



Determinants of Liquidity Ratio and Profitability Ratio: Analysis Before IPO and After IPO (Financial Management Review Literature)

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Abstract: Literature article Reviewing Determinants of Liquidity Ratios and Company Profitability Ratios related to the influence of Pre-IPO Conditions and Post-IPO Conditions is a scientific article to formulate research hypotheses on the influence of variables in subsequent research, within the scope of Financial Management. Writing this Literature Review article uses the library research method, sourced from Google Scholar, Mendeley and other academic online media. The results of this Literature Review article are: 1) The Effect of Company Conditions Before IPO on its Liquidity Ratio; 2) The Influence of the Company's Condition After the IPO on its Liquidity Ratio; 3) Influence of Company Conditions Before IPO on Profitability Ratios; 4) The Influence of Company Conditions After IPO on Profitability Ratios; and 5) Analysis of the Effect of Liquidity Ratios on Company Profitability Ratios. Apart from these 2 exogenous variables that affect the endogenous variable Liquidity Ratio and Profitability Ratio, things that can also be other factors are Sales Growth, Earning per Share (EPS) variables, and Ownership Structure.

Keyword: Liquidity Ratio, Profitability Ratio, Conditions Before IPO, and Conditions After IPO

INTRODUCTION

All students at the Strata 1, Strata 2, and Strata 3 levels, are obliged to conduct research in the form of theses, theses, and dissertations. Once the lecturers, researchers, and other functional staff are obliged to actively conduct research and make scientific articles to be published in scientific journals.

Based on the empirical experience of many young students and lecturers as well as other researchers, it is difficult to find supporting articles in the form of previous research results or relevant research results. Relevant research articles are required in support the theory under study, to see the relationship between variables, and build hypotheses, is also very necessary in the discussion section of the research results. This article discusses the influence of the Company's Conditions Before the IPO and Post-IPO Company Conditions on

the Company's Liquidity Ratio and their impact on the Company's Profitability Ratio, (A Study of Financial Management Literature).

Based on the background of the problem, the formulation of the problem that will be discussed in formulating hypotheses for further research is:

1. Do Conditions Before the IPO affect the Company's Liquidity Ratio?
2. Will Conditions After the IPO affect the Company's Liquidity Ratio?
3. Do Conditions Before the IPO affect the Company's Profitability Ratio?
4. Will Conditions After the IPO affect the Company's Profitability?
5. Does the Liquidity Ratio affect the Profitability Ratio?

THEORETICAL REVIEW

Liquidity Ratio

Liquidity Ratio is the performance of the company's current assets in meeting short-term obligations with current assets (Samsul Rizal & Musdalipah, 2016). The dimension or indicator of the Liquidity Ratio is the Current Ratio (Samsul Rizal & Musdalipah, 2016).

Liquidity Ratio is a ratio to measure how liquid a company is (Indira Sofia Maulida et al., 2018). The dimension or indicator of the Liquidity Ratio is the Current Ratio (Indira Sofia Maulida et al., 2018).

Liquidity Ratio is a ratio that measures the company's ability to pay short-term obligations or debts that are due soon as a whole (Oktariansyah, 2020). The dimensions or indicators of the Liquidity Ratio are the Current Ratio and the Quick Ratio (Oktariansyah, 2020).

This Liquidity Ratio has been studied by many previous researchers including (Ratu Dhinta & Nono Supriatna, 2019), (Rafa Dwisono et al., 2021), and (Nadila Mariska et al., 2022).

Profitability Ratio

Profitability Ratio is a ratio to measure the company's ability to earn a profit at a certain level of sales, assets, and share capital (Fitri Lita Kusumawati et al., 2014). Dimensions or indicators of Profitability Ratios are Gross Profit Margin, Operating Profit Margin, and Net Profit Margin (Fitri Lita Kusumawati et al., 2014).

Profitability Ratio is a ratio to measure a company's ability to earn profits (Indira Shofia Maulida et al., 2018). Dimensions or indicators of Profitability Ratios are Net Profit Margin, Return on Assets, and Return on Equity (Indira Shofia Maulida et al., 2018).

Profitability ratio is a ratio that describes the company's ability to earn profits or in other words this ratio measures how effective the management of a company is in earning profits (Oktariansyah, 2020). Dimensions or indicators of Profitability Ratios are Net Profit Margin, Return on Investment and Earnings per Share (Oktariansyah, 2020).

This Profitability Ratio has been studied by many other researchers including (Yung Sen & Lili Syafitri, 2014), (Ayu Rizkia Nur Nabilah et al., 2021), and (Risal Rinofah et al., 2022).

Conditions Before IPO

Conditions Before IPO are conditions where the company has not or has not conducted an initial public offering or in legal terms in the form of an offer by the issuer to sell the securities it has issued to the wider community, aiming to provide input for funds to the issuer (Ratu Dintha & Nono Supriatna, 2019). The dimension or indicator of Conditions Before the IPO is that there is no initial public offering in the form of securities offerings by issuers to sell issued securities to the public (Ratu Dhinta & Nono Supriatna, 2019).

Conditions before the IPO are conditions where the company has not or did not carry

out the process of trading the issuer's securities for the first time on the stock exchange offered to investors through broker-dealer intermediaries (Rafa Dwisono et al., 2021). The dimension or indicator of Conditions Before the IPO is that there has been no action for the first sale of shares (capital) to investors (Rafa Dwisono, 2021).

Conditions before the IPO are conditions where the company has not or has not carried out a process of the first sale of public shares by a company to general investors (Nadila Mariska et al., 2022). Dimensions or indicators of Conditions Before the IPO is the absence or absence of public offerings by the company for the first time (Nadila Mariska et al., 2022).

The conditions before the IPO were studied by many previous researchers including (Yung Sen & Lili Syafitri, 2014), (Ayu Rizkia Nur Nabilah et al., 2021), and (Risal Rinofah et al., 2022).

Conditions After IPO

The condition after the IPO is a condition in which the company is said to have gone public or has made an initial public offering or in legal terms in the form of an offer by the issuer to sell the securities it has issued to the wider community, aiming to provide input funds to the issuer (Ratu Dinta & Nono Supriatna, 2019). Dimensions or indicators of Conditions After the IPO is that an initial public offering has been carried out in the form of securities offerings by issuers to sell issued securities to the public (Ratu Dinta & Nono Supriatna, 2019).

Conditions after the IPO are conditions where the company has carried out the process of trading the issuer's securities for the first time on the stock exchange offered to investors through broker-dealer intermediaries (Rafa Dwisono et al., 2021). Dimensions or indicators of Conditions After the IPO is the act of offering the first sale of shares (capital) to investors (Rafa Dwisono, 2021).

Conditions after the IPO are conditions where the company has made the first sale of common shares by a company to general investors (Nadila Mariska et al., 2022). Dimensions or indicators of Conditions After the IPO is the first public offering of shares by the company (Nadila Mariska et al., 2022).

Conditions after the IPO have been studied by many previous researchers including (Yung Sen & Lili Syafitri, 2014), (Ayu Rizkia Nur Nabilah et al., 2021), and (Risal Rinofah et al., 2022).

Table 1: Previous Research Results

No.	Author (Year)	Conclusions of Previous Research	The Same Things From This Article	Different Things From This Article
1	(Ratu Dinta & Nono Supriatna, 2019)	Conditions Before IPO and Conditions After IPO have a positive and significant impact on the Liquidity Ratio	Conditions after the IPO affect the Liquidity Ratio	Conditions before the IPO affect the Activity Ratio
2	(Teti Yuliarni dkk., 2016)	Conditions Before IPO, Conditions After IPO and Sales Growth have a positive and significant impact on the Ratio Liquidity	Conditions Before IPO & Conditions After IPO Affects Liquidity Ratios	Conditions Before & After IPO Affects Activity Ratios

3	(Fitri Lita Kusumawati dkk., 2014)	Conditions Before IPO and Conditions After IPO have a positive and significant effect on Liquidity Ratios and Profitability Ratios	Conditions Before IPO and Conditions After IPO have a positive and significant effect on Liquidity Ratios and Profitability Ratios	Conditions Before IPO and Conditions After IPO affect the dimensions of Operating Profit Margin, Net Profit Margin, Return on Investment (ROI), Book Value per Share, and Dividend Yield in Ratio Profitability
4	(Linda Novita Dewi dkk., 2020)	Conditions Before IPO and Conditions After IPO did not have a significant effect on the Liquidity Ratio	Conditions after the IPO affected the Liquidity Ratio	Conditions before the IPO affected the Solvency Ratio
5	(Desy Anggraeni, 2017)	Conditions Before IPO, Conditions After IPO and Sales Growth did not significantly affect Liquidity Ratio	Conditions Before IPO & Conditions After IPO affected Liquidity Ratio	Conditions Before and After IPO affected Activity Ratio
6	(Yung Se n& Lil i Syafitri, 2014)	Conditions Before IPO and Conditions After IPO did not have a significant effect on Liquidity Ratios and Profitability Ratios	Conditions Before IPO & Conditions After IPO affected Liquidity Ratios and Profitability Ratios	Conditions Before IPO and Conditions After IPO did not significantly affect Liquidity Ratios and Profitability Ratios
7	(Rafa Dwisono dkk., 2021)	Conditions Before IPO and Conditions After IPO did not have a significant effect on the Liquidity Ratio	Conditions after the IPO affected the Liquidity Ratio	Conditions before the IPO affected the Solvency Ratio
8	(Niluh Sr iAndayani dkk., 2017)	Conditions Before IPO, Conditions After IPO, and Sales Growth have a negative effect on Liquidity Ratio	Conditions Before IPO & Conditions After IPO affect Liquidity Ratio	Conditions Before IPO & Conditions After IPO affects Activity Ratio
9	(Ayu Rizkia Nur Nabilah dkk., 2021)	Conditions Before IPO and Conditions After IPO did not have a significant effect on Liquidity Ratio and Profitability Ratios	Conditions Before IPO & Conditions After IPO affected Liquidity Ratios	Conditions Before IPO and Conditions After IPO affected Solvency Ratios
10	(Nadila Mariska dkk., 2022)	Conditions Before IPO and Conditions After IPO did not have a significant effect on the Liquidity Ratio	Conditions after the IPO affected the Liquidity Ratio	Conditions before the IPO affected the Profitability Ratio

WRITING METHOD

Writing this Literature Review article uses descriptive qualitative methods and library research, sourced from Google Scholar, Mendeley, and other online applications. This Literature Review article discusses the field of Financial Management.

In qualitative research, literature review must be consistent with methodological assumptions. This means that it must be used inductively so that it does not direct the questions posed by the researcher. One of the main reasons for conducting qualitative research is that the research is exploratory, (Ali & Limakrisna, 2013).

DISCUSSION

Based on the formulation of the problem, theoretical studies, and relevant previous research results, the discussion of this literature review article is as follows:

The Effect of Conditions Before IPO on Liquidity Ratio.

Conditions Before the IPO affect the Liquidity Ratio, where the dimensions or indicators of Conditions Before the IPO (not yet or no act of offering the first sale of shares (capital) to investors) affect the dimensions or indicators of the Liquidity Ratio (Current Ratio), (Ratu Dhinta & Nono Supriatna, 2019).

To increase the Liquidity Ratio by taking into account the Conditions Before the IPO, what management must do is increase current assets through sales growth or efficiency in operating costs or additional capital from owners, where the proportion of total current assets can increase compared to total assets (Linda Novita Dewi et al., 2020).

Conditions Before the IPO affect the Liquidity Ratio, if the Conditions Before the IPO are perceived as good, then this will be able to increase the Liquidity Ratio (Rafa Dwisono et al., 2021).

Conditions Before the IPO affect the Liquidity Ratio, this is in accordance with the results of research: (Fitri Lita Kusumawati et al., 2014), (Yung Sen & Lili Syafitri, 2014), (Ayu Rizkia Nur Nabilah et al., 2021), and (Risal Rinofah et al., 2022).

The Effect of Conditions After the IPO on the Liquidity Ratio.

Conditions after the IPO affect the Liquidity Ratio, where the dimensions or indicators of Conditions Before the IPO (the act of offering the first sale of shares (capital) to investors) affects the dimensions or indicators of the Liquidity Ratio (Current Ratio), (Ratu Dhinta & Nono Supriatna, 2019).

To increase the Liquidity Ratio by taking into account the Conditions Before the IPO, what management must do is increase current assets through sales growth or efficiency in operating costs or additional capital from owners, where the proportion of total current assets can increase compared to total assets (Linda Novita Dewi et al., 2020).

Conditions after the IPO do not significantly affect the Liquidity Ratio, if the Conditions After the IPO are perceived as good, then this will increase the Liquidity Ratio, (Rafa Dwisono et al., 2021).

Conditions after the IPO do not significantly affect the Liquidity Ratio, this is in accordance with the results of the study: (Yung Sen & Lili Syafitri, 2014), (Ayu Rizkia Nur Nabilah et al., 2021). On the contrary, Conditions after the IPO actually have a positive effect on the Liquidity Ratio (Fitri Lita Kusumawati et al., 2014). Conditions after the IPO affect the Liquidity Ratio by including the Earning Per Share (EPS) variable as a moderating variable (Risal Rinofah et al., 2022).

The Effect of Conditions Before IPO on Profitability Ratios.

Conditions before the IPO affect the Profitability Ratio, where the dimensions or indicators of Conditions Before the IPO (not yet or no act of offering the first sale of shares (capital) to investors) affect the dimensions or indicators of Profitability Ratios (Operating Profit Margin, Net Profit Margin, Returns). on Investment (ROI), Book Value per Share, and Dividend Yield), (Fitri Lita Kusumawati et al., 2014).

To increase the Profitability Ratio by taking into account the Conditions Before the IPO, the company must be able to increase the Liquidity Ratio, where the Liquidity Ratio increases due to increased sales figures resulting in the company's ability to earn profits also increases (Yung Sen & Lili Syafitri, 2014).

Conditions Before the IPO affect the Profitability Ratio, if the Conditions Before the IPO are perceived as good, then this will be able to increase the Profitability Ratio, (Ayu Rizkia Nur Nabilah et al., 2021).

Conditions Before the IPO affect the Profitability Ratio, this is in accordance with the results of research: (Ratu Dhinta & Nono Supriatna, 2019), (Linda Novita Dewi et al., 2020), and (Rafa Dwisono et al., 2021).

The Effect of Conditions After the IPO on Profitability Ratios.

Conditions after the IPO affect the Profitability Ratio, where the dimensions or indicators of Conditions Before the IPO (the act of offering the first sale of shares (capital) to investors) affects the dimensions or indicators of Profitability Ratios (Operating Profit Margin, Net Profit Margin, Return on Investment) (ROI), Book Value per Share, and Dividend Yield), (Fitri Lita Kusumawati et al., 2014).

To increase the Profitability Ratio by taking into account the Conditions Before the IPO, the company must be able to increase the Liquidity Ratio, where the Ratio Liquidity increases due to increased sales figures resulting in the company's ability to earn profits also increases (Yung Sen & Lili Syafitri, 2014).

Conditions after the IPO have no effect on the Profitability Ratio, if the Conditions After the IPO are perceived as good then this will be able to increase the Profitability Ratio, (Ayu Rizkia Nur Nabilah et al., 2021).

Conditions after the IPO affect the Profitability Ratio, this is in accordance with the results of research (Ratu Dhinta & Nono Supriatna, 2019). On the other hand, other research states that Conditions After the IPO do not significantly affect the Profitability Ratio (Linda Novita Dewi et al., 2020), and (Rafa Dwisono et al., 2021).

Effect of Liquidity Ratio on Profitability Ratio.

Liquidity Ratios affect the Profitability Ratios, where the dimensions or indicators of Liquidity Ratios (Current Ratio, Quick Ratio, and Cash Ratio) affect the dimensions or indicators of Profitability Ratios (Operating Profit Margin, Net Profit Margin, Return on Investment (ROI), Book Value per Share, and Dividend Yield), (Fitri Lita Kusumawati et al., 2014).

To increase the Liquidity Ratio by taking into account the Conditions after the IPO, management must use the additional capital received to increase sales and marketing volumes and cover the company's obligations to other parties (Yung Sen & Lili Syafitri, 2014).

Conditions after the IPO have no effect on the Liquidity Ratio, if the Conditions Before the IPO are perceived as good, then this will be able to increase the Liquidity Ratio, (Ayu Rizkia Nur Nabilah et al., 2021).

Conceptual Framework

Based on the problem formulation, theoretical studies, relevant previous research results, and discussion of the influence between variables, the framework for thinking in this article is as follows.

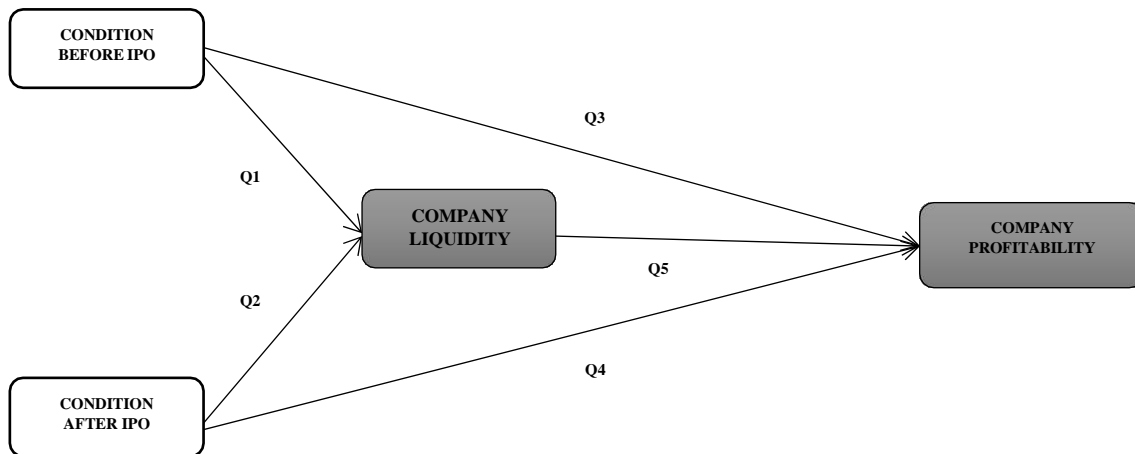


Figure 1: Thinking Framework

Based on the conceptual framework picture above, then: Conditions Before IPO and Conditions After IPO affect Liquidity Ratios and Profitability Ratios either directly or indirectly.

Apart from these two exogenous variables that affect the Liquidity Ratio, things that can also be other factors are variables:

1. Sales Growth (Teti Yuliarni et al., 2016), (Desy Anggraeni, 2017), and (Niluh Sri Andayani et al., 2017)
2. Earning Per Share (EPS) (Risal Rinofah et al., 2022), and
3. Ownership Structure (Arief Nur Adha Wisnuwardana and Nurlita Novianti, 2017).

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

Based on the theory, relevant articles, and discussion, it can be formulated hypotheses for further research:

1. Conditions before the IPO affect the Liquidity Ratio.
2. Conditions after the IPO have no effect on the Liquidity Ratio.
3. Conditions before the IPO affect the Profitability Ratio.
4. Conditions after the IPO have no effect on the Profitability Ratio.
5. Liquidity Ratio through Earning per Share (EPS) affects the Profitability Ratio.

Suggestion

Based on the conclusion above, the suggestion in this article is that conditions after the IPO may not necessarily affect the Liquidity Ratio and Profitability Ratio. Based on the conclusions from the results of this study, further studies are needed regarding other factors that can affect the Liquidity and Profitability Ratios other than those examined in this article such as: Sales Growth, Earnings per Share (EPS), and Ownership Structure.

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