An Examination Factors Influencing Underpricing of IPOs in Financial and Manufacturing Industries on The Indonesia Stock Exchange over The Period of 2011-2016

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Abstract- This study aims to determine the factors influencing the level of underpricing of Financial and Manufacturing companies listed in Indonesia Stock Exchange within 2011-2016. Variables examined include underwriter reputation, auditor reputation, firm age, financial leverage, ROA, and ownership concentration. This research was carried out through the analysis of multiple linear regression with a 5% significance level, Data collection tool that used is observation and literature study with purposive sampling method. This research used 40 selected samples from 140 firms available in population. The research concluded that first underwriter reputation and auditor reputation succeed to show a negative significant effect on the level of underpricing. Second, firm age, financial leverage, ROA and ownership concentration failed to show a significant influence on the level of underpricing,

Index Terms- underpricing, Initial Public Offering (IPO), financial industry, manufacturing industry.

I. INTRODUCTION

  he competition to get investors among the companies in the Tfirst day of going public or named by Initial Public Offerings (IPOs) is getting tighter and more competitive. In this highly competitive condition, a phenomenon called underpricing commonly happens. Several empirical studies show that investors typically achieve a relatively large abnormal return in a short-term once they invest in initial public offering shares. This is, however, referred to IPO underpricing, and it means the difference between the first day trading price and closing market price even under the efficient market (Tian, 2012). Evidence across capital markets has shown, average of the IPOs is underpriced. The level of underpricing varies across capital markets and countries, but the emerging capital markets tend to be more underpriced than their counterparts of well-developed markets (Gumanti, Nurhayati, & Maulidia, 2015).

II. LITERATURE REVIEW

  Many researches have conducted the examination and analysis of factors influencing underpricing of IPOs. However, there is still a gap among the results showed by the researches. Some researches conducted by Gumanti, Nurhayati and Maulida (2015); Carter and Manaster (1990) revealed that initial returns are documented to be negatively related to the reputation of the underwriter. While the studies of Walker (2008); Loughran and Ritter (2004); Beatty and Welch (1996)

In Indonesia, underpricing has been shown in multiple times in significant numbers Indriani and Marlia (2014) pointed out that within five years (2009-2013) underpricig numbers were 50% of total IPOs every year. In 2012 the all of the IPOs are underpriced. This situation indicated that IPO companies did not generate maximum funding. Compare to neighbourhood countries such as Malaysia, Philippines, Singapore, Thailand, and Hongkong the average initial returns of Indonesia were 25.7% (Suherman, 2013 in Indriani and Marlia, 2014). Furthermore, the numbers of underpricing from 2014-2016 increased. As the data obtained by the author, the following years continued fromIndriani and Marlia (2014). The numbers of underpricing almost hit 100% for three years consecutively (2014-2016).

There are nine industries listed in the Indonesai Stock Exchange: Service, Property, Mining, Plantation, Trade, Manufacturing, Financial, Tourism, and Transportation. Among those industries, Financial and Manufacturing industries have the largest share percentages of IPOs in 2007-2016. Financial Industry possesses 18% of the total IPOs, and Manufacturing Industry possesses 16%.

There is a significant increment from the data obtained in the past five years. It is interesting to analyse the underpricing of IPO firms since the variables used in previous researches show inconsistent results. Furthermore, the existences of two top industries of financial and manufacturing that have shares above the average among all the industries listed are attracting the author to do a research on that area. The variables used in this research are underwriter reputation, auditor reputation, firm age, financial leverage, ROA, and ownership concentration. Moreover, previous researches use similar variables with very close similarities. Therefore, in this research the author attempts to examine the variables that commonly used as well as variable that is rarely examined in the case of underpricing of financial and manufacturing industries in Indonesia Stock Exchange within 2011-2016.

show that initial returns are positively related to the reputation of the underwriter.

Therefore, the following hypothesis proposed:
H1: Underwriter reputation has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

The influence of auditor reputation has been examined by several researchers. The findings of Purwanto and

Mahyani(2016); Junaeni and Agustian (2013); Yoga (2010); Beatty and Ritter (1986) stated that there is a significant negative relationship between auditor reputation with the degree of underpricing. The more reputable the auditor will likely reduce the degree of underpricing.

Accordingly, this hypothesis proposed:

H2: Auditor reputation has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

Firm age as a factor influencing the degree of underpricing has been examined by several researches. Clark (2002) examined the influence of the age-at-IPO of the company to the aftermarket stock performance. He categorized sample firms into high-technology firms and non-technology firms. From the test, the data shows a significant correlation between the age-at-IPO and IPO aftermarket performance. Specifically, high-technology firms obtain a negative relationship between the firm age and excess return, which is contrary to the nontechnology firms. However, Ritter (1991) and Merkley (1994) in Tian (2012) regardless the industry category, the age of the firm will influence the degree of underpricing negatively.

Further, Puspita (2010) shows that firm age has no significant relationship with the degree of underpricing.

Hence, the hypothesis below proposed:

H3: Firm age has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

Several researchers have tested the relationship between financial leverage with the degree of underpricing. Test results on financial leverage by Purwanto and Mahayani (2016) shows

that financial leverage has no significant effect on the level of underpricing. Financial leverage showed no significant effect on the level of underpricing as investors viewed the high leverage ratio due to the performance of management. While Yoga (2010); Puspita (2011) show that there is a negative and significant relationship between financial leverage with underpricing.

Thus, the hypothesis below proposed:

H4: Financial leverage has a positive significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

Researches about an examination of ROA as an influencing factor of underpricing have been conducted. Yoga (2010); Puspita (2011) states that ROA has a significant effect on underpricing. However, Purwanto and Mulyani (2016) and stated that ROA has no significant effect on underpricing.

Therefore, the following hypothesis proposed:

H5: ROA has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

The effect of ownership structure is rarely examined by researches in this area. A few of researches have conducted the examination about the ownership structure as an influencing factor to the degree of underpricing. The studies of Darmadi and Gunawan (2012); Venkatesh and Neupane (2005) show that ownership concentration is insignificant in explaining the first-day returns.

Hence, the following hypothesis formulated:

H6: Ownership concentration has a positive significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange.

III.   METHODOLOGY

The research method used is quantitative data. The data required to examine factors influencing the underpricing is taken from www.idx.co.id, the non-financial data will be gathered from the firm's prospectus data, and financial data taken from the firm's financial statements and Indonesia Stock Exchange. The purposes of this study are causal as this research will examine whether or not the financial and non-financial variables cause the underpricing of IPOs in Indonesia Stock Exchange. The factors influencing the degree of underpricing will be examined in accordance with the time of the data gathered within five years from January 1st, 2011 to January 1st, 2016. In this research, the author will examine the influences of underwriter reputation, auditor reputation, firm age, financial leverage, return on asset (ROA), and ownership concentration in on the degree of underpricing.

The unit of this research is underpriced IPO firms listed in Indonesia Stock Exchange within January 1st, 2011 to January 1st, 2016. The time horizon in this study is specified as cross-sectional studies due to the author will examine the data in only one period within 2011-2016. The population in this research is all IPO firms listed in the Indonesia Stock Exchange within the period of January 1st, 2011 to January 1st, 2016. From 48 Financial and Manufacturing firms that did IPOs in the period, 7 firms are overpriced and 1 does not have sufficient information; therefore, those companies are not

included to the objects of this research. As a result, 40 firms remain and are included to the research sample.

The sampling method used in this research is purposive sampling. The criteria in this research are stated as follows:

1) Companies within Financial and Manufacturing industries that did IPOs in the Indonesia Stock Exchange within the period of January 1st, 2011 to January 1st, 2016.
2) The IPOs of the companies are underpriced.
3) The companies have available financial reports within 1 or 2 years prior to the IPOs date.
4) The stock price, and listing date are available in the Indonesia Stock Exchange.
5) The establishment date is available.
6) The underwriter and auditor names are available.
7) The ownership structure is available.

Hence based on the criteria stated above, the final sample size is 40 companies that meet the author's research object criteria.

Research Variable

The variables used in this research can be seen in Table 1.

Table 1 Research Variables and Indicators

No	Variable	Indicator	Scale
1.	Underpricing	Degree of	Ratio

		Underpricing	
2.	Underwriter Reputation	Underwriter rank	Dummy
3.	Auditor Reputation	Auditor Rank	Dummy
4.	Firm Age	Establishment Year prior to IPO	Interval
5.	Financial Leverage	Total Debt to equity	Ratio
6.	ROA	Net income to total asset	Ratio
7.	Ownership Concentration	The ratio of common share held by the largest shareholder.	Ratio

Underwriter reputation and auditor reputation are using dummy variable in which 0 and 1 are applied in a certain condition. The underwriter reputation will be scored 1 if the company used top 10 underwriter based on Bloomberg ranking. While the auditor reputation will be scored 1 if the company used top 4 auditors based on ICMD and PusatPembinaanProfesiKeuangan. Otherwise, 0 is applied respectively to underwriter and auditor reputation if they do not meet the condition.

The hypothesis testing used in this research is multiple linear regression. Prior to the hypothesis testing, the data is tested using classical assumptions test to know the fit og using multiple linear regression.

IV. RESULTS AND DISCUSSION

Descriptive statistic

	N	Min	Max	Mean	Std Dev
Underpricing	40	,01	,70	,27	,23
Underwriter_Reputation	40	,00	1	,30	,46
Auditor_Reputation	40	,00	1	,20	,41
Firm_Age	40	2,00	111	26,7	19,15
Financial_Leverage	40	,01	8,88	3,03	2,51
ROA	40	,00	,47	,07	,09
Ownership_Concentration	40	,23	,90	,5613	,19
Valid N (listwise)	40				

Source: Secondary Data Processed (2017)

Underpricing (Y)

Within 2011 to 2016, the level of underpricing of Financial and Manufacturing companies listed in the Indonesia Stock Exchange has an average of 0.27 or 27%. This shows that these companies estimate the IPO price too low. Therefore, it reaches 27% lower compared to the price sold on the secondary market. The highest level of underpricing is 70%. The Issuers with the highest level of underpricing are Bank Agris, Bank Dinar Indonesia, and Bank Yudha Bhakti. The lowest level of underpricing is 1% that is experienced by Kino Indonesia.

Underwriiter Reputation (X1)

Underwriter reputation has a mean of 0.3 or 30%. It means that only 30% of total Financial and Manufacturing IPO firms that used top ten underwriters. The underwriter reputation is a dummy variable which consists of 1 or 0. A company with a value of 1 means that the company chose ten top underwriters based on the underwriter rank by Bloomberg. There are 12 companies that chose to use the ten top underwriters, and the rest did not choose to use ten top underwriters.

Auditor Reputation (X2)

Auditor reputation has a mean of 0.2 or 20%. From the total underpriced IPOs from Financial and Manufacturing industries within 2011-2016, only 20% used the service of top 4 auditors. The auditor reputation is a dummy variable that consists of 1 or 0. A company with a value of 1 means that the company chose top 4 auditors based on the ICMD and PusatPembinaanProfesiKeuangan. There are 8 companies that used top 4 auditors, and the rest did not.

Firm Age (X3)

Firm age of financial and manufacturing IPO companies on average is 27 years. The youngest company which conducted IPO is 2 years by WaskitaBeton Precast, and the oldest company is 111 years by Aneka Gas Industri.

Financial Leverage (X4)

Financial leverage that is measured using Debt to Equity Ratio (DER) has a mean of 3.02. It means that prior to the Initial Public Offering (IPO), the sample companies have total debt up to 3.02 times compared to its own capital owned by the company. Such conditions illustrate that the company's funding policy tend to use debt from third parties rather than using owner's equity. It is possible that the high DER is due to the company is expanding its business; therefore, before doing stock offer to the public, the company borrows to the third parties. The lowest DER is obtained by 0.01 which is owned by Minna PadiInvestamaSekuritas. While the highest DER of 8.88 is owned by Bank Yudha Bhakti.

Return on Asset (ROA) (X5)

Return on Asset (ROA) ratio shows the company's ability in making a profit on the last financial statement prior to the IPO year. This ROA information by issuers is expected to be an investment decision by investors. Based on the data from 40 samples of Financial and Manufacturing firms, obtained ROA mean of 0.06. This shows that the average issuer get a net profit of 0.06 compared to the total assets on the final report before the IPO. The lowest ROA ratio is 0.00 by Bank Mitraniaga and BamkArtos Indonesia. While the highest ROA is 0.47 by Magna Finane and ChitoseInternasional.

Ownership Concentration (X6)

Ownership concentration has a mean of 0.56 or 56%. It means that on average, the largest shareholder of Financial and Manufacturing IPO companies hold 56% of the total common shares. The lowest ownership concentration is 0.23 by Bank Nationalnobu, and the highest is 0.90 by Bank Mestika Dharma.

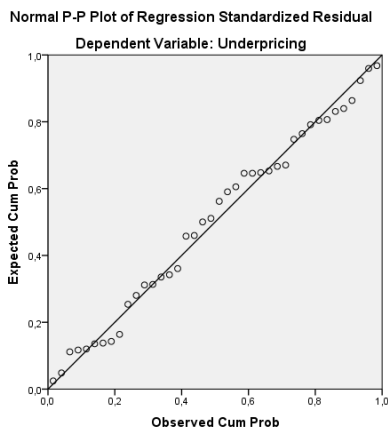**Classical Assumption Test**

1) Normality Test

Figure 1 Normal P-P Plot

Table 2 Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,18530190
Most Extreme Differences	Absolute	,083
	Positive	,081
	Negative	-,083
Test Statistic		,083
Asymp. Sig. (2-tailed)		,200[c,d]

Source: Secondary Data Processed Using SPSS 24 (2017)

Normality tests show that residual values are normally distributed. This is shown by the PP Plot showing the point located not far from the diagonal line. In addition to the test, significance value of Kolmogorov Smirnov also shows having significance above 0.05.

2) Multicolinearity Test

Table 3 VIF Value of Multicolinearity Test

Coefficientsa			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Underwriter_Reputation	,677	1,477
	Auditor_Reputation	,728	1,374
	Firm_Age	,929	1,077
	Financial_Leverage	,642	1,558
	ROA	,627	1,596
	Ownership_Concentration	,943	1,060

Dependent Variable: Underpricing
Source: Secondary Data Processed Using SPSS 24 (2017)

The test results show that there are no variables showing the VIF value which is greater than 10. This means that the independent variable model predictor) used in this study did not show any symptoms of multicollinearity in the regression model.

3) Autocorrelation Test

Table 4 Autocorrelation Test (Durbin-WatsomTest)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,621a	,386	,274	,20144	2,156

a. Predictors: (Constant), Ownership_Concentration, Firm_Age, Financial_Leverage, Underwriter_Reputation, Auditor_Reputation, ROA

b. Dependent Variable: Underpricing

Source: Secondary Data Processed Using SPSS 24 (2017)

The autocorrelation test was performed using Durbin Watson test. If the DW value is between du and 4 - du then autocotrelation does not exist in regression model. This research obtained DW value of 2.156. The DW value is greater than du = 1.652 and the DW value is less than (4 - 1.652) which means there is no autocorrelation in the regression model.
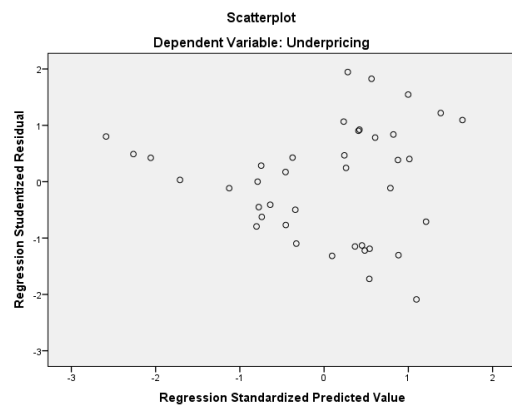
4) Heteroscedasticity Test

Figure2 Scatterplot
Source: Secondary Data Processed Using SPSS 24 (2017)

From the Figure 2, the points in the Scatterplot spread randomly as well as scattered either above or below the number 0 on the Y axis. This can be concluded that there is no heteroscedasticity in the regression model. Therefore, regression model is feasible to use.

Hypothesis Testing

1) Simultaneous Hypothesis Testing (F Test)

Table 5 F- Test Result
ANOVAa

Model		Sum of	Df	Mean	F	Sig.

		Squares		Square		
1	Regression	,841	6	,140	3,456	,009b
	Residual	1,339	33	,041		
	Total	2,181	39			

a. Dependent Variable: Underpricing
b. Predictors: (Constant), Ownership_Concentration, Firm_Age, Financial_Leverage, Underwriter_Reputation, Auditor_Reputation, ROA

Source: Secondary Data Processed Using SPSS 24 (2017)

According to the the above ANOVA test in the Table 4.5, the significance value is 0.009. That significance value is less than 0.05. Thus it can be concluded that simultaneously underpricing of IPOs within Financial and Manufacturing industries in Indonesia Stock Exchange 2011-2016 can be influenced by underwriting reputation, auditor reputation, firm age, financial leverage, ROA, and ownership concentration.

2) Partial Hypothesis Testing (t-Test)

Table 6 T-Test
Coefficientsa

Model		T	Sig.
1	(Constant)	2,541	,016
	Underwriter_Reputation	-2,118	,042
	Auditor_Reputation	-2,823	,008
	Firm_Age	-,080	,937
	Financial_Leverage	1,556	,129
	ROA	,445	,659
	Ownership_Concentration	-,282	,779

a.   Dependent Variable: Underpricing

Source: Secondary Data Processed Using SPSS 24 (2017)

Analysis and Discussion

The Influence of Underwriter Reputation on The Underpricing Level

According to the result of t-test, the underwriter reputation has a significant influence and a negative direction on the level of underpricing. The influence can be seen from t arithmetic of -2.118 and t table of -2,035. Therefore, t arithmetic <-t table is -2.118 < -2,038, and the significance value of underwriter reputation that is less than the significance level 0.042 < 0.05. Therefore, according to the decision criteria H0 is rejected, and it means that the underwriter reputation influences underpicing level significantly in a negative direction in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a negative coefficient of -0.351 and significantly tested, this finding concludes that an increase of one (1) in the underwriter reputation will lead a decrease in the underpricing level by 0.351.

This finding supports the research results by Puspita (2013); Junaeni and Agustian (2013); Indriani an Maulia (2014); Purwanto et al. (2013); Gumanti, Nurhayati, and Maulidia, (2015); and Purwanto and Mahyani (2016)

conducted on IPO firms in Indonesia Stock Exchange (IDX) operating underwriter reputation as one of the variables. However, this finding does not support a study by Tian (2012) that stated "Underwriter reputation is not significant to the pricing of IPO".

Therefore, the H1 proposed in this research where underwriter reputation has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is accepted.

This research is in line with the Agency theory where Underwriters have better information about demand of issuer's shares, compared to the issuers itself. Similarly, according to investors, underwriters are considered to have more complete information about the condition of the issuer so that underwriters who have a high reputation will set the initial share price in accordance with the condition of the company.

The influence of Auditor Reputation on The Underpricing Level

According to the result of t-test, the auditor reputation has a significant influence and a negative direction on the level of underpricing. The influence can be seen from has t arithmetic of -2.823 and t table of -2,035. Therefore, t arithmetic <-t table is -2.823 <-2,038, and the significance value of auditor reputation that is less than the significance level 0.008 < 0.05. Therefore, according to the decision criteria H0 is rejected, and it means that the auditor reputation influences underpicing level significantly in a negative direction in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a negative coefficient of -0.451 and significantly tested, this finding concludes that an increase of one (1) in the auditor reputation will lead a decrease in the underpricing level by 0.451.

The findings of this research supports the studies by Purwanto and Mahyani (2016); Junaeni and Agustian (2013); Yoga (2010); Beatty and Ritter (1986) that stated that there is a significant negative relationship between auditor reputation with the degree of underpricing. However, this research does not support studies by Puspita (2011), and Purwanto et al. (2016), where there's no significant influence between auditor reputation on the degree of underpricing.

Therefore, the H2 proposed in this research where aduitor reputation has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is accepted.

This finding has proven the well-known statement that the more reputable the auditor will likely reduce the degree of underpricing. Furthermore, this finding is highly related with Agency theory applied in underwriter reputation since Carter and Manaster (1990) stated that the desire of a firm to protect their reputation leads higher-quality underwriters to market low-risk IPOs is applied accordingly to auditors. Therefore, the agency theory is applicable to this finding where big auditors have better information and tools in auditing the financial condition of the issuers, compared to the issuers itself. Similarly, according to investors, auditors are considered to have more complete information about the condition of financial condition so that auditors who have a high reputation will give information in accordance with the condition of the company.

The Influence of Firm Age on The Underpricing Level

According to the result of t-test, the firm age has no significant influence and has a negative direction on the level of underpricing. The influence can be seen from has has t arithmetic of -0.8 and t table of -2,035. Therefore, -t table < t arithmetic < t table is -2.038< -0.80 < 2,038, and the significance value of firm age that is more than the significance level 0.937 > 0.05. Therefore, according to the decision criteria H0 is accepted, and it means that the firm age does not significantly influence underpicing level in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a negative coefficient of -0.011 and significantly tested, this finding concludes that an increase of one (1) in the firm age will lead a decrease in the underpricing level by 0.011.

This finding supports Puspita (2010) hat shows that firm age has no significant relationship with the degree of underpricing. Meanwhile, this finding is contradictory with researches conducted by Ritter (1991) and Merkley (1994) in Tian (2012) regardless the industry category, the age of the firm will influence the degree of underpricing negatively.

Therefore, the H3 proposed in this research where firm age has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is rejected.

This finding shows that no matter how long the company has been around, underpricing level is not significantly influenced. This finding does not support Handayani (2008) that stated "Age of the issuer company shows how long the company is able to survive and become evidence companies are able to compete and can take advantage of existing business opportunities in the economy. Further, that it will reduce the presence of asymmetric information and minimizing market uncertainty that will eventually lower the underpricing rate of the stock". This research result shows that the length of ability of a company to survive does not necessarily influence the level of underpricing.

The Influence of Financial Leverage on The Underpricing Level

According to the result of t-test, the financial leverage has no significant influence and has a positive direction on the level of underpricing. The influence can be seen from has t arithmetic of 1.556 and t table of -2,035. Therefore, -t table < t arithmetic < t table is -2.038< 1.556 < 2,038 and the significance value of financial leverage that is more than the significance level 0.129 > 0.05. Therefore, according to the decision criteria H0 is accepted, and it means that the financial leverage does not significantly influence underpicing level in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a positive coefficient of 0.265 and significantly tested, this finding concludes that an increase of one (1) in the financial leverage will lead an increase in the underpricing level by 0.265.

This finding supports the test results on financial leverage by Purwanto and Mahayani (2016) that shows that financial leverage has no significant effect on the level of underpricing. While. This research finding is contradictory with the studies by Yoga (2010); Puspita (2011) that show that there is a negative and significant relationship between financial leverage with underpricing.

Therefore, the H4 proposed in this research where financial leverage has a positive significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is rejected.

The financial Leverage variable shows no significance to the level underpricing. The reason why financial leverage does not significantly influence underpricing is because the ratio indicating the debt is more reflective to the relatively high company's risk that resulting in uncertainty in share price and impact on stock return which will be accepted by investors, consequently investors tend to avoid those stocks that have a high Debt to Equity ratio (Handayani, 2008).

The Influence of ROA on the underpricing level.

According to the result of t-test, the ROA has no significant influence and has a positive direction on the level of underpricing. The influence can be seen from has t arithmetic of 0.445 and t table of -2,035. Therefore, -t table < t arithmetic < t table is -2.038< 0.445 < 2,038 and the significance value of ROA that is more than the significance level 0.659 > 0.05. Therefore, according to the decision criteria H0 is accepted, and it means that the ROA does not significantly influence underpicing level in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a positive coefficient of 0.077 and significantly tested, this finding concludes that an increase of one (1) in the ROA will lead an increase in the underpricing level by 0.077.

This research finding does not support Yoga (2010); Puspita (2011) states that ROA has a significant effect on underpricing. However, this research finding supports Purwanto and Mulyani (2016) and stated that ROA has no significant effect on underpricing.

Therefore, the H5 proposed in this research where ROA has a negative significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is rejected.

The reason why ROA has no significant influence on underpricing level because investors do not only pay attention to ROA in the prospectus, but possibly investors also pay attention to ROA for several years prior to the IPO. Thus the investor knows whether the report the financials are in mark-up or not (Handayani, 2008).

The Influence of Ownership Concentration on The Underpricing Level

According to the result of t-test, the ownership concentration has no significant influence and has a negative direction on the level of underpricing. The influence can be seen from has t arithmetic of -0.282 and t table of -2,035. Therefore, -t table < t arithmetic < t table is -2.038< -0.282 < 2,038, and the significance value of ownership concentration that is more than the significance level 0.779 > 0.05. Therefore, according to the decision criteria H0 is accepted, and it means that the ownership concentration does not significantly influence underpicing level in Financial and Manufacturing IPO companies in Indonesia Stock Exchange (IDX) within the period 2011 to 2016. With a negative coefficient of -0.040 and significantly tested, this finding concludes that an increase of one (1) in the ownership concentration will lead a decrease in the underpricing level by 0.040.

This finding supports the studies of Darmadi and Gunawan (2012); Venkatesh and Neupane (2005) show that ownership concentration is insignificant in explaining the first-day

returns. However, it is contradictory with the finding of Yuliani (2016) that there is a positive significant influence between ownership oncentration with the underpricing level.

Therefore, the H6 proposed in this research where ownership concentration has a positive significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange. is rejected.

This research result does not proof the agency theory in Yuliani (2016) that In determining the initial share price, the controlling shareholder tends to choose to set the IPO price at a relatively cheaper price (underprice) in order to maintain its control over the company. Inexpensive IPO prices make controlling shareholders have the opportunity to buy shares of IPOs with large par, so that active control of the company is not taken over by potential new shareholders. This finding indicates that the ownership concentration of current controlling shareholders does not influence the level of underpricing.

The Influence of Underwriter Reputation, Auditor Reputation, Firm Age, Financial Leverage, ROA, and Ownership Concentration Simultaneously on The Underpricing Level.

Table 7 Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,621a	,386	,274	,20144

V. CONCLUSION

This research examines the factors influencing underpicing of IPOs in financial and manufacturing industries listed in Indonesia Stock Exchange within 2011-2016. The study documents that underwriter reputation and auditor reputation respectively has negative and significant influence on underpricing. Firm age, ownership concentration respectively has negative but insignificant influence on underpricing. While financial leverage, and ROA respectively has positive and insignificant influence on underpricing.

a. Predictors: (Constant), Ownership_Concentration, Firm_Age, Financial_Leverage,Underwriter_Reputation, Auditor_Reputation, ROA

Source: Secondary Data Processed Using SPSS 24 (2017)

Based on the coefficient of determination or Adjusted R Square of 0.274 or 27.4%. This shows that underwriter reputation, auditor reputation, firm age, financial leverage, ROA and ownership concentration have an influence on the level of underpricing at the Initial Public Offering (IPO) in Indonesia Stock Exchange period 2011-2016 in Financial and Manufacturing industries of 27.4% , while the rest of 100% - 27,4% = 72.6% is another variable outside the model or not studied. From ANOVA test result of F-count equal to 3,456 with significance level 0,009. F-count value of 3.456 is greater than the F-table of 2.380. The significance level of 0.009 is much smaller than the 5% significance level, hence it means that H0 is rejected. Regression model can be used to predict underpricing or it can be said that underwriter reputation, auditor reputation, firm age, financial leverage, ROA and ownership concentration simultaneously influence the level of underpricing at the time of Initial Public Offering (IPO) within Financial and Manufacturing industries in Indonesia Stock Exchange period 2011-2016.

Therefore, the H7 proposed in this research where underwriter reputation, auditor reputation, firm age, financial leverage, ROA and Ownership concentration simultaneously have a significant influence on the underpricing of Financial and Manufacturing industries IPOs in Indonesia stock exchange is accepted.

Several limitations are identified in this study. This research does not account for deep perspective of financial and manufacturing industries respectively. This research combines those two industries into as a single research object; therefore, the deeper perspective for each industry is not applicable. Financial and manufacturing industries are two different things. They respectively have unique attributes and characteristics that differ from one to another. Thus, future study may give deeper analyses on respective industries by reclassify or analyze the industries separately.

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