



LONG-RUN PERFORMANCE OF IPOs: COMPARISON
BETWEEN CARs AND BHARs

KINERJA JANGKA PANJANG IPO: PERBANDINGAN
ANTARA CARs DAN BHARs

THESIS

By:

Anggraeni Putri Manikam

NIM 090810251011

JEMBER UNIVERSITY
FACULTY OF ECONOMICS
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THESIS

A Thesis submitted in Partial Fulfillment of the Requirement for the Award of
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By:

Anggraeni Putri Manikam

090810251011

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Ministry of Education and Culture
University of Jember – Faculty of Economics

STATEMENT OF THESIS AUTHENTICITY

Name : Anggraeni Putri Manikam
Identification Number: 090810251011
Department : Management
Concentration : Financial Management
Thesis Title : Long-run Performance of IPOs: Comparison between CARs
and BHARs

Certify that this thesis does not incorporate, without acknowledgement, any material previously submitted for a diploma in any institution of higher education and that, to the best of my knowledge and belief, it does not contain any material previously published or written by another person except where due reference is made in the text. I am aware of the potential consequences of any breach of the procedures and guidelines, e.g. cancellation of my academic award.

Jember, June 2013

Anggraeni Putri Manikam

NIM 090810251011

SUPERVISOR'S APPROVAL

Thesis Title : Long-run Performance of IPOs: Comparison between CARs
and BHARs
Name : Anggraeni Putri Manikam
Identification Number : 090810251011
Department : Management
Concentration : Financial Management
Approval Date : 19 June 2013

Supervisor II

Supervisor I

Prof. Dr. Hj. Isti Fadah, SE., M.Si

NIP. 19661020 199002 2 001

Prof. Tatang AG., M.Buss., Acc., Ph.D

NIP. 19661125 199103 1 002

Approved by,
Head of Management Department

Prof. Dr. Hj. Isti Fadah, SE., M.Si

NIP. 19661020 199002 2 001

APPROVAL OF THE EXAMINATION COMMITTEE

**LONG-RUN PERFORMANCE OF IPOS: COMPARISON
BETWEEN CARS AND BHARS**

This thesis is prepared and compiled by:

Name : Anggraeni Putri Manikam

Identification Number: 090810251011

Department : Management

It has been defended before the Examination Committee on the date:

27 June 2013

and declared to fulfill all complete requirements to be accepted as graduate at the Faculty of Economics, University of Jember.

Examiners:

1. The Chairperson : Hadi Paramu, S.E., MBA., Ph.D. : (.....)
NIP 19690120 199303 1 002
2. The Secretary : Prof. Dr. Hj. Isti Fadah, SE., M.Si : (.....)
NIP. 19661020 199002 2 001
3. The Member : Prof. Tatang A.G., M.Buss.Acc., Ph.D. : (.....)
NIP. 19661125 199103 1 002

Approved By,
Dean of Faculty of Economics
University of Jember

Dr. Moehammad Fathorrazi, M.Si.
NIP. 19630614 199002 1 001

DEDICATION

This thesis is honorably dedicated to:

1. My parents: (Alm) Ir. Saiful Bachri and Dyah Untari Widyowati; for their love and continued support.
2. My brother and his wife: Pandu Bagaskara and Fitri Rahayuningsih; for their understanding and support.
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MOTTO

You are what you think you are.

(Anonym)

SUMMARY

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Faculty of Economics Jember University

Initial Public Offerings is public offering in which the company offers a partial ownership in the form of shares at specified price with the expectation of increasing value of the company in the long-run. Some researchers have different views about the phenomenon of long-run performance. Some of them find the underperformance of long-term return performance and the others find the outperformance. Apart from long term underperformance, there is also different opinion among researchers in measuring the long-run performance. Ahmad-Zaluki et al. (2007) find that abnormal returns measurement in long-run has different results according to the method used. This study is conducted to examines the long-run performance of initial public offering (IPO) and the differences of long-term return performance results after IPO using two different methods, cumulative abnormal returns (CARs) and Buy-and-Hold Abnormal Returns (BHARs) in Indonesian Stock Exchange in Indonesia Stock Exchange in 2005-2009.

This study is examined three variables, namely Market Adjusted Initial Return (MAIR) on first day trading, CARs and BHARs to determine short-run performance, long-run performance, and differences of CARs and BHARs in measure long-run performance. For comparative purpose, real return (RR) of firm in the short-run also examined. Each variable are divided into full sample and subsamples, which are firm size, and B/M ratio. The rank of firm size and B/M ratio are conducted to determine the firm conducted IPO performance based on them. MAIR is examined using one sample Wilcoxon-test while CARs and BHARs are compared using paired samples t-test and Wilcoxon test.

The results of the long-run performance of IPOs due to CARs and BHARs are generally underperformed especially in low firm size and B/M ratio. Comparison of CARs and BHARs in full sample and firm size group ranks is significant different while in B/M ratio group ranks is not significant different.

FOREWORD

First and foremost, I would like to express my greatest gratitude to Allah, for all of his gift so I can finish my thesis entitled “Long-run Performance of IPOs: Comparison between CARs and BHARs”.

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Finally, I hope this thesis will provide some advantages to the readers. Any criticism, suggestions, and input will be appreciated to make this thesis better.

Jember, June 2013

Writer

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