ABSTRACT

The stock market is a solution that can be considered by the company to resolve problems experienced by many companies, namely funding constraints. However, there is another thing that is feared by the company when the company will carry out an Initial Public Offering (IPO), which is underpricing. Underpricing is the positive difference between the stock price on the primary market with a share price in the secondary market is considered detrimental to the company because their funding through an initial share sale will not be maximized.

This study aimed to analyze the factors that affect the level of underpricing companies undertaking an IPO on the Indonesia Stock Exchange in 2011 until 2015. These factors include the firm size, return on equity, earnings per share, and the underwriter's reputation. Sampling was done by using purposive sampling method resulted in 90 companies as research samples. Multiple regression model was used to test the relationship between the dependent and independent variables.

The results of multiple regression analysis showed that partially, the variable firm size and underwriter reputation significantly affect the level of underpricing the direction of negative coefficient. While simultaneously, the entire variable which is the firm size, return on equity, earnings per share, and the underwriter reputation significantly affect the level of underpricing.

Based on this research, the advice can be given that the company which will carry out the IPO should be able to increase the amount of assets owned by the company and underwriter reputation in order to reduce the level of underpricing, investors should also consider these two variables in order to obtain the expected return on stock investments prime, and underwriters should constantly improve the quality of bail so that its reputation will be higher and more trusted to handle the IPO process further.

Keywords: Underpricing, Firm Size, Return on Equity, Earning per Share, Underwriter Reputation