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Restructuring the Small and Medium Enterprises in response to COVID-19 effect on Emerging Economies

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Abstract- During the recent pandemic COVID-19, access to finance has been recognized as one of the most important impediments for the survival of small and medium enterprises. This article presents certain aspects of development in the regulatory and legal frameworks for SMEs exchanges in developing countries by offering long-term development strategy. It aims to study the opportunities that COVID-19 offers to find out how emerging economies can tailor their regulations tostimulate the market, and at the same time preserve market stability and investor protection considerations. It studies SMEs exchanges regulations and analyzes the constraints imposed by the current market regulations in a number of developing economies. A comparative SMEs market performance study was conducted by comparing the SMEs capital market performance before and during COVID-19. The data analysis showed an increase in SMEs market indexes during the pandemic that necessitates revising SMEs capital market regulations considering it as SMEs' defensive weapon against any cash difficulties that most SMEs faced or will face during the current pandemic.The study proved that inadequate regulations underdetermine the ecosystem and result in a weak secondary market that critically affects the primary market meanwhile, regulatory attention must be paid not only to issuers and investors but to the entire market participants who constitute small puzzle pieces without which the real capital market reform picture cannot be seen.The article presents a financial sector development strategy,one size fits all regulations can never be fair, designing regulations is rather an art that needs focus and contemplation.

Key Words: Small and Medium Enterprises –Capital Market Regulations-SMEs Exchange- COVID-19.

I. Introduction

Small and Medium Enterprises (SMEs) during the current pandemic, struggle to access funds and find growth motivations. Given the numerous documentations that show the significant contributions of small local firms as a field of strategic interest to the economy, more attention must be given to encourage the survival and the development of the small and medium sized enterprises.

The SME sector is regarded as the most innovative system in any economy and it is the main catalyst of economic growth. SMEs constitute the backbone of the social economic development. Its importance is based on the critical role they have in the growth of economies. SMEs have made tremendous contributions to the growth and the development of the economic systems. They are important job creators; SMEs provide job opportunities that surpass the number of jobs that local governments provide. In the EU, micro enterprises contribute around 30% of total working population, whereas SMEs contribute around 20% and 17% of the total employment respectively. In Greece, micro firms' employees are around 60%, whereas small and medium enterprises contribute approximately 30% of the total employment together according to the OECD report. In Kenya, SMEs are the beating heart of its economy. They employ more than three-quarters of the working population.

During the COVID-19 pandemic lots of people in the entire world have lost their jobs, as lots of companies were unable to continue to operate with the same workforce. Looking at the direct, indirect and income-induced effects of falling exports to the EU and the United States reveals estimated job losses of between 3.3 and 5.4 % in China, 1.1% in India, and 4.4 % in South Africa.Yet global output and trade may decline by considerably more resulting in a greater job loss through falling exports as a result of the COVID-19 crisis.

Accordingly, enhancing the SMEs industry will restore not only financial development but also social welfare in economies. By encouraging the SMEs, lots of the unemployed could be employed, because SMEs create job opportunities and contribute in increasing the working population.SMEs focus on innovative processes; technically they constitute one of the major mechanisms of technological development. Therefore, SMEs have a critical role in maintaining the social political stability in any county especially during the COVID-19 pandemic.

Before the pandemic and according to Kenya National Bureau of Statistics 2017, SMEs contributed approximately 34% of the country's gross domestic product (GDP) in 2016, generating 80% of new jobs annually. In India, the ministry of MSME annual report 2017-2018 mentioned that MSMEs contributed averagely 30% to the GDP growth of the country within 2015-2016. The World Bank statistics showed that formal SMEs contributed up to 40% of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included.

In Egypt, before the pandemic micro enterprises constituted approximately 91% of all firms, small and medium ones around 8% of the total and large firms less than 1%, MSMEs contributed to nearly 80% of the national GDP and had a pivotal role in generating employment in both the formal and informal sectors, providing nearly 75% of total employment in the private sector, a share reaching 99% in some non-agricultural sectors.

During COVID-19 pandemic, it is extremely difficult to measure the exact magnitude of impact on GDP growth, however, it is clear that there is a sharp contraction in the output, spending, investment and trade. The level of output is expected to decline by one-fifth to one-quarter in many economies, whereas consumers' expenditure could decline by approximately one-third. The impact depends on the duration and magnitude of shutdowns, the extent of reduced demand for goods and services, and the significance of the fiscal and monetary policy support offered by the governments.

The SMEs nowadays during COVID-19 pandemic irrespective to their success stories face a number of challenges. Logistics was a major problem besides infrastructure problems, poor supplying of some basic services like transport, utilities and urbanism planning, high importation tariffs on raw materials and competition, reduction in the supply of labor as workers are unwell or need to look after children, and reduction in global demand . Businesses throughout the world were faced by lower supply and demand, given the fact that workers had to work less due to lockdown conditions and quarantines.The effect on SMEs because of shutdowns and other measures taken by many economies is severe, as SMEs face greater levels of vulnerability and lower resilience because of their size.

Given the numerous SMEs contributions to national economies, preserving the continuity of such industry during crisis is critical, and accordingly economies shall undertake various measures to develop the innovation spirit to turn ideas to success stories and promote its continuity.

In this essence, a comparative SMEs market performance study is conducted by comparing the SMEs capital market performance before and after the COVID-19 pandemic. The analysis is conducted by comparing international emerging macro-level cases that involves comparisons between a minimum of two macro-level cases.

The study shows the impact of COVID-19 on the SMEs industry, and how exchange markets can serve as an alternative to bank lending attractive to issuers during crisis to solve SMEs biggest challenge of all which is finance. The article addresses the role of institutions involved in the implementation of SME policies in encouraging firms to be listed on the SME exchange as SMEs are constrained by gaps in the financial system such as high administrative costs, lack of experience within financial intermediaries and high collateral requirements.

The paper studies the ways through which emerging economies can tailor their legal regulations especially the listing and disclosure requirements in a way that motivate firms to be listed, and at the same time preserve the market stability and investor protection considerations.

II. SMEs Different World Definitions

The European Commission (EC) defines SMEs in terms of employment and annual turnover in which microenterprises employ fewer than 10 persons and has annual turnover that does not exceed EUR 2 million. Small enterprises employ less than 50 employees and have annual turnover that does not exceed EUR 10 million. Whereas, medium-sized enterprises employ fewer than 250 persons and either have an annual turnover that does not exceed EUR 50 million, or an annual balance sheet not exceeding EUR 43 million. The World Bank describes SMEs by having a maximum of 300 employees, $15 million in annual revenue, and $15

million in assets. Whereas, the Inter-American Development Bank defines SMEs as enterprises that employ a maximum of 100 person and generate less than $3 million in revenue.
South Africa applies differing criteria for different business sectors. It distinguishes between different sectors and takes full-time employees (less than 200) and the annual turnover to be less than $6.2 million. In Poland, SMEs are defined as enterprises that employ less than 250 employees with annual sales turnover less than $68 million[19]. In Egypt, law No 15 of 2007 defined medium-sized industrial projects as any enterprise that engage in an industrial activity with an annual turnover that is not less than $3,139,185 and does not exceed $12,556,662 Concerning new medium sized startups, such enterprises should have paid-up capital between $313,932and $941,797. Small industrial projects are regarded as enterprises with an annual turnover between $62,794and $3,139,185 whereas small startups' paid-up capital is between $3,140and $941,797. Micro industrial projects are defined to have annual turnover that does not exceed $62,794and micro startups are defined to have paid-up capital fewer than $3,140. Law No 141 of year 2004, defined small enterprises as those with paid-up capital between $3,140and $62,794, employing no more than 50 employees. However, micro enterprises are referred to as those whose paid-up capital that does not exceed $3,140. Consequently, Egypt is now working on unifying the micro, small and medium sized enterprises definitions.
This study focuses on Small and Medium Enterprises (SMEs), with the needed start-up capital to be listed on the SMEs exchange markets.

III. COVID-19 PANDEMIC IMPACT ON SMES

The significant impact of COVID-19 health crisis severely affected businesses and workers, savers and investors, borrowers and lenders, suppliers and end-users, it affected our economy, welfare, health and life. The IMF's October world economic outlook update forecasts emerging market economies to shrink by 3.3% this year: the largest drop for this group of economies on record.No doubt immediate actions should be taken by policy makers to help protect and sustain economic activity saving people from unemployment, bankruptcy and even hunger.
Businesses throughout the world were faced by lower supply and demand, given the fact that workers had to work less due to lockdown conditions and quarantines. Women had to stay home as their children do not go to nurseries and schools. Moreover, firms that depend on supply chain could hardly get their parts from either the domestic or the international market, thereby increasing the cost of business, affecting the productivity and accordingly the economic activity. On the other side, consumers tend to spend less caused by the uncertainty and fear from losing jobs and money, which consequently affected aggregated demand in the economy leading to closing businesses and increasing unemployment.
SMEs are the least flexible in dealing with the costs in this crisis. This health crisis requires additional costs to change the work processes, such as the shift to teleworking, digitalization and costs for accessing and adopting new technologies. Such costs weighed greater on SMEs than on larger firms. The limited resources of the SMEs to obtain information and develop business strategies to cope with the current conditions, in addition to the existing obstacles in accessing capital, makes cash liquidity to be viewed as the first line of defense for SMEs.
SMEs across developing countries were affected differently as a result of the differences in the characteristics of SMEs across countries and differences in the support packages available. The availability of data is the single most important constraint to analyzing the effects of the pandemic on SMEs. By the end of July 2020, the World Bank released new enterprise surveys from 13 different emerging countriesmeasuring COVID-19's impact on businesses. The study shows that without sales, half of businesses expect to shut down in less than a month according to the evidence. SMEs struggle more than larger firms with reduced demand,their sales shrink by more than large firms, and their cash drains faster. SMEs experience a greater drop in sales revenues than large firms in the same location and sector by approximately 9 % in the low- and medium-income countries. Another report estimates that 42% of the SMEs are at risk of failing: the highest failure rate in the Andean region at 50% and the lowest in East Africa at 40%.Findings from a USAID-sponsored ACDI/VOCA survey of 1,178 enterprises in Honduras paint an even bleaker picture: 15% of enterprises there have closed permanently, 28% are expecting to close within one month unless the situation changes, and 40% are expecting to close within three months unless the situation changes.
As a result, quick policy interventions must be made to give the SMEs industry an opportunity to survive as a BFA Global survey of 1,561 businesses across seven countries (Kenya, Nigeria, South Africa, Mexico, India, UK,

and US) found that most SMEs only have 4-6 weeks of cash reserves, ranging from a low of 4.2 weeks in Mexico to a high of 6.5 in the United States. It is critically important to support SMEs by providing access to credit along with providing proper technological guidance to respond to such fast moving economic shock.

IV. World responses to help SMEs through the current pandemic

All the countries around the world took health concern to be a prior policy concern. Meanwhile, countries took various measures to stimulate the economy, and no doubt SMEs were put in the headlines in the policy agendas all over the world. Countries considered providing short term liquidity to SMEs to ease the current challenging conditions, even central banks in some countries stepped to provide loans to SMEs at more favorable conditions.

As a consequence of the current pandemic, that resulted in lots of sick leaves and reduction in the working hours, the workforce had been negatively affected. Governments had to put measures to contribute the wage payments for employees on sick leave or temporarily out of work. The government in Norway is supporting wages when companies temporarily lay off employees. In Denmark, the government increased the support for wage costs through Compensation for Corporate Expenses. In Latvia, the government shall pay 75% of the wage costs of for sick leaves or workers' downtime, or it shall pay up to EUR 700 per month, for the one worker. Chile extended its unemployment insurance to sick workers or those who are unable to work from home. In Korea, the government provided direct financial support to SMEs and self-employed through an Emergency Fund, aimed at encouraging SMEs to keep their workers.In UK, companies that cannot maintain their current workforce can furlough employees and apply for a grant to cover the majority of their wages. The grant covers 80% of the employees' monthly wage, up to £2,500 a month, plus the associated employer national insurance and pension contributions on that subsidized furlough pay.

Most OECD countries introduced policies to enable SMEs to postpone their payments, such as the corporate and income tax payments, moreover, several countries also included value added tax (VAT), social security and pension contributions. Counties such as Ireland, Canada, Lithuania and the UK charged no interest on delay payments. In Argentina the sectors that had the hardest hit were exempted from social security payments. In addition, a 95% reduction in taxes were granted to necessary overtime employees. The wages of employees hired for the necessities have 95% decline in the tax rate. Hungary introduced social security contributions to the sectors that were hardly affected by the crisis. Singapore, Japan, Belgium and Lithuania extended deferrals for local and property tax payments. Chile, Thailand and France extended deferrals for rent. France, Belgium and Lithuania extended deferrals for utility costs. Egypt and Australia allowed SMEs to receive six-month extension for credit repayments[29].

Austria, Ireland, Belgium, Estonia, Denmark, Lithuania, Finland, the Netherlands, France, Portugal, Germany, Greece, Saudi Arabia, Hong Kong China, Poland, Italy, Romania, Japan, Switzerland, Korea, Singapore, Spain, and the United Kingdom intensified guarantee schemes so that banks increase lending to SMEs. Australia, Brazil, Austria, Portugal, Spain, Colombia, Canada, Croatia, Hong Kong, Malaysia, Luxembourg, Czech Republic, India, Japan ,China, Switzerland, Ireland, Sloveni, Lithuania, Saudi Arabia, Slovenia, United Kingdom, Thailand and United States enhanced direct lending to SMEs . Moreover, several countries have introduced special new loan schemes to support the companies affected by the crisis. Meanwhile, several countries started to provide direct financial support to SMEs such as Chile and Germany[29].

Liquidity and cash are needed not only to meet the fixed and variable costs of the businesses but also to develop new business models, adopt new work processes, speed up digitalization that is now considered a necessity for SMEs continuity and survival[9]. Structural changes are important to cope with the challenges that 2020 imposes on the entire business community. Accordingly, supporting SMEs innovations to find alternative markets, support teleworking, digitalization and train its employees and workers is crucial to strengthen their competitiveness and ability to face the challenges posed by COVID-19.

Belgium, China, Canada, Czech Republic, Korea, Switzerland, Spain and South Africa adopted measures to help SMEs in finding alternative or new markets or even took measures to recover the existing markets. Argentina, Japan, France, Spain, Slovenia adapted measures to support teleworking, other digital solutions. Japan, Singapore, Ireland, Finish, Latvian, Polish, China, Czech Republic and the European Institute for Technology offered support to strengthen the SMEs innovation. Portugal, China, Finland, New Zealand and Australia introduced training and skills development programs[9].

However, in lower income countries like Georgia or Moldova, little public money is available and accordingly were targeted to the larger firms. In Africa even fewer support was given from the government - in fact the

majority of low of income countries have not taken any measures to support SMEs. In addition, regarding the medium income countries; the combination of tight fiscal policy and high corporate debt poses the greatest risks to countries that have funded previous expansions through borrowing.[25]
Accordingly low and medium income countries should induce policy reform measures to sustain the SMEs industry, by providing liquidity to such small and medium enterprises in various way and through different methods, one of the methods that must be considered today is encouraging SMEs to be listed in order to obtain direct and indirect finance. It is now time for policy makers especially in the emerging economies to study the importance of such market and revise their current regulatory framework and legislations to help SMEs get funds more easily and thereby maintain their survival and continuity.
The rest of the paper is structured to enhance the understanding of the potential role that capital markets can have in SME financing in emerging markets during Covid-19, illustrated by the market-based performance before and during the pandemic, in order to expand the SME financing with a view to identifying the key preconditions and the legislative policy reform solutions.

V. SME EXCHANGE DURING COVID-19; ITS LEGAL STRUCTURE, IMPORTANCE AND PERFORMANCE

5.1 *SMEs exchanges' legal structure*

An SME Exchange is a market created for the purpose of trading securities of SMEs which are very small to be listed on the main board. Throughout the world, exchanges only dedicated for SMEs have become a common phenomenon. They are known as 'Alternate Investment Markets (AIM)' or 'Growth Enterprises Market (GEM)' or 'Alternative stock markets'. Nevertheless, a difficult challenge was observed in the development of SME Exchanges in emerging market economies, which is the small sizes of SMEs however, some have been very successful. Some of them are 'GreTai Securities Market' in Taipei and 'Warsaw Stock Exchange (WSE)', 'Hong Kong‟s Growth Enterprises Market (GEMS)', and 'Japan's Market of High-growth and Emerging stocks'. Believing in the vital role of SME exchanges in providing funds, increasing the corporate governance and creditworthiness of the listed SMEs; equity financing must be an attractive potential source for SMEs existence and growth[19].
SME exchanges can be a separate board or market housed under the main market. The majority of exchanges tend to be structured in thismanner; the reasons cited for this are the benefits from the reputation of the main board, the costs that needs be subsidized by the main board. Meanwhile, the regulatory authority has a role relating to its ability to tailor and minimize the listings requirements for SME exchange compared to the main market given that both markets operate within a single market structure. The main market itself has a role relating to its ability to accept higher risk due to the SMEs quality, number listed, and disclosures, the thing that could harm the credibility of the main market.
Examples of separate board or market for SMEs housed within the broader exchange group are the 'Korea Exchange (KRX)' which has a very successful and dedicated SME market '(KOSDAQ)', the 'Bombay Stock Exchange (BSE)' which established its SME Platform in 2012, the 'Euronext' which established SME market, 'Alternext', in 2005.
SME exchanges can also be a part of the Main Board. An example is the 'Australian Securities Exchange (ASX)' which doesn't have a separate SME board.
Finally, SME exchanges can be stand-alone markets an example is the 'GreTai Securities Market' which is one of the very few SME exchanges that is not linked to the Taiwan Stock Exchange and totally stand-alone. However, such structure will not motivate SMEs to graduate to the main market, given that it will leave this exchange and become listed on a completely different one.

5.2 The importance of SMEs exchanges to boost the SMEs industry

Even before the crisis, SMEs were considered a priority for the development and growth agenda for emerging economies. SMEs encountered difficulty in obtaining credit as compared to larger firms due to the lack of quality collateral and credit worthiness. On the other hand, the credit provided to microfinance institutions, is inadequate and unable to meet the capital requirements of SMEs[15]. Consequently, SME Exchanges must now step out and serve as an alternative to banks' lending. Exchanges will provide equity financing for small enterprises that cannot fulfill the exchange requirements to be listed on the main stock exchanges.
SME Exchanges help small enterprises to get credit in order to facilitate their investments and growth to contribute towards job creation and economic development, by being listed as a public company.

Firms may list on an exchange for a number of financial and non-financial reasons. A report from the Milken Institute Center for Financial Markets showed that Bombay Stock Exchange (BSE) firms get listed to improve their access to finance, directly and indirectly. In contrast, SMEs in South Africa and Jamaica are most strongly motivated to be listed in order to position themselves for higher growth and visibility. South African firms were especially encouraged to be listed for reasons other than raising new capital; they mostly wanted to provide exit opportunities for early investors.

While most SMEs list to obtain financing, many others list to increase their visibility, advertise their products, and gain credibility. Some SME exchanges have a particular focus, such as technology or high growth companies, so SMEs win customer recognition by being listed. The 'JSE AltX', 'WSE NewConnect', and 'GreTai exchanges' highlight these companies as drivers for listings by SMEs on their exchanges[19].

Moreover, listed firms understand that upon listing they will be able to get funds from other sources more easily compared to their similar unlisted firms. This is because the listing process demands firms to meet strict financial reporting and corporate governance requirements. By applying those standards, firms improve their accounting practices and financial management, therefore increasing their transparency, credit rating and creditworthiness. Moreover, decreasing their leverage ratios, consequently credit can be obtained on more favorable terms. As a result, listing will encourage firms to grow, develop and create jobs, thereby emphasizing the relationship between stock market development and economic growth especially in developing economies, in which SMEs are viewed to be the biggest contributor to employment and economic fundamentals.

5.3 SMEs exchanges' performance during COVID-19 pandemic

In "Ghana Alternative Market (GAX)" which is a parallel market directed by the "Ghana Stock Exchange". This market is for companies with high growth potential. The GAX includes companies at different development stages, including start-ups and existing enterprises, both small and medium. During the current pandemic, the market capitalization was not affected during the period from April 2020 to June 2020 as it recorded $7,632,403.84.

In Egypt the SMEs exchange "Nilex" recorded increase in the SMEs market index during the last months, the Nilex Index increased from 592.52 in the 24th of April 2020 to 706.07 in June 18, 2020.

In South Africa, the SME market segment AltX in Johannesburg Stock Exchange increased from 796.04 index close in the 3rd of April 2020 to 803.77 index close in the 12th of June 2020.

In Jamaica, the weekly market summary for the junior market for week ending April 3, 2020 showed that the junior market index closed at 2,474.60, whereas the junior market for June 19, 2020 closed at 2,618.25.

5.4 The importance of SMEs exchanges during COVID-19 pandemic

The market performance study shows that most SMEs market indexes are indeed increasing during the pandemic. The previous data proves that the fear from systematic risk induced all market participants and regulators to work together and support the sustainable programs to fight the pandemic.

Therefore, policy actions must be taken, reforms must be made, amendments must be drafted to encourage more SMEs to be listed on exchanges. This market is important to help SMEs through the current crisis, as it is SMEs' defensive weapon against any cash difficulties that most SMEs faced or will face during the current pandemic.

After every crisis a change must be made, transformation and support to SMEs are critical in the time being and attention must be paid to the opportunities that crisis offer. Especially with the estimates and researches that show increasing SMEs access to capital markets financing could increase SMEs' contributions to GDP by 0.1 to 0.2 percent and generate hundreds of thousands of new jobs.

Governments intervention to ease restrictions allowing SMEs access to capital markets is more important now than ever. Given the fact that most SMEs as a result of COVID-19 pandemic have switched to teleworking[9], the thing that will necessitate the transformation of their business models. Accordingly, finance and liquidity to the SMEs are important not only to compensate for loss in revenues, and help them avoid bankruptcies resulted from the crisis, but also to allow SMEs to finance their innovation, digital technologies, software and other technical equipment in order to survive and continue their operation in the market.

VI. THE LEGAL AND REGULATORY FRAMEWORK ASSESSMENT FOR SELECTED EMERGING MARKETS

6.1 *The listing requirements*

In Egypt, decree No 11 of year 2014, presented a number of requirements in order to facilitate the listing of SMEs in the exchange. In 2019, such requirements have been amended by decree No 123 of year 2019 and the main listing requirements are as follows:

- The company should introduce financial statements for the two fiscal years prior to the listing request. In case of the issuing only one financial statement for a full fiscal year, it shall submit a 3 years future business plan that includes the expected profits approved by the nominated advisor or a financial consultant accredited by FRA.
- The shareholders' equity for the last annual financial statements or periodical one prior to the listing request date should not be less than paid-in capital.
- The capital should be fully paid.
- The listed shares should not be less than 25% of the total company's shares or a quarter of a thousand of the free float capital and not less than 10% of the company's share. The number of shareholders should not be less than 100 shareholders.
- The number of issued shares should not be less than 100 thousand shares.
- The percentage of free-floating shares shall not be less than 10% of the total company's shares, or 1/8 per thousand of the free market capital that is above 5% of the company's shares.
- The issued capital should not be less than one million Egyptian pound and not more than 100 million Egyptian pounds.
- The percentage of retention of the founders and Board members should not be less than 51% of their owned shares in the company's capital with minimum 25% of the shares that will be issued and for a period of not less than two fiscal years from the listing date.
- A contract should be signed with a certified Nominated Advisor who shall guide the company through the listing process, make the necessary research and help the company follow the disclosure requirements for a period not less than two years from the listing date.

In India, for an SME to be listed on the NSE Emerge Platform, it must satisfy eligibility criteria such as:

- "The Issuer should be incorporated under the Companies Act 1956 / 2013 in India.
- The post issue paid up capital of the company shall not be more than Rs. 25 crores.
- Track record of at least three years of either

i. the applicant seeking listing; or
ii. the promoters/promoting company, incorporated in or outside India or
iii. Proprietary / Partnership firm and subsequently converted into a Company (not in existence as a Company for three years) and approaches the Exchange for listing.

- The company/entity should have positive cash accruals (earnings before depreciation and tax) from operations for at least 2 financial years preceding the application and its net-worth should be positive."

When comparing the listing requirements of SMEs with the main market, key distinct parameters are capital, number of shareholders, and number of listed shares; which are the parameters that differentiate the two markets by definition infant and growing companies on one side and developed companies on the other side.
In Egypt there was no reference as to whether SMEs with high growth forecastswith net losses in their first year or two could be listed in the exchange or not. However, the law showed that companies presenting one year financial statement must provide 3 years future business plan that includes the expected profits; the thing that gives a signal that firms operating in innovative sectors, mainly with intangible assets incurring high costs in their first years of operation will not have their chance to be listed on the Nilex.
On the other side, India made it clear that only firms with a positive track record during the past three financial years can be listed on its platform. Thereby, both the main board and the SMEs platform companies must have a sustainable profitability track record. SMEs that are targeted to be listed accordingly are the sufficiently institutionalized companies; that are able to handle the adequate requirements demanded by the legislations and this is a very small subset of SMEs.
As a result, the listing requirements during and post COVID-19 must be tailored to include a larger sector of the SMEs in a way that motivate firms to be listed and at the same time preserve the market stability and investor protection considerations. The unfortunate consequence of the imprecise listing requirements that

are not carefully studied to fit the market; is that simply companies will not put listing in its consideration as a mean to obtain liquidity.

6.2*The disclosure requirements*

In Egypt, the disclosure requirements that SMEs must fulfill compared to the main market are as follows:

- The legal representative of the company shall submit the disclosure report before commencement of trading after the approval of the Authority to the listing department in the Egyptian exchange with an attachment that proves its publication in newspapers (for companies other than SMEs) along with a copy of the fair value study, the auditor's report and the minutes of the competent authority. In addition to the clearing company letter that includes the percentage of shares retained and any additional disclosures that need to be published.
- For the shares of Egyptian companies established through public or private subscription or subsequently offered by the company through a public or private offering which has been listed prior to issuance of financial statements for one financial year prior to commencement of trading, it must submit the study made by an approved financial advisor registered in the FRA and publish it on the FRA website along with two official newspapers widely circulated within a week at most. Whereas, corresponding to the SMEs, they shall publish on the trading screens and the Egyptian exchange websites.
- For SMEs, dividends are announced (cash coupon, free stock or dividend distribution) on the stock exchange trading screens as well as on its website, whereas, the main market companies publish its dividends distributions in two daily newspapers after being handed over to the Department of Disclosure in the exchange.

In Taiwan, emerging stocks traded on Taipei Exchange have excessive disclosure requirements as shown in Chapter V "Commencement of TPEx Trading and Disclosure of Information" from Article 26 until Article 37.

In Brazil, "BovespaMais" the market segment that focus on SMEs adopts many of the same stringent listing requirements of "Novo Mercado" in which companies adhere to practices of public disclosures and corporate governance higher than those required by the "Brazilian legislation". Companies are required to disclose the following periodic information:

- Financial statements, Standard financial statements, quarter financial reports- ITR Form; and Reference form.
- Additional Requirements for quarterly disclosure.
- Reference Form Additional Requirements
- Annual Corporate Events Calendar

Concerning the periodic disclosure report – submitted every quarter, the annual corporate disclosure report, disclosure of board decisions, and of material information; all companies listed whether on the main board or the SME market segment face the same filing requirements as shown above. However, the current pandemic conditions raise a need to reduce the disclosure frequency, rather than content[41]. Reducing the frequency would save costs to SMEs and preserving the same content will make firms meet the corporate governance standards that increase their transparency and improve their management. Therefore, making SMEs platform more attractive to companies that are in critical need to liquidity at the time being.

Moreover, another unfortunate consequence that could result nowadays from such strict reporting requirements is that issuers would choose to delist themselves as the cost of listing exceeds its benefits.

Consequently, to flourish the SMEs markets during and after COVID-19 pandemic, given that the world has changed, market conditions must change and the benefits from SMEs listing must outweigh the costs. Additionally, balance between adequate investor protection and affordable SMEs costs to access exchange markets must be attained. Finally, companies' access to finance and market liquidity must be the top priority for legislators and regulators.

VII. POLICIES TOWARDS PROMOTING THE SMES EXCHANGES DUE TO COVID-19 PANDEMIC

One of the pioneering studies on the constraints faced by SMEs showed that finance represents the most constraining obstacle to a firm's growth.Another study identified a gap between the demand of SME finance and its supply. Other research stipulated the difficulty SMEs encounter in obtaining credit as compared to larger firms due to the lack of quality collateral and credit worthiness[40]. Considering the importance of SMEs, increasing SME access to capital markets financing could increase SMEs' contributions to GDP by 0.1 to 0.2 percent and generate hundreds of thousands of new jobs[46]. In this context, a report from the Milken Institute Center for Financial Markets showed that firms get listed to improve their access to finance, directly and indirectly.

SMEs access to finance through stock market is hampered by the inadequate institutional, regulatory and legal frameworks. To make the financial sector much more effective during the health crisis; attention must be paid not only to issuers and investors but to the entire market participants who constitute the small puzzle pieces without which the real capital market reform picture cannot be seen. Promoting the SMEs exchanges is important not only to encourage new listing processes, but to promote the entire small and medium enterprises growth and development.

Accordingly, issuers must understand the motives for listing and its benefits[41]. The disconnect and the absence of two way and on-going communications between policy makers and SMEs is the main reason that makes firms don't perceive correctly the different benefits they should expect from listing. Benefits include among others; diversifying the investor base, easier access to other sources of finance compared to the unlisted firms, higher growth and visibility.

Addressing the theoretical benefits of listing to the issuers, through providing education and awareness campaigns; must be done along with implementing an overall SMEs capital market development strategy imposed by COVID-19. Policy makers must develop such strategy by studying the market conditions and communicating with the listed and unlisted SMEs in order to enhance the regulatory capacity and legal framework starting with the primary market.

In regard to the listing and delisting requirements - especially in the emerging economies where SMEs are suffering the most- and its executive regulations, for a company to be listed in the stock exchange it must submit legal documents proving the company's legal entity, documents associated with the listing request, documents concerning the nominated advisor, documents related to the financial status of the company, prospectus, financial advisor study of the fair value of the company, and the IPO prospectus. In other emerging countries, the listing application includes application duly executed by the investor relations officer, copy of the updated bylaws copies of the minutes of shareholders' and board meetings, copies of the full financial statements for three years, copy of the agreement entered into with the certificate issuing agent or securities depositary and others. Consequently, the costs of listing are very expensive.

On the other hand, regulations that make all companies fulfill the same listing requirements are not effective either. One size fits all regulations are not fair for either market. Given the fact that SMEs are small in size compared to the main market companies, proportionate approach could better serve the SMEs, taking into consideration the money and time that those companies cannot afford. Without forgetting the necessity of protecting the investor, a regulatory balance must be attained to decrease the issuance, legal, transaction, administrative, and intermediary charges without decreasing the prudent elements such as transparency, corporate governance, and disclosure. As a result of the current crisis, SMEs exchanges listing requirements would better be different from the main market to encourage issuers, but not necessarily lower to protect investors.

In this context, regulations should streamline the legal and listing procedures to reduce the issuance cost and at the same time ask the issuer to provide more specific points of information to improve the transparency.

Moreover, policy makers should streamline any increased disclosure requirements by revising the regulations to develop proportionate approach between the small and the large listed firms in regard to the disclosure frequency. Decreasing the reporting frequency will reduce some of the costs that companies find it more severe compared to what they had estimated prior to going public.

In Egypt, financial reporting requirements mentioned in the listing and delisting executive legislations article (64, 65), states that the exchange should publish a comprehensive summary for the annual and the periodic (quarter) financial statements of the SMEs in addition to, footnotes, auditor's report, the Financial Regulatory Authority's remarks and the entire list of documentation required by the legislation on the Egyptian exchange's website. Meanwhile, SMEs in Ghana complained that the disclosure requirements represent a major constraint preventing them from being listed on the GAX Ghana Alternative market (GAX). In addition, SMEs in BovespaMais face higher public disclosures than those required by Brazilian legislation. Consequently, making a lot of periodical disclosure submissions decreases the issuers' incentives in listing, furthermore, kills the market transparency as issuers careless about the quality of information submitted.

In this respect, the legislations need to be more flexible to tailor the listing standards in accordance to the quality of the firms being listed. Consequently, and in order to balance the costs for the issuer and the investor protection standards; legislations should allow that SMEs to be audited on an annual basis and include the auditor's report in an annual publicly available report. Concerning the periodical disclosures, SMEs should provide at least semi-annual updates on their performance, financial conditions, and a list of types of information that shall be clearly defined by the legislations to ensure that investors understand the quality, risk and performance of the listed companies. Besides, any material information must be disclosed immediately.

Getting the right regulatory balance is rather an art, accordingly the current legislations should revise the disclosure frequency, differentiate between the annual and quarter disclosures and ask companies to submit a list of updates to ensure transparency and therefore efficiency.

To encourage firms to be listed, the regulatory authorities should communicate with the market participants to find a way to reduce the transaction costs, the amount of time firms devote to consider listing, and work on amending the listing procedures and disclosure frequency to decrease the unnecessary regulations. Policy makers on the other hand can review the fee structures of the regulatory and clearing institutions. Moreover, encourage the competition between underwriters and intermediary market participants, the thing that could provide a healthier competitive environment with lower costs, improved efficiency and more innovations[58].

Following the public equity offering and in order to sustain capacity to take SMEs public and through the secondary market, such operation needs to be supported by a healthy ecosystem. Such system consists of investment banks, specialized banks, auditors, financial advisors, research analysts, sales, brokers, market makers, legal advisors, and others who support SMEs by enhancing the market transparency and confidence[57].

Moving forward to the secondary market and in order to increase the transparency and investor confidence to operate in a healthy ecosystem, policy makers should take actions in order to reform the financial reporting environment to increase the quality of the accounting and auditing regulatory framework and its enforcement.

COVID-19 pandemic imposes an urgent need for legal and institutional reforms that are integrated under legislations that comprehensively supervise and regulate the accounting and auditing practices. In this regard, there should be a supervisory body that monitors auditors' working practices and enforce disciplinary actions. Moreover, the Accounting and Auditing Standards should be continuously updated to restore confidence. Litigations must ensure auditors empowerment, independence, and professionalism, in addition to, setting the rules of confidentiality.

For SMEs to be listed on an exchange in almost all emerging markets' platforms, a nominated advisor must be appointed to guide the company at all time of listing, in addition, the advisor is responsible on following up with the company's commitment to the listing and disclosure requirements, and submitting the company's research coverage.

Given the importance of the nominated advisor role in guiding the company to be listed in addition to the critical role that the advisor plays in helping SMEs to comply with the ongoing listing and disclosure requirements. The advisors whom according to law must be licensed by the regulatory authorities lack the needed the education, professionalism to make the job with the expected quality, instead advisors bring too many poor-quality companies to market.

Alternatively, advisors should support successful companies to maintain their livelihood and reputation[19]. As a result, if the nominated advisor did the quality of work referred in the provision of law, this would be reflected in improving the quality of listed firms, enhancing the public awareness, increasing the confidence and promoting the market to institutional and foreign investors.

Advisors are important to the any SME market as the market is not mature enough and target small enterprises to be listed. Consequently, policy makers should develop a capital market strategy that clearly creates regulation against conflict of interest between advisors and the SMEs they bring to market. The company pays to the advisor and at the same time the advisor is responsible for assessing their readiness for market and ongoing disclosure[19]. Regulations should strongly supervise and regulate the nominated advisor and enforce disciplinary actions against any violation in which they can lose their licenses if they support too many unsuccessful companies.

On the other hand, the regulatory capacity in terms of regulating and supervising the advisors in most developing economies is very weak and consequently the market lacks the quality of well -regulated authorized advisors, which is the most important factor in any capital market without which the market will suffer from reluctant issuers and investors as well.

To encourage SMEs to capital markets, policy makers should observe the facts that inhabit the development of the SME exchanges, one of those is the lack of high-quality data regarding the financial performance and the track record of the listed companies. The availability of quality information can positively influence the behavior of the issuer and investor on the market overall condition, it will not only facilitate the listing of companies in the primary market but also will strongly enhance the liquidity of the secondary market. Besides, emerging economies suffers from declining provision of equity research which is the advisor's responsibility. Equity research assist investors in making informed investment choices, it provides evaluation of the attractiveness of an individual stock, an industry, or the entire market along with its expected future performance.

Another important factor that stimulates liquidity in the secondary market is the market maker. The inadequate regulations and legislations concerning market makers underdetermine the ecosystem. Market makers are the catalysts to the provision of liquidity and driving them away will deprive the marketplace of liquidity especially SMEs; given that those stocks are not easy to match and impede their price discovery[57].

Some studies concluded that weak secondary market is a key constraint on primary market activity. Illiquid markets are not attractive to issuers or investors as issuers will not find such markets an efficient source of capital and likely to continue to search for bank financing.

Nowadays regulations should strongly stipulate the prerequisites for an SME market, addressing the roles of the mandatory partners such as the auditors, advisors and market makers is a must and supervising their commitment to the laws and regulations is as important as defining their role appropriately in the legislations. ICSA study on financing of SMEs through capital market confirms that a market making system is instrumental for improving liquidity and that dedicated equity markets that have market advisors developed at a faster pace after the introduction of the market advisor system.

To complete the entire reform picture of SMEs exchanges and to promote the market strengths in crises and downturns, policy makers should asses the investor base. In this essence, policy makers should revise the investment constraints defined in legislations and investment policy statements of the domestic financial institutional investors, analyze the retail investors' investment behavior and develop programs to promote long term holding of securities, additionally, promote competition among brokerage firms and improve the supervision.

Even if public markets are not suitable for all types of SMEs or investors, the promotion of public SME market would absolutely help foster innovations and job creations affecting not only the capital market performance, but also the entire economy, welfare, employment rates and standards of livings. Accordingly, governments and policy makers are required to promote public awareness.

SMEs face an educational gap due to their lack of awareness about the means of finance. Their limited information discourages seekers of finance and drive down the demand for the capital market products. Moreover, they lack the ability of marketing their projects to convince the supply side. Consequently, governments shall develop an overall capital market development strategy; to induce further participation of SMEs by bridging the educational gap, raising awareness of public financing options, and building the needed skills for SMEs to overcome this educational gap.

Online awareness campaigns must be held to raise awareness regarding the financial consumer protection explaining the risk of such instruments and the benefits of diversified saving portfolios[57].

In order to encourage SMEs listing, listing constraints and disclosure requirements must be studied carefully in order to tailor the appropriate regulations and legislations to carefully meet its very particular needs. One size fits all regulations can never be fair, designing regulations is rather an art that needs focus and contemplation in order to be carefully designed as issuer friendly and at the same time comprehensive and strict to protect investors.

VIII. Results and Discussion

As a result of the COVID-19 pandemic lots of SMEs have been bankrupt, given the importance of SMEs to economies, countries considered providing short term liquidity to SMEs to ease the current challenging conditions, even central banks in some countries stepped to provide loans to SMEs at more favorable conditions. However, in lower income countries like Georgia or Moldova, little public money is available and accordingly were targeted to the larger firms. In Africa even fewer support was given from the government - in fact the majority of low of income countries have not taken any measures to support SMEs

On the other hand, the most striking aspect of the results is that most SMEs emerging capital market indexes are indeed increasing during the pandemic. Consequently, the article studied the reasons that make SMEs not motivated to be listed on exchanges. The articleanalyzed the constraints and revised the current market legislations that prevent companies from being listed on the exchange. Promoting the SMEs exchanges and access to finance is important not only to encourage new listing processes and provide liquidity to the listing companies, but to promote the entire small and medium enterprises growth and development, that would absolutely help foster innovations and job creations affecting not only the capital market performance, but also the entire economy, welfare, employment rates and standards of livings. The market performance study during COVID-19 proved to the world that SMEs exchanges sustainable development is important to fight and reduce any systemic risk.

IX. Conclusions and Recommendations

The significant economic problems imposed by COVID-19, gives regulatory and supervisory systems around the world an opportunity to differentiate between our life priority and our pre-arranged priorities. COVID-19 showed the world that the smallest things in life can change our life, SMEs can be the smallest business enterprise in the economy but its effect on GDP, employment and welfare is significant. COVID-19 gave us a chance to see with an eye to the future, short-term pain killers is never a solution however, regulation and legal amendments to encourage SMEs to be listed in order to obtain access for finance and promote the market liquidity and growth is the long-term solution that will prevent economies from suffering latter on.

Accordingly, a financial sector development strategy must be initiated to rescue the SMEs capital market by strengthening the capacity of the supervisory bodies, supporting the market infrastructure, encouraging research and easily accessible information, bridging the educational gap, raising awareness of the capital market financing benefits and options, providing SMEs with the needed training and skills, promoting the underdeveloped investor base, catalyzing long term institutional and retail investor participation, streamlining the unnecessary regulations and legislations, and developing new legal regulations tailored especially to meet the SMEs' specific needs and conditions.

In order to provide this wide and deep SMEs capital market, the efforts of all the interconnected parties involved in the SMEs financing environment must be coordinated in order to create financial stability in a healthy financial ecosystem; which is a target and at the same time a reason for the market's growth and efficiency.

Although countries are taking steps to enhance the SMEs industry by extending or simplifying the provision of loan guarantees, direct lending, grants, subsidies and many other measures depending on the country's general policy, this is not a long-term solution for SMEs' growth and flexibility especially for emerging economies with no enough public money to support SMEs. Policy makers should take serious steps to develop market financial restructuring and institutional reform- given the increasing market performance study results, that will enhance the benefits from the opportunities that could be achieved from SMEs capital market. This will ultimately be reflected not only on a well-functioning financial system but also on the economic growth and development of the country.

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