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Underpricing Determinants on the Public Offering of Primary Shares (IPO) in Indonesia Stock Exchange 2015-2019

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Abstract: This study aims to obtain empirical evidence about the influence of Underwriter's Reputation, Return On Assets, Company Age, Company Size, Debt to Equity Ratio on Underpricing. The independent variables used in this study are Underwriter's Reputation, Return On Assets, Company Age, Company Size, Debt to Equity Ratio. The dependent variable used in this study is underpricing which is measured by initial return. This research was conducted on companies that made initial public offerings (IPO) from 2015-2019 on the Indonesia Stock Exchange. Sampling was done using purposive sampling method resulting in 114 companies as the research sample. The results of this study indicate that the Underwriter's Reputation and Debt to Equity Ratio variables have an effect on Underpricing. Meanwhile, Return On Asset, Company Age, Company Size have no effect on Underpricing. So an underwriter with a good reputation can reduce the level of underpricing and not result in loss of additional capital receipts for the company. And the higher the DER, the higher the level of underpricing. Because companies with high DER indicate a high risk of failure for the company and will influence public or investors interest in investment decision makers.

Keywords: Underwriter Reputation, Return On Assets, Company Age, Company Size, Debt to Equity Ratio

INTRODUCTION

Every company certainly wants to expand its business to achieve its corporate goals. Business expansion is usually done with business expansion. In order to expand the business, companies need a large enough source of funding. The source of funding is a very vital source for the company in connection with the expansion. In order to meet the needs of this sizeable source of funds, the company has various alternative sources of funding, both sources of funding originating from within the company and sources of funding from outside the company. One alternative source of funding that can be undertaken by companies

originating from outside the company is through the participation mechanism which is generally carried out by selling the company's shares to the public or often termed gango public. The process of offering initial shares to the public through the primary market is known as the Initial Public Offering (IPO), then shares can be traded on the secondary market on the stock exchange.Initial Public Offerings often cause problems in their activities. One of the problems that often arise in these IPO activities is the occurrence of Underpricing. Underpricing is a condition in which the closing price of shares in the primary market is lower than the price of shares sold in the secondary market with the same shares, or the positive difference between the stock price in the secondary market and the share price in the primary market (Fitriani, 2011). Thecondition underpricing is a detrimental phenomenon for companies that go public, because the funds obtained from the public are not maximum. On the other hand, if there is overpricing, investors will suffer losses, because they do not receive the initial return (initial return). In fact, in Indonesia there are still many companies experiencing unsatisfactory performance at the time of the IPO, because there are still many underpricing problems compared to overpricing in companies that do IPO. Companies that experience underpricing will cause the company not to get the IPO value according to their target because the company's stock price is too low so that it only gets funds below the target (Darmadi & Gunawan, 2013). The average level underpricing stock can be seen in the graph following:
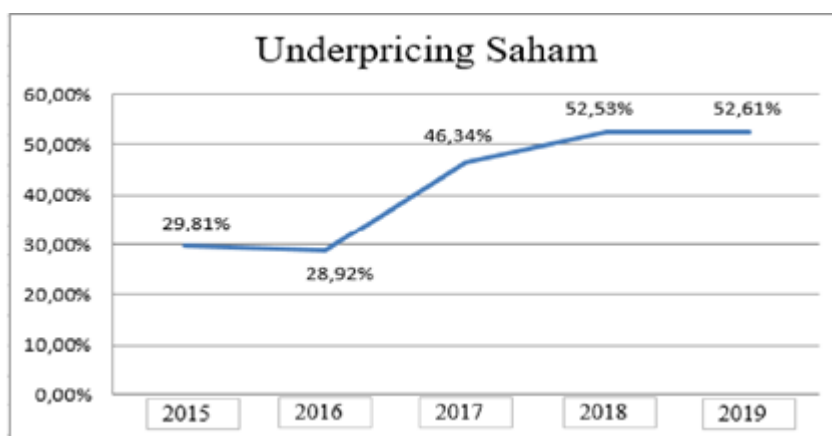
Source: www.e-bursa.com 2015-2018, data processed
Figure 1. Underpricing Shares

This phenomenon is interesting to study further, based on the background and from the various existing studies, it is seen that the results of research are not always consistent, then it is necessary to do separate research so that it can be seen how much great degree of underpricing. Adinda Solida (2020) argues that reputation underwriter's has no effect on underpricing, while Sarah Torgara Aprillia Manurung (2019) argues that reputation underwriter's has a significant negative effect on underpricing. I Dewa Ayu Kristiantari (2012) argues that company profitability has no negative and significant effect on levels underpricing, where as Sri Winarsih Ramadana (2018) argues that profitability has an effect on underpricing. Eka Retnowati (2013) argues that company age has no effect on underpricing, while Putra Wahyu (2011) argues that company age has an effect on underpricing. Ciptyawan Wildan Kurnia (2015) argues that company size has no effect on underpricing while Diah Dewi Permanisuci (2014) argues that company size has a significant negative effect on underpricing and Islam, Aminul (2010) argues that company size has a

positive effect on underpricing. Azzahra (2011) argues that Debt to Equity Ratio (DER) has a significant effect on underpricing, while Eka Retnowati (2013) and I Dewa Ayu Kristiantari (2012) argue other wise. Starting from the results of previous studies that have been previously described, it can be stated that the results of the researchers have not been consistent. This is what motivates to do research again to obtain empirical evidence regarding the Reputation Underwriter's, Profitability, Company Age, Company Size, and DER whether it affects underpricing. This research is important to do considering the phenomenon of underpricing stockin IPO companies is still happening today.

Based on the background of the problems above, the problem formulations that can be drawn from this study are:

1. Is there an effect of the reputation underwriter's on underpricing in the initial public offering (IPO) on the Indonesian Stock Exchange for the period 2015-2019?
2. Is there an effect of profitability on underpricing in the initial public offering (IPO) on the Indonesia Stock Exchange for the period 2015-2019?
3. Is there an effect of company age on underpricing in the initial public offering (IPO) on the Indonesia Stock Exchange for the period 2015-2019?
4. Does the company size influence the underpricing of the initial public offering (IPO) on the Indonesian Stock Exchange for the period 2015-2019?
5. Is there any effect of debt to equity ratio (DER) on the underpricing of the initial public offering (IPO) on the Indonesia Stock Exchange for the period 2015-2019?

LITERATURE REVIEW
Market Efficiency Theory (Market Efficienccy Theory)

An efficient market is a market where the prices of all traded securities are reviewed reflecting all available information (Tandelilin, 2010). According to Manurung (2012), there are three forms of market efficiency, namely Weak Form Efficiency , Semi Strong Form Efficiency , and Strong Form Efficiency .

Information Asymmetry Theory (Information Asymmetry)

According to Gumanti and Ary (2017: 159) Information asymmetry or asymmetry of information is a condition where one party has excess information while the other party is not in financial theory. According to Rockdalam Gumanti and Ary (2017: 159) that to explain asymmetric information that assumes investors are divided into: informed investors, who have perfect information about the realization of the value of new stock offerings and uninformed investors, who have the same expectation of the uncertainty of stock value.

Signal Theory (Signaling Theory)

According to Gumanti and Ary (2017: 159) signal theory or signaling theory was originally developed in the economic and financial literature to explicitly discuss evidence that parties in the corporate environment generally have better information about company condition and future prospects compared to outsiders, for example investors.

Agency Theory (Agency Theory)

According Gumanti and Ary (2017: 233) of agency theory describes the relationship between the separation of ownership and control of enterprise companies (separation of ownership andcontrol).Jesen and Meckling outlines the conflict between bondholders (principal) and an agent (board of directors and owners of companies as well as conflicts

between producers and consumers. It says the agency costs is the result of the sum of (i) expenditures for monitoring (monitoring) by the owner (principal), (ii) expenses for binding by agents and (iii) other costs related to company control.

Capital Market

Market is one of the alternative sources of funding for both the government and the private sector. The government that needs the funds can issue bonds or debt securities and sell them. kemasyarakat through capital markets. Likewise, private in this case are the companies that need funds can issue securities. (Nasution, 2015).

IPO (Initial public Offering)

According Tendelilin in Irham Fahmi (2013: 16) goes public or public offering is an activity what the issuer does to sell securities to the public, based on the same procedure g regulated laws and implementing regulations. The first time a company goes public is often called an IPO (Initial Public Offering). Initial return can be formulated as follows (Triani, 2006):

$$\text{Initial Return (IR)} = \frac{Pt1 - Pt0 \times 100\%}{Pt0}$$

Description:
Pt1: The closing price on the first day in the secondary market
Pt0: Initial offering price
IR: Initial Return

Thinking Framework

Based on the theoretical study and the results of previous research that examined the effect of the level of underpricing as the dependent variable, the researcher was able to describe the logical framework. There are 5 (five) independent variables, namely reputation underwriter, profitability, company age, company size, and Debt to Equity Ratio (DER). It is systematically described as in the image below:
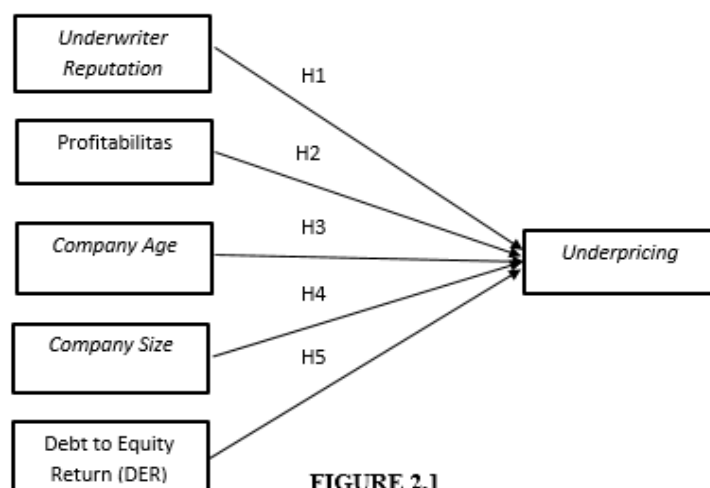

FIGURE 2.1

FRAMEWORK OF THINKING

Hypothesis

Based on literature review and previous research, several hypotheses proposed in this study are:

H1: Reputation Underwriter's affects underpricing

H2: Profitability affects underpricing

H3: Company age affects underpricing

H4: Company size affects underpricing

H5: debt to equity ratio (DER) affects the underpricing

RESEARCH METHODS

Type of Research

Research This research is classified into quantitative research. Quantitative research is research conducted by analyzing data in the form of numbers that is centered on testing the hypothesis Sugiyono (2013).

Population and Research Samples

According to Suharyadi and Purwanto (2016: 6), population is a collection of all possible people, objects, and other sizes, which become the object of attention or a collection of all objects of concern. The population used in this study are companies that conduct IPOs on the Indonesia Stock Exchange for the period 2015 to 2019.

Purposive sampling is sampling through selection assuming the selected sample can provide the desired information in accordance with the research problem (Malo, 1985) The criteria used as the basis for sampling in this study are as follows:

a. Companies listing IPO on the Indonesian Stock Exchange for the period 2015-2019

b. Companies that experienced underpricing during their IPO for the period 2015-2019

Definition and Operational Variables

Independent Variables

The independent variables used in this study are reputation underwriter's, profitability, company age, company size, and DER.

The following is the definition of these variables:

Underwriter's Reputation

An underwriter is a company that makes a contract with the issuer to make a public offering for the benefit of the issuer, with or without the obligation to buy the remaining securities sold. The role of the underwriter is in reducing uncertainty.

Profitability

Profitabilityis a measurement of theincomeavailable to company owners for the capital they invest in the company.

Company Size

Size is a value that determines the size of the company as indicated by the total assets (assets) it owns.

Company Age

Age of the company shows how long the company has been able to survive and is proof that the company is able to compete and can take advantage of existing business opportunities in the economy.

Debt to Equity Ratio (DER)

DER is one of the solvency ratios, namely the ratio that describes the company's ability to pay its term obligations.

Dependent Variable

The dependent variable used in this study is underpricing. He stated that underpricing is the first day's share price in the secondary market, which is higher than the stock price of the initial offering.

Variable	Measure	Formula
Y	Underpricing	Initial Return (IR) = $\frac{Pt1 - Pt0}{Pt0} \times 100\%$
X1	Reputation Underwriter	Dummy (Top 10 in 20 most active brokerage house monthly IDX)
X2	Profitability / ROE	$\frac{Net\ Profit}{Total\ Assets} \times 100\%$
X3	Company Size	Company Size = Ln (Total Asset)
X4	Company Age	Age Age = established date - listing date
X5	DER	DER = Total Liabilities / Shareholder's Equity

Data Collection Techniques

The type of data used in this study is secondary data. The secondary data is obtained using documentation or archival techniques, which are sourced from the publications of companies conducting initial offerings public (IPOs) which are listed on the Indonesia Stock Exchange for the period 2015-2019 through www.idx.co.id, scientific journals, library books, and materials that support this research.

Data Analysis Method

a.

b. **Descriptive Statistics**

According to Ghozali (2016: 19) states that descriptive statistics provide an overview or description of data seen from the average (mean), maximum, minimum, sum, range, standard deviation, and variance values.

c. **Classical Assumption Test**

According to Ghozali (2016) states that the classical assumption test consists of normality test, multicolonierity test, heteroscedasticity test, and autocorrelation test.

d. **Multiple Linear Regression Analysis Test**

According to Gujarati (2003) in Ghozali (2016: 94) the linear regression model is formulated in the following equation:

$$Y = a + b1\,X1 + b2\,X2 + b3\,X3 + e$$

Where :

Y	= Underpricing
a	= constant
b1, b2, b3, b4, b5	= regression coefficient
X1	= Reputas Underwriter
X2	= Profitability
X3	= Company age
X4	= Company Size
X5	= Debt to Equity Ratio (DER)
e	= Error

e. **Hypothesis Test**

The accuracy of the sample regression function in estimating actual value can be measured from its Goodness of Fit. Statistically, at least this can be measured from the coefficient of determination, the value of the F statistic and the value of the t statistic. The statistical calculation is called statistically significant if the statistical test value is in a critical area (the area where Ho is rejected). Conversely, it is said to be insignificant if the statistical test value is in the area where Ho is accepted (Ghozali, 2016: 95).

FINDINGS AND DISCUSSION

Descriptive Statistics

From the statistics obtained in this study it can be explained that from 114 samples ofresearch underpricing, obtained:

Table 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Reputation Underwriter	114	0	1	0:21	0409
Profitability (ROA)	114	0:00	9:31	0.1395	0.87787
Age Company	114	1:00	64.00	16.6754	12.89885
Company Size	114	5.86	19:20	12.8365	2.02864
Debt to Equity Ratio (DER)	114	0.78	57.41	3.6913	7.23654
Underpricing	114	0:01	0.98	0.4663	0.30028
Valid N (listwise)	114				

Source: SPSS data processing (2020)

Based on Table 2 above, it is known that there are 6 (six) research variables, namelyReputation Underwriter's, Profitability (ROA), Company Age, Company Size, Debt to Equity Ratio (DER)and Underpricing with a total sample of 114 samples.

Classical Assumption Test

Classical assumption test is needed to find out whether the regression estimation result is completely free from the symptoms of normality, multicollinearity, heteroscedasticity, and autocorrelation. The regression model can be used as an unbiased estimation tool if it meets the BLUE (requirementsBest Linear Unisex Estimator), that is, data is normally distributed, no multicollinearity occurs, no heteroscedasticity occurs, and

no autocorrelation occurs. The results of the classical assumption test in this study are explained as follows:

a. Normality Test

The normality test aims to test the data in the hope that the results are obtained whether the regression model, the independent variable, the dependent variable, or even both have normal or near normal data distribution.

1. Kolmogorov test

Table 3. Kolmogorov-Smirnov Test Results

		Unstandardized Residual
N		114
Normal Parameters[a, b]	Mean	.0000000
	Std. Deviation	.28174247
Most Extreme Differences	Absolute	.078
	Positive	.074
	Negative	-.078
Test		.078
AsympStatistic.Sig. (2-tailed)		.081[c]

Normality test results are in Table 3 above shows that the significant value is Asymp. Sig. (2-tailed) of 0.081 and shows a value greater than 0.05, so it can be concluded that the data used in this study is data that is normally distributed.
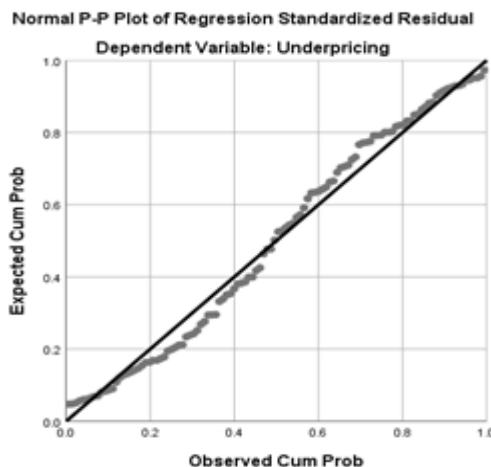
2. P-Plot

Figure 3. Normality Test

b. Multycollonearity Test

The multicollinearity test results for this study can be seen from Tables 4 below:

Table 4. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Underwriter Reputation	.972	1,029
	profitability (ROA)	.984	1.016
	Age Company	.972	1,029

Company Size	.987	1,013
Debt to Equity Ratio (DER)	.998	1,002

Source: Sports SPSS data (2020)

Table 4 shows that all independent variables have a Tolerance value greater than 0.1 and a VIF value less than 10. It can be concluded that multicollinearity does not occur and the regression model can be used for further testing.
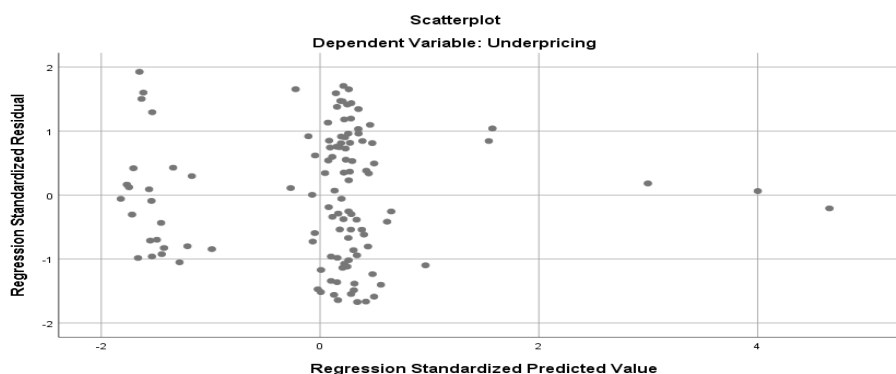
c. Heteroscedasticity Test

Figure 4 Heteroscedaticity Test

Based on the figure, it can be seen that heteroscedasticity does not occur because there is no clear pattern and the dots spread above and below the number 0 on the Y axis, so it can be said that the heteroscedasticity test is fulfilled. Another method used to perform the heteroscedasticity test in this study is to use thetest Glejser. If the probability of each independent variable is> 0.05, it can be concluded that there is no heteroscedasticity in the regression model.

Table 5. Glejser Test Results
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	.296	.087		3,401	.001
Underwriter Reputation	-.046	.033	-.132	-1395	.166
profitability (ROA)	-.029	.015	-.178	-1895	.061
Company Age	7.159E-5.	001	.007	.069	.945
Company Size	-.003	.007	-.036	-.387	.700
Debt to Equity Ratio (DER)	-.002	.002	-.111	-1.187	.238

a. Dependent Variable: RES2
Source: SPSS data processing (2020)

By using the Glejser method in the heteroscedasticity test, it can be concluded that this regression model is free from heteroscedasticity because of the Underwriter's Reputation, Profitability (ROA), Company Age, Company Size and Debt to Equity Ratio (DER) has each sig value of 0.166; 0.061; 0.945; 0.700 and 0.238, which are greater than 0.05.

d. Autocorrelation Test

Table 6. Autocorrelation Test Durbin-Watson
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.346[a]	.120	.079	.28819	1.903

a. Predictors: (Constant), Debt to Equity Ratio (DER), Company Size, Underwriter's Reputation, Profitability (ROA), Company Age
b. Dependent Variable: Underpricing
Source: SPSS data processing (2020)

Based on the test results it can be seen that the Durbin-Watson value (calculated DW) is 1.903. The results are then compared with the results obtained from the Durbin-Watson statistical table with a significance level of 0.05. The number of data is N = 114 and the number of independent (free) variables is 5 (K-5), then the dL (outer limit) value is 1,604 and the dU (inner limit) value is 1,786. means 4 - dL (4-1.604 = 2,396) and 4 –dU (4-1,786 = 2,214). Therefore the value of DW between dU <d <4 -dUatau 1.786**<1.903**<2.214, it can be concluded that there is no autocorrelation problem, so the model can be used.

Multiple Linear Regression Analysis Test

Table 7. Multiple Linear Regression Analysis Results
Coefficients[a]

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1 (Constant)	.538	.179		3,005	.003
Underwriter Reputation	-.185	.067	-.252	-2751	.007
profitability (ROA)	.042	.031	.122	1,343	.182
Company Age	-.001	.002	-.037	-.405	.686
Company Size	-.004	.013	-.029	-.319	.750
Debt to Equity Ratio (DER)	.008	.004	.203	2249	.027

a. Dependent Variable: Underpricing
Source: SPSS data processing (2020)

Based on Table 4.6, a multiple linear regression equation can be drawn up as follows:
$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$
$Y = 0.538-0.185X_1 + 0.042X_2-0.001X_3-0.004X_4 + 0.004X_5 +0.880$

From the results of the multiple linear regression equation above, it can be concluded that the explanation for each variable is as follows:
1. The constant value of **0.538** can be interpreted if all independent variables have a value of 0, therefore the dependent variable will have a value of -**0.538** units.
2. The regression coefficient value for theReputation variable Underwriter's is -0.185. Every increase inReputation Underwriter's by 1 unit, it will reduce Underpricing by -0.185

assuming that other independent variables are of fixed value. This shows that theReputationvariable Underwriter (X1)has a negative effect on Underpricing (Y).

3. The regression coefficient value of the Profitability variable (ROA) is 0.042. Every increase in Profitability (ROA) by 1 unit, it will increase the Underpricing by 0.042 with the assumption that other independent variables are of fixed value. This shows that the Profitability variable (ROA) (X2) has a positive effect on Underpricing (Y).

4. The regression coefficient value of the firm age variable (X_3) is **-0.001**. Every time the Company Age increases by 1 unit, it will reduce the Underpricing by **-**0.001 with the assumption that other independent variables are of fixed value. This shows that the company age variable (X3) has a negative effect on underpricing (Y).

5. The regression coefficient value for the variable Company Size (X_4) is-0.004. Every increase in Company Size by 1 unit, it will reduce Underpricing by -0.004 assuming that other independent variables are fixed. This shows that the variable Company Size (X_4) has a negative effect on Underpricing (Y).

6. The regression coefficient value of thevariable Debt to Equity Ratio (DER) (X_5)is 0.004. Each increase in Debt to Equity Ratio (DER) by 1 unit, it will increase the Underpricing by 0.004 with the assumption that other independent variables are of fixed value. This shows that the variable Debt to Equity Ratio (DER) (X_5) has a positive effect on Underpricing (Y).

Hypothesis Test

The accuracy of the sample regression function in estimating the actual value can be measured from its Goodness of Fit. Statistically, at least this can be measured from the coefficient of determination, the value of the F statistic and the value of the t statistic. The statistical calculation is called statistically significant if the statistical test value is in a critical area (the area where Ho is rejected). Conversely, it is said to be insignificant if the statistical test value is in the area where Ho is accepted (Ghozali, 2016: 95).

a. Coefficient of Determination (R^2)

Table 8. Coefficient of Determination Test (R^2)
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.346[a]	.120	.079	.28819

a. Predictors: (Constant), Debt to Equity Ratio (DER), Company Size, Reputasi Underwriter, Profitabilitas (ROA), Company Age
Source: SPSS data processing (2020)

Based on Table 7, it can be said that the magnitude of R or the correlation of the size of the independent variable Underwriter's Reputation, Profitability (ROA), Company Age, Company Sized and Debt to Equity Ratio (DER) together with the dependent variable Underpricing (Y) is 0.346 with a low level of relationship.

The square or determinant coefficient of 0.120 or 12% indicates that underpricing (Y) is influenced by the four independent variables used in this study (Underwriter's Reputation, Profitability (ROA), Company Age, Company Sized and Debt to Equity Ratio (DER)) of 12% and there is still an influence from other factors, namely 88%.

b. F Test (ANOVA)

Table 8 F Test (Simultaneous Test)
ANOVAᵃ

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	1.219	5	.244	2.937	.016ᵇ
Residual	8.970	108	.083		
Total	10.189	113			

a. Dependent Variable: Underpricing
b. Predictors: (Constant), Debt to Equity Ratio (DER), Company Size, Reputasi Underwriter, Profitabilitas (ROA), Umur Perusahaan
Source: SPSS data processing (2020)

Sig value. The F test (Simultaneous Test) of 0.016 indicates that the alpha significance level of 0.05 two tailed is definitely significant. Meanwhile, for testing with the F test is to compare the value of Ftable with Fcount. The value of F count is 2,937, F table is 2,180 (see Table F), thus the results of F count (2,937)> F table (2,180) then the hypothesis is accepted. It can be concluded that Underwriter's Reputation, Profitability (ROA), Company Age, Company Sized and Debt to Equity Ratio (DER) simultaneously have a significant effect on Underpricing.

c. T Test (Partial Test)

Table 9 T Test (Partial Test)

Model	t	Sig.
1 (Constant)	3.005	0.003
Reputasi Underwriter	-2.751	0.007
Profitabilitas (ROA)	1.343	0.182
Umur Perusahaan	-0.405	0.686
Company Size	-0.319	0.750
Debt to Equity Ratio (DER)	2.249	0.027

Source: SPSS data processing (2020)

The results of this t test can be seen in table 4.9 to prove whether the independent variable individually affects the dependent variable. The results of the t test for multiple linear regression analysis in this study are as follows:

a. The Underwriter's Reputation variable shows a t-statistic of -2.751 with a probability coefficient of 0.007, the result is smaller than 0.05, it can be concluded that the Underwriter's Reputation variable has an effect and has a negative relationship to underpricing.

b. The profitability variable (ROA) shows a t-statistic of 1.343 with a probability coefficient of 0.182, the result is greater than 0.05, it can be concluded that the Profitability variable (ROA) has no effect on underpricing.

c. The company age variable shows a t-statistic of -0.405 with a probability coefficient of 0.686 the result is greater than 0.05, it can be concluded that the company age variable has no effect and has a negative relationship to underpricing.

d. The Company Size variable shows a t-statistic of -0.319 with a probability coefficient of 0.750, the result is greater than 0.05, it can be concluded that the Company Size variable has no effect and has a negative relationship to underpricing.

e. The variable Debt to Equity Ratio (DER) shows a t-statistic of 2.249 with a probability coefficient of 0.027, the result is less than 0.05, so it can be concluded that the Debt to Equity Ratio (DER) variable has an effect but has a positive relationship to underpricing.

Discussion of Research Results
Effect of Underwriter's Reputation on Underpricing

The first hypothesis states that Underwriter's Reputation has an effect on Underpricing. The results of testing the Underwriter's Reputation variable on Underpricing partially show that the Underwriter's Reputation has a significant negative effect on Underpricing, thus it can be concluded that H1 is accepted. The higher the underwriter's reputation level, the lower the underpricing level will be. And can provide a signal for the market to judge the quality of an issuer for good or bad. The results of this study are in line with research conducted by Ulfa Setyaningsih (2019), Sarah and Nila (2019), Sri (2018), Wildan (2015), Setyaningsih and Manarotul (2019) concluded that underwriter's reputation has an effect on underpricing.

Effect of Profitability (ROA) on Underpricing

The second hypothesis states that Profitability (ROA) affects underpricing. The results of testing the Profitability variable (ROA) on Underpricing partially show that the Profitability (ROA) does not have a significant positive effect on Underpricing, thus it can be concluded that H2 is rejected. The profit made by the company before the IPO is not a benchmark for investors' decisions and one of the reasons that encourages investors not to see the profit made by the company before the IPO is because investors do not believe in the company's financial information. Investors will be more interested in seeing the company's ability to generate profits after the company. did the IPO not before implementing the IPO. and the attitude of investors who buy stocks or invest based on experience, not based on fundamental analysis. Investors who have a lot of investment experience will not even pay attention to the financial aspects informed by the company, because they pay more attention to other factors such as market aspects, or aspects that actually happen in the field which will further affect if the shares are deposited in the long-term. The results of this study are not in line with research conducted by Sri Winarsih Ramadana (2018), Sri (2018), Sofyan (2019), Ardhiani, Zilal, Pardomuan (2015), Ermawati and Bambang (2020) concluded that profitability / ROA affects underpricing. . However, in line with research conducted by Kristiantari (2012), Eka (2013), Putra (2011), Wildan (2015), Ardhiani, M. Zilal, and Pardomuan (2015), Dominoique and Tiffany (2013) concluded that profitability / ROA has no effect on underpricing.

Effect of Company Age on Underpricing

The third hypothesis states that company age affects Underspricing. The results of testing the company age variable on underpricing partially show that company age does not

have a significant negative effect on underpricing, thus it can be concluded that H3 is rejected.

Company age cannot be used as a benchmark in seeing the quality of the company. Therefore, investors do not consider the age of the company in assessing the issuers that conduct the IPO. In a business world that is synonymous with competition, it is not certain that younger companies have a worse performance or prospects than companies that are long established. And a company age cannot guarantee that the company is a company that has a healthy financial condition or company performance. The results of this study are not in line with research conducted by Ulfa Setyaningsih (2019), Putra (2011), Sri (2018), Sarah and Nila (2019), and Sofyan (2019) which concluded that company age has an effect on underpricing. However, it is in line with research conducted by I Dewa Ayu Kristiantari (2012), Eka (2013), Wildan (2015), Adinda, Elvira, Nini (2020), Ardhiani, M. Zilal, and Pardomuan (2015), Aty (2017) which concluded that the age of the company has no effect on underpricing.

Effect of Company Size on Underpricing

The fourth hypothesis states that Company Size has an effect on Underpricing. The results of testing the Company Size variable on Underpricing partially show that Company Size does not have a significant negative effect on underpricing, thus it can be concluded that H4 is rejected.

The size of the company that has no effect shows that information about the size and size of the company cannot provide any signal from investors, which means that investors do not judge the size of the company in making investment decisions so that this does not have an impact on the level of underpricing. So it can be concluded that these findings are not in line with the signaling theory. And it can be caused because investors value the company's performance more than the size of the company. The results of this study are not in line with several previous studies conducted by Ulfa Setyaningsih (2019), Sri (2018), Eka (2013), Sofyan (2019), Ermawati and Bambang (2020) which concluded that company size has an effect on underpricing. However, in line with research conducted by Dinda, Elvira, Nini (2020), Ardhiani, M. Zilal, and Pardomuan (2015), George, Akingunola, Oseni (2012), Aty (2017), Wildan (2015) which concluded that the company size has no effect on underpricing.

Effect of Debt to Equity Ratio (DER) on Underpricing

The first hypothesis states that the Debt to Equity Ratio (DER) affects underpricing. The results of testing the Debt to Equity Ratio (DER) variable on Underspricing partially show that the Debt to Equity Ratio (DER) has a significant positive effect on underpricing, thus it can be concluded that H5 is accepted.

If investors want to buy shares at the time of the IPO, it would be better to hold these shares in the long term because investors will benefit from the first day the shares are traded, until the end of the twelfth trading month. companies with high DER indicate a high risk of failure for the company, the company's failure to repay loans and vice versa, the lower the DER of the company, the smaller the risk of failure to repay the loan. The results of this study are in line with research conducted by Azzahra (2011), Sofyan (2019), Adam, Samadi, Anisa (2015), Ermawati and Bambang (2020), and Aty (2017) which concluded that the Debt to Equity Ratio (DER) has a significant effect on underpricing.

CONCLUSION AND SUGESTION
Conclusion

The purpose of this study is to examine the factors that affect the underpricing of shares in the initial public offering on the Indonesia Stock Exchange.

1. The underwriter's reputation variable has a significant negative effect on underpricing. These findings support the results of research conducted by UlfaSetyaningsih (2019), Sarah and Nila (2019), Sri (2018), Wildan (2015), Setyaningsih and Manarotul (2019) which state that underwriter's reputation affects underpricing. Thus, this result implies that underwiter's reputation is a relevant variable for underpricing.

2. The profitability variable (ROA) has no significant positive effect on the level of underpricing. This finding does not support the results of research conducted by Sri Winarsih Ramadana (2018), Sri (2018), Sofyan (2019), Ardhiani, Zilal, Pardomuan (2015), Ermawati and Bambang (2020) which state that profitability / ROA affects underpricing. . However, these findings support the results of research conducted by Kristiantari (2012), Eka (2013), Putra (2011), Wildan (2015), Ardhiani, M. Zilal, and Pardomuan (2015), Dominoique and Tiffany (2013) which stated that that profitability / ROA has no effect on underpricing.

3. Company age variable does not have a significant negative effect on the level of underpricing. This finding does not support the results of research conducted by Ulfa Setyaningsih (2019), Putra (2011), Sri (2018), Sarah and Nila (2019), and Sofyan (2019) which state that company age has an effect on underpricing. However, these findings support the results of research conducted by I Dewa Ayu Kristiantari (2012), Eka (2013), Wildan (2015), Adinda, Elvira, Nini (2020), Ardhiani, M. Zilal, and Pardomuan (2015), Aty (2017) which states that company age has no effect on underpricing.

4. The company size variable does not have a significant negative effect on the level of underpricing. This finding does not support the results of research conducted by Ulfa Setyaningsih (2019), Sri (2018), Eka (2013), Sofyan (2019), Ermawati and Bambang (2020) which state that company age has an effect on underpricing. However, these findings support the results of research conducted by Adinda, Elvira, Nini (2020), Ardhiani, M. Zilal, and Pardomuan (2015), George, Akingunola, Oseni (2012), Aty (2017), Wildan (2015) which stated that that company size has no effect on underpricing.

5. The variable Debt to Equity Ratio (DER) has a significant positive effect on the level of underpricing. These findings support the results of research conducted by Azzahra (2011), Sofyan (2019), Adam, Samadi, Anisa (2015), Ermawati and Bambang (2020), and Aty (2017) which state that the Debt to Equity Ratio (DER) has an effect. significant to underpricing. Thus, this result means that the Debt to Equity Ratio (DER) is a variable that is relevant to underpricing.

Research Implications
Theoretical Implications

This study adds empirical evidence that the variables ROA, company age, and company size do not have a significant effect on the level of underpricing. While the underwriter reputation variable has a significant negative effect on the level of underpricing and DER has a significant effect on the level of underpricing.

Managerial Implications

For companies that will conduct IPOs in the future, it is advisable to pay attention to who is the underwriter for the company because based on the results of this study, an underwriter with a good reputation can reduce the level of underpricing and not result in loss of additional capital revenue for the company. Apart from the underwriter's reputation, DER is also recommended to be considered before the company conducts an IPO. Because the higher the DER value in a company, the higher the debt composition. Companies with a high DER indicate a high risk of failure for the company and will influence public or investor interest in making investment decisions. The higher the DER the higher the return level of underpricing.

Investor Implications

For investors who are interested in buying shares through the capital market, the results of this study can be used as a reference in making purchases. Especially regarding who is the underwriter used by the company and how much is the level of DER value in the company because these two variables have a significant influence on the level of underpricing. And if investors want to buy shares at the time of the IPO, it would be better to hold these shares in the long term because investors will benefit from the first day the shares are traded, until the end of the twelfth trading month.

Limitations of Research Results

As with other studies, this study also has several drawbacks. Therefore, there are still many limitations in this study, which are as follows:

1. This study uses all sectors of companies that are on the Indonesian Stock Exchange that conduct initial public offerings (IPO), so that there is a significant difference in numbers that have an impact on the descriptive statistics of the sample used, the results are not good.
2. The period used in the study is limited from 2015 to 2019.
3. The variables used in this study are limited, there are still a few more variables that can be examined.
4. This study only uses a sample of companies that have gone public from 2015 to 2019.
5. The data used in this study were not tested for outliers.

Further Research Suggestions

Based on the research that has been done, the researcher provides several suggestions for further research which are the answers to the limitations of the previously stated research.

1. In further research, it is expected to add other variables besides the variables used in this study to find out more broadly about the things that can affect underpricing.
2. For further researchers, it is hoped that they can increase the number of sample companies, or by using other company industries such as financial companies, so as to get a broader conclusion and coverage.
3. Further researchers are also advised to add other variables that can affect underpricing.
4. Further researchers are expected to increase the number of periods used in the study to obtain more accurate results, as well as in a longer term, for example after 1 month from the IPO.

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