

**ANALYSIS OF FACTORS INFLUENCING THE UNDERPRICED LEVEL
IN JAKARTA STOCK EXCHANGE (JSX)
FROM YEAR 2001 TO 2004**

A THESIS

**Presented as Partial Fulfillment of the Requirements
to Obtain the Bachelor Degree in Accounting Department**



By

HELDI LAILY MUTIARA DEWI

Student Number: 02312085

**DEPARTMENT OF ACCOUNTING
INTERNATIONAL PROGRAM
FACULTY OF ECONOMICS
ISLAMIC UNIVERSITY OF INDONESIA
YOGYAKARTA**

2007

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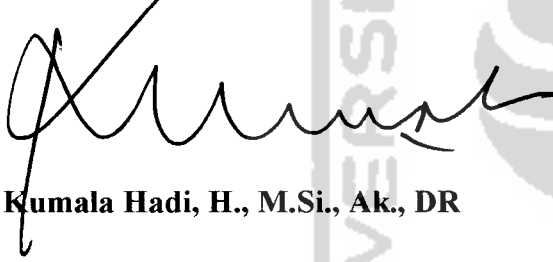
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**By
HELDI LAILY MUTIARA DEWI
Student Number: 02312085**

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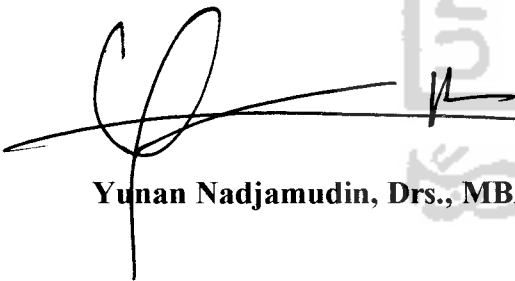
Approved by

Examiner 1



Kumala Hadi, H., M.Si., Ak., DR

Examiner 2



Yunan Nadjamudin, Drs., MBA

**Yogyakarta, March 28, 2007
International Program
Faculty of Economics
Islamic University of Indonesia
Dean**



Imai Ishak, Drs., M.Bus., Ph.D.

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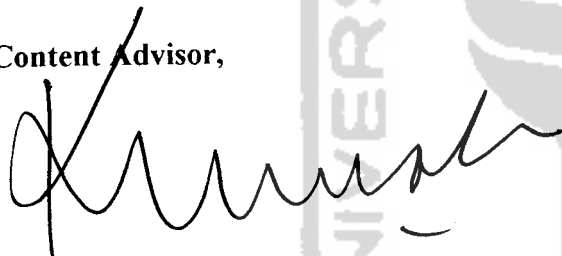
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Student Number: 02312085

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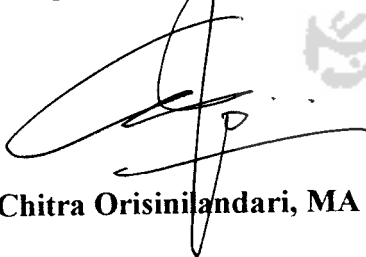
Content Advisor,



Kumala Hadi, H., M.Si., Ak., DR

February 8, 2007

Language Advisor,



Chitra Orisinilandari, MA

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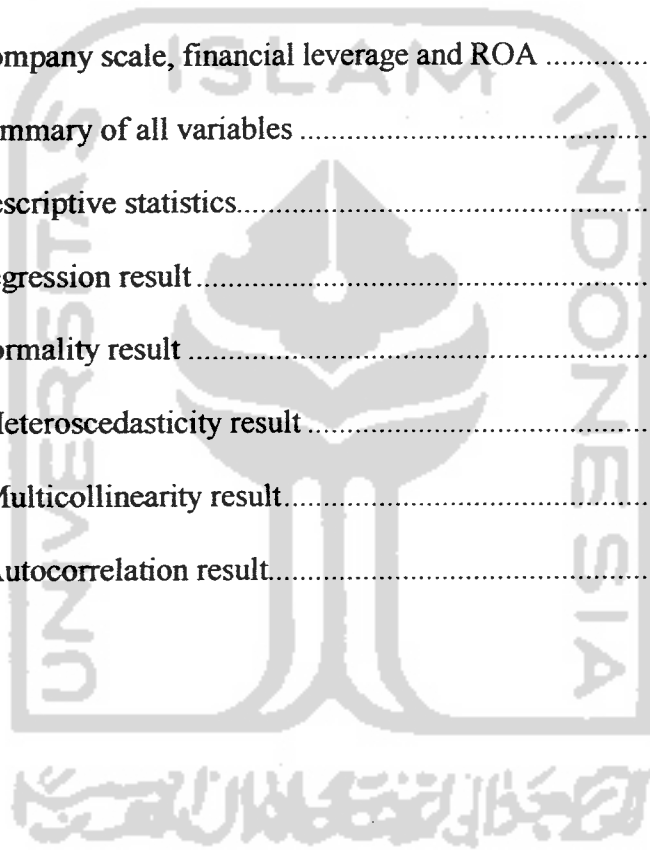
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ABSTRACT

Laily M. D., Heldi (2007). Analysis of factors influencing the underpriced level in Jakarta Stock Exchange (JSX) from year 2001 to 2004. Yogyakarta. International Program, Faculty of Economic. Islamic University of Indonesia.

Underpricing is a condition where emiten share price in the primary market is lower than its share price in the first day of secondary market trading. This phenomenon caused by the misspricing in the primary market as an effect of imbalance information between underwriter and emiten or referred as information asymmetry. Underwriter is assumed to have more accurate information regarding company's shares demand compared to the company itself.

This study is aims at investigating whether the underpriced level in Jakarta Stock Exchange market during the period of 2001 up to 2004 is influenced by the underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and returns on assets (ROA), either individually or jointly. This study uses multiple regressions analysis. There are 55 companies left from the total of 71 companies which were conducting IPO in Jakarta Stock Exchange (JSX) during 2001 up to 2004.

The result shows that company size variable is proven to have negative significant influence to the underpriced level. While underwriter reputation, percentage of shares which are still owned by old stockholders, company age, financial leverage, and return on assets are not proven to have, neither positive nor negative, significant influence to the underpriced level.

Keywords: Underpricing, Initial Public Offering (IPO) and emiten.

ABSTRAKSI

Laily M. D., Heldi (2007). Analisis faktor yang mempengaruhi tingkat *underpriced* di Bursa Efek Jakarta (BEJ) pada tahun 2001 sampai dengan 2004. Yogyakarta. Program Internasional, Fakultas Ekonomi. Universitas Islam Indonesia.

Underpricing adalah suatu kondisi ketika harga saham emiten di pasar perdana lebih rendah jika dibandingkan dengan harga saham emiten pada hari pertama perdagangan di pasar sekunder. Fenomena ini disebabkan oleh adanya *misspricing* di pasar perdana yang diakibatkan oleh adanya ketidakseimbangan informasi antara *underwriter* dan *emiten* atau yang biasa disebut dengan *information asymmetry*. *Underwriter* dianggap mempunyai informasi yang lebih akurat tentang saham perusahaan daripada perusahaan itu sendiri.

Penelitian ini bertujuan untuk menginvestigasi apakah variabel-variabel seperti reputasi *underwriter*, persentase saham yang masih dimiliki oleh pemegang saham lama, ukuran perusahaan, umur perusahaan, *financial leverage*, dan *return on assets (ROA)*, baik secara individual maupun secara bersama-sama, mempunyai pengaruh terhadap tingkat *underpriced*. Penelitian ini menggunakan regresi berganda. Dari 71 perusahaan yang melakukan *Initial Public Offering (IPO)* di Bursa Efek Jakarta pada tahun 2001 sampai dengan 2004, hanya 55 perusahaan yang layak digunakan sebagai sampel.

Penelitian ini membuktikan bahwa variabel ukuran perusahaan secara signifikan berpengaruh negatif terhadap tingkat *underpriced* sedangkan variabel-variabel yang lain, seperti reputasi *underwriter*, persentase saham yang masih dimiliki oleh pemegang saham lama, umur perusahaan, *financial leverage*, dan *return on assets (ROA)* tidak terbukti berpengaruh terhadap tingkat *underpriced*.

Kata kunci: *Underpricing*, *Initial Public Offerings (IPO)* dan *emiten*.

CHAPTER I

INTRODUCTION

1.1. Study Background

A capital market represents one alternative choice for expanding companies in getting fund or raising capital to develop its business. Through the capital market, a company can get a long range of fund solution. In developing countries, one of the indicators of a successful company is when its shares are traded through the capital market. To be traded in the capital market, a company has to go public first. Go public is an activity where a company is offering its shares to the society for the first time in the primary market based on the procedures arranged in the capital market law and regulation. The term “Go Public” is addressed for the company while the effort of a company to raise the capital or to getting fund through the capital market¹ is termed as “Initial Public Offering” or “IPO”. Hereinafter, shares will be traded in the secondary market. In Indonesia there are two secondary markets, they are Jakarta Stock Exchange and Surabaya Stock Exchange.

The price of primary shares is determined through an agreement between emiten and underwriter. “Emiten” is a share publisher or a company that offers its shares while “Underwriter” is a company that guarantees the selling process (Robert Ang, 1997). Although emiten and underwriter achieve an agreement in

¹ There two type of capital market:

1. Primary market
Sold primary shares or IPO shares
2. Secondary market
Sold shares after the IPO process ended

determining the primary share price, they have different importance or necessity. As the party that needs funds, it is normal if the emiten expects for a high share price. With the high price, the emiten looks forward to realize its project plan immediately. On the other side, the underwriter wishes for a low share price.

In general, there are two types of underwriter contracts²; Full Commitment Contract and Best Effort Contract, but Indonesia only acknowledges the Full Commitment Contract type. In a Full Commitment Contract type, the underwriter is responsible to buy the leftovers shares or emiten shares which are not saleable in the market, while in the Best Effort Contract, the underwriter is not responsible to buy the leftovers shares. For that reason, the underwriter will minimize its risk for buying the leftovers shares by selling shares in cheap price. Moreover, the underwriter has better information regarding the emiten shares, its demand, market conditions, etc. compared to the emiten itself. So, they use this opportunity to press the emiten to accept if its share price is cheap. As a result, the underpricing will happen; meaning that the emiten share price in the primary market is lower than its share price in the first day of secondary market trading.

To create an ideal share price, it requires to study the factors that may influence the underpriced level in the past. By knowing the factors that influence the underpriced level, it will hinder the emiten or a go public company from loss because the value of its share is underestimated. The phenomenon of underpricing is widely documented in the literature. A research conducted by Kunz and

² World knows 4 type of underwriter contracts:

1. Full Commitment
2. Best Effort
3. Standby Commitment
4. All or None Commitment

Aggarwal (1983) records the underpricing phenomenon in Switzerland during 1983 up to 1989. With seven variables such as institutional lag, protection against legal pursuit, speculative bubble, lack of experience, monopoly power of investment banks, asymmetric information, and last, advantages for issuer, they find that monopoly power and asymmetric information are the only variables that affect the underpriced level.

Alli et al (1994) examined IPO underpricing of financial institutions in the period of 1983 until 1987. Their findings show that in general, the IPOs of financial institutions are significantly less underpriced than non-financial institutions. This result is consistent with the previous empirical studies on the testing of information asymmetry hypothesis that shows that the less ex ante uncertainty about new issues value, the smaller the underpricing average. Furthermore, the results indicate that the level of ex ante uncertainty is lower for financial institutions than non-financial institutions in general.

Carter and Manaster (1990) examine the relationship between the IPO underpricing and the underwriter reputation. The evidence finds a significant negative relation between the underwriter prestige and the price run-up variance for the IPOs they market. As the price run-up is injurious for the issuing firm, low risk firm will attempt to reveal their low risk characteristics to the market. One way they can do is by selecting underwriter with high prestige. This result is consistent with the work of Rock (1986), who argues that the IPO price run-up compensates uninformed investors for the risk of trading against superior information.

1.2. Problem Formulation

Based on the background mentioned above, hence the problem formulation is whether the underpriced level in Jakarta Stock Exchange during the period of 2001 up to 2004 is influenced by the underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and returns on assets (ROA), either individually or jointly.

1.3. Research Limitation

For focusing to this study, the writer makes several limitations in the investigation. In this case, there have been some scope of limitations, they are:

1. Financial and non financial firms that were conducting IPO from period of 2001 to 2004.
2. Firms that are listed in Jakarta Stock Exchange from period of 2001 to 2004.
3. Firms of which share price is underpriced. It means its share price in the primary market is lower than its share price in the first day of secondary market trading.
4. Firms with complete data, financial statement and history that is able to be pledged for its truth for four years, consecutively.

1.4. Research Objectives

This research objective is examining the implications of underwriter reputation, percentage of shares which are still owned by old stockholders,

company scale, company age, financial leverage, and return on assets, either individually or jointly, to the underpriced level in Jakarta Stock Exchange.

1.5. Research Benefits

This research is expected to give significant contributions to:

1. Companies

As a consideration for companies in giving private information to the society before they go public. With this information, a company can expect a good image from the society so a good share price can be made.

2. Investors and Public Society

As a reference for those who intend to invest their money in the capital market. More information to know will lessen the possibility of loss.

3. Researchers and Academicians

As information for those whose interests are in capital market study in developing future research.

1.6. Writing Schemes

This research will be organized as follows:

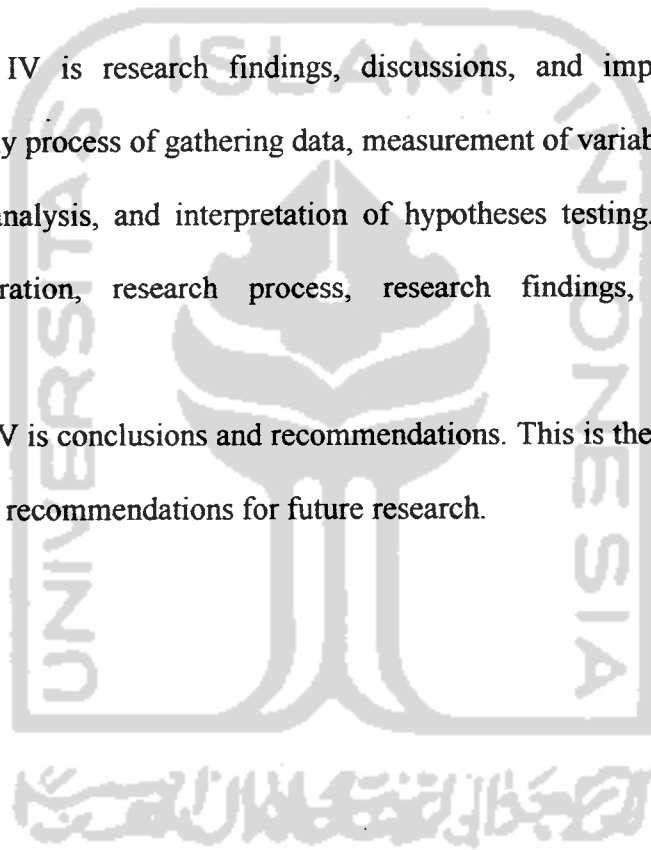
Chapter I is an introduction. This is an antecedent that contains the problem background, problem formulation, research limitations, research objectives, research benefits, and writing scheme.

Chapter II is literature review and theoretical background. This is the basic theory of capital market, analyses of former researches, and hypotheses formulation.

Chapter III is an analysis method. This is the research method which covers research population, research variables, data analysis, and hypotheses testing.

Chapter IV is research findings, discussions, and implications. This explains the early process of gathering data, measurement of variables used in this research, data analysis, and interpretation of hypotheses testing. It consists of research preparation, research process, research findings, and research implications

Chapter V is conclusions and recommendations. This is the conclusions of the research and recommendations for future research.



CHAPTER II

LITERATURE REVIEW

2.1 Theoretical Background

2.1.1 Capital Market

Definition of capital market according to *Keputusan Menteri Keuangan* (RI No.1548/KMK/90) about capital market regulation is an organization of financial system; including in it are commercial banks and all finance-related institutes and overall marketable securities circulating also. While *UU Pasar Modal No. 8 Tahun 1995* gives more specific understanding about capital market; capital market are activities concerning with public offering and securities trading, public company related to its published securities, and also institution and profession related to securities. The recent securities published and commercialized in Indonesian capital market are:

1. Common stock
2. Preferred stock
3. Bond
4. Convertible bond
5. Right
6. Warrant
7. Mutual Fund
8. Index Futures
9. Single Stock Option
10. SUN
11. Shari'ah Instruments

Capital market has a big role to the state economy because capital market performs two functions at the same time; they are economic function and financial function. It is called "economic function" because capital market provides facility

in meeting two parties that are excess fund and shortage fund. While it is called “financial function” because capital market gives opportunity and possibility for lenders to obtain return according to the selected investment characteristics. With the existence of capital market, it is expected that the economic activity will increase because the capital market is an alternative financing for the company so the company can operate in a bigger scale which later can improve the prosperity of wide society.

2.1.2 Initial Public Offering (IPO)

Company has various sources of financing, either coming from inside of the company or from outside of the company. An alternative financing coming from inside the company, commonly, is using the company’s retained earnings while an alternative financing coming from outside the company is coming in the form of debt issuance, other form of funding, or in the form of selling company’s shares. If a company chooses to sell its shares, those shares can be sold in many ways as follows:

1. Sold to old stockholders
2. Sold to its employees through ESOP (Employee Stock Ownership Plan)
3. Adding share by not distributing dividend (Dividend Reinvestment Plan)
4. Sold to private investors
5. Sold to public or society

Initial Public Offering is an activity where a company offers its share to be sold to the society for the first time in the primary market according to the procedures arranged in the capital market law and regulation. The term of “Initial Public Offering” or “IPO” is addressed to the company effort to raise the capital or to getting fund in the capital market while the term “Go Public” is addressed to the company.

Sunariyah (2003) states that a company that offers its shares through the capital market have various reasons, they are:

1. Increasing company's capital base.

From the company side, fund society that enters into the company will strengthen the company's capital position. Those funds can be used for expanding business, product diversification, or lessening debt. So by selling shares to the society, it will improve the company ability.

2. Enabling company owner to do business diversification.

By selling shares to the society, the old capital owner will have opportunity to liquidate all or some of their shares, get profit and then diversify the fund. Because when they invest their money in one particular company, it will generate risk that is considerably high.

3. Making easier the effort of purchasing other business.

Stockholders have the opportunity to look for fund from financial institutions without losing its shares. If the owned shares are liquid, it will be acceptable as a guarantee and can be used as a payment to take over other company; this is referred as share-swap. Share-swap is buying other

company without issuing cash but paying with shares which are listed in the stock market.

4. Company's value.

A go public statement will enable management and society to know the company's value, which is expressed in the bargaining strength of the company's shares. If the company is estimated to have a positive future prospect then its shares price will increase. On the contrary, if the company is assessed in having less positive future prospect hence its shares price will decrease.

By doing public offering (IPO), the company is getting much benefit. However, there are miscellaneous things need to be considered too. By going public, a company has to be ready against all disadvantageous consequences. A go public company is obliged to present complete information (full disclosure) about every thing which has been predicted to influence the investor judgments. This matter, on the other side, will be beneficial to its competitors. Other loss faced by a go public company is that go public is very costly. For example are expenses for auditor fee, emission guarantor (underwriter) fee, promotion expense, legal advisor fee, and others, of which amount varies depends on the company size and its value offered. Another thing which is not less important to be considered is the possibility of underpricing.

The decision to go public or remain to be a private company is a decision which must be considered thoroughly. If a company has decided to go public, the main issues emerging are what type of share will be offered, how much the price

must be decided for each share, and when is the right time to offer to public (Jogiyanto, 1998).

2.1.3 Prospectus

Prospectus is a picture of a company presented in the form of paper which contains complete and open information regarding the company's condition and its business prospect in the future and also required information concerning with the public offering. This prospectus is utilized by the company to offer shares to the society so that the society knows more information needed to value the company's shares. The emiten has an obligation to announce the summarized prospectus to the society through newspaper. Prospectus consists of the following information:

1. Offering price and number of shares to be sold
2. IPO activity schedule
3. IPO objectives
4. IPO fund usage plan
5. Statement of debt and obligation
6. Solution and analysis by management
7. Business risk
8. Important activity after financial statement date
9. Information regarding emiten
10. Business activity and its prospect
11. Monetary information

12. Capital market supporter profession

13. Requirement of ordering to purchase share

14. Distribution of prospectus

With the financial statement and monetary information issued, an investor can estimate how much profit they could expect from the company or, in any case, an investor can measure whether the offering share price at the primary market can be accepted or it is too high. BAPEPAM obliges openness offers; it means that every prospectus is prohibited to state information neither it is not true about the material fact needed nor giving misleading pictures about the company.

2.1.4 Underwriter Reputation

Underwriter is a company who is signing up with emiten to offer emiten shares for the importance of emiten. According to Tjiptono and Fakhruddin (2006), the contract between emiten and underwriter is a guarantee system. There are two forms of guarantee system:

1. Best Effort, meaning that the underwriter only strives as good as possible to sell shares. If there are shares which are not sold, the underwriter is not responsible to buy those leftovers.
2. Full Commitment, meaning that the underwriter is responsible for selling the entire of emiten shares offered to public. If there are shares which are not sold, the underwriter is responsible to buy those leftovers.

Carter and Manaster (1990), Alli et al (1994), How et al (1995) say that emiten whose using a good quality underwriter will lessen the uncertainty level which cannot be opened by information inside the prospectus and can give signal to the concerning company so that the prospect in the future is not misleading. Daljono (1998) says that there is negative relationship between the underwriter reputation and the initial return.

2.1.5 Percentage of shares which are still owned by old stockholders

Before going public, commonly, the company's shares are owned by its managers, some by its employees, and only in small number owned by investors. Those parties are called as "old stockholders". A research done by Beatty (1989) discovers that the percentage of shares which are still owned by old stockholders has positive relation with initial return.

2.1.6 Company scale

Company scale means company size. Big companies, generally, are more knowledgeable in public so information regarding with the company, especially about the company prospects, is easier to be accessed rather than those small companies. The uncertainty level concerning the company's future is also smaller if the investor knows more information about the company. According to Surianti and Indriantoro (1999) the relationship between the company scale and the underpricing is negative, because the bigger the company, the smaller the information asymmetry.

2.1.7 Company age

Company's age means how long the company can stay and run its operational business. The longer the company age means the bigger or wider information that is able to be accessed by public about the company. This condition will lessen the information asymmetry condition among both parties. A research conducted by Beatty (1989) finds that company age has negative relationship with initial return. Equal to Beatty, Ritter (1991) also finds that emiten with young age shows high underpricing level. It means the company age and the underpricing show a negative relationship, because the longer or older the company age, the smaller the information asymmetry.

2.1.8 Financial Leverage

Financial leverage is a monetary ratio which is used to measure how much fund the company uses from its debt or how many assets are financed with debt. Investors in doing investment decision, of course, will consider the financial leverage information. A high financial leverage level also means a high risk company; investors tend to invest their money in a lower risk one. Positive relationship is expected between the financial leverage and the underpricing because a high financial leverage company means a high risk company too.

2.1.9 Return on Assets

ROA represents a monetary ratio which is used to measure the company performance, especially concerning with the company's profitability. A high

profit company shows that the company ability to gain profit in the future is good. Profit symbolizes essential information for investor as a consideration in investing its money. A high profit company will lessen the uncertainty level to investor so it can degrade the underpricing level and the relationship between ROA and underpricing is a negative relationship.

2.1.10 Underpricing

Underpricing is a condition where the secondary market share price of a go public company, in average, is higher than its offering price on the same share. Underpricing phenomenon is caused by the misspricing in the primary market as an effect of imbalance information between underwriter and emiten. In monetary literature, that problem is referred as information asymmetry. The phenomenon of underpricing can be met in most of all capital markets in the world, but varies in its level (Loughran, 1994). Baron model (1982) explains that the emission guarantor or underwriter is assumed to have better information regarding the company's shares demand compared to the company itself. There are four types of emission guaranteeing contract, but Indonesia only acknowledges "Full Commitment Contract" type. In this type, the underwriter must guarantee to sell the entire emiten shares offered to public. If there are shares which are not sold, the underwriter is responsible to buy those leftovers shares. With this responsibility, the underwriter will try to minimize its risk by pressing the share price and avoid loss.

Another interesting phenomenon in the context of IPO and underpricing is the level of underpricing which is unequal between one and another country. Ibbotson et al (1994) mention that one cause of differences of underpricing level is the differences or changes in share offering system. In France, for example, the primary shares are offered in an auction price system. It means, the agreed upon primary share price is resulted from an auction is the highest price that market can afford. As the outcome, when entering the market, investors have comprehended and understood that the price formed is the highest price they can afford to buy. Even if the price goes up, it will not increase too extreme. It also means that the secondary market volatility is not too high, compared to a specified price (fixed price system) as followed in many developing countries. Especially in France and Japan, the auction mechanism can press the underpricing level to be lower.

2.2 Previous Research

Many research have been done concerning with the underpricing phenomenon. One of them is a research done by Kunz and Aggarwal (1994) that examines the underpricing of initial public offerings in Switzerland. Their research empirically documents the existence of significant short-run underpricing and demonstrates its persistence for at least three years. This research takes the observation period from year 1983 up to 1989 with the amount of sample totaled 42 IPOs.

Another research is conducted by Carter and Manaster (1990). They investigate the initial public offerings and the underwriter reputation with sample

of 501 IPO issued and 117 underwriters. The result is that the IPO price run-up compensates uninformed investors for the risk of trading against the superior information. Specifically, a significant negative relation is found between the underwriter quality and the price run-up variance for the IPOs they market. A significant negative relation is also found between the prestige and the magnitude of the IPO price run-up.

Alli K, Jot Yau, and Kenneth Yung (1994) test the underpricing phenomenon in financial institutions. This study provides an analysis of common stocks initial price behavior in financial institutions, further empirical evidence on information asymmetry hypotheses of IPO underpricing, and additional evidence on the testing of regulation hypotheses within an asymmetric information framework. The results of their study show that the IPOs of financial institutions are significantly less underpriced than the non-financial firms, on average, and the IPOs of non-savings and loans (S&L) conversion financial institutions are less underpriced than the IPOs of non-savings and loans (S&L) conversion non-financial firms.

2.3 Hypotheses Development

2.3.1 Underwriter Reputation

Underwriter reputation can be used as a signal in explaining the underwriter phenomenon. In IPO, the underwriter is responsible in selling the emiten shares. If there are shares which are still not sold then it will be an obligation for the underwriter to buy those leftovers shares. This situation is not

advantageous to underwriter with no reputation yet so they will take serious awareness on this; one way is by giving a low or cheap price on the primary shares. However, for a reputable underwriter, they are daring to set a higher price for the consequences of their quality.

H1: Underwriter reputation has negative significant influence to the underpriced level.

2.3.2 Percentage of shares which are still owned by Old Stockholders

The percentage of shares which are still owned by old stockholders shows the presence of private information known by the owner or manager. The old stockholders will keep investing in the company if they are sure on the company's future prospects and they will move to invest in another company if they are not sure on the company's future prospects (Daljono, 1998). Information about the percentage level of shares which are still owned by old stockholders can be used as signal on the company's prospect. The bigger of percentage of shares which are still owned by old stockholders, it means the better the condition of the company.

H2: Percentage of shares which are still owned by old stockholders has positive significant influence to the underpriced level.

2.3.3 Company Scale

Company scale means company size. Big companies are more familiar in public, so any information related with the company is easier to obtain. The information can be in the form of company history, management, financial

information, company's awards and achievements, etc. This will make the uncertainty level concerning with the company's future prospects is also smaller. Public can also affect the price of primary shares indirectly. By being well known or familiar in public, a company will be valued more.

H3: Company scale has negative significant influence to the underpriced level.

2.3.4 Company Age

Company age shows the period which has been passed by the company to stay survive. The longer or older the age shows the power and ability of the company to stay survive. This will lessen the information asymmetry condition among emiten and underwriter because the company will know its company value from the society judgments.

H4: Company age has negative significant influence to the underpriced level.

2.3.5 Financial Leverage

Financial leverage is a monetary ratio which is used to measure how much fund that company uses from its debt. It also can be meant as how many assets are financed by debt. Investors will consider the financial leverage ratio in doing an investment decision. Public tend to invest their money in a low risk company because the possibility of losing will be lower too.

H5: Financial Leverage has positive significant influence to the underpriced level.

2.3.6 Return on Assets

ROA represents monetary ratio which is used to measure the company performance, especially concerning with the company's profitability. A high profitability company shows the company ability in obtaining profit in the future. Profit is an essential point for investor to be considered in making investment decision. A company with high profit will lessen the uncertainty to investor which can degrade the level of underpricing (Kim et al, 1993). Public tend to invest their money in a high profit company.

H6: Return on Assets has negative significant influence to the underpriced level.

2.3.7 All Variables

H7: All variables, jointly, have significant influence to the underpriced level.

CHAPTER III

RESEARCH METHOD

3.1 Research Object and Data Collection

Population is a group of comprehensive elements that is usually in the form of people, object, transaction or event that we are interested in learning or becoming the research object (Kuncoro, 2000). While sample is a partial of population that becomes the object of the research. Population used for this research is data from companies that were conducting IPO in Jakarta Stock Exchange (JSX) from 2001 until 2004.

Samples of this research were taken using purposive sampling method. Purposive sampling method is a method or technique in collecting samples based on a certain criteria that is in accordance with the purpose of research (Kuncoro, 2000). There were several criteria that should be fulfilled as the requirements of the sample of the research, they were:

1. Financial and non financial firms that were conducting IPO from period of 2001 to 2004.
2. Firms that were listed in Jakarta Stock Exchange from period of 2001 to 2004.
3. Firms of which share price was underpriced. It meant its share price in the primary market was lower than its share price in the first day of secondary market trading.

4. Firms with complete data, financial statement and history that was able to be pledged for its truth for four years, consecutively.

Based on the above criteria, 71 companies were taken as population but some were then excluded. It was because twelve companies were not experiencing underpriced and four companies were not having complete data, so the total of this research were 55 samples.

3.2 Source of Data

In this research, the data used were secondary data from companies that experiencing underpriced. The data needed were primary share price (IPO price), the first day of secondary market trading price, underwriter reputation, percentage of shares which were still owned by old stockholders, company scale, company age, financial leverage, and return on assets. The data was derived from Indonesian Capital Market Directory (ICMD), internet, and printable media, such as newspaper and magazines.

3.3 Operational Definition and Proxy of Variables

Researcher defines the dependent and independent variables that will be used in the regression analysis. Those definitions will be written below:

1. Dependent variable of this research is underpriced.
2. Independent variables of this research are underwriter reputation, percentage of shares which are still owned by old stockholders,

company scale, company age, financial leverage, and return on assets.

3.4 The Dependent Variables

This study used underpricing as the dependent variable. Underpricing is a condition where the IPO share price in the primary market is lower than its share price in the first day of secondary market trading. Underpricing phenomenon is caused by the misspricing in the primary market as an effect of imbalance information between underwriter and company or emiten. In monetary literature, that problem is referred as information asymmetry.

The underpricing variable is calculated from the differences between the closing price and the primary share price then divided by the primary share price (taken from e-bursa.com). The formula can be written as follow:

$$\text{Underpricing} = \frac{\text{Closing Price} - \text{Primary Share Price (IPO Price)}}{\text{IPO Price}} \quad [3.1]$$

3.5 The Independent Variables

3.5.1 Underwriter Reputation

Underwriter reputation can be seen from the number of shares guaranteed by the underwriter. It indicates that a company trust or confidence with the quality of underwriter. The underwriter variable in this research was measured using dummy. *Info Bank magazine*, Special Edition of March 2004 No. 300 had written an article on growth of equity business. It ranked big 20 of equity or underwriter

companies on the basis of total assets during the period of 2002 - 2003. Based on that data, underwriters that listed in big 20 ranks were assumed to be a reputable underwriter and this will be the basis of the dummy.

1 = Underwriter with good reputation (listed in the article)

0 = Underwriter with less reputation (not listed in the article)

3.5.2 Percentage of shares which are still owned by old stockholders

Percentage of shares which are still owned by old stockholders shows that the amount of shares which are still kept by old stockholders. The old stockholders usually are owners, managers, and some are outside investors. This variable is measured by comparing the amount of shares which is offered to public with the overall amount of shares that the company had. The formula is as follows:

$$\% \text{ of shares} = \frac{\# \text{ of shares which still holds by old stockholders}}{(\# \text{ of shares offered to public} + \# \text{ of shares kept by old stockholders})} \quad [3.2]$$

3.5.3 Company scale

Company scale shows the size of the company. Big company is well-known and familiar in public so the information regarding the company is easier to get and the uncertainty level concerning the company's prospects will smaller too. The company's scale variable is measured by its total assets.

3.5.4 Company age

Company age shows period which have been passed by the company to stay survive. The longer or older the age shows the power and ability of the company to stay survive. The company age variable is measured by subtracting its IPO year with its establishment year, as written below:

$$\text{Company age} = \text{IPO year} - \text{Establishment year} \quad [3.3]$$

3.5.5 Financial leverage

Financial leverage is a monetary ratio which is used to measure how much fund that company uses from its debt. It also can be meant as how many assets are financed by debt. This variable is measured by dividing total liabilities with total equities, as written below:

$$\text{Financial Leverage} = \frac{\text{Total Liabilities}}{\text{Total Equities}} \quad [3.4]$$

3.5.6 Return on Assets

ROA represents monetary ratio which is used to measure the company's performance, especially concerning the company's profitability. This ratio represents the comparison between net income after tax with total assets, as written below:

$$\text{R O A} = \frac{\text{Net Income after Tax}}{\text{Total Assets}} \quad [3.5]$$

3.6 Analysis Model

This study used multiple regressions for testing the hypotheses with the underpriced level as the dependent variable and underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets as its independent variables.

Mathematical model is used to show the influence of independent variables to the dependent variable as described as follows:

$$UP = \alpha + \beta_1 \text{Under} + \beta_2 \text{Own} + \beta_3 \text{Scale} + \beta_4 \text{Age} + \beta_5 \text{FinLev} + \beta_6 \text{ROA} + \varepsilon \quad [3.6]$$

Where,

UP = Underpriced

α = Constant

$\beta_1 - \beta_6$ = Coefficients of each independent variables

Under = Underwriter reputation

Own = Percentage of shares which are still owned by old stockholders

Scale = Company scale

Age = Company age

FinLev = Financial Leverage

ROA = Return on Assets

ε = Error term

3.7 Formulated Hypotheses

Based on the problem statement and the review of the related literature, the alternative hypotheses and the null hypotheses that are proposed in this research are:

1. H_{01} = Underwriter reputation does not have negative significant influence to the underpriced level.
 H_{a1} = Underwriter reputation has negative significant influence to the underpriced level.
2. H_{02} = Percentage of shares which are still owned by old stockholders does not have positive significant influence to the underpriced level.
 H_{a2} = Percentage of shares which are still owned by old stockholders has positive significant influence to the underpriced level.
3. H_{03} = Company scale does not have negative significant influence to the underpriced level.
 H_{a3} = Company scale has negative significant influence to the underpriced level.
4. H_{04} = Company age does not have negative significant influence to the underpriced level.
 H_{a4} = Company age has negative significant influence to the underpriced level.
5. H_{05} = Financial Leverage does not have positive significant influence to the underpriced level.

Ha₅ = Financial Leverage has positive significant influence to the underpriced level.

6. Ho₆ = Return on Assets does not have negative significant influence to the underpriced level.

Ha₆ = Return on Assets has negative significant influence to the underpriced level.

7. Ho₇ = All variables, jointly, do not have significant influence to the underpriced level.

Ha₇ = All variables, jointly, have significant influence to the underpriced level.

3.8 Hypotheses Testing

The alternative hypotheses were tested using *T-test* and *F-test*. Pooled regression was used in order to find the relationship between the dependent variable and independent variables that were used in this research. After finding the regression results, the hypotheses testing were done by analyzing the significance of the coefficient of variables. All variables were calculated using SPSS 12.0.

1. *T-test*

T-test is used for recognizing whether there are significant impacts of each independent variable on the dependent variable. One way is by comparing the *t-count* value with the *t-table* value. If the *t-count* value of the regression result is higher than the *t-table* value then the alternative hypotheses is accepted. Another

way is by using the *p-value* approach. *P-value* approach is comparing the the *p-value* of *T-test* with the designated level of significance (α). Researcher uses 5% as this research designated level of significance. It means, when the *p-value* of *T-test* is below 5% then the null hypotheses is rejected and vice versa.

2. *F-test*

The *F-test* is used for recognizing whether there are significant impacts of independent variables, as a whole, on the dependent variable by using the *p-value* approach. *P-value* approach is comparing the the *p-value* of *F-test* with the designated level of significance (α). Researcher uses 5% as this research designated level of significance. It means, when the *p-value* of *F-test* is below 5% then the null hypotheses is rejected and vice versa.

3.9 Classical Assumption Test

3.9.1 Normality Test

This test is conducted to know whether in a regression model, the dependent variable, independent variables, or both are having normal distribution or not. A good regression model is those whose data distribution normal or near normal. In detecting the normality of the data, it can be seen from the spreading of data at the diagonal lines of Normal P-P graph. If the data disseminates around the diagonal line and follows the diagonal line direction, hence the regression model passes the normality assumption test, and also on the contrary.

3.9.2 Heteroscedasticity Test

The condition of heteroscedasticity occurs when the dispersion of individual errors around the population regression function changes for every observation. The existence of heteroscedasticity causes the regression coefficient estimation become inefficient. A regression model is considered good if there is no heteroscedasticity.

The significance of the coefficients is tested using graph plot between ZPRED (X) with SRESID (Y). To detect the existence of heteroscedasticity is by seeing the scatterplot graph between ZPRED and SRESID where the ordinate (Y) is the value that have been predicted and the axis (X) is the residual. If there is any certain pattern, it indicates that the heteroscedasticity exists, otherwise if there is no any certain pattern, the heteroscedasticity does not exist. If heteroscedasticity does not exist, it will prove that the data is valid and free from bias.

3.9.3 Multicollinearity Test

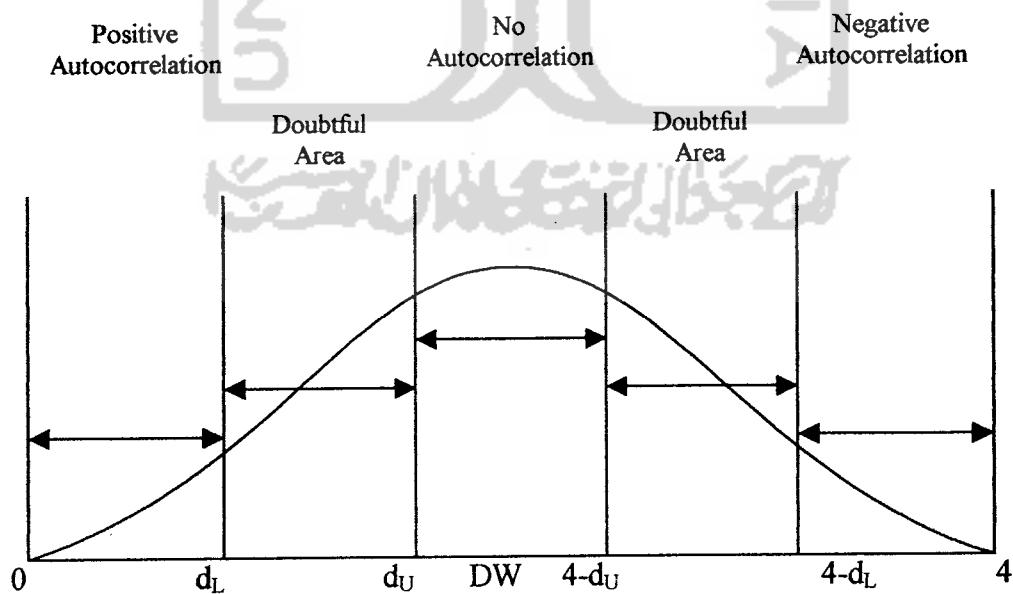
Multicollinearity shows the existence of perfect or imperfect linear relation among some or all independent variables of the existing model. Multicollinearity causes the model has big variant and covariant value so that it is difficult to get the correct estimation. The mentioned cause will also influence the interval estimation tends to be wider and *t-test* statistic value calculated will be small so that independent variables statistically do not significantly influence the independent variable. To test the multicollinearity, we can use *tolerance variance inflation factor* (VIF) method. A regression is assumed to be detected by

multicollinearity if *tolerance variance inflation factor (VIF)* far from 1. If the tolerance value is near to 1 hence multicollinearity does not happens.

3.9.4 Autocorrelation Test

Autocorrelation means correlations between members of series of observations are ordered in time series (as in time series data) or space (as in cross-sectional data). This test uses *Durbin-Watson (DW) method* to find out if there is any autocorrelation in the model being tested. Durbin - Watson has succeeded to develop statistical test called *d statistical test*. If the value of the calculated *d* is located between d_u and $4-d_u$ hence it can be concluded that there is no problem in autocorrelation. The determination of the existence of autocorrelation can be seen from the following graph:

Graph 3.1 Interpretation of *Durbin-Watson* value



CHAPTER IV

RESEARCH FINDINGS, DISCUSSIONS, AND IMPLICATIONS

This chapter explains about the early process of gathering data, measurement of variables used in this research, data analysis, and interpretation of hypotheses testing. It consists of research preparation, research process, research findings, and research implications.

4.1 Research Process

The data used were secondary data which was taken from Indonesian Capital Market Directory (ICMD), Jakarta Stock Exchange (JSX), internet, and printable media, such as newspapers and magazines. Samples collected were then further tested using multiple regressions of which model was developed by Ghozali and Al Mansur (2002). As explained before, this research involved one dependent variable and six independent variables. The dependent variable was underpricing while independent variables were underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets.

Based on the certain criterion explained in the pervious chapter, the populations were companies doing IPO in Jakarta Stock Exchange (JSX) during 2001 up to 2004. Some were then excluded because of incomplete data: four companies and not experiencing underpricing: twelve companies so there were 55 companies left from the total of 71 companies. The hypotheses testing were done

by statistical testing method for the measurement of variable. Microsoft excel was used first and then processed by using SPSS 12.0 for the statistical calculation.

4.2 Research Findings, Discussions, and Implications

4.2.1 Descriptive Statistics

The objective of the descriptive statistics is to show differences of the variables. In details, the sample characteristics are shown in Table 4.1.

Table 4.1 Descriptive Statistics

Variables	N	Mean	Std. Deviation
Underpricing	55	0.64	0.83
Own	55	0.71	0.17
Scale	55	8415098490909.09	37061470108729.90
Age	55	14.62	14.41
Finlev	55	3.67	10.20
ROA	55	0.08	0.15
Underwriter			
1. Good reputation	21		
2. Less reputation	34		

Sources: Result from SPSS 12.0

Based on the table, the underpricing variable has average value equal to 0.64 with positive sign. It explains that, in average, the first day of secondary market trading price is higher than the primary share price or IPO price. It can also be concluded that the underpriced value is 64%. Whereas standard deviation value equal to 0.83 means that the dispersion of underpriced is 0.83 from 55 companies. While percentage of shares which are still owned by old stockholders variable has average value equal to 0.71, which means that 71% from old stockholders still keep their shares, and the standard deviation of 0.17, which means that the dispersion from this variable 17% from total 55 companies.

Company scale variable which is measured using company's total assets shows that, in average, companies have total assets for Rp. 8, 415, 098, 490, 909.09 which means that companies taken as samples in this research can be categorized as big companies because its total assets are above Rp. 1 billion, and its standard deviation is 37061470108729.90, which means that the dispersion of company's total assets is 37061470108729.90 from 55 companies taken. While company age variable shows mean value of 14.62, meaning those companies has run its business for 14.62 years, in average, and the standard deviation value is equal to 14.41, which means that the dispersion of this variable is 14.41.

Financial Leverage variable has average value equal to 3.67. It explains that, in average, companies have debt for 3.67% from its total capital. Whereas standard deviation value equal to 10.20 which means that the dispersion of financial leverage is 10.20 from 55 companies. Return on assets variable has average value equal to 0.08, which means that company ability to yield profit is equal to 8% from its assets, and the standard deviation of 0.15, which means that the dispersion from this variable is 15%.

Underwriter reputation variable represents the name or familiarity of underwriter in public. A good underwriter is assumed to have a good reputation when its name is listed on the big 20 ranks underwriter article written by *Info Bank Magazine*. The rank is made based on the underwriter company's total assets. Some of underwriters who are listed were PT. Trimegah Sekuritas, Danareksa Sekuritas, Ciptadana Sekuritas etc. Those companies are famous or well known in the securities trading world in Indonesia. From the descriptive

analysis table, it is seen that most emiten still entrust its IPO to the less reputation underwriters. The details are 34 companies used less reputation underwrites and 21 companies use good reputation underwriters.



4.2.2 Hypotheses Testing

The test result of multiple regression model of this research can be presented in Table 4.2 below:

Table 4.2
T-test result
Coefficients^a

Model	Unstandardized Coefficients		Std. Error	Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B			Beta				Tolerance	VIF
1	(Constant)	4.582	1.508			3.039	.004		
	UNDER	.195	.235	.116		.832	.410	.900	1.111
	OWN	-.979E-02	.658	-.020		-.149	.882	.927	1.078
	SCALE	-.149	.055	-.408		-2.717	.009	.769	1.300
	AGE	-.105E-03	.008	-.018		-.137	.891	.975	1.025
	FINLEV	-1.95E-04	.012	-.002		-.016	.987	.808	1.238
	ROA	-.508	.747	-.092		-.680	.500	.954	1.049

a. Dependent Variable: UP

From Table 4.2, the regression model now can be written as:

$$\text{UP} = 4.582 + 0.195 \text{ Underwriter} - 0.098 \text{ Own} - 0.149 \text{ Scale} - 0.001 \text{ Age} \\ + 0.0002 \text{ FinLev} - 0.508 \text{ ROA} + \varepsilon$$

4.2.1.1 *T-test*

a. **Constant**

Constant or α value is 4.582 which means that the underpriced level will be equal to 4.582 when other independent variables value are zero or do not exist.

b. **Underwriter reputation**

The result of underwriter reputation has positive relation with the underpriced level. With coefficient of regression equal to 0.195, it means that if the underwriter reputation variable increases for 1 unit then the underpriced level will increase for 0.195 units, with assumption that percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows the probability value equal to 0.410 means $0.410 > 0.05$. So H_{01} is accepted or the underwriter reputation does not have negative significant influence to the underpriced level. The result is different from what is expected because the relationship is positive. The result is opposing the research done by Ghozali and Al Mansur (2002) that shows that underwriter reputation is influencing the underpriced level.

c. Percentage of shares which are still owned by old stockholders

The result of percentage of shares which are still owned by old stockholder has negative relation with the underpriced level. With coefficient of regression equal to -0.098, it means that if the percentage of shares which are still owned by old stockholders variable increases for 1 unit then the underpriced level will decrease for 0.098 units, with assumption that underwriter reputation, company scale, company age, financial leverage, and return on assets variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows the probability value equal to 0.882 means $0.882 > 0.05$. So H_0 is accepted or the percentage of shares which are still owned by old stockholders does not have negative significant influence to the underpriced level. The result is contrary from what is expected because the relationship is negative. Therefore, percentage of shares which are still owned by old stockholders is not affecting the magnitude of underpricing. The result is the same with the research done by Ghozali and Al Mansur (2002) that proves that percentage of shares which are still owned by old stockholders is not influencing the underpriced level.

d. Company Scale

The result of the company scale has negative relation with the underpriced level. With coefficient of regression equal to -0.149 it means that if the company scale variable increases for 1 unit then the underpriced level will decrease for 0.149 units, with assumption that underwriter reputation, percentage of shares

which are still owned by old stockholders, company age, financial leverage, and return on assets variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows that the probability value equal to 0.009 means $0.009 < 0.05$. So H_{03} is rejected or the company scale has negative significant influence to the underpriced level. It means that the company scale has a significant influence to the underpriced level. The coefficient sign is negative which means the bigger the company scale, the smaller the underpriced level and small companies tends to have big underpriced level. This result is different from the research done by Ghozali and Al Mansur (2002) of which conclusion shows that the company scale is not influencing the underpriced level.

e. Company Age

The result of company age has negative relation with the underpriced level. With coefficient of regression equal to -0.001 it means that if the company age variable increases for 1 unit then the underpriced level will decrease for 0.001 units, with assumption that underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, financial leverage, and return on assets variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows the probability value equal to 0.891 means $0.891 > 0.05$. So H_{04} is accepted or the company age does not have negative significant influence to the underpriced level. It means that the company age is influencing but not significantly influencing the underpriced level. This

result is similar with the previous research done by Ghozali and Al Mansur (2002) who say that company age is not influencing the underpriced level.

f. Financial Leverage

The result of financial leverage has positive relation with the underpriced level. With coefficient of regression equal to 0.0002, it means that if the financial leverage variable increases for 1 unit then the underpriced level will increase for 0.0002 units, with assumption that underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, and return on assets variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows the probability value equal to 0.987 means $0.987 > 0.05$. So H_0 is accepted or the financial leverage does not have negative significant influence to the underpriced level. It means that the financial leverage is influencing but not significantly influencing the underpriced level. This result is dissimilar with the research done by Ghozali and Al Mansur (2002) of which result shows that financial leverage is influencing the underpriced level.

g. Return on Assets

The result of return on assets has negative relation with the underpriced level. With coefficient of regression equal to -0.508 it means that if the return on assets variable increases for 1 unit then the underpriced level will decrease for 0.508 units, with assumption that underwriter reputation, percentage of shares

which are still owned by old stockholders, company scale, company age, and financial leverage variables are in a constant condition.

For the hypotheses testing, Table 4.2 shows the probability value equal to 0.500 means $0.500 > 0.05$. So H_{06} is accepted or the return on assets does not have negative significant influence to the underpriced level. It means that the return on assets is influencing but not significantly influencing the underpriced level. This result is contradictory with the research done by Ghozali and Al Mansur (2002) that shows that return on assets is influencing the underpriced level.

4.2.1.2 *F-test*

The *F-test* result is presented in Table 4.3 below:

Table 4.3 *F-Test* result

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.100	6	1.017	1.581	.173 ^a
	Residual	30.874	48	.643		
	Total	36.974	54			

a. Predictors: (Constant), ROA, KEPEM, UMUR, FINLEV, UNDER, SKALA

b. Dependent Variable: UP1

From the table above, F value is equal to 1.581 with p-value equal to 0.173. Since p-value is $(0.173) > 0.05$, so H_{07} is accepted or all variables, jointly, do not have significant influence to the underpriced level. This result indicates that the underwriter reputation, percentage of shares which are still owned by old

stockholders, company scale, company age, financial leverage, and return on assets, jointly, are not having a significant influence to the underpriced level.

The next table shows the magnitude of six independent variables in influencing the underpriced level.

Table 4.4 R^2 result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.406 ^a	.165	.061	.80201	2.090

a. Predictors: (Constant), ROA, KEPEM, UMUR, FINLEV, UNDER, SKALA

b. Dependent Variable: UP1

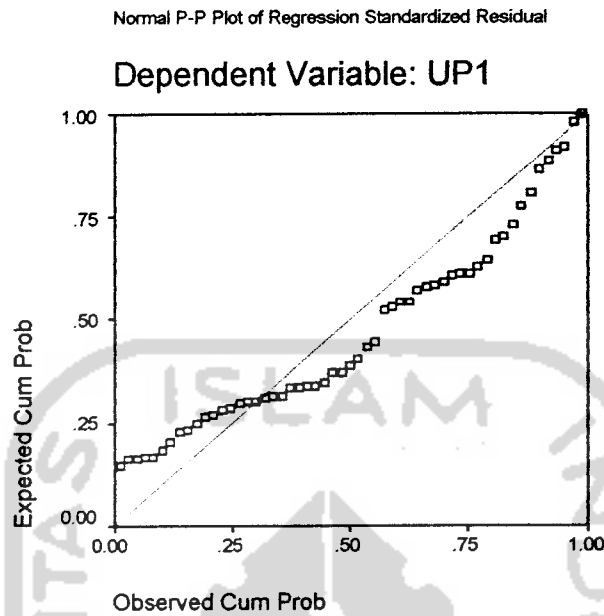
From the table, $R^2 = 0.165$, it means only 16.5% of the underpriced level in Jakarta Stock Exchange (JSX) are influenced by its six independent variables, which are underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets. While the rest of it or 83.5% is influenced by other factors which are not included in this research.

4.2.2 Classical Assumption Test

4.2.2.1 Normality Test

This test is conducted to know whether in a regression model, dependent variable, independent variables, or both are having normal distribution or not. A good regression model is that the model which data distribution is normal or near normal. In detecting the normality of the data, it can be seen from the spreading of data at diagonal lines of Normal P-P graph.

Graph 4.1 Normality test result



The above graph shows that this research regression model is passing the normality test because the data is disseminating around the diagonal line and follows the diagonal line direction.

4.2.2.2 Heteroscedasticity Test

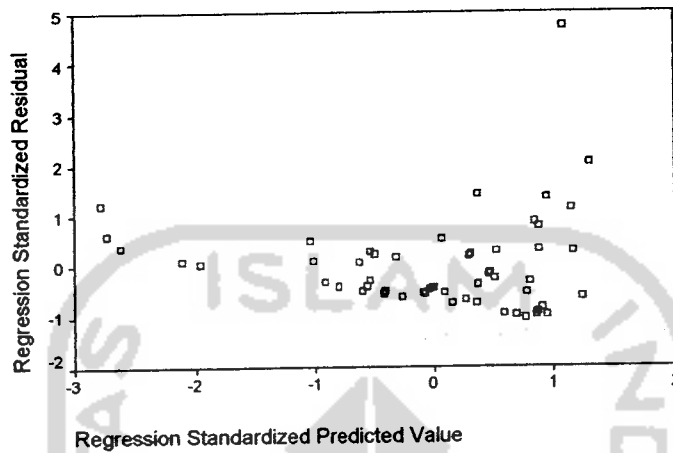
The condition of heteroscedasticity occurs when the dispersion of individual errors around the population regression function changes for every observation. The existence of heteroscedasticity causes the regression coefficient estimation becomes inefficient. A regression model is considered good if there is no heteroscedasticity.

The following graph shows that this research regression model passed the heteroscedasticity test because there is no any certain pattern shown there:

Graph 4.2 Heteroscedasticity test result

Scatterplot

Dependent Variable: UP1



4.2.2.3 Multicollinearity Test

Multicollinearity shows the existence of perfect or imperfect linear relation among some or all independent variables of existing model. Multicollinearity caused the model had big variant and covariant value so that it is difficult to get the correct estimation.

Table 4.5 Multicollinearity test result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	610.604	200.484		3.046	.004		
	UNDER	-17.679	31.198	-.078	-.567	.574	.900	1.111
	KEPEM	16.090	87.537	.025	.184	.855	.927	1.078
	SKALA	-18.424	7.308	-.375	-2.521	.015	.769	1.300
	UMUR	-.567	1.020	-.073	-.556	.581	.975	1.025
	FINLEV	-.315	1.583	-.029	-.199	.843	.808	1.238
	ROA	-126.478	99.345	-.170	-1.273	.209	.954	1.049

a. Dependent Variable: UP1

From the table above, we can learn that all independent variables have VIF value between 1.025 until 1.300, and it can be concluded that all independent variables which are used in this research are free from multicollinearity.

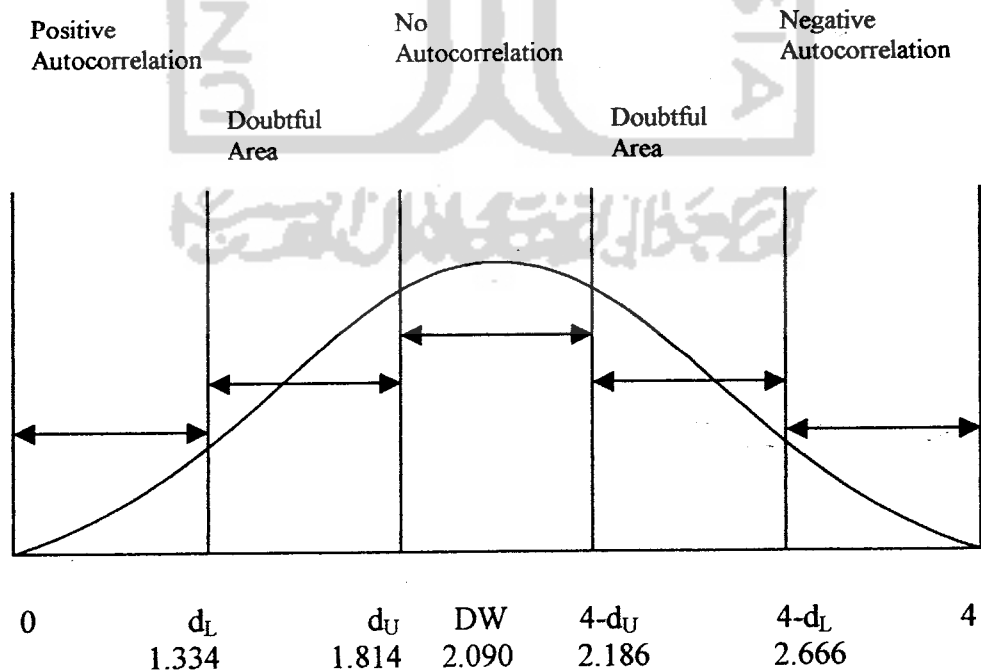
4.2.2.4 Autocorrelation Test

Autocorrelation means correlation between members of series of observations ordered in time series (as in time series data) or space (as in cross-sectional data). This test uses *Durbin-Watson (DW) method* to find out if there is any autocorrelation in the model being tested. By using α 5%:

1. DW table value for $d_L (\alpha;k;n) = (0,05;6;55) = 1,334$
2. DW table value for $d_U (\alpha;k;n) = (0,05;6;55) = 1,814$

It can be written on the picture below:

Graph 4.3 Autocorrelation test result



Autocorrelation resulted by DW value is equal to 2,090. From the figure above, it can be seen that DW value is between d_u and $4-d_u$, so the autocorrelation does not exist.

4.2.3 Discussions

Based on the result explained above, it can be concluded that each independent variable, such as underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets, is not influencing the underpriced level at 5% designated level of significance.

The objectives of this research is to get an empirical evidence from the underwriter reputation, percentage of shares which are still owned by old stockholders, company scale, company age, financial leverage, and return on assets variables that may influence the underpriced level. The result shows that only company scale that is negatively significant in influencing the underpriced level. This is similar with Janice et al (1995) and Ritter's (1991) statement that there is influence from the company scale to the underpriced level.

Partially, the underwriter reputation is not proven to influence the underpriced level. Even from the coefficient sign, which is positive, it proves that the better the reputation of the underwriter, the higher the level of the underpriced level. Therefore, the underwriter reputation is not affecting the magnitude of the underpricing. This might be caused by Indonesian capital market investors who are buying shares in the primary market are short-term investors, not long-term

investors. Short-term investors are only looking for capital gain value and do not rely on the dividend value distributions. Capital gain is the difference between the primary share price and the first day of secondary market price. Short-term investors are those who buy shares in the primary market and plan to sell its shares in the first day of secondary market and long-term investors are those who buy shares in the primary market and aim at its dividend value distributions.

The percentage of shares which are still owned by old stockholders amount is not influencing the underpriced level. It proves that this research is rejecting the previous research that the percentage of shares which are still owned by old stockholders has significant influence to the underpriced level. It is because investors may not pay attention on internal company information to determine its initial return but they focus more on the declining of macro economics situation, market sentiment, and other external factors during the period of 2001 up to 2004.

The company scale is proven to give a significant influence to the underpriced level with negative coefficients. It means that whenever the company scale increases then the underpriced level will decrease. It is because big companies are more knowledgeable in public than small companies so any information related with the company is easier to get. Adequate information will lessen the uncertainty of the future company's prospects and decrease the underpriced level.

The matter causing company age is not significantly influencing the underpriced level because of the unstable condition of economy and country. At that period, there are changes in the government level, the new president is voted,

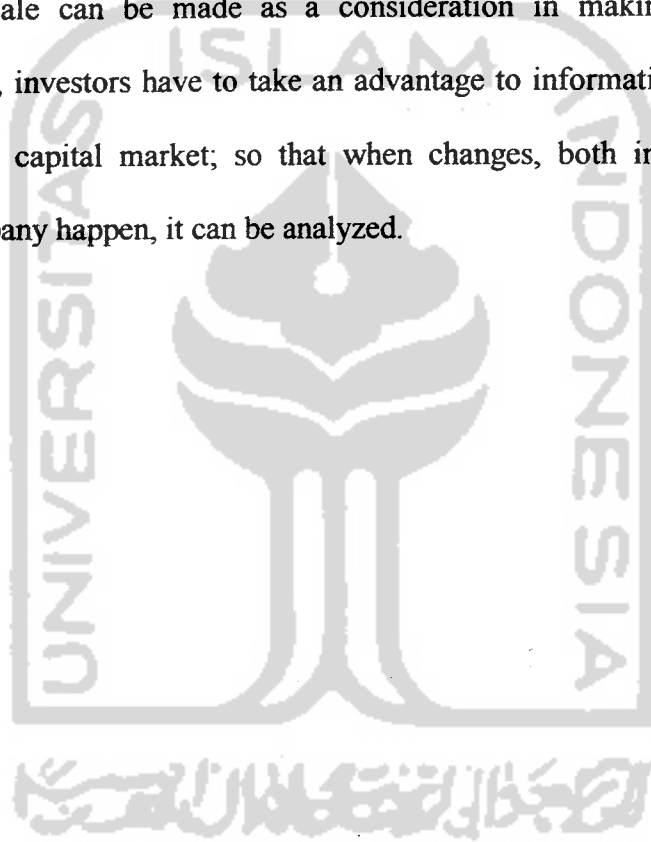
and the effect of monetary crisis that happened three or four years before can still be felt today. All of these have made the high inflation rate occurs, fluctuation of bank rate, unstable dollar value, and numbers of corruption and financial report counterfeiting in all companies that enable investor to make judgment without considering the age of the company. The coefficient sign is negative, which means that the old company tends to have low or small underpriced level. It is because old companies have solid strategy and tactics to stay survived in the future.

Financial leverage, partially, is proven not significantly influence the underpriced level. This result is different from the research done by Ghozali and Al Mansur (2002) that shows that financial leverage is significantly influencing the underpriced level. The negative coefficient means that whenever the company's debt increases then the underpriced level will decrease. This maybe because Indonesian capital market investors who buy shares in the primary market are short-term investors, not long-term investors.

Return on assets does not significantly influence the underpriced level. This result is different from the research done by Ghozali and Al Mansur (2002). It is probably because samples taken in this research are all companies conducting IPO in Jakarta Stock Exchange (JSX) without giving limitation to its industrial type, so that the ability to yield profit between one and another company is far different. On one side, there is a company whose ROA value is high while on the other side, there is a company whose ROA value is low, even negative. So the fluctuation among companies is high and makes this variable does not significantly influence the underpriced level.

4.2.4 Implications

For investors who want to invest their money in companies that are carrying out IPO in the capital market has to undergo accurate analyses so that the profit yield is equal with the expectation. This can be done by analyzing factors that are proven significantly influence to the underpriced level, as in this research. The company scale can be made as a consideration in making investment decision. Besides, investors have to take an advantage to information, both from inside or outside capital market; so that when changes, both in internal and external the company happen, it can be analyzed.



CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1. Conclusions

Based on the research purpose and the statistical test and analysis that have been described in the earlier chapter, some conclusions are drawn as follows:

1. Partially, company size variable is proven to have negative significant influence to the underpriced level while other independent variables, like: underwriter reputation, percentage of shares which are still holds by old stockholders, company age, financial leverage and return on assets, are not proven to have significant influence to the underpriced level, neither positive nor negative.
2. There are some reasons that are assumed to cause the independent variables are not significantly influence the underpriced level during 2001 up to 2004, such as:
 - a. Samples taken in this research are all companies conducting IPO in Jakarta Stock Exchange (JSX) without giving limitation to its industrial type so that the ability between one and another company is far different. Some examples are the ability in yielding profit, industrial growth, etc.
 - b. Indonesian capital market investors who are buying shares in the primary market are short-term investors, not long-term investors.

Short-term investors are only looking for capital gain value and do not rely on the dividend value distributions.

- c. Indonesian capital market investors may not pay attention on internal company information to determine its initial return but they focus more on the declining of macro economics situation, market sentiment, and other external factors during the period of 2001 up to 2004.
 - d. The unstable condition of economy and country. At that period, there are changes in the government level, the new president is voted, and the effect of monetary crisis that happened three or four years before can still be felt today. All of these have made the high inflation rate occurs, fluctuation of bank rate, unstable dollar value, and numbers of corruption and financial report counterfeiting in all companies.
3. There is no significant influence from independent variables, as jointly, to the underpriced level. This material is also supported by the magnitude of six independent variables in influencing the underpriced level result which only 16.5%. It means, only 16.5% of the underpriced level is influenced by six independent variables, such as underwriter reputation, percentage of shares which are still owned by old stockholders, company age, financial leverage, and return on assets, while 83.5% or the rest of it is influenced by other factors which are not mentioned in this research..

5.2.Recommendations

After the completion of this research, recommendations are drawn as follows:

1. For investors who want to invest their money in companies that are doing IPO in capital market, the analyses have to be accurate so that the profit yield is equal with the expectations. Company scale can be made as consideration in making investment decision to predict the future's profit.
2. For researchers whose interested in doing the same field research, there are some suggestions:
 - a. The period of the research can be extended into a longer period. By taking a longer period, the impact of the independent variable to the dependent variable (underpriced level) can be seen from two sides, they are the short-term period and long-term period.
 - b. The variables can be added more, such as EPS, PER, inflation level, etc. Those variables are assumed to be able to influence the underpriced level.
 - c. The samples can be differentiated into more specific industrial sector because each industrial sector had different policy and regulation and the ability to yield profit between one sector and the other sector is different, also.
 - d. The result of this research, hopefully, can be used as a reference for other researchers to adequately develop or revise the research result.

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Appendix 1
Company doing IPO during 2001-2004

No.	Year	Company Name	Company Code	IPO price	Closing price
1	2001	Akbar Indo Makmur Stimec	AIMS	250	730
2	2001	Arwana Citramulia	ARNA	120	140
3	2001	Asia Kapitalindo Securities	AKSI	200	260
4	2001	Bank Eksekutif Internasional	BEKS	140	195
5	2001	Bank Nusantara Parahvangan	BBNP	525	550
6	2001	Betonjaya Manunggal	BTON	120	315
7	2001	Bhakti Capital Indonesia	BCAP	250	265
8	2001	Central Korporindo Internasional	CNKO	105	220
9	2001	Centrin Online	CENT	125	380
10	2001	Colorpak Indonesia	CLPI	200	410
11	2001	Daeyu Orchid Indonesia	DOID	150	150
12	2001	Danastupra Erapacific	DEFI	200	550
13	2001	Indoexchange Dot Com	INDX	125	115
14	2001	Indofarma	INAF	250	230
15	2001	Indosiar Visual Mandiri	IDSR	650	675
16	2001	Infoasia Teknologi Global	IATG	200	440
17	2001	Integrasi Teknologi	ITTG	150	105
18	2001	Karka Yasa Profilia	KARK	100	110
19	2001	Kimia Farma	KAEF	200	210
20	2001	Kopitime Dot Com	KOPI	250	300
21	2001	Lamicitra Nusantara	LAMI	125	240
22	2001	Lapindo Packaging	LAPD	200	450
23	2001	Limas Stockhomindo	LMAS	350	510
24	2001	Metamedia Technologies	META	200	235
25	2001	Panorama Sentrawisata	PANR	500	625
26	2001	Plastpack Prima Industri	PLAS	200	510
27	2001	Pyridam Farma	PYFA	105	200
28	2001	Roda Panggon Harapan	RODA	120	445
29	2001	Ryane Adibusana	RYAN	100	580
30	2001	Tempo Inti Media	TMPO	300	495
31	2001	Wahana Phonix Mandiri	WAPO	175	505
32	2002	Abdi Bangsa	ABBA	105	175
33	2002	Anta Express Tour&Travel Service	ANTA	125	210
34	2002	Anugrah Tambak Perkasindo	ATPK	300	300
35	2002	Apexindo Pratama Duta	APEX	550	550

36	2002	Artha Pacific Securities	APIC	210	345
37	2002	Artha Securities	ARTA	225	265
38	2002	Bank Bumiputera Indonesia	BABP	120	135
39	2002	Bank Kesawan	BKSW	250	425
40	2002	Bank Swadesi	BSWD	250	325
41	2002	Cipta Panelutama	CITA	200	340
42	2002	Fatrapolindo Nusa Industri	FPNI	450	495
43	2002	Fishindo Kusuma Sejahtera	FISH	125	160
44	2002	Fortune Indonesia	FORU	130	220
45	2002	Gema Grahasarana	GEMA	225	170
46	2002	Inti Indah Karya Plasindo	IIKP	450	670
47	2002	Jasuindo Tiga Perkasa	JTPE	225	365
48	2002	Kresna Graha Sekurindo	KREN	215	145
49	2002	Sugi Samapersada	SUGI	120	200
50	2002	Surya Citra Media	SCMA	1100	1150
51	2002	Tambang Batubara Bukit Asam	PTBA	575	600
52	2002	Trust Finance Indonesia	TRUS	170	195
53	2002	United Capital Indonesia	UNIT	210	330
54	2003	Arona Binasejati	ARTI	650	775
55	2003	Asuransi Jasa Tania	ASJT	300	375
56	2003	Bank Mandiri (Persero)	BMRI	675	825
57	2003	Bank Rakyat Indonesia (Persero)	BBRI	875	925
58	2003	Pelayaran Tempuran Emas	TMAS	550	525
59	2003	Perusahaan Gas Negara (Persero)	PGAS	1500	1550
60	2004	Adhi Karya (Persero)	ADHI	150	185
61	2004	Adira Dinamika Multi Finance	ADMF	2325	2325
62	2004	Aneka Kemasindo Utama	AKKU	220	225
63	2004	Bumi Teknokultura Unggul	BTEK	125	210
64	2004	Energi Mega Persada	ENRG	160	240
65	2004	Hortus Danavest	HADE	210	225
66	2004	Indosiar Karya Media	IIDKM	551	675
67	2004	Mitra Adiperkasa	MAPI	625	700
68	2004	Pembangunan Jaya Ancol	PJAA	1025	1025
69	2004	Sanex Qianjiang Motor International	SQMI	250	265
70	2004	Wahana Ottomitra Multiartha	WOMF	700	750
71	2004	Yulie Sekurindo	YULE	215	260

Keterangan:

Red printed are companies that were not experiencing underpriced, totaled 12 companies

Green printed are companies that were not having complete data, totaled 4 companies

Appendix 2
Company and its shares

No.	Company Code	IPO price	Closing price	Underpricing	# of shares offered in IPO	# of shares owned by old stockholder	# of shares listed
1	AIMS	250	730	1.92	40.00	70.00	110.00
2	ARNA	120	140	0.17	125.00	423.85	548.85
3	AKSI	200	260	0.30	165.00	555.00	720.00
4	BEKS	140	195	0.39	277.50	497.50	775.00
5	BBNP	525	550	0.05	125.00	25.00	150.00
6	BTON	120	315	1.63	65.00	115.00	180.00
7	BCAP	250	265	0.06	250.00	1,000.00	1,250.00
8	CNKO	105	220	1.10	800.00	1,500.00	2,300.00
9	CENT	125	380	2.04	100.00	450.00	550.00
10	CLPI	200	410	1.05	50.00	254.70	304.70
11	LATG	200	440	1.20	200.00	600.00	800.00
12	KARK	100	110	0.10	150.00	320.00	470.00
13	KAEF	200	210	0.05	500.00	5,054.00	5,554.00
14	KOPI	250	300	0.20	60.00	500.00	560.00
15	LAMI	125	240	0.92	80.00	1,066.69	1,146.69
16	LAPD	200	450	1.25	60.00	155.00	215.00
17	LMAS	350	510	0.46	50.00	643.75	693.75
18	META	200	235	0.18	60.00	375.00	435.00
19	PANR	500	625	0.25	120.00	280.00	400.00
20	PLAS	200	510	1.55	100.00	150.00	250.00
21	PYFA	105	200	0.90	120.00	400.00	520.00
22	RODA	120	445	2.71	150.00	441.00	591.00
23	RYAN	100	580	4.80	150.00	400.00	550.00
24	TMPO	300	495	0.65	125.00	600.00	725.00
25	WAPO	175	505	1.89	200.00	320.00	520.00

26	ABBA	105	175	0.67	400.00	240.00	640.00
27	ANTA	125	210	0.68	80.00	490.00	570.00
28	ARTA	225	265	0.18	70.00	220.00	290.00
29	BABP	120	135	0.13	500.00	1,500.00	2,000.00
30	BKSW	250	425	0.70	78.80	321.20	400.00
31	BSWD	250	325	0.30	60.00	246.90	306.90
32	CITA	200	340	0.70	60.00	180.00	240.00
33	FPNI	450	495	0.10	67.00	343.20	410.20
34	FISH	125	160	0.28	80.00	400.00	480.00
35	FORU	130	220	0.69	205.00	250.00	455.00
36	IKP	450	670	0.49	60.00	100.00	160.00
37	JTPE	225	365	0.62	100.00	250.00	350.00
38	SUGI	120	200	0.67	100.00	300.00	400.00
39	SCMA	1100	1150	0.05	375.00	1,500.00	1,875.00
40	PTBA	575	600	0.04	346.50	1,785.00	2,131.50
41	TRUS	170	195	0.15	100.00	300.00	400.00
42	UNIT	210	330	0.57	95.00	105.00	200.00
43	ARTI	650	775	0.19	95.00	101.00	196.00
44	ASJT	300	375	0.25	50.00	250.00	300.00
45	BMRI	675	825	0.22	2,900.00	16,900.00	19,800.00
46	PGAS	1500	1550	0.03	1,296.30	3,024.69	4,320.99
47	ADHI	150	185	0.23	397.19	1,404.13	1,801.32
48	AKKU	220	225	0.02	80.00	150.00	230.00
49	BTEK	125	210	0.68	120.00	800.00	920.00
50	ENRG	160	240	0.50	2,847.43	6,644.01	9,491.45
51	HADE	210	225	0.07	125.00	140.00	265.00
52	MAPI	625	700	0.12	500.00	1,160.00	1,660.00
53	SQMI	250	265	0.06	120.00	0.00	120.00
54	WOMF	700	750	0.07	200.00	1,800.00	2,000.00
55	YULE	215	260	0.21	135.00	120.00	255.00

Appendix 3
Underwriter and dummy

No	Company Code	Underwriter name	Dummy
1	AIMS	Sucorinvest Central Gani	0
2	ARNA	Ciptadana Sekuritas, Makindo Securities	0
3	AKSI	Mahanusa Kapital	0
4	BEKS	Rifan Financindo Sekuritas	0
5	BBNP	Panin Sekuritas	1
6	BTON	Agung Securities Indonesia	0
7	BCAP	Sinarmas Sekuritas, Agung Securities Indonesia	1
8	CNKO	Asjaya Indosurya Securities	0
9	CENT	Trimegah Securities	1
10	CLPI	Sucorinvest Central Gani	0
11	IATG	Trimegah Securities, Makinta Securities	1
12	KARK	Jakarta Artha Visi Abadi Securities	0
13	KAEF	Danareksa Sekuritas	1
14	KOPI	Danatama Makmur, Trimegah Securities	0
15	LAMI	Trimegah Securities, Victoria Sekuritas	1
16	LAPD	Danatama Makmur	0
17	LMAS	Makindo Securities	0
18	META	Harita Kencana Sekuritas, Trimegah Securities	0
19	PANR	Dinamika Usaha Jaya	0
20	PLAS	Pridana Futura Central Investama	0
21	PYFA	Trimegah Securities, Kresna Graha Sekurindo	1
22	RODA	Harita Kencana Sekuritas	0
23	RYAN	Asia Kapitalindo Securities	1
24	TMPO	Trimegah Securities, Victoria Kapitalindo International	1
25	WAPO	Pridana Futura Central Investama	0
26	ABBA	Rifan Financindo Sekuritas	0
27	ANTA	Kresna Graha Sekurindo	0
28	ARTA	Asia Kapitalindo Securities, Kapita Sekurindo	1
29	BABP	Danareksa Sekuritas	1
30	BKSW	Kapita Sekurindo, Victoria Sekuritas	0
31	BSWD	Ciptadana Sekuritas	1
32	CITA	Harita Kencana Securities	0
33	FPNI	Ciptadana Sekuritas	1
34	FISH	Bhakti Capital Indonesia	1
35	FORU	Millenium Atlantic Securities	0
36	IIKP	Dhanawibawa Inti Cemerlang, Harumdana Sekuritas, Sinarmas Sekuritas	0
37	JTPE	Victoria Kapitalindo International	0
38	SUGI	Millenium Atlantic Securities	0
39	SCMA	CLSA Indonesia	1
40	PTBA	Danareksa Sekuritas	1
41	TRUS	Asia Kapitalindo Securities, Artha Securities	1
42	UNIT	Ciptadana Sekuritas	1
43	ARTI	Harumdana Sekuritas, Suprasurya Danawan Sekuritas	0
44	ASJT	Makinta Securities	0
45	BMRI	Danareksa Sekuritas, ABN AMRO Asia Securities Indonesia	1
46	PGAS	Reksadana Sekuritas, ABN AMRO Asia Securities Indonesia	0
47	ADHI	Danareksa Sekuritas	1
48	AKKU	Yulie Sekurindo	0
49	BTEK	Inovasi Utama Sekurindo, Meridian Capital Indonesia	0
50	ENRG	Danatama Makmur	0
51	HADE	Danasakti Securities, Meridian Capital Indonesia, Suprasurya Danawan Sekuritas	0
52	MAPI	Mandiri Sekuritas	1
53	SQMI	Hortus Danavest, Meridian Capital Indonesia	0
54	WOMF	Investindo Nusantara Sekuritas, Danareksa Sekuritas, DBS Vickers Securities Indonesia	0
55	YULE	Victoria Sekuritas	0

Appendix 4
Company age

No	Company Code	Establishment year	IPO year	Age
1	AIMS	1997	2001	4
2	ARNA	1993	2001	8
3	AKSI	1990	2001	11
4	BEKS	1992	2001	9
5	BBNP	1972	2001	29
6	BTON	1995	2001	6
7	BCAP	1999	2001	2
8	CNKO	1999	2001	2
9	CENT	1987	2001	14
10	CLPI	1988	2001	13
11	IATG	1995	2001	6
12	KARK	1994	2001	7
13	KAEF	1969	2001	32
14	KOPI	1981	2001	20
15	LAMI	1988	2001	13
16	LAPD	1990	2001	11
17	LMAS	1996	2001	5
18	META	1995	2001	6
19	PANR	1995	2001	6
20	PLAS	1992	2001	9
21	PYFA	1976	2001	25
22	RODA	1984	2001	17
23	RYAN	1989	2001	12
24	TMPO	2000	2001	1
25	WAPO	1993	2001	8
26	ABBA	1992	2002	10
27	ANTA	1972	2002	30
28	ARTA	1990	2002	12
29	BABP	1989	2002	13
30	BKSW	1913	2002	89
31	BSWD	1968	2002	34
32	CITA	1992	2002	10
33	FPNI	1987	2002	15
34	FISH	1992	2002	10
35	FORU	1970	2002	32
36	IJKP	1999	2002	3
37	JTPE	1990	2002	12
38	SUGI	1990	2002	12
39	SCMA	1999	2002	3
40	PTBA	1981	2002	21
41	TRUS	1990	2002	12
42	UNIT	1988	2002	14
43	ARTI	1993	2003	10
44	ASJT	1979	2003	24
45	BMRI	1998	2003	5
46	PGAS	1965	2003	38
47	ADHI	1957	2004	47
48	AKKU	2001	2004	3
49	BTEK	2001	2004	3
50	ENRG	2003	2004	1
51	HADE	1989	2004	15
52	MAPI	1995	2004	9
53	SQMI	2000	2004	4
54	WOMF	1982	2004	22
55	YULE	1989	2004	15

Appendix 5
Company scale, financial leverage, and ROA

No	Company Code	Total Assets	Total Liabilities	Total Equities	Financial Leverage	Net Income	ROA	Scale
1	AIMS	13,344,000,000	5,929,000,000	7,415,000,000	0.80	119,000,000	0.01	13,344,000,000
2	ARNA	177,419,000,000	134,686,000,000	42,733,000,000	3.15	4,106,000,000	0.02	177,419,000,000
3	AKSI	100,018,000,000	30,474,000,000	69,544,000,000	0.44	13,945,000,000	0.14	100,018,000,000
4	BEKS	1,527,648,000,000	1,451,197,000,000	76,451,000,000	18.98	40,199,000,000	0.03	1,527,648,000,000
5	BBNP	1,320,128,000,000	1,257,885,000,000	62,243,000,000	20.21	11,145,000,000	0.01	1,320,128,000,000
6	BTON	25,488,000,000	13,889,000,000	11,599,000,000	1.20	350,000,000	0.01	25,488,000,000
7	BCAP	65,355,000,000	15,366,000,000	49,989,000,000	0.31	9,714,000,000	0.15	65,355,000,000
8	CNKO	156,833,000,000	9,717,000,000	147,116,000,000	0.07	307,000,000	0.00	156,833,000,000
9	CENT	46,663,000,000	5,379,000,000	41,284,000,000	0.13	4,818,000,000	0.10	46,663,000,000
10	CLPI	19,473,000,000	7,756,000,000	11,717,000,000	0.66	4,839,000,000	0.25	19,473,000,000
11	LATG	78,115,000,000	18,252,000,000	59,863,000,000	0.30	1,804,000,000	0.02	78,115,000,000
12	KARK	35,249,000,000	3,568,000,000	31,681,000,000	0.11	160,000,000	0.00	35,249,000,000
13	KAEF	964,463,000,000	424,485,000,000	539,978,000,000	0.79	169,819,000,000	0.18	964,463,000,000
14	KOPI	142,676,000,000	17,711,000,000	124,965,000,000	0.14	(1,795,000,000)	(0.01)	142,676,000,000
15	LAMI	227,765,000,000	83,439,000,000	144,326,000,000	0.58	9,137,000,000	0.04	227,765,000,000
16	LAPD	10,516,000,000	9,266,000,000	1,250,000,000	7.41	394,000,000	0.04	10,516,000,000
17	LMAS	53,534,000,000	1,925,000,000	51,609,000,000	0.04	(7,338,000,000)	(0.14)	53,534,000,000
18	META	21,237,000,000	6,784,000,000	14,453,000,000	0.47	(26,291,000,000)	(1.24)	21,237,000,000
19	PANR	102,602,000,000	50,374,000,000	52,228,000,000	0.96	9,133,000,000	0.09	102,602,000,000
20	PLAS	22,313,000,000	6,550,000,000	15,763,000,000	0.42	700,000,000	0.03	22,313,000,000
21	PYFA	66,084,000,000	21,303,000,000	44,781,000,000	0.48	1,448,000,000	0.02	66,084,000,000
22	RODA	77,527,000,000	27,981,000,000	49,546,000,000	0.56	(498,000,000)	(0.01)	77,527,000,000
23	RYAN	45,605,000,000	4,482,000,000	41,123,000,000	0.11	1,727,000,000	0.04	45,605,000,000
24	TMPO	106,251,000,000	9,116,000,000	97,135,000,000	0.09	(2,129,000,000)	(0.02)	106,251,000,000
25	WAPO	61,148,000,000	23,215,000,000	37,933,000,000	0.61	4,298,000,000	0.07	61,148,000,000

26	ABBA	46,699,000,000	13,445,000,000	33,254,000,000	0.40	(22,870,000,000)	(0.49)	46,699,000,000
27	ANTA	211,049,000,000	147,315,000,000	63,734,000,000	2.31	13,987,000,000	0.07	211,049,000,000
28	ARTA	63,830,000,000	18,564,000,000	45,266,000,000	0.41	1,747,000,000	0.03	63,830,000,000
29	BABP	2,000,662,000,000	1,833,642,000,000	167,020,000,000	10.98	10,912,000,000	0.01	2,000,662,000,000
30	BKSW	894,187,000,000	823,982,000,000	70,205,000,000	11.74	2,974,000,000	0.00	894,187,000,000
31	BSWD	435,180,000,000	370,063,000,000	65,117,000,000	5.68	13,345,000,000	0.03	435,180,000,000
32	CITA	38,574,000,000	30,857,000,000	7,717,000,000	4.00	(1,768,000,000)	(0.05)	38,574,000,000
33	FPNI	230,962,000,000	103,103,000,000	127,859,000,000	0.81	33,157,000,000	0.14	230,962,000,000
34	FISH	67,348,000,000	25,545,000,000	41,803,000,000	0.61	1,967,000,000	0.03	67,348,000,000
35	FORU	45,727,000,000	12,034,000,000	33,693,000,000	0.36	2,397,000,000	0.05	45,727,000,000
36	IIRP	27,733,000,000	6,915,000,000	20,818,000,000	0.33	933,000,000	0.03	27,733,000,000
37	JTPE	47,374,000,000	18,848,000,000	28,526,000,000	0.66	1,009,000,000	0.02	47,374,000,000
38	SUGI	53,467,000,000	22,083,000,000	31,384,000,000	0.70	832,000,000	0.02	53,467,000,000
39	SCMA	1,519,244,000,000	935,489,000,000	583,755,000,000	1.60	7,803,000,000	0.01	1,519,244,000,000
40	PTBA	1,919,954,000,000	613,284,000,000	1,306,670,000,000	0.47	272,222,000,000	0.14	1,919,954,000,000
41	TRUS	84,040,000,000	50,581,000,000	33,459,000,000	1.51	665,000,000	0.01	84,040,000,000
42	UNIT	37,430,000,000	16,271,000,000	21,159,000,000	0.77	1,073,000,000	0.03	37,430,000,000
43	ARTI	99,952,000,000	50,382,000,000	49,570,000,000	1.02	827,000,000	0.01	99,952,000,000
44	ASJT	93,100,000,000	50,106,000,000	42,994,000,000	1.17	12,799,000,000	0.14	93,100,000,000
45	BMRI	250,394,689,000,000	235,956,683,000,000	14,438,006,000,000	16.34	3,586,217,000,000	0.01	250,394,689,000,000
46	PGAS	5,770,088,000,000	3,187,266,000,000	2,582,822,000,000	1.23	1,115,714,000,000	0.19	5,770,088,000,000
47	ADHI	1,348,489,000,000	1,126,682,000,000	221,807,000,000	5.08	37,495,000,000	0.03	1,348,489,000,000
48	AKKU	16,141,974,000,000	15,914,203,000,000	227,771,000,000	69.87	848,905,000,000	0.05	16,141,974,000,000
49	BTEK	80,346,501,000,000	409,505,000,000	79,936,996,000,000	0.01	489,224,000,000	0.01	80,346,501,000,000
50	ENRG	662,831,000,000	1,085,220,000,000	-422,389,000,000	(2.57)	15,360,000,000	0.02	662,831,000,000
51	HADH	40,145,000,000	12,842,000,000	27,303,000,000	0.47	1,939,000,000	0.05	40,145,000,000
52	MAP1	1,247,899,000,000	621,948,000,000	625,951,000,000	0.99	76,284,000,000	0.06	1,247,899,000,000
53	SQMI	92,730,401,000,000	46,557,455,000,000	46,172,946,000,000	1.01	18,928,590,000,000	0.20	92,730,401,000,000
54	WOMF	781,437,000,000	582,019,000,000	199,418,000,000	2.92	67,846,000,000	0.09	781,437,000,000
55	YULE	25,768,000,000	16,864,000,000	8,904,000,000	1.89	190,000,000	0.01	25,768,000,000

Appendix 6
Summary of all variables

No	Company Code	Underpricing	Underwriter	Own	Scale	Age	Financial Leverage	ROA
1	AIMS	1.92	0.00	0.64	13,344,000,000	4	0.80	0.01
2	ARNA	0.17	0.00	0.77	177,419,000,000	8	3.15	0.02
3	AKSI	0.30	0.00	0.77	100,018,000,000	11	0.44	0.14
4	BEKS	0.39	0.00	0.64	1,527,648,000,000	9	18.98	0.03
5	BBNP	0.05	1.00	0.17	1,320,128,000,000	29	20.21	0.01
6	BTON	1.63	0.00	0.64	25,488,000,000	6	1.20	0.01
7	BCAP	0.06	1.00	0.80	65,355,000,000	2	0.31	0.15
8	CNKO	1.10	0.00	0.65	156,833,000,000	2	0.07	0.00
9	GENT	2.04	1.00	0.82	46,663,000,000	14	0.13	0.10
10	CLPI	1.05	0.00	0.84	19,473,000,000	13	0.66	0.25
11	IATG	1.20	1.00	0.75	78,115,000,000	6	0.30	0.02
12	KARK	0.10	0.00	0.68	35,249,000,000	7	0.11	0.00
13	KALF	0.05	1.00	0.91	964,463,000,000	32	0.79	0.18
14	KOPI	0.20	0.00	0.89	142,676,000,000	20	0.14	(0.01)
15	LAMI	0.92	1.00	0.93	227,765,000,000	13	0.58	0.04
16	LAPD	1.25	0.00	0.72	10,516,000,000	11	7.41	0.04
17	LMASS	0.46	0.00	0.93	53,534,000,000	5	0.04	(0.14)
18	META	0.18	0.00	0.86	21,237,000,000	6	0.47	(1.24)
19	PANR	0.25	0.00	0.70	102,602,000,000	6	0.96	0.09
20	PLAS	1.55	0.00	0.60	22,313,000,000	9	0.42	0.03
21	PYFA	0.90	1.00	0.77	66,084,000,000	25	0.48	0.02
22	RODA	2.71	0.00	0.75	77,527,000,000	17	0.56	(0.01)
23	RYAN	4.80	1.00	0.73	45,605,000,000	12	0.11	0.04
24	TMPO	0.65	1.00	0.83	106,251,000,000	1	0.09	(0.02)
25	WAPO	1.89	0.00	0.62	61,148,000,000	8	0.61	0.07

26	ABBA	0.67	0.00	0.38	46,699,000,000	10	0.40	(0.05)
27	ANTA	0.68	0.00	0.86	211,049,000,000	30	2.31	0.07
28	ARTA	0.18	1.00	0.76	63,830,000,000	12	0.41	0.03
29	BABP	0.13	1.00	0.75	2,000,662,000,000	13	10.98	0.01
30	BKSW	0.70	0.00	0.80	894,187,000,000	89	11.74	0.00
31	BSWD	0.30	1.00	0.80	435,180,000,000	34	5.68	0.03
32	CITTA	0.70	0.00	0.75	38,574,000,000	10	4.00	(0.05)
33	FPNI	0.10	1.00	0.84	230,962,000,000	15	0.81	0.14
34	FISH	0.28	1.00	0.83	67,348,000,000	10	0.61	0.03
35	FORU	0.69	0.00	0.55	45,727,000,000	32	0.36	0.05
36	IKP	0.49	0.00	0.63	27,733,000,000	3	0.33	0.03
37	JTPE	0.62	0.00	0.71	47,374,000,000	12	0.66	0.02
38	SUGI	0.67	0.00	0.75	53,467,000,000	12	0.70	0.02
39	SCMA	0.05	1.00	0.80	1,519,244,000,000	3	1.60	0.01
40	PTBA	0.04	1.00	0.84	1,919,954,000,000	21	0.47	0.14
41	TRUS	0.15	1.00	0.75	84,040,000,000	12	1.51	0.01
42	UNIT	0.57	1.00	0.53	37,430,000,000	14	0.77	0.03
43	ARTI	0.19	0.00	0.52	99,952,000,000	10	1.02	0.01
44	ASJT	0.25	0.00	0.83	93,100,000,000	24	1.17	0.14
45	BMRI	0.22	1.00	0.85	250,394,689,000,000	5	16.34	0.01
46	PGAS	0.03	0.00	0.70	5,770,088,000,000	38	1.23	0.19
47	ADHI	0.23	1.00	0.78	1,348,489,000,000	47	5.08	0.03
48	AKKU	0.02	0.00	0.65	16,141,974,000,000	3	69.87	0.05
49	BTEK	0.68	0.00	0.87	80,346,501,000,000	3	0.01	0.01
50	ENRG	0.50	0.00	0.70	662,831,000,000	1	(2.57)	0.02
51	HADE	0.07	0.00	0.53	40,145,000,000	15	0.47	0.05
52	MAP1	0.12	1.00	0.70	1,247,899,000,000	9	0.99	0.06
53	SQMI	0.06	0.00	0.00	92,730,401,000,000	4	1.01	0.02
54	WOMI	0.07	0.00	0.90	781,437,000,000	22	2.92	0.09
55	YUIE	0.21	0.00	0.47	25,768,000,000	15	1.89	0.01

Appendix 7

Descriptive Statistics

Descriptive Statistics

	N	Mean	Std. Deviation
UP	55	.6449	.82747
OWN	55	.7135	.17213
SCALE	55	8415098490909.090	37061470108729.91
AGE	55	14.6182	14.40742
FINLEV	55	3.6680	10.20115
ROA	55	.0827	.14958
Valid N (listwise)	55		



Appendix 8

Regression result

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	ROA, OWN, AGE, FINLEV, UNDERW _a RI, SCALE		Enter

a. All requested variables entered.

b. Dependent Variable: UP

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.406 ^a	.165	.061	.80201	2.090

a. Predictors: (Constant), ROA, OWN, AGE, FINLEV, UNDERWRI, SCALE

b. Dependent Variable: UP

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.100	6	1.017	1.581	.173 ^a
	Residual	30.874	48	.643		
	Total	36.974	54			

a. Predictors: (Constant), ROA, OWN, AGE, FINLEV, UNDERWRI, SCALE

b. Dependent Variable: UP

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.582	1.508		3.039	.004
	UNDERWRI	.195	.235	.116	.832	.410
	OWN	-9.79E-02	.658	-.020	-.149	.882
	SCALE	-.149	.055	-.408	-2.717	.009
	AGE	-1.05E-03	.008	-.018	-.137	.891
	FINLEV	-1.95E-04	.012	-.002	-.016	.987
	ROA	-.508	.747	-.092	-.680	.500

a. Dependent Variable: UP

Casewise Diagnostics^a

Case Number	Std. Residual	UP
23	4.726	4.80

a. Dependent Variable: UP

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	-.2908	1.0840	.6449	.33609	55
Residual	-.8430	3.7906	.0000	.75614	55
Std. Predicted Value	-2.784	1.306	.000	1.000	55
Std. Residual	-1.051	4.726	.000	.943	55

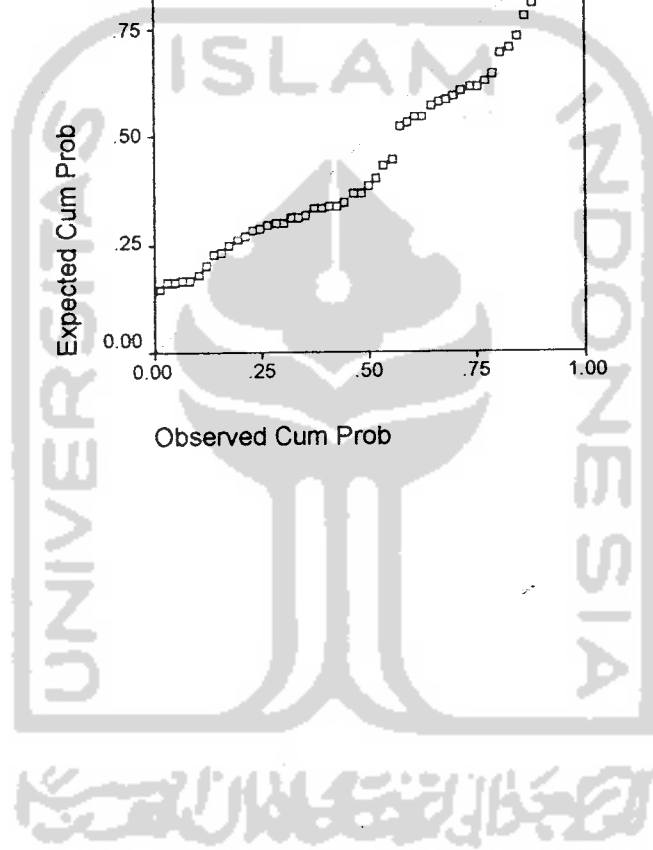
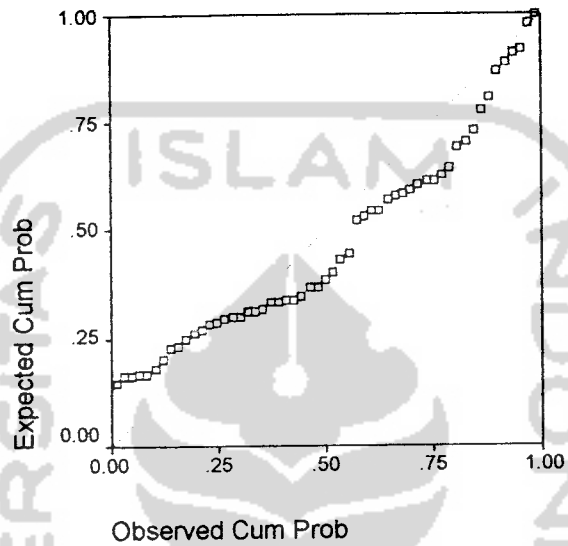
a. Dependent Variable: UP

Appendix 9

Normality result

Normal P-P Plot of Regression Stand.

Dependent Variable: UP

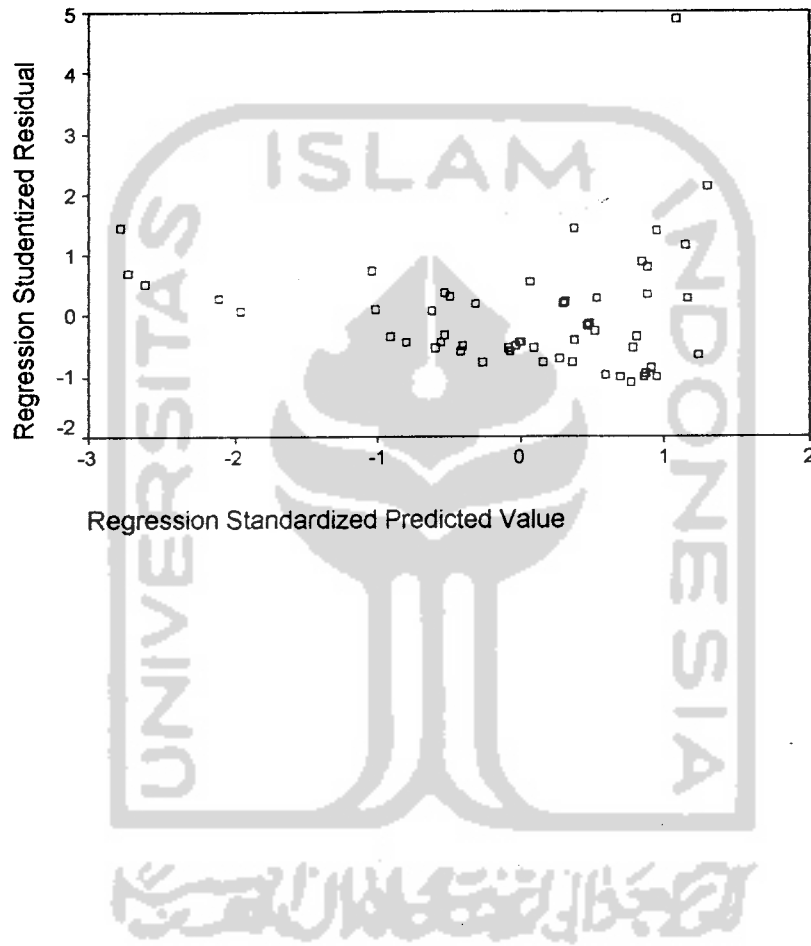


Appendix 10

Heteroscedasticity result

Scatterplot

Dependent Variable: UP



Appendix 11

Multicollinearity result

Coefficients a

Model		Unstandardized Coefficients			Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta	Beta	Tolerance			VIF	
1.	(Constant)	4,582	1,508			3,039	.004			
	UNDERWRI	.195	.235	.116	.116	.832	.410	.900	1,111	
	OWN	-9,79E-02	.658	-.020	-.020	-.149	.882	.927	1,078	
	SCALE	-.149	.055	-.408	-.408	-2,717	.009	.769	1,300	
	AGE	-1,05E-03	.008	-.018	-.018	-.137	.891	.975	1,025	
	FINLEV	-1,95E-04	.012	-.002	-.002	-.016	.987	.808	1,238	
	ROA	-.508	.747	-.092	-.092	-.680	.500	.954	1,049	

a. Dependent Variable: UP

Appendix 12

Autocorrelation result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.406 ^a	.165	.061	.80201	2.090

a. Predictors: (Constant), ROA, OWN, AGE, FINLEV, UNDERWRI, SCALE

b. Dependent Variable: UP

