NIGERIA

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Key Data Points (as at end-December 2023, unless otherwise stated)	
Total population	223,804,632
National currency and exchange rate	Naira, NGN881.53/USD1
GDP and growth rate	NGN234.42 trillion, 3.46%
SME proportion of GDP	48%
Annual average inflation	28.92%
Unemployment rate	5%
Total government debt outstanding	NGN97.34 trillion
Public debt to GDP ratio	29.7%
Primary stock exchange	Nigerian Exchange
Number of publicly listed companies	173
Equity market capitalisation (% of GDP)	22.9%
Mutual fund assets under management	NGN2.3 trillion
Estimated debt market, including bank loans	NGN34.28 trillion
Number of marketable corporate debt issuers	25
Examples of domestic private market investment firms	The Abraaj Group, Verod Capital Management, Synergy Capital Managers, Sahel Capital, Africa Capital Alliance

Sources: National Bureau of Statistics – Nigeria; Central Bank of Nigeria; Debt Management Office – Nigeria; Nigerian Exchange Limited; Securities and Exchange Commission – Nigeria.

1. Introduction and Context

Nigeria's economy, valued at USD265 billion, was until recently the largest in Africa, with a GDP of more than USD400 billion. Its GDP growth rate was 3.1% in 2022 and 2.31% in Q1 2023. One of the world's largest exporters of crude oil, Nigeria depends on the commodity for most of its foreign exchange earnings. With a population of more than 200 million, the country has the largest market in Africa. Its capital market, however, is small relative to the size of the economy.

The Nigerian capital market had a market capitalisation of about USD100 billion in September 2023 and contributes to the country's economy by providing a platform for financing government and corporates. Financial instruments, such as equities, bonds, ETFs, commodities, and derivatives, are traded on the Nigerian capital market, and the market competes with the banking industry to provide financing to entities in need of such financing.

2. Raising Funds in the Public Markets

Overview

Nigeria has a vibrant, well-regulated capital market that over time has played an important role in financing business expansion, financing government deficits, and supporting infrastructural development (Uwaleke 2022). Governments and companies have frequently turned to the Nigerian capital market to raise funds by offering long-term securities in the form of shares and bonds. Foreign issuers can also issue securities (i.e., sell them, as well as offer them for sale or subscription) to the public through the Nigerian capital market.

In 2022, a combined value of NGN777.28 billion was raised through a total of 27 new issuances. These included five equity issuances valued at NGN26.20 billion and 22 bonds valued at NGN751.08 billion. The equity issuances consisted of one IPO, one private placement, and three rights issues. Additionally, there were 30 allotments totalling NGN898.17 billion, which included six equity issuances valued at NGN104.70 billion and 24 bond issuances valued at NGN793.47 billion (Securities and Exchange Commission 2022a). Furthermore, the Nigerian Securities and Exchange Commission (SEC) registered 11 shelf programmes worth NGN1.43 trillion, which included 10 debt issuance programmes valued at NGN1.13 trillion and 1 sukuk programme valued at NGN300.00 billion.

Exhibit 22 shows the growth rate of gross fixed capital formation (GFCF), GDP, total savings, total pension savings, foreign direct investment as a percentage of GDP (FDI % of GDP), and personal remittances over time. The average GFCF growth rate dropped from 27.8% in 1990–1994 to 8.0% in 2010–2014 and rose significantly to 22.8% and 28% in 2015–2019 and 2020–2021, respectively. Throughout the same period, GDP grew at a declining rate, driven by several factors, including higher bases of growth complications, recessions, and the COVID-19 pandemic.

Exhibit 22. Five-Year Average Growth Rate of GFCF and Associated Variables, 1990–2021

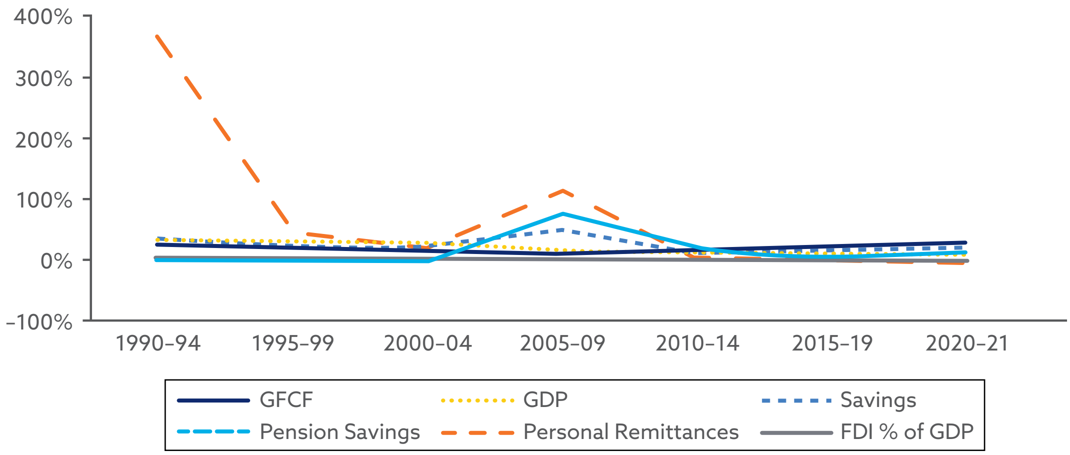
Years	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	2020-2021
GFCF (%)	27.8	23.80	17.60	15.20	8.0	22.8	28.00
GDP (%)	34.08	27.40	26.80	17.60	11.40	9.8	9.5
Savings (%)	36.54	21.05	23.82	48.83	15.16	9.9	18.6
Pension savings (%)	1.89	−0.69	0.00	76.53	20.91	4.68	13.30
Personal remittances (%)	362.7	45.64	19.23	113.7	2.75	2.77	−2.24
FDI % of GDP (%)	3.10	0.96	1.70	2.47	1.43	0.56	0.42

Sources: Computed by the authors from the Central Bank of Nigeria's Statistical Bulletin for 2021 (https://www.cbn.gov.ng/documents/Statbulletin.html). Total savings, pension savings (total pension contributions), personal remittances, and FDI % to GDP were computed from the World Development Indicators (WDI), https://data.worldbank.org, from 30 August 2023.

Total savings and pension savings share similar growth trends (see **Exhibit 23**). Total savings and pension savings were highest between 2005 and 2009 (48.83% and 76.53%, respectively); declined during the 2015–2019 period (9.9% and 4.86%, respectively); and then increased to 18.6% and 13.3%, respectively. The decline in performance between 2015 and 2019 may be a consequence of the recession during the period.

Personal remittances as a source of capital formation were highest between 1990 and 1994, at 362.7%; declined to 19.23% between 2000 and 2004; rose to 113.7% between 2005 and 2009; and declined thereafter to 2.75% (2010–2014), 2.77% (2015–2019), and −2.24% (2020–2021; see Exhibit 23).

Exhibit 23. Gross Fixed Capital Formation Variables



Source: Compiled by author Patrick Eke, based on data from the Central Bank of Nigeria's Annual Statistical Bulletins (https://www.cbn.gov.ng/documents/Statbulletin.html).

Foreign direct investment inflow has been unstable. Its ratio to GDP was highest between 1990 and 2004, at 3.10%, and between 2005 and 2009, at 2.47%. Subsequently, it declined consistently, down to 0.42% between 2020 and 2021.

Overall, the years between 1990 and 1994 and between 2005 and 2009 seemed to witness the strongest capital formation, judging by total savings, pension contributions, remittances, and FDI.

Accessing the capital market is essential for entities seeking to raise funds for their growth and financial needs. Common methods of accessing the capital market include offers for subscription, offers for sale by tender, private placements, listing by introduction, and rights issues (See **Exhibit 24**). Each method offers unique advantages and caters to specific circumstances (Ujunwa 2020; Uwaleke 2022).

Despite the potential advantages and opportunities provided by the capital market, a sizable percentage of companies have not properly used it to raise the money required to support their expansion ambitions. These companies have been missing out on a chance to realize their potential and unlock growth (Onuba 2019).

Lack of knowledge or comprehension among firms about the numerous fundraising options is one of the key causes of this capital market underutilisation.

Exhibit 24. Methods of Raising Funds from Capital Markets in Nigeria

Source: Patil (2013).

Many organisations may not fully understand the wide range of alternatives provided by the capital market, including IPOs, rights issues, private placements, and even listing by introduction.

To address these challenges and promote a more robust fundraising environment, stakeholders in the Nigerian capital market—including regulatory bodies and market operators—have been collaborating through a Capital Market Committee (CMC) to implement certain strategies. Several initiatives have been executed to enhance market liquidity, improve investor confidence, streamline regulatory processes, and reduce the cost of capital raising towards fostering a more conducive fundraising landscape (Securities and Exchange Commission 2022b; Uwaleke 2022).

Funding for Infrastructure and SMEs

Funding infrastructure projects and promoting the development of SMEs can be achieved through various channels, including sovereign funding, public financing, and private sector participation. Each channel has its own characteristics and benefits, and a combination of these approaches can be effective in supporting infrastructure development and SME growth.

Traditionally, capital markets have served as a bridge between savers and those in need of capital, thus supporting economic growth. To address the financing challenges faced by SMEs, these businesses are increasingly embracing capital market solutions, which offer alternatives to bank lending and enable SMEs to raise funds from the capital markets (Peterhoff, Romeo, and Calvey 2014).

The SME sector can benefit from the opportunities presented by the capital market for financing. Accessing capital through the issuance of equity or debt securities, however, entails significant transaction costs, demanding listing requirements, and navigating complex legal and regulatory frameworks. As a result, it has predominantly been large firms that have accessed the capital market in the past (Peterhoff, Romeo, and Calvey 2014). SME equity platforms offer an alternative to the main listing boards on national stock exchanges and cater to well-established SMEs. They serve as a second-tier listing option, featuring less strict listing requirements and lower costs compared with the main board. SME equity platforms are most suitable for larger SMEs—those in the medium-sized segment—because of the initial costs and ongoing listing requirements associated with most platforms.

An example of such a platform board within the Nigerian Stock Exchange (NGX) is the Alternative Securities Market (ASeM), which is specifically designed for emerging enterprises with high growth potential. ASeM provides small companies with an avenue to access the capital market and raise long-term financing. It offers less stringent listing rules and requirements, in line with regulatory requirements of the Corporate Affairs Commission and the Nigerian SEC.

Other financing mechanisms that support infrastructure projects and SME development include venture capital, angel investment, crowdfunding, and development finance institutions. Venture capital and angel investment provide equity financing to SMEs, enabling them to grow and expand. Crowdfunding platforms allow individuals to contribute small amounts of capital to specific projects or businesses. The SEC regulates the crowdfunding space in Nigeria and registers crowdfunding platforms. DFIs, such as the World Bank or regional development banks, provide long-term financing and technical assistance to support infrastructure projects and SMEs in developing countries.

It is important to note that a combination of these funding channels is often necessary to address the diverse needs of infrastructure projects and SMEs. Governments play a crucial role in creating an enabling environment, establishing regulatory frameworks, and providing support for private sector involvement. Collaboration between the public and private sectors, as well as effective risk allocation and project structuring, are key to attracting investments and ensuring the successful implementation of infrastructure projects as well as the growth of SMEs.

The Impact of COVID-19 on Fundraising

The COVID-19 pandemic had extensive consequences for the global economy. It resulted in the second-largest recession in history, as businesses worldwide experienced significant closures and reduced productivity because of lost work hours (Ibn-Mohammed et al. 2021). The pandemic triggered widespread economic uncertainty, leading to market volatility and a decrease in investor confidence. This uncertainty made it challenging for businesses and organisations to raise funds as investors became cautious and risk averse.

The COVID-19 pandemic also had a profound impact on the fundraising process in various sectors and markets, introducing a range of challenges and disruptions. Some IPO markets were significantly affected by the negative consequences of the COVID-19 pandemic (Baig and Chen 2022). Nigeria was one such market that saw a dip in issuances. **Exhibits 25 and 26** show issuances during the period 2018–2022 by value and number of issues, respectively.

Globally, however, according to EY (2021), in Q4 2020, a total of 490 initial public offerings raised a combined USD101.4 billion in funds. This total represented a 30% increase in the number of deals compared with Q4 2019 and a 9% rise in total proceeds. Notably, Q4 2020 marked the highest level of proceeds raised since Q4 2010, when 480 IPOs generated USD130.3 billion (EY 2021).

The Role of Foreign Direct Investment in Fundraising

Foreign investments play a crucial role in the fundraising process, providing significant capital inflows and other benefits to the host country. Foreign investments may be direct (foreign direct investment, or FDI) or portfolio (foreign portfolio investment, or FPI), and they bring in substantial financial resources from foreign investors, contributing to the fundraising efforts of businesses and projects. These investments can take the form of primary and

Exhibit 25. Value of New Issues by Offer Type

Type	Value of Issues (NGN millions)				
	2022	2021	2020	2019	2018
IPO	10,000.00	0	0	245,535.72	1,888.24
Private placement	11,283.96	12,986.88	0	—	12.50
Public offer/offer for sale	0	98,245.01	3,010.80	1,302.45	—
Rights	4,924.14	7,573.33	31,388.71	27,654.62	68,224.50
Total equity issues	26,208.10	118,805.22	34,399.51	198,642.66	140,963.87
Corporate bond	751,080.22	338,785.00	362,590.00	473,135.45	211,089.11
FGN bond	2,475,000.00	2,316,010.00	0	168,721.25	323,593.61
Subnational bond	0	137,328.00	1,879,400.00	114,800.00	—
Total debt issues	3,226,080.22	2,792,123.00	2,241,990.00	1,742,462.46	918,940.00
Grand total	3,252,288.32	2,910,928.22	2,276,389.51	2,025,983.71	1,242,533.61

Note: FGN stands for Federal Government of Nigeria.
Sources: SEC; Debt Management Office (DMO).

Exhibit 26. Number of New Issues by Offer Type

Type	Number of Issues				
	2022	2021	2020	2019	2018
IPO	1	0	0	1	1
Private placement	1	3	0	—	1
Public offer/offer for sale	0	2	1	1	—
Rights	3	2	6	3	5
Total equity issues	5	7	7	8	5
Corporate bond	22	19	21	13	12
FGN bond	33	35	0	12	23
Subnational bond	0	1	36	2	—
Total debt issues	55	55	57	36	34
Grand total	60	62	64	50	57

Sources: SEC; DMO.

secondary market securities transactions, equity, mergers and acquisitions, or greenfield investments.

Foreign capital infusion helps bridge financing gaps and supports the development of key sectors in the host country. The capital markets play a critical role in attracting foreign investments by providing investment opportunities through IPOs and private placements.

Foreign capital has played a crucial role in fundraising in Nigeria. **Exhibit 27** shows foreign investment into Nigeria over the 10-year period from 2013 through 2022.

As shown in **Exhibit 28**, foreign investments into Nigeria have been somewhat volatile. According to the World Bank, net inflows decreased from USD5.56 billion in 2013 to USD0.78 billion in 2018, then rose to USD3.31 billion in 2021, and fell again to –USD1.87 billion in 2022. The movements reflect the state of the Nigerian economy at these times as foreign investors, especially portfolio investors, tended to come and go according to economic changes.

3. Debt

Public debt figures and information are obtained from the Debt Management Office (DMO) of Nigeria and the Securities and Exchange Commission of Nigeria. Total public debt in Nigeria as of December 2022 was NGN46.2 trillion. Of that amount, 59.56% was domestic and 40.44% was external debt.

Nigeria's domestic debt is segmented into federal government debt and state and Federal Capital Territory (FCT) debt. As of December 2022, the federal government had NGN22.2 trillion outstanding (80.62% of domestic debt), while state and the FCT debt accounted for NGN5.34 trillion (the remaining 19.38%).

In terms of external debt at that time, the federal government accounted for NGN16.70 trillion, or 89.31% of all external debt. State governments had NGN1.998 trillion, or 10.68% of external debt.

Further investigation into the domestic debt stock shows that as of December 2022, 73.94% was held in FGN (Federal Government of Nigeria) bonds, valued at NGN16.42 trillion. The second major category of domestic debt was Nigerian treasury bills, valued at NGN4.42 trillion, representing 19.91% of domestic debt. FGN sukuk, promissory notes, Nigerian treasury bonds, FGN savings bonds, and green bonds totalled NGN747 billion (3.34%), NGN530 billion (2.39%), NGN50.98 billion (0.23%), NGN27.50 billion (0.12%), and NGN15 billion (0.07%), respectively.

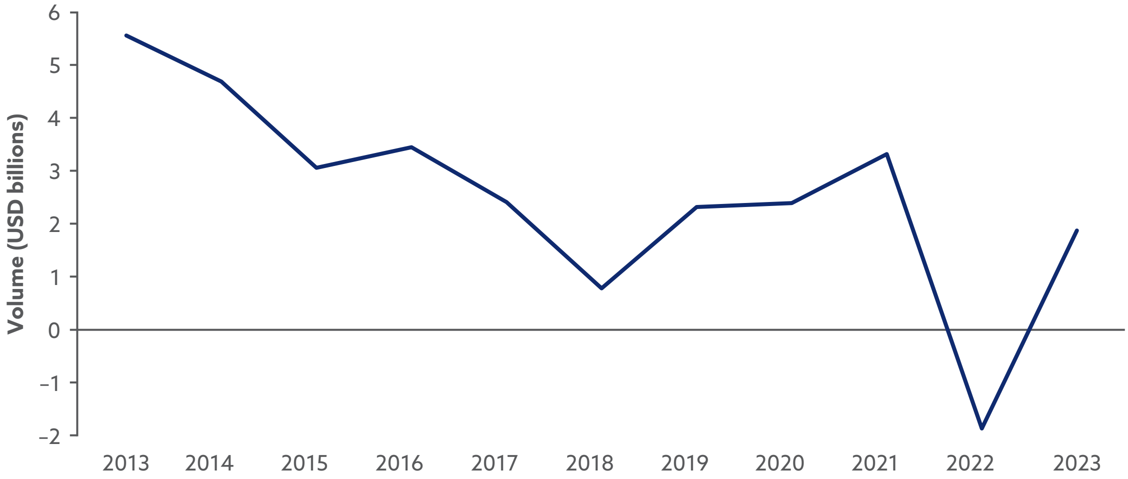
For the external positions, multilateral debt made up most of the debt, at 48.45%, which amounts to NGN20.20 trillion. Within this multilateral debt, the World Bank Group accounted for 68.97%, or USD13.93 billion. Other significant amounts are USD1.59 billion debt for the African Development Bank Group and USD955 million for the African Development Fund.

Exhibit 27. Capital Importation by Type of Investment (USD millions), 2013–2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Foreign direct investment	2,277.04	1,446.62	1,044.02	981.75	1,194.67	934.34	1,027.68	698.78	468.08
Equity	2,264.01	1,442.41	1,043.15	979.44	1,189.03	922.24	1,024.73	692.58	462.91
Other capital	13.03	4.21	0.88	2.32	5.64	12.10	2.95	6.20	5.16
Portfolio investment	14,917.17	6,005.43	1,812.88	7,329.06	11,802.27	16,365.46	5,137.20	3,385.59	2,442.24
Equity	11,448.16	4,657.55	859.06	3,637.31	2,362.73	1,893.19	755.12	206.54	56.57
Bonds	2,443.99	776.28	395.90	482.84	966.82	1,022.39	231.22	564.11	980.34
Money market instruments	1,025.02	571.59	557.92	3,208.90	8,472.72	13,449.88	4,150.86	2,614.95	1,405.34
Other investment	3,556.54	2,190.97	2,267.24	3,917.75	3,815.53	6,690.25	3,491.25	2,616.14	2,418.56
Trade credits	22.03	—	0.16	10.00	6.92	0.11	0.05	2.05	3.01
Loans	1,414.33	1,655.28	2,240.11	3,164.63	3,522.83	5,078.78	2,555.77	2,378.51	2,311.23
Currency deposits	—	8.10	0.03	3.52	1.03	2.96	0.82	6.60	9.32
Other claims	2,120.18	527.59	26.93	739.60	284.75	1,608.40	934.62	228.99	95.00
Total	20,750.76	9,643.00	5,124.14	12,228.57	16,812.47	23,990.05	9,656.13	6,700.51	5,328.88

Source: National Bureau of Statistics.

Exhibit 28. Volume of Foreign Investment in Nigeria, Net Inflows, 2013–2023



Sources: Foreign direct investment, net inflows (Balance of Payments, current USD) chart from the World Bank Group. Datasets from International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources. Retrieved from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?end=2023&locations=NG&start=2013.

Bilateral debt of Nigeria accounted for 12.15%, or USD5 billion, with the bulk of that debt from the Export–Import Bank of China (84.73%) and the French Development Agency (10.57%). Commercial debt consisted of eurobonds issued with a value of USD15.62 million, accounting for 37.46% of external debt.

We also present the service of government debt based on domestic and external debt positions. For domestic debt service, the total amount in 2022 was NGN2.56 trillion, with NGN317 billion in principal payments and NGN2.24 trillion in interest payments.

For the external debt service, the total amount paid was NGN1.02 trillion. The largest components were NGN689.49 billion in deferred interest payments, NGN583.74 billion interest payments, and NGN383.24 billion in principal payments. Major payments made were interest payments to existing eurobonds and multilateral and bilateral payments. Furthermore, principal payments were mainly for a eurobond maturing in 2022 and other debt from the International Development Association and the Export–Import Bank of China (China Eximbank), among others. The debt servicing figures from the 2022 Nigerian federal budget indicated a debt servicing vote of NGN3.68 trillion, based on a budget of NGN18.14 trillion. This translates to more than 20% of the budget for 2022.

Corporate debt figures from the market were obtained from listed issues on both the NGX and the FMDQ Exchange. As of December 2022, listed corporate debt was valued at NGN1.058 trillion, which represents a significant increase of 47.36% from NGN718 billion in 2021. On the FMDQ Exchange, listed corporate bonds were valued at NGN1.037 trillion in 2022, representing a significant increase of 35% from NGN767 billion in 2021.

Some of the major issuers of corporate debt in Nigeria during 2022 include Dangote Industries Funding Plc, with about NGN300 billion in bonds issued; Dangote Cement Plc, with more than NGN111 billion issued; MTN Nigeria, with more than NGN104 billion; and Lagos Free Zone Company, at NGN25 billion. In summary, about NGN780 billion of corporate bonds were issued in 2022.

4. Raising Funds in the Private Markets

Private markets in Nigeria serve as platforms for raising capital outside traditional public markets. Companies seeking funding typically approach private investors, including angel investors, venture capital firms, private equity funds, and high-net-worth individuals. The process involves such steps as business evaluation, investor due diligence, negotiation and deal structuring, and investment and monitoring.

Although private markets offer capital-raising opportunities, they also present challenges. These challenges include a limited investor base compared with more-developed markets, complexities and compliance requirements within the regulatory framework, limited availability of information on private companies, challenges in exiting investments and realising returns because of a lack of developed secondary markets, and exposure to economic, political, and regulatory risks.

The key participants in these markets include angel investors, venture capital firms, private equity funds, high-net-worth individuals, development finance institutions, and institutional investors, such as pension funds and insurance companies. Various forms of private market investments are prevalent, such as equity investments, debt financing, venture capital and angel investments, private equity investments, infrastructure investments, and impact investments targeting social and environmental outcomes alongside financial returns.

Following the Nigerian SEC's approval of FMDQ OTC Plc. in 2017 to list private bonds on its platform, there has been an increase in both the growth and frequency of private bond issuances. The market has since developed in ways that promote a circumvention of the existing securities laws and raise concerns about the potential of this unregulated market to create a serious systemic risk if left unchecked.

For a private company/entity to be eligible to issue debt securities under the specified rules, certain conditions must be met. These include issuing the securities exclusively through private placement without constituting a public offer; limiting the types of debt instruments to plain vanilla bonds/debentures and others determined by the Commission; adhering to specific aggregate issuance amounts (not exceeding NGN5 billion for one-off offers or NGN10 billion for shelf programs lasting up to two years); ensuring that the securities are not listed or traded on any SEC-registered securities exchange or platform; and refraining from advertising or publishing the private placement in any print or electronic media.

An issuer that plans to offer debt securities to be listed on a private market platform must submit a filing to the Nigerian SEC through an approved securities exchange. This filing should consist of a notice of offer containing the necessary information and a completed SEC Form, to be submitted at least five working days before the offer opens. The notification should include such details as the amount being offered, minimum subscription requirements (if applicable), opening and closing dates of the offer, settlement dates, and other relevant information.

Despite a dearth of information from the private market segment of Nigeria's capital market, several issuers, including corporates and subnationals, have approached that market for funding, and estimates put the size at more than NGN3 trillion. The Nigerian SEC may soon bring the market into regulation.

5. The Challenges to Capital Market Formation

The capital market in Nigeria is well formed and continues to grow. The size of the market has consistently increased in terms of number of securities, types of securities, market capitalisation, and number of participants in the market. Given the size of Nigeria's economy, however, the market should be larger. The fact that it is not may be the result of several challenges, including poor investor awareness of opportunities that exist in the market, cultural factors, high unemployment in the country, government policies, and the general state of the Nigerian economy.

Across the country, there is not enough public awareness of the investment and wealth creation opportunities in the capital market. To address this issue, the capital market community in Nigeria organizes events in schools, in public places, and at organisations where they educate the public on the capital market. The CMC's Capital Market Literacy Committee, which spearheads this work, is presently attempting to include capital market studies in school curricula throughout Nigeria. This project is at an advanced stage.

Cultural factors keep many Nigerians from participating in the market. Certain cultures and religions do not support trade in equities, do not take on debt, and do not allow interest. These restrictions present a challenge to capital market growth. To address this issue, products are being developed that suit the specialised investment needs of such people. One example is the non-interest capital market, which has such products as sukuk that get around the question of interest in debt.

High unemployment and underemployment present another challenge for Nigeria's capital market. Most people invest disposable income, and those with little or no income may have nothing to invest. Improvements in employment would have a positive effect on the market.

Some government policies also pose challenges and deny the market opportunities for growth. One such policy is the consistent refusal of the government to sell national assets through the capital market. This was the case during the unbundling of the national electricity company and consequent sale of the resulting companies. The market is now trying to ensure that the sale of companies resulting from the unbundling of the national oil company takes place through the capital market.

Certain policies of government agencies also affect market growth. One instance is the Central Bank of Nigeria's ban on bank participation in margin lending. This ban has impeded efforts to increase liquidity in the market, a necessity for market growth. Limited depth and liquidity of the market are problems. The NGX has a smaller number of listed companies compared with other global exchanges, which restricts the pool of potential investors and constrains the availability of capital (Ujunwa 2020).

Crowding out of corporates from the debt market by government is another factor that poses a challenge. Corporates that should be issuing debt in the market are forced to resort to the banks for financing.

The general state of the economy is also a challenge. Presently, the economy is experiencing a phase of high inflation and scarcity of foreign exchange. High inflation has led to negative real returns, and scarcity of foreign exchange has discouraged foreign investment.

Market volatility and unpredictability also pose challenges for fundraising. Such factors as macroeconomic conditions, political instability, and regulatory changes can significantly impact investor sentiment and overall market performance. This volatility creates uncertainty for companies planning to raise funds because it may affect their ability to attract investors and meet their fundraising targets (Ujunwa 2020).

6. Possible Solutions to Accelerate Capital Market Formation and Policy Recommendations

Capital market formation can be accelerated by following these recommendations:

- Simplifying procedures and reducing bureaucratic hurdles are essential for creating a more accessible capital market. Ensuring transparency and robust investor protection will build trust among potential investors. This can involve clear guidelines and efficient processes for capital raising, which would encourage more companies, especially SMEs, to participate in the market.
- Expand the range of financial instruments available in the capital market. This could include introducing new asset classes, such as derivatives or

ETFs, and promoting the issuance of corporate bonds or securitisation products. Diversification can attract a broader investor base with varying risk preferences.

- Regulators should prioritize reducing disclosure requirements that hold less significance for SMEs. This would enable relevant information about SMEs to be more easily accessible, empowering investors to make informed decisions.
- Additionally, certain requirements, such as minimum paid-up capital, years of operation, free float, revenue, market capitalisation, number of public shareholders, shareholders, equity, and profitability, should be scaled down to alleviate burdens on SMEs.
- To promote the affordability of capital, regulators must also consider reducing registration and listing fees for SMEs. By lowering these costs, SMEs can access the capital market more easily and at lower expense.
- Another critical aspect is enhancing financial literacy and public awareness regarding the importance of SME financing. Regulators and policymakers should organize promotional campaigns, public seminars, and conferences to educate the public about the benefits and necessity of SME financing.
- The central bank should support market liquidity by lifting the ban on banks participating in margin lending.
- The government should conduct its asset sales through the market and also consider the effects of its fundraising activities on corporates.
- Efforts at investor education and improving awareness of the market should continue. Such initiatives as including capital market studies in school curricula will ensure that more people consider the capital market as a viable option for wealth creation.

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