

## Does listing intention matter? Investigation of how earnings forecast affects decision to list on stock exchange



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### ABSTRACT

Based on the theory of planned behavior, this study investigates how the listing-decision variables (earnings forecast, word of mouth communication, and elements of corporate governance) affect the behavioral variable (listing decision), with the attitude variable (listing intention) being the mediator. Based on a sample drawn from companies listed on the Khartoum Stock Exchange, data were collected through a questionnaire. The data were analyzed using descriptive statistics, factor analysis, reliability, and regression. The findings support the theoretical framework, indicating that the listing-decision variables are significant in shaping the attitude variable. The listing intention significantly affects the behavioral variable. The study finds that listing intention significantly mediates between listing decision and earnings forecast, but not between listing decision and word of mouth communication or elements of corporate governance. The results support the conclusion that mediation between earnings forecast and listing decision affects the listing intention, so Sudanese companies should increase their intention to list, which would develop their relationship with the Khartoum Stock Exchange.

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### 1. Introduction

Public companies play a very important role in the dynamic competitive environment of modern economies. "Going public" means that companies plan to list their shares on a stock exchange, which simultaneously allows them to raise funds and provides investment opportunities for investors. In addition, a number of key benefits can be obtained by listing a firm, such as gaining access to capital for growth, creating a market for the firm's shares, expanding the shareholder base, developing an objective market value in the firm's business sector, supporting staff commitment and motivating them to increase performance, augmenting the firm's ability to make acquisitions, and allowing listed shares to serve as currency (LSE, 2010). However, despite all these advantages, companies are considerably reluctant to list on a stock exchange. The lack of faith in the outcome of such a decision raises the question of whether delisting may be advantageous and leads one to ask what factors

affect the intention to list on a stock exchange, which in turn affects the decision to list. The present study thus investigates the relationship between the consequences of listing and the decision to list, and examines how the consequences of listing on a stock exchange influence a company's listing intention. Furthermore, we examine how a company's listing intention mediates the relationship between the consequences of listing and the decision to list on the Khartoum Stock Exchange.

This study is organized as follows: Section 2 reviews the literature and presents the theoretical background for this study. Section 3 introduces the methodology used in the study and analyzes the data. Section 4 discusses the findings, and Section 5 gives the conclusions and discusses the limitations of the study, directions for future research, and managerial implications.

### 2. Literature review

#### 2.1. Concept of earnings forecast and its theoretical perspective

The accuracy of earnings forecasts (EFs) has been studied to determine how it affects investor decisions, share price, and company value (Firth, 1998; Jelic et al., 1998; Cheng and Firth, 2000; El-

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Rajabi and Gunasekaran, 2006). Cheng and Firth (2000) and Jaggi (1997) studied the association between EF accuracy and company size, auditor reputation, and retained equity. However, accurate forecasting is difficult to achieve, especially for new firms (El-Rajabi and Gunasekaran, 2006). In addition, EFs are impacted by uncontrollable

external factors, such as petroleum prices, inflation rates, exchange rates, international politics, etc., and any sudden change in these factors affects these forecasts (El-Rajabi and Gunasekaran, 2006). In their study on the accuracy of EFs, El-Rajabi and Gunasekaran (2006) summarized various important contributions to the research in this field (Table 1).

**Table 1:** Summary of important contributions to research into earnings forecasts accuracy

Author(s) and Year	Contributions
Blair and Taylor (1989)	Found that forecasts overestimate actual earnings by 21% and more than 50% of the predictions exceed actual earnings by over 100%.
Firth and Smith (1992)	Found that forecasts issued for New Zealand companies are poor compared with those for Hong Kong and Kuala Lumpur companies that undergo IPOs.
Lee et al. (1993)	Found that forecasts are overly optimistic for Australian IPOs.
Jelic et al. (1998)	Found that the age and industry classification of Malaysian firms have a statistically significant effect on the accuracy of EFs.
Firth (1998)	Argue that EFs included in Singapore's financial market IPOs constitute important information that affects investment decisions.
Cheng and Firth (2000)	Find that Earnings Forecast accuracy has poor explanatory power.
Hartnett and Romcke (2000)	Found that revenue forecasts are more accurate than EFs in Australian prospectuses.

The dispersion of forecasts has the gradual power to predict stock market returns above the mean revision, which may explain why stock markets react more strongly to bad news than to good: good news is not fully convincing and so results in less adjustment to analyst forecasts (Dische, 2002; Forbes et al., 2006). In addition, transparency, as demonstrated by either analyst forecast dispersion, is an important factor of share returns. Perfect forecasting has become a challenge for firms operating in a business environment characterized by high uncertainty and rapid change (Ang and Ciccone, 2001; Forbes et al., 2006).

## 2.2. Word of mouth communication

Word of mouth (WOM) communication is recognized as one of the most influential methods of information transmission (Jalilvand and Samiei, 2012). This phenomenon affects consumers because easily accessible information can have a strong impact consumption decisions (Jalilvand and Samiei, 2012). WOM communication plays an important role in shaping consumer attitudes and behaviors (Jin et al., 2002; Toldos-Romero and Orozco-Gómez, 2015). WOM communication is defined as "a kind of communication in which none of the participants are marketing sources" (Bone, 1995).

Exposure to WOM communication often appears to be more selective than the social communication methods (Jansen et al., 2009; Li and Du, 2011) and has a much greater influence on those who are exposed (Day, 1971). Summers (1970) proposed that some individuals have a disproportionate impact on the behavior of others in some given areas. Mowen (1990) stated that the degree to which an individual can impact in a desired way and with relative frequency the attitudes or behavior of other individuals. Over the years the antecedents and consequences of WOM communication have been documented in numerous studies (Holmes and Lett, 1977; De Matos and Rossi, 2008; Andreassen and Streukens, 2009).

Holmes and Lett (1977) examined the interaction with others and found that customers with positive experiences have more capability than others with negative experiences to interact with others. This seems to suggest that the basis for interaction with others is more accessible when the individual has been exposed to a positive event (Jalilvand and Samiei, 2012). WOM communication has been studied as an input (Bloch et al., 1986) and also as an output.

However, different theories have different interpretations. For example, the major idea of attribution theory is that causal analysis is inherent in an individual's need to understand social events (Jin et al., 2002). Whereas causal attribution is defined as "the cognition a receiver generates to infer the cause of a communicator's generation of information" (Jin et al., 2002). Herr et al. (1991) concluded that face-to-face WOM communication is more persuasive than communication in a printed format. Bone (1995) concluded that WOM communication can influence immediate and delayed product judgments. This impact appears to be stronger when the consumer faces a disconfirming experience and when the WOM source is perceived to be an expert.

## 2.3. Elements of corporate governance literature

Corporate governance (CG) has received significant attention from researchers around the world (Kahveci and Taliyev, 2016; Pillai and Al-Malkawi, 2017). It refers to a set of internal control mechanisms, such as board structure (i.e., the characteristics of the board of directors, executives vs. non-executive, etc.), leadership structure, and the ownership structure of the firm (i.e., family, managerial, or block-holder ownership), and external control mechanisms (i.e., changes in stock price, employment market for managers, and market for corporate control) whose aim is to protect the interest of public shareholders (Engel et al., 2002; Chahine, 2007; Kusumaningtyas et al., 2016; Li et al.,

2017; Sanchez-Marin et al., 2017; Shibani and De Fuentes, 2017; Yeh, 2017; Yu et al., 2017). These mechanisms allow fund providers to guarantee the return of their financial investments (Shleifer and Vishny, 1997; Chahine, 2007).

Gillan and Starks (1998) defined CG as “the system of laws, rules, and factors that control operations at a company.” Shleifer and Vishny (1997) defined CG as “the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.” Ahmed and Ahmed (2015) investigated the Khartoum Stock Exchange and identified the degree to which rules and corporate governance mechanisms are applied by banks listed in the financial market. They also developed a quantitative model of the relationship between the rules and mechanisms of corporate governance and the efficiency of the securities market and estimated the effects of this relationship. They concluded that the application of corporate governance helps raise the efficiency of the capital market by providing set ethical and professional rules that plays an important role in the field of financial and administrative reform. Demirkan and Platt (2009) found a significant difference between healthy and failed firms.

Che Haat et al. (2008) found that disclosure and timeliness do not contribute significantly to the relationship between corporate governance and market performance. In some countries, it is called “corporate best practices.” The Egyptian researchers called it “*al-hawkma ash-sharikatiya*,” which is the best-known Arabic term for corporate governance (Ogbuozobe, 2009). Chen (2005) revealed agency problems within China’s state-owned enterprises (SOEs) and argues that the current corporatization of SOEs in China has not improved the performance of the corporatized SOEs because it has failed to address the critical issue of corporate governance.

In Malaysia, where many public companies are family owned, the cost of bad corporate governance is paid by minority shareholders (Graham et al., 2002). Investors are willing to pay additional premium to purchase shares from organizations that have integrated the principle of corporate governance (Solomon, 2007; Ogbuozobe, 2009). Lund-Thomsen and Nadvi (2010) highlighted the importance of elements of corporate governance and the extent to which the related parties need transparency, disclosure, and quality audits. This is achieved through the effective application of the general principles of corporate governance, which promote the process of accountability. In addition, effective corporate governance has been linked to effective boards and has been identified as “a factor that not only contributes to the growth and financial stability of corporate enterprises but also promotes financial-market integrity and economic efficiency” (Shahin and Zairi, 2007; Ogbuozobe, 2009). Siegel (2005) proposed the hypothesis of “reputational bonding,” where cross-listed firms are effectively monitored to determine their reputation and broadcast it throughout the market. Because of its

impact on firm performance and shareholder return, corporate governance become a subject of daily sessions by business managers, and researchers (Michelberger, 2017).

#### 2.4. Integrative review of literature on intention

Ajzen (1985) defined intention as “trying to perform a given behavior rather than actual performance.” However, previous work on intention shows a strong correlation between a model's variables, which indicate a given behavior, and the actual performance of the behavior (Ajzen and Madden, 1986). Scholars believed that perceived behavior may come before attitude and subjective norms, thus it impacts intention and behavior (Bentler and Speckart, 1979). Bagozzi et al. (1989) found that direct relations between attitudes and behavior, unmediated by intention, may at least in part reflect methodological issues (Ajzen and Fishbein, 1977). The failure of such general attitudes to predict specific behavior directed at the target of the attitude has produced calls for abandoning the attitude concept (Wicker, 1969). Previous literature shows that the role of perceived behavioral control comes from the systematic research program of Bandura and his associates (Bandura et al., 1977; 1980). With refer to the theory of planned behavior, perceived behavioral control, together with behavioral intention, can be used directly to predict behavioral achievement (Ajzen, 1991).

#### 2.5. Factors associated with decision to list in stock exchange

Listing on the stock market means that the company’s business becomes a matter of public record: depending on the securities regulatory regime, other legal requirements may be required to satisfy investors and shareholders and to promote the image of the company. The risk incurred by the company’s owners is related to the expectations of the outside shareholders.

The cost of an initial public offering (IPO) depends on the size of the issue and includes, for example, legal fees, brokerage commissions, registration fees, and the cost of the time required to prepare an IPO. The management of the company decides how much capital needs to be raised and how information is provided to the shareholders, the latter of which must be considered as a continuous process to retain investor confidence. Some marketing efforts are also required to publicize the IPO.

Most companies that undertake IPOs have good performance, and investors tend to be overly optimistic and to focus excessively on information from the companies regarding higher returns and higher profits, with the expectation begin to gain the initial returns (IRs) and ignore the company’s constitution and the disclosed public information (Ritter and Welch, 2002; Shih and Fan, 2009). Previous research suggests that different situations

for market transactions cause different IRs for the public. The issuing cost is lower and the issuing companies can reduce these costs by underwriting the price when the market is broad, so that the discount degree is lower in a broad market (Helwege and Liang, 2004, Shih and Fan, 2009). Helwege and Liang (2004) indicated that growth in a “hot issue market” is higher than that in a “cold issue market,” because many institutional investors will participate in the former but not the latter. Thus, the IRs would be higher with a good return on market share prices. Chang and Tang (2007) studied Taiwanese companies that undertook IPOs and found that lower IPO pricing is similar to pricing in a cold issue market. Bin et al. (2003) treated issues related to the influence of variations in the exchange rate on American Depositary Receipts and suggested that the exchange-rate risk premium might be understood by investors as a potential benefit of portfolio diversification and as a hedging opportunity provided by international investments (De Medeiros and Tibério, 2009).

### 3. Data and methodology

The model of the current study is based on the previous literature. The model focuses on factors of listing earning forecast, word of mouth communication and elements of corporate governance as an independent variables, attitude

variable of intention of listing as a mediator variable, while, behavioral variable decision of listing as a dependent variable. Three main hypotheses were developed to test the relationship between factors of listing (earning forecast, word of mouth communication and elements of corporate governance), with the attitude variable (Intention of listing) as a mediator variable. Lastly, test the relationship between the mediator variable, and the outcomes variable the behavioral dimension (decision of listing), (See Fig. 1).

**H1.1:** There is a positive relationship between earning forecast and intention of listing

**H1.2:** There is a positive relationship between word of mouth communication and intention of listing

**H1.3:** There is a positive relationship between elements of corporate governance and Intention of listing

**H2:** There is a positive relationship between intention of listing and the decision of listing

**H3.1:** Intention of listing mediates the relationship between earning forecast and decision of listing

**H3.2:** Intention of listing mediates the relationship between word of mouth communication and decision of listing

**H3.3:** Intention of listing mediates the relationship between elements of corporate governance and decision of listing

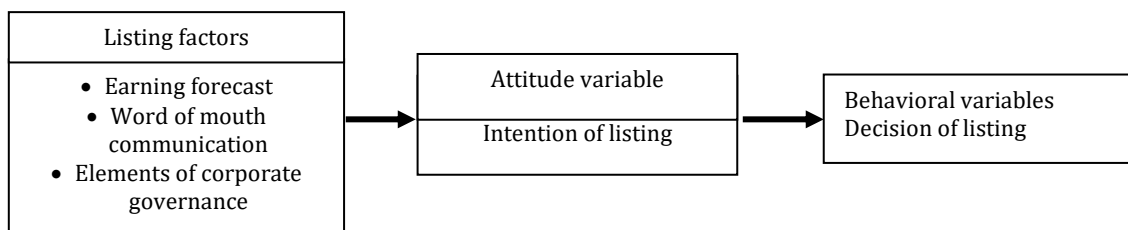


Fig. 1: The research conceptual framework

Self-designed questionnaire was developed for the collection of data, it has four sections, first section covers the general profile (company age, type, sector, and size, education level), second section contains (14) items measuring factors of listing variables (earning forecast, word of mouth communication, and elements of corporate governance, third section measures intention of listing through (5) items and in section four decision of listing is measured by (5) items, Five Likert-type scales is used to score the responses.

**Earning forecast:** Earning forecast used four items (provides finance for expansion of the business, provides the positive accuracy, and provided the advantages of listing).

**Word of mouth:** Word of mouth used four items (talk to my friends, other managers, relatives, and acquaintance about the issue of listing in stock exchange).

**Corporate governance:** Corporate governance used four items (Company does not comply with any principles of corporate governance, able to comply with elements of corporate governance, company is

considering completing the elements of corporate governance to be listed in the future, and disclosure to investors on financial and commercial results of my company objectives).

**Intention to list:** Intention I used three items (I intend to list my firm in stock exchange in the forthcoming year, I will try to list my firm in stock exchange in the forthcoming year, and I plan to list my firm in stock exchange in the forthcoming year).

**Decision of listing:** Decision of listing used three items (do you believe are the advantages of your decision of listing in stock exchange in the forthcoming year, do you believe are the disadvantages of your decision of listing in stock exchange in the forthcoming year, and is there anything else you associate with your decision of listing in stock exchange in the forthcoming year). All the above items are adapted from Anderson and Narus (1990) and Ndubisi and Wah (2005) and evaluated on a five point Likert scale where 1 = strongly disagree and 5 = strongly agree. The target population for this study comprised all registered public companies in Khartoum Stock Exchange. (284



company), A sample of (164) companies were chosen randomly from the targeted population, 164 questionnaires were distributed. However, a total of 116 questionnaires were retained.

### 3.1. Instrument validity and reliability

The reliability of data collected instrument was measured using Cronbach's alpha coefficient; the reliability test was conducted to check the correlation in each of the variables. The closer

Cronbach's alpha is equal to one, the higher the internal consistency reliability (Sekaran and Bougie, 2016).

The factor analysis results indicate that the measure of (KMO) was 0.759, whilst the Bartlett test of sphericity was significant, both indicating that there is a sufficient number of significant correlation for factor analysis. Table 2 presents the results of the factor analysis.

**Table 2:** Factor and reliability analysis on factors of listing

Variables and Questions items		Factor Loading		
		F1	F2	F3
<b>Word of Mouth Communication</b>				
1	I would like to talk to my acquaintance about the issue of listing in stock exchange	0.91		
2	I would tell my family and relatives about the benefits of listing in stock exchange	0.89		
3	I would like to talk to my friends about the issue of listing in stock exchange	0.85		
<b>Earning Forecast Variable</b>				
1	If I could see the advantages of listing I will be able to list my company in stock exchange.		0.80	
2	The main reason for listing in stock exchange is to raise finance for expansion of the business.		0.78	
3	Company is considering completing the elements of corporate governance to be listed in the future.		0.72	
4	The positive accuracy of earnings forecasts will let me list my company in stock exchange.		0.71	
5	The expected benefits let me list my company on stock exchange		0.70	
<b>Elements of Corporate Governance</b>				
1	Applicable corporate governance helped me in deciding of listing in stock exchange.			0.63
2	Company is not planning to list till comply with elements of corporate governance			-0.62
3	Disclosure to investors on financial and commercial results is one of my company objectives			0.54
*Dropped:				
	*Company is not planning to list because it does not able to comply with elements of corporate governance.	0.552	0.005	-.11
	*Word of mouth communication let me list my company in stock exchange	0.691	.260	0.07
	*Company does not comply with any principles of corporate governance.	0.190	0.77	-0.10
Percentage Variance Explained		33.77	14.02	12.08
Eigenvalues		4.39	1.82	1.57
Reliability		.73	.82	.63

Note: variables loaded significantly on factor with Coefficient of at least 0.5, \* Items deleted due to high cross loading

### 3.2. Data analysis

Descriptive statistics is used to describe the variables. Factor analysis and reliability are conducted to find the goodness of data. Spearman correlation is calculated to examine the association among the variables; multiple regression analysis is applied to test the hypothesis of the study.

Table 2 depicts the descriptive statistics of the variables specifically for the factors of listing, earning forecast has highest mean score 3.75,

followed by intention of listing 3.66, and the mean of corporate governance is 2.93, therefore average score of these three dimensions is 3.37. Average mean value the dependent variable (Decision of Listing) is 3.21.

Table 3 depicts that mean value of all the variables which is greater than 2.50, it implies that maybe the managers of those companies which are concerned to this study they have a great desire to listing on stock exchange.

**Table 3:** Descriptive statistics of the research variables

Variables and Labels	N	Mean	Std. Dev.
Earning Forecast( EARFOC)	116	3.75	.87
Word of mouth communication (WOM)	116	3.43	.78
Elements of Corporate governance(CORGV)	116	2.93	1.00
Intention of listing(INTLIS)	116	3.66	.84
Decision of listing (DECLIST)	116	3.21	.83

### 3.3. Correlation analysis

The correlation analysis (Table 4) is conducted to see the association among the variables under study for the identification of multicollinearity (Sekaran and Bougie, 2016). Results show that earnings forecast is positively and significantly correlated with intention of listing (r = 0.347, p-value < 0.01), decision of listing (r = 0.221, p-value < 0.05), word of mouth communication is not significantly correlated with intention of listing (r = 0.123, p-

value < 0.207), but it is significantly correlated with decision of listing (r = 0.208, p-value < 0.01), corporate governance is not significantly correlated with intention of listing (r = 0.052, p-value < 0.600), whereas not significantly correlated with decision of listing (r = -0.002, p-value < 0.983). And the intention of listing is positively correlated with the decision of listing as an outcome variable (r = 0.377, p-value < 0.01).

Table 4 depicts that the results of Cronbach's alpha test for understudy variables, i.e. the earning

forecast, word of mouth communication, and elements of corporate governance, intension of listing and decision of listing, the values are 82%,

73%, 64%, 77%, and 71% respectively. These results reflect the reliability of the scales.

**Table 4:** Inter items correlations on all variables (N=116)

Variables Name	Mean	Std. Dev.	Cronbach's Alpha	(1)	(2)	(3)	(3)	(5)
Earning Forecast (EAROC)	3.75	.87	82%	1.00				
Word of mouth communication (WOM)	3.43	.78	73%	0.30**	1.00			
Elements of Corporate governance(CORGV)	2.93	1.00	64%	0.19*	0.19*	1.00		
Intention of listing (INTLIS)	3.66	.84	77%	0.35**	0.12	0.05	1.00	
Decision of listing (DECLIST)	3.21	.83	71%	0.22*	0.21**	-0.00	0.38**	1.00

Note: \*\* correlation is significant at 0.01 level, and \* is significant at 0.05 level

**3.4. Hypothesis testing**

Hierarchical regression analyses explains the effects of attitude variable (Intention of listing), as mediating variable between factors of listing dimensions (earning forecast, word of mouth communication, and elements of corporate governance), and behavioral variable (decision of listing), as overall outcome. To satisfy the regression assumptions the following steps are considered; (i) Residuals are normally distributed (ii) No indication of Heteroscedasticity (iii) Outliers were identified and then removed (iv) No indication of Multicollinearity.

Hierarchical regression equations are estimated with intention of listing as dependent variable. The equation estimates the impact of independent variables (earning forecast, word of mouth communication, and elements of corporate governance) on intention of listing. Table 5 depicts the regression results. Explanatory power of the equation is 15%. Whereas H1.2 and H1.3 were rejected because of the insignificant relationship. However, earning forecast is significantly different from zero and positive impact on intention of listing, thus, H1.1 was accepted, with ( $\beta = 0.38$ ). Table 4 depicts the summary of the results of H1. It appears that one out of three of the factors of listing positively influenced intention of listing.

**3.5. Determinants of decision of listing**

Hierarchical regression equation is estimated with Decision of listing as dependent variable. The equation estimates impact of intention of listing on decision of listing variable. Value of  $R^2$  is 19%, which expresses the explanatory power of the equation. Relationship between intention of listing and decision of listing is significantly different from zero and coefficient is positive. Thus, H2.1 is accepted. Therefore, the regression coefficient in Table 5 indicates that intention of listing explains the variance in decision of listing ( $\beta = 0.43$ ). Table 6 presents the summary of the result of H2.

**3.6. Mediation effect of intention of listing**

Baron and Kenny (1986) advocated four steps for testing the mediation effect as presented in Fig. 2, these steps are as: i) The independent variable must affect the dependent variables,  $\beta_1$  must be

significant. ii) The independent variables should affect the mediating variable,  $\beta_2$  must be significant. iii) The mediator must influence the dependent variable,  $\beta_3$  must be significant. To establish that the mediator (M) is fully mediates the relationship between the initial variable (X) and outcome variable (Z), the impact of X on Z controlling for M should be zero or  $\beta_4$  is insignificant, whereas, partially mediator exists when  $\beta_4$  is significant.

**Table 5:** Multiple regressions: Factors of listing variables, and attitude variable (Intention of Listing) (Beta Coefficient)

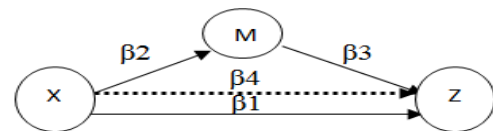
Variables	Intention of Listing
Earning Forecast	0.375***
Word of Mouth Communication	0.019
Elements of Corporate Governance	0.001
$R^2$	0.146
Adjusted $R^2$	0.120
$\Delta R^2$	0.146
F change	5.625***

Significant levels: \*\*\*p<0.00

**Table 6:** Simple regression between intention of listing variable, and decision of listing (Beta Coefficient)

Variable	Decision of Listing
Intention of Listing	0.432***
$R^2$	0.187
Adjusted $R^2$	0.179
$\Delta R^2$	0.187
F change	22.976 ***

Significant levels: \*\*\*p<0.001



**Fig. 2:** The mediation structure

In order to fulfill the conditions for testing the mediation effect of (intention of listing) regression equations are estimated with dimension of behavioral variable (decision of listing), thus, decision of listing are regressed on intention of listing. The factors of listing variables explained 0.094 of the variance in decision of listing. However, model is significant, and earning forecast influenced significantly on decision of listing ( $\beta = .23$ ). But word of mouth communication and elements of corporate governance have insignificant impact on decision of listing, (See Table 7).

Intention of listing had been hypothesized to mediate the relationship between factors of listing variables on decision of listing as shown in Fig. 2. As

regard the mediation effect of intention of listing on the relationship between factors of listing variables, and decision of listing, the results of regression analysis given in that: earning forecast, influenced intention of listing. Likewise, the relationship between intention of listing and decision of listing is significantly different from zero.

**Table 7:** Direct multiple regressions "Factors of listing variables on decision of listing" (Beta Coefficient)

Variables	Decision of Listing
Earning Forecast	0.23+
Word of Mouth Communication	0.13
Elements of Corporate Governance	0.01
R <sup>2</sup>	0.09
Adjusted R <sup>2</sup>	0.07
Δ R <sup>2</sup>	0.09
F change	3.305+

Significant levels: +p<0.10

Accordingly, the conditions for testing the mediation effect of intention of listing on decision of listing are fulfilled. While as, word of mouth communication, and elements of corporate governance as two dimensions of the factors of listing are not fulfilled the condition for testing the mediation effect of intention of listing and the decision of listing. Thus, the mediation effect of intention of listing will be considered with the relationship between earning forecast, and decision of listing.

Table 8 presents two models, i.e. model 1 and model 2. In model 1, earning forecast significantly influences decision of listing with β= 0.28. In model 2, the extent of intention of listing significantly changed the variance explained by intention of listing as β= 0.17. Concerning the type of mediation of intention of listing on the relationship between earning forecast, and decision of listing, the results showed that the value of earning forecast is insignificantly reduced (in model 2) this indicated that, intention of listing fully mediated the relationship between earning forecast, and decision of listing.

#### 4. Findings and discussions

The findings of this study can help managers make adjustments so that their firm becomes more flexible and can respond effectively and efficiently to changes in the business environment. The results support the conclusion that listing intention mediates the relationship between factors involved in listing and the behavioral variable (i.e., listing decision), which is the overall outcome. In fact, note that, in spite of the extant literature cited in the bibliographical review and in other studies, no internationally accepted theory yet exists that treats the factors that drive firms to list, although different theories exist that deal with the capital structure in this context. The state of the art on this issue still involves hypothesis formulation and testing, and any theory on the matter remains for the future.

**Table 8:** Hierarchical regression "Mediation effect of intention of listing on the relationship between earning forecast, and decision of listing"

Variables	Decision of Listing	
	Model 1	Model 2
Earning Forecast	0.28**	0.17
intention of listing		0.34**
R <sup>2</sup>	0.078	0.178
Δ R <sup>2</sup>	0.078	0.100
F change	8.320**	11.919**

Significant levels: \*\* p<0.05

This study does not limit itself to the question of the willingness of Sudanese firms to list, because various other methodologies, variables, and data exist that might be used to help find other relevant factors that influence the listing decision and that confirm or perhaps question the factors found here.

Based on the findings of this study, we have tried to show that generalizing the relationship between listing and corporate governance is difficult because it depends on the legal environment, shareholder protection, the level of corporate governance, etc. in both home and foreign markets. For example, the listing of BMW on the Khartoum Stock Exchange might not strongly impact BMW's corporate governance, because the overall listing standards and disclosure requirements for the German market are higher than those in Sudan. However, companies might benefit from listings on the Khartoum Stock Exchange because such a listing may enhance the level of investor protection despite the more-relaxed rules governing public firms. Therefore, the question of whether listing is beneficial to corporate governance for firms originating in Sudan or from foreign markets becomes an empirical question.

Importantly, to promote and strengthen the faith in corporate governance, several factors must be considered to stimulate companies to follow the standards that govern the rules of disclosure and transparency to shareholders. In addition, other stimuli must be considered, such as the facilities offered by the government for public companies that apply the criteria for corporate governance, and tax incentives. The study also recommends that managers be familiar with public and private company governance and of the advantages offered by listing on the stock exchange, which range from the prospects of new opportunities, the expansion into overseas markets, to the growth toward a global position.

Moreover, to form the best securities industry, we should unify the voices and efforts of all related interests by following the changes in the market, facing challenges, and bringing together the shared interests of all stakeholders. By representing the many segments of the financial industry, one body becomes the voice of the financial industry and becomes uniquely suited to provide trusted and expert information about the Sudanese financial industry to decision makers, regulators, media, industry participants, investors, and the general public.

## 5. Conclusion

This study examines the factors that determine the behavior of managers with regard to listing their company on the Khartoum Stock Exchange in Sudan. For managers of Sudanese companies, the decision of whether to list their company on the Khartoum Stock Exchange depends on various factors, such as EFs, WOM communication, and elements of corporate governance (note that EFs appear to be the prevailing factor). Understanding WOM communication, creating manager awareness, and promoting elements of corporate governance should enhance the desire to list, thereby building connections between companies and the stock exchange.

In addition, the listing intention significantly impacts the decision of whether to list on the stock exchange; it appears that a higher EF, a high degree of WOM communication, and elements of corporate governance exhibited by Sudanese companies would lead to a greater intention to list, thereby developing the relationship between companies and the Khartoum Stock Exchange.

### 5.1. Limitations of study and directions for future research

Numerous issues remain that could be addressed in future research aiming to develop a comprehensive understanding of how various factors and attitudes affect a company's listing decision for the Khartoum Stock Exchange. The present study investigates the behavior and attitude of Sudanese companies toward listing their companies on the stock exchange. As with any research, this study has some limitations: The first limitation is that this study only concentrates on the securities market, so it does not address other types of markets; namely, the exchange market and the commodities market. Thus, future studies might replicate the same model but focus on the exchange market or the commodity market. Another limitation is that this research does not cover all factors that may affect listing intention, so future research may investigate other factors that affect whether companies decide to be listed on a stock exchange. Such studies could also add awareness as a moderator variable into the conceptual framework of the research or as a mediator variable for listing intention.

### 5.2. Managerial implications

This study encourages Sudanese companies to become listed on the Khartoum Stock Exchange to expand the shareholder base, increase liquidity, and further lower the cost of equity. In addition, Sudanese companies would benefit from listing because doing so boosts company image and reputation in the Sudanese business environment.

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