Analysis of Financial Factors that Influence Underpricing of Company Conducting IPO in Indonesia Period 2018

Ermawati Saputri  
Master of Management Student,  
Postgraduate Program at Mercu Buana University,  
Jakarta

Bambang Santoso Marsoem, Ph.D  
Lecturer in Management,  
Postgraduate Program at Mercu Buana University,  
Jakarta

Abstract:- Indonesia Stock Exchange with companies to conduct an IPO. IPO is a company that was first traded on the secondary market. Underpricing is a condition when the price of shares on the initial public offering of shares is cheaper than the price of shares in the secondary market at closing usually called the initial return obtained by investors. In 2018, there were 58 IPO companies, compared to the previous year.

The purpose of this study is to analysis of financial factors that influence underpricing of company conducting IPO in Indonesia period 2018. The factors used are company current ratio, size, return on assets, debt to equity, and earnings per share.

The method used quantitative method with the type; of multiple linear regression research. The population in this study were 58 companies conducting IPO in Indonesia period 2018 for 58 company. Determination of the number of samples was carried out using a non probability sampling method with a purposive; sampling technique and a sample of 53 company was obtained.

The results showed that company current ratio, size, return on assets, debt to equity, and earnings per share simultaneously influence underpricing.

Keywords:- Current Ratio, Size, Return On Assets, Debt to Equity, Earnings Per Share, Underpricing.

I. INTRODUCTION

As the times evolve, many companies are competing to stay afloat so as not to go bankrupt. To maximize the company's revenue, the company needs additional capital, so the company can survive.

The company offers shares’ to the general public for the first’ time on the Stock’ Exchange, which is defined as going public.

IPO are conducted on the primary market by companies going public, before they are later sold on the secondary’ market. The agreement made between the issuer and the underwriter to determine the price of shares at the IPO, while the price of shares in the secondary market is determined based on market mechanism.

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Companies</th>
<th>Underpricing</th>
<th>Overpricing</th>
<th>True-pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>18</td>
<td>16</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2016</td>
<td>15</td>
<td>14</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>37</td>
<td>34</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>58</td>
<td>54</td>
<td>4</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 1.-- Performance Initial Public Offering Period 2015-2018  
Source: Indonesia Stock Exchange 2019

It can be seen in 2018 of the 58 issuers that did an Initial Public Offering, there were 54 issuers that experienced underpricing. Where the year is the most who do IPO.

Can be seen from the figure 1 of 54 issuers for the 2018 period that were underpricing.
Financial variables can be a positive signal that is used by investors to assess a company. Research on the factors that influence underpricing has been done by previous researchers.

Although research on the factors that influence underpricing is still considered something interesting to study because of the inequality between research gap. A larger scale company can be recognized by the public than a smaller scale company.

The results of the research by Hapsari and Mahfud (2012) prove that the size variable proves negative to underpricing. Different results in research conducted by Hasanah and Akbar (2010) prove that variable size does not prove the level of underpricing.

Sari's (2011) research results prove that the Current Ratio variable has a negative effect on the level of underpricing. Different results shown in the study conducted by Hapsari and Mahfud (2012) indicate that the Current Ratio variable does not have a positive effect; on the level of underpricing.

The research results of Puspita (2010) prove that the Return on Asset variable has a negative effect on the level of underpricing. Different results in research conducted by Said (2014) prove that the Return On Asset variable does not have a positive effect on underpricing in companies that make an initial public offering for the period 2008-2010.

The results of the research by Handayani and Shaferi (2011) prove that the Earning Per Share variable influences the level of underpricing. Different results shown in research conducted by Mukhlis (2011) prove that the Earning Per Share variable has no effect on underpricing in companies conducting initial public offering periods 2008-2010.

The research results of Puspita (2010) prove that the Debt to Equity Ratio variable has a negative effect on the level of underpricing. Different results shown in research conducted by Junaeni and August (2013) prove that the Debt to Equity Ratio variable has no influence on the level of stock underpricing in a negative direction. Debt to Equity Ratio conducted by Saputra and Suayana (2016) succeeded in finding Debt to Equity Ratio had a positive effect on underpricing, Junaeni and August (2013) found Debt to Equity Ratio had a negative effect on underpricing.

Based on the background of the problem, this study addresses the following issues:
- Does the size of the company affect the Underpricing of companies that do an Initial Public Offering on the Indonesia Stock Exchange in 2018?
- Does Current Ratio affect Underpricing of companies that do an Initial Public Offering on the Indonesia Stock Exchange in 2018?
- Does Return On Assets affect Underpricing of companies that do an Initial Public Offering on the Indonesia Stock Exchange in 2018?
- Does Earning Per Share affect Underpricing of companies that do an Initial Public Offering on the Indonesia Stock Exchange in 2018?
- Does Debt to Equity Ratio affect Underpricing of companies that do an Initial Public Offering on the Indonesia Stock Exchange in 2018?

II. LITERATURE REVIEW

A. Asymmetric Information Theory

According to Akerlof (1970) asymmetric information theory states that in markets where asymmetric information occurs, the average value of a commodity tends to fall, even for goods that are classified as good quality. The seller who does not intend to deceive the buyer by giving the impression as if the goods they sell are good, this has led to an adverse selection. Thus, many buyers who avoid fraud refuse to carry out transactions in this market, or refuse to spend big money on these transactions.

B. Signaling Theory

According to Wolk et al. (2001) signaling theory explains the reasons companies present information for the capital market. Signaling theory; shows that there is asymmetric information between the company's management and those who have an interest in the information.

In signaling theory, investment spending provides a positive signal about the company's growth in the future,
thereby increasing 'share prices as an indicator' of company value'.

C. Initial Publik Offering (IPO)

Understanding the IPO according to law No. 8 of 1995, a public offering is an offering activity carried out by an issuer to sell securities to the public based on the procedures stipulated in this law and the implementing regulations.

Meanwhile, according to Brigham and Houston (2010: 206) initial public offering 'is a market for company's shares that are in the process of going public, while Go Public is an activity of selling shares to the public conducted by corporate companies or major shareholders.

Fig 2: Schematic of Initial Public Offering Process

D. Underpricing

Underpricing is a situation where the stock price at the time of the initial offering is lower than when traded on the secondary market. Underpricing is a term used when the stock price of a company that just went public is below the stock price when it is traded on the first day of listing (Dimovski & Brooks, 2008).

Another explanation for underpricing is what is known as the term "winner's curse". This winner's curse emphasizes asymmetric information among potential investors. According to this view, some investors have access to information knowing how much the actual value of the shares will be issued. Other investors do not know because it is very difficult or expensive to obtain this information. Underwriters and issuers make random mistakes in pricing, some shares are overvalued and others undervalued.

Factors that influence underpricing:

- Issue of specific factors
- Company Specific Factors that are endogenous
- Ekonomi faktor spesifik yang mempengaruhi secara eksogen.

E. Size

The size of the company describes the size of the company. The size of the business in terms of the field of business that is run. Determination of the size of the company can be determined based on total sales, total assets, average sales level (Seftianne, 2011).

F. Current Ratio (CR)

According to Syamsuddin (2011) the level of current ratio can be determined by comparing current assets with current debt. Current Ratio (CR) shows the level of security of short-term creditors or the company's ability to pay these debts. But a company with a high Current Ratio (CR) does not guarantee that it will be able to pay the company's debts, because of the proportion or distribution of unfavorable current assets.

G. Return On Asset (ROA)

According to Fahmi (2013) return on assets is this ratio to see the extent to which investments that have been invested are able to provide returns as expected. The ratio that has a higher yield will show that the company is more effective in managing its assets to produce a greater amount of net profit.
**H. Earning Per Share (EPS)**

According to Sutrisno (2012) earnings per share is a measure of a company’s ability to generate profits per share. The higher the Earning Per Share the greater the profit provided to shareholders. Earning Per Share of a company can be calculated based on the company's balance sheet and income statement information.

**I. Debt to Equity Ratio (DER)**

Understanding Debt to Equity Ratio according to Darsono, and Ashari (2010), namely Debt to Equity Ratio is one of the leverage ratios. Leverageratio is the ratio to find out the company's ability to pay liabilities if the company is liquidated. This ratio is also called the leverage ratio, which assesses the company's limits in borrowing money.

Based on the formulation of the problem and the empirical studies that have been carried out, it can be hypothetically drawn as follows:

\[
X_1 = \text{ukuran perusahaan (SIZE)}
\]
\[
X_2 = \text{Current Ratio (CR)}
\]
\[
X_3 = \text{Return On Asset (ROA)}
\]
\[
X_4 = \text{Earning per Share (EPS)}
\]
\[
X_5 = \text{Debt to Equity Ratio (DER)}
\]

**Fig 3: Research Model**

**III. METHODOLOGY**

This type of research is a quantitative analysis that can be measured or counted directly, in the form of information or explanations expressed in numbers or in the form of numbers.

This study uses two types of variables, the dependent variable, namely underpricing (Y) and the independent ‘variable, company size (X1), current ‘ratio (X2), return on assets (X3), earnings per ‘share (X4), and debt to ‘equity (X5).

Yield To Maturity (Y) in this study is used as the dependent variable. Company Size (X1), Bond rating (X2), profitability (X3), leverage (X4).

Determination of the sample is done by purposive sampling in which the company sample is determined based on certain criteria. The criteria in question are as follows:

1. The company conducted an IPO and was listed on the Indonesia Stock Exchange in 2018.
2. IPO company listed on the Indonesia Stock Exchange do not do relisting and experience overpricing.

The analytical method used is a regression analysis according to Singgih Santoso (2016: 361) mainly for forecasting purposes, where in the I there are a dependent variable and an independent variable. With the following models:

\[ Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 \]

**IV. RESULTS AND DISCUSSION**

The type of data used in this study uses Cross Section data, which is data in one time period with many objects. The cross section data included 53 companies that experienced underpricing, and 58 companies offered initial prices on the Indonesia Stock Exchange in 2018.
A. Descriptive Statistics' Analysis

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIZE</td>
<td>53</td>
<td>Rp 330.8 Miliar</td>
<td>Rp 217.4 Miliar</td>
<td>Rp 4,369 Trillion</td>
</tr>
<tr>
<td>CR</td>
<td>53</td>
<td>2,894</td>
<td>0,001</td>
<td>21,292</td>
</tr>
<tr>
<td>ROA</td>
<td>53</td>
<td>0,042</td>
<td>-0,030</td>
<td>0,429</td>
</tr>
<tr>
<td>EPS</td>
<td>53</td>
<td>10,227</td>
<td>-0,742</td>
<td>87,870</td>
</tr>
<tr>
<td>DER</td>
<td>53</td>
<td>3,239</td>
<td>0,062</td>
<td>38,505</td>
</tr>
<tr>
<td>UNDERPRICING</td>
<td>53</td>
<td>0,534</td>
<td>0,005</td>
<td>0,700</td>
</tr>
</tbody>
</table>

Table 2: Descriptive Statistics' Analysis
Source: Data processed 2019

- The average size of IDR 330.8 billion, the lowest is IDR 217.4 billion and the highest is IDR 4,369 trillion.
- The average current ratio of 2,894, the lowest is 0,001 and the highest is 21,292.
- The average return on asset of 0,042, the lowest is -0,030 and the highest is 0,429.
- The average earning per share of 10,227, the lowest is -0,742 and the highest is 87,870.
- The average debt to equity ratio of 3,239, the lowest is 0,062 and the highest is 38,505.
- The average underpricing of 0,534, the lowest is 0,005 and the highest is 0,700.

B. Data Normality Test Results

<table>
<thead>
<tr>
<th></th>
<th>LN_SIZE</th>
<th>LN_CR</th>
<th>LN_ROA</th>
<th>LN_EPS</th>
<th>LN_DER</th>
<th>LN_UNDERPRICING</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Mean</td>
<td>11.98132</td>
<td>3.04585</td>
<td>.04321</td>
<td>8.73038</td>
<td>2.74245</td>
<td>.33415</td>
</tr>
<tr>
<td>Std.</td>
<td>2.561302</td>
<td>4.228159</td>
<td>.065806</td>
<td>18.370906</td>
<td>6.858420</td>
<td>.186067</td>
</tr>
<tr>
<td>Most Extreme Differences Absolute</td>
<td>.416</td>
<td>.227</td>
<td>.292</td>
<td>.287</td>
<td>.216</td>
<td>.488</td>
</tr>
<tr>
<td>Positive</td>
<td>.262</td>
<td>.227</td>
<td>.292</td>
<td>.287</td>
<td>.216</td>
<td>.323</td>
</tr>
<tr>
<td>Negative</td>
<td>-0.416</td>
<td>-0.443</td>
<td>0,000</td>
<td>-0,009</td>
<td>-0,038</td>
<td>-0,488</td>
</tr>
<tr>
<td>Kolmogorov-Smirnov Z</td>
<td>3.027</td>
<td>1.635</td>
<td>1.844</td>
<td>1.923</td>
<td>1.575</td>
<td>3.487</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>0.065*</td>
<td>1.08*</td>
<td>2.31*</td>
<td>0.059*</td>
<td>0.071*</td>
<td>0.094*</td>
</tr>
</tbody>
</table>

Table 3: One-Sample Kolmogorov-Smirnov Test
Source: Data processed 2019

- Normality of SIZE Variables Test:
  - Asymp Value Sig. (2-tailed) is 0.065, the value of the variable is normally distributed because it is above 0.005.
- Normality of Current Ratio Variables Test:
  - Asymp Value Sig. (2-tailed) is 0.108, the value of the variable is normally distributed because it is above 0.005.
- Normality of Return On Asset Variables Test:
  - Asymp Value Sig. (2-tailed) is 0.231, the value of the variable is normally distributed because it is above 0.005.
- Normality of Earning Per Share Variables Test:
  - Asymp Value Sig. (2-tailed) is 0.059, the value of the variable is normally distributed because it is above 0.005.
- Normality of Debt to Equity Variables Test:
  - Asymp Value Sig. (2-tailed) is 0.071, the value of the variable is normally distributed because it is above 0.005.
- Uji Normalitas Variabel UNDERPRICING:
  - Asymp Value Sig. (2-tailed) is 0.094, the value of the variable is normally distributed because it is above 0.005.

C. Analisis Regresi Linier Berganda

Based on the results of SPSS 23 output, the regression equation is as follows:

$$ Y = 73,743 - 1,403\text{SIZE} + 4,640\text{CR} + 0,106\text{ROA} - 0,047\text{EPS} + 0,237\text{DER} $$

From the linear regression equation above can be interpreted as follows:
- The $'$ size' of the regression coefficient is negative, which is -1.403. This means that if each increase is 1% of the size, then underpricing will decrease by -1.403.
- The $'$ value' of the current ratio regression coefficient is positive, which is 4.640. This means that if each increase
is 1% of the current ratio then underpricing will increase by; 4,640.

- The regression coefficient of return on assets is positive, which is 0.106. This means that if every 1% increase in return on assets, underpricing will increase by 0.106.
- The value of the regression coefficient of earnings per share is; negative, which is -0.047. This means that if every 1% increase of earnings per share, underpricing will decrease by -0.047.
- Debt to Equity Ratio (DER) regression coefficient value is; positive, which is 0.237. Because every 1% increase of the DER the underpricing will increase by 0.237.

**D. Regression Model Test**

- **The Significance of the Regression; Model Test (Test F)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>14735.786</td>
<td>6</td>
<td>2947.157</td>
<td>5.397</td>
<td>.001</td>
</tr>
<tr>
<td>Residual</td>
<td>25665.411</td>
<td>47</td>
<td>546.073</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>40401.197</td>
<td>53</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Source | Data processed 2019 |

Formulate Hypothesis:

- **H₀**: Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets simultaneously have no effect on Underpricing
- **H₁**: Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets simultaneously affect Underpricing

- **Significance Test of Regression Coefficient (Test t)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>73.743</td>
<td>28.845</td>
<td>-</td>
<td>2.556</td>
</tr>
<tr>
<td>LN_SIZE</td>
<td>-1.403</td>
<td>3.427</td>
<td>-.048</td>
<td>-4.09</td>
</tr>
<tr>
<td>LN_CR</td>
<td>4.640</td>
<td>1.067</td>
<td>.515</td>
<td>4.348</td>
</tr>
<tr>
<td>LN_ROA</td>
<td>.106</td>
<td>.084</td>
<td>.150</td>
<td>1.264</td>
</tr>
<tr>
<td>LN_EPS</td>
<td>-.047</td>
<td>.186</td>
<td>-.033</td>
<td>-.253</td>
</tr>
<tr>
<td>LN_DER</td>
<td>237</td>
<td>.111</td>
<td>.279</td>
<td>2.125</td>
</tr>
</tbody>
</table>

| Source | Data processed 2019 |

From table 6 we can get the regression equation as follows:

\[ Y = 73.743 - 1.403\text{SIZE} + 4.640\text{CR} + 0.106\text{ROA} - 0.047\text{EPS} + 0.237\text{DER} \]

The regression equation has the following interpretations:

- Based on the results of the t test (size), it can be seen that the t-count is 0.409 < table 2.011 with a significance of 0.684 > 0.05 so that H0 is accepted, meaning that size affects underpricing.
- Based on the t test (current ratio), it can be seen that the t-count is 4.348 > table 2.011 with a significance of 0.001
< 0.05 so that H0 is rejected, meaning that the current ratio has no effect on underpricing.

• Based on the t test (return on assets), it can be seen that tcount 1.264 < ttable 2.011 with a significance of 0.212 > 0.05 so that H0 is accepted, meaning that return on assets affects underpricing.

• Based on the t test (earnings per share), it can be seen that tcount 0.253 < ttable 2.011 with a significance of 0.802 > 0.05 so that H0 is accepted, meaning that earning per share affects underpricing.

• Based on the t test (Debt to Equity Ratio), it can be seen that tcount 2.125 > ttable 2.011 with a significance of 0.039 < 0.05 so that H0 is rejected, meaning that the debt to equity ratio has no effect on underpricing.

➤ Classical Assumption Test
The classic assumption test of the regression model is used in order to find out whether the regression model is a good regression model (Ghozali, 2011). Regression analysis performed by the Ordinary Least Square (OLS) method must meet the requirements of; the classic assumption test which consists of; a normality test, a multicollinearity test, an autocorrelation test’, and a heteroscedasticity test.

• Normality Test Results
The normality test; aims to test whether in the regression model, the dependent variable and the independent variables both have normal distributions or not. A good regression model has a normal or near normal ‘distribution. Data normality is seen through the histogram display normal curve, based on the shape of the curve image. Data is said to be normal if the shape of the curve has a slope that tends to be balanced, on the left or right side, and the curve is almost perfect bell-shaped.

The P-plot graph in this study is as illustrated below.

In Figure 5 below shows the P-plot points following and approaching the diagonal line, so it can be concluded that the regression model meets the assumption of normality.

In table 7 below we can see the probability value (Asymp. sig.) Obtained from the Kolmogorov–Smirnov test of 0.396.

<table>
<thead>
<tr>
<th>N</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>53</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Normal Parameters¹b</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.0000000</td>
<td>22.2163641</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Most Extreme Differences</th>
<th>Absolute</th>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.147</td>
<td>.147</td>
<td>-.104</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Kolmogorov-Smirnov Z</th>
<th>.230</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Asymp. Sig. (2-tailed)</th>
<th>.396</th>
</tr>
</thead>
</table>

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Table 7: One--Sample Kolmogorov--Smirnov Test
Source : Data processed 2019

• Autocorrelation Test Results
Autocorrelation in this study was tested using Durbin-Watson (DW test). Regression results with a level of significance 0.05 (α = 0.05) with a number of independent variables (k = 5) and ‘the amount of data (n = 53). The presence or absence of autocorrelation in research with the provisions of decision making if 0 <DW <dL, then autocorrelation occurs and if dU < DW < 4 – dU’, then autocorrelation does not occur. The magnitude of the durbin-watson number is shown in Table 8 which shows the results of the residual statistics.
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>.704*</td>
<td>.697</td>
<td>.635</td>
<td>23.36820</td>
<td>1.963</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LN_DER, LN_ROA, LN_CR, LN_EPS, LN_SIZE
b. Dependent Variable: UNDERPRICING

Table 8: Autocorrelation Test Results
Source: Data processed 2019

Can be seen in table 8 for the value of DW = 1.963. The dL and dU values at T = 53 and k = 5, i.e. the dL = 1.359 and dU = 1.768. Because DW is located between dU and (4-dU) = 1.768 < 1.963 < 2.037, it can be concluded that we cannot refuse H0 (failed to reject H0) which means there is no autocorrelation or there is no positive / negative autocorrelation in the tested data.

- **Multicollinearity Test**
  The multicollinearity test is used to indicate whether there is a direct relationship (correlation ‘r’) between independent variables. Multicollinearity occurs if the tolerance value is less than 0.10 and the 'VIF' value is more than 10 (ten), it can be interpreted that there is multicollinearity. Whereas if the; tolerance value is more than 0.10 and the 'VIF' value is less than 10 (ten) then it can be interpreted that there is no multicollinearity.

<table>
<thead>
<tr>
<th>Model</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.974</td>
<td>1.026</td>
</tr>
<tr>
<td>LN_SIZE</td>
<td>.962</td>
<td>1.040</td>
</tr>
<tr>
<td>LN_CR</td>
<td>.959</td>
<td>1.043</td>
</tr>
<tr>
<td>LN_ROA</td>
<td>.813</td>
<td>1.230</td>
</tr>
<tr>
<td>LN_EPS</td>
<td>.786</td>
<td>1.273</td>
</tr>
<tr>
<td>LN_DER</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LN UNDERPRICING

Table 9: Multicollinearity Test Coefficients
Source: Data processed 2019

The test results show that there are no variables that indicate a ‘VIF value greater than 10. This means that the independent variable (predictor) model used in this study does not show any multicollinearity symptoms in the regression model.

- **Heteroscedasticity Test Results**
  Heteroskedacity test aims to test whether in the regression model; there is an inequality of variance from the residuals of one observation to another. If the variance from one observation residual to another is fixed, it is called; heterokedastisitas. A good; regression model is a homokedastisitas / heteroscedasticity does not occur.

  The way to detect the presence / absence of heteroscedasticity can be determined by; looking at the presence / absence of certain patterns on the scatterplot graph between the predicted value of the dependent variable (ZPRED) and the residual (SRESID) when this test is determined by looking at the scatterplot graph with the test criteria spreading randomly between positive and negative axis, the points that spread do not form a pattern, either widening, narrowing, wavy, and so on. As illustrated below.

- **Discussion**
  Based on the analysis of the research results ‘that have been described previously’, then in this section a discussion is carried out to prove the hypothesis. The discussion is carried out by describing the influence between independent variables consisting of Company Current Ratio, Size, Earning Per Share and Debt to Equity’ Ratio and Return On Assets on Underpricing in the Initial company Public Offering (IPO) in 2018. Description of the strength of influence between variables is then compared with previous research and theories that support the hypothesis. The following results of the research discussion are as follows:

  - **Effect of Company Size on Underpricing**
    The results of this study indicate that variable size affects underpricing. This finding does not support the results of research ‘conducted by Hapsari and Mahfud (2012)’, which states that there is an influence between size and underpricing. However, this finding supports the results of research conducted ‘by Gautama, Diaiyudha, and Puspitasari (2015)’ which states that size does not affect underpricing. The interpretation of this variable is that every increment of one unit of natural size logarithm variable will drop underpricing by -0.048 units.

  Size obtained has a significant ‘effect on the level of underpricing’. This is due to the consideration that large companies are generally better known, so information about large companies is more than relatively small companies. Adequate information will reduce investor uncertainty about the company’s future prospects.

  - **Effect of Current Ratio (CR) on Underpricing**
    The results of this study indicate that the variable current ratio does not affect the level of underpricing. This finding does not support the results of research conducted by Hapsari and Mahfud (2012), which states that there is an effect between current ratio and underpricing. However, this finding supports the results of research conducted by Sari
(2011) which states that the current ratio affects underpricing. The interpretation of this variable is that every increase of one unit of natural logarithmic variable CR will increase the underpricing by 4.640 units.

Thus H2 proposed by this study where CR has a positive effect on the level of underpricing in financial companies that conduct initial public offering, can be accepted. The CR variable shows a significant effect on the level of underpricing. The reason why CR affects underpricing is because a company means that the risk of company failure is smaller in meeting its short-term obligations. Thus, the risk borne by shareholders is also getting smaller.

**Effect of Return on Assets (ROA) on Underpricing**

The results of this study indicate that the variable return on assets affects the level of underpricing. This finding does not support the results of research conducted by Xu, and Zhou (2014) which states that there is an effect between return on assets and underpricing. However, this finding supports the results of research conducted by Said (2014) which states that return on assets does not affect underpricing. The interpretation of this variable is that every increase of one unit of natural logarithmic variable ROA will increase the underpricing by 0.106 units.

Thus the H3 proposed by this study in which ROA has a positive effect on the level of underpricing in financial companies conducting initial public offerings, can be accepted.

ROA variable shows a significant effect on the level of underpricing. The reason ROA is influential is because investors not only pay attention to ROA in the prospectus, but maybe investors also pay attention to ROA for several years before the company adopts an IPO. Thus investors know whether the financial statements are marked-up or not.

**Effects of Earning ‘Per Share (EPS) on Underpricing**

The results of this study indicate that the earning per share variable influences the level of underpricing. This finding does not support the results of research conducted by; Zhou, and Loa (201 2) which states there is an effect between earnings per share and underpricing. However, this finding supports the results of research conducted by Mumtaz, and Ahmed (2014) which states that earnings per share have no effect on underpricing. The interpretation of this variable is that every increase of one unit of EPS variable will reduce the underpricing by -0.047 units.

Thus the H4 proposed in this study where EPS negatively affects the magnitude of the level; of underpricing in financial companies conducting initial public offers, can be accepted.

EPS variable; has a significant effect’ on the level of underpricing i’n a negative direction. Th e reason why EPS is influential is because this ratio gives investors the expectation of getting a return on the investment they provide. If the EPS is higher, the expectation to get profits will be even greater, so that the initial price imposed by the issuer will increase.

**Effect of Debt to Equity’ Ratio (DER) on Underpricing**

The results of this’ study indicate that the variable Debt to’ Equity Ratio (DER) affects the level of underpricing. This finding does not support the results of research’ conducted by Handayani and Shaferi (2011), which’ states there is a negative effect between debt to asset ratio and underpricing. However, this finding supports the results of research’ conducted by Puspita (2012) which states that’ the debt to asset’ ratio affect s underpricing. The interpretation of this variable is that every increase of one unit variable Debt to Equity’ Ratio will increase underpricing by; 0.237 units.

Thus the H5 proposed in this’ study where the Debt’ to Equity Ratio (DER) has’ a positive effect on the level of underpricing in financial companies that conduct an initial public offering, can be accepted.

The reason why Debt to’ Equity Ratio (DER) affects’ underpricing is because the ‘ratio that shows this debt ratio reflects the relatively high risk of the company so that it causes uncertainty in stock prices and has an impact on stock returns that investors will receive, consequently’ investors tend to; avoid shares stocks’ that have high Debt to ‘Equity Ratio (DER).

**V. CONCLUSIONS**

This study’ aims to examine ‘the financial factors’ that affect the level ‘of companies that conduct IPO ‘in 2018. From the results of testing and analysis of data on 53 companies, the following conclusions can be drawn:

- The result of $t_{count} = 0.409 \text{ < } t_{table}$ 2.011 with a significance of 0.684 > 0.05 so that H0 is accepted. That is, the size of; the company (SIZE) affects underpricing of companies doing an IPO in 2018.

- The results of $t_{count} = 4.348 > 2.125$ 2.011 with a significance of 0.001 < 0.05 so that H0 is rejected. That is, the CR does not affect the underpricing of companies doing an IPO in 2018.

- The result of $t_{count} = 1.264 < 2.011$ 2.011 with a significance of 0.212 > 0.05 so that H0 is accepted. That is, Return On Assets (ROA) affect underpricing of companies doing an IPO in 2018.

- The results of $t_{count} = -0.253 < 2.011$ 2.011 with a significance of 0.802 > 0.05 so that H0 is rejected. That is, Earning Per Share (EPS) affects the underpricing of companies doing an IPO in 2018.

- The results of $t_{count} = 2.125 > 2.011$ 2.011 with a ‘significance of 0.039 < 0.05 so’ that H0 is; rejected. This means’ that DER’ does not affect the underpricing; of company’s doing an IPO i n 2018.
POLICY IMPLICATIONS

A. Theoretical Implication’s

- The results of this study state that the size affects underpricing. This finding does not support the results of research conducted by Hapsari an-d Mahfud (2012), which states that there is an influence between size and underpricing. However, this finding supports the results of research conducted by Gautama, Diayudha, an d Puspitasari (2015) which states that size does not affect underpricing.
- The results of this study state that the current ratio has no effect on underpricing. This finding does not support the results of research conducted by Hapsari an-d Mahfud (2012), which states that there is an effect between current ratio and underpricing. However, this finding supports the results of research conducted by Sari (2011) which states that the current ratio affects underpricing.
- The results of this study state that the return on assets affects underpricing. This finding does not support the results of research conducted by Xu, an d Zhao (2014) which states that there is an effect between return on assets and underpricing. However, this finding supports the results of research conducted by Said (2014) which states that return on assets does not affect underpricing.
- The results of this study state that earnings per share affect underpricing. This finding does not support the results of research conducted by Zhou, and Loa (2012) which states that there is an effect between earnings per share and underpricing. However, this finding supports the results of research conducted by Mumtaz, an d Ahmed (2014) which states that earnings per share have no effect on underpricing.
- The results of this study state that the debt to asset ratio has no effect on underpricing. This finding does not support the results of research conducted by Handayani and Shaferi (2011), which states that there is a negative effect between debt to asset ratio and underpricing. However, this finding supports the results of research conducted by Puspita (2012) which states that the debt to asset ratio affects underpricing.

B. Managerial Implications

- For companies that go public, it is better to increase the company's operating income through wider business expansion and save costs in various sectors which are considered wasteful. Besides allocating funds from the sale of shares efficiently and effectively towards investments that have high profits.
- For investors who buy shares offered to; the public, not oriented to; the number of shares, but how much the share bid value, because the stock price will determine the level of profitability. Because the cheaper or lower the price offered, the higher the investor's desire to buy the stock. So that it will result in higher underpricing. The motivation of investors to obtain capital gains is what causes the percentage of shares offered does not prove to have a significant effect.

RESEARCH’ LIMITATIONS

The limitation in this study and the need to be considered by future researchers is that the variable used ‘in this study is limited; to financial’ factors, while it is suspected that there are still other variables that affect underpricing. The period used in this study is relatively small, namely in 2018, in that it can affect the estimation of measurement.

Even though this research has not been proven to influence financial factors on underpricing in IPO companies in 2018. It is better for the next researcher to re-examine the Analysis of Financial Factors’ Affecting Underpricing in the IPO, but perhaps research can be conducted on different factors so that the results of the study can be compared with financial factors that the authors did in this study.

SUGGESTIONS

After analyzing and observing the limitations, the researcher gives the following advice:

- For further research can use more variables such as market conditions and macroeconomic factors (inflation, exchange rates, and bank interest rates).
- For further research can use more variables such as market conditions and macroeconomic factors (inflation, exchange rates, and bank interest rates).

REFERENCES


