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ANALYSIS OF FACTORS AFFECTING UNDERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS

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ABSTRACT

The aim of this study was to collect empirical evidence on the effects of return on assets, financial leverage, earnings per share, offering percentage, and company age toward underpricing on Companies listed Initial Public Offering (IPO) on the Indonesian Stock Exchange (IDX) for the period 2017-2020. The total number of samples used was 17 samples, selected by sampling method. purposeful sample. The data processing techniques used multiple regression analysis and were processed by SPSS 25. The outcomes of this study show that return on assets has a significant positive impact on underpricing, while offering percentage has a significant negative impact on underpricing. Other variables (financial leverage, earnings per share, and age of the company) had no impact on underpricing.

Keywords*: return on assets, financial leverage, earnings per share, offering percentage, company age, underpricing*

1. INTRODUCTION

The increasingly difficult economic conditions currently cause many companies to require additional funds to expand in order to remain competitive with other companies. Additional funds can be obtained from inside or outside the company. The company's profits are additional funds from inside the company. Meanwhile, additional funds from outside the company can be obtained with loans from banks or funds from the public [1].

Borrowing from banks has several limitations, one of which is that if the company does not meet the loan requirements, the company cannot borrow the loan. Borrowing from banks also has a limit on the funds that can be issued. While funds from the public are funded with unlimited sources, funds from the public can be accessed by companies becoming IPOs (Initial Public Offerings) [2].

An IPO is a company's activity in offering and selling its shares to the public. Determining the initial share price is difficult, because the company does not have experience in selling shares to the public. This causes the company to have the potential to get an initial offering price under underpricing which is a problem for companies conducting IPOs [3]. According to Loughran et al. [4] underpricing becomes a global phenomenon in the capital market when companies conduct IPOs.

Two conditions may arise when a company conducts an IPO. Underpricing could be a condition in which the batch value of stock within the primary market is lower than in the secondary market. While the opposite condition can be said to be overpricing [5]. Underpricing conditions cause losses to the company, because it does not get maximum public funds. But under these conditions, investors can minimize risk and receive an initial return [6].

When a company issues shares to the public, the selling price of shares on the primary market is set by the issuer and the company's management, while the selling price of shares on the secondary market is set by the market mechanism. There is a price difference due to differences in interests between the issuer and the underwriter. Issuers want a high initial price to secure a large capital. Meanwhile, the underwriter aims to minimize the risk of underwriting for which he is responsible, so that determining a price that is acceptable to potential investors is highly considered, so that all the shares pledged can be sold. But when the initial price is set low, underpricing will occur [7].

It is also important to issue a prospectus before a company conducts an IPO to avoid information asymmetry. The prospectus contains financial information such as financial ratios that help investors to have accurate information about the company's financial condition. As well as assisting investors in assessing risk and making the right decisions. This reduces the potential for information imbalance between every people who involved. Information asymmetry can create more uncertainty in the future, so underpricing are likely to happened as well [8].

Significant developments in the current capital market can be seen in the increase in the range of firms listed on the Indonesian Stock Exchange (IDX). Over the past 4 years, 201 companies from various sectors have been listed on IDX.

According to Mengga [9] investor growth tends to increase year by year, especially since the Covid-19 pandemic, the number of investors has increased considerably along with the growing awareness of the benefits of investing. Under these conditions, of course, the company is interested in being able to get funds through existing opportunities by becoming an IPO. The Covid-19 pandemic has not affected the secondary stock prices of IPO companies. This can be seen by the large percentage of underpricing that occurred in IPO companies in 2020. The following is the percentage of underpricing of IPO firms on the IDX for the 2017-2020 period.

Table 1 . Percentage of IPO Companies *Underpricing*

Year	Number of IPOs	Amount of *Underpricing*	IPO *Underpricing* (%)
2017	36	33	91.67
2018	58	54	93.10
2019	55	52	94.55
2020	52	50	96.15
Amount	201	189	94.03

In the Go-Public process, companies need to find out various factors that can cause underpricing that is detrimental to the company. This study uses several variables that can affect underpricing, including ROA, DER, EPS, PPS, and AGE.

2. RESEARCH METHOD

Signal theory is the practice of company management to provide potential investors with information about how management evaluates a company's prospects.This theory states that the company's management will be compelled to provide information to potential investors so that their share price increases. The assumption used in this theory is that shareholders do not have the same access to company information as management, resulting in asymmetric

information [10].

According to Puspita and Daljono [11], information asymmetry can be avoided by providing signals in the form of reliable financial data and can minimize the uncertainty of the company's prospects. This information can later be used as a consideration and analytical tool by investors in making decisions regarding their investments. Reliable, complete, and relevant information is very helpful for investors as an analytical tool.

The information imbalance between the principal and the agent is called information asymmetry. Information asymmetry occurs when company executives know more about information within the company and its prospects than other shareholders. Parties who have a tendency to use information of course have some consequences that must be borne. The occurrence between two extreme events can be referred to as information asymmetry. This is caused by differences influencing information management. This event will make an impact quite significant and can result in market failure.

Asymmetric information also occurs to informed investors and uninformed investors. Informed investors are knowledgeable investors who consistently get lower prices than stocks. Meanwhile, uninformed buyers are buyers who do not have sufficient data and are aware of the possibility that they tend to acquire a larger proportion of overpriced stocks. Therefore, for uninformed investors to be persuaded to participate in the primary market, offerings must be priced low enough so that uninformed investors always get a return on their security uncertainties and can cover losses from buying overvalued securities.

The initial process of a company's public offering is an initial public offering (IPO) through the primary market. IPO is an alternative form of financing by increasing equity through offering securities, such as stocks, bonds, and securities to the public or the general public [12].

Underpricing is when the stock value at the time of initial public offering is lower than the secondary market and there is a positive difference in the stock value. Uncertainty in primary market leads to low stock prices. The error in determining the initial stock price is due to an information imbalance between every people who involved. Underwriters have better information about capital markets than issuers. Underwriters use that information to agree on the best IPO price for them and minimize the risk of buying unsold stock. Issuers, on the other hand, have lower stock offering prices due to the lack of information that prevents the company from receiving the maximum capital [11].

The Return on Assets (ROA) figure shows the firm’s ability to generate profits in the future with its assets and this can be used as a consideration for investors in investing their capital. ROA is very attractive for investors and potential investors, as well as for management because the ratio is an important measure or indicator. The uncertainty that can be reduced in determining the stock value at the time of the IPO will decrease level of underpricing. The higher the ROA value, the lower the underpricing rate and vice versa [13].

Financial Leverage expressed as the debt-to-equity ratio (DER), is a ratio that reflect the ratio of debt to equity owned by shareholders. Key financial ratio are used to evaluate a firm's financial position and ability to meet its obligations [14]. A high DER indicates a high risk for the company. Investors will consider financial leverage information when making investment decisions to avoid overly high initial price valuations that can lead to

underpricing.

According to Ahmad [15], DER represents the proportion of funds provided by shareholders to lenders. The higher DER, the lower the firm's funding provided by shareholders. In terms of a company's long-term obligation to pay, the lower the DER value, the higher the firm's ability to pay its long-term obligations. Therefore, the greater value of a firm's financial leverage, the greater uncertainty of the initial stock price.

An accurate stock valuation can reduce risk to avoid mistakes in investment decisions. Therefore, investors need to analyze the company's financial condition as a material consideration in making investment decisions. Potential investors can do this by calculating the company's financial ratios, namely Earning Per Share (EPS) to evaluate the firm's financial condition. Changes in the value of Earning Per Share are the same as changes in risk, both of which will affect the stock price. EPS is earnings per share of outstanding shares in a certain period to represent the amount of funds that can be obtained on outstanding shares and can be used as a financial analysis tool by showing the company's income on a per-share basis [10].

EPS growth is an important measure of company performance, because the value of EPS describes how much money the company can generate for shareholders. Then the high EPS value will increase investors, causing high stock prices and can affect underpricing.

The stock offering ratio shows what percentage of the company's shares will be hold by public. The percentage of shares offered to the public is the number of shares that will be sold when the company goes public, but only a small part of the company's total shares will be sold at IPO. The percentage of shares held by former shareholders indicates the flow of information from the issuer's shares to potential investors.

A high company's stock offering ratio indicates significant public ownership of the company, so the level of underpricing will be higher. Conversely, if the level of stock offering is low, public participation in the company is also limited, so the level of low valuation (underpricing) will decrease [11].

A company's age represents a company's ability to survive in a highly competitive business environment. The longer a business exists, the more likely it is to survive and thrive. A company's age is measured from when the company was founded to how long it has been in business until its IPO on the IDX. Older companies can often provide more business information than older ones. It can be said that the longer a company exists, the more experience the company has in generating profits, which ultimately affects the profit increase of investors, thereby it can affect underpricing when the company conducts an IPO [16].

Research conducted by Pahlevi [17] found that there was a negative impact of ROA on underpricing. This result is in accordance with Marlina et al. [18] and Saputra and Suaryana [14]. This finding illustrates that investors in the primary market are concerned about the firm's ability to generate profits from its assets, so investors do not take big risks. A high ROA will decrease uncertainty of the firm in the future, and reduce the uncertainty of the IPO, thereby reducing the possibility of underpricing. Meanwhile, according to research by Novitasari and Cahyati [19], ROA has no impact on underpricing.

Saputra and Suaryana [14] show that DER has a positive impact on underpricing. This finding is in accordance with the results of Widhiastina and Prihatni [20]. Firms with high DER will have a higher risk due to high total debt. On the other hand, companies that have a low DER have a low risk because the total debt they have is low compared to capital.

The increase in EPS shows that the firm has manage in increasing number of investor wealth to increase the amount of capital invested in the company, this is in accordance with signalling theory. If the company can increase earnings per share, investors assume that the company can pay large dividends per share, which will certainly increase investor confidence in the company. The higher the EPS and the greater the profit and the possibility of shareholders receiving dividends is also greater. A high EPS will cause many investors to buy this stock, causing the stock price to soar, possibly resulting in underpricing . The results of Adriyani et al. [21] research show that there is an significant negative effect of EPS. This invention is in accordance with Ayuwardani and Isroah [22].

The percentage of shares offered to the public are shares that will be sold at IPO, but not all of the issuer's shares will be sold at IPO, perhaps if it is only a small portion. This can be described as a signal from the issuer to investors that the company's prospects in the future will be better, so that the level of underpricing will be smaller. Islam et al. [23], found that the percentage of shares offered had an negative influence on underpricing.

The age of the company reflects the firm's reputation in the eyes of the public. If the business has been established for a long time, it will succeed in creating trust in the society. Long-lived companies indirectly show their ability to survive and generate profits in various economic conditions. So it will reduce the level of underpricing. Waridatussulusi and Utami [16] found that there was an impact of the firm's age on underpricing. This finding is in accordance with Manurung and Nuzula [24].

Hypotheses in this research are as follows:
H1 : Return on Assets (ROA) has a significant negative effect on the level of underpricing
H2 : Financial Leverage (DER) has a significant positive effect on the level of underpricing
H3 : Earning Per Share (EPS) has a significant negative effect on the level of underpricing
H4 : Share Offering Percentage (PPS) has a significant negative effect on the level of underpricing
H5 : Company Age has a significant negative effect on the level of underpricing

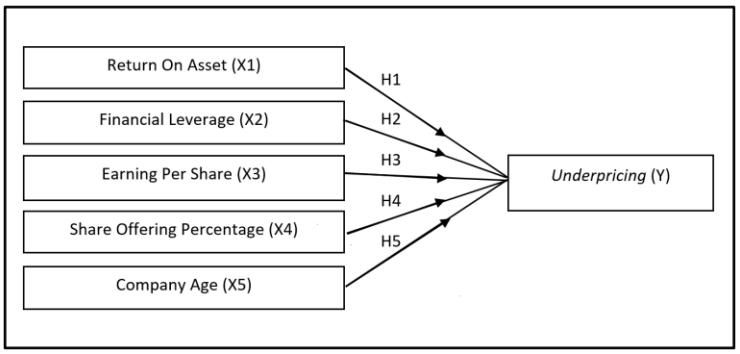

Figure 1. Research Model

The population of this study was firms that had an initial public offering (IPO) on the Indonesian Stock Exchange (IDX) in 2017-2020. The sampling method used in this research is purposive sampling method. The companies included in the sample are those that meet the criteria to make the findings more relevant. The criteria for companies included in the sample are as follows: (1) firms that carry out IPO and are listed on the IDX. (2) firms that have underpriced stock prices or have positive initial returns. (3) companies that are not included in the financial sector. (4) the company has complete data that can be used as a variable measurement in this study. Based on these criteria, a sample of 174 companies from 201 companies was obtained.

This study uses multiple linear regression analysis to examine the impact of ROA, DER, EPS, percentage of stock offerings, and company age on underpricing. When performing multiple regression, classical assumptions are first tested to ensure that the regression model avoids the problems of normality, autocorrelation, heteroscedasticity, and multicollinearity. After the classical assumption test, the hypothesis is tested with the F-test, t-test, and coefficient of determination test.

The F-test is employed to work out the feasibleness of a model in regression testing and is intended to measure whether or not all independent variables of the study model have a common effect on the dependent variable. If the significance level is less than or equal to 0.05, then the hypothesis is accepted. The t-test is intended to measure whether the independent variable of the study model has a partial effect on the dependent variable. If the significance level is less than or equal to 0.05, then the hypothesis is accepted. The coefficient of determination expressed by adjusted R square measures the ability of the model to explain the variation of the dependent variable.

In addition to measuring the relationship between variable, regression analysis can determine the direction of the connection among independent and dependent variables. The data collected in this study were processed using Microsoft Excel 2019, and the data were processed using SPSS 25.

Table 2. Variable Scale

Variable	Proxy	Scale
Underpricing (Y)	Initial Return	Ratio
Return On Asset (X1)	Return On Asset	Ratio
Financial Leverage (X2)	Debt to Equity Ratio	Ratio
Earning Per Share (X3)	Earning Per Share	Ratio
Share Offering Percentage (X4)	Share Offering Percentage	Ratio
Company Age (X5)	Company Age	Ratio

3. RESULTS AND DISCUSSION

This study uses all companies that carried out IPOs in the 2017-2020 period as a population, and obtained the number of 201 companies. After being selected based on predetermined criteria. The result of the selection is the collection of 174 companies. The following table describes the selection of the sample selection based on the existing criteria.

Table 3. Sample Selection Based on Criteria

Sample Criteria	Amount
Companies that conduct *Initial Public Offerings* on the Indonesia Stock Exchange in 2017-2020	201
The company has a share price that is not underpriced or a positive initial return at the time of the *Initial Public Offering* (*IPO*) in 2017-2020 on the Indonesia Stock Exchange	(13)
Companies included in the financial sector	(13)
The company does not have complete data that is used as a variable measurement in this study	(1)
Total Samples Processed	174

Descriptive statistical testing can provide an overview of the sample data contained in this study such as the average, minimum, maximum, and standard deviation values of the all variables used in this research.

Table 4. Descriptive Statistics Test Results

Descriptive Statistics						
	N	Range	Minimum	Maximum	Mean	Std. Deviation
UP	174	2.00	.00	2.00	.4018	.29644
LEV	174	37.02	.02	37.04	2.2976	4.95071
PPS	174	.60	.10	.70	.4682	.11265
AGE	174	6.59	1.41	8.00	3.8447	1.41204
ROA	174	2.00	.00	2.00	.2610	.18753
EPS	174	1100.49	1638.91	2739.40	2394.2190	111.16969
Valid N (listwise)	174					

This study has fulfilled the classical assumption test, namely the data is normally distributed, does not experience heteroscedasticity, does not occur autocorrelation, and does not experience multicollinearity.

Normality test for each sample using the Kolmogorov-Smirnov method with a significance level of 5%. Based on the calculation of table 4, using the Kolmogorov-Smirnov method, the Asymp value is obtained. Sig (2-Tailed) = 0.416 (> 0.05). This shows that the X and Y variables are normally distributed.

Table 5. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		174
Normal Parameters [a]	Mean	.0000000
	Std. Deviation	.26843833
Most Extreme Differences	Absolute	.067
	Positive	.067
	Negative	-.058
Kolmogorov-Smirnov Z		.883
Asymp. Sig. (2-tailed)		.416

a. Test distribution is Normal.

A multicollinearity test was conducted to work out if there was a correlation between independent variables.

Table 6. Multicollinearity Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.960	.473		2.030	.044		
	LEV	-.001	.004	-.016	-.231	.818	.982	1.019
	PPS	-.550	.190	-.209	-2.896	.004	.937	1.067
	AGE	.014	.015	.068	.957	.340	.980	1.020
	ROA	.493	.113	.312	4.344	.000	.948	1.055
	EPS	.000	.000	-.075	-1.063	.289	.971	1.030

a. Dependent Variable: UP

Based on the Coefficients Table, by looking at the tolerance and VIF indicators, for each independent variable, the tolerance value is 0.982 and VIF 1.019 on the financial leverage variable. The percentage of share offerings has a tolerance of 0.937 and a VIF of 1.067. The age of the company has a tolerance of 0.980 and a VIF of 1.020. Return on assets has a tolerance of 0.948 and a VIF of 1.055. Earning per share has a tolerance value of 0.971 and VIF 1.030. By looking at the tolerance and VIF values for each independent variable where all variables have a tolerance value > 0.10 and a VIF value < 10, it can be concluded that these variables do not experience multicollinearity.

An autocorrelation test is performed to check in case the regression model has a correlation between period t and in interval t-1 (previous period). A good regression model must be exempt from autocorrelation.

Table 7. Autocorrelation Test Results

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.424 [a]	.180	.156	.27240	1.994

a. Predictors: (Constant), EPS, ROA, AGE, LEV, PPS

b. Dependent Variable: UP

Based on Table 7, the Durbin-Watson value = 1.994, with N = 174, α = 0.05, and k = 5 in the Durbin-Watson table dl = 1.6933, du = 1.8114, and 4-du = 4 – 1.8114 = 2.1886. By looking at the Durbin-Watson value 1.8114 < 1.994 < 2.1886, it can be concluded that there is no autocorrelation.

The heteroscedasticity test in this study uses the Heteroscedasticity-Glejser test which uses Abs_Residual (Abs_Res) with a significance level of 5% because there are data that are 0 or negative.

Table 8. Heteroscedasticity Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.114	.253		-.449	.654
	LEV	.002	.002	.057	.750	.454
	PPS	.064	.102	.049	.625	.533
	AGE	-.006	.008	-.063	-.818	.414
	ROA	.120	.061	.153	1,967	.051
	EPS	.000	.000	.094	1,229	.221

a. Dependent Variable: ABS_RES

Based on Table 8, each independent variable with absolute residual (Abs_res) has a significance level of 0.454 for financial leverage, 0.533 for share offering percentage, 0.414 for company age, 0.051 for return on assets, and 0.221 for earnings per share. It can be concluded that all independent variables in this study have Sig > 0.05 with absolute residual (Abs_Res). So financial leverage, percentage of share offerings, company age, return on assets, and earning per share on the underpricing don't experience Heteroscedasticity.

The following is a multiple regression model after the data in the study meet the classical assumption test. Based on table 6, the multiple regression model obtained is as follows:

Y = 0.960 – 0.001 LEV – 0.550 PPS + 0.014 AGE + 0.493 ROA + 0.000 EPS + e

Description UP = underpricing; ROA = return on assets; LEV = financial leverage; EPS = earnings per share; AGE = company age; PPS = percentage of share offerings.
The F test is used to interpret hypothesis testing on multiple regression coefficients together.

Table 9. F-Test Results

ANOVA [b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.736	5	.547	7.375	.000[a]
	Residual	12.466	168	.074		
	Total	15.202	173			

a. Predictors: (Constant), EPS, ROA, AGE, LEV, PPS

b. Dependent Variable: UP

Based on the ANOVA Table, the significance value = 0.000 < 0.05, and. So it can be concluded that Ho is rejected and Ha is accepted, which means that there is at least one independent variable, namely Financial Leverage (X1), Percentage of Share Offering (X2), Company Age (X3), ROA (X4), and Earning Per Share (X5) which Underpricing (Y).

The t-test is employed to test the magnitude of the impact of the variable. The test was carried out with a significance level of 5%. The t-test was carried out with the criteria that if the significance value was less than equal to 0.05, then Ho was rejected and Ha was accepted, and vice versa.

Table 10. t-Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.960	.473		2.030	.044		
	LEV	-.001	.004	-.016	-.231	.818	.982	1.019
	PPS	-.550	.190	-.209	-2.896	.004	.937	1.067
	AGE	.014	.015	.068	.957	.340	.980	1.020
	ROA	.493	.113	.312	4.344	.000	.948	1.055
	EPS	.000	.000	-.075	-1.063	.289	.971	1.030

a. Dependent Variable: UP

Financial Leverage value $t_{hitung} = -0{,}231 < t_{tabel} = 1{,}974$, and significance level 0.818 (> 0.05) which means it is H_0 accepted and H_a rejected. This means that there is no positive impact of Financial Leverage (X1) on underpricing (Y) significantly.

Percentage of Share Offering value $t_{hitung} = -2.896 < t_{tabel} = -1{,}974$, and significance level 0.004 (< 0.05), which means it is H_0 rejected and H_a accepted. This means that there is a negative impact of the Percentage of Share Offering (X2) on the level of underpricing of shares (Y).

Company age value $t_{hitung} = 0.957 < t_{tabel} = 1{,}974$, and significance level are 0.340 and significance level are 0.340 (> 0.005), which means it is H_0 accepted and $H_a$rejected. Thus, the hypothesis is rejected, it means that there is no significant effect of company age (X3) on the level of stock underpricing (Y)

Return On Asset value $t_{hitung} = 4.344 > t_{tabel} = 1{,}974$, but the significance level is 0.000 (< 0.05) which means it is H_0rejected and $H_a$accepted. This means that there is a positive impact of the influence of ROA (X4) on underpricing (Y) significantly.

Earnings Per Share value $t_{hitung} = -1.063 < t_{tabel} = 1{,}974$, and significance level 0.289 (> 0.05) which means it is H_0accepted and $H_a$rejected. Thus, the hypothesis is rejected, it means that there is no impact of Earning Per Share (X5) on underpricing (Y).

Based on the t-test and F-test to strengthen the calculation results, the Adjust R Square coefficient of determination was tested.

Table 11. Coefficient of Determination Test Results

Model Summary [b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.424[a]	.180	.156	.27240	1.994

a. Predictors: (Constant), EPS, ROA, AGE, LEV, PPS

b. Dependent Variable: UP

Based on the table above, the Adjusted R Square value (Coefficient of Determination) is 15.6%, which implies the level of influence of the independent variable (X) on the dependent variable (Y) is 15.6%. Whereas the remaining 84.4% is explained by different factors outside the independent variables studied.

Table 12. Results Each of Hypothesis Testing

INDEPENDENT VARIABLE	DEPENDENT VARIABLE	COEFFICIENT	PROB.	DESCRIPTION
Return On Asset (ROA)		0,493	0,000	H1Accepted
Financial Leverage (DER)		-0,001	0,818	H2 Rejected
Earning Per Share (EPS)	Underpricing	0,000	0,289	H3 Rejected
Share Offering Percentage (PPS)		-0,550	0,004	H4 Accepted
Company Age (AGE)		0,014	0,340	H5 Rejected

The ROA shows a significant positive impact on underpricing. This result is in accordance with Hartono and Nurfauziah [25] which shows that ROA has a positive impcat on the initial return of IPO companies. A high ROA indicates that the firm has an increasingly optimal performance in generating profits from its assets. According to signaling theory, when a company has optimal performance, investors will catch positive signals that will increase stock sales. When the sale of shares increases, the share price also increases which will cause an increase in initial return. The higher the ROA, the better firm performance, investors are willing to pay a higher price for their initial shares.

Financial Leverage as proxied by DER shows that there is no significant positive impact on underpricing. This can occur due to investor distrust of the financial information presented by the issuer in the company's prospectus. The results of this study are in accordance with Djashan [26] who found that DER had no effect on underpricing.

EPS shows that there is no impact on underpricing. This can happen because investors involved in investment activities are long-term investors. Investors do not only want short-term profits or investors whose only goal is to get an initial return, but the long-term performance of the company. Thus, the high and low value of EPS is not the main factor for investors to invest in a company so that it does not affect the lower valuation. These results are in accordance with Purwanti & Siregar [27] which found that EPS had no effect on underpricing.

The percentage of share offering shows that there is a negative impact on underpricing. This is in line with Islam et al. [23], found that the percentage of shares offered had a negative influence on underpricing. The percentage of share offering shows the amount of share ownership that will be controlled by the public. When the company offers shares, potential investors will also know information about the percentage of shares offered. The percentage of shares offered to the public represent how much of the paid-in capital contribution will be hold by the public. Companies with a high number of offerings are considered to offer a greater discount on the share price. So, the higher the offer rate of the stock, the more it will signal to investors that the stock price will be lower, which will reduce the initial return.

Company age shows that there is no impact on underpricing. This result is in line with Kristiantari [7] and Rosyidah [28] which showed that the results did not have a significant impact on underpricing. These results indicate that investors do not consider the age of the company in assessing the company when making a decision to invest, because it is not necessarily that companies with a young age have worse prospects than firms that have been run for a long time. The age of the company does not always guarantee that a firm that has been around for a long time has a healthy financial condition. So investors are not always willing to buy relatively high initial shares in companies that are old. So the age of the company cannot be used as a positive signal for the company to decrease underpricing.

4. CONCLUSIONS AND SUGGESTIONS

This study was conducted to analyze the impact of ROA, DER, EPS, percentage of share offerings and company age on the underpricing of IPO firms on IDX during the period 2017-2020. Using 174 samples, the results of this reseach show that ROA has a significant positive impact on underpricing. The higher the ROA, the greater the initial revenue generated, the less likely it is to be underpricing.

While the percentage of share offerings has a negative impact on underpricing. So the higher percentage of share offerings can give investors a signal that the stock price is getting lower and can cause a decrease in initial return. Financial leverage has no impact on underpricing. That is, DER cannot explain underpricing during the study period. Likewise, EPS and firm age cannot explain underpricing during the period of this study, because EPS and company age have no impact on underpricing.

ROA, Financial Leverage, AGE, PPS, and EPS contributed 15.6%, which was expressed as the adjusted value of R Square. This shows that 15.6% of the underpricing variables can be explained by the five independent variables studied, namely return on assets, leverage, earnings per share, supply ratio and leverage, stock sales, and company age. While the remaining 84.4% can be explained by independent variables other than the variables studied.
The number of factors that must be considered to avoid underpricing causes limitations in this research. The dependent variable, namely underpricing, has not been fully explained by the independent variable. And the short period of research data, which is four years, has not been able to explain the effect of ROA, DER, EPS, percentage offerings, and company age on underpricing in detail.

Based on this research, various suggestions can be given, among others, for investors to consider and pay attention to the prospectus which contains financial information, especially ratios such as ROA and the percentage of stock offerings which in this study influence underpricing. Issuers should pay attention to factors that will affect initial return such as ROA and percentage of share offerings. ROA is a measure of the company's profitability in using company assets. The percentage of share offerings is one of the considerations for investors, so companies should consider it. Further research should be able to apply a longer period and pay attention to other variables such as inflation rates, interest rates, and the rupiah exchange rate.

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