

FACTORS AFFECTING THE LEVEL OF UNDERPRICING OF SHARES IN INITIAL PUBLIC OFFERING COMPANIES

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ABSTRACT

The underpricing phenomenon that occurs due to information asymmetry, to reduce the information asymmetry of companies that will conduct an initial public offering (IPO) to issue a prospectus. Almost in every country companies experience underpricing, this also happens in Indonesian companies that conduct IPOs in the capital market. In this study, there are several factors that will be examined to affect underpricing, namely Debt to Equity Ratio, Return on Equity, Company Age and Total Asset Turnover. The purpose of this study is to empirically analyze the influence of Debt to Equity Ratio, Return on Equity, Company Age and total asset turnover on Underpricing of Companies that conduct Initial Public Offerings (IPOs) listed on the Indonesia Stock Exchange for the period 2019–2022. The sampling technique in this study used purposive sampling with a sample size of 180 samples. This study uses t-test data analysis techniques. The results of this study show that the Debt to Equity Ratio (DER) is not significant to the level of Underpricing of Shares, Return on Equity is not significant to the level of Underpricing of Shares, the age of the company is not significant to the level of Underpricing of Shares, Total Asset Turnover is not significant to the level of Underpricing of Shares. The results of this study have no effect, it is hoped that in the next study we can consider other variables to be researched with other research objects.

Keywords: Underpricing, Debt to Equity Ratio, Return on Equity, Firm Age, Total Asset Turnover

FAKTOR-FAKTOR YANG MEMPENGARUHI TINGKAT UNDERPRICING SAHAM PADA PERUSAHAAN INITIAL PUBLIC OFFERING

ABSTRAK

Fenomena underpricing yang terjadi karena adanya asimetri informasi, maka untuk mengurangi asimetri informasi perusahaan yang akan melakukan initial public offering (IPO) untuk melakukan penerbitan prospektus. Hampir di setiap negara perusahaan – perusahaan mengalami underpricing, hal ini juga terjadi di perusahaan Indonesia yang melakukan IPO di pasar modal. Dalam penelitian ini ada beberapa faktor yang akan diteliti mempengaruhi underpricing adalah Debt to Equity Ratio, Return on Equity, Umur perusahaan dan Total Asset Turnover. Tujuan penelitian ini untuk menganalisis secara empiris pengaruh Debt to Equity Ratio, Return on Equity, Umur Perusahaan dan total asset turnover terhadap Underpricing Perusahaan yang melakukan Initial Public Offering (IPO) yang terdaftar di Bursa Efek Indonesia periode 2019–2022. Teknik pengambilan sampel pada penelitian ini menggunakan purposive sampling dengan jumlah sampel sebanyak 180 sampel. Penelitian ini menggunakan teknik analisis data uji t. Hasil pada penelitian ini menunjukkan bahwa Debt to Equity Ratio (DER) tidak signifikan terhadap tingkat Underpricing Saham, Return on Equity tidak signifikan terhadap tingkat Underpricing Saham, Umur perusahaan tidak signifikan terhadap tingkat Underpricing Saham, Total Asset Turnover tidak signifikan terhadap tingkat Underpricing Saham. Hasil penelitian ini tidak ada yang berpengaruh, diharapkan pada penelitian berikutnya agar dapat mempertimbangkan variabel lainnya untuk diteliti dengan objek penelitian lain.

Kata Kunci: Underpricing, Debt to Equity Ratio, Return on Equity, Umur Perusahaan, Total Asset Turnover

INTRODUCTION

Every company has a goal to develop its business, in developing its business the company needs additional capital. To get additional capital, there are two sources, namely the company's internal and external sources. The company's internal sources are such as retained earnings, usually the retained earnings are insufficient so that the company seeks external sources of funds, which can be in the form of creditor loans such as loans to banks, issuance of debt securities, or issuance of shares. The capital market is one of the alternatives to obtain funds from external companies for expansion needs. In obtaining funds through the capital market, it can be through the issuance of securities such as stocks, which are better known as go public. In the process of going public, the shares to be issued will be sold first on the primary market through an initial public offering or known as an IPO. Companies that will go public are companies that have taken into account and considered the various benefits and consequences. There are many benefits to going public but there are also consequences that must be considered (Ng et al., 2023).

At the time of the IPO, the determination of the share price to be offered is an important factor for the company and the underwriter because it affects the amount of funds that the company will obtain. Maulidya & Lautania (2016) explains that Underpricing is the occurrence that the stock price in the primary market is lower than the stock price in the secondary market on the contrary Overpricing a condition where the stock price in the primary market is higher than the stock price in the secondary market. Underpricing is something that companies that conduct initial offerings avoid, because underpricing is an uncertain thing so that the company does not get maximum funds from the sale of its initial shares so that it can harm the company to go public. On the other hand, if overpricing occurs, it means that the company benefits because the value of the shares that are initially marketed is higher than the share price of the secondary market where this condition is detrimental to investors.

The underpricing phenomenon that occurs due to information asymmetry, to reduce the information asymmetry of the company that will carry out Initial Public Offering (IPO) to issue a prospectus. The company's prospectus will provide relevant information to assess the company and assist investors in making investment decisions. The information contained in the prospectus consists of financial and non-financial information. Financial and non-financial information in the prospectus is information to assess the performance of a company, used to assess the productivity of the company's asset management (Mayasari et al., 2018).

Almost in every country company experience underpricing, this also happens in Indonesian companies that conduct IPOs in the capital market. From the beginning of 2019 to the end of 2022, companies that conduct IPOs still continue to experience underpricing, when shares are traded for the first time on the secondary market. The following is the development of IPO companies in Indonesia, the number of issuers that conducted IPOs in 2019 – 2022 was 217 issuers and 180 issuers were underpriced. The average underpricing value in 2019 was 85.4%, in 2020 it was 88.2%, while in 2021 it was 79.2% and in 2022 it was 79.3%. The average percentage of underpricing in 2019 – 2022 was 82.9%.

Condition Underpricing which can be detrimental to the company because Underpricing means that the company is undervalued by the underwriter from the actual condition. This means that if the company experiences Underpricing causing the company not to get maximum IPO funds. So to create an ideal IPO stock price, it is necessary to first look for factors that affect the occurrence of Underpricing (Ramadana, 2018). In this study, there are several factors that will be researched to affect Underpricing be Debt to Equity Ratio (DER), Return on Equity, The age of the company and Total Asset Turnover.

Debt to Equity Ratio (DER) is one of the factors that can affect the level of Underpricing stock (Ramadana, 2018). Debt to Equity Ratio (DER) is the ratio of the company's ability to survive and pay debts, the higher the company's Debt to Equity Ratio (DER) shows the higher the risk of the company's failure to repay the loan. The higher the level Debt to Equity Ratio (DER) a company that has a higher level of uncertainty factor so that it affects Initial Return will cause the company to experience Underpricing stock. According to previous research Ramadana (2018) stated that Debt to Equity Ratio (DER) has a positive effect on underpricing while the researcher Kartika & Putra (2017) states that Debt to Equity Ratio (DER) It does not have a significant effect on the level of underpricing.

Return On Equity It is often used to assess a company's ability to generate profits with equity capital that has been invested by shareholders. In general, the higher the return on income obtained, the better the position of the company owner so that it can reduce the value of underpricing. According to research Djashan (2018) stated that Return On Equity did not have a significant effect on underpricing in contrast to the research Mayasari et al. (2018) stated that Return On Equity has a negative effect on underpricing.

The age of the company describes the length of time a company has been established and runs its business and shows that the company is better able to face competition and has good performance and is usually more in demand by potential investors, companies that have been operating for longer have a greater possibility of providing more company information so that it will reduce information asymmetry and minimize uncertainty so as to reduce the level of underpricing of the company. According to Amalia et al. (2023) the age of the company has a significant influence on underpricing in contrast to the researcher Ng et al. (2023) the age of the company is not significant to underpricing.

Total Asset Turnover (TATO) is used to measure the level of efficiency of the utilization of its inventory. TATO is an activity ratio that reflects the company's asset management. So that investors know how big the company is in carrying out its inventory turnover, so that the higher the total asset turnover value, the lower the underpricing rate. According to research Maulidya & Lautania (2016) Total Asset Turnover has a negative effect on underpricing, while according to Brigham et al. (2015) said that total asset turnover did not have a significant effect on underpricing.

The purpose of this study is to empirically analyze the effect of Debt to Equity Ratio, Return On Equity, Company Age and total asset turnover on Underpricing of Companies that conduct Initial Public Offerings (IPOs) listed on the Indonesia Stock Exchange for the period 2019–2022

LITERATURE REVIEW

Signaling Theory

Signaling theory is an action taken by a company to give signals or instructions to investors about how management views the company's prospects. Instructions presented in the form of financial statements are a signal for investors related to the company's financial condition which will later be used for investment decision-making in a company. Signal theory explains that with financial statements, a company provides clues to shareholders regarding the company's financial condition, thereby reducing uncertainty regarding the company's future prospects. In signaling theory, there are several incentives or motivations that cause a company to provide information on its financial statements to external parties.

Signaling theory has a relationship with DER (Debt to Equity Ratio) in the context that DER can be one of the signals for investors regarding the financial quality of a company. According to signaling theory, companies can use certain signals to reduce information asymmetry between management and external parties, including investors. Based on signaling theory, the DER ratio number can give a signal in the form of bad news because investors think that the company has a lot of risk so investors will react by avoiding buying the company's stock when the DER ratio is high. Signal theory can also be related to Return on Asset (ROA) as a financial performance indicator that can be used as a signal to investors (Erick, 2020). ROA measures the efficiency of using a company's assets to generate profits. A low ROA can indicate poor performance, while a high ROA can indicate good performance. Signaling Theory explains that the underpricing of IPOs may be used as a signal to the market. This is because the company and its underwriters use underpricing to convey information about the quality of the firm to potential investors

Debt to Equity Ratio (DER)

Debt to Equity Ratio (DER) is a financial ratio used to assess a company's debt to equity. Meanwhile, according to Pradita & Suselo (2022) and Aini et al. (2020) the Debt Equity Ratio (DER) is a ratio that measures the responsibility that a company has towards creditors to pay its obligations. Therefore, it can be concluded that DER is a ratio used to measure the relationship between a company's debt and its equity. And DER is used to measure the level of liability or responsibility of the company to the parties who provide debts. This ratio can give an idea of the extent to which a company is using debt as a source of funding, compared to its own capital (equity).

The higher the DER, the higher the financial risk faced by the company. The DER measures the proportion of debt to a company's equity and is used to see the extent to which a company relies on debt to fund its operations. A high DER can be a signal of financial risk because it indicates that the company has a high debt burden compared to its equity. This can make investors hesitant to invest in such companies due to the higher risks associated with debt servicing and the company's ability to generate enough profit to pay off the debt. The lower the DER, the less debt the company has compared to its equity. This can indicate that the company has a healthy financial position and is low-risk. Investors can see a low DER as a signal that the company can manage its debt well and has more equity available to bear the risk. A low DER can also indicate that the company has the ability to repay its debts in a timely manner. DER can be calculated using the formula: (Sudira & Sulistiyo, 2016; Goodwill, 2020)

$$DER = \frac{\text{Total Debt}}{\text{Equity}} \quad (1)$$

Return On Equity

Return On Equity is a net profit ratio that measures the company's ability to generate profits with the capital owned by the company, which means that ROE describes the amount of profit on the invested capital and the ability of its own capital to obtain profits for shareholders (Mayasari et al., 2018). Return On Equity It is assumed as the level of expectation of refund by shareholders on the funds invested in the company. According to (Jayanarendra & Wiagustini, 2019) ROE can be calculated by the following formula:

$$\text{Return on equity (ROE)} = \frac{\text{Net Profit}}{\text{Total Equity}} \quad (2)$$

Company Age

According to Ng et al. (2023) One of the benchmarks of occurrence Underpricing namely the age of the company due to the asymmetry of information between the company or issuer and investors, judging from the length of time the company has been operating, it is proof that the company is able to provide more and wider company information than a newly established company. The information received by investors can reduce the company's uncertainty. The age of the company is calculated from the time the company is established based on the deed of incorporation so that the company conducts an IPO. The measurement of the company's age uses the following formula:

$$\text{Umur Perusahaan} = \text{Tahun IPO} - \text{Tahun Perusahaan Berdiri} \quad (3)$$

Total Asset Turnover (TATO)

Ratio Total Asset Turnover is a ratio used to measure the turnover of all assets owned by the company and measure the amount of sales obtained from each rupiah of assets (Kasmir, 2019). Formula for calculating Total Asset Turnover (TATTOO) (Kurniawan, 2021).

$$\text{Total Asset Turnover (TATO)} = \frac{\text{Sale}}{\text{Total Assets}} \quad (4)$$

Underpricing

According to Sari et al. (2023) Underpricing It is an event of a lower price difference when conducting an initial offering compared to the closing price of shares in the secondary market on the first day. The phenomenon of occurrence Underpricing It is often encountered when companies conduct IPOs. There is a tendency that the bid price in the primary market is always lower than the closing price on the first day in the secondary market. The determination of the initial share price is determined by the issuer and the underwriter, while the price in the secondary market is determined by market mechanisms such as demand and supply.

Underpricing calculated using the formula of Initial Return (Martha.ng et al., 2023). The formula is as follows:

$$\text{IR} = \frac{(\text{Pt1} - \text{Pt0})}{\text{Pt0}} \times 100\% \quad (5)$$

Information:

IR = initial return of each company's shares

Pt0 = share price at IPO

Pt1 = the price of the stock at the close of the first day of the secondary market.

Relationships Between Variables and Hypotheses

The Effect of Debt to Equity Ratio (DER) on Underpricing

Debt to Equity Ratio (DER) is the ratio of calculating the level of debt in the capital structure and the ability of the company to pay the debt (Ramadana, 2018). Debt to Equity Ratio (DER) measured using Debt To Equity Ratio (DER), for shareholders, the higher the value Debt To Equity Ratio The greater the risk of failure that may occur in the company, while for the company the lower the value Debt To Equity Ratio, The higher the capital coming from the owner Ng et al. (2023). The higher the level Debt to Equity Ratio (DER) a company which means that the higher the level of uncertainty factor of a company so that it affects Initial Return Thus reducing investor interest in investing in the company.

This research is supported by research Ramadana (2018) which states that Debt to Equity Ratio (DER) affect the Underpricing. Thus, the first hypothesis in this study is as follows:

H1 = Debt to Equity Ratio (DER) has a positive effect on Underpricing

Effect of Return On Equity on Underpricing

Return On Equity is a net profit ratio that measures the company's ability to generate profits with the company's capital (Mayasari et al., 2018). Return On Equity describes the amount of profit on the invested capital or the ability of its own capital to generate profits for investors. The higher the value Return On Equity means that the company's ability to get future profits is getting higher so that it can lower the value of Underpricing.

This research is supported by research Mayasari et al. (2018) which states that Return on Equity Influential negative against Underpricing. Thus, the second hypothesis in this study is as follows

H2 =Return on Equity has a negative effect on Underpricing

The Effect of Company Age on Underpricing

The age of the company can be assumed that the age of the older company is considered to be the one that has less risky investments in investment decisions (Ramadana, 2018). Companies that have been around longer have a greater likelihood of providing information, which will affect Underpricing a company.

Results Ramadana (2018) The age of the company has a negative effect on Underpricing. Thus, the third hypothesis in this study is as follows:

H3 = Company Age has a negative effect on Underpricing

Effect of Total Asset Turn Over on Underpricing

Total Asset Turnover is a ratio used to measure the turnover of all assets owned by the company and measure the amount of sales obtained from each rupiah of assets (Kasmir, 2019). The faster the turnover of company assets, the better the performance of the management in managing all company assets so that it can minimize the occurrence of phenomena Underpricing.

This research is supported by research (Sesti Maulidya & Febrianty Lautania, 2016) which states that Total Asset Turn Over negatively affect Underpricing. Thus, the four hypotheses of this study are as follows:

H4 = Total Asset Turn Over has a negative effect on Underpricing

Framework of Thought

The framework of this study is based on previous theories and research, so that the following framework of thought can be formed:

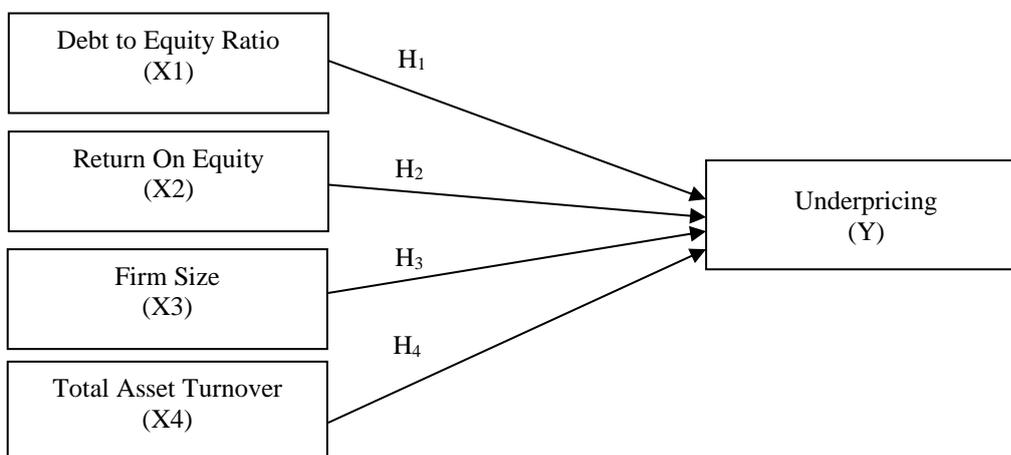


Figure 1. Framework of Thought

RESEARCH METHODS

Research Object

This research was conducted using data from companies that conducted Initial Public Offerings (IPOs) listed on the Indonesia Stock Exchange (IDX) obtained through the www.idx.co.id website. The time of this research started from October 2023 to January 2023. The measuring tool for this study uses SMART PLS.

Population and Sample

Population is a generalization area consisting of objects or subjects that have certain quantities and characteristics that are determined by the researcher to be studied and then drawn conclusions (Sugiyono, 2018). Based on the definition of the population, the population in this study is the company that conducts Initial Public Offering (IPO) whose listing date is from January 1, 2019 to December 31, 2022 which is listed on the Indonesia Stock Exchange. The sample is part of the population, in this study the author uses the Non-Probability Sampling, which is a sampling technique that does not provide the same opportunity or opportunity for each element or member of the population selected to be sampled (Sugiyono, 2018). The sampling technique in this study used purposive sampling with a sample size of 180 samples.

Types and Data Sources

The data used in this study is sourced from secondary data in the form of financial statements, company prospectuses, and closing prices on the first day in the secondary market. The data was obtained from the Indonesia Stock Exchange (IDX) website, namely www.idx.co.id, and closing price data on the first day in the secondary market, namely <https://finance.yahoo.com>.

Operational Research Variables

The operational variables in this study are shown in Table 1.

Table 1. Variable Operations

Variable	Formula	Measurement Scale
Debt to Equity Ratio (DER)	$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
Return On Equity (ROE)	$ROE = \frac{\text{Net Profit}}{\text{Total Equity}}$	Ratio
Firm Age	Year IPO-Year the Company was Founded	Ratio
Total Asset Turn Over (TATO)	$TATO = \frac{\text{Sales}}{\text{Total Assets}}$	Ratio
Under Pricing	$\frac{(Pt1 - Pt0)}{Pt0} \times 100\%$ Pt0 = share price at IPO Pt1 = stock price at close on the first day of the secondary market	Ratio

Data Analysis Techniques

Descriptive Analysis

Descriptive analysis is used to describe the acquisition of research results related to the development of the variables studied, both independent variables and bound variables (Esthirahayu et al., 2014). The descriptive analysis to be used is average, standard deviation, minimum, and maximum.

Classical Assumption Test

Classical assumption tests can be performed before multiple linear regression testing. The classic assumption tests carried out in this study are normality, autocorrelation, heteroscedasticity, and multicollinearity tests. This is done to ensure and find out that the results of the regression estimation carried out are normal and free from symptoms of autocorrelation, heteroscedasticity, and multicollinearity, so that the regression results obtained can be used as a basis for hypothesis testing and drawing conclusions.

The normality test aims to test whether a regression model, a dependent variable, an independent variable, and both have a normal distribution or not (Sesti Maulidya & Febrianty Lautania, 2016). A good regression model is one that has a normal or near-normal data distribution that can be seen with Normal Probability Plot.

The multicollinearity test aims to test whether correlation between free variables is found in the regression model (Ghozali, 2016). To find out the existence of multicollinearity, namely by Variance Inflation Factor (VIF). If the VIF value is less than 10.00, it means that there is no multicollinearity, while if the VIF value is greater than 10.00, then multicollinearity occurs.

Multiple Linear Regression Equations

Multiple linear regression equations are statistical models used to relate linear relationships between one dependent variable and two or more independent variables. Multiple linear regression analysis is used to determine the relationship or influence between two or more independent variables (X) and one dependent variable (Y) that appears in the form of a regression model or equation, Multiple linear regression analysis aims to predict the value of the dependent variable if the independent variable changes and to find out the direction of the relationship. The difference with simple linear regression lies in the number of independent variables, where in simple linear regression only one independent variable is used while in multiple linear regression more than one independent variable is used (Sulistiani, 2016).

Coefficient of Determination Test (R^2 Test)

Coefficient of determination (R^2) is used to measure the ability of regression models to describe the variation of related variables and also the coefficient of determination has a value between zero and one. A value of a determination coefficient close to one illustrates that the independent variable provides the information needed to estimate the related variation, while the value is smaller or close to zero, so the ability of the independent variable to explain the related variation is assessed as limited (Ghozali, 2018).

Hypothesis Test (t-Test)

The T test is used to determine each variable independent of the dependent variable (Ghozali, 2018). Acceptance or rejection of hypotheses is carried out with the following criteria: (1). If t counts $>$ t table or if the significant value $<$ 0.05 then H_0 rejected. (2). If t counts $<$ t table or if the significant value $>$ 0.05 then H_0 Accepted.

RESULTS AND DISCUSSION

Descriptive Analysis

Based on the variable data of Stock Underpricing, it can be seen that the maximum value of Stock Underpricing is worth 1,106 in PT Surya Fajar Capital Tbk. Then the minimum value is 0.007 in PT Archi Indonesia Tbk, and the average Stock Underpricing is worth 0.359 which means that the possibility of underpricing of stock prices is quite low.

Based on the Debt to Equity Ratio variable data, it can be seen that the maximum value of the Debt To Equity Ratio is 62,971 in PT Net Visi Media Tbk. Then the minimum value is 0.002 in PT Fuji Finance Indonesia Tbk, and the average Debt to Equity Ratio is 2,417 which means that with a value of 2,417 the possibility of underpricing the stock price can be higher.

Based on the data of the Return on Equity variable, it can be seen that the maximum value of Return On Equity is 139,641 in PT Repower Asia Indonesia Tbk. Then the minimum value is -6,245 in PT Net Visi Media Tbk, and the average Return on Equity is 1,464 which means that with a low of 1,464, there is a high possibility of underpricing the stock price.

Based on the variable data of the Company Age, it can be seen that the maximum value of the Company Age is 64.0 in the company PT Indonesian Tobacco Tbk. Then the minimum value is 0.0 in the company PT Kurniamitra Duta Sentosa Tbk., and the average Company Age is worth 16.4 which means that many companies have been established for more than 10 years, the lower the possibility of underpricing the share price.

Based on the variable data of Total Asset Turnover, it can be seen that the maximum value of Total Asset Turnover is 1219,091 in PT Pinago Utama Tbk. Then the minimum value is 0.003 in PT Royalindo Investa Wijaya Tbk, and the average Total Asset Turnover is 7,839 which means that having a low TATO is the higher the possibility of underpricing the share price.

Data Normality Test

The data normality test is a test that aims to test whether the data in a regression model, both dependent variables and independent variables are normally distributed. The normality test using the Kolmogorov-Smirnov test obtained the following results:

Table 2. Kolmogorov-Smirnov test

		Unstandardized Residual
N		180
Normal Parameters	Mean	.0000000
	Std. Deviation	20870666
Most Extreme Differences	Absolute	.177
	Positive	.177
	Negative	-.110
Kolmogorov-Smirnov Z		2.374
Asymp. Sig. (2-tailed)		.000

Source: Processed Data (2024)

Based on the data in the Table 2, it can be seen that the value of Asymp. Sig. (2-tailed) is 0.000, where it can be seen that the value of Asymp. Sig. (2-tailed) is smaller than the value of $\alpha=0.05$. Normality can also be seen with the normal curve of the P-Plot, if the drawn and distributed spread around the diagonal line and the distribution of the points in one direction follows the diagonal line, then the distribution of the data can be said to be normal.

Multicollinearity Test

The multicollinearity test aims to test whether there is a relationship between independent variables in the regression model. The results of this test are shown in Table 3.

Based on the Table 3, it can be seen that in this study there is no multicollinearity symptom because all independent variables have a Variance Inflation Factor (VIF) value below 10. Therefore, it can be concluded that there is no multicollinearity between independent variables in the regression model. This means that the independent variables in the model are not strongly correlated with each other. A VIF value lower than 10 indicates that the variability of the independent variable is not greatly affected by other independent variables. Therefore, the estimated regression coefficients of the regression model will not be biased.

Table 3. Multicollinearity Test

Variable	VIF	Conclusion
DER (X1)	1.008	there is no multicollinearity
ROE (X2)	1.113	there is no multicollinearity
Firm Age (x3)	1.028	there is no multicollinearity
TATO (X4)	1.131	there is no multicollinearity

Source: Processed Data (2024)

Determination Coefficient Test (R^2)

The results of the determination coefficient (R^2) test can be seen in the following table:

Table 4. Determination Coefficient Test Results

Variable	R Square	R Square Adjusted
Stock Under Pricing (Y)	0.016	-0.007

Source: Processed Data (2024)

Based on the Table 4, it can be seen that the R Square and R Square Adjusted values from the results of the Coefficient of Determination (R^2) test. It can be seen that the R Square Adjusted value is -0.007 or -0.7%, so it can be interpreted that the Stock Underpricing variable is not affected by independent variables (Debt to Equity Ratio (DER), Return On Equity, Company Age, and Total Asset Turnover) in this study.

Multiple Linear Regression Analysis

In this study, multiple linear regression analysis was used to determine how much the influence of Debt to Equity Ratio (DER), Return On Equity, Company Age, and Total Asset Turnover on the Underpricing Rate of Shares in Initial Public Offering Companies on the IDX in 2019 – 2022.

Table 5. Multiple Linear Regression Test

Variable	Original sample (O)	T statistics (O/STDEV)	P values
DER (X1) -> Underpricing (Y)	0.038	0.643	0.520
ROE (X2) -> Underpricing (Y)	0.095	0.552	0.581
Company Age (x3) -> Underpricing (Y)	0.069	0.969	0.333
TATO (X4) -> Underpricing (Y)	-0.079	0.561	0.575

Source: Processed Data (2024)

Based on the Table 5, the multiple linear regression model is obtained as follows:

$$Y=0.038X1+0.095X2-0.079X3+0.069X4 \quad (6)$$

Based on the Multiple Linear Regression Test table, it can be explained, namely: The value of the Regression Coefficient Debt to Equity Ratio (DER) measured using DER, is 0.038, this shows that the variable Debt to Equity Ratio (DER) has a positive relationship with the Stock Underpricing level of 0.038. So it can be interpreted that if the Debt to Equity Ratio (DER) increases, then the level of Stock Underpricing also increases. The value of the Return On Equity (ROE) Regression Coefficient is 0.095, which shows that the Return On Equity (ROE) variable has a positive relationship with the Stock Underpricing level of 0.095. So it can be interpreted that if the Return On Equity (ROE) increases, then the level of Stock Underpricing also increases. The value of the Company Age Regression Coefficient is 0.069, which indicates that the Company Age variable has a negative relationship with the Stock Underpricing rate of 0.069. So it can be interpreted that if the Company's Age increases, then the level of Stock Underpricing also increases. The value of the Regression Coefficient of Total Asset Turn Over (TATO) is -0.079, which shows that the variable Total Asset Turn Over (TATO) has a positive relationship with the Stock Underpricing level of -0.079. So it can be interpreted that if the Total Asset Turn Over (TATO) increases, then the level of Stock Underpricing also decreases.

Hypothesis Test (t-Test)

The Effect of Debt to Equity Ratio (DER) on Underpricing. Based on the table above, it can be seen that the t-calculated value is positive at $0.643 < 1.653$. The significance value is $0.520 > 0.05$. Therefore, it can be concluded that the variable Debt to Equity Ratio (DER) is not significant to the level of Underpricing of Shares. So it can be concluded that the hypothesis in this study is rejected. The Effect of Return on Equity on Underpricing. Based on the table above, it can be seen that the t-count value has a positive value of $0.552 < 1.653$. The significance value Factors Affecting the Level of Underpricing of Shares in Initial Public Offering Companies (Suyono, Paramita, Yvonne Augustin S, ETTY Murwaningsari, and Marice Hutahuruk)

is $0.581 > 0.05$. then it can be concluded that the variable Return on Equity is not significant to the level of Underpricing of Shares. So, it can be concluded that the hypothesis in this study is rejected. The Effect of Company Age on Underpricing. Based on the table above, it can be seen that the t-count value has a positive value of $0.969 < 1.653$. The significance value is $0.333 > 0.05$. then it can be concluded that the Company Age variable is not significant to the level of Stock Underpricing. So it can be concluded that the hypothesis in this study is rejected. Effect of Total Turn Over Assets on Underpricing

Based on the table above, it can be seen that the t-count value has a positive value of $0.561 < 1.653$. The significance value is $0.575 > 0.05$. then it can be concluded that the Total Asset Turn Over variable is not significant to the level of Stock Underpricing. So, it can be concluded that the hypothesis in this study is rejected.

Discussion

The Effect of Debt to Equity Ratio on Underpricing

Debt to Equity Ratio (DER) is the ratio of calculating the level of debt in the capital structure and the ability of the company to pay the debt (Ramadana, 2018). For shareholders, the higher the value Debt To Equity Ratio The greater the risk of failure that may occur in the company, while for the company the lower the value Debt To Equity Ratio, The higher the capital coming from the owner (Ng et al., 2023). The higher the level Debt to Equity Ratio (DER) a company which means that the higher the level of uncertainty factor of a company so that it affects Initial Return Thus reducing investor interest in investing in the company.

Theoretically, DER is a ratio that measures a company's level of debt relative to its equity. This ratio shows how much debt the company uses to finance its assets. Underpricing is a phenomenon where the price of a stock at the time of the Initial Public Offering (IPO) is lower than its market price after a few trading days. A high DER is predicted to have a positive relationship with stock underpricing. This means that the higher the company's DER, the higher the underpricing rate of its shares.

The results of testing the first hypothesis show that Debt to Equity Ratio (DER) not significant to the level Underpricing Shares in the company Initial Public Offering (IPO) on the IDX for the 2019 – 2022 period. This is in accordance with research conducted by (Kartika & Putra, 2017). This is because investors tend to avoid companies that have high levels of debt. This is because companies with high debt levels have higher risks. Therefore, companies that have high levels of debt tend to offer lower initial stock prices to attract investors. This is done to reduce the risk of default and to increase the liquidity of the stock.

Effect of Return on Equity on Underpricing

Return On Equity is a net profit ratio that measures the company's ability to generate profits with the company's capital (Mayasari et al., 2018). Return On Equity describes the amount of profit on the invested capital or the ability of its own capital to generate profits for investors. The higher the value Return on Equity means that the company's ability to get future profits is getting higher so that it can lower the value of Underpricing.

Theoretically, Return on Equity (ROE) is a ratio that shows the rate of return on capital from a company to shareholders. Underpricing is a phenomenon where the price of shares offered in the primary market is lower than the price of stocks when traded in the secondary market. Theoretically, there is a negative relationship between ROE and underpricing. This means that the higher the ROE, the less likely it is to underprice.

The results of the test of the second hypothesis show that Return on Equity not significant to the level Underpricing Shares in the company Initial Public Offering (IPO) on the IDX for the 2019 – 2022 period. This is in accordance with research conducted by Djashan (2018), investors tend not to trust the financial information presented by issuers, especially issuers that have just conducted an IPO. This is because issuers that have just conducted an IPO generally have a short history of financial performance, making it difficult for investors to assess the company's prospects. As a result, the company's share price did not increase so that the increase in ROE did not have an impact on stock returns.

The Effect of Company Age on Underpricing

The age of the company can be assumed that the age of the older company is considered to be the one that has less risky investments in investment decisions (Ramadana, 2018). Companies that have been around longer have a greater likelihood of providing information, which will affect Underpricing a company.

Theoretically, the lifespan of a company describes the extent to which the company can survive running its business. Underpricing is a phenomenon where the price of shares offered in the primary market is lower than the price of stocks when traded in the secondary market. In general, the above theories show that there is a negative relationship between the age of a company and the underpricing of stocks. The older the company, the lower the underpricing.

The results of the test on the third hypothesis show that the age of the company is not significant to the Underpricing Shares in the company Initial Public Offering (IPO) on the IDX for the 2019 – 2022 period. This is in accordance with research conducted by Ng et al. (2023). The age of a company reflects the company's level of experience and reputation. Older companies generally have better experience and reputation, so they are more

trusted by investors. This can reduce the information asymmetry between investors and companies, thereby lowering the level of stock underpricing.

Effect of Total Asset TurnOver on Underpricing

Total Asset Turnover is a ratio used to measure the turnover of all assets owned by the company and measure the amount of sales obtained from each rupiah of assets (Kasmir, 2019). The faster the turnover of company assets, the better the performance of the management in managing all company assets so that it can minimize the occurrence of phenomena Underpricing.

TATO is a ratio that measures the efficiency of a company in using its assets to generate revenue. Underpricing is a condition in which the company's initial share price at the time of the Initial Public Offering (IPO) is lower than its intrinsic value. Underpricing occurs due to the asymmetry of information between investors and companies. Theory suggests that there is a negative relationship between TATO and underpricing. The higher the TATO, the lower the underpricing rate.

The results of testing the third hypothesis show that Total Asset Turnover not significant to the level Underpricing Shares in the company Initial Public Offering (IPO) on the IDX for the 2019 – 2022 period. This is in accordance with research conducted by (Brigham et al, 2015). TATO is a ratio that measures the efficiency of a company in using its assets. The efficiency of a company in using its assets does not always correlate with the level of underpricing of shares. The level of underpricing of a stock can also be affected by many factors, including factors that cannot be measured by TATO, such as investor psychological factors and publicly available information factors.

CONCLUSION

Based on the results of the research and discussion, it can be concluded that (1) the Debt to Equity Ratio (DER) is not significant to the level of Underpricing of Shares in Initial Public Offering (IPO) companies on the IDX. (2) Return on Equity (ROE) is not significant to the level of Underpricing of Shares in Initial Public Offering (IPO) companies on the IDX. (3) The age of the company is not significant to the level of Underpricing of Shares in Initial Public Offering (IPO) companies on the IDX. (4) Total Asset Turnover (TATO) is not significant to the level of Underpricing of Shares in Initial Public Offering (IPO) companies on the IDX

The research that has been carried out is still very far from perfect and there are still many limitations and shortcomings, including the following: 1. This study has limitations with an R Square Adjusted value of only - 0.007. 2. In this study, the entire population was not examined as a sample due to the use of the purposive sampling method.

Based on the results of this study, the suggestions that can be given from the results of this study are (1) 1. For investors, the results of this research because they have no effect, it is more recommended to pay attention to other variables. (2) For academics. It can be seen from the results of the discussion that there is no influence between independent variables on dependent variables. It is hoped that in the next research it will be able to consider other variables to be researched with other research objects.

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