http://ejournal.seaninstitute.or.id/index.php/Ekonomi
Jurnal Ekonomi, Volume 12, No 04 2023
ISSN: 2301-6280 (print) ISSN: 2721-9879 (online)

ALTERNATIVE FUNDING SOLUTIONS FOR LISTED COMPANIES

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ARTICLE INFO

ABSTRACT

The Indonesian economy is currently quite good with a strong foundation These conditions make Indonesia look very attractive to investors, also supported by the results of Indonesia's ranking by Standard and Poor's (S&P) in 2023, which shows that Indonesia is able to maintain its BBB rating with a stable outlook. This stimulates market conditions, which is shown by the increase in performance and development of companies in Indonesia, especially those that have been listed on the Indonesian stock exchange. However, in its development efforts, even though it has gone public, companies often face challenges in meeting financial needs for continued growth, expansion and innovation. So this research aims to explore alternative sources of financing that can be used by listed companies company for the purpose of company growth and development, as well as factors that influence the selection of alternative funding sources. In order to do this, this research uses literature research methods review using the PRISMA approach. The journals and books reviewed are in the range of 2017 – 2022. The results of the review show that the types of alternative financing that are widely used are: share issuance, corporate bonds, and asset-based financing. Meanwhile, the factors that need to be considered in the selection are: risk, market conditions, environmental issues, maximization of internal financing sources, investor expectations of returns, and business operations.

Keywords:
alternative public company financing, right issue, corporate bonds, asset-based financing

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1. INTRODUCTION

The Indonesian economy is currently quite good with increasingly strong foundations This was conveyed by President Joko Widodo, during his keynote speaker at CNBC Indonesia Economic Outlook 2022, online, from Central Jakarta, on Tuesday (22/03/2022). Then he also conveyed four reasons for the strength of the Indonesian economy, namely the success in handling the COVID-19 pandemic case, the economy throughout 2020-2021 continuing to move making it easier to accelerate in 2022, structural reform demonstrated by simplifying bureaucracy and investment through the Job Creation Law, and downstreaming industry by stop importing raw materials (Kominfo, 2022).

President Joko Widodo's statement was then supported by the results of Indonesia's ranking by Standard and Poor's (S&P) in 2023 which shows that Indonesia is able to maintain its BBB rating with a stable (Ratings Direct, 2023) outlook These results take into consideration solid economic growth prospects, a good policy track record, and fiscal consolidation that is faster than the initial target. Meanwhile, the stable outlook reflects S&P's confidence in the sustainability of Indonesia's economic recovery for the next two years, which will provide support for fiscal performance and debt stabilization [1].

Good keynote the speech delivered by President Joko Widodo, as well as the rating given by S&P Global Ratings is good news for the Indonesian economy. So after the collapse of the economy due to COVID-19 [2][3][4], the economy is now slowly recovering [5][6]. Indonesia's economic improvement is quite attractive for investors, both domestic and foreign. So that it is able to stimulate market conditions again, due to increased investment. This condition is good news for companies, especially those listed on the Indonesian stock exchange market. The arrival of investors will provide additional capital to maintain business operations.

But companies go the public cannot survive just by maintaining business operations. They need to continue to grow by carrying out continuous expansion and innovation [7] [8], to reach what is called maturity corporate [9]. In fact, these three things are very important for corporations to be able to survive and adapt to change. To do this, of course, requires considerable financial support [10]. So these companies need alternative financing, apart from their own funds, profits and debt [11] [12].

The problem of alternative financing is always a hot issue among companies listed on the stock exchange. However, there is very little literature that discusses various alternative financing for public companies. Therefore, this research seeks to uncover various alternative financing that can be used to finance the growth and development of public companies. To do this, we do it systematically literature review using the PRISMA approach, of all journals, books, websites and other literature, in connection with alternative financing for companies listed on the stock exchange market. This results in a variety of financing alternatives that can be used by public companies, as well as factors that influence the consideration of these choices.

The construction of this journal is as follows. The first is literature review of financing in public companies, its function in company development, and various alternatives. Second is the research method, namely systematic use literature reviews. Third is the presentation of the results of the literature review. Fourth is discussion and conclusions, which show alternative financing that can be used by public companies and factors that can be used to choose it.

LITERATURE REVIEW

Public company

Based on the general definition, a company or public company is a company that sells shares to the public [13]. Furthermore, in Law Number 40 of 2007, it is stated that a PT is a company that has made an initial offering of shares to the public or also known as Initial Public Offering (IPO). The law also states the requirements for a company to be able to carry out an IPO, namely that its shares must be owned by a minimum of 300 shareholders, and have paid-up capital of at least IDR 3,000,000,000. If the status has changed to open and is listed on the stock market, then after the name the abbreviation tbk will be added which is nothing more than open [13]. The addition of these abbreviations applies to each country, by adapting to each country's language.

There are at least five benefits of being a public company for a business (OJK, 2023). The first is to obtain new sources of financing [11] that can be used for long-term financing, so that it can improve company performance Generally, companies that have conducted an IPO experience increased performance. Second, it increases the value of the company, because by being open, everyone can evaluate the company using various financial standards, therefore the financial reports of open companies must be freely accessible. Third, improve the company's image, due to openness of information, especially regarding finances and management [14]. Fourth, increasing the ability to run a business, because with additional financing, the company will be able to grow through expansion and innovation [9]. Fifth, get tax incentives, by becoming a public company, the government provides tax incentives in the form of reducing income tax (PPh) by 5%, in accordance with Government Regulation no. 30 of 2020 concerning Amendments to Government Regulation Number 56 of 2015 concerning Reduction of Income Tax Rates for Domestic Corporate Taxpayers in the Form of Public Companies.

Growth of Public Companies

Before achieving status as a public company, every company will start from a small company. [9] described small companies as seeds then initial stages, starting to expand, advanced stages, growth, and reaching maturity. In each stage, the amount of income received varies. [9], explains that at the beginning or from the seed stage to the initial stage, the income obtained was very low, even below standard, or in other words, losses were received. However, revenue will continue to increase when the company reaches the expansion stage. Then in the advanced stages to mature, income will continue to increase. A depiction of the level of income received, according to the company cycle, is shown in Figure 1.

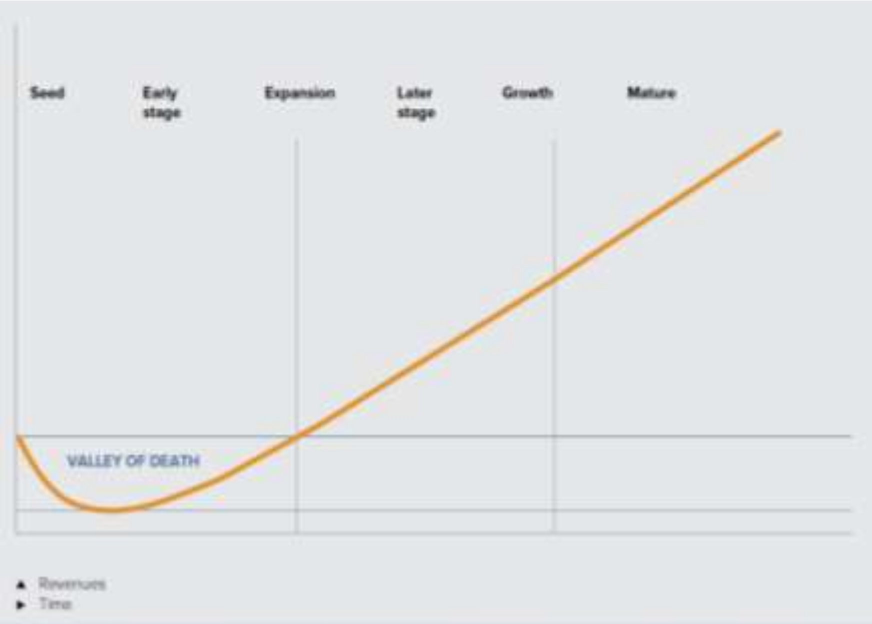

Figure 1. Company revenue at each stage of the company life cycle [9]

To achieve continuous growth, which means escaping the valley of death trap in Figure 2.1, the company needs to continue to increase its income. Increased income can be achieved with financing, and indeed a company that wants to continue to grow until it becomes a public company requires quite high financing [10]. Therefore, [9], continued his discussion by mentioning sources of financing at each stage of the company's life cycle.

At the beginning or in the seed and early positions stage the company obtains financing from: savings of the owner or founder, government assistance, aid or donations, and raising funds from crowdfunding When it reaches the expansion and advanced stages, more sources of financing are needed, so the company starts to take on debt either to family, government, banks, or venture debt. Furthermore, when it reaches maturity financing will still require debt, then supplemented by the sale of shares and corporate bonds [9].

Based on the company life cycle described by [9], public companies are in the mature stage It is called that because a public company has used a source of financing in the form of shares. Apart from shares, the company also seeks financing from bonds, venture capital investment, and others. These financings are mainly used to finance entrepreneurship and sustainable innovation, which are very important in maintaining the life cycle of a company.

Various alternative financing options for open companies

In financing the growth of a public company, it requires quite a lot of costs [10]. Even though we have obtained financing from shares and bonds, other financing alternatives continue to be needed. Several financing alternatives for public companies include :

a. Right An issue or share offering, also known as Pre-emptive Rights (HMETD), is a company's attempt to obtain additional financing by offering shares to existing or existing shareholders [15]. It is called HMETD, because the OJK determines rights The issue is the right of the old shareholders, so that efforts to increase financing do not reduce the ownership portion of the old shareholders in the public company [16] [15]. However, if the old shareholders do not buy the rights issue then he will lose that right[16]. By using this alternative financing, the company is also able to reduce the costs of issuing new shares [17][16].
b. Corporate or corporate bonds are medium-long-term transferable debt securities Bond issuers especially corporate ones, are National Private Companies including BUMN and BUMD. The mechanism of corporate bonds is that the company sells its debt securities to investors, then promises to return the principal of the purchase of the debt securities plus the return in the form of interest, within a predetermined time period (IDX, 2023). Generally, corporate bonds are sold at lower prices but promise higher yields than government (treasury) bonds this happens because corporate bonds tend to have high risk [18].
c. Asset-based financing or also known as asset- based landing is a loan that uses assets as collateral [19]. This financing model is used from small companies to large companies, although it is rarely

mentioned in research. By using this financing, the company will obtain funds, and needs to return these funds within a certain period of time. If the funds cannot be returned, the assets used as collateral or collateral will become the property of the debtor or fund provider.

Apart from these three types of financing, there are many other financing alternatives, which are more widely used by MSMEs or start-up companies Such as venture capital investment, namely investment in the form of financing provided to start-up companies [20][18][21], and equity Crowdfunding is a financing technique that involves the wider community [22][23]. Apart from these two alternatives, financing models continue to experience massive growth, due to increasingly sophisticated digital technology.

2. METHOD

To gain a comprehensive understanding of various financing alternatives and the factors that need to be considered in selecting funding for the development of a public company, we use a systematic method. literature review using the Preferred approach Reporting Items for Systematic Reviews and Meta Analysis (PRISMA) [24] [25]. There are three stages that must be carried out, namely: identification, screening and analysis.

The first stage, namely identification, is carried out by selecting literature that is relevant to the theme.

1. step is to search for all titles/abstracts/keywords that contain the words "public company financing alternatives".
2. The next step is to combine the first keyword with the next three keywords, namely " right." issue ", “corporate bonds” and “asset-based financing. So then the search uses the word " right issue as an alternative to public company financing," as applied to other keywords. A search was carried out on all titles/abstracts/keywords.
3. The third stage is collecting all searches with keywords in the first and second steps. Only then is the suitability to be deepened with the research objectives carried out.

In this process, we use Google Scholar Google Books Scopus and Shinta. We will carry out the identification stage between 15-16 October 2023.

The second stage is filtering. At this stage, what we do is filter both abstracts and full texts, using several eligibility criteria, namely:

1. We only chose the most updated studies namely those conducted between 2017 and 2022. So they will provide the latest insights for listed companies.
2. We only selected studies that were research in nature.

Next, we also determined the inclusion criteria, namely:

1. We only choose journals that discuss public companies or those that have been listed on the stock exchange.
2. We limited our selection to journal articles, books, and book chapters.

We do not limit our research only to Indonesia, but internationally. Because it is hoped that wider knowledge and experience will be gained regarding financing alternatives for public companies used in other countries in the world. So it will open new horizons of knowledge for public companies in Indonesia.

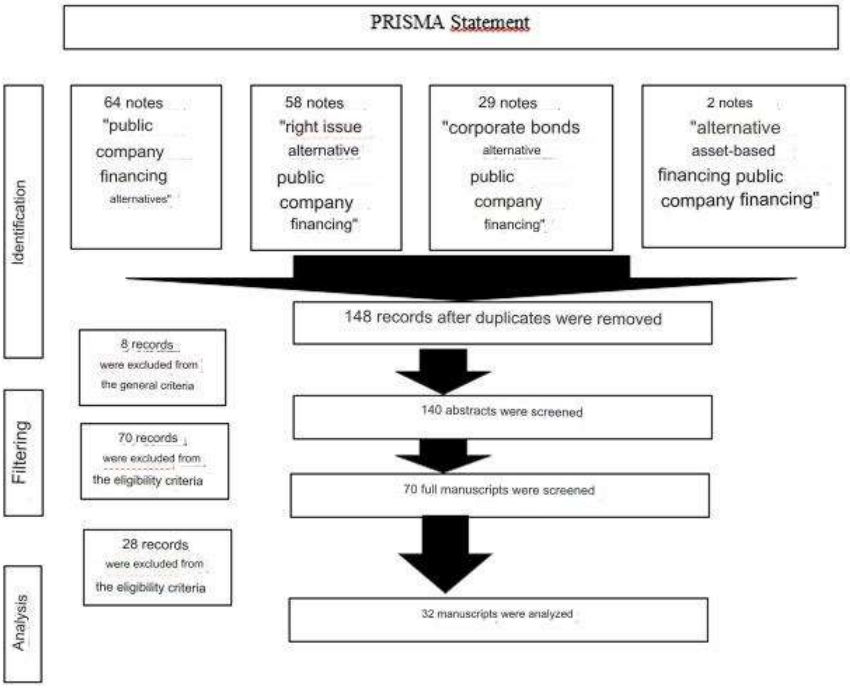

Figure 2. PRISMA Statement diagram

The search returned 148 records (after duplicates were removed). After screening and assessing eligibility, 32 manuscripts were selected and analyzed (see PRISMA flowchart, Figure 2). Among these notes are 24 journal articles and 8 book chapters.

3. RESULT AND DISCUSSION

The results of a literature review regarding financing alternatives for public companies show that financing alternatives for public companies consist of: rights issues corporate bonds, and asset-based financing. The literature that mentions it is in 3 books and 2 journals. [18] focuses more on the principles of corporate financial management, while [9] focuses on the need for funds to continue the company's life cycle, and [15] focus on investors who will invest capital in the company. As for the journal, it belongs to Jackowicz et al. focuses on the transition to open companies in developing country economies, while [26] reviews financing alternatives from case studies.

Next is alternative financing using rights Issues are mentioned and analyzed in three books, all of which are guidebooks for investing in the capital market, so the perspective used is that of an investor. The journal generally discusses improving performance or share prices after a public company exercises rights issues Only one journal mentions the factors that influence a company's decision to choose rights financing issues Most journals are about rights issue originates from Indonesia.

Alternative financing using corporate bonds is discussed in 2 books, both of which also use an investor's perspective, namely regarding ways to invest in corporate bonds. Of the 10 journals that discuss corporate bonds, only two come from Indonesia. This shows the lack of research regarding corporate bonds originating from Indonesia.

The third financing alternative is asset-based financing, which is mentioned in two journals originating from abroad. This shows that asset-based financing has not been widely studied either at home or abroad. However, in practice many things have been done, one of which is credit to banks by providing guarantees or collateral. The summary results of the literature review that has been carried out are displayed in table 1.

Table 1. Summary of journal and book analysis results

Study focus	Literature that mentions	Journal or Book
Public company financing alternatives, by mentioning 2 or more financing	3 books, 2 journals	(Brealey et al., 2011; Cornelius, 2020; Jackowicz et al. , 2017; Mother Earth, 2019; Wijaya & Ananta, 2018)

alternatives.		
Alternative public company financing is in the form of rights issues.	3 books, 10 journals	(Awaliawati Rachpriliani , 2019; Handini & Astawinetu , 2020b; Hatta, 2018; Kania et al. , 2020b; Mangesti Rahayu et al. , 2019; Navirinurania et al. , 2018; Paningrum , 2022; Rahayu et al. , 2017; Raja Ria Yusnita & Wiwin Widia Astuti, 2022; Sahputra et al. , 2020; Sunaryo, 2021; Supeni et al. , 2022; Syafrida et al. , 2020)
Alternative public company financing is in the form of corporate bonds.	2 books, 10 journals	(Choi et al. , 2020; Giaretta & Chesini , 2016; Goldstein & Hotchkiss , 2007; Hardianti & Widarjono , 2018; Huynh & Xia , 2021; Jiang et al. , 2021; Kargar et al. , 2021; Megananda et al. , 2021; Muawanah et al. , 2021; Nozawa & Qiu , 2021; O'Hara & Zhou , 2021; Wijayanto, 2015)
An alternative to open financing is asset-based financing.	2 journals	(Alan & Gaur, 2018; Lian & Ma, 2020)

After knowing about financing alternatives for public companies, it is also important to know the factors that influence their selection. Of course, the main factor for choosing alternative financing is to increase costs or capital for the company. The following are factors that influence a company's decision to choose the type of financing, based on the literature review that has been carried out:

a. Right Issue
Mangesti Rahayu et al. (2019) and [18], states that right issue is the last alternative after all internal resources have been maximized for financing. These considerations follow the pecking order theory Meanwhile, Hatta (2018), states that there are 7 factors for companies choosing financing with rights issue namely: for business expansion through mergers, acquisitions, take overs and leverage buyout to pay maturing obligations, to increase share liquidity, for restructuring, for working capital, to increase the number of outstanding shares, and to increase the portion of share ownership

b. Corporate bonds
Nozawa & Qiu (2021), stated that market conditions and announcements from the Federal Reserve regarding interest rates will greatly influence the decision to issue corporate bonds. Meanwhile [27], stated that this decision really depends on risk. [28] discusses more from the investor's side that in times of low inflation, investors expect bonds with high yields so that companies need to make the coupon value rate becomes high.

c. Asset-based financing
[19] explain that choosing asset-based financing must really pay attention to the company's personal characteristics.

Apart from using considerations for each financing alternative, [9]states that financing choices depend on the life cycle of the company. The closer to maturity the alternative external financing (right issues corporate bonds, and asset-based financing), will be increasingly needed. While [18], stated that the factor that determines the selection of financing alternatives is the financing structure determined by the company. Because each type of alternative financing has its own advantages and disadvantages.

Analysis

Alternative financing for public companies or companies that have been listed on the stock exchange, both in Indonesia and other countries, consists of: rights issues corporate bonds, and asset-based financing [18][9]. All three will be able to provide additional financing to capitalize on the growth of public companies which require large amounts of capital [10].

Right issue as an alternative financing, not only able to provide additional capital, but also able to encourage an increase in the financial performance of public companies (Mangesti Rahayu et al., 2019; Rahayu et al., 2017; Raja Ria Yusnita & Wiwin Widia Astuti, 2022). With this increase in performance, the valuation of the company will also increase (Supeni et al., 2022). However, the decision is for the right The issue should be the last alternative after all financing alternatives consisting of retained earnings and debt are deployed, this is based on pecking theory (Mangesti Rahayu et al., 2019). What needs to be done is none other than the application of financial principles which always strive to minimize risk [18]. Apart from that, it also follows the life cycle of the company, if it starts to mature it will need this type of financing [9]. Option to do right issues often not liked by old shareholders, because the proportion of ownership will change (Mangesti Rahayu et al., 2019). So that's right The issue will always be offered first to old shareholders, if they do not take it then the company has the right to offer it to new shareholders [16][29].

Given this risk, companies can choose the next financing alternative, namely corporate bonds. Obtaining additional financing with bonds is easier, because it can be done over the counter counter (OTC) [18]. No different from right issue corporate bonds are also sold through the capital market. This financing is sensitive to market conditions, especially interest rates announced by the Federal Reserve (Nozawa & Qiu, 2021). Meanwhile, what is called green bonds or green bonds are sensitive to environmental issues such as climate change [27]. Another thing that needs to be considered, because bonds are debt, there is a risk of assets being lost if the company is unable to pay its obligations (Choi et al., 2020).

With these various risks, bonds owned by private corporations generally promise higher yields compared to those owned by the government. This is related to the high risk that investors will face [18]. Therefore, corporations dare to offer high [28] yields to their investors in exchange for this risk. The third financing alternative is asset-based financing, which of course requires assets to be pledged as collateral. This financing has actually been carried out by every business since it was in the initial stage of the cycle [9]. And it turns out that it is still needed when the company gets bigger. In order to be able to use this financing alternative, it is necessary to pay close attention to the business operations of a company [19].

4. CONCLUSION

Companies need to survive, by growing through expansion, entrepreneurship and continuous innovation. To do everything, quite large funds are needed. Therefore, even though it has been listed on the stock exchange, the company needs to look for alternative financing. Alternative forms of financing for companies that have listed on the stock exchange include : rights issue corporate share offering, and asset-based financing. Each type of financing is selected taking into account certain factors, which will have an effect on improving the performance of public companies. So companies must consider certain factors, in order to obtain financing that suits their needs and is able to leverage public company value With efforts to continue to grow and adapt to developments in technology and information, of course public companies must continue to learn and continue to look for other financing alternatives. It does not rule out the possibility that alternative sources of financing which are actually intended for MSMEs and startups could also be used for public companies. This study is a literature study, so it will be more comprehensive if it is continued with a case study regarding the application of alternative financing in companies listed on the stock exchange. In this way, the picture regarding the selection and application of alternative financing will be clearer and easier to put into practice.

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