

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN INITIAL CONDUCTING COMPANIES PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

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Abstract

The number of public companies in Indonesia are 898 companies and as many as 213 or 23.7 percent of these companies conducted Initial Public Offerings (IPOs) in the 2019 – 2022 period, as many as 187 companies experienced underpricing and 26 companies experienced overpricing on the first day of listing on the stock exchange. This makes Indonesia one of the countries with the most active IPO market in the respective period. The purpose of this study is to find out the factors that affect the level of underpricing and overpricing, such as financial and non-financial factors. The sample of this study is all IPO companies in the period 2019 – 2022 with a mix research method by conducting quantitative data analysis through secondary data from the Indonesia Stock Exchange (IDX) and qualitative data analysis with intensive interviews with 3 actor informants on the IPO stock exchange. The results of this study are that the size of the company and the inflation rate have a negative and significant effect on underpricing, with proceed and hot issue having a positive and significant effect on overpricing with the age of the company having a significant negative effect on overpricing, other variables return on assets, current ratio, proceed, Underwriter reputation, investor sentiment, hot issues, company age do not have a significant effect on underpricing as well as return on assets, current ratio, company size, underwriter reputation, inflation rate, investor sentiment do not have a significant effect on overpricing.

Keywords: *Return On Assets, Current Ratio, Company Size, Proceed, Underwriter Reputation, Inflation Rate, Investor Sentiment, Hot Issue, Company Age, Underpricing, Overpricing*

INTRODUCTION

The Financial Services Authority (OJK) defines going public as the process of changing from a private company to a public company by offering and selling some of its shares to the public, thus opening up opportunities for the public to own a company (invest capital) and record their share ownership on the Indonesia Stock Exchange (IDX). The Indonesia Stock Exchange currently has 898 companies listed as public companies. Out of the 898 companies, 213 companies are companies that went public in 2019-2022. This number has increased significantly compared to 2013-2017, when only 107 companies went public in the 2013-2017 period. Companies that go public hope to increase the company's valuation (market cap) by increasing the value of their shares while on the stock exchange, but some shares can also experience a decrease in share price, which is known as overpricing. Overpricing is when the share price on the secondary market is lower than the share offering price.

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

Table 1. Sample Data of Overpricing IPO Companies

No.	Stock Code	Issuer Name	IPO Year	IPO Price	Initial Return Price H-1 IPO	Change (%)
1	SOHO	PT Soho Global Health Tbk	2020	1820	283	-84.45%
2	EDGE	PT Indointernet Tbk	2021	7375	2120	-71.25%
3	LIFE	PT Sinarmas MSIG Life Insurance Tbk	2019	12100	6100	-49.5%
4	HOMI	PT Grand House Mulia Tbk	2020	380	295	-22.36%
5	CLINIC	PT Klinko Karya Imaji Tbk	2022	100	81	-19%
6	SGER	PT Sumber Global Energy Tbk	2020	108	88	-18.65%
7	SMKM	PT Sumber Mas Construction Tbk	2022	264	216	-19%
8	RCCC	PT. Main Radar Cahaya Tbk	2022	135	113	-16.3%
9	BAPI	PT.	2019	150	130	-13.3%
10	KRYA	PT.	2022	125	109	-12.8%

Source: www.idx.co.id (2024) (processed data)

From Table 1. shows several stocks that experienced a significant decline in stock prices on the first day the shares went public compared to the closing price on the first day the shares entered the secondary market. The price decline also had an impact on the Composite Stock Price Index (IHSG) due to the high transaction volume on these stocks which caused the IHSG to move influenced by the movement of PT Gojek Tokopedia (GOTO) shares as movers of the IHSG when the transaction volume of these shares increased significantly. The Indonesian Global Initial Public Offering (IPO) market in the 2018-2023 period is one of the most active markets in carrying out IPO activities with benchmarking conducted by Earnest & Young (2023) IPO activities in the world. In terms of transaction volume and value, Indonesia, Malaysia, and Turkey are the countries with the highest transaction volume and value in the global IPO market. The Indonesian capital market is one of the potential capital markets from the economic growth and demographics of the community that are developing towards the digitalization and industrialization of the Indonesian market. The large number of companies that IPO in the period 2018 – 2023 is evidence of Indonesia's industrialization which is changing its orientation from the physical market to the non-physical market or financial market considering the potential that Indonesia has.

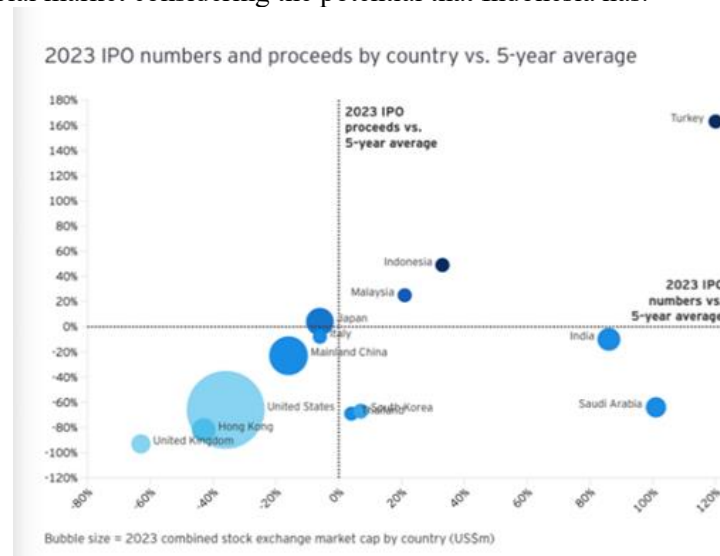


Figure 1. Number of IPO Companies and International IPO Proceeds

From Figure 1. shows that the Indonesian IPO market is the market with the highest average income from the IPO Market through companies that went public in the period 2018 - 2023. Although several companies previously experienced overpricing in their stock prices compared to the initial offering prices of several companies that went public in the period 2018 - 2023 in Indonesia, stocks that went public in the period 2018 - 2023 in Indonesia also experienced many underpricing phenomena, namely when the initial stock price was below the current market price and one company that has experienced an exponential increase in stock prices is PT.

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

Petrindo Jaya Kreasi Tbk (CUAN) which offered an initial price of IDR 220 and as of December 18, 2023 it was at IDR 13,425 on the Indonesia Stock Exchange, which means it has jumped 6,002.3%. Underpricing on the IPO stock exchange is a concern for economists and capital market players to find out the cause of the increase in stock prices during the IPO.

The uncertainty of IPO shares is a factor that causes many investors to not pay much attention to the IPO market. The risk of IPO shares is higher than blue chip shares or shares that are already in circulation because historical data from IPO share price movements cannot be a reference for capital market investors and requires investors to pay more attention to fundamental factors from the prospectus released by the company to assess the valuation of the company that will go public. This causes investors to be more oriented towards the potential of the company compared to the company's experience and history in the capital market.

Table 2. Sample of IPO Companies Experiencing Underpricing

No.	Code	Name	Year IPO	IPO Price (Rp)	Initial Return Price H-1 IPO	Change (%)
1	NATO	PT Nusantara International Property Tbk	2019	103	236	129.13%
2	SO THAT	PT Asia Sejahtera Mina Tbk	2019	110	252	129.09%
3	WINE	PT Royalindo Investa Wijaya Tbk	2020	110	252	129.09%
4	HRME	PT Menteng Heritage Realty Tbk	2019	105	240	128.57%
5	BLUE	PT.	2019	130	274	110.77%
6	WOOD	PT Darmi Brothers Tbk	2019	150	316	110.67%
7	AMAR	PT Bank Amar Indonesia Tbk	2020	174	360	106.90%
8	VICI	PT Victoria Care Indonesia Tbk	2020	100	182	82%
9	HOPE	PT.	2021	118	214	81.36%
10	WIRG	PT WIR Asia Tbk	2022	168	282	67.86%

Source: www.idx.co.id (2024) (processed data)

From Table 2. shows data on some of the IPO stocks during the 2019-2022 period that experienced the underpricing phenomenon, several factors that can affect the stock price of IPO companies as found by academics related to IPO behavior through Loughran and Ritter (2004) found that underpricing behavior is influenced by the amount of volume, price, age of the company, and underwriter of the IPO company, Samarakoon (2010) found that IPOs that experience the underpricing phenomenon have a negative relationship with the number of shares and have a positive relationship with investor sentiment and privatization issues. Ritter (1991) found that company age is a better variable than the number of initial shares offered. Because the information available is more and more complete for companies that have been around for a long time. (Chen et al, 2004, Kirkulak & Davis, 2005, Loughran et al, 1994) found that company age has a negative effect on the rate of return on IPO shares.

Underpricing can provide short-term benefits for investors, but carries long-term risks and consequences for investors and companies. Companies need to carefully consider their IPO pricing strategy to balance funding needs with maintaining reputation and attracting quality investors. Conversely, if the company experiences overpricing, it can cause losses for investors at the beginning and the company must think about how to maintain market sentiment. Market sentiment refers to the mood, beliefs, and attitudes of market players towards an asset or the market as a whole for a company, it is a reference for investors and market players beyond fundamental and technical aspects, with more focus on the perception and emotional reactions of market players.

Table 3. Number of IPO Shares from 2019 - 2022

Year	Number of IPO Shares	Underpriced Stocks	Overpriced Stocks
2019	55	53	2
2020	50	45	5
2021	52	48	4
2022	56	47	9

Source: www.idx.co.id (2024) (processed data)

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

In Table 3, it can be seen that the Indonesia Stock Exchange recorded 55 companies in 2019, 50 companies in 2020, 52 companies in 2021, and 56 companies in 2022, so the total number of companies that went public was 213 companies, there was an increase in the number of shares going public experiencing overpricing compared to previous years, especially in 2021. The phenomenon of Underpricing and Overpricing causes dynamics in the IPO market, in general in previous years underpricing was a normal phenomenon for shares that had just gone public, but due to increasingly active market conditions, there were more and more phenomena of shares experiencing overpricing, such as the data presented in table 1.3, if viewed through this time period, more and more shares experienced overpricing in the post-Covid-19 pandemic period. The Covid-19 crisis has affected the economy not only on a national scale but also globally. Covid-19 has told investors, policy makers, and the wider public that natural disasters can cause economic damage on an unprecedented scale (Goodell, 2020).

The complexity of determining the initial stock price when going public depends on each company that will IPO, this complexity is influenced by several fundamental factors of the company when conducting an IPO. Several previous studies have examined the influence of both Underpricing and Overpricing phenomena with financial and non-financial variables. Research by Rathnayake *et al* (2019) focuses on non-financial aspects that affect the initial return of IPO shares. The results of Rathnayake *et al*'s research (2019) found that the issue size, gap of days, investor sentiment, offer risk, market volatility, and hot issue variables have a positive and significant effect on IPO returns while the company age and offering price variables have no effect on IPO initial returns. Research related to overpricing and underpricing was conducted again by Morina & Rahim (2020) who looked at financial factors, namely Debt to Equity Ratio (DER), Return On Asset (ROA), and Earnings per Share (EPS) as proxies for Underpricing and Overpricing. Research conducted by Morina & Rahim (2020) found that ROA has a positive but insignificant effect on IPO initial returns, DER has a negative and insignificant effect and the EPS variable has a positive and significant effect on IPO returns, but in the research of Andari & Saryadi (2015) it was found that the ROA and DER variables have a positive and significant effect on IPO returns.

LITERATURE REVIEW

Return on Assets is a measurement of the company's overall ability to generate profits with the total amount of assets available in the company. Return on Assets The higher the ROA value, the more it will indicate that the company is able to generate profits in the future and profit is. Important information for investors as a consideration in investing their capital. High profitability of a company will reduce uncertainty for investors so that it will reduce the level of underpricing (Imam Ghozali and Irwasnyah, 2002). ROA indicates the company's ability to generate profits during a period with the total assets owned. ROA indicators are the ratio of profit after interest and tax (Earning After Tax), and Total Assets. In relation to IPO, high ROA can minimize IPO uncertainty which causes the level of Underpricing to decrease (Wijayanto, 2010).

Current Ratio, which is the company's ability to meet its short-term debt obligations, can influence investor decisions, where when the current assets are greater than the current liabilities, it indicates that the company is able to meet its short-term obligations (Rina *et al*, 2022). The high value of the current ratio illustrates high liquidity, which will certainly attract investors to invest, with more investors interested in a stock, it will increase interest in its offering and be able to reduce the risk of underpricing (Ary, 2011). So the Current ratio has a positive effect on Initial return.

Company size can be a measure of the level of stock uncertainty. Large companies have high profitability and are considered to win in the competition of the industrial world. Large companies can also cause information asymmetry to be reduced (Tian, 2012). Large-scale companies have a higher level of certainty which makes the level of uncertainty in the future even less than small-scale companies. Thus, the larger the company size will provide better future prospects and affect the company's stock price. So, the level of underpricing is getting lower (Yolana & Martani, 2005).

The percentage of stock offerings indicates the number of shares offered by the company. Information regarding the number of shares offered is generally included in the company's prospectus when conducting an IPO. The fewer shares offered by the company (Partama, 2013), indicates the amount of private information kept by the company. The greater the percentage of shares offered, the more uncertainty there will be in the future. Therefore, underwriters will set the initial public offering price lower than it should be. Thus, the greater the percentage of shares offered, the higher the level of underpricing and the lower the level of overpricing.

Underwriters tend to take the lowest risk by setting a lower initial public offering price than the secondary market price of the same stock. There is a close relationship between the issuer and the underwriter because the

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

initial public offering price is highly dependent on the agreement between the issuer and the underwriter (Pahlevi, 2014). Underwriters with a higher reputation tend to offer shares at a higher price commensurate with the quality of their underwriters, so that the level of underpricing is low but can have a positive effect on the level of overpricing. Research by Manurung & Nuzula (2019) and Assari, Juanda, & Suprati (2014) prove that underwriter reputation affects the initial return of IPO shares.

Inflation tends to increase the production costs of a company. This means that the profit margin of the company will affect its stock price on the stock exchange. If this happens, the decline will not occur immediately but through a process of time. Seen from the investor's perspective, high inflation will reduce the value of profits and also reduce the purchasing power of investment capital. Thus, if the inflation rate rises, the JCI will decline and vice versa, investors will consider the conditions of uncertainty to make decisions whether to invest capital in shares of companies going public. Because a high inflation rate indicates conditions with high uncertainty, the levels of underpricing and overpricing that will be received are high.

Investor sentiment can be described if investors estimate the condition of the capital market trend is positive, then investors will be more interested and increase demand for IPO shares, resulting in higher initial returns. Conversely, if investors estimate the capital market will decline, it will cause a decrease in overall capital market interest (Rathnayake *et al*, 2019). With low capital market conditions, investors will be more doubtful about market conditions.

The hot issue period of IPO increases the risk in the IPO market and also the overall market risk. Gounopoulos *et al.* (2007) stated that in the hot issue period of the IPO market, IPO stocks can generate higher returns compared to the cold issue period. Alanazi and Al-Zoubi (2015) found that it is better for IPO stocks to go public on the stock exchange during the hot issue period. Meanwhile, Mumtaz *et al* (2016) found that the market during the hot issue period has a negative and insignificant effect on stock returns.

The age of the company can be a reference and represent the history and track record of the company before the company decides to IPO, the longer the company operates, the more information related to the company and the level of investor confidence will be higher when compared to younger companies. (Chen *et al*, 2004), therefore it can be expected a negative relationship between the age of the company and the initial return.

METHOD

The type of research used is a mixed methods research method. This method is carried out in the form of two approaches, namely quantitative and qualitative. According to Cresswell (2010), mixed research is a research approach that combines qualitative research with quantitative research. In this study, the researcher used a mixed/staged method strategy (sequential mixed method) which is more directed at a sequential explanatory strategy. As explained above, the first stage in this study is the collection of quantitative data followed by the collection and analysis of qualitative data based on the initial quantitative results. The variables associated in this study are independent variables including Return on Assets (ROA) (X1), Current Ratio (X2), Company Size (X3), Percentage of Share Offerings (X4), Underwriter Reputation (X5), Inflation (X6), investor sentiment (X7), Hot Issue (X8), and Company Age (X9) Bound Variables are Overpricing and Underpricing (Y). In the second stage, if there are indications and evidence of Overpricing and Underpricing, researchers will collect qualitative data in the form of informants from market players (investors) and underwriters to answer the factors causing Overpricing and Underpricing in IPO Companies. This research was conducted by interviewing informants from Underwriters and the Indonesia Stock Exchange and also taking annual report data registered on the Indonesia Stock Exchange (IDX) that were issued. Literature studies through textbooks, scientific journals, articles, and other written sources related to the information needed were also used as sources of data collection. In this study, the population of this study were companies that conducted IPOs on the Indonesia Stock Exchange in 2019 - 2022, namely 213 companies.

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy et al

RESULTS AND DISCUSSION

Descriptive Statistical Analysis Results

Table 4 Results of Descriptive Statistical Analysis of Underpricing

	N	Mean	Median	Max	Min
<i>Underpricing</i>	186	146,347	101	1140	0.000
<i>Return On Asset(ROA) (%)</i>	186	0.068	0.041	3,490	-0.348
<i>Current Ratio(%)</i>	186	13,863	2,380	504.040	0.010
<i>Company Size (Nominal)</i>	186	28.36	28.34	32.57	11.61
<i>Proceeds (%)</i>	186	22.128	20,431	33,614	17,666
<i>ReputationUnderwriter(Dummy)</i>	186	0.534	1,000	1,000	0.5001
<i>Inflation Rate (%)</i>	186	0.0262	0.027	0.051	0.013
<i>Investor Sentiment (%)</i>	186	0.001	0.006	0.071	-0.102
<i>Hot Issue(Dummy)</i>	186	0.486	0.000	1,000	0.000
<i>Company Age (Nominal)</i>	186	18,272	15,000	64,000	1,000

Table 5 Results of Descriptive Statistical Analysis of Overpricing

	N	Mean	Median	Max	Min
<i>Overpricing</i>	27	-0.496	-0.146	-0.010	-5,431
<i>Return On Asset(ROA) (%)</i>	27	0.046	0.033	0.466	-0.771
<i>Current Ratio(%)</i>	27	21,095	2,940	328	0.530
<i>Company Size (Nominal)</i>	27	26,073	26,181	0.530	17,589
<i>Proceeds (%)</i>	27	20,081	19,599	23,855	18,207
<i>ReputationUnderwriter(Dummy)</i>	27	0.333	0.000	1,000	0.000
<i>Inflation Rate (%)</i>	27	0.433	0.026	0.013	0.013
<i>Investor Sentiment (%)</i>	27	0.010	0.007	0.046	-0.012
<i>Hot Issue(Dummy)</i>	27	0.518	1,000	1,000	0.000
<i>Company Age (Nominal)</i>	27	19.925	14,000	64,000	2,000

Table 6 Results of Overpricing Regression Test

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	6,331	2,850	-2.221	0.040
ROA	-1.396	1,053	-1.32	0.202
CR	0.005	0.003	1,604	0.126
Size	-0.060	0.070	-0.860	0.401
ROA	-1.396	1,053	-1.32	0.202
Proceed	0.393	0.124	3.150	0.005
Underwriter	-0.655	0.410	-1,598	0.128
Inflation	0.081	0.127	0.637	0.532
IS	-5,571	13,219	-0.421	0.678
HI	1.181	0.406	2.905	0.009
Age	-0.044	0.012	-3,568	0.002
R-squared	0.673			
Adj. R-Squared	0.500			
F-statistic	3,897			
Prob(F-statistic)	0.007			

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy et al

Based on table 6. The multiple linear regression equation model can be formulated as follows:

$$Y_1 = 6,331 - 1.396X_1 + 0.005X_2 - 0.060X_3 + 0.393X_4 - 0.655X_5 + 0.081X_6 - 5.571X_7 + 1.181X_8 - 0.044X_9$$

The coefficients of current ratio, size, ROA, proceeds, inflation, underwriters, and investor sentiment are not statistically significant. This means that these variables do not have a significant direct impact on overpricing. The variable of company age has a significant negative coefficient value on overpricing. And the variable of proceeds shows a significant positive impact on the dependent variable. This indicates that strategies related to proceeds (e.g., the amount of funds raised from an IPO) can positively affect the results. The variable of age has a negative and significant effect, which means that the older the company, the greater the negative effect on the variable of overpricing. Companies may need to evaluate factors related to the age of the company and how it affects their results. Hot issues show a significant positive impact that can contribute to better results. This means that when there is a hot issue, the level of overpricing is higher.

Hypothesis Testing

Table 7. Partial Test (t-Test) of Underpricing

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	1.251	0.446	2,823	0.005
ROA	0.041	0.088	0.473	0.636
CR	0.000	0.000	0.551	0.582
Size	-0.029	0.005	-5.170	0.000
Proceed	0.001	0.022	0.063	0.949
Underwriter	1.254	0.050	2.132	0.002
Inflation	-0.059	0.035	-1.662	0.098
IS	-0.804	0.899	-0.894	0.372
HI	0.052	0.050	1,044	0.297
Age	-0.000	0.002	-0.342	0.732
R-squared	0.512			
Adj. R-Squared	0.425			
F-statistic	4.431			
Prob(F-statistic)	0.000			

Based on table 7 it can be seen that:

- The return on asset variable has a coefficient (β_1) = 0.041 > 0 with tcount (0.473) < ttable (1.971) and significant (0.636) > 0.05. Thus, the return on asset variable has a positive and insignificant partial effect on underpricing. If the return on asset variable increases, there is no significant effect on underpricing.
- The current ratio variable has a coefficient (β_1) = 0.000 > 0 with tcount (0.551) < ttable (1.971) and significant (0.636) > 0.05. Thus, the current ratio variable has a positive and insignificant partial effect on underpricing. If the current ratio variable increases, there is no significant effect on underpricing.
- The company size variable has a coefficient (β_1) = -0.029 < 0 with tcount (-5.170) < ttable (1.971) and significant (0.000) < 0.05. Thus, the company size variable has a negative and significant partial effect on underpricing. If the company size variable increases, the level of underpricing will decrease and vice versa.
- The proceed variable has a coefficient (β_1) = 0.001 > 0 with tcount (0.063) < ttable (1.971) and significant (0.949) > 0.05. Thus, the proceed variable has a positive and insignificant partial effect on underpricing. If the proceed variable increases, there is no significant effect on underpricing.
- The underwriter reputation variable has a coefficient (β_1) = 1.254 > 0 with tcount (2.132) > ttable (1.971) and significant (0.002) < 0.05. Thus, the underwriter reputation variable has a positive and significant partial effect on underpricing. If the underwriter reputation variable increases, the level of underpricing will also increase and vice versa.
- The inflation rate variable has a coefficient (β_1) = -0.059 < 0 with tcount (-1.662) < ttable (1.971) and significant (0.098) > 0.05. Thus, the inflation rate variable has a negative and partially insignificant effect on underpricing. If the inflation rate variable increases, there is no significant effect on underpricing.

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy et al

- g. The investor sentiment variable has a coefficient (β_1) = -0.804 < 0 with tcount (-0.894) < ttable (1.971) and significant (0.372) > 0.05. Thus, the investor sentiment variable has a negative and partially insignificant effect on underpricing. If the investor sentiment variable increases, there is no significant effect on underpricing.
- h. The hot issue variable has a coefficient (β_1) = 0.052 > 0 with tcount (1.044) < ttable (1.971) and significant (0.297) > 0.05. Thus, the hot issue variable has a positive and insignificant partial effect on underpricing. If the hot issue variable increases, there is no significant effect on underpricing.
- i. The company age variable has a coefficient (β_1) = 0.000 > 0 with tcount (-0.342) < ttable (1.971) and significant (0.732) > 0.05. Thus, the company age variable has a negative and partially insignificant effect on underpricing. If the company age variable increases, there is no significant effect on underpricing.

Table 8 Partial Test (t-Test) of Overpricing

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	6,331	2,850	-2.221	0.040
ROA	-1.396	1,053	-1.32	0.202
CR	0.0057	0.003	1,604	0.126
Size	-0.060	0.070	-0.860	0.401
Proceed	0.393	0.124	3.150	0.005
Underwriter	-0.655	0.410	-1,598	0.128
Inflation	0.081	0.127	0.637	0.532
IS	-5,571	13,219	-0.421	0.678
HI	1.181	0.406	2.905	0.009
Age	-0.044	0.012	-3,568	0.002
R-squared	0.673			
Adj. R-Squared	0.500			
F-statistic	3,897			
Prob(F-statistic)	0.007			

Based on table 4.17 it can be seen that:

- a. The return on asset variable has a coefficient (β_1) = -1.396 < 0 with tcount (-1.32) < ttable (1.703) and significance (0.202) > 0.05. Thus, the return on asset variable has a negative and partially insignificant effect on overpricing. If the return on asset variable increases, there is no significant effect on overpricing.
- b. The current ratio variable has a coefficient (β_1) = 0.005 > 0 with tcount (1.604) < ttable (1.703) and significant (0.126) > 0.05. Thus, the current ratio variable has a positive and insignificant partial effect on overpricing. If the current ratio variable increases, there is no significant effect on overpricing.
- c. The company size variable has a coefficient (β_1) = -0.060 < 0 with tcount (-0.860) < ttable (1.703) and significant (0.401) > 0.05. Thus, the company size variable has a negative and partially insignificant effect on overpricing. If the company size variable increases, there is no significant effect on overpricing.
- d. The proceed variable has a coefficient (β_1) = 0.393 > 0 with tcount (0.124) < ttable (1.703) and significant (0.005) > 0.05. Thus, the proceed variable has a positive and significant partial effect on overpricing. If the proceed variable increases, the level of overpricing also increases significantly towards overpricing.
- e. The underwriter reputation variable has a coefficient (β_1) = -0.655 < 0 with tcount (-1.598) < ttable (1.703) and significant (0.128) < 0.05. Thus, the underwriter reputation variable has a negative and partially insignificant effect on overpricing. If the underwriter reputation variable increases, there is no significant effect on overpricing.
- f. The inflation rate variable has a coefficient (β_1) = 0.081 < 0 with tcount (0.637) < ttable (1.703) and significant (0.532) > 0.05. Thus, the inflation rate variable has a positive and insignificant partial effect on overpricing. If the inflation rate variable increases, there is no significant effect on overpricing.
- g. The investor sentiment variable has a coefficient (β_1) = -5.571 < 0 with tcount (-0.421) < ttable (1.703) and significant (0.678) > 0.05. Thus, the investor sentiment variable has a negative and partially insignificant effect on underpricing. If the investor sentiment variable increases, there is no significant effect on overpricing.

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy et al

- h. The hot issue variable has a coefficient (β_1) = 1.181 > 0 with tcount (2.905) < ttable (1.703) and significant (0.009) < 0.05. Thus, the hot issue variable has a positive and significant partial effect on underpricing. If the hot issue variable increases, overpricing will also increase significantly.
- i. The company age variable has a coefficient (β_1) = -0.044 < 0 with tcount (-3.468) < ttable (1.703) and significant (0.002) < 0.05. Thus, the company age variable has a negative and significant partial effect on overpricing. If the company age variable increases, overpricing will decrease and vice versa.

Table 8 Comparison of Underpricing and Overpricing Regression Test Results

Variables	Underpricing	Overpricing
<i>Return On Asset</i>	Positive not significant	Negative is not significant
<i>Current Ratio</i>	Positive not significant	Positive not significant
Company Size	Significant negative	Negative is not significant
Share Offering Percentage (Proceed)	Positive not significant	Significant positive
Underwriter Reputation	Significant positive	Negative is not significant
Inflation Rate	Significant negative	Positive not significant
Investor Sentiment	Negative is not significant	Negative is not significant
<i>Hot Issue</i>	Positive not significant	Significant positive
Company Age	Negative is not significant	Significant negative

Discussion

The Effect of ROA on Underpricing and Overpricing

The test results in this study are that ROA has a positive and insignificant effect on underpricing while ROA has a negative and insignificant effect on overpricing, and these results are in line with the research of Andriyani, et al. (2018) and Astuti, et al. (2013) which showed partial results that ROA does not have a significant effect on underpricing. The results of interviews with three informants are also in line with the quantitative results, namely that ROA has a positive but insignificant effect. YY stated that ROA is indeed considered in the prospectus but only for institutional investors, but for retail investors as stated by RBA and EM that ROA does not pay much attention to ROA because many retail investors who enter the IPO market are only short-term oriented where in general they have sold back the shares during the first day, week, or month of the shares IPO compared to becoming long-term investments.

Thus, good ROA is not a primary concern for investors in IPO stocks, but that does not mean that ROA is not the basis for licensing and smoothness during the go listing process because ROA can generally describe the financial health of the company and see how the company manages and empowers assets owned by the company, in the research sample in general ROA in IPO companies from 2019 - 2022 has a positive ROA, with several companies that have negative ROA generally engaged in the digital business sector and are start-up companies. The results of the study also found that ROA also did not have a significant effect on overpricing, so ROA did not have much effect on underpricing and overpricing which could be due to the level of attention to financial ratios from investors not paying much attention to ROA in the IPO market.

The Effect of Current Ratio on Underpricing and Overpricing

The test results in this study are that the current ratio has a positive and insignificant effect on underpricing and overpricing, where these results are in line with the research of Rabiqy & Yusnaldi (2017), in addition, other studies also show that the higher the CR, the level of underpricing will decrease, but the effect shown is not statistically significant or insignificant, because it is likely that investors who have excess funds do not pay much attention to information about the company's current ratio when conducting an IPO. The current ratio variable does not affect the level of stock underpricing because investors consider that the purpose of the company going public is for long-term goals, so that the company's liquidity which shows the company's ability to pay short-term

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

obligations is less considered by investors. This is in accordance with research conducted by Hapsari and Mahfud (2012), whose research results show that the current ratio variable has a negative but insignificant effect on the level of stock underpricing. The test results show that the current ratio variable has a negative and insignificant effect, so the lower the current ratio, the higher the possibility of overpricing occurring in IPO companies, it also illustrates that if the company is increasingly illiquid, it can increase the possibility of overpricing.

The results of the interview with 3 YY sources from UOB Kayhian Securities stated that the Current Ratio does not have a significant effect on underpricing and overpricing, but for institutional IPO investors, the company has certain criteria to decide whether to invest in an IPO company or not and one of the requirements that is considered is the financial ratio and one of them is the Current Ratio, for retail investors from the results of interviews with RBA and EM, the current ratio is not a major concern and consideration when wanting to invest in IPO shares because retail investors with small capital are generally oriented towards short-term profit when prices increase in the secondary market and when prices decrease, retail investors are generally quicker to cut losses.

The Effect of Company Size on Underpricing and Overpricing

The test results in this study are that company size has a significant negative effect on underpricing and a negative insignificant effect on overpricing, research on underpricing in initial public offerings (IPOs) in Indonesia reveals several significant factors. Company size consistently shows a negative and significant effect on the level of underpricing (Yohandes Rabiqy & Yusnaldi Yusnaldi, 2017; Widiati Martalia, 2020; Marmono Singgih *et al.*, 2019). This result is in line with research by Noviyanti, *et al.* (2022) which shows that company size contributes negatively and insignificantly to the underpricing of non-financial companies conducting IPOs on the IDX between 2019 and 2020. Although company size measures the scale of the company by focusing on the total assets of the last financial report before the company conducts an IPO, investors value the company's financial performance results more than its size, if it is not managed effectively and efficiently. This causes a significant effect of company size on underpricing. In accordance with these findings, previous studies by Putra (2018) have shown that company size has a negative and insignificant effect on underpricing. This is because company size data does not fully provide signals to investors, because they evaluate not only company size, but also financial performance in making investment decisions.

The results of the test on overpricing that size also has a negative and statistically insignificant effect, this is in line with research by Rathnayake *et al* (2019), where company size is not a significant determining factor in the IPO market, either underpricing or overpricing. These results are in line with the results of interviews with 3 informants that size has an insignificant effect on underpricing and overpricing. YY stated that size is a criterion for investor preferences, especially institutionally compared to retail, but is not the main factor in buying IPO shares or as a determinant of the price of IPO shares because company size cannot describe the condition of the company holistically, both in the long term and short term. However, for retail investors from RBA and EM, company size is very influential in investment decision making and a determining factor in the price of IPO shares because large companies guarantee a track record of the company's achievements and are easier to get public attention during the IPO and make it easier for retail investors to find information related to the company, so it is more possible to take short-term profit from the IPO shares.

The Influence of Proceed on Underpricing and Overpricing

The test results in the study showed positive and insignificant results on the underpricing phenomenon, but proceed had a positive and significant effect on overpricing. Several studies have found that the percentage of shares offered to the public has a positive but insignificant effect on underpricing (Pahlevi, 2014; Lestari, 2015). Proceed has no effect on the initial return of IPOs in Indonesia (Darpus *et al.*, 2019). The percentage of shares offered to the public shows confidential information owned by a company. The greater the percentage of shares offered to the public, the greater the level of uncertainty in the future. This is because old shareholders will have less confidential information, so the level of uncertainty borne by new shareholders will be greater. In order to make investment decisions, prospective investors need a lot of information to consider whether or not to buy shares offered by the issuing company (Pahlevi, 2015). The absence of the percentage of shares offered to the public on underpricing is due to the fact that the size of the shares offered to the public cannot explain the company's prospects in the future. Although the proportion of shares offered to the public is high, it is not necessarily able to state that there is no confidential company information and has not been able to determine the value of uncertainty

of future returns. This also indicates that investors will make purchases of shares offered to the public not oriented to the number of shares offered but how much the value of the share offering is (Baskoro and Moin, 2011).

As previously stated, the more shares released to the public, the more uncertainty for the company in the long term and this can reduce interest in IPO shares and cause the IPO share price to experience overpricing or a decrease in the IPO share price. The results of 3 informants stated that proceeds did not have a significant effect. YY stated that institutional investors have a ticket size or minimum percentage of shares to be released to the public to see and forecast the condition of the company's stakeholders in the future, so for institutional proceeds are an important factor in determining the IPO share price, but YY, RBA, and EM stated that for retail investors proceeds do not significantly affect the determination of the IPO price because retail investors generally look more at short-term gains in the IPO market.

The Influence of Underwriter Reputation on Underpricing and Overpricing

The results of the study indicate that underwriter reputation has a positive and significant effect on underpricing and a negative and insignificant effect on overpricing. The use of reputable underwriters does not provide a signal for investors to estimate the appropriate value for companies conducting an IPO (Santoso and Wuryani, 2013). This indicates that the use of quality underwriters does not reduce the level of uncertainty that cannot be expressed by the information contained in the prospectus (Triani and Nikmah, 2006). Signaling theory explains that positive signals are used by companies to distinguish between good and bad quality companies. There are two conditions for a positive signal to be effective, namely the signal must be acceptable to the market and perceived well, and not easily imitated by poor quality companies. The use of good quality underwriters is relatively easy for all companies to do, so prospective investors have not been able to separate good and bad companies by only paying attention to the underwriters who underwrite the issue. Thus, the underwriter's reputation is less suitable in representing a positive signal (Hartono, 2005).

The use of good underwriters in companies conducting IPOs shows a level of significance of statistical data but only on the underpricing phenomenon, but the results of interviews with 3 informants stated that the underwriter's reputation has a significant effect on underpricing and overpricing. YY and EM stated that from the underwriter's reputation, investors have more confidence in companies that will conduct IPOs with underwriters who have a good reputation, especially certain underwriters who already have credibility, know-how in assisting companies that will conduct IPOs, and existing investors for purchasing IPO shares that the underwriter assists in the company's go public process, but there is a difference of opinion from the RBA that the underwriter's reputation does not affect the decision to purchase IPO shares for retail investors. So the underwriter's reputation from the results of interviews with the 3 informants is that not all investors pay attention to the company's underwriter in the IPO process, for investors who are already customers of certain underwriters with more open access to the IPO market, the underwriter's reputation is a concern in choosing an IPO company.

The Effect of Inflation on Underpricing and Overpricing

The results of the study show that inflation has a negative and significant effect on underpricing, but inflation has a positive but insignificant effect on overpricing. The results of this study are in line with the research of Fadila, et al. (2015), who studied companies with non-financial sectors that IPO in 2010-2014 with a sample of 75 companies, with significant and positive results at a significance level of 10%. Manurung (2013) found that most studies on inflation and stock returns were conducted in developed countries. However, research in Indonesia is still limited, and the results are different from developed countries, where inflation shows a positive correlation with the Composite Stock Price Index. Increased inflation causes an increase in production costs, which affects the company's net income and tends to depress the offering price, so that investors limit their investment activities. Theoretically, higher inflation rates can increase the level of underpricing. In addition, when inflation uncertainty and fundamental variables such as changes in the cost of equity and profit growth are taken into account, inflation is no longer relevant in explaining stock returns (Azar, 2013). These findings challenge the view that stocks are an effective hedge against inflation and suggest the need to revisit the role of inflation in financial models and monetary policy.

The results of the study found that inflation did not have a significant effect on overpricing, indicating that the inflation rate did not cause a significant decrease in the price of IPO shares, from a macroeconomic perspective the inflation rate did not affect the condition of the IPO market, especially on overpricing due to the scope of the influence of the inflation rate which affects not only the IPO market but also the entire secondary stock market, the

results of interviews obtained from 3 informants had one opinion by stating the same thing because the inflation rate is a factor that is considered in investment decisions on shares, especially the IPO market in the underpricing phenomenon where the price increase in the secondary market compared to the primary market, IPO shares provide good prospects if supported by the company's fundamentals, but the factors causing the decline in the price of IPO shares from a macroeconomic perspective through the eyes of investors are more wait and see, especially related to inflation and the decline in the price of IPO shares.

The Influence of Investor Sentiment on Underpricing and Overpricing

The results of the study indicate that investor sentiment has an insignificant negative relationship to underpricing and overpricing. One factor that can affect the initial IPO yield is investor sentiment. This sentiment can be positive or negative. When the market is rising, investors tend to increase their demand for IPO shares in the hope of getting high initial yields. Conversely, if investors feel that the overall market trend is declining, then their initial IPO yields tend to be lower (Samarakoon, 2010). There is a difference between the statistical results and the results of interviews with 3 informants, YY from UOB Kayhian securities, RBA and EM said that investor sentiment has a significant effect on IPO price movements because the IPO market in Indonesia still pays close attention to market sentiment, both from market sentiment based on quarterly timeframes and also market sentiment towards certain companies, both from the BOD (Board of Directors) and BOC (Board of Commissioners) of the company that will IPO.

Investor sentiment is a belief about a company that will go IPO, Beer (2013) stated that investor sentiment is a belief about how future cash flow and investment risk will be towards a company or a market. If more and more companies will conduct IPOs, investor confidence in the IPO market can increase due to the trust gained by the IPO market, but related to investor confidence in a company, it returns to the management owned by the company that will go listing along with investors who have invested in the company to become a driver for investor sentiment as stated by EM.

The Influence of Hot Issues on Underpricing and Overpricing

The results of the study indicate that hot issues have a positive and insignificant relationship to underpricing and have a significant positive relationship to overpricing. Gounopoulos et al (2007) stated that hot issues are IPO stocks that are attractive to many investors and Loughran et al. (1994) stated that the hot issue period of IPO stocks can generate high returns. There are differences in the results found by previous studies saying that hot issues have a significant relationship to returns during IPOs in several industries and are not statistically significant in the banking industry (Rathnayake et al., 2019). However, these results are consistent with previous studies by Loughran et al. (1994) and Gounopoulos et al. (2007) which state that during the hot-issue period, due to the increased risk of new IPOs and total market risk, IPOs generate high initial returns. However, in this study there is a statistical difference in the results compared to previous studies where in the IPO market in Indonesia the influence of hot issues is more significant on the overpricing phenomenon compared to the underpricing phenomenon. This can be because in the hot issue period or the "hot" period of the IPO market in Indonesia it is caused by other factors, not just the IPO company period.

The results of interviews with 3 informants found that hot issues have an effect on the IPO market in the short term for retail investors because the asymmetric information available causes different points of view regarding the IPO market, RBA stated that the hot issue period has an effect on seeing the overall condition of the IPO market, EM stated that hot issues are more about seeing market sentiment towards IPOs but the decision to invest or buy IPO shares is more based on other factors, many investors only see shares through the hot issue period without looking at other factors that cause a more significant influence on the overpricing phenomenon.

The Effect of Company Age on Underpricing and Overpricing

The results of the study indicate that company age has a negative and insignificant effect on underpricing and has a significant negative relationship with overpricing. Previous studies have shown that the factor of company operational age, namely the time since the company was founded until the company made an initial public offering, is important to understand its relationship with stock underpricing. Previous studies have shown that company age has a significant negative relationship with initial returns (Muscarella & Vetsuypens 1987). Company age, measured by historical operational time, is considered a proxy for the availability of information

THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

about the company (Barry & Brown, 1985). The effect of company age on the issuance of new shares to investors is not significant.

Company age based on the results of interviews with 3 informants found that YY from UOB Kayhian Securities stated that company age can also be a proxy for the company's business life cycle when conducting an IPO, RBA and EM stated that company age has an effect because the longer the age of a company, the level of trust and track record of the company available is also in line with the experience possessed from the length of time the company has been established, if we look at the results statistically and interviews with companies that have IPOs, company age becomes a proxy for investors both retail and institutional and company age has a negative effect on both the underpricing and overpricing phenomena, however, it is only significant for the overpricing phenomenon, this can be because the age of the company is not too affected significantly by the underpricing phenomenon because when the stock value increases on the first day of the IPO it can be due to many other factors, especially market sentiment towards the stock, but in the overpricing phenomenon, the older or younger the company shows a significant effect on stock prices because the older the company, the lower the overpricing phenomenon and the younger the company also shows an increase in overpricing of IPO shares.

CONCLUSION

Based on the results of the discussion in the previous chapters, the conclusions that can be made by the researcher to answer the research questions in this study are as follows:

1. From the results of data analysis and interviews, it can be concluded that Return on Assets has a positive and insignificant effect on underpricing;
2. From the results of data analysis and interviews, it can be concluded that the Current Ratio has a positive and insignificant effect on underpricing;
3. From the results of data analysis and interviews, it can be concluded that company size has a negative and significant effect on underpricing;
4. From the results of data analysis and interviews, it can be concluded that Proceed has a positive and insignificant effect on underpricing;
5. From the results of data analysis and interviews, it can be concluded that Underwriter Reputation has a positive and significant effect on underpricing;
6. From the results of data analysis and interviews, it can be concluded that the inflation rate has a negative and significant effect on underpricing;
7. From the results of data analysis and interviews, it can be concluded that Investor Sentiment has a negative and insignificant effect on underpricing;
8. From the results of data analysis and interviews, it can be concluded that Hot Issues have a positive and insignificant effect on underpricing;
9. From the results of data analysis and interviews, it can be concluded that company age has a negative and insignificant effect on underpricing;
10. From the results of data analysis and interviews, it can be concluded that Return on Assets has a negative and insignificant effect on overpricing;
11. From the results of data analysis and interviews, it can be concluded that the Current Ratio has a negative and insignificant effect on overpricing;
12. From the results of data analysis and interviews, it can be concluded that company size has a negative and insignificant effect on overpricing;
13. From the results of data analysis and interviews, it can be concluded that Proceed has a positive and significant effect on overpricing;
14. From the results of data analysis and interviews, it can be concluded that Underwriter Reputation has a negative and insignificant effect on overpricing;
15. From the results of data analysis and interviews, it can be concluded that the inflation rate has a positive and insignificant effect on overpricing;
16. From the results of data analysis and interviews, it can be concluded that Investor Sentiment has a negative and insignificant effect on overpricing;
17. From the results of data analysis and interviews, it can be concluded that Hot Issues have a positive and significant effect on overpricing;

18. From the results of data analysis and interviews, it can be concluded that Company Age has a negative and significant effect on overpricing.

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THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy *et al*

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THE EFFECT OF FINANCIAL AND NON-FINANCIAL FACTORS ON THE LEVEL OF UNDERPRICING AND OVERPRICING IN COMPANIES CONDUCTING INITIAL PUBLIC OFFERINGS ON THE INDONESIA STOCK EXCHANGE IN 2019-2022

Irgi Adyatma Fahrezy **et al**

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