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

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

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

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

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

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

I. INTRODUCTION

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

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

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

Year	Amount of Companies	Under-pricing	Over-pricing	True-pricing
2015	18	16	1	1
2016	15	14	1	0
2017	37	34	3	0
2018	58	54	4	0

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

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

Can be seen from the figure 1 of 54 issuers for the 2018 period that were underpricing.

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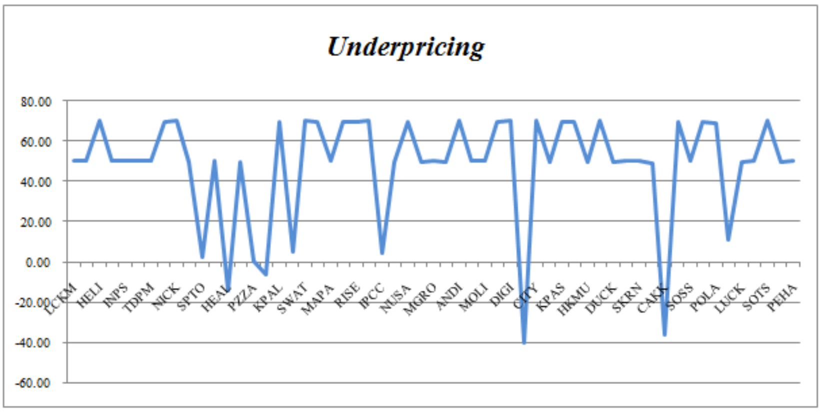

Fig 1:- Company Underpricing

Financial variables can be a positive signal that is used by investors to assess a company. Research' on the factors' that influence underpricing; has been done by' previous researchers.

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

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

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

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

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

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

Based on the background of' the problem, this study addresses the following issues:

- Does the size of the' company affect the Underpricing; of company that do an Initial' Public Offering on the Indonesia Stock Exchange; in 2018?
- Does Current Ratio affect Underpricing; of company that do an Initial' Public Offering on the Indonesia Stock Exchange; in 2018?
- Does Return On Assets affect Underpricing; of company that do an Initial' Public Offering' on the Indonesia Stock Exchange; in 2018?
- Does Earning Per Share' affect Underpricing; of company that do an Initial' Public Offering' on the Indonesia Stock Exchange; in 2018?
- Does Debt to Equity' Ratio affect Underpricing; of company' that do' an Initial' Public Offering on the Indonesia Stock Exchange; in 2018?

II. LITERATURE REVIEW

A. Asymmetric Information' Theory

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

B. Signaling theory

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

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

C. Initial Publik Offering’ (IPO)

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

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

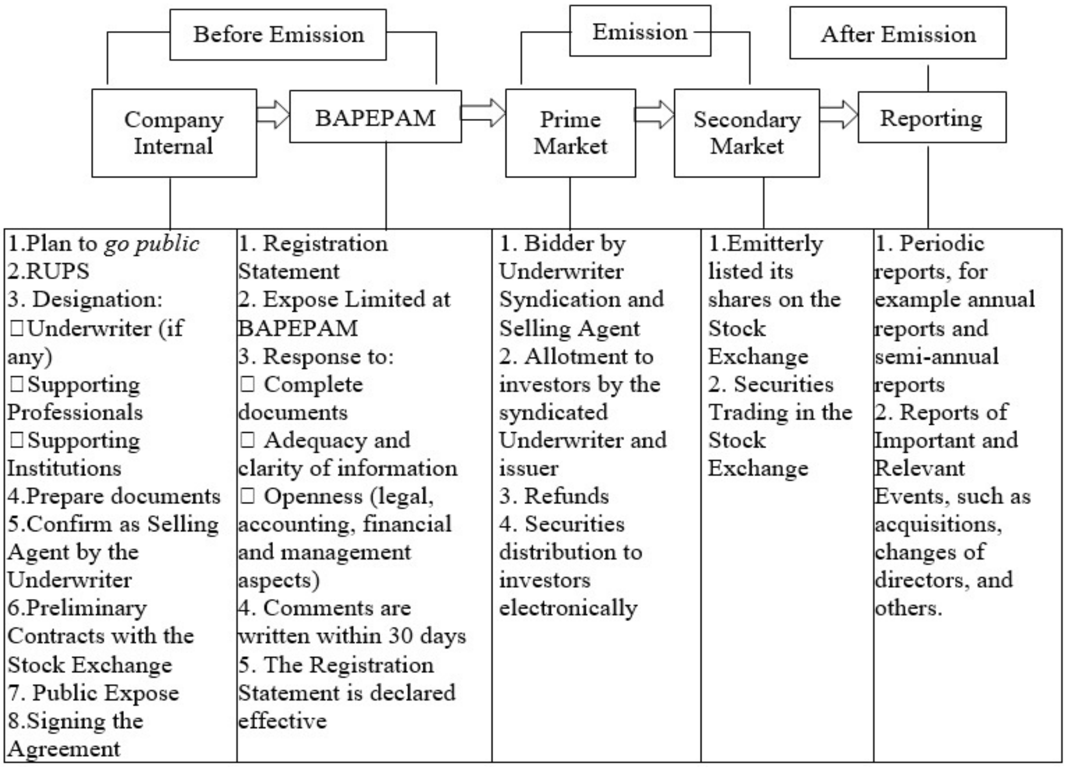

Fig 2:- Schematic of Initial Public Offering Process

D. Underpricing

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

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

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

E. Size

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

F. Current Ratio (CR)

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

G. Return On Asset (ROA)

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

H. Earning Per Share' (EPS)

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

I. Debt to Equity Ratio (DER)

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

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

H1: The size' of the company is suspected to have a positive effect on' underpricing in company' that do' an Initial' Public Offering on the Indonesia Stock Exchange; in 2018.
H2: The company's current ratio is believed to have a positive' effect on underpricing in company' that do' an Initial' Public Offering on the Indonesia Stock Exchange; in 2018.
H3: Return on Assets is thought to have' a positive effect on underpricing in company' that do' an Initial' Public Offering on the Indonesia Stock Exchange; in 2018.
H4: Earnings Per Share is believed' to have a positive effect on underpricing in company' that do' an Initial' Public Offering on the Indonesia Stock Exchange; in 2018.

For more details the concept of thought in this study, as follows :

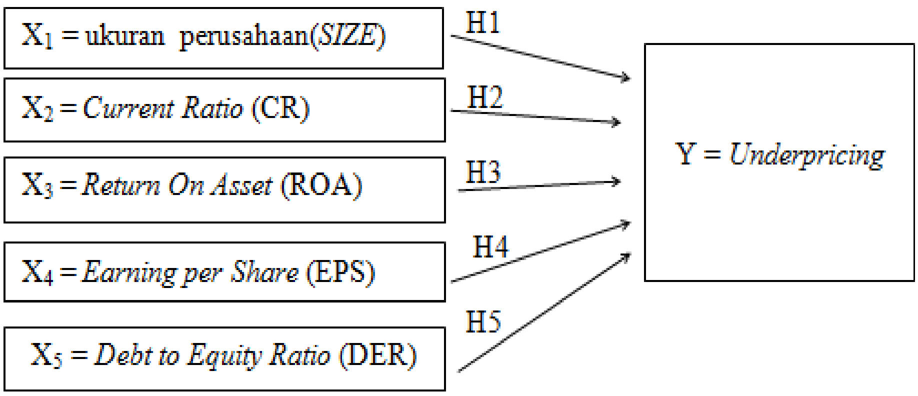

Fig 3:- Reseach Model

III. METHODOLOGY

This type of research is a quantitative analysis tha t can be measured or counted directly', in the form of information' or explanations expressed in numbers' or in' the form of numbers.

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

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

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

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

The analytical' method used is a regression analysis according to Singgih Santoso (2016: 361) mainly for forecasting purposes, where in the 1 there' are a dependent; variable and an independent' variable. With 'the following models:

$$\hat{Y} = \alpha + b_1 SIZE + b_2 CR + b_3 ROA + b_4 EPS + b_5 DER$$

IV. RESULTS AND DISCUSSION

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

A. Descriptive Statistics' Analysis

	N	Mean	Minimum	Maximum
SIZE	53	Rp 330,8 Miliar	Rp 217,4 Miliar	Rp 4,369 Triliun
CR	53	2,894	0,001	21,292
ROA	53	0,042	-0,030	0,429
EPS	53	10,227	-0,742	87,870
DER	53	3,239	0,062	38,505
UNDERPRICING	53	0,534	0,005	0,700

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

- The average size of IDR 330.8 billion, the lowest is IDR 217.4 billion and the highest is IDR 4.369 trillion.
- The average current ratio of 2,894, the lowest is 0,001 and the highest is 21,292.
- The average *return on asset* of 0,042, the lowest is -0,030 and the highest is 0,429.
- The average *earning per share* of 10,227, the lowest is -0,742 and the highest is 87,870.
- The average debt to equity ratio of 3,239 , the lowest is 0,062 and the highest is 38,505.
- The average underpricing of 0,534 , the lowest is 0,005 and the highest is 0,700.

B. Data Normality Test Results

		LN_SIZE	LN_CR	LN_ROA	LN_EPS	LN_DER	LN_UNDER PRICING
N		53	53	53	53	53	53
Normal Parameters[a,b]	Mean	11.98132	3.04585	.04321	8.73038	2.74245	.53415
	Std. Deviation	2.561302	4.228159	.068606	18.370906	6.858420	.186067
Most Extreme Differences	Absolute	.416	.227	.292	.287	.216	.488
	Positive	.262	.227	.292	.287	.216	.323
	Negative	-.416	-.043	.000	-.009	-.038	-.488
Kolmogorov-Smirnov Z		3.027	1.635	1.844	1.923	1.575	3.487
Asymp. Sig. (2-tailed)		.065[c]	.108[c]	.231[c]	.059[c]	.071[c]	.094[c]

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

Table 3:- One--Smple Kolmogorov--Smirnov Tes
Source:- Data processed 2019

- Normality of SIZE Variables Test :

Asymp Value Sig. (2-tailed) is 0.065, the value of the variable is normally distributed because it is above 0.005.

- Normality of Current Ratio Variables Test :

Asymp Value Sig. (2-tailed) is 0.108, the value of the variable is normally distributed because it is above 0.005.

- Normality of Return On Asset Variables Test :

Asymp Value Sig. (2-tailed) is 0.231, the value of the variable is normally distributed because it is above 0.005.

- Normality of Earning Per Share Variables Test :

Asymp Value Sig. (2-tailed) is 0.059, the value of the variable is normally distributed because it is above 0.005.

- Normality of Debt to Equity Variables Test :

Asymp Value Sig. (2-tailed) is 0.071, the value of the variable is normally distributed because it is above 0.005.

- Uji Normalitas Variabel *Underpricing* :

Asymp Value Sig. (2-tailed) is 0.094, the value of the variable is normally distributed because it is above 0.005.

C. Analisis Regresi Linier Berganda

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

Y = 73,743 - 1,403*SIZE* + 4,640CR + 0,106ROA - 0,047EPS + 0,237DER

From' the linear regression equation above can be interpreted as follows:

- The' size of the regression' coefficient is negative, which is -1,403. This means that if each increase is 1% of the size, then underpricing will decrease by -1,403.
- The value' of the current ratio regression' coefficient is positive, which 'is 4,640. This means that if each increase

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is 1% of the current ratio then underpricing will increase by; 4,640.

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

D. Regression Model Test

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

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	14735.786	6	2947.157	5.397	.001[b]
Residual	25665.411	47	546.073		
Total	40401.197	53			

a. Dependent Variable: LN_UNDERPRICING
b. Predictors: (Constant), LN_ DER, LN_SIZE, LN_CR, LN_ROA, LN_EPS

Table 4:- Significance' of the Regression; Model Test (Test F) ANOVA[a]
Source: Data processed 2019

Formulate Hypothesis:
H_o : Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets simultaneously have' no effect on Underpricing
H_a : Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets simultaneously affect Underpricing.

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

From the output it is known that F_{count} is 5.397 and the significance value' is 0 .001 while the' Ftable value is' at the 0. 05 significance level with df 1 (variable number -1) 5-1 = 4, and df 2 (nk-1) or = 53-5-1 = 47 obtained Ftable value of 2.57.

So it can be concluded that F_{count}> F_{table} (5.397> 2.57) and significance <0.05 (0.001 <0.05) then Ho1 is accepted and H is rejected, F_{count}> F_{table} then Ho1 is rejected and Ha is accepted, meaning together (simultaneous) namely Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets simultaneously affect Underpricing.

- *Determination Coefficient Test (R2)*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704[a]	.697	.635	23.36820

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

Table 5:- Determination Coefficient *Model Summary*[b]
Source: Data processed 2019

Value R2 = 0.697 then (KD = R2 x 100% = 0.697 x 100% = 69.7%) so it can be concluded Current Ratio, Size, Earning Per Share and Debt to Equity Ratio and Return On Assets have an effect of 69.7 % of Underpricing, while the remaining 30.3% is influenced by other variables not examined in this study..

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	73.743	28.845		2.556	.014
LN_SIZE	-1.403	3.427	-.048	-.409	.684
LN_CR	4.640	1.067	.515	4.348	.001
LN_ROA	.106	.084	.150	1.264	.212
LN_EPS	-.047	.186	-.033	-.253	.802
LN_DER	237	.111	.279	2.125	.039

a. Dependent Variable: LN_UNDERPRICING

Table 6:- Regression Multiple' Liniear Coefficients[a]
Source : Data processed 2019

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

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

The regression equation has the following interpretations:

- Based on' the results of the t test (size), it can be seen that the t-count is 0.409 < ttable 2.011 with a significance of 0.684 > 0.05 so that H0 is accepted, meaning that size affects underpricing.
- Based on the; t test (current ratio), it can be seen that tcount 4.348 > ttable 2.011 with' a significance of 0.001

< 0. 05 so that H0 is' rejected, meaning that the current' ratio has no effect; on underpricing..

- Based on the' t test (return on assets), it can be seen' that tcount 1.264 < ttable 2 .011 with a significance of 0.212 > 0.05 so that H0 is accepted, meaning that return on assets affects underpricing.
- Based on; the t test (earnings per share), it can be seen that t-count 0.253 < t table 2.011 with a significance of 0.802 > 0.05 so that H0 is accepted, meaning that earning per share affects underpricing.
- Based' on the t test (Debt to Equity' Ratio), it can be seen that tcount 2.125 > ttable 2. 011 with a significance; of 0.039 < 0 .05 so that H0 is rejected' , meaning' that the debt' to equity ratio has no; effect on underpricing..

➢ *Classical Assumption' Test*

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

- *Normality' Test Results*

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

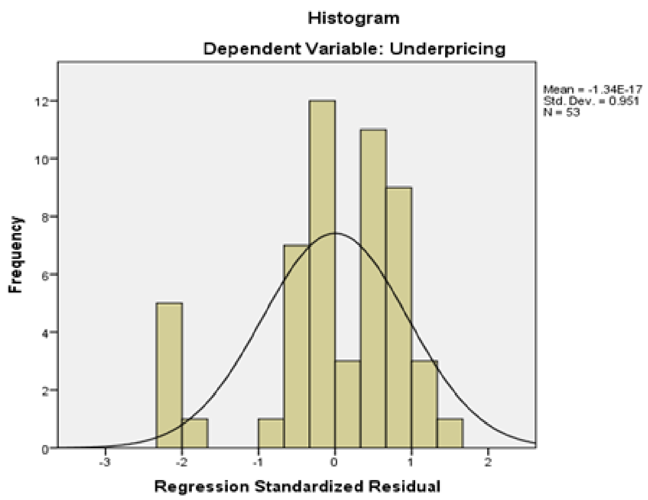

Fig 4:- Histogram Regression Chart
Source : Data processed 2019

In Figure 4 below is the data; that is said to be normal, because the shape' of the curve has a slope that tends t o be balanced, on the left or right side', and the curve is almost' perfect bell-shaped,

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

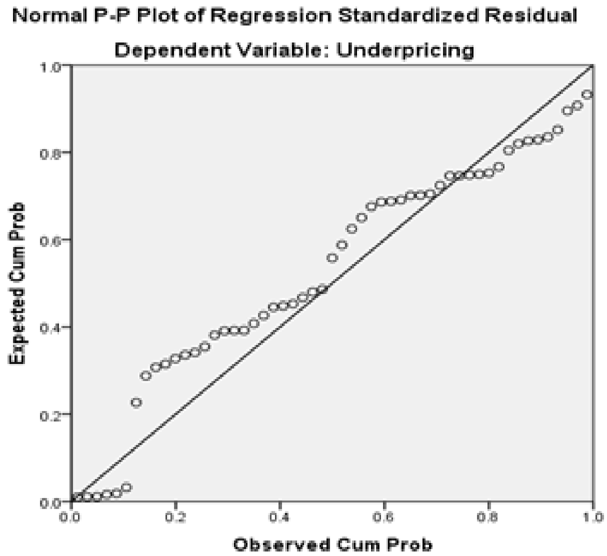

Fig 5:- P-Plot Normal Test Chart

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

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

		Unstandardized Residual
N		53
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	22.21633641
Most Extreme Differences	Absolute	.147
	Positive	.147
	Negative	-.104
Kolmogorov-Smirnov Z		.230
Asymp. Sig. (2-tailed)		.396[c]

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

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

- *Autocorrelation' Test Results*

Autocorrelation' in this study was' tested using Durbin - Watson (DW test). Regression' results with a leve'l of significance 0. 05 (α = 0 .05) with a' number of independent' variables (k = 5) and 'the amount of data (n = 53). The presence or absence of autocorrelation in research with the' provisions of decision' making if 0 <DW <dL, then autocorrelation occurs and if' dU < DW' < 4– dU', then autocorrelation' does not occur . The magnitude of the durbin-watson number is shown in Table 8 which shows the' results o f residual statistics.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	.704[a]	.697	.635	23.36820	1.963

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

Table 8:- Autocorrelation Test Results
Source: Data processed 2019

Can be seen in table 8 for the value of DW = 1,963. The dL and dU' values at T = 53 and k = 5, i.e. the dL = 1,359 and dU = 1,768. Because DW is located between dU and (4-dU) = 1,768 < 1,963 < 2,037, it can be concluded that we cannot' refuse H0 (failed to reject H0) which means there is no autocorrelation' or there is no positive / negative autocorrelation in the tested data.

- *Multicollinearity Test'*

The multicollinearity test' is used t o indicate whether' there is a direct relationship (correlation ') between' independent variables. Multicollinearity occurs if the tolerance' value is less than 0. 10 and the 'VIF value 'is more than 1 0 (ten), it can be; interpreted that' there is multicollinearity'. Whereas if the; tolerance value is more' than 0 .10 and the VIF' value is less' than 1 0 (ten) then it' can be interpreted that there' is no 'multicollinearity.

Model	Collinearity Statistics Tolerance	VIF
(Constant)		
LN_SIZE	.974	1.026
LN_CR	.962	1.040
LN_ROA	.959	1.043
LN_EPS	.813	1.230
LN_DER	.786	1.273

a. Dependent Variable: LN UNDERPRICING

Table 9:- Multicollinearity Test Coefficients[a]
Source: Data processed 2019

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

- *Heteroscedasticity Test' Results*

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

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

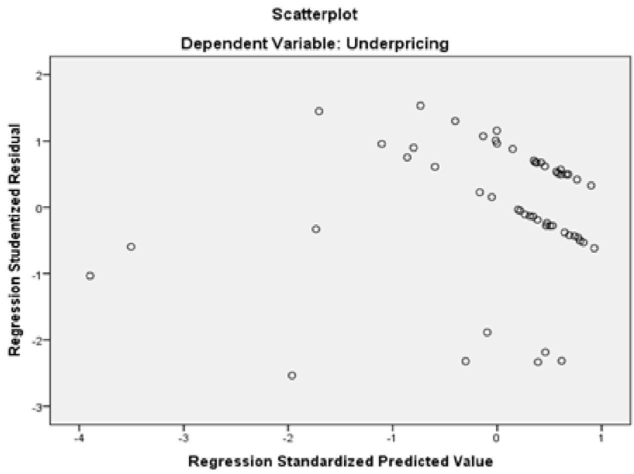

Fig 6:- Chart Scatterplot
Source: Data processed 2019

❖ *Discussion*

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

➢ *Effect of Company Size on' Underpricing*

The results' of this study indicate' that variable size affects underpricing. This finding does not' support th e results of research 'conducted by Hapsari and Mahfud (2012)', which states that there is an influence between size and underpricing. However, this finding supports the results'of research conducted' by Gautama, Diayudha, an d Puspitasari (2015) which' states that size does not affect underpricing. The interpretation of this variable is that every increment of one unit of natural size logarithm variable will drop underpricing by -0.048 units.

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

➢ *Effect of Current Ratio (CR) on Underpricing*

The results of this study indicate that the variable current ratio does not affect the level of underpricing. This finding does not support the results of research conducted by Hapsari and Mahfud (2012), which states that there is an effect between current ratio and underpricing. However, this finding supports the results of research conducted by Sari

(2011) which states that the current ratio affects underpricing. The interpretation of this variable is that every increase of one unit of natural logarithmic variable CR will increase the underpricing by 4,640 units.

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

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

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

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

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

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

T he results of; this study indicate that’ the earning per share variable’ influences th e level of’ underpricing. This finding does not’ support the results of research’ conducted by; Zhou, and Loa (201 2) ‘which states there is an effect between earnings per share and underpricing. However, this finding supports the results of research conducted by Mumtaz, and Ahmed (2014) which states that earnings per share have no effect on underpricing. The interpretation of this variable is that every increase of one unit of EPS variable will reduce the underpricing by -0,047 units.

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

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

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

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

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

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

V. CONCLUSIONS

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

- The result of t_{count} -0.409 < t_{table} 2.011 with a significance’ of 0.684 > 0.05 so that H0 is accepted. That is , the size of; the company (SIZE) affects underpricing of companies doing an IPO in 2018.
- The results of t_{count} 4.348 > t table 2.011 with a significance of 0.001 < 0.05 so that H0 is rejected. That is, the CR does not’ affect the underpricing’ of companies doing an I PO in 2018.
- The’ results of t_{count} 1.264 < t_{table} 2.011 with a significance of 0.212 > 0.05 so that H0 is accepted. That is, Return On Assets (ROA) affect underpricing of companies doing an IPO in 2018.
- The result of t_{count} -0.253 < t_{table} 2.011 with a significance of 0.802 > 0.05 so that H0 is accepted. That is, Earning Per Share (EPS) affects the underpricing of companies doing an IPO in 2018.
- The results of t_{count} 2.125 > 2.011 t_{table} with ‘a significance’ of 0. 039 < 0. 05 so’ that H0 is; rejected. This means’ that DER’ does not affect the underpricin;g of companie’s doing an IPO i n 2018.

POLICY IMPLICATIONS

A. Theoretical Implication's

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

B. Managerial Implications

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

RESEARCH' LIMITATIONS

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

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

SUGGESTIONS

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

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

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