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**PREDICTION & IDENTIFICATION
OF IPO RAISED FUNDS UTILIZATION:
AN INDONESIAN PERSPECTIVE**

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Abstract

Objectives

The main objective of this research is to empirically examine the utilization of the funds by the IPO companies in Indonesia, whether to finance future growth and/or to enhance financial flexibility. Moreover, the objective of this study is to identify whether a relationship exists between the growth opportunity pre-condition of a company and the use of IPO funds to finance future growth, and between the financial constraint pre-condition of a company and the use of IPO funds to enhance financial flexibility.

Method

In order to do so, the author investigates the listed companies in the Indonesia Stock Exchange (IDX) that conducted IPO within year 2000 and 2005. The author develops four hypotheses, and then analyzes the data using Kolmogorov-Smirnov Test, One-Sample T Test, Binomial Test, and Multiple Regression Analysis.

Results

The results revealed that Indonesian companies that conducted IPO during the period of 2000 to 2005 utilize the IPO funds to finance future growth rather than to enhance financial flexibility. Even, strong evidence occurred that these companies, in the periods following their IPOs, issued more long term debt in order to support the investments for future growth. Moreover, growth opportunity is found not to have significant effects in determining the utilization of IPO fund to finance future growth in the form of working capital requirement. However, it is proven to highly affect the future growth investment in the form of long term one such as PPE, one year after the IPO. Finally, financial flexibility is found not to have significant effects on both the liquidity and solvency position of the IPO companies since those IPO companies did not lower the leverage but rather make it higher.

Conclusion

In conclusion, the companies in Indonesia that conducted IPO during period 2000 to 2005 are found to use the funds for investment and not to increase the financial flexibility in term of a reduction in leverage or an increase in liquidity. To support the phenomena, those firms increase their debt financing following the IPO. These IPO companies must be fund-hungry companies that seek for plenty of fresh funds to finance their future growth.

Key words

IPO, Growth Opportunity, Financial Flexibility, Investment, Financial Constraint, Indonesia Stock Exchange (IDX), use of fund.

PREFACE

Upon the completion of this thesis, hereby, the author is very grateful to have finished the thesis entitled: “Prediction & Identification of IPO Raised Funds Utilization: An Indonesian Perspective”, as it is the pre-condition for obtaining a Bachelor’s Degree in Accounting at Bina Nusantara University International. This thesis represents the implementation of knowledge that has been obtained during the course of study. The completion of this thesis has become one of the most challenging yet fascinating experiences for the author as a BiNus’ student.

First and foremost, the author would like to express her ultimate gratefulness to God Almighty for His kindness, love, and abundant blessings. He who always brings delight and strength has made it possible for the author to bring this thesis upon completion.

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Author

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