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Determinants of the Underpricing Rate of Stocks (Study on Companies Conducting IPO on the IDX)

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ABSTRACT

This article analyzes the determinants that affect the level of underpricing in property and real estate sub-sector companies that conduct Initial Public Offerings (IPOs) on the Indonesia Stock Exchange for the 2015-2019 period. The variables used in this study include financial factors consisting of Current Ratio (CR) for liquidity ratios, Debt to Equity Ratio (DER) for leverage ratios, Return On Assets (ROA) for profitability ratios, and Earning Per Share (EPS) for ratios. market, as well as non-financial factors consisting of Underwriter Reputation (UR) and Share Offering Percentage (SOP). The results show that simultaneously all financial and non-financial factors have a significant effect on the level of underpricing, with a very strong influence. While partially CR, ROA, UR and SOP are factors that have a significant influence on the level of underpricing. So it can be concluded that financial and non-financial factors have the same influence on the level of underpricing.

Keywords: Financial_factors, non_financial_factors, underpricing

INTRODUCTION

One of the interesting things that happens when a company conducts an IPO (Initial Public Offering) is that there is a difference in the company's stock price in the primary market with the secondary market. Underpricing is a condition where the stock price in the primary market is lower than the stock price when traded on the secondary market on the first day. And the opposite is overpricing. The underpricing phenomenon tends to occur more when companies conduct IPOs, and is experienced by most of them in the capital market (Risqi, 2013).

In the IPO process, of course, the company wants a high initial share price in order to get maximum funds. However, if the price offered by the issuer is too high, it will reduce investors' interest in buying the shares. In Indonesia, the underwriter is generally full commitment, where the underwriter will buy shares that are not sold out during the initial public offering. To minimize the risks that occur, the underwriter as one of the parties who can determine the initial share price negotiates with the issuer so that the stock price is not too high which often results in underpricing (Juneini and Agustian (2013). The underpricing phenomenon occurs because of the result of uncertainty in stock prices that occurs in the secondary market.

According to Juneini and Agustian (2013) underpricing is influenced by the company's fundamental conditions. Good company fundamentals will be a signal for investors to buy company shares at a reasonable price. Financial information is a source of company fundamental information used by underwriters and investors in assessing companies that will go public (Prastica, 2012). Financial ratios are one of the measuring tools to analyze the company's financial performance that will provide a signal to investors and become a consideration for underwriters in determining a fair share price according to the actual state of the company. Phalipu (2007) defines the liquidity ratio as the company's ability to pay its short-term obligations. Leverage ratio describes the company's ability to use assets or debt to increase the company's income. Ross et., all (2012) define profitability ratios describe the company's ability to generate profits and market ratios are the company's ability to create market value above investment costs.

In addition, underpricing is also influenced by non-financial information of the company, including the reputation of the underwriter and the percentage of stock offerings (Lestari, 2015). Underwriters have an important role in the process of pricing and selling shares. Furthermore, Lestari (2015) said that underwriters who have a high reputation will give a signal that private information from issuers regarding the company's prospects is not misleading. Furthermore, the percentage of share offerings is also a signal from the company to investors. Companies with good prospects will tend to hold their share ownership (Hidayati, 2020).

Various studies on the effect of underpricing have been carried out, but there is a research gap. Research conducted by Pahlevi (2014) found that the current ratio (CR) and debt to equity ratio (DER) had a significant effect on underpricing. This result is different from the research by Partama and Gayatri (2019) which found that CR had no effect on underpricing. According to Retnowati (2013), DER and return on assets (ROA) have no effect on underpricing but earnings per share (EPS) have a significant effect on underpricing. These results are different from Gunawan and Viriany (2015) who found ROA had a significant effect on underpricing while the EPS variable had no significant effect on underpricing. This is different from the results of Prastica's (2012) research which says that underwriter reputation has no significant effect on underpricing. Meanwhile, Ghozali and Mansur (2002) found that the percentage of stock offerings had no significant effect on underpricing, but underwriter reputation had a significant effect on underpricing.

A total of 167 out of 181 companies experienced underpricing when conducting an IPO on the Indonesia Stock Exchange in the 2015-2019 period. In 2016 there was a fairly high underpricing, as many as 14 out of 15 companies or 93.33% experienced underpricing. Meanwhile, the lowest level of underpricing occurred in 2015 which was 88.24%. The average underpricing during the 2015 – 2019 period was quite large, amounting to 92.27%. It can be concluded that most of the companies that conducted IPOs on the Indonesia Stock Exchange in the 2015 – 2019 period experienced underpricing (Indonesian Capital Market Directory, 2020).

The objectives this research are :

1. To determine the influence of the company's financial factors which include Current Ratio (CR) for liquidity ratios, Debt to Equity Ratio (DER) for leverage ratios, Return On Assets (ROA) for profitability ratios, and Earning Per Share (EPS) for market ratios and the company's non-financial factors which include the Underwriter's Reputation (RU) and Share Offering Percentage (SOP) to the level of underpricing.

2. To determine the effect of the company's financial and non-financial factors which include liquidity ratios, leverage ratios, profitability ratios, market ratios, underwriter reputation and the percentage of stock offerings simultaneously on the level of underpricing.

LITERATURE REVIEW

According to Darmadji and Fakhruddin (2006), going public is a means of business funding in the form of a public offering of shares or other securities by companies to sell them to the public through the capital market. The public can have the opportunity to buy shares or other securities only in the capital market (Widoatmodjo, 2009).

In the process of going public, the company offers its shares first in the primary market or often called an Initial Public Offering (IPO). If the IPO has been carried out, it is said that the company has gone public.

According to Firmanah (2015), underpricing occurs when the stock offering price in the primary market is lower than the selling price in the secondary market at the close of the first day. The price in the secondary market is determined by a market mechanism, namely by supply or demand. Underpricing is a positive difference in stock prices when traded on the primary and secondary markets. The price difference is also known as the initial return (IR) or positive return for investors. High underpricing will harm the issuer because the funds are not obtained optimally. On the other hand, high underpricing provides investors with an initial return of profits (Tarigan, 2014).

Firmanah (2015) reveals that underpricing is caused by the presence of signals given by the company to attract investors. This makes investors decide to dare to buy the company's initial shares. The signals in question are financial and non-financial information. The underpricing phenomenon can be explained in two theories, namely asymmetry theory and signaling theory. The importance of information held by all parties has an impact on stock trading in the capital market. Information asymmetry can occur when one party has more information than the other and is not willing to share information. Underpricing occurs due to information asymmetry between the various parties involved in the IPO, namely issuers, underwriters, and investors.

Information asymmetry can occur in two possibilities, namely between issuers and underwriters (Baron Model) or between informed investors and uninformed investors (Rock Model). Underwriters are considered to have more information than issuers and potential investors. For issuers, underwriters are considered to have better information about the market, while potential investors assume that underwriters have much better information about issuers. Information asymmetry between issuers and underwriters occurs because underwriters are more in touch with investors so that underwriters have more information than issuers (Firmanah, 2015).

Information asymmetry occurs between investors where investors have information and investors who do not have information about the business prospects and condition of the company. Informed investors will take advantage of their excess information to gain profits by buying IPO shares that provide returns (Yuan Tian in Firmanah, 2015). In other words, informed investors only buy underpriced IPO shares.

According to Morris in Firmanah (2015), signaling theory is a theory that explains how underpricing occurs and the factors that cause it. Signal theory states that the company gives a signal to investors about the quality of the company. The signal is the company's willingness to sell shares at a discount (underpriced) in the hope that investors will confirm that the company has a high-quality project. Companies that have high quality are willing to lower the stock price at the time of the IPO in the hope that the company will get a better stock price when making the next offering. Underpricing is a signal from a company that only has good quality. In other words, companies with low quality will not be able to bear the losses due to underpricing. The company gives a positive signal by holding some shares or selling a small number of shares during the IPO, then gradually adding them to a secondary offering (Firmanah, 2015). Thus, the company sets a lower price at the IPO in the hope that the market can judge the quality of the company so that it will benefit in the future.

According to Kasmir (2012) financial statements are defined as reports that are able to show the company's financial condition at this time or within a certain period. Financial statements contain information about the company's past achievements and can provide guidance in setting future policies. According to Hidayat (2018), financial statements have the aim of providing information to those in need about the condition of a company from the point of view of figures in monetary units. The objectives of the financial statements in outline are:

1. Liquidity Ratio. The liquidity ratio is a ratio that measures the company's ability to meet its short-term obligations.
2. Activity Ratio. The activity ratio is a ratio that measures the effectiveness of the use of assets by looking at the level of asset activity.
3. Leverage Ratio . Leverage ratio is a ratio that measures the extent to which the company's ability to meet its long-term obligations.

4. Profitability Ratio. Profitability ratio is a ratio that looks at the company's ability to generate profits.
5. Market Ratio. The market ratio is a ratio that can show the development of stock returns relative to the company's book value or can be said to describe market conditions that occur.

The liquidity ratio is a ratio that describes the company's ability to meet short-term obligations (Ross et all, 2012). The faster fulfillment of short-term obligations by the company makes the company liquid. The use of this liquidity ratio is to determine the company's ability to finance and fulfill obligations (debts) when billed. One indicator of the liquidity ratio, namely the Current Ratio, is a ratio that shows the company's ability to pay short-term obligations (bills). This ratio is measured by comparing current assets with current liabilities.

$$Current\ Ratio = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

The leverage ratio or often also called the solvency ratio, according to Ross., et all (2012) is the ratio used to measure the extent to which the company's assets are financed with debt. One indicator of the leverage ratio is the Debt to Equity Ratio (DER), which is how able the company is to fulfill its debt obligations with guaranteed capital to finance its investment.

$$Debt\ to\ Equity\ Ratio\ (DER) = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The profitability ratio is the ratio used to assess the company's ability to earn profits (Ross., et al., 2012). This ratio also measures the level of management effectiveness in its management. This is done with the intent and purpose to generate maximum profits at the level of sales, assets, and capital (Hanafi, 2004). One indicator of the profitability ratio is Return On Assets (ROA), which is the ratio used to show the effectiveness of the company in generating profit (return) from the assets used (Harvard Business School, 2014).

$$Return\ on\ Asset\ (ROA) = \frac{Earning\ after\ interst\ and\ tax}{Total\ assets}$$

The market ratio is the ratio used to measure the market price of the company's shares relative to the company's book value (Ross., et al., 2012). The market ratio relates to the market value of the company as measured by the current market price of the stock. One indicator of the market ratio is Earning Per Share (EPS), which is a ratio used to show how much profit (return) investors or shareholders get per share (Darmadji and Fakhruddin, 2006). According to Ross., et al, (2012) EPS is measured by comparing net income after tax in one financial year with the number of shares issued. The higher the EPS will make the demand for shares also increase where the high demand for these shares will cause the company's stock price to move up.

$$Earning\ Per\ Share\ (EPS) = \frac{Net\ Income\ After\ Tax}{Outstanding\ Share}$$

Underwriter is a party who makes a contract with the issuer in conducting a public offering for the benefit of the issuer with or without the obligation to buy the remaining unsold securities. The underwriter's credibility is largely determined by his reputation. With the reputation of the underwriter, it will be able to increase the company's stock price and increase investor confidence in the company that will go public as well as its quality. Underwriters who have a good reputation and experience can be a signal from the company to investors of their seriousness in conducting an IPO (Mulyaningsih, 2015).

Handayani (2008) explains that the percentage of share offerings is related to how much private information is disclosed by the company. A sign that the company's prospects are good, information on share ownership by the company can be used by investors. The more shares held by the company, the less disclosure of private information by the company or it can be said that the company has more private information, thereby reducing the uncertainty of the company in the future borne by new investors. According to Darmadji and Fakhruddin (2012) the percentage of share offerings is the number of shares offered by the company to the public. This shows how much part of the paid-up capital by the company that can be owned by the public. The formula for calculating the share offering percentage (SOP) is:

$$Share\ Offering\ Percentage\ (SOP) = \frac{\text{Number of shares offered to the public}}{\text{Outstanding shares}}$$

Auditor reputation, underwriter reputation, company age and underwriting contract type, have a significant negative association with initial return. While the variable percentage of stock offerings, indicators of oil and gas companies have a significant positive association with initial return. According to Firmanah (2015), all of the independent variables used are investment, quality of underwriters, company size and offering of associated shares which are significant to the level of underpricing. Firmanah (2015) states that underwriter reputation, Return on Assets (ROA) and Earning Per Share (EPS) have a negative and significant effect on underpricing.

Debt to Equity Ratio (DER) has a positive and significant effect on underpricing, while company size, shareholding held by former owners and foreign ownership have no significant effect on underpricing. According to Fahlevi (2014), that underwriter reputation, auditor reputation, percentage of shares offered to the public, and type of industry do not have a significant effect on underpricing, while the financial leverage variable has a positive and significant effect on underpricing, profitability (ROA) variables, profitability (NPM), current ratio, company size, and company age have a negative and significant effect on stock underpricing in the initial public offering on the Indonesia Stock Exchange.

METHOD

The population in this study are companies that conduct Initial Public Offering (IPO) and are listed on the Indonesia Stock Exchange during the 2015-2019 period. Purposive sampling is a sampling technique used today where this technique uses certain criteria which then there are adjustments to the objectives and research problems developed. The criteria for the research sample are as follows:
1. Companies in the property and real estate sub-sector that conduct an IPO and are listed on the Indonesia Stock Exchange during the 2015-2019 period.
2. The company experienced underpricing at the time of the Initial Public Offering (IPO).
3. The company publishes financial statements ending on December 31, a year before the Initial Public Offering (IPO) and displays the required data in full.
4. The sample companies have positive ROA and EPS values.

Sources of data in this study were obtained from the Indonesia Stock Exchange website, namely www.idx.co.id, www.e-bursa.com, www.emiten.kontan.co.id, www.idnfinancials.com, Indonesian Capital Market Directory (ICMD), prospectuses, journals and other supporting sources.
The property and real estate sub-sector companies experienced the highest level of underpricing during the 2015-2019 period. The following is data on the sub-sectors of companies that experienced the highest 5 (five) underpricing during the 2015-2019 period on the Indonesia Stock Exchange:

Table 1. Percentage of 5 (five) Stock Sub-Sectors that experienced the highest underpricing

No.	Stock Sub Sector	Underpricing Rate
1	Property and Real Estate	14.43%
2	Wholesale	9.83%
3	Restaurant, Hotel and Tourism	9.43%
4	Transportation	8.94%
5	Food and Beverages	6.37%

Source: Data processed, 2020

This study uses variables, namely the dependent variable and the independent variable. The following is an explanation of each:

Table 2. Operationalization of Research Variables

No	Variable	Formula	Scale
1	Underpricing (Y)	$\frac{\text{Closing Price} - \text{Offering Price}}{\text{Offering Price}} \text{x100\%}$	Ratio
2	Current Ratio (X_1)	$\frac{\text{Current Assets}}{\text{Curent Liabilities}}$	Ratio

3	Debt to Equity Ratio (X_2)	$\frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
4	Return On Asset (X_3)	$\frac{\text{Earning after interst and tax}}{\text{Total assets}}$	Ratio
5	Earning Per Share (X_4)	$\frac{\text{Net Income After Tax}}{\text{Outstanding Share}}$	Ratio
6	Underwriter Reputation (X_5)	1 = underwriter in the Top 10 0 = underwriter not in the Top 10	Nominal (Dummy Variable)
7	Share Offering Percentage (X_6)	$\frac{\text{Number of shares offered to the public}}{\text{Outstanding Share}} x100\%$	Ratio

Source: Processed secondary data, 2020

The method of data analysis in this study is using descriptive statistical analysis methods, classical assumption testing and hypothesis testing through multiple regression analysis.

RESULT AND DISCUSSION

The object of this research is a company that conducts Initial Public Offering (IPO) and is listed on the Indonesia Stock Exchange (IDX) during the 2015-2019 period. Based on IDX data, the number of companies that conducted IPOs during the 2015-2019 period was 181 companies, but 16 companies included in property and real estate companies that experienced underpricing and met the sample requirements. Furthermore, there are 3 companies which are data outliers so that the research sample obtained is 13 companies. The sample was selected using a purposive sampling method.

The selected sample data are as follows:

Table 3. Research Sample Data

No.	Code	Company Name
1	REAL	PT. Repower Asia Indonesia Tbk
2	NZIA	PT. Nusantara Almazia Tbk
3	PAMG	PT. Bima Sakti Pertiwi Tbk
4	POLI	PT. Pollux Investasi Internasional Tbk
5	URBN	PT. Urban Jakarta Propertindo Tbk
6	SATU	PT. Kota Satu Properti Tbk
7	CITY	PT. Natura City Developments Tbk
8	LAND	PT. Trimitra Propertindo Tbk
9	POLL	PT. Pollux Properti Indonesia Tbk
10	RISE	PT. Jaya Sukses Makmur Sentosa Tbk
11	FORZ	PT. Forza Land Indonesia Tbk
12	BIKA	PT. Binakarya Jaya Abadi Tbk
13	MMLP	PT. Mega Manunggal Property Tbk

Source: Processed secondary data, 2020

From descriptive statistical data, it is known that the overall average value of underpricing is 0.5754. This value indicates that the overall level of underpricing of the property and real estate sub-sector companies that conducted IPOs in the 2015-2019 period was low, with an even distribution of data. While the average value of the current ratio (CR) is 4.3315. This CR value indicates that the company's liquidity is in the high category (over liquid) with data distribution that differs from one company to another.

The average value of the leverage ratio as measured by the debt to equity ratio (DER) shows a value of 2.8462. This value indicates that the average value of the company's debt is 2-3 times the amount of the company's equity. When compared with the standard DER ratio of 3.57981, it can be said that the DER of property and real estate sub-sector companies that conducted IPOs in the 2015-2019 period is in the safe category, meaning that equity has adequate ability to protect all of its debts.

The average value of the profitability ratio as measured by return on assets (ROA) is 0.0923. This value indicates the low ability of property and real estate sub-sector companies that conduct IPOs to generate profits, with a fairly high distribution of data.

While the average value of the market ratio as measured by earnings per share (EPS) is 320,255.44. This value indicates that the average EPS of property and real estate sub-sector companies that conduct IPOs is in the low category, with a fairly high distribution of data.
The underwriter reputation (RU) as measured by a dummy variable can be interpreted based on descriptive statistics with a value of 0.3077 (30.77%), which shows that underwriter services are of high reputation (Top 10 most active brokerage house monthly in IDX). While the remaining 69.23% used the services of an underwriter with a low reputation. This shows that most of the sample companies in the study year used the services of underwriters who were not reputable with the standard deviation values of underwriter reputations that tended to be evenly distributed.

The average value of the percentage of share offerings allocated by the property and real estate sub-sector companies that conducted IPOs in the 2015-2019 period was 0.2623, this value indicates that overall the company has a low percentage of share offerings, with the distribution of the percentage of offering data the stock is evenly distributed or the range of data from one data to another is not high.

The results of the normality test carried out with the Kolmogorov-Smirnov test and the Normal P-P Plot graph obtained the results that the data were normally distributed. From the multicollinearity test by calculating the Variance Inflation Factor (VIF) value, it shows that there is no multicollinearity between the independent variables (independent variables). From the heteroscedasticity test using a scatterplot graph, it shows that the points spread randomly and are spread both above and below the number 0 on the Y axis. It can be concluded that there is no heteroscedasticity in the regression model. Likewise, from the autocorrelation test using Durbin Watson, it was found that there was no positive or negative autocorrelation in the regression model, so that the autocorrelation assumption was fulfilled.

From the SPSS output, the following results are obtained:

Table 4. Regression Coefficient

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.416	.040		10.442	.000
CR	.016	.004	1.026	4.602	.004
DER	-.005	.006	-.197	-.986	.362
1ROA	.337	.094	.562	3.600	.011
EPS	3.785E-008	.000	.295	1.681	.144
UR	-.138	.036	-.668	-3.804	.009
SOP	.394	.156	.447	2.523	.045

a. Dependent Variable: Underpricing

Source: Processed secondary data, 2020

The regression equation is obtained as follows:

$Y = 0.416 + 0.016 X1 - 0.05 X2 + 0.337X3 + 3.785E\text{-}008X4 - 0.138 X5 + 0.394X6 + e$

From the regression model above, it can be seen that:

a) The constant of 0.416 states that if the value of the independent variable is considered constant or has a value of 0, then the dependent variable, namely underpricing, will have a positive value of 0.416.
b) The coefficient of the variable current ratio (X1) of 0.016 states that every 1 value increase in the current ratio will increase the level of underpricing by 0.016 assuming the other independent variables are constant.
c) The variable coefficient of debt to equity (X2) of -0.05 states that every 1 value increase in debt to equity will reduce the level of underpricing by 0.05 with the assumption that the other independent variables are constant.
d) The coefficient of return on assets (X3) of 0.337 states that every 1 value increase in return on assets will increase the level of underpricing by 0.337 with the assumption that other independent variables are constant.
e) The variable coefficient of earnings per share (X4) of 3.785E-008 states that every 1 value increase in earnings per share will increase the level of underpricing by 3.785E-008 assuming the other independent variables are constant.
f) The coefficient of the underwriter reputation variable (X5) is - 0.138 which states that every 1 value increase in the underwriter reputation will decrease the underpricing level by 0.138 assuming the other independent variables are constant.
g) The coefficient on the percentage of stock offerings (X6) is 0.394, which means that every time there is an increase of 1 value in the percentage of stock offerings, it will increase the level of underpricing by 0.394 with the assumption that the other independent variables are constant.

From the coefficient of determination test table obtained the following results:

Table 5. Coefficient of Determination Test (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.936[a]	.876	.751	.04955	2.149

a. Predictors: (Constant), PPS, CR, ROA, EPS, RU, DER
b. Dependent Variable: Underpricing

Source: Processed secondary data, 2020

It is known that the Adjusted R Square value is 0.751. This value indicates that 75.1% of underpricing can be explained by CR, DER, ROA, EPS, UR and SOP, while 24.9% is explained by other variables not explained in this study.

The results of the F test can be seen in the following table:

Table 6. F test (simultaneous)

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.104	6	.017	7.033	.016[b]
	Residual	.015	6	.002		
	Total	.118	12			

a. Dependent Variable: Underpricing
b. Predictors: (Constant), PPS, CR, ROA, EPS, RU, DER

Source: Processed secondary data, 2020

The calculated F value is 7.033 with a significance of 0.016. It can be concluded that simultaneously the variables CR, DER, ROA, EPS, UR and SOP have a significant effect on underpricing.

Meanwhile, from the t-test, the results show that:

Table 7. Test Statistics t

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.416	.040		10.442	.000
CR	.016	.004	1.026	4.602	.004
DER	-.005	.006	-.197	-.986	.362
1ROA	.337	.094	.562	3.600	.011
EPS	3.785E-008	.000	.295	1.681	.144
UR	-.138	.036	-.668	-3.804	.009
SOP	.394	.156	.447	2.523	.045

a. Dependent Variable: Underpricing

Source: Processed secondary data, 2020

Debt to Equity Ratio (DER) and Earning Per Share (EPS) have no significant effect on underpricing. Meanwhile, Current Ratio (CR), Return On Assets (ROA), Underwriter's Reputation (UR) and Share Offering Percentage (SOP) have a significant effect on underpricing.

DER has no significant effect on underpricing. The results of this study are in accordance with the results of research by Handayani (2008), Retnowati (2013), Gunawan & Viriany (2015) and Partama & Gayatri (2019). Likewise, EPS shows no significant effect on stock underpricing. The results of this study prove that investors pay less attention to this market ratio in making investment decisions during the IPO. So the size of the EPS value does not affect the level of underpricing. The results of this study are in accordance with the research of Fajrina (2015) and Gunawan & Viriany (2015).

While other indicators which include CR, ROA, UR and SOP partially have a significant influence on the level of stock underpricing. The results of the study for CR are in line with the results of Febriani (2013) and Partama & Gayatri (2019). The results of the ROA study support the results of research by Handayani (2008), Retnowati (2013) and Rosanty (2019). Likewise with the results of research on UR, the underwriter is the party who makes a contract with the issuer to conduct a public offering for the benefit of the issuer with or without the obligation to buy the remaining unsold securities. Underwriters have an important role in the IPO process. This is because the underwriter is one of the most influential parties in determining the stock price during the IPO. Underwriters who have a high reputation can charge high prices as a consequence of the quality of their guarantees, resulting in low levels of underpricing. The underwriter's reputation is an important consideration for investors to invest. Investors will first look at the underwriter used by the company because according to investors, the underwriter is considered to have more complete information about the condition of the issuer. The underwriter's reputation is an important issue that needs to be considered by issuers because the underwriter can have more complete information about the market. Using an underwriter with a high reputation will reduce the level of underpricing. Therefore, when conducting an IPO, the issuer will consider the reputation of the underwriter who assisted in the initial public offering process. The results of this study support the research of Ghozali and Mansur (2002) and Hidayati (2020) who found the results that underwriter reputation had a negative and significant influence on underpricing.

However, other results that the results of this study do not support the research of Yolana and Martani (2005) and Prastica (2012) found different results, namely that the reputation of the underwriter has no significant effect on underpricing. The same result was also obtained by the percentage of stock offerings (SOP) which had a significant effect on underpricing. The percentage of shares offered to the public shows how much of the paid-up capital the public can own. The greater the percentage of share offerings offered to the public and the less owned by the issuer company, the greater the level of uncertainty of the company in the future. So the company must lower the stock price during the IPO in order to attract investors. Thus, the level of underpricing is getting higher. In addition, the percentage of shares offered to the public also affects the level of risk for underwriters. The larger the shares offered at the time of the IPO, the higher the risk faced by the underwriter. To minimize this risk, the underwriter will provide a lower stock price at the time of the IPO, so that the level of stock underpricing increases and vice versa. The results of this study support the research of Beatty (1989), Handayani (2008), Maya (2013) and Retnowati (2013), and Lee et al., (1995) who found the results that the percentage of stock offerings had a positive and significant effect on underpricing. However, this study does not support the research of Ghozali and Mansur (2002) and Hidayati (2020) which found that the percentage of stock offerings did not have a significant effect on underpricing.

CONCLUSION

From the research activities, it was concluded that: Partially financial factors including Current Ratio (CR) and Return On Assets (ROA) as well as non-financial factors including Underwriter Reputation (UR) and Share Offering Percentage (SOP) have a significant influence on stock underpricing during the IPO. These results indicate that financial and non-financial factors have the same power and influence on the level of stock underpricing. While other indicators, namely Debt to Equity Ratio (DER) and Earning Per Share (EPS) do not have a significant effect on stock underpricing. Simultaneously financial factors include Current Ratio (CR) liquidity ratio indicator, Debt to Equity Ratio (DER) leverage ratio indicator), Return On Asset (ROA) profitability ratio indicator, and Earning Per Share (EPS) market ratio indicator as well as Non-financial factors which include Underwriter Reputation (RU) and Share Offering Percentage (SOP) have a significant influence on the level of underpricing, with a very strong influence.

The resulting recommendations are : For companies that will conduct an IPO and for investors, it is advisable to pay more attention to the condition of their non-financial information, both concerning the underwriter's reputation and the percentage of their share offerings because these two things have a significant influence on the level of underpricing. Meanwhile, for further research, considering that in this study, the sample used is limited to property and real estate sub-sector companies, it is hoped that further research will use other sectors listed on the Indonesia Stock Exchange to be investigated so that it is hoped that the results of this study will be much more comprehensive. comprehensive effect on the level of underpricing that occurs. Likewise, the time period used in this research is relatively small, namely from 2015-2019, for that it is recommended in the future to increase the number of time periods studied, so that better data and more comprehensive results can be obtained. The variables used in this study are financial and non-financial information that is limited to certain indicators, therefore, in the future it is recommended to add independent variables to be investigated such as macro factors outside the company, namely inflation, exchange rates, interest rates, in addition to other internal company factors.

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