Analysis of Factors with Underpricing of Indonesia's Borse in the Initial Public Offering (IPO) Period 2019-2021

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Abstract

The aim of this study is to find out how great the influence of Underwriter Reputation, Company Age, Return on Asset (ROA), and Financial Leverage (DER) on the rate of Underpricing of Shares listed on the Indonesian Stock Exchange at the time of Initial Public Offering (IPO) in the period 2019-2021. To test this, the researchers used quantitative methods with secondary data collection techniques such as prospectus reports and corporate finances as well as literature studies. Analysis techniques used using E-views version 9. The results of research and discussion found that Reputation Underwrite, Return on Asset, and Financial Leverage did not affect the rate of Underpricing of Shares, whereas Age of the Company had an influence. So together the four Independent variables only affect the dependent variable by 12.44 percent.

Keywords: *Initial Public Offering, Underpricing, Underwriter, Company Age, Return on Asset, Financial Leverage*

A. Introduction

The rapid growth of the global economy requires companies to survive and compete in the business world. The company is claimed to be able to provide the capital needs for the survival of its company. One of the means that can support the company in meeting the financial needs and capital addition of the company is the capital market Alternative financing that the company can do is by means of issuing shares to the public or known as the term go public (Idka, 2017).

In the process of going public, stocks will be sold to the secondary market before being traded in the Secondary Market. This initial stock offer is often known as Initial Public Offering. (IPO). The stock price is determined by the Underwriter as an emission guarantor, while the price of the secondary market share is defined by market demand and supply mechanisms (Reza, 2014).

At the time of Initial Public Offering there is often a problem that arises that the price of the stock at the IPO is low compared to the price on the first day of trading on the secondary market, so there is a positive difference known as the term Underpricing. The

phenomenon of underpricing is frequent in various capital markets around the world. For the company, this problem leads to the loss of an opportunity to raise funds to the maximum (Lidya, 2012).

Since the beginning of 2018-2021, underpricing companies that are highly fluctuating have experienced a decline compared to previously in 2018, as many as 54 of the 58 companies experiencing underpriceing have been reduced to 51 companies in 2019 and continuously decreased in 2020 by 31 companies until in 2021 as much as 28 companies. However, every year the phenomenon of underpricing never disappears, so to create an ideal IPO stock price, it is necessary to look for any factors that influence the symptoms (Ainun, 2019).

There are many factors that could potentially influence underpricing stocks. The external influencing factor is the underwriter's reputation, which is very important because it serves as a bridge between the interests of the issuer and the investor, thus having a high influence on underpricing. According to the God of Ayu Kristiantari (2013), the reputation of underwriters has a significant influence on underpricing. Unlike research by Idka Setia Ningrus, and Nurjanti Widiaastuti (2019) which states that the reputation of underwriters has no significant influence on underpricing.

The next factor is the age of the company that measures the company's ability to survive and the amount of information that can be publicly absorbed. (Yoga, 2009). According to research conducted by Reza Widhar Pahlevi (2014) stated that the age of a company has a significant influence on underpricing. Unlike a study conducted by Puji Hartono (2013) which stated that there was no significant influence between the age of a company and underpricing.

The next factor is the internal factor of return on asset (ROA) which is one of the potential companies have in determining the Offering Price of shares. According to Faris Eko Yulianto (2019) stated that ROA has a significant influence on underpricing. Contrary to a study by God of Ayu Kristiantari (2013) which states that ROA has no significant influence on underpricing.

The last factor is the financial leverage that measures the ability of a company to pay its debt with the equity it holds. According to research conducted by Reza Widhar Pahlevi (2014) stated that financial leverage has a positive and significant influence on

underpricing stocks. Contrary to research by Indita Azisia Risqi and Puji Harto, financial leverage has no significant influence on underpricing.

Based on the above description, there is a gap phenomenon where high underpricing across the company should be minimized by the research gap between one researcher and another. As well as the fall in the underpricing rate since its peak in 2018 motivated researchers to find out if what is still a barrier to the phenomenon of underpriceing the stock price in 2019-2021 then the researchers raised the title of the study "Analysis of Factors That Affect Underpricking of Shares Listed on the Indonesian Stock Exchange at the Time of Initial Public Offering (Ipo) Period 2019-2021".

B. Literature Review

1. Capital Market

The capital market is a market for a variety of long-term financial instruments that can be traded, whether debt, equity, cash, derivative or other instruments. Capital markets are a means of financing for companies or other institutions (e.g. government) and as a means for investment activities.

Seeing from the side of Islamic Shariah, the capital market is one of the products of abuse. Transactions in the capital market according to the principle of Shariah are not prohibited as long as there are no money transactions contrary to the provisions that have been drawn up by the Islamic Sharial law.

2. IPO (Initial Public Offering)

IPO (Initial Public Offering) is the first offer or sale of shares to the public on the capital market or stock exchange. (IDX, 2015) The benefits and benefits of an IPO (Initial Public Offering) or Go Public are as follows:

a. Opening the company's access to long-term financing.

b. Increase Company Value (Company Value)

c. Improve the corporate image

d. Growing Corporate Employee Loyalty

e. Ability to Maintain Survival.

f. Tax incentives

3. Underpricing

Underpricing is a condition in which, on average, the market price of a newly-published company, usually within days or weeks, is lower than its bid price. Underpricing occurs when the price at the time of the IPO is lower than when traded in the secondary market. This situation is common in every capital market, as evidenced by empirical data the phenomenon of underpricing can ultimately be explained through: Asymmetric Information Theory, Signaling Theory and Efficient Market Theory Asymetric Information is a condition in which there is an information that is not equal or balanced either between the information held by managers or other parties such as investors.

Table 1
Indicators Factors Affecting Stock Underpricing

No.	Factor-Factor	Strength
1	Underwriter Reputation	Underwriter rank
2	Company Age	Long Company Operating Until IPO
3	*Return On Assets* (ROA)	Net profit of the company
4	*Financial Leverage*	Ability to Pay Debt with Equity

4. Research Hypothesis

H_1 : Underwriter's reputation has a negative influence on underpricing

H_2 : The age of the company has a negative influence on underpricing

H_3 : *Return on Assets (ROA) has a negative impact on underpricing*

H_4 : *Financial Leverage Positive Effect on Underpricing*

C. Research Methods

In this study using a quantitative approach with associative methods. Where samples are collected based on purposive sampling with population based on companies go public on the Indonesian Stock Exchange in the period 2019-2021. Purposive sampling criteria are:

1. The company that conducted an Initial Public Offering (IPO) on the Indonesian Stock Exchange during the period 2019-2021.

2. Sharia-based companies listed on the Indonesian Sharia Stock Index (ISSI) for the period 2019-2021.

3. Companies that were underpricing during the period.

4. Available company prospectus and lists the underwriting companies used during the IPO.

5. Total Assets Before Initial Public Offering (IPO) > Rs 300,000,000,000, -

From the above criteria, you get 30 shares that include the criteria. The data source used in this study uses secondary data with libraries, financial reports and documentation. For data collection methods use some calculations such as:

The underwriter's reputation is measured based on the ranking of the total transaction value. Have a high reputation if you are at the top 15 of the total transaction value each year and a low reputation when you are outside the top 15. For companies guaranteed by underwriters with a high reputation, the number is 1, whereas for companies with a low underwriter, the value is 0.

The age of this company is measured from the year the company was founded on the basis of the founding act until the time the company undertook an IPO. Information about the company's year of establishment and information about the year at the time of the initial offer of shares is obtained from the company prospectus documents available on the Indonesian Stock Exchange website.

Return On Assets is used to measure a company's ability to make a profit with all the assets it holds.

Financial leverage shows a company's ability to pay its debt with the total assets it holds. The financial leverage is measured by the DER (Debt to Equity Ratio), the DER is a leverage that shows the ability of a company to pay off its debt with its own capital.

$$ROA = \frac{Total\ Utang}{Ekuitas}$$

D. Result and Discussion

1. Descriptive Statistical Analysis

Descriptive statistical analysis was carried out on samples used in research under underpricing in the Sharia Effects List during the period 2019-2021. The independent variables of this research are Underwriter reputation, Company age, Return on Assets, and Financial Leverage.

Table 2
Descriptive Analysis Results

Variabel	Mean	Median	Max	Min	Std. Dev
UNDP	4,79	1,43	38,7	0,07	8,64
UNDW	0,3	0	1	0	0,47
UPR	3	3	4	0,69	0,78
ROA	0,05	0,03	0,14	-0,01	0,04
DER	0,34	0,02	1	-0,01	0,49

Classical Assumption Test

Normality test in this study the researchers used the Jarque-Bera test by looking at the coefficients and probability of the jarque-bera compared to looking at curves of histograms whose curves often follow normal curves so it is difficult to read. The results of the normality test (Jarque-Bera test) can be seen in the following table.

Table 3
Normality Test Results (Uji Jarque-Bera)

N	*Jarque-Bera*	Sig.	Keterangan
30	1.913100	0.38421	Normal

A multicolority test is required to find out if there are no independent variables that have a strong relationship between independent variable in a model. If the correlation value between variables is < 0.80 then there is no problem with multicolinearity. Here's the multicolinearity test.

Table 4
Multicollinearity Test Results

	UNDW (X1)	UPR (X2)	ROA (X3)	DER (X4)
X1	1,0000	0,1315	-0,1986	0,0015
X2	0,1315	1,0000	0,2922	0,1545
X3	-0,1986	0,2922	1,0000	-0,0157
X4	0,0015	0,1545	-0,0157	1,0000

In this study to determine the existence of heterocadasthesis can use the Harvey test, with the assumption If p value > 0.05, then it can be said regression model there is no problem heterocedad. Here's the results of the heterocadastisity test.

Table 5
Heteroscedasticity Test Results

Heteroskedasticity Test: *Harvey*		
Sampel	**Sig. *Chi-Square***	**Keterangan**
30	0,4856	No heterokedasticity

To detect whether or not there is an autocorrelation can be done by means of the Durbin-Waston test. (DW test). If the DW value is between the boundary or upper bound (du) and (4-du), then the autocorrelation coefficient is equal to zero means there is no autocorelation. The autocorrelation test results can be seen in the following table:

Table 6
Autocorrelation Test Results

Sampel	***Durbin-Waston***	**Keterangan**
30	2,023173	Not Happening Autocorlarity

Double Linear Analysis

The influence of Underwriter Reputation, Company Age, Return on Assets (ROA), and Financial Leverage on the underpricing rate of stocks seen from the double regression analysis. As for the results of analysis using double regression can be seen in the following table:

Table 7
Multiple Linear Test Results

Variable	**Prediksi**	**Koef**	$t_{Statistic}$	**Sig**	**Ket**
Constant		14.382	2.6322	0.014	
UNDW (X1)	Negative	-2.904	-0.8646	0.395	Accepted
UPR (X2)	Negative	-4.366	-2.1034	0.045	Rejected
ROA (X3)	Negative	69.210	1.6967	0.102	Accepted
DER (X4)	Positive	0.042	0.0135	0.989	Rejected
$F_{statistic}$	2.0305				
Signifikansi	0.1207				
Adjusted R-squared	0.1244				
R-squared	0.2452				

Test the hypothesis

H_1 : Underwriter's reputation has a negative influence on underpricing

Based on the results of partial testing on table 7 of the influence of the underwriter's reputation on the underpricing rate obtained thitung of -0,8646 < 1,70814 and a probability

of 0,3955 > 0,05, this suggests that the Underwriter`s Reputation variable has no negative influence or influence and is insignificant on the share underprice rate. The hypothesis put forward is the same as the results of research that stated that Underwriter's reputation had no influence and no significance on the rate of underpricing stocks. Then it can be concluded that H1 was accepted.

H_2 : The age of the company has a negative influence on underpricing

Based on the results of partial testing on table 4.6 of the influence of the age of the company on the underpricing rate obtained thitung of -2,1034 > 1,70814 and probability of 0.0457 < 0,05, this shows that the variable of the life of the enterprise has a positive and significant influence. The hypothesis put forward is not the same as the results of research that suggests that the age of a company has a positive and significant influence on the rate of underpricing stocks. Then it can be concluded that H2 is rejected.

H_3 : *Return on Assets (ROA) has a negative impact on underpricing*

Based on the results of partial testing on table 4.6 of the influence of ROA on the underpricing rate obtained thitung of 1.6967 < 1,70814 and the probability value of 0.1022 > 0,05, this suggests that the variable ROA has no influence and is insignificant. The hypothesis put forward is the same as the results of research that stated that ROA has no influence and is not significant on the rate of underpricing stocks. Then it can be concluded that H3 was accepted

H4 : Financial *leverage* has a positive effect on underpricing

Based on the partial test results of table 4.6 obtained a DER of 0.0135 < 1.70814 with a probability value of 0.9893 > 0.05, this indicates that the DER variable has no influence and is not significant on the rate of underpricing. The hypothesis put forward is not the same as the results of research that stated that the Financial Leverage (DER) has no influence and is not significant on the underpricing rate of stocks. Then it can be concluded that H4 was rejected.

Based on the simultaneous regression coefficient test (F test) in table 4.6, the size of the calculation value is 2,0305 < Ftable 2,54 with a probability value of 0,1207 > 0,05 so it can be concluded that all independent variables consisting of the reputation of the underwriter, the age of the company, the return on asset (ROA), and the financial leverage together do not affect the

dependent variable and this means that all variables are free at the same time and do not influence the bound variable.

E. Conclusion

The results of the test were carried out against 30 companies that included companies with a sharia index and underpricing during the period. Based on the results of analysis and testing of such variables, the following conclusions can be drawn:

1. A good underwriter's reputation does not guarantee the high value of the stock that the company can offer to the public, so it has nothing to do with the underwriters' rankings to determine the price of the stocks. Therefore, the fact that the Underwriter's reputation has a negative and insignificant influence on the underpricing rate of shares in the company is accepted.

2. The longer the company operates until the listing eventually affects the level of investor confidence in the company. Therefore, the assertion that the age of the company has an insignificant negative influence on the rate of underpricing shares on the company is rejected.

3. Companies that are inefficient in using funds or assets they own will make this ratio lower and smaller. Therefore, the statement that the Return on Asset does not affect the underpricing rate of shares in the company is accepted.

4. The higher the DER a company holds, the higher the risk. Therefore, the assertion that the DER has a positive and significant influence on the rate of underpricing shares on the company is rejected.

Based on simultaneous variable testing, it is stated that the four independent variables together only affect the dependent variable.

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