INFLUENCE OF COMPANY AGE, PROFITABILITY AND FINANCIAL LEVERAGE ON UNDERPRICING SHARES IN THE INITIAL PUBLIC OFFERING 2019 ON INDONESIA STOCK EXCHANGE

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Submission: 08 April 2021

Revised: 30 May 2021

Accepted: 05 June 2021

Peer-review under responsibility of 5th ASIA International Multidisciplinary Conference 2021 (Online)

Scientific Committee

<http://connectingasia.org/scientific-committee/>

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Office # 6, First Floor, A & K Plaza, Near D Watson, F-10 Markaz, Islamabad. Pakistan,

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ABSTRACT

Researchers want to analyze and obtain empirical evidence on the influence of age and financial ratios. The population included in this study was companies that IPO in IDX period 2019 totaling 54 companies. The data type used is secondary data with SPSS 24.0 applications. The results showed that the company's age, profitability, financial leverage significantly influenced the underpricing of shares in the IPO in IDX period 2019.

Keywords: *Company Age, Profitability, Financial Leverage, Stock Underpricing*

RESEARCH HIGHLIGHTS

Uncertainty in the future is a sure thing experienced by investors in making an investment because there is information asymmetry between issuers and investors (Dwi Martani, 2015). The higher the asymmetry of information the higher the level of underpricing (Beatty, 1989). The greater the profit that will characterize the profitability (ROE) of the company in the past of the initial general capital company so that will increase of underpricing shares (Purwanto, Salman & Budi, 2015). The leverage is bad for the company when the level of debt in the sub-district is higher (Widyawati, 2019).

Research Objectives

The authors want to:

1. To analyze and obtain empirical evidence of the company's age, profitability and financial leverage affecting Underpricing of Shares in the IPO on the IDX for the period 2019.
2. To analyze and obtain empirical evidence of partial company's age affecting Underpricing of shares in the IPO on the IDX period 2019.
3. To analyze and obtain empirical evidence of partial profitability affecting Underpricing of shares in the IPO on the IDX period 2019.
4. To analyze and obtain empirical evidence of partial financial leverage partially affecting the underpricing of shares in the IPO on the IDX in the period 2019.

Methodology

This research uses quantitative research approach with the population amounted to 54 companies. The sampling technique used purposive sampling, which is a group of objects taken from all companies whose IPO was on the IDX in 2019. The data used analysis techniques use several linear regression approaches with SPSS 24.0 application.

Results

Multiple Linear Regression Test Results obtained formula as follows:

$$US = -0,799 + 0,146. UP + 0,669. ROA - 0,938. DER + e.$$

From the regression equation above it can be interpreted that: the constant value (a) is - 0.799, meaning the amount of stock underpricing if the company's age variable, profitability (ROA), financial leverage (DER) is constant or zero. The amount of coefficient b1 (age of the company) of 0.146 which means indicating the direction of positive relationship (in the direction) between the age of the company to the underpricing of shares, the older the age of the company, the more underpricing the shares can increase by 0.146 units. The profitability regression coefficient (b2) of 0.669 indicates the direction of positive (unidirectional) relationship between profitability and underpricing of shares. The coefficient of financial leverage (b3) regression of -0.938 indicates the direction of negative relationship between financial leverage and stock underpricing. This means that if financial leverage increases by one unit then the underpricing of shares will decrease by 0.938 units, and so if financial leverage decreases by one unit then the underpricing of shares will rise by 0.938 units assuming other variables are constant.

Findings

Based on the conceptual framework, the hypothesis in this peelitian can be formulated as follows: H0: b The age of the company, profitability and financial leverage affect the underpricing of shares in the IPO in the IDX on the period 2019. H1: b The company's age, profitability and financial leverage have no effect on the underpricing of Shares in the IPO on the IDX for the period 2019. H2: b profitability is the dominant variable that affects Stock Underpricing in the IPO on the IDX for the period 2019. The test result shows that based on the results of multiple regression tests, can be obtained at the following conclusion.

Acknowledgement

The results of the analysis shows that the company's age, profitability, financial leverage appear to have a significant influence on underpricing of shares. This means that the older the company, the more it can increase underpricing of shares. Partially the age of the company and financial leverage have a significant effect on underpricing of shares, higher returns on assets can increase underpricing of shares (Purwanto, et. al., 2015). The higher of the financial leverage, the lower underpricing of shares (Widyawati, 2019).

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