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AN EXAMINATION IN INDONESIA IPO MARKET TO SUPPORT INVESTMENT DECISIONS BY UTILIZING LIMITED DATA AVAILABLE

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Abstract

This research will give a supporting knowledge to support investment decision for investors that express interest in the IPO market. The data will be gathered from all the company that conducted the IPO in Indonesia Stock Exchange (“IDX”) from 2014-2018 and the sample will be determined by the purposive sampling method. There will be two main discussions in this research, which are underpricing and liquidity changes. Underpricing as the main empirical phenomenon in IPO market can maximize the investor initial return. The liquidity changes can give an insight to the investor that wants to hold the stocks in some period of time. As we know that the higher uncertainty happens in the IPO market, since there are only limited available information. The uncertainty factor from the data that can be accessed, represented by 16 independent variables, will be divided into three groups company characteristics, offering characteristics, and prospectus disclosure. The company characteristics, includes age of the company, size of the company, financial conditions (financial strength, PER, PBV, ROA, and ROE), corporate governance (board size, board independence, ownership concentration, and institutional ownership), and type of industry. The offering characteristics include gross proceeds from the IPO, underwriter reputation, and auditor reputation. The prospectus disclosure includes uses of the funds. It will be tested by the multiple linear regression to find the association of each variable through the underpricing and liquidity changes. This research found that size of the company has a positive significant impact through the underpricing. While the age of the company, board size, board independence, gross proceeds, and auditor reputation have a significant negative impact through the underpricing. For the liquidity changes, size of the company, PBV, and ROA have positive significant impact. While the age of the company, gross proceeds, and auditor reputation have a negative significant impact. Moreover, from the liquidity changes and the brief condition of the price changes, we find that although there are still active tradings in the market, it cannot give certainty about the increase in prices. Thus, author recommend the investor who interest to invest in this market to maximize the initial return, then observe the stocks performance since there will be more available reliable information in the future, after that the investor can make their investment decision based on their observation.

Keywords: Initial Public Offering, Uncertainty, Investment Decision.
