ANALYSIS OF UNDERPRICING FACTORS ON INITIAL PUBLIC OFFERING (IPO) ON IN THE INDONESIA STOCK EXCHANGE

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ABSTRACT

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Initial Public Offering (IPO) is known as one of the efforts to obtain a source of funds for a company in order to develop the business to be optimal. Capital is the funds used for investment by the owner in running his business. A company or business definitely requires additional funds, so that the company's operations can run optimally and develop more. When an IPO experiences a difference in stock prices, there are terms underpricing and overpricing. The purpose of this study was to determine the factors that influence underpricing at the time of the IPO on the Indonesian stock exchange. The method used in this study is a descriptive method with a qualitative approach. The results of the study show that the underpricing factors on Initial Public Offering (IPO) on the Indonesia Stock Exchange are profitability, leverage, underwriter reputation, company size, and percentage of stock offered against underpricing.

Keywords: ISO 25010; product quality model; online exam system.

INTRODUCTION

Capital is the funds used for investment by the owner in running his business. A company or business definitely requires additional funds, so that the company's operations can run optimally and develop more. In this funding, there is a need for alternatives that help, such as by going public. Go Public is a process when companies open opportunities to invest to the public. The first time an Initial Public Offering (IPO) to the public is conducted on the primary market, which will be marketed on the secondary market. According to Rusdin in (Yusmaniarti et al., 2020) Primary market is the market where securities are traded for the first time, before being listed on the Stock
Anaylisis Of Underpricing Factors On Initial Public Offering (IPO) On In The Indonesia Stock Exchange

Exchange. Here, stock and securities are offered to investors for the underwriter through a Broker-Dealer who acts as a stock agent.

Before a company conducts an IPO, the company has an obligation to issue a prospectus containing financial and non-financial information regarding the value and condition of the company which aims to meet the information needed by investors to assess, determine, and make a decision whether the company in question is a company that is worthy of being selected for investment and on the contrary. In general, financial information consists of a statement of financial position (balance sheet), a statement of profit or loss and other comprehensive income, a statement of changes in equity, a statement of cash flows, and CALK. Meanwhile, non-financial information generally contains information about underwriters, independent auditors, legal consultants, value of stock offerings, percentage of stock offered, company age, and other supporting information (Kurniawan, Zulkarnain, & Sukmandya, 2021).

When an IPO experiences a difference in stock prices, there are terms underpricing and overpricing. This underpricing is the occurrence of stock during the IPO having a lower value than the stock price in the secondary market, while the opposite situation is called overpricing (Apriliani, Zulpahmi, & Sumardi, 2021).

IPO underpricing is an event that generally occurs on stock exchanges, regardless of whether the stock exchange is in a developed country or a developing country. The importance of a literature study on underpricing in a country is needed to gain deeper knowledge of the condition of stock underpricing. Many results that examine the factors that have an influence on IPO underpricing in Indonesia show changing and inconsistent findings, so this study was conducted to analyze the underpricing factors on initial public offerings in the Indonesia Stock Exchange (Fadila & Utami, 2020).

Based on the background described above, the researcher is interested in conducting a research entitled “Anaylisis of Underpricing Factors On Initial Public Offering (IPO) On In Indonesia Stock Exchange”.

METHOD

This study uses a qualitative approach, namely by analyzing the underpricing factors on initial public offering (IPO) on in Indonesia Stock Exchange. By using this qualitative approach, it is hoped that it will provide comprehensive facts regarding the underpricing factors on initial public offering (IPO) (Moto, 2019). In addition to the approach there is also a method used in this study ia a descriptive method. According to (Ansori, 2019) the descriptive method is carried out by describing the facts which are then followed by analysis, not only by elaborating, but by providing sufficient understanding and explanation. The data collection technique is literature study. Literature study is a study is a study that is used to collect information and data with the
Anaylisis Of Underpricing Factors On Initial Public Offering (IPO) On In The Indonesia Stock Exchange

help of various kinds of assistance such as books, journals, articles, and others (Mirzaqon & Purwoko, 2018). Literature study also means data collection techniques by reviewing books, literature, notes, and reports related to the problems studied (Cahyono, 2020). The data sources used are books, journals, articles, and similar things obtained through Google Scholar with the keywords underpricing factors, initial public offering, dan Indonesia Stock Exchange.

RESULTS AND DISCUSSION

Initial Public Offering (IPO)
The first sale of public stock (initial public offering) made by a company to general investors is termed an initial public offering (IPO). Public offerings are made through the primary market which lasts a relatively short period of only a few days. Securities offerings in the primary market are carried out directly by issuers to potential investors with the assistance of securities companies as underwriters and assisted by sales agents. The determination of the offering price of securities in the primary market is carried out jointly with the underwriters (Hendarsih, 2017).

Underpricing
Underpricing is a situation when the stock price during the IPO is significantly lower than the price on the secondary market on the first day. Underpricing conditions are not profitable for companies that go public, because the funds obtained from going public are not maximum. On the other hand, if overpricing occurs, investors will lose money because they do not accept the initial return. The owners of the company want to minimize underpricing, because the occurrence of underpricing will cause the transfer of wealth (wealth) from the owners to investors (Pakusadewo, 2014).

Underpricing Factors on Initial Public Offering (IPO) On In Indonesia Stock Exchange

1. Profitability
   Profitability is a financial ratio that describes the company's ability to earn profits through all existing capabilities and sources. The indicator is ROA, which is the comparison between net income and total assets in the last year before the company made an initial offering (Ramadana, 2018).

2. Leverage
   This leverage shows the level of debt in the company's capital structure and the company's ability to pay the debt. This leverage is measured using the debt to equity ratio (DER), which is the ratio of total debt to total equity. The main choice of DER is because this ratio can provide general guidance regarding the feasibility
and financial risk of the company. This ratio is also called the ratio of the rate of return on investment on the use of assets owned, meaning that this ratio is used to find out how much net time will be obtained from each rupiah of funds contained in the total assets. The high Return on Assets (ROA) gives a signal to investors that the company's financial performance is good, so that investors can judge that the stock returns that will be obtained in the future will be large (Nurazizah & Majidah, 2019).

3. Underwriter’s Reputation
Several research results in (Risqi & Harto, 2013) show that underwriter reputation has a negative and significant effect on underpricing. This shows that underwriters with high reputations are more daring to set high prices for the consequences of the quality of the guarantor so that underpricing is low. Underwriters have complete information about the market so that investors use underwriters as one of the considerations in investing in the capital market.

4. Company Size
Company size is a scale that can be classified according to the size of the company in various ways, including total assets, stock market value and others. With so much information that can be obtained, it will easily attract investors compared to small-scale companies (Sartika, Binangkit, & Hinggo, 2022).

5. Percentage of Stock Offered Against Underpricing
The percentage of public offering shows the portion of stock ownership that may be controlled by the public. Ljungqvist dalam (Gunawan & Fitriasuri, 2022) states that the company owner’s concern for underpricing is measured by how many stock were sold at the time of the IPO. The percentage offered to the public is moderated by the market capitalization value and the company’s total debt, the larger the expected funds, the greater the percentage offered to the public. The large percentage of stock offered by the company is considered to have an influence on the uncertainty of the company in the future and will ultimately affect the level of underpricing of stock.

CONCLUSION
Based on the research conducted, the researcher concludes that Initial Public Offering (IPO) is a legal term indicated for the activities of an issuer to offer and eventually sell the securities it has issued in the form of stock or securities to the public at large, with the aim of providing input funds to the public. issuer, both for other activities desired by the issuer. When an IPO experiences a difference in stock prices, there are terms underpricing and overpricing. Meanwhile, the underpricing factors On Initial Public Offering (IPO) On In Indonesia Stock Exchange are profitability, leverage, underwriter reputation, company size, and percentage of stock offered against underpricing.
Anaylisis Of Underpricing Factors On Initial Public Offering (IPO) On In The Indonesia Stock Exchange

REFERENCE


