

THE DECISION TO GO PUBLIC: DEVELOPMENT OF A NEW PERSPECTIVE

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The Initial Public Offering (IPO) has different motives apart from financing needs, and it is considered a strategic move to achieve its strategic goals. The existing theories of going public decision such as Benefit-cost of going public theory and Life cycle-Market timing theory, explain the going public decision of private companies. These theories focus the decision in different viewpoints. The benefit-cost theory demonstrates that a company goes public to achieve certain objectives or to enjoy certain benefits by paying attention to the cost (disadvantages) of going public. However, the life cycle theory states that becoming public is a stage of development of life cycle of a company. It focuses on internal factors of the company. The market timing theory states that a company goes public when favourable market condition exists. It focuses on condition of the potential stock market that is an external factor. Importantly, each existing theory views the decision in one angle rather than a rounded view. It reveals that there is a need to combine these theories together to identify and to analyse the significant factors affecting going public decision. This study intends to propose a new perspective by combining these theories at once to explain the going public decision of private companies. Even though the corporate-related factors are strong enough to go public, the management should take care of external factors also to successfully carry on their offering in the market. The company considers the factors which impact on demand side and investor behavior towards IPO and equity investment when deciding to go public. Furthermore, macroeconomic conditions and institutional arrangements of a country also impact on the going public decision of a company. Therefore, it is vital to have a perspective by combining all factors representing supply and demand side, macroeconomic and institutional factors. As such, this study proposes a new perspective by weighing the supply, demand, macroeconomic and institutional factors together. Furthermore, the new perspective combines the existing theories at once and focuses on the decision in a rounded view.

Keywords: *Benefit-cost based theory, Going public, IPO decision, Life cycle theory, market time theory*