

## **CHAPTER II**

### **THEORETICAL BACKGROUND AND PREVIOUS RESEARCH**

#### **2.1. Theoretical Background**

##### **2.1.1. Capital Market**

According to Gitman and Joehnk (2002) capital market is market in which long-term securities such as bond and stock will involve in such transaction like sold and brought. Capital market also can be classified into 2 types, depend on whether securities are being sold initially by their issuing company or by intervening owners such as:

##### **a. Primary Market**

Primary market can be defined as the market in which new issues of securities are sold to the public for the first time. The main vehicle in primary market is Initial Public Offering (IPO) or the first public sale of a company's stock. Primary market also sells new securities or it can be called as seasoned new issues, for companies that are already public.

##### **b. Secondary Market**

Secondary market is market in which securities are traded after they already issued in primary market or it also can be called as aftermarket. In this market, it also facilitate for owners of securities to sell them to another.

Capital market will make a line of savings and investment between suppliers of capital such as retail investors and institutional investors, and also users of capital