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Research Article

Why Are Companies In Emerging Markets Reluctant To List On The Stock Market? The Cambodian Case

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ABSTRACT

The launch of the Cambodia Securities Exchange (CSX) in 2011 was seen as a coming-of-age for the financial sector in Cambodia to provide more financing choices for domestic companies. However, for over a decade, CSX remained among the smallest stock markets globally compared to Southeast Asian exchanges. This study examines why Cambodian companies that meet listing requirements abstain from listing on the stock market. Through a comprehensive survey of 274 firms, the study unveils critical insights into the challenges hindering the adoption of initial public offerings (IPOs) on CSX. The findings show that founders/CEOs' fears about losing ownership and control strongly influence their decision-making, preventing stock market listing. The study also underscores the delicate balance of information disclosure obligations, stressing that excessive post-listing disclosure requirements can deter companies from listing. On a positive note, the research shows that tax incentives can motivate companies to list on the stock market. Based on the above findings, the study recommends that policymakers offer tax amnesty programs that allow companies to come forward voluntarily, admit prior financial irregularities, and remedy their tax positions without heavy penalties. This will encourage more companies to list on CSX. Additionally, policymakers should create training for founders to address the fear of losing ownership and control following a stock market listing. Highlight successful examples of companies listing while the founders still hold significant control to demonstrate that listing may be a strategic move for growth rather than a mean of relinquishing control.

JEL Classification: C25, G32, G34, O16

Keywords: Going public, Ownership and control, Stock market, Information disclosure, Tax incentives, Cambodia Securities Exchange

1. Introduction

A thriving and efficient stock market can support economic development and increasing business profitability. It acts as a platform for capital mobilization, efficient resource allocation, and company growth. The market allows for the mobilization of capital from investors, which assists businesses in raising funds for expansion, R&D, and other investment opportunities. This inflow of capital boosts economic growth by allowing businesses to embark on new initiatives, generate jobs, and contribute to general economic development (Aghion, Howitt, & Levine, 2018; Levine, 1997). Companies must be transparent and accountable to be listed. Firms are expected to disclose financial information, comply with regulatory requirements, and meet reporting obligations, which improves corporate governance procedures. This better governance lowers agency costs, reduces conflicts of interest, and protects shareholders' interests (Lepore et al., 2019; Pagano & Roell, 1998). Stock market efficiency guarantees that prices appropriately represent the underlying value of securities. This price discovery technique offers investors vital information, allowing them to make informed investment decisions (Allen, Barlevy, & Gale, 2022). Furthermore, the stock market connects businesses with a wide spectrum of investors, including institutional investors, retail investors, and venture capitalists. This diverse

investor base boosts cash availability for organizations, allowing them to fund growth strategies and strategic initiatives (Bekaert, Harvey, & Lundblad, 2005).

In order to expedite the execution of the Financial Sector Development Strategy 2006-2015, the Royal Government of Cambodia made the decision to create the Cambodia Securities Exchange (CSX) in July 2011. This establishment is a joint venture between the Ministry of Economy and Finance (MEF) and the Korea Stock Exchange (ERX), with a 55% ownership by MEF and 45% ownership by ERX. CSX's principal goal is to create and manage a securities market, and provide additional financing options for domestic companies, a clearing and settlement facility, and a depository. The launch of CSX was seen as a coming of age: for the financial sector in Cambodia. However, for over a decade, CSX has remained among the smallest stock markets globally compared to the exchanges in the Southeast Asia region. As of October 2023, the main and growth boards of the CSX comprise a total of eleven traded equities. These companies collectively possess a traded market capitalization of USD 2.92 billion, or approximately 10% of Cambodia's GDP. This number is meager when it is compared to other stock markets from Southeast Asia (Table 1) or developed countries such as Canada, the US, the UK, Sweden, and Japan where stock market capitalization accounts for more than 100% of GDP. Additionally, CSX currently hosts six actively traded corporate bonds. The issuance of Cambodia riel denominated government bonds by the Cambodian government, facilitated by the MEF, commenced in September 2022. Subsequently, the government has conducted thirteen bond issuances, resulting in a cumulative raised amount of USD 62 million. These government bonds play a crucial role in serving as a benchmark for pricing corporate bonds and facilitating market liquidity.

Table 1: Southeast Asian Stock Market Overview as of June 2023

Country	Listed companies	Market capitalization (USD mil)	Market Cap as a % of GDP
Singapore	596	$638,760	107%
Thailand	993	$559,223	104%
Malaysia	1,007	$408,276	101%
Vietnam	944	$204,178	51%
Philippines	342	$300,014	31%
Indonesia	901	$671,615	20%
Cambodia	11	$2,921	10%
Laos	10	$693.47	2%
Myanmar	8	$341.381	0.1%

Source: Investing, 2023

The health and stability of a nation's economy are fundamental for achieving sustained growth and development in any given country. The presence of publicly listed companies and the accessibility of their financial and non-financial information to the general public are key determinants in fostering a strong and resilient economy (Allen et al., 2022). However, the lack of disclosure of financial information for the majority of unlisted companies can give rise to several potential issues that can have an impact on the broader economic environment. The absence of transparency, limited access to capital, reduced market efficiency, and weakened corporate governance are just a few of the challenges that can arise (Brown & Jones, 2020; Johnson, 2019; Smith, 2018). To address these issues, governmental bodies can incentivize corporations to become publicly listed on stock markets and implement regulatory measures that foster openness and accountability. By using this approach, nations can cultivate a stronger and more enduring economic milieu, which result in a virtuous cycle of enticing investment. Conversely, in countries with stock markets where a large number of companies are listed, accurate information is encouraged and investors are provided with better diversification opportunities. The implication is the lower cost of funds which will improve investment return and enhance the ability to finance riskier projects (Maghyereh & Awartani, 2018). Policymakers and market participants should strive to create an environment that fosters the development and efficiency of stock markets to reap these benefits.

Therefore, understanding the reasons that discourage (encourage) companies from opting to have their shares listed on CSX is an important issue, as it has consequences for the company's funding cost, investment return, growth, and overall valuation of the organization. Hence, this study aims to examine the factors influencing the decisions of companies operating in Cambodia that satisfy the listing requirements, refrain from pursuing an initial public offering, or list their existing shares on CSX. The data for this study comes from a sample of 585 firms, of which 274 completed the survey questionnaire.

2. Literature Review

2.1 Theoretical framework on why companies seek listing on the stock market

The existing body of literature encompasses many prominent theories that aim to explain the reasons behind the decision of owners to initiate an initial public offering (IPO) and list their shares on a stock market. The first theory, known as the business lifecycle theory, suggests that going public is one stage of company evolution. The second theory, referred to as the market timing theory, proposes that owners opt to go public during periods when markets are characterized by excessive buying activity and stocks are deemed to be overpriced.

2.1.1 Business Lifecyle Theory

The business life cycle theory provides a framework for understanding as proposed by Adams and van de Ven (1997) and Mosca, Gianecchini, and Campagnolo (2021), whom identifies various stages a firm goes through, including startup, growth, consolidation, maturity, and decline. These stages are characterized by specific operational and strategic challenges, which can influence a company's decision to go public. At the start-up stage companies often face challenges in accessing capital to fund their growth and development. Listing on the stock market can provide these companies with an avenue to raise funds and attract investors (Adams et al., 2009). The ability to access capital through stock market listing can fuel their expansion plans, support R&D efforts, and provide a platform for future growth. Similarly, at the growth phase of the business life cycle, companies may choose to list on the stock market to access additional capital for scaling their operations. As these companies experience rapid growth, their funding needs increase, and stock market listing can provide a means to raise substantial amounts of capital (Smith et al., 2006). Jamaani and Alidarous (2019) and Hitt, Ireland, and Hoskisson (2016) observed that IPOs are more common during periods of high growth, indicating a link between business life cycle stages and going public. As a company reaches the consolidation stage, its primary focus may shift from rapid growth to establishing a more stable and sustainable position in the market (Adams & van de Ven, 1997; Greiner, 1972). Listing on the stock market can provide an exit strategy for early investors and founders, enabling them to realize gains and diversify their holdings. In the maturity and decline stages, firms may face increased pressure to demonstrate continued growth to satisfy shareholders and investors (Smith et al., 2006). This pressure may influence the decision to go public in pursuit of new growth opportunities and increased access to capital. Pagano et al. (1998) found that companies in the growth and maturity stages often go public to raise capital for expansion and innovation.

2.1.2 Market timing theory

Market timing theory suggests that companies consider the timing of their IPO based on the perceived attractiveness of the stock market conditions. This approach suggests that firms strategically choose the timing of their stock market entry to optimize returns (Baker & Wurgler, 2007). The theory also suggests that companies aim to capitalize on positive investor sentiment, high market valuations, and strong demand for IPOs (Baker & Wurgler, 2004). By going public during such periods, companies can potentially achieve higher valuations and raise more capital, enhancing their financial position and growth prospects. Additionally, the market timing theory highlights the importance of accessing capital at the right time. Companies may choose to list on the stock market when they require significant funds for expansion, acquisitions, or research and development (Ritter, 2015). By timing their IPO during periods of favorable market conditions, companies can attract a larger pool of investors and potentially secure more substantial capital injections. During periods of positive market sentiment, investors often exhibit a greater appetite for growth stocks. Companies with strong growth prospects may choose to go public when investor demand for such stocks is high (Baker & Wurgler, 2002). Moreover, the market timing theory also relates to the timing of an exit strategy for founders and early investors. When market conditions are favorable, these stakeholders may choose to sell their shares through an IPO, allowing them to monetize their investments and realize returns (Ritter, 2015). The ability to exit at an opportune time can be influenced by market conditions, investor sentiment, and the perceived valuation of the company.

2.2 Factors influencing corporate listing on the stock market

A company's choice to list on the stock market is a key strategic move that can have considerable implications for the company's ability to grow, remain visible in the marketplace, and gain access to finance. According to the studies conducted by Ritter (2015), Ljungqvist (2007), and Bushman and Smith (2007), a significant driving force for corporations opting to list their shares on the stock exchange is the desire to have access to funds. In developed economies, the impetus for this phenomenon frequently stems from the imperative to pursue growth, foster innovation, and allocate resources toward novel ventures (Ljungqvist, 2007). In a similar vein, the availability of capital via IPOs can serve as a vital means of support for enterprises in emerging markets that are actively pursuing avenues for expansion (Bushman & Smith, 2007). Through the process of becoming publicly traded, firms have the opportunity to generate capital by offering shares to investors. This enables them to secure financial resources for various purposes such as expanding their operations, conducting research and development activities, fostering innovation, and implementing strategic initiatives. Moreover, access to finance is of utmost importance for companies operating in emerging markets due to the inherent constraints they encounter in terms of domestic funding opportunities.

Furthermore, listing on the stock market can significantly enhance a company's visibility and reputation. Bancel and Mittoo (2013) and Grubisic and Orsag (2015) found that companies list on the stock market for several reasons among which is reputation associated with IPO is reputational enhancement and prestige. Publicly traded companies are subject to increased scrutiny from analysts, investors, and the media, which can lead to greater brand recognition and credibility (Ljungqvist & Wilhelm, 2017; Ma'aji & Abdullahi, 2014). This increased visibility can attract potential customers, partners, and employees, thereby facilitating business growth. Analysts from brokerage firms and financial institutions closely monitor publicly traded companies, providing research reports, recommendations, and forecasts to investors (Maghyereh & Awartani, 2018). This coverage can significantly increase a company's visibility and attract the attention of potential investors. News

outlets, financial publications, and online platforms regularly report on stock market activities, including company earnings, announcements, and performance (Ljungqvist & Wilhelm, 2017). This media exposure can help raise awareness about the company, its products or services, and its strategic initiatives, thereby enhancing its reputation and brand recognition. Publicly traded companies often enjoy a higher profile and are perceived as more established and reliable compared to private companies (Ljungqvist & Wilhelm, 2017). This can lead to increased customer interest, as well as opportunities for strategic partnerships and collaborations, which can further enhance the company's reputation and market position.

Stock market listing provides an avenue for shareholders, including founders and early investors, to liquidate their holdings and realize their investments. Publicly traded companies have shares that can be bought and sold on the secondary market, providing liquidity to shareholders (Chemmanur & Fulghieri, 2014). This liquidity is particularly important for venture capital and private equity-backed firms, as it allows them to exit their investments and generate returns (Maghyereh & Awartani, 2018). This exit option can provide liquidity and enable them to diversify their investment portfolios or pursue new ventures (Megginson & Weiss, 2015). The ability to exit their investments can also incentivize entrepreneurs and early-stage investors to take risks and invest in innovative companies. Additionally, the presence of an active secondary market also provides investors with the opportunity to buy and sell shares, enhancing market efficiency. Investors can buy and sell shares freely, allowing for price discovery and fair valuation of the company's stock (Johnson, 2019). This liquidity and market efficiency can attract a broader range of investors, including institutional investors, who may be more inclined to invest in companies with readily tradable shares. This increased investor base can provide access to a larger pool of capital, potentially leading to improved funding opportunities and increased market liquidity.

Moreover, stock market listing can facilitate mergers and acquisitions (M&A) activities by providing a liquid market for the company's shares. Publicly traded companies can use their shares as currency for acquisitions, enabling them to pursue growth through strategic partnerships and consolidation (Megginson & Weiss, 2015). Additionally, publicly traded companies can leverage their shares to negotiate and execute mergers, acquisitions, and joint ventures with other companies (Bergbrant, 2017). These strategic partnerships can provide access to new markets, technologies, distribution channels, and synergies, leading to enhanced competitiveness and value creation. Being a publicly traded company can attract a higher volume of potential M&A opportunities. The visibility and credibility associated with stock market listing can make a company an attractive partner for other businesses seeking growth or exit opportunities (Zhang & Gupta, 2023). This increased deal flow can provide publicly traded companies with a broader range of options for strategic alliances and acquisitions.

2.2 Hypothesis development

Drawing on existing literature, we propose eight hypotheses to address our research question about the reasons why companies operating in Cambodia, who meet the listing requirements, choose not to pursue an initial public offering or list their current shares on the Cambodia Securities Exchange (CSX). These conjectures are associated with six theoretical justifications:

2.2.1 Ownership and Control

Companies with concentrated ownership structures, where a small group of controlling shareholders holds a significant portion of shares, may have less incentive to list on the stock market. These controlling shareholders may prioritize maintaining control over the company's decision-making processes and strategic direction, which can be challenging to achieve in a publicly traded environment (Djankov et al., 2008; Ma'aji et al., 2024). Moreover, Companies with a strong founder's vision and a desire to preserve the company's culture may choose not to list on the stock market. Stock market listing can introduce external pressures and influence that may dilute the founder's control and impact the company's culture and values. Owners who value control over their firm's strategic decisions may hesitate to go public. Once listed, control may be diluted as a result of dispersed ownership and the influence of institutional investors, potentially leading to decisions that are not aligned with the founders' preferences (Santos & Wilson, 2017). Additionally, when founders and major shareholders control a significant portion of the company, they may perceive fewer agency conflicts, reducing the need for public scrutiny and external governance mechanisms (Cheffins, 2021). Founders and major shareholders often have a long-term vision for their companies. Listing on the stock market can introduce pressures for short-term financial performance, which may conflict with a more patient and strategic approach to value creation (Ma'aji, Shrubsall, & Anderson, 2023;Shleifer and Vishny, 1997).

As a consequence of the discussion above, we build our first hypothesis as follows:

H1: CEO/Founders who perceived that they may lose their ownership, control, and strong culture are less likely to go public and list the company shares on a stock market.

2.2.2 Information disclosure requirement

Stringent information disclosure requirements often necessitate extensive financial and operational reporting, auditing, and compliance measures (Andrades, Martinez-Martinez, Larrán, & Herrera, 2019; La Porta et al., 2000). These compliance costs can be substantial, burdensome particularly for smaller or financially constrained firms, or potentially revealing sensitive information that could be detrimental to their competitive

advantage or strategic position making the decision to go public less attractive. Moreover, companies that prioritize maintaining confidentiality and protecting sensitive or proprietary information may choose not to list on the stock market (Shleifer and Vishny, 1997). Stock market listing requires companies to disclose detailed financial and operational information, which may expose sensitive information to competitors or the public. Companies with valuable intellectual property or trade secrets may opt to remain private to safeguard their competitive advantage (Botosan, 1997). Stringent information disclosure may heighten these concerns. Additionally, companies that have concerns about potential negative market reactions to disclosed information may choose not to list on the stock market. These companies may fear that the release of certain information, such as financial performance, growth projections, or strategic plans, could lead to negative market sentiment, stock price volatility, or a loss of competitive advantage (Doidge et al., 2007). Companies may be dissuaded from listing on the stock market if they perceive the disclosure requirements as excessively burdensome, costly, or potentially detrimental to their competitive position and confidentiality.
Based on the above discussion, the second hypothesis is as follows:
H2: CEO/Founders who perceived listing information disclosure are excessive are less likely to take their companies public and list the company shares on a stock market.

2.2.3 Listing cost and other administrative costs

Companies that perceive the listing costs, including underwriting fees, accounting fees, legal expenses, and compliance costs, as prohibitively high may choose not to list on the stock market. These upfront costs can be significant, especially for smaller companies, financially constrained or those operating in industries with complex regulatory requirements, and may outweigh the perceived benefits of stock market listing (Chemmanur & Fulghieri, 2014; Megginson & Weiss, 1991). Additionally, maintaining a publicly traded status involves ongoing compliance with regulatory requirements, including financial reporting, auditing, and corporate governance measures (La Porta et al., 2000). The administrative expenses associated with this compliance can be significant and may discourage companies from listing. Moreover, failure to meet regulatory requirements can result in financial penalties, legal issues, and potential delisting from the stock exchange (Pagano et al., 1998). Companies may be wary of the risk of non-compliance and the associated costs. Moreso, companies may prefer to allocate their financial resources toward core operations, growth initiatives, and strategic investments rather than diverting significant funds to meet listing and administrative obligations (Hitt et al., 2016). The hypothesis posits that the financial burden of high listing costs and ongoing administrative expenses may deter companies from pursuing a stock market listing, as these costs could divert resources away from their core operations and strategic priorities.
Thus, in the third hypothesis, we state:
H3: CEO/Founders who perceived that listing costs and administrative expenses are excessively high are less likely to take their companies public and list the company shares on a stock market.

2.2.4 Knowledge about the benefit of listing

Companies that possess a higher level of knowledge about the benefits of listing on the stock market, such as access to capital, enhanced visibility, liquidity, and potential for growth, are more likely to recognize the value and choose to list. This knowledge empowers companies to make informed decisions and understand the potential advantages that stock market listing can bring to their business (Acharya & Pedersen, 2005; Miglo, 2007). Furthermore, knowledgeable companies understand that being publicly traded can lead to increased transparency, visibility, and credibility in the eyes of investors, customers, and partners (Ritter, 2015). It can result in more favorable valuations. The hypothesis suggests that a thorough understanding of the benefits of listing, including access to capital, liquidity, enhanced valuation, and the ability to attract and retain talent, can be a driving factor in a company's decision to go public. Companies that are well-informed about these advantages may be more likely to pursue a stock market listing.
Thus, in the fourth hypothesis, we state:
H4: CEO/Founders who are knowledgeable about the potential benefit of going public are more likely to take their companies public and list the company shares on a stock market.

2.2.5 Efficiency of the stock market

Efficiency in the stock market refers to how quickly and accurately information is incorporated into stock prices. A highly efficient market ensures that stock prices reflect all available information, making it easier for companies to gauge investor sentiment and accurately price their shares during the IPO process. An efficient stock market is often associated with investor confidence and trust in the transparency and integrity of the market (Baker and Wurgler, 2006). Several studies support the hypothesis that market efficiency positively impacts a company's ability to list on the stock market. For example, a study by Loughran and Ritter (2004) found that companies listing on more efficient stock exchanges experienced higher initial returns and lower underpricing during their IPOs. This suggests that companies listing on efficient markets are more likely to attract investors and achieve a successful listing. Additionally, efficient markets can enhance liquidity by attracting more participants and reducing trading frictions (Glosten and Milgrom, 1985). Therefore, companies may view efficient markets as an attractive source of capital through a public listing.
Based on the above discussion, the fifth hypothesis is as follows:

H5: CEO/Founders who perceived that the stock market is efficient are more likely to take their companies public and list the company shares on a stock market.

2.2.6 Influence of early investors such as venture capitalists (VCs) and private equity firms (PEs) on listing

Early investors, such as VCs and PEs, often invest in companies during their early stages when they have high growth potential but limited financial resources. These investors provide capital, mentorship, and strategic guidance to help the company grow and reach a stage where it can consider going public. Additionally, influential early investors often bring valuable networks and industry connections to the table. These networks can assist companies in various aspects of going public, from introductions to potential underwriters and investors to regulatory guidance (Cheng & Schwienbacher, 2016). Several studies support the hypothesis that the involvement of early investors positively impacts a company's ability to list on the stock market. For instance, studies by Cumming and Johan (2016) and Humphery-Jenner and Suchard (2013) found that companies backed by VCs were more likely to go public compared to companies without VC backing. This suggests that the presence of VCs increases the likelihood of a successful listing. The hypothesis suggests that the presence of influential early investors, such as VCs and PEs, can significantly influence a company's decision to go public. Their role in aligning exit strategies, providing credibility, networking, and operational support can make the process of listing on the stock market more attractive and feasible.

Thus, in the sixth hypothesis, we state:

H6: The presence and involvement of early investors, such as VCs and PEs, significantly influences a company's decision to list on the stock market.

2.2.7 Influence of banks and other financial advisers on listing

Banks and financial advisers play a vital role in the initial public offering (IPO) process. They assist companies in preparing for the listing, conducting due diligence, structuring the offering, and marketing the shares to potential investors (Hitt et al., 2003). Their expertise and experience in navigating the complexities of the stock market can significantly impact a company's decision to go public. Financial advisers can provide insights into market conditions and timing, helping companies choose opportune moments to go public (Baker and Wurgler, 2002). Moreover, Banks and financial advisers can assist in valuing the company and pricing its shares appropriately (Morrison and Wilhelm, 2007). Companies often rely on these professionals to optimize their initial public offering (IPO) pricing. For example, a study by Lowry and Schwert (2002) found that companies that hired prestigious investment banks as underwriters were more likely to go public compared to companies that did not have such affiliations. The hypothesis suggests that the expertise, knowledge, and assistance with market timing, valuation, due diligence, and underwriting from banks and financial advisers can significantly influence a company's decision to list on the stock market.

Based on the above discussion, the seventh hypothesis is as follows:

H7: Companies with strong support and guidance from banks and financial advisers are more likely to list on the stock market.

2.2.8 Tax incentive by the government for listing

Governments often introduce tax incentives to promote economic growth, investment, and job creation. These incentives can take various forms, such as tax exemptions, reduced tax rates, or tax credits, specifically designed to encourage companies to go public and raise capital through the stock market. Companies that receive government-provided tax incentives may gain a competitive edge over non-listed competitors. Tax advantages can reduce the cost of capital and increase a company's resources for expansion and innovation (Hoberg & Prabhala, 2009; Yung, 2013). Study by Giudici and Paleari (2003) found that tax incentives provided by the Italian government positively affected the decision of companies to go public. The study showed that companies eligible for tax incentives were more likely to list on the stock market compared to companies that did not have access to such incentives. Furthermore, research by Foerster and Karolyi (1993) examined the impact of tax incentives on IPO activity in the United States. The study found that tax incentives, such as the reduction in capital gains tax rates, had a positive effect on the number of IPOs, indicating that tax incentives can influence a company's decision to go public. The hypothesis suggests that government-provided tax incentives can significantly influence a company's decision to list on the stock market.

Based on the above discussion, the eighth and the final hypothesis is as follows:

H8: Tax incentives provided by the government positively influence a company's decision to list on the stock market.

3. Research Methodology

3.1 Sample Survey and Questionnaire

The dataset included in this study comprises the survey responses obtained from a representative sample of CEOs/Founders or their deputies/CFOs from both large and medium-sized enterprises operating in Cambodia. This study expands upon the previous research conducted by Acquaah (2015) and Maghyereh and Awartani (2018), with several modifications made to align with the objectives of this particular research and to

accommodate the specific setting of Cambodia. The companies chosen for this study are those that are listed on the CSX, as well as companies that satisfy the listing criteria but are not yet listed. The questionnaire is comprised of two distinct sets of questions. The main goal of the first group of questions is to collect relevant data about the features and demographics of firms, as well as to determine their eligibility based on the listing requirements. The second part of the questionnaire comprises 26 questions aimed at evaluating the relative significance of the factors that impact listing on CSX. These inquiries are designed to assess the relative importance of the factors influencing organizations' listing decisions. To assess the validity of the items that measure the various constructs, the questionnaire is distributed for evaluation to two finance professors and three financial analysts employed by an investment company specializing in assisting companies in raising funds in the capital market. Their feedback and recommendations were subsequently utilized to enhance the constructs included in the survey. We employed a 5-point Likert scale in the questionnaire to gauge the level of significance attributed by CEOs/Founders or their deputies/CFOs to a certain factor.

A convenience sampling method was used to administer a total of 585 questionnaires to CEOs/Founders or their deputies/CFOs from both large and medium-sized firms operating in Cambodia. Each questionnaire was accompanied by a cover letter that provided an overview of the study's objective. Furthermore, it ensured the absolute confidentiality of the evidence provided by each participant. The questionnaire and the cover letter were in English and also a translation in Khmer language was provided beneath the English questions to aid with the understanding of the research objectives and the survey questions. Translating research questionnaires into the local language is a critical step to ensure cultural relevance, respondent understanding, high-quality responses, increased participation rates and consistency in the research process. Beaton, Bombardier, Guillemin, and Ferraz (2000) emphasizes the importance of linguistic and cultural equivalence in ensuring the reliability and validity of the instruments.

The questionnaires were distributed online via Google Form using respondents' direct email addresses. The list of the email addresses was secured from the Accounting and Auditing Regulator of Cambodia (ACAR), and business support organization such as the EuroCham and AmCham. The survey via Google Form and email has helped our research get responses from businesses across Cambodia at a cost-effective way, in a much user-friendly experience and we were able to viewed the result in real-time data collection. Researchers can leverage these advantages to improve the efficiency and quality of their survey studies with online survey (Bethlehem, 2009; Heerwegh, 2005; Kreuter, Presser & Tourangeau, 2008). A total of 370 questionnaires were completed, resulting in a response rate of 63 percent. However, 22 of the responses were incomplete and 74 firms in the sample did not meet the minimum listing requirements where a company is required to have shareholders' equity of more than $500,000 and positive net profit for the last one year or positive operating cash flow and gross profit margin of at least 10% (Appendix 1). Thus, only 274 of the responses were usable for the research analysis, of which 11 (4%) were listed firms on CSX, 112 (41%) classified as firms that are not listed but willing to list in the next five years and 151 (55%) firms that are not listed and are not interested in listing in the future.

Table 2: Sample description

		Frequency *(N)*	Percentage *(%)*
Companies	Listed on the CSX	11	4%
	Not listed but willing to list over next 5 years on CSX	112	41%
	Not listed and not willing to list on CSX	151	55%
Industry	Manufacturing	33	12%
	Service	52	19%
	Real estate	38	14%
	Healthcare	36	13%
	Education	19	7%
	Technology	52	19%
	Financial services	38	14%
	Transportation	3	1%
	Utilities	3	1%
Age	1 to less than 10 years	38	14%
	10 to less 15 years	115	42%
	15 to less than 20 years	99	36%
	>20 years	22	9%
Assets	Less than $500,000	8	3%
	$500,000 - $1m	30	11%
	$1m - $5m	63	23%
	$5m - $10m	85	31%
	$10m+	88	32%

Table 2 provide summary of the descriptive information regarding the sample's demographic parameters. Based on the sample, the bulk of the sample companies, which accounts for 55% of the sample, are not listed on CSX and have no plans to list in the near future. However, 41% of the sample companies, on the other hand, have expressed an interest in listing and have indicated that they would like to list on CSX within the next 5 years. The majority of the sample companies are from the service and technology sector, which accounts for 38% of the total companies. On the other hand, the real estate and financial services industry accounts for 28%

of the total percentage of companies. In addition, 42 percent of the companies in the sample have been in business for more than ten years, and 45 percent of the companies have been in business for more than fifteen years. However, only fourteen percent of the businesses have been in operation for the past ten years. Furthermore, 88 of the sample companies have total assets that are greater than $10 million, 85 of the firms have assets that are greater than $5 million, 63 of the companies have assets that are greater than $1 million, and just 30 of the organizations have assets that are greater than $500,000.

3.2 Analytical Framework

The study commences by using an exploratory factor analysis (EFA) to streamline the 26 latent variables that correspond to the Founders/CEOs' replies in the survey questionnaire. Conducting an EFA helps simplify the latent variables in survey questionnaires, providing a more manageable and interpretable representation of underlying constructs by bringing together the construct to which the CEOs respond in a similar way. By identifying underlying factors, EFA contributes to the development of valid and reliable scales. It ensures that the items in each factor are conceptually related, enhancing the overall quality of the measurement instrument (Costello & Osborne, 2015; DeVellis & Thorpe, 2021).

3.2.1 Independent variables

We use the eigenvalue criteria to determine the number of factors that will be included in this study. The eigenvalue represents the amount of variance explained by each factor. To fulfill the eigenvalue criterion, it is necessary to investigate these eigenvalues and base judgments on the magnitude of their values. All of the factors that have eigenvalues that are greater than 1 are kept. According to the reasoning behind this, components that have eigenvalues that are greater than 1 explain more variance than a single variable, which is why it is beneficial to keep them. Afterward, the initial factors are put through a varimax rotation with the Kaiser Normalization being applied. As per Hair et al. (2010), factors with a loading of 0.5 or higher are kept for analysis, while those with lower values are excluded from further interpretation. According to Churchill Jr.'s research from 1979, the reliability of the factors is evaluated in comparison to a benchmark of 0.5 of a Cronbach Alpha threshold, and it received a value of 0.7. When determining whether or not the sampling is adequate, the Kaiser-Meyer-Olkin measure should be more than 0.5.

The eigenvalue and the components acquired from the initial factor analysis extraction are displayed in Table 2 below. The eigenvalue variance analysis revealed that the seven components account for 69.1% of the overall variation. The first factor possesses a greater eigenvalue of 6.018, which explains roughly 24.1% of the variability in the item's responses, while the second factor accounts for just 19.1%. The third factor is responsible for 6.5% and the fourth factor for 5.8%. In addition, the fifth component explains 5.2% of the variation, whereas the sixth and seventh factors account for just 4.4% and 4.1% of the overall variation, respectively. For this reason, factor analysis can be utilized to reduce the total number of questions in the questionnaire from twenty-six to seven components, so limiting the amount of information that is lost.

Table 2: Eigenvalues and variance explain

	Initial Eigenvalues		
Component	**Total**	**% of Variance**	**Cumulative %**
1	6.018	24.073	24.073
2	4.763	19.050	43.123
3	1.626	6.502	49.626
4	1.441	5.762	55.388
5	1.292	5.169	60.557
6	1.107	4.428	64.985
7	1.016	4.066	69.051

Moreover, the principal component analysis and varimax technique have successfully identified seven dimensions that are supported by a total of 19 items. Table 3 displays the findings of the analysis. The seven dimensions encompass the following factors: listing cost and other administrative costs, ownership and control, knowledge about the benefit of listing, information disclosure requirement, tax incentive by the government for listing, influence of early investors such as VCs and PEs on listing, and efficiency of the stock market. Seven items were excluded from the final component analysis because they did not contribute significantly to the explained percentage of variation and had factor loadings below 0.5. The Kaiser-Meyer-Olkin statistic for sampling adequacy is 0.806, which surpasses the threshold of 0.5. This indicates that the sample of factors is satisfactory for explaining the company's decision to list on the stock market. In addition, Bartlett's test of sphericity provides a very significant outcome, suggesting that factor analysis is appropriate. The Cronbach Alpha coefficients for all the factors are over 0.7, showing high reliability and internal consistency of the underlying items. Specifically, factor 1 has a Cronbach Alpha coefficient of 0.83, factor 2 has a coefficient of 0.815, factor 3 has a coefficient of 0.837, factor 4 has a coefficient of 0.731, factor 5 has a coefficient of 0.743, factor 6 has a coefficient of 0.827, and factor 7 has a coefficient of 0.753.

Table 3: The factor loading results of the items of independent variables

Factors/items	Factor loading
Factor 1: Listing cost and other administrative costs (COS) – (α = 0.830)	
Listing costs and administrative expenses in the CSX are too high	0.766
Listing on the CSX requires excessive underwriting fees	0.777
The accounting, financial reporting, and auditing costs to list on CSX are too high	0.858
The legal and selling costs to list on CSX are too high	0.740
Factor 2: Ownership and control (OC) – (α = 0.815)	
Listing on the CSX may threaten the control of the founder (Original shareholder) in the management of the company	0.812
Listing on the CSX will make the company more vulnerable to hostile takeovers	0.872
Listing on the CSX will allow the company's managers to be better control by the shareholders	0.589
Factor 3: Knowledge about the benefit of listing (KBL) – (α = 0.837)	
Listing on the CSX will create more opportunities for future mergers and acquisitions	0.698
Listing on the CSX will allow the companies managers to be monitored more effectively	0.742
Listing on CSX will have a positive impact on the company's growth and performance	0.753
Listing on CSX will help a company access increased investment capital at a lower cost	0.667
Factor 4: Information disclosure requirement (IDR) – (α = 0.731)	
Listing on the CSX requires company to follow stringent legal rules regarding the reporting of business activities	0.501
Listing on the CSX exposes company's business activities to its competitors because of the extensive disclosure requirement	0.651
Factor 5: Tax incentive by the government for listing (TAX) – (α = 0.743)	
Listing on CSX creates the risk of incurring high tax penalties and high tax payments	0.850
To encourage more companies to list on the CSX, more incentives are need from government	0.711
Factor 6: Influence of early investors such as VCs and PEs on listing (INV) – (α = 0.827)	
Listing on the CSX was supported and guided by early investors	0.870
Listing on CSX provides early investors such as VCs, PEs, and Angel investors an exit mechanism to sell their shares	0.806
Factor 7: Efficiency of the stock market (ESM) – (α = 0.753)	
The share price of the companies listed on CSX does not change much	0.880
The volume of shares traded is too small on CSX	0.806
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	***0.806***
Bartlett's Test of Sphericity (Approx. Chi-Square)	***3224.15******
(P-value)	***(0.000)***

Note: Extraction method: Principal Component Analysis. Only factor loading ≥ 0.5 are shown. P-value foe testing null Bartlett's Test of Sphericity is reported between parentheses. Two-tailed test of significant. ***P ≤0.0001

3.2.1.1 Factor 1: Listing cost and other administrative costs

This was measure with four items as shown in Table 3, dealing with the listing and other administrative costs such as underwriting fees, accounting and financial reporting fees, legal fees, and selling costs. A composite measure of this variable was created by averaging the responses to the four items.

3.2.1.2 Factor 2: Ownership and control

According to Table 3, this was assessed using three criteria that focused on the relinquishment of ownership and control of the company's operations and activities by the owners due to the company's listing on the stock market. To create a composite measure of this variable, the responses to the three items were averaged.

3.2.1.3 Factor 3: Knowledge about the benefit of listing

According to what is indicated in Table 3, this was evaluated based on four items that reflect the CEO's recognition of the significance of the stock market on corporations' growth and the development of the economy. In order to produce a composite measure of this variable, the responses to the four items were averaged. This was done in order to achieve the desired result.

3.2.1.4 Factor 4: Information disclosure requirement

This was determined by using two items as shown in Table 3 that dealt with the amount of information about the company that was required to be disclosed when it was listed on the stock market. An average was calculated from the responses of the two items in order to produce a composite measure variable.

3.2.1.5 Factor 5: Tax incentive by the government for listing

This was found by using two items, which are displayed in Table 3, that dealt with various forms of tax incentives, such as tax exemptions, reduced tax rates, or tax credits, which were specially designed to encourage companies to go public and raise capital through the stock market. A composite measure variable was created by computing an average from the responses to the two items to construct the composite measure variable.

3.2.1.6 Factor 6: Influence of early investors such as VCs and PEs on listing

This was found by using two items, which are displayed in Table 3, that dealt with the presence of influential early investors, such as VCs and PEs, can significantly influence a company's decision to go public. Their role in aligning exit strategies, providing credibility, networking, and operational support can make the process of listing on the stock market more attractive and feasible. A composite measure variable was created by computing an average from the responses to the two items to construct the composite measure variable.

3.2.1.7 Factor 7: Efficiency of the stock market

According Table 3, this factor was evaluated based on two items that reflect the level of investors participation, the changes in the share price, and the volume of shares traded on the stock market. In order to produce a composite measure of this variable, the responses to the two items were averaged. This was done in order to achieve the desired result.

3.2.2 Control variables

We accounted for several variables that could potentially impact a company's capacity to become publicly traded. The control variables encompassed firm age, firm size, firm profitability, business industry, market competitiveness, and companies' investment prospects. The age of the firm was assessed using a four-point scale (1) "1 to less than 10 years", (2) for "10 to less than 15 years", (3) for "15 to less than 20 years" and (4) for "> 20 years". Firm equity was also using a on a five-point scale taking (1) "Less than $500,000", (2) for "$500,000 to $1m", (3) for "$1m to $5m", (4) for "$5m to $7.5m" and (5) for "> $7.5m". Firm profitability was measured on a six-point scale taking (1) "Less than $500,000", (2) for "$500,000 to $1m", (3) for "$1m to $5m", (4) for "$6m to $20m", (5) for "> $20m" and (6) for "made losses". The competitive environment is measure on a three-point scale taking (1) for "low competition", (2) for "moderate competition" and (3) for "highly competitive". Finally, firm investment opportunities are measure on a five-point Likert scale.

3.3 Model Analysis

For the purpose of analyzing and testing the research hypothesis of listing on the CSX, logistic regression was utilized. Logistic regression is most effective when applied in situations where the dependent variable can only have two possible outcomes. In this study, the dependent variable is whether a company is listed on the stock market or interested in listing in the next 5 years, or if it is not interested in listing on CSX. The model was utilized to evaluate the impact of the independent variables on the probability of a firm being listed on the stock market. The prediction model used in this study is as follows in Equation (1):

$Z_i = \beta' x_i + u_i$ *(1)*

Where:

Z_i = listed or interested to list on the CSX if Zi> 0; not interested to list on CSX otherwise

x_i = Ownership and control; Information disclosure requirement; Listing cost and other administrative costs; Knowledge about the benefit of listing; Efficiency of the stock market; Influence of early investors on listing; Influence of banks and other financial advisers on listing; Tax incentive by the government.

u_i = error term

Z_i ranges from $-\alpha$ to $+\alpha$

The probability and likelihood function for listed or interested to list on the CSX can be defined as follows in equation *(2)*:

$P_i = E(Y = 1/ x_i) = \frac{1}{1+e^{-(\beta' x_i + u_i)}}$ *(2)*

A logistic distribution function is represented by equation *(2)*. If P_i represents the probability of listed or interested to list on the CSX as given in equation *(2)*, then ($1-P_i$) would be the probability of not interested to listed on CSX, as is shown in Equation *(3)*.

$1 - Pi = \frac{1}{1+e^{Z_i}}$ *(3)*

The company was classified as listed or interested to list on the CSX if the calculated probability from the logit model was more than 0.5; Otherwise, it was considered not interested to list on CSX.

4. Results and Discussion

Table 4 presents a concise overview of the statistical data for all the independent variables, including both listed/willing to list and non-listed companies. An independent t-test with bootstrap was performed to compare the mean difference between listed and non-listed companies. The results aligned with the anticipated outcomes of the study. Nevertheless, there were notable distinctions in the attributes of the listed/willing to list and non-listed companies. The findings indicated that Factor 2, Factor 3, and Factor 5, as well as control variables including Profit, Competition, and Investment, exhibited statistically significant differences at the 1 percent level. Moreover, Factor 4, Factor 6, and the control variable Equity exhibited statistically significant differences at the 10 percent level. However, there was not a significant difference observed between Factor 1 and Factor 7, as well as the control variable Age. Based on the insignificant of these variables, it indicates that the two group have not shown any difference in Factor 1, Factor 7, and the Age of the business.

Table 4: Independent variables t-test using bootstrap for equality of mean of the two groups

	Mean Listing	Mean Non-listed	t-test	P-value
Factor 1	4.150	4.047	1.511	0.1239
Factor 2	3.065	3.514	-4.347	0.0010**
Factor 3	3.490	3.719	-2.366	0.0230**
Factor 4	3.817	3.974	-1.931	0.0659*
Factor 5	4.524	4.255	3.983	0.0010***
Factor 6	3.984	4.156	-1.909	0.0649*
Factor 7	4.102	4.099	0.026	0.9760
Age	2.407	2.404	0.025	0.9850
Profit	3.764	3.411	2.856	0.0060**
Equity	3.138	3.371	-1.604	0.1019*
Competition	2.520	2.305	2.759	0.0010***
Investment	4.154	3.967	2.209	0.0280**
Total number of companies	*123*	*151*		

Note: *, **, *** significant at the 10 percent, 5 percent and 1 percent levels, respectively. Variables are defined as, Factor 1 (Listing costs), Factor 2 (Ownership and control), Factor 3 (Knowledge about benefit of listing), Factor 4 (Disclosure requirement), Factor 5 (Tax incentive to list on stock market), Factor 6 (Early investor influence to list on stock market), Factor 7 (Market efficiency), Age (Years in business operation), Profit (the most recent reported profits), Equity (the most recent reported shareholder's equity), Competition (Competitive environment), Investment (level of investment opportunities). This table presents univariate tests on differences between the companies classified as listed and the non-listed ones. Bootstrap are based on 1000 bootstrap samples.

Overall, the analysis indicates that Founders/CEOs who fair decrease in ownership and control after going public, possess little knowledge of the benefits of going public, hold the belief that listing exposes their company to excessive information disclosure, and are less influenced by early investors, are less inclined to list their company on the stock market. In addition, Founders/CEOs who hold the belief that they will receive substantial tax incentives from the government as a consequence of listing are more likely to list their company on the stock market.

Table 5: Descriptive statistics and Pearson correlation metrics of independent variables

Variables	VIF	1	2	3	4	5	6	7	8	9	10	11	12
1. Factor 1	1.479	1											
2. Factor 2	1.777	0.005	1										
3. Factor 3	2.010	0.110	0.59**	1									
4. Factor 4	1.527	0.39**	0.25**	0.41**	1								
5. Factor 5	1.372	0.37**	-0.23**	-0.069	0.21**	1							
6. Factor 6	1.328	-0.014	0.40**	0.40**	0.23**	-0.110	1						
7. Factor 7	1.139	0.27**	-0.068	-0.002	0.13*	.223**	-0.011	1					
8. Age	1.478	0.076	0.29**	0.37**	0.22**	-0.060	.325**	-0.056	1				
9. Profit	1.298	0.151*	0.060	0.027	0.014	0.055	0.075	-0.062	.358**	1			
10. Equity	1.049	0.034	-0.103	-0.12*	0.005	0.040	-0.048	0.066	0.013	0.084	1		
11. Competition	1.303	0.25**	-0.27**	-0.24**	0.060	.267**	-0.088	.178**	-.19**	0.105	.163**	1	
12. Investment	1.372	0.28**	-0.21**	-0.19**	0.17**	.348**	-0.071	.166**	0.052	.242**	0.075	.267**	1
Mean		4.093	3.313	3.619	3.903	4.375	4.079	4.104	2.4051	3.569	3.266	2.401	4.05
Std. Deviation		0.566	0.878	0.802	0.674	0.579	0.745	0.724	0.8299	1.038	1.198	0.651	0.704
Minimum		2.25	1.00	1.75	2.00	2.00	2.00	1.00	1.00	1.00	1.00	1.00	2.00
Maximum		5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	6.00	6.00	3.00	5.00

Note: *, **, *** significant at the 10 percent, 5 percent and 1 percent levels, respectively. Variables are defined as, Factor 1 (Listing costs), Factor 2 (Ownership and control), Factor 3 (Knowledge about benefit of listing), Factor 4 (Disclosure requirement), Factor 5 (Tax incentive to list on stock market), Factor 6 (Early investor influence to list on stock market), Factor 7 (Market efficiency), Age (Years in business operation), Profit (the most recent reported profits), Equity (the most recent reported shareholder's equity), Competition (Competitive environment), Investment (level of investment opportunities).

Founders/CEOs who have a profitable firm and are confident in the existence of substantial investment prospects and expansion possibilities during the upcoming five years are likely to choose an initial public offering (IPO) to list their company on the stock market.

The Pearson correlation test was utilized to examine the association between the independent variables and the test results, as shown in Table 5. The results suggest a moderate and somewhat weak association between the variables, with values ranging from -0.002 to 0.59. To ensure that multicollinearity is not an issue in this investigation, the variance inflating factor (VIF) was calculated and displayed in Table 4. A variable is considered to have multicollinearity in the study if its Variance Inflation Factor (VIF) is greater than 10 or its tolerance value is less than 0.10, as stated by Gujarati & Porter (2003). Nevertheless, as seen in Table 5, all the independent variables in this investigation exhibited VIF values ranging from 1.049 to 2.010. Consequently, the findings strongly indicate the absence of any multicollinearity issue in the study.

Logistic Regression Model

We utilize logistic regression to evaluate the influence of different factors on the likelihood of a choice to be listed on the stock market in Cambodia. We employ two models: Model 1 provides estimates that do not take into account the presence of control variables. Model 2 involves reevaluating the model by including control variables that demonstrate a notable disparity in average values between the two groups, specifically listed and non-listed enterprises. The limited dependent variable is a dichotomous variable that assumes a value of 1 for companies that are either listed or willing to list and 0 for all other companies. The model's parameters are computed by bootstrapping the dataset, allowing for measurement without dependence on any assumptions about the distribution. Moreover, it enhances the test's efficacy by mitigating overfitting concerns, particularly when the ratio of observations to parameters appears to be low.

Validity and Reliability of the Model

The parameter estimations for the logistic regression model are presented in Table 6. A statistical test known as the Hosmer and Lemeshow (H&L) test provides an evaluation of the degree to which logistic regression models are a good fit for the data. When evaluating the appropriateness and validity of the model with the sample data, the H&L test is widely utilized as a reliable method. According to the findings of this investigation, the model was able to properly match the sample data because the observed events rate and those that were expected in the subgroups were similar. It can be concluded from this that the model may be relied upon.

In addition, Model 1 has an H&L Chi-square value of 14.38 with a corresponding p-value of 0.101. Model 2, on the other hand, has a Chi-square value of 9.342 and a p-value of 0.31. The Chi-square of Model 2 demonstrates a significant improvement as the control variables are incorporated into the model, indicating that the models accurately fit the data. The logistic regression analysis yielded a model chi-square of 34.09 for Model 1 and 50.37 for Model 2. The significance level for all models was less than 0.01 (p-value = 0.000). The results unequivocally confirmed the robust validity of the models, as they were able to accurately classify groups of companies as either "listed or willing to list" or "non-listed" with a remarkable accuracy rate of 99 percent, surpassing random guessing. The Cox & Snell R Square (and Nagelkerke R2) for Model 1 was 0.12 (0.16) and 0.17 (0.23) for Model 2, indicating that the model can explain 12-16 percent of the variation in the scores for Model 1 and 17-23 percent for Model 2. In addition, Model 1 accurately classified 68 out of the 123 companies that were listed or willing to list, which accounts for 55 percent. It also successfully classified 118 out of the 151 companies that were not listed, representing 78 percent accuracy. The overall classification rate of Model 1 is 68 percent. When control variables were added to Model 2, it correctly classified 78 out of the 123 companies that were listed or willing to list, which accounts for 63 percent. It also correctly classified 115 out of the 151 companies that were not listed, representing 76 percent accuracy. Overall, the classification rate was 71 percent. Hence, the findings substantiate the model's capacity to forecast both listed and non-listed companies in Cambodia, surpassing the random model's accuracy rate of 50 percent.

In addition, table 6 also displays the odds ratio for the variables that have a substantial impact. The odds ratio quantifies the association between a specific exposure and a particular outcome. The odds ratio quantifies the likelihood of an outcome occurring when a specific exposure is present, compared to the likelihood of the outcome occurring in the absence of that exposure. When logistic regression is calculated, the regression coefficient (b1) represents the estimated change in the logarithm of the probabilities of the outcome for each unit increase in the value of the exposure. Overall, the exponential function of the regression coefficient (eb1) represents the odds ratio linked to a one-unit rise in the exposure (Szumilas, 2010). Both models demonstrate a clear and substantial negative influence of ownership and control characteristics on the likelihood of Founders/CEO's decision to list on the stock market, with statistical significance at the 1 percent level. In terms of ownership and control, the odds ratio in Model 2 (which has the highest overall classification rate) shows that as the fear of loss of ownership and control rights increases the probability that the company will be listed on the stock market decreases by 58 percent. This means that there is a 58% likelihood that Founders/CEOs of companies who fear loss of ownership and control rights would be less likely to list on the stock market. The result is in line with hypothesis 1, which states that Founders/CEOs who perceived that they may lose their ownership, controls, and strong culture are less likely to go public and list the company shares on a stock market. Similarly, one of the respondents mentioned that *"the shareholder is already in complete control of management; the listing is unlikely to change this. Therefore, less fear in the loss of control of management will encourage listing on CSX"*. The findings are consistent with the study of Acquaah (2015) and Maghyereh and Awartani (2018).

Table 6: Logistic Regression Model

	Model 1			**Model 2**		
Model parameter estimates variable name	**Coefficient**	**Odds Ratio**	**Sig.**	**Coefficient**	**Odds Ratio**	**Sig.**
Constant	*-1.224*	*29%*	*0.427*	*-1.683*	*19%*	*0.330*
Factor 1	0.335	139%	0.220	0.152	116%	0.602
Factor 2	-0.502	61%	0.01**	-0.551	58%	0.00***
Factor 3	0.126	114%	0.561	0.106	111%	0.653
Factor 4	-0.543	58%	0.02**	-0.538	58%	0.04**
Factor 5	0.823	228%	0.00***	0.809	225%	0.00***

Factor 6	0.035	104%	0.860	-0.043	96%	0.837
Factor 7	-0.192	83%	0.315	-0.130	88%	0.518
Age				0.193	121%	0.335
Profit				0.346	141%	0.02**
Equity				-0.294	75%	0.01**
Competition				0.326	138%	0.162
Investment				0.003	100%	0.999
Model Test Results						
Log likelihood	*342.9*			326.6		
Model Chi-square	*34.09*			*50.37*		
Model Significant	*0.000*			*0.000*		
Hosmer and Lemeshow Test	*14.38 (0.10)*			9.342 (*0.31)*		
Cox & Snell R^2	*0.117*			0.168		
Nagelkerke R^2	*0.157*			0.225		
Classification result						
Correctly Classified Cases:						
Listed (1)	55.3%			63.4%		
Not Listed (0)	78.1%			76.2%		
Overall accuracy rate	*67.9%*			*70.5%*		

Note: *, **, *** significant at the 10 percent, 5 percent and 1 percent levels, respectively. Variables are defined as, Factor 1 (Listing costs), Factor 2 (Ownership and control), Factor 3 (Knowledge about benefit of listing), Factor 4 (Information disclosure requirement), Factor 5 (Tax incentive to list on stock market), Factor 6 (Early investor influence to list on stock market), Factor 7 (Market efficiency), Age (Years in business operation), Profit (the most recent reported profits), Equity (the most recent reported shareholder's equity), Competition (Competitive environment), Investment (level of investment opportunities). This table presents Logistic regression on a binary variable that equals to 1 if company is listed on the stock market or interested on listing in the next 5 year and 0 otherwise. The logistic regression is estimated using the bootstrapping approach based on 1000 bootstrap samples. The odds ratios are calculated by taking the exponential of the coefficients.

Similarly, there is a negative and significant impact of the information disclosure requirement factor on the Founders/CEO's probability to list on the stock market at a 5 percent significant level in Models 1 and 2. The odds ratio of information disclosure requirements is 58 percent, which implies that there is a 58 percent likelihood that excessive information disclosure requirements after listing is likely to discourage Founders/CEO's from listing their companies on the stock market. This finding supports hypothesis 2 which states that Founders/CEOs who perceive that the information disclosure requirements are excessive are less likely to take their companies public and list the company shares on a stock market. The study's findings may be associated with the apprehension of Founders/CEOs that going public could expose past unethical behaviors, such as tax evasion and maintaining double sets of financial records. The potential for regulatory bodies to uncover such activities could indeed lead to penalties and sanctions, which could have serious consequences for the company and its leadership. This fear could certainly discourage Founders/CEOs from pursuing a listing on the stock market, as the potential risks and consequences may outweigh the perceived benefits of going public. This issue underscores the importance of ethical business practices and transparency in corporate governance. Additionally, one of the respondents mentioned that *"It is the case that listed companies required to disclose info about their business activities and properly audited financials can be at a disadvantage compared to non-listed companies. There should be regulations that require non-listed companies to disclose their info and to deal with non-listed companies that do not pay proper tax to create a level-playing field for all businesses"*.

However, previous studies show that extensive disclosure of information is generally believed to lead to more efficient stock markets. When companies provide more information about their activities, financial health, and future prospects, investors can make more informed decisions about the value of the company's stock (Claessens et al., 2002; La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2002; Bouattour, 2020). This increased transparency can lead to a more accurate reflection of the true value of the company in the stock price. It also helps in reducing information asymmetry between different market participants, leading to a more level playing field for investors.

Furthermore, the results also suggest that the presence of tax incentives has a favorable and statistically significant effect on the likelihood of Founders/CEOs choosing to list their company on the stock market, with a significance level of 1 percent in Modes 1 and 2. The tax incentives have an odds ratio of 225 percent, indicating a strong possibility that increased tax incentives will motivate Founders/CEOs to list their companies on the stock market. This finding corroborates hypothesis 8, which posits that government-provided tax incentives have a beneficial impact on a company's choice to be listed on the stock market. Similarly, the findings are consistent with previous studies that found that tax incentives, such as the reduction in capital gains tax rates, had a positive effect on the number of IPOs, indicating that tax incentives can influence a company's decision to go public (Foerster & Karolyi 1993; Giudici & Paleari, 2003; Hoberg & Prabhala, 2009; Yung, 2013). Interestingly, one of the respondents mentioned that *"the current tax incentives are not attractive to the education industry which already has significant exemptions from income tax; therefore, for such industries additional or alternative incentives are required to encourage listing on the*

CSX". This clearly shows that the Cambodian government will have to introduce more incentives to encourage more companies to list on CSX.

Our research findings demonstrate that profitability exerts a positive and statistically significant influence on the decision of Founders/CEOs to list their companies on the stock market, with a significance level of 5 percent. Listing on CSX necessitates a crucial need for profitability. In order to qualify, a company must demonstrate either a positive net profit in the previous year, or positive operating cash flow and a gross profit margin of no less than 10%. The odds ratio for profitability is 35 percent, indicating a 35 percent likelihood that increased profitability will motivate Founders/CEOs to list their companies on the stock market. Increased profitability improves a company's capacity to attract investors in the public market, enabling it to generate significant funds by selling shares. The availability of extra finances is essential for supporting future growth, conducting research and development, and pursuing strategic initiatives (Bhattacharya et al., 2012; Fama & French, 2004; Loughran & Ritter, 2004). Profitability has a beneficial impact on the valuation of a company on the stock market. Investors frequently assess companies' worth by analyzing their earnings and profitability metrics (Abdullah, Ma'aji & Khaw, 2016; Hall & Murphy, 2003).

Furthermore, the study reveals that the shareholder's equity is negative and has a significant impact on the decision of Founders/CEOs to list their companies on the stock market, with a significance level of 1 percent. Shareholders' equity is a requirement for listing on CSX, requiring a minimum of USD 500,000 in equity. The odds ratio of shareholders' equity is 75 percent, indicating a 75 percent chance that increased shareholders' equity will deter Founders/CEOs from listing their companies on the stock market. These findings corroborate our previous findings regarding the impact of ownership and control and the need for information disclosure on stock market listing. Going public often involves dilution of ownership as founders and existing shareholders sell shares to the public. Higher shareholders' equity means there is a larger base of existing shareholders, potentially reducing the control and influence that founders have over the company (Bushee, 1998; Pagano, Panetta & Zingales, 1998). Additionally, publicly traded companies often face pressure to meet quarterly earnings expectations. Higher shareholders' equity may raise expectations for consistent and strong financial performance, potentially leading to the short-termism that founders and CEOs may find constraining (Graham, Harvey & Rajgopal, 2005). The findings of the study show that the impact of listing cost, knowledge about the benefit of the listing, the influence of early investors such as VCs and PEs, and market efficiency on the decision to list on the stock market are negligible and can be ignored.

Conclusion

The study sheds light on the factors influencing the reluctance of companies in Cambodia to list on the CSX, despite the government's efforts to promote economic development through the stock market. The findings reveal several significant factors affecting the decision-making process of Founders/CEOs, providing valuable insights into the challenges faced by the CSX on attracting more listing.

Ownership and control issues emerged as a prominent factor, with founders and CEOs expressing concerns about potential loss of control and influence over their companies upon listing. This fear is a key deterrent, leading to a decreased likelihood of companies opting for an initial public offering (IPO). The study validates the importance of maintaining a balance between attracting external capital and preserving control for existing stakeholders. Moreover, the study underscores the impact of information disclosure requirements on the decision to list. Excessive disclosure demands post-listing were found to discourage founders and CEOs, pointing to a need for a balanced regulatory framework that ensures transparency without overwhelming companies with regulatory burdens. Striking the right balance in disclosure requirements could be crucial for fostering a conducive environment for companies to go public.

On a positive note, the study highlights the significant influence of tax incentives on the decision to list. The findings indicate that offering greater tax incentives upon listing can motivate founders and CEOs to view the stock market as a feasible alternative. This underscores the significance of government policies in establishing favorable conditions for corporations to engage in initial public offerings (IPOs). Furthermore, we observe that firm-specific characteristics, such as profitability and equity, have a significant role in influencing the corporate choice to go public. Enhanced profitability strengthens a company's potential to lure investors into the public market, allowing it to generate substantial capital by going public on the stock market. Moreover, increased shareholders' equity will deter Founders/CEOs from listing their companies on the stock.

There are multiple policy implications that the government can derive from these results. The results suggest that the existing ownership and control structure implemented by CSX is adequate. However, regulators in collaboration with relevant stakeholders, should organizes extensive educational programs targeting company founders and executives, highlighting the benefits and advantages of being listed on CSX. The existing structure appears to strike a balance between accessing capital and retaining control. This is evident from the fact that, as pointed out by one of the respondents, *"most listed companies on the CSX so far were offered less than 20% of total shares to the public. Founders still maintain control of the company. Furthermore, an offer to buy 5% or more will constitute a tender offer, which is subject to approval from the Securities and Exchange Regulator of Cambodia (SERC)"*. Develop educational modules specifically addressing the misconceptions surrounding the fear of loss of ownership and control after listing. Highlight successful cases where companies have listed while still maintaining significant control, emphasizing that listing can be a strategic step for growth

rather than a relinquishment of authority. Showcase success stories of companies that have gone public on the CSX, emphasizing the positive outcomes and the sustained growth achieved after listing. Personal testimonies from founders who navigated the process successfully can be powerful in influencing perceptions.

Additionally, some Cambodian companies are widely recognized for engaging in double bookkeeping and other financial malpractices as a means to avoid paying taxes and other government levies. Presently, they are confronted with the predicament of needing funds to finance expansion by either listing or private placement. However, they are apprehensive about the potential repercussions of government sanctions resulting from their previous practices of maintaining two sets of financial records and evading taxes. Publishing information after listing on the stock market severely dissuades companies from pursuing the chance to expand their business or create partnerships with internationally strategic partners that can assist in scaling their operations. It is crucial for policymakers to address their apprehensions related to potential government sanctions and the stringent information disclosure requirements post-listing. To foster a more conducive environment for these businesses to consider stock market listings or private placements for capital infusion, the implementation of tax amnesty programs that allow businesses to come forward voluntarily, disclose past irregularities, and rectify their tax positions without facing severe penalties. There have been numerous instances of this kind of program being effectively implemented in developing countries, which has resulted in positive outcomes. Moreover, policymakers should facilitate open and constructive dialogues between relevant government agencies and business representatives to address concerns and establish a pathway for businesses with a history of double bookkeeping and other financial malpractices to rectify their financial practices by offering reduced penalties or financial assistance for compliance initiatives.

The Cambodian government should explore ways to enhance tax incentives for companies opting for a stock market listing as many industries currently do receive those incentives in one form or the other. For example, the CSX through SERC can seek government support to suspend comprehensive tax audit by the General Department of Taxation (GDT) when listing on the stock market as long as the listing company's financial statements are audited by reputable auditing firms and the company holds a valid tax clearance certificate. This is because Founders/CEOs feels that this type of audit is burdensome and time consuming. Foster an ongoing dialogue to address any emerging concerns, ensure that tax incentive programs remain effective, and make necessary adjustments based on the evolving needs of the business community. Offering attractive tax benefits can serve as a powerful motivator for founders and CEOs, making the stock market a more appealing option.

Finally, a multi-faceted approach that addresses concerns related to ownership, control, disclosure, and taxation is essential to foster a more vibrant stock market in Cambodia. By understanding and responding to the specific challenges outlined in this study, policymakers and regulators can contribute to the growth and development of the CSX, ultimately benefiting the overall economy of Cambodia.

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Appendix 1: CSX Listing Requirement

Criteria	Main Board	Growth Board
Legal Form of the Company	≥ Public Limited Company or Permitted Entity	≥ Public Limited Company or Permitted Entity
Shareholders' Equity	≥ USD 7,500,000	≥ USD 500,000
Net Profit	≥ USD 500,000 at the end of last 1 year **and** ≥ USD 750,000 for the sum at the last 2 year	≥ Positive net profit for the last 1 year **or** positive operating cash flow and gross profit margin of at least 10%.
Audited Financial Statements	≥ 2 (two) years audited in accordance with full CIFRS	≥ 1 (one) year audited in accordance with full CIFRS
Corporate Governance	≥ 5 BOD members ≥ 1/5 Independence Director ≥ 1 Corporate Secretary ≥ Audit, Nomination and Remuneration Committee	≥ 3 BOD Members ≥ 1/5 Independent Director ≥ 1 Corporate Secretary ≥ Audit Committee is required if there are at least 5 BOD members
Number of shareholders holding less than 1% of voting shares and at least 10 shares	≥ 200 **or** ≥ Otherwise determined by the Director General of the SERC proposed by the CSX	≥ 100 **or** ≥ Otherwise determined by the Director General of the SERC proposed by the CSX
Number of shares held by shareholding less than 1% of voting shares	≥ 7% of total voting shares, or ≥ Otherwise determined by the Director General of the SERC proposed by the CSX	≥ 10% of total voting shares or ≥ Otherwise determined by the Director General of the SERC proposed by the CSX
Change in the Largest Shareholder	≥ Share ownership of Largest Shareholder shall not be changed for the last 1 (one) year until the official listing.	

The growth board has less stringent requirements and could move to the main board after meeting the criteria. ***Source:*** *Cambodia Securities Exchange.*