



SEEK WISDOM, ELEVATE YOUR INTELLECT AND SERVE HUMANITY !



COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING AND FINANCE

**ASSESSMENT OF CORPORATE GOVERNANCE FOR IPO READINESS: THE CASE
IN THE ETHIOPIAN FINANCIAL SECTOR.**

A THESIS SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING AND FINANCE IN PARTIAL FULFILLMENT OF
THE REQUIREMENTS OF THE DEGREE OF MASTER OF
SCIENCE IN CORPORATE FINANCE WITH THE SPECIALITY OF INVESTMENT

BY: NATNAEL HAILU

ADVISOR: DR. DAKITO ALEMU

**JUNE 2025
ADDIS ABABA, ETHIOPIA**

Statement of Declaration


At this moment, I declare that the thesis titled “Assessment of Corporate Governance for IPO Readiness: The Case in the Ethiopian Financial Sector” is my original work and is being submitted as a partial fulfillment of the requirement for the Master of Science in Corporate Finance with the specialty of investment. I received close guidance and support from my advisor, Dr. Dakito Alemu, throughout the research process. I confirm this thesis has not been presented for the award at any other university. Furthermore, I have duly acknowledged all the sources of materials used in this thesis.

Declared By:

Name: Natnael Haile
Signature: 
Date: 03-06-2025.

Confirmed By:

This thesis has been submitted to the University for Examination, with my approval as the Accounting and Finance department advisor.

Name: Dr. Dakito Alemu
Signature: 
Date: 03-06-2025

Certification

Addis Ababa University

College of Business and Economics

Department of Accounting and Finance

This is to certify that the thesis prepared by Natnael Hailu, entitled: Assessment of Corporate Governance for IPO Readiness: The Case in the Ethiopian Financial Sector and submitted in partial fulfillment of the requirements for the degree of Masters of Science in Corporate Finance with the specialty of investment, complies with the regulations of the university and meets the accepted standards concerning originality and quality.

Signed by the Examining Committee:

Advisor: Dr. Dakito Alemu Signature  Date: 03-06-2025

Internal Examiner: Berhanu Beza Signature  Date 23-06-2025

External Examiner: Abelaw Kadie Signature  Date 23-06-2025

Head of Department or Graduate Program Coordinator

Acknowledgment

I would like to express my heartfelt gratitude to the merciful Son of **God and His mother, Mariyam**, for their invaluable support in reaching this significant milestone. I am especially thankful to my advisor, **Dr. Dakito Alemu**, whose unwavering guidance and constructive feedback were pivotal in refining my ideas and completing this thesis. I also acknowledge my **family**, whose constant inspiration and encouragement have been the driving force behind my success. Their ideas and support have been priceless. In conclusion, I am deeply grateful for the help I've received, and I look forward to continuing to learn and grow with their support.

Abstract

This study examines corporate governance within Ethiopia's financial sector, with a specific focus on the context of initial public offerings (IPOs). Effective governance is essential for maintaining company integrity and operational efficiency, as it helps build long-term value for stakeholders by establishing clear regulations, ensuring accountability, and fostering transparency. An IPO signifies a company's shift from private to public ownership, which can be successfully navigated through robust governance practices and examines key factors, including board structure and diversity, the educational background of board members concerning IPOs, clarity in financial reporting, risk assessment strategies, the effectiveness of audit committees, and corporate social responsibility initiatives. These elements are all critical for assessing the readiness of public companies in Ethiopia. To conduct this analysis, a combination of quantitative and qualitative methods was utilized within a descriptive framework. Data was gathered from both primary and secondary sources using structured and open-ended questionnaires, as well as published materials. The sampling technique involved selecting 22 banks from a pool of 32 operational banks, intentionally excluding new entrants, commercial, and development banks. Additionally, the study included 17 out of 18 insurance companies, with the Ethiopian Insurance Corporation and the Commercial Bank of Ethiopia omitted from the sample due to a strategic policy decision, rather than any governance-related issue tied to their IPO readiness. The analysis of microfinance institutions concentrated on the top 10 organizations with the strongest capital bases, using performance metrics such as return on equity and revenue growth over the past five years. The data analysis involved descriptive statistics, including frequency counts, percentages, tables, mean scores, and standard deviations, using SPSS version 27. The findings revealed that several areas received moderate ratings, underscoring a need for strategic enhancements in corporate governance practices. These improvements are crucial for enhancing IPO readiness in Ethiopia's financial sector, ensuring that organizations are well-prepared to navigate the complexities of going public and meet the expectations of prospective investors.

Key Terms: - Financial Sector, Corporate Governance, Initial Public Offering

TABLE OF CONTENTS

CHAPTER ONE	1
1. INTRODUCTION	1
1.1 Background of the Study	1
1.2 STATEMENT OF THE PROBLEM	2
1.3 RESEARCH QUESTIONS	5
1.4 Objectives of the Study	5
1.4.1. General Objective of the Study.....	5
1.4.2. Specific Objectives	5
1.5 SIGNIFICANCE OF THE STUDY.....	6
1.6 SCOPE AND DELIMITATION OF THE STUDY	6
1.7 ORGANIZATION OF THE STUDY	7
CHAPTER TWO	8
2. Literature review	8
2.1 Conceptual review of Initial public offering (IPO).....	8
2.1.1. Initial Public Offering (IPO).....	9
2.1.2. Advantages and Disadvantages of Initial Public Offerings (IPOs).....	12
2.1.2.1 Advantages of Initial Public Offerings (IPOs).....	12
2.1.2.2 Disadvantages of Initial Public Offerings (IPOs)	15
2.2 Theoretical Literature Review	16
2.2.1 Agency Theory	17
2.2.2 The Stewardship Theory	18
2.2.3 The Stakeholder Theory.....	18
2.2.4 Resource Dependency Theory	19
2.3 Empirical Literature Review.....	19
2.3.1. Board Structure	19
2.3.2. The Board of Directors Educational and Skill Qualifications:	21
2.3.3. Financial reporting, transparency, and the quality of financial information:.....	22
2.3.4. The Role and Size of the Board Audit Committee:	23
2.3.5. Risk Management Strategy and Sustainability Practice:	24
2.4 Conceptual Model of the Study	25
CHAPTER THREE	27
3. Research Design and Methodology	27
3.1 Research Design	27
3.2 Research Approach.....	27
3.3 Source of Data	28
3.4 Type of Data	28

3.5 Data Collection Method.....	29
3.6 Sample Selection.....	29
3.7 Sampling Techniques.....	29
3.8 Method of Data Analysis	30
3.9. Reliability and Validity.....	30
3.10 Ethical Issues	31
CHAPTER FOUR	32
4. Data Presentation and Analysis.....	32
4.1. Respondents' Profile	32
4.2. Questionnaire response	34
4.2.1 Structural characteristics of boards in preparing initial public offerings (IPOs)	34
4.2.2 Qualifications and expertise of the Board for the proper implementation of IPO	38
4.2.3 Financial reporting and disclosures, clarity, and IPO process.	41
4.2.4 Risk management strategies and preparing for IPOs	43
4.2.5 The processes and criteria used by audit committees for evaluating the IPO process.....	46
4.2.6 Assessment of corporate social responsibility regarding with IPO.	49
4.2.7. Analysis of Open-ended Questionnaires.....	51
CHAPTER FIVE	54
5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	54
5.1. Introduction.....	54
5.2. Summary of Findings.....	54
5.3. Conclusion	55
5.4. Recommendations.....	56
5.5. Suggestion for Further Research.....	58
References	59
Appendix 1:	62
Appendix 2:	67

CHAPTER ONE

1. INTRODUCTION

This chapter presents the study's background, articulates the problem statement, and outlines the research questions. It details the study's overall and specific objectives, emphasizes their significance, and defines their scope and limitations. Finally, an overview of the study's organization is provided.

1.1 Background of the Study

The relationship between initial public offerings (IPOs) and corporate governance is crucial for companies entering the public market (Nasrallah & El Khoury, 2021). Corporate governance provides the essential framework for managing organizations by defining the roles of the board of directors and their interactions with shareholders (Jiang, K., Lepak, D. P., Hu, J., & Baer, J. C., 2012). Several factors influence a company's decision to pursue an initial public offering (IPO), and this choice carries significant implications (Brau & Fawcett, 2006; Pastusiak, 2016). Within the IPO landscape, corporate governance plays a key role in establishing a system that promotes fairness, transparency, and thorough disclosure to all stakeholders (Arora & Bodhanwala, 2018). Strong governance structures not only enhance performance through informed decision-making but also emphasize the importance of accountability, fairness, and transparency to stakeholders, including investors and employees. This typically involves having a competent board, solid financial reporting, and well-defined decision-making policies in place.

In today's business landscape, robust governance practices are crucial for performance and sustainability, particularly for companies preparing for an initial public offering (IPO). Good governance fosters investor confidence and ensures transparency and ethical standards, making it crucial for navigating market complexities and achieving long-term growth (Nasrallah & El Khoury, 2021). Furthermore, corporate governance encompasses risk management and compliance with varying regulatory requirements. By prioritizing these practices, companies can enhance their reputation and build investor trust, which in turn significantly influences IPO share demand and long-term stability. As noted by Spanos (2005), effective governance reduces risk for investors, improves financial performance, and attracts investment.

Strong governance can enhance investor confidence and lead to improved IPO valuations. Practices such as transparent financial reporting help alleviate concerns about regulatory compliance, making companies more attractive to investors. Research by KL Monda, GK Chen, KC Taylor, and C

Palmer in 2013 found that enhanced governance is correlated with higher market valuations and better financial performance across several countries. Ultimately, effective corporate governance fosters a culture of accountability and ethical behavior, which positively impacts stakeholder relationships and the overall corporate reputation. In Ethiopia, it is crucial to comprehend the relationship between corporate governance and IPO readiness, particularly in the banking and insurance sectors, as companies transition to public entities. This research aims to evaluate current governance practices and their implications for initial public offering (IPO) readiness, providing insights into the challenges and opportunities these institutions face.

1.2 STATEMENT OF THE PROBLEM

An Initial Public Offering (IPO) occurs when a company decides to go public by issuing its shares for the first time. According to Jenkinson and Ljungqvist (2001), this represents the company's initial public offering (IPO) of stock to the public. Companies have various motivations for going public, the most common reasons being the desire to increase liquidity and raise equity capital. This process is referred to as the primary market. Increasing capital benefits not only the company itself but also its founders and other stakeholders, as they may eventually convert their investments into profits or returns on stock. Another important aspect is related to the secondary market, which involves further trading of stocks (Jenkinson & Ljungqvist, 2001).

While these are significant reasons for going public, the decision ultimately depends on each company's circumstances. Ellingsen and Rydqvist (1997) identify four primary motivations for going public: raising capital, enhancing the company's image, increasing publicity, and providing employee incentives. The literature on the motivations behind firms going public primarily focuses on the comparative costs and benefits of public versus private ownership. These factors significantly influence the decision-making processes of private firms (Rosen et al., 2005). Various theoretical models have been developed to analyze the key factors that contribute to the decision to pursue an initial public offering (IPO).

In 1995, Zingales introduced one of the pioneering models in the study of competitive markets, focusing on the strategies that an original seller can adopt. This model provides valuable insights into how a seller can effectively market shares for sale while simultaneously unlocking and maximizing the cash flow rights associated with a potential transfer of control over the firm. By tapping into this financial surplus, companies can enhance their prospects during the initial public

offering (IPO) process and strategically position themselves to seize future growth opportunities in the public market.

It is essential to emphasize that robust corporate governance is a cornerstone of a firm's success. Research consistently shows that organizations with strong governance frameworks achieve superior performance outcomes (Miller C.A., 2010; Bourne & Franco, 2003). Thus, it is imperative for companies not only to establish but also to rigorously maintain effective governance practices. These measures are crucial in mitigating the risks of scandals and fraud while enhancing the organization's reputation with shareholders and capital providers.

Effective corporate governance is essential not only for the profitability, growth, stability, and integrity of individual organizations but also for the broader economic landscape. Sound governance practices enhance investor rights by ensuring transparency and accountability, which are vital for maintaining a favorable investment climate. This, in turn, contributes to overall economic advancement, as highlighted by Braga and Shastri (2011). When companies commit to exemplary governance standards, they create a trustworthy and resilient business environment that can adapt and thrive in the face of challenges, positioning themselves for sustained growth and long-term stability.

Recent incidents of fraud, systemic failures, and related issues within the Ethiopian banking and financial sectors have revealed a troubling trend, resulting in substantial financial losses. Recent reports indicate that the National Bank of Ethiopia (NBE) has sounded the alarm regarding a significant rise in embezzlement and fraudulent activities permeating the banking system. Commercial banks have been particularly hard hit, collectively suffering losses exceeding 1.3 billion Birr due to various forms of fraud, including counterfeit currency, unauthorized withdrawals, and forged checks. Additionally, some banks have found themselves facing challenges with unsettled long-term letters of credit (LC) or debts owed to suppliers as a result of the recent shift from fixed exchange rates to floating rates. This unexpected change has caught many banks off guard, raising questions about the effectiveness of their risk management and audit committees. It appears that these entities have struggled to accurately predict the causes and implications of such fluctuations, revealing a reluctance to make decisive choices or a lack of predictive insight in navigating the complex business and the dynamics of economic landscape.

This situation highlights the urgent need for stricter operational risk management policies and the necessity to address governance issues in light of the evolving landscape of the banking sector. Moreover, the Ethiopian insurance sector contributes less than 1% to the country's GDP, a figure

that remains relatively small compared to other economic sectors and neighboring countries. Recently, the sector has struggled to comply with IFRS 17 standards, raising concerns about the quality of their reporting and adherence to regulations. Furthermore, microfinance institutions are facing significant liquidity challenges and are unable to effectively meet the needs of lower-income communities due to transparency credit facility issues, due to a high rate of non-performing loans, and requests for high interest rates from borrowers, which are all factors that are basically the factors of Good corporate Governance issues.

These alarming issues threaten the viability of financial institutions and underscore the urgent need for enhanced governance frameworks across the sector. The substantial losses experienced point to the consequences of inadequate governance practices and raise serious concerns about the stability of the financial system. Moreover, the erosion of public trust in financial institutions poses challenges that extend beyond immediate financial impacts.

Without a strong commitment to implementing robust governance measures, there is an increased risk of further undermining public confidence in these institutions. Regaining that trust is essential, as it forms the foundation for the efficient operation of both the financial system and the broader economy. The pressing need for reform is evident: improving governance is not just a regulatory obligation, but a critical step toward restoring confidence and ensuring the sustainable growth of Ethiopia's financial sector.

Investigating the impact of corporate governance on IPO readiness in Ethiopia's financial industry is essential due to the development of its emerging capital market. Recent research has primarily focused on the effects of corporate governance on the financial performance of institutions, particularly in the banking and insurance sectors, as observed in studies by Gardachew (2015), Tolera (2019), and Fekadu (2015). However, as companies prepare for initial public offerings, a robust governance framework is crucial for building investor confidence and ensuring regulatory compliance.

This study is significant due to the scarcity of research on corporate governance in Ethiopia, particularly regarding its impact on initial public offering (IPO) readiness. While Nigeria has had 12 studies on IPO readiness since 2020, Ethiopia has had none, and no comprehensive studies have specifically addressed this issue. Therefore, the primary objective of this research is to enhance our understanding of corporate governance practices in Ethiopia and to explore how these practices may influence a company's readiness to pursue an IPO. By enlightening this critical area, the study

aims to provide valuable insights for stakeholders, including policymakers, financial institutions, and companies considering going public.

1.3 RESEARCH QUESTIONS

- ❖ What are the structural characteristics of boards in the financial industry that are involved in preparing for initial public offerings (IPOs)?
- ❖ What qualifications, expertise, and prior IPO-related experiences do board members in the financial industry possess?
- ❖ How do financial institutions report financial information during the IPO process, and what frameworks or standards guide these disclosures?
- ❖ What risk management strategies are currently employed by financial institutions to prepare for IPOs?
- ❖ What processes and criteria do audit committees in the financial industry use to evaluate IPO readiness?
- ❖ To what extent are corporate governance responsibilities regarding compliance, ethics, and stakeholder communication integrated into IPO preparation processes in the financial industry?

1.4 Objectives of the Study

1.4.1. General Objective of the Study

The study's primary objective is to assess the effectiveness of corporate governance in enhancing initial public offering (IPO) readiness within the Ethiopian financial sector.

1.4.2. Specific Objectives

This study investigates the influence of corporate governance on a company's preparedness for an initial public offering (IPO). Specifically, the key metrics such as:

- ❖ To evaluate the structural characteristics of boards in the financial industry that are involved in preparing for initial public offerings (IPOs).
- ❖ To assess the education and experience of the board of directors in the financial industry for IPO readiness.
- ❖ To evaluate the quality of financial reporting standards and the disclosure framework within the financial industry for preparing IPOs.
- ❖ To evaluate the effectiveness of risk management strategies in ensuring a successful initial public offering (IPO).
- ❖ To examine the Board's audit committee functions and potential risks related to IPO readiness.

- ❖ To assess corporate social responsibility regarding compliance, ethics, and stakeholders' communication reputations in preparation for an IPO.

1.5 SIGNIFICANCE OF THE STUDY

This study will be significant for various stakeholders, including bank and insurance company executives and shareholders, potential investors, and researchers. It aims to support practitioners, management bodies, shareholders, and potential investors in the Ethiopian financial sector by clarifying the role of corporate governance in IPO readiness within this industry.

Additionally, the research will serve as a valuable reference for future scholars examining the impact of corporate governance on initial public offering (IPO) readiness in the Ethiopian financial sector. This investigation will also provide policymakers in the financial sector, notably the National Bank of Ethiopia and the Ethiopian Capital Market Authority (ECMA), with crucial insights into the readiness of the financial industry for initial public offerings (IPOs). Moreover, the recommendations derived from this study will empower the finance sector to implement effective corporate governance practices, facilitating successful initial public offerings (IPOs).

1.6 SCOPE AND DELIMITATION OF THE STUDY

This study is designed to conduct a comprehensive evaluation of the corporate governance frameworks that significantly impact a company's readiness for initial public offerings (IPOs). The analysis will concentrate exclusively on specific corporate governance elements, including board composition and strategy, diversification, transparency, accountability, financial reporting integrity, the roles and effectiveness of audit committees, internal control mechanisms, and corporate social responsibility initiatives, all within the context of IPO preparation.

Notably, this thesis intentionally excludes the examination of macroeconomic variables that might influence IPO performance. This deliberate focus enables a more nuanced examination of governance-related factors. Additionally, this research assumes the existence of efficient markets in the trading of IPOs, implying that stock prices reflect all available information, thereby enabling investors to make informed decisions based on this framework, without considering factors such as infrastructure or human capital. The emphasis remains strictly on corporate governance, acknowledging that quality in human resources and infrastructure has a critical role in shaping the decisions made by company owners and the corporate governance system. Consequently, this research prioritizes governance issues as they pertain to IPO readiness.

1.7 ORGANIZATION OF THE STUDY

The study is structured into five chapters. Chapter One serves as an introduction, discussing the background of the study, the statement of the problem, research questions, objectives, significance, scope, and limitations, as well as the organization of the study. Chapter Two presents a review of the literature, including relevant theories, empirical evidence, and the conceptual framework. Chapter Three outlines the research methodology employed in the study. Chapter Four presents the findings and discussions, including the interpretation of the results. Finally, Chapter Five provides a summary, conclusion, and recommendations based on the study's outcomes.

CHAPTER TWO

2. Literature review

This chapter presents an in-depth theoretical and empirical framework for assessing corporate governance readiness, particularly in the context of Initial Public Offerings (IPOs). It identifies and elaborates on several key components vital for effective governance in the IPO process. First, the chapter discusses the advantages and disadvantages of IPOs for publicly listed companies, followed by a theoretical review based on the selected independent variables studied in published documents. The empirical sections also present previous studies regarding the outcomes of these variables and discuss their implications on an argumentative basis. This involves developing a clear vision and plan for the company's governance practices. The board structure aligns with the organization's goals as it transitions to a publicly traded company. A well-structured board should encompass a variety of committees, such as audit and risk committees, each responsible for distinct areas of expertise. The skills of board directors are also a key focus, emphasizing the need for directors to possess a range of competencies, including financial expertise, industry knowledge, and strategic planning capabilities. This diverse skill set is crucial for navigating the complexities associated with IPOs and ensuring sound governance practices.

Furthermore, the chapter addresses the audit committee's functions, which are pivotal in overseeing the company's financial reporting and internal control systems. The effectiveness of this committee is critical for maintaining transparency and accountability, especially during the IPO process. Another essential element discussed is the importance of transparency and quality in financial reporting. The chapter states that high-quality financial disclosures foster investor trust and confidence, which is vital for a successful initial public offering (IPO). Adherence to regulatory requirements and best practices in reporting supports this transparency.

This chapter also provides a comprehensive overview of these theoretical aspects and reviews the empirical literature on corporate governance and IPO readiness from previous studies. It notes, however, that a significant gap remains in research concerning this area, indicating a need for further investigation to develop our understanding of corporate governance in the context of IPOs and to ultimately create conceptual frameworks that visualize the findings of these studies.

2.1 Conceptual review of Initial public offering (IPO)

Capital Markets play a crucial role in the modern financial landscape by serving as platforms for raising inexpensive long-term capital. They facilitate the mobilization of savings, allowing

individuals and institutions to invest their idle funds effectively. One of the key benefits of stock exchanges is their ability to enhance transparency in the privatization process. By promoting broader share ownership, they ensure that more individuals have a stake in the companies being privatized, which can help build public trust and accountability. Furthermore, stock exchanges improve the efficiency of resource allocation by utilizing competitive mechanisms. In a well-functioning stock market, capital is directed towards the most promising ventures, enabling innovative companies to thrive while less efficient enterprises are filtered out. This competitive environment increases liquidity, allowing investors to easily buy and sell shares, thereby providing essential risk capital to groundbreaking startups that might otherwise struggle to secure funding.

Moreover, exchanges serve to unlock dormant capital for investment purposes. They tend to offer higher rates of return than many alternative investment options, making them attractive for investors seeking to maximize their financial growth. When stock market activity is robust and successful, it can create a strong impetus for overall economic growth, as reflected in increased investments, job creation, and enhanced consumer confidence (Wagacha, 2000). In summary, stock exchanges not only facilitate capital raising but also contribute significantly to the economic development and innovation within a society (Wang & Ang, 2004).

2.1.1. Initial Public Offering (IPO)

An Initial Public Offering (IPO) is a crucial financial process through which privately held companies offer shares to the public for the first time, transforming into publicly traded companies. This transition is significant, as it allows the company to raise capital from a broader pool of investors, which can be used for expansion, development, and other strategic initiatives (Beker, 2011). While scholars have offered various descriptions of initial public offerings (IPOs), they generally agree that an IPO is essentially the first public sale of a company's shares to investors. Jay R. Ritter (1998) elaborates on this by stating that “an initial public offering occurs when a security is sold to the general public, i.e., to a large number of diversified investors for the first time, with the expectation that a liquid market will develop.” This indicates the significance of reaching a vast collection of investors and the anticipation of creating a stable, liquid market for the company's shares.

Furthermore, Daniel H. Aronson and Berger Singerman (2011) clarify that an IPO involves a meticulous process where a company collaborates with one or more lead underwriters and a syndicate of underwriting firms. These entities facilitate the initial offer and sale of the company's

registered and publicly tradable common shares to investors. This structured engagement with underwriters is essential because it helps gauge market interest, set an appropriate share price, and ensure regulatory compliance. For this reason, IPOs may also be referred to as "new issues," a term that underscores their novelty in the market (Arif Khurshid, 2011). While the definitions provided help illustrate the fundamental concept of an IPO, the practical implementation of this process is multi-layered and often complicated. A variety of stakeholders play a pivotal role, each with their own unique goals and objectives. Sonny A. et al. (2008) summarizes this complexity by stating, "An initial public offering is the realization of a dream for many entrepreneurs, executives, board members, and stockholders, a singular achievement that demonstrates their success in building a strong business and creating value for owners, employees, and customers." This highlights the profound significance of an IPO for financial gain, as well as the success and credibility of the individuals and organizations involved.

However, in pursuing this dream, companies must collaborate with many external parties, which can introduce additional layers of complexity to the IPO process. The typical participants include Investment bank (underwriters), who assess market conditions and help set the offering price; accounting advisors and tax consultants, who ensure compliance with financial regulations; auditors, who validate the financial statements; attorneys, who navigate legal requirements; and transfer agents, who manage the transfer of shares post-offering. The involvement of these diverse stakeholders is critical, as they contribute their expertise to ensure a successful and compliant IPO (Deloitte Development LLC, 2012; Sonny A. et al., 2008, p. 7).

Going public through an Initial Public Offering (IPO) is a complex process, as any publicly traded company can confirm. Successfully operating in the public markets requires a strong focus on key business areas, using practical tools, and the adoption of new methodologies. Typically, executing an IPO can take between 12 to 18 months. During this period, various aspects of the business will likely need to transform to ensure readiness for public market operations. This transformation is time-consuming and resource-intensive. The crucial steps in this process include developing a quantifiable and supportable equity story and ensuring that your financial reporting is prepared for scrutiny by external auditors and public markets. Additionally, it is essential to take a comprehensive view of business to confirm that all critical functions are equipped to meet public company compliance requirements. Most of the literature on the theories explaining why firms go public focuses on the costs and benefits that private firms face when considering public versus private ownership (Rosen et al., 2005). Various models have been developed to illustrate the

different types of benefits and costs that can influence the decision to pursue an initial public offering (IPO).

One of the pioneering models in corporate finance, proposed by Zingales (1995), delves into the dynamics of how an original owner strategically sells shares in a competitive market. This model emphasizes the owner's ability to capture value from the surplus generated by an increase in the cash flow rights associated with a future change in control of the company. Importantly, the owner retains just enough shares to preserve their voting control, thereby enabling them to extract certain private benefits from future buyers, often referred to as “private benefits of control.” The model suggests that the decision to initiate an initial public offering (IPO) is most advantageous only in scenarios where a subsequent buyer possesses the ability to substantially enhance the firm’s cash flows. Therefore, an IPO can act as a precursor to an acquisition, facilitating the transition of control to a new owner who is poised to unlock greater value.

In a subsequent and influential model by Mello and Parsons (1998), the authors argue that the original owner can derive considerable insights and valuable information from dispersed investors in the marketplace. This influx of information leads to the conclusion that the potential value the owner could realize from divesting a controlling interest in the firm is significantly higher than what is currently reflected in the firm's existing value. By taking the firm public, the owner also gains insight into whether a sale to new owners would indeed lead to an enhancement of the firm’s value. This process enables the original owner to potentially extract a larger share of the surplus created in the transaction, thus maximizing their financial benefits from the IPO.

Adding another layer to the discussion, Chemmanur and Fulghiere (1999) anticipate that a firm is likely to pursue going public when the costs associated with gathering information are low or when a significant amount of information about the firm is already available to the public. In this context, Subrahmanyam and Titman (1999) contribute by asserting that outside investors can frequently uncover valuable information regarding the firm that insiders may lack. This external insight can lead to enhanced investment decisions for the firm. If external investors can access this crucial information with minimal expenditure, the likelihood of the firm going public increases significantly; conversely, if such information is not readily available or is costly to acquire, the firm may choose to remain private. Furthermore, as firms evolve and mature, information-gathering costs tend to decline due to increased transparency and the broader availability of information about their operations. This phenomenon may be partly attributed to a firm’s growth, which could impose political costs that compel greater disclosure and dilute ownership.

Pastor and Veronesi (2003) provide a comprehensive model that addresses the optimal timing of initial public offering (IPO) decisions for private firms. Their research reveals that firms strategically evaluate the timing of going public based on the value of a specific option they hold. Various factors influence the value of this option: it increases when expected market returns decline, when aggregate profitability within the economy is high, and when there is heightened uncertainty surrounding future aggregate profitability. According to their model, IPO waves driven by falling expected market returns are often preceded by prior phases of elevated market returns. In contrast, waves of investment prompted by increases in aggregate profitability typically follow periods of high returns.

Boot et al. (2003) further analyze the decision-making process of entrepreneurs, who must balance the benefits of operating a private firm, such as increased control and flexibility, against the higher capital costs that come with greater managerial autonomy. This model posits that empirical predictions are closely tied to variations in the restrictiveness of corporate governance regimes, which can influence the operational dynamics of private firms. However, testing these models in underdeveloped economies poses a significant challenge due to the limited availability of data on private firms. Many entities exist as closely held corporations without a legal requirement to publicly disclose their financial performance. Consequently, their governance structures often result in minimal separation between management and ownership, thereby blurring the lines of the classical principal-agent relationship and complicating the analysis of governance and investment effectiveness in these contexts.

2.1.2. Advantages and Disadvantages of Initial Public Offerings (IPOs)

2.1.2.1 Advantages of Initial Public Offerings (IPOs)

When businesses contemplate the timing of an Initial Public Offering (IPO), they thoroughly analyze the potential benefits and challenges. Going public is a strategic move because the advantages frequently outweigh any drawbacks. The key benefits of an IPO include enhanced access to capital, increased visibility and prestige, greater liquidity for existing shareholders, the creation of a new form of currency for acquisitions, and improved corporate governance and transparency. Understanding these advantages enables a company to devise a comprehensive strategy for maximizing them while transitioning to a publicly traded entity. This process involves adapting governance structures, refining operational processes, and exploring new market opportunities.

Access to Capital: one of the most significant advantages of an IPO is the ability to raise substantial capital. When a company offers shares to public investors, it receives funds in exchange for ownership stakes. This capital can serve various strategic purposes, making an IPO an exceptional fundraising tool that empowers businesses to pursue growth initiatives. Companies typically set the price and the number of shares to be sold based on market conditions and investor demand. The total capital generated is a function of the share price multiplied by the number of shares sold. Once public, the company can also engage in secondary offerings to raise additional funds by issuing new shares. The proceeds from an IPO are generally earmarked for significant investments, including the development of new product lines, expansion into new geographical areas, enhancement of operational capabilities, and recruitment of top talent. By effectively utilizing IPO capital; a company can increase its profitability, create shareholder value, and foster sustained growth, aligning with the interests of its shareholders.

Increased Visibility and Prestige: An initial public offering (IPO) represents a pivotal event for any business, marking its transition from a privately held entity to a publicly traded company. This process is a significant financial milestone and generates substantial media coverage and public interest, solidifying the company's standing in the marketplace. Going public is a powerful symbol of a company's achievements and growth trajectory. It attracts attention from stakeholders, including institutional and retail investors, financial analysts, and various media outlets. This heightened visibility can significantly enhance the company's brand recognition and reputation, creating a more pronounced presence in its industry. Moreover, a successful IPO often increases interest in the company's products or services. As potential investors and customers learn more about the business its offerings, management, and overall vision they may be more inclined to engage with the brand. This can lead to the discovery of new marketing opportunities, such as partnerships, collaborations, and innovative promotional strategies aimed at expanding the customer base. Once a company goes public, its shares become available for trading on a stock exchange, inviting scrutiny from analysts and investment professionals. These experts provide analysis and recommendations to investors, which can further bolster the corporate image and attract even more investment. If the company's stock performs well following the IPO, it not only garners positive attention but also builds credibility within the market. A well-received stock performance can translate into a solid reputation, fostering customer loyalty, enhancing brand trust, and leading to increased sales and market share. Thus, the implications of a successful IPO extend

far beyond the immediate financial benefits; they can profoundly shape a company's future growth and success.

Liquidity for Existing Shareholders: Becoming a publicly traded company marks a significant milestone for a business. It provides a crucial opportunity for early investors and private shareholders to unlock the value of their investments. In the period leading up to an initial public offering (IPO), these investors often hold illiquid company equity that cannot be quickly sold or exchanged for cash. This lack of liquidity can create challenges for shareholders who may want to realize their investment gains but cannot do so straightforwardly. An IPO fundamentally alters this landscape by creating a formal market for these previously illiquid shares. Once the shares are listed on a stock exchange, early investors, including family, friends, venture capitalists, and angel investors, gain the flexibility to make decisions about their holdings. They can choose to either maintain their investment or benefit from the company's potential future growth, or sell their shares to cash in on the profits they have earned from their initial support.

This newfound liquidity is particularly advantageous for investors wishing to diversify their investment portfolios by reallocating some of their capital into different assets or sectors. Additionally, for those who have supported the business for many years, the ability to cash out can provide a sense of financial security and reward for their long-term commitment. Ultimately, this conversion of shares into cash not only enhances the attractiveness of the original investment for current shareholders but also draws the interest of prospective shareholders. The prospect of a liquid marketplace can increase investor confidence, encouraging more people to consider investing in the newly public company. Overall, the IPO process is a pivotal moment that facilitates financial maneuvering for existing investors and broadens the company's appeal to a broader audience.

Currency for Acquisitions: Once a company goes public and completes its initial public offering (IPO), its shares transform into a distinct form of currency exclusive to publicly traded companies. This unique characteristic allows organizations to pursue mergers and acquisitions without the immediate need to deplete their cash reserves. Instead of relying solely on cash for these transactions, companies can leverage their stock as a payment method, allowing for greater flexibility in structuring deals and exploring diverse growth opportunities. Utilizing shares in this way can open up a range of strategic options. For instance, during negotiations for acquisitions, businesses can offer their equity as part of the purchase price, potentially making deals more attractive to sellers who may prefer equity over cash in certain situations. This approach can also preserve cash for other strategic initiatives, such as expanding operations or investing in research

and development. Moreover, using shares as a currency enhances a company's negotiating power with various stakeholders, including business partners and employees. By incorporating stock options into their employee compensation packages, companies can incentivize staff, attract top talent, and align their interests with their employees. This strategy not only boosts employee motivation and loyalty but can also create a culture of ownership among the workforce, as employees are vested in the company's performance. This multifaceted use of shares in a post-IPO environment can significantly contribute to a company's long-term growth and success.

Enhanced Corporate Governance and Transparency: Once a company becomes publicly traded, it is subject to stringent regulatory requirements that enforce corporate governance standards and enhance transparency. This involves establishing a qualified board of directors that operates under formal bylaws and fiduciary responsibilities to protect the interests of all shareholders. Establishing a board of directors and creating various corporate committees, such as audit and compensation committees, ensures that the company adheres to best practices in management. Additionally, the requirement for regular financial reporting and disclosures provides shareholders with critical insights into company performance, operational strategies, and risk factors. This increased level of transparency fosters trust and confidence among investors, allies, and the general public, ensuring that the company is managed effectively and ethically from the top down; the advantages of an IPO are multifaceted and can significantly influence a company's growth trajectory and market position. By strategically leveraging these benefits, companies can achieve capital efficiency and strengthen their business foundation for future success.

2.1.2.2 Disadvantages of Initial Public Offerings (IPOs)

Companies may encounter numerous significant disadvantages when deciding to go public, which can prompt them to explore alternative strategies for growth and funding. One of the most notable challenges is the high initial public offerings (IPO). The expenses involved in the IPO process often include underwriting fees, legal costs, accounting fees, and marketing expenses, which can quickly accumulate to substantial amounts. Furthermore, the ongoing expenses of maintaining a public company, such as compliance with regulatory requirements, reporting obligations, and corporate governance standards, can substantially impact a company's financial health and divert resources from core business activities. In addition to financial concerns, another major disadvantage of going public is the volatility of a company's share price. Variations in stock value can create significant distractions for management teams, especially if their compensation and performance evaluations

are closely linked to stock performance rather than actual financial outcomes or operational success. This focus can lead to short-term decision-making that prioritizes boosting stock prices over fostering long-term growth and stability.

Going public also imposes strict disclosure obligations on companies. They must publicly reveal sensitive information regarding financial performance, accounting practices, tax liabilities, and other essential business metrics. While beneficial for investors, this transparency can inadvertently expose trade secrets, proprietary methods, and competitive advantages that might be valuable to competitors, potentially jeopardizing a company's market position. Further complicating matters, the governance structure imposed by a public company's board of directors can often be inflexible. This rigidity may hinder the retention of innovative managers willing to take calculated risks necessary for growth and success. Dynamic leaders may feel constrained by bureaucratic oversight and the pressures of meeting quarterly expectations imposed by shareholders.

Given these challenges, remaining a private entity is a viable option that companies can consider. Staying private allows for greater flexibility in decision-making and less pressure from the public market. Instead of opting for an IPO, companies may explore other lucrative alternatives, such as soliciting bids for a buyout or considering strategic partnerships and joint ventures that can provide the necessary capital and resources without the downsides of public ownership. By carefully weighing these options, companies can determine the best path for their growth and sustainability.

2.2 Theoretical Literature Review

Corporate governance refers to the comprehensive systems, processes, and organizational structures that guide a company's operations while managing relationships among its various stakeholders, including shareholders, management, employees, customers, suppliers, and the community. This governance framework is crucial for effectively addressing potential conflicts between the Board of Directors/managers responsible for running the company and shareholders, who provide the capital and expect a return on their investment. By ensuring accountability and transparency, corporate governance protects public shareholders' interests and promotes long-term value creation for the organization (Fama, 1980; John & Senbet, 1998). One significant aspect of corporate governance is its influence on the quality of managerial earnings forecasts. Research consistently shows that organizations with strong corporate governance practices produce more accurate earnings forecasts. This increased accuracy can lead to a more favorable response in stock prices

following the release of credible predictions, as investors are more likely to trust the information provided by a well-governed company (Karamanou & Vafeas, 2005).

A theoretical literature review of board structure examines existing academic research on the various components and dynamics of a company's board of directors. It focuses on the theoretical frameworks explaining how board composition, size, independence, and leadership structure can impact firm performance and governance practices. It analyzes these relationships using agency, stewardship, stakeholder, and resource dependence theories. Key aspects covered in a theoretical literature review of board structure are below:

2.2.1 Agency Theory

The Agency theory was first proposed by Jensen and Meckling (1976) in a theory of the firm based on conflicts of interest among various contracting parties, including shareholders, corporate managers, and creditors. In this context, managers (agents) are hired to work and make decisions for the owners (principals) to maximize shareholder returns. However, the managers (agents) who control the organization's affairs may not always act in the best interest of the owners. They may pursue their interests to the detriment of the principals' welfare (David & Tobias, 2013). The Agency theory suggests that agency problems arise due to the impossibility of ideally contracting for every possible action of an agent, whose decisions affect both his welfare and that of the principal (Brennan, 1995). As a result of these agency problems, the principal might incur costs known as agency costs. These agency costs represent a loss in value for shareholders and typically involve expenses related to monitoring managers' activities to achieve goal congruence between shareholders and managers. This agency theory implies that one can only attempt to mitigate the agency problem when the board consists mainly of non-executive directors (both independent and dependent), who can oversee managers' activities and thereby maximize shareholders' wealth. The governance structures suggested by agency theory include board size, board composition, CEO remuneration, directors' shareholding, and shareholder rights (Luan & Tang, 2007; Rashid, 2011). Jensen and Mackling (1976) argue that this can be accomplished through incentive schemes for managers that financially reward them for maximizing shareholder interests. Such schemes often feature plans in which senior executives acquire shares, possibly at a reduced price, thus aligning executives' financial interests with those of shareholders. In the Ethiopian financial sector, the potential conflicts of interest between shareholders (principals) and managers (agents) due to dispersed ownership structures. This theory suggests that managers, while entrusted with managing

company assets, may prioritize their own interests over those of the shareholders, leading to potential agency problems like misallocation of resources or opportunistic behavior.

2.2.2 The Stewardship Theory

Davis, Schoolman, and Donaldson (1997) define a steward as someone whose aim is to shield and maximize shareholders' wealth through the efficient management of the firm. By doing so, the steward's value is enhanced within an organization; stewards are the managers and executives working for shareholders. From this perspective, as company executives and managers, stewards work to protect and generate profits for the shareholders (cited in David and Tobias, 2013). This theory contrasts agency theory and adopts a more idealistic view of human nature. It is based on the belief that the agent is not self-serving but a steward who perceives more excellent utility in the interests of the principal and the organization. The theory assumes a significant correlation exists between the firm success and the manager's satisfaction. This trade-off is achieved by the steward recognizing that working toward the company's and collective goals will lead to personal fulfillment and self-actualization. The theory advocates for the roles of Chief Executive Officer and Chairman to be held by the same individual. Consequently, control diminishes the motivation of the steward and weakens their motivational attitude (Davis et al., 1997). Executives and directors will strive to maximize financial performance by enhancing shareholder wealth and profits, thereby maintaining their reputation as effective decision-makers within organizations (Daily et al., 2003). In doing so, they strive to be recognized as effective stewards of their organization, thereby protecting their careers (Fama, 1980).

2.2.3 The Stakeholder Theory

The stakeholder theory is founded on the premise that, aside from shareholders, there are multiple agents with a vested interest in a company's actions and decisions. Stakeholders encompass groups and individuals who benefit from, are harmed by, or have their rights either violated or respected due to corporate actions. In addition to shareholders, stakeholders consist of creditors, employees, customers, suppliers, and the broader communities. Stakeholder theory suggests that companies have a social responsibility, necessitating consideration of the interests of all parties impacted by their actions. Management should consider not only its shareholders in the decision-making process but also anyone affected by business decisions. In contrast to the classical view, the stakeholder perspective asserts that “the goal of any company is or should be the flourishing of the company and all its principal stakeholders” (Freeman et al., 2004). According to stakeholder theory, decisions

made regarding the company affect various parties in addition to the shareholders. Therefore, managers must, on the one hand, manage the company to benefit its stakeholders, ensuring their rights and participation in decision-making, and on the other hand, act as the agent of the shareholders to ensure the firm's survival and protect the long-term interests of each group (Fontain et al., 2006).

2.2.4 Resource Dependency Theory

Resource dependency theory emphasizes the importance of board directors in securing necessary resources for firms, while stakeholder theory focuses on the interactions with various groups to achieve individual benefits. Hillman et al. (2000) argue that resource dependency theory highlights the crucial role directors play in accessing or acquiring key organizational resources through their external networks. Likewise, Johnson et al. (1996) note that proponents of resource dependency theory advocate appointing representatives from independent organizations to secure resources essential for a company's success. Additionally, it has been proposed that providing resources enhances organizational performance and contributes to a firm's sustainability (Daily et al., 2003).

2.3 Empirical Literature Review

Research on the impact of corporate governance mechanisms on performance and initial public offering (IPO) readiness in developing countries has been insufficiently explored. This study aims to thoroughly review previous research to provide insights for this paper on IPO readiness and the overall corporate structure in relation to firm performance. Nowadays, public companies' governance quality is critical for accessing fresh market finance through IPOs.

2.3.1. Board Structure

Board Structure refers to the composition and organization of a board of directors within a corporation, including its members' selection, monitoring, and decision-making roles to ensure alignment with shareholders' interests and efficient corporate governance. The diversification and size of a board of directors and the structure of a board are generally determined by the organization's bylaws. Such bylaws define the number of members, their diversification, how the directors are elected, and how frequently the board meets. There is no required number of members for an organizational board, and it may depend on the company and its industry. Specifically, it pertains to the total number of board members. Specific research perspectives suggest that increasing the number of directors can enhance firm value, as a larger board can bring together a

diverse range of expertise essential for informed decision-making processes. Furthermore, a more significant number of directors may restrict the ability of a powerful CEO to dominate the board's dynamics. According to Kiel and Nicholson (2003), the size of the board plays a critical role in achieving effective governance and, consequently, improving firm performance are crucial determinants that significantly influence a firm's overall performance. This influence is particularly evident in the context of supervisory mechanisms and the organization's credibility, which ultimately affects the reliability of earnings forecasts presented by management. Generally, corporate governance structures favor smaller boards due to their enhanced coordination, quicker decision-making capabilities, and reduced vulnerability to free-rider issues, wherein some members may rely on others to fulfill monitoring and oversight responsibilities (Badru et al., 2017). A study conducted by Karamanou and Vafeas (2005) specifically investigated the impact of board size on the quality of executive earnings forecasts. In addition, research conducted by Klein (2002), Daghsni et al. (2016), and Badru et al. (2017) indicates that there is no significant correlation between board size and the accuracy of earnings management forecasts. This conclusion aligns with findings from Bédard et al. (2008), which focused on Canadian initial public offerings (IPOs), and Ahmad-Zaluki and Wan-Hussin (2010), which analyzed IPOs in Malaysia. Both studies demonstrate that an increase in board size does not positively contribute to the accuracy or reliability of earnings forecasts. Additionally, Mnif (2009) found that firms with larger boards were more likely to issue optimistic forecasts that lacked reliability, thereby complicating the discourse surrounding larger board configurations. Conversely, Mollah et al. (2019) contend that a strong board structure, characterized by smaller and more cohesive memberships, can enhance the predictability and stability of earnings within a company. These conclusions affirm the importance of maintaining a smaller board as a vital aspect of effective corporate governance, which aids in aligning the interests of investors and managers through diligent oversight activities (Sosnowski & Misztal, 2019).

Board diversity; constitutes a critical component of the broader concept of board diversity, with increasing emphasis on achieving an appropriate composition to provide varied perspectives. Enhanced representation of women on boards contributes additional skills and viewpoints that may be lacking in all-male boards (Boyle & Jane, 2011). This diversity not only fosters more effective monitoring and problem-solving but also encourages dynamic discussions through the unique insights offered by female board members. The significance of gender diversity on corporate boards is a critical area of discussion within the field of corporate governance. Agency theory emphasizes

the monitoring role of directors, suggesting that the inclusion of diverse representatives on boards contributes to a more balanced decision-making environment. This balance mitigates the risk of any single individual or group exerting disproportionate influence over board decisions (Erhardt et al., 2003). Furthermore, enhanced diversity serves to limit management's capacity to exploit the board for personal benefit. Research indicates that gender diversity is correlated with increased effectiveness in the oversight responsibilities of boards, as it facilitates the incorporation of a broader spectrum of viewpoints. According to Erhardt et al. (2003), the presence of diversity on boards may lead to conflict, which is often characteristic of diverse group dynamics. However, such conflict can positively affect the board's control mechanisms, serving to alleviate potential agency concerns. From the standpoint of stakeholder theory, diversity ensures adequate representation of various stakeholders, thereby promoting principles of equity and fairness (Keasey et al., 1997).

2.3.2. The Board of Directors Educational and Skill Qualifications:

The educational qualifications of directors are vital in today's complex business landscape, as they significantly influence a board's ability to effectively interpret, analyze, and utilize the information provided by management across various sectors. A robust educational background encompassing degrees from reputable institutions, specialized training, and continuous professional development enables directors to cultivate the critical thinking and analytical skills required to navigate the intricacies of corporate governance. This capability is essential not only for the operational efficiency of modern corporations but also for ensuring that boards can provide meaningful oversight and strategic guidance. According to Gantenbein and Volonte (2011), the educational qualifications of board members serve as a crucial determinant in shaping their oversight and monitoring responsibilities. Boards tasked with the formidable duty of safeguarding shareholder investments must comprise directors who possess a deep understanding of the financial, operational, and regulatory landscapes in which the organization operates. Shareholders with a vested interest in the performance and stability of their investments are particularly concerned about the educational backgrounds of their board members. They are likely to favor boards composed of individuals who merge academic excellence with practical experience, ensuring a well-rounded approach to corporate governance (Gantenbein & Volonte, 2011).

In practice, the human capital that directors contribute to the board is immensely valuable. Directors equipped with diverse expertise ranging from finance, law, and marketing to industry-specific knowledge bring a wealth of insights. This diversity of thought enhances discussions and decision-

making processes within the boardroom, fostering an environment conducive to innovation and strategic foresight. As corporate boards increasingly serve as a vital mechanism for overseeing a firm's direction and performance, the necessity for skilled directors capable of addressing contemporary business challenges becomes even more pronounced. Furthermore, the personal attributes of directors, including their educational achievements, professional experiences, and leadership qualities, play a significant role in determining the overall efficiency and effectiveness of the board. It can be hypothesized that boards of individuals with strong educational qualifications are better positioned to positively influence insurance companies' performance. Such boards bring advanced knowledge and skills to decision-making and instill confidence among shareholders, ultimately driving the company's success in a competitive marketplace.

2.3.3. Financial reporting, transparency, and the quality of financial information:

Most academic literature compares public firms' reporting quality with private firms. However, existing evidence in this area is primarily constrained to specific countries, such as those examined by Ball and Shivakumar (2005), particular industries analyzed by Beatty et al. (2002), or distinct corporate events discussed by Teoh et al. (1998). Furthermore, the findings in this field are often contradictory, complicating the overall understanding of the issue (Givoly et al., 2010). Some studies propose that public firms engage in less earnings management due to several factors, including stringent regulatory oversight and the inherent demand from retail investors for high-quality financial information (Burgstahler et al., 2006; Hope et al., 2013). This regulatory environment enhances transparency and accuracy in financial reporting, fostering greater investor confidence.

Conversely, other research indicates that public firms may manage earnings more due to intense pressure to demonstrate short-term performance results, leading to less honest reporting practices (Givoly et al., 2010; Beatty et al., 2002). This pressure often stems from the expectations of shareholders and financial analysts, which can drive firms to manipulate earnings to meet or exceed market forecasts. The conflicting nature of these findings may arise from the complex relationship between a firm's public listing status and its reporting quality decisions. We analyze the reporting quality of listed and unlisted private equity firms and their portfolio companies to understand this relationship better and mitigate indigeneity issues. Suggests that the decision for private equity firms to pursue a public listing is likely independent of the reporting quality of the entities within their investment portfolio. In this analytical context, our research reveals global evidence that

suggests a notable distinction: the reporting quality of listed private equity firms (LPE) tends to be higher than that of unlisted private equity firms (UPE). This finding supports the notion that public scrutiny and regulatory requirements faced by LPEs contribute positively to their overall reporting standards.

2.3.4. The Role and Size of the Board Audit Committee:

Since the 1990s, the role of audit committees in overseeing the financial reporting process has become a critical focus in discussions of corporate governance. This evolution underscores the necessity of providing accurate and reliable financial information, which is vital for various stakeholders, including investors, regulators, analysts, and the general public (Gendron & Bedard, 2006). The increasing importance of these committees has led to numerous empirical studies aimed at examining the specific characteristics of audit committees and identifying factors that can enhance the overall quality of financial reporting (Klein, 2002; Felo et al., 2003; Xie et al., 2003; Abbott et al., 2004; Bedard et al., 2004; Krishnan, 2005; Persons, 2005; Lin et al., 2006; Qin, 2007; Zhang et al., 2007; Ammer and Ahmad-Zaluki, 2014, 2017).

Beasley et al. (2009) describe the audit committee as a unit established among the board of directors to monitor and ensure accuracy in company disclosures. The audit committee is expected to review all information in the entity's reports, especially those for external use, such as sustainability reports. In this context, the committee reviews non-financial information, including sustainability data, and may recommend its inclusion to the entire board if such information is absent. Because the audit committee serves as a technical arm of the board on audit and reporting issues, its recommendations for adopting better-reporting practices, such as sustainability reporting, carry significant weight. The focus of an effective audit committee has shifted from solely overseeing traditional financial reporting to addressing emerging developments in reporting, such as sustainability and integrated reporting. There are two main perspectives in the literature regarding the attributes of an effective audit committee (ACE). The first perspective evaluates effectiveness based on characteristics such as independence, size, financial expertise, authority, and the diligence or frequency of meetings (Bually and Al-Ajmi, 2019; Haji and Anifowose, 2016; Bananuka et al., 2019). Other scholars see an effective audit committee as one that successfully reviews corporate financial information, supervises internal audit systems, and liaises with external auditors (Lin et al., 2008; Bananuka et al., 2018). Further emphasizing the importance of independent oversight, a study by Ahmad-Zaluki and Wan-Hussin (2010) focused on newly listed companies in Malaysia.

This research highlighted that as the proportion of independent directors on audit committees increases, the accuracy of profit projections also tends to improve. These findings stress the significance of independent directors, who are not affiliated with the company's management and can provide objective scrutiny. Their presence on audit committees enhances the reliability of financial forecasts, as they contribute an unbiased perspective to the review process. Additionally, Ahmad-Zaluki and Wan-Hussin found that an increase in the size of the audit committee is associated with more accurate financial forecasts overall. This suggests that more prominent audit committees may facilitate a more thorough examination of economic data and reporting practices, leading to better-informed decision-making processes and enhanced stakeholder credibility. Overall, evidence indicates that the audit committee's size and independent directors' presence are pivotal in bolstering the integrity and accuracy of financial reporting, ultimately fostering an environment of transparency and accountability in corporate governance.

2.3.5. Risk Management Strategy and Sustainability Practice:

Public company boards are crucial in overseeing the organization's enterprise risk management. In preparation for an initial public offering (IPO), the board must establish and implement robust systems and procedures to ensure comprehensive company risk profile oversight. To achieve effective risk oversight, the board should require management to conduct periodic assessments that identify and prioritize the company's most critical risks. These assessments should thoroughly analyze internal and external factors that could impact the organization, such as market fluctuations, regulatory changes, operational challenges, and competitive pressures. Management's reports to the board should detail each identified risk's magnitude and potential impact, clearly understanding the threat they pose to the company's objectives. Additionally, these reports should outline the current measures to mitigate these risks and any proposed strategies for addressing emerging risks. (www.gunder.com)

By fostering open communication and collaboration between management and the board, the organization can ensure that risk management remains a central focus as it prepares for the IPO and beyond. This proactive approach will help safeguard the company's assets and enhance its overall resilience in a dynamic business environment. The agency theory emphasizes the importance of having an internal audit function to reduce agency problems. The International Auditing and Assurance Standards Board (IAASB) defines this function as performing assurance and consulting activities to evaluate and improve the effectiveness of an organization's risk management, internal

controls, and governance processes. According to Bananuka et al. (2018), the internal audit function (IAF) is responsible for reviewing and assessing the effectiveness of internal control systems, risk management, and regulatory compliance with the growing demand for reporting on non-financial information, the role of the risk management mechanisms now includes assuring environmental, social, and governance (ESG) issues (Dominic & Martinov-Bennie, 2015). Particularly within financial services firms, sustainability reporting practices should be enhanced by offering various management recommendations, thereby contributing to effective risk management. Stakeholders often view banks as key players in environmental conservation and may hold them accountable for societal harm. This perception arises from the fact that banks can require their clients to produce sustainability reports. In this context, the IAF advises management to mandate that clients prepare sustainability reports as a condition for accessing any form of financing. Reports prepared according to the Global Reporting Initiative (GRI) framework typically contain more disclosures than regular financial statements, providing banks with deeper insights into the organizations they finance. Although studies linking the IAF to sustainability reporting practices are rare, some research shows positive and significant relationships between integrated reporting (Engelbrecht et al., 2018) and accountability (Bananuka et al., 2018). The IAF is crucial in evaluating and improving risk management, internal controls, and compliance with applicable laws. This capability enables firms with an IAF to assess the potential risks of failing to report on their economic, social, and environmental activities. Additionally, the IAF evaluates the reliability of corporate reports generated by accounting systems, enabling it to analyze and recommend information to be included in corporate sustainability reports.

2.4 Conceptual Model of the Study

The researcher developed a conceptual model that underscores the vital role of corporate governance in boosting Initial Public Offering (IPO) readiness within the financial sector. This study zeroes in on several key governance factors. Firstly, the active involvement of the board in strategic decision-making significantly increases the chances of a successful market entry and builds investor confidence. Secondly, organizational diversification plays a crucial role in risk management and broadens the appeal to a wider range of investors, positively impacting IPO preparedness.

Additionally, the diverse skills possessed by board members offer valuable insights, enhancing decision-making processes and governance structures. Transparency and comprehensive reporting are critical, as stakeholders demand high levels of accountability, which in turn attracts investors.

The audit committee is instrumental in ensuring the integrity of financial statements and maintaining strong internal controls throughout the IPO journey.

Finally, corporate responsibility and sustainability initiatives have gained importance, resonating with socially conscious investors and bolstering a company's market reputation. This research delves into how these governance elements collectively influence IPO readiness in Ethiopia, addressing a notable gap in the existing literature on this subject.

Assessment of Corporate governance for IPO Readiness



Source: - Compiled by researcher from observed review

CHAPTER THREE

3. Research Design and Methodology

Research methodology is crucial for ensuring the reliability and validity of the study's findings. This chapter details the chosen research design, data collection methods, sample selection strategy, and data analysis techniques to achieve the research objectives.

3.1 Research Design

This study employed a descriptive research design to achieve its objectives effectively. A descriptive research design is a systematic approach that provides a detailed account and thorough explanation of a specific phenomenon, concept, or issue. It focuses on identifying key characteristics, frequencies, and trends that can serve to inform future research or guide decision-making processes (Creswell, 2014; Saunders et al., 2016). This design is particularly beneficial when there is necessary to offer a comprehensive and accurate representation of a topic. In this context, the researcher aims to clarify the distinct characteristics of a particular population or phenomenon. Specifically, the study will investigate the current state of corporate governance and its relationship with the readiness of Initial Public Offerings (IPOs).

3.2 Research Approach

This study employed a descriptive research design to comprehensively describe the current state of the Ethiopian financial sector governance approach and its relationship with the initial public offering (IPO). This approach focuses on collecting and analyzing qualitative data from questionnaires to provide a detailed and accurate picture of the financial sector. This questionnaire is carefully crafted to include a mix of open-ended questions, allowing respondents to provide detailed, qualitative insights, and closed-ended questions yielding quantitative data that can be easily analyzed. In addition to primary data gathering, secondary data will be critically reviewed and analyzed. This secondary data will encompass the most reliable sources, as these financial statements have already been audited by independent auditors and accepted by information users. By analyzing these quantitative and qualitative insights, this research aims to identify key themes and patterns in corporate governance that can inform policy decisions designed to promote a smooth transition from a private to a public company. This descriptive study offers a comprehensive understanding of the IPO readiness status in terms of corporate governance within the financial sector.

3.3 Source of Data

The primary data collection for this study was meticulously focused on high-level leaders within carefully selected financial institutions, specifically targeting banks, insurance companies, and microfinance institutions. These entities were purposively sampled to ensure the richness and relevance of the data gathered. In addition to this primary data, a rigorous review and analysis of secondary data was undertaken. The secondary data comprised a range of reliable sources, including financial statements that have undergone thorough audits by independent auditors, ensuring their credibility and acceptance among stakeholders.

To assess the revenue growth rate and the return on equity (ROE) growth percentage, the researcher utilized secondary data from a selection of non-listed banks, insurance firms, and microfinance institutions covering the years from 2020 to 2025. Initially, a diverse array of materials was compiled for various research purposes; however, these resources ultimately provided vital insights into the Ethiopian capital market authority, particularly regarding initial public offerings (IPOs).

The reviews encompassed numerous documents, including IPO prospectuses that detail the financial and strategic narratives of the offering firms, promotional brochures, and comprehensive reports issued by their respective boards of directors. Additionally, thorough scrutiny was applied to management commentaries both published and unpublished alongside letters and audit reports. This extensive examination of secondary sources aims not only to bolster the primary data but also to significantly enhance the overall findings and conclusions of the research.

3.4 Type of Data

This study utilized a blend of primary and secondary data to effectively achieve its research objectives. The secondary data comprised a thorough review of existing literature on the relationship between initial public offerings (IPOs) and governance within the financial sector. This literature review offered a comprehensive overview of the dynamics and interactions present in this field. For the primary data, a meticulously designed questionnaire featuring both open and closed-ended questions was distributed among players in the financial sector. This approach enabled researchers to gather valuable firsthand insights into employees' perceptions and attitudes regarding initial public offerings in the Ethiopian financial sector. Ultimately, it aimed to shed light on how these changes and the preparedness regarding corporate governance might influence the country's financing sector landscape.

3.5 Data Collection Method

A questionnaire will serve as the primary tool for collecting data from selected banks, insurance companies, and microfinance institutions. This survey is designed to capture insights from senior managers across finance, legal, and operations departments, as well as from board members, CEOs, and company secretaries. The questionnaire aims to assess their perceptions of corporate governance in relation to initial public offering (IPO) readiness. Additionally, secondary data sources, including audit reports, management commentary, prospectuses, and other relevant materials, are used.

3.6 Sample Selection

This research sample focused on non-listed banks, insurance companies, and microfinance institutions, with only one bank, Wegagen Bank, currently listed. For the purposes of this study, I selected 22 banks out of the 32 operational banks in the country, which excludes new entrants as well as development and commercial banks. Additionally, I incorporated 17 insurance companies from a total of 18, excluding the Ethiopian Insurance Corporation because the government banks and insurance listing approach is part of government policy issues not only the corporate governance issues. For microfinance institutions, identified the top 10 organizations with a capital base and analyze their performance over the past ten years by the metrics of Return on equity and revenue growth rate. This approach allows us to concentrate on robust institutions capable of providing valuable insights for the research objectives.

3.7 Sampling Techniques

This research employed a **purposive sampling strategy** to intentionally select participants for a targeted survey designed to gather insights from key decision-makers within the Ethiopian financial sector, comprising banks, insurance companies, and microfinance institutions.

The primary goal of this study is to understand the perspectives of senior leaders, who play a crucial role in strategic decision-making regarding corporate governance, particularly in relation to initial public offerings (IPOs) within their organizations. To achieve this, a survey was distributed to a carefully chosen group of 196 senior officials, including CEOs, board members, company secretaries, and heads of finance, legal, and operations departments from 22 banks, 17 insurance companies, and 10 microfinance institutions, with four questionnaires forwarded to each company.

To enhance the credibility and validity of the research findings, confidentiality and anonymity were assured to all participants throughout the data collection process, which was conducted using

Google Forms. Notably, a response rate of 182 participants, or 93%, was achieved for the questions. This is a strong foundation for data analysis.

3.8 Method of Data Analysis

The data were primarily analyzed using descriptive methods. To facilitate this analysis, percentages, tables, and frequencies were employed. Additionally, the study's findings were presented through the use of these percentages and tables. The collected data underwent descriptive analysis to address both open-ended and closed-ended questions. Throughout the analysis process, various statistical techniques, including percentages, ratios, and other methods, were utilized. Specific statistical methods, such as the mean and standard deviation, were also extensively applied. The researcher employed SPSS version 27 software to code and analyze the responses gathered from the questionnaires. After careful organization, the data were coded and prepared for analysis.

3.9. Reliability and Validity

In order to ensure the reliability and validity of the instrument, pilot testing was conducted prior to the data collection for the study questionnaire. A sample questionnaire was administered to five participants from each sector (banks, insurance companies, and microfinance institutions). This initial feedback process allowed for the evaluation of the questionnaire's completeness, clarity, and potential ambiguities. The same group of employees from banks, insurance, and microfinance participated in the sample population following the pilot testing phase. Participants were encouraged to identify any questions they found uncomfortable and offer additional comments that could enhance the questionnaire's effectiveness. Adjustments were made based on their feedback, particularly concerning the clarity of the questions, before proceeding with the actual data collection exercise.

For reliability testing, the unbiased nature of the measurement was assessed using Cronbach's alpha coefficient, which ranges from 0 to 1, with higher scores indicating a more reliable scale. The reliability coefficients obtained were 0.981, suggesting that the data collected is robust and suitable for further analysis, enabling informed inferences. To maintain research ethics, the researcher thoroughly analyzed all responses from the quantitative data collected during the study and drew interpretations accordingly.

Case Processing Summary

		N	%
Cases	Valid	15	100.0
	Excluded	0	.0
	Total	15	100.0

a. List-wise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.981	28

3.10 Ethical Issues

This study was conducted in full compliance with ethical principles throughout the research process. Participants' privacy was respected, and informed consent was obtained, ensuring that participation was entirely voluntary. Confidentiality of data and participant anonymity were upheld, with no requests made for email addresses to complete the Google form. In reporting the findings, terms such as "respondents" or "study participants" were employed. Furthermore, the research adhered to responsible citation practices, with all sources properly acknowledged.

CHAPTER FOUR

4. Data Presentation and Analysis

The previous chapter presented a comprehensive overview of this study's methodology and data sources. This chapter analyzes and interprets data gathered from executives, board members, and board secretaries across the Banking, Insurance, and Microfinance sectors. A questionnaire was distributed to key personnel, including CEOs, board members, and managers from finance, legal, and operations departments. The responses were analyzed using SPSS version 27 statistical software and are presented in various formats, including ratios, tables, percentages, mean scores, and standard deviations.

This chapter is structured into two main sections: the first part focuses on the profiles of the respondents, while the second part delves into the analysis and interpretation of the data. To achieve these objectives, we employed a descriptive approach that incorporated qualitative data collection and analysis methods, additionally, reviewed pertinent literature, and thoroughly examined current corporate governance practices within the financial sector. The findings offer valuable insights into the financial industry, highlighting areas that require attention and improvement to facilitate a successful initial public offering (IPO) process.

4.1. Respondents' Profile

This section presents a comprehensive overview of the respondents' general profiles, encompassing key demographic factors such as sector, gender, age category, education level, and work experience. Data was meticulously collected using a structured questionnaire designed specifically for this purpose. Out of 196 questionnaires distributed among officials in the financial sector, 182 completed responses were ultimately deemed suitable for analysis. The following table illustrates the detailed profiles of the respondents, providing insights gathered from the questionnaires they completed. This information offers a clearer understanding of the workforce composition in the financial sector as represented by the study participants.

Summary of Respondent Frequency					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Financial sector Type	Bank	82	45.1	45.1	45.1
	Insurance	65	35.7	35.7	80.8
	Microfinance	35	19.2	19.2	100.0
	Total	182	100.0	100.0	
Sex of respondents					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	135	74.2	74.2	74.2
	Female	47	25.8	25.8	100.0
	Total	182	100.0	100.0	
Age of respondents					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Age	26-35	41	22.5	22.5	22.5
	36-60	135	74.2	74.2	96.7
	> 60	6	3.3	3.3	100.0
	Total	182	100.0	100.0	
Educational Level					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Educational Level	PHD	1	0.5	0.5	0.5
	Masters	113	62.1	62.1	62.6
	Degree	68	37.4	37.4	100.0
	Total	182	100.0	100.0	
Position or role in the company					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Position/ Role	Board Member/ Board Secretary	29	15.9	15.9	15.9
	CEO	26	14.3	14.3	30.2
	Finance & Investment Manager	48	26.4	26.4	56.6
	Legal Manager	39	21.4	21.4	78.0
	Operation Manager	40	22.0	22.0	100.0
	Total	182	100.0	100.0	
Year of Experience					
Description		Frequency	Percent	Valid Percent	Cumulative Percent
Experience	Less than 10 Years	9	4.9	4.9	4.9
	10-20	141	77.5	77.5	82.4
	Above 20 Years	32	17.6	17.6	100.0
	Total	182	100.0	100.0	

The demographic profiles of the respondents included various factors such as sector, gender, age, education, role/position, and experience. Among the sectors, the majority of respondents were from the banking industry, the percent is 45, followed by the insurance sector at 35.7%, and microfinance, which represented 19.2% of the respondents. The data indicated that out of the total participants, 135 (74.2%) were male and 47 (25.8%) were female. Nearly 97% of the respondents were of working age or under 60, with only 3% (6 employees) exceeding 60 years of age.

The educational qualifications of the respondents varied, with a predominant number holding degrees ranging from a Bachelor's to a PhD. Notably, the largest group consisted of 113 participants (62.1%) holding a Master's degree (MSc/MA), followed by 68 (37.4%) holding a Bachelor's degree, and one individual (0.5%) holding a PhD.

Regarding roles and positions, the respondents were distributed as follows: 26.4% worked in finance, 22% in operations, 21.4% in legal services, 15.9% served as board members or secretaries, and 14.3% identified as CEOs. In terms of experience, over 77% of respondents had between 10 and 20 years of experience, while 17.8% reported having more than 20 years, and only 5% had less than 10 years of experience. This is likely because the questionnaire was distributed among individuals in executive positions.

4.2. Questionnaire response

4.2.1 Structural characteristics of boards in preparing initial public offerings (IPOs)

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
The board consists of an adequate number of independent members.	Strongly Disagree	9	4.9	4.9	4.9	3.50	0.927
	Disagree	21	11.5	11.5	16.5		
	Neutral	29	15.9	15.9	32.4		
	Agree	116	63.7	63.7	96.2		
	Strongly agree	7	3.8	3.8	100.0		
	Total		182	100.0	100.0		
There is a clear separation between the Board and its management, with	Strongly Disagree	5	2.7	2.7	2.7	3.74	0.932
	Disagree	15	8.2	8.2	11.0		
	Neutral	34	18.7	18.7	29.7		

no major ties between the two.	Agree	97	53.3	53.3	83.0		
	Strongly agree	31	17.0	17.0	100.0		
	Total	182	100.0	100.0			
The board size will confidently align with industry best practices, ensuring a successful IPO process and enabling the company to achieve its objectives	Strongly Disagree	3	1.6	1.7	1.7	3.85	0.948
	Disagree	19	10.4	10.5	12.2		
	Neutral	22	12.1	12.2	24.3		
	Agree	96	52.7	53.0	77.3		
	Strongly agree	42	22.5	22.7	100.0		
	Total	182	99.5	100.0			
The company's board structure is robust and adheres to standards of independence and expertise, supported by an efficient process of selecting board members.	Disagree	20	11.0	11.0	11.0	3.88	0.912
	Neutral	27	14.8	14.8	25.8		
	Agree	89	48.9	48.9	74.7		
	Strongly agree	46	25.3	25.3	100.0		
	Total	182	100.0	100.0			
Boards actively seek out diversity in terms of gender, race, ethnicity, and background. This variety of perspectives contributes to the company.	Strongly Disagree	2	1.1	1.1	1.1	3.83	0.985
	Disagree	24	13.2	13.2	14.3		
	Neutral	22	12.1	12.1	26.4		
	Agree	89	48.9	48.9	75.3		
	Strongly agree	45	24.7	24.7	100.0		
	Total	182	100.0	100.0			
Consistently bringing in new members to the board can bring fresh perspectives and ensure that it stays in tune with the company's changing needs.	Strongly Disagree	4	2.2	2.2	2.2	3.85	1.029
	Disagree	19	10.4	10.4	12.6		
	Neutral	31	17.0	17.0	29.7		
	Agree	75	41.2	41.2	70.9		
	Strongly agree	53	29.1	29.1	100.0		
	Total	182	100.0	100.0			
Overall Mean Result						3.77	

SOURCE: - SPSS 27 Output

Table 4.2.1 presents the structural characteristics of boards that are critical for preparing for initial public offerings (IPOs). The survey results indicate that a substantial majority of respondents, 116 individuals, or 63.7% of the total, expressed agreement with the statements regarding structural characteristics that support IPO readiness. In contrast, 7 respondents (3.8%) expressed strong agreement with the current corporate governance structure. Meanwhile, 9 participants (4.9%) strongly disagreed with the effectiveness of these structures, 21 individuals (11.5%) tended to disagree, and 29 respondents (15.9%) maintained a neutral stance. The average rating for this aspect was 3.5, accompanied by a standard deviation of 0.927. This indicates a moderate level of variation among respondents regarding the board structural characteristics that facilitate a successful IPO process. Notably, the majority of respondents agreed that the existing corporate structure supports the IPO process. According to statistical analysis conventions, a standard deviation of 1 or more signifies significant variation in responses, while a standard deviation of less than 1 indicates lower variation. Thus, the observed coefficient of variation, which is below 1, suggests a relatively stable consensus among respondents.

The second item evaluated the necessity of a clear distinction between the board of directors and the management team, emphasizing the importance of avoiding significant connections between the two entities. A majority of respondents, totaling 97 individuals (53.3%), agreed on the importance of this separation, while 31 participants (17%) strongly supported this viewpoint. Additionally, 34 respondents (18.7%) expressed neutrality on the issue, indicating some ambivalence. Conversely, 15 participants (8.2%) disagreed, and 5 respondents (2.7%) strongly disagreed. The mean score for this item was 3.74, with a standard deviation of 0.932, reflecting a relatively consistent consensus regarding the importance of maintaining a distinct boundary between the board and management. According to Gavin Nicholas and Cameron J. Newton (2010), the board of directors is responsible for overseeing and guiding the overall direction and strategy of the organization, while the management team is responsible for implementing that strategy on a day-to-day basis. A clear distinction between these roles, without significant overlap, is essential for effective governance and organizational success.

The findings regarding board size indicate that a well-structured board should align with industry best practices to facilitate a successful IPO process and help the organization achieve its strategic goals. In this context, 96 respondents (52.7%) agreed, while 42 (22.5%) strongly agreed that an optimal board size is essential. On the other hand, 22 respondents (12.1%) remained neutral,

whereas 19 (10.4%) disagreed, and 3 (1.6%) strongly disagreed. The average perception score for board size was 3.85, with a standard deviation of 0.948, highlighting a strong consensus among those who believe that following best practices related to board size positively impacts IPO success. In Ethiopia's financial sector, private financial institutions are required to have a board of directors that consists of at least nine members with diverse expertise in areas such as finance, banking, accounting, legal matters, administration, audit, and technology. Furthermore, boards must include at least two female directors to promote gender diversity. It's also mandated that one-third of the board comprises independent directors, meaning they are not connected to the banking sector relevant to the total number of board members.

Research suggests that increasing the number of directors can enhance firm value by bringing together a variety of expertise necessary for making informed decisions. A larger board may also prevent a powerful CEO from dominating board dynamics. According to Kiel and Nicholson (2003), the size of the board is vital for effective governance and is a key factor that significantly impacts a firm's overall performance. This influence is particularly important in the context of supervisory mechanisms and the organization's credibility, which ultimately affects the reliability of the earnings forecasts provided by management. Overall, corporate governance structures tend to favor smaller boards due to their improved coordination, faster decision-making capabilities, and reduced risk of free-rider issues, where some members may depend on others to carry out monitoring and oversight responsibilities (Badru et al., 2017).

Examining the fourth item, which centered on the strength of the board structure in terms of independence and expertise, as well as the effectiveness of the board member selection process, the responses reflected a generally positive sentiment. A total of 46 participants (25.3%) strongly agreed, while 89 (48.9%) agreed with the assertion. Meanwhile, 27 individuals (14.8%) gave neutral responses, and 20 respondents (11%) expressed disagreement, with no one indicating strong disagreement. The mean score for this item was a notable 3.88, accompanied by a standard deviation of 0.912, underscoring high levels of confidence in both the board's structure and the governing processes.

Moving on to the fifth question, respondents considered the importance of boards actively pursuing diversity in gender, race, ethnicity, and background, suggesting that such diversity enriches decision-making and broadens the overall perspective of the company. In this context, 45 participants (24.7%) strongly agreed, and 89 (48.9%) agreed, while 22 (12.1%) remained neutral. The remaining subset included 24 respondents (13.2%) who disagreed, and 2 (1.1%) who strongly

disagreed. The mean score for this inquiry was 3.83, with a standard deviation of 0.985, reflecting a widespread acknowledgment among respondents of the advantages that diverse board membership brings. This aspect of board diversity is increasingly recognized as vital for an effective composition that allows for varied viewpoints. The inclusion of more women on boards introduces additional skills and perspectives that may be absent in all-male boards (Boyle & Jane, 2011). This diversity promotes not only better oversight and problem-solving but also stimulates dynamic discussions through the unique insights offered by female board members. The significance of gender diversity on corporate boards remains a crucial topic in corporate governance.

Lastly, the final question explored the importance of regularly integrating new members into the board. This approach not only introduces fresh viewpoints but also plays a crucial role in ensuring that the board aligns with the company's evolving needs. A total of 53 respondents, representing 29.1%, strongly agreed with this perspective, emphasizing the perceived need for diversity in thought and experience. Meanwhile, 75 participants, accounting for 41.2%, agreed with the notion, further highlighting a broad consensus on the value of new insights.

In contrast, 31 individuals, or 17%, remained neutral, suggesting a degree of ambivalence towards the idea, while 19 respondents, making up 10.4%, disagreed. Interestingly, 4 participants, or 2.2%, strongly opposed the idea, indicating a minority viewpoint in the discussion. The mean score for this question was a solid 3.83, coupled with a standard deviation of 0.985. This data suggests a strong endorsement of the notion that introducing new perspectives can significantly enhance board dynamics and improve the company's adaptability in a rapidly changing business environment.

4.2.2 Qualifications and expertise of the Board for the proper implementation of IPO

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
The board members who possess relevant educational qualifications in finance, law, or business administration	Strongly Disagree	2	1.1	1.1	1.1	3.77	0.834
	Disagree	14	7.7	7.7	8.8		
	Neutral	34	18.7	18.7	27.5		
	Agree	105	57.7	57.7	85.2		
	Strongly agree	27	14.8	14.8	100.0		
	Total		182	100.0	100.0		

The board members have relevant industry experience	Strongly Disagree	7	3.8	3.8	3.8	3.78	1.065
	Disagree	21	11.5	11.5	15.4		
	Neutral	22	12.1	12.1	27.5		
	Agree	87	47.8	47.8	75.3		
	Strongly agree	45	24.7	24.7	100.0		
	Total	182	100.0	100.0			
The board members have completed their training on corporate governance.	Strongly Disagree	2	1.1	1.1	1.1	4.01	0.928
	Disagree	11	6.0	6.0	7.1		
	Neutral	32	17.6	17.6	24.7		
	Agree	75	41.2	41.2	65.9		
	Strongly agree	62	34.1	34.1	100.0		
	Total	182	100.0	100.0			
The board members who have previous experience with IPOs.	Strongly Disagree	10	5.5	5.5	5.5	3.76	1.119
	Disagree	17	9.3	9.3	14.8		
	Neutral	29	15.9	15.9	30.8		
	Agree	76	41.8	41.8	72.5		
	Strongly agree	50	27.5	27.5	100		
	Total	182	100.0	100.0			
Overall Mean Result						3.83	

SOURCE: - SPSS 27 Output

Table 4.2.2 presents a comprehensive analysis of the educational qualifications of board members, focusing specifically on essential domains such as finance, law, and business administration. The findings from the survey reveal that a substantial majority of respondents, 105 individuals, representing 57.7% of the total expressed a favorable opinion regarding the educational credentials of the board of directors. Within this favorable group, 27 participants (14.8%) indicated strong agreement, highlighting a significant level of endorsement for the board's qualifications. In contrast, a small segment of the respondents voiced dissent, with only 2 individuals (1.1%) expressing strong disagreement with the perceived qualifications of the board in these critical areas. This indicates that while most respondents are supportive, there are dissenting voices that highlight potential

concerns or differing perspectives within the group. Furthermore, 14 respondents (7.7%) showed mild disagreement, illustrating a spectrum of views, while 34 participants (18.7%) remained neutral, reflecting a cautious uncertainty regarding the qualifications of the board. The overall mean rating for the educational qualifications aspect of the survey was 3.77, accompanied by a standard deviation of 0.834. This indicates a moderate consensus among respondents, suggesting a generally positive, albeit varied, perception of the educational backgrounds of board members.

The second area of examination was the relevance of industry experience held by the board members. The survey results indicate that 87 respondents (47.8%) agreed with the assertion that the board members possess pertinent industry experience. Among them, 45 participants (24.7%) expressed strong endorsement of this statement, reinforcing the belief that industry knowledge is crucial for effective governance. Additionally, 22 respondents (12.1%) adopted a neutral stance, suggesting some indecision about the board's industry experience. Dissenting views included 21 respondents (11.5%) who disagreed and 7 individuals (3.8%) who strongly disagreed with the idea that the board brings sufficient industry insight. The mean score for this aspect was 3.78, with a standard deviation of 1.065. This high level of variation in responses aligns with standard criteria where a standard deviation of 1 or more often indicates a significant diversity of opinions among respondents regarding the relevance of industry experience among board members.

The survey further assessed whether board members had completed training on corporate governance, a critical aspect of effective board governance. The findings revealed that 75 respondents (41.2%) agreed that board members had undergone such training, while a notable 62 individuals (34.1%) expressed strong agreement, indicating a strong belief in the value of governance training. Conversely, 32 respondents (17.6%) maintained a neutral position, which may reflect uncertainty or a lack of information on the matter. Dissenting views included 11 individuals (6%) who disagreed with the assertion of adequate training, and 2 participants (1.1%) who strongly disagreed. The mean score for perceptions of training on corporate governance was 4.01, accompanied by a standard deviation of 0.928, suggesting a robust consensus among respondents who assert that adherence to best practices regarding board composition and training is crucial for the successful execution of initial public offerings (IPOs).

Lastly, the analysis of board members' previous experience with IPOs yielded insightful findings. A significant number of respondents, 50 participants (27.5%), strongly agreed that the board had relevant experience with IPOs, while 76 individuals (41.8%) agreed with this assertion. Neutral responses accounted for 29 individuals (15.9%), indicating a degree of indecisiveness or lack of

clarity regarding the board's IPO experience. On the dissenting side, 17 respondents (9.3%) disagreed, and 10 participants (5.5%) strongly disagreed, suggesting a minority view questioning the direct relevance of IPO experience. This aspect produced a notably high mean score of 3.76, alongside a standard deviation of 1.119, indicating considerable response variability. According to established norms, a standard deviation exceeding 1 signifies a wide range of opinions about the significance of IPO experience among board members, further emphasizing the need for clarity and potentially targeted training in this area.

4.2.3 Financial reporting and disclosures, clarity, and IPO process.

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
Have the financial statements been audited by reputable auditors	Strongly Disagree	2	1.1	1.1	1.1	3.83	0.822
	Disagree	14	7.7	7.8	8.9		
	Neutral	24	13.2	13.3	22.2		
	Agree	112	61.5	62.2	84.4		
	Strongly agree	30	15.4	15.6	100.0		
	Total		182	98.9	100.0		
The company complies with International Financial Reporting Standards (IFRS) for both external and internal reporting purposes.	Strongly Disagree	4	2.2	2.2	2.2	4.05	0.944
	Disagree	11	6.0	6.0	8.2		
	Neutral	19	10.4	10.4	18.7		
	Agree	85	46.7	46.7	65.4		
	Strongly agree	63	34.6	34.6	100.0		
	Total		182	100.0	100.0		
The company adheres completely to all relevant regulatory requirements set forth by the Ethiopian Capital Market Authority and complies with the regulations established by the National Bank of Ethiopia.	Strongly Disagree	2	1.1	1.1	1.1	3.93	0.938
	Disagree	17	9.3	9.3	10.4		
	Neutral	23	12.6	12.6	23.1		
	Agree	89	48.9	48.9	72.0		
	Strongly agree	51	28.0	28.0	100.0		
	Total		182	100.0	100.0		

The company's internal controls over financial reporting are strong and effective.	Disagree	13	7.1	7.1	7.1	3.99	0.889
	Neutral	33	18.1	18.1	25.3		
	Agree	78	42.9	42.9	68.1		
	Strongly agree	58	31.9	31.9	100.0		
	Total	182	100.0	100.0			
Overall Mean Result						3.95	

SOURCE: - SPSS 27 Output

Table 4.2.3 presents an in-depth analysis of the auditing of financial statements conducted by renowned auditors, shedding light on respondents' perceptions and experiences. According to the survey results, a notable segment of the participants, specifically 112 individuals, or 61.5% of the total respondents, expressed their agreement that their financial statements underwent thorough auditing by respected professionals in the field. Within this group, 30 participants (15.4%) conveyed strong agreement, indicating a deep-seated belief in the credibility and reliability of their financial statements, which were prepared under the scrutiny of qualified auditors. Conversely, a negligible minority of 2 individuals (1.1%) firmly disagreed with this assertion, raising concerns about the integrity of the auditing process. Furthermore, 14 respondents (7.7%) exhibited mild disagreement, while 24 participants (13.2%) adopted a neutral stance, implying a lack of strong conviction regarding the quality of the audit. The overall average rating for this aspect reached 3.83, with a standard deviation of 0.822, suggesting a moderate consensus among respondents about the auditing quality and its implications for financial reporting.

The second aspect evaluated was the company's commitment to adhering to the International Financial Reporting Standards (IFRS), which are crucial for both external and internal reporting purposes. The results showcased that 85 respondents (46.7%) agreed with the assertion of the company's compliance with IFRS, while an additional 63 participants (34.6%) strongly endorsed this view, reflecting a strong confidence in the company's adherence to these recognized international reporting standards. On the other hand, 19 respondents (10.4%) chose a neutral position, indicating some uncertainty about the company's compliance status. Dissenting opinions surfaced among 11 individuals (6%) who disagreed, and 4 participants (2.2%) who expressed strong disagreement, suggesting concerns regarding the company's reporting practices. This aspect achieved a mean score of 4.05, with a standard deviation of 0.944, highlighting a generally favorable outlook among respondents concerning the company's commitment to IFRS compliance.

Next, the survey delved into the company’s adherence to all relevant regulatory requirements established by the Ethiopian Capital Market Authority and regulations set forth by the National Bank of Ethiopia. The findings revealed that 89 respondents (48.9%) agreed with the notion that the company effectively meets these regulatory standards, with 51 participants (28%) expressing strong affirmation of this compliance. In contrast, 23 respondents (12.6%) remained neutral, reflecting a certain level of uncertainty about the company’s regulatory adherence. Dissent emerged from 17 individuals (9.3%) who disagreed with the statement, alongside 2 participants (1.1%) who conveyed strong disagreement. This aspect garnered a mean score of 3.93 and a standard deviation of 0.938, indicating robust support among respondents who believe in the company’s compliance with regulatory standards.

Finally, the survey evaluated the robustness and effectiveness of the company’s internal controls over financial reporting. Among the respondents, 58 participants (31.9%) strongly affirmed the strength of these internal controls, while an additional 78 individuals (42.9%) expressed agreement with this assessment, highlighting confidence in the company's financial governance systems. Neutral responses accounted for 33 individuals (18.1%), suggesting a moderate level of uncertainty regarding the effectiveness of the internal controls. Dissenting opinions were less prevalent, with only 13 respondents (7.1%) indicating disagreement and, notably, no participants expressing strong disagreement. This aspect achieved a mean score of 3.99 with a standard deviation of 0.889, reflecting a positive evaluation of the effectiveness of the company’s internal controls.

In summary, the overall grand average mean across all surveyed aspects stood at 3.95, indicating a generally favorable perception among respondents regarding the company’s financial governance and reporting practices, thus reinforcing confidence in its financial integrity and accountability.

4.2.4 Risk management strategies and preparing for IPOs

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
The company implemented a formal risk management program	Strongly Disagree	3	1.6	1.6	1.6	3.75	0.834
	Disagree	14	7.7	7.7	9.3		
	Neutral	31	17.0	17.0	26.4		
	Agree	111	61.0	61.0	87.4		
	Strongly agree	23	12.6	12.6	100.0		
	Total	182	100.0	100.0			

The board has a dedicated risk management committee	Strongly Disagree	2	1.1	1.1	1.1	4.04	0.948
	Disagree	12	6.6	6.6	7.7		
	Neutral	30	16.5	16.5	24.2		
	Agree	71	39.0	39.0	63.2		
	Strongly agree	67	36.8	36.8	100.0		
	Total	182	100.0	100.0			
The board is actively involved in overseeing the company's risk management processes.	Disagree	13	7.1	7.1	7.1	4.01	0.895
	Neutral	33	18.1	18.1	25.3		
	Agree	76	41.8	41.8	67.0		
	Strongly agree	60	33.0	33.0	100.0		
	Total	182	100.0	100.0			
The regular reports to submit to the board on the company's most relevant risks, including the magnitude of those risks and mitigation strategies.	Disagree	15	8.2	8.2	8.2	3.96	0.915
	Neutral	35	19.2	19.2	27.5		
	Agree	75	41.2	41.2	68.7		
	Strongly agree	57	31.3	31.3	100.0		
	Total	182	100.0	100.0			
The legal and tax risks are being appropriately managed.	Disagree	13	7.1	7.1	7.1	3.91	0.849
	Neutral	35	19.2	19.2	26.4		
	Agree	89	48.9	48.9	75.3		
	Strongly agree	45	24.7	24.7	100.0		
	Total	182	100.0	100.0			
Overall Mean Result						3.93	

SOURCE: - SPSS 27 Output

Table 4.2.4 presents the findings from the participants regarding the implementation of a formalized risk management program within the organization. The survey results demonstrate that a significant majority of the respondents, totaling 111 individuals or 61% of those surveyed, affirmed their

agreement with the existence and operational effectiveness of this risk management program. Among these, 23 respondents (12.6%) expressed strong agreement, indicating a strong endorsement of the program's value and significance within the company's structure. On the other hand, a small minority, consisting of 3 participants (1.6%), voiced strong disagreement regarding the program's effectiveness, while 14 respondents (7.7%) tended to disagree, reflecting a level of dissatisfaction. Additionally, 31 individuals (17%) selected a neutral response, signifying ambivalence or uncertainty about their views on the program. The average rating for this survey item was recorded at 3.75, with a standard deviation of 0.834. This data suggests that, overall, the respondents display a moderate level of confidence in the risk management practices that have been established by the company.

The second item of the survey explored opinions on the existence of a dedicated risk management committee within the board of directors. The responses revealed a plurality of participants, totaling 71 individuals (39%), who recognized the importance of such a division of responsibilities within the governance framework. Further reinforcing this perspective, 67 respondents (36.8%) strongly supported the establishment of a dedicated risk management committee, emphasizing the need for specialized oversight in this critical area. A considerable proportion of respondents, comprising 30 individuals (16.5%), maintained a neutral stance, indicating some ambivalence about the necessity of this separation. Conversely, dissenting views were held by 12 participants (6.6%) who disagreed with the proposal, as well as 2 respondents (1.1%) who strongly opposed the idea. The mean score for this inquiry was 4.04, coupled with a standard deviation of 0.948, indicating a general consensus among respondents on the importance of a specialized committee to oversee risk management activities. The third question examined the involvement of the board in overseeing the company's risk management processes. In this context, 76 respondents (41.8%) expressed their agreement, while an additional 60 individuals (33%) indicated strong agreement. This underscores the importance that participants attribute to the board's active role in managing organizational risks. Conversely, 33 respondents (18.1%) chose a neutral position, suggesting some uncertainty about this involvement. Notably, only 13 respondents (7.1%) expressed disagreement, and no participants indicated strong disagreement with the notion of board involvement. The mean score related to perceptions of the ideal board size in connection with risk oversight was established at 4.01, alongside a standard deviation of 0.895, further emphasizing the perception of the board's crucial oversight role.

In exploring the fourth item, which focused on the submission of regular reports to the board regarding the company's critical risks including their significance and proposed mitigation strategies the data illustrated that 57 participants (31.3%) strongly agreed with this practice. Additionally, a larger group of 75 respondents (41.2%) agreed, reinforcing the perceived importance of routine reporting on risk matters to the board. Neutral responses, accounting for 35 individuals (19.2%), indicated a degree of uncertainty regarding this practice, while 15 respondents (8.2%) disagreed, with no one expressing strong disagreement. The mean score for this aspect was notably high at 3.96, together with a standard deviation of 0.915, reflecting a robust endorsement for the establishment of consistent reporting mechanisms concerning risk to the board.

Lastly, the fifth inquiry required participants to assess whether legal and tax risks are being managed appropriately within the company. In response, 45 individuals (24.7%) strongly agreed that these risks are adequately addressed, while a larger segment of 89 respondents (48.9%) expressed general agreement. Additionally, 35 participants (19.2%) remained neutral on the matter, reflecting some indecision, while 13 individuals (7.1%) disagreed, with no respondents indicating strong opposition to the management of these crucial risks. The mean score for this final inquiry was recorded at 3.91, with a standard deviation of 0.849, reflecting a generally favorable perception among respondents regarding the company's handling of legal and tax risks. Overall, when averaging the mean scores across all survey items, the final average stands at 3.93, signaling a positive consensus on the effectiveness of the company's risk management practices.

4.2.5 The processes and criteria used by audit committees for evaluating the IPO process.

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
The audit committee consists of three members, with at least one possessing financial expertise in accounting or auditing.	Disagree	9	4.9	4.9	4.9	3.92	0.742
	Neutral	31	17.0	17.0	22.0		
	Agree	108	59.3	59.3	81.3		
	Strongly agree	34	18.7	18.7	100.0		
	Total	182	100.0	100.0			
The audit committee regularly reviews and evaluates the	Disagree	11	6.0	6.0	6.0	4.02	0.837
	Neutral	29	15.9	15.9	22.0		
	Agree	88	48.4	48.4	70.3		

company's internal financial controls, systems, and risk management processes.	Strongly agree	54	29.7	29.7	100.0		
	Total	182	100.0	100.0			
The committee acts as a bridge between the board, management, and external auditors, ensuring the audit process is conducted effectively.	Disagree	11	6.0	6.0	6.0	4.12	0.858
	Neutral	24	13.2	13.2	19.2		
	Agree	79	43.4	43.4	62.6		
	Strongly agree	68	37.4	37.4	100.0		
	Total	182	100.0	100.0			
The audit committee has fundamental knowledge and completed training regarding capital markets and initial public offerings.	Strongly Disagree	1	0.5	0.5	0.5	3.92	0.866
	Disagree	11	6.0	6.0	6.6		
	Neutral	37	20.3	20.3	26.9		
	Agree	86	47.3	47.3	74.2		
	Strongly agree	47	25.8	25.8	100.0		
	Total	182	100.0	100.0			
The audit committee oversees the company's compliance with relevant financial reporting and regulatory requirements.	Disagree	10	5.5	5.5	5.5	4.03	0.817
	Neutral	28	15.4	15.4	20.9		
	Agree	91	50.0	50.0	70.9		
	Strongly agree	53	29.1	29.1	100.0		
	Total	182	100.0	100.0			
Overall Mean Result						4.00	

SOURCE: - SPSS 27 Output

Table 4.2.5 provides an insightful overview of the audit committee's composition and its vital responsibilities within the organization. The committee consists of three dedicated members, with a critical emphasis on having at least one individual who possesses robust financial expertise in accounting or auditing. Survey results reveal that a substantial majority of participants, totaling 108 individuals representing 59.3% of the respondents, expressed their agreement with this framework. Furthermore, 34 respondents (18.7%) indicated strong agreement, reflecting a high level of confidence in the committee's qualifications. In contrast, a minority of 9 participants (4.9%) disagreed with the assertion regarding the education and expertise of the committee members, while

31 respondents (17%) adopted a neutral stance; notably, there were no responses categorized as strongly disagree. The average rating for this aspect was a commendable 3.92, supported by a standard deviation of 0.742, indicating a relatively consistent agreement among respondents.

The second item assessed addresses the audit committee's responsibility to regularly review and evaluate the company's internal financial controls, systems, and risk management processes. Here, the findings revealed that 88 respondents (48.4%) agreed on the importance of this oversight, with an additional 54 (29.7%) strongly endorsing this necessity. A significant portion, comprising 29 respondents (15.9%), remained neutral on the topic, suggesting some lingering ambivalence. Dissenting opinions included 11 participants (6.6%) who disagreed, with no respondents expressing strong disagreement. The mean score for this item was an impressive 4.02, coupled with a standard deviation of 0.837, reflecting a generally favorable perception of the committee's role in this area.

The third point highlighted the committee's function as a critical bridge between the board, management, and external auditors, ensuring that the audit process is conducted effectively. Within this context, 79 respondents (43.4%) agreed with the importance of this role, while 68 (37.4%) strongly agreed, underscoring a widespread recognition of the committee's integrative function. Conversely, 24 respondents (13.2%) expressed neutrality, and 11 (6%) disagreed, with no participants indicating strong disagreement. The mean score for perceptions on this aspect was 4.12, along with a standard deviation of 0.858, indicating strong endorsement of the committee's bridging role.

In examining the fourth item, the audit committee's fundamental knowledge and completion of training regarding capital markets and initial public offerings emerged as crucial competencies. The responses showed that 47 participants (25.8%) strongly agreed with this assertion, while 86 (47.3%) agreed, highlighting a solid confidence in the committee's preparedness. Neutral responses accounted for 37 individuals (20.3%), while 11 respondents (6%) disagreed, and a very small number—just 1 participant (0.5%) expressed strong disagreement. The mean score for this item was notably high at 3.92, with a standard deviation of 0.866, reflecting a positive outlook on the committee's expertise in these essential areas.

Finally, the fifth inquiry focused on the audit committee's oversight of the company's compliance with pertinent financial reporting and regulatory requirements. In this regard, a substantial 53 individuals (29.1%) strongly agreed, while 91 (50%) expressed agreement, demonstrating a strong consensus on the committee's role in ensuring compliance. Additionally, 28 respondents (15.4%)

remained neutral, and 10 respondents (5.5%) disagreed, with no participants stating strong disagreement. The mean score for this item was 4.03, accompanied by a standard deviation of 0.817, underscoring the committee's perceived importance in maintaining regulatory compliance.

4.2.6 Assessment of corporate social responsibility regarding with IPO.

Questioner	Level of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent	Mean	Standard Deviation
The company has established a comprehensive CSR strategy along with well-defined policies.	Strongly Disagree	9	4.9	4.9	4.9	3.45	1.054
	Disagree	35	19.2	19.2	24.2		
	Neutral	19	10.4	10.4	34.6		
	Agree	103	56.6	56.6	91.2		
	Strongly agree	16	8.8	8.8	100.0		
	Total	182	100.0	100.0			
The company's CSR activities are regularly reported and disclosed to stakeholders	Strongly Disagree	8	4.4	4.4	4.4	3.77	1.136
	Disagree	23	12.6	12.6	17.0		
	Neutral	25	13.7	13.7	30.8		
	Agree	72	39.6	39.6	70.3		
	Strongly agree	54	29.7	29.7	100.0		
	Total	182	100.0	100.0			
Corporate Social Responsibility is integrated into the company's strategic planning	Strongly Disagree	7	3.8	3.8	3.8	3.80	1.100
	Disagree	23	12.6	12.6	16.5		
	Neutral	20	11.0	11.0	27.5		
	Agree	81	44.5	44.5	72.0		
	Strongly agree	51	28.0	28.0	100.0		
	Total	182	100.0	100.0			
ESG (Environmental, Social, and Governance) metrics are	Strongly Disagree	13	7.1	7.1	7.1	3.61	1.242
	Disagree	30	16.5	16.5	23.6		
	Neutral	21	11.5	11.5	35.2		
	Agree	69	37.9	37.9	73.1		

disclosed in financial reports.	Strongly agree	49	26.9	26.9	100.0		
	Total	182	100.0	100.0			
Overall Mean Result						3.66	

SOURCE: - SPSS 27 Output

Table 4.2.6 Summary of Corporate Social Responsibility (CSR) Strategy Assessment. The financial sector has established a comprehensive and well-structured Corporate Social Responsibility (CSR) strategy, underpinned by clearly defined policies that promote ethical practices and foster community engagement. According to the latest survey results, a substantial majority of respondents, comprising 103 individuals (56.6% of participants), expressed agreement regarding the effectiveness of these CSR policies. Notably, 16 respondents (8.8%) conveyed strong agreement, which signifies robust support for the company’s commitment to socially responsible practices. Conversely, a minority of 9 participants (4.9%) strongly disagreed with the CSR initiatives, while an additional 35 individuals (19.2%) indicated disagreement. Furthermore, 19 respondents (10.4%) maintained a neutral position, reflecting a spectrum of opinions on this matter. The average rating for this aspect was recorded at 3.45, with a standard deviation of 1.054, indicating a diverse range of perceptions among the participants.

The second aspect evaluated was the frequency and transparency with which the company reports and discloses its CSR activities to stakeholders. Here, a significant proportion of the respondents comprising 72 individuals (39.6%) expressed agreement with the practices in place. Additionally, 54 participants (29.7%) provided strong endorsement for the regularity and transparency of these reporting efforts. However, a segment of respondents showcased ambivalence, with 25 individuals (13.7%) adopting a neutral stance. On the dissenting side, 23 participants (12.6%) disagreed with the current reporting practices, while 8 individuals (4.4%) expressed strong disagreement. The mean score for this statement was noted at 3.77, accompanied by a standard deviation of 1.136, which suggests considerable divergence in opinions regarding the company’s disclosure practices.

The third dimension assessed was the integration of Corporate Social Responsibility within the company’s strategic planning processes. In this regard, 81 respondents (44.5%) agreed that CSR plays a significant role in strategic decision-making, while 51 individuals (28%) demonstrated strong agreement, showcasing an overall positive perception of CSR’s influence. However, 20 participants (11%) remained neutral, suggesting some uncertainty. Additionally, a total of 30

individuals expressed skepticism about the integration of CSR, with 12.6% disagreeing and 3.8% strongly disagreeing. The average score for this aspect was found to be 3.80, with a standard deviation of 1.100, which underscores a generally favorable inclination towards aligning CSR with the company's strategic goals.

Finally, the fourth item examined involved the disclosure of Environmental, Social, and Governance (ESG) metrics within financial reports. The findings indicated that 49 participants (26.9%) strongly agreed with the importance of transparency in ESG reporting, while 69 individuals (37.9%) agreed, suggesting a consensus on the necessity of including these metrics. Neutral responses accounted for 21 respondents (11.5%), reflecting moderate uncertainty about the situation. On the contrary, 30 participants (16.5%) disagreed with the practice, and 13 individuals (7.1%) strongly disagreed with incorporating ESG metrics in financial disclosures. The mean score for this aspect was recorded at 3.61, supported by a standard deviation of 1.242, indicating a variation in sentiment about the financial reporting of ESG metrics among stakeholders. Noteworthy is that the higher standard deviation across all assessed questions signifies a significant level of debate and diversity of opinions among participants on these critical corporate practices.

4.2.7. Analysis of Open-ended Questionnaires

In conducting a thorough analysis of the closed-ended questionnaires that focused on corporate governance and the preparedness for Initial Public Offerings (IPOs) among executive members, the researcher expanded the inquiry by engaging participants through a thoughtfully designed series of open-ended questions. This approach allowed for a more in-depth exploration of their perspectives, encouraging richer insights and fostering a deeper understanding of the nuances associated with governance practices and IPO readiness.

➤ It became evident that the company's board structure requires fortification in several pivotal areas, including board member selection, monitoring practices, decision-making processes, diversification, and overall composition. This alignment with the governance standards expected of public companies is essential. Establishing a robust board of directors one that boasts both diversity and a comprehensive skill set is crucial for capably guiding the company through the details of the IPO process.

Most respondents expressed confidence in their company's board structure, highlighting the presence of well-educated and diverse individuals who effectively engage in informed decision-making that benefits all stakeholders. They noted that these attributes contribute to a healthier, more

efficient organizational structure. However, some acknowledged that their companies are still in the process of strengthening these capabilities. In the broader context, the capital market, particularly the IPO landscape, remains relatively emerging in Ethiopia. A significant barrier to progress has been the widespread lack of knowledge and experience pertaining to IPOs, which has contributed to delays in the transition toward public listing. Nevertheless, respondents noted that their companies are diligently working to adapt to these evolving challenges, and they are optimistic that they will soon complete the IPO process.

Others reported notable advancements in establishing a board structure that aligns with the corporate governance standards prescribed for public entities. They emphasized their focus on selecting board members who bring diverse backgrounds and essential skills in areas such as oversight, strategic decision-making, and overall leadership, key components necessary for successful IPO practices.

➤ The researcher raised the second point for respondents, like in what ways do prior IPO experience and the educational backgrounds of board members regarding initial public offerings influence a company's preparedness for an IPO?

Some of the respondents indicated that they are not familiar with the concept of an Initial Public Offering (IPO) since it is relatively new to our country. However, there are some individuals, particularly within the banking and insurance sectors, who have been certified in this area. Having prior experience with IPOs among board members is crucial, as the process can be complex and requires seasoned strategic leadership, along with hands-on knowledge of the details involved. Regrettably, most companies, along with their board members, lack this essential knowledge and experience, given that our country is still adapting to the IPO landscape. But the prior IPO experience and educational qualifications of board members play a critical role in determining a company's readiness for an IPO. This impact can be seen in various aspects, including strategic and procedural preparedness, adherence to governance and compliance standards, the fostering of investor confidence, as well as effective risk management and decision-making practices.

➤ The researcher raised the board audit committee work alongside external auditors to improve corporate governance in terms of transparency and the clarity of reporting?

The majority of respondents noted that the issue relates to annual audit engagements. As a result, the audit committee holds discussions with external auditors regarding the findings presented in the "Management Letter," which the auditors prepare for the Board's review. These committee

discussions are crucial in assisting the full Board in making informed decisions intended to enhance reporting clarity and offer guidance to management for future improvements.

➤ What responsibilities does the board risk committee have in tackling compliance and regulatory issues related to the new proclamation 1248/2021 and other directives concerning the Ethiopian capital market and the regulatory body for the financial sector (NBE)?

The majority of respondents tried to elucidate the role of the Board, particularly focusing on the functions of the risk committee. This committee is dedicated to addressing risks that arise from the aforementioned proclamation, proactively overseeing the company's comprehensive risk management framework. This includes a systematic approach to identifying, assessing, and mitigating risks associated with compliance to Proclamation 1248/2021 and other pertinent regulations.

Key responsibilities of the risk committee encompass robust risk oversight, defining the organization's risk appetite, and meticulously reviewing risk policies and controls. Additionally, they play a crucial role in reporting and communication, ensuring that stakeholders are well-informed. Most importantly, the committee guarantees rigorous compliance and adherence to regulatory standards, which underpins the integrity of the company's operations and strategic objectives.

➤ Robust corporate social responsibility (CSR) practices are essential for a company's readiness for an IPO and significantly enhance corporate governance. Companies can foster trust among investors, regulators, and the public by showcasing a commitment to sustainable operations. This, in turn, helps to attract investment and boosts the company's public image. What strategies does your company have in place to uphold this critical value?

The company representative has acknowledged that this issue is incorporated into their overall strategy; however, in certain situations, it has not been effectively implemented. To address this, the company has established a Corporate Social Responsibility (CSR) policy that outlines its commitment to ethical action. In fulfilling its CSR obligations, the Board has designated a specific percentage of the net profit to be allocated to support underprivileged communities. This support is channeled through partnerships with community-based humanitarian organizations that focus on crucial social and economic sectors, such as education, services for individuals with disabilities, and other related areas.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The chapter presents a comprehensive summary of the findings from Chapter Four, along with insightful conclusions and actionable recommendations drawn from the study's primary objectives. The central aim of the research was to assess the state of corporate governance in relation to Initial Public Offering (IPO) readiness within the Ethiopian financial sector. Additionally, this chapter addresses the limitations encountered during the study and offers thoughtful suggestions for future research endeavors, highlighting areas that require further exploration and investigation.

5.2. Summary of Findings

The primary objective of this study was to thoroughly evaluate the state of corporate governance in relation to Initial Public Offering (IPO) readiness within the Ethiopian financial sector. This comprehensive assessment delved into several critical aspects that are integral to an organization's preparation for an IPO, particularly focusing on the structural characteristics of boards. These characteristics are vital in establishing a framework conducive to successful IPO execution.

A key area of investigation was the educational backgrounds and professional experiences of board members within the financial industry. Understanding the qualifications and expertise of these individuals is crucial, as they play a significant role in effective IPO preparation. The study aimed to uncover how these factors influence decision-making processes and strategic planning at the board level. Moreover, the quality of financial reporting standards and the robustness of existing disclosure frameworks were examined to gauge their adequacy for IPO readiness. This aspect is paramount, as transparency in financial reporting not only fosters investor confidence but also ensures compliance with regulatory requirements.

Another focal point of the study was the effectiveness of risk management strategies currently employed by organizations, as well as a thorough examination of the functions of the Board's audit committee. Identifying potential risks that could adversely affect IPO readiness was also of significant importance. Evaluating these elements helps in establishing a proactive approach to risk mitigation in the lead-up to going public. In addition to these factors, the study explored the corporate governance responsibilities that boards must support. Special attention was dedicated to compliance with regulatory requirements, ethical standards, and the reputation of stakeholder

communication. These elements are essential for building a solid foundation of trust and credibility, which are crucial for a successful IPO.

Overall, the findings revealed notable concerns in various areas of corporate governance, with one exception being the consistent introduction of new board members. This aspect is vital for infusing fresh perspectives and ensuring alignment with the evolving needs of the organization in a dynamic market environment. Specifically, the average response pertaining to the effect of board turnover on governance yielded a mean score of 3.85, accompanied by a standard deviation of 1.029. This indicates a significant variation in opinions among respondents, highlighting the urgent need for leaders in the financial sector to reassess and refine their strategies regarding board composition.

Additionally, the data indicated that respondents held diverse views on the significance of prior IPO experience among board members. This area sparked considerable debate, as reflected by a standard deviation of 1.119. This suggests a critical need for companies to prioritize the inclusion of individuals with substantial IPO experience in their corporate governance practices, especially given the rapid evolution of the capital market. When discussing corporate social responsibility (CSR), respondents exhibited varying perspectives, evidenced by a standard deviation of 1.242 in their responses. This inconsistency emphasizes the necessity for organizations to adapt their CSR strategies effectively to build public confidence ahead of the IPO process, which is crucial for overall success.

In summary, while certain areas received moderate responses, the overall findings strongly indicate a need for strategic amendments in corporate governance practices. Such changes are essential to enhance IPO readiness within the Ethiopian financial sector, ensuring that organizations are well-prepared to navigate the complexities of going public and meet the expectations of prospective investors.

5.3. Conclusion

The general conclusions on the topic of Initial Public Offerings (IPOs) and the capital market remain complex and are widely regarded as areas that warrant further exploration. This complexity partly stems from the fact that these concepts are relatively new to the public, and even many professionals in the field are still dealing with them. To gain deeper insights, the researcher intentionally selected respondents from managerial roles closely aligned with key areas of study, such as finance, legal affairs, and operations. Among these respondents were high-ranking officials, including CEOs and board members of various companies.

Despite the varied perspectives presented by these respondents concerning IPO readiness and corporate governance, a noticeable trend emerged: existing corporate governance practices in Ethiopia's financial sectors are relatively robust, primarily due to the supervisory role of the National Bank of Ethiopia (NBE). The NBE has previously issued the new Directive No. SBB/91/2024, which establishes a comprehensive framework for corporate governance within Ethiopian banks. Additionally, the insurance sector operates under Directive No. SIB/48/2019, created to promote business prudence, corporate accountability, and balanced risk-taking to ensure the long-term interests of shareholders and stakeholders. These directives play a vital role in fortifying the Ethiopian financial sector's sustainability and growth. They set standards for board structure, mandate a minimum educational qualification, and require the establishment of various committees, such as risk and audit committees, all of which are essential for supporting the IPO process.

Nevertheless, there is an urgent need for corporate governance structures to evolve by actively engaging with contemporary dynamics. This includes enhancing learning and training opportunities, integrating cutting-edge knowledge from academia and industry experts, and embracing diversified expertise. A successful financial sector must not only prioritize the interests of shareholders and employees but also pay attention to the public, particularly potential investors seeking both shareholding opportunities and comprehensive financial services.

While the foundational elements for a successful IPO journey seem to be laid out, there exists a unified understanding that cultivating specialized expertise tailored to the IPO process is crucial for future success. Companies are increasingly pursuing avenues to bolster their boards' knowledge and experience in navigating the complex challenges associated with going public. Consequently, the majority of respondents expressed a sense of optimism and progress regarding their organizations' readiness for the IPO journey ahead.

5.4. Recommendations

According to the research findings and the concluded notions, the following main recommendations are forwarded:

- The comprehensive training for management and the Board of Directors concerning the newly available market opportunities and overseas exposure is crucial and supports for their proactive decisions. This training is vital as the decisions made by the Board and

management will soon be exposed to the public, significantly influencing not only the company's strategic direction but also affecting a wide range of stakeholders, including employees, investors, and the communities in which we operate. The implications of their choices can have far-reaching consequences, making it imperative that they are well-equipped with the knowledge and skills to navigate this evolving landscape effectively and The companies or the shareholder shall be elected for board members should be the well educated person for the board members regarding to IPO and easy cope up persons because the dynamics is very high in the financial sector.

- Corporate social responsibility (CSR) is not merely a choice for organizations; it has become a mandatory expectation in today's business landscape. The majority of respondents in a recent survey expressed disagreement with the notion that CSR is optional, highlighting its growing importance. Companies are encouraged to integrate their CSR initiatives into their overall strategic plans, ensuring that these responsibilities are effectively addressed and managed. By aligning their CSR efforts with their broader business objectives, organizations can work more purposefully in this area, fostering a positive impact on society while also enhancing their corporate reputation.
- The regulatory bodies, namely the Ethiopian Capital Market Authority and the National Bank of Ethiopia, will provide support to the financial sector in accordance with specific requests made by industry stakeholders. They will also strive to gain a comprehensive understanding of the unique terminologies and requirements inherent to the financial business landscape.
- The clarity of reporting, as indicated by respondents, is generally viewed positively, with many expressing satisfaction. However, the researcher has observed significant challenges, particularly in 2023/24, among insurance companies, many of which have submitted qualified reports related to IFRS 17 issues. This situation is critical and requires urgent amendments. According to the London Stock Exchange (LSE), all listed companies must fully comply with IFRS reporting standards, yet in our country, the insurance sector is struggling with this compliance for the year 2023/24 reporting this types of issues is very critical for listed companies. While LSE allows certain scope for private companies, our country has adopted IFRS principles through proclamation, thereby holding the financial sector accountable for adhering to these reporting standards and ensuring proper disclosure. Moreover, within the microfinance sector, compliance remains inadequate, which puts these organizations at a competitive disadvantage. This lack of adherence undermines effective

communication with investors and stakeholders, ultimately risking trust and confidence in these financial entities. It is essential for all sectors to improve their reporting practices to enhance reliability and foster stronger relationships with their investors and the public.

5.5. Suggestion for Further Research

The researcher proposes several directions for future studies in this area. Subsequent research should combine both primary and secondary data sources. This blended approach would help uncover valuable insights that the current study could not achieve, largely due to the constraints tied to secondary data. At present, the only company available for analysis is Wegagen Bank, which limits the range of experiences shared by respondents, especially in terms of their understanding of the processes involved in an initial public offering (IPO).

To build on this topic, future research could leverage a pooled dataset to explore both pre- and post-IPO challenges. This would facilitate a thorough analysis of the foottraces and benefits linked with IPOs, utilizing both objective evidence and secondary data. Furthermore, researchers should consider including additional variables such as economic factors, technological innovations, workforce capabilities, and investor sentiment, alongside corporate governance factors. This would help draw more well-rounded conclusions about the IPO process and its support for sustainable, efficient capital markets. While we currently adopt best practices from other countries, it's essential to recognize that factors like mental sentiment differ. Thus, this research concept has the potential to be effectively developed in various ways in the future, contributing to improved corporate governance and a more efficient market.

References

- Ahmad-Zaluki and Wan-Hussin . (2010). *Corporate Governance and Earnings Forecasts Accuracy*. *Asian Review of Accounting*, Vol. 18, No. 1, pp. 50-67.
- Arora & Bodhanwala. (2018). *Relationship between Corporate Governance Index and Firm Performance: Indian Evidence*. *Global Business Review*.
- Bananuka et al. (2019). *Determinants of adoption of International Financial Reporting Standards in Ugandan microfinance institutions*. *African Journal of Economic and Management Studies*.
- Beatty et al., (2002). *Earnings Management to Avoid Declines Across Publicly and Privately Held Banks*. *ResearchGate*, 547–569.
- Bédard et al. (2008). *Strengthening the Financial Reporting System: Can Audit Committees Deliver?* *International Journal of Auditing*, 174 - 210.
- Boyle & Jane. (2011). *The 'professional positive' of inclusive practice*. *British Journal of Learning Support*.
- Braga & Shastri. (2011). *Corporate Governance, Valuation, and Performance: Evidence from a Voluntary Market Reform in Brazil*.
- Brau & Fawcett. (2006). *Initial Public Offerings: An Analysis of Theory and Practice*. *The Journal of Finance*, Pages 399-436.
- Bually and Al-Ajmi; Haji and Anifowose; Bananuka et al., (2019). *Audit committee effectiveness*,.
- Burgstahler et al., Hope et al., (2013). *Relationship-Specificity, Contract Enforceability, and Income Smoothing*. *American Accounting Association*, Volume 88, issue 5.
- Chemmanur and Fulghiere. (1999). *A Theory of the Going-Public Decision*. *The Review of Financial Studies*, Vol. 12, No. 2, pp. 249-279 (31 pages).
- Daghsni et al. (2016). *The Relationship between Corporate Governance and Earnings Management in Bahrain Bourse*.
- David A. Westenberg. (2010). *Initial Public Offerings: A Practical Guide to Going Public*. UNKNO.
- Dominic & Martinov-Bennie. (26 July 2011). *The internal audit function: Perceptions of internal audit roles, effectiveness and evaluation*. *Managerial Auditing Journal*.
- Ellingsen and Rydqvist. (1997). *The Stock Market as a Screening Device and the Decision to Go Public*.
- Engelbrecht et al., (24 May 2018). *Developing Inclusive Schools in South Africa*.
- Erhardt et al. . (2003). *Board Director Diversity and Firm Financial Performance*. *Corporate Governance An International Review* .
- Erhardt et al., (2003). *Board Director Diversity and Firm Financial Performance*. *ResearchGate*, Volume 11 Number 2 April 2003.
- Ernst & Young. (2013). *Doing Business in Africa, From Strategy to Execution*.
- Fama, John & Senbet. (1998). *Corporate governance and board effectiveness*. *Journal of Banking & Finance*, 371-488 (May 1998).
- Fekadu. (2015). *CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF INSURANCE INDUSTRY*.
- Firth; Cheng & Firth. (2000). *Ownership, Corporate Governance and Top Management Pay in Hong Kong*. *Wily Online Library*.

- Gantenbein and Volonte. (2011). *Director Characteristics and Firm Performance*. University of Basel, Faculty of Business and Economics.
- Gardachew. (2015). *the impact of corporate governance on the financial performance of the insurance industry in Ethiopia*.
- Gendron & Bedard, . (2006). *On the constitution of audit committee effectiveness*. *Accounting, organization and society*, 211-239.
- Givoly et al., . (2009). *Does Public Ownership of Equity Improve Earnings Quality*. *Research Gate, Article in The Accounting Review* .
- Hlel et al. (2020). *IFRS adoption, corporate governance and management earnings forecasts*. *Journal of Financial Reporting and Accounting*.
- Jay R. Ritter (Emeritus Professor). (1998). *Initial public offerings include asset pricing, valuation, investment banking, and capital structure* University of Florida, Warrington College of Business.
- Jenkinson and Ljungqvist. (2001). *Going Public: The Theory and Evidence on How Companies Raise Equity Finance*. *Research Gate*.
- Jiang et al., (2012). *How Does Human Resource Management Influence Organizational Outcomes? A Meta-Analytic Investigation of Mediating Mechanisms*. *Academy of Management Journal*, 1264-1294.
- Karamanou & Vafeas. (2005). *The Association between Corporate Boards, Audit Committees, and Management Earnings Forecasts: An Empirical Analysis*. *Journal of Accounting Research*, Vol. 43, No. 3 (Jun. 2005), pp. 453-486 (34 pages).
- Keasey et al., (n.d.). *Institutional Voting in the UK: Is Mandatory Voting the Answer?* *Corporate Governance and International Review*, Volume 5, Issue 1, Page 37 - 44.
- Khoury, Nasrallah & El. (2021). *determinants of environmental, social, and governance (ESG) in the banking sector of the Middle East and North Africa (MENA) region*.
- Klein. (2002). *Audit committee, board of director characteristics, and earnings management*. *Journal of Accounting and Economics*, Volume 33, Issue 3, August 2002, Pages 375-400.
- Labégorre & Boubaker,. (June 2008). *Ownership structure, corporate governance and analyst following: A study of French listed firms*. *Journal of Banking & Finance*, Volume 32, Issue 6, Pages 961-976.
- Mello and Parsons. (1998). *Going public and the ownership structure of the firm*. *Journal of Financial Economics*, Volume 49, Issue 1, Pages 79-109.
- Miller C.A.; Bourne & Franco. (2003). *Research and Development Series*. United Kingdom.
- Mnif. (2009). *IPO Underpricing and Predictive Power of Board Related Corporate Governance Mechanisms: A Study of Indian IPO Market*. *Theoretical Economics Letters*, , Vol.9 No.6.
- Mollah et al. (2019). *Bank Corporate Governance and Future Earnings Predictability*. *Journal of Financial Services Research*, 56(4):1-26.
- Monda et al. (2013). *Rationales for Corporate Risk Management - A Critical Literature Review*. *SSRN Electronic Journal*.
- Nicholson. (2003). *Corporate Governance and Performance: Evidence from Italian Companies*. *Open Journal of Business and Management*, Vol.3 No.2,.
- Nilene R. Evans and Peter Seligson. (2013).
- Pastor and Veronesi. (2003). *Stock Valuation and Learning about Profitability*. *The Journal of Finance*, Volume 58, Issue 5, Pages 1749-1789.

- Pastusiak et al., (2016). Does public offering improve company's financial performance? The example of Poland. Journal of Economic Research, 32-49.*
- Shivakumar . (2005). Earnings quality in UK private firms: comparative loss recognition timeliness. Journal of Accounting and Economics, Volume 39, Issue 1, Pages 83-128.*
- Shivani et al., (2017). Implications of corporate governance on financial performance: an analytical review of governance and social reporting reforms in India. Asian Journal of Sustainability and Social Responsibility .*
- Sosnowski & Misztal. (2019). Board characteristics and earnings forecasts accuracy in IPO prospectuses. International Journal of Management and Economics, Volume 55 (2019): Issue 1.*
- Spanos. (2005). Corporate governance in Greece: Developments and policy implications. ResearchGate, 15-29.*
- Steven E. Bochner, Esq. and Jon C. Avina, Esq.,. (2010). Guide to the initial public offering. United states of America.*
- Subrahmanyam and Titman. (1999). The Going-Public Decision and the Development of Financial Markets. The Journal of Finance, Vol. 54, No. 3 (Jun., 1999), pp. 1045-1082 (38 pages).*
- Teoh et al. . (1998). Earnings Management and the Long-Run Market Performance of Initial Public Offerings. The Journal of Finance, Vol. 53, No. 6, pp. 1935-1974 (40 pages).*
- Tolera. (2019). EFFECT OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE.*
- Wang & Ang. (2004). Success Factors for Small and Medium Enterprises in Oman. Open Journal of Business and Management,, Vol.10 No.4, July 18, 2022.*
- Zingales. (1995). What Do We Know about Capital Structure? Some Evidence from International Data. The Journal of Finance, Volume50, Issue5, 1421-1460.*

Appendix 1:

Open & Close Ended Questions for Ethiopian financial sector Executives and Board members.



Addis Ababa University
አዲስ አበባ ዩኒቨርሲቲ



COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF ACCOUNTING AND FINANCE
SCHOOL OF COMMERCE

Dear Sir/Madam,

My name is Natnael Hailu, and I appreciate your willingness to participate in this important questionnaire. **The purpose of this survey is to evaluate corporate governance in the context of IPO readiness, with a particular focus on the Ethiopian financial sector.** Your insights are crucial to the success of this study; therefore, I kindly request that you provide accurate, thoughtful, and honest responses to the questions presented below. Please be assured that your responses will remain confidential and will be used exclusively for academic research purposes.

For a company to effectively prepare for an Initial Public Offering (IPO), it is essential that its board structure is not only strong but also compliant with established public standards. This requires a dedicated emphasis on attributes such as board independence, the diversification of skills among board members, and an overall balance in diversity. To achieve this, companies must implement a robust recruitment process that ensures board members possess the necessary expertise and experience that align with the company's strategic goals.

Additionally, it is crucial to assess the board size in relation to its responsibilities, ensuring it adequately supports essential committees such as audit, and Risk. Conducting a thorough pre-IPO readiness assessment can effectively identify any gaps or deficiencies in these critical areas,

allowing companies to address them proactively. Your cooperation in providing detailed and frank feedback is greatly appreciated, as it will contribute significantly to the understanding and enhancement of corporate governance practices regarding to IPO readiness in Ethiopia. Thank you for taking the time to engage with this important research.

Instruction:-

- No need to write your name.
- Put a ‘‘tick’’ mark in the space provided in front of each item.
- The questionnaire has two part ‘‘ open & close ended questions.
- Please choose the one that you think is the most appropriate response to each question.
- Where **SA:** - Strongly agree **A:** - Agree **N:** - Neutral **D:** - Disagree **SD:** - Strongly Disagree

Section I: Demographic information

Gender: - Male Female

Age: - Less than 25, 26-35, 36- 60, 61 above

Educational level: - Degree Maters PhD

Marital status: - single, Married, Divorced Widow

Position/Role:- _____

Year of Experience:- _____

Part I: closed-ended questions

I: Close-ended Questions related to corporate governance for IPO readiness	SA 5	A 4	N 3	D 2	SD 1
1. 1 Board Structure					
The board consists of an adequate number of independent members.					
There is a clear separation between the Board and its management, with no major ties between the two.					
The board size will confidently align with industry best practices, ensuring a successful IPO process and enabling the company to achieve its objectives.					

The company's board structure is robust and adheres to standards of independence and expertise, supported by an efficient process of selecting board members.					
Boards actively seek out diversity in terms of gender, race, ethnicity, and background. This variety of perspectives contributes to the company.					
Consistently bringing in new members to the board can bring fresh perspectives and ensure that it stays in tune with the company's changing needs.					
1.2 Board Education and Experience					
The board members who possess relevant educational qualifications in finance, law, or business administration					
The board members have relevant industry experience					
The board members have completed their training on corporate governance.					
The board members who have previous experience with IPOs.					
1.3 Reporting Quality					
Have the financial statements been audited by reputable auditors					
The company complies with International Financial Reporting Standards (IFRS) for both external and internal reporting purposes.					
The company adheres completely to all relevant regulatory requirements set forth by the Ethiopian Capital Market Authority and complies with the regulations established by the National Bank of Ethiopia.					
The company's internal controls over financial reporting are strong and effective.					
1.4 Risk Management					
The company implemented a formal risk management program					
The board has a dedicated risk management committee					
The board is actively involved in overseeing the company's risk management processes.					
The regular reports to submit to the board on the company's most relevant risks, including the magnitude of those risks and mitigation strategies.					
The legal and tax risks are being appropriately managed.					
1.5 Board Audit Committee Size and Function					
The audit committee consists of three members, with at least one possessing financial expertise in accounting or auditing.					
The audit committee regularly reviews and evaluates the company's internal financial controls, systems, and risk management processes.					
The committee acts as a bridge between the board, management, and external auditors, ensuring the audit process is conducted effectively.					

3. In what ways does the board audit committee work alongside external auditors to improve corporate governance in terms of transparency and the clarity of reporting?

4. What responsibilities does the board risk committee have in tackling compliance and regulatory issues related to the new proclamation 1248/2021 and other directives concerning the Ethiopian capital market and the regulatory body for the financial sector (NBE)?

5. Robust corporate social responsibility (CSR) practices are essential for a company's readiness for an IPO and significantly enhance corporate governance. Companies can foster trust among investors, regulators, and the public by showcasing a commitment to sustainable operations. This, in turn, helps to attract investment and boosts the company's public image. What strategies does your company have in place to uphold this critical value?

Thank you!

Appendix 2:

LIST OF BANK, INSURANCE, AND MICROFINANCE INSTITUTIONS/COMPANIES IN ETHIOPIA CONSIDERED IN STUDY

No.	Bank	Insurance	Micro Finance
1	Abay Bank	Awash	Vision Fund Microfinance
2	Addis International Bank	Hibret	Nisir MicroFinance
3	Ahadu Bank	Oromia	Aggar MicroFinance
4	Amhara Bank	NIB	Meklit MicroFinance
5	Awash Bank	Nile	Peace Microfinance
6	Abyssinia Bank	Nyala	Metemamen Microfinance
7	Berhan Bank	Lion	Eshet Microfinance
8	Bunna Bank	Africa	Dynamic MicroFinance
9	Cooperative Bank of Oromia	Tsehay	Harbu MicroFinance
10	Dashen Bank	Bunna	Yegna Microfinance
11	Enat Bank	Abay	
12	Global Bank Ethiopia	NICE	
13	Gadaa Bank SC	Ethiolife	
14	Goh Betch Bank SC	Zemen	
15	Hibret Bank	Berhan	
16	Lion International Bank	Global	
17	Nib International Bank	Lucy	
18	Oromia International Bank		
19	Siinqee Bank		
20	Tsehay Bank		
21	Tsedey Bank		
22	Zemen Bank		