

ABSTRACT

A lot of companies from various industries listed on the Indonesia Stock Exchange (IDX) conducted Initial Public Offering (IPO) as a fulfilment of their desires to expand the capital and escalate the business by raising funds from public. From various industries conducting IPOs, Financial and Manufacturing industries are dominating the total IPO population in the past decade. Regardless its respective IPO number of those two industries, most of the IPOs are underpriced.

This research operates seven variables that consist of underpricing as the dependent variable and underwriter reputation, auditor reputation, firm age, financial leverage, ROA, and ownership concentration as the independent variables. Those variables are chosen after reviewing similar previous researches that operate variables with potential significant effects.

Data collection gathered are secondary data taken from www.idx.com, www.e-bursa.com, Bloomberg, ICMD. The tools used are observation and literature study with purposive sampling method. This research took 40 selected samples from 140 firms available in the population. The data is using Classical Assumptions tests that consist of normality test, multicollinearity test, autocorrelation test, and heteroscedasticity test. This research was carried out through the analysis of multiple linear regression with a 5% significance level.

The results of this research show that all variables simultaneously effect the level of underpricing in financial and manufacturing industries on the Indonesia Stock Exchange 2011-2016. Partially, underwriter reputation and auditor reputation have negative significant effects on the level of underpricing. However, partially firm age, financial leverage, ROA, and ownership concentration do not have significant effect on the level of underpricing.

According to the research findings, underwriter reputation and auditor reputation significantly have negative effects on the level of underpricing in the IPO of financial and manufacturing industries on the Indonesia Stock Exchange 2011-2016. To be fairly priced in the initial public offering (IPO), companies should pay attention on the selection of underwriter and auditor in terms of reputations. To invest in the financial and manufacturing industries on the Indonesia Stock Exchange, investors are hoped to see those factors.

Keywords: Underpricing, Initial Public Offering (IPO), Financial Industry, Manufacturing Industry.

This Page is Intentionally Left Blank