757
Relaxing the minimum requirement of the issued equity capital for public		7%	40%	53%	100%	4.47	5	0.620
Reduced Required Shares and Total Share Value Requirement		11%	42%	47%	100%	4.35	5	0.680
Vigorous Education of SMEs on ZSE Fundamentals		7%	37%	56%	100%	4.50	5	0.621
Lower costs for registering and maintaining stock exchange affiliations		5%	37%	58%	100%	4.53	5	0.593
Government guaranteed issuance of equity capital to public	11%	18%	52%	19%	100%	3.79	4	0.890
Allow SMEs to register with competent lower level management organogram		21%	42%	37%	100%	4.16	4	0.751
Relax Profit Track Record Requirement	3%	18%	47%	32%	100%	4.08	4	0.795

Source: Primary Data and SPSS Results, 2022

Research findings in Table V above indicate relaxing the regulatory stance for listing SMEs on the stock exchange as an indispensable fundamental to establishing an alternative stock exchange. Forty two percent (42%) agreed and 35% strongly agreed to the importance of relaxing regulations for SMEs prospecting to list on the stock exchange. In related results pertaining to relaxing regulations, the mode strongly agrees – 5 (SD = 0.620), mode 5 (SD = 0.680) and mode 4 (0.795), showing that the highest frequency of the respondents concurred to the relaxation of the minimum requirement of the issued equity capital for the public, relaxation or reduction of required shares and total share value requirement and easing of the profit track record requirements respectively. These quantitative results were consistent with results emerging from qualitative research from the in-depth interviews where Key Informant 1 said:

- *Key Informant 1*

"If there is a clear demerit to being listed on the ZSE it is regulation. Because these companies' shares are available to the general public in an open (over the counter) manner in which heavy requirements are placed on how they behave and transact, in order to lure SMEs to listing on any form of an alternative stock exchange there is need to lessen the burden for the SMEs in terms of the upfront demands and regulations"

- *Key Informant 2.*

"The ZSE regulations should be reduced and relaxed especially on the shares and total share value requirement for SMEs prospecting to list in Secondary Stock Market since most of the SMEs are coming up and might not have the minimum requirement of ZWL 10 million dollars in capital and reserves to qualify for listing on the stock exchange."

"The Zimbabwean environment has been challenging economically as a result of the protracted liquidity crisis and hyperinflationary pressures and the SMEs have been having grappling with challenges of mobilising financial resources for their working capital requirements and to cover capital expenditure requirement. Actually, profit margins have been severely eroded with hyperinflationary environment, hence the need to relax previous profit track record requirement in favour of futuristic potential revenue and profit forecasts".

It could be deduced from the results that a clear challenge for listing on the ZSE by the SMEs was the regulation issue. The challenge was real because these companies' shares are available to the general public in an open or over the counter manner with heavy requirements placed on their business behaviour and conduct. In order to encourage the SMEs to list, it is necessary to relax the listing regulations in all dimensions including easing the minimum requirement of the issued equity capital being offered to the public; reducing the required number of shares and total share value for SMEs and relaxing profit track record. Zimbabwe's economic challenges are taking a toll on the performance and profitability of all organisations particularly SMEs. Most of the major existing stock exchanges today are increasingly targeting the SME sector by developing specific platforms under the legislative framework of the multilateral trade facilities with lesser admission requirements than the regulated market (Chemmanur et.al, 2016; Šestanović, 2016).

In further analysis, the cross-tabulation (Table V.1) shows a close link between relaxing regulatory stance in terms of relaxing or reducing shares and total value requirement for the SMEs.

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Table 5.1 Cross Tabulation: Reduced Shares and Total Value Requirement versus Relaxed Regulatory Stance

Count					
		Q5dReducedSharesandTotalValueRequirement			Total
		Neutral	Agree	Strongly Agree	
Q5aRelaxedRegulatoryStance	Neutral	7	3	4	14
	Agree	0	**22**	**4**	26
	Strongly Agree	0	**1**	**21**	22
Total		7	26	29	62

Source: Primary Data and SPSS Results, 2022

In Table 5.1, the cross-tabulation results, show that 48 of the respondents in the yellow shaded area (71%) who either agreed or strongly agreed to the need to relax stock exchange regulations to establish the alternative stock exchange also either agreed or strongly agreed to the need to relaxing regulations in terms of reducing the minimum share equity requirement for the SMEs prospecting to list on the Alternative Stock Exchange.

It emerged from the qualitative interviews that given the inflationary pressures exerted on business operations and profitability by the Zimbabwean economy over the recent years, SMEs are trying by all means to cut operations costs. The interviews also pointed out that the COVID-19 environment also worsened the situation for businesses in the last one and half years in terms of rising costs, a decline in revenue and profitability. As such, the SMEs adopt cost-cutting measures. They do not want to create additional costs by listing on the stock exchange where the listing costs, annual listing fees, document review fees, rulings and penalty fees are incurred. On the backdrop of these pointers, the key informant interviews highlighted that on the Alternative Stock Exchange, the listing costs and other ZSE related costs should be lowered specifically for SMEs prospecting to list on the alternative stock exchange. This research finding is in agreement with the quantitative research results displayed in in Table 3.0 above.

Thirty seven percent (37%) and 58% of respondents agreed and strongly agreed respectively that the SMEs should be charged relatively lower costs for registering and maintaining stock exchange affiliations on the alternative stock exchange. In agreement, Konidaris (2015) promulgates that receptive policies, flexible and less onerous regulation should be instituted in the form of reduced entry requirements, lower cost than main market, relaxed expectations on performance or earning and size, number of shareholders, percentage of free float; reduced ongoing reporting frequency and more time to deliver information, private placement mechanism, used by the vast majority of issuers.

In additional results, 79% of the respondents (made of 37% who agreed and 42% strongly agreed) concurred that it is fundamental to allow SMEs to register even with organograms made of lower level managers with the required competence and expertise in their job assignments. This was supported across all the four key informant interviews conducted wherein the informants highlighted that SMEs usually have lean organograms without the top position appointees such as the Financial Director required by the ZSE. The ZSE requires a well-constituted organisational structure with an executive Financial Director, Compliance officer and the DA who have the appropriate expertise and experience. It emerged that in SMEs' organisational structures, Accountants and Administration Officers could be running the financial and administration processes as shareholders try to cut costs on perks and salaries that are incurred when having executive position holders such as Financial Directors.

The mean scores 3.79 (SD = 0.890) and 4.50 (SD = 0.621) demonstrate that on average, the respondents were agreeing that the other fundamentals for establishing an Alternative Stock Exchange for SMEs should be vigorous education and training on the fundamentals and benefits of listing on the stock exchange besides ensuring government guaranteed issuance of equity capital being offered to the public for the listed SMEs. The standard deviations were under 1 unit implying that the responses given by the survey participants were closely related in relation to the means scores. Actually, the majority of the respondents strongly agreed – 5 (0.621) stressing the need for education and training on the stock exchange necessities. In related results, the interview finding pointed to the stock exchange education encompassing the various capital market subjects such as the stock exchange listing requirements, stock exchange products and services, financial literacy, and the general process of investing on the stock exchange.

The interview findings genuinely showed that the stock exchange education should be designed to impart knowledge to people on how to trade on the stock exchange while focusing on providing company personnel with skills to enhance their corporate standing. This would consist of programmes aimed at addressing issues from corporate administration basics to basics about capital markets and raising capital through the exchange. This was postulated to have a positive impact on generating desire, the culture and perceiving the need to do business on the stock exchange by the SMEs, particularly the Alternative Stock Exchange.

Konidaris (2015), states that exchanges should offer training programs to educate SMEs on the benefits of listing, pre-listing training covers corporate governance, information disclosure, capacity building, while including support for preparing offering documents and advice on valuation, pricing, and how to attract investors.

The qualitative interview results also stressed that awareness alone will not tip the scales, however, with equities battling to keep step with the outrageous inflation levels year on year investing in equities could simply not be attractive. As a result, the SMEs might not see the reason to list on an unattractive stock exchange. It emerged that there it is necessary to solicit the Government guaranteed issuance of equity capital being offered to the public for the listed SMEs. This then makes the Alternative Stock exchange attractive since investors on the Alternative Stock Exchange would be confident that their investments are backed by the government even if an SME happened to close its operations in this volatile business environment. Weild et al. (2013) promulgates that improving economic incentives for participants in SME equity markets can in turn incentivise the development of healthy and vibrant ecosystems dedicated to small firms. Konidaris (2015) establishes that governments can offer various kinds of incentives and support, including tax incentives for issuers and investors, investing directly in the SME market, and providing grants for issuers to cover listing costs.

➢ *The Readiness of the Zimbabwean SMEs to List on the Alternative Stock Exchange*

The readiness of the Zimbabwean SMEs to list on the Alternative Stock Exchange. The study results below in Table VI show the analysis

Table 6 Readiness of the Zimbabwean SMEs to List on the Alternative Stock Exchange

N = 62	Strongly Disagree	Disagree	Neutral	Agree	Total	Mean	Mode	Std. Deviation
General Drive of the SMEs to List on the Stock Exchange	50%	32%	10%	8%	100%	1.76	1	0.935
General Information on listing and Stock Exchange Fundamentals	32%	29%	21%	18%	100%	2.24	1	1.097
Culture of Proper Financial Record Keeping	29%	42%	16%	13%	100%	2.13	2	0.983
Capacity to Cover Listing and Maintenance Exchange	44%	39%	11%	6%	100%	1.81	1	0.884
Raising Capital via Stock Exchange Issued Share Capital	47%	32%	10%	11%	100%	1.85	1	1.006
Widen the spread of their shareholders beyond family	47%	27%	15%	11%	100.0	1.90	1	1.036
Invest resources and time on education and training on listing fundamentals	48%	34%	10%	8%	100.0	1.77	1	0.931

Source: Primary Data and SPSS Results, 2022

The researcher began examining the drive of the SMEs to register and list on a stock exchange. The descriptive statistical results in Table 6 above demonstrate that 50% disagreed and 32% strongly disagreed that the SMEs have any drive to register and list, even on the alternative stock exchange. This lack of drive to list is also evident in the majority of the respondents who disagreed (47%) and strongly disagreed (27%) that they were ready to widen the spread of their shareholding beyond family connections. The between these two variables is also demonstrated in Chi-square tests results in Table 6.2 based on the contingency table 6.1 (cross-tabulation) below.

Table 6.1 Cross-Tabulation Drive to List on a Stock Exchange Versus Spread of Shareholding Beyond Family Members

Count						
		Q6fSpreadShareholdingBeyonfFamily				Total
		Strongly Disagree	Disagree	Neutral	Agree	
Q6aDriveToRegisteronStockExchange	Strongly Disagree	8	13	6	4	31
	Disagree	15	2	3	0	20
	Neutral	3	1	0	2	6
	Agree	3	1	0	1	5
Total		29	17	9	7	62

Source: Primary Data and SPSS Results, 2022

Table 6.2 Chi-Square Test: Drive to List on a Stock Exchange versus Spread of Shareholding Beyond Family Members

Chi-Square Tests			
	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	18.817[a]	9	.027
Likelihood Ratio	22.120	9	.009
Linear-by-Linear Association	1.248	1	.264
N of Valid Cases	62		

Source: Primary Data and SPSS Results, 2022

ISSN No:-2456-2165

The Chi-Square Test results in Table 6.2 were premised on the contingency table (Cross Tabulation) – Table 6.1. The computation of the number of values that were free to vary (degrees of freedom) was 9 (a value to the size of the contingency table). It was obtained by multiplying the rows less one and columns less one of the 'Drive to list on a Stock Exchange' Versus 'Spread of Shareholding beyond Family Members' cross tabulation in Table VI. II. At a pre-specified level of significance (0.05) and confidence interval of 95% in this test, the number of cases involved was 62 and critical (or cut-off) value of the Chi-square (X2) was 18.817 located in the rejection region. Since the Sig. value was 0.027 (which is less than 0.05), there was a significant statistical relationship between the two variables. This indicates that the lack of interest to spread shareholding beyond the family members correspondingly contributes to the lack of drive to register and list on a stock exchange by the SMEs in Zimbabwe. Wehinger (2014) agrees that SME owners and managers usually shun spreading their ownership beyond their immediate family members and relatives with regard to the spread of shareholding requirement.

In additional results, the cumulative 79% (reflected in 47% who strongly disagreed and 32% disagreed) demonstrated that they were not ready to accept issued equity capital being offered to the public as a form of raising capital. In other words, these SMEs are concerned about loss of control through offering part of their shares to the public. In this connection, it emerged from the interviews that SME owners usually want total control of the small business and they always want to make sure that they fund the business operation only by themselves.

The mean scores ranging between 1.76 (SD = 0.935) and 2.24 (SD = 1.097) as well as the mode range of 1 (0.884) to 2 (SD = 0.983) shows that the majority of the respondents either strongly disagreed or disagreed that the SMEs were ready to register and list on an Alternative Stock Exchange since they were not investing resources and time on education and training to understand stock exchange listing fundamentals. They totally lacked general information and interest with regards to listing to some form of a stock exchange including the Alternative Stock Exchange; they were not committed to a culture of maintaining proper accounting records in light of the stock exchange expectations; they actually lacked a sustainable capacity to make payments towards listing fees and maintaining stock exchange affiliations as vouched by 83% of the respondents. This 83% is a cumulative percentage reflected in the 44% who strongly disagreed and 39% disagreed that they have the financial capacity to sustainably cover listing fees and other payments for maintaining stock exchange affiliation.

It emerged from the in-depth interview results that SMEs were actually grappling with sustaining their business survival in Zimbabwe's economic meltdown where the rampant liquidity crisis is compounded by the hyperinflationary pressures that have been exerted on whole economy over the past five years. It also emerged that any prospects to list on the stock exchange by business are thwarted by the prioritised drive of SMEs to cut any costs; of which stock exchange listing and maintenance costs are taken as additional burdensome costs to the SMEs. Ultimately, this saps the drive towards registering and listing on any form of stock exchange by the SMEs as demonstrated in Chi-Square Test Results in Table 6.3 which are based on the contingency Table 6.4 below.

Table 6.3 Cross-Tabulation Drive to Register and List on a Stock Exchange Versus Capacity to Cover Stock Exchange Costs

		Q6d Capacity to Cover Stock Exchange Costs				**Total**
		Strongly Disagree	**Disagree**	**Neutral**	**Agree**	
Q6a Drive To Register on Stock Exchange	Strongly Disagree	19	7	4	1	31
	Disagree	5	13	1	1	20
	Neutral	0	4	1	1	6
	Agree	3	0	1	1	5
Total		27	24	7	4	62

Source: Primary Data and SPSS Results, 2022

Table 6.4 Cross-Tabulation Drive to Register and List on a Stock Exchange Versus Capacity to Cover Stock Exchange Costs

	Value	**df**	**Asymptotic Significance (2-sided)**
Pearson Chi-Square	19.766[a]	9	.019
Likelihood Ratio	23.265	9	.006
Linear-by-Linear Association	4.112	1	.043
N of Valid Cases	62		

Source: Primary Data and SPSS Results, 2022

➢ *The Chi-Square Test Results in Table IV.IV were Premised on the Contingency Table (Cross Tabulation) –*

Table 6.3. The computation of the number of values that were free to vary (degrees of freedom) was 9 (a value to the size of the contingency table). It was obtained by multiplying the rows less one and columns less one of the 'Drive to list on a Stock Exchange' Versus 'Capacity to cover stock exchange costs' cross tabulation in Table VI. IV. At a pre-specified level of significance (0.05) and confidence interval of 95% in this test, the number of cases involved was 62 and critical (or cut-off) value of the Chi-square (X2) was 19.766 located in the rejection region. Since the Sig. value was 0.019 (which is less than 0.05), there was a significant statistical relationship between the two variables. This indicates that the lack of interest or drive to register and list on a stock exchange by the SMEs in Zimbabwe could be attributed to the SMSs' hesitancy and lack of capacity to cover stock exchange costs.

VI. DISCUSSION OF THE RESULTS

The study results highlighted the following challenges by the SMEs on listing on the stock exchange: heavy regulatory requirements at the stock exchange, high share capital requirements, aversion to the spread of the shareholding ownership control to the public, lack of consistent profitable record, lack of consistently audited financials and antipathy by SMEs to disclose their financials as required by the stock exchange regulations. This led to a lack of drive and culture by the SMEs to list on any form of stock exchange. These results are in agreement with past studies on Alternative Stock exchanges for SMEs in developing economies' findings that listing was a challenge due to the paltry size of the SMEs (Harwood and Konidaris 2015). In Zimbabwe, the SMEs situation was worsened by the hyperinflationary pressures and liquidity crisis being experienced in the economy. Hearn et.al (2013) posited that the successful establishment of the stock market in a developing country was not accomplished due to macroeconomic barriers such as inflation and liquidity crisis which choke efficient market operations.

The fundamentals critical to establishing an alternative stock exchange compatible with listing SMEs comprise of ensuring relaxing the regulatory stance, reducing the required shares and total share value for SMEs prospecting to list on the stock exchange, easing the previous profit record requirement in an inflationary environment, lowering costs for registering and maintaining stock exchange affiliations. In addition to undertaking vigorous education and training of SMEs on stock exchange business fundamentals, the government should come in with instruments that guarantee issuance of equity capital to the public. Chemmanur et.al (2016) posits that most of the major existing stock exchanges today are increasingly targeting the SME sector by developing specific platforms under the legislative framework of the multilateral trade facilities with lesser admission requirements than regulated markets. Konidaris (2015) promulgates that receptive policies, flexible and less onerous regulation should be instituted in the form of reduced entry requirements, lower costs than main market, relaxed expectations on performance and size, number of shareholders, percentage of free float; reduced reporting frequency and private placement mechanism, which are used by the vast majority of issuers.

The level of readiness of the SMEs to listing on the alternative stock exchange, indicated that the SMEs lack the general drive in registering on any form of stock exchange including the Alternative Stock Exchange. They are not ready to accept issued equity capital being offered to the public as a form of raising capital or to spread shareholding beyond immediate family and associates. They also lack: a culture of maintaining proper accounting records in light of a stock exchange demands, not investing in resources, training on stock exchange listing fundamentals, and lack sustainable funds to pay for listing fees. Yet, Konidaris (2015) accentuates the importance of offering training programs to educate SMEs on the benefits of listing on the stock exchange.

VII. CONCLUSIONS

The fundamentals which are critical for establishing an alternative stock exchange compatible with listing SMEs pointed to easing of regulations in the alternative stock exchange for the SMEs. The challenges that hinder SMEs from listing on the stock exchange are centred on lack of profitability records, share equity level, and spreading of shareholding ownership control. Relaxing the regulatory stance to suit the level of SMEs is a key contributor to establishing an Alternative Stock Exchange that attracts SMEs. Sustainability of the established alternative stock exchange depends on the level of education of SMEs to create an interest in investing on the stock exchange with government support to build trust in them. The SMEs lack of readiness to list on the Alternative Stock Exchange is due to reluctance spreading their shareholding beyond immediate family members and lack of understanding stock exchange requirements.

RECOMMENDATIONS

The following recommendations based on the research findings and conclusions were put forward**.**

- A new Alternative Regulation Framework with relatively light regulation suiting the SMEs should be instituted by the government authorities to encourage stock exchange registration and listing by the SMEs.
- Establishment of the Alternative Stock Exchange requires government intervention in the form of support for the SMEs with government guaranteed issuance of shares to the public in an endeavour to generate confidence in the public and potential investors of the Alternative Stock Exchange. In addition, relax previous profit track record requirements in favour of futuristic potential revenue and profit forecasts.

ISSN No:-2456-2165

- To encourage and ensure take-off of the Alternative Stock Exchange, the Ministry of Finance and Economic Development, Ministry of Small and Medium Enterprises and Cooperative Development and ZSE should take an initiative to vigorously provide extensive education and training to SMEs on information and knowledge related to stock exchange necessities and benefits as well as revealing opportunities and inculcating a culture of raising capital through a stock exchange market.

➢ *Further Study*

This study assessed the fundamentals and challenges encountered in establishing an alternative stock exchange as well examining the readiness of the SMEs to list on the stock exchange in Zimbabwe. Future researchers should place their focus on developing an Alternative Stock Exchange Model encompassing the legal frameworks which take into account the interests of the SMEs as well as the Alternative Stock Exchange investors.

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