

---

# SMES AND JUNIOR STOCK MARKETS: A COMPARISON OF FUNCTIONS BETWEEN EUROPEAN AND JAPANESE MARKETS

Valérie Revest\*<sup>1</sup>, Caroline Granier<sup>2</sup>, and Alessandro Sapio<sup>3</sup>

<sup>1</sup>Triangle : action, discours, pensée politique et économique (TRIANGLE) – Institut d’Études Politiques [IEP] - Lyon, Université Lumière - Lyon II, CNRS : UMR5206, École Normale Supérieure [ENS] - Lyon, Université Jean Monnet - Saint-Etienne, École Normale Supérieure (ENS) - Lyon – 15, parvis René-Descartes - BP 7000 69342 LYON CEDEX 07, France

<sup>2</sup>Chaire Energie Prospérité – Centre d’Économie Paris Nord (CEPN) - Université Paris 13 – France

<sup>3</sup>Department of Business and Economic Studies, Parthenope University, Naples – Italie

## Résumé

The financing of SMEs has been a central concern for industrialised countries over the last couple of decades (Eberhart and Eesley, 2018). Junior stock markets are characterized by simplified listing processes and customized information standards in comparison with the rules in force on the main markets. The two most archetypal of markets regarding regulatory architectures and the most successful ones are the NASDAQ (National Association of Securities Dealers Automated Quotations) in the United States and the AIM (Alternative Investment Market) in the United Kingdom. They were initially expected to act as screening devices for promising companies that would eventually graduate to the main segment (Posner, 2005; Vismara *et al.*, 2012). They were also thought of as providers of exit opportunities for venture capitalists. Some puzzling facts challenge the performance of these functions. This article examines the functions of the junior markets that are located in continental Europe and in Japan. Based on the analytical framework developed by Lazonick and O’Sullivan (2004) and Lazonick (2007), we evaluate the functions performed by junior markets through the listing criteria and ongoing requirements and through the collection of market statistics. Market models appear to be heterogeneous: continental European markets lie between the UK Alternative Investment Market (AIM) and the oldest Japanese junior markets. According to their organization, they may stimulate more growth or exit.

On one side, the AIM is characterized by a large share of private placement, few transfers to the main market and the absence of quantitative admission criteria. It fulfills more an exit "role" than a way to support SMEs' growth for transfers. This result is confirmed by the large number of mergers for AIM target firms. On the other side, the Japanese markets are associated with a relevant number of transfers between the junior and main markets, showing the feeder role fulfilled by these markets. The higher requirements of the Japanese markets and the associated high regulatory costs may decrease the probability of the firms exiting once they have been listed on the junior markets and may encourage companies to graduate to the main segment. The European markets lie between these two extremes. The Nordic market tends to be closer to the Japanese than the French or Italian markets, mainly

---

\*Intervenant

because of the role played by transfers and IPOs as well as the market for M&A.

## References

EBERHART, R., EESLEY, C. (2018), The Dark Side of Institutional Intermediaries: Junior Stock Exchanges and Entrepreneurship, *Strategic Management Journal*, forthcoming.

LAZONICK, W, O'SULLIVAN, M. (2004), Perspectives on Corporate Governance, Innovation, and Economic Performance, Report to the European Commission (DGXII) under the TSER Programme (<http://www.insead.edu/cgep>).

LAZONICK, W. (2007), The US Stock Market and the Governance of Innovative Enterprise, *Industrial and Corporate Change*, 16 (6), 983-1035.

POSNER, E. (2005), Stock Exchange Competition and the NASDAQ Bargain in Europe, in Parsons, C., Jabko, N. (eds.), *With US or Against US?: European Trends in American Perspective*, Oxford, Oxford University Press, 193-218.

VISMARA, S., PALEARI, S., RITTER, J. (2012), Europe's Second Markets for Small Companies, *European Financial Management*, 18 (3), 352-388.

**Mots-Clés:** junior markets, high, growth SMEs, functions, Europe, Japan