FACTORS AFFECTING ABNORMAL STOCK RETURNS ON LONG-TERM PERFORMANCE OF INITIAL PUBLIC OFFERING (IPO)  
(A Literature Review)  
Kurniawan, Rani Eka Arini  
Program Studi Manajemen Universitas Nusa Putra

ABSTRACT: The average stocks return of the initial public offering (IPO) in the US stock market was - 29.13% at the end of the third year after the IPO (Ritter, 1991). The conclusion is that the Underperformed phenomenon is influenced by the volume of trade and only occurs in the non-financial sector (Ritter, 1991). Underperformed is a stock return of initial public offerings that have lower performance compared to the market return. Bessler and Thies (2007) stated that the year of going public is the time period of the initial public offering (IPO). There is a time variation in the pattern of benefits, it raises a question of whether companies can maximize the value and amount of funds acquired. In investing, investors consider the return and risk, the expected results of the investment will be realized after a certain period of time and during this period there is a risk of the investments made. The aim of this study is to analyze the factors that affect Abnormal Return on long-term stock performance after 36 months of the IPO. The independent variables in this study consist of Benchmark, Money Raised, Market Value, and Magnitude of Underpricing. The dependent variable is the abnormal return on long-term stock performance after 36 months of the IPO. The samples used in this study were the non-financial companies on 2010-2020 period as many as 54 non-financial companies using purposive sampling method. The analysis technique used was multiple linear regression analysis and performed classical assumption test which includes normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test.

Keywords: Benchmark, Money Raised, Market Value, Magnitude of Underpricing and Abnormal Return


Kata Kunci: Tolok Ukur, Penggalangan Uang, Nilai Pasar, Besaran Underpricing, dan Pengembalian Tidak Normal

* Corresponding author’s e-mail: kurniawan@nusaputra.ac.id
ISSN: 2686-4789 (Print); ISSN: 2686-0473 (Online)
http://bisnisman.nusaputra.ac.id
PRELIMINARY

Initial public offering (IPO) is an activity of a company offering shares for the first time to the general public based on the procedures regulated by the Act and its Implementing Regulations. Initial public offering activities are carried out as an alternative to obtain funding sources. Companies can use the proceeds from the sale of initial shares to maintain the survival of the company or the development of the company. The funds obtained through the initial public offering can be used by the company for various activities, investors must know and understand the purpose of the company. Tambunan (2013) states that in general, companies have three things from the results of the initial public offering, namely business expansion, paying debts, and working capital. Investors need to pay close attention to the goals of the company, Ang (1997) states that a prospectus is a printed or printed media containing information about a company that will carry out an offer to sell shares to the general public and the information contained therein to be disseminated to the general public as an implementation of information disclosure. After receiving the prospectus, the information about the company can be studied by investors to find out the prospects and risks of investing in the company's shares because it will affect investment results. Darmadj and Fahruddin (2006) explain that stock (stock or share) is a sign of participation or ownership of a person or entity in a company or limited liability company. Shareholders are the owners of the company that issued the securities. while the form of the stock in the form of a sheet of paper. The share ownership portion is determined by how much investment is invested in the company.

The things that are considered by investors in investing are the results that are expected and the level of risk faced. The expected results from the investment will be realized after a certain period of time and during that period there is a risk in the investment made. The greater the risk faced and must be borne, the greater the rate of return that must be compensated. The average return on initial public offering (IPO) shares on the United States stock exchange was found to be -29.13% at the end of the third year after the IPO (Ritter, 1991). A conclusion is that the underperform phenomenon is influenced by trading volume and only occurs in the non-financial sector (Ritter, 1991). Underperform is a return on initial public offering shares that have lower performance compared to the market.

Based on the description of the background of the problem above, the formulation of the problem in this study is what factors are the determinants of abnormal stock returns on long-term performance in non-financial companies that conduct initial public offerings (IPOs).

METHOD

In this study, the authors chose quantitative research articles with cross-sectional and case-control designs looking for the relationship between independent variables and the dependent variable. The author uses several databases that are used as search sources related to the research, namely Indonesia Garuda, Google Shoolar, Elsevier, CCSE, Microsoft Academic, Science Direct and Emerald. In conducting the search for these sources, the author uses the keywords of English and Indonesian. The keywords used are: factors or factors, influence, abnormal stock returns or abnormal stock returns, long-term
performance or long-term performance and initial public offerings to search for literature.

This research has very broad keywords, therefore the author uses the boolean "AND" in narrowing the search results to get specific, appropriate and relevant articles. The boolean “OR” is not used by the author because it expands the search results. After searching through a predetermined database, the findings are selected using inclusion and exclusion criteria. The inclusion and exclusion criteria are presented in table 1.

<table>
<thead>
<tr>
<th>Inclusion</th>
<th>Exclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>The results of the study are in the form of primary research articles where the author directly conducts research</td>
<td>The research results are in the form of literature reviews, theses and theses, not in the form of published articles</td>
</tr>
<tr>
<td>Research article that discusses the Factors Affecting Abnormal Stock Returns on Long-Term Performance of Initial Public Offerings (IPOs)</td>
<td>The research article that discusses the relationship of one to three factors whose variables have been determined is entitled that affects the occurrence of Abnormal Stock Returns in Long-Term Performance of Initial Public Offerings (IPOs).</td>
</tr>
<tr>
<td>The article uses a cross-sectional and case-control quantitative research method that examines the relationship between the independent variable and the dependent variable</td>
<td>The research article uses a research design other than quantitative cross sectional and case control</td>
</tr>
<tr>
<td>Accurate factors are non-modifiable and modifiable factors that affect the occurrence of abnormal stock returns on the long-term performance of the initial public offering (IPO).</td>
<td>A research article that discusses factors that cannot be changed only or factors that can be changed only regarding the occurrence of abnormal stock returns on the long-term performance of an initial public offering (IPO).</td>
</tr>
</tbody>
</table>

The author uses the PRISMA Flow Diagram protocol in screening articles according to the inclusion and exclusion criteria. The search flow aims to select so that relevant articles are obtained.

The author uses the critical appraisal method when analyzing the article. According to Aveyerd (2010) the critical appraisal method is a structured process to determine the strengths and limitations of a study, as well as determine its relevance to the specific objectives of the study. The author chose to use The Joanna Briggs Institute (JBI) critical appraisal tool for analytical cross sectional studies and case control so that eight articles met the criteria for answering research questions.
RESULT

Through the screening process, researchers obtained eight complete manuscript articles that matched the inclusion and exclusion criteria. After doing a critical appraisal, the author got eight articles relevant to this research. The eight articles used in this research are Permana (2017), Syauta et al (2019), Jatiningrum (2009), Cahya (2017), Islamiyahya (2012), Maliasari (2013), Ruli (2014) and Chendrawan (2012).

The eight articles used in the form of five articles in Indonesian and three in
English, where the entire article examines the factors that cannot be changed and these factors are sorted from the most frequently occurring factors, namely Benchmark, Money Raised, Market Value, Review and Sample. Population Magnitude of Underpricing.

**DISCUSSION**

According to Permana (2017), Syauta et al (2019), Jatiningrum (2009), Cahya (2017), Islamiyahya (2012), Maliasari (2013), Ruli (2014) and Chendrawan (2012): The results show that partially the benchmark significant and negative effect on Abnormal Return; Money Raised and Market Value have no significant effect and have a positive direction on Abnormal Return; Magnitude of Underpricing has a significant and positive direction on Abnormal Return.

**CONCLUSION**

Based on the results of the analysis of the eight articles, it can be concluded that the occurrence of abnormal stock returns in the long-term performance of the initial public offering (IPO) is influenced by the following factors: Benchmark, Money Raised, Market Value, Magnitude of Underpricing.

**REFERENSI**

Ghazali, Imam. 2006. Application of Multivariate Analysis with SPSS Program. Semarang: Diponegoro University Publishing Agency