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The Underwriter Quality Moderates the Effect of Financial Information on the Level of Underpricing of Shares during the Initial Public Offering

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Abstract: The underpricing phenomenon is a phenomenon of initial public offering with a cheaper share price in the primary market compared to the secondary market. Investors expect underpricing to get an initial return. Meanwhile, the company will not get the maximum amount of funds. The purpose of this study was to determine the quality of the underwriter as a moderating effect on the basic earning power, debt to equity ratio, and proceeds on the level of underpricing stocks. This research was conducted on non-financial companies that made initial public offerings in 2016-2019. The sample was selected by a purposive sampling method to get as many as 141 companies. The data analysis technique used is moderate regression analysis. This study proves that only the proceeds have a negative effect on the level of underpricing stocks. Underwriter quality is only able to moderate the negative effect of basic earning power and proceeds at the level of underpricing stocks.

Keywords: Underpricing, Basic Earning Power, Debt to Equity Ratio, Proceeds, Underwriter Quality.

I. INTRODUCTION

The tighter business competition between companies requires a company to continue to grow. One alternative source of funding from external companies that can be used is through the capital market. The initial public offering (IPO) is the first public sale of shares done in the primary market (Hartono, 2016:36). Determining the share price during the IPO is an important factor for the company because it relates to the amount of funds that will be obtained from the issuer as well as the risks that will be borne by the underwriter (Putra and Damayanthi, 2013). The phenomenon that often occurs when companies conduct IPOs is underpricing, namely the share price in the primary market is lower than the share price after trading on the secondary market on the first day of trading (Saputra and Suaryana, 2016).

Underpricing has become a common phenomenon when companies make initial public offerings in various capital markets around the world (Loughran et.al., 1994). In some developing countries in America the symptoms of underpricing in the short term also occur, but in the long term the opposite condition (overpricing) occurs (Aggarwal et.al., 1993). Underpricing rates vary across the world's capital markets, from a low of 4.3 percent in France to a high in China by 388.0 percent. On average, the current underpricing rate of IPOs in developing countries is higher than in developed countries (Husson and Jacquillat 1989 and Datar and Mao 1998 in Gumanti and Alkaf, 2011). The company wants to minimize the occurrence of underpricing, because it causes the transfer of prosperity from the owner to investors (Beatty and Ritter, 1986). The theory of underpricing that exists so far no one dares to state, better in explaining the phenomenon of underpricing. Most theories are based on the asymmetry of information around the IPO (Gumanti and Alkaf, 2011). Johnson and Miller (1988) stated that the level of underpricing is positively related to uncertainty. This uncertainty relates to the inequality of information between the parties involved in the establishment of the initial public

offering price called information asymmetry. Asymmetry of information occurs because companies often know information unknown to investors (Ferrer, 2016).

Underpricing occurs due to the asymmetry of information that occurs between informed and uninformed investors (Rock Model) or between the issuer and the underwriter (Baron Model). Rock (1986) who conducted research on underpricing introduced winner's curse. The occurrence of winner's curse is caused by the presence of informed investors who have more information about the condition and prospects of the company. Uninformed investors, investors who do not have information about the condition and prospects of the company will bear the risk of greater uncertainty related to the actual market value of the company. According to Baron (1982), underwriters have better information than prospective issuer does about the situation and market demand for company shares. Underwriters usually utilize this condition by setting an initial public offering price that is relatively acceptable to potential investors. This is related to the guarantee system of the underwriter who uses full commitment on average, aiming that the value of shares that must be underwriter guaranteed in case of loss of unsold shares of the company during the IPO becomes low so that the risk of guarantee can be reduced. In Indonesia the phenomenon of underpricing often occurs in companies that conduct an IPO (Widarjo et.al., 2017). The following are the data on IPO developments in Indonesia over the last 4 years, namely from 2016-2019:

Table 1: Companies Underpricing Year 2016-2019 on the First Day of Trading on the Secondary Market

Years	Number of companies that IPO	Overpricing	Remain	Underpricing	Percentage underpricing
2016	15	1	0	14	93,33
2017	37	4	0	33	89,19
2018	57	3	1	53	92,98
2019	55	3	1	51	92,73
Amount	164	11	2	151	92,06

Source: IDX factbook, 2020

Table 1. Explains that, of the 164 companies whose IPOs were from 2016–2019, 151 companies were underpricing or nearly 92.06 percent of the total company that conducted IPOs. According to Bini et.al., (2011) asymmetry of information occurring between issuers, underwriters and between investors can be minimized by the issuance of the prospectus by the company. Previous research on factors that affect underpricing has been widely done, but resulted in inconsistencies. Financial information commonly studied is profitability with proxy Return on Assets (ROA) and Return on Equity (ROE), debt to equity ratio (DER) and proceeds. This research uses profitability that is a proxy with Basic Earning Power (BEP), because the latest research on BEP at the underpricing level was only conducted by Sumani and Laurentia (2017) who obtained the results that BEP negatively affects underpricing. While general research using ROA and ROE proxy of profitability as done by Putra and Damayanthi (2013) and Santoso (2019), which obtained the results that profitability has no effect on the level of underpricing of shares. Research on DER has been conducted by Saputra and Suaryana (2016) obtained results that DER has a positive effect on underpricing levels. While the research conducted by Putra and Damayanthi (2013), Partama and Gayatri (2019); Rani and Kaushik (2015); Banerjee (2015); and Yuliani et.al., (2019) found that DER has no effect on the level of underpricing.

Research on proceeds has been conducted by Ariska and Sumiati (2015) and Haska et.al., (2016) who obtained results that proceeds negatively affects underpricing. Research on the quality of underwriters has been conducted by Wiguna and Yadnyana (2015); Kartika and Putra (2017); and Thoriq et.al., (2018) obtained results that the quality of underwriters has no effect on the level of underpricing. While the research conducted by Yanti and Yasa (2016); and Yuliani et al., (2019) obtained the results that the quality of underwriters negatively affects the level of underpricing. This research uses the quality of underwriters as moderation variables to see the influence of underwriters as parties who bridge the interests between issuers and investors in influencing the level of underpricing. In addition, the use of underwriter quality as moderation variables is still not widely researched, the latest research conducted by Haska et al. (2016) which obtained the results of quality underwriters is only able to strengthen the influence of investment risk and proceeds on underpricing. Based on the description, the formulation of the problem of this research is how financial information affects the level of stock underpricing during the IPO and whether the quality of underwriters can moderate the influence of research variables at the level of stock underpricing during the IPO.

Initial Public Offering (IPO) according to Law No.8 year (1995) on capital markets, initial public offering (IPO) or initial public offering (IPO) is a securities offering activity conducted by the issuer in order to sell securities to the public based on the procedures stipulated in the laws and regulations of its implementation. By listing the shares on the exchange, they begin to be able to be traded on the stock exchange along with other securities. The public offering will change the status of the company that was originally closed for a public company. Underpricing is an interesting phenomenon because this phenomenon is commonly experienced by most capital markets in the world and is often found in the prime market (Ritter, 1991). The phenomenon of underpricing when an IPO can occur due to mispriced in the primary market as a result of an imbalance of information between the underwriter and the issuer, usually referred to asymmetry of information (Bakar and Uzaki, 2013). Underpricing when an IPO has a positive relationship with pre-IPO sales growth as well as EBIT, but is not related significantly to revenue growth (Zheng and Stangeland, 2007).

Basic Earning Power (BEP) measures a company's ability to generate earnings before interest and tax (EBIT) using total assets owned by the company (Sudana, 2009:27). In other words, the BEP can be an indication of how a company's assets are used to generate net profit before tax and interest and reflect the effectiveness and efficient management of investments made by the company. Debt to Equity Ratio (DER) is part of every rupiah of capital itself that is used as collateral for the entire debt. Proceeds is a variable used to assess the size of the company's share offering, which is the inflow of cash from the company (Haska et al., 2016). The size of this share offering is measured by the value of the share offering at the time of the IPO. According to Kooli and Suret (2002) the offer value is one indicator of uncertainty faced by potential investors. The smaller the value of the share offering tends to be more speculative compared to the large share offering value. According to Capital Market Law No. 8 of (1995) underwriters are parties who contract with issuers to make public offerings for the benefit of issuers with or without obligation to purchase the remaining unsold securities. Yanti and Yasa (2016), underwriters are considered to have information about potential demand and market conditions.

According to the signal theory, the higher the profitability ratio of the company will give a positive signal to prospective investors because it shows the high ability of the company in generating profit. According to Sudana (2009) the higher the value of the Basic Earnings Power (BEP) means the more effective and efficient the management of all assets owned by the company to generate profit before interest and tax. If BEP increases, then the company's profit will increase, which has an impact on good prospects (Rachdian and Achadiyah, 2019). Chen et.al. (2015), Sumani and Laurentia (2017), Saputra and Suaryana (2016), and Pradnyadevi and Suardikha (2020) found that profitability ratio negatively affects underpricing levels. Thus, the hypothesis is proposed as follows.

H1: Basic Earning Power (BEP) negatively effects on the level of stock underpricing during IPO.

According to Kriswanto (2016) high DER indicates a high financial risk or the risk of failure faced by the company to pay off the debt will be higher, and vice versa. DER is high, the risk of the company will be high as well and can lead to a decrease in the share price that impacts the initial return of investors, so investors in making investment decisions tend to avoid high DER because the higher the DER the higher the underpricing. Zhou and Lao (2012), Saputra and Suaryana, (2016), Kriswanto (2016), Permadi and Yasa (2017), and Thoriq et al., (2018) found that DER has a positive effect on underpricing levels. Thus, the hypothesis is proposed as follows.

H2: Debt to Equity Ratio (DER) has a positive effect on the level of stock underpricing during the IPO.

According to the theory of signaling the value of stock offerings offered to the public provides information to investors the extent of the company's financial needs Ariska and Sumiati (2015). The higher proceeds, the lower the uncertainty, which means the higher the share price is close to its fair price. Thus the amount of proceeds will have an impact on the decrease in the level of underpricing. Lin and Tian (2012), Ariska and Sumiati (2015), Haska et al., (2016), and Nuryasinta and Haryanto (2017), found proceeds negatively affects underpricing. The hypothesis is proposed as follows.

H3: Proceeds negatively effects on the level of stock underpricing during the IPO.

Basic earning power information can describe the company's performance in generating profit. According to signal theory, in providing a positive signal to potential investors about the company's prospects and performance can use high-quality underwriters in the hope of reducing the uncertainty of information owned by the company. Underwriters with high quality have certain considerations and have more experience in their role as underwriters to reduce the level of uncertainty from the implementation of an IPO of a company (Haska et al., 2016). Thus, the hypothesis is proposed as follows.

H4: The quality of underwriters strengthens the negative influence of basic earning power (BEP) on the level of stock underpricing during the IPO.

The higher the level of debt to equity ratio owned by the company will indicate the risks and uncertainties faced by the company will be higher. According to signal theory, the company will use high-quality underwriters by giving positive signals to potential investors about the company's performance, as well as reducing the risks and uncertainties of the company in its debt use. Therefore, that would reduce the underpricing. Thus, the hypothesis is proposed as follows.

H5: The quality of underwriters weakens the positive influence of debt to equity ratio (DER) on the level of stock underpricing during the IPO.

Companies with high proceeds will lower the underpricing rate. According to signal theory, the company will give a positive signal to prospective investors by using high quality underwriters in the hope to ensure that the company is indeed with good prospects and increase the credibility of the company (Haska et al., 2016). The hypothesis as follows.

H6: The quality of underwriters reinforces the negative influence of proceeds on the stock underpricing during the IPO.

II. RESEARCH METHODS

The approach used in this research is a quantitative approach in the form of associative. The study used secondary data, where the data were obtained through websites such as www.idx.co.id, www.e-bursa.com, www.idnfinancials.com and IDX fact books. The method to data collection is to use the library study method or data documentation, study secondary data source. The object of research is all non-financial companies that are underpricing. This study took the population of all non-financial companies that conducted IPOs on the Indonesia Stock Exchange during the period 2016-2019. Sampling method is done by non-probability sampling method with purposive sampling technique. The criteria for selecting samples in this study are non-financial companies that conduct IPOs, which are underpricing and have complete data in 2016-2019. So obtained a sample of research as many as 141 non-financial companies.

Dependent variable that is underpricing. Underpricing is a situation where the offer price in the primary market is significantly lower than the share price at the close of the first day in the secondary market. According to Hartono (2016:38) the underpricing formula can be calculated using the following formula:

$$IR = \frac{\text{Secondary market first price} - \text{IPO price}}{\text{IPO price}} \times 100\% \dots\dots\dots (1)$$

Independent variables used in this study are basic earning power, debt to equity ratio and proceeds. Basic earning power is the company's ability to generate profit before interest and tax (EBIT) using total assets owned by the company (Sudana, 2009). The BEP formula can be calculated using the following formula:

$$BEP = \frac{EBIT}{\text{Total Assets}} \dots\dots\dots (2)$$

Debt to equity ratio is the ability of the company to fulfill all obligations owned indicated by some part of its own capital used for the debt guarantee (Kasmir, 2014:124). DER formulas can be calculated using the following formulas:

$$DER = \frac{\text{Total liabilities}}{\text{Total equity}} \times 100\% \dots\dots\dots (3)$$

Proceeds is a variable used to assess the size of the company's share offering, which is the cash inflow received by the company (Haska et al., 2016). Proceeds can be measured using a natural logarithm (Ln) of the company's share offering at the time of the IPO. Proceeds formulas can be calculated using the following formula:

$$\text{LnProceed} = \text{Offer price} \times \text{number of shares offered} \dots\dots\dots (4)$$

The moderation variable used in this study was the quality of the underwriter. The quality of underwriters is measured using the underwriters included in the 50 most active IDX members in total trading value in 2016-2019 with a value of 0 to 9 issued by IDX through the annual IDX fact book (Haska et al., 2016).

Data analysis techniques used, namely descriptive and moderated regression analysis by first testing the classic assumption test (normality test, multicollinearity, heteroscedasticity and autocorrelation, and continued with goodness of fit model, the coefficient of determination and hypothesis test. This analysis is assisted by using IBM SPSS, it will be determined the form of the regression equation model as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 (X_1 Z) + \beta_5 (X_2 Z) + \beta_6 (X_3 Z) + \varepsilon \dots\dots\dots (5)$$

Description:

- Y : Underpricing rate
- α : Constants
- β_{1-6} : Regression coefficient
- X_1 : Basic Earning Power
- X_2 : Debt to Equity Ratio
- X_3 : Proceeds
- Z : Quality underwriter
- $X_1 Z$: Interaction between basic earning power and underwriter quality
- $X_2 Z$: Interaction between debt to equity ratio and underwriter quality
- $X_3 Z$: Interaction between proceeds and underwriter quality
- ε : Residual error (error)

III. RESULT AND DISCUSSION

Based on sample selection criteria, from a population of 152 non-financial companies, there are 9 non-financial companies that are overpricing and 1 non-financial company that is not underpricing and overpricing (IR=0). Then there is 1 non-financial company that does not have complete data to use in research. The number of research samples that can be taken amounts to 141 non-financial companies.

Table 2: Descriptive Statistical Analysis Results

	N	Min.	Max.	Mean.	Std. Deviation
Y	141	0,008	0,700	0,494	0,223
X1	141	-0,312	0,650	0,049	0,096
X2	141	0,031	56,405	2,607	6,553
X3	141	23,508	29,273	25,548	1,151
Z	141	0	9	4,35	3,007

Source: Research Data, 2020

Based on descriptive statistics in Table 2. Underpricing variables show the average underpricing rate of 0.492 tends to be close to the maximum value, which means that the average company sampled for research has a high level of underpricing. Basic earning power shows an average value of 0.049 tends to be close to the minimum value, which means that the average company has a low BEP level. The debt to equity ratio shows an average DER value of 2,607. The average DER value of more than 1.00 is categorized as high, which means that the average company has a high DER level. Proceeds shows an average value of 25,548 tends to be between the maximum and minimum value, which means that the average company has a medium proceeds rate. The average underwriter quality of 4.35 tends to be between the maximum and minimum value, which means that the average company using underwriters with medium quality.

After descriptive statistical test, classical assumption test is performed to test whether or not the deviation of classical assumptions in the regression equation obtained. The normality test aims to test whether in regression models are made normally distributed or not (Ghozali, 2016:154). The Normality Test indicates that the value of Asymp. Sig, (2-Tailed) $0.203 > 0.05$, it can be concluded that the distributed data is normal. The multicollinearity test aims to test whether in the regression period there is a correlation between independent variables. If the regression model, there is no correlation between independent variables, then the regression model is good. Multicollinearity test shows that all variables obtain tolerance value > 0.1 and $VIF < 10$, so there are no symptoms of multicollinearity in the regression model. The heteroscedasticity test in this study used the Glejser Test. Based on the test results it is known that all variables obtain a value of Sig. more than 0.05, it can be concluded that this study did not occur symptoms of heteroscedasticity. The autocorrelation test shows that the results of data analysis known DW value of 1,853 with a dw value comparison table of

dl = 1,667 and du = 1,783 to 4-du = 4-1,783 = 2,216. Based on the results, it can be known that dw value is between the value of du and 4-du, and then in the regression model there are no symptoms of autocorrelation.

Table 3: Moderated Regression Analysis (MRA) Test Results

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
1 (Constant)	2,393	0,365			6,562	0,000
X1	-0,096	0,246	-0,041		-0,388	0,699
X2	-0,002	0,005	-0,068		-0,440	0,661
X3	-0,070	0,015	-0,362		-4,813	0,000
X1. Z	-0,083	0,041	-0,222		-1,998	0,048
X2. Z	0,001	0,001	0,073		0,465	0,643
X3. Z	-0,001	0,000	-0,263		-2,944	0,004
Adjusted R ²	=	0,387				
F _{count}	=	15,750				
Sig. F	=	0,000				

Source: Research Data, 2020

Based on Table 3. Goodness of fit model (F test) shows a significance value of 0.000. The significance value of $0.000 < 0.05$, then, shows that this research is worth using as an analysis tool used to test the influence of independent variables on the dependent variables. Based on Table 3. Coefficient of determination (R²) indicates that adjusted R² of 0.387, which means that 38.7 percent of independent variables are basic earning power, debt to equity ratio, proceeds, and underwriter quality as moderation variables can explain the variation of dependent variables is underpricing rate. While the remaining 61.3 percent was explained by, other factors beyond the research variables.

Table 3. Indicates that the result of the test obtained a statistical value of t of -0.388 and a significance value of 0.699 > of 0.05. This suggests a hypothesis that reads basic earning power negatively affects rejected underpricing. Based on table 2. The average BEP of 0.049 is closer to the minimum value of -0.312 so that most of the companies used in this study have low levels of basic earning power. The low value of BEP will decrease investor's interest in investing, because it is assumed that the company is not able to make a profit from its operational activities to the maximum, resulting in uncertainty in the future. In addition, investors tend to use more profitability ratios such as ROA and ROE than BEP to analyze the company's return during an IPO. The BEP is more widely used to assess stock returns after trading on the secondary market. This can be proven by not much research that uses the BEP as a variable that affects underpricing. Therefore, the BEP value generated in this study was unable to influence the level of stock underpricing during the IPO. This research supports previous research such as Wijayanto (2010), Putra and Damayanthi (2013), Rust (2015), and Santoso (2019) which found that ROA proxy profitability negatively influenced the underpricing during the IPO.

Table 3. Showed that the test results obtained a statistical value of -0.440 t and a significance value of 0.661 > 0.05. This suggests that hypotheses that read debt to equity ratio have a positive effect on underpricing are rejected. Based on table 2. Average DER of 2,607 is closer to the minimum value of 0.031. A good DER value is a debt ratio of no more than equity or DER < 1.00. Although closer to the minimum value, the value of 2,607 is greater than 1.00 so it is considered high. Based on, that means the average sample in the study had a high DER so the company was more funded by debt. The increase in DER value indicates the higher the risk and uncertainty of the company. Investors tend to avoid companies with high DER values that will cause investment risk. This reason is supported by Su (2004) who explained that the large DER also has a big threat of bankruptcy as well, so that the company imposes strict budgetary constraints on managers, limits management control over the company's cash flow, and increases the risk of undiversified share ownership of the company. Therefore, the DER value generated in this study was unable to influence the level of stock underpricing during the IPO. This research supports previous research such as Putra and Damayanthi (2013), Banerjee (2015), Rani and Kaushik (2015), Santoso (2019), Partama and Gayatri (2019), and Pradnyadevi and Suardikha (2020) which found that debt to equity ratio had no effect on stock underpricing during the IPO.

Table 3. Showed that the results of the test obtained a statistical value of t of -4,813 and a significance value of 0.000 < 0.05. This suggests that the hypothesis that reads proceeds negatively affects acceptable underpricing. Based on the implications of signal theory in this research, proceeds can give a positive signal for the company in providing

information about the value of the share offer offered to the public. According to Ariska and Sumiati (2015), proceeds can indicate the extent of the company's financial needs. This is in accordance with the research of Carter and Manaster (1990), Lin and Tian (2012), Nuryasinta and Haryanto (2017), Haska et al., (2016), and Aningtya and Jubaedah (2015) which found that proceeds negatively influenced the level of stock underpricing during the IPO.

Table 3. Indicates that the results of the test obtained a statistical value of -1,998 and a significance value of $0.048 < 0.05$. This suggests a hypothesis that the quality of underwriters reinforces the negative influence of basic earning power (BEP) on acceptable underpricing levels. According to Haska et al., (2016) Qualified underwriters will be more professional in their duties as intermediaries. Statistical test results showed a negative relationship between basic earning powers moderated underwriter quality to stock underpricing during IPO. This negative relationship can occur because when the IPO Company has a low BEP, at the same time the company also has a high-risk practice of shares. To compensate for this risk the underwriter will lower the share price below the fair value of the real stock, so that prospective investors are interested in buying the shares because it will get a high initial return. This is in accordance with research by Haska et al., (2016) which found that the quality of underwriters succeeded in moderating the negative influence of basic earning power on stock underpricing levels.

Table 3. Showed that the results of the test obtained a statistical value of $t 0.465$ and a significance value of $0.643 > 0.05$. This suggests the hypothesis that the quality of underwriters weakens the positive influence of debt to equity ratio (DER) at the level of underpricing is rejected. This can happen because the average company that conducted an IPO in 2016 - 2019 mostly has a relatively high DER rate. Although using quality underwriters can increase the credibility of the company, but because investors tend to assume that DER only correlates to corporate debt that causes uncertainty in the future, so investors tend to avoid companies with high DER. Therefore, the company does not seek to use underwriter's higher quality to attract interest from investors. Kartika and Putra (2017) in their research stated that the lack of quality of underwriters could be caused by the tendency of prospective investors to judge that all underwriters have the same competence. Therefore, the quality of underwriters is not able to moderate the influence of DER on the level of stock underpricing during the IPO.

Table 3. Showed that the results of the test obtained a statistical value of -2,944 and a significance value of $0.004 < 0.05$. This suggests a hypothesis that the quality of underwriters amplifies the negative influence of proceeds on acceptable underpricing levels. This negative relationship can occur because when the company that conducts the IPO has a high proceeds, then at the same time the company also has a high risk of one practice of shares. To compensate for this risk the underwriter will lower the share price below the fair value of the real stock (shares sold cheaper), so that prospective investors are interested in buying the shares because it will get a high initial return. The high quality of underwriters will add to the company's credibility and signal that the use of IPO funds will be in accordance with the purpose of using funds in the prospectus as well as reducing the level of stock underpricing and protecting the company from the competition. This is in accordance with research by Haska et al., (2016) which found that the quality of underwriters succeeded in moderating the negative influence of proceeds on stock underpricing levels.

IV. CONCLUSION

Based on the results of research and discussions that have been described, it can be concluded that underpricing is a common phenomenon inherent when IPO companies in capital markets around the world. The interests of some parties can be the reason underpricing is still common. In this study partial basic earning power and debt to equity ratio has no effect on the level of underpricing. Only proceeds variables negatively affect the level of underpricing during an IPO. The quality of underwriters is able to moderate the negative influence of basic earning power and proceeds to the level of underpricing. While the quality of underwriters is not able to moderate the influence of debt to equity ratio of the level of underpricing. So with the asymmetry of financial information between investors can be the reason for the underpricing during the IPO. This study uses BEP in influencing underpricing. Parts BEP has no effect on underpricing, but when using underwriter, the BEP can negatively affect underpricing. This indicates that the use of quality underwriters can increase the credibility of the company so that the level of underpricing can be suppressed.

For companies can pay attention to how the information presented in the company's prospectus, especially financial information such as basic earning power and proceeds in order to provide accurate and relevant information about the company's condition. For investors can pay attention, analyze well the company's financial information, especially basic earning power, proceeds, and pay attention to the quality of underwriters used by the company to determine the right investment decisions. Underwriters can pay attention to how the information presented in the company's prospectus can

provide accurate and relevant information about the company's condition. As for further research, because the results of this study still found independent variables have no effect, it is recommended to add other independent variables are suspected to have a significant influence on the level of stock underpricing, as well as external factors of companies, increase the research period using a longer research period. Can provide a research update using different methods from previous researches. So that the results are better and significant as the basis for good decision-making.

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