

**THE EFFECT OF *RETURN ON ASSETS*, COMPANY SIZE, AND  
*UNDERWRITER REPUTATION* ON *UNDERPRICING* IN RAW GOODS  
SECTOR COMPANIES THAT CONDUCTED *INITIAL PUBLIC OFFERINGS*  
(IPOS) FOR THE 2016-2021 PERIOD**

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***ABSTRACT***

*The motivation behind this study was to decide and investigate how much impact the free factors Return On Assets, Company Size and Reputation of the Underwriter somewhat or at the same time influence the underpricing of organizations directing IPO (Initial Public Offering). The populace in this study is the crude products area recorded on the Indonesia Stock Exchange for the 2016- 2021 period, adding up to 93 organizations. The example of this study added up to 22 organizations chose in light of purposive testing. The information investigation method utilized numerous straight relapse examination. The consequences of the review can be reasoned that to some degree return on resources affects underpricing, while organization size and guarantor notoriety to some degree affect underpricing. At the same time, the factors of return on resources, organization size and financier notoriety meaningfully affect underpricing all the while.*

***Keywords:*** *Return On Assets, Company Size, Underwriter's Reputation, Underpricing*

**INTRODUCTION**

Along with today's economic development, in the face of sharp and wide competition due to increasingly advanced technology and communication requires a company to be able to develop in order to be able to survive and compete. According to Andari and Saryadi (2019: 496) stated that in a company has a very emphasized goal in the form of developing and maintaining the business. Efforts that can be used as a solution to this problem are that a company needs funds generated through two funds, namely external and internal funds. Profits frozen by the company are called internal sources of funds, while funds obtained through the involvement procedure in the form of the process of selling company shares to the public are often called going public (Umam, 2020). A transaction carried out by the company by stipulating, carrying out the sale of shares to the public and accepting the consequences of valuation from the public by openly *going public*. While the *initial public offering* (IPO) is the sale of shares made for the first time.

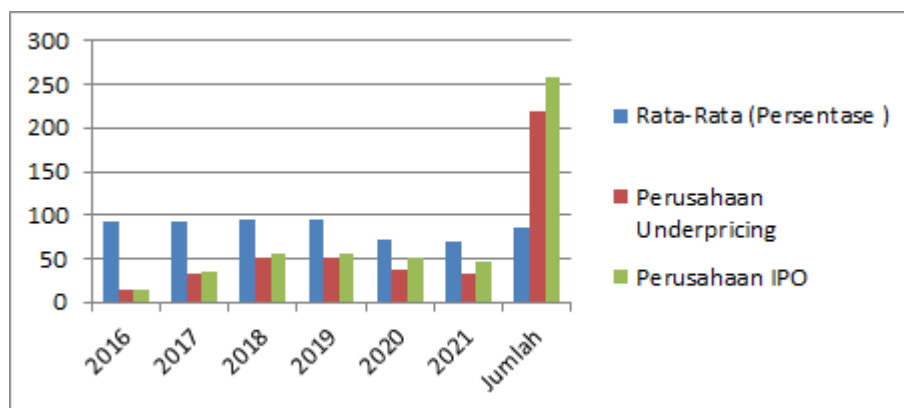
When *IPO* activities carried out by companies in the capital market take place, companies have faced a common occurrence in the form of underpricing. Every year for IPOs companies listed on the IDX have a record. The following is a data collection on the number of companies that IPO and face underpricing in a period of 6 years from 2016 to 2021.

**Table 1**  
**Initial Public Offering Data for 2016-2021**

Year	Average (Percentage)	Company Underpricing	Company IPO
2016	93.3%	14	15
2017	91.4%	32	35
2018	94.5%	52	55
2019	94.4%	51	55
2020	72.5%	37	51
2021	70,5%	32	46
<b>Sum</b>	<b>86.1%</b>	<b>218</b>	<b>257</b>

**Source : Secondary Data obtained from idx.co.id, 2021**

Taken from the table the data is formed in a graphic scale as follows:



**Figure 1**Initial Public Offering 2016-2021 Data Graph

**Source : Secondary data obtained from idx.co.id. 2021**

In figure 1. It can be concluded that every company that carries out an IPO mostly faces *underpricing* on average. Judging from the number of *underpricing* percent in each year is different, namely 93.3% in the 2016 period, 91.4% in the 2017 period, 94.5% in the 2018 period, 94.4% in 2019, in 2020 with 72.5% then in 2021 the number of percent underpriced 70.5%. Based on this data, the average percentage from 2016 to 2021 can be taken at 86.1%.

The existence of this incident resulted in researchers conducting research on *underpricing* in companies that have carried out IPOs. Based on various previous research results, there are differences in the results found. This happens because there are factors

that affect the research results of previous researchers in the form of *Underwrite Reputation*, company size, Return On Assets.

## LITERATURE REVIEW

### Underpricing

*Underpricing* is an event of bond rates at the end of the first day when in the sequencing market tends to be higher than in the primary market. Supported by Grautama et al (2015) who stated *underpricing*, namely when the first day of trading in the secondary market found a soaring bond price. Hanafi's opinion (2015: 443) states that *underpricing* is the inequality of stock prices where the cost of shares is low when in the primary market but the cost of shares is high when on the secondary exchange in the early days.

$$\text{Initial Retrurn (\%)} = \frac{\text{Harga}_{\text{closing pasar sekunder}} - \text{Harga IPO}}{\text{Harga}_{\text{IPO}}}$$

### Return on Assets

Kasmir's opinion (2014: 201) says *Return on Asset* is a component of the *probability ratio* review. Comparison between net profit opposite to all assets that generate profits that show returns based on all assets used in the company. Hery's opinion (2015: 228) said ROA has an important meaning as a financial analysis tool that has a comprehensive nature.

$$\text{ROA} = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Asset}}$$

### Company Size

The size of the company is a comparison of the size or size of the object. Widhiastina & Prihatni (2016) stated that the level of company size shows the size or size of a company's assets.

$$UP = Ln (\text{Total Asset})$$

### Underwriter Reputation

Underwriters are parties who carry out agreements with companies, if the shares owned are not sold, the person in charge is the underwriter, the manager who has affiliations with issuers to other securities to be sold in a public offering plan (Synariyah, 2011). According to Fahmi (2015: 53) *Underwriters* are underwriters for companies that plan to issue their shares in the capital market. *Underwriters* are used by issuers in making share prices when an *Initial Public Offering occurs*.

1 = *Reputable underwriter*

0 = *Underwriter* who doesn't have good putation

### Hipotesis

**H<sub>1</sub>** : Terdapat pengaruh *Return On Asset* (ROA) terhadap *underpricing*.

**H<sub>2</sub>** : Terdapat pengaruh Ukuran perusahaan terhadap *underpricing*.

**H<sub>3</sub>** : Terdapat pengaruh Reputasi *underwriter* terhadap *underpricing*.

**H<sub>4</sub>** : Terdapat pengaruh *Return On Asset* (ROA), Ukuran perusahaan, dan Reputasi *underwriter* terhadap *underpricing*.

## RESEARCH METHODS

The research method used in this study is quantitative method. The data source used is secondary data. The population of this study consists of 93 fields of raw goods that conduct *Initial Public Offering* (IPO). *Purposive sampling* techniques were used to determine samples and samples obtained by 22 companies with a research period of 2016-2021, so that 132 observational data were obtained. Data collection techniques use documentation methods. The analysis tool in this study used multiple linear regression analysis and hypothesis testing.

## RESULTS AND DISCUSSION OF RESULTS

### Classical Assumption Test

#### 1) Normality Test

**Tabel 2**  
**Hasil Uji Normalitas Kolmogorof-Smirnov**  
**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		132
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.00282277
Most Extreme Differences	Absolute	.067
	Positive	.062
	Negative	-.067
Test Statistic		.067
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Sumber: data diolah 2022

Dari hasil perhitungan yang didapatkan nilai Asymp. Sig. (2-tailed) sebesar 0.200. Ini dapat diidentifikasi bahwa nilai probability lebih besar dari 0.05 dengan begitu data pada penelitian ini berdistribusi normal.

## 2) Multicollinearity Test

The results of the multicollinearity test got the VIF value of all autonomous factors below 10 and the resistance value of each variable was more than 0.10. Therefore it is very well to be characterized if all independent factors generally do not like multicollinearity or all multicollinearity does not occur.

## 3) Heterosceasticity Test

The results of the heteroscedasticity test show that the spread of the smear is arbitrary and spreads above and below the number 0 on the Y-axis.

## 4) Autocorrelation Test

In the autocorrelation test, a DW value with a follow-up effect of 2.175 is located between  $dU < DW < 4-dU$  or  $1.7610 < 2.175 < 2.239$  which implies the absence of a certain or negative autocorrelation, and it implies everything is good for the autocorrelation relapse model to do.

## Multiple Linear Regression Analysis

**Tabel 3**  
**Hasil Analisis Regresi Linier Berganda**  
**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.001	.002		-.428	.669
	ROA (X1)	1.012	.006	1.001	177.133	.000
	Ukuran Perusahaan (X2)	5.037E-5	.000	.005	.437	.663
	Reputasi Underwriter (X3)	-.001	.001	-.010	-.893	.374

a. Dependent Variable: Underpricing (Y)

Sumber : Output SPSS 26, data sekunder yang telah diolah 2022

The results of the table above, the multiple linear regression equation is as follows:

$$UND = (-0.001) + 1.012 ROA(X1) + 5,037 UP(X2) + (-0,001) REP(X3)$$

Keterangan:

Y = Underpricing

X<sub>1</sub> = ROA

X<sub>2</sub> = Ukuran Perusahaan

X<sub>3</sub> = Reputasi Underwriter

## Test the hypothesis

### 1) Uji Hipotesis Parsial (Uji t)

Dari hasil uji signifikansi t diatas, variabel ROA memiliki nilai signifikansi  $0,000 < 0,05$  sehingga dapat disimpulkan variabel ROA memiliki terhadap Underpricing, maka  $H_1$  diterima. Variabel Ukuran Perusahaan memiliki nilai signifiknasi  $0,663 > 0,05$  sehingga dapat disimpulkan variabel Ukuran Perusahaan tidak berpengaruh terhadap Underpricing, maka  $H_2$  ditolak. Variabel Reputasi Underwriter memiliki nilai signifikansi  $0,374 > 0,05$  sehingga dapat disimpulkan variabel Reputasi Underwriter tidak berpengaruh terhadap Underpricing, maka  $H_3$  ditolak.

Ukuran Perusahaan (X2)	5.037E-5	.000	.005	.437	.663
Reputasi Underwriter (X3)	-.001	.001	-.010	-.893	.374

a. Dependent Variable: Underpricing (Y)

### 2) Simultaneous Hypothesis Test (F Test)

**Tabel 5**  
**Hasil Uji Signifikansi simultan (Uji Statistik F)**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.301	3	.100	12294.776	.000 <sup>b</sup>
	Residual	.001	128	.000		
	Total	.302	131			

a. Dependent Variable: Underpricing (Y)

b. Predictors: (Constant), Reputasi Underwriter (X3), ROA (X1), Ukuran Perusahaan (X2)

Sumber : Output SPSS 26, data sekunder yang telah diolah 2022.

The value of the F test shows a very large result at 0.05 which is equivalent to 0.000 which implies that the importance value  $< 0.05$ . This suggests that while the free factor or, the size of the organization, the fame of the Underwriter affects Underpricing, then, at the time,  $H_4$  is recognized.

## Coefficient of Determination Test

**Table 6**  
**Test Results of Coefficient of Determination (Adjusted R2)**

### Model Summary

Type	R	R Square	Adjusted R Square	l. Error of the Estimate
1	.998a	.332	.311	.00253

a. Predictors: (Constant), Underwriter Reputation (X3), ROA (X1), Company Size (X2)

Source : SPSS 26 output, processed secondary data 2022.

The assurance test coefficient yields an adjusted R Square value of 0.331 or 33.1%. It recognizes that the factors or, the size of the organization, the fame of financiers for Underpricing can be described in the model and the remaining 66.9% are influenced by different factors.

## DISCUSSION

### **The Effect of *Return On Aseet on Underpricing***

Return on assets affected the undervaluing of offerings in the raw merchandise area leading to initial public offerings (IPOs) for the period 2016-2021. This is for the reason that the return on resources can reflect the efficiency of an organization. The more useful an organization is, the more financial backers are interested in putting their part in the organization.

Gains from resources had the effect of underestimating offerings in the raw product region which prompted the first share sale (IPO) for the 2016-2021 period. This is in view of the fact that profits from assets can reflect the productivity of the association. The more useful an association is, the more monetary customers are interested in putting their share in the association.

### **The Effect of *Company Size on Underpricing***

The size of the organization does not affect the undervaluing of offerings in the raw goods area that led the initial public offering (IPO) for the period 2016-2021. The size of the organization will not be a thought for financial backers if it is not properly and effectively supervised as expected, so financial backers focus more on the consequences of exhibiting the organization.

Side effects of this concentrate according to research directed by Lestari, Y. S. & Trihastuti, A. (2020) which states the size of the organization affects the undervaluing of shares. However, in contrast to the directed examination (Ningrum and Widiastuti, (2017) which states the size of the organization is very strong but not important for underpricing the offer.

### **The Effect of *Underwriter Reputation on Underpricing***

The guarantor's fame significantly influenced the underpricing of shares in the raw merchandise area leading the initial public contribution (IPO) for the period 2016-2021. Not affecting the guarantor's position on the IPO offering understatement can be caused by

financial backers' doubts about the data held by the guarantor introduced by the financier. Financial backers are less likely to see guarantors ahead of time, but financial backers are better equipped to track their own data on organizational data. The fame of financiers cannot be used as a benchmark in looking at the nature of the organization

The side effect of this study is according to research directed by Damayanti and Dwiyono, (2020) which states that the position of the guarantor affects stock undervaluing. However, compared to the exploration directed by Sri lestari and Trihastuti (2020)) states that Underwriter's fame does not affect Underpricing.

**The Effect of Return On Assets, Company Size and Underwriter Reputation Simultaneously on Underpricing.**

Return On Asset, Ukuran Perusahaan dan Reputasi Underwriter secara simultan berpengaruh terhadap underpricing saham pada sektor barang baku yang meakukan Initial Public Offering (IPO) periode 2016-2021. Yang dapat dibuktikan dengan nilai  $F_{hitung}$  12294.776 dinyatakan dengan tanda positif, maka arah hubungannya adalah positif. Nilai secara statistik menunjukkan hasil yang signifikan pada  $\alpha = 0,05$  yaitu sebesar 0,000 artinya nilai signifikansi  $< 0,05$ . Maka, tinggi rendahnya Variabel Return On Asset, Ukuran Perusahaan dan Reputasi Underwriter secara simultan berpengaruh terhadap underpricing.



## CONCLUSION AND ADVICE

### Conclusion

Given the side effects of the review, the variable Return on Assets (ROA) has an impact on underpricing, while the size of the organization variable and the status of the underwriters do not affect undervaluing. Also, at the same time variable returns on assets, company size and underwriter fame affect the underpricing of offerings in the raw goods area leading to initial public offerings (IPOs) for the period 2016-2021.

### Suggestion

Further examination should expand the number of tests used by expanding the exploration time frame and may take into account different factors, for example, percentage of stock offering factors, market conditions, monetary influences and age of the company should influence undervaluing events. Furthermore, a review is needed as evidence that these factors actually influence the undervaluing event or not.

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