CHAPTER II

THEORITICAL BACKGROUND AND PREVIOUS RESEARCH

2.1 Theoritical Background

2.1.1 International capital market

Capital markets are markets where people, companies, and governments with more funds than they need (because they save some of their income) transfer those funds to people, companies, or governments who have a shortage of funds because they spend more than their income (Woepking, 2007). Stock and bond markets are two major capital markets. Capital markets promote economic efficiency by channeling money from those who do not have an immediate productive use for it to those who do. (http://www.uiowa.edu/ifdebook/ebook2/contents/part3-II.shtml).

At the turn of the twenty-first century, the merits of international financial integration are under more forceful attack than at any time since the 1940s. Jagdish Bhagwati (1998) argues that the risks of global financial integration outweigh the benefits.

Discussing about international capital market, basically, the international capital market includes any transaction with an international dimension. It is not really a single market but a number of closely integrated markets that include some type of international component. (Woepking,2007). The foreign exchange market was a very important part of the international capital market during the late 1990s. Internationally traded stocks and bonds have also been part of the international capital market. Since the late 1990s, sophisticated communications systems have allowed people all over the world to conduct business from wherever they are (http://www.uiowa.edu/ ifdebook/ebook2/ contents/part3-II.shtml).

As noted, investors have become increasingly interested in equity market around the world because the United States now accounts for only about one-third of the world's stock market capitalization (Ernts & Young, Global IPO trends 2010). Many equity markets exist examples in the developed countries include the United Kingdom, france, German, Italy, Switzerland, Japan, Hongkong, and Canada.

Investors are also interested in emerging market such as Mexico, Brazil, and Indonesia because of large number and variety of foreign markets, we will consider only a few highlights here (Jones,2000). The major world financial centers include Hong Kong, Singapore, Tokyo, London, New York, and Paris, among others (Woepking, 2007).

International financial markets allow residents of different countries to pool various risks, achieving more effective insurance than purely domestic arrangements would allow. Furthermore, a country suffering from a temporary recession or natural disaster can borrow abroad. Developing countries with little capital can borrow to finance investments, thereby promoting economic growth without sharp increases in saving rates. At the global level, the international capital market channels world savings to their most productive uses, irrespective of location.

Gordon, Cheol and Janakiramanan (1988) noted that in completely segmented capital markets, investors of one country are unable to invest in securities of the other country and vice versa. In completely integrated capital markets, investors of different countries face the same opportunity set including all domestic and foreign securities.

The statement above encourages many firms to join international capital market. Desai (2004) propose several relevant factors relating to the reasons that companies look for foreign markets as participation in international capital markets to list their shares and the following quote:

a) Better shareholder protection-greater visibility on governance and accounting reports might improve firm's assessments, increasing their credibility among investors
b) Product market-firms listing their stock in markets where they sell their products might amplify the visibility on themselves and their products among consumers
c) Labor market- firms with employees abroad might be interested in list their stock in these foreign markets as an employee's incentive program.

2.1.2 Going Public

Each company was established with the expectation that the company can maintain its survival, is growing rapidly and can exist for long periods of time. In the early establishment of companies, in general, has seen enough to survive in the activity of his business but as time passes, there is increasing competition, requiring strategies that not only makes companies survive, but able to make the company win business competition that is getting tighter. One of many strategies used by company to survive from the competition is going public.

Basically, going public is the process in which a business owned by one or several individuals is converted into a business owned by many. It involves the offering of part ownership of the company to the public through the sale of debt or more commonly, equity securities or stock (http://www.venturea.com/public.htm). Many entrepreneurs view the process of going public as the epitome of financial success and reward; however the decision to go public requires considerable strategic planning and analysis from both legal and business perspectives (Sherman, 2005). Going public involves having the shares in a company quoted on a stock exchange, and companies usually go public via an initial public offering (IPO) of their shares to investors (Jenkinson and Ljungqvist, 2001).

The process of selling shares that were formerly privately held to new investors for the first time, otherwise known as an initial public offering initial public offering (http://www.investopedia.com/terms/g/goingpublic.asp).

2.1.3 Initial Public Offering

All companies need to raise capital to start up their business, expand their market operations, or to finance new projects

An Initial Public Offering is a legal process in which a company registers its securities with the Securities and Exchange Commission (SEC) for sale to the general investing public (Sherman, 2005) . According to Black's Law Dictionary, IPO is a company's first public sale of stock; the first offering of an issuer's equity securities to the public through a registration statement. Based from that, IPO's are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

Initial Public Offerings (IPOs) are a security which is sold to general public for the first time, with the expectation that a liquid market will develop (Ritter, 1998). An IPO is a type of a primary offering, which occurs whenever a company sells new securities, and differs from secondary offering, which is the public sale of previously issued securities, usually held by insiders. A company that is thinking of going public should start acting like a public company as much at the time include preparing detailed financial statements on regular basis and developing a business plan (Arvin Ghosh, 2006).

An IPO can be a risky investment. For the individual investor it is tough to predict what the stock or shares will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPOs are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value. (http://en.wikipedia.org/wiki/Initial_public_offering).

Few events in the life of a company are as great in magnitude and consequences as an initial public offering (IPO). An IPO is the first time that shares in a company are sold to public investors and subsequently traded on the stock market. A public listing fundamentally alters the firm's legal and economic structure. The IPO can be used to raise capital for expansion of operations, increase liquidity for the shareholders, improve the company's reputation and to create a valuable currency, the stock, that can be used to make acquisitions and compensate employees.

Pagano, Panetta and Zingales (1998) find that for a sample of Italian IPOs, the predominant reason why firms go public is to re-balance their capital structure and to exploit mispricing rather than to raise capital for financing investments. Going Public is generally considered a watershed moment in a firm’s history, being associated with a number of important changes. Once a firm is publicly traded, there is a market in which executives and other insiders can sell their shares. In addition, the firm can raise capital in public equity and possibly debt markets, and the firm faces increased disclosure and regulatory requirements.

There are many kinds of IPO, but in this research we use two kinds of IPO, they are domestic IPOs and foreign IPOs. Domestic IPOs are issued only in the home country, and the foreign IPOs are IPOs that go public in at least one foreign country but not in their home country (Caglio, Hanley and Westberg, 2010).

2.1.4 Benefit of Going Public

Like most decisions, taking your company public has advantages and disadvantages when a corporation makes its initial sale of stock to the public and goes public, there are many benefits, the firms will get. Some major benefits include the following according to Buchanan Ingersoll & Rooney PC (1998)**:**

a. Going public generates additional capital for growth without the risks of debt or the restrictions that may be demanded by venture capitalists. Assuming that the stock is sold in a "primary" offering, one in which stock is sold for the account of the company, new capital is raised without the associated risks, restrictions and costs of debt or the constraints of venture capitalists.

b. A company's ability to raise additional capital is often enhanced after going public. Since the sale of stock by a corporation increases the company's net worth and decreases its debt-to-equity ratio, the company is often able to increase its borrowings and obtain terms more favorable than before the offering.

c. The founders of a company which has gone public will achieve a much higher degree of liquidity for their investment

d. A public company can often attract and retain better employees. Before a company goes public, particularly when it may not be able to pay market salaries to its executives or other employees, it often uses its potential for going public to attract and retain the best personnel by offering stock to such employees that will likely be significantly more valuable upon an offering

e. A public company, as well as its founding shareholders, may gain a significant amount of prestige and positive publicity, benefiting the business operations of the company. A company's going public is a mark of success. Also, publicly held companies and their disclosures of information are followed by industry analysts and others in a position to publicize the company.

Based on the previous research, the researcher also found many benefits such as going public wish to overcome borrowing constraints (Huyghebaert and Van Hulle, 2002). Beside that diversification where the riskier companies more likely to go public and have consequences after IPO to control shareholder decrease his stake (Pagano, 1993). Based on market microstructure models the benefit is liquidity that effect to smaller companies that less likely to go public. Besides, there are another benefits, such as Public is stock monitoring (Holmstrom and Tirole (1993) and Oagano and Röell (1995)), Enlarge set of potential investors (Merton, 1987), increase bargaining power with banks (Rajan, 1992), Optimal way to transfer control (Zingales, 1955a), and exploit mispricing that give impact on the probability of IPO is high market to-book values in the relevant industry (Ritter, 1991).

The cross country differences in the volume and age issuers suggest that external factors affect the IPO decision. Since public company need a stock market to list on, countries with poorly developed markets are likely to experience fewer IPOs. Public ownership creates a new class of dispersed shareholders who may be in a minority position relative to the old shareholders. The legal and political environment determines how well minority shareholders are protected, consequently influencing their initial decision to invest in the IPO.

2.1.5 Going Public Abroad

Going public abroad means that company listed IPO in foreign capital market (Caglio, Hanley, Westberg, 2010). The major reason of going public abroad may be that the company has limited access to capital in its home market. In jurisdictions where the capital market is less developed and/or the access to it is restricted companies would tend to list abroad if they are allowed to do so. Even if market access is not restricted at home, the capital raising capability of a company at home and abroad may be enhanced by listing on a leading exchange. Other possible reasons for listing overseas include the prestige that the foreign market may offer to the issuer. By listing on a leading exchange in the world, the company would expect to gain a higher profile that would help in the marketing of its products or services in the market where it is listed and globally.

A company with a global business perspective might also choose to list in multiple markets around the world to gain exposure to more potential customers and investors. Broader investor base would also help increase the firm's capital raising capacity (Research & Corporate Development Department, 2007). Saudagaran (1988), Biddle and Saudagaran (1991) evaluate the factors influence firm's decision to cross list its stock in foreign stock exchange in which align with the objectives of firms try to accomplish stated before. From a financial perspective, international listing can indirectly give firms a chance to improve their cost and availability of funds by tapping foreign money and capital markets. Howe and Kelm (1987) note that having a corporation's stock listed can provide the company greater access to the foreign money market and make it easier to sell debt.

Firms may list their shares on foreign stock exchanges for political reasons. Listing overseas could help a firm overcome the political restrictions imposed by a host country. For example, foreign stock listing may reduce the risk of the imposition of capital controls. It also can improve the relationship between the firms, the foreign government and the foreign financial community, which in turn may reduce political risk. If political risk is not diversifiable, such a reduction should lower the firm's cost of capital. Selling shares on foreign stock exchanges can help avoid nationalistic reactions to foreign subsidiaries that are wholly owned. Foreign listing can help a firm meet local ownership requirements and engender local support.

Listing a company's stock abroad can stem from marketing and public/labor relations motives. For example, foreign listing can boost corporate marketing efforts by broadening product identification with investors and consumers in the host country. Therefore, listing abroad can serve as a source of visibility and name recognition. International listing can also be an act to recognize a country as an important market for the firm's or services. The applications an approval process for listing on a foreign exchange can provide a positive signal from management about the firm's future prospects.

According to a public and labor relations standpoint, international listing can increase exposure to investors, the government, the stock exchange, and the financial community of the host country. Widespread foreign ownership of stock encourages foreign shareholders, employee, and management loyalty and can improve the prospects of labor relations within foreign affiliates. For example, some firms offer stock option and stock purchase plans to employees in their foreign operations. Listing on the local stock exchange can make these plans more effective.

Medeiros and Tiberios determine empirically factors influence Brazilians firms in their decision to cross border list their stocks and conclude the strategic factors motivating to cross list:

a) to amplify capacity in raising capital, by trading in promising stock markets

b) to enhance visibility abroad so as to increase competitiveness in international markets

c) to exploit comparative advantages obtained from adopting best practice of corporate governance.

2.1.6 Benefit Of Going Public Abroad

Karolyi (1996) finds evidence from company that foreign listing is designed to reduce the risk associated with raising capital and reduce the cost of equity capital. International listing can provide other financial benefits. First, a firm can expand its potential investor base and increase the demand for its stock. This may occur because listing provides a convenient way for foreign nationals to get and trade a firm's stock. Foreign investors can trade the stock in their currency and thus save transactions costs. Second, foreign listing can improve a firm's ability to make foreign mergers and acquisitions because some countries permit only firms listed on the local exchange to make tender offers. Finally, an active foreign market in a firm's stock can make it easier to arrange stock swaps and tender offers.

International listing can increase exposure to investors, the government, the stock exchange, and the financial community of the host country. Widespread foreign ownership of stock encourages foreign shareholder, employee, and management loyalty and can improve the prospects of labor relations within foreign affiliates for example, some firms offer stock option and stock purchase plans to employees in their foreign operations. Listing on the local stock exchange can make these plans more effective. Also consistently with the "awareness hypothesis", cross listing in New York and London is associated with increased analyst coverage and media attention (Baker, Nofsinger and Weaver , 1999), and managers of cross listed firms report increased prestige and visibility and growth in shareholders as the main benefits of cross listing (Bancel and Mitto, 2001)

2.1.7 Cost Of Going Public Abroad

According to Tim Jenkinson and Alexander Ljungqvist in their book about theory of going public there are two kinds of cost:

a. Direct cost

   The costs of an issue that involve in direct cost such as underwriter fees, selling commissions, legal expenses, accountancy, audit fees in addition to the less quantifiable costs in terms of management time (Jenkinson and Ljungqvist, 2001:4).

b. Indirect cost

   The costs of an issue that involve in indirect cost associated with under pricing of the shares when shares are sold at a price below that price which they subsequently trade (Jenkinson and Ljungqvist, 2001:4).

There are varieties of costs associated with listing abroad. Almost the same with the cost of going public domestically, the costs of going public abroad include listing fees and charges for documentation, application process, legal services, investment bank services, compliance with accounting standards on the foreign exchange, and others (Xinde and King, 2008).

Since most of these costs have a fixed component, larger firms are more likely to be able to afford these costs (Ritter, 1987). Therefore, this research predicts that larger firms are more likely to list abroad than smaller firm. Biddle and Saudagaran (1991) report that the major accounting and regulatory costs of a foreign listing include:

a) Adjusting accounting and auditing procedures to meet local requirements,

b) Changing the frequency of financial reporting,

c) Meeting more extensive foreign financial disclosures, and

d) Dealing with the foreign regulatory agency's jurisdiction over worldwide business practices.

2.1.8 Determinants of Going Public Abroad

Caglio, Hanley and Westberg (2010) examined that there are many determinants of going public abroad. They examined a number of factors that may influence the decision to go public abroad, such as firm size, profitability and growth, foreign sales, size of stock, bond market, legal and disclosure standards, financial reform. Firm size has been a critical determinant of the decision to cross list (Saudagaran (1988)). Caglio, Hanley and Westberg (2010) predicted that IPOs that go public abroad will be larger in terms of size than their domestic counterparts. Besides, they hypothesize that the decision to go public abroad should be positively related to market to book ratio and ROA, foreign sales as important variable in the decision to go public abroad, and the characteristics related to better access to capital such as size of the stock and bond markets should be negatively related to the decision to list abroad. In further, this research will use four from seven determinants suggested by Caglio, Hanley and Westberg

(2010) research as determinant of going public abroad, they are firm size, profitability and growth, foreign sales, size of stock, bond market .

2.1.9 Relation between Firm Size and decision going public abroad

In this research the measurement of firm size represented by total asset (Caglio, Hanley and Westberg, 2010). Saudagaran (1988) found that firms listing abroad have greater assets, sales, and market values than firms do not list in foreign market relation between profitability and growth with decision going public abroad. Firm size has been a critical determinant of the decision to cross-list (Saudagaran (1988). Larger firms have the necessary resources to hire investment banker and lawyers to help navigate an international listing. Firm size is one of determinants to go public abroad because one of the registration criteria for cross listing is generally requires that firms must be large (Widjaja, Risnamanitis, 2009).

In addition, information asymmetry may be lower for larger, in more established companies. This is particularly important for IPOs where information asymmetry is likely to be high because no public market exists for the firm's stock. Since IPOs raise capital, it could be the case that the firms choosing a foreign IPO need greater proceeds than the home market can provide. Sales growth has insignificant effects on the probability of listing a foreign IPO, whereas asset growth has significant and positive impacts on the decision. High growth in assets but not in sales leads to a higher probability to list a foreign IPO (Xinde and King, 2008).

2.1.10 Relation between Profitability and Growth with decision going public abroad

Profitability and growth may also influence the decision to list shares outside the home country. Market to Book Ratio is a useful way of measuring company's performance and making quick comparisons with competitors, by this analysis can be seen, whether company is under or overvalued if the business has a low market or Book Ratio, its considered a good investment opportunity, when the firm has good investment opportunity so the firm will develop and grow. Market to book ratio (M/B) measures the market capitalization (expressed as price per stock) of a business divided by its book value (the value of assets minus liabilities) (http://www.qfinance.com/asset-management-alculations/market-book-ratio).And besides M/B, profitability can be measured by ROA. Return on Asset described how efficient management is at using its assets to generate earnings or profit. The higher the return, the more efficient management is in utilizing its asset base.

Firms that have greater market to book (M/B) ratios and higher return on assets (ROA) need access to greater amounts of capital not only at the time of the IPO but also in the future. Cross-listed firms have greater M/B than other firms suggesting that growth opportunities are an important determinant of the decision to list in a foreign market (Pagano, Röell, and Zechner (2002)).

The research shows only those companies that are mature enough, in terms of M/B and ROA, can go public (Caglio, Hanley, and Westberg, 2010).This ratio signals that firms with high market to book ratio have highly valued shares, making it interesting for company to issue new stock (De Medeiros e Daher, 2004; Rajan and Zingales, 1985).

2.1.11 Relation between Foreign Sales and decision going public abroad

A firm's product market presence in the country where it is going to raise capital may reduce the information asymmetry between the issuing firm and foreign investors. IPOs do not have current trading values that foreign investors can use to assess the price of the shares. Because limited information from firms caused by there is no history trading, foreign sales are proxy to investor familiarity with the company through the product market, to improve the visibility and likely to be an important variable in the decision to go public abroad. Another relation between foreign sales and decision going public abroad is firms with strong overseas exposure need to improve their visibility on the market they operates, because of that the firms with huge amount of total foreign sales (export) should consider to go public abroad.

2.1.12 Relation between Size of the stock and bond market and decision going public abroad

Conducting an IPO outside the home country may be influenced by market characteristics (Pagano, Randl, Röell, and Zechner (2001)). Better developed capital markets in the home country should reduce the need to raise capital abroad. Larger, more developed capital markets are likely to have better liquidity and lower transactions costs and lessen the need for an IPO to go public abroad. The characteristics related to better access to capital measured by the size of the stock and bond markets (Caglio, Hanley, Westberg, 2010).

2.2 Previous Research

There are many previous researches about going public abroad, such as Saudagaran (1988), Xinde and King (2008), Pagano, Röell, and Zechner (2002), Caglio, Hanley, Westberg (2010), Sanvincente (1996). Summarize can be seen on the table below:

Table 1
Summary of Previous Research about Determinants of Going Public Abroad

Research Study	Topic	Sample	Hypothesis	Result
Firm Size				
Saudagaran (1988) argued that Firms are more likely to list overseas if they have high sales in foreign countries and have high amounts of assets and employment overseas and the result of the observation was large companies with high ratio of overseas to total sales more likely to list, besides, Sanvicente (1996) also the same conclusion that larger firms are likely to be listed but this research did not supported by Xinde and King (2008) because they examined that total assets (as measurement of firm size) is negatively related the probability to list a foreign IPO and week evidence that larger size should issue a foreign IPO				
Saudagaran (1988)[1]	Characteristics of companies listing on overseas exchange	223 companies listings in U.S, Europe, Canada, Japan.	Firms are more likely to list overseas if the firms have high amounts of assets and employment overseas	Large companies with high ratio of overseas to total sales more likely to list
Xinde and King (2008)[2]	The Decision to List Abroad: The Case of ADRs and Foreign IPOs by Chinese Companies	Sample includes all listings of Chinese companies from 1993 to 2005foreign IPOs issued on exchanges outside of China, and domestic IPOs on Chinese exchanges. Data on listing activity is collected directly from the exchanges on which the shares are listed. These exchanges include	Issuers with a larger firm size are more likely to list abroad	-Total Assets (as measurement of firm size) is negatively related the probability to list a foreign IPO -week evidence that larger size should

		NYSE and NASDAQ (US), London AIM (UK), Hong Kong Exchange and Hong Kong Growth Enterprise Market (Hong Kong), Singapore Exchange and Singapore Catalist (Singapore), and Shanghai Stock Exchange and Shenzhen Stock Exchange (China). Listing dates are collected from China Center for Economic Research. The search yields an initial sample consisting of 33 ADRs, 218 foreign IPOs, and 1,418 domestic IPOs over the period 1993 to 2005.		issue a foreign IPO
Sanvicente (1996)[3]	Why firms are publicly listed are related to size			Larger firms (Net operating Revenues and equity) are likely to be listed
Foreign Sales				
Pagano, Röell, Zechner (2002) and Saudagaran (1988) agree that greater foreign sales tend to be more likely to overseas list. Firms that are mode dependent on foreign markets cross list more often than those that sell primarily on the domestic market.				
Pagano, Röell, and Zechner (2002)[4]	The Geography of Equity Listing : Why do companies list abroad? (2001)	The sample include all the companies listed domestically in the main segment of nine eruopean exchange, companies that cross list in the US and companies that cross list within EU 9	The greater the percentage of foreign sales, the more likely the IPO will go public abroad. Greater foreign sales are often used as a	Greater foreign sales increase the probability that a firm will list outside its home

			prpxy for foreign IPOs choice of going public abroad. Because IPO does not have any prior trading history, foreign sales may allow the IPOs to successfully reduce the information asymmetry between foreign investors and issuing firm.	country. IPOs do not have current trading values that foreign investors can use to assess the price of the shares.
Saudagaran (1988)[1]	Characteristics of companies listing on overseas exchange	223 companies listings in U.S, Europe, Canada, Japan.	Companies that sell popular brands abroad may find it easier to place their shares in foreign markets because local investors already trust them as consumers.	104 companies already listed abroad in 1981 had a higher proportion of foreign sales than a control sample. - Firm's dependence on foreign market
Caglio, Hanley, Westberg, (2010)[5]	Going Public Abroad: The Role of International market	Foreign IPO listing, domestic IPO, global IPO, subsequently cross listing, cross listing from 2002-2007	The decision to go public abroad should be positively related to foreign sales	Greater foreign sales, the more likely the IPO will go public abroad
Size of the stock and bond market				
The most attractive stock exchanges could be those located in countries with higher liquidity, better shareholder protection, legal and bureaucratic system that are more				

efficient , but not those with accounting standards that are more restrictive , where negative correlation were identified (Pagano et al (2001)) and Caglio, Hanley, Westberg (2010) emphasize that weaker stock and bond market are likely to choose foreign IPO.				
Caglio, Hanley, Westberg, (2010)[5]	Going Public Abroad: The Role of International market	Foreign IPO listing, domestic IPO, global IPO, subsequently cross listing, cross listing from 2002-2007	Find companies listed abroad come from less developed markets	IPOs from countries with weaker stock and bond market developmen t are more likely to choose a foreign IPO
Pagano, Randl, Röell, and Zechner (2001)[6]		Analyzing 2.322 firms that cross listed their stock in American an dEuropean between 1986 and 1997, verified that the number of American firms that listed stock in European markets decreased by one third, whereas there was a considerable increase in listings of European firms on American Stock Exchange	They conclude that the firm's decision to cross list might be related to the characteristics of the stock market of destination.	
Profitability and growth				
Xinde and King (2008) argued that better profitability are more likely to list abroad, but its difference with Pagano, Röell and Zechner (2002), Caglio, Hanley, Westberg, (2010) and Sanvincente (1996), they found that lower profitability is likely to go public abroad. Xinde and King (2008), Caglio, Hanley, Westberg (2010), Sanvincente (1996) found that low growth is likely to go public abroad, but Pagano, Röell and Zechner (2002) found that higher growth is likely to go public abroad.				
Xinde and King (2008)[2]	The Decision to List Abroad: The Case of ADRs and Foreign IPOs by Chinese Companies	Sample includes all listings of Chinese companies from 1993 to 2005. In particular, foreign IPOs issued on exchanges outside of China, and domestic IPOs on Chinese		Issuer that have better profitability are more likely to list abroad

		exchanges. Data on listing activity is collected directly from the exchanges on which the shares are listed. These exchanges include NYSE and NASDAQ (US), London AIM (UK), Hong Kong Exchange and Hong Kong Growth Enterprise Market (Hong Kong), Singapore Exchange and Singapore Catalist (Singapore), and Shanghai Stock Exchange and Shenzhen Stock Exchange (China). Listing dates are collected from China Center for Economic Research. The search yields an initial sample consisting of 33 ADRs, 218 foreign IPOs, and 1,418 domestic IPOs over the period 1993 to 2005.		
Xinde and King (2008)[2]	The Decision to List Abroad: The Case of ADRs and Foreign IPOs by Chinese Companies	sample includes all listings of Chinese companies from 1993 to 2005. In particular, foreign IPOs issued on exchanges outside of China, and domestic IPOs on Chinese exchanges. Data on listing activity is collected directly from the exchanges on which the shares are	predict that the issuers who list abroad are more likely to have higher growth in assets and sales and higher leverage	weak evidence that high growth firms are more likely to issue a foreign IPO than a domestic one

		listed. These exchanges include NYSE and NASDAQ (US), London AIM (UK), Hong Kong Exchange and Hong Kong Growth Enterprise Market (Hong Kong), Singapore Exchange and Singapore Catalist (Singapore), and Shanghai Stock Exchange and Shenzhen Stock Exchange (China). Listing dates are collected from China Center for Economic Research. The search yields an initial sample consisting of 33 ADRs, 218 foreign IPOs, and 1,418 domestic IPOs over the period 1993 to 2005.		
Pagano, Röell and Zechner (2002)[4]	The Geography of Equity Listing : Why do companies list abroad? (2001)	The sample includes all the companies listed domestically in the main segment of nine European exchange, companies that cross list in the US and companies that cross list within EU 9		Cross listing have lower ROA but higher M/B than other domestic counterparts .
Caglio, Hanley, Westberg, (2010)[5]	Going Public Abroad: The Role of International market	Foreign IPO listing, domestic IPO, global IPO, subsequently cross listing, cross listing from 2002-2007	The decision to go public abroad should be positively related to M/B and ROA	Foreign IPOs have lower M/B ratios and higher ROA
Sanvicente (1996)[3]	Why firms are publicly listed are related to			Listed firms tend to show low

	profitability and growth			profitability , as they are mature firms, and listed firms tend to show slow growth also for being mature.
Medeiros and Tiberio (2005)	Factors Influencing Brazilian Firms in their decision to List on Foreign Stock Exchange	The samples are 288 firms in Brazil listed in Bovespa and SOMA	Cross listed firms have high Market to book ratio.	Multivariate test: the result is market to book ratio was not significant to the cross listing decision.

Source : [1] Saudagaran, S. M. An Empirical Study of Selected Factors Influencing the Decision to List on Foreign Stock Exchanges. *Journal of International Business Studies***,** v. 10, n.1; p. 101-127, Spring, 1988.

[2] Xinde, Zhang and King, T.H.D, The Decision to List Abroad: The Case of ADRs and Foreign IPOs by Chinese Companies, *Journal of Finance*, 2008

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[6] Pagano, M., Randl, O., Röell, A. A. and Zechner, J., What Makes Stock Exchanges Succeed? Evidence from Stock Listing Decisions, *European Economic Review*, 45(4-6), 770-782. 2001

[7] De Medeiros, O.R., and Tiberio, C.S.B., Factors Influencing Brazilian Firms in Their Decision to list on Foreign Stock Exchanges, *Working Paper*, 2005

2.3 Hypothesis development

In this study, the research will examine the relation of many factors that can influence decision for going public abroad in China, Hong Kong, India, Indonesia, Japan Malaysia, Philippines, Singapore, South Korea, Taiwan. After found the determinants of going public abroad by using literature review of

Caglio, Hanley, Westberg (2010), this research also analyze how that determinants affect to go public abroad. There are four hypothesize those can describe how the determinants affect to go public abroad.

Large companies with high ratio of overseas to total sales and proceeds are more likely to list (Saudagaran, 1988). IPOs that going public abroad will be larger in term of size (Caglio, Hanley, Westberg, 2010)

Ha : Firm Size positively affects to the going public abroad decision.

Pagano, Röell, and Zechner (2002) find that cross-listed firms have greater M/B than other firms suggesting that growth opportunities are an important determinant of the decision to list in a foreign market. Firms that have greater market-to –book (M/B) ratios and higher return on assets (ROA) may need access to larger amounts of capitals not only at the time of the IPO but also in the future.

Decision to go public abroad should be positively related to M/B and ROA (Caglio, Hanley, Westberg, 2010)

Hb : Growth that being measured by M/B and profitability that being measured by ROA positively affects to the going public abroad decision

Pagano, Röell, and Zechner (2002) find that greater foreign sales will make, the higher probability that a firm will list outside its home country.

Foreign sales is an important variable in the decision to go public abroad (Caglio, Hanley, Westberg, 2010)

Hc: Foreign Sales affects positively to the going public abroad decision

Foreign IPOs originate from countries whose bond and stock market development is significantly lower than those of domestic IPOs. This is consistent with Subrahmanyan and Titman (1999) whose theory suggest that IPOs from countries with smaller, less developed stock markets may have informational inefficiencies that could be overcome by going public in a more developed market. IPOs from countries with weaker stock and bond market development are more likely to choose a foreign IPO

The characteristics related to better access to capital such as size of the stock and bond markets should be negatively related to the decision to list abroad (Caglio, Hanley, Westberg, 2010)

Hd: Size of the stock and bond markets affects negatively to the going public abroad