

The Influence of Information Prospectus, Share Offering Percentage, and Institutional Ownership Structure on Company Underpricing During an IPO

Putu Julia Indah Sari^{1*}, Robith Hudaya²
Universitas Mataram, Indonesia

Corresponding Author: Putu Julia Indah Sari, juliaindahsari8@gmail.com

ARTICLE INFO

Keywords: Underpricing, Prospectus Information, Percentage of Shares, Institutional Ownership Structure, IPO

Received : 3, December
Revised : 14, December
Accepted: 16, January

©2025 Sari, Hudaya: This is an open-access article distributed under the terms of the [Creative Commons Atribusi 4.0 Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

This study aims to determine the influence of the information prospectus, measured by the Debt-to-Equity Ratio, Return on Assets, and Current Ratio, as well as the percentage of stock offerings and institutional ownership structure, on underpricing. The population in this study consists of 168 companies conducting Initial Public Offerings during the 2020–2023 period. The analysis method employed is multiple linear regression analysis. The study results indicate that underpricing significantly affects the Debt-to-Equity Ratio, Return on Assets, and IPO Share Ownership Percentage. However, the Current Ratio and Institutional Ownership Structure do not have a significant effect. This research is expected to provide valuable insights into the mechanisms and factors influencing underpricing in the context of the Indonesian capital market. It can be a reference for investors and issuers when planning IPO strategies.

INTRODUCTION

Every company aiming to develop and sustain its business requires additional capital. Various sources of funding are available to achieve this goal. Some options involve external sources, such as applying for loans or issuing shares in the capital market. In this case, the capital market can provide a solution as a funding consideration for the company by transitioning from a privately held entity to a publicly listed company. This is achieved by offering ownership to the public and listing the company's shares on the Indonesia Stock Exchange (Sulistiawati et al., 2021).

The activity of a company selling shares to the public for the first time is called an Initial Public Offering (IPO) (Purwanto, M. & Mahyani, 2016). IPO has always been an interesting and popular topic in the capital market. IPOs in the capital market are classified into 2 categories, namely the primary market and the secondary market (Hadi & Atikah, 2024). The bidding process in the primary market is when the share price of a company is determined by an agreement between the two parties, namely the company and the underwriter, while in the secondary market, the bidding process occurs when the share price of a company is determined by demand and supply, this is commonly called the market mechanism (Adhi Partama & Gayatri, 2019).

A phenomenon that often occurs when companies conduct IPOs is underpricing (Isyнуwardhana, 2022). Underpricing is a condition that indicates an increase in stock prices from the primary market to the secondary market (Laksono & Lasmanah, 2022). If the stock price in the primary market is lower than that in the secondary market on the first day, a phenomenon known as underpricing occurs. If the stock price in the primary market is higher than the stock price in the secondary market on the first day, a phenomenon known as overpricing occurs (Adhi Partama & Gayatri, 2019).

When underpricing occurs, investors can profit from the price difference and vice versa. If the initial share price is set to be overpriced, this can be detrimental to investors because they do not receive an initial return (Purwanto, M. & Mahyani, 2016). Many stock investors prefer underpriced IPO stocks because underpricing is perceived as compensation for the risks faced by investors who lack information. Additionally, underpricing signals that the company issuing the shares has effectively communicated its valuable information to the public or institutions.

Various factors fundamentally affect stock underpricing, so it is important to explore all possible factors that can affect underpricing. One of the factors is the company's prospectus. Companies that will go public are required to publish a prospectus containing information regarding the issuance of shares or bonds, the purpose of conducting a public offering, historical information, financial ratios of the company, information on underwriters and supporting institutions, and so on (Sulistiawati et al., 2021). The publication of information is a signal for investors to consider deciding whether to invest in an IPO company or not. In terms of research, researchers use information on the company's financial ratios as one factor affecting underpricing.

Sulistiawati et al. (2021) in their research stated that liquidity affects stock underpricing by measuring using the Current Ratio (CR) formula, financial leverage or risk measured by Debt to Equity Ratio (DER) does not affect stock underpricing, profitability measured by Return on Asset (ROA) affects stock underpricing. Another researcher who measured CR's influence showed that CR had no significant effect on underpricing (Adhi Partama & Gayatri, 2019). Then, some say that DER affects underpricing (Ridha et al., 2023). In their research, Laksono & Lasmanah (2022) stated that ROA has no effect on underpricing.

In addition to financial ratios, another factor that can affect underpricing is the percentage of shares the company offers. According to Pahlevi (2014), the amount of the percentage of shares offered shows the ratio of shares offered to the public and the overall shares issued by the issuer. The funds obtained by a company during an IPO are closely related to the percentage of the offering to the public, where investors will usually see companies with a percentage level of their offer having great potential and good prospects in the future (Rianttara & Lestari, 2020). The results of the research conducted by the two researchers above are also different. Pahlevi (2014) stated that the percentage of shares offered did not affect underpricing, while Rianttara & Lestari (2020) stated the opposite result.

Next is the institutional ownership structure. A company will generally improve its performance if there are institutional investors (Laksono & Lasmanah, 2022). It is because they have trusted people to oversee the company's performance in which they invest. The research results by Laksono & Lasmanah (2022) stated that institutional ownership had no significant effect on underpricing. The lack of research examining this factor is the reason why researchers are measuring whether there is an influence of institutional ownership structure on underpricing.

Based on the description above, this study aims to analyze the influence of the Information Prospectus, Share Offering Percentage, and Institutional Ownership Structure on the phenomenon of Underpricing. This research is expected to make an important contribution to understanding the mechanisms and factors that affect underpricing in the context of the Indonesian capital market and can be a reference for investors and issuers in planning IPO strategies. Previous research that showed inconsistencies in results was the background for researchers to re-explore the factors that affect the phenomenon of IPO underpricing. Therefore, the researcher conducted a study entitled "The Influence of Information Prospectus, Share Offering Percentage, and Institutional Ownership Structure on Company Underpricing When Conducting an IPO".

LITERATURE REVIEW

Signalling Theory

Ross (1977) Signaling theory is a shareholder's perspective on the company's opportunities to increase its value in the future, where the company's management provides the information to the shareholders (Brigham & Houston, 2014). This action is carried out by the company to give signals to shareholders or investors regarding the company's management in seeing the company's

future prospects so that it can distinguish between good quality companies and poor quality companies (Wiranata et al., 2023).

The signals given can be through the disclosure of accounting information such as financial statements, reports on what management has done to realize the owner's wishes, and other accountability reports. The information presented is a signal for investors regarding the company's financial condition, which will later be used for the company's investment decisions and the interests of other stakeholders.

Investment Theory

Investment is the placement of a certain amount of funds intending to obtain a certain amount of profit in the future (Hartono, 2017). Two things that are always attached to an investment are risk and return. Investments should be based on consideration of risk-adjusted returns (Manne & Berle, 1964).

Initial Public Offering (IPO)

The capital market is an alternative when it is no longer possible for companies to get funds by increasing loan capital (Purwanto, M. & Mahyani, 2016). For investors, investing in the capital market is an alternative to investment that provides advantages and flexibility compared to investing in banking or other sectors (Nurfauziah & Safitri, 2013). IPO is an activity carried out by the company in the context of the initial public offering of shares on the Indonesia Stock Exchange.

Underpricing

Underpricing is a condition that indicates an increase in stock prices from the primary market to the secondary market (Laksono & Lasmanah, 2022). If the stock price in the primary market is lower than in the secondary market on the first day, then underpricing occurs. If the stock price in the primary market is higher than the stock price in the secondary market on the first day, then a phenomenon called overpricing occurs (Adhi Partama & Gayatri, 2019).

Risk

Risk is the possibility of a significant deviation in the rate of return against the expected rate of return (Haska et al., 2017). The indicator chosen in this study to measure company risk is the Debt to Equity Ratio (DER). DER is a comparison of debt and equity. The high DER means that the company has a large debt. It means the company uses more debt to carry out its operational activities. If a company has a large DER, it will reduce people's intention to invest in the company (Wahyusari, 2013).

Profitability

Profitability is the company's ability to generate profits and measure operational efficiency and efficiency in using its assets (Afriyeni, 2018). The use of profitability reflects management's belief in the company's ability to obtain sufficient profits in the future. The indicator chosen to measure profitability is Return On Asset (ROA). ROA can describe how much the company can profit

from the assets owned by the company. Investors also usually use this ratio to consider whether to invest in a company. If the company's ROA value is large, the risk investors will face will be minimal. Issuers are also said to be able to utilize all the assets owned by the company to generate profits (Brigham & Houston, 2014).

Liquidity

The more liquid a company is, the less risk it will fail to meet its short-term obligations (Afriyeni, 2018). The risk that investors will bear is getting smaller. In this study, the indicator chosen to measure the company's liquidity level is *the Current Ratio (CR)*. The current ratio is one of the factors that can affect the level of underpricing of stocks (Akbar & Africano, 2019). The current ratio, as one of the liquidity ratios, is a ratio used to measure a company's liquidity or the company's ability to meet short-term obligations. If the current ratio is high, the share price can be increased because the Company's financial condition is considered good, thus avoiding underpricing (Ridha et al., 2023).

Percentage of Shares Offered

According to Pahlevi (2014), the amount of the percentage of shares offered shows the ratio of shares offered to the public and the overall shares issued by the issuer. The funds obtained by a company during an IPO are closely related to the percentage of the offering to the public, where investors will usually see companies with a percentage level of their offer having great potential and good prospects in the future (Rianttara & Lestari, 2020).

Institutional Ownership Structure

Institutional Ownership is how much of an institutional investor's stake in a company. A company will generally improve its performance if there are institutional investors (Laksono & Lasmanah, 2022). It is because they have trusted people to oversee the performance of a company they invest in.

Based on the variables measured in this study, the researcher presents a conceptual framework in Figure 1. This framework describes the relationship between the variables to be studied.

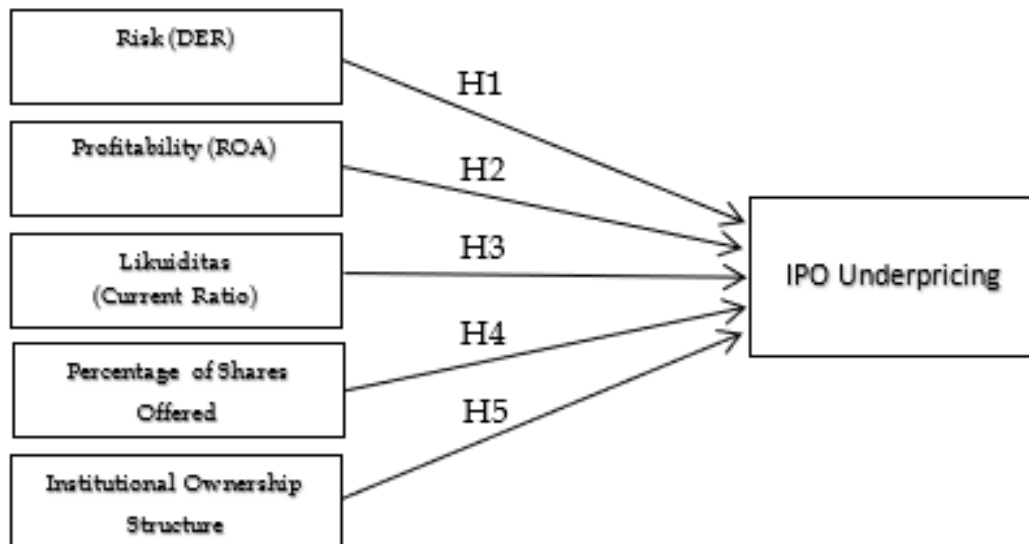


Figure 1. Conceptual Framework

METHODOLOGY

The method used in this study is quantitative associative. This method is used to determine the influence of each independent variable on the dependent variable. In this study, the population is all companies that IPO on the IDX in the 2020-2023 period as many as 236 companies. The sampling technique used is non-probability sampling technique with purposive sampling. According to Sugiyono (2016:85) that purposive sampling is a sampling technique with certain considerations or criteria. The data is processed using a data processing application, namely Stata. The following criteria as a sample can be seen in Table 1.

Table 1. Research Sample

No	Criterion	Total
1	Companies that conduct IPOs on the IDX for the 2020-2023 period	236
2	Companies that are experiencing overpricing	(51)
3	Companies whose financial statements ended December 31	(17)
Total Samples		168

Source : Secondary Data of Financial Statements

RESEARCH RESULTS

Descriptive Statistical Test

Before regression, it is better to know in advance how many Observations, Mean, Std. Deviation, Maximum, and Minimum values of the data are used. Below are the results of the Descriptive Statistical Test:

Table 2. Descriptive Statistical Test

Variabel	Obs	Mean	Std. Dev.	Min	Max
Underpricing	168	0,4090476	0,296715	0	1,29

DER	168	1,158929	5,670234	-62,97	23,32
ROA	168	7,104286	12,39594	-52,01	53,28
CR	168	2,259167	2,726857	0,04	18,73
PS_IPO	168	0,2051786	0,073907	0,01	0,49
K_INST	168	0,4542857	0,3334587	0	0,96

Source : Data processing results Stata 17, 2024

Based on the test results in Table 2, it is known that the Underpricing (Y) variable has an average value of 0.4090476, a standard deviation of 0.296715, a minimum value of 0, and a maximum value of 1.29. DER (X1) has an average value of 1.158929, a standard deviation of 5.670234, a minimum value of -62.97, and a maximum value of 23.32. ROA (X2) has an average value of 7.104286, a standard deviation of 12.39594, a minimum value of -52.01, and a maximum value of 53.28. CR (X3) has an average value of 2.259167, a standard deviation value of 2.726857, a minimum value of 0.04, and a maximum of 18.73. The IPO Share Percentage (X4) has an average value of 0.2051786, a standard deviation value of 0.073907, a minimum value of 0.01, and a maximum value of 0.49. Finally, Institutional Ownership has an average value of 0.4542857, a standard deviation value of 0.3334587, a minimum value of 0, and a maximum value of 0.96.

Multiple Linear Regression Test

The results of the multiple linear regression test in this study can be seen in Table 3 below.

Table 3. Multiple Linear Regression Test

Number of obs	=	168
F(5,162)	=	7,13
Prob > F	=	0,0000
R-squared	=	0,0355
Root MSE	=	0,29603

UND	Coefficient	Std. Err.	t	P> t	[95% conf. interval]
DER	-0,0045933	0,0015671	-2,93	0,004	-0,0076879 -0,0014986
ROA	0,000084	0,0000289	2,91	0,004	0,0000269 0,0001411
CR	-0,001348	0,0108008	-0,12	0,901	-0,0226764 0,0199805
PS_IPO	0,7002148	0,3586396	1,95	0,053	-0,0079965 1,408426
K_INST	0,0115336	0,076598	0,15	0,880	-0,1397257 0,1627929
_cons	0,2670106	0,0939296	2,84	0,005	0,0815262 0,4524949

Source : Data processing results Stata 17, 2024

Based on the double linear regression test results above, the Risk variable measured using the Debt to Equity Ratio shows a negative and statistically significant coefficient (p-value < 0.05) meaning that the more risk increases, the underpricing will decrease to 0.0045933. The Profitability variable measured using Return On Assets shows a positive and statistically significant coefficient, meaning that the greater the level of profitability, the more underpricing tends to increase by 0.000084. The Liquidity Variable measured using the Current Ratio

shows a negative coefficient. However, it is not statistically significant (p -value > 0.05), meaning there is no strong enough evidence to state that liquidity has a significant relationship with Underpricing. The IPO Share Percentage Variable shows a statistically significant positive coefficient, the larger the percentage of IPO shares offered, the underpricing tends to increase by 0.7002148. The institutional ownership variable shows a positive coefficient. It is not statistically significant, meaning there is insufficient evidence to state that institutional ownership structures have a significant relationship to underpricing.

Multicollinearity Test

Table 4. Multicollinearity Test

Variable	VIF	1/VIF
DER	1,04	0,965233
ROA	1,03	0,966440
CR	1,04	0,961832
PS_IPO	1,06	0,944497
K_INST	1,03	0,973806
Mean VIF	1,04	

Source : Data processing results Stata 17, 2024

If the VIF value is greater than 10 or the tolerance ($1/VIF$) is 0.01 or less, it indicates the presence of multicollinearity. Based on the results above, the data is not greater than 10, so it can be said that the data passed the multicollinearity test.

Heteroscedasticity Test

Table 5. Heteroscedasticity Test

Effect Test	Prob
chi2(1)	0,46
Prob > chi2	0,4985

Source : Data processing results Stata 17, 2024

Based on the results of the Breusch-Pagan/Cook-Weisberg test, where the Prob value $> \chi^2 = 0.4985$, more significant than the alpha (0.05), it can be concluded that the data passes the heteroscedasticity test.

Normality Test

Table 6. Normality Test

Variable	Obs	W	V	z	Prob>z
e	168	0,94051	7,631	4,634	0,00000

Source : Data processing results Stata 17, 2024

Table 4 above shows that the significance value ($\text{Prob}>z$) is 0.0000 or less than 0.05, so the data distribution does not meet the normality test criteria. Many cross-section and time series data have a considerable number of observations. Therefore, the assumption of normality may not be very crucial in large datasets (Gujarati & Porter, 2009).

DISCUSSION

Ridha et al. (2023) stated that the Risk variable significantly negatively affected Underpricing. The higher the risk, the lower the rate of Underpricing. In other words, risk has a significant influence on Underpricing. These results do not align with the research that states that risk partially does not affect Underpricing. In practice, the higher the risk, the more cautious investors tend to be and less interested in the stock, so demand and potential price spikes after the IPO decrease. This causes the underpricing rate to be lower. High-risk companies may also set conservative initial stock prices to attract investor interest, reducing underpricing rates. Differences in context and samples can cause differences in results from previous studies.

The Profitability variable has a significant positive effect. The greater the company's profitability level, the higher the underpricing. These results support the research of Sulistiawati et al. (2021), which also states that profitability influences Underpricing. One of the profitability factors has a significant positive effect on Underpricing because the high level of profitability reflects good financial performance, thus attracting investors to buy IPO shares. This increased demand can cause stock prices to soar after an IPO, resulting in an underpricing phenomenon. In addition, companies with high profitability are often perceived as more prospective, so the market tends to respond positively.

The Liquidity variable has a negative effect that is not significant. This shows that liquidity does not affect Underpricing. In addition, the insignificance of these results can be due to high data variability or small sample sizes. These results do not align with the research by Sulistiawati et al. (2021), which states that liquidity measured by the Current Ratio affects Underpricing. Differences in research results may occur due to market conditions or the characteristics of the selected sample. Additionally, the relationship between liquidity and underpricing may not be linear, or liquidity is not the primary factor affecting underpricing compared to other variables, such as underwriter reputation. The Current Ratio may be less relevant, so other liquidity indicators need to be considered for further analysis.

The Variable Percentage of IPO Shares has a significant positive effect. So, with every increase in the number of Percentage Shares offered by a company, the Underpricing rate will also increase. This result is in contrast to the research conducted by Pahlevi (2014) that IPO Share Percentage has no effect on Underpricing, but is in line with research by Rianttara & Lestari (2020), which states that there is an influence. These differences in results can be explained by the context of the samples, the method of analysis, and the different market conditions in each study. The significant positive influence between IPO Share Percentage and Underpricing shows that increasing the number of shares offered can increase investor interest, thereby increasing Underpricing.

The Institutional Ownership variable has a positive and insignificant effect on Underpricing. The higher the percentage of institutional ownership structure in a stock, the greater the underpricing. The results stated that there was no influence of institutional ownership structure on underpricing; this is in line with research conducted by Laksono & Lasmanah (2022), which states that

there is no significant influence between Institutional Ownership Structure and Underpricing. This can happen because the influence of institutional ownership may be indirect or weak. Market confidence in the stock prospects can be reflected in institutional ownership structure, which may raise investor interest and result in underpricing. However, underpricing might also be more strongly influenced by other factors, such as market conditions, company reputation, or IPO pricing strategy, which makes institutional ownership's impact seem statistically inconsequential. This shows that the relationship is complex and requires more in-depth analysis.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of this study, two of the five variables tested show no significant influence on Underpricing. Variables that significantly affect underpricing are risk, profitability, and IPO share percentage. Meanwhile, liquidity and institutional ownership structure did not have a significant effect.

ADVANCED RESEARCH

This research has limitations that need to be considered. The first limitation is the selection of the variables of Risk, Profitability, Liquidity, IPO Share Percentage, and Institutional Ownership Structure as independent variables, which are still very limited because many other factors can be used as additional independent variables to measure the influence on Underpricing. Second, this study uses data from 4 years, namely 2020 to 2023, so the data used in the study can also affect the analysis results if the data collection period is extended.

REFERENCE

- Adhi Partama, I. G. N., & Gayatri, G. (2019). Analisis Determinan Underpricing Saham di Bursa Efek Indonesia. *E-Jurnal Akuntansi*, 26, 2293. <https://doi.org/10.24843/eja.2019.v26.i03.p23>
- Afriyeni, D. M. (2018). ANALISIS PENGARUH INFORMASI PROSPEKTUS PERUSAHAAN TERHADAP INITIAL RETURN SAHAM PADA PASAR PERDANA DI BURSA EFEK INDONESIA Afriyeni, Doni Marlius. <https://osf.io/preprints/kt6c4/>
- Akbar, D. A., & Africano, F. (2019). PENGARUH REPUTASI UNDERWRITER DAN UMUR PERUSAHAAN, TERHADAP UNDERPRICING SAHAM PADA SAAT INITIAL PUBLIC OFFERING. *Jurnal Al-Qardh*, 2.
- Brigham & Houston. (2014). *Essentials of Financial Management. Dasar-dasar Manajemen Keuangan* (Ali Akbar Yulianto, Ed.; Edisi 1). Salemba Empat.
- Gujarati, D. N., & Porter, D. C. (2009). *Basic Econometrics*.
- Hartono, J. (2017). Teori Portofolio dan Analisis Investasi ed.11. *Yogyakarta: BPFE*, 470 hlm. :, 762.
- Haska, D., Rokhmawati, A., & Sjahrudin. (2017). 134735-ID-pengaruh-risiko-investasi-return-on-equi. <https://media.neliti.com/media/publications/134735-ID-pengaruh-risiko-investasi-return-on-equi.pdf>
- I Kadek Gillang Nugraha Rianttara, & I Gusti Agung Krisna Lestari. (2020). Pengaruh Persentase Saham Ditawarkan, Profitabilitas, Dan Earning Per Share Terhadap Underpricing Pada Perusahaan Ipo Di Bursa Efek Indonesia Tahun 2017-2018. *Journal Research of Accounting*, 2(1), 93-105. <https://doi.org/10.51713/jarac.v2i1.26>
- Isyuardhana, D. (2022). *Factors Affecting Underpricing Level during IPO in Indonesia Stock Exchange 2018 - 2019*.
- Laksono, E. A., & Lasmanah. (2022). Pengaruh Der, Roa, Pbv, Struktur Kepemilikan Institusi, dan Reputasi Underwriter terhadap Underpricing Saham yang IPO di BEI Periode Tahun 2016-2020. *Bandung Conference Series: Business and Management*, 2(1), 716-723.
- Manne, H. G., & Berle, A. A. (1964). The American Economic Republic. *Michigan Law Review*, 62(3), 547. <https://doi.org/10.2307/1286430>
- Nurfauziah, N., & Safitri, R. S. E. (2013). Pengaruh Reputasi Underwriter Dan Reputasi Auditor Terhadap Underpricing. *Jurnal Siasat Bisnis*, 17(1), 80-89. <https://doi.org/10.20885/jsb.vol17.iss1.art7>
- Pahlevi, R. W. (2014). Analisis faktor-faktor yang mempengaruhi underpricing saham pada penawaran saham perdana di bursa efek Indonesia. *Jurnal Siasat Bisnis*, 18(2), 219-232. <https://doi.org/10.20885/jsb.vol18.iss2.art8>
- Purwanto, M. & Mahyani, R. E. (2016). Faktor-faktor Penyebab IPO Underpricing Di Indonesia. *Managerial Focus*, 14(1), 67-76.

- Ridha, A., Novia Astuti, I., Mediyanti, S., Tinggi, S., & Sabang, I. E. (2023). Pengaruh Current Ratio, Return on Assets (Roa), Dan Debt To Equity Ratio (Der) Terhadap Underpricing Saham Pada Perusahaan Manufaktur Yang Melakukan Initial Public Offering (Ipo) Di Bursa Efek Indonesia (Bei) Tahun 2018-2021. *SI-MEN (Akuntansi Dan Manajemen) STIES*, 14(2), 01–09. <https://doi.org/10.36083/si-men.v14i2>
- Ross, S. A. (1977). The Determination of Financial Structure: The Incentive-Signalling Approach. In *Source: The Bell Journal of Economics* (Vol. 8, Issue 1).
- Sulistiawati, E., Murtatik, S., Cahyani Pangestuti, D., & Korespondensi, P. (n.d.). *ANALISIS PROSPEKTUS INFORMASI DAN INFLASI TERHADAP UNDERPRICING SAHAM DI BEI* (Vol. 2).
- Wahyusari, A. (2013). Analisis Faktor-Faktor Yang Mempengaruhi Underpricing Saham Saat IPO di BEI. *Accounting Analysis Journal*, 2(4), 386–394.
- Wiranata, E. S., Sasanti, E. E., & Hudaya, R. (2023). Pengaruh Corporate Social Responsibility, Profitabilitas, Dan Likuiditas Terhadap Nilai Perusahaan Tahun 2017-2021. *Jurnal Riset Mahasiswa Akuntansi*, 3(2), 19–31.