

## An Establishment of Barriers Affecting Micro Small and Medium Enterprises Utilisation of Lusaka Securities Exchange Alternative Market in Lusaka City

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### Abstract

This study examined barriers that affected MSMEs utilisation of LuSE Alt-M in Lusaka city, Zambia. The primary objectives of the study were to assess the level of awareness among MSMEs about the existence of LuSE Alt-M in Lusaka city, to examine why MSMEs are not utilising the LuSE Alt-M in Lusaka city and to suggest strategies that may mitigate the non-utilisation of LuSE's Alt-M in Lusaka city. The study was guided by the pragmatic philosophy so as to provide practical solutions to the barriers affecting MSMEs utilisation of LuSE Alt-M. A cross-sectional, convergent mixed-method approach was employed. A response rate of 74% was achieved, with 290 completed questionnaires. The quantitative sample size, determined using Yamane's formula at a 95% confidence level and a 5% margin of error, comprised of 391 MSMEs drawn from a population of 17,643 MSMEs registered with the Zambia Revenue Authority, with turnovers between K800,000 and K50,000,000, based in Lusaka, the country's commercial hub. Qualitative data saturation was reached after 12 interviews with key informants. Stratified random sampling was employed for quantitative data collection while purposive sampling was used for qualitative data. Quantitative data from survey questionnaires were analyzed using SPSS version 27, while qualitative data obtained from interviews with capital market specialists were analyzed thematically, enabling triangulation of findings. The findings revealed that 63.4% of MSMEs in Lusaka were either strongly unaware or unaware of LuSE Alt-M's existence, and 71.4% lacked knowledge of its benefits. The study further revealed that awareness ( $r = .677, p < .05$ ), listing and compliance costs ( $r = -.540, p < .05$ ), and stringent listing requirement ( $r = -.704, p < .05$ ), were key barriers to MSMEs utilisation of LuSE Alt-M. Based on these findings, the study recommends collaborative efforts between LuSE, Zambia Chamber of Commerce and Industry (ZACCI), and business associations to enhance MSME awareness, alongside targeted education campaigns. Additionally, Lusaka Securities Exchange (LuSE) and Securities Exchange (SEC) should consider reducing listing costs and revising regulatory requirements to improve accessibility, while the Ministry of Finance and National Planning (MoFNP) should introduce more tax incentives to encourage participation. Establishing incubation programs to provide mentorship and market support could further enhance MSME utilisation of LuSE Alt-M. These findings offer critical insights for stakeholders, emphasizing the need for policy interventions to improve MSME access to capital markets, ultimately fostering economic growth and resilience in Zambia.

**Keywords:** Alternative Investment Market, Capital Markets, LuSE Alt-M, MSMEs

### 1. Introduction

The utilisation of alternative investment markets (AIM) is now regarded as effective alternative sources of financing Micro, Small Medium Enterprises (MSMEs). They play a crucial role in fostering economic development of the country, contribution to the gross domestic product (GDP) of the country and facilitate capital formation for MSMEs (Valencia and Fernández, 2022). They also offer an avenue for MSMEs to access funding beyond traditional bank loans.

AIMs for listing of MSMEs have been established by many exchanges in different jurisdictions globally, in order to assist MSMEs in raising finances through Initial Public offers (IPO) and listing their shares for trading to potential investors (Schellhase and Woodsome, 2017). While the main boards of the capital markets have been relatively successful, the AIM face significant challenges in attracting listings and facilitating efficient trading, making the growth of such markets been uneven across different regions due a number of barriers affecting MSMEs accessing the markets (Mortazian, 2021). Some of the barriers include many MSMEs still remain unaware of the existence of AIMs or its benefits (Novrianda et al (2020). There is insufficient information dissemination and educational programs that may contribute to this lack of awareness (Johnson and Kotey (2018). The other barrier is stringent listing requirements imposed by AIMs that may be too onerous for MSMEs (Chitekuteku and Sandada, 2016). These requirements include minimum capitalization, profitability, and corporate governance standards. This study aimed to establish barriers affecting MSMEs utilisation of the LuSE Alt-M in Zambia with specific focus of level of awareness among MSMEs on existence of LuSE Alt-M and the effect of listing requirements and the costs of listing on utilisation of LuSE Alt-M.

### 1.1. Background of study

The growth and sustainability of MSMEs are critical to global economic progress. Across the world, governments, multilateral institutions, and policymakers are increasingly addressing challenges related to access to finance, a key factor hindering the development of MSMEs. Historically, MSMEs have been recognized as drivers of economic growth, contributing 90% to global economic activities, generating 60% to 70% of employment opportunities, and contributing 55% of the world's Gross Domestic Product (GDP) (World Trade Report, 2016). Their ability to advance the United Nations Sustainable Development Goals (SDGs), notably goals related to job creation, sustainable industrialization, innovation, and income equality has further emphasized their importance in both developed and developing economies (OECD, 2018; World Bank, 2019).

In Zambia, MSMEs have traditionally played a key role in sectors such as agriculture, manufacturing, and services, driving domestic economic activity and employment (Daka,2019). However, the evolution of their financial challenges can be traced to structural and systemic barriers that have persisted over decades. Limited access to finance has consistently stood out as a significant impediment, exacerbated by regulatory hurdles, lack of collateral, and high-interest rates from financial institutions. These issues are deeply rooted in Zambia's underdeveloped financial market, characterized by limited credit facilities and an uneven playing field for smaller enterprises (World Bank, 2017).

To address these long-standing barriers, the concept of AIMs emerged globally as a promising financing mechanism during the late 20th century (Nonde, 2021). AIMs were designed to provide equity financing to MSMEs, bypassing traditional bank loans that often-required collateral. Unlike traditional funding models, AIMs enable businesses to secure long-term equity financing, which enhances their ability to expand and compete (ACCA, 2013). Developed nations embraced these platforms early (Chitekuteku and Sandada), achieving significant success in fostering MSME growth, while many developing nations, including Zambia, have faced challenges in fully leveraging their potential (BOZ. (2022).

Zambia made strides in this direction with the establishment of the Lusaka Stock Exchange (LuSE) in 1994, which sought to develop the nation's capital markets. Recognizing the persistent financing gaps for MSMEs, the LuSE Alt-M was established in 2014 (LuSE, 2015).

. This initiative was envisioned as a platform for MSMEs to access equity financing, therefore contributing to economic growth and achieving Zambia's Vision 2030 development goals. By enabling MSMEs to raise capital, the LuSE Alt-M also aligns with SDGs 5, 8, 9, and 10, promoting gender equality, decent work, innovation, infrastructure development, and reduced inequalities (LuSE, 2015).

Despite this promising start, the LuSE Alt-M has faced significant challenges since its inception. Historical records show that uptake has been limited, with no listings compared to the main board of the LuSE. A 2014 business survey conducted in Zambia identified a persistent lack of awareness about alternative financing options among MSMEs, alongside stringent listing requirements, as key barriers to participation (World Bank, 2017). These challenges reflect the broader historical struggle of MSMEs in Zambia to access financing mechanisms that meet their unique needs.

In light of these issues, this study seeks to establish barriers affecting MSME access to financing through the LuSE Alt-M. By exploring these barriers and identifying opportunities for improvement, the study aims to contribute to practical recommendations that can foster MSME growth and enhance their contribution to Zambia's economic development.

### 1.2. Statement of the Problem

The research problem addressed in this study was the non-utilization of the Lusaka Securities Exchange Alternative Market (LuSE Alt-M) by Micro, Small, and Medium Enterprises (MSMEs) to raise capital. While the LuSE Alt-M was established as a platform to provide MSMEs access to financing, no MSME has been listed since its inception (Chisanga et al., 2022; LuSE, 2023). This gap highlights a critical challenge in MSME financing in Zambia, despite documented evidence that access to finance is among the key barriers to MSMEs growth in Zambia. According to the International Financial Corporation (2018), 40% of formal MSMEs in developing countries, including Zambia, face unmet financing needs amounting to \$5.2 trillion annually, which is equivalent to 1.4 times the global MSME financing level (World Bank, 2019). While prior studies have explored MSME financing challenges, little has been done to analyze the specific barriers preventing MSMEs from utilizing the LuSE Alt-M. Existing research primarily addressed broader access-to-finance issues

without focusing on Zambia's unique context or providing actionable strategies to enhance LuSE Alt-M utilisation. This leaves a gap in understanding and addressing the intersection between capital market access and MSME growth in Zambia. If the barriers affecting MSMEs to utilize LuSE Alt-M to finance their growth are not resolved, MSMEs in Zambia may not be able to innovate, expand and create significant jobs. This will eventually affect the achievement of the aspirations of Vision 2030, of making Zambia a prosperous medium-income nation and the attainment of SDGs number 5, 8, 9, and 10 which respectively pertain to gender equality, decent work and economic growth, industry, innovation and infrastructure, and reduced inequalities. This study, therefore seeks to establish barriers that have hindered MSMEs utilisation of the LuSE Alt-M in Zambia, with the view of how its non utilisation can be mitigated.

### 1.3. Objectives of the Study

- i. To assess the level of awareness among MSMEs about the existence of LuSE Alt-M in Lusaka city.
- ii. To examine why MSMEs are not utilising the LuSE Alt-M in Lusaka city.
- iii. To suggest strategies that may mitigate the non-utilisation of LuSE's Alt-M in Lusaka city.

### 1.4. Research Questions

- i. What is the level of awareness among MSMEs about the existence of LuSE's Alt-M in Lusaka city?
- ii. Why are MSMEs not utilising LuSE Alt-M in Lusaka city?
- iii. How can the non-utilisation of LuSE's Alt-M be mitigated in Lusaka city?

## 2. Literature Review

### 2.1 Barriers affecting the Utilisation of Alternative Stock Markets by MSMEs

#### Level of Awareness and Utilisation of Alternative Investment Markets

Novrianda et al (2020) conducted a study to analyse knowledge about Capital Market activities in Indonesia. The purpose of their study was to examine the knowledge of the Indonesian people about the capital market and the activities which occur therein. The methodology used to analyze the level of knowledge of Indonesian people about capital market activities was quantitative, where probability sampling methods were used as sampling techniques. Questionnaires were administered on a representative sample of 207 respondents from various segments of Indonesia's educated and working population (teachers, lecturers, administrators, students, workers, traders and professionals in various economic sectors). In their study they found that public awareness of the existence and effective function of the capital market in Indonesia was at a fairly low level. This was caused by the lack of public knowledge of all activities that exist in the capital market in general.

Spaseska et al (2014) in their study, looked at an Analysis of SME financing in the Republic of Macedonia – Conditions and Perspectives. The aim of their study was to identify factors that significantly influenced the access to capital, and determine the financial state of the investigated entities in Macedonia. Their study found that public awareness of the existence and effective functioning of capital market among SMEs was very low, suggesting that the capital market was characterized by low liquidity levels therefore making it difficult for SMEs to raise long term funds easily.

Johnson and Kotey (2018) studied the influence of Small and Medium Enterprises (SMEs) Listing on the Ghana Alternative Market (GAX): Prevailing Factors. The aim of their study was to access factors that affect SMEs listing on Ghana Alternative Market, set up for specifically for SMEs listing in Ghana. The quantitative research approach was employed in the study where questionnaires were administered to respondents. Their findings were that SMEs had some information about the GAX, however, their knowledge about the requirements and benefits of listing on the GAX was very limited. Further their findings revealed that SMEs had challenges in accessing stock market operators and market information.

Chola (2019) in their study analyzed factors influencing the utilisation of the capital market in Zambia. The study employed a descriptive and exploratory research designs and linear regression model was used to analyse the data. Secondary data was collected covering a period of ten (10) years, from 2007 to 2017. The sample size of the study was 100 drawn from a study population of 180,000 made up of companies and individuals. The findings of the study were that knowledge of the capital market by the general public and the regulatory framework influenced the utilisation of capital markets. He further stated that the capital market in Zambia was underutilized.

#### Listing costs and Utilisation of Alternative Investment Markets

In their study carried out in South Africa (Semenya and Dhiliwayo, 2020) analysed the challenges of financing SMEs' growth through public equity in South Africa. Their study was based solely on literature. The source of the literature reviewed were databases such as Research gate, Emerald, Elsevier and Google Scholar. Their findings revealed that listing requirements were still considered too stringent for MSMEs. The cost of listing and compliance was also too high for MSMEs. They further established that lack of marketing/awareness on the part of the Stock Exchange existed among MSMEs and that MSME perceived AltX as inaccessible due to the high listing requirements and costs. Negative perspective

of investors about the liquidity was another factor affecting MSMEs listing.

Chitekuteku and Sandada (2016) is a study that was carried out in Zimbabwe. It looked at an assessment of factors that determine the listing of SMEs on the Zimbabwean Alternative Security Market. To achieve their objective, their study adopted a quantitative cross-sectional design with a survey been used as the research strategy. Data was collected from a sample size of 330, drawn from a population of 1876 SMEs. Factor analysis was used to identify the factors which determine the listing of SMEs on the ASM. The findings of their study indicated that information accessibility, regulatory requirements, corporate governance, SMEs support platforms and SMEs Value Addition and Beneficiation Cluster are key in determining SMEs listing on the ASM. The findings of their study further indicated that corporate governance, among other factors, was important in determining SMEs listing on the Alternative Stock Market in Zimbabwe.

### **Regulatory Requirements and Utilisation of Alternative Investment Markets**

Kawimbe et al., (2022) accessed factors affecting listing of SMEs on LuSE Alt – M in Zambia: A Case of Lusaka Business District. The study's major goal was to discover the characteristics that influence MSMEs' ability to list on the Lusaka LuSE Alt-M. Among other objectives, they wanted to examine whether regulatory requirement was a critical factor in determining MSMEs listing on the Alt-M. The study used a quantitative cross-sectional design using a survey as the research approach to attain this goal. In their findings, they identified enabling legislative requirements as the barriers to small and medium firms receiving finance through the LuSE Alt-M. They further stated that a regulatory environment that is friendly to MSMEs will encourage them to list.

In their study, (Chisanga et al., 2022) looked at the effectiveness of the Lusaka stock exchange alternative-market in capital finance for SMEs in Zambia. The research was quantitative in nature incorporating a descriptive design. The research targeted 53 SMEs that were oriented by DBZ on how to list on the Alt-M and all of them were included in the study. A structured questionnaire was used as a data collection tool. Their findings were that the alternative market was not effective but had potential of meeting its objectives provided it managed to have MSMEs listed.

Kamfwa (2018) investigated into why the LuSE Alt-M has not attracted listings from MSMEs. The study was guided by specific objectives that sought to determine factors that constrain the MSMEs from listing on the alternative market, examine the existing conditions and regulations for listing MSMEs on the market. The findings were that strict regulations and listing conditions was major impediments to listing MSMEs on the market.

### **Research Gaps**

Existing research on MSMEs' utilization of LuSE Alt-M in Zambia reveals critical gaps that required further exploration. Studies highlighted potential benefits but lack detailed analysis of listing requirements, awareness, and theoretical grounding. Methodological limitations, such as reliance on quantitative approaches or desk reviews, weakened findings, while regional studies failed to address Zambia's unique economic and regulatory environment. This study aimed to bridge these gaps by employing a mixed-method approach, integrating theoretical frameworks, and examining the specific barriers affecting MSMEs' access to the LuSE Alt-M. Through comprehensive analysis, it sought to generate empirical insights that may inform policy and improve market accessibility for MSMEs in Zambia.

## **2.2 Theoretical Framework**

This study was underpinned by three key theories that provided a comprehensive framework for analyzing the barriers affecting MSMEs' utilization of the LuSE Alt-M in Lusaka city. The Information Asymmetry Theory (Akerlof, 1970) explains how disparities in access to information between market participants can lead to inefficiencies, mistrust, and reduced participation, which is relevant in understanding MSMEs' limited awareness and disclosure challenges regarding LuSE Alt-M. High disclosure costs, proprietary concerns, and lack of expertise further exacerbate information asymmetry, affecting MSMEs' ability to list and attract investors. The Pecking Order Theory (Myers, 1984) highlights the financing preferences of firms, where MSMEs may prioritize internal funds and debt over equity due to the costs associated with issuing securities. This theory was instrumental in examining whether listing costs serve as a barrier for MSMEs considering entry into the LuSE Alt-M. Lastly, the Regulatory Theory (Stigler, 1971) assesses how regulatory frameworks influence firm behavior, focusing on whether stringent listing requirements, compliance costs, and limited incentives deter MSMEs from listing on LuSE Alt-M. By integrating these theories, this study provided a robust theoretical foundation to analyze awareness, listing costs, and regulatory constraints as key barriers, thereby contributing to a more comprehensive understanding of MSMEs' limited participation in Zambia's alternative securities market.

## **2.3 Conceptual Framework**

The conceptual framework used in the study is show below.

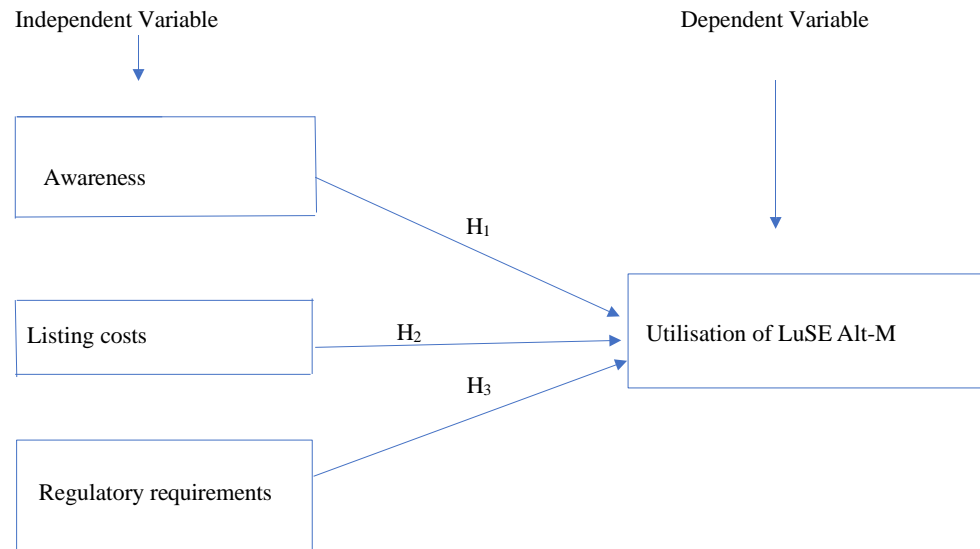


Figure 1: Conceptual framework

The research hypotheses below were proposed as temporary solutions to the study's problem. In this case, the null hypothesis was that there was no significant positive relationship between the dependent and independent variables.

H<sub>1</sub>: Awareness of LuSE Alt-M has significant influence on its utilisation among MSMEs in Zambia.

H<sub>2</sub>: Listing costs has a significant influence on MSMEs utilisation of LuSE Alt-M in Zambia.

H<sub>3</sub>: Listing requirements has significant influence on MSMEs utilisation of LuSE Alt-M in Zambia.

### 3. Research Methodology

This study was guided by the pragmatic philosophy as it provided practical solutions to the barriers affecting MSMEs utilisation of LuSE Alt-M. It also allows for data triangulation, combining statistical analysis with lived experiences of stakeholders to provide comprehensive insights and ensures the study generates applicable recommendations for policymakers, financial regulators, and MSMEs, ultimately enhancing decision-making and improving market participation. A cross-sectional, convergent mixed research approach was employed, allowing for the collection of both quantitative and qualitative data, which provides a comprehensive understanding of the barriers affecting MSMEs utilisation of LuSE Alt-M in Lusaka city. Study population consist of 17,643 MSMEs in Lusaka Central District, registered with Zambia Revenue Authority with annual turnover between K800,000 and K50,000,000. These MSMEs stood a better chance of meeting the criteria for listing on LuSE Alt-M. The sample size for quantitative data was 391 respondents, calculated using Yamane's formula at confidence level of 95% and margin of error 5%. For qualitative data, the sample size was 12 participants comprising key informants determined through saturation point method. Stratified random sampling was used for quantitative data while key informants were purposefully selected for qualitative data. The researcher grouped MSMEs into groups based on their sectors for the quantitative data, and randomly selected samples from each group. This method is efficient and cost-effective, as it does not require complicated procedures or resources (Kombo, and Tromp, 2006). Primary quantitative data was collected using a structured questionnaire, with closed ended questions while interviews were used to collect qualitative data. Statistical Package of Social Sciences (SPSS) version 27 and Microsoft excel were used to analyse the quantitative data. For qualitative data analysis, deductive thematic analysis was used to derive meaningful insight, and identify patterns and themes. This technique allowed for in-depth understanding, contextualization, and flexibility. The data analysis procedure for quantitative data involved use of descriptive, correlation and regression analysis to establish patterns, relationships and predictability between the variables. P-value analysis was performed to provide a measure of evidence for accepting or rejecting the hypothesis set.

### 4. Research Results and Analysis

#### 4.1. Reliability and Validity

To ensure validity of data collected, content validity for the survey questionnaire was determined by formulating questions based on conceptual framework and prior empirical studies, followed by a review by the research supervisor. The degree of reliability of this study was determined through the use of the Cronbach Alpha coefficient. The Cronbach Alpha coefficient exceeding 0.7 was obtained which signified a high degree of internal reliability (Taherdoost, 2016). Table 1 and 2 below show the results.

Table 1: Reliability statistics

Reliability statistics		
Cronbach's Alpha	Cronbach's Alpha based on standardized items	No of items
0.846	0.852	3

Source: Research data (2024)

Table 2: Scale statistics

Variable	Number of items	Cronbach's Alpha
Awareness of LuSE Alt-M	5	0.844332171
Listing cost	5	0.859789296
Listing requirements	5	0.832453245

Source: Research data (2024)

## 4.2. Ethical Considerations

The researcher obtained ethical clearance from the University of Zambia before undertaking this study. Respondents and participants were thoroughly informed about the aim of the study and the requirements for their participation. Informed consent was obtained from the respondents and participants. Furthermore, the researcher ensured utmost confidentiality of participants as pseudo names were used. All material used has been acknowledged through citations of the authors and referencing as much as possible.

## 4.3. Analysis of Results

The study achieved a response rate of 74.2%, with 290 completed questionnaires from the 391 distributed, indicating strong engagement from MSMEs in Lusaka regarding the barriers affecting their utilization of the LuSE Alt-M. This response rate is considered excellent, as it surpasses the typical thresholds for data analysis. Babbie and Earl (2009) suggest that a response rate of 50% is satisfactory, while a rate of 70% or above is deemed good.

Table 3: Demographic profile of the respondents

Demographics	Attribute	Frequency	Percentage
Response rate	Returned questionnaires	290	74.2%
	Unreturned questionnaires	101	25.6%
MSME Category	Micro Enterprise	51	17.5%
	Small Enterprise	138	47.5%
	Medium Enterprise	101	35.0%
Position of respondents	Owner	97	33.3%
	Manager	106	36.7%
	Accountant	87	30.0%
Duration of operation of MSME	Less than 5 years	29	10.0%
	5 to 9 years	97	33.4%
	10-14 years	97	33.4%
	15-19 years	29	10.0%
	Over 20 years	38	13.2%

Source: Research data (2024)

The demographic analysis revealed a diverse representation, with micro enterprises comprising 17.5% (51 respondents), small enterprises forming the majority at 47.5% (138 respondents), and medium enterprises accounting for 35.0% (101 respondents). This distribution reflects the prominence of small enterprises in Zambia's economic landscape, where they play a critical role in employment and development. Respondents held varied positions, with owners representing 33.3% (97 respondents), managers 36.7% (106 respondents), and accountants 30.0% (87 respondents), ensuring a balanced perspective on MSME challenges. Regarding operational duration, 10.0% (29 respondents) had been in business for less than five years, while 33.4% (97 respondents) had operated for 5 to 9 years, and an equal proportion had been in existence for 10 to 14 years. Additionally, 10.0% (29 respondents) had functioned for 15 to 19 years, while 13.2% (38 respondents) had surpassed 20 years, demonstrating a mix of emerging and established enterprises. These findings highlight the dynamic structure of MSMEs in Lusaka and provide a critical foundation for further analysis, contextualizing the exploration of specific barriers affecting their engagement with LuSE Alt-M.

**RO1: To assess the level of awareness among MSMEs about the existence of LuSE Alt-M in Lusaka city.**

Table 4: Level of awareness about the existence of LuSE Alt-M among MSMEs

Level Awareness	Frequency	Percentage	Valid Percent	Cumulative Percentage
Strongly Unaware	108	37.2%	37.2%	37.2%
Unaware	76	26.2%	26.2%	63.4%
Somewhat Unaware	42	14.5%	14.5%	77.9%
Aware	45	15.5%	15.5%	93.4%
Strongly aware	19	6.6%	6.6%	100.0%
<b>Total</b>	<b>290</b>	<b>100.0%</b>	<b>100.0%</b>	

Source: field data (2024)

Overall, the findings indicate that 63.4% of respondents were unaware of the existence of LuSE Alt-M. Moreover, the study revealed that 71.5% of respondents were either not informed or only slightly informed about the benefits of LuSE Alt-M.

**RO2: Why MSMEs are not utilising LuSE Alt-M in Zambia**

Table 5: Model summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.735 <sup>a</sup>	.523	.486	.521433

a. Predictors: (Constant), Awareness, Listing and Compliance costs, Listing Requirements

Source: Research data (2024)

The table above shows that the correlation coefficient (R) is 0.735 implying a strong positive correlation between the variables, suggesting that the independent variables were effective predictors of the dependent variable. The results also show R-Squared is 0.523 implying that approximately 52.3% of the variance in the utilisation of LuSE Alt-M is explained by predictor variables.

Table 6: Correlation analysis

	Utilisation of LuSE Alt-M	Awareness	Listing and Compliance Costs	Listing requirements
Utilisation of LuSE Alt-M	1			
Awareness	.633*	1		
Listing and Compliance Costs	-.340*	.666*	1	
Listing requirements	-.704*	.620	.123	1

Source: Research data (2024)

The results suggest that awareness has a positive correlation with utilisation of LuSE Alt-M with coefficient of 0.633 while listing and compliance costs and listing requirements have a negative correlation with coefficients of -0.340 and -0.704 respectively.

**4.4. Multiple Regression Analysis Results**

To establish the relationship between the dependent and independent variables, the data collected was subjected to multiple regression analysis. Table 3 below shows the results.

Table 7: Regression analysis

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficient		Standardized Coefficient	T	Sig
		B	Std. Error	Beta		
1	(Constant)	-21.588	8.802		0.040	0.116
	Awareness of LuSE Alt-M	0.358	0.123	0.436	0.000	0.049
	Listing and compliance costs	-0.451	0.062	-0.7512	0.000	0.046
	Listing requirements	-0.303	0.044	-0.7523	0.000	0.037

a. Dependent variable: Utilisation of LuSE Alt-M

Source: Research data (2024)

The model specification of the study is described and shown below:

$$UL = -21.588 + 0.358AW + -0.451LC + -0.303LR$$

Whereby

- UL= Utilisation of LuSE Alt-M
- AW = Awareness of LuSE Alt-M
- LCC= Listing and Compliance Cost
- LR= Listing requirements

The results in table 7 above suggest that Awareness, Listing and Compliance Costs, Listing Requirement bear significantly predictable influence on the Utilisation of LuSE Alt-M as their p-values are less than 0.05. Awareness indicate a significant positive influence on utilisation of LuSE Alt-M, with a  $\beta$  coefficient of 0.358. Listing costs and requirements have negative sign meaning they have an inverse relationship with Utilisation of LuSE Alt-M, therefore have a significant negative influence on utilisation of LuSE Alt-M.

#### 4.5. Hypothesis testing

Table 8: Hypothesis testing results

No	HYPOTHESIS	P- VALUE
H <sub>1</sub>	Awareness of LuSE Alt-M has no significant influence on its Utilisation among MSMEs in Zambia.	.049
H <sub>2</sub>	Listing costs have no significant influence on MSMEs utilisation of LuSE Alt-M in Zambia	.046
H <sub>3</sub>	Listing requirements have no significant influence on MSMEs utilization of LuSE Alt-M in Zambia.	.037

Source: Research data (2024)

Table 8 above shows that all the three hypotheses set had p-values less than 0.05.

#### 4.6. Qualitative responses and analysis on the why MSMEs are not utilising LuSE Alt-M in Zambia

Table 9: Qualitative responses

Theme	Verbatim Responses
Awareness of LuSE Alt-M	P1 stated that, “There is a notable lack of awareness and understanding about the benefits and processes of listing on LuSE Alt-M.” P3, P6, P8 noted that, “Most MSMEs are not even aware that they can list on the LuSE Alt-M. The marketing efforts by LuSE have been minimal, and many MSMEs perceive it as a complicated process.” P4 questioned that, “If we don’t know about it, how can we use it?” P7 strongly argued that, “MSMEs have been running their business for years, but most of them have never heard of the LuSE Alt-M. I think more needs to be done to inform them about such opportunities.”
Stringent Listing requirements	P1, P9, P11. mentioned that, “The requirements for listing are too stringent for MSMEs. They do not have the resources to meet these standards, and the costs involved are also prohibitive.”
High Cost of Listing	P10 stated that, “Financial burden associated with listing, including fees and the need for a Designated Advisor, is a significant deterrent”

Source: Research data (2024)

The qualitative findings in table 9 above reveal critical barriers affecting MSMEs’ utilization of the LuSE Alt-M. Awareness levels is significantly low, with participants emphasizing a lack of knowledge about the existence and benefits of LuSE Alt-M, attributing this to inadequate marketing efforts and information dissemination. Stringent listing requirements emerged as another barrier, with MSMEs struggling to meet the necessary standards due to limited resources and operational constraints. Additionally, the high cost of listing, including fees and the requirement for a Designated Advisor, was identified as a significant deterrent, discouraging MSMEs from considering market participation.

#### RO3: Strategies that may mitigate the non-uptake of LuSE Alt-M

Table 10: Strategies to mitigate the non utilisation of LuSE Alt-M

Interventions	SD	D	N	A	SA	Mean	SD
	%	%	%	%	%		
Targeted marketing and awareness campaigns	0	0	0	57.1	42.9	4.43	0.525
Lower listing and compliance costs	0	16.8	4.6	60.7	17.9	3.79	0.957
More government incentives for MSMEs	0	0	35.7	42.9	21.4	3.28	0.756
Reduce regulatory requirements	17.9	32.1	17.9	25.0	7.1	2.71	1.243
Introduce incubation for MSMEs seeking to list	3.2	10.8	8.4	52.6	25.0	3.86	0.587

Source: Research data (2024)

Table 10 above indicates a strong consensus on the importance of these interventions, with the highest being targeted marketing and awareness campaigns with a mean score of 4.43, suggesting that if targeted marketing and awareness campaigns are implemented, they may lead to MSMEs utilisation of LuSE Alt-M to raise finances with equity.

#### Qualitative responses and analysis on the strategies to mitigate the non-uptake of LuSE Alt-M

The qualitative findings as shown in table 11 below highlight key strategies to enhance MSMEs' utilisation of LuSE Alt-M. provision tax incentives were identified as a crucial financial support mechanism, as subsidies or relief measures from government entities and private sector partnerships could significantly reduce the cost burden of listing. Awareness campaigns emerged as another vital recommendation, with participants emphasizing the need for targeted education initiatives through various media channels and direct engagement with MSME associations to improve understanding of LuSE Alt-M's benefits and processes. Simplified listing requirements were proposed to make market entry more accessible for MSMEs, with suggestions for tiered listing options based on business size and maturity, ensuring flexibility while maintaining market integrity. Improved access to information was also highlighted as a means to reduce information asymmetry, advocating for platforms that provide MSMEs with better visibility on creditworthiness and financial performance, fostering stronger investor confidence.

Table 11: Qualitative responses

Theme	Verbatim Responses
Tax incentive	P3, P6, P12: Providing financial tax incentives or subsidies to help MSMEs cover the costs associated with listing can alleviate the financial burden. This support could come from government programs, development banks, or private sector partnerships.
Awareness Campaign	P1, P2,8, P10, P11, noted that, “LuSE and related institutions should conduct targeted awareness campaigns to educate MSMEs about the benefits and processes of listing on the Alt-M. These campaigns should utilize various media channels and engage directly with MSME associations.”
Simplified Listing Requirements	P7 strongly argued that, “Simplifying the listing requirements without compromising market integrity can make it easier for MSMEs to qualify. This could include offering tiered listing options based on the size and maturity of the enterprise.”
Improved Access to Information	P4, P5, P9, stated that, “Developing platforms that provide MSMEs with better access to information on creditworthiness and financial performance can reduce information asymmetry. These platforms can facilitate better communication between MSMEs and potential investors.”

Source: Research data (2024)

#### 4.7. Discussion of Results

##### ROI: Level of awareness about the existence of LuSE Alt-M and utilisation of LuSE Alt-M

The first research objective of this study aimed to assess the level of awareness among MSMEs regarding the existence of LuSE Alt-M. The results demonstrated that a staggering 63.4 percent of respondents were either strongly unaware or unaware of this financial platform. This finding aligns with the assertions of Semenya and Dhliwayo (2020) who noted that a lack of awareness is a pervasive issue among MSMEs in developing economies, inhibiting their ability to access alternative financing options. Furthermore, the revelation that 71.5 percent of respondents were either not informed or only slightly informed about the benefits of listing on LuSE Alt-M underscores the critical need for enhanced educational initiatives. The information asymmetry theory posits that a lack of information can lead to suboptimal decision-making, particularly in financial markets (Akerlof, 1970). In this context, the low awareness levels among MSMEs can be interpreted as a significant barrier that perpetuates the cycle of undercapitalization and limited growth potential of LuSE

Alt-M. The findings further suggest that financial literacy education programs tailored to MSMEs could play a pivotal role in mitigating this barrier, as supported by the work of Chola (2019), who emphasized the importance of financial education in enhancing participation in capital markets.

### **RO2: To examine why MSMEs are not utilising the LuSE Alt-M in Lusaka city**

The second research objective focused on examining why MSMEs are not utilising LuSE Alt-M to raise funds. The Pearson Correlation Analysis was used to establish the relationship between the independent and dependent variables in the study. The results revealed a significant positive relationship between awareness and utilisation of LuSE Alt-M ( $r = .677, p < .05$ ), indicating that increasing awareness could lead to greater utilisation of LuSE Alt-M by MSMEs. However, the study also highlighted that both listing costs ( $r = -.540, p < .05$ ) and listing requirements ( $r = -.704, p < .05$ ) present substantial negative correlations with LuSE Alt-M participation.

The qualitative data further illuminated the challenges posed by listing requirements, with several key informants indicating that the criteria set by LuSE may not align with the operational realities of MSMEs in Zambia. For instance, participant P1 noted that “the requirements for listing are too stringent for MSMEs,” emphasizing the need for a more flexible approach that accommodates the diverse nature of small businesses. This finding resonates with the work of Kawimbe et al (2022), who argued that overly rigid listing requirements can deter SMEs from engaging with capital markets, thereby limiting their growth potential.

These findings resonate with the pecking order theory, which posits that firms prefer internal financing over external financing due to the costs and complexities associated with the latter (Myers and Majluf, 1984). The high compliance and listing costs identified in this study may deter MSMEs from considering LuSE Alt-M as a viable funding source, echoing the sentiments of Semenya and Dhiliwayo (2020), who found that financial constraints significantly inhibit SMEs' access to capital markets in South Africa.

Moreover, the financial burden associated with listing, including fees and the necessity of hiring a Designated Advisor, was identified as a significant deterrent. Participant P10 articulated this concern, stating, “The financial burden associated with listing is a significant deterrent.” This aligns with the findings of Kamfwa (2018) who highlighted that the cost of compliance can be prohibitive for many SMEs, thereby discouraging them from pursuing listing opportunities. The negative correlation of listing and compliance costs with LuSE Alt-M participation ( $r = -.540, p < .05$ ) further substantiates these concerns, indicating that as costs increase, participation rates decrease. Moreover, the multiple regression analysis conducted revealed an Adjusted R squared value of 0.523, suggesting that 52.3 percent of the variance in the utilisation of LuSE Alt-M can be attributed to changes in awareness, listing and compliance costs, and listing requirements. This strong explanatory power underscores the critical nature of these factors in influencing MSMEs' decisions to access capital markets.

Additionally, the negative relationship between listing and compliance costs and the utilisation of LuSE Alt-M suggests that these financial barriers may be exacerbated by a lack of tailored support for MSMEs. According to a study by Johnson and Kotey (2018), many MSMEs in developing countries face high compliance costs that outweigh the potential benefits of listing. This notion is echoed in this research, where a unit increase in listing and compliance costs corresponds to a decrease in utilisation of LuSE Alt-M by factors of 0.45 and 0.30, respectively. Furthermore, the regulatory theory utilised in this study highlights the importance of understanding the regulatory environment that MSMEs operate within. The complexity and perceived rigidity of the listing requirements may be creating significant hurdles for MSMEs, leading to a reluctance to engage with LuSE Alt-M. As noted by Chitekuteku and Sandada (2016) regulatory barriers often disproportionately affect SMEs, limiting their access to necessary funding and stifling innovation and growth.

### **Hypothesis testing**

In testing the null hypotheses, the results indicated that awareness of LuSE Alt-M significantly influences its utilisation ( $p < 0.05$ ), leading to the rejection of the null hypothesis that awareness has no significant influence on MSMEs' utilisation of LuSE Alt-M in Zambia. This finding aligns with the perspectives offered by Spaseska et al (2014) who emphasized the importance of information dissemination in promoting market participation among SMEs. Conversely, the results regarding listing and compliance costs and listing requirements further confirmed the negative influence of these variables on utilisation of LuSE Alt-M. The significant p-values (0.037 for listing and compliance costs and 0.046 for listing requirements) led to the rejection of the null hypotheses that these factors do not influence utilisation of LuSE Alt-M. These findings are consistent with previous research that has identified regulatory burdens as critical barriers to SME financing (Kamfwa, 2018).

### **RO3: To suggest strategies that may mitigate the non-utilisation of LuSE's Alt-M in Lusaka city.**

The study's third objective sought to suggest strategies that may mitigate the barriers preventing MSMEs in Lusaka from utilizing the LuSE Alt-M. The qualitative analysis highlights four key strategies: tax incentives, awareness campaigns, simplified listing requirements, and improved access to information, all of which align with key quantitative findings. Tax incentives emerged as a significant factor, with participants emphasizing the need for financial support mechanisms such as subsidies or relief measures from government programs, development banks, or private sector partnerships to offset the high costs associated with listing. This qualitative insight was corroborated by quantitative findings, where 42.9% of MSMEs acknowledged the role of government incentives in facilitating their access to LuSE Alt-M, though the mean score

of 3.28 suggests these incentives may not be the most influential factor compared to awareness and cost reductions.

Awareness campaigns were identified as a critical intervention, with 57.1% of respondents agreeing that targeted marketing efforts could significantly increase MSMEs' uptake of LuSE Alt-M. The mean score of 4.43 reinforces the necessity for structured awareness initiatives, with recommendations for LuSE and related institutions to engage MSME associations and utilize various media channels to educate MSMEs on the benefits and processes of listing. This finding aligns with Novrianda et al. (2020), who emphasized that lack of knowledge is a major impediment to capital market participation in emerging economies.

Listing costs and compliance expenses were also highlighted as significant deterrents, with 60.7% of respondents agreeing that reducing these costs would encourage MSME utilisation of LuSE Alt-M. The mean score of 3.79 further supports this claim, reinforcing findings by Semenya and Dhliwayo (2020), who noted that excessive financial burdens deter firms from accessing stock markets. The qualitative responses echoed these concerns, with key informants citing the financial strain imposed by listing fees and the requirement for a Designated Advisor. Addressing this barrier through policy interventions and cost reductions could increase accessibility.

While simplified listing requirements were suggested as a strategy, quantitative findings show that only 25% of respondents supported this measure, with a relatively low mean score of 2.71. This could indicate that MSMEs perceive financial and informational barriers as more pressing concerns than bureaucratic hurdles. Kawimbe et al. (2022) similarly argued that simply lowering requirements without addressing underlying challenges may not result in a substantial increase in market participation. However, qualitative responses suggest that tiered listing options based on enterprise size and maturity could help MSMEs navigate entry into LuSE Alt-M without compromising market integrity.

Incubation programs emerged as a viable recommendation, with 52.6% of respondents supporting their introduction, reflected in a mean score of 3.86. Qualitative findings emphasized the potential of mentorship and resource provision to help MSMEs navigate capital markets, aligning with Chitekuteku and Sandada (2016), who highlighted the effectiveness of incubation programs in preparing businesses for stock market engagement. Such programs could facilitate better networking with investors and provide MSMEs with critical knowledge to meet listing requirements.

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## 5. Conclusions and Recommendations

### Conclusion

The study aimed to establish barriers affecting MSMEs' utilisation of the LuSE Alt-M in Zambia, particularly focusing on Lusaka city, the center of commerce in Zambia. The findings revealed critical insights into the awareness, utilisation, and potential strategies to enhance the engagement of MSMEs with LuSE Alt-M.

The first objective of the study was to assess the level of awareness among MSMEs about the existence of LuSE Alt-M in Zambia. The results indicated a significant gap in awareness, with 63.4 percent of MSMEs either strongly unaware or unaware of the existence of LuSE Alt-M. This lack of awareness may be a critical barrier that inhibits MSMEs from exploring alternative financing options through the LuSE Alt-M. The findings align with existing literature, which emphasizes the role of financial literacy and education in promoting market participation among MSMEs (Chola, 2019; Novrianda et al, 2020; Spaseska et al, 2014).

The second objective examined the reasons behind the non utilisation of LuSE Alt-M among MSMEs. The analysis revealed a significant positive correlation between awareness of LuSE Alt-M and its utilisation among MSMEs, suggesting that increasing awareness could lead to greater participation. Conversely, high listing and compliance costs, along with stringent listing requirements, were identified as substantial barriers. The study's findings resonate with the pecking order theory, which posits that firms prefer internal financing over external financing due to associated costs and complexities. The strong explanatory power of the regression analysis (Adjusted R squared value of 0.486) underscores the importance of addressing these barriers to enhance LuSE Alt-M participation among MSMEs in Zambia.

The third objective focused on recommending strategies that may mitigate the non-utilization of LuSE Alt-M by MSMEs in Zambia. The study identified several pivotal strategies, including targeted marketing campaigns, lowering listing and compliance costs, enhancing government incentives, reducing listing requirements, and introducing incubation programs. The findings suggest that a multifaceted approach is necessary to address the diverse barriers faced by MSMEs in accessing LuSE Alt-M in Zambia.

### Recommendations

Based on the findings of the study, the following recommendations are proposed for various stakeholders, including policymakers, financial institutions, and MSME associations:

- i. LuSE and SEC should consider enhancing awareness and education campaigns among MSMEs in Zambia about the existence of LuSE Alt-M. It is crucial that they implement targeted marketing and educational campaigns to aimed at raising awareness about the existence of LuSE Alt-M among MSMEs in Zambia. Financial literacy programs tailored specifically for MSMEs should be developed through various media platforms to inform them about the benefits of listing, the processes involved, and the potential for growth and access to cheap capital.
- ii. LuSE and SEC should consider revising the fee structures associated with listing and compliance to make them more affordable for MSMEs. This could involve introducing tiered pricing models based on the size and revenue

- of the enterprises, thereby lowering the financial barriers to entry and participation to LuSE Alt-M.
- iii. Government, through the Ministry of Finance and National Planning should develop policies that provide incentives for MSMEs who list on LuSE Alt-M. This could include tax breaks, grants, or subsidies aimed at offsetting compliance costs. Such initiatives would encourage MSMEs to consider listing as a viable financing option.
  - iv. LuSE and SEC should consider streamlining listing requirements. While reducing bureaucratic hurdles is essential, it is equally important to ensure that any changes made do not compromise the integrity of the capital markets. A review of the listing requirements should be conducted to identify and eliminate unnecessary complexities that disproportionately affect MSMEs' utilisation of LuSE Alt-M to raise capital.
  - v. LuSE and the ZACCI should consider introducing incubation programs. The establishment of incubation programs could provide MSMEs with the necessary resources, mentorship, and support to navigate the complexities of capital markets. These programs should focus on equipping MSMEs with the skills and knowledge required to meet listing requirements and connect them with potential investors.

### Limitations of the Study

While this study provides valuable insights into the barriers affecting MSMEs' utilisation of LuSE Alt-M in Zambia, it is not without limitations. The research primarily employed a cross-sectional design, capturing data at a single point in time. This approach has its own inherent disadvantages as it limits the ability to observe changes in awareness and participation over time. Additionally, the sample size, while adequate for statistical analysis, may not fully represent the diverse landscape of MSMEs in Zambia.

Moreover, the study focused exclusively on MSMEs in Lusaka city, potentially overlooking the perspectives of other MSMEs in the other parts of Zambia who could provide a more comprehensive understanding of the barriers to utilisation of LuSE Alt-M among MSMEs in Zambia.

### Areas for Future Research

To build on the findings of this study, several areas for future research are recommended:

- i. Future research could conduct comparative studies between Zambia and other developing countries with similar economic contexts. This would provide insights into the effectiveness of different strategies employed in other regions to enhance MSME participation in capital markets.
- ii. Employing a longitudinal research design would allow for the examination of changes in awareness, utilisation, and the impact of implemented strategies over time. Such studies could provide valuable insights into the long-term effectiveness of interventions aimed at improving MSME access to capital markets.
- iii. Future research may consider a broader range of stakeholders, including financial institutions, regulatory bodies, and investor perspectives. Understanding the viewpoints of these stakeholders could enrich the discourse on enhancing MSME access to capital markets.
- iv. Research evaluating the impact of specific strategies, such as targeted marketing campaigns or incubation programs, on MSME participation would provide empirical evidence on the effectiveness of these initiatives.

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The authors declare that they have no conflicting interests

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### Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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