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**THE INFLUENCE OF PROFITABILITY *, OFFERING SIZE, FIRM SIZE, FINANCIAL LEVERAGE* AND *SHARIA COMPLAINT STATUS* ON *INITIAL RETURN* IN IPO COMPANIES AT THE INDONESIA STOCK EXCHANGE**

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| INFO ARTIKEL |  | ABSTRAK |
| Diterima 27 Sept 2023  Disetujui 24 Oct 2023  Diterbitkan 28 oct 2023 |  | Penelitian ini bertujuan untuk mengetahui pengaruh profitabilitas, *offering size, firm size, financial leverage* dan *sharia compliant status* terhadap *initial return* pada perusahaan IPO yang terdaftar di bursa efek Indonesia tahun 2018-2021. Populasi dalam penelitian ini adalah perusahaan yang melakukan *initial public offering* (IPO)yang terdaftar di bursa efek Indonesia tahun 2018-2021 berjumlah 217 perusahaan. Sampel penelitian sebanyak 76 perusahaan dengan teknik pengambilan sampel menggunakan *purposive sumpling*. Teknik analisis data yang digunakan untuk menguji hipotesis adalah regresi linier berganda dengan menggunakan SPSS versi 26. |
| ***Kata Kunci:***  Profitabilitas*, Offering Size, Firm Size, Financial Leverage, Shariah Complaint Status*, *Initial Return* |  |
| https://doi.org/10.24036/jkmk.xxxxxxxx |  | ABSTRACT |
| ***Keywords:***  Profitability*, Offering Size, Firm Size, Financial Leverage, Shariah Complaint Status*, *Initial Return* |  | This study aims to determine the effect of profitability, *offering size, firm size, financial leverage* and *sharia compliant status* on the *initial return* of IPO companies listed on the Indonesian stock exchange in 2018-2021. The population in this study are companies that carry out *initial public offerings* (IPO)there are 217 companies listed on the Indonesian stock exchange in 2018-2021. The research sample consisted of 76 companies with the sampling technique using *purposive sampling.* The data analysis technique used to test the hypothesis is multiple linear regression using SPSS version 26. |
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**INTRODUCTION**

The development of business in Indonesia is progressing rapidly every year. This development is marked by the many types of businesses in Indonesia that have begun to emerge in this globalization era, causing increasingly fierce business competition. Therefore, with the development of business and competition between business actors, it is important for every company to continue to improve its strategy and performance in order to maintain its company's existence in the eyes of the *public.*

Intense competition encourages every company to choose the most appropriate strategy in achieving competitive advantage. One of the strategies implemented by company management in meeting funding needs is to carry out *initial public offering* (IPO) activities, these activities are carried out by issuing and trading securities in the form of shares. Before shares of companies that *go public are* traded on the secondary market, they must first be sold on the primary market (Sudana, 2009).

Handayani (2006) states that *initial return* is one of the company's management strategies to obtain funds from the public in the hope that it will result in better company performance. Conducting an IPO is expected to result in improved prospects for the company due to future expansions and ease of raising capital in the future. the company's performance before the IPO is information for investors regarding the next company's performance growth after carrying out the IPO. Investors hope that the company's performance after the IPO can be maintained, improved or even improved.

There are several factors that can affect the initial return , including profitability, offering size, firm size, financial leverage and sharia compliant status . Profitability is the ability of a company to earn profits in a certain period. Profitability is a company's ability to earn profits or gains in a certain period (Munawir, 2000). Profitability can be measured by various indicators such as operating profit, net income, rate of return on investment or assets and rate of return on owner's equity. *Offering size* is the number of shares offered by the company. In general, in setting the price and number of shares issued can reflect the true value of the company (Zulfahmi, 2013).

Company size (Firm *size)* is a company scale which can be seen from the total assets at the end of the year's book closing. The total sales obtained can also be used as a benchmark to measure the size of the company. A large sales level indicates that the company has large capital and assets so that it can support production process activities on a large scale. So that with a large level of sales, it can be ascertained that it will affect the value of a company.

*Financial leverage* is one of the leverage ratios that causes the company to bear a fixed burden in the form of interest on the use of funds made (Sutrisno, 2001). The use of high *financial leverage* causes the cost of capital to remain high, so companies must obtain higher *earnings before interest and taxed* (EBIT).

*Sharia compliance status* is a label given to a company's shares because the company complies with sharia principles. Tajuddin (2019) suggests that *sharia compliant status* identifies that company activities are free from things that are not permitted such as interest-based transactions, unethical elements in Islam, and transactions that are dubious or *gharar.*

**LITERATURE REVIEW**

**Signaling Theory**

*Signaling theory* is an action taken by company management to provide clues to investors about the company's prospects. These signals can take various forms, both those that can be directly observed and those that require a more in-depth study to find out

**Information Asymmetry Theory**

Information asymmetry is a condition where there are differences in the information held by one party with another party. As happened between the company and parties outside the company (investors).

**Trade Off Theory**

This theory explains that the higher the company finances using debt, the greater the interest that must be borne by the company.

### *Agency* Theory

### Agency theory states that the agency relationship (agency *theory)* is a contract between the manager (agent*)* and the investor (principal*)*.

### *Initial Public Offering (IPO)*

According to Rahmah ( 2019) *Initial Public Offering* (IPO) is an initial offering made by a company wishing to join as an issuer and become a *go public company* for the first time on the Stock Exchange

**initial returns**

According to Hartono (2017) *Initial return* is the return obtained from assets in the initial offering starting from when they are purchased on the primary market until they are first registered on the secondary market.

**Profitability**

According to Munawir (1995) profitability is a company's ability to generate profits within a certain period of time.

**Offering size**

According to Tajuddin, et al (2017) *offering size* plays an important role in influencing the price of shares offered. In general, in setting the price and number of initial shares issued by a company conducting an IPO, this *offering size* can reflect the actual value of the company.

**firm size**

Company size (firm *size)* is a company scale which can be seen from the total assets at the end of the year's book closing. The total sales obtained can also be used as a benchmark to measure the size of the company.

**Financial leverage**

This ratio is used by companies to measure the extent to which the company's ability to meet its obligations with all available equity. This ratio shows how much the company's liabilities can be guaranteed with all capital or equity by the company as a source of funding.

***Shariah complaint status***

*Sharia compliance status* is a label given to a company's shares because the company complies with sharia principles. (Tajuddin 2017) argues that sharia compliant status identifies that company activities are free from things that are not permitted such as interest-based transactions, elements that are unethical in Islam, and transactions that are dubious or gharar.

**Initial return and profitability**

Profitability is the main ratio in financial statements, because the company's main goal is operating or financial results. Profitability shows the company's ability to make a profit. The more effective the level of management shows that the company's ability to generate profits is getting better.

**Initial return and Offer size**

*Offering Size* is determined by considering the adequacy of the capital required by the IPO company and the potential value to be considered by potential investors. This means that the higher the number of shares offered by a company conducting an IPO, the greater the profit that will be obtained by investors.

**Initial return and firm size**

Large-scale companies tend to be better known to the public so that information about the prospects of large-scale companies is easier for investors to obtain than small-scale companies. the level of uncertainty that will be faced by potential investors regarding the future of the issuer company can be minimized if more information is obtained.

**Initial return and financial leverage**

investors consider the level of *financial leverage* of a company as important information for investors in investing. This ratio is used by companies to measure the extent to which the company's ability to meet its obligations with all available equity. This ratio shows how much the company's obligations can be guaranteed with all the capital or equity by the company as a source of funding.

**Initial return and shariah compliant status**

*shariah compliant status* attracts investors to invest. Companies that have a sharia compliant status label have a special attraction for investors.

### METHOD

This type of research is quantitative research. The population and sample in this study were 76 IPO companies listed on the Indonesian Stock Exchange. The instruments or tools used in this study were in the form of quantitative secondary data documentation originating from the official website of the Indonesia Stock Exchange, namely [www.idx.co.id](http://www.idx.co.id) , as well as other related websites, then literature related to research problems in both print and electronic media. The independent variables in this study are Profitability, offering size, firm size, financial leverage, and shariah compliat status. While the dependent variable in this study is the initial return.

**Classical Assumptions Test**

**Normality test.** The normality test aims to determine whether the distribution of a data follows or approaches the normal distribution, namely the distribution of data in the form of a bell. (Santoso, 2017) .

**Multicollinearity test.** The multicollinearity test is a test that aims to test whether in the regression model a high or perfect correlation is found between the independent variables. (Janie, 2012) .

**Heteroscedasticity Test.** The heteroscedasticity test was carried out to test whether in the regression analysis there were differences in variance and residuals for all observations in the study.

**Automatic correlation test.** The autocorrelation test aims to test whether in the linear regression model there is a correlation between the residual errors in period t and errors in period t-1 or earlier. (Janie, 2012) .

**Descriptive Statistical Analysis.** Descriptive statistical analysis is an analytical method in which data is collected, clarified, grouped, analyzed and interpreted objectively so as to provide an overview of the object being discussed.

**Multiple Regression Analysis.** To determine the relationship between the independent variable and the dependent variable, the statistical analysis used is multiple linear regression analysis.

**Hypothesis test**

**Simultaneous Significance Test (F Test).** The F statistical test basically shows whether all the independent or independent variables included in the model simultaneously affect the dependent or dependent variable.

**Test t-test.** The t test was carried out to see the effect of the independent variables on the dependent variable (Santoso, 2017) .

**The coefficient of determination.** The coefficient of determination (Adjusted R2) is a measure that shows the contribution of the explanatory variable to the response variable (Siagian & Sugiarto, 2006)

**RESULTS AND DISCUSSION**

**General Description of the Research Object**

The population in this study were IPO companies listed on the Indonesia Stock Exchange (IDX), and the sample in this study were IPO companies that fit the purposive sampling criteria.

**Descriptive Statistical Test Analysis**

Table 1. Descriptive Statistics

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Descriptive Statistics** | | | | | |
|  | N | Minimum | Maximum | Means | std. Deviation |
| ROE | 76 | .00 | .92 | .2004 | .21155 |
| OFFSIZED | 76 | 23.53 | 36.73 | 27.2111 | 3.59162 |
| SIZE | 76 | 20.47 | 29.85 | 26.1933 | 1.63099 |
| DER | 76 | .00 | 1.85 | .8094 | .52223 |
| SCS | 76 | 0 | 1 | .68 | .468 |
| IR | 76 | .01 | 2.32 | .5415 | .49838 |

**Profitability (X1)**

In this study the *return on equity* (ROE) shows a minimum value of 0.00, a maximum value of 0.92 with an average value of 0.2004 and a standard deviation of 0.2115.

**Offer size (X2)**

In this study the *offering size* shows a minimum value of 23.53, a maximum value of 36.73 with an average value of 27.211 and a standard deviation of 3.591.

**Firm size (X3)**

In this study *firm size* shows a minimum value of 20.47. The maximum value is 29.85 with an average value of 26.193 and a standard deviation of 1.630.

**Financial leverage (X 4)**

In this study, *financial leverage* shows a minimum value of 0.00. The maximum value is 1.85 with an average value of 0.809 and a standard deviation of 0.522.

**Sharia compliant status (X 5)**

The minimum value obtained for this variable is 0, and the maximum value is 1. The mean value for this variable is 0.68 . As well as with a standard deviation value of 0.4 68

**Initial return (Y)**

In this study, the *initial return* shows a minimum value of 0.01. The maximum value is 2.32. This means that the company has an *initial return rate of* 232% higher than the value of the request compared to the value of the offer.

**Results of Data Analysis**

**Classic assumption test**

Normality test

Table 2. Kolmogorov-Smirnov One Sample Test

|  |  |  |
| --- | --- | --- |
|  | | Unstandardized Residuals |
| N | | 76 |
| Normal Parameters a,b | Means | .0000000 |
| std. Deviation | .25088123 |
| Most Extreme Differences | absolute | .069 |
| Positive | .069 |
| Negative | -.058 |
| Test Statistics | | .069 |
| asymp. Sig. (2-tailed) | | .200 c,d |

The results of the residual analysis show that the sig. 0.200 (0.200 > 0.05 ) in terms of sig. greater than 0.05 . This shows that the residual data is normally distributed and the regression model is feasible to use.

Multicollinearity Test

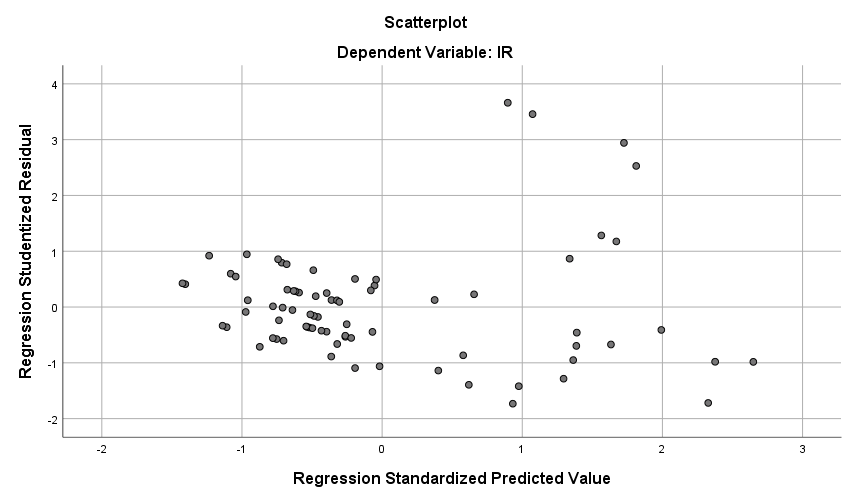
Table 3 Multicollinearity Test

|  |  |  |  |
| --- | --- | --- | --- |
| Model | | Collinearity Statistics | |
| tolerance | VIF |
| 1 | LN\_ROE | .773 | 1,293 |
| OFFSIZED | .818 | 1,222 |
| SIZE | .782 | 1280 |
| LN\_DER | .699 | 1,430 |
| SCS | .925 | 1,081 |

It is known that the results of the multicollinearity test show that the VIF value for each variable has a value of < 10. Also, the Tolerance value generated from the multicollinearity test for each independent variable is > 0.100.

Heteroscedasticity Test

Figure 1. Heteroscedasticity Test



A scatterplot graph is generated that does not have or forms a certain pattern. The graph displays a plot that spreads then narrows or collects in the middle. Thus it was concluded that there was no heteroscedasticity in the regression model in the data.

Autocorrelation Test

Table 4 Autocorrelation Test

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | std. Error of the Estimate | Durbin-Watson |
| 1 | .528 a | .279 | .228 | .43799 | 2,184 |

This study shows that the Durbin-Watson value (d) is 2.184, the upper limit (dU) is 1.7 701 and (4-dU) = 2.2 299 . This means that there are no problems or symptoms of autocorrelation.

Multiple Linear Regression Analysis

The constant intercept value is -1.033 which has an interpretation that if the value of profitability *, offering size, firm size , financial leverage* and *sharia compliance status is 0* , then the initial return will be -1.033 .

The value of the regression coefficient on the *return on equity* (ROE) is 0.051 . This means that if the company meets the *return on equity* (ROE) criteria , the *initial return* will increase by 0.051 assuming that other variables are constant.

Regression coefficient value at *offering size* has a value of 0.075 . This means that if the number of shares offered increases by one unit, then the value of the initial *return* will also increase by *0.075* assuming that other variables are constant.

The value of the regression coefficient on *firm size has* a value of -0.014 . This means that if the *firm size value* increases by one unit, the initial return value will decrease by *-0.014* assuming other variables are constant.

The coefficient of regression on *financial leverage* has a value of -0.066, meaning that if the value of *financial leverage* increases by one unit, the value of the *initial return* will decrease by -0.066 assuming other variables are constant.

The value of the regression coefficient on *sharia compliance status* has a value of -0.003 . This states that if *the sharia compliance status* increases by one unit, then the value of the *initial return* will decrease by -0.003 units assuming other variables are constant.

Table 5. Multiple Linear Regression Test Results

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | std. Error | Betas |
| 1 | (Constant) | -1,033 | .869 |  | -1.188 | .239 |
| LN\_ROE | .051 | .040 | .147 | 1.275 | .207 |
| OFFSIZE | .075 | .016 | .539 | 4.804 | .000 |
| SIZE | -.014 | .035 | -.047 | -.411 | .682 |
| LN\_DER | -.066 | .056 | -.143 | -1.177 | .243 |
| SCS | -.003 | .112 | -.003 | -.024 | .981 |

Determination Coefficient Test

It is known that the results of measurements using the measurement coefficient of determination ( *Adjusted R Square* ) are 0.2 28 . Thus it can be assumed that the contribution of profitability, *offering size, firm size, financial leverage* and *sharia compliance status* affect the initial *return* of 0.2 28 or 2 2.8 % and others are influenced by other factors .

Table 6. Determination of Regression Coefficient Test Results (Adjusted R2)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .528a | .279 | .228 | .43799 | 2.184 |

**Pengujian hipotesis**

Tes simultan (Uji F)

the results of testing the F test simultaneously or jointly it is known that the results of a significance value of 0.001 for the effect of X 1 , X 2 , X 3 , X 4 and X 5 on Y. The value is 0.00 0 < 0.05 and the value of f -count 5.4 21 and the f-table value is 2.13 . Thus it can be concluded that profitability, *offering size, firm size, financial leverage* and *sharia compliant status* simultaneously has a significant effect on the *initial return .*

Table 7 Simultaneous Test Results (Test F)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Sum of Squares | df | MeanSquare | F | Sig. |
| 1 | Regression | 5,200 | 5 | 1040 | 5,421 | .000 b |
| residual | 13,429 | 70 | .192 |  |  |
| Total | 18,628 | 75 |  |  |  |

Partial Test (T Test)

Ha1: Profitability (X1) has a positive and not significant effect on *initial return* (Y) . After calculating and processing the data, the regression coefficient of ROE (X 1 ) is 0.051 and a significance value is 0.2 07 . And the t-count value obtained is 1.275 and the t-table value is 2.377 .

ha2 : *Offering size* (X 2 ) has a positive effect on the *initial return* (Y) . After calculating and processing the data, it is obtained that the regression coefficient of the *offering size* (X 2 ) is 0.075 . As well as a significance value of 0.000. And the t-count value obtained is 4.804 and the t-table value is 2.377 .

Ha3: *firm size* (X 3 ) has no effect on the *initial return* (Y) . After calculating and processing the data, it is obtained that the magnitude of the regression coefficient of the firm size *(* X 3 ) is -0.014 . As well as a significance value of 0.682 . And the t-count value obtained is -0.411 and the t-table value is 2.377 .

Ha4: financial *leverage* (X4 ) has no effect on *initial return* (Y) . After calculating and processing the data, the regression coefficient of financial *leverage* ( X4 ) is -0.066. As well as a significance value of 0.243 . And the t-count value obtained is -1.177 and the t-table value is 2.377.

*Ha5: s daily compliance status (* X 5 ) has no *effect* on the *initial return* (Y) . After calculating and processing the data, it is obtained that the magnitude of the regression coefficient from s *daily compliance status (* X 5 ) *is -0.003* . As well as a significance value of 0.981 . And the t-count value obtained is -0.0 24 and the t-table value is 2.377.

Tabel 8. Hasil uji t

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| B | Std. Error | Beta |
| 1 | (Constant) | -1.033 | .869 |  | -1.188 | .239 |
| LN\_ROE | .051 | .040 | .147 | 1.275 | .207 |
| OFFSIZE | .075 | .016 | .539 | 4.804 | .000 |
| SIZE | -.014 | .035 | -.047 | -.411 | .682 |
| LN\_DER | -.066 | 056 | -.143 | -1,177 | .243 |
| SCS | -.003 | .112 | -.003 | -.024 | .981 |

**CONCLUSION**

1. *Return on equity* (ROE) has a positive and insignificant effect on initial *return* .
2. *Offering size* has a positive and significant effect on *initial return* .
3. *firm size* has no effect on the *initial return* .
4. *Financial leverage* has no effect on *initial return* .
5. *Shariah compliant status* has no effect on the *initial return* .

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