ABSTRACT

Objectives: The primary purpose of this empirical study is to assess the operating performance of IPO firms relative to non-IPO firms in Indonesia.

Method: The method used in this study is hypothesis testing. To fulfill the objectives, investigations are conducted on IPO firms in Indonesian Stock Exchange (IDX) for 11 years from 1996 to 2006 using their respective prospectuses and annual reports. The total sample consists of 149 IPO firms. Variables used to measure operating performance are return on asset (ROA), cash flow deflated by total asset, sales, and asset turnover. To analyze the performance of IPO firms relative to non-IPO firms, the author used the industry-adjusted variables. In addition, significance tests are used to determine the level of confidence of the results data; Student-t to test the mean, and Wilcoxon signed rank test for the median.

Results and Conclusions: The result of this study shows that there is no statistically significant evidence to infer that operating performance of IPO firms decline below the performance of non-IPO firms.

Keywords: Initial Public Offering (IPO), Short term operating performance, Student t, Wilcoxon signed rank test.