

**THE INFLUENCE OF IBUKA PROGRAM IN PROMOTING LISTING TO
THE GROWTH ENTERPRISE MARKET SEGMENT (GEMS) AT THE
NAIROBI SECURITIES EXCHANGE**

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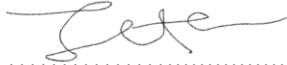
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ABSTRACT

The general objective of this study was to determine the influence of Ibuka program in promoting listing to the Growth Enterprise Market Segment (GEMS) at the Nairobi Securities Exchange. This study came at a high time when the Nairobi bourse was experiencing slow and few listings at GEMS – a segment established to attract a pool of small and medium enterprises to list with favorable and less-stringent regulations for the SMEs to tap the advantages of the capital markets. GEMS registered only six listings since its inception in January 2013. The Ibuka incubator and accelerator platform, launched in December 2018 was later established as a non-listing hosting board housed at the Nairobi Securities Exchange to enhance visibility, brand recognition, and enhance the corporate structure of small and medium enterprises. Ibuka, moreover, was leveraged by the NSE to nurture and prepare non-listed SMEs under their wings to potentially list at the Nairobi Securities Exchange, more intentionally graduate to GEMS where they would get access to favorable eligibility requirements. The study sought to establish the Ibuka strategy on creating a pipeline for more listing to GEMS especially after one of the Ibuka hosted firms, HomeBoyz Entertainment migrated to GEMS in 2020. The research proposal adopted agency cost theory and pecking order theory to explain the slow listing experienced at GEMS by SMEs who fear losing control of their entity and choose other means such as internal financing and low-cost debt to finance their operations with equity as a last resort. The diffusion of innovation theory illustrated the theoretical framework on the influence the Ibuka program could have on nurturing and spreading information of GEMS through a nest such as Ibuka with both programs under the roof of the NSE. Primary data was collected using a semi-structured questionnaire amongst 28 hosted firms at Ibuka with a response rate of 35.71%. The questionnaire sought to address the researcher's specific objectives investigated in the study, that is the influence of Ibuka program in promoting awareness of the listing requirements and benefits that SMEs stand to gain when they list to GEMS; the influence of Ibuka program in promoting the training of hosted firms for a prospective GEMS listing and the influence of Ibuka program in inculcating best corporate governance requirements to hosted entities to make them ready to potentially list to GEMS. Descriptive quantitative data from each item of the questionnaire were analyzed using Microsoft Excel Software to determine percentages and data reported in tables, graphs, pie charts, and percentages. The study found out that Ibuka program had a great influence on awareness of GEMS. There was, however, limited information amongst the hostees on the eligibility requirements and benefits of GEMS as well as corporate governance requirements. The majority of the firms showed interest to list at GEMS, however, the agency cost problem was found to be a critical factor that could be an obstacle to listings. Hosting introducers were found to be very influential parties for creating awareness of the GEM segment at Ibuka. The low responses during data collection were a huge limitation in the research.

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DEDICATION

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ABBREVIATION AND ACRONYMS

AIMS:	Alternative Investment Market Segment
Alt-M:	Alternative Market
CMA:	Capital Markets Authority
DIP:	Director's Induction Programme
EGM:	Enterprise Growth Market
GAX:	Ghana Alternative Market
GEM:	Growth Enterprise Market
GEMS:	Growth Enterprise Market Segment
IDX:	Indonesia Stock Exchange
IOSCO:	International Organization of Securities Commission
IPO:	Initial Public Offer
KASIB:	Kenya Association of Stockbrokers and Investment Banks
KPMG:	Klynveld Peat Marwick Goerdeler
LSE:	London Stock exchange
MIMS:	Main Investment Market Segment
MSMEs:	Macro, Small and Medium Enterprises
NASI:	Nairobi All Share Index
NOMADS:	Nominated Advisors
NSE:	Nairobi Securities Exchange
SMEs:	Small and Medium Enterprises
USP:	Unquoted Securities Platform

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Business incubators and accelerators have evolved from just offering office spaces and furniture to providing financing opportunities for Small and Medium Enterprises (SMEs) such as bank credit financing, venture capital financing, and angel investing (Ogututu & Kihonge, 2016). However, a new crop of incubator and accelerator programs have emerged in some of the stock exchange markets globally – SMEs non-listing incubator and accelerator boards. This is especially with a slow or non-listing experienced in the SME listing boards of some of those bourses. These incubator and accelerator programs include the Ibuka program, London Stock Exchange (LSE) ELITE Network, Morocco ELITE program, and Ghana Capital SME initiative which are housed at the Nairobi Securities Exchange, London Stock Exchange, Casablanca Stock Exchange, and Ghana Stock Exchange respectively (European Union, 2020).

The Kenyan government proposed in 2012 for the creation of a framework for the establishment of an SME listing board at the Nairobi Securities Exchange. The Growth Enterprise Market Segment was thereafter established in January 2013 with less stringent regulations to enable mid-sized enterprises to access equity financing through the securities exchange market with a favorable regulatory environment (Okello, 2018). However, Siekei (2019) noted that the existence of the segment was alien to a huge population of SMEs in the country appreciating that there was a scarcity of information concerning the Growth Enterprise Market Segment at the Nairobi Securities Exchange. Only five companies had been listed in the segment as of 2019. The figure underperformed the expectations to list 12 companies by 2016 and 27 companies by end of 2020 to the segment (CMA, 2016). HomeBoyz Entertainment Limited was the latest listing by introduction in December 2020 to total the listing to six (NSE 2020).

Nairobi Securities Exchange launched its incubation and acceleration platform dubbed Ibuka in December 2018 in partnership with the Kenya Association of Stockbrokers and Investment Banks (KASIB). The Exchange purposed to have companies with the potential to scale rapidly get visibility, networking opportunities as well enhance their capital markets understanding via Ibuka. Ibuka would as well build a pool of companies that would eventually list at the exchange, gain

access to the capital markets, and have an easy journey towards listing (NSE, 2018). The program was strategic to the NSE to catalyze access to capital market financing for the mid-caped sector as it provided the opportunity for the exchange to interact and nurture private sector enterprises with growth prospects consequently preparing them for possible listing (NSE, 2019).

A business incubator is a comprehensive business assistance program targeted to help startup and early-stage firms to grow into healthy and sustainable companies while offering them services like business advisory and consulting (Fransabank, 2017). Business accelerators are distinct from incubators in that they provide services to a highly selective, cohort-based program designed for highly established companies with a potential to scale rapidly (Bone, Allen & Halley, 2017).

Okello (2018), while stating that the level of information awareness is important, noted that despite the mid-caped sector getting information on GEMS listing through print media, they did not sufficiently comprehend the listing requirements and process. The researcher advocated for more training and awareness of GEMS to the small and medium enterprises. The study recommended the creation of platforms that would help SMEs get reliable and sufficient information about GEMS to plan well in anticipation of potential listing as well as getting constant training to determine their readiness to list.

Nyakwebwa (2014) stated that training SMEs on how to boost their sales growth would be instrumental in preparing them for a prospective listing to GEMS. This was after the researcher concluded that the sales growth rate of a firm positively affected listing to the Growth Enterprise Market Segment. The listing requirements had not been clear with SMEs fearing that they will lose control of their entities if they go to the equity market through GEMS with others fearing exposures due to disclosures that come with listing (Okello, 2018).

Firms listed in GEMS are expected to follow some strict conduct of corporate governance requirements to protect investors and maintain the credibility of the segment. GEMS listing requires the assigning of a nominated advisor (NOMAD) to nurture the listed firm. Nairobi Securities Exchange takes responsibility for appraising the NOMAD as well as the listing entity. The firm directors go through an induction program to help them better understand the listing requirements and obligations. Corporate governance, therefore, influences listing to the Growth Enterprise Market Segment (Nyakwebwa, 2014)

1.1.1 Ibuka program

Ibuka, (a Kiswahili word meaning ‘emerge’ in English) was launched by the Nairobi Securities Exchange as a non-trading hosting board that would host selected firms on a 10-month course giving them visibility, exposure and enhance their business structure for growth through two phases – incubation and acceleration (NSE, 2018).

The Incubator board purposed to provide consultancy services like financial, governance, technical, operational, commercial, compliance, capacity building, legal, compliance, and risk whereas the accelerator phase was meant to help the small and medium enterprises in the production of specialized reports in equity valuation, transaction implementation plan, offering memorandum, offer pricing, and capital raising options (NSE, 2018). Hosted firms at Ibuka are not required to publish their financial statements. Following a successful incubation process, a hosted firm would be viable for migration to the accelerator board (NSE, 2018).

The Nairobi Securities Exchange had 25 entrants to the Ibuka program as of December 2020 after HomeBoyz Entertainment Limited was listed to GEMS in December 2020. HomeBoyz Entertainment Limited transferred to the Growth Enterprise Market Segment, 19 months after its admission to the Ibuka accelerator board (NSE, 2020). The Nairobi Securities Exchange on its website recorded 28 Ibuka hosted firms by February 2022 (excluding HomeBoyz Entertainment which had graduated to GEMS) (NSE, 2022)

1.1.2 Growth Enterprise Market Segment

The Growth Enterprise Market Segment was launched by the Nairobi bourse in January 2013 to enable small and medium enterprises to raise substantial capital, while benefitting from increased business profile and liquidity within a regulatory environment that meets their needs (NSE, 2013). GEMS is the lowest ranking listing segment followed by the Alternative Investment Market Segment (AIMS) and the Main Investment Market Segment (MIMS) on top of the hierarchy (NSE, 2020). Schellhase and Woodsome (2017) stated that the main function of SME boards is to expand access to equity financing for relatively small but growing firms with the potential of contributing to economic growth and employment opportunities. GEMS listing regulations are less stringent compared to the Main Investment Market Segment (MIMS) and the Alternative Investment Market Segment (AIMS) at the Nairobi Securities Exchange. Entities wishing to list at GEMS require as

few as 25 shareholders, they need not be profitable but only need enough working capital for a year. GEMS requires 100,000 shares in issue with a minimum authorized and fully paid-up ordinary share capital of KES. 10,000,000. Companies at GEMS are required to at least be 1 year in operation and to float at least 15% of the company's issued shares for trading within 3 months of listing at GEMS. This is highly subsidized compared to the AIM segment, which requires 100 shareholders, 3 years of audited financial statements, and 20 million in paid-up ordinary share capital (NSE, 2013).

Although listing at GEMS was highly incentivized to attract the mid-sized enterprises, only 6 small and medium enterprises have joined the segment over the 8-year duration of the segment's existence at the Nairobi Securities Exchange. Home Afrika Limited was the first listing in July 2013, followed by Flame Tree Group Holdings Limited and Kurwitu Ventures Limited both in November 2014; Atlas Development and Support Services listed in December 2014; Nairobi Business Ventures in 2016 and HomeBoyz Entertainment in December 2020 after migrating from the Ibuka accelerator program (NSE, 2021).

1.1.3 Nairobi Securities Exchange

The Nairobi Stock Exchange was set up as an overseas exchange of the London Stock Exchange in 1953 and later registered under the Societies Act in Kenya in 1954. It was later registered in 1991 as a private company limited by shares. The NSE 20 share index calculated as a weighted mean of the 20 best performing equity was launched in 1996 while the Nairobi All Share Index (NASI) was introduced in February 2008. The Stock Exchange was later called Nairobi Securities Exchange in July 2011. The Growth Enterprise Market was introduced in January 2013 with a first listing in July 2013 of Home Afrika. It was a milestone for the Nairobi bourse to operate as a demutualized entity, offering its shares to the public and self-list to the Main Investment Market Segment (MIMS) in September 2014 becoming the second exchange to be listed in Africa after the Johannesburg Stock Exchange. Nairobi Securities Exchange Limited was later renamed Nairobi Securities Exchange PLC in 2017 (NSE, 2017).

Ibuka was launched on December 17, 2018, as a non-trading host closing the year 2019 with 22 hosted firms in the program. The NSE is responsible for regulating and marketing both the GEM segment market and the Ibuka program (NSE, 2020).

1.2 Problem Statement

Small and medium enterprises are significant players in sustainable economic growth and employment creation. They are, however, constrained by access to long-term sufficient financing as their need is generally unmet due to higher risks in investing in them by commercial banks (IOSCO, 2015). According to a 2013 World Bank survey report of commercial banks and their involvement of SMEs in Sub-Saharan Africa, Kenya's SMEs share in the overall loan portfolio of banks was 17.4% (Berg & Fuchs, 2013). Small and medium enterprises get limited by credit constraints. There is, therefore, a great need to broaden alternative financing opportunities noting the contribution SMEs play in economic growth (Megersa, 2020). Marwa (2014) championed for security markets as an alternative for SME financing noting, however, that the requirement to list at the main boards was a constraint and beyond reach for many small and medium enterprises.

Several security markets have developed SME listing boards with less stringent conditions to address the SME financing need with a favorable condition for the mid-caped enterprises to access the capital markets (Walker, 2011). SME boards established in Africa include the Ghana Alternative Market (GAX), Enterprise Growth Market (EGM) in Tanzania, the Alternative Market Segment at the Rwanda Stock Exchange, and the Growth Enterprise Market Segment (GEMS) at the Nairobi Securities Exchange in Kenya (Schellhase & Woodsome, 2017).

It is, however, worrying to note that some of these SME exchanges have experienced very few listings or no listing at all. For instance, Okello (2018) noted that only 5 companies listed at the Nairobi Securities Exchange Growth Enterprise Market Segment as of March 2018. This was below the expectation of the Capital Markets Authority (CMA) in its Capital Market Master Plan to list 12 companies by end of 2016 (CMA, 2016).

Previous studies done have focused on the Growth Enterprise Market segments at the Nairobi Securities Exchanges including a study by Okello (2018) which concluded that insufficient awareness of the GEMS was one of the hindrances of SMEs listing to the Growth Enterprise Market Segment. The researcher, therefore, primarily focused on Ibuka and its influence towards promoting listing to the Growth Enterprise Market Segment at the Nairobi Securities Exchange. The study intended to provide information on the influence the Ibuka program could have on GEMS listing especially in providing sufficient information about GEMS eligibility requirements

and benefit for SMEs hosted at Ibuka. The study was strategic noting that one of the Ibuka hosted firms, HomeBoyz Entertainment Limited migrated to GEMS in December 2020, 19 months after being hosted at the Ibuka accelerator board.

The study also looked at establishing whether Ibuka provided training and prepared hosted firms for a prospective listing to the Growth Enterprise Market Segment. The study as well sought to investigate whether Ibuka program promoted GEMS best corporate governance practices amongst hosted firms. There were 28 Ibuka hosted firms in both the incubator and accelerator board at the time of submission of this research project (NSE, 2022).

1.3 Research Objectives

1.3.1 General study objective

The study was aimed at investigating the influence of Ibuka program in promoting listing to the Growth Enterprise Market Segment at the Nairobi Securities Exchange.

1.3.2 Specific Study Objectives

- i. To establish the influence of Ibuka program in promoting awareness of the listing requirements and benefits accrued to companies that list to the Growth Enterprise Market Segment.
- ii. To examine the influence of Ibuka program in promoting training to hosted firms for a potential listing to the Growth Enterprise Market Segment.
- iii. To establish the influence of Ibuka program in inculcating best corporate governance practices to hosted firms for a potential listing of hosted firms to the Growth Enterprise Market Segment.

1.4 Research Study Questions

- i. What was the influence of Ibuka program in promoting awareness of the GEMS listing requirements and benefits that accrue to listing at the Growth Enterprise Market Segment?
- ii. What was the influence of Ibuka program in promoting training to hosted firms for a potential listing to the Growth Enterprise Market Segment?
- iii. What was the influence of Ibuka program in inculcating best corporate governance practices to hosted firms for a potential listing to the Growth Enterprise Market Segment?

1.5 Scope of Study

The study focused on the 28 hosted firms at both the Ibuka incubator and accelerator boards at the Nairobi Securities Exchange. The study keenly looked at Ibuka's influence in promoting awareness of the listing requirements, benefits to be accrued when listing to GEMS, provision of training to hosted firms for prospective GEMS listing, and promotion of best corporate governance practices amongst the firms for eligibility to enter GEMS.

1.6 Significance of the study

1.6.1 Small and medium enterprises outside Ibuka

The findings of this study will inform small and medium enterprises that have not joined Ibuka on whether the Ibuka platform could be a strategic pipeline to a future listing at the Growth Enterprise Market Segment. The companies will assess whether they could leverage Ibuka to get awareness, training, and acquire best corporate governance practices for a potential GEMS listing.

1.6.2 Nairobi Securities Exchange

The Nairobi Securities Exchange will be informed on underlying issues and concerns affecting the Ibuka program and GEM segment. The bourse would be better placed and informed to address and identify ideas from this research project for the success of the two programs in that regard.

1.6.3 Securities exchange markets globally

Securities market exchanges globally especially those that have not established an incubator and accelerator non-listing board under their exchanges will use the findings of this study to consider whether to establish a similar platform for catalyzing listing to their SME exchange listing boards. This will be imperative for the SME exchange listing boards that are experiencing listing droughts.

1.6.4 Scholars

The study will add on knowledge about the Ibuka program which is relatively a new product at the Nairobi Securities Exchange introduced in December 2018 with limited research on the topic. The study will also provide a foundation for more scholarly studies on incubator and accelerator non-listing boards established and housed under the securities exchange market globally.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The literature review looks at a theoretical framework that explains the slow listing at the Growth Enterprise Market Segment and the influence incubator and accelerator board such as Ibuka platform could have on promoting listing to trading boards such as GEMS. The empirical review focuses on the named objectives and what researchers have written on them. The literature review also contains the research gap and the conceptual framework.

2.2 Theoretical literature review

The study adopted pecking order theory and agency cost theory to build the theoretical framework on why most small firms and their owners are unwilling to list to the equity market, for this case, the Growth Enterprise Market Segment. The study adopted diffusion of innovation theory to build ON the theoretical framework for the influence of the Ibuka incubator and accelerator program in promoting awareness and listing to the Growth Enterprise Market Segment.

2.2.1 Agency Cost Theory

William Meckling and Michael Jensen in 1976 advanced the agency cost theory. They stated that agency cost theory arises due to conflict of interest between the firm's owners and managers assuming a separation of ownership and control between the two company stakeholders (Zvendi, 2015). The principal – the shareholder -incurs agency cost when his or her interest and the manager diverge, consequently corporate governance problems arise (Otieno, 2016). Unlisted small firms, however, are likely to have more concentrated ownership with the shareholders running the business and having significant control of the business which decreases the conflict of interest thus reducing the agency cost problem. Agency cost problem and the control of many enterprises by the shareholders translate, therefore, to the reason why Initial Public Offerings (IPOs) are underpriced, and listing costs are high thus detrimental to small firms. Listing as well takes control from initial shareholders and opens the door for a possible takeover (Gachigo, 2014).

Kigen (2016) posits that agency costs are inevitable for small companies who decide to float shares to the GEM segment. Listing of small and medium enterprises at the Growth Enterprise Market

Segment (GEMS) leads to loss of ownership and the fear that new shareholders may employ services of other players to represent their interest. According to Okello (2018) agency cost affects the listing of small and medium enterprises to GEMS due to the challenges of separation of ownership and control between the shareholder and managers with the shareholders being hesitant to list and lose control from outside parties.

2.2.2 Pecking Order Theory

Pecking order theory was advanced by Majluf and Myers in 1984. The theory states that the cost of financing increases with information asymmetry. Firms prefer to finance their business with retained earnings first, when depleted it resorts to low-risk debt and finally equity financing (Gachigo, 2014). This is due to the relative costs associated with the different forms of financing brought about by asymmetric information. Small firms are highly opaque and novel and are therefore affected by information asymmetry and agency cost theory in their relationship with investors (Rotich, 2013)

Equity financing is the last option for small firms and is avoided due to the high agency costs and the fear to lose control and ownership of their company. The cost of listing or issuing capital to the market is high for instance requirement to produce audited financial statements could be out of reach for many SMEs due to auditing costs (Gachigo, 2014). Debt financing is not easily accessible to SMEs due to credit rationing with financial firms providing limited financing to SMEs in the short-term period (Klein, Neitzert, Wendels, and Kraus, 2019).

Pecking order theory illustrates why small firms prefer internal financing or retained earnings, followed by debt, and listing as a last resort since they lack the funds to go public, therefore, an internal source of financing is the favorable option (Siekei, 2019). Funding using retained earnings has no floatation costs and no external control on the use of funds. Pecking order theory was used to explain the influence of information asymmetry, working capital, and firm control in listing to the Growth Enterprise Market Segment especially since the owners and managers of the SMEs could be different people (Okello, 2018).

2.2.3 Diffusion of Innovation Theory

Everett Rogers proposed the Diffusion of innovation theory in 1962 describing it as the process by which innovation is communicated through certain channels over time among the members of the

society (Kibuchi, 2014). The diffusion process is fundamentally a communicative process where information is valued, and personal attributes nurtured. Incubators are important platforms where innovative ideas are communicated, therefore, increasing the likelihood of sustainability of firms in the incubator. Immature markets have led to a lack of success of innovation and incubators have filled that gap as important players to diffuse innovation (Tola & Kontini, 2015).

Nyakweba (2014) recommended the Capital Markets Authority and the Nairobi Securities Exchange to provide information on GEMS to accelerate listing on the segment noting that there was insufficient information and awareness about the GEM segment. Ibuka was thereafter created to host companies that would potentially list on the Growth Enterprise Market Segment and address the listing drought at the Nairobi bourse (NSE, 2018).

Kibuchi (2014) noted that getting a new idea to be acknowledged and accepted can be a daunting task thus the importance of the diffusion of innovations theory which considers a long-term approach to increase the rate of adoption of the idea. The conclusion was similar as well to Tola and Kontini (2015) who noted that many firms that launched new ideas to the market failed, however, with a different tactic and sufficient time to market the innovation, there was a great success. Ibuka was considered a tactic and opportunity for the Nairobi Securities Exchange to bring more firms on board the equity market. The platform would help diffuse information on the listing segments with a view of increasing about 4 listings to 4 per year from the Ibuka program (NSE, 2019).

Opinion leaders are a very important factor in innovation diffusion by promoting information awareness, influencing decisions, suggesting solutions to inherent problems, and helping adopt intended innovation to incubated companies (Tola & Kontini, 2015). Ibuka program at the end of 2019 had consultants and advisors who constantly met hosted firms to help them realize their objectives through training and advising them on potential capital raising in the securities market (NSE, 2019).

2.3 Empirical literature review

2.3.1 Awareness of listing requirements and benefits accrued through a GEMS listing

Okello (2018) while conducting a study to investigate the factors influencing the listing of small and medium enterprises to the Growth Enterprise Market Segment in Kenya, collected primary data using questionnaires among 672 SMEs who had qualified to be listed in GEMS. The research found out that there lacked clarity with information about the requirements and costs associated with GEMS listing which was conveyed through printed brochures and SME forums. The findings showed some similarities with those of Kamfwa (2018) when investigating the lack of listing of small and medium enterprises to the Lusaka Alternative Market (LuSe Alt-M) in Zambia. 20 SMEs were sampled using the interview technique with 80% of them stating that they were not aware of the LuSe Alt-M.

Okello (2018) discovered that the fear of losing control and ownership, insufficient information and awareness of the SME listing segment, and inadequate training on the Growth Enterprise Market Segment were hindrances for SMEs to list at GEMS. 51% of the respondents claimed that they would opt to list at GEMS to access long term equity financing which they would find difficult to acquire through bank credit financing whereas 49% of the respondents cited that the poor and struggling performance of entities listed under GEMS, discouraged them to list at that segment. The study revealed that there was a lack of information efficiency in the market as much of the listing information was pitched to large companies. 20% of the respondents aware of the alternative market regarded regulations as an obstacle towards listing.

The research by Siekei (2019) on the challenges of listing by the KPMG Top-100 mid-sized companies at the Nairobi Securities Exchange concurred with the findings of Okello concluding that information asymmetry affected listing to about 38.7%. Most SMEs were not aware of the SME exchanges, the listing process, or the benefits they would reap by listing.

Marwa (2014) championed security markets as an alternative for SME financing noting, however, that the requirement to list at the main boards was a constraint and beyond reach for many small and medium enterprises. SME access to equity financing has been faced by hurdles such as the unreadiness to lose control of enterprises, high listing costs, and lack of sufficient information of the equity market (IOSCO, 2015).

2.3.2 Training of firms for prospective GEMS listing

A study of the determinants of listing at the Nairobi Securities Exchange Growth Enterprise Market segment by Nyakweba (2014) through collecting secondary data about firms listed at GEMS and a sample of SMEs in the KPMG Top 100 list revealed that the sales revenue growth rate of a firm positively influenced listing at GEMS. The researcher recommended pre-issue assistance should be availed to SMEs to ensure they are not constrained by factors such as skill in corporate finance and training through hubs and trade fares to inform and prepare them for listing.

The study by Okello (2018) on the factor influencing listing of SMEs to the Growth Enterprise Market Segment advocated for the importance of improving the managerial competence skills of the small and medium enterprises through consistent training to increase the listing potential of the firms as they get mentored to list to the Growth Enterprise Market Segment. The researcher also recommended the creation of SME hubs to offer the training and opportunities for networking and building capacity and experience of the SMEs about the securities exchange market.

A 2015 International Organization of Securities Commission (IOSCO) 2015 report on SME financing through the capital markets stated that small enterprises should be informed about the regulatory requirements and have access to information through courses on capital markets in preparation for prospective listing. Conferences concerning the securities market ought to be availed to them as well as assistance in their readiness to go public and meet compliance requirements during the listing process (IOSCO, 2015).

2.3.3 Best corporate governance requirements for GEMS listing

Nyakweba (2014) determined that corporate governance issues of firms were a factor for small firms when listing to the GEM segment. Companies that get entry to the Growth Enterprise Market Segment are required to align to strong corporate governance structures. The Nairobi Securities Exchange requires the mid-caped enterprises to comply with the GEMS listing rules to ensure that investors are protected and not put at risk (NSE, 2013). Nyakweba (2014) also noted that a company's corporate governance influences the decision by a firm to voluntarily disclose materials and information that are required in the listing. Directors of a GEMS listing entity are required to go through an induction program to inculcate the values engrained in GEMS and for them to

understand their responsibility to the listing thus good corporate governance structures (NSE, 2020).

A feasibility study report into a proposed incubator and accelerator program for SMEs in the Ugandan Stock Exchange stated that the Nairobi Securities Exchange was facing a lack of listing which was later followed by the launch of the Ibuka program through a partnership between the Nairobi Securities Exchange and the London Stock Exchange Elite program with 19 firms joining the platform in the first cohort. The report inferred Ibuka as a strategy for the Nairobi bourse to achieve uptake of listing to its trading boards (European Union, 2020).

A literature study on strategies for increasing economic value added in the MSME Sector in the North Sumatra region in Indonesia with the acceleration board method and initial public offering by Sinurat, Lham, and Cahyadi (2021), concluded that cooperation between the mid-caped sector and the stock exchange through an acceleration board should be promoted as a strategy for increasing economic values for the micro, small and medium enterprises. The Indonesian Stock Exchange (IDX) established the IDX incubator to promote the growth of SMEs and inform them about listing to the IDX accelerator board which is a listing board, unlike the Ibuka accelerator board.

2.4 Summary of Literature and Research Gaps

From the empirical literature review, lack of access to sufficient information about the Growth Enterprise Market segment was a challenge for SMEs to list at the segment (Okello, 2018; Kamfwa, 2018; Siekei, 2019).

Okello (2018) found out that small and medium enterprises were hesitant to list since they feared losing control and ownership of their entities as well as high listing costs. The researcher also concluded that there was sufficient training on the GEM segment. Since firms with a higher sales growth rate had the potential to list at GEMS according to Nyakweba (2014), those with low turnover were disadvantaged on listing, therefore, denying them eligibility for GEMS entry.

Ibuka incubator and accelerator platform were designated as a strategy for the Nairobi bourse to increase listing (European Union, 2020). The adoption of this idea was practical for the Indonesia Stock exchange which established an IDX incubator to promoted listings to its SME exchange platform – the IDX accelerator board (Sinurat et. al., 2021).

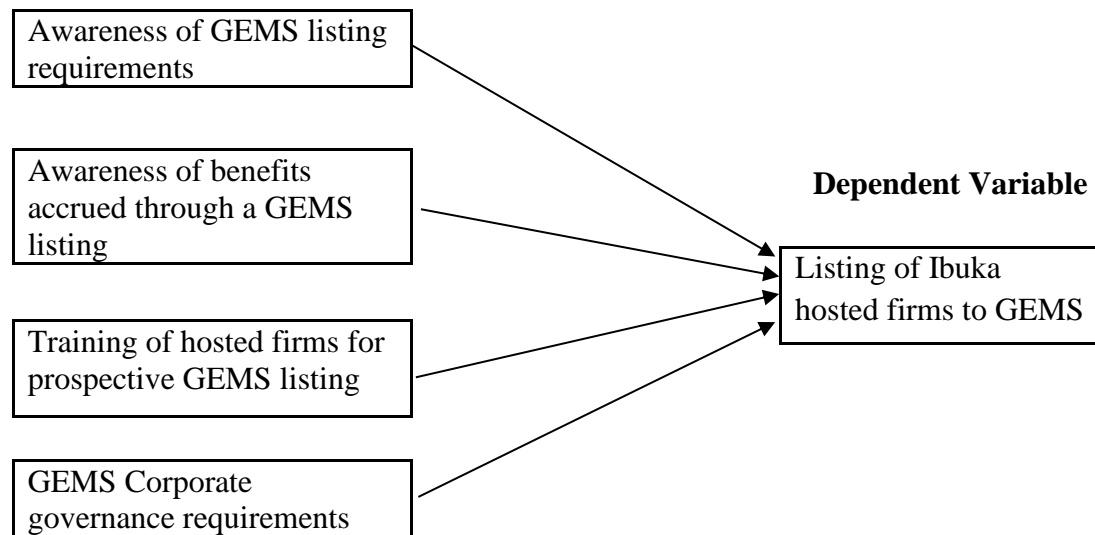
There is a research gap in identifying how Ibuka could be an influence to increasing listing to the Growth Enterprise Market Segment especially to address the challenge of lack of information awareness, training, and addressing concerns of SMEs on GEMS entry hurdles.

2.5 Conceptual Framework

The conceptual framework provided the guidelines for the influencing factors on GEMS listing. The influencing factors are awareness of GEMS listing requirements; awareness of the benefits that accrue to GEMS listing by Ibuka hosted firms; training of hosted firms for a prospective GEMS listing and the influence of Ibuka on incorporating best corporate governance requirements amongst hosted firms for GEMS listing.

Figure 2.1 Conceptual framework

Independent variables



Source: Author, (2021)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology used to meet the research objectives of the influence of the Ibuka program in promoting listing to the Growth Enterprise Market Segment at the Nairobi Securities Exchange. This chapter covers the research design, population and sampling, data collection, validity analysis, and ethical issues.

3.2 The Research Design

The study adopted a descriptive study to determine the influence of Ibuka program in promoting listing to the Growth Enterprise Market Segment at the Nairobi Securities Exchange. In a descriptive study research design, statistics are formulated which help in illustrating the relationship between the dependent and independent variables. Descriptive research design serves to arrange the findings of the research to fit the observations with existing explanations, then test or validate the explanations (Gachigo, 2017). Descriptive research design addresses the research objectives and questions. The study intended to come up with findings that show the influence of the independent variables on listing to GEMS.

3.3 Population and Sampling

The target population of the research was the 28 small and medium enterprises hosted at the Ibuka platform. The study focused on the hosted firms at both the Ibuka incubator and the accelerator non-listing boards. The study used census sampling of all the 28 hosted firms. The target respondents for the questionnaires were the Chief executive Officers or Managing Directors of the entities.

3.4 Data Collection methods

The researcher used primary methods of data collection. Primary data was obtained through a semi-structured questionnaire which collected data as per the general objective and the three specific objectives. The questionnaire contained both open and close-ended questions. The

questionnaire was administered via the hosted firms' official emails and follow-ups were done using telephone contacts retrieved from the firms' websites.

3.5 Data Analysis

Data were analyzed using descriptive statistic functions to determine percentages. Data from each item of the questionnaire was analyzed separately using Microsoft Excel software. Quantitative data analysis was performed, and data was reported in graphs, pie charts, percentages, and modes.

3.6 Research Quality

3.6.1 Validity and Reliability

A sufficient literature review ensured the validity of the data. The census ensured that the population was well covered. The reliability of the study was provided through a pilot study on 5 SMEs in Nairobi. The use of open-ended questions enhanced the validity of the questions asked since it permitted respondents to give an overflow of the required information.

3.7 Ethical issues

The researcher investigated and familiarized himself with the Strathmore ethical standards on research. Respondents were informed through an official letter sent via email that their responses would be kept in confidence and that participation in the questionnaire was voluntary. Respondents were also informed that their identity or that of their enterprises would not be revealed or published in the final research report.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter presents the findings of primary data collected in the field study using the close-ended questionnaires to the Ibuka hosted firms. The items in the questionnaire sought to build background information on the Ibuka program and the GEM segment. Most particular the questionnaire sought to address the objectives set out in this research. This chapter provides the response rate and then presents the various important sections set out in the questionnaire that is: General characteristics of the firm, admission to Ibuka, GEMS eligibility requirements and benefits accrued to listing at the segment; awareness of benefits that would accrue to a GEMS listing through the Ibuka program; training of Ibuka hosted firms for a prospective GEMS listing; promotion of best corporate governance practices at Ibuka for a prospective GEMS listing, and consideration of Ibuka firms to potentially list at GEMS.

4.1.1 Response Rate

The response rate was analyzed to identify the number of respondents who participated in the questionnaire and the results are shown in Table 4.1 below. The findings established that 10 out of the targeted 28 Ibuka hosted firms responded to the questionnaire signifying a response rate of 35.71%.

Table 4.1 Response Rate

Response	Number	Percentage
Responded to questionnaire	10	35.71
Did not respond to the questionnaire	18	64.29
Total	28	100

Source: Author, (2022)

4.2 General Characteristics of the Firm

This section presents the general characteristics of the Ibuka SMEs as surveyed through the questionnaire. The main characteristics of the Ibuka hosted firms surveyed by the researcher were

the name of the company, year of incorporation, the year the firm joined Ibuka, the month the firm joined Ibuka, Ibuka phase where the firm was hosted, ownership of the firm, how many staff the firm employed on a full time, annual turnover of the firm in 2021, the profitability of the firm, means of raising capital as well as indicative values in percentage for their source(s) of capital.

4.2.1 Name of Company

10 companies hosted at the Ibuka program responded to the questionnaire. Responses were mainly drawn from the Chief Executive Officers or Managing Directors of the respondent firms. In other instances, senior representatives, executives, or persons with information about the firm's Ibuka program responded to the questionnaire. The firms were informed that the details of their companies or themselves would not be revealed in the research. The researcher, therefore, did not reveal the identities to protect their confidentiality as stipulated in the researcher's letter to the target respondents.

4.2.2 Year of incorporation

The hosted firms that responded to the survey as shown in Table 4.2 were found to have been incorporated between the years 2000 and 2018. Two of the firms were incorporated in 2012.

Table 4.2 Comparison of Ibuka respondents against year of incorporation

Year	Number of Companies
2000	1
2001	1
2006	1
2009	1
2010	1
2012	2
2014	1
2015	1
2018	1

Source: Author, (2022)

4.2.3 Dates (Year and month) of Ibuka admission

9 out of the 10 respondents were admitted to the Ibuka program in 2019 while one was admitted in 2020. 60% of the respondent firms were on board the platform on half-year 2 of 2019. The findings show that there was a significant majority of admission in the year 2019 compared to the year 2020 as shown in Table 4.3.

Table 4.3 Distribution of admission dates for the Ibuka respondent firms

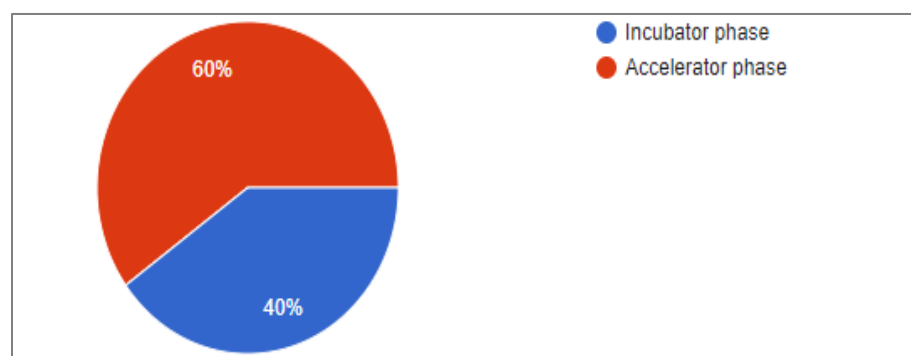
Year	Month	Number of Companies
2019	January	1
2019	May	1
2019	June	1
2019	July	1
2019	September	1
2019	October	1
2019	November	1
2019	December	2
2020	February	1

Source: Author, (2022)

4.2.4 Ibuka hosting phases

The respondent's companies Ibuka hosting phase as presented in figure 4.1 shows that 60% of the respondent firms were hosted at the accelerator phase while 40% were hosted at the Incubator phase.

Figure 4.1 Composition of respondent firms by Ibuka hosting phase



Source: Author, (2022)

This indicates that a slight majority of the respondent firms were in the second and final stage of the program, that is, the accelerator

Table 4.4 Distribution of years of incorporation against Ibuka hosting phase

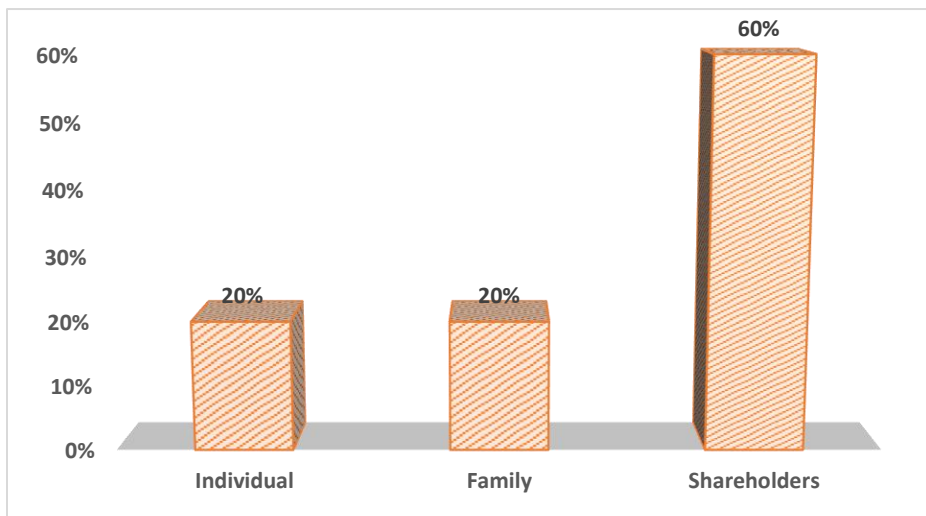
Year of incorporation	Number of Companies	Existing Ibuka hosting phase
2000	1	Accelerator
2001	1	Accelerator
2006	1	Accelerator
2009	1	Accelerator
2010	1	Accelerator
2012	2	Incubator and Accelerator
2014	1	Incubator
2015	1	Incubator
2018	1	Incubator

Source: Author, (2022)

The findings from Table 4.4 indicate that all the respective Ibuka hosted firms that were incorporated before and during 2010 joined the accelerator phase whereas most (4 out of 5) of the hosted firms incorporated post-2010 were admitted to the incubator phase.

4.2.5 Firm ownership

Figure 4.2 Distribution of respondents by company ownership



Source: Author, (2022)

The above figure graphically indicates the percentage of firm ownership for the respondents. From the bar graph, 60% of the firms are owned by shareholders, 20% are owned by individual members whereas 20% of the respondent's firms are family businesses. The survey found out that the majority of the Ibuka respondent firms are owned by shareholders.

4.2.6 Number of employees in the company

The questionnaire also targeted to find out the number range of employees on a full-time basis. Table 4.2 below illustrates that 50% of the respondent firms employed 1 to 9 employees full time, 30% of the companies employed between 10 to 49 employees, 20% employed between 50 to 249 employees while none of the respondents had employees above 250. This, therefore, indicates that half of the respondent firms employed between 1 to 9 employees, therefore, signifying very small entities.

Table 4.5 Number of employees in the company

	Frequency	Percentage (%)
From 1 – 9 employees	5	50
From 10 – 49 employees	3	30
From 50 - 249 employees	2	20
More than 250 employees	0	0
Total	10	100

Source: Author, (2022)

4.2.7 Firms annual turnover in 2021

Responses on the turnover returns in 2021 from the Ibuka respondent firms as shown in Table 4.6 revealed that none of them had an annual turnover of KES. 5 million and below, 22.2.% of the firms had an annual turnover of more than KES 5 million and up to KES 10 million, 11.1% of the hosted firms had an annual turnover of more than KES 10 million and up to KES 50 million while another 11.1% had an annual turnover of more than KES 50 million and up to KES 100 million. One firm did not give a response to this question. A huge 55.6% of the respondent firms had an annual turnover of KES 100 million and above.

Table 4.6 Distribution of Ibuka respondent firms by 2021 annual turnover

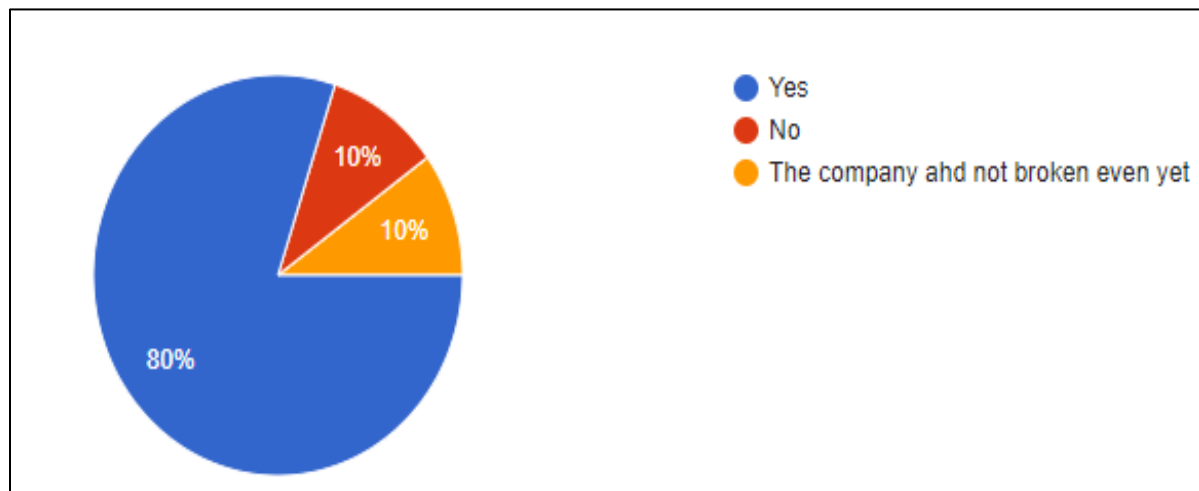
	Frequency	Percentage (%)
KES 5 million and below	0	0
More than KES 5 million and up to KES 10 million	2	22.2
More than KES 10 million and up to KES 50 million	1	11.1
More than KES 50 million and up to KES 100 million	1	11.1
KES 100 million and above	5	55.6
Total	9	100

Source: Author, (2022)

4.2.8 Company's profitability

The respondents' feedback on their firm's profitability as displayed in the figure indicated that 80% of the firms were profitable with 1 company responding that the firm was not profitable and another firm responding that the company was yet to break even both representing 10% representation each from the 10 Ibuka firms' respondents. This signaled that a huge majority of the Ibuka hosted firms were profitable

Figure 4.3 Composition of respondent Ibuka firms by profitability

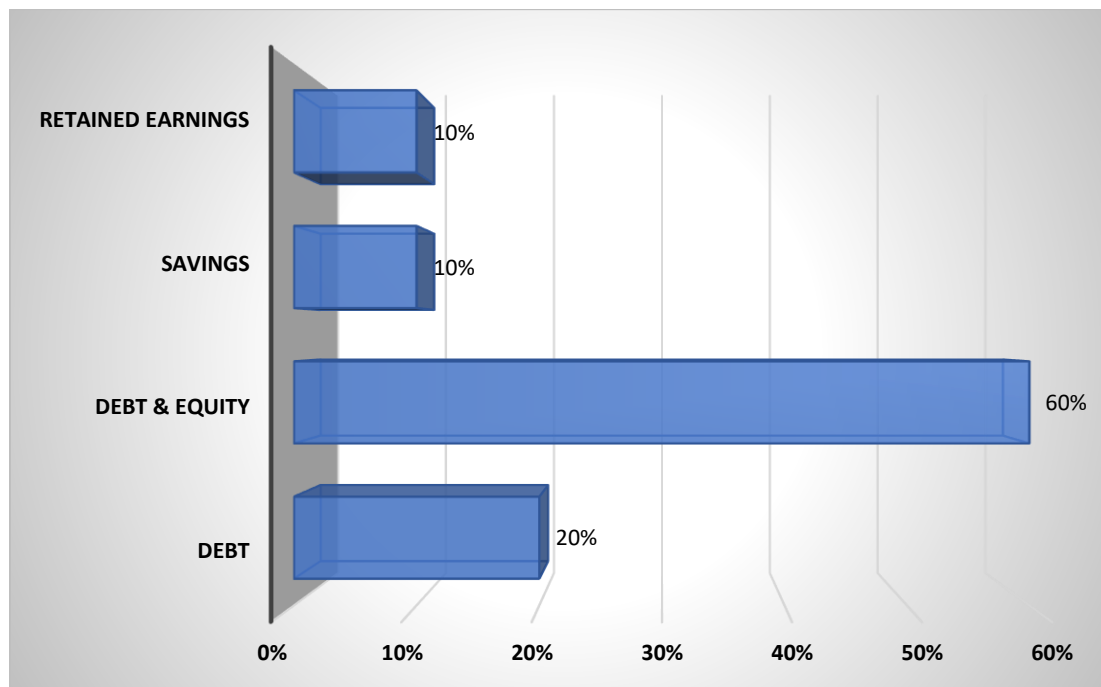


Source: Author, (2022)

4.2.9 Firms' means of raising capital

Figure 4.4 below shows that 60% of the respondents source their capital from both debt and equity, 20% of the respondents raise their capital from borrowing only, while 10% used their retained earnings, and another 10% used funds from their savings to run their business. This indicated that most firms preferred both debt and equity as their source of capital.

Figure 4.4 Percentage ratings for sources of capital



Source: Author, (2022)

4.3 Firms' admission to Ibuka program

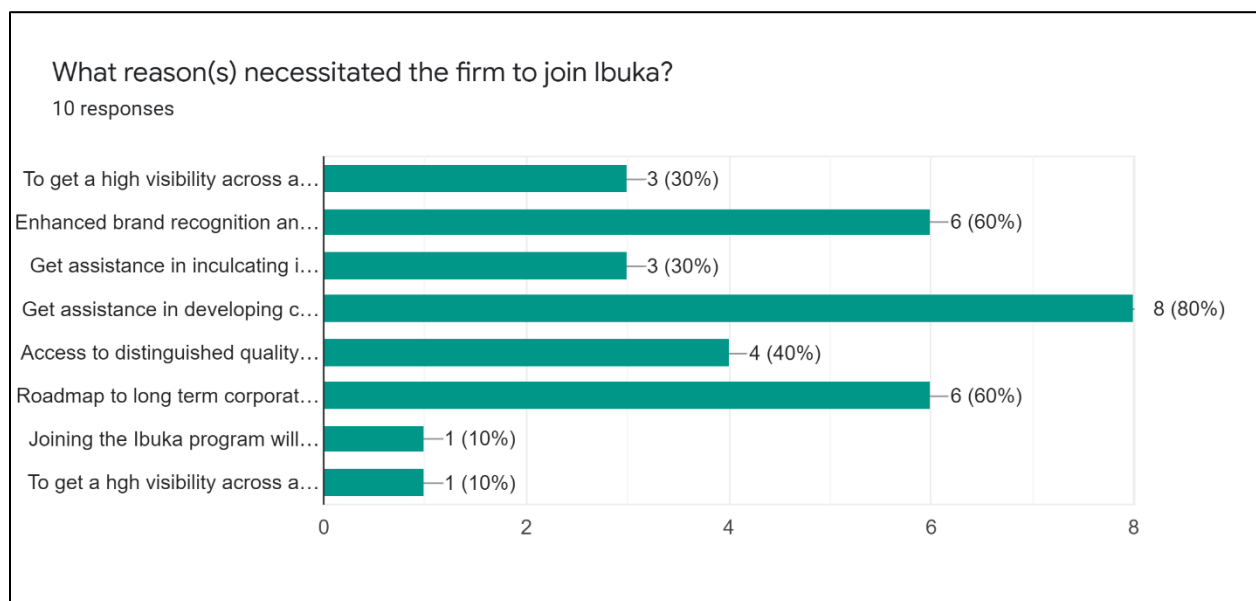
This section addresses the reasons of the respondent firms to join Ibuka as well as the benefits they have attained from the program. The aims and benefits presented as options to the respondents were drawn from the Ibuka program brochure as accessed from the Nairobi Securities Exchange's website.

4.3.1 Reasons for joining Ibuka program

As outlined in Figure 4.5, 40% of the respondent firms answered that they joined Ibuka to get high visibility across a vast public spectrum, 60% were attracted to the program to enhance their brand

recognition and get access to business opportunities, 30% of the companies were attracted by the objective to get assistance in inculcating improved corporatization, 80% of the participating companies in the survey joined Ibuka to get assistance in developing capital market access capabilities in preparation for listing, whereas 40% of the respondents ticked the purpose of getting access to distinguished quality consultancy and advisory services as their reason to join the Ibuka platform with another 60% response to join Ibuka to accelerated their long term corporate sustainability. One of the entities mentioned an additional reason, that is, the firm joined Ibuka program to enable them better access to a community of stakeholders with a shared objective to attaining its mission as they believed that the program would not only enhance their internal capacity to only tailor winning customers. The results in Figure 4.5 signify that out of the 8 reasons, 8 respondent firms joined the Ibuka program to get assistance in developing their capital market capabilities in preparation for possible listing.

Figure 4.5 Graphical representation for reasons of joining Ibuka



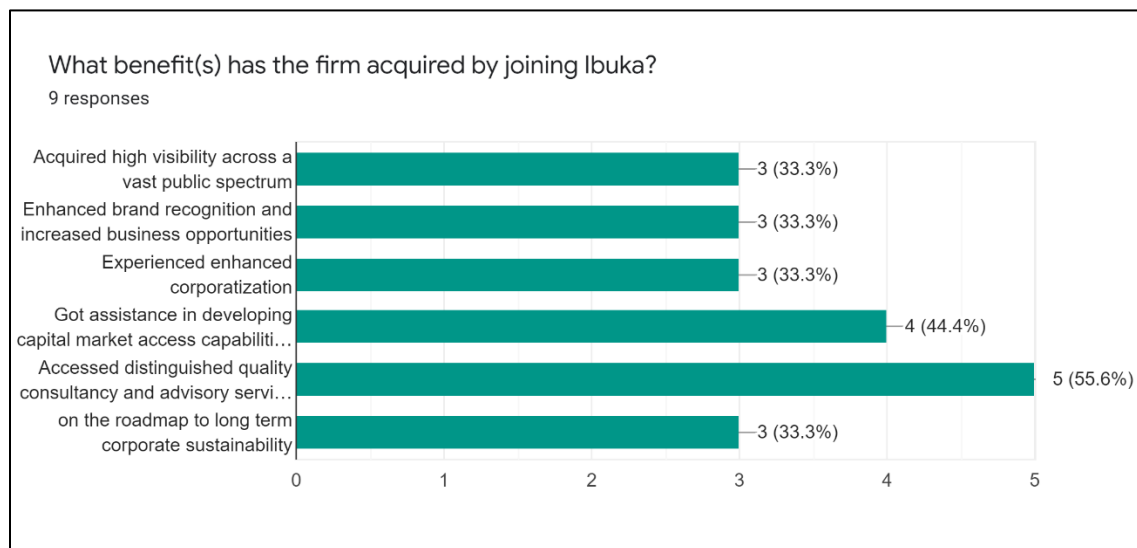
Source: Author, (2022)

4.3.2 Benefits acquired by the hosted firms by joining the Ibuka program

The respondents were asked to tick the benefits they have acquired by joining the Ibuka program from 6 presented options. Their responses in Figure 4.6 show that 33.3% of the respondents acquired high visibility across a vast public spectrum by joining the program, another 33.3%

enhanced their brand recognition and increased business opportunities while another 33.3% experienced enhanced corporatization. 44.4% of the participating firms responded that they got assistance in developing capital market access capabilities in preparation for listing, 55.6% of the respondents answered that they accessed distinguished quality consultancy and advisory services while 33.3% of the firms believed that they were on the roadmap to long term corporate sustainability by joining the Ibuka program. From Figure 4.6, a majority of the respondent firms answered that they got access to distinguished quality consultancy and advisory services by joining Ibuka.

Figure 4.6 Responses on benefits acquired after Ibuka admission



Source: Author, (2022)

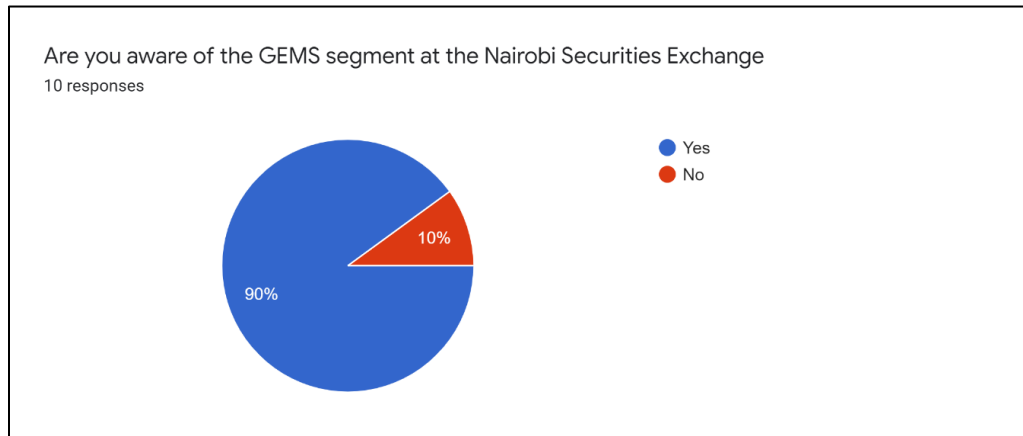
4.4 GEMS eligibility requirements and benefits accrued to listing to the segment.

The researcher sought to find out the level of awareness amongst Ibuka hosted firms on the eligibility requirements for joining the Growth Enterprise Market Segment (GEMS) as well the benefits Ibuka firms stand to gain by joining the segment which primarily targets the SME sector.

4.4.1 Awareness of GEMS at the Nairobi Securities Exchange

Figure 4.7 shows that 90% of the respondent firms answered that they were aware of the Growth Enterprise Market Segment. This confirmed that a substantial majority of the respondents were well aware of the segment.

Figure 4:7 Ibuka firms’ general awareness of GEMS



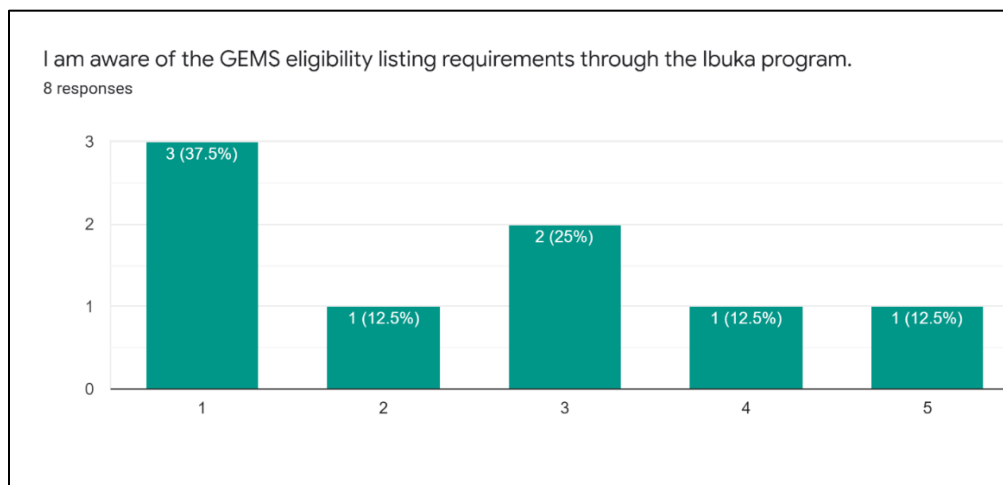
Source: Author, (2022)

4.4.2 Awareness of GEMS eligibility requirements through Ibuka program

4.4.2.1 Level of awareness of GEMS eligibility requirements through Ibuka program

The respondents were asked to rank the extent to which they were aware of GEMS eligibility requirements through the Ibuka program with 1 denoting ‘strongly agree’, 5 denoting ‘strongly disagree’, and 3 denoting ‘moderate’ as indicated in Figure 4.8. 8 out of the 10 respondents answered this question. 37.5% of the respondents strongly agreed, 12.5% agreed, 25% were moderate on their response, 12.5% disagreed, and 12.5% of the respondents strongly disagreed.

Figure 4.8 Ibuka firms’ level of awareness on GEMS eligibility requirements

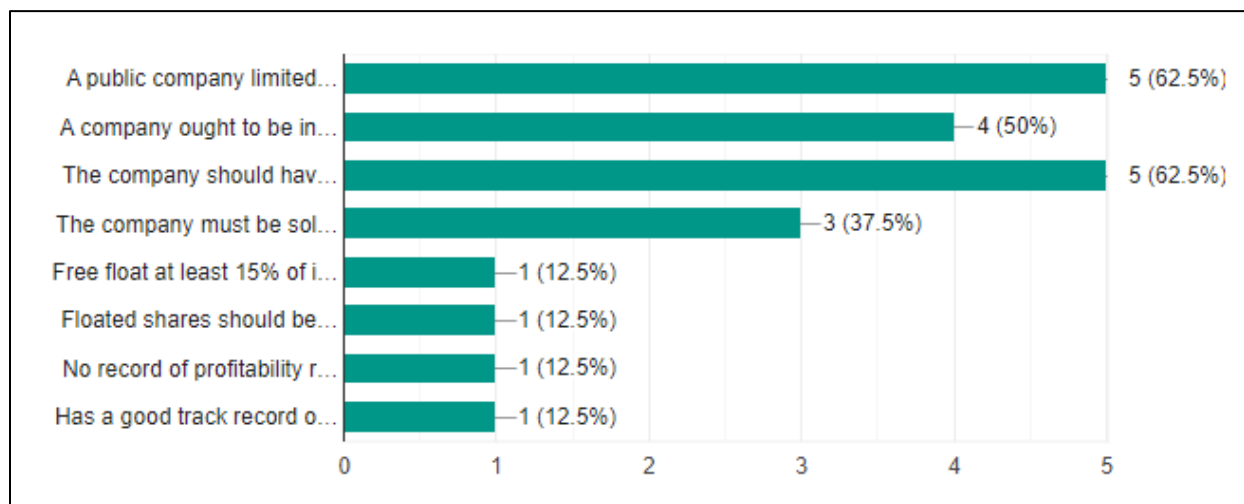


Source: Author, (2022)

4.4.2.2 Specific GEMS eligibility requirements familiar to hosted firms via Ibuka

Ibuka respondent firms when asked about the particular requirements for listing to GEMS they are aware of during their hosting at the Ibuka platform, responded as shown in Figure 4.9. 8 out of the 10 firms responded to this question. 62.5% of the respondents ticked that they were aware that for a company wishing to join GEMS they ought to be a company limited by share and registered under the Companies Act, 50% of the respondent firms answered that they were aware that a company ought to be in operation for at least 1 year, 62.5% of the respondents ticked that they were familiar for a company to list at GEMS it should have at least 100,000 shares in issue, 37.5% of the respondents were aware that a company wishing to list at GEMS must be solvent with adequate working capital to run the business for a minimum of 24 months post-listing while there was a 2.5% response on awareness of the 4 following listing requirements: Free float at least 15% of issued shares for trade by public within 3 months, floated shares should be freely transferable and not subject to any restrictions on marketability or any pre-emptive rights, no record of profitability required and the listing requirement for a wishful company to have a good track record of upscale corporate governance.

Figure 4.9 Ibuka firms' level of awareness on GEMS eligibility requirements



Source: Author, (2022)

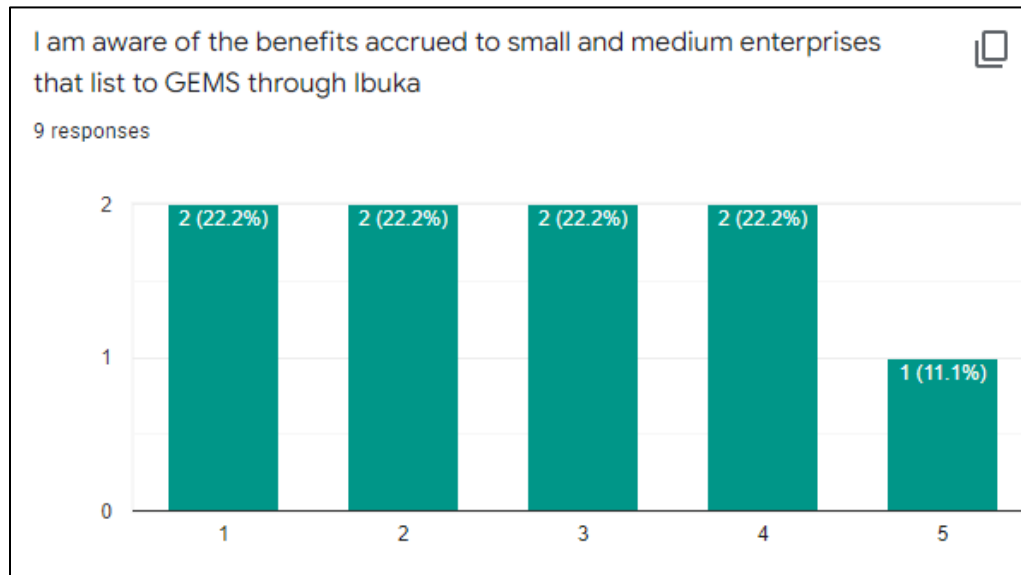
4.4.3 Awareness of benefits that would accrue to a GEMS listing through the Ibuka program

The researcher asked through the questionnaire if the hosted firms were familiar with the benefits they stand to reap if and when they join the GEM segment.

4.4.3.1 Level of awareness through the Ibuka program of GEMS listing benefits.

The results shown in Figure 4.10 indicate that 22.2% of the respondents ‘strongly agreed’ that they were aware through the Ibuka program about the benefits that companies would reap by joining GEMS. The same percentage of 22.2% was replicated for the following variables: ‘agreed’, ‘neutral’, and ‘agreed’, however, 11.1% of the respondents strongly disagreed with the statement.

Figure 4.10 Ibuka firms’ level of awareness on GEMS listing benefits



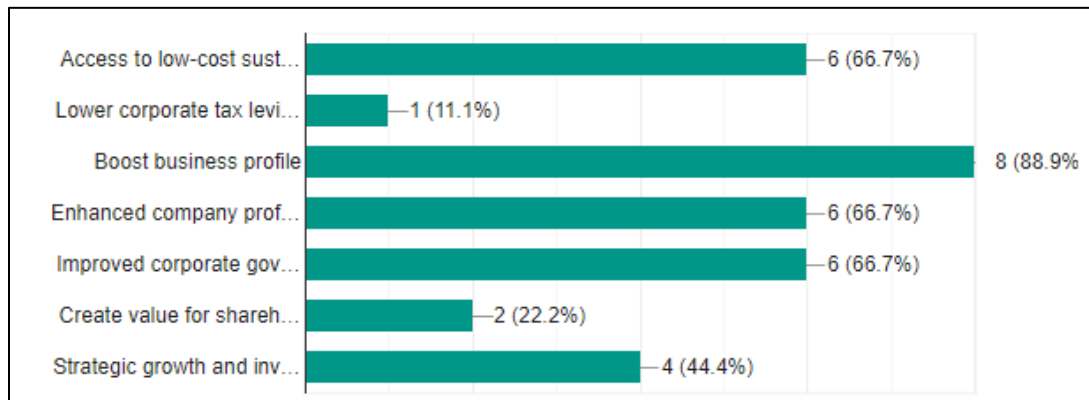
Source: Author, (2022)

4.4.3.2 Specific GEMS listing benefits familiar to hosted firms via Ibuka

The questionnaire thus surveyed the respondents the specific GEMS benefits they were familiar with through and during their hosting at the Ibuka program as indicated in Figure 4.11. 66.7% of the respondents answered that they were aware of the following benefits: Access to low-cost sustainable capital, enhanced company profile through publicity of entity, and improved corporate governance and operational efficiency through NOMADS which help to streamline corporate governance structures, accounting, practices, and operational efficiency. 88.9% of the participating hosted firms answered that they were aware GEMS helps business boost their business profile,

11.1% were aware that GEMS had the benefit of lower corporate tax, 22.2% of the respondents were aware that GEMS help create value for shareholders in comparison to industry and international benchmarks while 44.4% of the respondents were aware that GEMS promotes strategic growth and investments through structural corporate finance transactions such as mergers.

Figure 4.11 Ibuka firms' awareness of specific GEMS listing benefits



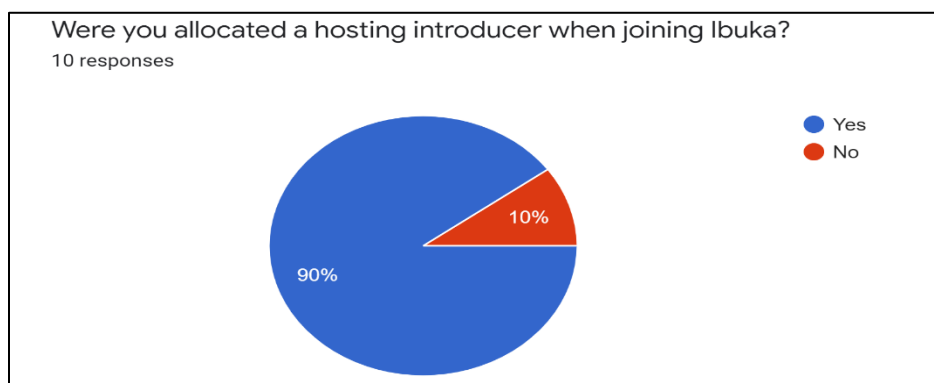
Source: Author, (2022)

4.5 Training of Ibuka firms for a prospective GEMS listing

4.5.1 Allocation of a hosting introducer when joining Ibuka

90% of the respondents answered that they were allocated a hosting introducer when joining Ibuka while 10% of the respondents informed, they were not offered a hosting introducer. This indicates that a substantial majority of the hosted firms were allocated a hosting introducer at Ibuka.

Figure 4.12 Response on the allocation of a hosting introducer to Ibuka hosted firms

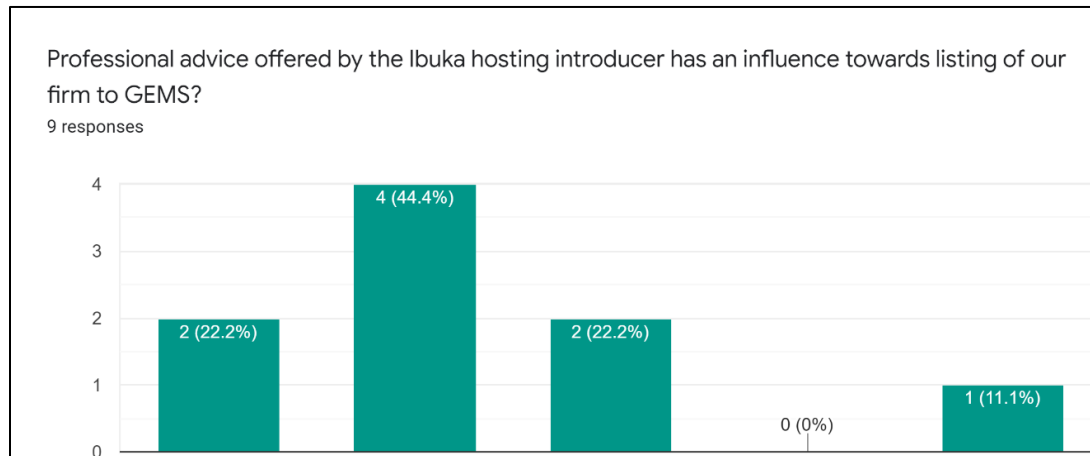


Source: Author, (2022)

4.5.2 Hosting introducers professional advice and its influence on a GEMS listing

When asked whether the professional advice offered by hosting introducers influenced the firm's decision to list at GEMS, 22.2% of the respondents 'strongly agreed', 44.4% 'agreed', 22.2% were 'neutral', while 11.1% 'strongly disagreed' as shown in Figure 4.13

Figure 4.13 Ibuka hosting introducers influence towards a GEMS listing

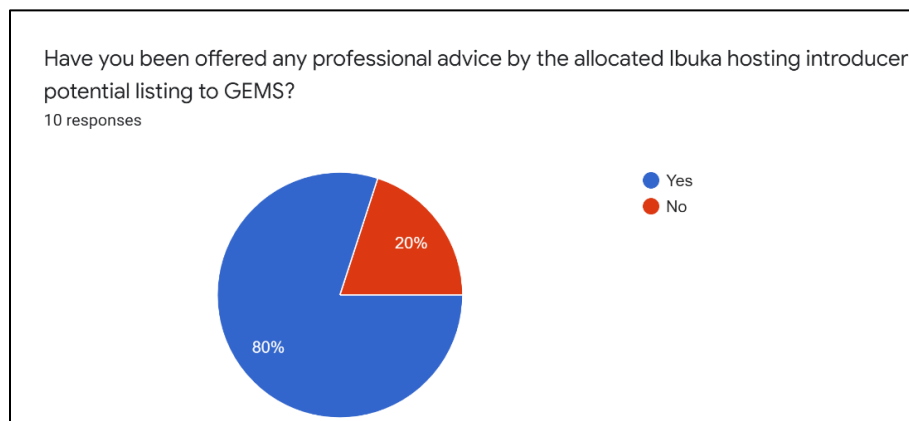


Source: Author, (2022)

4.5.3. Advise offered by hosting introducers to Ibuka hosted firms

When asked whether the company has been offered any professional advice by a hosting introducer which would influence their potential to list at GEMS, 80% of the respondent firms responded, 'yes' while 20% responded 'no' as indicated in Figure 4.14

Figure 4.14: Ibuka respondents on professional advice offered by hosting introducers



Source: Author, (2022)

4.5.4 Specific professional advice offered by hosting introducers that influence GEMS listing

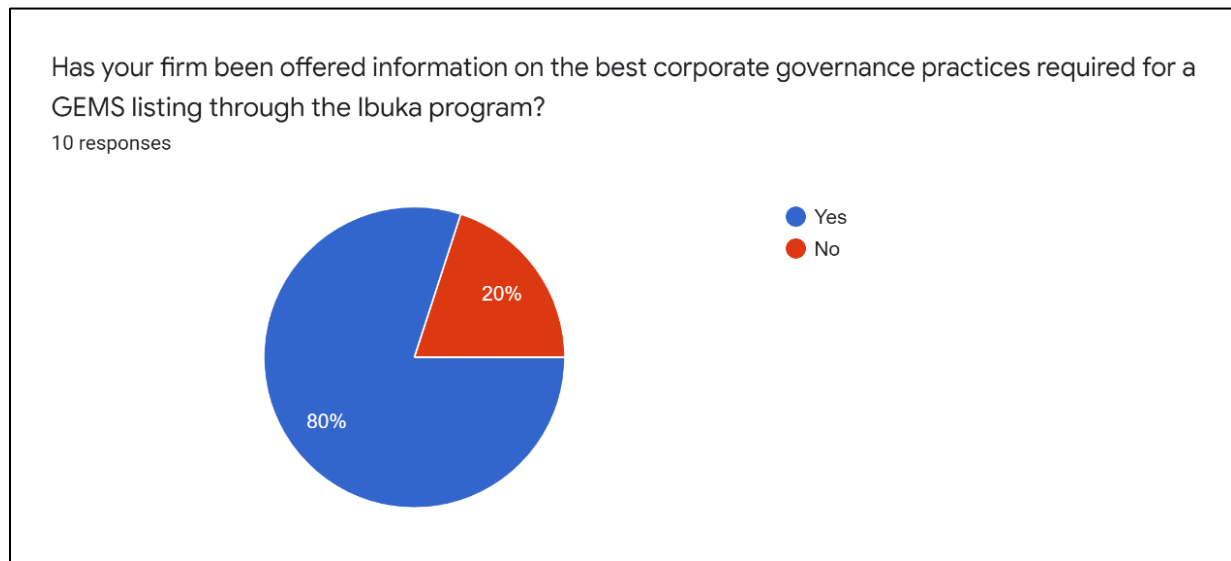
The respondents were allowed to give open feedback on this question which allowed them to share their myriad of views on the kind of professional advice offered by Ibuka hosting introducers that would potentially affect them to list at the Growth Enterprise Market Segment. One of the respondents mentioned that they have been informed about cost reduction measures, product and process improvement, SWOT analysis, customer segmentation, and pricing. A second respondent brought out that the hosting introducers advised them on ways to improve operational efficiency by working on their internal structures, accounting, and sales procedures, a 3rd respondent was advised on the understanding of the capital markets and how the value the firm could gain from strategically positioning themselves. Another hosted firm answered that the professional advice offered by their hosting introducer focused on the security of transactions and the security of interest paid to the investors, one of the participant firms responded that the advisory by the hosting introducers bordered on the regulatory framework for compliance, price discovery mechanism setting and the shareholders' sensitization ahead of preparation to the listing. Another respondent answered that their entity was advised of the detailed advantage of GEMS that could suitably and easily enable their firm to take the GEM segment as a starting option to scale up before considering to later list at the Main Investment Market Segment (MIMS) or raise an Initial Public Offer (IPO). Another Ibuka respondent answered that the hosting introducer offered fundraising options and corporate governance advice. Two of the respondent firms mentioned that no advice had been offered to them by a hosting introducer with one of the two firms responding that GEMS was yet to be introduced to them.

4.6 Promotion of best corporate governance at Ibuka for a prospective GEMS listing

4.6.1 Best corporate governance practices information required for a GEMS listing

The researcher sought to find out whether the respondent firms were offered the best corporate governance practices at the Ibuka program that was required for a GEMS listing as shown in Figure 4.15

Figure 4.15 Responses on whether best corporate governance practices were offered at Ibuka

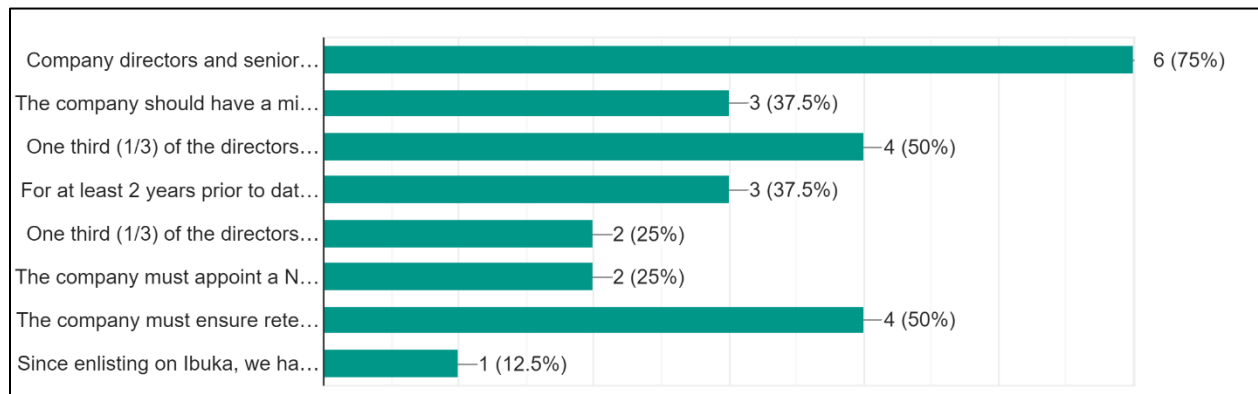


Source: Author, (2022)

4.6.2 Specific GEMS corporate governance requirements promoted by the Ibuka program

Figure 4.16 shows that 75% of the Ibuka respondent firms answered that they were informed about the requirement for company directors and senior management of the company to have the necessary expertise and experience to run the company. 50% of the respondents indicated that Ibuka promoted that a company wishing to join GEMS is required to have one-third of the directors be non-executive and the company retains qualified management during the listing and keep the same 12 months following listing. 37.5% of the respondents answered that Ibuka offered them advice that a company wishing to join GEMS should have a minimum of 5 directors and that no director should have been declared bankrupt, charged with fraud, or any criminal offense for at least 2 years before the date of applying to list at GEMS. 25% of the Ibuka firm respondents indicated that they were informed about the requirement to have one-third of the directors complete the Director's Induction Programme (DIP) to listing while the rest are required to do the course within six (6) months of listing the company and another 25% response on the requirement for a company to appoint a Nominated Advisor (NOMAD) by contract and have one at all times when listed.

Figure 4.16 Ibuka’s promotion on specific GEMS corporate governance requirements



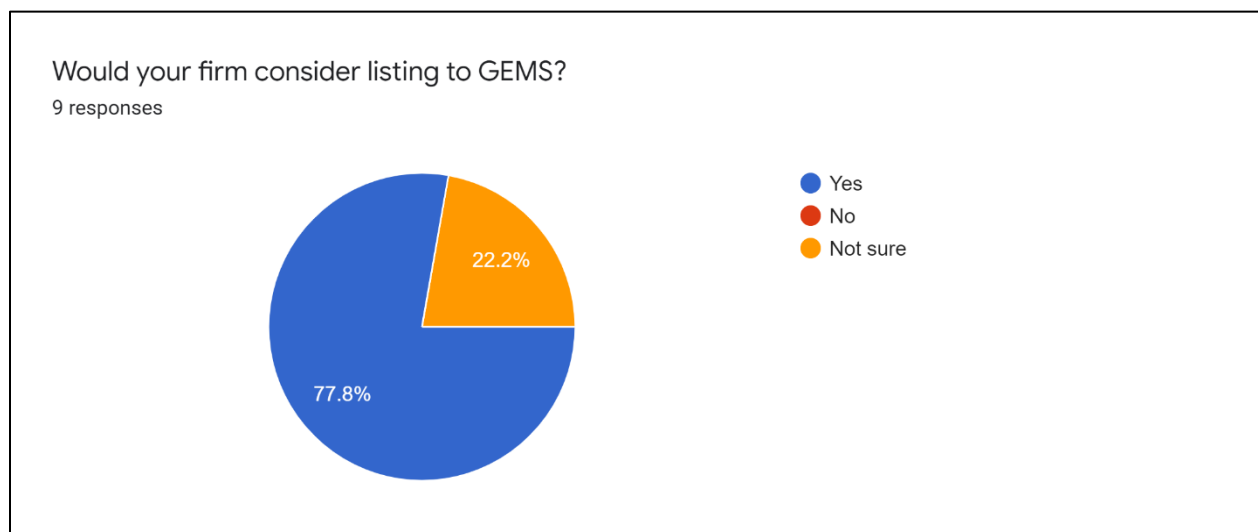
Source: Author, (2022)

4.7 Listing to the Growth Enterprise Market Segment (GEMS)

4.7.1 Consideration to list at GEMS

When asked if they would consider listing at GEMS, 77% of the respondents answered ‘yes, 22.2% answered ‘not sure’ while none answered ‘no’ as indicated in Figure 4.17

Figure 4.17 Ibuka firms’ respondents’ consideration on listing at GEMS



Source: Author, (2022)

4.7.2 Reasons for Ibuka firms to consider joining GEMS

The researcher presented an open question to get the views of the respondents on whether they would consider listing at GEMS. 8 Ibuka hosted firms who responded ‘yes’ to a positive consideration of joining GEMS gave reasons that would entice them to join the listing segment. They are as follows: For perpetual and capital for scaling; continuity and growth; access to capital and increased opportunities for growth; access to market; raising capital for business expansion and capital that will facilitate the company in the diversification of its products and services. Another respondent firm answered that they would consider listing to GEMS to get financial and non-financial expertise guidance and consultation for a shareholder-oriented journey to listing under the Unquoted Securities Platform (USP) at the Nairobi Securities Exchange.

4.7.3 Reasons for a non-consideration to join Ibuka

When presented with an open question for reasons that would make any of the entities not to list at GEMS, two respondents indicated uncertainty in the price discovery aftermath, loss of entity, and the fear of managing new rowdy shareholders.

4.7.4 Ibuka firms’ advice to the program for concerns to be addressed at the GEMS segment.

The researcher subsequently sought to find out from the respondents on the ideas and concerns they would like the Ibuka program to address for the program to be an avenue that attracts hosted firms to potentially list at GEMS. The responses were as follows: Link investors to hosted firms; give more engagement and guidance; have a more robust team that has quarterly planned walk-through progress framework that will improve both incubation and acceleration. One of the respondents emphasized the need for a wider information cascade as indicated that very few entities are aware of the Ibuka program. Other respondents advocated for the Nairobi Securities Exchange to soft-sell the Ibuka firms through their networks as this will allow the hosted firms to have the opportunity to pitch its development ideas future roadmap that could be insightful to investors to bring on board the Capital Market Authority to underscore the unique needs for Kenyan SMEs that are scalable; there was also a recommendation for the program and largely the NSE to establish a mechanism to attract right shareholders who would not destabilize the companies when they list.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the findings presented in chapter four. The chapter focuses on a summary of three findings, that is Summary of study findings on relatable general characteristics of Ibuka firms, a summary of study findings on the admission of companies to Ibuka, a summary of study findings on the specific objectives of the research, and summary of study findings on the specific objectives of the research.

5.2 Summary of the findings

5.2.1 Summary of study findings on relatable general characteristics of the Ibuka firms

5.2.1.1 Year of incorporation

All the Ibuka respondent firms were incorporated at least 4 years before 2022 thus all eligible to meet the GEMS requirement for a company to be in operation for at least 1 year.

5.2.1.2 Dates of Ibuka admission

Most of the Ibuka firms that responded to the questionnaire joined Ibuka in 2019 – 3 years before 2022 thus inferring that they have overstayed the 10-month hosting period detailed in the program's brochure. This fact, therefore, raises the question of the future of these firms concerning the program's intention and the firm's attaining the program goals in the foreseeable future.

5.2.1.3 Year of incorporation against Ibuka admission and respective Ibuka hosting boards

The researcher also noted that out of the 9 firms that joined Ibuka in 2019, 5 who joined the accelerator board were incorporated pre-2010 back to the year 2000 whereas 3 that joined the Incubator board were incorporated post-2010 to the year 2018. This indicates that firms incorporated way earlier compared to others (pre-2010) joined the last phase of the program while the others incorporated lately (post-2010) joined the 1st phase which could signal maturity and confidence for the previous firms to directly scale to the 2nd phase of the program.

5.2.1.4 Firm ownership

60% of the respondent firms had their firms owned by shareholders, 20% owned by the family, and 20% owned by individual members. This scenario might increase conflict of interest if the shareholders and managers divulge thus increasing the agency cost problem as stipulated by Gachigo, 2014) which might therefore create an obstacle when managers of such firms decide to float their shares to GEMS and the same decision is not supported by managers and vice versa. Okello (2018) stated that agency costs affected the listing of SMEs to the Growth Enterprise Market Segment due to challenges of separation of ownership and control between the shareholders and managers with the shareholder and managers with the shareholders being hesitant to list and lose control from outside parties.

5.2.1.5 Firms annual turnover (2021)

9 respondent firms had a sales turnover of more than KES 5 million with 5 of the 9 having an annual turnover of more than KES 100 million. The huge sales return for the Ibuka firms would be instrumental for GESMS entry as Nyakweba (2014) concluded that the sales growth rate of a firm positively affected listing to the Growth Enterprise Market Segment.

5.2.1.6 Company' profitability

80% of the firm answered that they were profitable with the remaining 20% responding that they were not profitable. Profitability would, however, not affect the decision of the latter to list at GEMS since no record of profitability is required for a firm to be eligible to list at the Growth Enterprise Market Segment.

5.2.1.7 Firms' means of raising capital

60% of the respondent firms financed their business with both equity and debt while a mere 10% financed their business operations with retained earnings. The former also relates to the fact that 60% of the firms were owned by shareholders. The business financing mechanism for most of these small businesses thus contradicts the Pecking Order Theory which states that firms prefer to finance their business with retained earnings first, when depleted it resorts to low-risk debt and finally equity financing.

5.2.2 Summary of study findings on the admission of companies to Ibuka

80% of the firms responded in the survey that they joined Ibuka to get assistance in developing capital market access capabilities in preparation for listing. This, therefore, signals a likelihood of the firms to consider joining the Ibuka program to prepare themselves to potentially list to GEMS. However, only 44.4% of the respondents answered that they benefited from the assistance in developing capital market access capabilities to prepare them for listing. This shows a deficiency in attaining this objective by firms at the program.

5.2.3 Summary of study findings on the specific objectives of the research

The findings of the study about the research's three specific objectives are itemized as follows:

5.2.3.1 Promotion of GEMS eligibility requirements and benefits accrued to listing at Ibuka

The results revealed that a huge majority accounting for 90% of the respondents were generally aware of the Growth Enterprise Market Segment at the Nairobi Securities Exchange. However, when testing the level of awareness of either the GEMS eligibility requirements or benefits of listing, the results varied. 4 out of 8 respondents (representing 50%) of the respondents mentioned that they were aware of the GEMS eligibility requirements for listing through the Ibuka program; the rest were neutral or did not agree with the notion. The test of the level of awareness on the particular variable thus signals that half of the hosted firms could be unaware of the requirements of listing to the GEM segment. When testing the specific eligibility requirements (listed by the NSE on the GEMS brochure) known to the hosted firms, the researcher discovered that half of the requirements were well known to an average of half the respondents. Requirements for a company limited by shares and registered under the Companies Act; be in active operation for at least 1 year with at least 100,000 shares in issue and adequate working capital were known to average half the respondents. While the other 4 eligibility requirements were known to an average of 1 company at Ibuka. Those requirements majored in shares floatation requirements and the requirement to have upscale corporate governance. It was worth imperative to note that only one Ibuka hosted firm was aware that GEMS did not require a record of profitability for prospective listing entities.

When the researcher inquired about the level of awareness of the benefits the Ibuka firms stood to gain if they list at GEMS, half of the 9 respondents to this question were confident that through the Ibuka program, they were aware of the benefits accrued to them when they consider a GEMS

listing. An average of about 6 respondent companies were aware of at least 4 out of the 7 GEMS benefits in the NSE GEMS brochure. They were confident about GEMS benefit to provide access to low-cost sustainable impact, enhance their company profile, boost business profile, enhance corporate governance and operational efficiency through NOMADS. The researcher found it alarming to note that 33.3% of the respondents were not aware of GEMS' core benefit and main purpose which is to provide access to low-cost sustainable capital through the listing of equities at the exchange market. The researcher noted that only 1 company was aware of the GEMS benefit to levy listed firms' lower corporate tax in comparison to listing to AIMS and MIMS. Only 2 Ibuka firms were aware of the benefit of GEMS to help create value for their shareholders in comparison to industry and international benchmarks.

5.2.3.2 Training of Ibuka firms for a prospective GEMS listing

The researcher sought to find out first and foremost if the Ibuka firms were allocated hosting introducers. A hosting introducer is an individual or entity vetted by the Nairobi bourse that provides pre and post-hosting services during the incubation or acceleration process at Ibuka. The hostee is expected to involve the hosting introducer in meetings and updates where applicable (NSE, 2019). 9 out of the 10 companies responded that they were allocated a hosting introducer when admitted to Ibuka. 6 out of the 9 respondents were confident that the professional advice offered by their hosting introducer influenced their potential to list at GEMS with 8 of the respondent firms answering that they were offered professional advice by the hosting introducer and 2 indicating they were not offered any professional advice. When the researcher inquired about the particulars of the advice offered, the respondents mentioned a myriad of information including cost reduction measures, operational efficiencies, and understanding of the capital markets. Professional advice that focused on capital markets and GEMS included: advice on the regulatory framework for compliance, price discovery mechanism setting, and shareholders sensitization ahead of preparation to the listing. Another piece of advice offered in that line was on the detailed advantage of GEMS That could enable the firm to consider listing at GEMS and later scale to other higher segments or raise an IPO. One of the entities mentioned that the firm received advice on corporate governance.

5.2.3.3 Promotion of best corporate governance practices for a prospective GEMS listing

8 out of the 10 respondents answered that they were offered information on best corporate governance practices about GEMS through the Ibuka program. At least an average of 4 out of the 8 Ibuka respondents who answered the question on the specific GEMS corporate governance requirements knew half of the 8 corporate governance requirements laid out as options in the questionnaire. The majority of the respondents representing 75% knew that GEMS required that senior management and company directors have the necessary expertise and experience to run the company. Half of the respondents were aware of the requirement to have 1/3 of the directors be non-executive and qualified management to be retained within six months of listing to GEMS. It was worrying to note that only 2 out of the 8 respondents knew of the requirement by GEMS to have one-third of the directors to complete the Director's Induction Programme (DIP) to listing and the requirement for a GEMS listed company to appoint a Nominated Advisor (NOMAD) by contract.

5.2.4 Consideration of listing by Ibuka firms to GEMS

7 out of 9 firms responded that they would consider listing at GEMS. This, therefore, indicates a huge potential by most of the firms hosted at Ibuka to be listed at GEMS.

5.3 Conclusions

General awareness of GEMS by Ibuka firms was very inspiring. There was however limited awareness on some of the eligibility requirements to list at GEMS including the requirements on shares floatation and requirement for (no record of) profitability. GEMS benefits as well seemed to have been partially communicated with 33.3% of the firms unaware of the core advantage of GEMS, that is, to enable mid-sized enterprises to access equity financing through the securities exchange market with a favorable regulatory environment and other benefits such as lower corporate taxes levies taxed on GEMS listed firms.

The majority of the hostees were allocated a hosting introducer to offer them professional advice. 6 out of 9 entities at Ibuka responded that professional advice offered by hosting introducers influenced their potential for the listing. However, hosting introducers offered various advice that did not just focus on GEMS listing.

The majority of the hosted firms answered that they were offered information on best corporate governance practices about GEMS. However, other corporate governance requirements such as the Director's Induction Programme (DIP) and the appointment of a NOMAD were not effectively communicated by hosting introducers.

There is huge potential and possibility for Ibuka firms to list to GEMS. This was shown by 80% of the respondents indicating that they joined Ibuka to get assistance in developing capital market capabilities in preparation for listing with 7 out of 9 indicating that they would consider listing to GEMS. There were however some limitations including the fact that 60% of the Ibuka firms were owned by shareholders and thus the agency cost problem where shareholders could fear losing control of their entities to outside shareholders. This view was presented by 2 respondent firms that indicated that they were uncertain in the price discovery aftermath, loss of entity, and the fear of managing new rowdy shareholders.

5.4 Recommendations

The study recommends that the Ibuka program efficiently facilitate hosting introducers for them to offer professional advice on GEMS listing to hosted firms over and above advice offered at the program. They should in particular focus on inculcating insights on all the eligibility requirements for GEMS listing as well promote the benefits and advantages the Ibuka firms stand to gain when they list to the Growth Enterprise Market Segment.

The study recommends for the program to train firms on corporate governance requirements, especially requirements for directors. The study further recommends for the program to link investors with hostees. This can build a network for the firms and bring on board confident relationships with future investors who could be potential shareholders when the firms list at GEMS. This will also give the hostee confidence to attract the right shareholders when they list.

The study also recommends for the Ibuka program to appraise the program by tracking the trend and process of hosting to ensure that it attains the objectives of the program within a considerable timeline. Objectives such as aiding in developing capital market access capabilities in preparation for listing should be keenly focused to attract Ibuka firms to potentially list to GEMS.

5.5 Suggestions for further research

Further studies efforts are needed to investigate the influence of the Ibuka program in promoting listing to the Unquoted Shares platform (USP) at the Nairobi Securities Exchange. There is also a need to investigate the feasibility of the Ibuka program in attaining its objectives and comparing it with similar hosting non-listing boards globally.

Further studies should look at the limitation and challenges faced at the Growth Enterprise Market Segment and suggest solutions to attract listing to the segment.

Further studies can also address this research topic and attempt to get more respondents at least 50% respondents from the hosted firms as well as using other data collection methods such as interviewing or secondary data.

5.6 Limitations of the research

The response rate of 35.71% was insufficient and not representative to conform to Mugenda and Mugenda (2003) who equated a response of 50% and above as adequate for analysis and reporting. This was due to a lack of response from most of the hosted firms even after constant follow-up via emails and phone calls. There was also insufficient assistance from the Nairobi bourse to engage the Ibuka firms to consider volunteering in my research.

Some of the respondents to the questionnaires were not senior executives in the firm due to unavailability and time constraints of the same, therefore, other officials in the firm responded to the questionnaire with some of them communicating of limitation in their understanding of their firm's hosting details at the Ibuka program.

There was limited empirical literature about the Ibuka program probably because it is a relatively new program thus limiting sources to draw information from or relate the study to. This was also the same globally with just a few similar programs to Ibuka such as the LSE Elite Network.

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APPENDIX I: INTRODUCTORY LETTER

Wanyangi Peter Kamau
Strathmore University Business School
Ole-Sangale Link Road off Langata Road,
Nairobi

Dear Sir/Madam,

RE: REQUEST FOR INFORMATION VIA QUESTIONNAIRE

I am doing my final year management research project in partial fulfillment of my Bachelor of Commerce (Finance) degree at Strathmore University Business School.

My research topic is on “The Influence of Ibuka program in promoting listing to the Growth Enterprise Market Segment at the Nairobi Securities Exchange”. Your company, being a hostee in the Ibuka platform at the Nairobi Securities Exchange, will assist me in successfully getting the requisite data and pertinent information on the above research topic.

I kindly request you to spare a few minutes to answer the attached questionnaire. The information you will offer will be used for academic purposes only. Your identity will be kept in the utmost confidence. Kindly do not append your name anywhere on the questionnaire. On this basis, I ask you to respond to questions asked with utmost honesty. If you have any queries, kindly contact the undersigned.

Yours Sincerely,

Wanyangi Peter Kamau

Mobile number: 0759 009 059

Email: peter.wanyangi@strathmore.edu

APPENDIX II: UNIVERSITY ACCREDITATION LETTER

Old Gengale Rd, Makenia Estate
P. O Box 59057 - 00200, Nairobi, Kenya.
Cell: +254 (0) 700 034 414/517,
Twitter: @SBSKenya
LinkedIn/ Facebook: Strathmore Business School
Email: info@sbs.ac.ke or visit www.sbs.strathmore.edu



Friday, January, 7th 2021

To whom it may concern

Academic Reference for Wanyangi, Peter Kamau- Student Number -110691

Strathmore University offers the Bachelor in Commerce degree program. In their 4th year of study, each degree student is required to work on a Management Research Project. The project involves reading literature that relates to the research topic; data collection and analysis and finally preparing a written document of the research findings and recommendations.

Peter is requesting to gather information to be used in his research. He is accountable for all information extracted from you and ensure that it will be used for research purpose only and will be kept confidential.

The research is entitled "THE INFLUENCE OF IBUKA PROGRAM IN PROMOTING LISTING TO THE GROWTH ENTERPRISE MARKET SEGMENT (GEMS) AT THE NAIROBI SECURITIES EXCHANGE"

We are looking forward for your co-operation and assistance to the above named student.

Any assistance accorded to him will be highly appreciated.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Mary Weremba".

Mary Weremba
Manager, Undergraduate Programmes
Strathmore Business School
Email: mweremba@strathmore.edu



Strathmore University Business School is a proud member of:

Association of African
Business Schools



APPENDIX III: IBUKA HOSTED COMPANIES

1. Appropriate Design Limited
2. APT Commodities Limited (APTC)
3. Ashleys Kenya Limited
4. Automobile Association (AA) of Kenya Limited
5. Bimanet Limited
6. Bluenile Rolling Mills Limited
7. Buzz Afrique Limited
8. Capital Power (K) Limited
9. Ceven Limited – PataPawa
10. Globetrotter Agency Limited
11. Kawsar Auto Spares Limited
12. Masumali Meghji Insurance Broker Limited
13. Merican Limited
14. Metropolitan Health Services Limited
15. Moad Capital Limited
16. Mookh Africa Limited
17. Myspace Properties (K) Limited
18. Naveah Capital Insurance Agency Limited
19. Nile Capital Insurance Brokers Limited
20. Polygon Logistics Limited
21. Prafulchandra and Brothers Limited
22. RentCo Limited
23. RFH Healthcare Limited
24. Safaricom Investment Co-operative Limited
25. Saracen Media Limited
26. TSG Realty Limited
27. Tusker Mattresses Limited
28. Vehicle and Equipment Leasing Limited (VAELL)

(Source: NSE, 2022)

APPENDIX IV: GEMS ELIGIBILITY LISTING REQUIREMENTS

1. Public company registered under the Companies Act.
2. Minimum fully paid-up capital of KES 10 million.
3. At least 100,000 shares in issue.
4. Free transferability of shares.
5. Adequate working capital and solvency.
6. Operation for at least one year.
7. No profitability record is required.
8. Directors, 1/3 non-executive.
9. Directors with no bankruptcy, fraud, criminal offense, or financial misconduct proceedings for 2 years.
10. Competent board and senior management – at least 1-year experience in the business.
11. 1/3 board must have completed the Directors Induction Program and the rest within 6 months of listing.
12. All issued shares are to be immobilized.
13. 15% of the shares must be available for trading & held by at least 25 independent shareholders within 3 months of listing.
14. Controlling shareholders locked in for 24 months.
15. NOMAD appointed by written contract during GEMS listing.

(Source: Okello, 2018)

APPENDIX V: QUESTIONNAIRE

Section 1: General characteristics of the firm

1. Name of the company _____
2. Year of incorporation _____
3. Year the firm joined Ibuka
2018 []; 2019 []; 2020 []; 2021 []; 2022 []
4. Month the firm joined Ibuka program
Jan[]; Feb[]; Mar[]; Apr[]; May[]; June[]; July[]; Aug[]; Sep[];
Oct[]; Nov[]; Dec[]
5. The Ibuka phase the company is currently hosted at
Incubator phase [] Accelerator phase []
6. Who owns the company?
Individual [], Family business [], Shareholders [], Others (indicate)
7. How many staff has the company employed in full time?
From 1 employee to 9 employees []
From 10 employees to 49 employees []
From 50 employees to 249 employees []
More than 250 employees []
8. What was the annual turnover of the company in 2020?
KES 5 million and below []
More than KES 5 million and up to KES 10 million []
More than KES 10 million and up to KES 50 million []
More than KES 50 million and up to KES 100 million []
KES 100 million and above []
9. Is the company profitable?
Yes []; No []
10. How does the firm raise capital?

Debt[]; Equity[]; Debt & Equity[]; Others specify []

11. Provide indicative values in percentages

Section 2: Admission of the company to Ibuka

12. What was the reason for the company joining Ibuka?

- To get high visibility across a vast public spectrum []
- Enhanced brand recognition and increased business opportunities []
- Get assistance in inculcating improved corporatization []
- Get assistance in developing capital market access capabilities in preparation for listing []
- Access to distinguished quality consultancy and advisory services []
- Roadmap to long term corporate sustainability []
- Others [] Please Specify _____

13. What benefits have the company acquired by joining Ibuka?

- To get high visibility across a vast public spectrum []
- Enhanced brand recognition and increased business opportunities []
- Get assistance in inculcating improved corporatization []
- Get assistance in developing capital market access capabilities in preparation for listing []
- Access to distinguished quality consultancy and advisory services []
- Roadmap to long term corporate sustainability []
- Others [] Please Specify _____

Section 3: Awareness of the listing requirements and benefits accrued to a GEMS listing

Description: *GEMS - Growth Enterprise Market Segment*

14 (a) Are you aware of the GEMS segment at the Nairobi Securities Exchange?

Yes []; No []

(b) I am aware of the GEMS eligibility listing requirements through the Ibuka platform.

Strongly Agree [] Agree [] Neutral [] Disagree [] Strongly Disagree []

(c) Which GEMS eligibility requirements are you aware of? Please tick where necessary.

- A public company limited by shares and registered under the Companies Act []
- A company ought to be in operation for at least 1 year []
- The company should have at least one hundred thousand (100,000) shares in issue []
- A minimum authorized and fully paid-up ordinary share capital of ten (10) million Kenya Shillings []
- The company must be solvent with adequate working capital to run the business for a minimum of 24 months post-listing []
- Free float at least 15% of issued shares for trade by the public within 3 months of listing []
- Floated shares should be freely transferable and not subject to any restrictions on marketability or any pre-emptive rights []
- No record of profitability is required []
- Has a good track record of upscale corporate governance []
- Others [] Please Specify _____

15 (a) I am aware of the benefits accrued to small and medium enterprises that list to GEMS through Ibuka.

Strongly Agree [] Agree [] Neutral [] Disagree [] Strongly Disagree []

(b) Which benefits that accrue to small and medium enterprises that list to GEMS are you aware of through Ibuka? Please tick where necessary.

- Access to low-cost sustainable capital for business growth []
- Experience lower corporate tax as a listed company []
- Boost business profile []
- Enhanced company profile through publicity of entity []

- Improved corporate governance and operational efficiency through Nominated Advisors (NOMADS) who help to streamline corporate governance structures, accounting practices, and operational efficiency []
- Create value for shareholders in comparison to industry and international benchmarks []
- Strategic growth and investment through structural corporate finance transactions such as mergers, acquisitions, and strategic investments []

Section 4: Training of Ibuka hosted firms for prospective GEMS listing

Description: *A hosting introducer is an individual or entity that provides pre and post hosting services during the incubation or acceleration process at Ibuka*

16. Were you allocated a hosting introducer? (*A hosting introducer is an individual or entity that provides pre and post Hosting services during the incubation or acceleration process*)

Yes []; No []

17. Professional advice offered by Ibuka hosting introducer influences listing to GEMS?

Strongly Agree [] Agree [] Neutral [] Disagree [] Strongly Disagree []

18. Have you been offered any professional advice by the allocated Ibuka hosting introducer for a potential listing to GEMS?

Yes []; No []

19. What professional advice offered by Ibuka hosting introducer influences your potential listing to GEMS?

Section 5: Promotion of best corporate governance practices for prospective GEMS listing

20. Has your firm been offered information on the best corporate governance practices required for a GEMS listing through the Ibuka program?

Yes []; No []

17. Which corporate governance requirement to list to GEMS has been promoted by the Ibuka program?

- Company directors and senior management of the company should have the necessary expertise and experience to run the company [☐]
- The company should have a minimum of 5 directors [☐]
- One third (1/3) of the directors should be non-executive [☐]
- For at least 2 years before the date of application, no director should have been declared bankrupt, charged with fraud, criminal offenses, or financial misconduct [☐]
- One third (1/3) of the directors are required to have completed the Director's Induction Programme (DIP) to listing while the rest are required to do the course within six (6) months of listing the company [☐]
- The company must appoint a Nominated Advisor (NOMAD) by contract and have one at all times when listed [☐]
- The company must ensure the retention of qualified management during the listing and keep the same for 12 months following listing [☐]

Section 6: Listing to GEMS

18. Would your firm consider listing to GEMS?

Yes [☐]; No [☐] Not sure [☐]

19. What reasons would make your firm list to GEMS? Please explain if possible.

20. What reasons would make your company NOT TO list to GEMS? Please explain if possible.

21. What should the Ibuka platform at the Nairobi Securities Exchange do to attract your firm to prospectively list at the segment?
