RIGHT ISSUE AND FINANCIAL PERFORMANCE
(A CASE STUDIES ON INDONESIAN LISTED COMPANIES)

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ABSTRACT
This study aims to analyze and determine the differences in the financial performance of companies before and after the rights issue and the differences in the financial performance of companies that do rights issues with those that do not. The research method uses explanatory research with a quantitative approach. The population used in this study are companies listed on the Indonesian capital market during the observation period and the sample is determined based on specific criteria using the purposive method so that a sample of 52 companies is obtained consisting of 22 companies that carry out rights issues and 30 companies that do not. as a comparison in the 2015-2019 observation period. The results of research on differences in financial performance before and after the company to do a rights issue show that there is no significant difference between the current ratio (CR) variable, while the debt ratio (DR) total asset turnover (TATO) and return on assets (ROA) there are significant differences. While the results of research on differences in the financial performance of companies that carry out rights issues with those that do not carry out rights issues show that there is no significant difference between the current ratio (CR) variables, while the debt ratio (DR), total asset turnover (TATO) and return on assets (ROA) variables there are significant differences. So from the results of this research, it can be seen that the right issue of corporate action influences the company's financial performance.

Keywords: Financial Performance, Current Ratio, Debt Ratio, Total Asset Turnover, Return on Assets, Right Issue

I. INTRODUCTION
One indicator of a country's economic progress in supporting a country's economic development is the capital market. The capital market has emerged as a choice of long-term financing solutions. So that more and more companies will go public with the capital market. Companies listed on the capital market will of course also require additional fees if the company's finances or loans from banks are considered insufficient or profitable (Ang, 1997).

According to the concept of an efficient market, any information that enters the market will affect and be absorbed in rapidly changing stock prices. As a form of a signal, capital through the rights issue mechanism has specific implications and signals (Sumantika, 2018). According to Connelly et al. (2011), regarding signaling theory that company management has better information than outsiders about what is happening in the company. When management conveys essential information to the public, the information will be considered an important signal and influence the market.

When a company has made a public offering (go public), it can take several corporate actions by conducting a rights issue. The rights issue helps increase the company's capital by offering shares to current shareholders (existing shareholders) to make new investments in a company (Hermuningsih & Wardani, 2009).

According to Mahendra et al. (2012), to assess whether the company is good or not, usually potential investors will see how the company's financial performance is. Company performance is one aspect of a fundamental assessment of the company's financial condition that can be measured using financial ratios such as liquidity ratios, leverage ratios, activity ratios and profitability ratios Harjito and Martono (2014: 53).
Recently, many companies that are members of the Indonesian capital market have conducted Rights Issues. The company's purpose in conducting a rights issue is to increase the company's capital by obtaining additional funds from investors for expansion purposes, payment of maturing debts, restructuring and others. So that in the end after the company conducts a rights issue, financial performance will be good or increase.

Many research discusses the rights issue, including according to Sihaloho & Handayani (2018), the company's financial performance of PT. Red Planet Indonesia, Tbk with company code PSKT and PT. SMR Utama, Tbk with the company code SMRU measured using the current ratio, decreased after carrying out the right issue policy by 91.77% and 91.43%, respectively. The decrease occurred due to a high reduction of current assets from the year before the company conducted the rights issue. In his research, financial performance is also measured using return on equity at the company PT. Mitra Investindo, Tbk with company code MITI and PT. Pelayaran Nasional Bina Buana Raya, Tbk with company code BBRM experienced a decrease in return on equity, which was valued at 910% and 467.03%, respectively.

Subsequent research was conducted by Sulistyanto & Midiastuti (2002; Cesarec et al., 2020; Danaboina & Neerati, 2020; Sachova, 2020) found that there is a significant difference in financial performance. The current ratio and return on assets increased before implementing the rights issue but decreased after implementing the rights issue. This shows that the implementation of the rights issue harms financial performance.

In contrast to the research results conducted by Sukwadi (2006), there is no significant difference in the company's performance both before and after implementing the rights issue. However, the debt to equity ratio decreased, indicating that the company is reducing its debt dependence on creditors.

Research that has been done previously by several researchers on rights issues not only discusses how the differences in financial performance before and after companies conduct rights issues but also research on how the performance of companies that do rights issues with those that do not do rights issues, one of which is research that done James & Ediningsih (2009) which shows that the debt ratio variable has a significant difference. While the variables of return on assets, return on equity, net profit margin, debt to equity ratio are no significant differences.

So from this, companies that carry out rights issue policies will not always improve financial performance, meaning differences or discrepancies between the theory and the study results. This becomes interesting to study because many companies want to conduct rights issue policies to improve financial performance. Moreover, there is still little research related to rights issues on financial performance.

From the phenomenon that occurs where there are quite many companies listing in the capital market carrying out rights issue activities and the results of several studies that show there is a discrepancy between theory and the facts that occur where companies that carry out rights issue policies should improve financial performance, on the contrary, they experience a decline in financial performance because of this. It has attracted the author's interest to review and re-discuss the rights issue phenomenon with the title “Right Issue And Financial Performance (A Case Studies on Indonesian Listed Companies)”

II. LITERATURE REVIEW

Balancing Theory

Balancing theory can explain when and why companies (issuers) are motivated and must carry out a limited public offering to issue new shares to obtain additional funds. The balancing theory introduced by Myers (1984) explains that companies have good reasons to avoid real funding investments by offering shares, including through limited public offerings.

Signaling Theory

According to Connelly et al. (2011), regarding the signaling theory that company management has better information than outsiders about what is happening in the company. When management conveys essential information to the public, the information will be considered an important signal and can influence the market.
Right Issue

According to Robert Ang (1997), the right issue is a limited public offering activity to old shareholders to issue pre-emptive rights. The rights issue aims to attract existing shareholders to purchase newly issued shares using Pre-emptive Rights (HMETD). The price is given to the old shareholders at a price below the market price.

Financial Performance

Financial performance is one of the benchmarks to assess the company's ability in a certain period. Achievements and health in the financial statements describe the successes obtained by the company in a certain period (Dewi & Candradewi, 2018). In this study, the authors assess financial performance using financial ratios including the Liquidity Ratio as measured by the Current Ratio (CR), the Leverage Ratio as measured by the Debt Ratio (DR), the Activity Ratio as measured by Total Asset Turnover (TATO), and the Profitability Ratio measured Return on Assets (ROA)

Current Ratio (CR)

Financial performance can be assessed using the Liquidity ratio, one of the measures used is the current ratio. According to Sutrisno (2012), the current ratio is a ratio to compare current assets and short-term debt owned by a company.

Debt Ratio (DR)

The leverage ratio is used to determine the size of the company's funding needs that are financed with debt, one of the measures used to assess financial performance is the debt ratio. According to Sutrisno (2012), the debt ratio measures the percentage of the amount of funds from debt so that the debt ratio is obtained by dividing the total debt by total assets.

Total Asset Turnover (TATO)

Activity ratio is used to measure how effective the company is in utilizing its funding sources. The measure used is total asset turnover, which measures the effectiveness of asset utilization in generating sales. The greater the total asset turnover, the more effectively the company manages its assets (Sutrisno, 2012). The company to obtain the total asset turnover value is to calculate sales divided by total assets.

Return on Assets (ROA)

In assessing the company's financial performance, it can use the profitability ratio to measure how much the profit level shows the better the management in managing the company. The measure used is a return on assets which is a measure of the company's ability to generate profits with all assets owned by the company to obtain the return on assets value by dividing profit after tax by total assets multiplied by 100% (Sutrisno, 2012)

III. RESEARCH HYPOTHESIS

Based on previous theories and research, to answer research problems regarding differences in the financial performance of companies before and after conducting a rights issue as well as differences in the financial performance of companies that do rights issues and companies that do not act rights issues, the following hypothesis is proposed:

First Hypothesis

Ha1: there are significant differences in financial performance as measured by CR, DR, TATO, ROA before and after conducting a rights issue in companies listed on the Indonesian capital market.

Ho1: there is no significant difference in financial performance as measured by CR, DR, TATO, ROA before and after conducting a rights issue in companies listed on the Indonesian capital market.

Second Hypothesis

Ha2: There are significant differences in financial performance as measured by CR, DR, TATO, ROA between an issuer and non-issuer companies listed on the Indonesian capital market.
Ho2: there is no significant difference in financial performance as measured by CR, DR, TATO, ROA between an issuer and non-issuer companies listed on the Indonesian capital market.

IV. RESEARCH METHODS

Research Objects and Data
The author conducts explanatory research with a quantitative approach, where research data is obtained through the website www.idx.co.id, namely in annual financial reports and other information related to the rights issue. The population used in this research are companies listed on the Indonesian capital market in the 2015–2017 observation period. The sample selection used a purposive sampling method with the following criteria, namely companies listed on the Indonesian capital market and conducting rights issues in 2015 – 2017, the company issued financial statements in a row for five years, namely two years before the rights issue, at the time of the rights issue and two years after the rights issue so that the required financial statements are between 2013 and 2019. For the comparison sample, companies that do not conduct rights issues are selected based on industry characteristics similar to the sample companies. A sample of 52 companies was obtained from these criteria, consisting of 22 companies that did right issues and 30 companies that didn't. The objects used in this study are rights issue, CR, TATO, DR, ROA.

Data analysis technique
Normality testing needs to be done before testing the hypothesis. This study using the Shapiro-Wilk and Kolmogorov-Smirnov normality test with the basis for making the decision, namely if the sig value > 0.05, then the data is normally distributed and otherwise

It is testing the first hypothesis using the paired sample test. The paired to t-test aims to determine whether there is a difference in the average of two samples (two groups) paired or related, namely the difference between before the right issue and after the right issue.

According to Singgih Santoso (2014: 265), the basis for decision making on the paired sample t-test is as follows where if the value of Sig (2-tailed) < 0.05, then there is a significant difference and vice versa.

To perform the paired sample test, the conditions that must be met are that the data must be normally distributed by performing the Shapiro-Wilk and Kolmogorov-Smirnov normality tests. According to Sugiyono (2017), If the data is not normally distributed, an alternative solution that what can do instead of the paired sample t-test is to use non-parametric statistical analysis with the Wilcoxon test where if the Asymp Sig (2-tailed) value <0.05, then there is a significant difference and vice versa.

They are testing the second hypothesis using an independent t-test. The independent test is used to test the hypothesis that each population is independent of each other, the data needed for this independent test is numerical data and interval data (Gani & Amalia, 2015), where if the value of Sig (2-tailed) < 0.05 then there is a significant difference and vice versa.

In the independent test, the data must normally be distributed with the test Shapiro-Wilk and Kolmogorov-Smirnov normality. However, according to Sugiyono (2017), if the data is not normally distributed after testing, this study can use the Mann-Whitney test. The Mann-Whitney test is part of non-parametric statistics used when the data is not normally distributed. If the Asymp Sig (2-tailed) value < 0.05, then there is a significant difference and vice versa.

V. RESULTS AND DISCUSSION

First Hypothesis Testing
The results of the hypothesis testing of the company’s financial performance between before and after the rights issue were tested using the paired sample test and the Wilcoxon test can be seen in the following table:
Table 1 Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Mean Before</th>
<th>Mean After</th>
<th>Sig. (2-tailed) / asymp. Sig. (2-tailed)</th>
<th>Analysis Techniques</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>1.7423</td>
<td>1.921</td>
<td>0.179</td>
<td>Paired Sample Test</td>
<td>No Significant Difference</td>
</tr>
<tr>
<td>DR</td>
<td>0.8227</td>
<td>0.7814</td>
<td>0.038</td>
<td>Paired Sample Test</td>
<td>Significantly Different</td>
</tr>
<tr>
<td>TATO</td>
<td>4.675</td>
<td>5.8141</td>
<td>0.022</td>
<td>Wilcoxon Test</td>
<td>Significantly Different</td>
</tr>
<tr>
<td>ROA</td>
<td>2.1709</td>
<td>1.6541</td>
<td>0.002</td>
<td>Paired Sample Test</td>
<td>Significantly Different</td>
</tr>
</tbody>
</table>

Source: Data processed using SPSS 25

In testing the normality of the current ratio variable, the Sig value is 0.971 for the data before the right issue. The Sig value is 0.156 for the data after the right issue, so we can conclude that the data is normally distributed > 0.05. Therefore, a paired sample t-test was carried out on the current ratio variable, resulting in a Sig value of 0.179 > 0.05. There was no significant difference before and after the company conducted the rights issue. This could be because they did not optimize the funds raised from the rights issue by the company to cover their short-term debts. In addition, current assets are directly proportional to current liabilities so that it does not affect changes in the current ratio variable before and after the rights issue. The funds obtained can be used to increase profits and expand the business. The results of this study are supported by Aprianti (2015), which shows no significant difference in the financial performance of the current ratio.

In testing the normality of the debt ratio variable, the Sig value is 0.323 for the data before the right issue. The Sig value is 0.111 for the data after the right issue, so we can conclude that the data is normally distributed > 0.05. Therefore, a paired sample test was conducted on the debt ratio variable, resulting in a Sig value of 0.038 < 0.05, meaning that there was a significant difference before and after the company conducted the rights issue. This means that the rights issue affects financial performance. Moreover, based on the descriptive test, the debt ratio decreased after the rights issue. This was possible because the funds from the rights issue were used to pay debts. The results of this study support previous research by Yakobus & Ediningsih (2009), where there is a significant difference between debt ratio (DR) before and after the company has conducted a rights issue.

In the normality test of the total asset turnover variable, the Sig value is 0.019 for the data before the right issue and the Sig value is 0.016 for the data after the right issue so that it can be concluded that the data is not normally distributed because < 0.05. Therefore, the Wilcoxon test was carried out on the total asset turnover variable. It had an Asymp Sig value of 0.022 < 0.05, meaning that there was a significant difference before and after the company conducted the rights issue. This can happen because the company optimizes the proceeds from the rights issue efficiently and effectively for business development to increase sales. The results of this study are also in line with previous research conducted by Sihaloho & Handayani (2018).

In testing the normality of the return on assets variable, the Sig value is 0.698 for the data before the right issue and the Sig value is 0.761 for the data after the right issue, so what can conclude that the data is normally distributed because > 0.05. Therefore, a paired sample test was carried out on the return on assets variable, resulting in a Sig value of 0.002 < 0.05, meaning that there was a significant difference before and after the company conducted the rights issue. This means that the proceeds from the rights issue are used for business expansion or business expansion. But based on a descriptive test, it is known that the mean before and after the rights issue has decreased, this is because the company has expanded its business for the long term so that the increase in net profit has not significantly increased two years after the rights issue. The results of this study support previous research by Yakobus & Ediningsih (2009), where there is a significant difference between ROA before and after the company has conducted a rights issue.

Thus the existence of a right issue, financial performance is not very meaningful for the company’s performance as measured using the current ratio because based on the results of the paired sample test test there is no significant difference, this is because the funds obtained from the rights issue are not optimized to cover the debt short term. On the other hand, the debt ratio, total asset turnover, and return on assets variables show that the funds obtained from the rights issue are used efficiently and effectively for business development or expansion.
Second Hypothesis Testing

The results of the hypothesis testing of the company’s financial performance between before and after conducting the rights issue which was tested using the independent t-test and Mann Whitney test can be seen in the following table:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>mean</th>
<th>mean</th>
<th>Sig. (2-tailed) / Asymp. Sig. (2-tailed)</th>
<th>Analysis Techniques</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>CR</td>
<td>2.1759</td>
<td>2.5473</td>
<td>0.977</td>
<td>Independent Test</td>
<td>No Significant Difference</td>
</tr>
<tr>
<td>DR</td>
<td>0.7655</td>
<td>0.7317</td>
<td>0.000</td>
<td>Mann Whitney Test</td>
<td>Significantly Different</td>
</tr>
<tr>
<td>TATO</td>
<td>6.2782</td>
<td>1.9743</td>
<td>0.000</td>
<td>Mann Whitney Test</td>
<td>Significantly Different</td>
</tr>
<tr>
<td>ROA</td>
<td>1.8968</td>
<td>5.8613</td>
<td>0.014</td>
<td>Independent Test</td>
<td>Significantly Different</td>
</tr>
</tbody>
</table>

Source: Data processed using SPSS 25

In testing the normality of the current ratio variable, a Sig value of 0.359 is obtained for data on companies that carry out rights issues and a Sig value of 0.108 for data on companies that do not conduct rights issues so that what can be concluded that the data is normally distributed because > 0.05. Therefore, an independent sample test was conducted on the current ratio variable, resulting in a Sig value of 0.977 >0.05. There was no significant difference between companies that conducted rights issues and companies that did not. This is because the company that did the rights issue did not optimize the funds obtained for the company's liquidity. However, the mean current ratio of companies that do not conduct rights issues is relatively higher than those that do not conduct rights issues. Companies that do not conduct rights issues have slightly better liquidity. Sukwadi (2006) supported this research, which shows that there is no significant difference in the financial performance of the current ratio.

In testing the normality of the debt ratio variable, a Sig value of 0.000 is obtained for data on companies that carry out rights issues and a Sig value of 0.000 for data on companies that do not conduct rights issues, so it can be concluded that the data is not normally distributed because <0.05. Therefore, the Mann Whitney test was carried out on the debt ratio variable, so the Asymp Sig value was 0.000 <0.05. There was a significant difference between companies that carried out rights issues and companies that did not. Based on the data from the descriptive test, it is known that the mean of the debt ratio that carries out the rights issue is relatively larger, this indicates that the risk that the company has to pay off debt, both short-term and long-term, can be paid off from the assets owned by the company.

In testing the normality of the total asset turnover variable, the Sig value is 0.000 for data on companies that carry out rights issues and Sig values of 0.000 for data on companies that do not conduct rights issues, so it can be concluded that the data is not normally distributed because <0.05 Therefore, the Mann Whitney test was carried out on the total asset turnover variable which resulted in the Asymp Sig value of 0.000 < 0.05, meaning that there was a significant difference between companies that carried out rights issues and companies that did not.

In testing the normality of the return on assets variable, the Sig value of 0.101 is obtained for data on companies that carry out rights issues and Sig values of 0.313 for data on companies that do not conduct rights issues so that it can be concluded that the data is normally distributed because > 0.05. Therefore, an independent sample t-test was conducted on the return on asset variable having a value of Sig 0.014 < 0.05, which means that there is a significant difference between companies that carry out rights issues and companies that do not. However, the results of this study are different from the research conducted by Sukwadi (2006), which shows that there is no significant difference in the financial performance of return on assets.

VI. CONCLUSION

The results of hypothesis testing using the paired sample test and the Wilcoxon test to determine differences in financial performance before and after the company conducts a rights issue show that the CR variable has no significant difference. In contrast, the DR, TATO and ROA variable there are significant differences.
The results of hypothesis testing using the independent sample test and the Mann-Whitney test to determine differences in the financial performance of companies that carry out rights issues and companies that do not conduct rights issues show that the CR variable has no significant difference while the DR, TATO and ROA variable there are significant differences.

**Suggestion**

Based on the results of observations and analysis so that the authors provide the following suggestions:

For companies, conducting careful planning related to the implementation of rights issues and providing positive information related to rights issues can be responded to positively by shareholders. The issuer's objective in conducting a rights issue must also be structured in the use of additional funds that have been obtained to improve the company's financial performance

For investors, before investing, before investing, it is better to analyze the company's purpose for conducting a rights issue and pay attention to the company's financial performance and company prospects so that it can provide a high level of return in the future.

For further researchers, to conduct research related to the rights issue, it is better to have a more extended observation period to see the implementation of the rights issue.

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