
60 @ 60: Development of the Nairobi Securities Exchange

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ABSTRACT

The Nairobi Securities Exchange (NSE) was established in 1954 and recently celebrated its 60th anniversary. However, the number of listed companies over this period have been minimal – currently, there are 63 listed companies but four has been suspended from trading. This study therefore sought to investigate the specific factors influencing company listings at the NSE. The study sought to establish: *first*, the factors that influences listing decision among the listed companies; and *secondly*; to establish why some companies, which have met the listing requirements threshold have not opted to publicly list despite the numerous efforts by the exchange. For the first objective, a regression analysis was carried out to determine which factors influences listing decision. The factors analyzed included; stock market liquidity, stock market volatility, the legal and regulatory framework, and political environment. The industry, market automation and taxation were used as control variables. The model was significant at 5% lever with an adjusted R squared of 68.8%. Political environment was the most significant variable followed by stock market liquidity and then stock market variability. The industry into which a company belongs to as well as the market automation were found to be insignificant at 5% significant levels.

The second objective used questionnaires to establish why the non listed companies which have met the listing requirements were not yet listed. Most non-listed considered the legal and regulatory framework as too stringent and hence the leading hindrances to listing. The companies also considered the listing and maintenance costs as too high. In addition, most companies did not want the public scrutiny that accompanies a listed company. Other companies were family owned and wanted the status quo while others did not want dilution of ownership. Most of the non listed companies considered access to wide capital base as the leading reason why they could consider listing.