Alternative Securities Market and Long-Term Capital Market Financing in Nigeria

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ABSTRACT: *This study examined the effects of the Alternative Securities Market (ASeM) on long term capital market financing in Nigeria during the period 2013 – 2020. The objectives of the study were to: find out the effects of ASeM equity issues on market capitalization in the Nigerian stock market; to assess the effect of ASeM index on market capitalization; to investigate the effect of interest rate on Market Capilisation; to assess effect of inflation rate on market capitalization; and to ascertain the effect of exchange rate on market capitalization in Nigeria during the period of study. The study adopted ex-post facto research design and made use of secondary data. Time series data for the period 2013 – 2020 from the Central Bank of Nigeria statistical bulletin and well as data from Nigeria stock exchange publications were used. The study employed multiple regression analysis using Econometric-views (E-views) 10.0, to analyse the data. In the analysis, long term capital market financing was proxied by Mcap (market capitalization) and this was the dependent variable. The independent variables of the study included ASeM equity issues, ASeM index, interest rate, inflation rate, and exchange rate. The results showed that ASEM equity issues had a negative but insignificant effect on long term capital market financing (Mcap); ASeM index had a significant positive effect on long term capital market financing (Mcap); interest rate had a negative but insignificant effect on long term capital market financing; inflation rate had negative but significant effect on long term capital market financing; exchange rate had a positive but insignificant effect on long term capital market financing in Nigeria during the period of the study. The study recommended that regulatory authorities (SEC and Nigeria Exchange Group) should encourage greater participation of SMEs in the activities of the alternative securities market through equity share issues to boost or enhance long term capital market financing; regulatory agencies should sustain measures that caused ASeM index to have a significant positive effect on long term capital market financing; monetary authorities (especially, the CBN) should employ policy measures to address the negative effect of interest rate and inflation rate on long term capital market financing in Nigeria among others.*
KEYWORDS: exchange rate, equity issues, index, inflation, interest rate, market capitalization,

INTRODUCTION

The capital market is known for its intermediation role in any economy by channelling funds from surplus units (savers) to deficit units (borrowers). However, as observed by Nwakoby and Okoye (2018), the contribution of the capital market to small and Medium Enterprises (SMEs) financing especially, is rather negligible in spite of the efforts of the government and regulators to promote SMEs financing through the capital market. Such government efforts aimed at promoting SMEs financing through the capital market include the establishment of the first-tier market and the second-tier or the Alternative Securities Market (ASeM) (Nwakoby and Okoye, 2018). ASeM was established in 2013 by the Nigerian Stock Exchange, (now Nigeria Exchange Group) with relaxed listing and disclosure requirements to accommodate business units like the Small and Medium Enterprises (SMEs) in their quest to raise funds from the capital market. Due to their nature and operations, SMEs have difficulty raising funds from commercial banks and the capital markets (Levitsky, 1996; Fayomi and Abereijo, 2005). Several reasons have been given for the unsatisfactory performance of the capital market regarding SMEs financing. These include, cumbersome listing requirements; reluctance on the part of the business owners to embrace transparency in reporting and disclosure standards; unwillingness to cede a part of the business to outsiders for fear of losing control; weak capital structure; low managerial skills and lack of access to modern technology (FSS 2020 SMEs Sector Report, 2007). These challenges coupled with the strengthened regulatory measures adopted following the banking crisis in Nigeria have helped to create additional hurdles to the financing of SMEs in Nigeria. This has underscored the need for the establishment of the ASeM as an alternative funding source for the SMEs in Nigeria. The ASeM is a market with a specialised board to accommodate small and medium-sized enterprises with high growth potentials seeking to access the capital market.

As at 2013 when the ASeM was launched by the Nigeria Stock Exchange (NSE), it had 11 listed companies with a market capitalization of N4.1 billion (GMA, 2013). By 2015, the ASeM index was 1,208.65 (NSE, 2016). By June, 2016, the ASeM had 9 listed companies with a market capitalization of N9.14 billion and ASeM index of 1189.69 points (NSE, 2016). By 2017, the ASeM had a market capitalization of N8.98 billion and the ASeM index of 1193.52 points (NSE, 2017). As at 30th April, 2018, the ASeM market capitalization was N9.18 billion with the ASeM index of 958.52 points (NSE, 2018). In 2019, the ASeM index was 734.99 points, figures for ASeM market capitalization for same period was lumped together (under equities and market capitalization at N12.968 trillion). As at 2020, ASeM index stood at 729.87, with figures for market capitalization again lumped together (under equities and market capitalization at N21.063 trillion) (NSE, 2020 Market Recap and 2021 Outlook). The analysis above paints a mixed picture about the activities at the ASeM, with the ASeM doing well in some years and not so well in other years. The ASeM is expected to contribute to long-term capital market financing in Nigeria. This is expected to be possible through Bond issues (which are debts instruments used to raise funds); Equity issues (which are funds raised through issue of shares); Derivatives issues (which are assets

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whose value is based on an underlying asset) and the Asem index (which is a measure of assessing how liquid the ASeM is). However, presently bonds and derivatives are not yet issued on the ASeM board thus limiting the ability of the ASeM as a vehicle to raise funds for the SMEs through these means.

Prior to the establishment of the ASeM by the NSE in 2013, the NSE used to have a total of 283 listed securities in two market segments namely; first-tier and second-tier securities markets (GMA, 2013). The first-tier market is for companies that have at least 25 percent of their equity capital available to the public among other requirements. The second-tier market is for upcoming small and medium enterprises that have 100% of their capital available to the market. The decision to launch ASeM is part of the measures by the Federal Government of Nigeria to enable operators and in particular, indigenous companies who could not meet all listing requirements to take advantage of the capital market (stock market) to raise the needed funds for their operations (GMA, 2013). With the launch of the ASeM, SMEs are expected to be able to raise the needed funds for their operations and this is expected to enhance long-term capital market financing in Nigeria. The ASeM is also expected to address the major challenges faced by SMEs in Nigeria which include: Difficulty in accessing long-term capital due to the high cost of funds due to perceived high risks; Informal nature of operations (making them opaque and less attractive for loans by banks); and inadequate accounting standards, controls and management of resources among others (GMA, 2013). Providing policy measures to address the challenge of access to finances as well as the other myriad of challenges or constraints SMEs face is a major headache for policy makers. In addition, the lack of empirical evidence to guide policy actions has compounded the problems policy makers have to deal with while addressing SMEs financing challenges among others (Abraham and Schmukler, 2017). In light of the foregoing, the study examined the influence of alternative securities market on long-term capital market financing in Nigeria

Objectives of the Study
1. To find out the effect of AseM equity issues on long term capital market financing in Nigeria.
2. To assess the effect of AseM index on long term capital market financing in Nigeria.
3. To investigate the effect of interest rate on long term capital market financing in Nigeria.
4. To assess the effect of inflation rate on long term capital market financing in Nigeria.
5. To ascertain the effect of exchange rate on long term capital market financing in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review
Alternative Securities Exchanges/Markets
Johnson and Kotey (2018), view an alternative securities exchange (or market) as a stock market created for the purpose of trading the shares and securities of small and medium-sized enterprises (SMEs) who may be too small to get admitted to the main board of the stock exchange. By their

nature and mode of operations, SMEs find it difficult to access funds from the capital market which is the market segment established for the mobilization and utilization of long-term funds for social, economic and industrial development in the opinion of Modinat and Edwin (2012). The contribution of the capital market to SMEs funding is therefore negligible owing to this fact (Nwakoby and Okoye, 2018). Alternative securities exchanges or markets present an avenue for smaller firms (SMEs) to raise funds to facilitate their growth in such areas as expansion, innovation, investment in technology and research. The World Federation of Exchanges, WFE (2016) considers the SME exchange as a separate stock exchange targeted specifically at SMEs, which adopts less stringent listing requirements in order to accommodate SMEs' financing needs. An alternative stock exchange (securities market, SME exchange) is a securities exchange established to carter exclusively for SMES that are not able to meet the regulatory requirements of the main board in order to raise capital (Chitekuteku and Sandada, 2016). The alternative securities market provides an alternative type of financing for SMEs in order for entrepreneurship and innovation to thrive (Oteh, 2010). The exchange (SMEs) is regarded as a fundamental source of long term finance given that SMEs have been relying upon banks (Oteh, 2010).

Models of Alternative Securities Markets

Alternative securities exchanges (markets) have become a common phenomenon and go by different names throughout the world. Examples of these securities exchanges/markets include: Alternative Investment Market (AIM) London, UK; TSX Venture (Canada); HK GEM (Hong Kong); Market of High-growth and Emerging Stocks - MOTHERS (Japan); Alternext (Europe); ASX (Australia); NASDAQ Capital Market (USA) (Finance and Markets Global Practice Group, 2015). On the African continent, there are 15 countries that have established alternative securities exchanges including Nigeria (ASeM), Ghana (GAX), South Africa (AltX), Egypt (NILEX) and others (ASEA, 2017). Various other examples or models of Alternative Securities Exchanges or markets in emerging markets and developing countries have been presented in the table below.

Table 1: SME Market Segments (Alternative Securities Exchanges Model) in emerging-market and developing countries

Country	SME Market Segment	Affiliated main exchange	Year launched
Botswana	Venture Capital Market	Botswana Stock Exchange	2004
China	ChiNext	Shenzhen Stock Exchange	2009
China	SME Board	Shenzhen Stock Exchange	2004
Egypt	NILEX	Egyptian Exchange	2007
Ghana	Ghana Alternative Market (GAX)	Ghana Stock Exchange	2013
India	SME Platform	Bombay Stock Exchange	2012
India	Emerge	National Stock Exchange	2012
Jamaica	Junior Market	Jamaica Stock Exchange	2009
Kenya	Growth Enterprise Market Segment	Nairobi Securities Exchange	2013
Malaysia	Ace Market (formerly MESDAQ)	Bursa Malaysia	1997
Malaysia	Second Board	Bursa Malaysia	1988
Malawi	MSE Altx	Malawi Stock Exchange	2007
Mauritius	Development & Enterprise Market	Mauritius Stock Exchange	2006
Nigeria	Alternative Securities Market (ASeM)	Nigeria Stock Exchange	2013
Philippines	SME BoardF	Philippine Stock Exchange	2001
Poland	NewConnect	Warsaw Stock Exchange	2007
Russia	Innovations and Investment Market	Moscow Exchange	2009
Rwanda	Alternative Market Segment	Rwanda Stock Exchange	2013
South Africa	Altx	Johannesburg Stock Exchange	2003
Tanzania	Enterprise Growth Market (EGM)	Dar es salaam Stock Exchange	2013
Thailand	Market for Alternative Investment (MAI)	Stock Exchange of Thailand	1999
Tunisia	Alternative Market	Tunisia Stock Exchange	2007
Turkey	Second National Market	Borsa Istanbul	2003
Turkey	Emerging Companies Market	Borsa Istanbul	2011
Uganda	Growth Enterprise Market Segment	Ugandan Securities Market	2013
Zambia	Alternative Market	Lusaka Stock Exchange	2014

Source: Schellhase and Woodsome, 2017

Alternative Securities Markets and SMEs Financing

The ASEA Report (2017) reported that the concept of alternative securities markets (or SMEs boards) originated from the difficulties faced by SMEs in gaining visibility and attracting sufficient trading volumes when listed along with bigger stocks on the main board of stock exchanges. Alternative exchanges were therefore established with relaxed listing and other conditions to assist SMEs access funds from the capital market. The ASEA Report (2017) further stated that since 2002, 20 African stock exchanges have created specialist SME boards to help SMEs gain access to equity. The SME board is a segment of the stock exchange, dedicated for trading the shares/securities of SMEs, who otherwise find it difficult to get listed on the main board of the exchange. Several other studies have established the link between alternative securities exchanges (or SME boards) and SMEs financing and growth both in developing (or emerging markets) and developed economies (IOSCO, 2015; Beck & Demirguc-Kunt, 2006; Ayyagari, Beck and Demirguc-Kunt, 2007).

The realization by the African Securities Exchanges Association (ASEA) that despite their economic importance, SMEs on the African continent, as elsewhere, struggle to gain access to finance to enable them to establish a working group called the ASEA SME Facilitation Working Group (the group) in 2017, with the aim of proactively exploring financing options for SMEs through African capital markets. The group's role was to engage and collaborate with various stakeholders, such as the African Development Bank (AfDB) to propose viable opportunities for capital raising for SMEs on and across ASEA member stock exchanges. Part of the group's directive was to work with member exchanges to position Africa's capital markets as platforms for capital raising for SMEs, and to identify the challenges facing SMEs in Africa when it comes to accessing capital (ASEA Report, 2017).

Role of SME (Alternative) Exchanges

The importance of SMEs to the economy and their financing constraints are well known. SMEs contribute a large part to the economic growth and job creation in both emerging market economic and developed economic (Harwood and Konidaris, 2015, CECD, 2018). Study by Ayyagari, Beck and Demirguc-Kunt (2007) found that SMEs are the biggest contributor to employment (above 60%) in developing countries. SMEs contributions to the economy vary across countries, from 16% of gross domestic product (GDP) in low-income countries to 51% of GDP in high income countries. However, the ability of SMEs to contribute to economic growth and job creation is tied to their ability to get funding. SME exchanges (alternative securities exchanges/markets) are one of the many options for SME financing in a financing mix (or spectrum) for SMEs that is linked to their (SMEs) life cycle or stage of growth. This financing spectrum progresses from the start-up phase, which is usually funded by entrepreneurs' capital and family and friends, to an early stage where debt is taken on through bank loans. After this, the shareholder structure broadens (or enlarges) to include venture capital and in a growth phase, private equity (PE) financing is then sought. Capital market funding or financing is usually seen as being at the end of the financing spectrum (Harwood and Konidaries, 2015).

Structure of the SME (Alternative) Exchange

The World Bank Group (2015) report has identified three ways in which the SME exchange is structured as (i) a separate board or market housed under the main market (ii) part of the main board, and (iii) a completely separate exchange.

- Boards or markets housed under the main market (Board). Most SME exchanges are hardly stand-alone or independent. They are usually a separate board or market housed under the main market. This is mainly because SME exchanges do benefit from the reputation and experience of the main board which reassures market issuers and investors. The Alternative Security Market (ASeM) is a separate board of the Nigeria stock exchange (NSE or recently the Nigeria Exchange Group).
- As part of the main Board. In this structure, the SME exchange is operated as part of the main board. The SME exchange does not have a separate board. The Australian Securities Exchange (ASX) is reportedly without a separate SME board.
- Stand-alone or completely separate exchange. In this type of structure, the SME exchange is not linked to the main board. It is thus a completely stand-alone exchange. The Gre Tai Securities market in Taiwan is said to be an example of a stand-alone exchange as it is not linked to the Taiwan Stock Exchange.

Developing an SME Exchange is a complex issue and raises many critical questions. The World Bank Group (2015) has observed that though no specific model is proposed for an SME Exchange, some widespread approaches used in building SME Exchange have been suggested. Thus according to the World Bank Group (2015), most exchanges incorporate the following features:

- Focus on SMEs that have a fairly sizable growth rate, because they will have capital demands and be most willing to use an exchange to obtain it.
- Most exchanges are legally related to a main board, often to receive some form of subsidy as few exchanges are stand-alone entities.
- Most exchanges do not reduce disclosure content to reduce costs. Content is considered too important. They reduce other requirements such as frequency of submitting disclosure documents and allowing online dissemination rather than requiring printed materials.
- Most exchanges allow private placement to further reduce entry requirements, at least as a first-stage step to being listed.
- Most exchanges have advisors that vet (screen) issuers and provide comfort to investors about the quality of the issuance. To be effective, the advisors should be licensed, regulated, and sanctioned if they support too many ultimately poor performing issuers.
- Most exchanges have outreach, public awareness campaigns, and training for SMEs.
- Most exchanges benefit from tax incentives for investors, typically as part of a broader SME finance programme (World Bank Group, 2015).

The Alternative Securities Market (ASeM)
At the launch of ASeM in 2013, 11 companies were listed on the ASeM board with market capitalization of N4.1 billion (SEC, 2018). These companies were: Ads Witch Plc; Afrik Pharmaceuticals Plc; Anino International Plc; Capital Oil Plc; Juli Plc; McNichols Consolidated; Rak Unity Petroleum Plc; Rokanna Industries Plc; Smart Products Nigeria Plc; Union Venture and Petroleum Plc; and West African Products Plc. However, this number has dropped to 9 companies as at 2018 (NSE, 2018); and in 2020, the number of listed companies on the ASeM dropped to 4 with the migration of 4 companies to the newly created Growth Board. The remaining listed companies on ASeM as at February 26, 2021 are: Capital Oil Plc; Juli Plc; Rak Unity Petroleum Plc and Smurfit Plc. Companies operating in this sectors of the Nigerian economy, Agriculture; Construction/Real Estate; Consumer Goods; Information and Communication Technology (ICT); Natural Resources; Oil and Gas; Services; Utilities; and Conglomerates can be listed on the ASeM (NSE, 2014).

Listing Requirements on the ASeM
Nwakoby and Okoye (2018), SEC (2016) have outlined the requirements that a prospective company wishing to list on the ASeM must meet. The prospective company must: Be duly registered as a public limited company under the Companies and Allied Matters Act; Have been fully operational for not less than two (2) years; Have a comprehensive business plan and audited financial statement of accounts; Invited public investors are to hold not less than 15% of total share of the company while pre-listing investors hold a maximum of 85% stake; Ensure that post IPO promoters are required to retain a period of 12 months; at least 50% of shares hold prior to the IPO;Have shareholders of not less than 51in compliance with the International Financial Reporting Standard (IFRS); Employ ASeM appointed Designated Adviser; and Pay annual listing fees of ₦200,000.

Benefits of Listing on the ASeM
Onyema (2013) and GMA (2013) have identified the benefits associated with listing on the ASeM to include: access to long term capital for growth and expansion; platform for facilitating the long term sustainability of the company; reduction of financing burden and spreading of risks amongst shareholders; access to investors focused on high-growth potential SMEs in emerging markets; professional guidance (Designated Adviser) to ensure company benefits and maintains its listing status; opportunity for initial investors to realize some or all of their investments; liquidity of market; reduced stringent listing requirements; transparent price discovery mechanism and; and Membership of a global platform that affords brand visibility and credibility enhancement.

Challenges and Constraints faced by the ASeM
As at 2013 when the ASeM was launched by the Nigerian Stock Exchange (NSE), it had 11 members (i.e., listed companies) with a market capitalization of N4.1 billion (GMA, 2013). However, as of June 30, 2016, ASeM had 9 equities listed with a market capitalization of N8.44 billion. The ASeM index was 1,213.68 points at the same period as investors shied away from the

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stocks of companies listed on the ASeM (SEC, 2016). SEC (2016) went further by stating that in spite of regulatory efforts aimed at reviving the ASeM of the NSE, companies listed on this segment of the market are yet to attract the needed liquidity from local and foreign investors. In the opinion of the SEC (2016) report, though the ASeM appears to be heading towards the same path as the Second Tier Securities Market (SSM). Consequently, the NSE's goal of achieving a $1 trillion market capitalization by 2016 has not been realized.

The ASeM was established as a platform for SMEs to raise funds for their operations from the capital market. However, as observed by Nwakoby and Okoye (2018), investors usually see the ASeM stock as being inferior to the NSE stock. As a result, trading in ASeM stocks tends to be sparse or limited. This state of affairs has adversely affected both stock prices and liquidity of stocks listed on the ASeM. The ASeM was also expected to be a platform with a broad array of instruments such as bonds, derivatives and equity shares for raising funds traded on it. However, presently only equity shares are traded on the ASeM. This is also a challenge and a constraint to its growth and development as funds can only be raised on the ASeM through equity shares.

Role of SMEs in the Economy
Small and Medium Enterprises (SMEs) play a critical role in the growth and development of national economies. According to Shinozaki (2014), SMEs are regarded as improvers to the economy through the role they play in the stimulation of domestic demand through the creation of jobs and new ideas. Similarly, Dalberg Global Development Advisors (2011), also consider small businesses (SMEs) as a fundamental part of the economic fabric in developing countries given the crucial role they play in enhancing growth, innovation and prosperity. In the opinion of Frimpong (2013) in Johnson and Kotey (2018), in developing economies, SMEs are generally the highest job providers, surpassing the number of jobs the local governments provide. Oluba (2009) has summarized the contributions of SMEs to an economy especially developing ones to include: greater utilization of raw materials; employment generation; rural development; mobilization of savings; development of entrepreneurship linkages with bigger industries and provision of avenue for self-employment among others.The ASEA Report (2017) has observed that SMEs not only create new jobs, but create thriving private sectors, expand the tax base, contribute to innovation, drive entrepreneurship and enhance competition and productivity. The ASEA report stating World Bank sources, further observed that SMEs contribute up to 60% of total employment, and up to 40% of national income (GDP) in emerging economies. In addition, most formal employment is generated by SMEs in emerging economies.SMEs account for nine out of ten businesses globally. They (SMEs) provide more than 60% of overall employment world-wide and roughly 80% of jobs in the developed world. SMEs contribute approximately 50% of global Gross Value Added (GVA) and an even larger percentage in developed countries (Peterhoff, Romeo and Calvey, 2014).

Long Term Capital Market Financing
The stock market (also known as the capital market) is a market for long term funds. It is a market where funds from surplus units (savers) are made available to deficit units (investors) through the

issue and sale of shares and bonds (stock). The shares represent equity capital; while the bonds represent debt capital. The stock market (capital market) is a financial market involving institutions that deal with securities with a life of more than one year (Obubu, Konwe, Nwabenu, Omokri & Chijioke, 2016). The capital market revolves around the stock exchange which is one of the institutions in the capital market. The stock exchange thus provides a mechanism through which both private and public savings are mobilized and made available to users for productive purposes. That is, the stock exchange is involved in the intermediation process. The main objectives of the Nigerian Stock Exchange based on its Memorandum of Association are to create an appropriate mechanism for capital formation and provide an efficient avenue for allocation of resources; helps to maintain discipline among market participants; helps broaden share ownership and maintain fair prices for securities among others (Obubu *et al*, 2016 and Abdul-Maliq & Magaji,. 2017). The capital market faces many challenges and is expected to adapt to the constant changes in the economy. The capital market in Nigeria is described as being shallow due to the paucity of the value of shares traded on the stock exchange (Oteh, 2010 and Yua, Epor, & Utor, 2023). Consequently, the indices that measure the level of activities on the stock exchange like market capitalization, volume of shares (transactions) number of deals and All Share Index are small relative to similar indices in other countries even on the African continent.

Equity Issues
Equity capital consists of funds generated through the issue of shares by companies quoted on the stock exchange. In the case of the ASeM, equity capital consists of shares issued by companies listed on the ASeM, through limited public offering, introduction, offer for subscription or offer for sale. Equity holders therefore become shareholders or owners of the business.

AseM Index
The AseM index is similar to the main boards all share index (ASI) the all share index is the statistical data computed annually to measure the changes in the value of commodities and securities. The index is derived from the price of all or some market constituents usually expressed in percentage change from the base year (Eneisik *et al*, 2021). The AseM index is thus a measure of the performance of the AseM.

Interest Rate
Interest rate has been introduced in this study as one of the control variables to control for macroeconomic stability in the opinion of Edom, Irah and Emori (2015) and Epor, Yua and Utor, (2023), a stable Macroeconomic environment charaterised by low inflation, sustainable budget deficits, and limited departure of the real exchange rate from its equilibrium level, sends an important signal about the commitment and credibility of a country's authorities to manage the economy, the interest rate is the price for the use of borrowed funds and is a key monetary policy instrument, .

Inflation Rate
Inflation rate is another control variable introduced in this study to control for macroeconomic stability. In this study, the Monetary Policy Rate (MPR) is used as the proxy for inflation rate.

Exchange Rate

Exchange rate is another control variable used in this study to control for macroeconomic stability. The exchange rate is the price of one currency in terms of another currency or currencies. The exchange rate is a reflection of the value of one currency in terms of another currency or currencies used in external trade between nations. In this study, the dollar versus naira exchange rate is used. There are several determinants of macroeconomic stability in the literature including unemployment rate, inflation rate, and exchange rate among others. In this study however, the variables introduced to control for macroeconomic stability are interest rate, inflation rate and exchange rate, which are variables that do exert some effects on the financial stability of an economy, Yua, Ogohi, and Epor (2022).

Empirical Review

Verna, Shome and Patel (2021) examined various firm-specific determinants that have an impact on the financing choice of the listed Indian SMEs. The study also assessed the financing practices of the listed SMEs in India and tried to find out if their financing pattern follows the established theories of corporate finance. The study selected 113 SMEs listed on the NSE's Emerge Exchange for the period 2014 – 2018. The study made use of panel data regression for data analysis. The study found that listed SMEs prefer current liabilities first, then total reserve, thereafter short-term borrowings and lastly, long-term borrowings. Among the independent variables chosen, most of them were statistically significant but depicted lower explanatory power. This leads to the possibility of some other firm-specific factors or macroeconomic factors being more relevant in deciding the listed firm's financing choices. The study concluded that no single theory can completely explain the financing behaviour of listed SMEs. This study is relevant as it has contributed to the extant literature on listed SMEs by attempting to examine the impact of listing on the financing patterns of the SMEs.

In a study by Choi and Lee (2019), the researchers evaluated whether a stock exchange targeted specifically at SMEs, namely, the SME exchange (alternative stock market) functions as a "growth market" by capitalizing industry growth opportunities into stock prices. To this end, the researchers examined the correlation between the SME exchange prices – aggregated up to the industry level – and private –firm growth. The study made use of regression analysis using secondary data from Korea (South) whose SME exchange (KOSDAQ) is one of the largest in the world. The study found that SME exchange prices were positively correlated with the growth of private firms, especially when they are small in size, they belong to a growing industry, or their growth is funded by equity. In the same regression, the main board stock prices correlated with the liability-funded growth of large-size private firms in a mature industry. The two results (findings) taken together, suggest that the SME exchange plays a positive and complementary role in the economy by embodying the type of industry growth opportunities that are not readily presented by the main board stock prices.

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In another study by Sebastian and Merino (2019) entitled: Is the Alternative Exchange achieving its Objectives? A Capital Market Perspective, the researcher sought to determine whether Altx (South African SME exchange) has adequately enabled access to equity finance for the firms listed on it. The study made use of quantitative methodology and employed the use of panel regression models to compare the levels of equity and debt of firms listed on the AltX to those listed on the Johannesburg Securities Exchange's (JSE) main board. Findings indicated that firms listed on the AltX had significantly higher levels of debt than those listed on the JSE's main board. The conclusion was that despite the establishment of the AltX, SMEs in South Africa still face considerable constraints to accessing equity finance and may be compelled to consider other means of raising finance. This study is also relevant to the current study, having been carried out on another SME exchange to assess whether or not SMEs in South Africa have easy equity finance with the establishment of the AltX.

Ti Chen (2018) in his study titled Does the Establishment of SME Stock Exchanges lead to better Economic Development in Emerging Countries?, explored the effect of SME stock exchanges on economic development in 22 emerging economies. The study made use of "fixed-effect" regression analysis to analyse a country level panel data (a panel of 22 countries, from 1987 – 2016). The study found no strong causal effect of SME board adoption on overall economic performance. This study is relevant to the current study, though not directly related to SME exchange adoption and long term capital market financing.

Johnson and Kotey (2018) undertook a study to assess factors that affect SMEs listing on the Ghana Alternative Market (GAX). Using a quantitative approach, they sampled 50 SMEs, 21 brokers and 3 SMEs already listed on the GAX. They found that over half of the SMEs had some information about the GAX. However, their (SMEs) knowledge with regards to the benefits of listing on the GAX as well as what they required to list was very limited. This study is relevant to the researcher's own study being a study on the alternative stock market. Their methodology which made use of questionnaires, interviews etc, instead of quantitative data is the major problem with the study.

In their study entitled Response of Firms to Listing: Evidence from SME Exchanges, Aggarwal and Thomas (2017) exploited the introduction of a dedicated exchange for SMEs in India to assess how listing impacts the financial constraints and growth prospects of small and medium-sized firms. The causal impact was assessed using a "difference-in-differences" estimation involving a sample of firms that listed on these exchanges over a three year period, where the researchers also observed matched firms that chose not to list. The study found that listing improved the asset size and capital structure of listed firms relative to firms that did not list. The study did not find evidence that these firms were subsequently able to access higher debt finance from formal institutions, or evidence of improvement in the performance of these firms, after listing. This study is also relevant to the current study, being a study on listing by SMEs on SME exchanges (or alternative securities markets).

In their study entitled An Assessment of Factors that Determine the Listing of Small to Medium Enterprises (SMEs) on the Zimbabwean Alternative Securities Market, Chitekuteku and Sandada (2016) sought to investigate the factors that may influence SMEs to register on the Alternative Securities Market (ASM). The study adopted a quantitative approach using data collected from a sample of 330, selected through stratified random sampling. Factor analysis was used by the researchers to identify the factors that determine the listing of SMEs on the ASM. The findings indicated that information accessibility, regulatory requirements, corporate governance, and SMEs support platforms were important factors in determining SMEs listing on the ASM. This study is also relevant to the current study as it relates to issues about SMEs listing on alternative exchanges, though it did not directly address the issue of SMEs listing and long term capital market financing. Obubu, Konwe, Nwabenu, Omokri and Chijioke (2016) undertook a study to elevate the contribution of the Nigerian stock market to economic growth. They used regression analysis (OLS) to analyse the data. They found a positive relationship between economic growth, all share index and market capitalization. This study is also relevant to the current study as it relates to the Nigerian stock market and economic growth, though not specifically on alternative securities (stock) market and stock market development. However, the alternative securities market is a sub-set of the Nigerian stock market, so the study is also relevant to the current study.

Nega and Hussein (2016) in their study titled: Small and Medium Enterprise Access to Finance in Ethiopia: Synthesis of Demand and Supply, analysed the financing gap of SMEs in Ethiopia and recommended ways of addressing the financing gap. The study made use of both descriptive statistics and econometric analysis (logit model) to analyse primary data. Results (findings) indicate that banks and MFIs engagement in financing SMEs in Ethiopia is limited. The demand side findings and analysis revealed that access to finance is significantly influenced by a host of factors (such as age of the firm, experience of the manager, among others). Similarly, SMEs specific factors such as poor financial records of SMEs, lack of adequate collateral, SMEs poor management of risks, among others, are the major obstacles underlined by banks and MFIs to their engagement with SMES. This study is also relevant to the current study though it did not address SMEs financing constraints from the capital market.

Edom, Inah and Emori (2015) undertook a study to assess the impact of SME financing on poverty reduction in Nigeria from 1991 – 2010. They made use of ordinary least square (OLS) analytical technique to analyse secondary data for the period of study. Findings of the study revealed the existence of a significant relationship between SMEs financing and poverty reduction in Nigeria. This study is also relevant to the current study though not wholly in the direction of this study. SMEs are known to contribute to economic development generally, through job creation, provision of incomes to those employed among others, thus contributing to poverty reduction. When properly financed (or funded) especially through SME exchanges, SMEs can contribute immensely to the overall growth of the economy.

In yet another study by Nwakoby and Okoye (2014), the researchers examined the problems associated with financing SMEs from the capital market. The study adopted a descriptive survey

by sampling 80 SMEs; 40 each from Onitsha and Nnewi in Anambra state. Chi-sqaure (X^2) was used in the analysis of the data. The study found that information about the capital market as an avenue for accessing long-term finance was still very low among other findings.

Onokoya, Fasanya & Abdulrahman (2013) examined the impact of financing small scale enterprises on economic growth in Nigeria using a quarterly time series data from 1992-2009. The study combined several econometric estimation techniques. The findings showed that loans to small scale entrepreneurs have a positive impact on the economic performance while interest rate has a negative impact on economic growth. This study is still useful though it focused on bank sources of financing SMEs not stock market sources.

In another study, Bamidele (2013) examined the financing of SMEs in Amuwo Odofin local government of Lagos State, Nigeria. The study examined how government and other agencies finance SMEs in the local government. The study has hinged in network theory, the major concern of the theory being the objective pattern of ties linking the agencies, individuals and groups of the society. The study made use of both the quantitative and qualitative methods to collect data for the study. 50 samples of respondents were collected from the LGA. The data collected were analysed using descriptive statistics such as frequency distribution while the qualitative data were subjected to content and descriptive analysis. The study found that government agencies and other financial institutions have not done enough in supporting SMEs in the LGA. This has further reinforced the need for the other funding sources for the SMEs such as the alternative stock market.

Modinat and Edwin (2012) examined capital market and the development of small and medium-sized enterprises in Nigeria. They found that the growth in the transactions of the quoted companies in the capital market has been fluctuating over the years and concluded that the incorporations of the SMEs into the stock exchange will enhance the growth in the transactions of the capital market in Nigeria.

Lemuel (2009) investigated the financing options for the small and medium enterprises (SMEs), exploring the non-bank financial institutions as an alternative means of financing in Nigeria. He found that the majority of the employed populations were engaged in SMEs in Nigeria. He concluded that if meaningful development is to be attained in the economy of the country, there has to be sustainable funding for the SMEs.
Most of these studies have highlighted the difficulties SMEs generally face in accessing funds for their operations and the need for alternative sources of funding such as the alternative stock exchanges.

Theoretical Review
Theory of Information Asymmetry
The theory of Information Asymmetry (also known as theory of Imperfect Information) was developed by Akerlof in 1970. Myers and Majluf (1984), and Greenwald, Stiglitz and Weiss (1984) have also contributed to the development of this theory. Asymmetry Information theory in

the opinion of Mishkin (1995) is the situation in which one party in a transaction has insufficient knowledge about the other party involved in the transaction to make accurate decisions. The presence of asymmetric information leads to Adverse Selection and Moral Hazard. Adverse selection is an asymmetric information problem that occurs before the transaction takes place. Akerlof (1970) refers to the problem of adverse selection as the "Lemons Problem" because it resembles the problem created by lemons (bad cars) in the used-car market. Akerlof (1970) presented his theory of information asymmetry using the used-car market. In his analysis, potential buyers of used cars are frequently unable to assess the quality of the car in the sense of being unable to tell whether a particular used car is a good car that will run well or a "lemon" that will continually give them problems. The buyer will therefore give only an average price for the car. The owner of the used car on the other hand, is more likely to know whether the car is a "peach" or a "lemon" and will not sell at the price offered by the buyer. The "lemons problem" also affects the securities market, made up of the bond (debt) and equity (stock) markets. Potential buyers of securities cannot distinguish between good firms with high expected profits and low risks, and bad firms with low expected profits and high risks. In this situation, investors will be willing to pay only a price that reflects the average quality of the firms issuing securities, a price that lies between the value of securities from bad firms and the value of those from good firms. The owners or managers of the good firms however, know that their securities are undervalued and will not sell at the price offered.

Moral hazard is the asymmetric information problem that occurs after the financial transaction has taken place, when the seller of a security may have incentives to hide information and engage in activities that are undesirable for the purchaser of the security. Moral hazard has important consequences for firms and determines whether a firm finds it easier to raise funds from debt or equity sources (Mishkin, 1995). The theory of information asymmetry is based on the following assumptions: that the equity market treats all those seeking equity the same; each firm is characterized by a net cash flow from operations; lenders are fully informed, risk neutral and require an expected return R; equity investors are risk neutral and require an expected return R (Greenwald, Stiglitz and Weiss, 1984). This theory is relevant to the current study in the sense that because of the problem of information asymmetry, financial institutions find it difficult to finance SMEs activities since banks especially cannot get the needed information from SMEs to assess them for financing, hence the need for alternative financing options for the SMEs.

RESEARCH METHODOLOGY

Model Specification
The multiple linear regression model was adopted in this study. This has allowed the researcher to develop a model that will address the objectives, hypotheses and research questions raised in the study. Therefore, the model for this study is stated in linear form as follows with McaP as the proxy for long term capital market financing:

$$\text{Mcap} = f(AS_E, AS_T, \text{Int}, \text{Inf}, \text{Exr}) \qquad (1)$$

The above functional relationship was transformed and expressed in linear form as follows:

$$Mcap = \beta_0 + \beta_1 AS_E + \beta_2 AS_I + \beta_3 Int + \beta_4 Inf + \beta_5 Exr + U_t \qquad (2)$$

Where;

Mcap = Market Capitalisation (dependent variable)

AS_E = ASeM Equity Issue (independent variable)

AS_I = ASeM Index (independent variable)

Int = Interest rate (control variable)

Inf = Inflation rate (control variable)

EXR = Exchange rate (control variable)

U = Error Term

Data Presentation and Analysis

Descriptive Statistics
Table 2: Descriptive Statistics Results

Variables	MktCap	AseM Equity	AseM Index	Inter Rate	Infl Rate	Exch Rate
Mean	22081.79	6.608250	1011.464	12.75000	12.34125	254.9238
Median	20103.16	7.921500	1025.170	13.00000	11.69000	279.6400
Maximum	38589.58	9.184000	1214.940	14.00000	18.60000	358.8100
Minimum	16185.73	1.502000	729.8700	11.00000	8.000000	157.3100
Std. Dev.	7412.744	2.967876	200.2021	1.281740	3.898192	76.92568
Skewness	1.517996	-0.643378	-0.399150	-0.380765	0.330722	-0.181814
Kurtosis	4.172329	1.878075	1.683149	1.597353	1.785007	1.536848
Jarque-Bera	3.530536	0.971486	0.790460	0.849116	0.637905	0.757680
Probability	0.171141	0.615240	0.673525	0.654059	0.726910	0.684655
Sum	176654.3	52.86600	8091.710	102.0000	98.73000	2039.390
Sum Sq. Dev.	3.85E+08	61.65800	280566.1	11.50000	106.3713	41422.92
Observations	8	8	8	8	8	8

Source: E-Views Output, 2022.

Table 2 showed the result of the descriptive statistics of the study variables. From the table, the result for AseM equity issues showed a mean value of 6.60820 which implied a higher long term capital in the market amongst the sampled data. Literature suggests that lower values of alternative securities market imply lower market capitalization and vice versa. However, in this study it was high as the standard deviation was 2.967876 supporting the maximun and minimum values of 9.184000 and 1.502000 respectively. The result also showed a mean value for Asem index of 1011.464 which implied that there was high market capitalization in terms of the performance of alternative market securities over the study period. Literature suggests that a value close to 1 means

higher long term capital in the market. This was also confirmed in the higher standard deviation of the data set which stood at 200.2021 with maximum and minimum values of 1214.940 and 729.8700 respectively. With respect to dependent variable, the mean value for market capitalization which stood at 22081.79 indicated a high long term capital market financing under the period of study. This was confirmed by a high value for standard deviation of 7412.744 with a maximum and minimum of 38589.58 and 16185.73 respectively.

For the control variables, result indicated that interest rate had the mean value of 12.75000 implying that market capitalization was high since the value was significantly more than 0. This was because literature suggested that the lower the percentage of the mean of interest rates the lower the market capitalization and vice versa. Inflation rate had a mean value of 12.34125 as seen in the standard deviation of 3.898192 with minimum and maximum values of 18.60000 and 8.000000. The implication of these values was that the long term market capital greatly suffered a high inflation rate during the period under study. In order words the exchange rate per dollar also had a high mean value of 254.9238 with standard deviation of 76.92568 implying high long term capital market financing.

Robustness Checks

Before running regression analysis, certain assumptions about the characteristics of the data have to be checked. These tests include Unit Root test (Augmented Dickey- Fuller Test) and Granger causality Test.

Table 3: Unit Root test (Augmented Dickey- Fuller Test)

Variables	ADF Tests: Levels		ADF Tests First Difference		Order of Integration
	ADF Test Statistic	p-values	ADF Test Statistic	p-values	
MCAP	0.3738	0.9897	-5.9469	0.0364**	I(1)
INT	-0.2491	0.5600	-3.3868	0.0057***	I(1)
INF	0.2005	0.7146	-2.1378	0.0410**	I(1)
EXR	-0.3017	0.8773	-7.0569	0.0038***	I(1)
ASI	-0.6420	0.4031	-2.2495	0.0343**	I(1)
ASE	-0.7962	0.3627	-2.1874	0.0298**	I(1)

*, **, *** are significance at 10%, 5% and 1%

Unit Root test Augmented Dickey-Fuller Test (table 4) has been calculated here to determine the stationality of the data. This is because the data used in the study is time series in nature. The ADF test ensures the reliability of data and helps avoid spurious results. From this test, the dependent variable, market capitalization (McaP), was not stationary at levels but stationary at first difference. Similarly, all the independent variables, interest rate (INT), inflation (INF), exchange rates (EXR), ASeM equity issue (ASE), and ASeM index (ASI), were all not stationary at levels but became stationary at first difference. For all the variables of the study to be stationary at first difference, it means they are all integrated at first order, that they are all I(1) variables. With this result, we proceed with the regression analysis to determine or estimate the relationship between the dependent and independent variables of the study.

Before the regression, it is important to explore the nature of predictability between the variables of interest. The Granger causality test is a statistical hypothesis test for determining whether one time series is useful in forecasting another. If the probability value is less than any α level, then the hypothesis would be rejected at that level. Details from table 5, which presents the results of Pairwise Granger Causality Test, shows that there is one way causality running from market capitalization (McaP) to ASeM equity issue (ASE), and not the return as well. This one-way causality is known as unidirectional causality. That is to say there is unidirectional causality between MCAP and ASE. This also means that market capitalization is a good predictor of ASeM equity issue, but not the other way round.

Table 4: Pairwise Granger Causality Tests

Lags: 1

Null Hypothesis:	Obs	F-Statistic	Prob.
ASE does not Granger Cause MCAP	7	0.35060	0.5856
MCAP does not Granger Cause ASE		9.33113	0.0379
ASI does not Granger Cause MCAP	7	0.02944	0.8721
MCAP does not Granger Cause ASI		4.00858	0.1158
EXR does not Granger Cause MCAP	7	0.68008	0.4559
MCAP does not Granger Cause EXR		0.13100	0.7357
INF does not Granger Cause MCAP	7	1.54581	0.2816
MCAP does not Granger Cause INF		0.00167	0.9694
INT does not Granger Cause MCAP	7	0.40344	0.5598
MCAP does not Granger Cause INT		0.50423	0.5169
ASI does not Granger Cause ASE	7	43.4686	0.0027
ASE does not Granger Cause ASI		6.58580	0.0622
EXR does not Granger Cause ASE	7	2.55378	0.1853
ASE does not Granger Cause EXR		0.56090	0.4955

INF does not Granger Cause ASE	7	0.01658	0.9038	
ASE does not Granger Cause INF		2.28011	0.2056	
INT does not Granger Cause ASE	7	0.00278	0.9605	
ASE does not Granger Cause INT		4.50850	0.1010	
EXR does not Granger Cause ASI	7	20.5207	0.0106	
ASI does not Granger Cause EXR		0.10972	0.7571	
INF does not Granger Cause ASI	7	1.75604	0.2557	
ASI does not Granger Cause INF		0.00819	0.9322	
INT does not Granger Cause ASI	7	3.17938	0.1491	
ASI does not Granger Cause INT		0.64391	0.4673	
INF does not Granger Cause EXR	7	0.35510	0.5833	
EXR does not Granger Cause INF		0.04475	0.8428	
INT does not Granger Cause EXR	7	0.66989	0.4590	
EXR does not Granger Cause INT		0.25607	0.6394	
INT does not Granger Cause INF	7	3.57769	0.1315	
INF does not Granger Cause INT		4.13308	0.1118	

Again, the Granger causality test (table 4) revealed that ASeM index granger causes ASeM equity issue, but not the reverse. This means there is unidirectional causality between ASeM index and ASeM equity issue, making ASeM index a good predictor of ASeM equity issue. And finally, table 4 results revealed that exchange rate granger causes ASeM index, and not the reverse. This result means that there is unidirectional causality between exchange rate and ASeM index. The result further means exchange rate is a good predictor of ASeM index, but not the other way round.

Regression Results
The regression results of the study were presented in the table as follows:
Table 5 Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ASEM_EQUITY_ISSUES	-1671.802	450.7329	-3.709075**	0.0341
ASEM_INDEX	10.46652	7.950310	1.316492	0.2796
INTEREST_RATE	-97.35977	909.9094	-0.106999	0.9215
INFLATION_RATE	-507.2569	456.5870	-1.110975	0.3476
EXCHANGE_RATE_PER_DOLLAR	117.4378	27.53807	4.264561**	0.0237

R-squared	0.927834	Mean dependent var	22081.79
Adjusted R-squared	0.831612	S.D. dependent var	7412.744

S.E. of regression	3041.831	Akaike info criterion	19.14748
Sum squared resid	27758207	Schwarz criterion	19.19713
Log likelihood	-71.58991	Hannan-Quinn criter.	18.81260
Durbin-Watson stat	2.496074		

Table 5 showed the result of the effect of Asem Equity Issues, Asem Index, Interest Rates, Inflation Rate, and Exchange Rate on Market Capitalization. The result indicated that an increase in Asem Equity Issues, Asem Index, Interest rates, Inflation rates, and Exchange rates by 1.00% will lead to a -1671.802%, 10.46652%, -97.35977%, -507.2569% and 117.4378% increase respectively in the long term capital market financing of the Nigerian stock market. The coefficient of multiple determinations (R^2) showed that 0.927834 or 93% of variations in market capitalization (the dependent variable) are explained by changes in the independent variables (equity issues, ASeM index, interest rate, inflation rate and exchange rate)..

The coefficients of Asem Equity Issues, ASeM Index, Interest rate, Inflation rates, and Exchange rates are positively significant as well as negatively not significant in some respects as shown by the student's test t_c values of -3.709075, 1.316492, -0.106999, -1.110975, 4.264561 respectively. The implication of this is that within the period under study some variables of the study such as ASeM index and exchange rate had a positive significant effect while others such as equity issues, inflation rate and interest rate had a negative insignificant effect on the market capitalization of the Nigerian stock market. The standard errors of 450.7329, 7.950310, 909.9094, 456.5870 and 27.53807 also imply that alternative securities market had both positive significant and negative significant effect on the market capitalization of the Nigerian stock market.

Test of Research Hypotheses
The hypotheses stated in chapter one are hereby restated and tested in this section as follows:

Test of Research Hypothesis One
HO₁: AseM Equity Issues has no significant effect on long term capital market financing in Nigeria.

HA₁: Asem Equity issues have significant on long term capital market financing in Nigeria.

Table 6 was used to test this hypothesis. From the table, the t-value was -3.709075 while the p-value was 0.0341 at 5% level of significance. This led to the rejection of the null hypothesis and the acceptance of the alternative hypothesis with the conclusion that AseM Equity Issues has significant and negative effect on long term capital market financing in Nigerian during the period under study.

Test of Research Hypothesis Two
HO₂: AseM Index has no significant effect on long term capital market financing in Nigeria during the period of the study.

HA₂: AseM Index have significant effect on long term capital market financing in Nigeria during the period of the study.

From the table 6, the t-value was 1.316492 while the p-value was 0.2796 at 5% level of significance. This led to the acceptance of the null hypothesis and the rejection of the alternative hypothesis with the conclusion that AseM Index has positive and significant effect on market capitalization of Nigerian stock market during the period under study.

Test of Research Hypothesis Three
HO₃: Interest rate has no significant effect on long term capital market financing in Nigeria during the period under study.

HA₃: Interest rate has significant effect on long term capital market financing in Nigeria during the period under study.

Based on table 6, the t-value was -0.106999 while the p-value was 0.9215 at 5% level of significance. This led to the acceptance of the null hypothesis and the rejection of the alternate hypothesis with the conclusion that interest rate has negative but no significant effect on long term capital market financing in Nigeria during the period under study.

Test of Research Hypothesis Four
HO₄: Inflation rate has no significant effect on long term capital market financing in Nigeria during the period under study.

HA₄: Inflation rate has significant effect on long term capital market financing in Nigeria during the period under study.

Table 6 was used to test this hypothesis. From the table, the t-value was -1.110975 while the p-value was 0.3476 at 5% level of significance. This led to the acceptance of the null hypothesis and rejection of the alternate hypothesis. Accordingly, the study concluded that inflation rate has no significant effect on long term capital market financing in Nigeria during the period under study.

Test of Research Hypothesis Five
HO₅: Exchange rate has no significant effect on long term capital market financing in Nigeria during the period under study.

HA₅: Exchange rate has significant effect on long term capital market financing in Nigeria during the period under study.

From the table 6, the t-value was 4.264561 while the p-value was 0.0237 at 5% level of significance. This led to the rejection of the null hypothesis and acceptance of alternate hypothesis with the conclusion that exchange rate has positive and significant effect on long term capital market financing in Nigeria during the period under study.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

i. ASEM Equity issue had a negative but significant effect on long term capital market financing in Nigeria during the period of the study as affirmed by the t-value of -3.709075 and p-value of 0.0341 respectfully.

ii. ASEM index had a no significant but positive effect on long term capital market financing in Nigeria during the period of this study. This was confirmed by the t-value of 1.316492 and p-value of 0.2796.

iii. Interest rate with t-value of -0.106999 and the p-value of 0.9215 had a negative but no significant effect on long term capital market financing in Nigeria during the period of the study

iv. Inflation rate with t-value of -1.110975 and p-value was 0.3476 had a negative but no significant effect on long term capital market financing in Nigeria during the period of the study

v. Exchange rate had a positive and significant effect on the long term capital market financing in Nigeria during the period of the study as affirmed by the t-value of 4.264561 and p-value of 0.0237.

Conclusion

The findings of the study have indicated mixed results about the performance of the Alternative securities Market as a vehicle through which SMEs can access funds for their operations and therefore overcome the financing challenges they (SMEs) do face. Specifically, while some findings of the study have indicated a negative relationship of ASEM equity, interest rate and inflation rate on long term capital market financing in Nigeria (proxied by market capitalization (MCap), other findings have revealed a positive effect of ASeM index and exchange rate on long term capital market financing in Nigeria during the period of the study.

Recommendations

Based on the findings of the study the following recommendations have been made:

i. There is need for the regulatory authorities (SEC and Nigeria Exchange Group) to encourage greater participation of the Small and Medium Enterprises (SMEs) in the activities of the Alternative Securities market (ASeM) by way of floating their equity issues on this market to boost their equity participation as a way of enhancing long term capital market financing in Nigeria. As the results (findings) of this study have shown, equity issues have shown an insignificant negative effect on market capitalization (the proxy for long term capital market financing) in Nigeria during the period of this study.

ii.   There is need for regulatory agencies (SEC and Nigeria exchange Group) to sustain the measures that caused the ASeM index to have a significant positive effect on long term capital market financing in Nigeria during the period of the study as the findings of this study have shown.

iii.   Monetary authorities, especially the Central Bank of Nigeria (CBN) should employ policy measures that would address the negative effect of interest rate on the capital market in general and ASeM in particular as the findings of this study have revealed a significant negative effect of interest rate on long term capital market financing in Nigeria during the period of the study.

iv.   Monetary authorities should also put in place policy measures to address the negative effects of inflation on the economy generally and particularly on the capital market especially the ASeM as the findings of the study have shown a significant negative effect of inflation rate on long term capital market financing in Nigeria during the period of this study

v.   There is need for monetary authorities (particularly, the CBN) to sustain and even improve on the current foreign exchange rate policies to boost activities of the capital market, especially the ASEM as the findings of the study have indicated a positive but insignificant effect of exchange rate on long term capital market financing in Nigeria during the period of this study.

Contribution to Knowledge

The study has made the following contributions to knowledge:

i.   The study has added to the existing literature in the area (of SME exchanges or the alternative securities markets) which is a relatively new area especially here on the African continent and Nigeria in particular. Literature in this area is limited especially here in Nigeria, so the study has contributed to the existing literature in this area.

ii.   The study has also contributed empirical evidence to the limited existing empirical studies in this area especially here in Nigeria.

iii.   The findings of this study are also an important contribution to knowledge.

iv.   The model developed for the empirical investigation in this study is also another contribution to knowledge in the opinion of the researcher.

Suggestion for further studies

In December, 2020, the Nigerian stock Exchange (now the Nigerian Exchange Group) created a new entity on the capital market known as the Growth Board by migrating some companies that were previously listed on the ASeM to this newly created Growth Board. This new entity is also to cater for the financing needs of small and medium-sized enterprises in Nigeria

i.   There is therefore need to direct research efforts towards this new growth board to assess its effect on long term capital market financing in Nigeria as it affects small and medium-sized enterprises (SMEs).

ii. Research efforts could also be geared towards assessing the growth board in addressing the financing challenges SMEs do face in Nigeria.

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