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Measurement of Corporate Stock Performance: Case Study in Indonesia and Thailand for the Initial Public Offering (IPO)

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Abstract

This study's objective is to compare the performance of company shares in Indonesia and Thailand at the time of their initial public offering (IPO) based on abnormal short-term returns and abnormal long-term returns. This methodology employs descriptive quantitative methods. Population consists of companies in Indonesia and Thailand that conducted an initial public offering (IPO) between 2018 and 2020. Purposive sampling based on predetermined criteria was utilized to obtain samples of 129 companies conducting IPOs in Indonesia and 53 companies conducting IPOs in Thailand. Non-Parametric Difference Mann-Whitney U Test utilizing SPSS version 23.0. The results of the Mann-Whitney U test indicate that there is no statistically significant difference between abnormal returns on short-term (3-month) and long-term stock performance (24 months) significant on the Indonesian and Thai capital markets. Due to the company's poor performance during the period from 2018 to 2020, the stock is underperforming. Obviously, this is demonstrated by the negative abnormal return value. Based on the results of the Mann-Whitney test, it is known that there is no difference between the short-term and long-term stock performance of Indonesian and Thai companies.

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1. Introduction

The capital market plays an important role in the economy of a nation due to its dual general functions as a source of corporate financing and a venue for public investment in financial instruments (Tan, 2022). The Indonesian capital market has advanced, with the highest number of initial public offerings (IPOs) among Asean nations in 2018. Indonesia continues to lead Southeast Asia in the number of IPO transactions from 2018 to 2020; this is a result of government efforts to increase investor interest and encourage local businesses to raise capital on the capital market. In 2020, however, the amount raised was significantly less than the $1 billion raised in 2019, a reduction of 64 percent. In addition, the total market capitalization of the IPO decreased by 51% compared to 2019 levels. Stocks with a large market capitalization are typically the target of investors for long-term investments due to their tremendous growth potential and relatively low risk. Thailand is the nation in ASEAN with the largest market capitalization. The nation recorded 28 listings in 2020, a decline of 18% from the prior year. In contrast, the total funds raised and market capitalization of IPOs increased by 45 percent and 39 percent, respectively, compared to 2019 (Deloitte, Southeast Asia IPO Market 2020). In light of the developments of the Indonesian and Thai capital markets, it is intriguing to examine the alignment of the increasing number of companies conducting initial public offerings (IPOs) on the Indonesian and Thai stock exchanges by determining the performance of their shares after the IPO. During 2011-2020, 322 companies on the Indonesia Stock Exchange and 303 companies on the Stock Exchange of Thailand sold shares to the public through the IPO mechanism.

Underpricing is a phenomenon inherent to initial public offerings. The phenomenon of stock performance exhibiting underpricing is widespread on global capital markets, including in

Indonesia. This phenomenon typically occurs in the short term, after a company makes an initial public offering in the primary market and enters the secondary market (Purnomo & Suryaningsih, 2023). Phenomenon underpricing in the Indonesian and Thai capital markets is detrimental for issuers because the funds collected are not optimal, but it is very profitable for investors because they will receive an initial return.conditions overpricing will benefit the issuer and harm investors because they will receive a lower return (initial return).

Table 1. Comparison of Initial Public Offerings and Underpricing Across Countries, 2011-2020

No	Country	Number of Issuers	Underpricing	Percentage of underpricing
1	Indonesia	322	259	80.43%
2	Thailand	303	246	81.19%

Source: Author processed data obtained from finance.yahoo.com

According to the table. 80.43 percent (259 out of 322) of the 322 Indonesian companies that conducted IPOs experienced underpricing, as shown above. In Thailand, 81.19 percent of the 303 companies experienced underpricing, amounting to 246 businesses. The occurrence of underpricing following the IPO is further evidence of the existence of abnormal returns. Typically, this is how investors obtain an initial return (positive initial return) (Malhotra & Nair, 2015). Positive or negative abnormal returns obtained by investors are possible. This depends on the state of each country and the condition of its capital market, whether they are optimistic (bullish) or pessimistic (bearish) (bearish). A positive state indicates a higher profit rate than the market average, whereas a negative state indicates a lower profit rate than the market average (Apriyeni & Marlius, 2019). Therefore, the occurrence of underpricing and abnormal returns, both short- and long-term, will influence investors' funding decisions and investment policies for corporations.

On the basis of the time period, post-IPO stock performance can be divided into two categories: short-term stock performance and long-term stock performance. Short-term stock performance after the initial public offering is stock performance less than one year after the IPO. Long-term stock performance after the initial public offering is stock performance greater than or equal to one year after the IPO. After an IPO, short-term and long-term stock performance are distinct. Short-term stock performance displays a positive number (positiveabnormal return), whereas long-term stock performance displays the opposite number (negativeabnormal return). This indicates that stock performance has declined over the long term (Steinker & Hoberg, 2013). According to research conducted by Neneh and Smit (2014), short-term returns have a negative correlation with long-term returns, indicating that the market corrects investors' overvaluation of IPO shares. In contrast, only company size has a significant negative impact on short-term returns, whereas price-earnings ratios have a positive impact on opening price returns but not initial returns. And for long-term returns, only the firm size factor has a statistically significant positive effect for periods of 24 and 36 months, while the plan to increase working capital and shareholder sale has a statistically significant positive effect for periods of 36 months. Other factors have no significant impact on returns over the long term.

According to Tandelilin (2010), an Initial Public Offering (IPO) is an event in which a company sells/offers its shares to the public on the primary market for the first time. The initial public offering is a step toward the company's going public, and its shares will be listed on the Indonesian and Thai stock exchanges so that they can be traded on the secondary market (Secondary Market). The issuer/company and the underwriter agree on the price of the shares to be issued on the primary market, after which they will be traded on the secondary market, where the price will be determined by supply and demand. For issuers, underwriters, and investors, the stock prices at the time of an initial public offering (IPO) are crucial. From the perspective of the issuer, the share price represents the amount of capital raised by multiplying the number of shares sold by the price per share.

Initial return is the difference between the stock's price on the primary market and its price on the first trading day after entering the secondary market. If the initial stock price in the primary market is lower than the stock price in the secondary market, a positive initial return underpricing will result. This causes investors, particularly those who did not receive the shares they desired

in the primary market, to be willing to purchase them at a higher price on the secondary market, while others are willing to sell their shares at a higher price in order to realize profits in the form of capital immediately. gains. Alternatively, the initial stock price in the primary market is higher than in the secondary market, resulting in a negative initial return overpricing. In this study, the stock performance of 129 Indonesian companies and 53 Thai companies for the period 2018 to 2020 will be evaluated using initial returns, which are calculated as the percentage difference between prices on the primary market and prices on the secondary market

The abnormal return is the difference between the actual return and the average return. Normal returns are expected returns or returns that investors anticipate (Nur & Dadan, 2017). After the company's initial public offering, on the first day it is listed on the stock exchange, abnormal returns will occur. This is typically how investors obtain an initial return. The amount of abnormal return can influence investors' evaluations of the positive and negative performance of short-term and long-term stocks. If abnormal return is greater than zero, the stock performance has been outperformed (good), if abnormal return is less than zero, the stock performance has been underperformed (bad), and if abnormal return is equal to zero, the stock performance has been balanced (neutral) (Luss & d'Aspremont, 2015). In Robbins & Judge (2017), suggest that there are three models for determining abnormal returns to test market efficiency: the mean-adjusted model, the market model, and the market-adjusted model.

Utilizing the value of outstanding shares on the capital market, stock performance is a component of a company's performance evaluation. The performance of a company can be determined by its stock returns over a given period. In addition to evaluating company performance, investors can also use stock returns to evaluate stock performance (Hakim et al., 2020). The rate of return (return) of a stock can be used to evaluate its performance. Return is the rate of return offered by a stock over a specific time period, typically one year, on investments made by investors (Fabozzy, 2003). In research on stock performance, initial returns and abnormal returns are utilized to evaluate market performance. There are three anomalies in the Initial Public Offering (IPO): (1) there is underpricing, (2) there is a cycle in the amount of underpricing, and (3) the IPO experiences long-term stock price depreciation (long-term underperformance) (1991). According to Chan et al. (2004), underperforming IPOs refer to the performance of IPO shares with negative abnormal returns. Various studies have found that there is a correlation between the timeliness of going public and the long-term performance of the IPO. The level of underperformance of IPO shares, which is dependent on the company's speed in going public, is one example. One explanation for the poor performance of IPOs (underperformance) over the long term with market timing is that managers go public when optimism rises, causing stock prices to be excessively high (overvalued) (Agathee, et al, 2012). In contrast, outperforming stock performance describes a positive stock performance or an increase over time. In this study, stock performance will be measured using abnormal returns (3 months) and long-term abnormal returns (24 months) to determine whether companies conducting initial public offerings in 2018-2020 underperformed or outperformed the market

This study aims to compare the stock performance of Indonesian and Thai companies following an initial public offering (IPO) by measuring abnormal returns on short-term (three months) and long-term (twenty-four months) stock performance.

2. Methods

This research is one of the event studies that explains market activity for an occurrence so that it can be used as a source of information; the occurrence in question is an initial public offering (IPO). This analysis technique uses descriptive quantitative methods. Quantitative method is defined as a research method used to examine specific populations or samples, data collection utilizing research instruments, and quantitative/statistical data analysis with the purpose of testing predetermined hypotheses (Sugiyono, 2016). The descriptive method to measure abnormal returns in the short term (3 months) and long term (12 months) aims to analyze stock performance to determine whether a company conducting an IPO in 2018-2020 on the Indonesia and Thailand Stock Exchanges outperformed or underperformed its peers. Using a

statistical difference test model, this quantitative research was conducted by testing the hypotheses that had been proposed.

Population is a comprehensive group of elements, which are typically people, objects, transactions, or interesting events to be studied or used as research objects. All shares listed on the Indonesian and Thai stock exchanges conducted Initial Public Offerings (IPOs) between 2018 and 2022, according to this study. This study's population consists of Indonesian and Thai firms that conducted IPOs between 2018 and 2020. Based on the sampling technique of purposive sampling, 129 Indonesian companies and 53 Thai companies were sampled for this study.

In this study, the Kolmogorov-Smirnov normality test was used to determine the normality of the data used for testing. This test aims to determine the significance of normally distributed data using guidelines; (a) if the value of sig is greater than 0.05, then H0 is rejected, indicating that the research data is normally distributed. (b) If the value of sig is less than or equal to 0.05, then H0 is accepted, indicating that the data are not normally distributed.

If the results of the normality test indicate that the data has a normal distribution, then the Independent sample T-test should be used. This test demonstrates whether there is a difference between the short- and long-term performance of the shares of companies conducting Initial Public Offerings (IPOs) in Indonesia and Thailand. If the results of the normality test indicate that the data is not normally distributed and is interval or ordinal, the Mann Whitney test will be applied (Mann Whitney U Test). SPSS 23.0 is the analytical tool used to compare the stock performance of Indonesian and Thai companies conducting an Initial Public Offering (IPO).

3. Results and Discussion

Table 2. Descriptive Statistical Analysis

Descriptive Statistics

		N	Minimum	Maximum	Mean	Std.the data of Deviaton
Indonesia	Short Term	129	-412522.900	1365.252279	-3307.10836	36312.38616
	Long Term	129	-418.874441	75.28630370	-105.606506	15.05759598
Thailand	Short	53	-131.471461	-29.3909927	-98.7263995	46.1200.70852
	Term	35.872		.	,	-

Source: Data Processed (2023)

On this date, the minimum value, maximum value, average value, and standard deviation of abnormal returns in Indonesia and Thailand over the short term (3 months) and long term (24 months) are known. The mean value in Indonesia three months after the IPO is -3307.10836, indicating that investors who purchase shares during the IPO and hold them for three months will receive an abnormal return of -330.711 percent on average. Long term, 24 months after the IPO, the mean value is -105.606506, indicating that if investors purchase shares during the IPO and hold on to them for 24 months, they will receive an abnormal return of -105.61 percent on average. While the mean value in Thailand three months after the IPO is -98.7263995, investors who purchase shares during the IPO and hold them for three months will receive an abnormal return of -98.73 percent on average. Long term, 24 months after the IPO, the mean value is -100.439323, indicating that investors who purchase shares during the IPO and hold them for 24 months will receive an abnormal return of -100.44 percent on average.

Indonesia's standard deviation value three months after the IPO was 36312,38616, indicating the amount of risk investors will be exposed to if they purchase shares during the IPO and hold on to them for three months, which is 3631238 percent. The standard deviation in 12 months has a value of 15,05759598, which indicates the amount of risk investors will bear if they purchase shares during the IPO and hold them for 12 months, which is 15.06 percent. Moreover, Thailand's standard deviation value three months after the IPO was 46,12026857, indicating the amount of risk investors will be exposed to if they purchase shares during the IPO and hold them for three months, 46.12 percent. The value of the 12-month standard deviation is 138.4800852, which

indicates the amount of risk investors will bear if they purchase shares during the IPO and hold on to them for 12 months, which is 13.848 percent.

In this study, the classic assumption test is the normality test, which employs the Kolmogorov-Smirnov Test method. This test is intended to determine whether or not the sample is normally distributed. The sample has a normal distribution if the Asymptotic sig is greater than the significance level specified (=0.05). If the sample is normally distributed, a parametric test, namely the Independent sample T-test, will be used in this study; however, if the sample is not normally distributed, a non-parametric test, namely a non-parametric test, will be used. Whitney Whitney (Mann Whitney U Test). The results of the Kolmogrov-Smirnov test for normality are displayed in table 3 below.

Table 3. Data Normality Test

	Kolmogov-Smirnov		
	N	**Sig.**	**Information**
Short Term Indonesia	129	0.000	Abnormal
Short Term Thailand	53	0.000	Abnormal
Long Term Indonesia	129	0.000	Abnormal
Long Term Thailand	53	0.000	Abnormal

Source: Data Processed (2023)

Based on the results of the Kolmogorov-Smirnov normality test, the data from the Indonesian sample were not normally distributed (Sig. 0.05) and the data from the Thai sample were not normally distributed (Sig. 0.05), so the Mann Whitney U test was used for the calculation of the different tests in this study (U test). This statistical test employs the Mann Whitney to compare the short-term and long-term stock performance of companies conducting initial public offerings (IPOs) on the Indonesian and Thai stock exchanges between 2018 and 2020.

Table 4. Results of the Mann-Whitney Test - return Short-term

Test Statistics[a]	**Term Abnormal Return**
Mann-Whitney U	3197,000
Wilcoxon W	11582,000
Z	-0.686
Asymp. Sig. (2-tailed)	0.493
a. Grouping Variable: country group	

Source: Data Processed (2023)

The preceding table displays the asymp value sig. (2-tailed) = 0.493, which is greater than 0.05, therefore the hypothesis regarding the difference in short-term stock performance between companies conducting IPOs in 2018-2020 on the Indonesian and Thai Capital Markets (H_1) is rejected.

Table 5. Results Mann-Whitney Test - Abnormal Return Long-Term

Test Statistics[a]	**Return Long**
Mann-Whitney U	3106.000
Wilcoxon W	11491.000
Z	-0.968
Asymp. Sig. (2-tailed)	0.333
a. Grouping Variable: country group	

Source: Data Processed (2023)

The preceding table displays the asymp value. sig. (2-tailed) of 0.333, which is greater than 0.05, therefore the hypothesis regarding the difference in long-term stock performance between companies conducting IPOs in 2018-2020 on the Indonesian and Thai Capital Markets (H_2) is rejected.

The results of the Mann-Whitney U test indicate that there is no significant difference between short-term stock performance (3 months) and long-term stock performance in terms of abnormal returns (24 months). Due to the company's poor performance during the period from

2018 to 2020, the stock is underperforming. Obviously, this is demonstrated by the negative abnormal return value.

4. Conclusion

On the basis of the described analysis and discussion, it can be stated that the results of testing the first hypothesis indicate that there is no difference in the short-term stock performance of companies conducting IPOs on the Indonesia and Thailand Stock Exchanges between 2018 and 2020. The non-parametric Mann-Whitney test results presented in Table 4 indicate that H1 was rejected because it was asymptomatic. sig. 0.493 (2-tailed) is greater than 0.05. This demonstrates that the short-term stock performance of companies conducting IPOs between 2018 and 2020 on the Indonesia and Thailand Stock Exchanges is identical. The outcomes of testing the second hypothesis indicate that there is no difference in the long-term stock performance of companies conducting IPOs on the Indonesia and Thailand Stock Exchanges between 2018 and 2020. The nonparametric Mann-Whitney test results in Table 5 indicate that H1 was rejected due to its lack of symptoms. sig. 0.333 (2-tailed) is greater than 0.05. This demonstrates that the long-term stock performance of companies conducting IPOs between 2018 and 2020 on the Indonesia and Thailand Stock Exchanges is identical.

Investors can consider investment strategies, particularly the performance of IPO shares, based on this research. For future research, it is preferable to include a number of other variables suspected of identifying stock performance, as well as a comparison country variable, so that the data processed and tested are more representative of the differences obtained from IPO activities. new. The results of this study serve as input and provide references for future studies in the same field.

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