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THE EFFECT OF GROWTH AND CONTROLLING OWNERSHIP ON THE PERFORMANCE OF ENTERPRISES CONDUCTING INITIAL PUBLIC OFFERINGS IN INDONESIA DURING THE COVID-19 PANDEMIC

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ABSTRACT

This study aims to examine the effect of growth and controlling ownership on the stock performance of companies conducting public offerings in Indonesia during the COVID-19 pandemic in 2020.The research sample used consisted of 33 firms which are listed on Indonesian Stock Exchange. The research method used in this study is panel regression with Fixed Effect Model estimation. The results of the study found that growth had no effect on firm performance and controlling ownership had a positive effect on firm performance. The result of this study has a different result from previous studies on the effect of growth on stock performance and the effect of controlling ownership on stock performance.

KEYWORDS: Controlling Ownership, COVID-19, Firm Stock Performance, Growth.

INTRODUCTION

The company has the freedom to manage its finances which can be achieved internally or externally. Internally obtained through retained earnings and external funding obtained through debt and share issuance. If a company manages its finances internally, agency costs will arise which will be borne by the company's owner shares, but if the company chooses to finance externally then monitoring costs will arise where these costs are incurred by shareholders to monitor the behavior of company managers. The changes that will be experienced in companies that wish to go public are in terms of the legal and economic structures within the company (Meles et al., 2021).

Companies that wish to go public will carry out a transition phase, where they will undergo a process for the company to become a public company which is carried out in the holding of a General Meeting of Shareholders (GMS) based on Financial Services Authority (OJK) regulations.

Companies will incur financial costs and face opportunity costs to change the company from private to public. The ultimate achievement of a company going public is expanding development and also increasing the size of the company (Ragozzino et al., 2018).

After a private company has become a public company, the company will face a risk where the company's stock performance must meet the expectations of its investors; with this the company will perform very well in order to get a positive impression from its investors (Meles et al., 2021). Investors can have sentiments towards companies that take bad actions; with this the advantage of public companies is that investors can monitor the performance carried out by the company.

Investors in companies have differences globally, if the company is a family company, then it is possible that the company is controlled by the family company (Go, 2011). When comparing Asian and Western European stock markets, according to Go et al. (2011) large companies in the East Asian stock market are more controlled by families in a small percentage, but in Western Europe family companies have the possibility of being controlled by the family.

To achieve investors' expectations, companies can improve the company's stock performance. The performance level of the company's shares has a directly proportional relationship with the company's growth; by conducting a public offering the company can improve the performance of the company's shares by increasing the capital in the company (Que & Zhang, 2019). The IPO strategy is expected to increase financing to improve the company's stock performance, if a manager carries out an IPO strategy at the wrong time it can have a negative impact on the company's stock performance in the long term where stock performance will not match expectations from stock performance forecasts (Que & Zhang, 2019).

A manager will carry out a strategy to maximize the performance of the company's shares in accordance with the wishes of the shareholders; the manager will be responsible if the company experiences a decline in performance (Katz & Niehoff, 1998). Managers during the COVID-19 pandemic took advantage of the pandemic momentum to conduct public offerings, according to a study conducted by Mazumder & Saha (2021), in 2021 companies conducting IPOs experienced an increase in initial returns which were higher than in previous years. The COVID-19 pandemic is causing fear globally as there is no specific drug development yet to completely cure the COVID-19 virus. The study conducted by Su et al. (2021) show that people who have a feeling of fear of a pandemic have a negative impact on returns on the stock market.

Based on data from the Indonesia Stock Exchange (IDX), companies that have conducted public offerings over the past 3 years have experienced a decline in 2020 when the COVID-19 pandemic occurred globally. In 2018 and 2019 there were 55 companies that made public offerings, with a decrease in 2020 with a total of 52 companies. According to the IDX's Director of Company Evaluation, the presence of the COVID-19 pandemic did not significantly affect companies' interest in IPOs while the company's interest in taking the floor in the capital market remained high.

Companies during the COVID-19 pandemic have high growth opportunities. According to the news on tempo.com which discusses IPO issuers in 2020, it is discussed that companies can see opportunities to grow rapidly due to the high use of the internet and digital technology in Indonesia.

2. LITERATURE REVIEW

2.1. The Effect of Covid-19 on Stock Market

The COVID-19 pandemic has had an impact on all human and economic aspects, this incident has entered the black swan category which is an event that occurs suddenly and there is no warning before knowing it (Uddin et al., 2021). The COVID-19 pandemic has claimed many lives and its impact on society have directly caused a downturn in the global economy (Uddin et al., 2021).

Previously it was said that the COVID-19 pandemic weakened the stock market, but a number of investors had sentiments in several markets during the COVID-19 pandemic (Anastasiou et al., 2022). Previous studies conducted by Baker & Wurgler (2007) showed that investor confidence is formed due to buying and selling behavior patterns, which are recorded in securities (Anastasiou et al., 2022). The ongoing pandemic has built negative sentiment towards investors for the future of the economy, but the announcement of vaccine production in November 2020 reduced investors' anxiety about financial markets (Anastasiou et al., 2022). The results of the study by Anastasiou et al., (2022) show that investors during a pandemic tend to influence future stock price returns based on positive sentiment.

In the stock market, institutional investors and foreign investors are an important source of funding from companies, because they are the majority shareholders in public companies (Bing & Ma, 2021). A study conducted by Bing & Ma (2021) shows that foreign investors play a role in stabilizing the market, and institutional investors do not have a role in stabilizing the market.

2.2. Investor Behavior During the COVID-19 Pandemic

Investors make decisions based on their feelings, with bad feelings and anxiety being one of the factors that influence an investor's decision (Kaplanski & Levy, 2010). An individual during the COVID-19 pandemic experiences symptoms of anxiety, depression, and stress in the face of changes in government policies (Strasser et al., 2022). Studies that discuss the impact of news on an individual are the impact of the COVID-19 pandemic on the psychology of society, the results of a study conducted by Strasser et al., (2022) show that increasing a person's level of consumption of COVID-19 news will reduce the mental health of the individual.

The community experienced anxiety during the COVID-19 pandemic, community activities were hampered by the existence of a lockdown which had an impact on decreasing economic activity (Chundakkadan & Nedumparambil, 2021). The results of Chundakkan & NedumpaTak's research (2021) show that the presence of the COVID-19 pandemic has made people have negative sentiments about the stock market, but another finding found is an internet search for investor returns occurring in developed countries. With this, the presence of the COVID-19 pandemic increased the volatility of the stock market (Chundakkadan & Nedumparambil, 2021).

International financial market integration increases welfare with the benefits of sharing risks (Bae et al., 2012). Developing countries joining the global market attract foreign investors which can be of benefit to the target country, because based on previous research by Henry (2000) that can reduce the cost of corporate capital and increase real investment (Bae et al., 2012). The findings by Bae et al. (2012) show that foreign investors can speed up the dissemination of information on stock prices by reducing global information delays. Another finding encountered by Bae et al. (2012) that global investors have a faster pace than local investors. The COVID-19 pandemic has had an impact on foreign institutional investors (J. Zhang et al., 2021).

2.3. Company Stock Performance

The company's stock performance can be measured using Jensen's Alpha proposed by Jensen (1968). Where the company's stock performance can be measured using adjusted risk, then calculating the average return on investment compared to the Capital Asset Pricing Model (CAPM) whether the company's value is above or below the CAPM. According to Chen (2020) the company's stock performance is measured using Jensen's Alpha to analyze whether the company has a good return value or not based on the risk it has, this method is useful for investors who want to invest in a company.

The company's future stock performance can be measured by the company's behavior in the past (Alwathainani, 2009). Based on research conducted by Alwathainani (2009), it shows that companies with small growth percentages have higher returns compared to large companies. Other findings in Alwathainani's research (2009) show that there is a correlation between past company growth and predicting the company's stock performance in the future.

3. RESEARCH METHODS

The following are the stages of research that will be carried out in the study. The initial stages of the research will be to collect secondary data on the dependent and independent variables.

3.1. Dependent Variable

Based on research conducted by Que & Zhang (2019), measuring long-term company performance (Stock Performance) uses the Capital Asset Pricing Model Alpha (CAPM Alpha). The methodology used in this study refers to the research methodology of Que & Zhang (2019), namely using the Capital Asset Pricing Model Alpha (CAPM Alpha). According to Jensen (1968), portfolio performance measurement was attended by theory by Sharpe, Lintner, and Treynor which produced the Capital Asset Pricing Model. The methodology developed by Jensen (1968) was carried out to see comparisons between performance measurements of a portfolio or stock that has a value above or below the risk or average market return.

3.2. Independent Variable

The first independent variable is company growth. According to research conducted by Que & Zhang (2019), the performance of company shares after an IPO is influenced by the company's growth before the IPO. This research refers to previous research conducted by Que & Zhang (2019), which wanted to see the relationship between company growth before the IPO and the company's stock performance. The method of measuring company growth by Que & Zhang (2019)

was carried out based on previous research by Cooper et al (2008) which found that total asset growth can be a reference for the company's stock performance in the future. With this, the study uses the growth of total assets as a measure of company growth and does not use other proxies.

The second independent variable is control ownership. According to research conducted by Que & Zhang (2019), the presence of the majority investor has a negative effect on the long-term performance of the company's stock. The majority investors are the highest shareholders in the company, with the presence of the majority investors there will be controlling ownership. Based on Law Number 40 of 2007 concerning Limited Liability Companies, individuals are considered to have control ownership if they own 10% or more of the outstanding shares. With this, the research will use controlling ownership as an independent variable.

3.3. Research Hypothesis

The COVID-19 pandemic has had an impact on all human and economic aspects, this incident has entered the black swan category which is an event that occurs suddenly and there is no warning before knowing it (Uddin et al., 2021). According to Fernandez-perez et al., (2020) each country has a different impact on returns on the stock market during the pandemic. The presence of a health crisis generates price volatility in the stock market. In the stock market, company growth is the key to a company's long-term performance after carrying out an IPO (Que & Zhang, 2019). Research conducted by Cooper et al. (2008) showed that asset growth can be seen from the company's total investment or financing activities, which can be related to the company's size component. Research conducted by Que & Zhang (2019) shows that the performance of a company's shares after becoming a public company is influenced by growth before carrying out an IPO.

H1: Company growth has a positive influence on the performance of shares of companies that conduct public offerings during the COVID-19 pandemic

Companies have ways to raise capital, such as using debt instruments or selling stock to the public. According to Khawaja et al. (2019), companies that obtain capital using debt instruments can increase the risk of going bankrupt by increasing the risk of debt. This is proven by Bae et al. (2012) that global investors have a faster pace than local investors.

Research by Que & Zhang (2019) has the motivation to find out whether companies with majority investors can have an impact on the company's stock performance in the long-term period after IPO, with the results obtained that companies with control ownership will have decreased performance in the long term.

H2: Controlling Ownership has a negative impact on the stock performance of companies that conduct public offerings during the COVID-19 pandemic

4. ANALYSIS AND DISCUSSION

This study aims to examine the effect of growth and controlling ownership on the stock performance of companies conducting public offerings during the COVID-19 pandemic in 2020. The objective of this research is to be verified by testing the company stock performance variable

(Stock Performance) as the dependent variable, and company growth (Growth) and control ownership (Controlling Ownership) as independent variables. Variable testing includes Size, ROA and Leverage as control variables. This research uses companies that conduct public offerings as samples with a total of 33 companies in 2020. Based on the results of processing company data, not all of them have complete data in financial reports and there are companies that are not recorded consistently at daily prices.

Table 1. Result of Research

Variabel	**PERFORMANCE**	
	Coef.	**Prob.**
GROWTH	0,0031262	0,612
CONTROL	0,0000417	0,005***
SIZE	-0,0263559	0,456
ROA	0,0213705	0,684
LEVERAGE	-0,0058319	0,381
Obervasi	150	
R-Square	0,0292	
Prob. F	0,0000	

The results of Table 1 show the relationship between growth and controlling ownership of the company's stock performance. Growth has a p-value greater than the significance value which makes the growth variable insignificant to the company's stock performance. These findings are not in line with the hypothesis developed from research, which was developed from previous research. Research conducted by Que & Zhang (2019) has the result that the company has a negative and significant relationship in growth to the company's stock performance. In summing up the performance of the company's shares, this value is measured by the company's share price. According to Harper (2021) states that stock prices are not always directly influenced by company fundamentals, but can be influenced by market sentiment and demand and supply at certain times.

Furthermore, the regression results on the second independent variable show the relationship between controlling ownership and performance. The results show that controlling ownership has a positive and significant effect on performance. These findings are not in line with the hypotheses developed based on previous research. Previous research by Que & Zhang (2019), explained that companies with controlling ownership have a bad influence on the company's stock performance. The research findings show that it has an impact parallel to Li's research. J. et al. (2019), that the presence of company controlling ownership has a positive influence on the company's stock performance. According to Li. J. et al. (2019), the presence of controlling ownership can be a driving force for the company's stock performance.

Results in the control variables based on table 1. Include Size, ROA, and Leverage. The size variable has a negative and insignificant relationship to the company's stock performance. Furthermore, the ROA variable has a positive and insignificant relationship to the company's stock performance. Finally, the leverage variable has a negative and insignificant relationship to the company's stock performance. The conclusion that can be drawn from the control variables, there are no variables that have a significant influence on the company's stock performance.

5. CONCLUSION

This study aims to determine the relationship and influence of company growth (Growth) and control ownership (Controlling Ownership) on the company's stock performance (Stock Performance). The research sample used is a company that made a public offering in Indonesia in 2020 after the announcement of the COVID-19 pandemic by the World Health Organization (WHO). The number of sample companies used in the study amounted to 30 companies listed through the Indonesia Stock Exchange (IDX). This research uses company data that is observed quarterly in 2020-2021. Based on the results of hypothesis testing, the research draws the following conclusions, such as company growth has a positive and insignificant relationship to the performance of company shares in companies that conduct public offerings in Indonesia during the COVID-19 pandemic in 2020. These findings are not in accordance with the initial assumptions made by researchers. Researchers take the hypothesis that the company's stock performance can affect the company's stock performance with growth. However, according to Harper (2021), company growth is not the only factor that can affect the company's stock performance, but there are external factors that can affect the company's stock performance such as investor demand at a certain time and market sentiment towards the stock market.

Ownership of control has a positive and significant relationship to the performance of shares of companies conducting public offerings in Indonesia during the COVID-19 pandemic in 2020. These findings are not in accordance with the initial assumptions made by researchers. The results of the researchers' findings indicate that there is harmony with the research conducted by Li. J. et al. (2019), where control ownership has a positive relationship to the company's stock performance. According to Li. J. et al. (2019) show that the presence of control ownership can be a driver of the company's stock performance in the long term.

Advice for Private Companies

For private companies, this research is expected to add insight into the decision to conduct an IPO during the COVID-19 pandemic. For a company to expand the business it runs, it can make a public offering with a good strategy. Post IPO companies will need reliable figures to have good stock performance. The presence of control ownership can be a driving force for the company's share performance when it becomes a public company. With this, private companies can consider the presence of ownership control within the company, with previous research showing that there is ownership

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