
What Information Implied in the Equity Offering Mechanism with Market Timing Considerations?

Submitted 05/02/23, 1st revision 25/02/23, 2nd revision 11/02/23, accepted 30/03/23

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Abstract:

Purpose: This research looks at how the choice of share offering mechanism between public offering, rights issue, and private placement implies certain information about the condition of the issuing company.

Design/Methodology/Approach: Issuance of shares through market timing considerations clarifies essential information. Not much available literature focuses on SEO mechanisms that have an adverse market reaction. The gap in this study is about the relationship between the motivations behind selecting the share issuance mechanism.

Findings: One of the results of this study found that companies that offer a large number of shares when overvalued choose to use the rights issue mechanism because they print higher abnormal returns than other mechanisms. These findings indicate that the bidding mechanism and issuance motivation reflect favourable information about the company's prospects from the offer. The allocation of profits from the transaction reflects future corporate policy information. Further empirical evidence states that companies that choose private placements with market timing considerations face a more severe problem of asymmetric information than companies that choose other mechanisms.

Practical Implications: Thus, investors can obtain information about the company's conditions, plans and prospects before investing. This study uses data specific to information asymmetry and market timing on stock offering transactions in Indonesia to represent emerging markets for the 2000-2020 period.

Keywords: Asymmetric information, offering motivation, private placement, right issue, Indonesian capital market.

JEL Classification: G11, G14, G30, G32.

Paper Type: Research Paper.

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1. Introduction

Companies have several alternatives in determining funding sources to finance their operations. One of these financing options is the capital market as an external source of funds. However, companies must choose alternative external financing sources that can provide optimal results for the company and its shareholders. Generally, as a source of external funding, the equity issues can be addressed through initial public offerings (IPO) in the first-time issuing and seasoned equity offerings (SEO) for a secondary offering.

Different factors can drive the choice of mechanism between the two. The selection of stock offerings is motivated to finance growth opportunities or, in some cases, to exploit temporary overvaluation in the market. For example, in an IPO scheme, misjudgment of stock prices increases because companies disclose minimum information about their performance, are not yet known in the market, and tend to register during hot market periods (Cao *et al.*, 2013). In contrast, SEO companies will spend their equity to finance growth opportunities or invest in activities that do not create value.

Previous research has widely documented the underlying reasons why companies undertake equity offerings, both for IPOs and SEOs. In addition, many studies have compared the company's stock performance before and after issuing equity. However, research that focuses on determining the SEO mechanism that sometimes has an adverse market reaction is still not much literature available, so this research gap still needs further discussion.

The research opportunity is about the relationship between the motives underlying the selection of the stock offering mechanism in SEO with considerations of time and the content of the information available. Especially in the theory of capital structure, determining funding sources involves information asymmetry, where companies ideally issue securities with lower costs. Companies that finance investments with share capital will create negative perceptions of investors because this tends to be interpreted as bad news.

According to the pecking order theory, stock offerings in SEO reveal information that damages a company's value. The pecking order model (Myers and Majluf, 1984) said a financing hierarchy considering the level of information asymmetry. Capital markets are not sensitive to information, creating opportunities to misprice stocks. This condition will open up opportunities to issue shares with consideration of market timing, so there is a high probability that there will be a distribution of wealth to new shareholders from the previous ones. This information gap creates the perception of investors that a new share offering is made because the company's shares are valued higher, so the new stock offering will cause the company's stock price to fall.

Therefore, considering investors' perceptions, issuers will consider the right time to offer their shares back. Another view argues that there is an agency problem that tends to see that capital is not used to maximize firm value (Gombola *et al.*, 2019; Jensen and Meckling, 1976; Purkayastha *et al.*, 2022). Suppose the company does not appear to have promising growth; agency theory predicts that it is more likely to use the capital for agent spending or enrich itself as an opportunistic action. Motivation and information content are the central questions of this research because capital structure policy cannot ignore information asymmetry problems other than agency problems.

The equity offering method, in general, can use two popular options: right issue and private placement. The choice of these two mechanisms has increased rapidly globally and has recently become the focus of study by many researchers (Chen *et al.*, 2010; Dahiya *et al.*, 2017; Lewis and Tan, 2016; Lorenz, 2020; Minardi *et al.*, 2019). Research selecting a share offering mechanism tries to answer whether the right issue mechanism or private placement implies information asymmetry.

Empirical evidence in several previous studies shows that the information costs related to public offerings are higher because there are more potential investors. Therefore, companies will choose a private placement mechanism with large investors compared to a public offering mechanism (Gomes and Phillips, 2012; Chen *et al.*, 2017; Dahiya *et al.*, 2017; Lim *et al.*, 2021; Minardi *et al.*, 2019).

Sensitivity to these information gaps is higher when capital from external funds, especially in equity issues, because information issues increase the cost of fundraising. Figure 1 shows information asymmetry hinders company goals and results in errors in pricing equity, so companies choose debt when facing the cost of information supply (Healy and Palepu, 1990). Several studies examine equity offerings and discuss the factors that determine the type of offering. These studies provide very varied empirical evidence regarding information asymmetry as an essential factor in securities offering decisions (Banerjee and Deb, 2015; Chen *et al.*, 2010; Hertz and Smith, 1993; Lim *et al.*, 2021; Sony *et al.*, 2020; Wu, 2004; Yeh *et al.*, 2020).

Based on the abnormal return value in each issuance, companies that choose public equity funding sources will get a negative return (Mukherjee and Roy, 2016; Kashif *et al.*, 2018). Firms perform down when they raise external capital, and firms may experience lower returns in the future. The market will interpret the public offering as indicating that the company requires cash or is facing financial problems causing a negative information signal on announcements and equity offerings (Jarrow and Li, 2013).

The existence of information asymmetry affects the direction and reaction pattern of the stock market as reflected in the realized price (Martins, 2003). In addition, the

company's equity issues time also greatly influences investors' perceptions of the issuing company's performance.

Regulators in several developing countries are trying to overcome information problems, as is the case with the Otoritas Jasa Keuangan (OJK) as the financial authority of capital markets in Indonesia (Utamaningsih *et al.*, 2015). In this study, we selected the two mechanisms of stock offerings on SEO chosen by companies, namely rights issues and private placements in Indonesia on behalf of developing countries.

The mechanism is based on the increasing number of choices used by stock market players, so it is necessary to empirically examine the reasons for choosing this offering mechanism. Likewise, the stock market in Indonesia is more enjoyable to research because it has a unique market reaction and is not the same as the stock market of other developing countries. Ratih (2019) explains that market timing considerations do not significantly affect the company's decision to issue shares. The main factors that are the reason for issuing shares are the need for funds for investment and the reduced ability of the company to increase the amount of debt from creditors.

Furthermore, this research has exciting implications because the investigation results will open discourse for investors about the motivations of issuing companies implied when they offer their shares. This research has an arrangement, and the first part describes the research background. A conceptual framework and research methodology are in part two. The third section describes sample selection and a summary of statistical data. The central part of the research in the form of empirical findings is in section four, and the last part is the discussion and conclusion of the study.

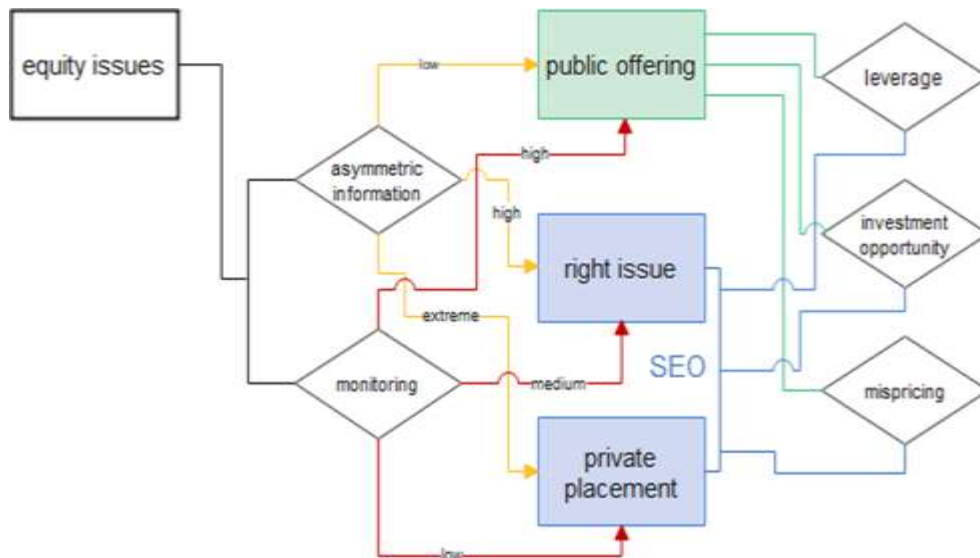
1.1 Equity Offering Mechanism

In Indonesia, the funding source through the capital market can be in two ways: issuing debt securities or obligations and selling company stock to the public. The first is the sale of equity to the public, with the IPO or going public. IPO is an activity of offering company stock for the first time listed in the market. After the company becomes an issuer, it likely needs funds to finance its activities. The issuer can again offer its shares to the public by conducting a limited public offering (PUT) called Seasoned Equity Offering (SEO).

SEO in Indonesia can go through a mechanism with pre-emptive rights (HMETD), commonly referred to as pre-emptive rights. The PUT of rights can do with a unique pattern: rights issue with the debt-to-equity swap pattern. The issuer cannot pay its debts to creditors, causing the creditor to become a standby buyer of the pre-emptive rights that the old shareholders do not redeem by converting debt into shares of the issuer. Another way to find funds for issuers is without a right issue or pre-emptive

rights, generally called a private placement. The mechanism without pre-emptive rights is a corporate action by issuers to seek funds for their interests by selling them to other parties. Selling the shares does not give rights to existing stockholders.

Figure 1. The role of information and other influencing factors in the process of an equity offering



Source: Own study.

The literature on equity offerings that explores the company's decision to choose an equity offering mechanism states that two mechanisms are popular in general, namely, right issue and private placement (Cronqvist and Nilsson, 2005; Dewa and Ibrahim, 2010; Erel *et al.*, 2012; Sony *et al.*, 2020). Previous researchers argue that information asymmetry affects the decision of the type of company's equity offering method. Firms with high information asymmetry require more significant incentives to reduce the cost of producing information by issuing private equity.

Changes in information asymmetry in the course of company operations are a consideration for the choice of equity offering mechanism. Poor macroeconomic conditions forced issuers to issue their shares, which tended to be slow to react to information (Erel *et al.*, 2012). Chang *et al.* (2006) and Mohohlo and Hall (2018) stated that information asymmetry hinders the interests of companies in determining policy. In addition, there are many possibilities where equity prices will more often be judged wrong or mispriced.

Therefore, companies have incentives to use debt platforms when companies face information constraints. The available literature only goes so far as to prove that information asymmetry is a crucial factor in equity offering decisions. Although the

literature on SEO and operating performance around issuing equity has been developed extensively, there is still little focus on the motives and information contained in SEO related to the issuance method. In addition, no empirical studies are proving whether a pattern varies between economies and times in the decision to select a supply mechanism.

2. Hypothesis Development

Based on the theoretical model, companies choose private placement over other mechanisms when information asymmetry is high. This choice has different implications for two companies with varying numbers of shareholders (Elyasiani and Jia, 2010; Jiang *et al.*, 2011; Liang and Jang, 2013; Meluzin *et al.*, 2018; Shleifer and Vishny, 1986). More broadly, the study of the selection of issuing mechanisms in SEO can explain the crucial of asymmetric information and the offering risk of certain types of securities.

Previous studies combining and examining different securities offerings did not differentiate the markets in which equities are sold. In addition, smaller firms issue large amounts of equity, questioning the importance of asymmetric information in securities offerings. This statement differs from Sunder and Myers (1999), who says that small companies are generally more subject to asymmetric information. Both seem to contradict the conclusion that it is crucial to consider asymmetric information in equity offerings.

Gomes and Phillips (2012) distinguish the mechanism for offering private placements and rights issues; they have different conclusions. They found that small firms issued large amounts of equity and most often chose private placement mechanisms with a high measure of information asymmetry. This choice can reduce the negative influence of asymmetric information and adverse selection problems.

Companies tend to choose private placements when asymmetric information value is high because investors can learn the company's actual value at a specific cost through a private placement. Theoretical models describe the supervisory motivation of managers either due to increased concentration of ownership or trading restrictions on private placements (Shleifer and Vishny, 1986). Private placements allow ownership to be more concentrated and monitoring to be raised.

Ownership will be concentrated through a private placement mechanism because most shares are sold to several institutional investors (Wruck, 1989). Companies will eliminate information related to value and transfer information to outside parties who can become investors but do not receive such information. Therefore, companies perceive that a share offering through a private placement can solve information problems at a lower rate than other mechanisms.

The study of the role of information concludes that the ability of managers to convey information about company prospects is a capability that can support financial strategies. The information level gap between companies and investors has positive and negative impacts. Therefore, the initial hypothesis in this study is that the size of asymmetric information related to firm value positively affects how to offer shares with the private placement or vice versa for the rights issue mechanism.

The model used to answer this hypothesis is through companies' high and low levels of information asymmetry problems. Companies will offer their shares through a rights issue mechanism if the level of asymmetric information about firm value is still lacking. Conversely, companies will use private placement offers if the level of information asymmetry is high.

After the information asymmetry is confirmed to have contributed to choosing the stock offering mechanism through the first hypothesis, the next step will be determining the motivation implied in the choice. Previous research concluded that apart from information asymmetry, market timing is one of the reasons most companies consider the timing of equity offerings (Jenter, 2005; Loughran and Ritter, 1995; 1997). Market timing is a stock offering decision when the stock price deviates from its value. Mispriced stock conditions can help companies decide when the time is right to increase additional capital.

Santos and Gama (2020) examine insider trading relevant to the market timing literature. According to him, when companies consider market timing, there will be opportunities for managers to take opportunistic actions to sell their private stocks by taking advantage of information asymmetry. The company will offer its shares when overvalued, which is reflected in a high M/B value, so the increase in the number of outstanding stocks will correct the stock price. The equity offering considering market timing, is made chiefly through the rights issue mechanism.

Chen *et al.* (2010) state that a high level of information asymmetry and low returns result in companies not being able to access the secondary offering market through rights issues, and they will switch to private placements. Thus, the research hypothesis can be drawn where the stock offering with the right issue mechanism is gravely related to the market-to-book value of the stock.

3. Research Data

The initial sample in this study includes all equity offerings in SEO by companies operating in Indonesia from 2000 to 2020. Sampling in this study uses non-probability sampling because the study requires specific data. Where to identify all SEOs, we document any changes in equity capital for each company listed on the Indonesia Stock Exchange (IDX). Next, determine whether a rights issue or private placement caused the change. Based on the limitations and data availability, the final

sample was 174 SEO transactions, either through the rights issue mechanism or private placement obtained through Thomson Reuters-EIKON.

Information asymmetry in this study uses three measures: the asset's book value at the end of the fiscal year before, the analyst's number before issuing, and the percentage spread of equity prices. Table 1 is a summary of the characteristics used as the research sample. BHAR is the market-adjusted abnormal return of buy and holds for the previous 12 months. This study attempts to ascertain the two most common equity offering mechanisms after companies' initial public offerings (IPOs): rights offerings and private placements from emerging markets. We used a binary logistic regression model to examine the information asymmetry impact in choosing between the right issue and private placement. In this case, a dependent variable takes the company's value that decides to issue rights and zero for private placements.

Referring to research (Baker and Wurgler, 2002), the market-to-book ratio (M/B) is a proxy for equity market timing for historical value. Where M/B is the weighted average of past market-to-book ratios, calculations that are too large or too small are due to stock mispricing or the presence of many or few growth opportunities, the measurement of which is as follows:

$$\left(\frac{M}{B}\right)_{t-1} = \sum_{s=0}^{t-1} \frac{e_s + d_s}{\sum_{r=0}^{t-1} e_r + d_r} \cdot \left(\frac{M}{B}\right)_s \quad (1)$$

The net equity issue (e) presents the initial and ending equity values change. d is the net debt issue as a notification of net debt and is defined as the change in the initial and final value of the debt. M and B represent the market value and book value of equity, respectively.

Table 1. Descriptive Statistics

	(1) Mean	(2) Std. Dev.	(3) Min	(4) Max
RI	.7143	.4537	0	1
BV_price20	(.1739)	1.184	(10.87)	.9253
BV_price10	(.1842)	1.221	(11.81)	.9124
Age1	10.98	7.181	1	29
Analyst	2.369	3.339	1	16
BHAR	(.2282)	.6596	(1.495)	3.065
Instown1	68.01	20.48	14.06	99.99
Meanvol	.0023	.0082	3.859	.0564
Spread	4.116	7.255	(19.44)	32.4
N: 119				

Source: Own study.

Next, we measure the level of information asymmetry companies face by including analyst-specific variables, namely the analyst number, which provide estimates of a company's earnings. Information asymmetry proxies through analyst variables have several advantages over conventional variables such as age, company size, tangible assets and others (Chen et al., 2017). By exploring these implications, we acquire a two-stage estimation procedure from Chen et al. (2010) through a structural choice model as follows:

$$Y_i = \beta_0 + \beta_1(FQ) + \beta_2(Mkt) + \beta_3(Control) + e_i \quad (2)$$

Y_i is a binary dependent variable for equity issues i , which is worth one when selecting the right issue and zero; otherwise, an independent variable FQ is a variable that represents the quality of the company related to performance and information asymmetry.

Three information asymmetry measures consist of total company assets, analyst coverage, and their distribution, all of which are measured in log form. The results of this study are due to the use of time series data to avoid bias. The measurement uses the Purchase and Hold Abnormal Return Values (BHARs). The evidence presented in this study is consistent with existing research, and the results show that firms that choose rights offerings are positively related to the length of operation and firm size.

This finding also confirms the information-related capital structure hypothesis, which argues that older, more mature firms have fewer information problems. Control variables consist of stock price elasticity and dummy variables for year and company.

Finally, the explanatory factor Mkt is a proxy for the variables associated with potential stock mispricing, including the issuing company's BHAR(-6, -1) and market-to-book ratio over the last six months as market BHR(-6, -1). Following Chen et al. (2010), we examine stock returns for rights issues around announcements within one trading semester after the offering.

4. Empirical Evidence

Table 2 below provides the results of the research measurements. The dependent variable is the result of choice, which will have a value of one if it chooses to issue with a rights issue mechanism and a value of zero otherwise. The number of company analysts has a significant positive relationship with the choice of share offering mechanism through a rights issue.

In other words, these results prove that companies with higher levels of information asymmetry tend to choose private placement mechanisms and rights issue mechanisms for lower levels of information asymmetry. Companies with higher information bids choose private placements to avoid information bid costs.

Then, the predictive quality of the analyst who assesses the company is under the availability of information owned by the company. So, it can be concluded that the results of the estimation of the structural model of the study confirm by providing consistent evidence in the selection of the stock offering mechanism and the market timing hypothesis.

Companies with higher information asymmetry characteristics are likelier to make stock offerings through private placements. We confirm this result through the analyst coverage dummy variable, whose outcome will be worth one if the company accesses the analyst and will be zero if not. Likewise, if the availability of information is high enough or meets the requirements for decision-making, it will be close to a value of one and vice versa. It will be relative to a value of zero if the availability of information is low.

In the case of a rights issue, previous literature indicates an adverse short-term market reaction and vice versa for private placements. This study produces the same evidence that can confirm this. The impact of the selection of stock offerings is economically significant. Companies with high levels of undervaluation and negative net income tend to choose private placements (Kumar *et al.*, 2018; Andriosopoulos and Panetsidou, 2021) research.

This result implies that market timing considerations tend to select the right issue mechanism with a lower level of asymmetric information. The right issue is used when it overvalued the company to have a positive stock offering return, so the hypothesis in this study is confirmed.

The allocation of the offerings obtained by the company still needs to be explored further, whether it will be used to finance investments, pay debts, or even keep the cash. Further investigation is necessary to discover the hidden information behind the selection of the stock offering mechanism.

In Table 2, evidence shows that the value of $BHAR(-6,-1)$ and market $BHR(-6,-1)$ has a significant negative relationship with the possibility of choosing a private placement mechanism in the stock offering. This finding indicates that companies are more likely to switch to rights issues with poor equity market performance. Statistical data supports the market timing hypothesis, which states that stock offerings are made when the value is overvalued.

More specifically, companies prefer a rights issue mechanism due to consideration of stock performance in the market, not just considering the information asymmetry faced by companies. Negative long-term performance is also a consideration for how companies use the stock offering mechanism. This evidence is reflected in the calculation of three return intervals outside the 10-day announcement period. The average BHAR for SEO is 22.8%, and the right size for rights issues is 65.9%.

Table 2. *Structural Model of the Selection Mechanism for the Stock Offering*

	(1) right	(2) right	(3) right	(4) right	(5) right
und_price20		0.075 (0.945)			0.166** (2.005)
age1			0.024 (1.240)		0.034* (1.703)
analyst				0.069 (1.635)	0.089** (2.088)
bhar	1.059*** (3.998)	0.999*** (3.731)	0.992*** (3.782)	1.051*** (3.954)	0.883*** (3.390)
instown1	0.008 (1.187)	0.008 (1.211)	0.010 (1.482)	0.009 (1.415)	0.013* (1.859)
meanvol	1.323 (0.064)	1.112 (0.055)	2.212 (0.114)	1.067 (0.051)	2.725 (0.148)
spread	0.014 (0.777)	0.014 (0.758)	0.013 (0.690)	0.018 (0.937)	0.016 (0.805)
_cons	0.343 (0.746)	0.328 (0.698)	-0.064 (-0.119)	0.063 (0.127)	-0.581 (-0.984)
Obs.	119	118	119	119	118
Pseudo R2	0.120	0.114	0.131	0.137	0.153
Chi2	17.934	17.737	19.297	19.528	24.962

Note: *t* statistics in parentheses, * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Own study.

4.1 Robustness Test

To ensure the strength of the findings, we use different periods of measuring undervaluation as a variable of information asymmetry. We use a slightly shorter timeframe than before, which was ten days, to see if the choice of issuance mechanism will remain the same if the value of the shares in the market is different.

Therefore, the robustness of the measure includes the information we expect regarding rights bidding and information asymmetry, as well as market timing considerations. Table 3 presents the results of the robustness calculation, which aims to see the relationship between the rights issue mechanism and information asymmetry. Which results in the primary model show evidence that companies that face information problems are not too high tend to use the rights issue mechanism.

One of the research hypotheses states that a company that chooses a rights issue in a stock offering with market timing motivation must have a relatively high market-to-book ratio. Based on this, research ascertains how investment policies have varying sensitivities to the intended use of primary capital. In the rights issue mechanism, the value varies with the ratio of the market to the company's books. It can be seen from the statistical results the low weight of the market-to-book ratio encourages companies to tend to use it for capital expenditures or to increase inventory and reduce long-term debt.

In contrast, in companies with high market-to-book ratios, the proceeds from rights issues tend to be kept more in cash. This result implies interesting information for investors, especially about the company's policy. These results support the statement that companies with a small market-to-book ratio make offers through a rights issue mechanism with the aim of funding investment.

Companies with high market-to-book ratios prefer a rights issue mechanism to take advantage of overvalued mispricing. In other words, market timing considerations in stock offerings tend to occur through a rights issues mechanism. When the stock price is considered too high, it becomes an opportunity for the company to balance its share price again. However, the allocation of the use of proceeds from the stock offering is still very diverse. Several issuing companies did not experience changes in the value of their investment and the amount of their long-term debt.

5. Conclusion and Implication

The information-based capital structure model argues companies tend to choose equity with lower information asymmetry due to higher information costs. As with previous research, the results of this study indicate that information asymmetry in selecting a stock offering mechanism is an essential factor that must be taken into account. This outcome is evident in the level of information asymmetry of each company directly proportional to the amount of supply in each type of stock offering mechanism. In addition, undervaluation considering market timing indicates that market conditions affect the selection of the issuance mechanism.

Most companies use rights issues to offer shares when mispricing occurs. In other words, issuers take advantage of price momentum to achieve greater profits and not just meet capital needs. The allocation of proceeds from the stock offering is still very diverse, depending on how the stock price is assessed. Our empirical findings show that companies that use a private placement mechanism tend to have poor operating performance and high information asymmetry and vice versa for rights issues.

Overall, the results indicate that the offering increases investment capital and takes advantage of favourable market conditions. Companies issue shares to take advantage of the market time by considering the stock market price. However, companies also issue shares when the share price is less favourable because the offering is likely to consist of primary shares. The company uses the proceeds from the stock offering for capital expenditures, increasing inventory, or reducing long-term debt.

Referring to this evidence, an opportunity for further research to be carried out with a similar theme but more focused on the use of proceeds from the stock offering and investor behaviour during the offering period. Further research can also be carried out by observing the characteristics of transactions during issuance.

Table 3. Robustness Check: Measurement of Undervaluation in Different Periods

	(1)	(2)	(3)	(4)	(5)
	hmetd	hmetd	hmetd	hmetd	hmetd
und_price10		0.092 (1.160)			0.174** (1.969)
age1			0.024 (1.240)		0.033* (1.657)
analyst				0.069 (1.635)	0.090** (2.074)
bhar	1.059*** (3.998)	0.998*** (3.727)	0.992*** (3.782)	1.051*** (3.954)	0.886*** (3.399)
instown1	0.008 (1.187)	0.008 (1.179)	0.010 (1.482)	0.009 (1.415)	0.012* (1.801)
meanvol	1.323 (0.064)	1.129 (0.055)	2.212 (0.114)	1.067 (0.051)	2.540 (0.136)
spread	0.014 (0.777)	0.014 (0.746)	0.013 (0.690)	0.018 (0.937)	0.016 (0.804)
_cons	0.343 (0.746)	0.343 (0.726)	-0.064 (-0.119)	0.063 (0.127)	-0.539 (-0.916)
Obs.	119	118	119	119	118
Pseudo R2	0.120	0.116	0.131	0.137	0.155
Chi2	17.934	18.522	19.297	19.528	24.901

Note: *t* statistics in parentheses, * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Source: Own study.

This study contributes to the corporate finance literature. First, the research results show the effect of information asymmetry and market timing on capital policy, especially in stock offerings through data characteristics in developing countries. Companies choose a rights issue mechanism when they face lower information asymmetry.

Conversely, companies choose private placement mechanisms when they face higher information issues than rights issues. Second, market timing is crucial when a company wants to increase equity through a public offering. This decision relates to costs, investors' assessment of the company's goals in choosing an offering mechanism, and unequal returns to the catchers. By considering market timing, companies can maximize the valuation level of their stock offerings.

On the other hand, this study has several limitations that can be used as a reference for further research. This study does not consider internal holding, which can be used as a starting point to determine the motivation behind issuing shares with clearer market timing considerations.

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