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Flipping Activity And Underpricing Phenomenon In Indonesia Stock Exchange

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ABSTRACT

Underwriters, as well as issuers, show ambiguity toward the flipping activity or selling initially public offered stocks (IPO stocks) in the first trading day. On one side, they are naturally against the flipping activity because it is considered to decrease IPO performances, especially in the case of weak offerings. However, flipping activity is also needed to show liquidity of the IPO stock in the secondary market. Several studies indicate that there is a relationship between flipping activity and underpricing phenomenon. Previous research also shows that by studying flipping activity, we can also learn about disposition effect in the primary market. In this study we investigate the relationship between flipping activity and underpricing phenomenon and the presence of disposition effect in Indonesian primary market. Further, the study also test whether the investors' decision to flip the underpricing stock is a rational decision or because of the fear of regret. The result shows that disposition effect is not found in Indonesian primary market. We also found that there are different level of flipping activities in different level of underpricing, and investor's decision to flip the underpricing stocks is actually a rational decision.

KEYWORDS: Flipping, Initial Public Offerings, Underpricing, Disposition Effect, Fear Of Regret

INTRODUCTION

Initial Public Offering (IPO) is one of the ways for firms to obtain funds from the external parties. Investor issue stocks to be offered to public and the investors will buy the stocks on the offering period. One of the critical stages during the process of issuing stocks is selecting an underwriter, who is responsible to ensure that the stocks will be sold according to the agreement. Further, the performance of underwriter is indirectly affected by activities during the first day (or few days) of trading in the secondary market.

One of the most affecting activities is so called flipping. According to Chong (2009), flipping is an action to sell the IPO stocks in the first day of trading, and an investor who sells the IPO stocks in the first day of trading is called a flipper. Flipping activity, up to a certain level is needed to show IPO stocks' liquidity in the secondary market. The illiquid stocks in the secondary market is not desired by the issuing firms. However, although flipping activities show the liquidity of the secondary market, heavy flipping is disliked by underwriters because it is considered to harm the IPO stocks performances (Chong, 2009). If there is enough demand to fulfill the flipping stocks, the price in the secondary market will increase. However, if there is no enough demand, the price will likely to decrease (Fishe, 2002).

The phenomenon of flipping activity which threatens the performance of IPO stocks encourage underwriters to conduct the price stabilization by preventing (or minimizing) stock price decrease. The stabilization mechanism is conducted in several ways, such as threaten to investor that they are not going to get IPO stocks on the upcoming offerings, buy the stocks in the secondary market, or allocate the next stock offers to the investors who are not going to flip. In the IPO cases, there is a wide phenomenon of underpricing, which are found in most of the stock market in the world (Ritter et al., 1984). Most of the IPO stocks price 'jump' in the first day of trading; provide high returns to investors who bought stocks at the offering price and immediately sell it on the secondary market (Aggarwal, 2003).

Several research indicating the relation between underpricing and flipping activity, although the results are still inconclusive. (Fishe & Boehmer, 2000) found that underwriter encourage underpricing to promote liquidity in the secondary market. Krigman (1999) found that flipping is a rational response of investors toward the mispricing of IPO stocks, where the underpricing itself is one of the examples of IPO stocks' mispricing. Several evidence also shows that underpricing influences flipping activity by investigating the trading volume in the first day of trading as the proxy of flipping activity. Krigman (1999) found that trading volume in the first day of trading has positive relationship with the severity of underpricing. (Kaustia, 2004) also found similar results in his research, where the underpricing is significantly related to the flipping activity. Supporting Krigman (1999) and (Kaustia, 2004) , (Chong, 2009) found that the trading volume of IPO underpricing is higher than the IPO overpricing. This finding is also indicating the relationship between IPO underpricing and flipping activity. Further, the existence of relationship between underpricing and flipping activity can also reflect the presence of disposition in the initial market.

Many researches have tried to find the possible causes of underpricing. However the results are still unclearly explain this phenomenon. One of the most acceptable approaches to explain the underpricing is through behavioral finance, assuming that investors irrationality also prevail in the initial market. Many researches related to the IPO stocks trading in the

aftermarket have been conducted, especially in the United States, using the behavioral finance approach (Chong, 2009). Behavioral approach was widely chosen because of inability of “conventional finance” theories, to explain anomalies and investors behavior as one of the determinants of investment performances. This inability is primarily caused by the strict assumption of human rationality. In reality, human also have emotional element inside themselves, therefore they cannot act with full rationality. Asri (2013) argues that emotion and ratio elements, like two sides of a coin, are always present during the process of decision making.

One of the first studies in behavioral finance was conducted by (Kahneman & Tversky, 2013)Kahneman and Tversky (1979) in which they found that people tend to be risk seeker when they are experiencing loss, and tend to be risk averse when they are experiencing profit. Their finding is then widely known as Prospect Theory. In their research, Shefrin and Statman (1985) underlined the significance of behavioral finance theory in explaining the market phenomena. They found another interesting issue that investors tend to hold loser stocks too long and sell winner stocks too soon, which is then widely known as Disposition Effect. Shefrin and Statman indicated that one of possible causes of disposition effect is the investors’ fear of regret (regret aversion).

Shefrin dan Statman (1985) said that regret is an emotional feeling which is associated with the ex-post performance of a decision. Regret consists of an emotional thought that another decision in the past could have been better than the one that is already made. Underpricing stocks are considered as winner stocks in the initial market, therefore when investors decided to flip the stocks, the question arises is whether the decision is based on rational calculations or because of the fear of regret.

Studies about flipping activity in Indonesian Stock Exchange are still very limited, so are the publications. Nevertheless, the research about flipping can be useful for many parties, especially for underwriters and investors in Indonesian Stock Exchange. All the more, Indonesian Stock Exchange is intensively encourage Indonesian firms to be listed in the stock exchange recently.

Indonesian Stock Exchange is categorized as an emerging market, which is reflected by the capitalization of the exchange. For a comparison, Indonesian Stock Exchange capitalization is smaller than the capitalization of Apple, one of the firms with highest capitalization in US stock market. Apple’s capitalization is more than 10 thousand trillions rupiahs, as compared to the capitalization of all firms in Indonesian Stock Exchange is only around 6 thousand trillions rupiahs, with a total listed firms of a little more than 500. An emerging market, like Indonesia, is a good market to learn about IPO because the market is small and not integrated perfectly with international market, therefore it makes IPO relatively gives higher shocks to the market (Braun and Larrain, 2009).

Despite from its size, the capitalization itself shows a significant level of growth, especially after the privatization in 1992. Market capitalization increases from Rp24.4 trillions in 1992 to Rp7,052 trillions in 2017. The market composite index (Index Harga Saham Gabungan or IHSG) also increases by more than 2,300% in around 15 years, from 274.24 in 1992 to 6,605.63 in January 31, 2018. Until the first quarter of 2018, total publicly listed firms in Indonesian Stock Exchange has reached 588 firms, while in 1992, total publicly listed firms were less than 100.

As the number of listed firms in emerging market is smaller than the number of listed firms in the developed market, the listed firms in emerging market has huge potential to increase. The development of Indonesian market in the previous years also shown that the stock exchange has good prospect and therefore will encourage more firms to conduct initial public offerings. Furthermore, Indonesian market authorities also actively promote their target of listed firms. The existence of underpricing phenomenon is also proven in Indonesia. During the period of 2007-2016, 175 out of 209 IPO firms (around 85%) were experiencing underpricing. This research will investigate whether underpricing has any impact on the flipping activity in Indonesian IPO stocks, and whether investors flipping decision are rational.

Many researchers had conducted extensive research previously to observe the relationship between IPO underpricing and flipping activity in other countries. (Fishe & Boehmer, 2000), for instance, even underlined that underwriters encourage flipping activity to stimulate the IPO stocks liquidity in the secondary market. They specifically mentioned that underpricing will encourage low-valuation investors to sell their stocks in the secondary market and the high valuation investors will buy the stocks; and therefore, underpricing will finally increase liquidity in secondary market. Fishe and Boehmer also mentioned that underpricing can be interpreted as the expense of IPO stocks liquidity in the secondary market. Further, Fishe and Boehmer claimed that underpricing actually creates benefit for many parties. Underwriter will increase their trading profit in the secondary market, issuing firms will satisfied because their stocks are liquid in the secondary market, and the investor who got allocation can reap capital gain from their stocks. From the empirical study from Fishe and Boehmer, they found that the decision of underpricing is influenced by trading profitability of underwriter in the secondary market. Fishe and Boehmer's research therefore shows that there is the relationship between underpricing and flipping activity. Fishe in 2002 also found evidence that underwriter will determine the optimum offering price which will create the cold IPO, weak IPO, and hot IPO based on the demand of the IPO stocks in the offerings. The optimum price means that the price that gives underwriter profit.

Research Hypothesis

Several research also investigate the relationship between trading volume and underpricing. Trading volume in the first day of trading in the secondary market is considered as proxy from flipping activity. (Chong, 2009) investigate the flipping activity on stocks which experiencing underpricing and stocks experiencing overpricing. Chong used flipping ratio as a measure of flipping activity. Flipping ratio is defined by trading volume divided by shares offered

(Chong, 2009) in his research in Bursa Malaysia used flipping ratio by dividing trading volume with shares offered to measure flipping in the first day of listing. In his research, Chong proves that the flipping ratio was higher for the underpricing stocks compared to the overpricing stocks. Chong concluded that this finding is indicating that disposition effect is prevail in the initial market, therefore this is indicating that not all investors are rational in the initial market. (Kaustia, 2004) also found the difference of the trading volume of the underpricing IPO and overpricing IPO stocks in the first day of listing. These findings indicating that there is a relationship between investor behavior in flipping and underpricing phenomenon.

To test whether there is a difference of investors behavior in flipping towards the underpricing and the non-underpricing stocks in Indonesian Stock Exchange, the hypothesis developed in this research is:

H₁: There is different flipping ratio in underpricing stocks and overpricing stocks

Krigman (1999) found that there is different flipping activity on stocks experiencing underpricing and stocks experiencing overpricing as shown by the trading volume and shares offered. Krigman in his research divided underpricing stocks to three categories according to the return on the first day of listing. The stocks with 0 to 10% return as “weak IPO”, stocks with 10% to 60% return as “hot IPO” and stocks with more that 60% return as “very hot IPO.” (Aggarwal, 2003) also divided the underpricing stocks as Krigman did. Aggarwal and Krigman found that there are differences between investors behavior on flipping in different levels of undepricing.

Krigman (1999) and Aggarwal shows that flipping activity is higher in stocks with high level of underpricing, followed by the stocks with low underpricing, and last the stocks with overpricing. This finding shows that there is positive relationship between flipping and underpricing. However, in the sama research, when Krigman tried to identify flipping from institutional investor, he found that flipping activity from institutional investor is higher in the overpricing stocks. (Aggarwal, 2003) also found the same thing in his research. Wei (2015) investigated flipping activity in different market momentum. In his research, he divided the IPO stocks into four category: very cold IPO, cold IPO, warm IPO, and hot IPO. Wei found that there are different flipping activity between each groups. The man of flipping ratio is 24,88%; cold IPO 40,63%, warm IPO 36,43%, and hot IPO 51,41%. These findings are different from Krigman and Aggarwal and shows that flipping activity is highest on IPO, but the flipping activity is not always have positive relationship because the flipping ratio of cold IPO is higher that warm IPO.

H₂: There is difference between flipping ratio with different level of underpricing

Ritter (1991) argue that from investor’s viewpoint to IPO stocks, the price pattern can give opportunity to active trading strategy to produce superior return. This argument can be proven from future performance of IPO stocks. Affleck-Graves et al. on Krigman (1999) investigate the relationship between first day return and found that risk-adjusted return in first three months of trading is on the same direction with the mispricing in the first day. Krigman (1999) compared initial performance of IPO with long-term return of IPO (one year). In his research, Krigman conclude that flipping is rational behavior of investor.

A rational investor will attempt to maximize his/her return. When the IPO stocks are underpricing, investor who obtain IPO stocks allocation has two options: hold it or sell it. When investor flipped their stocks, investor believe that return that they reap on the first day will be higher compared to the return if they hold the stocks. (Chong, 2009) shows that anomaly because of investor behavior also prevail in initial market. When investor choose to sell winner stocks, or in the case of IPO stocks are underpricing stocks, one of the theory from behavioral finance arise. Is the selling the winner stocks is because of the fear of regret. To test whether the flipping is a rational decision and not because of the fear of regret, we can use the long-term performance of IPO stocks.

H₃: Underpricing stocks price performance deteriorates in the long run

METHOD

The sample used in this research comprised of 209 companies listed in Indonesian Stock Exchange from 2007 to 2016. IPO samples and required data were drawn from The Capital Market Institute Indonesian Stock Exchange, Yahoo Finance, and Financial Service Authority, and their relevant publication.

To investigate H1 and H2 on whether flipping activity is influenced by underpricing, the approach from (Chong, 2009) was adopted. In H1, IPO stocks were categorized into underpricing group (IPOs with positive market adjusted initial return) and overpricing group (IPOs with negative market adjusted initial return. Flipping activity was measured using the flipping ratio, as adopted from Chong (2009), Krigman (1999) and Aggarwal (2003), defined as the percentage of opening day trading volume divided by the number of shares offered for subscription. The investigation of the differences of flipping ratio is H1 also can be used to investigate whether disposition effect prevail in initial market. As suggest by Chong (2009) the Proportion Gain Realized is equivalent as flipping ratio of underpricing portfolio and Proportion Losses Realized is equivalent with the flipping ratio of overpricing ratio.

$$\begin{aligned} \text{Proportion of Gain Realized} &= \frac{\text{Realized gains}}{\text{Realized gains} + \text{paper gains}'} \\ \text{Proportion of Losses Realized} &= \frac{\text{Realized losses}}{\text{Realized losses} + \text{paper losses}'} \\ \text{Flipping Ratio}_{\text{UNDERPRICING}} &= \frac{\text{Total units traded}}{\text{Total units traded for subscription}} \\ \text{Flipping Ratio}_{\text{OVERPRICING}} &= \frac{\text{Total units traded}}{\text{Total units traded for subscription}} \end{aligned}$$

A comparison of the two ratios above will determine whether investors sold a higher proportion of winners or losers. The disposition effect exists when the flipping ratio of the underpricing portfolio is significantly higher than the overpricing portfolio. To investigate the H2, the underpricing stocks are divided to into three groups according to the severity of the underpricing. The portfolio who reap 0 to 10% return categorized as “weak IPO”, portfolio with 10% to 60% return is “hot IPO”, and portfolio with more than 60% is extra-hot IPO. This grouping is based on the grouping used by Krigman (1999), (Aggarwal, 2003), and Wei (2015). The long term return were examined to determine whether investor decision to flip underpricing stock is a rational decision or because of the fear of regret.

The long term returns refer to the market buy and hold returns (MABAHR) one year after listing of the IPO. The one year period is adopted from Krigman (1999) where he concluded that flipping is a rational behavior of investor because of the mispricing of IPO stocks. The MABAHR is calculated as the difference between the closing price at the first day of trading and the closing price on each subsequent twenty-first trading day over a 12-month period; this difference is thereafter adjusted for the return on the market portfolio. One month in this research defined by 21 trading days, as used in Ritter (1991). Price data for the period from 1991 to 2006 was used to calculate the MABAHR. To ensure robustness of the results, both equally weighted (EW) and value-weighted (VW) MABAHR were used, as adopted from Chong (2009).

RESULTS AND DISCUSSION

Statistics Summary and Hypothesis Testing

In the table 1 we can see that there are 209 samples used in this research, consist of 175 underpricing stocks and 34 overpricing stocks.

Kelompok	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
<i>Underpricing</i>	175	0,0001	1,7216	0,1826	0,2151	3,1132
<i>Overpricing</i>	34	0,0165	0,4957	0,1535	0,1256	1,3952
<i>Cool IPO</i>	52	0,0225	0,5524	0,1353	0,1090	1,9406
<i>Hot IPO</i>	92	0,0001	1,7216	0,2162	0,2429	3,1227
<i>Extra-Hot IPO</i>	31	0,0012	0,9962	0,1624	0,2478	2,0636

Table 1.
Descriptive Statistics Flipping Ratio

Return	N	Minimum	Maximum	Mean	Std. Deviation	Skewness
MAIR	175	0,0001	0,8614	0,2959	0,2480	0,5444
EWMABAHR	175	-0,9730	14,5979	0,3419	1,7975	5,9812
VWMABAHR	175	-3,0687	21,2480	0,1288	1,6921	11,2724

Table 2.
Descriptive Statistics of MAIR, EWMABAHR, VWMABAHR

Table 2 shows the MAIR, EWABAHR and VWMABAHR of underpricing portfolio. Based on the table 1, the biggest mean flipping ratio is from hot IPO portfolio with 21,62%, while the smallest flipping ratio is from cool IPO group with 13,53%. Flipping ratio from extra-hot IPO has the biggest standard deviation and skewness. All the groups have positive skewness with median value smaller than its mean. Based on the normality test, all the groups are not normally distributed. Therefore, writer removes the outliers and used log transformation for the flipping ratio in order to make the data normally distributed. After data transformation was conducted, all the groups are normally distributed. The data underpricing portfolio consists of 165 samples and overpricing portfolio consists of 34 samples after the transformation. Therefore, parametric test methods are used to test the H1 and H2.

t	Degree of Freedom	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
					Lower	Upper
0,148	197	0,883	0,01312	0,08890	-0,16221	0,18845

Table 3.
Independent Sample T-Test for H₁

	Sum of Squares	Degree of Freedom	Mean Square	F	Sig.
<i>Between Groups</i>	2,679	2	1,339	5,945	0,003
<i>Within Groups</i>	36,495	162	0,225		
Total	39,174	164			

Table 4.
Classic ANOVA Test for H₂

To test the H1, independent sample t-test is used. From the statistics testing, it is shown that there is not enough evidence that there is differences flipping activity between underpricing and overpricing with 5% significant level. To test the H2, ANOVA is used. However, because of the differences in variances of the groups, Welch ANOVA also used to ensure robustness of the test. Tabel 4 shows the test result using ANOVA, and table 5 shows the test result using Welch ANOVA. From the two methods, the results show that the hypothesis is accepted at 5% significant level.

After ANOVA testing, the point of interest comes to the difference of the means if the means compared in pairs. To obtain the explanation about what variable(s) significantly different from the other, post hoc test is used. Games-Howell method is used due to the different of variances among the groups. Based on the Games-Howell Test, flipping ratio Hot IPO is significantly different from Cool IPO's flipping ratio and Extra-Hot IPO's flipping ratio in 10% significant level as shown in table 6.

Table 5.
Welch
ANOVA Test
for H₂

	<i>Statistic^a</i>	<i>Degree of Freedom 1</i>	<i>Degree of Freedom 2</i>	<i>Sig.</i>
Welch	4,081	2	62,203	0,022

a. Asymptotically F distributed.

Table 6.
Games
Howell Test
for H₂

Kelompok		<i>Mean Difference (I-J)</i>	<i>Std. Error</i>	<i>Sig.</i>	<i>95% Confidence Interval</i>	
					<i>Lower Bound</i>	<i>Upper Bound</i>
Cool IPO	Hot IPO	-0,14114	0,06613	0,087	-0,2979	0,0156
	Extra-Hot IPO	0,21209	0,14622	0,328	-0,1476	0,5718
Hot IPO	Cool IPO	0,14114	0,06613	0,087	-0,0156	0,2979
	Extra-Hot IPO	0,35324	0,14779	0,058	-0,0096	0,7160
Extra-Hot IPO	Cool IPO	-0,21209	0,14622	0,328	-0,5718	0,1476
	Hot IPO	-0,35324	0,14779	0,058	-0,7160	0,0096

		N	Mean Rank	Sum of Ranks
EWMABAHR - MAIR	Negative Ranks	121 ^a	87,10	10538,50
	Positive Ranks	54 ^b	90,03	4861,50
	Ties	0 ^c		
	Total	175		
VWMABAHR - MAIR	Negative Ranks	146 ^d	87,58	12786,00
	Positive Ranks	29 ^e	90,14	2614,00
	Ties	0 ^f		
	Total	175		

Table 7.
Wilcoxon Rank-Sum Test Rank for H₃

- a. EWMABAHR < MAIR
- b. EWMABAHR > MAIR
- c. EWMABAHR = MAIR
- d. VWMABAHR < MAIR
- e. VWMABAHR > MAIR
- f. VWMABAHR = MAIR

	EWMABAHR - MAIR	VWMABAHR - MAIR
Z	-4,229 ^b	-7,578 ^b
Asymp. Sig. (2-tailed)	0,000	0,000
Exact Sig. (2-tailed)	0,000	0,000
Exact Sig. (1-tailed)	0,000	0,000
Point Probability	0,000	0,000

Table 8.
Wilcoxon Rank-Sum Test for H₃

To test the H₃, non-parametric method is used to test the dependent sample means comparison. The Wilcoxon rank-sum test was used. From the Wilcoxon rank-sum test, it is shown that there is enough evidence between MAIR and EWMABAHR and MAIR and VWMABAHR. VWMABAHR has more negative rank compared to the EWMABAHR. From the two test, the H₃ is accepted at 5% significant level as shown in Table 8

Discussion

Based on the 1st hypothesis test, there is no enough evidence to support the difference of investor flipping behavior between the underpricing and overpricing stocks in Indonesian Stock Exchange. This finding is contrary with the findings in Chong’s research (2009) in Bursa Malaysia and Kaustia (2004) in the United States. It means that there is not enough evidence to show the positive relationship between underpricing and flipping activity in Indonesia. Further, this finding also indicates that disposition effect is not clearly found in Indonesian initial market .

There are several research with contrary findings with disposition effect theory. Krigman (1999) investigate trading activity in the first day of listing with proxy trading volume divided by shares offered and found that flipping is higher for underpricing stocks

compared to overpricing stocks. However, in the same research, when Krigman investigate the institutional investors activity, he found that there is negative relationship between flipping activity and underpricing. Aggarwal (2003) also found similar findings with Krigman. Bayley (2006) also found unique finding in his research in Australia, in which flipping activity is higher for the higher overpricing level compared the the lower overpricing level. Further in Bayley's study, he also found that this finding is caused by investor institutional flipping activity. It can be concluded from Krigman (1999), Aggarwal (2003) and (Bayley, Lee, & Walter, 2006) that institutional investor behavior is different from aggregate investor in the market.

The finding in this research is unique because in previous research, there is always differences between flipping activity for underpricing stocks and flipping activity for overpricing stocks. Previous research findings which counter the disposition effect caused by the institutional investor behavior. Therefore, the findings in this research might be caused by the institutional investor behavior. The president of Indonesian Stock Exchange, Ito Warsito said "until the end of March 2015, the ownership of institutional investors in Indonesian Stock Exchange still dominating the market with 73,14%," and he added that "institutional investor transaction become benchmark for retail investor in transaction," (Pasopati 2015). Based on previous research and the fact that institutional investor in Indonesia has a big role in the market, the institutional investor behavior is influencing the finding in this research. Therefore, a more advanced research is needed to conclude this finding. Probably by dividing the flipping activity to institutional and retail investor we can clarify the findings.

H2 is accepted and significant in 5%. It means that there is enough evidence to support the proposition that there are differences between flipping activity with different level of underpricing. From the post-hoc test, it is shown that Hot IPO's flipping ratio is significantly different in 10% from Cool IPO's and Extra-Hot IPO's flipping ratio. However, the flipping ratio for Cool IPO and Extra-Hot IPO is not significantly different. Mean from Hot IPO stocks is higher that mean from Cool IPO and Extra-Hot IPO. These findings are not align with Krigman's (1999) and Aggarwal's (2003) when they investigate flipping activity for all investor in the market. Their studies shows that there is positive relationship between underpricing level with flipping activity, in which flipping ratio for Extra-Hot IPO is the highest, and flipping ratio for Cool IPO is the lowest. These findings also contrary with Wei's (2015) in Malaysia Stock Exchange, in which IPO stocks have lower mean than Cool IPO and Extra-Hot IPO. These different findings probably also caused by the institutional investor activity, therefore the continuation research still needed to explain the findings accurately. However, we are able to conclude that flipping activity is influenced by the level of underpricing.

H3 in this research is accepted and significant in 5%. This finding shows that there is enough evidence to support the proposition that underpricing stocks performance is deteriorates in the long run. Therefore, investor's decision to flip undepricing stocks is rational decision and is not caused by fear of regret. It means that by flipping underpricing stocks, investor can reap higher return compared to if they hold the undepricing stocks one year after listing.

CONCLUSION

This research resulting several conclusion which developed by the hypothesis testing, which are: (1) There is no difference between flipping activity of underpricing and

overpricing stocks. This finding also prove that the investors in Indonesian Stock Exchange are not subjected to disposition effect; (2) There are differences between flipping in different level of underpricing; (3) Investor decisions to flip the underpricing stocks are priven to be rational decisions and not caused by fear of regret if we measure it with one year return if investors hold the underpricing stocks. The limitation of this research are: (1) flipping definition in this research is investors who flip their stocks in the first day of trading; (2) flipping ratio used in this research only the proxy from flipping activity, the real investor data who obtained IPO stocks allocation and flip their stocks is not used; (3) long-term performance is only measured for one-year.

Our suggestions for further research regarding this topic are: (1) Flipping acitivity can be investigate further with using real data investor flipping activity who obtain IPO stock allocation, because this research only uses proxy which is the volume trading. Ths flipping activity in this research probably miced with the investor who buy the buy the stocks on the first day of trading, not investor who got the allocation on the offerings. Activity flipping data from investor who obtain allocation is not widely public, but probably this data can be obtained by the underwriter; (2) The investigation of flipping activity can be divided to flipping activity conduct by institutional investor and flipping activity conduct by the retail investor, therefore it can give clear understanding about flipping behavior with different type of investor in Indonesia; (3) to give a more clear understanding about the IPO performance in the long-run, we can divide the investigation to short-run, medium-run, and long-run so the conclusion about whether the investor decision is rational or not can be adjusted by trading strategy preferences of investors.

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