



Financial and Non-Financial Information Influencing Initial Return of IPOs on the Indonesia Stock Exchange

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Abstract

This study aims to determine the effect of financial factors (Return on Assets, Current ratio, Debt to Equity Ratio) and non-financial factors (company age and percentage of stock offer) listed in the company's prospectus against the level of Initial Return of shares. This type of research is quantitative research, the population in this study is a company that experienced a positive initial return on the first day on the secondary market that conducted an Initial Public Offering (IPO) on the Indonesia Stock Exchange in 2013-2018 with a total of 150 issuers, while the sample amounted to 122 issuers using the sampling technique that is purposive sampling method. The analytical method used is multiple linear analysis methods using eviews9. The results of the study indicate that the independent variables namely ROA, CR, DER, AGE, and PPS affect the dependent variable initial return. Only the variable ROA and company age that affects the level of initial stock return. ROA has a significant negative effect on initial return, Company Age has a significant negative effect on initial return. While CR, DER, and Percentage of stock offerings do not affect the stock initial return. For further research, it is better to add other variables, namely market ratios and company size that have not been used in this study.

INTRODUCTION

The company aims to achieve or obtain the maximum profit, develop the company and also supports the survival of the company (going concern). Efforts to achieve these goals (especially in the development of companies), companies need additional capital (Ratnasari & Hudiwinarsih, 2013). However, the problem that is often faced by almost all companies is getting a source of capital and attracting new investors (Ariyani & Wijayanto, 2018). Companies usually use debt as an alternative to operational funding, with 45.1% of companies prefer debt to other funding sources (Yulianto et al., 2015).

According to Ratnasari and Hudiwinarsih (2013) There are several alternatives that companies

can do to get the capital, among others by using their own capital, issuing debt (bonds), debt to the bank, or through increasing the number of shares ownership by issuing new shares. One of the efforts that can be done is by obtaining funding from outside the company that is selling the company's shares to the public in the capital market which is often known as going public (Saputra & Suaryana, 2016). Companies that need funds can sell their securities on the capital market. The capital market is a means that functions to allocate productive funds from lenders to borrowers (Hermawan, 2012).

The step to go public is to carry out Initial Public Offering (IPO) activities. IPO is a term in which a company makes an initial public offering of shares in the primary market (Permadi & Yasa, 2017).

Each company is competing to increase innovation and productivity in order to appear on the market, to grow and maintain their life and certainly requires a lot of capital (Lusiana & Sudarma, 2018). The IPO is carried out with the aim that the company gets a sum of funds equal to the offered shares, then traded on the secondary market aimed at carrying out trading of shares that are already in the hands of investors so that investors who want to sell or buy several shares can be realized (Handayani & Shaferi, 2011).

The initial public offering (IPO) is an important financing tool for companies throughout the world. In the Indonesian market, the IPO market has grown especially since 1989 (Hanafi, 2016).

The price of shares in the primary market at the time of the IPO was determined based on an agreement by the issuer and underwriter. The shares will be traded in the secondary market after the company conducts an Initial Public Offering (IPO) process. In the secondary market, share prices are formed through market mechanisms that are by the level of demand and supply between shareholders and potential investors (Raharja, 2014).

The two price determination mechanisms often occur in the same price difference between shares in the primary market and in the secondary market. The phenomenon that often occurs when companies make an IPO is a positive initial return or underpricing. Positive initial return is caused by the closing price of the first day of the secondary market is higher than the initial stock price (Abdulrahman & Wuryani, 2017). Conversely, if the current IPO price is significantly higher than the price that occurs on the secondary market on the first day, this phenomenon is called overpricing (Yasa, 2008). If the price in the secondary market is equal to the price in the primary market, it is called truepricing (Nilmawati, 2007).

Indonesia is one of the countries where IPO companies experience quite high underpricing every year (Ayuwardani, 2018). Stock price movements experience underpricing when traded on the secondary market becomes a problem that often occurs in companies that have gone public (Lestari & Sulasmiyati, 2017). Underpricing conditions are detrimental to companies that go public because the funds obtained from the public are not maximum. Conversely, if it is overpriced, then the investor will lose money because they do not receive an initial return. Initial return is the profit gained by shareholders because of the difference in the price of shares bought in the primary market with the selling price of shares (Retnowati, 2013).

The underpricing phenomenon that occurs in various capital markets is caused by asymmetric information. This asymmetric information can occur between issuers and underwriters, as well as between investors (Nuroh & Suhermin, 2013).

When investors are faced with investment decision making, the risk is the dominant factor that must be considered because the size of the risk contained in an investment alternative will affect the investment income (Witiastuti, 2012). This information asymmetry can be minimized by issuing a prospectus containing financial summaries and other information used to analyze the condition of the company that is conducting an initial public offering (Ayuwardani, 2018). So that investors can decide on rational considerations to invest.

The efficient market hypothesis is still an interesting consideration in the financial sector, there are still pros and cons among approving and academics in finance about the efficient market hypothesis. An efficient market is a market where the prices of all securities extended have reflected all available information, both past information (such as last year's corporate profits), current information (for example, plans to increase dividends this year) Related to markets that can affect changes in prices such as As many investors in the market consider stock prices to rise, this information will encourage changes in rising stock prices (Cahyaningdyah & Witiastuti, 2010).

The initial intrinsic value of a security can be determined using an analysis that utilizes information on the company's past situation and the prospects for the performance of the company as contained in the initial prospectus (Wijayanto, 2010). The initial stock market price should reflect all available information. This information is usually made and disseminated before the initial public offering in the form of a company prospectus (Kusuma, 2001). Information disclosed in the prospectus will help investors make rational decisions about the risks and the true value of the shares offered by the issuer (Kim et al., 1995). If there is no information asymmetry between the issuer and the investor, then the share offering price will be the same as the market price so there is no underpricing (Cook & Office, 1996). Therefore the phenomenon of underpricing should not occur because the initial stock market price should reflect all available information. So, no initial return will occur.

This study tries to replicate from previous research by guessing that the factors that influence initial return or underpricing after IPO are DER, ROA, underwriter reputation, auditor

reputation, age of the company and concentration of ownership. Several things distinguish this study from previous research, this research uses the observation period in 2013-2018, adding the current ratio variable in accordance with the advice of the previous researchers and eliminating the underwriter reputation and auditor reputation. According to Kusuma (2001) ranking the reputation of auditors and underwriters is based on ranking conducted in previous studies and is subjective in nature which results in differences in measurement tools that are not consistent. Wahyusari (2013) explains that the inconsistency of measuring instruments can result in inconsistent results.

The purpose of this research is to determine whether or not there is an influence of financial and non-financial variables on the Initial Return of shares. The researcher uses the financial profitability ratio factor (Return on Assets), liquidity ratio (Current Ratio), leverage ratio (Debt to Equity Ratio) and uses non-financial factors namely company age (AGE) and percentage of the stock offer (PPS).

Hypothesis Development

Influence of Return on Assets (ROA) on Initial Return

Lismawati and Munawaroh (2015) revealed the company's profitability is the ability of the company to generate profits, the higher the level of profitability of the company is expected that the company's survival will be more guaranteed, it is a positive signal that can be used by potential investors to make decisions. ROA is one of the profitability ratios, which is a ratio that shows how effectively the company operates to produce profits for the company (Prastica 2012).

High ROA will create positive sentiment for investors, so it is hoped that the IPO will be successful. The company's profitability provides information to investors regarding the effectiveness of the company's operations (Tambunan, 2007). High profitability will reduce the uncertainty of the company in the future and at the same time reduce the uncertainty of the IPO so that it will reduce underpricing (Kim et al., 1993). It will reduce the initial return. Research conducted Saputra and Suaryana (2016), Lestari and Sulasmiyati (2017) shows that the ROA variable has a significant negative effect on underpricing. Thus it is assumed that the greater the value of ROA the smaller the level of underpricing of shares.

H1: ROA has a negative effect on the Initial Return of shares

The Influence of Current Ratio (CR) on Initial Return

Current Ratio is a measure of a company's liquidity (Susilowati, 2010). Razafindrambinina and Kwan (2013) declare that the current ratio is a company's ability to pay off its short-term debt. The higher the Current Ratio of a company means the smaller the risk of company failure in meeting its short-term obligations (Linazah & Setyowati, 2015).

The high liquidity value of a company will reduce uncertainty for investors so that it will reduce the level of underpricing, consequently, the returns to investors will also be smaller (Febriani, 2013). Research conducted by Linazah and Setyowati (2015) and Maulidya and Lautania (2016) shows that the current ratio has a negative and significant effect on underpricing. Then it is suspected that the greater the value of Current Ratio, the smaller the Initial Return of the stock. H2: CR has a negative effect on the Initial Return of shares.

The Influence of Debt to Equity Ratio (DER) on Initial Return

Debt is one of the important components in a company, especially as a means of funding. Leverage is a ratio that measures how far the company is spent on debt (Syafira & Kamal, 2016). Theoretically, financial leverage indicates the risk of a company so that it has an impact on the uncertainty of a stock price (Kim et al., 1993).

High DER indicates a financial risk or the risk of company failure to repay loans will be higher, and vice versa. Investors in making investment decisions will weigh the company's DER value. Therefore the level of uncertainty will be higher and cause the value of the initial return will also be higher (Erlina & Widyarti, 2013). Research conducted by Rodoni et al. (2018) and Thoriq et al. (2018) shows that Debt to Equity Ratio has a positive effect on underpricing. Then it is suspected that the greater the value of DER the greater the level of Initial Return of shares.

H3: DER has a negative effect on the Initial Return of shares.

Influence of Company Age (AGE) on the Initial Return.

The company age is one of the things that investors consider in investing (Chishty et al., 1996). Companies that operate longer have greater ability to provide company information that is more extensive and broader than what has just been established (Aini, 2013). This information is useful for investors in reducing the level of

company uncertainty. Thus, potential investors do not need to pay more to obtain information from the company conducting the IPO. So a company that has been established for a long time has a lower underpricing level than a new company (Indriantoro, 1998), then it will reduce the initial stock return.

Research conducted by Pahlevi (2014), Manurung and Nuzula (2019) shows the results that company age has a significant negative effect on the level of underpricing. So it is suspected that the age of the company has a negative effect on underpricing

H4: The company age has a negative effect on the Initial Return.

Influence of Percentage of Stock Offer on Initial Return.

Investors who will invest will consider the level of risk and uncertainty that will be accepted, so the percentage of share offerings is important to consider because PPS is related to this (Dita, 2013). Companies with large business scale and high growth rates are expected to provide high-profit levels, so they will offer shares with a large value. And vice versa, small companies that are newly established with relatively smaller business growth rates, will then offer shares of small value (Widihartanto & Prasetyo, 2018).

The greater the percentage of share offerings held by the company, the greater the level of underpricing that occurs. This will make uncertainty in the future also increase, thus the greater the percentage of the stock offering, the level of uncertainty will be smaller, which in turn will reduce the level of underpricing of shares (Chishity et al., 1996). Research conducted by Ariyani and Wijayanto (2018) and Islam, Ali, and Ahmad (2010) shows the results that the percentage of the stock offer has a significant negative effect on Initial Return. It is therefore assumed that the greater the percentage of the stock offering, the smaller the Initial Return.

H5: Percentage of stock offers has a negative effect on the Initial Return.

Choosing is not an easy job in making investment decisions, especially when in a situation of high uncertainty (Pardosi & Wijayanto, 2015). It can be seen that there are events that are not in accordance with market efficiency when the company carries out an Initial Public Offering (IPO), namely an anomaly in increasing share prices after IPO shares are traded on the capital market called underpricing. Based on the description above, the research model is obtained as follows :

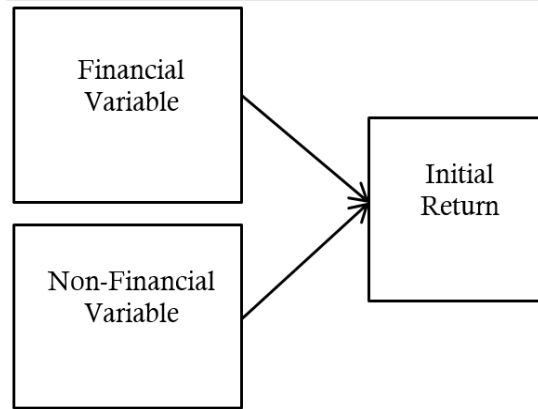


Figure 1. Research Model

METHOD

This type of research is a quantitative approach. This study was designed to examine the effect of financial and non-financial information on the Initial Return of non-financial companies conducting IPOs on the 2013-2018 Indonesia Stock Exchange. The type of data used in this study is secondary data, namely financial ratio data (Return On Assets, Current Ratio, Debt to Equity Ratio) and non-finance (Company Age, and Percentage of Stock Offer) contained in the prospectus of companies that have been audited in the period The 2013-2018 IPO obtained from the Indonesia Stock Exchange and the initial offering price and closing price on the first day of the secondary market

The population in this study are companies that conduct initial public offerings (IPOs) that have been listed on the Indonesia Stock Exchange in the 2013-2018 period, which have experienced underpricing and issuance of prospects that have been audited by accountants continuously outside the companies from the financial sector.

The sampling technique in this study used purposive sampling, where the sample was chosen because it met the criteria needed in the study (Martono et al., 2018). The number of research samples are 122 companies, with 122 units of observation data. The source of data in this study is secondary data that is data sourced through intermediary media or obtained indirectly. The intermediary media to obtain data in this study is through the website www.idx.co.id and the TIC-MI website for the company's prospectus, while for the closing price data the first day of the company's sample is obtained through the website www.finance.yahoo.com. The period in this study was carried out for 6 years starting from 2013-2018. then the data that has been obtained

is processed and analyzed by researchers. Statistical calculations are performed using Microsoft Excel and the Eviews 9 program.

The data selection method used in this study is the documentation method. According to Munawir (2007) the way documentation is usually carried out is to collect secondary data from various sources, both personally or institutionally. The secondary data collection was carried out by searching and listing on the Indonesia Stock Exchange, especially companies conducting IPO 2013-2018.

The data analysis method is a method used in processing research data so that research results can be known and then interpreted the results. This research uses Eviews-9 software in the data processing. Data analysis methods used in this research are descriptive analysis, model determination, classic assumption test, Goodness of Fit testing, multiple regression analysis, and hypothesis testing (Ghozali, 2013). The equations of the multiple linear regression model in this study are as follows:

$$IR = a + \beta_1ROA + \beta_2EPS + \beta_3CR + \beta_4DER + \beta_5AGE + \beta_5PPS + e$$

Notice:

IR	= Initial return
a	= Constanta
$\beta_1 - \beta_5$	= Regression coefficient of each independent variable
ROA	= Return On Assets
EPS	= Earning Per Share
CR	= Current Ratio
DER	= Debt to Equity Ratio
AGE	= Company Age
PPS	= Percentage of Stock Offer
e	= Error term

The independent variables in this study are financial variables (ROA, CR, and DER) and non-financial variables (company age and percentage of stock offering). While the dependent variable used is the initial return.

ROA is one of the profitability ratios, which is a ratio that shows how effectively the company operates to produce profits for the company (Prastica 2012). According to Muhandi (2013) ROA reflects how much return is generated for each rupiah of money invested in the form of assets. According to Murhadi (2015) the value of ROA can be measured by the formula:

$$ROA = (\text{Net Income}) / (\text{Total Assets})$$

According to Susilowati (2010) Current Ratio is a measure of a company's liquidity. (Razafindrambinina & Kwan, 2013) states that the current ratio is a company's ability to pay off its short-term debt. The higher the Current Ratio of a company means the smaller the risk of a company's failure to meet its short-term obligations (Pahlevi, 2014). The formula for calculating the current ratio is as follows (Murhadi, 2015) :

$$CR = (\text{Current Asset}) / (\text{Current Liability})$$

Leverage is a ratio that measures how far the company is spent on debt (Syafira & Kamal, 2016). DER (Debt to Equity Ratio) DER (Debt to Equity Ratio) is used by investors to see how much the company's debt is compared to the equity owned by the company or its shareholders (Sari & Isywardhana, 2015). Hermuningsih (2014) revealed that the Debt to Equity Ratio reflects the company's ability to fulfill all its obligations as indicated by several parts of its capital used to pay debts. According to Murhadi (2015) the ratio of Debt to Equity Ratio is calculated using the following formula:

$$DER = (\text{Total Debt}) / (\text{Total Equity})$$

The company age shows how long the company has been running the business so that it affects the level of experience it has in dealing with competition (Sari & Isywardhana, 2015). The length of a company's age also shows how much experience the company has to survive in running its business and facing obstacles (Manurung & Nuzula, 2019). The information is useful for investors in reducing the level of uncertainty of the company. This variable is measured by the length of time the company has been operating since it was founded based on the establishment certificate until the time the company made an initial public offering (IPO). The age of this company is calculated on an annual scale (Retnowati, 2013).

The percentage of the stock offer can be used as a proxy for the stock return uncertainty factor that will be received by investors. The large percentage of shares offered by the company is considered to have an influence on the uncertainty of the company in the future and will ultimately affect the level of underpricing of shares (Putro & Priantinah, 2017). The percentage of shares offered is measured using the percentage of shares offered to the public or public shareholders (Handayani & Shaferi, 2011).

The dependent variable used is the initial returns. Initial return is a reflection of the level of underpricing that occurs. The initial return itself is the difference between the IPO price and the bid price in the primary market (Ariyani & Wijayanto, 2018).

$$IR = ((Pt1 - Pt0) / Pt0) \times 100\%$$

Notice:

IR = Initial return

Pt0 = price at the time of the IPO

Pt1 = the stock price at closing on the first day of the secondary market

Indonesia Vehicle Terminal Tbk., While the lowest value of ROA of -0.390 is owned by PT Satria Antaran Prima Tbk. Current Ratio has the highest value of 20.138 owned by PT LCK Global Kedaton Tbk, while the lowest Current Ratio value of 0.010 is owned by PT Graha Andrasentra Propertindo Tbk. The highest DER value was 78.423 owned by PT Satria Antaran Prima Tbk, while the lowest DER value was -30,685 owned by PT Kioson Commercial Indonesia Tbk.

The highest value at the age of the company (AGE) of 64,000 is owned by PT Phapros Tbk, while the lowest value of the age of the company is 2,000 owned by PT PP Properti Tbk. The highest value on the percentage of shares offering (PPS) of 0.520 is owned by PT Satria Antaran Prima Tbk, while the lowest value of the percentage of shares offering is 0.010 owned by PT MAP Boga Adiperkasa Tbk.

RESULTS AND DISCUSSION

Descriptive Statistics

The following are the results of the descriptive statistical calculation output using Eviews9 in table 1 for companies that had an IPO on the 2013-2018

Table 1. Descriptive Statistics Analysis

	IR	ROA	CR	DER	AGE	PPS
Mean	0.416458	0.055864	1.858845	2.644601	16.51639	0.246122
Median	0.500000	0.041039	1.233638	1.542691	14.00000	0.230800
Maximum	0.869600	0.388827	20.13898	78.42302	64.00000	0.520000
Minimum	0.003500	-0.390532	0.010277	-30.68566	2.000000	0.010200
Std. Dev.	0.253566	0.112892	2.730823	8.522941	12.54890	0.095504
Observations	122	122	122	122	122	122

Source: Processed Research Data, 2019

It can be seen in table 1 that the initial return value ranges from the minimum 0.003 owned by PT Golden Plantation, the maximum value of 0.869 owned by PT Guna Timur Raya Tbk with the average initial return value of all sample companies amounting to 0.416, which shows that the company experienced an average underpricing when the IPO was 41.6%. ROA has the highest value of 0.388 owned by PT.

Classic Assumption Test Normality test

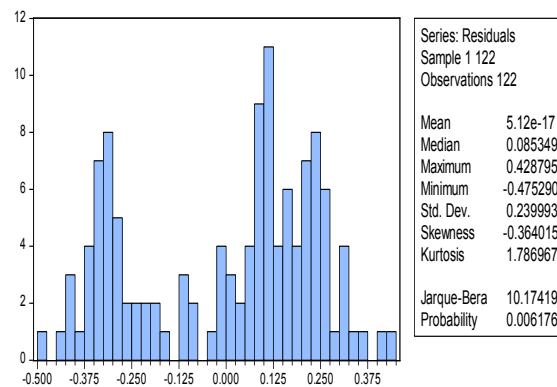


Figure 2. Histogram Normality Test

Source: Processed Research Data, 2019

Figure 2., shows that based on normality test results using a histogram graph shows the calculated JB value of 10.17 is greater than the alpha level of 0.05 ($10.17 > 0.05$), but the probability value of 0.0062 is less than the level alpha 0.05, so it can be concluded that the residuals are not normally distributed.

To overcome the abnormal data, the researcher conducted data elimination, the way to do that was by removing the outlier data using the Eviews application (Ghozali & Ratmono 2017), the outlier data was 25 points.

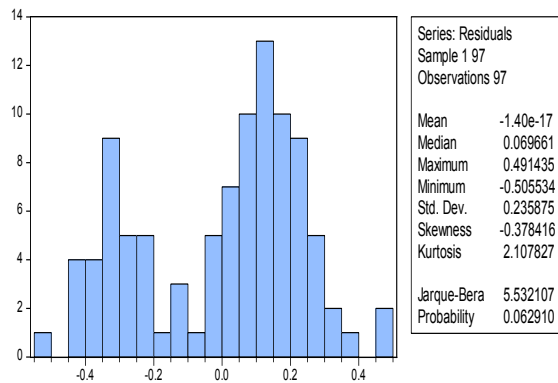


Figure 3. Histogram Normality Test
Source: Processed Research Data, 2019

Figure 3 shows that after removing the outlier data method, the calculated JB value of 5.532 is greater than the alpha level of 0.05 ($5.532 > 0.05$) and the probability value is also more than the 5% alpha level ($0.06 > 0.05$), so it can be concluded that the residuals are normally distributed, meaning that the classical assumptions of data normality have been fulfilled. Observation data after normality became 97 samples from 122 company samples.

Multicollinearity test

Table 2. Tolerance and VIF IR Values

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ROA	0.110406	2.245052	1.068235
CR	0.000674	3.111965	1.085440
DER	0.000144	2.255953	1.147035
AGE	5.08E-06	3.336998	1.091581
PPS	0.075431	8.837168	1.077506
C	0.012252	20.24897	NA

Source: Processed Research Data, 2019

The results of the calculation of VIF values can be seen in table 2., which shows there is no test variable that has a value of more than 10, so it can be shown that there is no multicollinearity between the independent variables in this regression model.

Heteroskedasticity Test

Table 3 shows that in this study Prob. F Compute of 0.5771 is greater than the alpha level of 0.05 ($0.5771 > 0.05$), thus it can be shown

that the data in this study did not occur heteroscedasticity and a regression model is feasible to use.

Table 3. Heteroscedasticity Test

R-squared	0.040355	Mean dependent var	0.199423
Adj R-squared	-0.012373	S.D. dependent var	0.124310
S.E. of regression	0.125077	Akaike info criterion	-1.259.918
Sum squared resid	1.423622	Schwarz criterion	-1.100.658
Log likelihood	67.10.602	Hannan-Quinn criter.	-1.195.521
F-statistic	0.765339	Durbin-Watson stat	1.628.102
Prob(F-statistic)	0.577141		

Source: Processed Research Data, 2019

Autocorrelation Test

Table 4. Autocorrelation F Test Values

F-statistic	3.354887	Prob. F(2,89)	0.0394
Obs*R-squared	6.800225	Prob. Chi-Square(2)	0.0334

Source: Processed Research Data, 2019

Table 4 the autocorrelation test can be seen using the value of prob. F (2,89) is equal to 0.0394 which is called the calculated F probability value. Prob value F count is smaller than the alpha level of 0.05 ($0.0394 < 0.05$), thus it can be said to occur autocorrelation.

So to overcome this, the Cochrane Orcutt method is used. The results of the correction table show a DW value of 2.048780 with a dL value of 1.5628 and a dU of 1.7790, then a DW value of 2.048780 is located in the $dU < DW < 4-dU$ area of $1.7790 < 2.048780 < 2.2221$. Thus autocorrelation has not occurred. The results of the Cochrane Orcutt method can be seen in table 5.

Table 5. Cochran Orcutt Autocorrelation

R-squared	0.165088	Mean dependent var	0.405454
Adjusted R-squared	0.099421	S.D. dependent var	0.256251
S.E. of regression	0.243179	Akaike info criterion	0.088989
Sum squared resid	5.263098	Schwarz criterion	0.301337
Log likelihood	3.684018	Hannan-Quinn criter	0.174852
F-statistic	2.514012	Durbin-Watson stat	2.048780
Prob(F-statistic)	0.020930		

Source: Processed Research Data, 2019

Goodness of Fit Test

Table 6 shows that the results of the regression test on the initial return show that the adjusted R² is 10.62%. This value means that in this model there are still other independent variables that affect the initial return that is not included in the research model used. It also shows that the variables ROA, CR, DER, AGE, and PPS can only affect the initial return of 10.61%. the results of 3.280165 with a significance value of 0.009068. F-table value with alpha 0.05 obtained a result of 2.31 so that the F-calculated value is greater than the F-table value (3.280165 > 2.49). In addition, the level of significance is below 0.05. Thus it can be concluded that the variables ROA, CR, DER, AGE, PPS simultaneously affect the initial return.

Table 6. Test Statistics F

R-squared	0.152707
Adjusted R-squared	0.106152
S.E. of regression	0.242268
Sum squared resid	5.341148
Log likelihood	2.977578
F-statistic	3.280165
Prob(F-statistic)	0.009068

Source: Processed Research Data, 2019

Based on the results of data processing in table 5 it can be seen the magnitude of the influence of independent variables on the dependent variable by looking at the value of the intercept, a mathematical equation can be formulated as a result of multiple regression as follows:

$$IR = 0,4440 - 0,6888ROA - 0,0207CR - 0,0002DER - 0,0045AGE + 0,4790PPS + e$$

Constanta of 0.4440 indicates the amount of Initial Return as the dependent variable of 0.4440 with the assumption that the coefficient of Return On Assets, Current Ratio, Debt to Equity Ratio, Company Age, and Percentage of Stock Offer as an independent variable is equal to 0 or constant.

The ROA coefficient shows - 0.6888, so if the ROA variable increases 1%, it will decrease the Initial Return of 0.6888. The CR coefficient shows - 0.0207, so if the CR variable increases by 1%, it will decrease the Initial Return of 0.0207. The DER coefficient shows - 0.0002, so if the DER variable increases by 1%, it will decrease the Initial Return of 0.0207.

The coefficient value of the Company's Age shows is - 0.0045, so if the Company's Age variable increases by 1%, it will decrease the Initial Return by 0.0045. The coefficient value of the Percentage of Shares Offering indicates 0.4790, so if the Percentage of Shares Offering variable rises by 1% it will increase the Initial Return of 0.4790.

Table 7. Test Statistics t

Variable	Coefficient	T-Statistic	Prob.
ROA	-0.688782	-2.072937	0.0410
CR	-0.020709	-0.797857	0.4270
DER	-0.000177	-0.014720	0.9883
AGE	-0.004548	-2.018750	0.0465
PPS	0.479080	1.744344	0.0845
C	0.443975	4.010945	0.0001

Source: Processed Research Data, 2019

Based on table 7 above, the ROA variable obtained a significance value of 0.0410, or smaller than the significance level of 0.05, indicating that statistically, the company's ROA has a significant effect on Initial Return. The value in t-table with alpha 0.05 was obtained for 1.66177, so the results obtained from the t-value were greater than t-table (-2.072937 < -1.66177). Thus it can be concluded that the alternative hypothesis is ac-

cepted, which means that the ROA variable has a significant negative effect on the Initial Return of the stock.

The CR variable obtained a significance value of 0.4270, or greater than the significance level of 0.05. The value in t-table with alpha 0.05 was obtained for 1.66177, so that the results obtained from the t-value are smaller than t-table ($-0.797857 < 1.66177$). Thus it can be concluded that the alternative hypothesis is rejected, which means that the CR variable does not affect the Initial Return.

The DER variable obtained a significance value of 0.9883, or greater than the 0.05 significance level. The value in t-table with alpha 0.05 was obtained for 1.66177, so the results obtained from the t-value are smaller than t-table ($-0.014720 < 1.66177$). Thus it can be concluded that the alternative hypothesis is rejected, which means the DER variable does not affect the Initial Return.

The AGE variable obtained a significance value of 0.0465, or smaller than the significance level of 0.05, indicating that statistically the company's AGE has a significant effect on initial return. The value in t-table with alpha 0.05 was obtained for 1.66177, so that the results obtained from the t-value greater than t-table ($-2.018750 > 1.66177$). Thus it can be concluded that the alternative hypothesis is accepted, which means that the AGE variable has a significant negative effect on stock Initial Return.

The PPS variable obtained a significance value of 0.0845, or greater than the significance level of 0.05. Because the significance value of 0.0845 is greater than 0.05, the alternative hypothesis is rejected, which means that PPS does not affect Initial Return.

Influence of Return On Assets on Initial Return

On the results of the statistical test table 7, the ROA variable is known to have a negative coefficient value of -0.688782. This explains that if the value of ROA changes by 1 (an increase), then the value of the initial return changes by -0.688782×1 ie decreases by -0.688782, or in other words if the ROA value rises then it will cause the level of Initial Return to down. The results of the T-test show that the ROA variable has a significant negative initial Initial Return.

ROA is one of the measures of profitability ratios. The higher profitability value will show that the company can generate profits in the future and the profit is important information for investors as investors consider in investing their

capital (Gunawan & Jodin, 2015). So the higher the return on assets of a company, the lower the level of initial return because investors will assess the company's performance better and are willing to buy its first share at a higher price. These results are consistent with research by Gunawan and Jodin (2015), Saputra and Suaryana (2016) and Lestari and Sri Sulasmayati (2017), who find that the ROA variable has a significant negative effect on the level of underpricing and contradicts previous findings such as those conducted by Prastica (2012) and Alviani and Lasmana (2015) ROE, and the price earnings ratio (PER which states that ROA has a significant positive effect on underpricing.

Influence of Current Ratio on Initial Return

In the statistical test results, CR variable is known to have a negative coefficient value of -0.020709. This explains that if the CR value changes by 1 (an increase), then the initial return value changes by -0.020709×1 is decreases by -0.020709, or in other words if the CR value rises it will cause the Initial Return to down. T-test results show that the CR variable does not affect Initial Return.

Investors in making investment decisions pay less attention to the CR information contained in the prospectus because liquidity only shows the company's ability to pay off its short-term obligations while investors also need information about the company's ability to meet its long-term obligations (Rani, 2006). The purpose of the company to go public is for a long-term goal so that the company's liquidity that shows the company's ability to pay off its short-term obligations is less considered by investors in investing in the capital market. These results are in line with research Razafindrambinina and Kwan (2013), Yuliana (2013) who found that the CR variable had no effect on the level of underpricing that occurred. While the results of this study are inversely related to findings from Linazah and Setyowati (2015), Maulidya and Lautania (2016) which states that CR has a significant negative effect on underpricing

Influence of Debt to Equity Ratio on Initial Return

The statistical test results of the DER variable are known to have a negative coefficient of -0,000177. This explains that if the DER value changes by 1 (an increase), then the initial return value changes by $-0,000177 \times 1$ is decreases by -0,000177, or in other words if the DER value rises it will cause the Initial Return to down. T-

test results show the DER variable does not affect Initial Return.

Determining the initial stock price of a company is not easy. This happened because, before the initial public offering, the company's shares had never been traded, making it difficult to assess and determine a reasonable price (Pahlevi, 2014). To finance the company's operational activities, a debt policy is adopted by the company's management to obtain financing. Related to the debt policy as a funding policy by management, it will affect the company's valuation which is reflected in the stock price. Therefore, companies use their capital such as retained earnings as one source of funding. Thus, long-term investors will be very interested in this profitability analysis, for example, shareholders will see profits that will be received in the form of dividends (Sartono, 2010). This shows that the high and low leverage of a company is not the single most important factor that can be used as a basis for investment decision making for investors.

These results are in line with the research of Ariyani and Wijayanto (2018), Ayuwardani (2018), which supports the results of this study, namely DER has no effect on initial return. While research from Thoriq et al., (2018), Rodoni et al., (2018) cannot be proven in this study, because these researchers have found that DER has a significant positive effect on initial return.

Influence of Company Age on Initial Return

The statistical test results of the AGE variable are known to have a negative coefficient of -0.004548. This explains that if the AGE value changes by 1 (increasing), then the initial return value changes by -0.004548×1 is decreases by -0.004548, or in other words if the AGE value rises it will cause the initial return to down. T-test results show that the AGE variable has a significant negative effect on the level of underpricing.

the company age shows how long the company has been in operation. A long-standing company always wants a better company going forward, thus the widely publicized information will reduce company uncertainty (Manurung & Nuzula, 2019). Information such as whether or not the company has been established for a long time can be a guarantee of whether or not the company's performance. It can be concluded that the age of the company which shows the length of time the company has survived and has experience in surviving while doing business and facing competition is considered as one of the factors that determine the level of underpricing (Manurung & Nuzula, 2019), so that it will affect the

initial return. This shows that investors in making investment decisions in the capital market pay attention to the age of the company with a paradigm, a company that has long been established will make the quality of the company better than younger companies.

The results of this study are consistent with several previous studies that have been carried out such as (Pahlevi, 2014), (Najab & Nurhidayati, 2016), Manurung and Nuzula (2019), who have examined on the Indonesia Stock Exchange that company age has a significant negative effect on initial return. However, this study cannot support the research of Yuliana (2013), Ayuwardani (2018) which shows that the age of the company has no significant effect on initial return.

Influence of Percentage of Stock Offer on Initial Return

The PPS statistical test results are known to have a positive coefficient value of 0.479080. This explains that if the PPS value changes by 1 (has increased), the initial return value changes by 0.479080×1 which is down by 0.479080, or in other words if the value of PPS rises it will cause the initial return to rise. The PPS variable does not affect the level of underpricing.

It can be concluded that the size of the percentage of shares offered to the public cannot be a guarantee of low or high underpricing (Manurung & Nuzula, 2019). This reflects that investors do not necessarily pay attention to how much the company offers its shares to the public in the form of a percentage of the stock offering. The results of this study are consistent with several previous studies that have been conducted such as Indriantoro (1998), Safitri (2013), who have examined on the Indonesia Stock Exchange that the percentage of stock offerings does not affect the initial return. However, this study cannot support the research of (Putro & Priantinah, 2017), Ariyani & Wijayanto (2018) that the percentage of stock offer has a significant negative effect on initial return.

CONCLUSION AND RECOMMENDATION

The purpose of this study is to obtain empirical evidence of the influence of the independent variable ROA, CR, DER, Company Age, and Share Offer Percentage on the dependent variable Initial Return. The findings of this study indicate that only the Return On Assets and Age variables of the company affect the Initial Return. ROA has a significant negative effect on Initial Return. Company Age has a significant negative effect on Initial Return. This indicates that

investors pay more attention to ROA and Company Age when they will invest in companies that conduct IPOs. The coefficient of determination of 10.61%, this shows that the ability of the independent variable in explaining the initial stock return is still very low, there are still many other factors that can explain the stock's initial return other than the independent variable used.

The author suggests for further researchers to add financial independent variables such as market and non-financial ratios such as company size that have not been used in this study.

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