

The Use of IPO Fund, Underpricing, and Survival: ESG-Driven Insights from Indonesian Firms

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ABSTRACT

The IPO prospectus should disclose information on the use of IPO proceeds, which can be a reference for investors in making investment decisions. Companies conduct IPOs for investment, working capital, and debt repayment purposes. The use of IPO fund for investment and working capital gives a positive signal, while debt repayment gives a negative signal. Some companies also implement ESG (Environmental, Social, and Governance) policies after conducting an IPO. This research aims to test whether companies with ESG scores have different underpricing and survival phenomena compared to companies in general. This research was conducted on 148 Indonesian companies that conducted IPOs in the period 2008-2021. The results suggest that the use of IPO proceeds for investment and working capital has a positive effect on underpricing and survival. However, the use of IPO proceeds for debt repayment has no effect on underpricing. Moreover, the use of IPO proceeds for debt repayment in companies that obtain ESG scores has a positive effect on underpricing. Underpricing strengthens the effect of the use of IPO fund for investment on survival occurs in the sample of companies in general as well as companies that obtain ESG scores. The implication of this research suggests that investors do not consider IPOs as a return on debt in companies that obtain ESG scores as a negative signal to invest.

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KEYWORDS: Underpricing, Survival, ESG, Initial Return, The use of IPO proceeds

I. INTRODUCTION

The process by which a company offers its shares to the public for the first time, which also marks the transition from a private company to a public company, is called an IPO (Initial Public Offering). An IPO is usually done to raise capital for expansion, debt repayment, or to raise the company's profile in the market. After conducting an IPO, companies are also faced with another challenge where they must be able to survive in the long term as a public company (Serio, 2020). In a loss-making environment after an IPO, companies are typically characterized by higher underpricing, lower aftermarket liquidity and trading volume, higher aftermarket volatility, and unsatisfactory long-term performance. In addition, they are more likely to delist due to negative earnings in the third year after the IPO (Boucher & Kooli, 2022).

Underpricing is an interesting phenomenon for investors, especially short-term investors who buy shares during the offering price. Research conducted by Jia et al. (2018) has suggested that the average initial stock return in the United

States is 18.4%, with firm size playing an important role in underpricing. The research also found that companies with lower initial returns tend to come from Denmark at 5%, while companies with higher initial returns tend to come from China at 257%. In general, IPO investors around the world make positive initial returns on average by buying shares at public offering and selling them on the first day of trading.

In addition to the underpricing phenomenon, IPOs are an important phase in a company's life cycle to manage finances and assets more productively (Liu et al., 2013). Research has suggested that companies often underperform after the IPO compared to before the IPO, with outcomes that can include surviving, failing, or being acquired by other companies (Jain & Kini, 1999). Research in Malaysia suggests that the use of IPO fund for business growth and debt repayment can ensure the company survival (Che-Yahya & Alyasa-Gan, 2022). Meanwhile, research on the Australian Stock Exchange (Wyatt, 2014) suggests that the use of IPO fund provides additional information to assess whether the offering price is

underpriced and predict the company survival at the beginning of the IPO. Meanwhile, information asymmetry is the main factor that causes the underpricing phenomenon during IPOs (Ljungqvist, 2007).

In Indonesia, the IPO prospectus must disclose the intended use of IPO proceeds, whether for investment, working capital, or debt repayment. This information can affect stock returns, both in the short and long term. Research in the United States by Amor and Kooli (2016) suggests that the use of IPO fund for investment is not significant in providing abnormal returns in the three years after the IPO, while the use of funds to repay debt can reduce stock performance. Aziza (2017) argues that the intended use of IPO fund can provide a positive signal (good news) if it is used for investment or expansion, or a negative signal (bad news) if it is used to repay debt, which indicates the company's financial difficulties. Therefore, the plan to use IPO fund is important for investors in making investment decisions as it reflects the financial condition of the company conducting the IPO.

Research by Meidiaswati et al. (2019) on 148 IPOs on the Indonesia Stock Exchange suggests that specific information in the IPO prospectus affects stock market performance, both initial return and long-term performance. Disclosure of the intended use of IPO fund—such as acquisition, investment, group funding, debt repayment, and working capital—can affect stock returns. The findings indicate that the use of IPO funds for acquisitions and debt repayment has a negative effect on underpricing. In the long run, debt repayment represents better market performance, while investment is negatively associated with long-term performance. In conclusion, the impact of the intended use of IPO proceeds varies: for the short term, the use of funds for investment and debt repayment has a negative impact on underpricing, while for the long term, only working capital exhibits a positive effect, while investment has a negative impact.

Many previous studies that discuss the phenomenon of underpricing and long-term performance of companies after their IPOs reveal varying results based on various factors. One of the possible differences in these results is the difference in the organizational structure of the companies. In addition, the emergence of ESG (Environmental, Social, and Governance) issues in companies can be an important differentiating factor in this regard. Therefore, in addition to investigating the relevance of disclosure of the use of IPO proceeds in Indonesia to underpricing and corporate survival in general, this research also relates the phenomenon to companies that obtain ESG scores.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

A. *The Use of IPO Proceeds on Underpricing*

Several studies have concluded that signaling information, received by the first party (companies), can act as an effective way to transmit unobservable information about

the quality of the companies to other parties (investors), so that investors will be more likely to pay attention to the signals provided (Christie & Houser, 2019). The purpose of using funds is a decision in a rights issue that can provide positive (good news) or negative (bad news) reactions to investors (Aziza, 2017). If the companies offer shares for investment or business expansion purposes, then investors will assess the companies as successful in carrying out their business activities and consider it a positive sign. Conversely, if the companies use the IPO proceeds to pay the maturing debt, then investors will receive a negative signal that the companies are in financial difficulty and need funding from the public in the form of a rights issue. Companies that use IPO funds to expand are preferred by investors (Kartika & Putra, 2017), while companies that use IPO funds for debt repayment are negatively related to underpricing (Ahmad-Zaluki & Badru 2021). Research conducted by Meidiaswati et al. (2019) argues that there is a negative relationship between debt repayment and underpricing. Based on the above arguments, the following hypotheses are formulated:

H1: Information on the plan for the use of IPO proceeds affects underpricing

H1a: The plan for the use of IPO proceeds for investment purposes has a positive effect on underpricing

H1b: The plan for the use of IPO proceeds for working capital purposes has a positive effect on underpricing

H1c: The plan for the use of IPO proceeds for debt repayment purposes has a negative effect on underpricing

B. *Underpricing on The Use of IPO Proceeds On Company Survival*

When companies conduct an IPO, an event that often occurs is either overpricing or underpricing. When underpricing occurs, it is caused by the offering price at the time of the IPO being lower than the price in the secondary market. This underpricing condition is often used by investors to determine investment decisions. With the underpricing phenomenon, IPO offers become increasingly attractive to investors. Previous research has found a statistically significant effect that the purpose of using IPO funds for business growth and debt repayment can ensure the company survival (Che-Yahya & Alyasa-Gan, 2022). In addition, company survival is found to increase consistently when companies allocate a portion of their IPO proceeds regardless of the intended use of the funds. Research conducted by Wyatt (2014) on the Australian Stock Exchange revealed that disclosure of the use of IPO proceeds can provide additional information to assess whether the offering price is underpriced or not and predict the company survival. In addition, in some cases, these disclosures may also provide investors with an evaluation of the company's prospects and risks at the start of the IPO. If use-of-funds information can help predict a company survival, along with other information available at the listing

date, then it may provide an indication of long-term growth that is positively associated with future value. This possibility was first investigated using a survival prediction model that includes use-of-funds information. Based on this, the following hypotheses are formulated:

H2: Underpricing strengthens the effect of the use of IPO proceeds on company survival

H2a: The higher the underpricing, the stronger the positive effect of using funds for investment on the company survival

H2b: The higher the underpricing, the stronger the positive effect of using funds for Working Capital on the company survival

H2c: The higher the underpricing, the stronger the positive effect of using funds for debt repayment on the company survival.

C. Underpricing and Survival in The Context of Companies with ESG Scores

ESG issues are an interesting topic around the world, including in Indonesia (Alamsyah & Muljo, 2023). ESG disclosure is important for companies and investors as an effort for companies to remain sustainable during the COVID-19 pandemic (Ferriani & Natoli, 2021). Several studies have been conducted to measure the relationship between ESG and the level of corporate profitability. However, the results indicate different variations. In terms of company value, financial performance, stock returns, and cost of capital, there is a proven correlation with non-financial performance factors, especially social, environmental, and governance aspects (Melinda & Wardhani, 2020). Research conducted by Fatemi et al. (2018) has found a consistent correlation between financial

performance or company valuation and the level of ESG disclosure. Companies that integrate good ESG practices may have a better competitive advantage and resilience in the market, which may affect their ability to survive in the long run (Moalla & Dammak, 2023). With these arguments, the third hypothesis is formulated as follows:

H3: Companies with ESG Scores have different effects on the use of IPO proceeds on underpricing and business survival

III. METHODOLOGY

The data used in this study are companies that have conducted IPOs and are listed on the Indonesia Stock Exchange (IDX) in 2008-2021. Purposive sampling method was applied to obtain samples in accordance with the desired criteria, namely:

- a) Companies that conducted IPOs on the IDX from 2008 to 2021.
- b) Companies that have ESG scores in the period 2015 to 2023.
- c) The availability of price data at the time of the offer, and there is a first-day closing price on the exchange.
- d) Having prospectus data that includes non-financial data and mid-year financial statement data or annual financial statements before the companies conducting IPOs.
- e) The prospectus report is presented in Rupiah currency, and if there is a US dollar currency, it will be converted to Rupiah currency using the exchange rate as of the recording period.

Tabel 1. Total Company Samples

Description	Total Companies conducting IPO 2008-2021	Companies that have company survival after 5 years	Companies that have ESG scores
Total Companies conducting IPO	438	220	19
Companies with Underpricing	394	-	
Companies that do not take corporate action in the 5th year after the IPO	-	188	
Total Samples	394	188	19

A. Research Variables

This research used 3 variables including: dependent variables, independent variables, and control variables. The

identification and measurement of each of these variables are as follows:

Tabel 2. Identification and Measurement of Variables

No	Variables	Acronym	Identification and Measurement of Variables
Dependent Variables			
1.	Underpricing	UND	Underpricing is the positive difference between the closing price of shares on the first day on the Exchange and the share price at the time of the IPO (initial offering). The price difference is called the initial return (IR) which is an indicator of the level of underpricing. Mathematically, underpricing is

			<p>expressed in percentage form and can be formulated as follows:</p> $UND = \frac{(First\ day\ closing\ price - Offering\ price)}{Offering\ Price} \times 100\%$ <p>Remarks: UND: Underpricing First day closing price: First day closing price on the Exchange Offering Price: Price at the initial offering</p>
2.	Company Survival	SURV	<p>In this research, “Survive” is defined as companies that are able to survive throughout the period under study after conducting an IPO for 5 years. Companies that survive during the research period are considered successful, while companies that delist are considered failed. Company performance is also evaluated based on market capitalization, which is the value of the companies based on current market prices. This research uses a model that compares market capitalization with book value at the start of the IPO to assess the company survival.</p> $PBV = \frac{(Market\ Cap\ at\ the\ 5th\ year)}{Book\ value\ at\ the\ time\ of\ IPO} \times 100\%$
Independent Variables			
1.	The Use of IPO Proceeds for Investment	INV	This variable is measured using a dummy variable where if the percentage of the plan to use funds in the prospectus for investment purposes when the company plans to IPO is above 75%, it will be given a number 1 and 0 otherwise.
2.	The Use of IPO Proceeds for Working Capital	WC	This variable is measured using a dummy variable where if the percentage of the plan to use funds in the prospectus for the purpose of financing working capital when the company plans to IPO is above 75%, it will be given a number 1 and 0 otherwise.
3.	The Use of IPO Proceeds for Debt Repayment	DEBT	This variable is measured using a dummy variable where if the percentage of the plan to use funds in the prospectus for the purpose of debt repayment when the company plans to IPO is above 75%, it will be given a number 1 and 0 otherwise.
Control Variables			
1.	Company Size	LnSize	<p>Company size is measured based on the total assets owned at the time of IPO submission. This size is calculated using the natural logarithm of total assets listed in the last financial report before the IPO, with the following formula: Size = Ln Total Aset</p> <p>Remarks Size: Company Size Ln: Natural Logarithm Total Aset: Total assets obtained from the issuer's L/K</p>
2.	Company Age	Age	<p>The company age is measured from the time of establishment or start of operation of the company until it obtains an effective statement to conduct an IPO.</p> $Age = tIPO - tEstablishment$
3.	Number of Shares Offered	Share	<p>The percentage of shares offered is measured as the proportion of shares offered by the issuer to investors in units of percent. This percentage is calculated using the following formula.</p> $PPS = \frac{total\ shares\ offered}{total\ shares\ on\ by\ the\ company} \times 100\%$ <p>Remarks PPS: Share Offering Percentage</p>

4.	Speed of prospectus issuance	Delay	The speed of prospectus issuance is measured based on the length of time required from the issuance of the prospectus by the issuer to the listing of shares on the Stock Exchange. It is measured by the following formula. Delay = tIPO - Prospectus Issuance
5.	Interaction variable between Investment and Underpricing	INV*UND	In this study, the variable in the form of INV*UND is only used to verify the effect of underpricing and investment on company survival. This interaction variable is calculated by means of INV x UND.
6.	Interaction variable between Working Capital and Underpricing	WC*UND	The WC*UND variable is only used to verify the effect of underpricing and working capital on company survival. This interaction variable is calculated by means of WC x UND.
7.	Interaction variable between Investment and Underpricing	DEBT*UND	The DEBT*UND variable is only used to verify the effect of underpricing and debt on company survival. This interaction variable is calculated by means of DEBT x UND.

This research also uses ESG variables to partially test companies that obtain ESG scores, so they can be compared with companies in general. In addition to the Indonesia Stock Exchange, ESG ratings can also be obtained from a number of rating organizations such as Thomson Reuters Refinitiv, Bloomberg, Morgan Stanley Capital International (MSCI).

B. Statistical Models

In this research, the data analysis model used is cross-section. Where, the statistical model is formulated as follows:

a) Underpricing (Und)

Model 1a

$$Und = \alpha + \beta_1(INV) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$

H1a is supporting if $\beta_1 > 0$ and is significant

Model 1b:

$$Und = \alpha + \beta_1(WC) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$

H1b is supporting if $\beta_1 > 0$ and is significant

Model 1c:

$$Und = \alpha + \beta_1(DEBT) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$

H1c is supporting if $\beta_1 < 0$ and is significant

Remarks:

Und: Underpricing

α : Constant

β_1 : Regression coefficient of plan for use of IPO proceeds

β_2 : Regression coefficient for company age

β_3 : Regression coefficient for company size

β_4 : Regression coefficient for speed of prospectus submission

β_5 : Regression coefficient for shares offered

INV: The use of IPO proceeds for investment purposes

WC: The use of IPO proceeds for working capital purposes

DEBT: The use of IPO proceeds for debt repayment purposes

AGE: Company age

LNSIZE: Natural Log for company size

SHARE: Shares offered

DELAY: Speed of prospectus submission

b) Company Survival (SURV)

Model 2

$$SURV = \alpha + \beta_1(INV) + \beta_2(WC) + \beta_3(DEBT) + \beta_4(AGE) + \beta_5(LnSIZE) + \beta_6(SHARE) + \beta_7(UND) + \beta_8(INV*UND) + \beta_9(WC*UND) + \beta_5(DEBT*UND) + \epsilon$$

H2 is supported if $\beta_8 > 0$, $\beta_9 > 0$, $\beta_9 < 0$ and is significant

Remarks:

Survival: Company survival

α : Constant

β_1 : Regression coefficient of plan for use of IPO proceeds

β_2 : Regression coefficient of plan for company age

β_3 : Regression coefficient of plan for company size

β_4 : Regression coefficient of plan for shares offered

β_5 : Initial Return coefficient

INV: The use of IPO proceeds for investment purposes

WC: The use of IPO proceeds for working capital purposes

DEBT: The use of IPO proceeds for debt repayment purposes

AGE: Company age

LNSIZE: Natural Log for company size

SHARE: Shares offered

UND: Underpricing

INV*UND: Interaction between Use of Funds for Investment and Underpricing

WC*UND: Interaction between Use of Funds for Working Capital and Underpricing

DEBT*UND: Interaction between Use of Funds for Debt Repayment and Underpricing

c) Underpricing and Survival Testing of Companies with ESG Scores

The testing is conducted with multiple linear regression analysis on companies that have ESG scores during the research period. These companies were analysed separately and compared with the public companies.

- Underpricing
- 1. Investment (INV) Variable

$$Und = \alpha + \beta_1(INV) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$
 INV is supported if $\beta_1 > 0$ and is significant
- 2. Working Capital (WC) Variable

$$Und = \alpha + \beta_1(WC) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$
 WC is supporting if $\beta_1 > 0$ and is significant
- 3. Debt Repayment (DEBT) Variable

$$Und = \alpha + \beta_1(DEBT) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(Delay) + \epsilon$$
 DEBT is supported if $\beta_1 < 0$ and is significant
- Survival
- 1. Investment (INV) Variable

$$SURV = \alpha + \beta_1(INV) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(UND) + \beta_6(INV*UND) + \epsilon$$
 INV is supported if $\beta_1 > 0$ and is significant
- 2. Working Capital (WC) Variable

$$Survival = \alpha + \beta_1(WC) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(UND) + \beta_5(WC*UND) + \epsilon$$
 WC is supported if $\beta_1 > 0$ and is significant
- 3. Debt Repayment (DEBT) Variable

$$Survival = \alpha + \beta_1(DEBT) + \beta_2(AGE) + \beta_3(LnSIZE) + \beta_4(SHARE) + \beta_5(UND) + \beta_5(DEBT*UND) + \epsilon$$

DEBT is supported if $\beta_1 < 0$ and is significant

IV. RESULT AND DISCUSSION

A. Descriptive Statistical Analysis

Tables 3 & 4 present the descriptive statistics for companies in general and those with ESG scores, with underpricing and 5 years after IPO.

From the statistical results in Table 3, it can be seen that of the 394 companies in the sample, 50% of the companies that conducted IPOs used the IPO proceeds for investment activities. This indicates that companies prefer to conduct IPOs for investment rather than seeking financing from financial service institutions. Furthermore, around 37% of companies conducted IPOs with the aim of increasing working capital, while 12% of companies used IPO funds to repay debt. In addition, of the 19 companies that obtained ESG scores, the largest purpose of the IPO is to increase working capital, which is done by 22% of companies, followed by 19% of companies that use IPO funds for investment, and finally 10% of companies that use IPO funds to repay debt. From these statistics, it can be seen that the use of IPO proceeds for investment and working capital is more dominant than for debt repayment.

Tabel 3. Descriptive Statistics of Companies that Experienced Underpricing

Remarks	All IPO companies					Companies with ESG Scores				
	N	Min	Max	Mean	Std. Dev	N	Min	Max	Mean	Std. Dev
UND	394	0.00	0.76	0.36	0.24	19	0.00	0.76	0.26	0.25
INV	394	0.00	1.00	0.50	0.36	19	0.00	1.00	0.19	0.39
WC	394	0.00	1.00	0.37	0.35	19	0.00	1.00	0.22	0.41
DEBT	394	0.00	1.00	0.12	0.23	19	0.00	1.00	0.10	0.31
AGE	394	2.00	65.00	17.04	12.87	19	13.52	17.70	15.38	1.12
LnSIZE	394	7.30	17.70	13.18	1.70	19	3.00	51.00	18.31	14.12
SHARE	394	0.01	0.70	0.24	0.10	19	0.10	0.40	0.20	0.09
DELAY	394	3.00	42.00	8.97	3.97	19	4.00	21.00	9.15	3.50

Tabel 4. Descriptive Statistics of Companies after 5 Years of IPO

Remarks	All companies 5 years after IPO					Companies with ESG Scores				
	N	Min	Max	Mean	Std. Dev	N	Min	Max	Mean	Std. Dev
SURV	188	0.00	18.18	1.52	2.51	19	0.40	15.52	2.26	3.41
INV	188	0.00	1.00	0.33	0.47	19	0.00	1.00	0.16	0.37
WC	188	0.00	1.00	0.15	0.36	19	0.00	1.00	0.21	0.42
DEBT	188	0.00	1.00	0.03	0.16	19	0.00	1.00	0.11	0.32
SIZE	188	8.55	17.70	13.80	1.45	19	13.52	17.70	15.38	1.13
AGE	188	3.00	65.00	17.48	12.58	19	3.00	51.00	18.32	14.13
SHARE	188	0.01	0.70	0.24	0.10	19	0.10	0.40	0.20	0.10
UND	188	0.00	0.76	0.30	0.25	19	0.00	0.76	0.26	0.25

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In terms of company age, the average company is more than 17 years old before conducting an IPO. The youngest company is 2 years old, in accordance with the IPO provisions, while the oldest company is PT Soho Global Health Tbk., which was founded on August 27, 1956 and conducted an IPO in 2020. In terms of assets, the average company conducting an IPO has assets of Rp1.9 trillion. The company with the lowest assets is PT Capri Nusa Satu Properti Tbk, with assets of Rp138 billion, while the company with the largest assets is PT Bank BTN, with assets of Rp49 trillion. In terms of public offerings to the

public, the average company offers around 24% of its shares. The lowest share offering was 1%, which was done by PT Putra Mandiri Jembar Tbk. and PT Diamond Food Indonesia Tbk., while the highest share offering was done by PT Magna Investama Mandiri Tbk. by 70%. In terms of the speed of prospectus issuance, the average prospectus was issued 9 days before the IPO. The fastest company to issue a prospectus is PT Wisnilak Inti Makmur Tbk, with a prospectus issued 42 days before the IPO, while the slowest company is PT Steadfast Marine Tbk, with a prospectus issued only 3 days before the IPO.

B. Hypothesis Testing

Table 5 presents the results of the regression analysis of the research hypotheses.

Table 5. Results of Regression Analysis of Research Variables

Independent Variables	Dependent Variables					
	All companies		Companies with ESG Scores (19)			
	UND	SURV	UND	SURV		
Constant	0.660***	11.652**	0.359	1.544	-1.708	-1.756
t-stat	5.499	2.426	0.499	0.508	-0.527	-0.554
INV.	0.059**	-2.542*	0.207	-3.103**		
t-stat	2.173	-1.699	1.492	-2.350		
WC	0.082**	4.364**	0.407**		-0.320	
t-stat	2.584	2.559	2.986		-0.045	
DEBT	0.095	-3.940	0.516***			0.167
t-stat	1.448	-0.857	3.123			0.102
UND		-6.640**		-2.430	-0.770	-0.748
t-stat		-2.316		-1.991	-0.671	-0.658
INV*UND		11.078***		7.189**		
t-stat		2.931		1.932		
WC*UND		-7.400			1.416	
t-stat		-1.491			0.724	
DEBT*UND		8.897				0.167
t-stat		0.770				0.102
LnSIZE	-0.240*	-0.475	-0.350	0.083	0.148	0.149
t-stat	-3.102	-1.527	-0.749	0.459	0.716	0.724
AGE	-0.001	0.049	0.002	0.018	0.025	0.025
t-stat	-0.579	1.390	0.493	1.177	1.412	1.410
SHARE	0.297**	-2.653	0.860	-7.970	-3.077	-3.112
t-stat	2.314	-0.643	1.672	-2.831	-1.187	-1.190
DELAY	-0.010**		0.005			
t-stat	-2.404		0.321			
R2	0.090	0.155	0.632	0.508	0.318	0.564
Adj R2	0.083	0.108	0.398	0.262	-0.240	0.318
F-statistic	6.085	3.257	2.704	2.067	0.931	0.933
Prob (F-Statistic)	0.000	0.001	0.068	0.134	0.507	0.506
No of Obs	394	188	19	19	19	19
Model	OLS	WLS	OLS	OLS	OLS	OLS

Coefficient *** for sig 1%, ** sig 5%, * sig 10%

In the table above, it can be observed for all companies conducting IPOs that the purpose of using funds for working

capital (WC) and investment (INV) has a positive and significant effect with a significance level at 5%. On the

other hand, the use of IPO proceeds to repay debt (DEBT) has no significant effect. This suggests that short-term investors to obtain initial returns in making investment decisions are based on companies that use their funds on Investment (INV) and Working Capital (WC) because the results of research on these two variables are positively related to underpricing. These results are in line with research conducted by Kartika & Putra (2017), where companies that use IPO funds to expand are preferred by investors. Furthermore, the research suggests that companies that use IPO funds reveal that the use of funds for debt repayment is negatively related to underpricing. Information on the planned use of IPO funds in the prospectus is proven to have an effect on the level of initial return where debt repayment is negatively related to initial return at the time of IPO (Ahmad-Zaluki & Badru, 2021).

In the context of the companies that obtained ESG scores, the results indicate that there is a positive and significant effect between the Working Capital (WC) underpricing variable and debt repayment (DEBT). This indicates that investors do not view the IPO proceeds to repay debt as one of the issues that scare them away from investing in the context of companies that obtain ESG scores. Based on data from the Indonesia Stock Exchange, Environmental, Social, and Governance (ESG) factors are now a major consideration for global investors in choosing investments. To obtain an ESG score, companies must go through several stages of evaluation, and it cannot be obtained automatically. This suggests that investors still consider a company's ESG score as an important factor. Although the IPO proceeds will be used to repay debt, companies with good ESG scores are still in demand by investors.

Furthermore, the results indicate that underpricing strengthens the effect of investment (INV) on business survival (SURV). In this research, only the investment variable (INV) has a positive and significant effect. Meanwhile, the working capital (WC) and debt (DEBT) variables have no significant effect. This is consistent with the research of Che-Yahya & Alyasa-Gan (2022) which examined companies in Malaysia where it was found that there was a significant effect that the purpose of using IPO funds for business growth could ensure the company survival. For companies with ESG scores, the results indicate that the higher the underpricing, the stronger the positive effect of using funds for investment on the company survival. This proves that companies with ESG scores are very careful in managing their investments because they pay attention to ESG factors.

V. DISCUSSION

Based on the results of the hypothesis testing conducted, it is indicated that in the general context, companies that use IPO proceeds for investment and working capital activities have a positive effect on underpricing (UND). This supports

research conducted by Aziza (2017) which argues that the use of IPO funds for investment and working capital gives a positive signal to the public. Other research conducted by Kartika & Putra (2017) also reveals similar results, where companies that use IPO funds to expand are preferred by investors. Investors consider the factors of using IPO proceeds for investment and working capital in deciding investment decisions because this provides a positive signal regarding the use of these funds.

One of the companies that use IPO funds for investment is PT Satria Mega Kencana Tbk., which utilizes the funds to buy land that will be built into a resort. Based on research, the shares of PT Satria Mega Kencana Tbk. experienced an underpricing of 70%, with an initial offering price of Rp165 and a first-day trading price of Rp280. Another example is PT Sentra Food Indonesia Tbk., which used its IPO proceeds to purchase raw materials and operational support materials. The IPO offering price of this company was Rp135, and on the first day of trading, the share price closed at Rp228. These results suggest that the use of IPO proceeds for investment and working capital can generate high initial returns on the first day of trading due to underpricing. The implication of this finding can help investors in making investment decisions by considering the allocation of IPO proceeds for investment and working capital.

Still in the context of the company in general, underpricing strengthens the effect of investment (INV) on business survival. Meanwhile, working capital (WC) and debt (DEBT) variables have no significant effect. This is in line with other studies, for example the results of the research of Che-Yahya & Alyasa-Gan (2022) which found that there is a significant positive effect that the purpose of using IPO funds for business growth can ensure the company survival. For example, PT Bintang Otto Global used the IPO proceeds to build car showrooms in various cities. Five years after the IPO, the company's market capitalization increased to Rp5.2 trillion, compared to the market capitalization at the time of the IPO of Rp665 billion. The implication is that in making long-term investment decisions, investors may consider using IPO proceeds for investment as it contributes positively to the company survival.

From the results of research on companies that obtained ESG scores, it was found that the use of IPO funds for debt repayment (DEBT) has a positive and significant effect on underpricing. In contrast, investment (INV) and working capital (WC) variables do not show a significant effect. This indicates that investors do not consider the use of IPO proceeds to repay debt as a negative signal, especially for companies with good ESG scores. This finding is consistent with research by Morgan (2023) which shows that companies with good ESG scores tend to have better financial performance and return on investment (ROI) in the long run, thus increasing investor interest in ESG. Examples of companies that obtained ESG scores and used IPO

proceeds to repay debt are PT Sarana Menara Nusantara Tbk. and PT Link Net Tbk., which used IPO proceeds to repay debt to banks and shareholders. Although debt repayment is usually considered a negative signal, in companies with ESG scores, this actually has a positive effect on underpricing.

Regarding survival, the results suggest that underpricing strengthens the effect of using IPO proceeds for investment (INV) on corporate survival, both for companies in general and those with ESG scores. This finding suggests that companies, whether they have ESG scores or not, should be careful in managing their investments and ensuring good governance. This is consistent with research by Morgan (2023) which found that companies with good ESG scores have higher financial performance and ROI in the long run, making it an important consideration for investors.

VI. CONCLUSION

The use of IPO proceeds for both investment (INV) and working capital (WC) is positively related to underpricing. The use of IPO proceeds as investment and working capital can be a good signal for investors to consider making decisions. Second, this research found that underpricing strengthens the effect of investment (INV) on business survival (SURV), which indicates that underpricing can strengthen the effect of investment on company survival. Finally, in the context of companies with ESG scores, the use of IPO proceeds for debt repayment has a positive effect on underpricing, as well as strengthening the effect of investment on survival. This is also the case for companies in general, which do not have ESG scores. The implications of this research indicate that investors do not consider IPOs as a return on debt in companies that obtain ESG scores as a negative signal to invest. This research has limitations in its research object which only observes companies that listed their shares on the IDX (IPO) during the research period. Therefore, future research can expand the object of research, as well as conduct more in-depth theory development regarding the factors that influence underpricing and post-IPO company survival in order to involve a deeper understanding of capital market dynamics, investor behavior, and microeconomic factors that may affect the relationship. In addition, it is expected that future research will increase the number of samples of companies that obtain ESG scores to better represent short-term performance through underpricing and long-term through company survival.

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