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THE GROWTH OF SMALL AND MEDIUM ENTERPRISES THROUGH PUBLIC EQUITY IN SOUTH AFRICA

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Abstract : The study establishes whether public equity finance leads to the growth of an SME. SMEs often lack the capital required for growth. The Johannesburg Stock Exchange established AltX specifically for SMEs to participate in equity markets, enabling them to raise growth capital. However, some firms that listed on the AltX migrated to the Mainboard while some delisted, suggesting that listing may have a positive or a negative impact on the growth of an SME. There are limited studies on this form of SME financing and this study contributes to the pool of literature on the subject. To understand various sources of finance and how these impact the growth of firms, the Pecking Order Theory of Capital Structure was adopted as a framework. Total population sampling was used where 81 currently and migrated AltX-listed firms were approached for interviews. Data was collected through in-depth interviews from the eleven firms that responded. These firms span a range of different sectors, with an average annual turnover of R200-R500 million. Data was qualitatively analysed with ATLASti and then empirically using fuzzy set Qualitative Comparative Analysis (fsQCA), to determine the relationship between listing and growth. The study found that public equity led to the growth of SMEs. However, there are tangible and intangible attributes of listing that result in the growth of a firm, namely, raising capital (public equity) and credibility. The credibility associated with being listed led to the growth of more SMEs, than raising capital. The study recommends a significant increase in the marketing efforts of the AltX to attract more SMEs to list and better support structures to assist with the growth of listed SMEs.

Keywords: SME, Public Equity Finance, AltX, fuzzy set Qualitative Comparative Analysis (fsQCA)

Introduction

Background

Small and Medium Enterprises (SMEs) play an important role in developing countries. In South Africa, they contribute 30% to the GDP (Okoumba, Mafini and Bhadury, 2020) and alleviate poverty through job creation (Ayandibu and Houghton, 2017, Dar et al., 2017). The growth of SMEs is therefore important to consider because it should contribute to the increase in the employment rate as well as an increase in the growth of the economy. The growth of an SME in the context of this study is an increase in the total annual turnover because the National Small Business Act of 1996 (Revised

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Schedule) defines the size of a business in terms of the number of employees and total annual turnover.

Literature

SMEs require capital to grow. Al Balushi et al. (2018) point out that the decision to utilise a particular source of finance can be viewed from a financial perspective and a non-financial perspective. They go on to say that the financial perspective is characterized by capital structure theories and the non-financial perspective by behavioural theories. We view the decision to use public equity from the financial perspective, with the use of the Pecking Order Theory of Capital Structure. Furthermore, we analyse the impact of these various sources of finance on the growth of an SME.

The impact of various sources of finance on the growth of an SME: Pecking Order Theory

The Pecking Order Theory states that firms have a tendency to rely on internal capital to finance a valuable investment opportunity. The theory further states that should the firm need to source external finances for the said opportunity, it will source debt over equity (Myers and Majluf, 1984). In other words, the claim in this theory is that firms have a proclivity to choose equity as the last option. However, the assumption in this theory is that firms have the internal capital or borrowing power to finance investment opportunities for growth. Rubunda et al. (2019) explained that in developing countries, there are systematic and institutional constraints that limit the access to funds for growth by SMEs, and thereby their choice of financing. Stated differently, SMEs in developing countries such as South Africa, do not necessarily have the choice of whether to utilise internal capital or debt or equity because of issues concerned with the accessibility of those funds.

Further investigation into the literature is conducted to establish whether the various sources of finance as stipulated in the Pecking Order Theory can lead to the growth of an SME.

The impact of internal finances on the growth of an SME: Previous literature revealed that comparatively much is known about internal finances and their relationship to the growth of an SME (Eniola and Entebang, 2015, Rubunda et al., 2019, Tshabalala, 2017). Some authors believe that internal finances have a positive impact on the growth of an SME (Bhaumik et al., 2015) simply because it is a cheap source of finance that does not attract interest or dilution of ownership (Rubunda et al., 2019). Other authors are of the opinion that internal finances have a negative impact on the growth of a firm because they are either insufficient to support growth (Balogun et al., 2016, Fatoki, 2014, Tshabalala, 2017) or they are risky to use for the purposes of growth (Eniola and Entebang, 2015). Although there are different views on whether the impact on growth is positive or negative, there is a general agreement that internal finances in SMEs are often insufficient for the purposes of growth.

The impact of debt on the growth of an SME: Comparatively much is also known about debt and its impact on the growth of a firm, as debt is deemed a major source of finance. It has been shown in the literature that credit/debt has a positive impact on the growth of a firm (Ayyagari et al., 2017, Campello and Larrain, 2016, Njagi et al., 2017). Fowowe (2017) showed that a lack of debt finance

had an inhibiting effect on the growth of African SMEs. In Mozambique, bank loans were also found to be a significant factor in determining the success and growth of an SME (Osano and Languitone, 2016). Similarly, Campello and Larrain (2016) proved that firms that were able to access debt enjoyed an increase in the number of employees and profits, further proving that access to debt finance leads to growth of a firm. Therefore, there is a general agreement in the literature that the impact of debt on an SME's growth is positive.

The impact of public equity on the growth of an SME: In the literature, the focus of previous studies was either internal finances and/or debt. It appears that when equity was researched, private equity rather than public was the focus (Bhaumik et al., 2015, Rubunda et al., 2019). For example, in Rwanda, Rubunda et al. (2019) showed that equity finance leads to the growth of a firm. However, they described equity as personal savings, angel investors and capital from friends and family, which is private equity. Njagi et al. (2017) observed that the lack of finance for SMEs in Kenya is a hindrance to their growth, therefore most enterprises in Kenya have collapsed due to a lack of adequate funding. Their focus was on internal capital and private equity which they described as capital obtained from friends and angel investors. The type of equity referred to in the Pecking Order Theory of Capital Structure is Public Equity, where a firm issues stock to raise capital (Myers and Majluf, 1984).

Public equity as a potential source of financing the growth of SMEs is an area that seems to be neglected and largely unexplored. It is this gap that this study seeks to fulfil, with the intention of exploring the relationship between public equity and the growth of a firm.

The impact of Public Equity on SME growth

Public Equity is referred to as capital raised when the shares of a private company become available to the public on the stock market (Harvey, 2016). The Johannesburg Stock Exchange (JSE) established AltX (Alternative Exchange) in 2003, with a lower regulation framework and cost of listing, to enable SMEs (specifically) to access public equity (Semenya and Dhliwayo, 2020). However, the number of firms listed on the AltX has been declining since 2008, as shown in Figure 1.

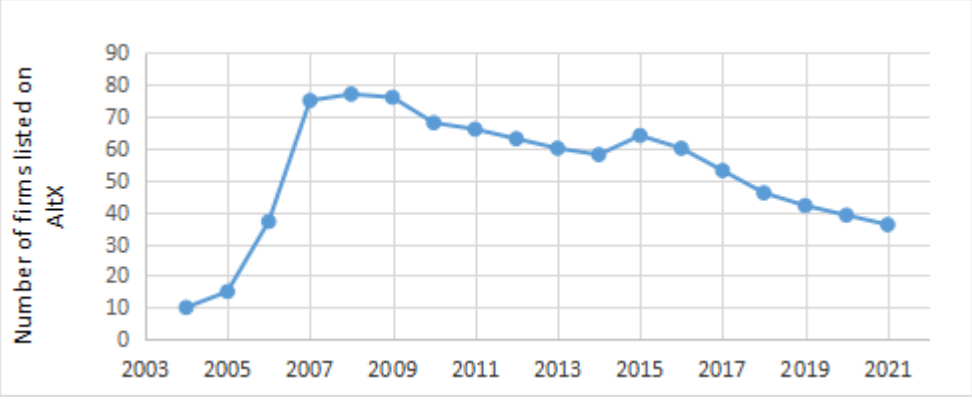

Figure 1: The number of firms listed on AltX since inception (Source: JSE, 2013-2021)

There are currently 36 firms listed on the AltX compared to 77 in 2008. The reason is threefold. The financial crisis that took place in 2008 which crashed stock markets created risk-averse investors who

do not invest in markets such as the AltX. Relevant to this study, is that about 39 firms grew large enough to migrate from the AltX to the JSE Mainboard while about 62 firms delisted from the exchange (JSE, 2013- 2021, Van Heerden, 2015).

Migration to the Mainboard: In the JSE quarterly publications, Nicole Cheyne, the client relationship manager at AltX, stated the following: "Many companies like Rockcastle and Curro have migrated from AltX to the JSE's Mainboard and immediately became mid-cap companies due to the phenomenal growth they were able to achieve through their initial AltX listings" (Brougham-Cook, n.d.). By December 2021, there were about 39 SMEs that migrated from the AltX to the Mainboard, suggesting that they achieved growth through listing on the AltX, as mentioned by Nicole Cheyne. This means that the SMEs grew to meet the costs and requirements of the Mainboard which are significantly higher than the AltX. These include a pre-profit of R15 million compared to R0 on the AltX and a share capital of R25 million compared to R2 million on the AltX (JSE, 2019). Therefore, listing on the AltX may have a positive impact on the growth of a firm, enabling it to access capital to grow from an SME to a large entity.

Delisting from the AltX: Delisting from the AltX means the removal of a firm from the exchange, whether voluntarily or involuntarily (Van Heerden, 2015). By 2021, there were about 62 firms that delisted from the AltX since 2007. Lewis and Churchill (1983) and Lester et al. (2003) both warned that lack of access to capital at growth stage may result in the regression of the firm to the previous stage, and even disappearance or failure of the firm. Therefore, delisting from the AltX may suggest that a firm was not able to access the capital required for growth, which led to regression and even the disappearance/failure of the said firm. In other words, listing may have had a negative impact on the delisted firms. However, Nicole Cheyne, revealed in a publication that 70-80% of firms delist after positive growth (Brougham-Cook, n.d.). She added that these firms become part of a buy-out by larger firms. Van Heerden (2015) gives an example of an AltX-listed firm, Ideco Group, a biometric and identity management company that was listed on AltX in October 2007. She pointed out that the firm was acquired by Horizon Investment and Financial Services Limited, which resulted in Ideco delisting from the AltX in 2012. Therefore, delisting may not necessarily indicate the failure of a firm, but its growth, while in other cases, delisting may very well indicate the failure of the firm.

Research problem

One would expect that if a firm lists to raise growth capital on the stock exchange, that a firm would grow. However, it was shown in the previous section that some firms grow onto the Mainboard while others delist, whether from failure or mergers and acquisitions. Therefore, it is important to ask why some firms are able to grow and migrate to the Mainboard, while others delist. In other words, does listing have a positive or negative impact on SMEs?

Research Objective and Research Question

Thus, the Research Objective and question for this study are:

Research Objective: To determine the relationship between public equity financing and growth of an SME.

Research Question: Does listing on the AltX have a positive impact on the growth of an SME

Simply put, does listing on the AltX lead to the growth of an SME?

Method

Data Collection

An Interpretivist paradigm was adopted for the study. This is a belief that reality consists of people's experience of the world (Antwi and Hamza, 2015) and that it is an act of interpretation based on human experience (Sefotho, 2015). The impact of listing on the growth of a firm can be understood from the firm's own experience hence this paradigm was adopted.

The study made use of primary data collected through interviews and secondary data collected from the firms' annual reports. In-depth interviews were conducted through Zoom to observe Covid-19 regulations and they lasted an hour. An interview guide prepared from the literature was used for these interviews. The nature of the questions of this study required a person in the firm with intimate knowledge of the choices the firm has made regarding its listing. For this reason, the participants interviewed were company founders, the Chief Executive Officer (or the accounting officer of the firm) and/or Chief Financial Officer (or the financial accounting officer of the firm). For all interviews, ethical clearance from the University of Johannesburg was obtained as well as consent from participants (with consent forms signed before each interview).

The target population was firms that are currently listed on the AltX. A list of these firms was obtained from AltX. In 2019, when the list was obtained, there were 42 firms listed on the Exchange. This number has since decreased as stated elsewhere in this report. A total population sampling method was used, where all 42 firms were approached for an interview. However, six responded positively. These were referred to as Case 1, Case 2, Case 3, Case 4, Case 5 and Case 6. Once analysis occurred, the researchers could not come to a satisfactory answer for the research question, which asked whether Public Equity had a positive impact on the growth of the firm. There were mixed perceptions from the AltX firms. It was then decided that data collection should continue with the firms that were able to grow from AltX to Mainboard, to gain their view on the growth of their firms and listing.

The migrated population list was obtained from the JSE and contained 39 firms that migrated since 2007. Once again, a total sampling method was used where all 39 firms were approached for an interview and five firms responded positively. These were referred to as Case 1M, Case 2M, Case 3M, Case 4M and Case 5M, with the "M" denoting "Mainboard" or "Migrated".

In conclusion, the sample to achieve the objective was made out of 11 firms (six AltX-listed and five Migrated firms). These are the firms that responded positively to our interview requests and in this way, a satisfactory answer to the Research Question was found, as discussed in the results section.

The profile of the 11 firms is tabulated below. Annual reports were used to determine the annual turnover of firms.

Table 1: Profile of the AltX and Mainboard listed firms (Source: Case 1 to Case 5M Annual Reports)

			Listing on AltX		Currently (2019/2021)	
	Sector	Year Established	Year	Annual Turnover (million)	Number of employees	Annual Turnover (million)
Case 1	Manufacturing	1960	2006	R190	200	R285
Case 2	Community, Social and Personal Services	2013	2014	R126	200	R481
Case 3	Finance and Business Services	1995	2006	R37	85	R87
Case 4	Wholesale Trade, Commercial Agents and Allied Services	1972	2006	R665	1300	R3 200
Case 5	Finance and Business Services	2008	2018	R42	250	R298
Case 6	Finance and Business Services	2012	2014	R31	271	R465
Case 1M	Transport, storage, and communication	2004	2004	R72	2134	R2,700
Case 2M	Mining and Quarrying	2007	2007	R560	2148	R3,000
Case 3M	Finance and business services	2016	2016	R36	4	R335
Case 4M	Manufacturing	2008	2008	R897	Data not available	R5,000
Case 5M	Construction	2006	2006	R125	1975	R959

Data Analysis

Qualitative data was collected and analysed qualitatively through AtlasTI. Data was also analysed quantitatively through Qualitative Comparative Analysis.

Qualitative Analysis (ATLASti)

In analysing the data, the first step was to code the data. Saldaña (2013:1) defines a code as "a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data". Structural coding was used, where data was coded according to the Research Question and topic of the study (Saldaña, 2013). The research question asked whether listing has a positive impact on the growth of an SME. Therefore, quotations

were coded with negative (LN) or positive (LP) impact, which were thereafter grouped into Code Groups to highlight categories and themes, as shown in Figure 2.

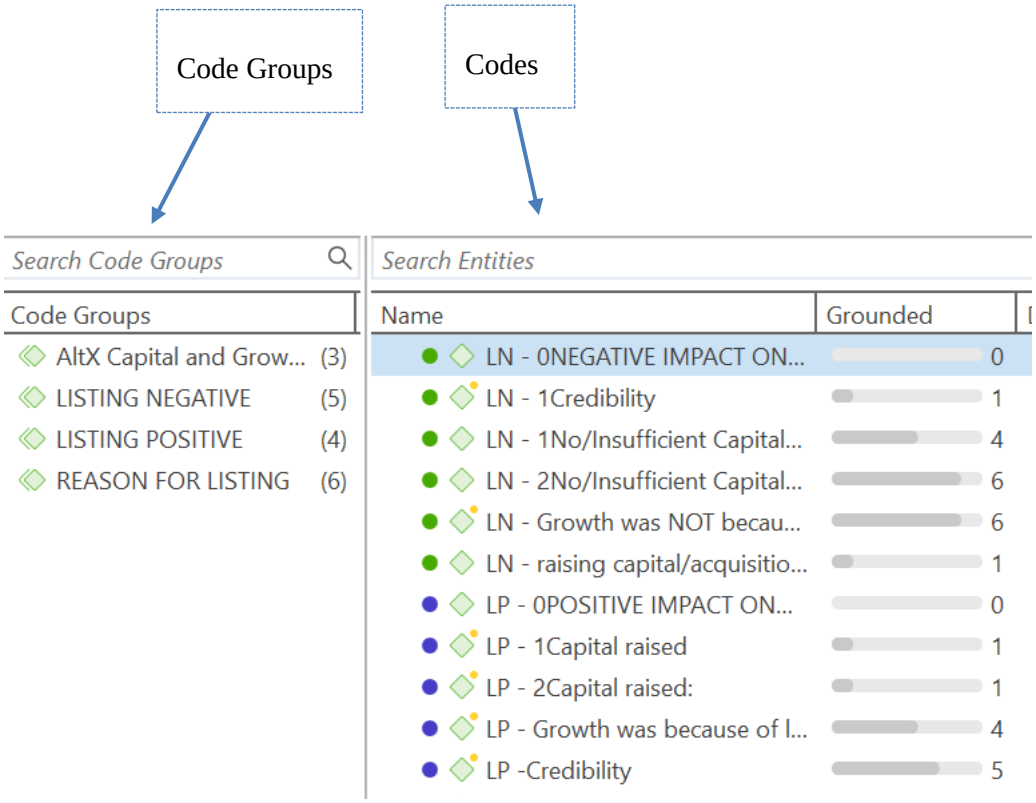

Figure 2: Codes and Code Groups (Source: Author)

The results therefore are presented in the results section.

Quantitative Analysis (QCA)

Qualitative Comparative Analysis (QCA) was chosen as it is best for medium sample sizes of about 12 or more, which are too small for standard linear regression models (Fainshmidt et al., 2020). A three-value fuzzy set Qualitative Comparative Analysis (fsQCA) technique was adopted to determine the relationship between listing and growth as it allows for partial membership of conditions (Rihoux and Ragin, 2009). Raising capital (Public Equity) and credibility were set as conditions under LISTING to determine their causal relationship to Outcome 1: GROWTH.

Calibration of Data: fsQCA allows for a condition to lie between 0 (indicating no membership) and 1 (indicating full membership). For example, for the condition raising Public Equity, the firms that were able to raise the full amount of capital for growth were calibrated with a "1". The firms that did not raise capital were calibrated with a "0". Using fsQCA allowed for a third group, which is a group that raised insufficient capital. This was calibrated with a "0.5". The rest of the data was dichotomous and therefore calibrated with a "1" or "0". The calibration of data is tabulated below:

Table 2: Calibration of data

	Condition: LISTING		Outcome: GROWTH
	Cond 1: Raising capital 1-Raise full capital 0.5 – Insufficient Capital 0 - Did not raise capital	Cond 2: Credibility 1-Led to growth 0 - Did not lead to growth	1- Achieved 0-Not achieved/insignificant growth
Case 1	1	0	1
Case 2	0.5	0	1
Case 3	0	1	1
Case 4	0	1	1
Case 5	0.5	1	1
Case 6	1	1	1
Case 1M	0	1	1
Case 2M	0	1	1
Case 3M	0.5	1	1
Case 4M	0.5	0	0
Case 5M	1	1	1

Once calibration was completed, a raw table was built, which was inserted into Tosmana Software to build a truth table, a table of configurations. These configurations will be presented and discussed in the Results section.

Results and Discussion

In this section, the qualitative results will be presented and discussed first, followed by the quantitative QCA.

Qualitative Results

Growth of the currently listed firms

First, we sought to determine whether the firms indeed grew since listing on the exchange. The annual reports of the AltX listed firms (Case 1 to Case 6) show growth in revenue (as at 2019/2020 financial year) of the firms, since listing (See Figure 3).

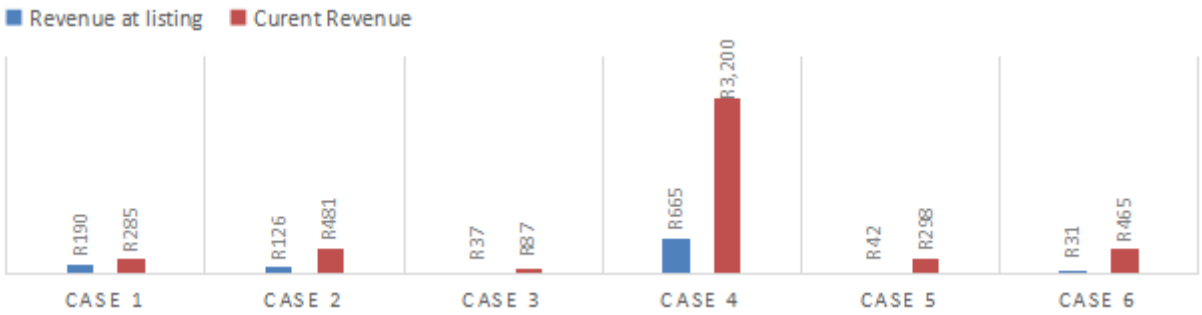

Figure 3: Growth in revenue of AltX listed firms (Source: Case 1-6 annual reports)

Similarly, the annual reports for Migrated firms also show growth of firms since listing on the AltX (with the exception of Case 4M). Furthermore, the current revenue (on the Mainboard) is higher since leaving the AltX, indicating continued growth of the firms since migrating (See Figure 4).

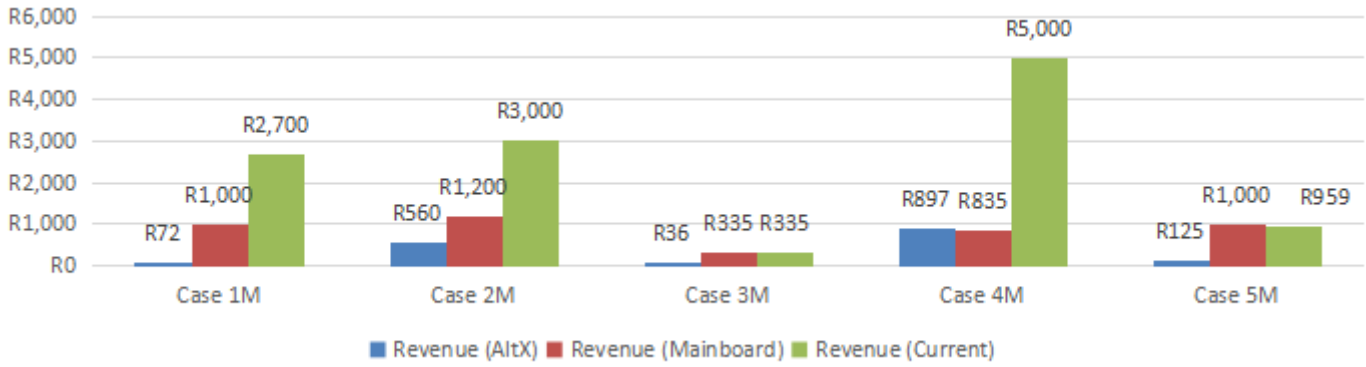

Figure 4: Growth in revenue of Migrated listed firms (Source: Case 1M to 5M annual reports)

Therefore, it can be concluded that all the firms grew since listing on the AltX.

Impact of listing on growth of SME - Raising Capital (Public Equity)

The data revealed that listed firms had different experiences concerning raising capital on the exchange, which impacted their growth in various ways.

Positive Impact: Case 6 and Case 5M were able to raise capital on the AltX to finance their growth. This suggests that public equity had a positive impact on the growth of these firms. Previous literature highlighted the idea that firms that list on AltX benefit greatly as they can raise the capital they need to finance their growth (Van Heerden, 2015). However, the rest of the firms had a different experience.

Negative or No Impact: Other firms did not attribute their growth to raising Public Equity on the AltX either because they did not raise public equity at all whiles listed (Cases 3, 4, 1M and 2M) or they raised insufficient public equity for growth (Cases 1, 2, 5, 3M and 4M). According to the respondents, there are difficulties associated with raising public equity on the exchange which appear to be due to

the share price of the firm being too low, Public Equity being too expensive and the perception that investors such as Financial Institutions and Fund Managers do not invest in AltX listed companies.

Nevertheless, firms such as Case 1, 2, 5, 3M and 4M who were not able to raise sufficient capital on the exchange were able to secure the balance of the growth capital through other avenues such as bank loans and private equity investors. In this way, the firms were able to finance their growth. This means that public equity did not directly impact the growth of the firms but encouraged it, although partially so, due to the difficulties associated with accessing it. This finding is similar to that of Sebastian and Kransdorff (2017). They found that firms listed on AltX are highly leveraged, meaning they have more debt in their capital structure than equity. They explain this from the perspective of asymmetric information. AltX requires firms to publish annual reports, which in turn reduces the asymmetric information aspect that inhibit most firms from accessing bank loans. Therefore, it is easier for AltX listed firms to access bank loans. Similarly, Chikeya (2019) showed that credit/debt is the most prevalent capital source of AltX listed firms. This means that public equity is difficult to access even for the listed firms, so much so that listed firms turn to debt. Although debt has been shown in the literature to have a positive impact on the growth of a firm (Ayyagari et al., 2017, Campello and Larrain, 2016, Njagi et al., 2017, Osano and Languitone, 2016), Case 2 explicitly indicated that debt was not their first choice of finance. They explained that the reason one attempts to raise Public Equity for expansion is that it is cheaper than a loan in the short term as one does not have a monthly interest to repay during the expansion. This is echoed in the literature, which highlights the advantage of equity financing as assisting SMEs with the constraints of bank loans because it does not have to be paid back (Harwood and Konidaris, 2015). Therefore, it appears that contrary to the Pecking Order of Capital Structure, some firms may prefer Public Equity over debt in the short term. This is discussed next.

The Pecking Order Theory of Capital Structure for AltX listed firms

As previously stated, the theory states that firms prefer to use internal finances, then debt over equity (Myers and Majun, 1984). It is the finding of this study that most AltX-listed firms list to access public equity, implying that these firms chose public equity first and not last as postulated by the theory. When they are unable to raise public equity based on the reasons discussed in the previous section, they look to other avenues, internal finances first (Sebastian and Kransdorff, 2017), then debt (Chikeya, 2019, Sebastian and Merino, 2019). Therefore, it is proposed that for AltX listed firms, the preference of source of finance is depicted as in Figure 5, which shows that AltX listed firms prefer equity as a first source of finance, then internal capital and finally debt.

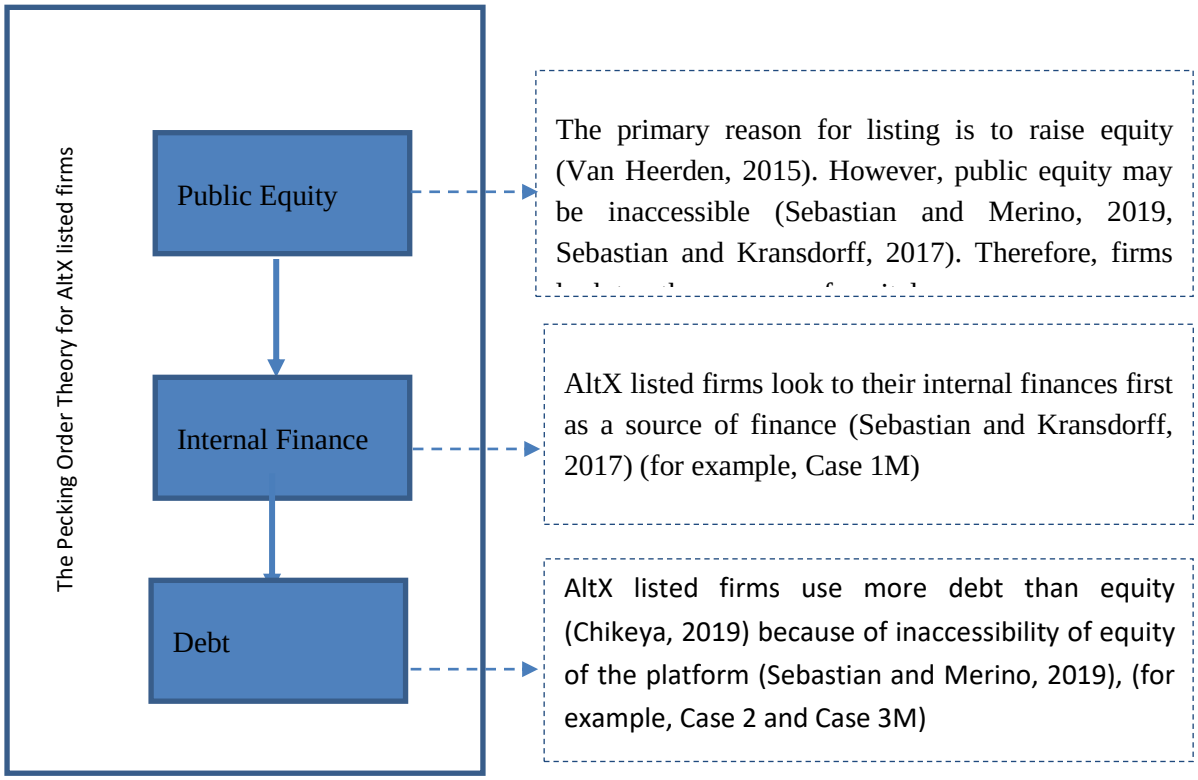

Figure 5: Proposed Pecking Order Theory of Capital Structure for AltX listed firms

It is important to clarify that Figure 5 is proposed only for firms that are listed on the AltX. Since this was a qualitative study, generalization should be taken with caution.

Nevertheless, Public Equity was able to explain the growth of only two firms (Case 6 and Case 5M). The rest of the firms grew, even though they raised insufficient or no capital at all by accessing other sources of finance. This then suggests that there are other attributes of listing that contribute to the growth of a firm. The firms explained that the credibility associated with being listed, is one such attribute. Furthermore, credibility appears to be prevalent from coding in ATLASti. This is discussed next.

Impact of listing on growth of SMEs - Credibility

Most firms pointed out that credibility brought them clients/ investors as well as a positive perception of the firm, as stated below:

Case 3M: "…So, I think for the (Anonymous name of Private Equity Fund) story they probably wouldn't have invested in us if we weren't a listed company."

Case 3: "… we managed to enter into the more enterprise Tier 1 customer market in South Africa and we now work with a number of the large enterprises in South Africa and I think that would have been difficult to achieve if we had not been listed."

Case 1M: "They didn't know us from a bar of soap, we were very small and they said well here is a bunch of people, look credible, and we're prepared to give them a go. I think we might have struggled had we not been in the public market, so it did have intangible value."

According to the JSE (c2019), a listing increases the status of a firm which gives other stakeholders such as banks and other investors, confidence as they know that the financial information and actions will be subject to the strict requirements of the JSE. Therefore, it appears that raising Public Equity, as well as the credibility associated with listing, has a positive impact on the growth of a firm. The causal relationship between listing (raising Public Equity and credibility) and firm growth was further explored empirically through Qualitative Comparative Analysis (QCA). This is presented next.

Quantitative Results

In the previous sections, it was established qualitatively that listing comprises two factors namely raising Public Equity and credibility. In this section, the quantitative results are presented. The relationship between listing (raising Public Equity and credibility) and the growth of a firm is determined through QCA which explains the relationship between conditions and the outcome (Schneider and Wagemann, 2010). In this study the condition is "Listing" and the outcome is "Growth". A truth table was built from Tosmana software, from which the analyses of necessary and sufficient conditions were conducted.

Analysis of necessary conditions

This analysis determines whether any causal condition can be considered a necessary condition for the outcome, in other words, if the presence of a condition is necessary to ensure the outcome (Del Sarto et al., 2020). In simpler terms, a condition needs to be "always present" when the outcome occurs, to be deemed necessary (Rihoux and Ragin, 2009). This analysis is shown in Table 3.

Table 3: Analysis of necessary conditions

Outcome: Growth	Consistency	Coverage
Capital Raised	0,45	0,89
~Capital Raised	0,55	0,92
Credibility	0,8	1
~Credibility	0,2	0,67

For a condition to be considered necessary, it must have a consistency greater than or equal to 0.9 (Schneider et al., 2010, Vis and Dul, 2018). It can be seen from Table 3 that none of the conditions, including their negations (opposites, depicted with ~), have a consistency greater than 0.9. Therefore, none of the conditions is considered necessary for the outcome of growth to occur. In other words, raising Public Equity is not always present as a condition when a firm grows. The same applies to credibility. Some firms were able to grow through raising public equity alone, such as Case 6 and

Case 5M. Other firms were able to grow through credibility alone, using their own internal finances, such as Case 1M.

Analysis of sufficient conditions

This analysis determines the conditions that are sufficient for the outcome to occur (Del Sarto et al., 2020). The analysis is presented in Table 4.

Table 4: Analysis of sufficient conditions

	Consistency	Coverage	Unique coverage
Capital Raised + Credibility	0.95	0.95	
Capital raised	0.9	0.45	0.15
Credibility	1	0.8	0.5

A consistency threshold of 0.75 was used as recommended by Rihoux and Ragin (2009). Any condition exceeding this threshold is deemed a sufficient condition (Schneider et al., 2010). It can be seen from Table 4 that all conditions are deemed sufficient as they all have a consistency greater than 0.75 and can be re-written in the following manner:

Configuration 1: Capital raised OR Credibility lead to the growth of a firm (the "+" denotes the word "OR" (Rihoux and Ragin, 2009)).

Capital Raised OR Credibility → Growth of a firm

OR

Configuration 2: Capital raised leads to the growth of a firm

Capital Raised → Growth of a firm

OR

Configuration 3: Credibility leads to the growth of a firm

Credibility → Growth of a firm

Ragin (2006) states that configurations are different paths that can lead to the outcome. He further describes the proportion of instances that follow each of those paths as coverage. Configurations with higher coverages are more empirically important (Ragin, 2006). In Table 4, it can be seen that credibility has a coverage of 0.8, which is higher that the coverage of raising capital (0.45). This implies that although raising Public Equity is a path that can lead to the growth of a firm, credibility is the more empirically important path.

Therefore, even though there were difficulties in accessing public equity on the AltX, Cases 1, 2, 3, 4, 1M, 2M, 3M and 4M were still able to grow by accessing other types of capital i.e. internal capital and debt, due to the credibility associated with being listed. This finding is similar to that of Dzingai

and Fokoya (2017), who found that aspects of credibility such as corporate governance, positively impact the performance of a listed firm. Dzingai and Fokoya (2017) explained that investors are attracted to firms with good corporate governance systems as they perceive them less risky and this in turn improves their confidence.

Therefore, it appears that more firms benefited and grew from the credibility of being listed than from raising capital on AltX, as confirmed by the higher coverage of the condition credibility.

Conclusion and Recommendation

In conclusion, the Research Question was answered. Does listing on AltX have a positive impact on the growth of an SME?

It was found that, yes, listing appears to have a positive impact on the growth of a firm. However, listing should be viewed in its entirety with its two attributes namely, raising Public Equity and Credibility. Although it was found that public equity led to the growth of an AltX-listed firm, it appears that the credibility associated with being listed led to the growth of more firms.

It is therefore recommended that more SMEs should list on the AltX. This will necessitate significantly improved marketing on the part of the AltX to attract SMEs. Marketing could be done through the creation of a website, social media presence, seminars and workshops, targeting both SMEs and AltX investors. It is further recommended that listed firms should be assisted to migrate, and therefore grow from SMEs to large enterprises. In this way, there will be a larger contribution to the GDP and therefore improved contribution to the economy. The firms that were interviewed suggested that the assistance they need to grow from the AltX is a better support structure on the exchange. This, they explained, could be in the form of Ex-Directors of listed firms, who would act as mentors and assist the listed SMEs on the AltX to grow. This suggestion is endorsed by this study and put forth as a recommendation.

This study contributes to the literature on financing SMEs, particularly SMEs at growth stage. Furthermore, it was shown that for AltX listed SMEs, Public Equity was the first (and not last) option of finance, contrary to the stipulations of the Pecking Order Theory of Capital structure.

It should be noted that the study was conducted during the Covid-19 pandemic, which led to a lack of growth in most firms. It is therefore acknowledged in this study that the opinion of some firms regarding growth or lack thereof was catapulted by the pandemic. Furthermore, the opinion of the delisted firms was not sought. It is possible that listing had a negative impact on them. The study focussed on the opinion of firms currently listed. Further research is therefore encouraged, where the delisted firms are part of the dialogue.

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Declaration of Interest Statement

The authors declare that they have no conflict of interests.

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