AKRUAL: Jurnal Akuntansi *Vol 18, issue 1, October 2026*
p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

Political Connection, Family Ownership, and Stock Performance after IPOs: Evidence from Indonesia

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Abstract

Background Problems: Indonesia leads Association of Southeast Asian Nations (ASEAN) countries in terms of the number of Initial Public Offerings (IPOs) since 2018, peaking in 2023 with 79 companies conducting IPOs. Despite being the highest in ASEAN, not all IPO stocks in Indonesia are of good quality and performance. **Introduction/Main Objectives:** This research seeks to examine the impact of political connection and family ownership on the stock performance of firms that executed IPOs in Indonesia from 2018 to 2020 over the subsequent three years after companies go pubic (2021-2023). **Research Methods:** The stock performance analysis covers 12, 24, and 36 months after the company's IPO to examine long-term performance. This study's sample comprises 125 firm. Multiple linear regression analysis was used to test the hypotheses. **Finding:** This study finds that political connections positively influence stock performance, whereas family ownership does not impact stock performance. **Conclusion:** This study an serve as a reference for companies in making decisions regarding the composition of commissioners and boards of directors with political connections, which may act as a positive signal to investors. The results of this research may also function as aguidance for investors to determine the best investment decisions.

Keywords: Family Ownership; IPO Company; Political Connections; Signaling Theory; Stock Performance

JEL Classification: G32, G14, G34

Article History: Received: January, 5th 2026 Revised: Mei, 29th 2026 Accepted: June, 02nd 2026 Published: October, 1st 2026
How to cite: Aisya, M.P. &Narulia, D. (2026). Political Connection, Family Ownership, and Stock Performance after IPOs: Evidence from Indonesia. *AKRUAL: Jurnal Akuntansi*, *18*(1). DOI: 10.26740/jaj.v18n1.p.1-16
Conflict of Interest Statement: here is no conflict of interest in the articles resulting from this research

INTRODUCTION

Indonesia has been the country with the highest number of Initial Public Offerings (IPOs) in the Association of Southeast Asian Nations (ASEAN) since 2018, peaking in 2023 with 79 companies conducting IPOs (IDXChannel, 2021). Despite being the highest in ASEAN, not all IPO stocks in Indonesia have good quality and performance. The phenomenon of long-term underperformance of IPO stocks remains a common problem, both in developed and developing markets (Fuadi & Pasaribu, 2024; Ritter, 1991). In Indonesia itself, there are quite a few companies that have experienced a decline in share prices after conducting an IPO. According to information from the Indonesia Stock Exchange (IDX), around 60% of companies listed in 2023 were unable to maintain their share prices above the offering price after one year of conducting an IPO (IDX, 2025). The decline in share prices shows that not all newly IPOed companies are capable of maintain their stock performance in the long term.

Consequently, investors face difficulties in assessing the actual quality and future prospects of IPO firms. The decline in stock performance causes losses for investors, thereby reducing their confidence in future IPO companies (Chauhan et al., 2023; Putra, 2024).

Companies need to gain investor confidence to increase their share value (Mariani et al., 2023), one way being through predictions of future profits. Companies must convince investors by showing positive signals regarding the quality of the company (Deb, 2013). Companies need to demonstrate their ability to survive, meet the necessary resources, and generate profits for investors. On the other hand, investors can use the signals issued by companies to make investment decisions (Chandler et al., 2019). Political connections are one of the factors that can support a firm's future performance and act as a positive signal for investors. (Gounopoulos et al., 2021; Liu et al., 2012; Zhang et al., 2022).

Political connection are considered a form of closeness between companies and the government that can help improve company performance through preferential treatment (Liu, 2024; Zhang et al., 2022). Political connection help companies obtain work contracts (Harymawan et al., 2019) and early access to information regarding policies to be implemented by the government (Carney et al., 2020). Political connection also help companies obtain tax breaks and easy access to debt through the company's closeness to the government (Zhang et al., 2022). In countries with high levels of corruption, political connection can be maximized to generate profits (Faccio, 2006; Harymawan et al., 2019).

Government involvement in the business world is evident and has become commonplace in Indonesia (Harymawan et al., 2020). According to Restuti et al. (2025), political connection are important for sustaining survival of firm in Indonesia due to weak law enforcement, high economic uncertainty, and state control of various resources. In 2025, Indonesia's corruption index ranked 99th out of a total of 180 countries in the world (KPK, 2025). This relatively high corruption index means that political connection play a crucial role in the performance of companies in Indonesia (Harymawan et al., 2019). Therefore, this research attempts to explore the role of political connection on the stock performance of newly IPO companies through the proxy of cumulative abnormal return.

This research also considered the impact of family ownership on stock performance. Family ownership needs to be analyzed because, as most companies in Indonesia are family-owned businesses (IDX, 2024). In family businesses, a family will act as owner, manager, and decision maker (Ramirez et al., 2020). Atmaja & Chandera (2021) found that investors consider family businesses to be more risky due to the a high possibility of conflicts of interest between controlling and non-controlling shareholders. Carbone et al. (2024) also argue that high family ownership can increase the likelihood of internal problems arising from conflicts between the family as controlling shareholders and non-family managers.

Previous studies have found that political connection positively affect company stock performance (Gounopoulos et al., 2021; Liu et al., 2012; Zhang et al., 2022). However, political connection can also negatively affect company stock performance (Cao et al., 2022). Research by Azizah & Amin (2020) found something different, namely that political connection have no effect on company performance. Meanwhile, family ownership in previous studies has a negative effect on company performance (Atmaja & Chandera, 2021). Although studies on political connection and company performance have been widely conducted, research examining the effect of political connection on the stock performance of IPO firms in Indonesia remains relatively limited. This issue becomes increasingly

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p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

important as the number of companies conducting IPOs in Indonesia has continued to increase in recent years, indicating the need for further examination of the long-term stock performance of IPO firms (IDXChannel, 2021). Therefore, due to the inconsistent findings in previous studies and the growing relevance of IPO firms in Indonesia, this study reexamines the influence of political connection and family ownership on the stock performance of IPO companies using different samples and observation periods.

This study aims to analyze the effect of political connections and family ownership on the stock performance of IPO companies in Indonesia as shown in the following figure:

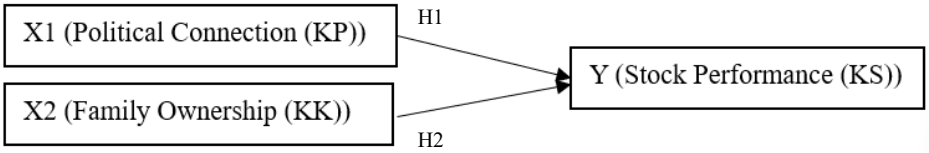


Figure 1. Research Model

This study is expected to contribute to the literature on the effect of political connections and family ownership on the stock performance of IPO companies in Indonesia from the perspective of signaling theory. In addition, this study is expected to provide consideration for decision-making related to the composition of politically connected boards of commissioners and directors, as well as the composition of shareholders, in order to signal the quality of the company to investors. On the other hand, the results of this study can be used as a basis for analysis for investors to decide on maximum investment planning.

Signaling theory explains that companies provide signals to reduce information asymmetry between insiders and external investors (Spence, 1973). This theory is highly relevant in the IPO context because newly listed firms generally possess limited publicly available information, causing investors to experience uncertainty regarding firm quality and future performance. Therefore, investors tend to interpret observable corporate characteristics as signals in evaluating IPO firms (Wu et al., 2013). In this study, political connections and family ownership are considered important signals that may influence investor perceptions and ultimately affect stock performance after IPOs.

Spence (1973) describes a signal as a behavior or characteristic, whether deliberate or accidental, that influences beliefs and communicates information to others. A signal is a reliable means of communication used to transmit information from one party that possesses more knowledge to another party that has less knowledge (Spence, 2002). Signals can reflect the condition of a company and influence the perceptions and decisions of external parties towards the company. Companies that intend to conduct an IPO can use signals to demonstrate their quality to the public. Signals can be used to prevent information asymmetry between potential investors and company managers (Rhyne & Brigham, 2021). To avoid information asymmetry, companies will try to provide information signals to investors (Hajawiyah et al., 2019). The signals provided by companies can be used as a basis for investors to make decisions (Spence, 1973).

Investor responses to signals given by companies will be reflected in the firm's stock performance (Harjayanti et al., 2024). Firm stock performance will increase when positive information emerges and decrease when negative information emerges (Yasar et al., 2020). Prior research indicates that companies with political connection have good governance (Giosi & Caiffa, 2021), continuously improving performance (Cheikh & Loukil, 2023), and

tend to support dividend distribution to shareholders (Nursyahbandarmahdi et al., 2020). Therefore, political connection are interpreted as a positive signal given by companies to the public. Meanwhile, family ownership are interpreted as a negative signal by investors because companies rely more on debt and do not conduct mature equity offerings (Cao et al., 2022). Investors consider family-owned companies to have poorer performance than non-family companies (Cao et al., 2022).

Signals can be used to overcome the lack of information available to investors so that decision-making can be maximized (Yasar et al., 2020). Information published by companies can serve as signals to reduce the uncertainty faced by investors in accordance with signal theory (Spence, 2002). Wu et al. (2013) found that corporate political ties are a positive signal that can improve the stock performance of IPO companies. Political connection can signal that a company has a stable business environment due to government support in the form of privileged access to resources and information (Harymawan et al., 2017). Through positive signals from political connection, investor confidence in the company will increase, thereby increasing demand for shares and positively impacting its performance (Liu, 2024).

Studies by Liu et al. (2012) and Zhang et al. (2022) shows that political connection have a positive effect on the stock performance of IPO companies in China due to easier access to external funding. due to easier access to external funding. Politically connected companies are more financially stable and better able to survive because of their easy access to funding. Research by Gounopoulos et al. (2021) also shows that political connection positively influence the stock performance of IPO companies in the United States. Greater opportunities to obtain government contracts can add value to a company in the eyes of investors. Meanwhile, research by Ligita and Muazaroh (2020) shows that political connection have a positive impact on the stock performance of companies in Indonesia. Pratama and Setiawan (2019) found that companies that have connections with the elected president will have better stock performance after the election. In addition to easy access to funding, politically connected companies also enjoy lower capital costs (Joni et al., 2020), lower financial distress risk (Rijanto, 2022), and lower stock price decline risk (Harymawan et al., 2019). Investors tend to invest in politically connected issuers because they want to benefit from the political support that the company has (Maaloul et al., 2018). Based on the findings of previous literature, the following are the hypotheses of this study:

H1: Political connection has a positive impact on the stock performance of IPO companies.

Signals are indicators, in the form of attributes or actions, that provide information regarding a company's characteristics to investors (Carbone et al., 2022; Spence, 1973). Family involvement is viewed as a negative signal by investors because it allows for opportunistic behavior by majority shareholders that is detrimental to non-majority shareholders (Cao et al., 2022; Chandler et al., 2019; Ullah & Kamal, 2022). Families as leaders usually prioritize their own interests over business interests (Carbone et al., 2022). Therefore, family involvement is viewed negatively by the market (Carbone et al., 2022).

Previous studies have found that families maintain their ownership for the sake of power (Jain & Shao, 2017). Families seek to maintain their ownership in order to retain control over the management of the company (Gadeng et al., 2023). Family control leads to

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p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

actions that are only oriented towards family profits and are detrimental to minority shareholders (Boubaker et al., 2020; Gadeng et al., 2023). Ultimately, family ownership can worsen company performance (Boubaker et al., 2020; Gadeng et al., 2023).

Family-owned companies are more focused on non-economic goals centered on the family (Chandler et al., 2019). Family businesses tend to prioritize family principles, values, and goals, which may lead to lower market performance compared to non-family firms (Carbone et al., 2022). family ownership can reduce stock performance due to poor corporate governance and low capital intensity (Harymawan et al., 2019). Muntahanah et al. (2021) found that excessive control allows families to extract private benefits from the company, leading to poor performance. Based on previous studies, the second hypothesis of this research is as follows:

H2: Family ownership has a negative impact on the stock performance of IPO companies.

RESEARCH METHOD

Researchers collected data from companies that conducted IPOs between 2018 and 2020 to examine the impact of political connection and family ownership on stock performance. In 2018, there was an increase in the number of IPOs compared to previous years (IDXChannel, 2021). In addition, Indonesia leads ASEAN countries in terms of the number of IPOs from 2018 to 2023 (IDXChannel, 2021). The research period ended in 2020 because the researchers needed data on the stock prices of issuers three years after their IPOs. The use of periods of 12, 24, and 36 months after a company's IPO was intended to measure stock performance in the long term (Liu et al., 2012; Zhang et al., 2022). The objects of this study were companies that conducted IPOs from 2018 to 2020, namely 162 issuers (IDX, 2024). However, 19 companies were suspended during the research period and therefore did not have the required stock price history. Therefore, 19 companies were removed from the research sample, leaving 143 issuers.

Stock performance of IPO companies (KS) serve as the dependent variable in this research. KS is measured by Cumulative Abnormal Return (CAR). CAR is used to measure the market's reaction to the publication of information by IPO companies regarding current events. This study examines the stock performance of companies over 12, 24, and 36 months post-IPO period to assess KS in the long term (Liu et al., 2012; Zhang et al., 2022). To calculate abnormal returns (AR), researchers collected information related to monthly stock prices from sample companies (Pi,t) and the Composite Stock Price Index (IHSG) obtained from the Indonesia Stock Exchange (IDX) website and Yahoo Finance. The CAR calculation follows Giosi and Caiffa (2021) and Novita and Suryani (2022), which begins with the calculation of stock returns (Ri,t) and market returns (RMt) calculated as follows:

$$R_{i,t} = ln \frac{P_{i,t}}{P_{i,t-1}} \qquad RM_t = ln \frac{PI_t}{PI_{t-1}}$$

Pi,t represent the price of stock i in period t and Pi,t-1 represent the price of stock i in period t-1. Meanwhile, PIt represent the value of the IHSG in period t and PIt-1 represent the value of the IHSG in period t-1. After determining the stock return and market return values, the next step is to perform regression to obtain the intercept value (alpha) and the coefficient of the independent variable (beta). The alpha and beta values will be stored and used to calculate the expected return [E(Ri,t)]. Before performing regression, a classical assumption test is required to ensure that the data is suitable for analysis (Ghozali, 2021). The Kolmogorov–Smirnov test indicated non-normality ($p < 0.05$). The Breusch–Pagan test

also showed heteroscedasticity ($p < 0.05$), while the Durbin–Watson test revealed the presence of autocorrelation. Accordingly, this research employed Generalized Least Squares (GLS) to address heteroscedasticity and autocorrelation issues (Akpan & Moffat, 2018). The regression equation used is as follows:

$$R_{i,t} = \alpha + \beta_i . RM_t + \varepsilon_{i,t}$$

α is the intercept value (alpha), β is the independent variable coefficient (beta), while ε is the residual value. After obtaining the alpha and beta values, the next step is to calculate the expected return (E(Ri,t)) using the following formula:

$$E(R_{i,t}) = \alpha + \beta_i . R_{M,t} + \varepsilon_{i,t}$$

After determining the expected return value, researchers calculate the value of stock i's abnormal return during period t (ARi,t) using the following formula:

$$AR_{i,t} = R_{i,t} - E(R_{i,t})$$

The final step is to compute the CAR value of stock i using the following formula:

$$CAR_i = \sum_{t=1}^{N} AR_{i,t}$$

Political connections (KP) and family ownership (KK) serve as the independent variable in this research. A company is defined as having political connections if one of its executives or board members has been or is currently a member of the government, head of government, member of parliament, leader of a political party, or government agency (Dicko, 2020; Faccio, 2006). KP is proxied by a dummy variable, namely 1 if the company has political connections and 0 if the company has no political connections (Liu et al., 2012; Zhang et al., 2022). Data on the KP of the board of directors and commissioners were obtained from the prospectus in the director and executive profile section obtained from each company's website or the IDX website. A firm is defined as a family-owned company if family members possess a minimum of 50% of the total shares. (Dick et al., 2021; Miller et al., 2022). KK is proxied by a dummy variable, namely 1 if the company is family-owned and 0 if it is not (Dick et al., 2021; Miller et al., 2022). Data on KK of companies was obtained from the prospectus in the section on shareholder composition.

This study considers control variables in testing hypotheses. The control variables used in this research are Return on Assets (ROA), Leverage (LEV), Company Age (AGE), and Company Size (SIZE). Previous studies have found that ROA affects company stock performance (Que & Zhang, 2019). ROA represents the result of dividing net income by total assets. Meanwhile, AGE is proxied by the age of the firm, calculated from the time it was first established to the period used in the study (Harjayanti et al., 2024). Older companies are considered more ready for an IPO and are therefore preferred by investors (Kumar & Sahoo, 2021). On the other hand, Zhang et al. (2022) found that leverage affects a company's stock performance. LEV is measured by dividing total debt by total assets (Liu et al., 2012; Zhang et al., 2022). Other studies have found that company size (SIZE) also affects company stock performance (Liu et al., 2012; Zhang et al., 2022). SIZE is proxied by the natural logarithm of total assets (Liu et al., 2012; Zhang et al., 2022).

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p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

This study tested hypotheses using multiple linear regression analysis in the form of F-tests and t-tests. Before testing the regression, the researcher conducted classical assumption tests. In this research, the data did not experience problems of heteroscedasticity or multicollinearity, but it was not normally distributed. Data screening was conducted to identify univariate and multivariate outliers. The researcher used casewise diagnostics to identify univariate outliers (Field, 2017). If the data had a standardized residual value of <-2 or >2, it was identified as a univariate outlier (Field, 2017). The casewise diagnostic test in this study showed that 18 data points were indicated as univariate outliers in the 12, 24, and 36-month periods. Multivariate outliers were assessed using Mahalanobis distance, with a threshold of $p < 0.001$ (Ghozali, 2021). The results indicate no multivariate outliers across the 12, 24, and 36-month post-IPO periods. Thus, the final sample for this research consisted of 125 companies. After the classical assumptions were met, multiple regression tests were implemented to analyze the impact of KP and KK on KS. Regression was performed three times at 12, 24, and 36 months after the companies conducted their IPOs to observe the long-term effect. The regression equation applied in this research is presented as follows:

$$KS = \alpha + \beta_1.KP + \beta_2.KK + \beta_3.ROA + \beta_4.LEV + \beta_5.AGE + \beta_6.SIZE + \varepsilon$$

KS	= IPO Stock Performance	ROA	= *Return non Assets*	SIZE	= Company Size
KP	= Political Connections	LEV	= *Leverage*	β	=Regression Coefficient
KK	= Family Ownership	AGE	= Company Age	α	= Constant
				ε	= Residual Value

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

Variables	*Period*	*N*	*Min*	*Max*	*Mean*	*Std. Deviation*
KS	12	125	-0,610	0,324	-0,017	0,128
	24	125	-0,623	0,631	0,004	0,158
	36	125	-0,502	0,752	-0,006	0,163
ROA	12	125	-15,0%	17,9%	2,0%	4,7%
	24	125	-82,6%	22,0%	0,3%	9,9%
	36	125	-37,3%	53,7%	1,9%	9,7%
LEV	12	125	0,21%	92,76%	36,12%	21,50%
	24	125	0,14%	101,45%	37,91%	21,93%
	36	125	0,19%	133,35%	38,51%	24,55%
SIZE	12	125	24,61	32,86	27,23	1,41
	24	125	24,59	30,68	27,29	1,40
	36	125	24,31	30,67	27,40	1,38
AGE	12	125	2,0	65,6	18,7	14,2
	24	125	3,0	66,6	19,8	14,1
	36	125	4,0	67,6	20,8	13,8

Source: Author's Calculation

Table 1 shows that companies that conducted IPOs in Indonesia in 2018-2020 had poor stock performance in the 12- and 36-month periods after their IPOs. This is indicated by negative average stock returns. The average ROA value, which is lower than its standard deviation, indicates a return imbalance in several companies. The largest loss was experienced by PT Yelooo Integra Datanet Tbk (YELO) with a net loss of 40 billion rupiah. Meanwhile, the average leverage that increased in each period shows that the use of debt as funding increased over time.

Table 2. Independent t-test Analysis Political Connections

Period	*KP (1,0)*	*N*	*%*	*Mean*	*t-test*
12	Conected (1)	51	41%	0,02191	0,005
	Not Connected (0)	74	59%	-0,04304	
24	Conected (1)	51	41%	0,06321	0,000
	Not Connected (0)	74	59%	-0,03680	
36	Conected (1)	51	41%	0,03987	0,008
	Not Connected (0)	74	59%	-0,03830	

Source: Author's Calculation

Table 3. Independent t-test Analysis Family Ownership

Period	*KK (1,0)*	*N*	*%*	*Mean*	*t-test*
12	Family Ownership (1)	65	52%	0,00323	0,072
	Non Family Ownership (0)	60	48%	-0,03796	
24	Family Ownership (1)	65	52%	0,01248	0,535
	Non Family Ownership (0)	60	48%	-0,00518	
36	Family Ownership (1)	65	52%	0,00829	0,310
	Non Family Ownership (0)	60	48%	-0,02153	

Source: Author's Calculation

Table 4 and Table 5 show that the control variables AGE and SIZE have a positive correlation with LEV. This correlation indicates that the tendency of companies to use debt financing will increase in line with the age and size of the company. Table 5 also shows that SIZE and AGE are positively correlated with ROA, which means that company performance will also increase in line with the size and age of the company. Table 6 shows that SIZE is positively correlated with stock performance. This indicates that a company's stock performance will increase in line with the company's size. Table 6 also shows that LEV is negatively correlated with ROA. Thus, it can be concluded that a firm's performance will decline if its debt level increases.

Table 4. 12-Month Correlation Analysis

Variables	KS	ROA	LEV	SIZE	AGE
KS	1				
ROA	0,022	1			
LEV	-0,042	-0,098	1		
SIZE	0,160	0,162	0,299**	1	
AGE	0,055	0,074	0,234**	0,201*	1

Note: *p < 0.05 and *p < 0.01 denote the levels of statistical significance
Source: Author's Calculation

Table 5. 24-Month Correlation Analysis

Variables	KS	ROA	LEV	SIZE	AGE
KS	1				
ROA	0,003	1			

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p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

LEV	-0,011	0,002	1		
SIZE	0,144	0,284**	0,216*	1	
AGE	0,077	0,185*	0,186*	0,231**	1

Note: *p < 0.05 and *p < 0.01 denote the levels of statistical significance
Source: Author's Calculation

Table 6. 36-Month Correlation Analysis

Variables	KS	ROA	LEV	SIZE	AGE
KS	1				
ROA	0,021	1			
LEV	0,088	-0,337**	1		
SIZE	0,233**	0,159	0,139	1	
AGE	0,124	0,086	0,114	0,170	1

Note: *p < 0.05 and *p < 0.01 denote the levels of statistical significance
Source: Author's Calculation

The average stock performance of IPO firm with and without KP was deemed to be different if the significance value was < 0.05 (Ghozali, 2021). Table 2 shows that the significance value in months 12, 24, and 36 is < 0.05, indicating a difference in stock performance between IPO companies with and without KP. Meanwhile, there is no difference in KP between KK and non-KK IPO companies because the significance value in months 12, 24, and 36 is < 0.05 (Table 3).

The F test results show values < 0.05 for periods 12, 24, and 36 (see Table 7), so it can be concluded that the regression model used in this research is suitable for testing the hypothesis.

Table 7. Regression Test Results

Variables	12			24			36		
	B	*t*	*p*	B	*t*	*p*	B	*t*	*p*
(Constant)	-0,373	-1,598	0,113	-0,251	-0,848	0,398	-0,619	-2,076	0,040
KP	0,055	2,257	0,026	0,093	3,129	0,002	0,061	2,005	0,047
KK	0,039	1,738	0,085	0,016	0,577	0,565	0,035	1,221	0,225
ROA	-0,072	-0,293	0,770	-0,066	-0,449	0,654	0,030	0,184	0,854
LEV	-0,047	-0,831	0,407	-0,023	-0,352	0,725	0,061	0,947	0,346
AGE	0,012	1,384	0,169	0,008	0,708	0,481	0,020	1,749	0,083
SIZE	0,000	-0,125	0,900	0,000	0,135	0,893	0,000	0,411	0,682
F *test*		0,046			0,039			0,038	
R Square		6%			6%			6%	
N		125			125			125	

Source: Author's Calculation

Table 7 also indicated that KP has a positive effect on KS with a p-value < 0.05 for periods of 12, 24, and 36 months, so H1 cannot be rejected. Meanwhile, H2 is rejected because KK does not affect KS. The R-squared value is 6% for the 12-, 24-, and 36-month periods. This indicates that the independent variables can only explain 6% of the variation in KS.

The findings of this reseacrh align with prior studies conducted by Joni et al. (2020), Ligita & Muazaroh (2020), Liu et al. (2012), and Zhang et al. (2022). This reseach finds that companies with political connection outperform those without such connections. This can be seen from the average stock performance of companies with political connection, which

is better than that of companies without political connection. Political connection can have a significant effect on companies in Indonesia due to weak law enforcement and high levels of corruption (Faccio, 2006; Restuti et al., 2025). These conditions allow companies to hire boards or commissioners with political connections in order to reap potential benefits (Hardiningsih et al., 2024; Harymawan et al., 2020). The advantages gained from political connections make companies more competitive and resilient than companies without political connections.

IPO companies must find ways to reduce market uncertainty. Political connection play a role in overcoming market novelty for IPO companies (Zhang et al., 2022). political connection are an crucial component of firms' non-market competitive strategies (Gatra, 2023). Companies may use access to political information to learn about policies that will be enacted and how to mitigate the risks (Maaloul et al., 2018). Information obtained early allows companies to protect themselves from falling stock prices during crises and political uncertainty (Harymawan et al., 2019). This is due to the privileges of access to information, policies, and funding that firms without political connection do not have.

The findings of this reserach consistent the signaling theory, which explains that published information can be used as a signal to influence the decision-making process (Spence, 1973). Political connection can also signal to stakeholders that the company has a good institutional environment (Guo et al., 2025). When laws are not strictly enforced, political connection facilitate companies with more valid information to attract investors (Harymawan et al., 2020). The benefits that companies obtain through political connections can become an advantage in the eyes of investors, resulting in better stock performance.

This study found no impact of family ownership on the stock performance, so H2 cannot be accepted. This reseach find no statistically significant difference between the performance of family ownership and non- family ownership. However, when compared in terms of average values, family-owned companies had positive returns, while non-family companies had negative returns. The findings of this research are aligned with research findings Gottardo & Moisello (2019), Putra et al. (2022) Tapa & Mazlan (2022), who found that family ownership does not affect company stock performance. The explanation for this research finding is that that family ownership is a common characteristic among Indonesian firms, causing investors to perceive it as a normal condition rather than a unique positive or negative signal. As a result, family ownership may not provide additional information that differentiates one IPO firm from another. In addition, some companies that conduct IPOs are not directly owned by families but through other companies, or what can be called a pyramid ownership structure (Cordoba et al., 2024). A pyramid ownership structure increases information asymmetry between family companies and investors (Bastanta Pelawi & Yusviento Pelawi, 2023). The pyramid ownership structure makes it difficult for investors to assess the actual percentage of family ownership because the signals that emerge are less observable. In addition, the pyramid ownership structure allows for the emergence of the perspective that the company is owned by institutions, thus creating bias.

The findings of this research do not support the signaling theory because family ownership is not sufficient as a signal indicating the true value of an IPO company. Investors have less information compared to families serving as controlling shareholders, so their decisions can only be based on the interpretation of signals (Sekerci et al., 2022). This gap can reduce investors' opportunities to assess the true value of the company. Family

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p-ISSN: 2085-9643 DOI:10.26740/jaj.v18n1.p.1-16
e-ISSN: 2502-6380 https://journal.unesa.ac.id/index.php/aj

companies have a greater need to validate that they can meet investor expectations and have the ability to survive (Manzi et al., 2024). Therefore, family companies need to add positive signals during the IPO in order to influence investor decisions.

CONCLUSION

The purpose of this research is, examine the impact of political connection and family ownership on the stock performance of IPO firms in Indonesia. The outcomes of this study show that political connection can improve a company's stock performance. political connection proxied by the work history of commissioners and the board of directors, are viewed a positive signal by investors. Investors believe that companies can perform better with the support of political connections. Therefore, stock performance improves due to the positive response from investors to the political connections that companies have. However, family ownership has no effect on company stock performance. Thus, it can be concluded that family ownership cannot serve as an effective signal to convince investors.

The outcomes of this research can be used as consideration for companies in making decisions related to the composition of politically connected commissioners and boards of directors. Political connections can be a positive signal for investors, thereby improving stock performance. Although this research did not find an influence between family ownership and stock performance, family companies can adopt other signals that can strengthen the company's value from the investors' perspective. In addition, the outcomes of this research can be used as a foundation for analysis by investors in formulating optimal investment plans. Investors can consider the work history of the board of directors and commissioners in making investment decisions. A commissioners or board of directors with political connections enables companies to gain special access from the government, which can benefit the company.

This study has several limitations. First, the explanatory power of the regression model remains relatively low, indicating that IPO stock performance may also be influenced by other factors not included in this study. Further research is recommended to add variables such as corporate reputation, underwriter reputation, investor sentiment, and macroeconomic conditions. Second, the measurement of family ownership may not fully capture ultimate family control because several Indonesian firms apply pyramid ownership structures. Further research is recommended to identify family ownership based on direct ownership by individuals and family relationships among company board members.

AUTHORSHIP CONTRIBUTION STATEMENT

Mia Putri Aisya, a graduate student in Accounting at Universitas Negeri Malang, was the main author and primary contributor to this study. She was responsible for developing the research idea, formulating the research design and hypotheses, conducting data collection and empirical analysis, and drafting the manuscript. Dwi Narullia served as the supervisor and co-author, providing conceptual and methodological guidance, critically reviewing and refining the manuscript, and ensuring the study met academic and publication standards.

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