

Factors Affecting the Going Public Decision of Private Companies in Sri Lanka: A Pilot Study

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The empirical studies on the going public decision of companies are limited in literature due to the absence of a comprehensive database on accounting information and poor survey response rate in many countries. This study investigates the factors affecting going public decisions of companies in Sri Lanka. It collects primary data through online questionnaires from finance professionals and accountants working in listed companies and unlisted companies that qualified to list in the CSE. The questionnaire is designed based on the benefit-cost trade-off theory of going public decision. The questionnaire collects data about the characteristics of the respondents' company, their opinion about the motives/benefits and costs/constraints of the going public decisions, and their perception of stock market characteristics and behaviours toward going public decisions. This pilot study utilizes 36 responses as the final sample. The mean of the benefit and cost of response are sorted to find prime motives and constraints of going public. Consequently, binary logistic regression is performed to find significant factors affecting the decision. This pilot study reveals that lowering the cost of capital, publicity, and gaining additional finance for growth are the prime motives for going public. Disclosure of a lot of sensitive information, under-pricing, and fear of loss of control are the prime constraints of going public. The binary logistic regression is revealed that stock market and cost-related factors significantly impact the probability of going public than benefit-related factors. This pilot study has contributed to developing appropriate scales and measurements that enhance the questionnaire's content and face validity.

Keywords: *Benefit-Cost Tradeoff, CSE, Going Public, IPO, Listing Decision*