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THE EFFECT OF GOING PUBLIC ON THE FINANCIAL PERFORMANCE OF SELECTED COMPANIES ON THE INDONESIAN STOCK BOURSE

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ABSTRACT

Every company that has gone public is expected to improve its performance. This is because the phenomenon of knowledge asymmetry and lower performance often occurs after the company goes public through the first stock offering. Increased agency costs, company size, window-dressing, and market issues before issuing shares are common causes of this problem. This study was conducted to see how the policy of going public affects the company's financial statements. The research method used by the researcher is a literature review research. The researcher chose to use the purposive sampling technique. The data used in this research is secondary data. The results of this study indicate that going public has no effect on the liquidity ratio. In the solvency ratio, there is a positive relationship between the financial performance of companies that have gone public with the financial performance of companies that have not gone public. Going public also has no effect on profitability ratios, the financial performance of companies that have gone public and those that have not gone public have no effect on the financial performance of companies that have gone public and those that have not gone public. However, going public has an influence on the activity ratio, financial performance of organizations that have gone public, and those that have not had a diminishing beneficial effect.

Keywords: Go Public, Liability ratios, Solvency Ratios, Profitability Ratios, Activity Ratios, and Financial Statements.

1. INTRODUCTION

The establishment of the company is carried out with the aim of maintaining business continuity and growing rapidly for a long period of time (Susanto *et al.*, 2021). However, only a few companies are successful in this process, because today's business world is developing very quickly, resulting in intense competition

among corporate actors. They all compete to be the best in their profession by using various means in order to survive and thrive in an increasingly competitive corporate environment. The company faces many challenges in implementing this plan, one of which is difficulty in obtaining money.

The company's alternative funding sources include internal and external sources (Peškauskaitë & Jurevičienë, 2017). In a sole proprietorship, the owner of capital usually consists of only a few investors. The addition of funds by investors does not always have implications for increasing ownership liquidity. If the company grows large, it will need additional funds to meet increased operations, and one way to do this is by going public.

Issuers' activities to offer and then sell issued shares to the general public, with the aim of providing input funds to issuers, are referred to as going public or initial public offerings (IPO) (Filatotchev *et al.*, 2018). Issuers carry out this activity with the public in accordance with the process regulated in the Capital Market Law and its Implementing Regulations. Because this decision will affect the entire structure of the company, Go Public or IPO is considered the first important stage in the evolution of the company (Izfs & Supriatna, 2019).

The company's decision to develop its business through Go Public is based on various factors, including financial and non-financial requirements (Pastusiak, Bolek, *et al.*, 2016). Whatever the motivation, the choice to go public will always have a financial, accounting, and operational impact on the company. Go public is a complex choice because it will cause new losses and costs (Hu *et al.*, 2020). In addition, companies that go public must bear a number of other implications, including the need to be more open and comply with capital market regulations regarding reporting obligations, as well as the obligation to increase company growth.

When a company has gone public, there is a place where the company can sell its first shares, the market is known as the capital market (Jiang *et al.*, 2020). The capital market is one of the places where long-term funds can be collected or obtained (Wahyudi & Sani, 2014). The corporation concerned can sell its shares to the general public in the capital market. Going public will be more efficient in the capital market because it makes it easy for corporations to raise funds and the public to buy shares.

Companies that have gone public are required to comply with the rules set by the stock exchange authority (in Indonesia it is BAPEPAM). According to the rules, companies must always provide or report any material events or

transactions, as well as compile and publish financial reports that are notified to BAPEPAM or shareholders on a regular basis. As long as a company goes public, these regulations must be carried out (Izfs & Supriatna, 2019).

Table 1: List of Companies conducting IPO in 2022

Number	*Company Name*
1.	PT Winner Nusantara Jaya Tbk
2.	PT Indo Boga Sukses Tbk
3.	PT Murni Sadar Tbk
4.	PT Teladan Prima Agro Tbk
5.	PT GoTo Gojek Tokopedia Tbk
6.	PT Sigma Energy Compressindo
7.	PT WIR ASIA Tbk
8.	PT Sepeda Bersama Indonesia Tbk
9.	PT Sumber Tani Agung Resources Tbk
10.	Pt Nanotech Indonesia Global Tbk

Source: Indonesia Stock Exchange official website

The performance of a corporation is also influenced by its business system and structure. The number of expenses not directly related to the company's business has an impact on its financial health and can lead to bankruptcy. Consequently, it is important for management, shareholders, and stakeholders to assess the success of the company as it affects their well-being. Management can assess financial performance in order to meet its obligations to fund employees and achieve company goals.

The company's financial statements can be used to evaluate the company's performance. Financial statements are the main information products and commodities created by the accounting process of an organization or company (Jha, 2019). The company's financial performance is usually measured through financial ratios such as the liquidity ratio, which is used to measure the company's ability to meet obligations, the solvency ratio is used to assess the company's ability to meet all of its debt obligations, both long term, and short term, and the profitability ratio is used to assess the company's ability company in generating profits, and the activity ratio used to determine how much money is spent on the company's operations (Zorn *et al.*, 2018).

Companies that go public must fulfill obligations related to information both before and after going public. Every company that has gone public is expected to improve its performance. This is because the phenomenon of

knowledge asymmetry and lower performance often occurs after the company goes public through the first stock offering. Increased agency costs, company size, window-dressing, and market problems before issuing shares are common causes of these problems (Pastusiak, Jasiniak, *et al.*, 2016). It can also be caused by failure to meet predetermined performance goals, resulting in bankruptcy.

This issue is one of the reasons why the topic of going public is so inspiring to researchers, investors, and decision makers. The many empirical and theoretical studies that have been carried out shows that it is necessary to evaluate the performance of the company's financial statements after becoming a public company. This is because the price of outstanding shares on the secondary market or stock exchange that does not directly reflect the value of the company will be affected if the company's performance after becoming a public company is not too good or bad. Therefore, this study was conducted to see how they go public policy affects the company's financial statements.

2. LITERATURE REVIEW

2.1. Company performance

Company performance is a representation of the company's overall status over a period of time, as well as a result or achievement impacted by the company's operational actions in employing its resources (von Bonsdorff *et al.*, 2018). Part or all of an organization's actions or activities in a period are measured against standard quantities such as historical or predicted expenses, on the basis of efficiency, management responsibility or accountability, and other factors.

Various indicators can be used to evaluate the performance of a company. The financial report prepared by the company is one of the indicators to evaluate the performance of a company. The financial position of a firm can be determined by looking at its financial statements, which are prepared in accordance with industry standards. A number of financial ratios may be constructed from these financial statements, which are often used to evaluate a company's performance. The performance of a firm can also be evaluated based on price movements and the company's stock returns on the stock exchange for companies that have IPO.

2.2. Financial Statements

Financial statements are key information products and commodities created by an organization's or company's accounting process (Achmad *et al.*, 2021). Its

objective is to offer information about the company's financial condition, performance, and financial position changes. The financial report consists of a profit and loss statement, a statement of changes in capital, and a statement of financial changes.

Financial statements are prepared to offer information about an enterprise's financial situation, performance, and changes in the financial position that can be used by a variety of users to make economic decisions (Purwanti, 2018). To be able to evaluate the company's potential to earn cash, as well as the timing and certainty of these results, information on the financial status, performance, and changes in financial position is critical.

2.3. Ratio analysis

Ratio analysis is a number that describes the relationship between financial statement items (Sugiharto Putri & Hardi, 2018). Ratio analysis can be considered from different perspectives depending on its significance. For example, ratio analysis is based on the data source from which the ratio was calculated, ratio analysis based on the analysis objectives, analysis based on short-term and long-term creditor goals, and ratio analysis from the perspective of shareholders and potential investors. Liquidity ratios, solvency ratios, profitability ratios, and activity ratios are all financial measures that can be used to evaluate a company's financial statements.

2.4. Previous research

Many studies have been conducted on going public, with the number of these studies increasing in recent years, such as Yusmaniarti (2020), the analysis of hypothesis testing shows that there is a difference in leverage 1 year before and 1 year after conducting an Initial Public Offering (IPO) in 2014 with a value of 0.05. Then with a significance value of 0.019, there is a difference in profitability 1 year before and 2 years before the Initial Public Offering (IPO) in 2015. While the results of other hypothesis tests indicate that there is no difference in liquidity, asset management, and market value between 1 year before and 1 year after IPO, as well as 1 year before and 2 years after the IPO in 2014, 2015, and 2016.

Randi Zulmariadi (2017) explains that the first hypothesis test reveals a substantial relationship between financial performance before and after the IPO as measured by the liquidity ratio. Testing the second hypothesis revealed that the solvency ratio revealed a substantial relationship between financial

performance before and after the IPO, which indicates that the second hypothesis of this study is accepted. The next hypothesis is accepted because the test results show that there is a strong relationship between financial performance before and after the IPO as measured by the profitability ratio. The results of the evaluation of the next hypothesis show that there is a substantial relationship between financial performance before and after the IPO as measured by the activity ratio, which implies that the fourth hypothesis of this study is accepted.

Ratu Dintha IZFS and Nono Supriatna (2019) explained that the trend of financial performance, showed an increase in profitability, liquidity, and growth ratios, but there was a decrease in the ratio of liquidity and activity. Only leverage and liquidity ratios appear to change before and after the IPO, according to Wilcoxon's Marked Rating Test results. While the other ratios do not appear to have a substantial difference despite an increase in value, the difference is not significant. The results of the Manova test show that there is no significant change in the company's performance after and before the IPO, as measured by the ratio of profitability, leverage, liquidity, activity, and growth.

3. METHODOLOGY

The research method used by the researcher is a literature review research. The researcher chose to use a purposive sampling technique because the sample taken in this study was the sample studied in this study were companies that went public in 2022. The purpose of using purposive sampling was to find out how the impact of the go public policy on the company's financial performance. The data used in this study is secondary data, namely data that is not obtained directly through intermediary media and is recorded by other parties, in this study obtained from the IDX in the form of financial statements of companies that went public in 2022 (Vidiyastutik & Rahayu, 2021).

4. RESULTS AND DISCUSSION

4.1. Initial public offering

Corporations that go public are commonly referred to as Initial Public Offering (IPO) companies. In Indonesia, an Initial Public Offering (IPO) refers to a stock being offered for the first time to the general public. Finally, going public refers to the sale of a company's stock to the general public. As a result, a go public company is an investment area that investors are actively considering.

Go public firms' public share offerings aren't done on the spur of the moment or simply sold. Public firms must sell their shares in accordance with the Capital Market Law and its Implementing Regulations. Public firms must also follow a number of laws established by Otoritas Jasa Keuangan (OJK) and IDX. These rules are available on the OJK and IDX official websites.

4.2. Definition of stock exchange

The stock exchange is essentially a market. This market, on the other hand, is concerned with the purchase and sale of securities in a publicly- traded firm. The stock exchange is a venue for buying and selling, whereas securities are an object that is traded at the place of sale and purchase, according to Law No. 8 of 1995 on the capital market. Securities such as stocks and bonds are among the securities under question.

The stock exchange itself is made up of a huge number of marketplaces and exchanges where corporate shares are bought, sold, and publicly issued on a daily basis. Stock exchanges provide a safe and controlled environment in which market participants can buy and sell stocks and other conforming products with little to no risk of losing money.

The following Table 2 shows various financial ratios before IPO and after IPO:

Table 2: Financial Ratio Analysis

Financial Ratio	*Before IPO*	*After IPO*
Liquidity Ratio	0.225	2.355
Solvency Ratio	11.874	12.235
Profitability Ratio	0.059	0.119
Activity Ratio	0.087	0.093

Source: processed data, 2022

4.3. Impact of Go Public on liquidity ratio

The ability to convert assets into cash or get cash is referred to as liquidity (Rahmany, 2013). Lack of liquidity prevents the company from getting profit opportunities. This is because the lack of liquidity will hamper the company's operational activities, thereby reducing profitability. The current ratio is one of the liquidity ratios (Estininghadi, 2019). The current ratio, which compares current assets to current liabilities, indicates a company's ability to manage its

cash flows. Higher profits can be generated through good fund management, which is indicated by a high ratio. A high current ratio indicates a reduction in current debt, which results in lower interest costs. Larger profits can be obtained by reducing interest expenses. Thus, an increase in the current ratio can lead to an increase in the company's profit in the future.

By using the liquidity ratio, the results of this study indicate that there is no substantial difference in financial performance between companies that go public and those that do not go public. It can be concluded that going public has no effect on the liquidity ratio. Research conducted by Susilowati (2013) supports this research.

4.4. Impact of Go Public on solvency ratio

The solvency ratio is the proportion of debt to the company's total assets (Kenton & Kindness, 2020). If the management as the person in charge of going public can create synergies, then the company's equity participation will be good and adequate to run the business and minimize the use of debt while reducing the burden of assets to guarantee debt (Debt ratio). Based on the table above, it can be concluded that there are differences in the financial performance of companies that have gone public with the financial performance of companies that have not gone public. Sen and Syafitri (2012) conducted a study that found substantial differences in the company's financial performance as measured by the debt-equity ratio, although the value decreased, this indicates that the company's financial performance improved after going public.

4.5. Impact of Go Public on profitability ratio

Management, as an agent in agency theory and as a servant in stewardship theory, is responsible for managing the organization, including maximizing profits (Harms *et al.*, 2019). In general, the company's profit level will increase after the merger and acquisition plan is implemented, because the size of the company will automatically grow along with the combination of assets, liabilities, and equity, and the profit that can be achieved will also increase.

The results of this study indicate that going public does not have a positive effect on profitability ratios. So it can be concluded that the financial performance of companies that have gone public and those that have not gone public have no effect on the financial performance of companies that have gone public and those that have not gone public. This study is similar to Nasir and Pamungkas

(2005), who did not find a significant difference in the company's financial performance before and after the IPO. They calculated that the average value of NPM after the IPO was lower than before the IPO, implying that the company's performance was deteriorating due to a decrease in revenue from each dollar of sales remaining after all costs and expenses were deducted.

4.6. Impact of Go Public on activity ratio

The activity ratio using the Total Asset Turnover formula is used to assess the company's potential in generating sales by utilizing all of its assets (Saputra, 2019). This ratio shows the company's efficiency in managing asset turnover. If a company cannot control the turnover of its own assets, it will experience problems in achieving the desired profit. As a result, the company may experience sales losses, but if the company can effectively manage its own asset turnover, it will be easier for the company to choose how much profit it wants. The activity ratio shows how much each asset contributes to generating sales. Total Asset Turnover has an effect on changes in the company's profitability where the faster the asset turnover, the more profits will be obtained because the company can already use these assets to increase sales which affects revenue.

This study shows that the activity ratio has a diminishing beneficial effect. The conclusion is that the financial performance of organizations that have gone public and those that have not had a beneficial effect are diminishing. According to research conducted by Dhamija and Arora (2017), only 38 out of 377 companies that went public survived their financial performance. This results in a decrease in the company's performance in the rest of the company.

5. CONCLUSION AND RECOMMENDATIONS

By using financial ratios, this study was conducted to see how they go public policy affects the company's financial statements. The sample of this research is companies that are still listed on the Indonesia Stock Exchange in 2022. liquidity ratios, solvency ratios, profitability ratios, and activity ratios are financial ratios.

Based on the results of research that has been done, it can be concluded that going public has no effect on the liquidity ratio. In the solvency ratio, there is a positive relationship between the financial performance of companies that have gone public with the financial performance of companies that have not gone public. Going public also has no effect on profitability ratios, the financial performance of companies that have gone public and those that have not gone

public have no effect on the financial performance of companies that have gone public and those that have not gone public. However, going public has an influence on the activity ratio, financial performance of organizations that have gone public and those that have not had a diminishing beneficial effect.

Therefore, the researcher recommends the companies to maintain the performance of the company's financial statements. Consumers will survive if a company can maintain the performance it already has. However, if consumers feel the company's performance is declining, then consumers will leave the company looking for another better company.

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