

The Influence Of Financial And Non-Financial Information To Underpricing Of Stock Prices In Companies That Conduct Initial Public Offering

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(Diterima: 25 Februari 2019, direvisi: 04 April 2019, dipublikasikan: 30 April 2019)

Abstract

Underpricing is a condition which shows that stocks price at a primary market is lower than the stock price at the secondary market. This research was aimed to find out the influence of financial and non-financial information in the form of Debt to Equity Ratio (DER), Return on Equity (ROE), underwriter reputation, and the percentage of stocks offering to underprice of stock prices in companies that conducted Initial Public Offering (IPO). The population in this research were the companies that conduct IPO listed in the Indonesian Stock Exchange in the period time of 2013-2017. The sampling technique was purposive sampling method and there were obtained 52 companies as the samples. The used data were the secondary data in the form of the data of companies that carry out IPO and listed in IDX in 2013-2017 and the prospectus of the companies. The data analysis technique was a multiple linear regression. The result of this research showed that Return on Equity (ROE) and Underwriter Reputation has a negative significant effect to underpricing, while Debt to Equity Ratio (DER) and Percentage of Stocks Offering doesn't have significant effect to underpricing.

Keywords: Debt to Equity Ratio (DER), Return on Equity (ROE), Underwriter Reputation, Stocks offering percentage, Underpricing, Initial Public Offering (IPO).

Informasi Keuangan Dan Non Keuangan Terhadap Underpricing Pada Saat Initial Public Offering

Abstrak

Underpricing adalah kondisi harga saat penawaran perdana lebih rendah dibanding harga di pasar sekunder. Penelitian ini bertujuan untuk mengetahui pengaruh informasi keuangan dan non keuangan yang berupa Debt to Equity Ratio (DER), Return on Equity (ROE), reputasi underwriter, serta persentase penawaran saham terhadap underpricing pada perusahaan yang melakukan Initial Public Offering (IPO). Populasi dalam penelitian ini yaitu perusahaan yang melakukan IPO yang tercatat di Bursa Efek Indonesia pada periode 2013-2017. Teknik pengambilan sampel yang digunakan adalah metode purposive sampling dan didapatkan sampel sebanyak 52 perusahaan. Data yang digunakan adalah data sekunder berupa data perusahaan yang melakukan IPO dan listed di BEI tahun 2013-2017 dan prospektus perusahaan. Teknik analisis data yang digunakan adalah regresi linier berganda. Hasil penelitian menunjukkan bahwa Return on Equity (ROE) dan Reputasi Underwriter mempunyai pengaruh negatif dan signifikan terhadap underpricing sedangkan Debt to Equity Ratio (DER) dan Persentase Penawaran Saham tidak berpengaruh signifikan terhadap underpricing.

Kata kunci: Debt to Equity Ratio (DER), Return on Equity (ROE), Reputasi Underwriter, Persentase Penawaran Saham, Underpricing, Initial Public Offering (IPO).

INTRODUCTION

The capital market is used as a mediator as a meeting place for investors (stock investors) with issuers going public (parties that need funds and issuing shares) (Kosasih, 2013). Capital markets are one alternative that is often used by companies as funding from outside the company by issuing and selling company shares to the general public. The capital market has two types of stages, namely the primary market and the secondary market. The primary market is the place of sale of the shares of the issuer for the first time or often known as the Initial Public Offering and is the place where the issuer meets investors while the secondary market, also known as the regular market, is the place where the securities traded back on the stock securities and traded between investors (Tandelilin, 2010: 27).

The phenomenon that often occurs during IPO is the phenomenon of underpricing. Underpricing is a condition where the stock price at the time of bidding on the primary market is lower than the stock price on the first day on the secondary market, whereas overpricing is a condition where the stock price at the primary market is higher than the stock price at secondary market (Lestari et al, 2015). Observations on companies going public during 2013-2017 were 122 companies where 84% or as many as 103 companies experienced underpricing (Table 1). In 2017 there was an increase in IPO companies and along with high underpricing 45%.

Table 1. Underpricing Phenomenon for 2013-2017

Year	Emiten	Underpricing	Average Underpricing Value (%)
2013	31	22	25,42
2014	23	20	27,70
2015	17	15	26,18
2016	15	14	27,00
2017	36	32	44,95

Source: Processed from secondary data, 2018

Based on Table 1 it can be seen that in 2013 as many as 31 companies conducted IPOs with the number of companies experiencing 22 underpricing with an average underpricing of 25.42%. In 2014 as many as 23 companies conducted IPOs with the number of companies experiencing underpricing as many as 20 companies with an average underpricing of 27.70%. In 2015, as many as 17 companies conducted IPOs with 15 companies experiencing underpricing with an underpricing of 26.18%. In 2016, 15 companies conducted IPOs with 14 companies experiencing underpricing with an average underpricing of 27%, while in 2017 there were 36 companies that conducted IPOs with 32 companies experiencing underpricing with an average underpricing. in that year amounted to 44.95%.

Underpricing is an interesting phenomenon because it has been studied by many researchers in the world and most researchers say that underpricing often occurs in companies that do IPOs. The condition of the IPO for private companies and state-owned companies (BUMN) usually underpriced. This study was chosen as a proof of whether or not the influence of financial and non-financial information on the level of underpricing stock prices.

Various results of previous studies regarding the effect of Debt to Equity (DER), Return on Equity (ROE), Underwriter Reputation, Stocks offering a percentage to underpricing, turned out

to show different results. The influence of DER is significantly positive for underpricing (Firmanah & Muharam, 2015; Syafira, 2016; Wulandari, 2011). In contrast to (Fathoni, 2015) which states that DER does not have a significant effect on underpricing. Furthermore, the effect of ROE on underpricing is done by (Fathoni, 2015); (Haska, 2017) showing that ROE has a negative and significant effect on the level of underpricing. Different from (Risqi & Harto, 2013) which states that ROE does not affect underpricing.

Underwriters as one of the capital market supporting professions have an important role. Many fewer shares that can be sold by companies depend on the performance of the underwriter. Underwriters who have a good reputation show the quality of the issuer, so they can be trusted by investors. The initial stock price is also the issuer's decision which is discussed with the underwriter. That way, the underwriter has an influence on the sale of shares and also gives an influence on the level of underpricing which will later be accepted by investors. Research by (Risqi & Harto, 2013); (Firmanah & Muharam, 2015) showed that the underwriter reputation had a negative and significant effect on underpricing. The percentage of stock offerings is assumed to be a support for uncertainty factors that are influenced by information asymmetry from companies conducting IPOs. Research by (Haska, 2017) states that the percentage of stock offers has a negative and significant effect on the level of underpricing. On the other hand, according to the results of (Nalurita, 2017) states that the percentage of stock offers does not have a significant effect on the level of underpricing.

Based on the explanation above, it is necessary to reexamine whether the variables in the form of financial and non-financial information can affect the level of underpricing that investors receive at the time of the IPO. The purpose of this study is to prove empirically the effect of DER, ROE, underwriter reputation and the percentage of stock offerings on the level of underpricing in companies that conduct IPO in the period 2013-2017.

THEORETICAL FRAMEWORK AND HYPOTHESES FORMULATION

Underpricing

Underpricing is one phenomenon that is often encountered when a company will conduct an IPO (Initial Public Offering). Shares that will be offered on the secondary market will be offered on the primary market. The stock price offered at the time of the IPO is determined by the issuer with the underwriter. The phenomenon of low prices occurs because the price of the initial public offering is cheaply average (Hartono, 2014: 36). Underpricing that occurs is a loss for the company because the collection of funds from the IPO is not optimal. Though the purpose of raising funds from the IPO is to get long-term capital that is very useful for developing the company, paying off debts and other purposes. Theories that explain the incidence of underpricing are the theory of information asymmetry, signal theory, the Ex-ante Uncertainty Theory, and Anomaly Theory.

Information asymmetry between investors and other investors is when one investor has more information about the company's future prospects. (Isfatun & Hatta, 2010) regarding the Rock model states that there are two groups of investors, namely informed and uninformed. The informed group has a lot of information about the fairness of the stock price so they will buy shares of IPO companies that are underpriced. That is, informed investors have perfect information about the realization of the value of the new stock offer. On the other hand, uninformed groups offer arbitrarily, both underpriced and overpriced IPO stocks. That is, uninformed investors have limited information about the prospects of new companies compared to other investors.

Signal theory discussed in (Risqi & Harto, 2013) is that information about companies is a signal for investors in investing decisions. Signals can be either financial or non-financial information that states that the company is better. According to (Hartono, 2014: 392), information published as an announcement will provide a signal for investors in making investment decisions. If the announcement contains a positive value, it is expected that the market will react when the announcement is received by the market. Information and disclosure of incomplete financial statements prior to investing can cause investors difficulty in evaluating the intrinsic value of a company's IPO. (Purbarangga & Etna, 2013) states that although in general underpricing occurs in IPOs, prospective investors remain uncertain about the value of the company's stock when it starts trading on the stock exchange. The greater the ex-ante uncertainty, the greater the underpricing that occurs. Ex-ante uncertainty is related to the risks inherent in the company. These risks include company risk, technology risk, and industrial risk. According to (Brigham & Houston, 2011) risk are divided into two, namely business risk and financial risk.

Business risk describes the level of risk of fixed assets if it does not use debt, while financial risks involve additional risks to ordinary shareholders due to the addition of debt. Business risk creates uncertainty inherent in future projections of Return on Assets (ROA). According to (Brigham & Houston, 2011) explained that if operating leverage is associated with business risk and other things are fixed or constant, the greater the operating leverage, the greater the business risk as measured by the variability of Earning Before Interest and Tax (EBIT) and Return On Equity (ROE) while financial leverage proposes that fixed income securities are debt and preferred shares. So that the use of debt and preferred shares will cause financial risk. (Yuliani et al, 2013) found that business risk with DOL and DFL indicators had a significant positive effect on firm value. Furthermore, DOL as a perfect mediation variable is associated with an increase in firm value related to funding decisions (Yuliani, 2013).

Underpricing is one form of market anomaly. The market anomaly is a form of deviation from the Efficient Market Hypothesis (EMH). Market anomalies are irrational actions from market participants that cause price deviations and predictable patterns that emerge from a time and last in a short span of time (Malkiel, 2003).

Debt to Equity Ratio (DER)

Leverage ratio in this study uses DER (Debt to Equity Ratio). DER is a ratio used to assess debt with equity, this ratio is useful to determine the number of funds provided by the borrower (creditor) with the owner of the company (Kasmir, 2014: 112). DER guarantees how much the company's debt is guaranteed by its own capital which is used as a funding source. The greater the DER reflects the relatively high risk of the company, as a result, investors tend to avoid stocks that have a high DER value (Ahmad et al, 2013)

Return on Equity (ROE)

According to (Kasmir, 2014: 115) ROE is a ratio to measure net income after tax and own capital. This ratio shows the efficiency of own capital, the higher the ratio, the better. That is, the position of the company owner is getting stronger, and vice versa. The high interest of investors will increase stock prices so that price changes among transactions that occur are getting smaller (Hapsari & Mahfud, 2012). High company profitability will reduce IPO uncertainty, thereby reducing the level of underpricing (Purwanto et al, 2015). ROE examines the extent to which a company uses its own resources to be able to provide a return on equity (Fahmi, 2015: 95).

Underwriter reputation

According to (Fahmi, 2015: 53) Underwriters are underwriters for every company that will issue its shares in the capital market. Determining stock prices at the time of the IPO is determined by the issuer with the underwriter. In the IPO, the underwriter is responsible for selling all shares issued by the issuer. In practice, the underwriter will assist a guarantee syndicate consisting of several underwriters with different guarantee portions. Underwriters take advantage of the difference in the purchase price and selling price of a stock called a spread.

Share Offer Percentage

The percentage of stock offers is the number of shares offered to the public. The number of shares offered to the public shows how much part of the paid-up capital that will be owned by the public, the greater the number of shares offered, the more potential the liquidity of the trading of shares in the stock (Darmadji & Fakhrudin, 2012: 72). Based on the Financial Services Authority Regulation Number 28 / POJK.05 / 2014 concerning Business Licensing and Institution of Financing Companies, it is determined that companies can only trade their shares on the stock exchange at a maximum of 85% of the shares of the company concerned (article 11 paragraph 1). At least 15% of the company's shares which are not traded on the stock exchange, must be held directly or indirectly by Indonesian citizens, regional governments, and/or the central government (article 11 paragraph 2).

METHOD

The population in this study were all companies that went public listed on the Indonesia Stock Exchange (IDX) which conducted an initial public offering (IPO) with the period of 2013 - 2017 which amounted to 122 companies taken using purposive sampling technique. The type of data used in this study is quantitative secondary data. Data is obtained from the prospectus issued by the issuer at the time of the IPO for the period 2012-2016 and the fact book published on the IDX website. Data collection is done by documentary and literature study.

Independent variables include DER, ROE, Underwriter Reputation, and Share Offer Percentage while the dependent variable is underpricing. Underpricing is if the price of an Initial Public Offering (IPO) of shares is lower than the closing price of the stock on the first day of trading (Manurung, 2013: 8).

$$R = \frac{CP_{FD} - R_{IPO}}{R_{IPO}}$$

Where:

R = Underpricing level

CP_{FD} = Stock price at the close of the first day

R_{IPO} = IPO price

Debt to Equity Ratio (DER), which is the ratio of debt to capital owned by the company. This ratio measures how far the company is financed by debt. According to (Kasmir, 2014: 124), the DER formula is as follows:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}} \times 100\%$$

Return On Equity (ROE) is the ratio of ordinary net income to equity that measures the rate of return on investment in ordinary shareholders. According to Fahmi (2015: 96), the ROE formula is as follows:

$$\text{ROE} = \frac{\text{Earning After Tax}}{\text{Total Equity}} \times 100\%$$

Underwriters are underwriters for every company that will issue its shares in the capital market (Fahmi, 2015: 53). The underwriter's reputation can be measured using the dummy 1 variable for the top 20 in the monthly IDX most active brokerage house based on the total trading frequency listed in IDX Fact Book and 0 for the underwriter who doesn't enter the top 20. The calculation is also used by (Permatasari & R. Wedi, 2017; Purwanto et al., 2015; Wardana, 2014).

The percentage of stock offers is the number of shares offered to the public. The number of shares offered to the public shows how much part of the paid-up capital the public will have. According to (Darmadji & Fakhrudin, 2012: 72), the percentage formula for stock offerings is as follows:

$$\text{PPS} = \frac{\text{Outstanding Share}}{\text{Total Stock of Company}} \times 100\%$$

THE RESULTS OF STATISTICS TESTS

Descriptive statistics

The descriptive statistical analysis aims to describe data into a more clear and easily understood information. Data analysis was conducted on companies that conducted an initial public offering (IPO) on the IDX in 2013-2017.

Table 2. Variable Descriptive Statistics (N = 52)

	Min	Max	Mean	Std. Deviation
Underpricing	1.32	70.00	30.63	25.51
DER	3.07	416.82	146.89	108.08
ROE	-13.19	49.19	17.94	14.23
RUD	.00	1.00	.46	.50
PPS	1.00	39.72	19.43	8.13

Source: Processed from secondary data, 2018

Inferential Statistics

Normality test

In this study, to test normality, the Kolmogorov-Smirnov (K-S) test was used with a significance level of 5%.

Table 3. Normality Test Results

Variables	Asymp. Sig. (2-tailed)	Decision
DER	.200	Normal Distribution
ROE	.200	Normal Distribution
RUD	.000	Not Normal Distribution

Variables	Asymp. Sig. (2-tailed)	Decision
PPS	.200	Normal Distribution
Underpricing	.200	Normal Distribution

Source: Processed from secondary data, 2018

The results of normality testing in table 3 above show that 4 of the 5 variables namely DER, ROE, PPS, and Underpricing have a significance level of 0.200 which is greater than 0.05 so it can be concluded that the research model has normal data distribution. The RUD variable has a significance of 0.000 declared to be abnormally distributed because it is a dummy variable. According to (Ghozali, 2011:155), the dummy variable does not have to meet the normality test in multiple regression analysis.

Classic assumption test

Multicollinearity test is conducted to find out whether there is a strong correlation or relationship between independent variables in the regression equation model. Based on the results of the multicollinearity test in Table 4, it can be seen that the tolerance value of all independent variables is above 0.10 and the value of Variance Inflation Factor (VIF) is below 10, so it can be concluded that multicollinearity does not occur.

Table 4. Test of Assumption Classic

Variables	Multicollinearity		Autocorrelation		Heteroscedasticity Chart Method
	VIF		Runs Test		
	Tolerance	Value	N	Value	
DER	.920	1.087			Not form a pattern
ROE	.948	1.055	52	1,000	
RUD	.916	1.092			
PPS	.942	1.062			

Source: Processed from secondary data, 2018

The autocorrelation test aims to test whether in a model linear regression there is a correlation between confounding errors in period t with an error at period t-1. Based on Table 4, the autocorrelation test using the Runs Test with the amount of data (n) equal to 52 obtained a significance value of 1,000 which indicates that the significance is greater than 0.05, the regression equation model proposed shows no autocorrelation. Multiple regression analysis is used to prove the presence or absence of functional relationships between two or more independent variables (X) with one dependent variable (Y). The following are the regression results of the variables used in the study.

Table 5. Multiple Regression Test Results

Variables	Unstandardized Coefficients
	B
(Constants)	47.036
DER	-.018
ROE	-.502
RUD	-23.824
PPS	.321

Source: Processed from secondary data, 2018

The results of multiple linear regression analysis are shown in table 5 above, it can be seen that using $\alpha = 0.05$ then only produces two variables that have a significant effect on underpricing, namely the variable return on equity and the reputation of the underwriter. Based on the results of the regression analysis, the regression equation can be arranged as follows:

$$R = 47,036 - 0,018DER - 0,502ROE - 23,824RUD + 0.321PPS + 9,229$$

Table 6. Result of F Test

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	10669.473	4	2667.368	5.568	.001
Residual	22514.239	47	479.026		
Total	33183.712	51			

Source: Processed from secondary data, 2018

Based on Table 6, the test results obtained F count value of 5.568 with a significance of 0.001. The significance value is less than 0.05 (sig. <0.05), this means that "There is a simultaneous influence of DER, ROE, underwriter reputation and percentage of stock offerings on underpricing in companies that IPO on the IDX in the 2013- period 2017 ". The coefficient of determination (R^2) essentially measures how far the model ability to explain the variation of the independent variable.

Table 7. Determination Coefficient Test Results (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.567a	.322	.264	21.88667

Source: Processed from secondary data, 2018

Based on Table 7 above, it can be seen the effect of the independent variable on the dependent variable expressed by R Square, which is 0.322 or 32.2%, this means 32.2% of the dependent variable is the level underpricing is influenced by the independent variables, namely Debt to Equity Ratio (DER), Return on Equity (ROE), Underwriter Reputation (RUD), and Percentage of Stock Offering (PPS) while the remaining 67.8% is explained by factors other than the variables studied in this research. This t-test is a test to show the influence of one independent variable in individual models to explain the variation of the dependent variable.

Table 8. T Test Results

Variables	t	Sig.	Decision
DER	-.610	.545	Not Supported
ROE	-2.269	.028	Supported
RUD	-3.744	.000	Supported
PPS	.827	.412	Not Supported

Source: Processed from secondary data, 2018

Based on Table 8, it can be seen partially the significance value for each independent variable. The ROE and RUD variables can be seen as having a significance value of 0.028 and

0,000 respectively which are smaller than 0.05 or 5%, meaning that the ROE and RUD variables have a significant effect on underpricing. DER and PPS variables have a significant value of 0.545 and 0.412 respectively which is greater than 0.05 or 5%, meaning that the DER and PPS variables have no significant effect on underpricing.

DISCUSSION

Effect of Debt to Equity Ratio (DER) on Underpricing

The level of significance of DER for underpricing of 54.5% resulting from this study is far from the 5% significance level that has been set. This shows that only at the level of confidence 45.5% of investors believe that there is a positive influence from DER on underpricing on the Indonesia Stock Exchange. This study shows that high low DER has no effect on investor decisions. This result supports Modigliani and Miller (1958) in his article entitled "the cost of Capital, the Finance Corporation and the theory of Investments", which stated that companies that have debts are not always worse than companies that have no debt because of the effects of corporate tax shields. This is because in perfect market conditions and there are taxes, in general, the interest paid due to the use of debt can be used to reduce income subject to taxation or other words that are tax deductible.

If there are two companies that get the same operating profit but one company uses debt and pays interest while the other company does not, then the company that pays interest will pay a smaller income tax because it saves paying taxes is a benefit for the owner of the company, the value of the company those who use debt will be greater than the value of companies that do not use debt. This study has the same results as the research of (Dwijayanti & Wirakusuma, 2015), (Fathoni, 2015), (Syafira, 2016), (Argo & Siswantini., 2017) where DER has no significant effect on the level of underpricing.

Effect of Return on Equity (ROE) on Underpricing

Significant ROE results can be caused by a number of things, among others, because the sample companies are dominated by companies from the manufacturing and banking industries that have the ability to generate high profits faster, due to the types of investments in the short and medium term. ROE has a significant negative effect, which means that a change in ROE that is getting lower causes underpricing to increase. ROE is a measurement of the company's effectiveness in managing existing capital so as to produce net income. For investors, ROE becomes one of the factors that must be considered before buying company shares so that there is significant influence between ROE and underpricing. Negative direction indicates that high ROE, such as expectations of investors and companies, results in underpricing. Investors with long-term orientation with high ROE as one of the fundamentals that companies will have the ability to distribute dividends because of success in earning profits. Investors who are short-term orientation such as traders still pay attention to ROE even though the desire is more likely to increase stock prices so that they get capital gains. The results of this study support the results of the study of (Kurniawan, 2008), (Chauhan & Banerjee, 2018), (Haska, 2017) which shows that ROE has a negative and significant effect on underpricing.

Effect of Underwriter Reputation (RUD) on Underpricing

The influence of the underwriter's reputation variable on underpricing indicates that the better the underwriter's reputation, the lower underpricing will be. As it is known that the underwriters play an important role in determining the share price of the issuers on the primary

market to be sold to potential investors. This research proves that high reputation underwriters are believed by prospective investors who buy shares in the primary market have determined the stock price of the issuer that uses its services at fair pricing. In other words, the stock price in the primary market set by the underwriter is not underpricing (cheap) so that when listed on the Indonesia Stock Exchange this stock price does not experience a significant increase. Therefore, the initial return that can be obtained by investors from issuers using high reputation underwriters is relatively low.

The results of this study are in accordance with The Laws Avoidance Hypothesis, which is a theory which states that highly reputed underwriters in stock underwriting are always trying to present the true value of the company from the issuers they guarantee. This is done to maintain their reputation and avoid legal impacts in the future. On the contrary, the results of this study also prove that issuers that use services from underwriters who are not highly reputed, the price of their shares on the primary market are perceived by investors to be still cheap. Therefore, investors who do not have the opportunity or lack of obtaining these shares on the primary market because of various causes such as the allotment due to oversubscription, are willing to buy these shares when listing on the Indonesia Stock Exchange at a higher price compared to initial price (IPO). For this reason, issuers can use the Top 20 selected underwriters in accordance with the Frequency Total Trading listed in IDX Fact Book as used as the sample in this study. The results of this study support the research results of (Afrik & Kamaludin, 2017; Fathoni, 2015; Novandri, 2016; Risqi & Harto, 2013) which show that the underwriter's reputation has a negative and significant effect on underpricing.

Effect of Percentage of Share Offering (PPS) on Underpricing

The percentage of shares offered to the public does not affect the underpricing of shares in the initial public offering on the Exchange Indonesian Securities. The effect of the percentage of shares offered to the public on underpricing is due to the fact that the size of the shares offered to the public cannot yet explain the company's prospects in the future. Although the proportion of shares offered to the public is high, it is not necessarily able to declare private company information not available and has not been able to determine the value of uncertainty in the future. This also indicates that investors will purchase shares offered to the public instead of being oriented to the number of shares offered but what is the value of the stock offer. Other reasons can also be ascertained that investors have several considerations that are considered the most important in choosing a company to invest in other than the percentage of stock offerings. The results of this study support the research of (Wulandari, 2011), (Bachtiar, 2012), (Firmanah & Muharam, 2015), (Nalurita, 2017) where the percentage of stock offerings does not significantly influence underpricing.

CONCLUSIONS AND RECOMMENDATIONS

Empirical testing produces findings that Debt to Equity Ratio does not significantly influence the level of underpricing on the Indonesia Stock Exchange. Variable Return on Equity has a significant negative effect on the level of underpricing on the Indonesia Stock Exchange. Underwriter reputation variables have a significant negative effect on the level of underpricing on the Indonesia Stock Exchange. The Share Offer Percentage variable does not significantly influence the level of underpricing on the Indonesia Stock Exchange. The research suggestions related to the results of this study that funding decisions for companies in the study sample were found to be insignificant so it is important for investors to know the company's DER. High DER

is not a benchmark for underpricing. The number of shares offering shares against the occurrence of underpricing is not very important for investors because other fundamental factors such as financial ratios are the main concern. For issuers who will conduct IPOs, in order to create a fair share price for their companies, they should submit the underwriting of their shares to underwriters who have a high reputation so that they can be good intermediaries between issuers and investors and create mutually beneficial offers. For further researchers who are interested in the phenomenon of underpricing, it is recommended to use a longer period of time, and add other variables that are thought to have a significant influence on underpricing. Another limitation is that future research can re-examine this topic by financial and non-financial companies because they have different characteristics between the two types of companies.

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