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DOES IPO IMPROVE COMPANY FINANCIAL PERFORMANCE: THE CASE OF INDONESIA.

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Abstract

This study aims to analyze the differences in financial performance of companies before and after an Initial Public Offering (IPO) in Indonesia. The study uses a quantitative approach with a comparative approach. The sample consists of companies that conducted an IPO on the Indonesia Stock Exchange in 2022, with an observation period of two years before the IPO (2020–2021) and two years after the IPO (2023–2024). The data used is secondary data obtained from the companies' annual financial reports. Financial performance is measured using liquidity ratios, leverage, profitability, activity, and asset growth. Analysis was conducted using nonparametric statistical tests to identify differences in financial performance before and after the IPO. The results show that an IPO causes significant changes in a company's financial performance, but the direction of these changes does not always indicate an increase. Most companies experienced a decline in profitability after the IPO, while asset growth tended to increase. These findings suggest that an IPO plays a more significant role as a means of funding and corporate growth rather than a direct determinant of improved financial performance. This study contributes to understanding the impact of an IPO on the financial performance of companies in Indonesia.

Keywords: Profitability, Initial Public Offering (IPO), Wilcoxon Signed-Rank Test

INTRODUCTION

An Initial Public Offering (IPO) is a strategic decision for a company that has the potential to change its financial structure and operational performance through additional equity. IPO proceeds are generally allocated for business expansion, capital expenditures, and capital structure strengthening, thus serving as a funding and growth instrument for the company. However, recent empirical findings indicate that the impact of an IPO on financial performance has not shown consistent results, particularly in the initial post-IPO period. Research in Indonesia found that an IPO caused significant changes in various financial ratios, although the increase in profitability was not always immediate (Dewi et al., 2024; Putri & Susilawati, 2025). Other studies also show that the influence of profitability ratios and capital structure on post-IPO performance varies across companies (Hidayati & Selvia Eka Aristantia, 2025). In Indonesia, studies specifically comparing pre- and post-IPO financial performance in the initial period following an IPO, particularly for companies conducting an IPO in 2022, are relatively limited. This is despite the fact that IPO funds during this period are generally allocated, as per the prospectus, for business expansion and debt repayment, potentially increasing assets and improving financial structure without immediately increasing profitability. Therefore, this study aims to analyze the differences in pre- and post-IPO financial performance of companies in Indonesia using the nonparametric Wilcoxon Signed Rank Test.

LITERATURE REVIEW

Post-IPO Company Performance

Corporate performance after an Initial Public Offering (IPO) has received attention in the financial literature because increased funding is not always accompanied by improved financial performance. Several studies have shown that companies tend to experience performance pressures, particularly in the short term after an IPO (Jain & Kini, 1994; Ritter, 1998). This raises questions about the effectiveness of public funds management. IPOs bring significant changes to a company's financial structure, such as increased assets and equity, and demands for greater transparency. However, these changes can also create operational and managerial pressures that impact a company's financial performance (Giudici & Vismara, 2021).

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Theoretical Perspective of IPO and Financial Performance

Post-IPO performance changes can be explained through several financial theories. Signaling theory states that an IPO is a positive signal regarding a company's prospects, although this signal is not always followed by improved financial performance (Spence, 1973). Agency theory explains that increased conflicts of interest after an IPO can affect the effectiveness of IPO fund management and lead to decreased performance (Jensen & Meckling, 1976). Meanwhile, pecking order theory suggests that an IPO as a source of equity funding plays a greater role in improving capital structure than increasing short-term profits (Myers & Majluf, 1984).

IPO and Changes in Financial Ratios

Changes in financial performance after an IPO are reflected in a company's financial ratios. Profitability ratios such as ROA, ROE, and NPM tend to decline due to increases in assets and equity that have not been accompanied by comparable profit growth (Jain & Kini, 1994; Mikkelson et al., 1997). Conversely, leverage ratios such as DER and DAR tend to decline, indicating improvements in the company's capital structure (Myers & Majluf, 1984). On the liquidity side, the CR and QR ratios have the potential to increase due to additional IPO funds, although this increase may be temporary if the funds are immediately used for business expansion (Gitman & Zutter, 2015). Furthermore, activity ratios such as TATO often show a decline due to faster asset growth compared to sales growth (Mazumder & Saha, 2021).

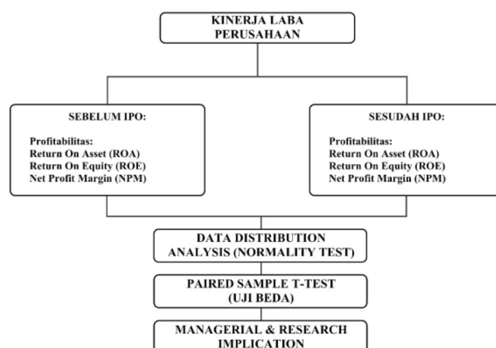
IPO and Company Growth

An IPO provides an opportunity for companies to scale their businesses, reflected in asset growth. Post-IPO asset growth demonstrates a company's success in raising public funds, but it is not always accompanied by increased efficiency and profitability in the short term (Ritter, 1998). Therefore, company growth needs to be analyzed in conjunction with changes in other financial ratios.

The Importance of Pre-Post IPO Comparison

Several empirical studies have used a comparative pre-post-IPO approach to assess changes in financial performance by measuring liquidity, leverage, activity, and profitability ratios before and after an IPO. Juliana & Sumani (2019) found significant differences in several key ratios after an IPO in a sample of Indonesian companies. Wildan Yahya et al. (2023) used CR, DER, TATO, and ROE ratios to measure changes in post-IPO performance on the IDX. Therefore, this study focuses on conducting a difference test on six key indicators (CR, QR, DER, ROA, ROE, NPM, TATO) to assess whether there are significant changes after a company's IPO.

Theoretical Framework



METHODS

Sampling

This study uses a quantitative approach with a comparative design to analyze differences in company financial performance before and after an Initial Public Offering (IPO). The study population includes all companies conducting an IPO on the Indonesia Stock Exchange (IDX) in 2022. The unit of analysis in this study is the companies conducting the initial public offering. This study uses a quantitative approach with a comparative design to analyze differences in company financial performance before and after an Initial Public Offering (IPO).

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The study population includes all companies conducting an IPO on the Indonesia Stock Exchange (IDX) in 2022. The unit of analysis in this study is the companies conducting the initial public offering.

Data Collection

The data used in this study is secondary data obtained from companies' annual financial reports. Financial reports were accessed through the official website of the Indonesia Stock Exchange (www.idx.co.id) and the official websites of each company. Data were collected documentarily by recording relevant financial information to calculate pre- and post-IPO performance ratios. The use of secondary data is considered appropriate because it is objective, verifiable, and commonly used in corporate financial research.

Measures

The test was conducted by comparing the average financial ratios before the IPO (2020–2021) and the average financial ratios after the IPO (2023–2024) for each company, so that each company became an equal pair of observations. The selection of liquidity, leverage, profitability, activity, and growth ratios was based on their ability to comprehensively reflect changes in the company's financial condition after the IPO. These ratios are commonly used in post-IPO financial performance research because they are able to describe the effectiveness of public fund management and the company's operational efficiency . The measurement formula for each ratio is as follows:

Financial Ratios		
Index	Variables	Measurement
Profitability	Return on Asset	(Net Income/Total Assets) x 100
	Return on Equity	(Net Income/Total Equity) x 100
	Net Profit Margin	(Net Income/Sales) x 100
Liquidity	Current Ratio	(Current Assets/Current Liabilities) x 100
Leverage	Debt to Asset Ratio	(Total Liabilities/Total Assets) x 100
Activity	Total Asset Turnover	(Sales/Total Assets) x 100
Growth	Asset Growth	((Total Assets $_t$ - Total Assets $_{t-1}$)/(Total Assets $_{t-1}$)) x 100

The data analysis technique in this study uses inferential analysis through the Paired Sample t-Test to identify whether there are significant differences in profitability ratios before and after a company's initial public offering (IPO). The use of the Paired Sample t-Test requires that the difference between the two data sets follow a normal distribution. If the normality assumption is not met, the analysis is continued with a non-parametric method, namely the Wilcoxon Signed Rank Test, as a more appropriate alternative. The findings from these two types of tests serve as the basis for assessing whether the IPO has a significant impact on changes in the company's financial performance.

RESULT

Normality Test

The Shapiro-Wilk normality test is performed prior to hypothesis testing to determine the most appropriate analysis method between the paired sample t-test and the Wilcoxon signed rank test. If both pre- and post-IPO data sets are normally distributed, the paired sample t-test is used for analysis. However, if both data sets are not normally distributed, the Wilcoxon signed rank test is chosen as a more appropriate alternative test.

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Table 1.1 Shapiro-Wilk Normality Test for Companies Conducting IPOs in 2022

Test of Normality

Variables	Sig. Shapiro-Wilk	Data Distribution
Roa_Pre	<0.001	Abnormal
Roa_Post	<0.001	Abnormal
Roe_Pre	<0.001	Abnormal
Roe_Post	<0.001	Abnormal
Npm_Pre	<0.001	Abnormal
Npm_Post	<0.001	Abnormal
Cr_Pre	<0.001	Abnormal
Cr_Post	<0.001	Abnormal
Dar_Pre	<0.001	Abnormal
Dar_Post	<0.001	Abnormal
Tato_Pre	<0.001	Abnormal
Tato_Post	<0.001	Abnormal
Ag_Pre	<0.001	Abnormal
Ag_Post	<0.001	Abnormal

Source: Data processed by researchers (SPSS output) 2025.

The results of the Shapiro–Wilk normality test showed that all financial performance variables, both before and after the IPO, had a significance value of less than 0.05. This indicates that the research data is not normally distributed. This abnormality in data distribution reflects the high variation in financial performance across sample companies, caused by differences in business scale, industry sector, and post-IPO fund management strategies. Furthermore, companies conducting an IPO generally experience a surge in assets and equity within a relatively short period, while sales and profit increases are not proportional. This condition leads to the emergence of outliers in several financial ratios, particularly profitability and activity ratios. Therefore, post-IPO financial performance data tends to be heterogeneous and does not follow a normal distribution pattern. Based on these results, the hypothesis testing in this study did not use parametric methods, but instead used the nonparametric Wilcoxon Signed Rank Test. The Wilcoxon test was considered more appropriate because it does not require data normality and is more robust in dealing with data containing outliers, thus providing more reliable results in terms of differences in financial performance before and after the IPO.

Wilcoxon Signed-Rank Test

The Wilcoxon Signed-Rank Test is used to test whether there is a significant change in a variable when the preceding and postceding data are not normally distributed. In this test, Wilcoxon does not calculate the difference in means like a t-test, but rather calculates the difference in values for each pair and then assigns a rank based on the magnitude of the difference, while taking into account whether the change is positive or negative.

Table 1.2 Shapiro-Wilk Normality Test for Companies Conducting IPOs in 2022

indicator	Direction of Change Dominant	Z-Score	Sig. (2-tailed)	Decision
ROA	Increase	-10,571	<0.001	Significantly Different
ROE	Increase	-3,647	<0.001	Significantly Different
NPM	Decrease	-6,322	<0.001	Significantly Different
CR	Decrease	-12,418	<0.001	Significantly Different
DAR	Decrease	-5,674	<0.001	Significantly Different
TATTOO	Decrease	-12,773	<0.001	Significantly Different
Assets Growth (AG)	Increase	-5,597	<0.001	Significantly Different

Source: Data processed by researchers (SPSS output) 2025.

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The Wilcoxon Signed Rank test results show that all financial performance indicators exhibit statistically significant differences between the pre- and post-IPO periods. This finding indicates that an IPO is a corporate event that brings significant changes to a company's financial condition, although the direction of change is not uniform across all ratios. In the Profitability Indicator, Return on Assets (ROA) and Return on Equity (ROE) showed an increasing trend after the IPO. This indicates that some companies were able to utilize the additional capital from the IPO to improve the efficiency of asset and equity use. However, Net Profit Margin (NPM) actually decreased, indicating that the increase in profit was not commensurate with sales growth or the increase in operating costs post-IPO. This condition indicates that despite the increase in business scale, cost pressures and operational adjustments post-IPO can suppress companies' profit margins.

In terms of liquidity, the Current Ratio (CR) showed a significant decline. This finding indicates that IPO proceeds were not fully retained as current assets, but rather used for business expansion, investment, or the settlement of certain liabilities. The decline in liquidity post-IPO indicates that the company is focusing more on using funds for productive activities than maintaining its short-term cash position. In terms of capital structure, the decrease in the Debt to Asset Ratio (DAR) reflects the Company's reduced reliance on debt-based funding after the IPO. Additional equity from public funds improves the Company's capital structure and lowers its leverage level, which theoretically reduces the Company's financial risk. Meanwhile, the significant decrease in Total Assets Turnover (TATO) indicates that the post-IPO increase in assets was fully accompanied by an increase in sales. This indicates a time lag between new asset investments and the realization of the resulting revenue. Conversely, Asset Growth (AG) showed a significant increase, confirming that the IPO successfully drove the company's asset growth, although this was not fully offset by improvements in efficiency and profitability.

DISCUSION

The research results show that IPOs have a significant impact on a company's financial performance. However, the changes in financial ratios do not fully reflect short-term performance improvements, but rather indicate a post-IPO adjustment phase. The decline in several profitability and efficiency ratios indicates that IPO proceeds were primarily allocated to expansion and operational strengthening, resulting in unrealized benefits to profit and efficiency. Conversely, improvements in the capital structure and increased asset growth reflect the success of the IPO as a source of funding to support company growth. This finding is in line with the information on the use of IPO funds listed in the company prospectus, where funds are generally allocated for capital expenditure, business expansion, and partial repayment of liabilities, so that the impact on profitability is medium to long term. Thus, IPOs serve more as a funding instrument to drive growth and corporate financial restructuring, rather than as a means of instantly increasing profitability.

CONCLUSION

This study concludes that Initial Public Offerings (IPOs) do not consistently improve the financial performance of companies in Indonesia. The results show differences in financial performance before and after an IPO, but the direction of these changes does not always lead to improvements, particularly in profitability indicators. Most companies experienced a decline in profitability ratios after their IPOs, indicating that increases in assets and capital were not accompanied by a proportional increase in profits. This suggests that IPOs functioned more as a funding mechanism than as a direct determinant of improved financial performance. Thus, the impact of an IPO depends heavily on the company's internal preparedness and strategy for utilizing the funds raised. Therefore, companies need to manage IPO funds effectively, while investors are advised to continue relying on fundamental analysis, as an IPO does not guarantee improved financial performance in the short term.

LIMITATION

This study has several limitations that should be considered when interpreting the results. First, the observation period used is relatively limited, namely two years before and two years after the IPO. This period does not fully capture the long-term impact of the IPO on a company's financial performance, so the results are more reflective of the short- to medium-term conditions after the IPO. Second, this study only uses financial ratios as indicators of company performance. Although financial ratios provide an objective quantitative picture, this approach does not consider non-financial factors such as management quality, business strategy, industry conditions, and macroeconomic factors that could potentially influence company performance after the IPO. Third, the study sample is limited to companies conducting IPOs on the Indonesia Stock Exchange in 2022. Therefore, the results of this study cannot be broadly generalized to all IPO companies in different periods or in capital markets in other countries, as company characteristics and market conditions can vary. Fourth, the analytical method used

focuses on examining differences before and after the IPO, so this study does not examine causal relationships or the influence of other factors that could simultaneously influence changes in company financial performance.

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