

THE EFFECT OF CORPORATE GOVERNANCE ON UNDERPRICING DURING THE INITIAL PUBLIC OFFERING

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ABSTRACT

Initial public offering (IPO) is the main gateway for private institutions to adapt to public business and list company shares on the capital market for trading. By conducting an IPO, an institution can obtain funding from the public to pay for company expansion. One phenomenon that is often encountered by business actors conducting an IPO is an underpricing situation, namely a situation where the share price offered in the primary market is lower than the share price in the secondary market. As a manifestation of the company's obligation to use public price ranges, it is the responsibility of companies across society to manage and use public funds well, transparently and accountably, so that good corporate governance can be implemented well. The aim of this research is to analyze the influence of corporate governance on underpricing in organizations conducting IPOs on the Indonesian Capital Market for the 2017-2022 period. Corporate governance is measured through the scale of the board of commissioners, independence of the board of commissioners, management ownership and institutional share ownership. There are 305 groups providing initial public services and indexed on the IDX throughout the 2017-2022 period. Random sampling techniques are used to select samples. The analysis uses a robust linear regression evaluation method. The findings of this research show that the magnitude of the board of commissioners has no effect on underpricing, the of independence commissioners has an impact on underpricing, while management proportion ownership and institutional proportion ownership have a fairly large negative effect on underpricing.

Keywords: Initial Public Offering, underpricing, corporate governance, size of the board of commissioners, independence of the board of commissioners, managerial ownership, institutional ownership

1. INTRODUCTION

From 27 July to 30 July 2021, one of Indonesia's tech startups with unicorn status, namely Bukalapak, formally held an Initial Public Offering to the public with a share offering rate of IDR 850 per share. Bukalapak's decision to go public made this technology startup company the first Indonesian unicorn company to list on the Indonesia Stock Exchange (IDX). It is hoped that Bukalapak's actions will encourage other technology companies such as GoTo and Traveloka to trade their company shares in order to attract investors to invest.

Competition in business is increasing, requiring companies to be able to continue to expand their business wings so that they can survive for a long time and be profitable. Therefore, many companies are determined to expand or can be interpreted as business expansion by forming new markets with the aim of becoming bigger. In carrying out expansion besides needing a strategy, the company also requires large additional funds. There are many alternative sources of funding for companies, one of which is through an Initial Public Offering. In this funding alternative, companies will sell their shares in the capital market and encourage the public to participate in holding company shares.

So, the main impetus when a company decides to hold an IPO is to increase the resulting capital from trading shares. In conducting an IPO, of course, there are advantages and disadvantages of each. The most important advantage that will be obtained by a private company during an IPO is

the financial advantage that can be used to pay off the company's debt and fund the research and development process. Some of the other advantages are: (1) Companies that go public will have a higher equity value so that the capital structure becomes more optimal. (2) Companies that go public can collect additional budget in the future through a secondary offering. (3) IPO can be a profitable marketing instrument for issuers. By increasing public awareness, it creates free publicity, and leads to uptake revenue and market share. This then allows the new public company to prove its worth to the first public shareholders, attracting more investors to buy its shares and driving the share price up. Then, the disadvantages of conducting an IPO are: (1) Deciding to go for an IPO will require a lot of costs including underwriting fees, legal fees, accounting fees, registration fees, advertising costs, etc. (2) Investors will usually expect the company they are investing in to have good performance. They crave a profitable return on investment in a relatively short period of time. If the company fails to do so, then investor perceptions can turn negative, driving the share price down and impacting its sales as well.

Companies that decide to do an Initial Public Offering (IPO) will turn into a public company. Share ownership which was originally private will change to joint ownership where the shares will be owned by the company and also the investors who buy the company's shares. The capital market is a meeting place between investors and companies that go public. In the stock exchange there are two types of stages, namely the primary market and the secondary market. The primary market, also known as the primary market, is a place where companies sell issuer shares directly to investors for the first time. When other investors buy shares listed on the stock exchange, the investor is in the secondary market. That is, in the secondary market, investors trade back previously issued securities to other investors without involving the issuing company (Tandelilin, 2010)

According to www.idx.co.id, when going public or IPO, it is necessary to make initial preparations. Five things need to be prepared, namely: (1) Issuers need to form a strong internal IPO team to manage all IPO processes including preparing prospectus documents. (2) Conduct initial considerations such as considering how much funds are needed for an IPO or what percentage of shares will be owned by the public because this must be based on a mutual agreement. (3) Appoint external professionals, for example, underwriters and legal consultants. (4) Hold a GMS to obtain approval from shareholders and discuss the determination of the number of shares to be offered to the public. (5) When intending to go public, companies must prepare the documents to be provided when submitting a registration statement to the Financial Services Authority and a request for listing of shares to the Indonesia Stock Exchange.

As has been explained, if the main purpose of a company conducting an initial public offering is to obtain a large amount of additional funds. However, in conducting an initial public offering there is a price disparity phenomenon that will affect the level of first-day profits that the company will obtain. The most common phenomenon of price disparity is the phenomenon of underpricing. Underpricing is a condition when the offered share price has a lower value when traded on the primary market or commonly called the primary market compared to the secondary market (Pranyoto et al., 2019). This phenomenon will cause a low level of first-day profits to be obtained by the company and make the company in an unprofitable condition. This causes the amount of capital that will be received by the company to be not optimal because the bid price is experiencing underpricing. On the other hand, investors will greatly benefit from underpricing conditions because investors will get an initial investment return obtained from the difference between the initial stock price in the primary market and the secondary market. Underpricing usually occurs for a short period of time because investor demand will drive the price up to its market value.

The phenomenon of underpricing in Indonesia occurs in companies that carry out Initial Public Offerings (IPO) on the Indonesia Stock Exchange from 2017 to 2022 there are 305 new companies joining the stock exchange (source: www.idx.co.id). Of all the companies that carried out the IPO, there were several companies that carried out IPOs on the Indonesia Stock Exchange (IDX) that experienced underpricing, as shown in Table 1 below:

Table 1. Development of IPOs in Indonesia in 2017-2022

Source: (data processed)

Year	IPO companies	Overpricing	Stable	Underpricing	Underpricing (%)
2017	28	3	-	25	89.26
2018	57	3	1	53	92.98
2019	55	2	-	53	96.36
2020	52	-	1	51	98.08
2021	54	3	1	50	92.59
2022	59	5	1	53	89.83
Amount	305	16	4	285	93.44

An initial public offering or initial public offering is a gateway for a private company to step into a public company and list its shares on the stock exchange to be traded. By conducting an initial public offering, a company will have access to funds from the public to finance its company expansion, but as a consequence of using public funds, public companies are required to manage and use public funds properly, transparently and accountably, so that the implementation of Good Corporate Governance becomes an obligation for companies that have gone public.

Underpricing occurs because there is information asymmetry when one party has more information than the other party. The phenomenon of underpricing can be minimized by controlling the factors that can cause underpricing, one of which is by implementing corporate governance. Corporate governance has succeeded in becoming a mechanism for reducing agency problems from managers by monitoring alignment both internally and externally (Hamid & Fidiana, 2020) . The implementation of good corporate governance in a company can give a good signal to investors that the company can have good quality performance. This provides evidence that corporate governance also has an influence on the phenomenon of underpricing. Another characteristic of corporate governance is the ownership structure which can be proxied by managerial ownership and institutional ownership.

Managerial ownership is sharing ownership of management who is actively involved in decision making. An increase in managerial ownership is a good thing for company value and has a positive reaction to share prices. In this way, the quality and value of the company will increasingly provide an increase and the company does not need to set an initial share price with an underpricing policy in an effort to maximize the success of the initial public offering (Rustami & Yuyetta, 2017). Research conducted by (Ariyana, 2022) provides findings that managerial ownership has a negative effect on the level of underpricing.

Another characteristic of the ownership structure is that it is proxied by institutional ownership. Institutional ownership in IPO companies will contribute to reducing agency problems that arise between controlling shareholders and minority shareholders, thereby increasing corporate governance practices. In addition, the existence of institutional ownership can reduce the problem of information asymmetry between companies conducting IPOs and potential investors (Hermawan & Handayani, 2018) . Meanwhile, research on the role of constitutional ownership in

stock underpricing has also been carried out by (Ariyana, 2022) with results showing that institutional ownership has a negative effect on the level of stock underpricing.

The independence of the board of commissioners is a member of the board of commissioners who come from outside issuers or public companies, do not own shares either directly or indirectly in the company, have no affiliation with issuers or public companies, commissioners, directors, or major shareholders, and have no business relationship directly or indirectly related to the business activities of the issuer or company. Empirical evidence that states the effect of the independence of the board of commissioners on underpricing shows several different results. The results of research conducted by (Patahita & Yuyetta, 2019) , (Hermawan & Handayani, 2018) , (Pasaribu, 2021) state that the independence of the board of commissioners has a negative effect on the level of underpricing . Meanwhile research conducted by (Ariyana, 2022) , (Rustami & Yuyetta, 2017) and (Hermawan & Handayani, 2018) , shows that the independence of the board of commissioners has no effect on the level of underpricing.

The board of commissioners in a company has an important role in supervising and at the same time representing the interests of the shareholders. The company's board of commissioners is one of the main elements in Corporate Governance in maximizing corporate value. The size of the board of commissioners is the sum of all the commissioners in the company's organization, both commissioners from within the company or outside the company (independent commissioners) (Mohklas, 2021) . The size of the board of commissioners in question is the number of members of the board of commissioners in the company. The board of commissioners consists of independent commissioners assisted by an audit committee to oversee company activities. Law No. 40 of 2007 explains that the number of commissioners in a public company must have at least 2 (two) members. Of course, the composition of the board of commissioners must be adjusted to the complexity, size and interests of the company by taking into account the effectiveness, speed and accuracy of decision making. The board of commissioners is tasked with carrying out supervision and providing advice. A large board size is considered to be able to provide diverse knowledge and experience competencies, thus helping companies to have a competitive advantage (Desmonda & Santioso, 2021) .

Not a few analyzes of the phenomenon of underpricing have been carried out by researchers around the world. Some of the results of the research say that companies that conduct initial public offerings very often experience conditions where the level of first-day profits is low as a result of underpricing. The role of corporate governance in underpricing in several studies that have been conducted has not yielded consistent results. The purpose of conducting this research is to review the influence of corporate governance on underpricing for companies conducting IPOs during the 2017-2022 period in Indonesia. The corporate governance variable in this study will be proxied by the number of commissioners, the independence of the board of commissioners, the ownership structure which consists of managerial ownership and institutional ownership.

2. RESEARCH METHOD

The theory of information asymmetry explains the imbalance of information obtained, where there are parties who get better information than other parties. The concept of information asymmetry usually occurs between the company, underwriters and investors.

First, the Baron Model, namely the occurrence of information asymmetry between the company and the underwriter which is assumed if the underwriter has superior information compared to the

company about the condition and demand in the capital market (Baron & Besanko, 1984) . This model explains that the underwriter basically has the responsibility to release shares to investors quickly and easily, usually by lowering the offering price by taking advantage of the lack of information held by the company. This will result in excess demand but will also make the underwriter free from underwriting fees where the underwriter has to buy shares that are not selling well. Conversely, a high initial offering price can have a negative impact on the company due to failure to obtain the expected capital. Second, information asymmetry between the company and investors. Here the company has abundant information than potential investors. This causes potential investors to be more vulnerable to risk due to a high level of uncertainty regarding the company's performance and the profitability that will be obtained. Third, The winner's curse of Rock (Rock, 1986) namely the information asymmetry that occurs between informed investors and uninformed investors . Informed investors will hold better information about the value of the companies chosen to invest in and will buy IPO shares that are underpriced. Meanwhile, uninformed investors cannot distinguish between "good" and "bad" offers, so they are more likely to buy stocks at prices that are too high or too low. Therefore, uninformed investors will get a lower or even negative return. The low value of returns and profits received will reduce demand for new shares from uninformed investors, which will also threaten the success of the IPO issuance.

Dirk Korsten's research (Korsten, 2018) explains that in Rock theory, underpricing is needed to attract the attention of uninformed investors to participate in the initial public offering. This is because Rock's theory assumes that the success of the IPO market does not only depend on informed investors but also depends on the participation of uninformed investors. Therefore, the return expected by uninformed investors must increase with the expectation that all IPO stocks experience underpricing. This offer will attract the attention of many uninformed investors so that they have the opportunity to make the expected losses no longer negative.

One effort that can be carried out for companies to reduce the frequency of information asymmetry is that companies are required to provide company financial reports when they are going to list on the IDX so that all investors can find out about the company's condition.

When two parties have different amounts of information (information asymmetry), signal theory is useful for solving the information asymmetry problem. Information asymmetry creates an imbalance between parties who have better information and those who lack information and in this condition the signal will provide relevant information to different parties to reduce the gap. Brigham and Houston (Brigham & Houston, 2009) , explained that signal theory is a guide on how management views the company's prospects provided by the company to investors. The information that will be provided by this company will affect all investment decisions because it contains information in the form of an overview of the past, present or future conditions of the company and how it affects the company.

In signal theory there are four elements, namely signaling, signaling, receiving, and feedback. The signal giver is the company which then gives signals in the form of information such as financial reports to the recipient, namely investors, then feedback will appear which is the interaction between the signal giver and the signal receiver. The signals given by the company can be either positive or negative signals with the aim of correcting information asymmetry. Positive signals can increase the value and performance of the company because they will attract the attention of investors, while negative signals will reduce stock prices due to decreased investor interest in stocks.

Broadly speaking, signal theory has an important relationship with the availability of information to be provided to other parties outside the company. When making investment decisions, investors will look at the financial statements because they are the most important part of a company's fundamental analysis. The rating of the company when carrying out an IPO is seen from a review of its financial ratios. Signal theory works by providing information about company finances such as return on assets. For example, companies provide information if their Return on Assets is high so that it shows good prospects for the company. This information is considered a "good signal" for investors and will make investors give feedback in the form of a positive signal so that the company's value will increase.

An Initial Public Offering (IPO) or in Indonesian is an Initial Public Offering is a process in which a private company offers and sells its shares to the public (go public) and lists its shares on the Indonesia Stock Exchange (IDX).

In deciding to go public, the company has several motivations that trigger it in offering and selling its shares to the public. The most common motivation is to obtain capital to develop its business (expansion) and maintain the viability of the company.

Levon Ghonyan (Ghonyan, 2017) in his research concluded some of the benefits and drawbacks of going public. The benefits of going public are as follows: a) Less dilution – The company can charge a higher offering share price during an IPO than during a private placement, so the company receives the same amount of funding with less equity. b) The ability to borrow increases – Going public is able to increase the company's net value and reduce the debt to equity ratio. The low debt to equity ratio provides an opportunity for companies in the future to borrow money with more favorable qualifications. c) Increased ability to raise equity – If the stock performs well and is recognized by potential investors, the company will have the opportunity to sell additional shares with more favorable qualifications in the future. d) Increase reputation – Going public increases the reputation of the company and the interest of potential investors, suppliers and customers.

While the main disadvantages of going public are as follows: a) Expenses - The costs before and after going public are very large. b) Disclosure of information - Information on the company's performance and finances will be made available to the public and such disclosure will be carried out on an ongoing basis. c) Loss of control – the owner cannot fully control the company. d) Pressure to maintain growth - The company will be under pressure from internal and external to maintain its growth pattern so that there is no decline in share prices.

The primary market is a place or facility for companies to offer stocks or bonds to the general public for the first time, which is called an IPO (initial public offering).

The characteristics of the primary market are a) The issuer sells shares to the general public through the underwriter at a price agreed between the issuer and the underwriter as stated in the prospectus, or there are price fluctuations if using the book building system, buyers are not charged transaction costs, it is not certain that the buyer will receive the number of shares ordered, in the event of a subscription, investors buy through an underwriter or an appointed selling agent, and the offer involves professions such as public accountants, notaries, legal consultants, and appraisal companies.

The secondary market is the market where securities are sold after the primary market period ends. The characteristics of the secondary market are: prices are formed by investors (order driven)

through securities intermediaries (exchange members) who trade on the stock exchange, charged with selling and buying costs, exchange members enter selling or buying offers through investors into the trading computer provided by the exchange, exchange members complete the payment of funds to the clearing central, then receive their shares by way of transfer by the custodian central by showing evidence from the clearing center, and selling exchange members complete the delivery of shares to the custodian central, then receive funds by way of transfer by the clearing central with show proof of delivery of securities from the central custodian.

The company conducts an initial public offering with the hope of obtaining profitable additional capital to support the company's performance. The level of first-day profit that a company earns when it first conducts an initial public offering can be affected by the phenomenon of underpricing. This phenomenon shows the condition when the public offering price in the primary market is lower than the share price in the secondary market. When the phenomenon of underpricing occurs, the level of first-day profits obtained by the company will be low which results in not maximizing the amount of capital that will be received from investors. The first day's profit rate can be seen from the magnitude of the underpricing value which can be measured using the initial return obtained by investors. Initial return is the difference between the stock price on the first day of closing on the secondary market and the offering price on the primary market divided by the initial offering price (Taufani, 2017).

The occurrence of underpricing can be caused by the emergence of information asymmetry between issuers (companies) and parties outside the company. The price of shares to be sold in an IPO is determined by the issuer and the underwriter. The information asymmetry that occurs between the underwriter and the issuer is one of the causes of underpricing which then affects the profit level of the first day of the issuer. This is because the underwriter has more information about the demand for shares than the company itself. Underwriters (underwriters) will use this information to determine the price of IPO shares that benefit themselves, namely by setting a low price in accordance with what the market wants. This is done with the aim of reducing the risk of having to buy unsold shares due to a lack of investor interest due to high share prices. Thus, the risk faced by the underwriter will be even greater due to the large amount of uncertainty that leads to an even greater level of underpricing. This will result in the company getting a low first day profit value due to the low initial share price offered.

Furthermore, there is information asymmetry between informed investors and uninformed investors. Informed investors will have abundant information related to the performance of listed companies so that they will only buy IPO shares if they get a return. On the other hand, uninformed investors are willing to take shares carelessly even if the price is overpriced or underpriced. This is because the known information about the company's performance is very little. This condition will make uninformed investors leave the primary market because of the large losses they experience. In order for all investors to participate in the primary market and obtain a proportional return, the IPO share price must be quite underpriced.

The Board of Commissioners is a group of individuals elected by the shareholders to oversee company policies and provide advice to the directors/board of directors. In the structure of Indonesian public companies, the Board of Commissioners is the second highest position after the General Meeting of Shareholders. The leader of the Board of Commissioners is called the President Commissioner or Main Commissioner (Sutedja, 2022). Based on OJK Regulation No. 33 of 2014, every public company is required to have at least 2 members of the Board of Commissioners who are elected by the shareholders through a general meeting of shareholders (GMS). To maintain the independence of the Board of Commissioners, a minimum of 30% of the members of the Board

of Commissioners must be Independent Commissioners. However, if the Board of Commissioners consists of only 2 people, then 1 of them must be an Independent Commissioner.

The independence of the board of commissioners is a member of the board of commissioners who come from outside issuers or public companies, do not own shares either directly or indirectly in the company, have no affiliation with issuers or public companies, commissioners, directors, or major shareholders, and have no business relationship directly or indirectly related to the business activities of the issuer or company.

Managerial ownership is a situation where the manager owns company shares and can be interpreted as a shareholder. Ownership of managerial shares will help unite the interests of managers in making a decision that is taken by the manager so that it is not solely for the benefit of management but also for the benefit of shareholders.

Institutional ownership is the ownership of shares owned by companies consisting of financial institutions such as banks, insurance companies, investment companies, and ownership of non-financial institutions or other institutions. Share ownership by institutional companies is believed to be one of the factors in increasing a company's value because the supervision carried out will run effectively. Institutional ownership in a company will encourage increased supervision so that it is more optimal in management performance, because share ownership can be used to support management performance. Supervision carried out by institutional investors is highly dependent on the size of the investment (Supriyadi & Amanah, 2018).

The existence of a large board in a company is considered to be an advantage, because it creates a variety of background expertise, experience and knowledge that can help the company to be better at carrying out its strategy and operational activities. Companies are considered more competent and qualified thereby reducing uncertainty. In addition, the existence of a large board also provides a means to communicate information about the company to external parties, which will then reduce information asymmetry and reduce costs arising from uncertainty in the external environment (Desmonda & Santioso, 2021) . In addition, the existence of a board can also facilitate control mechanisms, communication and inclusion of information which can reduce information asymmetry (Chiraz & Jarboui, 2016) . So, the existence of a large board is considered to provide a positive signal for a company, so that the level of underpricing can be reduced.

The independence of the board of commissioners in implementing good corporate governance is very important. The composition of the board of commissioners from outside parties has an important role in carrying out the function of controlling board decisions. The independence of the board of commissioners will make corporate governance work properly because the monitoring function of the company is not only carried out by internal parties, but also external parties. External parties will be more objective in conducting supervision compared to internal parties because external parties act as independent parties who do not have a special relationship with company management. This is expected to minimize manager decisions that sacrifice the interests of shareholders.

In a weaker institutional environment like Indonesia, independent commissioners are expected to exercise effective oversight and protect the interests of minority shareholders (Subiyanti & Zannati, 2019) . The independence of the board of commissioners is also expected to reduce agency problems between controlling shareholders and other shareholders (Aisyah & Afriyenti, 2022). According to the signaling theory approach, the independence of the board of

commissioners will increase the effectiveness of corporate governance implementation. This is considered a positive signal for the quality of the company, so the company does not need to set an underpricing policy to give a signal to potential investors.

Empirical evidence that states the effect of the independence of the board of commissioners on underpricing shows several different results. The results of research conducted by (Patahita, 2019), (Hermawan, 2018), and (Pasaribu, 2017) state that the independence of the board of commissioners has a negative effect on the level of underpricing. In this case it shows that the higher the level of independence of the board of commissioners, the lower the level of underpricing.

In the agency theory approach, the ownership structure of management is used as a tool or means to reduce agency conflicts between managers and shareholders. Management ownership is a type of incentive mechanism that a company provides to managers to encourage management to act in the interests of shareholders rather than in their own interests. The existence of share ownership of management makes the position of shareholders and managers equal, so that managers indirectly act in the interests of their shareholders. Managers like shareholders do not want to suffer losses due to the sale of the company's original shares to the public, so the fund manager tries to minimize the investment risk of shareholders as much as possible when setting the price of the initial offer. This mechanism reduces agency problems between agents and principals and thus provides a positive signal that the quality of the company is good. Thus, to achieve a successful IPO, a company does not need to set the initial share price through an underpricing policy.

Institutional ownership is company shares owned by institutions or institutions such as insurance companies, pension funds, or other companies. In company monitoring activities, the control function performed by institutional shareholders will be more effective if the shareholders have good skills and experience in business and finance. In general, institutional investors have more capabilities and adequate resources to carry out supervision, so that ownership by institutional investors will encourage more optimal monitoring of the performance of company management. Institutional investor participation in the company's ownership structure can also reduce agency problems between controlling shareholders and minority shareholders so that it will improve corporate governance practices. The presence of institutional investors can reduce information asymmetry between issuers and potential new investors (Yeo & Suparman, 2021) . Therefore, issuers do not need to make an underprice IPO price policy to achieve IPO success. Research conducted by (Hermawan, 2018) and (Rustami et al., 2017) shows that institutional ownership has a negative effect on underpricing. This can be interpreted that the existence of institutional investor ownership can reduce the occurrence of information asymmetry and agency problems within the company.

Based on the theory and the relationship between variables described above, the research model and hypotheses are formulated as follows:

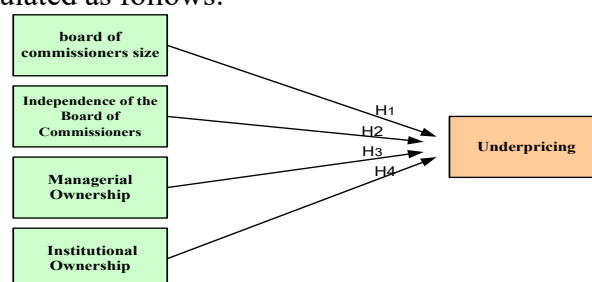


Figure 1. Research Model

- H1 : The size of the commissioners board has a negative effect on underpricing.
H2 : Commissioners Board independence has a negative effect on underpricing.
H3: Management ownership has a negative effect on underpricing.
H4 : Institutional ownership has a negative effect on underpricing.

This research is descriptive research with the aim of describing the relationship of each independent variable to the dependent variable obtained through the research results. This research has a form of causal relationship which, according to (Sugiyono, 2017), is a form that explains the relationship between two or more variables that are causal in nature, where there are variables that give effect, namely the independent variable and the affected variable, namely the dependent variable. In this study, the influencing variables (independent) are profitability, financial leverage, firm age, underwriter, and inflation. While the variable that is affected is the first day's profit rate as seen from the underpricing value.

The research design used in this study is a quantitative approach. Quantitative research is not only used to review theories from literature reviews but also helps in developing hypotheses that are interconnected with the phenomena studied. The definition of quantitative research according to Sugiyono (2009) is as follows:

Quantitative method is a research method based on the philosophy of positivism that studies certain populations or samples, usually taken randomly and data collected with research tools and then analyzed quantitatively/statistically to test hypotheses that have been defined before. While according to Sunyoto (2016) "Quantitative research is a number or number that is certain so that it can be arranged and also makes it easier to read, and makes it easier for researchers to make an understanding". Based on the explanation above, it can be concluded that analysis using quantitative methods can produce data that is simpler, easier to read, and easier to understand because quantitative research contains data in the form of numbers which are mathematically certain.

The population in this analysis are companies that conducted Initial Public Offerings (IPO) and were listed on the Indonesia Stock Exchange (IDX) during the 2017-2022 period with a total of 305 companies. The data accumulation method used in this analysis is the documentation method. The documentation method is carried out by copying and archiving information from available sources, namely using secondary data originating from the official IDX website at (www.idx.co.id), (www.e-bursa.com) and obtained from articles, journals, and literature related to research.

The sampling method in this study used a purposive sampling technique with the aim of finding samples that are in line with the research intent. The qualifications used in the sample selection in this study are: Companies that carry out Initial Public Offerings in the period from 2017 to 2022, The company experienced stock underpricing, Companies that have complete financial or annual reports one year prior to carrying out an IPO and other completeness of data, and Companies that go public and have never been delisted or relisted for the 2017-2022 period.

In this study, variables are described as the core subject of research. The variables to be examined in this research are classified into two, namely the dependent variable and the independent variable. The dependent variable is the variable that is affected or becomes a consequence, due to the influence of the independent variable. Conversely, the independent variable is the variable that drives or causes the transition of the dependent variable to take place.

The dependent variable in this study is the first day profit rate of companies that conducted IPOs on the Indonesia Stock Exchange during the period 2017-2022. On this research, the amount of first-day profit is determined by the amount of underpricing that occurs. Underpricing refers to a situation where the public offering price in the primary market is smaller than the closing price on the first day of the public offering in the secondary market. Underpricing can be identified by the value of the initial yield, which is the shift between the first day closing stock price on the secondary market with the offering price on primary market trading, divided by the price on the initial offering (Taufani, 2017) .

The various independent variables taken into account in this analysis are: Board of Commissioners size, Board of Commissioners Independence, Managerial Ownership, and Institutional Ownership. The operationalization of research variables is summarized in the following table:

Table 2. Operationalization of Research Variables

Variable	Measurement	Scale	Source
Underpricing	Initial Return = $\frac{P_1 - P_0}{P_0}$	Ratio	(Taufani, 2017) .
Board of commissioners size	Σ board of commissioners in the corporate board structure	Ratio	(Santoso Agoes, 2021) &
Board of commissioners independence	The ratio of the number of independent commissioners to the total board of commissioners	Ratio	(Santoso Agoes, 2021)
Managerial ownership	The ratio of the number of shares owned by the manager to the total outstanding shares	Ratio	(Ariyana, 2022)
Institutional Ownership	The ratio of the number of shares owned by other institutions to the total outstanding shares	Ratio	(Ariyana, 2022)

The classical assumption test was carried out with the aim of obtaining accurate results and in the regression model equation no statistical problems were found. In the classic assumption test in this study, there are three test models that must be run in one regression model, namely Normality test, Multicollinearity Test, and Heteroscedasticity Test

This study uses Multiple Linear Regression (Multiple Linear Regression Analysis) as a tool used to analyze the data. According to (Ghozali, 2018) , multiple linear regression analysis is a tool used to measure the relationship between two or more variables and direct functional or causal ties between the y (dependent) variable and the x (independent) variable .

The equation for multiple linear regression analysis is written as follows (Sugiyono, 2017) :

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:

Y = stock underpricing, α is Constant, β_i are Regression coefficients of independent variables, X_i are independent variables, ε is standard error. Testing of the research hypothesis uses a significance value (α) of 0.05. Furthermore, to decide whether to accept or reject the hypothesis, namely by using the significance value approach.

One method that is often used in modeling is the regression method. Regression is a method that describes the relationship between the predictor variable and the response variable. One of the simplest regression parameter estimation methods is the Ordinary Least Square (OLS) method. To use the OLS method, there are several classical assumptions that must be met, namely the residuals must be normally distributed, homogeneous, there is no multicollinearity between predictor variables and there is no autocorrelation. In some cases in the field, it is quite difficult to find data that meets all of these classical assumptions. Most of the data usually has outliers or outliers in it. It is these outlier data that often cause the classical assumptions to be not met, so that the use of the OLS method in estimating the regression parameters is difficult. One alternative to overcome outlier data in the regression model is robust regression. Robust regression is a regression method that is used when there are outliers that cause model assumptions not to be met. The principle of robust regression is to use the entire data, but give small weight to the outlier data . Giving this

weight makes the estimate quite resistant to outliers so that it does not have a significant impact on the resulting estimator. There are several estimation methods in robust regression, namely the Scale (S) estimator, Maximum Likelihood (M) estimator, Method of Moment (MM) estimator, Least Median of Square (LMS) Estimator, and Least Trimmed of Square (LTS) Estimator (Akolo & Nadjamuddin, 2022)

Therefore, based on the above two explanations, it can be concluded that the coefficient of determination (R^2) test indicates the ability of all independent variables to jointly explain the diversity of the dependent variable. If the value of R^2 is equal to 0, we know that the independent variable cannot explain the variation in the dependent variable. On the other hand, a value of R^2 equal to 1 means that the independent variable has the ability to interpret deviations from the dependent variable.

The t test is used as a test tool to see whether the benchmark used to estimate the multiple linear regression model in the study is an accurate benchmark or not. Ghazali (Ghozali, 2018) also stated that the t test aims to see how far the skills of the independent variables individually describe the dependent variable.

The conditions for making a decision are as follows (Ghozali, 2018) a) If probability < 0.05 then the independent variables individually have a significant effect on the dependent variable (H_0 is rejected, H_a is accepted). b) If probability > 0.05 then the independent variables individually have no significant effect on the dependent variable (H_0 is accepted, H_a is rejected).

This study uses data from companies that have held Initial Public Offerings on the Indonesia Stock Exchange in the 2017-2022 period as research subjects. The type of data used in this analysis is secondary data found on the website of the Indonesia Stock Exchange (www.idx.co.id) and E-bourse. The total population of companies conducting Initial Public Offerings on the Indonesia Stock Exchange is 275 companies. Collecting research samples using simple random sampling technique with a sample size of 92 observations. The following is the distribution of the observation samples.

Table 3. Distribution of observational data
 (Source: research data)

No	IPO year	Number of Samples
1	2017	15
2	2018	12
3	2019	15
4	2020	15
5	2021	16
6	2022	19
Total Observations		92

This study applies multiple regression analysis tests so it is necessary to determine the best regression by running the classical assumption test first. There are three types of classic assumption tests that will be carried out in this study, namely the Normality Test, Multicollinearity Test, and Heteroscedasticity Test.

3. RESULTS AND DISCUSSIONS

The normalization test is carried out with the intention of finding out whether the regression model of each variable has a normal distribution or not. Data is considered normally distributed if the probability value is > 0.05 and if the probability value is < 0.05 then the data is not normally distributed.

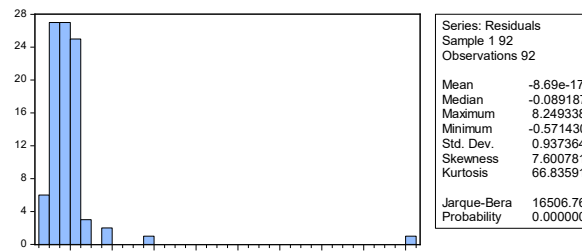


Figure 2. Normality Test Results

According to the results of the normality test in the figure above, the probability value is 0.000 00. The probability value indicates that the data is not normally distributed because the value is < 0.05 . However, the central limit theorem explains that data with a large number of samples, especially those with a number of more than 30 ($n > 30$), is considered to be a normal distribution approach (Dielman, 1961) . Therefore, it can be concluded based on the central limit theorem even though the results of the normality test show that the data is not normally distributed, but because this study has more than 30 samples ($n > 30$), namely 172 samples, it can be considered that the data is normally distributed.

The multicollinearity test intends to find whether there is a dependency between one independent variable on other independent variables in a regression model. The occurrence of multicollinearity in a regression model is identified by a correlation coefficient > 0.8 . Meanwhile, if the correlation coefficient is < 0.8 , then the regression model is considered not to have multicollinearity (Ghozali, 2016) . The multicollinearity test results are shown in the following table:

Table 4. Multicollinearity Test
 (Source: Data Processing)

	BOARD_COM_SIZE	IND_BOARD_COM	MANAG_OWEN	INST_OWEN
BOARD_COM_SIZE	1.000	-0.489	-0.006	-0.058
IND_BOARD_COM	-0.489	1.000	-0.106	0.103
MANAG_OWEN	-0.006	-0.106	1.000	-0.044
INST_OWEN	-0.058	0.103	-0.044	1.000

According to Table 4 the results of the multicollinearity test above obtained a correlation coefficient value of all independent variables less than 0.8, so the regression model in this study did not find multicollinearity problems between independent variables.

The purpose of the heteroscedasticity test was to check if there is unequal variance of the residuals between the observations and the other observations in the regression model. If the significance value is less than 0.05, the regression model is considered heteroskedastic. On the other hand, if the significance value is bigger than 0.05, the regression model is assumed to be free of heteroskedasticity. This study uses Glejser's test to test whether heteroscedasticity exists in the regression model. The test results show that the chi-square probability value of Obs*RSquared is 0.7934, which is greater than 0.05. We can conclude that there is no heteroskedasticity in this model.

In this study the analysis was carried out using the Robust linear regression technique, namely linear regression which is used for data problems that cannot meet the classical assumptions because the data distribution is unstable, in which case the normality test is not fulfilled. Robust multiple linear regression analysis with S-estimation was carried out with the aim of knowing the significant effect of each independent variable on board size, board independence, managerial ownership, and institutional ownership on the dependent variable, namely underpricing . The following is information generated from multiple linear regression analysis calculations using the EViews 9 program , namely:

Table 5. Regression Analysis of Underpricing Variables
 (Source: Data Processing)

Variables	coefficient	Prob.
BOARD_COM_SIZE	0.071	0.113
IND_BOARD_COM	1.975	0.002
MANAG_OWN	-0.440	0.000
INST_OWN	-0.207	0.000
C	-0.366	0.296

According to the results of the regression analysis in Table 6, the multiple linear regression equation is found as below:

$$\text{UNDERPRICING} = 0.071 * \text{BOARD_COM_SIZE} + 1.975 * \text{IND_BOARD_COM} - 0.440 * \text{MANAG_OWN} - 0.207 * \text{INST_OWN} - 0.366$$

The t test was carried out to partially test the influence of the independent variable on the dependent variable. If the probability value is less than 0.05 then it is a indication the existence of significant influence. The magnitude and direction of the influence can be identified from the value in the coefficient column. Based on the t test results that appear in Table 5, it can be seen that IND_BOARD_COM partially have a positive effect on Underpricing, while MANAG_OWN, and INST_OWN partially have a significant negative effect on Underpricing. The BOARD_COM_SIZE has not have a significant negative effect on Underpricing since the Prob value is greater than 0.05.

Adjusted R² used to show the size of the independent variable ability of the board of commissioners, the independence of the board of commissioners, managerial ownership, and institutional ownership in explaining the dependent variable, namely underpricing. The resulting R² value is 0.090044 which indicates the dependent variable, namely underpricing, can be explained by independent variables, namely board size , board of commissioners independence, managerial ownership, and institutional ownership. by 9% while the rest is described by other variables that do not act as objects in this study that is equal to 91%.

The results of the study show that the size of the board of commissioners has a positive direction but does not have a significant effect on the level of underpricing. In this study, the composition of the board of commissioners has no influence on IPO underpricing, which is possible because the board of commissioners has not been considered as a benchmark for company quality. The board of commissioners is considered not to be effective in monitoring and evaluating management performance.

Even though it doesn't have a significant effect, the direction of the relationship between the size of the board of directors shows a positive direction towards the level of undepricing. The more the board of commissioners in a company can cause more contradictions between interests. This

contradiction of interests between the board of commissioners can increase the level of underpricing. The results of this study are supported by (Purwanto & Cahyaningrum, 2019) and (Auliya & Januarti, 2015) who found that the composition of the board of commissioners has a positive and insignificant effect on IPO underpricing. However, the results of this study are not in line with research conducted by (Desmonda & Santioso, 2021) which states that the existence of a large board can provide a means of communicating information about the company to external parties, which will then reduce information asymmetry and reduce costs arising from uncertainty in the external environment. Meanwhile (Chiraz & Jarboui, 2016) argues that the existence of a large board is considered a positive signal for a company, so that the level of underpricing can be reduced.

4. CONCLUSIONS AND SUGGESTIONS

The results of the study show that the size of the independent board of commissioners has a significant positive effect. The results of this study contradict the H2 hypothesis which states that the size of the independent board of commissioners has a negative effect on underpricing. The greater the composition of the independent board of commissioners will increase the level of IPO underpricing. In this study, many of the board of commissioners were concurrently held by internal commissioners, so that the oversight function by an independent party did not work as it should. The board of independent commissioners is considered not to be effective in monitoring and evaluating management performance. The existence of an independent commissioner who is actually 'not yet independent' makes investors do not have high confidence in the company. To attract investors, the company's shares set a low initial offering price, causing high underpricing. The results of this study are in line with the findings (Auliya & Januarti, 2015).

The results of statistical tests show that managerial ownership has a significant negative effect on underpricing. The results of this study support the hypothesis H3 which states that managerial ownership has a negative effect on underpricing. Managerial ownership is a form of incentive mechanism provided by the company to managers to encourage management to act in accordance with the interests of shareholders, not to act in personal interests. The existence of managerial share ownership makes the position between shareholders and managers equal, so that managers indirectly work in the interests of their shareholders.

Managers as shareholders do not want to experience losses from the sale of the company's initial shares to the public, so that in setting the initial offering price the manager will try as much as possible to minimize the investment risk that will be borne by the shareholders. This mechanism will reduce agency problems between agents and principals, thereby giving a positive signal that the company has good quality. Thus, the company does not need to set an initial share price with an underpricing policy in order to achieve a successful IPO.

The results of statistical tests show that institutional ownership has a significant negative effect on underpricing. The results of this study support the H4 hypothesis which states that managerial ownership has a negative effect on underpricing. Institutional investor participation in the company's ownership structure can also reduce agency problems between controlling shareholders and minority shareholders so that it will improve corporate governance practices. The presence of institutional investors can reduce information asymmetry between issuers and potential new investors (Yeo & Suparman, 2021). Therefore, issuers do not need to make an underprice IPO price policy to achieve IPO success.

Research conducted by (Hermawan, 2018) and (Rustami et al., 2017) shows that institutional ownership has a negative effect on underpricing. This can be interpreted that the existence of institutional investor ownership can reduce the occurrence of information asymmetry and agency problems within the company.

Based on the results of statistical analysis that has been carried out on 92 observational data from companies conducting IPOs during the 2017-2022 period, the following research results are obtained. The results of this study show that the size of the board of commissioners has no effect on underpricing, the independence of the board of commissioners has a significant positive effect on underpricing, meanwhile, management share ownership and institutional share ownership have a significant negative effect on underpricing.

Based on the results of the study where the coefficient of determination (R^2) was found is only 9%, it means that corporate governance, represented by the variables of board size, independence of the board of commissioners, management share ownership, and institutional share ownership only contributes 9% in explaining the phenomenon of underpricing, where the contribution of this independent variable is arguably quite small, where there are still 91% of other variables outside of this study which are estimated as predictors of underpricing. Therefore, in other studies conducted by future researchers, they can explore further other variables that are predictors of underpricing, such as company performance, macroeconomic variables, investment risk, and so on. Thus, the phenomenon of underpricing can be answered more clearly.

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