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The Antecedence Of Credit Rating Providence: Evidence From Ipos In Thailand

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Abstract

Today, innovation progresses in forward along with cyber technologies. There is no more necessary for investors to know a company in person to do their fundraising. Instead, companies would require to show a good signal to funders while they prior offer their shares in stock market as the initial public offerings (IPOs). One way is popular and useful is to represent their trust through credit rating, called "credit rating providence". Credit rating providence allow stakeholders, including potential funders, to see a level of trust that credit rating providence becomes popularity in this cyber decades. However, there is still limited studies have investigated how credit rating can be provided and created before and during the IPO process. This study utilizes the signaling theory and the credit rating literature to display the side of view on this issue. This study is based on financial data of 438 firms that went public in Thailand from 2008 to 2019, provides evidence in support of a positive relationship that the antecedences as proactive leadership, competitive learning competency, firm resource readiness affects credit rating providence significantly.
Keywords: *Competitive learning competency; Credit rating providence; Firm resource readiness; Initial public offering; Proactive leadership; Signaling theory*

I. INTRODUCTION

The majority target of financial management is to fulfill the wealthiest to stakeholders that one best alternative is to sales its stocks in the securities markets, called 'IPO: Initial Public Offering). However, step by step for doing this way, a firm's CFO will try so hard to build their trust for a firm's stakeholders. Regarding to Thai stock market law, a firm has to show its potential performance under the Office of the securities and exchange commission's agreement. With this regulation, a firm's CFO would need to find the best alternative to fairly show their well financial performance to public. Therefore, a successful firms' fundraising in IPOs, a firm has to be attractiveness which is represented a good characteristic, a suitable capital structure, and a well performance of capacity to pay their funder in the past (Thomas, 2000). One good way of representation, a firm will be rated their trust by providing a good credit rating grade by a reliable agency such as Moody's, Standard and Poor's, and Fitch group company which these credit rating agencies will signal a stakeholder by reviewing a firm's performance and transform a firm's trust into grade (Cantor, 2001). The grade of credit rating will be showing a standardizations of firm's credit quality that it will reflect a stakeholder's confidence of trust in investment is a firm effectively (Frost, 2007).

Previous researches show that credit rating will reflect a firm's creditworthiness to stakeholders (Demirtas and Cornaggia, 2013) and yield to bond that the credit rating will be evaluated base on some period of financial information (Ederington and Goh, 1998). Unfortunately, a credit rating in exist firms will differ depend on a firm's management that is measured on a firm's public information such as leverage, interest coverage ratios, profitability ratios, and any financial information on financial statement such as a firm's use of funds policies and 's source of funds policies (Ashbaugh-Skaife, Collins, and LaFond, 2006; Kaplan and Urwitz, 1979). Moreover, the credit rating also varies because the difference of decision on firms' capital structure (Cosh, Fu, and Hughes, 1994) that it would affect firms' liquidity, 's assets management, 's leverage, and 's profitability. These financial factors are a good magnet for investors' attractiveness (Peel and Wilson, 1996) that it will lead a firm to be succeed in fundraising. Reasonably, a firm attractiveness would be affected by a firm's credit rating that will lead to a successful fundraising (Kaewmungkoon, 2020).

This research, the sample will be 438 IPOs firms which would like to sell their stocks in the Stock Exchange of Thailand (SET) and the Market for Alternative Investment (MAI) between 2008 and 2019. However, under IPOs' regulation in Thailand, a firm needs to be shown high financial performance that at least fit the office of the securities and exchange commission's requirement. The previous research clearly indicates that a CFO in an IPO firm has a full power to make decision of leading a firm to get to a firm's goal (Stone, Baron-Cohen, and Knight, 1998). Not only the IPO process is the beginning point of firms' fundraising that require a short run period, but the IPO process also has a high risky of unsuccess because the success of fundraising come form a firm's performance in long last years (Andrews and Welbourne, 2000). For becoming a success firm fundraising, it would require a CFO to work hard to represent to public how well a firms' performance that the officer of the securities and exchange commission (SEC) will expect a firm to do a road show to public (Fraser, 1999). Under this process, a CFO will try so hard to build the trust to an investor and attract an investor to become funder at the final end. Therefore, IPOs firms would be a suitable sample to represent the effect of credit rating providence as building trust and firm attractiveness on fundraising success. This research will study on how credit rating be affected by its antecedences.

II. THEORIES AND HYPOTHESES

2.1 Signaling strategies through credit rating providence in IPOs

Whenever a firm sell its share in the market, it would take a while that a firm would have a record of stock prices and operational history. Thus, for a new entrant firm, it would be creating uncertainty for funders to know firms well (Nelson, 2003). However, the researchers used the academic theories to explain the phenomena of IPOs and related processes. One of useful theories is signaling theory (Zinmmerman, 2008). Signaling theory is particularly used broadly to study the issue of information asymmetry that could lead to the variation of fundraising during the IPO process (Certo, 2003). Because of the information asymmetry, it creates the level of trust differently. Thus, signaling theory is used to depict behavior when two parties (individuals or organizations) have access to different information that, one party, the sender, must choose whether and how to communicate (or signal) that information, and the other party, the receiver, must choose how to interpret the signal (Connelly et al. 2011). To reduce information asymmetry and funder uncertainty, a firm could signal their specific characteristics as legitimacy (Certo 2003; Williams et al. 2010). Many firms could use a signals of credit rating grade to communicate between firms and potential funders that it may be seen as a firm's strategy (Kaewmungkoon, 2020).

Credit rating grade is an important symbol to attract an investor to be funder a firm because the high grade would represent the high level of the responsibility of a firm to manage stockholders' benefits that includes the interest for debts or bonds and the dividend for preferred or common stocks (Lieli and White, 2010). Credit rating grade will reflect how a firm able to manage a risk of losing investors' funds or benefits that the credit rating could be graded differently depend on the credit rating agencies' models. However, all relevant credit rating agencies' models are usually representing the rating grade based on the measurement of a firm's profitability (Ali and Smith, 2006; Hand, 2009). The measurement of a firm's profitability are profits as result of the assets management (Finlay et al. 2010). Additionally, a credit rating also relates to how a firm's cash management (Dodge, Pettit, and Bates, 1994) and how well a firm manages its capital structure (Walker and Petty, 1978; Cosh, Fu, and Hughes, 1994). Therefore, a credit

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rating grade is related to how CFO able to manage a firm's investment in assets profitably and to repay its cost of debt and capital effectively which is called credit management (Peel, Wilson, and Howorth, 2000).

Thus, an IPO firm has to be attractiveness to investors by representing its good credit grade as credit rating providence that include; (1) a good characteristic which represents how well a management team able to manage a firm's assets, to allocate a firm's investment portfolios, and to lead a firm getting its peak profit target. The credit rating grade will be shown based on the evaluation of the allocation of a firm's investment portfolios (Hovakimian, Kayhan, and Titman, 2009); (2) an optimal capital structure represents the trust of being a real owner of a firm's capital. Normally, the credit rating grade is an important key to measure the suitable portion of a firm's source of funds (Kisgen, 2006; 2009); and (3) a capacity of repayment which represents the responsibilities of a firm's funders benefits on time. The credit rating is used to represent how well a firm able to repay benefits to a funder, called a capacitive repayment (Kisgen and Straha, 2010). The literature reviews show that a model to measure a credit rating used by giant rating agencies as Moddy's, S & P, and Fitch is based on a firm's investments on assets, a firm's funders on debt and equity, and a firm's profitability (Qi and Ming-Xia, 2014). The investors will use the credit rating grade to forecast the level of default risk. Thus, the credit rating is significantly related to an investor's decision in funding which is high grade would represent a lower default risk on investment. Which is; the grade would affect a firm attractiveness and lead to a fundraising success at the final end. This study aims to examine the antecedence of credit rating providence that it continuously effects on the fundraising success for IPOs in Thailand through the firm attractiveness. The credit rating providence is including; a good characteristic focus, a capital structure control, and a capacitive repayment concentration (Kaewmungkoon, 2020). Additionally, the antecedence of credit rating providence is including; a proactive leadership, a competitive learning, and a firm resource readiness.

Currently, a credit rating agency which grading a firm's creditworthiness is very important character in financial markets that will lead a growth of capital markets, credit derivative markets, and globalization of capital markets that take advantage by using a credit grade to signal an investor's funding (Ryan, et. al. 2012). However, previous research shows that only three agencies are acceptance which are Moody's, S&P, and Fitch (Cantor, 2001). The credit rating agencies' targets are to provide a firm's information about investment and to evaluate a firm's performance for funders. Also, a credit rating agency helps a firm to get into the financial market and an investor to estimate the expected loss by funding (Cantor, 2001). For IPOs, a firm would need a credit rating agency to confirm that a firm is ready to get into the market for fundraising. However, the gap between funders firms is the necessity of both positive and negative useful information while an IPO firm would like to discloser only positive information for its fundraising success. Thus, in Thailand, the SEC will come between them to protect funders' and IPOs firms' benefit through a credit rating agency. A credit rating agency will transform an IPO firm's trust into a form of grade that funders will understand the level of risk they can take before they are funding. Unfortunately, for IPOs firms' CFO, they will try so hard to get a good grade on credit rating, called credit rating providence. By doing so, an IPO firm will provide or show its good characteristic focus, its capital structure control, and its capacitive repayment concentration that it will affect the credit rating of firm.

2.2 The effect of Proactive leadership and Credit rating providence

The credit rating providence is important factors to attract a funder as investors because the levels of credit scores represent the levels of responsibilities that a company has for investors' benefits including the repayment of interest or debt charge and of dividend or equity stocks (Thomas, Crook, and Edelman, 2002). The credit rating score reflects firms' ability of credit risk management. However, the level of credit risk management differs depend on the models to measurement that all of them are based on firms' profitability (Ali and Smith, 2006; Hand, 2009). The literature shows that firms' profitability is caused by the allocation of firms' investment on assets (Finlay et. al, 2010) that it will effect on the return on firms' assets. Additionally, the credit rating is also caused by firms' cash management (Dodge, Pettit, and

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Bates, 1994), firms' source of funds (Walker and Petty, 1978; Cosh and Hughes, 1994), Firms' trade management, and firm's debt management that all are included in firms' credit management (Peel, Wilson, and Howorth, 2000).

Thus, an IPO firm must attract funders' attention to be funding by providing a good grade of credit rating called "Credit rating providence". The credit rating providence is defined as the result of; (1) a good characteristic which represents the abilities of a firm's management team in the allocation of a firm's investment portfolios to lead a firm getting its peak profit target. The credit rating grade will be shown based on the evaluation of the allocation of a firm's investment portfolios (Hovakimian, Kayhan, and Titman, 2009); (2) an optimal capital structure that represents the trust of being a real owner of a firm's capital and the credit rating is an important key to measure the suitability of a firm's capital structure (Kisgen, 2006; 2009); and (3) a capacity of repayment which represents the responsibilities of a firm's funders benefits on time. The credit rating is used to represent how well a firm able to repay benefits to a funder, called a capacitive repayment (Kisgen and Straha, 2010). The literature reviews show that a model to measure a credit rating used by giant rating agencies as Moddy's, S & P, and Fitch is based on a firm's investments on assets, a firm's funders on debt and equity, and a firm's profitability (Qi and Ming-Xia, 2014). The investors will use the credit rating grade to forecast the level of default risk. Thus, the credit rating is significantly related to an investor's decision in funding which is high grade would represent a lower default risk on investment as good characteristic focus, a well capital structure control, and an on-time capacitive repayment concentration. Which is; the grade would affect a firm attractiveness and lead to a fundraising success at the final end. This study aims to examine that the credit rating providence can be affected or created efficiently. The literature reviews show that the credit rating could be supported by the characteristic of leadership as proactive person that relates to decision on use of funds in assets investments and on sources of funds between debt and equity in a firm (Lowe & Gardner, 2000). As result, it will lead firm to become success because leader will be a person who guide organizations. Also, a leader will be a major controller that able to create an environment that can support managers' ambidexterity. Thus, different leadership behaviors can facilitate managers' ambidexterity in different levels. Additionally, the leadership behaviors are also perceived as trustworthy through the observer's mediating lens as well as funders and other stakeholders. In other word, trust will increase if leaders are more likely to be viewed as ethical stewards who honor a higher level of duties (Caldwell and Hayes, 2010). Therefore, the proactive leadership should link the firm trust as credit rating providence as following hypothesis;

H_1: The higher Proactive leadership is, the more likely that firm will gain higher Credit rating providence

2.3 The effect of Competitive learning competency and Credit rating providence

Additionally, the ability of firm learning in competition will also lead a firm to race with its competitors by creation of varieties of competitive activities that these tools are from the ability of competitive learning in a firm as competitive learning competency (Eisenhardt and Martin, 2000). Levin, Whitener, and Cross (2006) indicate the relationship between the trust that perceived trustworthiness moderates the association between perceived trustworthiness and the basis on which people decide to trust each other. However, they also found that trustors as information processors and they suggest a model in which relationship length, although having no direct effect on perceived trustworthiness. This could be implied that a long time of competitive learning as an increase of informative competition. It would create the trust between a firm and stakeholders. Same as organizational theory, it explicates that partners as funders who overcome the challenges to develop trust-based interorganizational relationships can gain a vital source of competitive advantage (Jones et. al, 2014). Reversely, the abilities of competitive learning should link the trustworthiness as high level of credit rating providence that the hypothesis should be shown as following

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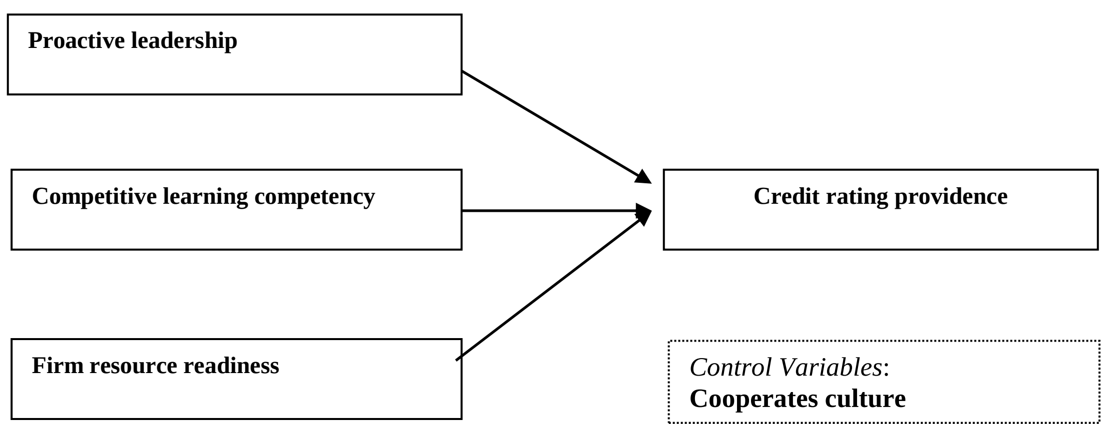
H_2: The higher Competitive learning competency is, the more likely that firm will gain higher Credit rating providence

2.4 The effect of Firm resource readiness and Credit rating providence

Finally, to become a good credit for having an efficient competitive strategy in present and in future, a firm must have resources ready to compete. This resources include tangible and intangible assets, called Firm resource. The firm resource readiness will drive a firm to work and to get into its target successfully (Holley et. al, 2005). Regards to resource based view theory, by formulating dynamic capabilities perspective, which gives importance to those organizational processes which employ organizational resources. The literature show that the firm resources are ready, it can lead firms to get high performance (Galunic and Anderson, 2000). However, the high performance can be linked to high level of credit trust (Kaewmungkoon, 2020). Perhaps, when a firm has its resources ready will lead the trust to investors. In the other word, a firm resources ready will affect the ability to provide a firm's credit rating that the hypothesis should be stated as follows;

H_3: The greater Firm resource readiness is, the more likely that firm will gain higher Credit rating providence.

Figure 1: The conceptual model on relationship of credit rating providence and its effects



III. METHODS

3.1 Sample selection and data collection procedure

The sample of this research is 438 IPOs firms which would like to sell their stocks in the Stock Exchange of Thailand (SET) market and Market for Alternative Investment (MAI) market between 2008 and 2019. However, under IPOs' regulation in Thailand, a firm needs to be shown high financial performance that at least fit the office of the securities and exchange commission's requirement. The previous research clearly indicates that a CFO in an IPO firm has a full power to make decision of leading a firm to get to a firm's goal (Stone, Baron-Cohen, and Knight, 1998). Not only the IPO process is the beginning point of firms' fundraising that require a short run period, but the IPO process also has a high risk of unsuccess because the success of fundraising come from a firm's performance in long last years (Andrews and Welbourne, 2000). For becoming a success firm fundraising, it would require a CFO to work hard to represent to public how a firms' well performance that the officer of the securities and exchange commission (SEC) will expect a firm to do a road show to public (Fraser, 1999). Under this process, a CFO will try so hard to build the trust to an investor and attract an investor to become funder at

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the final end. Therefore, IPOs firms would be a suitable sample to respond and to represent the examination of the relationship of credit rating providence and its antecedence as proactive leadership, competitive learning competency, and firm resource readiness. The sample of this research is the 438 IPOs firms in Thailand, which is drawn from the lists of IPOs firms, provided by the Stock Exchange of Thailand (SET) between 2008 and 2019 on August 30th, 2019.

In this research, the questionnaire was used for data collection. As many other financial researches, the questionnaire is an appropriate instrument and widely used method for large-scale data collection of business research of which it is representative sample that can be collected from the chosen population in a variety of locations at low cost. With the questionnaire process, all selected IOPs firms between 2008 and 2019 are used as respondents, with the initial design based on previous research. The key informant is the CFO of each of the IPOs firms in Thailand. The CFOs are selected as the key informant because these positions have a major responsibility of financial function of organization. Also, the key informants design and make decision on financial policy and strategy, as well as can provide the information true understanding of their business. Thus, the information has greater validity. The questionnaires were directly distributed to the CFO of IPOs firms in Thailand by mail survey. Then, the completed questionnaires were sent directly within four to six weeks to researcher. Then, for the undelivered mail, firms which are no longer in business were eliminated. The total number of questionnaires sent was 438 packages mailed September 11th, 2019. Regard to the questionnaire mailing, 6 surveys were undeliverable because some businesses had closed down. By deducting the undeliverable from the original 438 mailed, the valid mailing was 432 surveys. After two months, the useable questionnaires were 118 that the effective response rate was approximately 27.31 percent. Reasonably, the postal surveys are used widely to gather data in construction management research at undergraduate and postgraduate level, the poor response rates resulting in an attitude within the construction management community that rates of 20-25% are deemed acceptable (Root and Blismas, 2003). This research has the respond rate of 27.31% and it shows acceptable.

3.2 Test of Non Response Bias

The test of non response bias is a way to protect possible non response error problems between respondents and non-respondents. Non response bias is corresponding to the result by testing t-test comparison of the demographic's information of the firm such as business type, numbers of branches, and firm capital. If the results of the t-test have no significant difference between two groups, it implies that these returned questionnaires have no non-response bias problem (Armstrong and Overton, 1977). The result shows insignificant difference that it indicates that the non response bias is not considered a problem in this research.

3.3 Variables and Measurements

Researchers employed questionnaires for data collection. In questionnaires, all constructs in the model include multiple-item scales that each variable was measured by five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The details of each variable were provided as follows:

Proactive leadership (PL)

Signaling can encourage a firm to develop initial levels of opinion leader support because the executive style displays the pattern and process of operations. Additionally, the executive proactive vision is the active executive management style that dare to adapt and to change a firm to the appropriation of the current environment (Eliashberg and Roberson, 1988). Reasonably, the traits of a proactive executive include strategic thinking, leadership, empowering, risk taking, and process-oriented individuals. Johnson (1991) indicates that the executive proactive vision involves six components: strategic planning, making

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the strategic plan work, continuously improving quality, strengthening referral bases, collaborating with other firms, and meeting community needs. Therefore, proactive personality refers to the behavioral tendency of people that influences form an environment (Bateman and Crant, 1993). As result, the people who has a stronger proactive personality seek to improve current circumstances, to identify opportunities and to act on them, to show initiative, to take action, and to persevere until meaningful changes occur (Crant, 2000). With this interaction process of buyer and seller exchange, proactive leadership would improve the efficiency of knowledge exchange because it is the characteristic of a leader who sets up goals for procedures or operations for concept changes which improves the current situation and constantly develops efficiency.

Competitive learning competency (CL)

The excellence firm refers to an ability of the firm to encompass superiority in understanding markets, making a strategic choice, delivering value and monitoring value greater than the competitors (Jagersma, 2006). Competitive learning competence should be linked to credit rating because the signaling of excellence can deter the entering of competitors into the segment in a competitive marketplace (Reinartz and Kumar, 2003). As result, a firm will have more opportunities to make profit over the marketplaces. To achieve the goal in all situations, a firm has to learn the competitor structure as much as possible. Thus, this could imply that competitive learning competency has a related effect on credit rating that the trait competitiveness relates positively to learning effort (Wang and Netemeyer, 2002). Under a learned orientation, a firm will adopt, adapt, and respond to patterns wherein negative feedback information that leads to persistence and essence in challenging achievement situations (Dweck, 1986).

Firm resource readiness (FR)

Regard to resource based view theory, resources emphasize the significance, especially when the role of firm's unique resources distinct competencies, it determines the magnitude of firm's capacity to manage innovation (Barney, 1986). The lack of enough resources may let a firm to become underprivileged that may lose market share to its competitors. The resource based view theory, by formulating dynamic capabilities, perspective which gives importance to those organizational processes which employ organizational resources. Normally, resources may refer to financial resources, human resources, and networking alliances (Teece, Pisano, and Shuen, 1997). Galunic and Anderson (2000) signifies that the importance of human capital for products and process improvements will lead ultimately towards higher performance. Furthermore, the high performance link to high level of credit trust (Kaewmungkoon, 2020). In other words, when a firm has resources ready, it would encourage a firm to earn higher profitability. And, finally, it will create the high level of credit trust as well.

Credit rating providence (CR)

Credit rating grade is an important symbol to attract an investor to be funder a firm because the high grade would represent the high level of the responsibility of a firm to manage stockholders' benefits that includes the interest for debts or bonds and the dividend for preferred or common stocks (Lieli and White, 2010). Credit rating grade will reflect how a firm able to manage a risk of losing investors' funds or benefits that the credit rating could be graded differently depend on the credit rating agencies' models. However, all agencies' models are graded based on the measurement of a firm's profitability (Ali and Smith, 2006; Hand, 2009). Step by step, the measurement of a firm's profitability are profits as result of the assets management (Finlay et.al, 2010). Additionally, a credit rating also relates to how a firm's cash management (Dodge, Pettit, and Bates, 1994) and how well a firm manages its capital structure (Walker and Petty, 1978; Cosh, Fu, and Hughes, 1994). In other words, a credit rating related to how a firm's CFO

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able to manage its investment in assets profitably and to repay its cost of debt and capital effectively which is called credit management (Peel, Wilson, and Howorth, 2000).

Control variables: Cooperates culture (CC)

Culture is a set of shared meaning that makes it possible for members of a group to interpret and act upon their environment (Schein, 1984). The corporate culture is also conceptualized in cooperates orientation under a culture view which defines culture as that which places interests through developing a norm for behavior to enhance and to respond to corporate knowledge (Slater and Narver, 1996). Thus, corporate knowledge is derived from analyzing customers and competitors, and disseminates knowledge throughout the organization (Kumar et al., 2013). Additionally, cooperates culture is described as a set of shared values that form the core identity of a firm and, thus, influence the way business processes and practices are carried out (Akaah, 1993; Deshpande and Farley, 1999; Wallach, 1983). Due to a culture type of shared values, the cooperates culture focuses on goal achievement and competitors (Deshpande and Farley, 2004). Furthermore, cooperates culture is also conceptualized by the cooperates orientation under a cultural view which defines culture as that which places importance on profitability and customer value maintenance as well as stakeholders' interests through developing a norm for behavior to enhance and to respond to firm's knowledge (Narver and Slater, 1995). Therefore, cooperates culture relates to firm's knowledge and stakeholders' interest that it may create the affection of the relationship in the antecedences of credit rating providence.

3.4 Reliability and Validity

In this research, we test reliability and validity of a questionnaire to check its qualities of a good instrument that it was conducted from the pilot test of thirty financial managers of IPOs firms in Thailand. This research employs evaluating reliability of measurement by using Cronbach's Alpha coefficient recommended that its value should be equal or greater than 0.70 as acceptation (Hair et al., 2012). Table 1 shows Cronbach alpha values are shown greater than 0.70.

Additionally, this research examined content validity and constructs validity of questionnaire. Content validity is used based on the extent to which a measurement reflects the specific intended content domain of the theoretical construct. This research requested two academic experts who have an experience in this area to review the instrument in order to ensure that the questionnaires used appropriate wordings and all constructs are sufficient to cover the contents of variables. It also used factor analysis to examine the construct validity of data in the questionnaire as shown in table 1 that the factor loading score is ranged from 0.561 to 0.904. As rule-of-thumb, the acceptable minimum cut-off score is 0.30 (Shevlin and Miles, 1998).

Thus, this questionnaire is validity and reliability for collecting data.

Table 1 Results of Measure Validation

Items	**Factor Loadings**	**Cronbach Alpha**
Proactive leadership (PL)	.708-.895	.850
Competitive learning competency (CL)	.770-.870	.823
Firm resource readiness (FR)	.771-.904	.855
Credit rating providence (CR)	.737-.866	.776
Cooperates culture (CC)	.561-.895	.788

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3.5 Statistical Techniques

This research employed several statistical techniques both descriptive and inferential statistical techniques including factor analysis, correlation analysis and simple regression analysis. Our models of the relationships are depicted as follows.

Eq. 1: $CR= \alpha_1+\beta_1 PL + \beta_2 CC+ \varepsilon$
Eq. 2: $CR= \alpha_2+\beta_3 CL+ \beta_4 CC +\varepsilon$
Eq. 3: $CR= \alpha_3 +\beta_3 FR+ \beta_5 CC +\varepsilon$

IV. RESULTS

4.1 Descriptive statistics and correlations

Additionally, the descriptive statistics and correlation matrix for all variables are shown in table 2. The results indicate that there might not be the potential problems relating to multicollinearity the intercorrelation between explanatory variables less than 0.80 (Berry and Feldman, 1985). However, this study, we employed simple regression analysis to run statistic results, therefore, the multicollinearity should not be a problematic. As shown in table 2, our model equations indicate the relationship between credit rating providence and its antecedent variables. The correlation matrix reveals significantly that proactive leadership ($r = .514, p < .01$), competitive learning competency ($r = .564, p < .01$), and firm resource readiness ($r = .454, p < .01$) correlated with credit rating providence.

Table 2 Descriptive Statistics and Correlation Matrix

	PL	CL	FR	CR	CC
Mean	4.246	4.136	4.089	4.161	4.322
S.D.	.544	.524	.419	.569	.537
Proactive leadership (PL)	1	.718**	.661**	.514**	.677**
		.000	.000	.000	.000
Competitive learning competency (CL)	.718**	1	.747**	.564**	.751**
	.000		.000	.000	.000
Firm resource readiness (FR)	.661**	.747**	1	.454**	.699**
	.000	.000		.000	.000
Credit rating providence (CR)	.514**	.564**	.454**	1	.459**
	.000	.000	.000		.000
Cooperates culture (CC)	.677**	.751**	.699**	.459**	1
	.000	.000	.000	.000	

4.2 Simple regression analyses

As mention earlier that in this study, we employed the simple regression analyses to test our hypotheses. First, we conducted simple regression analyses in comparing a firm attractiveness with good characteristic focus as seen in table 3. For model 1, regression result shows that the standardized coefficient of firm attractiveness is significant and positive ($\beta_1 =.289, p<.01$). The results offer an exhibit that a firm which has Proactive leadership positively influences credit rating providence as *Hypotheses 1*. To further test the hypotheses two, a researcher replaces proactive leadership with competitive learning competency as model 2. The results of the regressions present that competitive learning competency also positively related to credit rating providence ($\beta_3 =.403, p<.01$) which support of *Hypothesis 2*. Additionally, the regression as shown by Model 3 in Table 3 also reveals that Firm resource readiness has significantly positive relationship with firm attractiveness ($\beta_3 = .192, p < .05$) which support *Hypothesis 3*.

Table 3 The standardization of coefficient value from simple regression analysis of fundraising success

	Proactive leadership (PL)	Competitive learning competency (CL)	Firm resource readiness (FR)
	Model 1	**Model 2**	**Model 3**
Constant	2.171	2.150	2.358
Credit rating providence (CR)	.289** .001	.403** .000	0.192* 0.023
Cooperates culture (CC)	.159 .059	.063 .492	.216* .016
R-Square **N**	.287 118	.321 118	.245 118

V. DISCUSSION AND LIMITATIONS

This research attempted to advance the understanding of how a firm can utilize credit rating grade in the critical IPO process. Even though the SEC allows a firm to prepare their strong financial position only a few years under the IPO process, however, a firm would have to provide its strong financial history for long time before getting into IPO markets. Our findings are consistent with prior studies that have revealed the relative impact of credit rating grade obtaining other financial resources (Deb and Marisetty, 2010). Significantly, credit rating agencies are considered intermediaries of information as pursuing long-term evolution of a debt. Credit ratings agencies provide an assessment of the creditworthiness of issuers, which is essentially an assessment they made timely payment of debt, loans in general (Rousseau, 2009). Past studies have relied either the relationship that our research has actually been able to link how a credit rating providence be affected from vary variables. As expected, we found that a proactive leadership, a competitive learning competency, and a firm resource readiness can positive influence the level of credit rating providence at IPOs. With the application of signaling theory to the emerging phenomena of credit rating (Zimmerman, 2008; Vismara, 2016), this study provides evidence to support the signaling function through credit rating grade that could yield significant benefits for businesses. Also, a valuable addition to the emerging literature on various use of credit rating grade that has focused on trust and funder relationship management.

VI. CONCLUSION

In summary, the financial capital during IPO process is critical to a firm's sustainability and performance. In this research, we offer insight regarding the relationship between the antecedence and its affection of credit rating providence. This finding suggests that an IPOs firms need to realize the importance of being good characteristic of a leader to earn a higher credit rating grade that it will signal an investor's attraction to funding a firm. Furthermore, we also found that an ability of competitive learning also influences the level of credit rating as well as a readiness of firm resources. All these factors will reflect a firm's trust through a credit rating grade that it will finally cause the success in fundraising in IPO. We hope that this manuscript contributes to an ongoing discussion on utilizing new way of creating rating creation prior to and during a firm's IPO.

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