Abstract

Small and Medium Sized Enterprises (SMEs) are important in driving economic growth in emerging economies. They are vital in creating dynamic market-oriented growth, and spurring innovations and employment opportunities for a growing population. To do this, they need access to growth finance, markets information, technology, trading infrastructure, and knowledge and expertise. Access to finance is the main barrier to their growth and competitiveness. However, SMEs face limited access to financing from banks due to relatively higher risks associated with them. Capital markets have an imperative role in bridging this financing gap through the provision of alternative funding sources for SMEs as their needs evolve over the different phases of their life cycle. In a bid to aid SMEs in their financial growth, the Growth Enterprise Market Segment (GEMS) provide a funding platform to SMEs. The GEMS in Kenya aimed at accommodating SMEs mostly with limited track record but with positive growth prospects to scale up their operations. Nine years following introduction of GEMS, however, and despite the minimal listing requirements under this segment, the number of SMEs seeking listing has been relatively low. Only six firms have listed on GEMS with five trading with poor stock liquidity and one already delisted. Using a multi-scenario approach, this article examines the reasons behind GEMS' struggle with attraction of SMEs.