

FACTORS INFLUENCING THE INITIAL PUBLIC OFFERING OF INDONESIAN MANUFACTURING COMPANIES

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This research aims to analyze and explain factors influencing the initial public offering of Indonesian manufacturing companies. The object of this research is manufacturing companies listed on the Indonesia Stock Exchange for the 2019 period. The population of this research is all companies manufacture which is listed on the Indonesian Stock Exchange, with an observation period starting in 2019. The sample selection in this study used a purposive sampling method. Data analysis and hypothesis testing were carried out using a structural equation modeling approach using the eviews 11. The results of the study showed that there was a significant influence on the variables used in the research except inflation, as well as companies listed on the stock exchange as public companies in making the decision to conduct an IPO for consider all factors.

Keywords: Initial Public Offering, Net Profit Margin, Current Ratio

1. INTRODUCTION

An IPO, which gives a company access to fundraising for future growth, is seen as one of the most significant milestones in a company's life cycle (Latham & Braun, 2010). Ragozzino, Shafi and Blevins (2017) stated that an IPO is a highly sought after goal for companies because capital is very important for company growth. An IPO is also able to finance the company's future growth and can increase the issuer's financial capabilities and their bargaining power with bankers and consequently increase their financial credit. Therefore, companies undertaking an IPO have more access to outside resources and various opportunities to raise capital, such as the issuance of new shares, bank loans, etc., all of which have the potential to contribute to management performance.

IPOs can facilitate corporate mergers and acquisitions (Hsieh, Lyandres, & Zhdanov, 2011). Going public is a marketing strategy for companies to expand the market share of their products or to restrain industry competitors and deter new entrants into the industry (Chemmanur and He, 2011). This is because shareholders of public companies are more adept at bearing higher risk burdens and diversifying the variability of their returns than unlisted companies. Therefore, the benefits mentioned above are expected to influence the company's post-IPO performance is expected to influence the company's post-IPO performance.

Initial Public Offering which is a historic activity for the company because for the first time it offers shares owned by the company to the wider public. Before carrying out an IPO, the company publishes a prospectus which aims to provide extensive and detailed information for potential investors so that they are interested in investing in the company. The prospectus contains information on the company's future plans, the company's financial condition, the company's business activities and various important things that will support the company's business development. The company will go through a series of stages that have been determined by the Financial Services Authority (OJK) (Ayu et al., 2017).

Return On Investment is one of the tools used to measure the profitability, effectiveness and efficiency of company management operational activities in utilizing all company assets to generate profits for stakeholders. The company obtains profits from its own wealth, in the form of cash which is used to finance the company's operational activities in the production process. Obtaining profits from the company's own assets is often called Return on Investment. (Pusparani, 2012)

Gross Domestic Product(GDP) or in Indonesian called Gross Domestic Product (GDP) is the most important concept when compared to other national income concepts. GDP is the market value of all final goods and services produced in the economy during a certain period of time (Mankiw, 2014). GDP is an economic variable that occupies the most important position among the various macroeconomic variables that exist to measure a country's economic performance. As is known, GDP measures expenditure as well as income on goods and services in a country's economy. GDP is a tool for measuring the rate of economic growth. Economic growth describes the material standard of living

that increases over time (one year) for the lives of people in a country that comes from increased income, thus enabling people to consume a greater and more varied amount of goods and services (Mankiw, 2014). Economic growth is measured using GDP data, which measures the total income of each person in the economy. GDP is often considered the best measure of economic performance (Sartika et al., 2019)

Inflation is a situation where there is an increase in prices or a situation where there is a decrease in the value of money circulating in society. Inflation is the process of continuously increasing prices in an economy and causing a decrease in the value of money. inflation rate set by the Central Bank one month before the issuer conducts an IPO. This statement is in line with research conducted by (Ratnasari and Gunasti, 2013) that inflation does not have a significant negative effect on initial public offerings. (Marsono et al, 2018) inflation has a significant positive effect on initial public offerings. (Maygista et al, 2019) Inflation has no influence on under pricing, where the higher the inflation value, the less under pricing will increase (Sulistiyawati and Ary (2017); Almansour and Haitham (2021).

2. METHOD

This research was conducted on manufacturing companies listed on the Indonesian Stock Exchange, by accessing their official website via www.idx.co.id. The type of research used is a quantitative approach to examine the impact of profitability, inflation and GDP on the IPO of manufacturing companies listed on the Indonesia Stock Exchange. The population of this research is all manufacturing companies listed on the Indonesian Stock Exchange and publishing annual financial reports published on the Indonesian Stock Exchange (BEI) for the period 2019. The population in this research is 17 companies.

Research variable

The variables used in this research are as follows:

Table 1. Research Variables

Variable	Operational definition	Variable Measurement
Initial Public Offering	Initial Public Offering namely the process of offering company shares to the public or the company going public with its company shares.	IPO = Number of shares listed in the initial public offering.
Net Profit Margin	The net profit obtained is compared with total sales.	ROI= Net profit after tax / Total Sales
Current ratio	Measuring abilities company for pay obligations short term use current assets of the company.	Current ratio = Current Gross Domestic Product namely the amount of assets/Current liabilities
Gross Domestic Product	production of goods and services that a country is able to produce in a certain period of time	GDP = GDP growth value in the year of study
Inflation	Inflation is a process of increasing prices in that general and continuously, an increase in the price of one or two goods alone cannot be called inflation unless the increase extends to other goods.	Inflation occurred during the research period

4. RESULTS AND DISCUSSION

Manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the 2019 period total 17 companies. Data distributions for the dependent variable (IPO) and independent variables were created and analysed. IPO variable, which is represented as a natural logarithm. By taking the natural logarithm of the number of initial shares, the level of outlier impact is eliminated (Analysights, 2010). Descriptive statistical results based on research data are presented in Table 2.

Table 2. Descriptive Statistics

	IPO	NPM	CR	GDP	INFLASI
Mean	19.77118	0.016353	0.978482	0.050235	0.030559
Median	19.62000	0.021000	0.024700	0.050000	0.031300
Maximum	21.77000	0.146000	3.400000	0.051000	0.033900
Minimum	18.42000	-0.221000	0.010100	0.050000	0.024800
Std. Dev.	0.942940	0.079233	1.292863	0.000437	0.002781
Skewness	0.504296	-1.393899	0.762177	1.248075	-0.551251
Kurtosis	2.294770	6.043896	1.896031	2.557692	2.091573
Jarque-Bera	1.072846	12.06796	2.509203	4.552037	1.445532
Probability	0.584837	0.002396	0.285189	0.102692	0.485408
Sum	336.1100	0.278000	16.63420	0.854000	0.519500
Sum Sq. Dev.	14.22618	0.100446	26.74390	3.06E-06	0.000124
Observations	17	17	17	17	17

The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on Ordinary Least Square (OLS). The classical assumption test, normality test, multicollinearity test, heteroscedasticity test and autocorrelation test were carried out. The research results show that the data is normally distributed, the model does not experience multicollinearity problems, the independent variables are free from heteroscedasticity problems, and there is no autocorrelation.

Table 3. Data Processing Results

Dependent Variable: IPO
Method: Least Squares
Date: 07/20/22 Time: 21:08
Sample: 1 17
Included observations: 17

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	71.67720	21.73734	3.297423	0.0064
NPM	-4.228668	2.306327	-1.833507	0.0916
CR	0.340825	0.138690	2.457465	0.0302
GDP	-1052.998	426.8123	-2.467123	0.0296
INFLASI	23.86971	64.00782	0.372919	0.7157
R-squared	0.582998	Mean dependent var	19.77118	
Adjusted R-squared	0.443997	S.D. dependent var	0.942940	
S.E. of regression	0.703109	Akaike info criterion	2.373319	
Sum squared resid	5.932348	Schwarz criterion	2.618382	
Log likelihood	-15.17321	Hannan-Quinn criter.	2.397679	
F-statistic	4.194205	Durbin-Watson stat	0.869042	
Prob(F-statistic)	0.023651			

Analysis and Interpretation of Regression Equations

Based on table 3, the form of the regression equation is as follows:

$$Y = 71.6772 - 4,229 \text{ NPM} + 0.341 \text{ CR} - 1052,998 \text{ GDP} + 23,869 \text{ Inflation}$$

$$\alpha = 71.6772; \text{ if } X_1(\text{NPM}), X_2(\text{CR}), X_3(\text{GDP}), X_4(\text{Inflation}) = 0, \text{ so } Y(\text{IPO}) = 71.6772$$

$\beta_1 = 4,229$. NPM has a negative coefficient, meaning that NPM and IPO have a unidirectional relationship; if NPM increases it will reduce IPO and vice versa, and an increase of 1% in NPM will reduce IPO by 4,229, if it is assumed that other variables are constant.

$\beta_2 = 0.341$. CR has a positive coefficient, meaning that CR and IPO have a unidirectional relationship; if CR increases it will increase IPO and vice versa, and an increase of 1% in CR will increase IPO by 0.341, if it is assumed that other variables are constant.

$\beta_3 = 1052,998$. GDP has a negative coefficient, meaning that GDP and IPO have a unidirectional relationship; if GDP increases it will reduce IPO and vice versa, and an increase of 1% in GDP will reduce IPO by 1052,998, if it is assumed that other variables are constant. $\beta_4 = 23,869$. Inflation has a positive coefficient, meaning that inflation and IPOs have a unidirectional relationship; if inflation

increases it will increase the IPO and vice versa, and an increase of 1% in inflation will increase the IPO by 23,869, if it is assumed that other variables are constant.

Partial Test

This research uses significance levels of 5% and 10%. The results of the time series data regression analysis show that the NPM probability results are equal to $0.0916 < 0.1$ means that NPM has a significant effect on companies that have an IPO. NPM shows the total profit obtained compared to the total sales that have been spent as investments in the company. The non-influence of NPM means that even though the company's profits or gains are large, the profits or profits obtained by a company will be used to pay obligations or debts (Fitriana et al., 2018). The relationship with results is positive, meaning that the higher the investment, it indicates that the company is able to manage its assets well, so that the profits received are also high (Sari, 2021). But these profits are still not sufficient to be used as capital for an IPO. The results of this study are in line with Ahmad et al., (2014), Assari et al., (2017) and Dwisono et al., (2021) which proves that profitability is not significant to the initial public offering. However, this research is not in line with research from Rokhman (2018) and Wildan et al., (2020).

The CR probability result is $0.0302 < 0.05$ This means that CR has a significant effect on companies that IPO. Current Ratio (CR) is a ratio that reflects the company's ability to fund short-term obligations, both operational and company debt. CR may be dominated by the components of uncollectible receivables and unsold inventory, the value of these two components being higher than the value of other current asset components used to pay current debt. If this happens, of course a company's CR ratio will be high and result in the company appearing to be in a liquid condition (Wardani and Devita, 2016). This shows that whatever the value of the company's Current Ratio, it will not affect the IPO (Defawanti and Sista, 2018).

The GDP probability result is $0.0296 < 0.05$ This means that GDP has a significant effect on companies that IPO. The research results show that gross domestic product has a negative and significant relationship with the initial public offering. This explains that if there is a change in the gross domestic product it will affect the initial public offering. GDP is an important indicator to determine the economic conditions in a country in a certain period. An increase in GDP in a country indicates an increase in the welfare of the people in that country. An increase in people's welfare encourages consumption of goods and services and is not followed by an encouragement to invest in the capital market (Adiyadnya et al., 2013). An increase in GDP will increase the level of consumption and investment, however, because the effect of this increase in GDP only affects the consumption of the company's products directly, it cannot directly influence the increase in the company's initial offering shares (Adiyadnya et al., 2013). GDP is a macroeconomic factor that indicates people's ability or purchasing power for a product, while IPO is a microeconomic factor that originates from within the company so that the company does not pay attention to these external factors when making decisions in conducting an IPO. The results of this research are in line with research conducted by Tang, (2018), Haslinda et al., (2020) and Widarto & Wahyudi (2016) who proves that gross domestic product has a significant influence on initial public offerings.

Inflation probability results are $0.7157 > 0.1$ This means that inflation has no significant effect on companies that have an IPO. Inflation shows a continuous increase in the general price level. This does not affect the share offerings made by companies (issuers) to the general public (investors). Manufacturing companies have the main activity of processing raw materials into finished products that are ready to be sold to consumers. There are several characteristics possessed by manufacturing companies, including: processing raw materials into finished products, consumers not participating in the production process, production results are tangible or visible, and there is a dependency on consumers to look for more products. From the definition of manufacturing companies, it can be concluded that people's dependence on goods produced by manufacturing companies is quite high so that even if the inflation rate in a particular year is volatile, it will not affect people's purchasing power for products from manufacturing companies. For inflation results, it was found that inflation had no effect on the IPO, where it could be said that high or low inflation would not affect the IPO. Inflation does not have a detrimental effect on issuers. Inflation that occurred in 2012 - 2013 can be said to be low, resulting in it not having a big impact on companies (Tenry et al, 2019). The results of this research are in line with (Sulistyawati and I Gde,

Simultaneous Test



This test is carried out to find out whether all independent variables together have a significant effect on the dependent variable. In table 4, with a significance level (α) of 5%, the F statistical probability value is 0.02365, smaller than the significance level of 0.05. These results indicate that the variables NPM, CR, GDP and Inflation simultaneously have a significant effect on companies conducting an IPO. Company management has adopted a policy in conducting an IPO not to look at factors one by one but to consider these factors as a whole so that the right decision can be made.

The coefficient of determination (Adjusted R-Square) is very important to measure how far the model can explain variations in the dependent variable. An Adjusted R-Square value close to one means that the independent variable can provide almost all the information needed to predict the dependent variable. Table 4 shows that the Adjusted R-Square value in this study is 0.443997, which means that the independent variable explains 44.4% IPO variation, which shows that the independent variables used do not have too big an influence on the company conducting the IPO. Meanwhile, the remaining 55.6% is explained by other factors outside the model used in this research.

4. CONCLUSIONS

The research results show that there is a significant influence on the variables used in the research such as NPM, CR, GDP except inflation, as well as being a company listed on the stock exchange as a public company in making the decision to conduct an IPO to consider all factors.

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