



Analysis of the Purpose of Use of Funds on the Performance of Companies Conducting Initial Public Offerings (IPO) in 2016-2020

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ABSTRACT

One of the objectives of a company conducting an IPO is to obtain long-term funding and short-term funding without being burdened by interest. As mentioned earlier, the company was founded for the company's sustainability in the long term related to capital such as acquisitions, investments, paying debts, expanding, and many others. Not only in the initial release of shares to the capital market, the ease of obtaining capital will also apply in the future. Several things can be done by companies after carrying out an IPO such as private placement, secondary offering, or through a limited public offering. The first hypothesis found that fixed asset investment partially has a significant effect on profitability. The second hypothesis found that working capital financing has a significant effect on profitability in IPO companies for the 2016-2020 period. The results of testing the third hypothesis found that investment in share of stock partially has a significant effect on profitability. The results of testing the fourth hypothesis found that debt repayment partially has no significant effect on profitability. And the results of testing the fifth hypothesis found that leverage has no significant effect on profitability

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INTRODUCTION

The company was founded with the aim of obtaining profit or profits from its business. Profits are obtained to maintain business continuity and the development of established businesses. In addition to the profit earned, the company also needs capital so that the company can develop properly. Companies can obtain capital from loans, issuing bonds, or by conducting an Initial Public Offering (IPO) or commonly referred to as going public. Companies need large and large sources to maintain their existence, one of the ways is through an IPO (Adrianto, 2021).

According to Ritter (2018) Initial Public Offering (IPO) occurs when shares are sold to the general public for the first time, with the hope that a liquid market will develop. According to Izfs & Supriatna (2019) Initial Public Offering (IPO) is a legal term planned for the implementation of a

guarantor to offer and ultimately sell the protection he has provided as an offer or protection to people in general, with the aim of contributing assets to underwriters, both for different exercises, desired by the guarantor.

One of the goals of companies conducting an IPO is to obtain long-term funding and short-term funding without being burdened by interest. As mentioned earlier, companies are established for the long-term sustainability of companies related to capital such as acquisitions, investments, debt repayments, expansion, and much more. another. Not only in the initial release of shares to the capital market, the ease of obtaining capital will also apply in the future. Several things can be done by companies after carrying out an IPO such as private placement, secondary offering, or through a limited public offering.

Companies that decide to carry out an IPO on the stock market certainly have strategies that will be used to improve the company's performance. But the fact is that many companies have experienced a decline in performance when they have carried out an IPO. Based on this research, most of the decline in organizational performance after an Initial Public Offering is caused by an increase in organizational costs, organizational size, window-dressing and furthermore due to market timing issues before bidding. This can also be done because the choice of being open to the world is a confusing choice, which will then lead to new misfortunes and expenses (Ilyas and Suhartono, 2013).

Several previous studies have shown a trend in company performance after carrying out an IPO. One of the findings is from Izfs (2019). He found that of the 13 companies studied, there was an increase in company performance after the IPO. The ROE value, which is a measure of performance after the IPO, has increased with a positive value.

The results are the same as the findings of Agustinus (2018), who conducted a study of 45 companies that conducted IPOs on the Indonesia Stock Exchange from 2013 to 2017. The results showed that after the initial public offering, most of the company's equity returns increased compared to before the IPO. in the opinion of Gill de (2004) found that the company's ROE decreased after the IPO was carried out. With the differences in the findings above, the researcher was interested in conducting research on company performance as seen from the company's ROE.

According to Andriansyah & Messinis (2016) the purpose of using funds is classified into four categories, namely fixed asset investment, working capital financing, investment in share of stock, secondary share, and dept repayment. Comprehensive and clear disclosure of information regarding the use of IPO proceeds, especially in the investment classification, will attract investors' interest (Autore et al., 2009). The plan for using IPO funds in this study will focus on plans for using IPO funds for fixed asset investment, working capital financing, investment in share of stock, and dept repayment.

Research conducted by Ony (2015) states that fixed asset investment has a significant influence on company profitability. This influence is expressed in the category of "very close relationship" and the nature of the relationship is unidirectional, meaning that the greater the fixed asset investment, the greater the company's profitability. However, the results differ from research by Okwo et al., (2012), finding that the use of fixed assets does not have a strong impact on profitability, because high fixed costs can deplete a company's profits, especially if sales fall.

Morshed's research (2020) suggests that working capital management and financing have the most significant impact on profitability. This policy will reduce risk and aggressive returns. These results are supported by Pais, & Gama (2015), Banos-Caballero (2016), Purwoto (2021) and Altaf & Shah (2018). Gonçalves (2018) found the same results, that there is a significant relationship between working capital and profitability. This shows that companies can increase profitability by managing working capital efficiently. If companies manage their working capital in a more efficient way, it means companies can create value for their shareholders.

Investment in share of stock, namely the percentage share of the total capital results obtained when the company conducts an IPO as a capital contribution to subsidiaries and other companies

which includes the addition of subsidiary shares (Andriansyah & Messin, 2016). The purpose of investing in shares by the company is to increase the company's profits from the company's capital used. In other words, the company will roll back its capital to increase profits or gains in the stock market.

The first study to examine the operating performance of IPO firms was conducted by Jain & Kini (1994). They analyzed changes in the operating performance of 682 IPO firms in the US for the period 1976 to 1988. They found significant declines in both measures of operating performance for periods of three to five years after the IPO to one year before the IPO. They argue that the post-IPO decline in operating performance cannot be attributed to reduced business activity such as a lack of post-IPO sales growth or cuts in capital expenditures. Similar findings were also found by Chan et al. (2003) for Chinese IPO firms.

In a later study conducted by (Ahmad-Zaluki, 2009), this study found strong evidence of a decline in performance relative to the year of the IPO and up to three years after the IPO against the pre-IPO period. This finding is consistent with the results of previous studies documenting poor long-term performance length of IPO companies. These results also confirm that the decline in post-IPO operating performance was due to profit manipulation by the IPO manager when it went public.

Furthermore, research conducted by (Andriansyah & Messinis, 2016) shows that post-IPO performance can be explained by the company's motivation for IPO issues with the capital motive being the main driver of good performance in Indonesia. Investments in fixed assets and stock market lead to better performance while other uses lead to poor performance. The results are robust to account for ownership structures and alternative classifications. These results have policy implications for the management of IPO proceeds.

In addition to underperformance after the company went public, there are also several studies which show an increase in company performance, namely Thakur & Singh (2012) which shows an increase in performance due to the underwriter at the time of the IPO who was a highly investment bank and research conducted by Rachmaniar & Norita (2012) which shows that there is an increase in company performance due to additional capital. This is the problem with this research being carried out because of the different results by previous researchers.

Then a study conducted by Yuliarni et al., (2016) on 34 IPO companies in the financial sector, showed that the average company performance was better before carrying out an IPO. This indicates that there are differences in company performance before and after carrying out an IPO, besides that the results of this study prove that company performance after an IPO tends to decline.

This study focuses on analyzing the operational performance of companies that have IPOs from 2016 to 2020. With the many empirical and theoretical studies that have been conducted, it can be ascertained that the assessment of the operational performance of companies after the IPO is also important because if the operational performance of a company after becoming a public company is not good or bad, it will affect the price of shares circulating in the secondary market or stock exchange, the price of these shares does not directly reflect the value of the company.

RESEARCH METHOD

Types of research

This kind of exploration is a quantitative methodology. Quantitative methodology is a methodology that emphasizes testing speculation or speculation through assessing research factors in numbers (quantitative) and directing information checks and carrying out static and demonstration strategies that are appropriate (Sekaran, 2011). Descriptive referred to here is research that plans to understand current oddities by utilizing numbers.

Population and Sample

a. Population

According to Sekaran (2016) Population 'refers to all groups of people, events, or things that are 'interesting that researchers want to investigate. This is a group of people, 'events, or interesting things that researchers want to make 'conclusions. Based on' From this understanding, it can be concluded that the population is not only people, but also other objects and natural objects. The population is not just the number of objects/subjects being studied, but includes all the characteristics/traits possessed by the subject under study. .

b. Simple

The sample is part of the population. It consists of several members selected from it. By other means 'some, but not all,' elements of the population make up the sample. If the population is large, and it is impossible for the researcher to assume that you concentrate on everything in the community, for example due to limited resources, manpower and time, the specialist will take an example from that community. What is obtained from the examples, in the end will be applied to the people. Thus, tests taken from the population must really be delegated (Sekaran, 2016).

Data collection technique

The procedure for 'information collection' in this study is complemented by a documentation strategy, namely 'by recording or archiving information, for example financial reports in accordance with the required information which is listed on the Indonesian Stock Exchange obtained from the website'www.idx.co.id.

RESULTS AND DISCUSSIONS

Descriptive Statistics

This study aims to examine the effect of independent variables including fixed asset investment, working capital financing, investment in share of stock, and dept repayment as well as leverage control variables on profitability as the dependent variable with a measure of return on equity (ROE). The total data collected in this study is in In this study, there were 133 observations (133 companies x 1 year of observation) for all variables. Based on the processing results, a statistical picture of each variable is obtained which is presented in table 4.1 below.

Table 1.Research Variable Descriptive Statistics

	Profit	FAI	WCF	ISOS	DP	Lev
Means	6.1549	28.0568	36.0006	18.0934	10.0156	1.9668
Maximum	46.04	100.00	100.00	100.00	90.00	35.20
Minimum	-27.90	0.00	0.00	0.00	0.00	0.03
std. Dev.	11.42519	35.33630	34.90383	33.78906	19.56276	3.76432
Observations	133	133	133	133	133	133

Source: SPSS 22.0 output

In table 1 it can be seen that the maximum value for the profitability variable is 46.04 by PT Sumber Global Energy (SGER) Tbk 2020. While the minimum value is -27.90 by PT Marga Abhinaya Abadi Tbk (MABA) Tbk in 2017. The first variable studied is fixed asset investment in this case the lowest value for fixed asset investment is 0.00 or 0%, the results of the minimum fixed asset investment test prove that not all IPO companies use their funds to invest in fixed assets, where the minimum value is generated by PT Bintang Oto Global Tbk (2016), PT Syariah Life Insurance Jasa Mitra Abadi Tbk (2017), and PT Mega Perintis Tbk (2018). Then the maximum value is 100.00 or 10.000% by PT Satria Mega Kencana Tbk (2018). The average value of fixed asset investment is 28.0568 or 2805.68% with a standard deviation of 35.336 or 3533.6%,

The second variable studied is working capital financing, in this variable the minimum value is 0.00 or 0% by PT Capital Financial Indonesia (2016) Tbk, the minimum working capital financing

test results show that the use of funds for working capital by IPO companies is still not widespread. In some companies there are company management who do not use their funds for working capital at all, so that the statistical test results obtained a minimum value of 0%. The maximum value generated is 100.00 or 10.000% by PT Buyung Petra Sembada Tbk (2017). The average value is 36.0006 or 3600.06% with a standard deviation of 34.9038 or 3490.38%. This value shows that the average use of IPO funds for working capital financing owned by companies is very small, in fact most of them are zero.

For the next factor, namely investment in share of stock, where the minimum value is 0.00 or 0%, this proves that the use of IPO company funds for investment in the lowest stock market of the sample companies is 0%, this result is owned by PT Prodia Widyahusada Tbk 2016. As for the maximum value is 100.00 or 10.000%, meaning that there are companies in the sample whose IPO funds are all used for investing in the stock market. This result is owned by PT MAP Boga Adiperkasa Tbk (2017). The average value obtained is 18.0934 or 1809.34% with a standard deviation of 33.78906 or 3378.906%.

The dept repayment variable, in the results of the descriptive statistical test, the maximum value for the dept repayment variable is 90.00, which means that almost all of the IPO proceeds were used to pay the company's debts. The maximum value result is owned by PT MAP Active Adiperkasa Tbk 2018. The minimum value is 0.00 or 0% by PT Paramita Bangun Sarana Tbk 2016 which means the company does not use an IPO for debt payments. Overall the company has an average value of 10.015 or 100.15%. Meanwhile, the standard deviation is 19.56276.

The last variable is Leverage as measured by DER. Where a minimum value of 0.03 was obtained by PT Sanurhasta Mitra Tbk in 2017. The maximum value was 35.20 by PT Capital Financial Indonesia Tbk 2016. The average value obtained was 1.9668 with a standard deviation of 3.76432.

Classic assumption test

a. Normality test

To detect whether the residuals are normally distributed or not, a normality test is used. The test used in this study is Kolmogorov Smirnov to see whether the data is normally distributed or not.

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		133
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	10,89008373
Most Extreme Differences	Absolute	,109
	Positive	,109
	Negative	-,099
Kolmogorov-Smirnov Z		1,256
Asymp. Sig. (2-tailed)		,085

a. Test distribution is Normal.

b. Calculated from data.

Image 1.Normality test

From the table above the results of the Kolmogorov Smirnov test have a significance value or p value of 0.085 greater than 0.05. Thus the data in this study are normally distributed

b. Multicollinearity Test

The multicollinearity test is a situation where there is a correlation of independent variables between one another. The variance inflation factor is used to detect symptoms of multicollinearity between independent variables in this test. Based on the tests that have been carried out, the VIF obtained from each independent variable can be seen in table 4.2 below:

Table 2.Multicollinearity Test Results

Variable	VIF
Fixed asset investment	4,084
Working capital financing	4.156
Investment in share of stock	3,788
repayment dept	2031
Leverage	1028

Source: Output SPSS 22.0

Based on the table above, it is found that each independent variable has a VIF value below 10, this proves that there is no strong correlation between variables. So that these five variables can be used for observations in predicting their effect on profitability.

c. Heteroscedasticity Test

This test is to see whether in the regression model there is an inequality of variance of the residuals between observations. Heteroscedasticity testing uses the glacier test by looking at the scatterplot graph on the SPSS output.

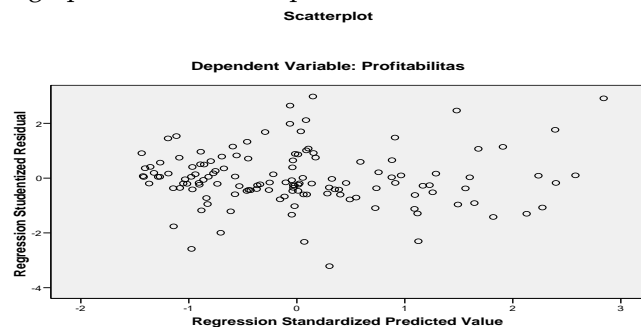
**Figure 2.**Heteroscedasticity Test

Figure 2 above shows that the variable fixed asset investment, working capital financing, investment in share of stock, and dept repayment as well as the leverage control variable can be said to have no heteroscedasticity, this is because the details in the figure are above and below zero, so the assumptions classic fulfilled.

Autocorrelation test

The autocorrelation test is used to test whether in the linear regression model there is a relationship between client errors in period 1-1 (then). To test autocorrelation tends to be seen from the Durbin Waston (DW) esteem.

Table 3.Autocorrelation test

Model	Durbin-Watson
1	1,757

Source: Output SPSS 22.0

Table 3 above shows that the fixed asset investment, working capital financing, investment in share of stock, and dept repayment variables and the leverage control variable are said to have no autocorrelation, this is because the Durbin Watson value is $-2 < 1,757 < 2$, so it doesn't happen autocorrelation, then the classical assumption is fulfilled.

Determination Test (R²)

Tests were carried out to see how the model's ability to explain variations in the dependent variable therefore needed a determination test (R²). This can be done to find out good accuracy in the analysis as seen from the magnitude of the coefficient of determination R-Squared.

Table 4.Determination Test Results (R2)

Weighted Statistics	
R-squared	0.091
Adjusted R-squared	0.056

From the research, it was obtained that the R-Squared results of 0.091 independent variables, the variable fixed asset investment, working capital financing, investment in share of stock, and dept repayment, as well as the control variable leverage, were able to explain the dependent variable (profitability) of 9.1% and the rest was explained by other variables, namely by 90.9%.

Simultaneous Significance Test (F Test)

This test is to find out how the effect of the independent variables simultaneously affects the dependent variable. This test is carried out by observing the F value at the α level of 0.05. The equation model is said to be feasible, if the significance of F is <0.05 . On the other hand, the equation model is not feasible if the significance of F is > 0.05 , meaning that there is no simultaneous influence of the independent variables on the dependent variable.

Table 5.Simultaneous test results (Test F)

Weighted Statistics	
F-statistics	2,557
Prob (F-statistic)	0.031

The table above calculates the F value of 2.557 with a probability value of 0.031 <0.05 , meaning that it includes fixed asset investment, working capital financing, investment in share of stock, and dept repayment as well as the leverage control variable simultaneously influencing profitability.

Partial Significance Test (T Test)

This test is used to explain whether or not there is an effect of fixed asset investment, working capital financing, investment in share of stock, and dept repayment as well as leverage control variables on the dependent variable, namely profitability. The independent variable has a significant effect on the dependent variable if the significant value is <0.05 . Conversely, the independent variable has no significant effect on the dependent variable if the significant value is > 0.05 . To find out the t-count value can be seen through the following table of t test results:

Table 6.Multiple Regression Results

Variable	coefficient	t-count	P-Value	Information
Constant	17.154	3,471	0.001	
Fixed asset investment	-0.146	-2,650	0.009	Significant
Working capital financing	-0.113	-2008	0.047	Significant
Investment in share of stock	-0.160	-2,870	0.005	Significant
repayment dept	-0.051	-0.728	0.469	Not significant
Leverage	0.302	1.159	0.249	Not significant

Based on the T-test table above, it shows that if all independent variables are considered zero, the company's profitability will be worth 17,154. This constant indicates that it is difficult for companies to increase the profitability of a company without an independent variable. In table 6 above, it is found that the Fixed Asset Investment variable has a significance level of 0.009 <0.05 , then H_0 is rejected and H_1 is accepted as the decision. This explains that Fixed asset investment has a significant effect on profitability in IPO companies for the 2016-2020 period. The working capital financing variable is 0.047 <0.05 , so the decision H_0 is rejected and H_2 is accepted. This explains that working capital financing has a significant effect on profitability in IPO companies period 2016-2020. Obtaining the third hypothesis test, the investment in share of stock variable has a probability value of 0.005 <0.05 . This explains that investment in share of stock has a significant effect on profitability in IPO companies for the 2016-2020 period. In accordance with the hypothesis

testing above, the Dept. repayment variable with a probability value of $0.468 > 0.05$. It is concluded that dept. repayment has no significant effect on profitability in IPO companies for the 2016-2020 period. Furthermore, testing the Leverage control variable hypothesis. In the table, the probability value is $0.249 > 0.05$, where H_0 is accepted and H_6 is rejected. This means that the Leverage variable has a significant effect on profitability in IPO companies for the 2016-2020 period where H_0 is accepted and H_6 is rejected. This means that the Leverage variable has a significant effect on profitability in IPO companies for the 2016-2020 period where H_0 is accepted and H_6 is rejected. This means that the Leverage variable has a significant effect on profitability in IPO companies for the 2016-2020 period

Discussion

a. The Effect of Fixed Asset Investment on Profitability

The results of the regression test in Table 4.5 show that the coefficient value of Fixed Asset Investment is -0.146 and a significant value is 0.009 , this means that the Fixed Asset Investment variable has a significant influence on profitability. These results indicate that the higher the use of IPO funds for fixed asset investment, the higher the company's profitability. These results are supported by the findings of Jeklin (2016), where the results obtained are an increase in fixed asset investment with a percentage increase in profitability. According to him, profits earned by companies cannot be separated from the role of fixed assets used in company operations.

b. Effect of Working capital financing on Profitability

In the tests carried out, it is shown in table 4.5 that the Working capital financing variable has a coefficient value (β) of -0.113 and a significance of 0.047 , this means that working capital financing has a significant effect on profitability. Thus, the higher the use of funds for working capital financing in the company, the greater or higher the company's profitability will be. The results obtained accept the previous hypothesis which states that working capital financing has a positive and significant effect on profitability.

This is in accordance with agency theory and signaling theory, where between working capital management and profitability there is a relationship that influences each other (Brigham and Houston, 2018). Where, the main objective of working capital management is to maximize company value (Shah & Arif, 2018). Efficiency in managing working capital can increase profitability (Rasyid, et al., 2018).

These results are supported by the findings of Morshed (2020) and (Singh & Kumar, 2017) where working capital is a very important decision for the company, the company's working capital investment policy has an impact on higher company profitability. In line with the findings of Pais, & Gama (2015), Banos-Caballero (2016), (Purwoto, 2021), (Altaf & Shah, 2018) and Gonçalves (2018) found the same results, that there is a significant relationship between working capital and profitability.

c. The Effect of Investment in share of stock on Profitability

In the tests carried out, it is shown in table 4.5 that the variable investment in share of stock has a coefficient value (β) of -0.160 and a significance of 0.005 , this means that investment in share of stock has a significant effect on profitability. Thus, the higher the use of funds for investment in the stock market in the company, the greater or higher the company's profitability. The results obtained accept the previous hypothesis which states that investment in share of stock has a significant effect on profitability.

In line with Leone's research (2007) the use of proceeds or funds with the aim of growth, production, financing and shares can increase the company's operating performance in the future, increasing company performance will have an impact on increasing company profitability which is able to make the company's survival even better in the future

d. Effect of Dept. repayment on Profitability

The results of the regression test in table 4.5 show that the dept repayment coefficient is -0.051 and a significant value is 0.468 , this means that the dept repayment variable has an insignificant

and negative effect on profitability. These results indicate that the higher the use of IPO funds for debt repayment, the lower the company's profitability. The results obtained are contrary to the fourth hypothesis (H4), which explains that debt repayment has a positive and insignificant effect.

The same thing was found by Kawakibi et al., (2019), explaining that there is a negative and insignificant relationship between debt repayment and profitability. The negative effect shows that the longer the debt repayment period, the lower the profitability. According to (Afrifa, Godfred Adjapong. And Padachi, 2016), (Lyngstadaas & Berg, 2016). The delay in paying debts by the company shows that the condition of the company's profitability is not good and companies that have good profitability will prefer to pay their debts faster.

e. **The Effect of Leverage Control Variables on Profitability**

The resulting leverage control variable has a coefficient of 0.302 and a significance value of 0.249, this means that the leverage control variable has no significant positive effect on profitability. Insignificant results indicate that the higher the company's leverage, the lower the company's profitability. Debt is a source of capital other than equity and retained earnings to increase company capital. These results indicate that the increase in company profitability is not solely the effect of increasing debt, but there are other sources of increasing company profitability.

This finding is in line with the research by Syarifudin (2021) and Kethi Reddy (2019) who found that leverage has no significant effect on company profitability. Increased debt will reduce profitability. Companies that have low debt will experience asset growth and tend to generate high profitability.

CONCLUSION

The conclusions obtained from the results of the analysis and previous discussion, namely, the first hypothesis found that fixed asset investment partially has a significant effect on profitability. The second hypothesis found that working capital financing has a significant effect on profitability. in IPO companies for the 2016-2020 period. The results of testing the third hypothesis found that investment in share of stock partially has a significant effect on profitability. This proves that the purpose of investment in shares by companies is to increase company profits from the company's capital used. In other words, the company will roll back its capital to increase profits or gains in the stock market.

The results of testing the fourth hypothesis found that debt repayment partially has no significant effect on profitability. This is because the purpose of using funds for debt payments is carried out by the company to pay off the obligations of the company. This can lead to a decrease in the profitability of the company. If the company pays a lot of debt, the company's profitability will decrease and vice versa. And the results of testing the fifth hypothesis found that leverage has no significant effect on profitability.

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