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Impact of ownership structure, underwriter reputation and IPO proceed size to the level of IPO underpricing

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Abstract

The research aims to examine and confirm whether the underpricing phenomena exist in the Indonesia IPOs during the observation period Year 2017 to 2021 and explain its variations. This research investigate the effect of key determinants factors that have influenced the level of IPO underpricing. The research used the secondary data analysis with cross sectional studies of the observation data of 254 IPO companies. The analysis were applied with several trading period time frame i.e. 1 day, 1 month, 3 month and 6 month. The result shows that the underpricing phenomenon is confirmed in Indonesia's IPO with number of companies that experience underpricing has reached 85% on the first of trading day. Underwriter reputation is positively related to the level of underpricing in the first trading day period. Companies with larger size of IPOs are underpriced less than the smaller ones. Meanwhile the ownership retention is negatively related with the level of underpricing. The ownership identity and ownership type are not associated to the level of underpricing. In addition, the research find that these variables are not associated to the level of underpricing for period other than 1 trading day

Keywords underpricing; ownership structure; underwriter reputation; IPO proceed; go public

INTRODUCTION

Many companies pursue IPO with the goals to raise the fund for the company's future expansion. Listing an initial public offering (IPO) on the stock market at a price lower than its real value is known as underpricing. Why does underpricing occurs in most of IPOs? Underpricing could be interpreted as opportunity loss to the issuer company to obtain higher fund. To increase demand and entice investors to take a chance on a new business, an IPO may purposefully be priced below market value. It could also occurred due to underwriters may have deliberately undervalued the stock because they misjudged the market's appetite for this company's offerings. Theoretically, any initial public offering (IPO) that experiences a price increase on its first day of trading—whether intentional or unintentional—was underpriced.

IPOs are often "underpriced" to attract investors because of the underpricing phenomenon (Zou et al., 2020). However, problems arise because underpricing can result in the loss of the owner's wealth before the IPO and the potential for a decline in share prices on the listing day, thereby reducing profits for new shareholders (Mehmood et al., 2021).

Underpricing occurs when the initial price of a new stock is lower than its offering price (Petrovna, 2021). This practice helps mitigate information asymmetry between investors and the issuing company. Information asymmetry arises because investors may possess sensitive, undisclosed information. Thus, investors with information are compensated through meager IPO prices (Azimli, 2023). Additionally, underpricing is a quality signal from the issuing company to prospective investors (Azimli, 2023).

Research on the impact of corporate actions in IPOs on the performance of public stock prices is crucial for understanding market dynamics (Ibrahım & Benlı, 2022). Recent literature indicates that the involvement of leading investment banks and venture capitalists in IPOs significantly influences the performance of companies' stock prices going public (Jain & Kini, 2022). Various factors can affect underpricing in

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IPOs, including market capitalization, underwriter reputation, offer size, float, ownership retention, and issuance method (Sahoo & Raj, 2022).

Other studies have shown that company size and offering timing have limited explanatory power on underpricing (Lorenz, 2020). Additionally, underwriter reputation, demand excess level, and regulatory framework play essential roles in determining the level of underpricing (Azimli, 2023). The impact of quality certification, lead manager reputation, credit rating agency assessment, anchor investor presence, and auditor reputation also affects underpricing (Dhamija & Arora, 2017).

Recent research by Hadiwidjaja et al., (2021) highlights the importance of investigating the impact of corporate actions in IPOs, such as ownership structure, underwriter reputation, and IPO proceeds size, on the performance of public stock prices. This study indicates that these variables can significantly influence the level of underpricing and post-IPO stock price performance. The theoretical implications of this research underscore the importance of considering corporate action factors in analyzing the phenomenon of underpricing and public stock price performance more holistically.

Yip et al., (2009) investigate the effects of underwriters, venture capital and industry on long-term initial public offering performance. It indicated that IPOs underwritten by prominent investment banks and backed by venture capitalists have significant relationship to its go public stock price performance. Meanwhile, Logue et al (2002) stated that the reputation of the underwriter has little to no impact on stock prices.

The research gap in this area lies in the conflicting findings among studies, indicating the need for more comprehensive research that considers various factors and different applications across countries, especially concerning regulations and the evolution of the IPO system.

Focusing on underpricing in IPOs is crucial as it directly reflects market dynamics and investor behavior. Underpricing is a key indicator of market sentiment, information asymmetry, and signaling effects from companies going public. Research by (Zou et al., 2020) suggests that the level of underpricing can reflect information asymmetry between issuers and investors, thereby influencing post-IPO stock price performance. Although there are other relevant variables to consider in IPO research, underpricing remains a fundamental aspect due to its direct impact on investor behavior, company valuation, and market efficiency (Palkar, 2024). By studying underpricing, researchers can gain insights into market dynamics, investor sentiment, and the effectiveness of pricing strategies in IPOs. Moreover, underpricing can also signal to investors about the prospects of the issuing company. Thus, analyzing the level of underpricing can provide essential insights into market dynamics and the quality of resource allocation in the capital market.

Various factors can influence underpricing, including a mix of internal and external factors. External factors include market momentum and government policies. Suresha (2023) investigated determinants of IPO underpricing - the differences in issue size and market momentum approach. The study concluded that market momentum has influenced underpricing along with specific company factors such as company size, cash flow, and investor subscription rates on listing day.

Similarly, research conducted by Chen et al (2013) highlighted the impact of government policies, showing that changes in interest rates and industry regulations affect investor sentiment and IPO pricing strategies. This study aims to comprehensively examine the internal factors related to IPOs, including ownership structure, underwriter reputation, IPO size, and how these factors simultaneously influence the level of underpricing. This study will also delve into the impact of ownership type and identity (institutional/individual and foreign/domestic). Previous studies have rarely examined the relationship between ownership structure and type with the level of underpricing. This study will extend the observation period with different trading time frames (one day, one month, three months, and six months) to isolate underpricing situations before the end of the lock-up period and other factors such as industry or company performance news.

The determinants of underpricing are manifold, and this scholarly article will exclusively concentrate on internal factors, specifically Ownership Identity, Ownership Type, Ownership Retention, Underwriter Reputation, and IPO Proceed. It is imperative to acknowledge that external elements such as market momentum and governmental policies also exert influence; however, this research will confine its examination to internal factors.

This research is expected to contribute to the literature by developing a deeper understanding of the factors influencing the level of underpricing in IPOs in Indonesia. By investigating the level of underpricing in IPOs in Indonesia and analyzing the factors affecting underpricing, this research aims to provide insights into the specific dynamics of the Indonesian market.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Underpricing of IPO stock

The discrepancy between the stock price offered in the primary market and the stock price offered in the secondary market on the first day of Initial Public Offering (IPO) is referred to as underpricing phenomenon. Underpricing phenomenon frequently occurs in several of capital markets such as in USA, UK, Australia, China, and also in Indonesia.
Jamaani, F. et al. (2019), researched the available theoretical review of IPO underpricing. The study discovered that the underpricing phenomena is ultimately explained by the information asymmetry that exists between the investor, the underwriter, and the issuing company, three important IPO participants. Similar research by De Lorenzo et al. (2001) investigated that underpricing phenomenon were affected by the asymmetric information in the IPO market. Reese (1998) argued that the investors have incomplete knowledge and information about public enterprises, There was a lot of information available throughout the IPO process that could influence an investor's decision to participate in the IPO.

Ownership structure – ownership type and identity elements

Ownership structure refers to a description of the sort of business, its structure, and each individual with a financial or ownership stake in the dispensing organization.

The basic ownership structure theory states that a company's ownership structure, including the distribution of shares among shareholders, can influence the level of underpricing in an IPO. A more concentrated ownership structure, where a few dominant shareholders have substantial control over the company, tends to reduce underpricing (Mehmood, 2021).

The literature has highlighted the importance of ownership structure in influencing a firm's decision regarding the IPO offering price. For example, research by Mehmood (2021) shows that fragmented ownership structures can lead to agency conflicts between shareholders and management, affecting the IPO pricing process. Other sources, such as research by Steven (2023), highlight differences in ownership structures among countries, which can influence IPO practices and levels of underpricing.

Duque et al. (2000) argued about whether the anomaly of short term price fluctuation or long term underperformance of IPOs has relationship with different ownership categories (private versus state-owned). The research concluded that the investment on state-owned IPO are more profitable than investment in private IPOs. Following theoretical argument, the following hypothesis is proposed:

H1: There is a positive influence between ownership identities and the level of underpricing.

H2: There is a positive influence between ownership type and the level of underpricing.

Ownership structure – retention ownership

Retention ownership indicate how is the ownership composition after the company go public. The percentage of shares still held by the original owners (issuers) after the issue is typically used to measure ownership retention. Leland and Pyle (1977) examined the level of ownership retention is aligned with the IPO quality. Higher percentage could be translated as the confidence level of future prospects of the company. Due to the issuers' projected strong prospects, potential investors will award this company a greater expected return. Gumanti TA (2017) investigated the percentage of ownership held on the initial price of the company issuing an IPO in the Indonesian Capital Market.

Understanding the ownership structure and its type before the company go public is very important. Many firms can alter their ownership and its organizational structure significantly in the months leading up to going public. The pre-established structure can have an impact on the entire IPO process, the allocation procedure, and subsequent ownership. Consequently, in line with earlier findings, the following hypotheses is put forth:

H3: There is a negative influence between ownership retention and the level of underpricing.

Underwriter reputation

Underwriter reputation theory suggests that the financial institution responsible for handling the initial public offering plays a vital role in determining the level of underpricing (Steven, 2023). Underwriters with a good reputation tend to have more credibility in the market and can attract investors by offering an IPO price closer to the company's fundamental value.

The literature also emphasizes the role of underwriter reputation in determining the level of underpricing in an IPO. Research by Ong (2020) shows that underwriters with a good reputation tend to offer IPO prices closer to the company's actual value, which can reduce the level of underpricing. Meanwhile, research by Hu (2021) suggests that companies that use underwriters with strong reputations tend to experience lower underpricing.

Yewmun Yip (2009) examined the impact of venture capital, underwriters, and industry on the long-term performance of initial public offerings. IPOs backed by venture capitalists and underwritten by well-known investment banks have the strongest short-term price momentum and long-term price reversal trend. Logue et al. (2002) stated that the reputation of the underwriter has no impact on stock prices. The most important factor influencing the stock price is actually the premarket underwriter actions. Investor returns in the initial public offerings (IPOs) are determined by the underwriter's judgments about share allocation and pricing, underwriter's reputation per se. The following hypothesis is proposed:

H4: There is a positive influence between the Underwriter's reputation and the level of underpricing.

IPO proceed/offer size

Offer size reflects the money raised in the offering and paid to the issuing company and its selling stockholders. While for traders, offer size is the total dollar value of shares traded on the primary market. Aggarwal et al (2009) examined that the larger offer size could be interpreted as lower levels of ownership retention, which signal less confidence about the expected cash flows, and will intensify asymmetric information problems, which at the end will increase IPO underpricing.

The literature also highlights the role of the size of IPO proceeds in determining the level of underpricing. Research by Rudianto (2022) shows that companies that successfully raise more considerable funds through an IPO tend to experience lower underpricing because they may better set an offering price closer to fundamental value. The IPO Proceed Size theory focuses on how much funds the company raised through the IPO (Ahmad, 2021). The size of the IPO proceeds can influence the level of underpricing because companies may tend to set a lower IPO price if they believe that investor demand will be strong and they can attract more funds. Thus, consistent with previous studies, the following hypothesis is proposed.

H5: There is a negative relationship between IPO proceed size/offer size and the level of underpricing

METHODS

The research use cross-sectional with four different trading period analysis to investigate the link between first returns and initial public offers, as well as the components of initial returns and the factors that influence these returns. The research population are all Indonesian IPOs in Indonesia Stock Exchange from 2017 to 2021 with total population are 254 companies. During those period of analysis, there were 218 IPOs met the selection criteria. The following model is developed to study the factors affecting returns:

$$IR_i = \alpha_o + b_1OT_i + b_2OI_i + b_3UW_i + b_4OR_i + b_5GP_i + \varepsilon_i$$

Where IR is initial return of the IPO, OT is ownership type, OI is ownership identity, UW is underwriter reputation OR is ownership retention and GP is gross proceeds from the IPO stated in IDR. This model is similar with other researches carried out by Banu Durukan,

Table 1.
Descriptive statistics of variables

Var	Min	Max	Mean	Standard Deviation
OI	0	1	.97	.177
OT	0	1	.73	.443
OR	0	1	.50	.501
UW	0	1	.72	.448
GP	.0	2.8	.438	.4878
1D IR	.0	.9	.434	.2287
1M IR	-.5	30.4	1981	3.4952
3M IR	-.8	35.2	2,313	5.0069
6M IR	-.9	63.7	2,716	6.9537

Table 2.
Correlation matrix

Var	OI	OT	OR	UW	GP
OI	1.00				
OT	0.73	1.00			
OR	0.50	0.34	1.00		
UW	0.72	0.68	0.47	1.00	
GP	0.44	0.42	0.20	0.28	1.00

M. (2002), Gumanti et al. (2017) and Yewmun Yip et al. (2009).

The initial return (IR), which is the dependent variable in this study, is defined as the percentage change in stock price from the offering price (P0) to the closing price on the first trading day (P1). Measurement of this variable uses a percentage of the calculation results:

$$IR = (P1- P0) / P0 \ldots\ldots\ldots. (1)$$

In order to account for general market conditions, market-adjusted returns are used to evaluate the aftermarket performance of IPOs (Brown and Warner, 1980). Market-adjusted initial return equals to IR minus the Index Harga Saham Gabungan (IHSG) composite index return from the IPO date to its first trading date.

The market adjusted initial return is calculated as:

$$MIR = IR – (I1 – I0) / I0 \ldots\ldots\ldots. (2)$$

Where I1 is the closing price of the IHSG composite index on the first trading day of the new issue, and I0 is the closing price of the IHSG composite index on the IPO date.

The initial returns over 30, 90, and 180 days, or one month, three months, and six months following the IPO, will also be calculated in order to assess the dependent variable with a longer term IPO post-market performance:

$$IR30 = (P30- P0) / P0 \ldots\ldots\ldots. (3)$$
$$IR90 = (P90- P0) / P0 \ldots\ldots\ldots. (4)$$
$$IR180 = (P180- P0) / P0 \ldots\ldots\ldots(5)$$

Measures

Ownership identities (OI) comprises of domestic and foreign ownership. To measure this variable, we created a dummy variable, OI, equals 1 if the OI is domestic ownership, else equals 0. Ownership types (OT) segregated as Individual owned firms or institutional ownership (conglomerate group or venture capitalist or state-owned firms. To measure this variable, we created a dummy variable, OT, equals 1 if the OT is institutional ownership, else equals 0. Ownership retention (OR) is calculated by the percentage of outstanding shares held by the largest

Table 3
F Test (Simultaneous)

Period	Mean Square	F	Sig.
1D	.292	6,262	.000b
1M	17,371	1,436	.212b
3M	27,099	1,083	.371b
6M	48,431	1,002	.418b

Table 4
Results of regression analysis

	1D	1M	3M	6M
Const.	.578 (.000)	.360 (.817)	.481 (.830)	-.106 (.973)
OI	-.102 (.223)	1.538 (.255)	2.056 (.290)	2.023 (.453)
OT	.11 (.732)	.575 (.287)	.856 (.269)	1,436 (.183)
RO	-.097 (.002)***	-.513 (.300)	-.077 (.275)	-.119 (.904)
UW	. 077 (.020)**	. 519 (.328)	.150 (.844)	.695 (.512)
GP	-.137 (.000)***	-.933 (.068)	-1,16 (.115)	-1,45 (.155)

Robust standard errors are in parentheses
**** p<.01, ** p<.05, * p<.1*

shareholder that was disclosed prior to the IPO listing date. The public ownership percentage on the IPO listing date amounting to 20% set as the threshold. OR categorized as “Big” if public ownership 20% or less. We created a dummy variable, OR, equals 1 if the OR is classified as “Big” category, else equals 0.

Underwriter reputation (UW) is categorized to be two groups, the "Top 10" (TT) and the remaining others (LL). Underwriters are ranked according to their market shares of IPO offers in Indonesia, with a market share being the ratio of each underwriter's offering amount to the total offering amount of all underwriters for each year. The top 10 underwriters for each year are chosen based on their market shares. From the top 10 underwriters, those whose five-year average market shares are in the TT ranking will be chosen. To measure underwriter reputation, we created a dummy variable, UW, equals 1 if the UW is classified as “TT” category, else equals 0. Proceed/Offer size (GP) from the IPO is stated in IDR. It is measured by the ratio between IPO proceed value/size to the Company's total assets for each public company during period 2017 to 2021.

The cross sectional analysis is carried out with several time frame, namely 1 day, 1 month, 3 month and 6 month from its IPO listing date. The relationship between returns and their anticipated drivers is tested using F test and multivariate regression analysis. The model has also been tested with other basic test.

RESULTS AND DISCUSSION

The sample for this study consisted of 218 companies. The selected sample represent about 86% of the population, that is, companies went public on the Indonesia Stock Exchange during the period 2017 to 2021.

Table 1 exhibit that the ownership identity (OI) mean data is 0.97 or 97%, which shows that most of the IPOs during period 2017 to 2021 is domestic ownership. Ownership type (OT), the mean is 0.73 or 73%, shows that most of IPOs are institutional ownership. Ownership retention (OR), have a value the mean is 0.50 or 50%, means that public share of IPO stocks equally distributed between below 20% share with above 20% composition. Underwriter reputation (UW), the mean data is 0.72 or 72% of the IPOs during those period are underwritten by the top ten or leading investment bank in Indonesia Stock Exchange. IPO proceed (GP), shows a mean value of 0.438 or 43% - shows that most of IPOs during those period got proceed from IPO around 43% from its total asset. The size of IPO issue varies significantly from the lowest IDR 12 Bio to the largest IDR 22 Trillion (Tn). Total funds generated annually from IPO during 2017 to 2021 show a significant increment from IDR 9.6 Tn in 2017 to IDR 62 Tn in 2021.

Furthermore, the dependent variable (Initial Return/IR) which is divided into four periods, with an explanation of the results based on the table above it can be seen that in the 1 day period has a mean value of 0.434 or 43.4% along with the highest value of 0.9 and the lowest value of 0. The mean data shows that during period 1 Day, the initial return reach 43.4% or the closing price of first trading day.

Table 2 shows the correlation matrix on the relationship between variables. There is a strong positive correlation (0.73) between ownership identity (OI) and ownership type (OT). Likewise, there is a moderate positive correlation (0.47) between ownership retention (OR) and underwriter reputation (UW). Furthermore, there is a weak positive correlation (0.44) between Ownership Identity (OI) and IPO Results (GP).

Table 3 exhibit that in the 1 day period it has a calculated F value of 6.262 with a significance level of 0.000 which is less than 0.05, it can be said that the regression model can be used to predict the dependent variable or it is said that the independent variables (ownership identity, ownership type, ownership retention, underwriter, and IPO proceeds) together have a significant effect on the underpricing level.

Whereas for the other periods, namely 1 month, 3 months, and 6 months, it can be seen that the significance values are above 0.05 for those periods. It can be concluded that the variable ownership identity, ownership type, ownership retention,underwriter, and IPO proceeds have not influenced to the underpricing level.

The research examines the hypothesis using multiple regression analysis. The independent variables which are ownership identity, ownership type, ownership retention, underwriter and IPO proceeds, are regressed simultaneously against the initial return with different time frame 1 day, 1 month, 3 month and 6 month. Table 4 exhibit the variable of ownership retention, underwriter reputation and IPO proceed size are significantly influence the level of underpricing for period 1 Day.

Ownership retention is negatively related to the level of underpricing ($\beta = -.097$, $p < .01$), supporting the hypothesis that higher ownership retention signals the company's credibility to investors, thereby reducing underpricing. This finding aligns with previous studies by Leland & Pyle (1977), Darmadi & Gunawan (2012), and Sundarasen (2018), which suggest that a high percentage of equity retained by the original owner serves as a positive signal to the market, indicating the owner's confidence in the company's future prospects. Potential investors are likely to value such companies higher, perceiving that the issuer has good long-term prospects. Additionally, the regression analysis shows that the underwriter's reputation at the 1-day period has a significant positive impact on underpricing ($\beta = .077$, $p < .05$), implying that more reputable underwriters tend to increase underpricing. The size of the IPO proceeds at the 1-day period also demonstrates a significant negative relationship with underpricing ($\beta = -.137$, $p < .01$), further supporting the hypothesis that larger IPO proceeds generally lead to lower underpricing. This negative impact persists at the 1-month period, albeit with reduced significance ($\beta = -.933$, $p < .1$), suggesting that while larger IPO proceed sizes continue to reduce underpricing over time, the effect gradually diminishes.

Underwriter reputation is found to be positively related to the level of underpricing or to say that the hypothesis is accepted. This finding is similar to the research from Yewmun Yip's (2009), that concluded only initial public offerings (IPOs) backed by top investment banks had short-term price momentum and long-term price reversals. During the first year following the IPO, IPOs underwritten by non-leading underwriters frequently underperform the market. Top underwriters' participation is a sign of quality that can boost investor confidence and, as a result, cause overconfidence on the part of investors due to skewed self-attribution. La Rocca (2021) concluded that investors are more confidence in these IPOs because the top investment banks are more likely to intervene to stabilize share prices for the benefit of their IPO clients. This finding is also consistent with Loughran and Ritter's (2004) contention that underwriters may purposefully leave more money on the table than is required in order to favor clients and improve their track records of successful IPOs.

IPO Proceed variable is negatively related with the level of underpricing. This negative correlation is as expected and thus accepts the hypothesis that the larger IPO firms would be seen as being of higher quality and less hazardous than smaller IPO firms. Given that smaller IPOs are perceived to be riskier than bigger IPOs, it is almost obvious that investors seek higher anticipated returns for smaller IPOs. This finding is similar with Gumati et al. (2017), Ritter (1984), Ting YU (2006) and Banu Durukan, M. (2002) that concluded the offer size of the firm is inversely related to IPO underpricing.

Ownership type and ownership identity does not affect significantly the level of underpricing. This condition related with the current composition of Indonesia stock exchange with a few foreign ownership in IPO. Table 1 exhibit that, 97% of the IPOs during period 2017 to 2021 is domestic ownership. As a result, the IPO investors in Indonesia does not consider the foreign ownership as part of their investment decision which will influence to the initial IPO price. Richard W. Carney et al. (2015) examined the changes in corporate Ownership in Indonesia during 1996 and 2008 stated that only 7.8% IPO corporate ownership which is owned by foreign.

This finding also similar with finding from Dahlquist and Robertsson (2001) investigated the influence of foreign and domestic ownership in Sweden and confirmed that their return are driven by institutional investors and not because of differences between foreign versus domestic ownership. Difference ownership identities will affect the ownership preference of foreign/domestic institutions.

Table 1 exhibit that 73% IPO are comprised of the institutional ownership. The owner of IPO firms tend to change their ownership from individual ownership to be institutional type prior they go for IPO decision. Institutional type, i.e. Perusahaan Terbatas (PT) bring more advantages such as a clear legal entity, well structure organization, professionalism and limitation of each shareholder responsibility, which could added value to the IPO firms.

The correlation matrix shows the correlation coefficients between each pair of variables. The values range from -1 to 1, where 1 indicates a perfect positive correlation, -1 indicates a perfect negative correlation, and 0 indicates no correlation.
Earlier studies from Aggarwal (2003) concluded that foreign and domestic institutions have different investment preferences. There is no significant relationship is found between investment by institutions and underpricing.

Table 4 - the regression result show that the independent variables have not influenced to the level of underpricing for period other than 1 day (i.e 1 month, 3 Month and 6 Month). During the longer period, the market has adjusted the IPO share price according to its performance and expected cash flow of the Firm.

This finding is similar with research from Dell'Acqua (2015) who conclude that average stock performance 30 days after the listing is lower than average first day return. This is mainly explained by temporary actions of price support by underwriters. Prior to the IPO, underwriter often sell any shares first, and if the price starts to decline, they cover their position by buying additional shares off the market. On contrary, Underwriters can purchase shares from the issuer at the offer price, if the IPO is successful with a price increase by exercising the greenshoe option.

CONCLUSION

Every year, there were lot of companies go public in the Indonesia stock exchange. During this research period from Year 2017 to 2021, the Initial Public Offering (IPO) in Indonesia has shown the positive growth which are measured by the annual funds accumulated through go public process. Total funds which are obtained annually from IPO are increased from IDR 9.6 trillion in 2017 to IDR 62.6 trillion in 2021. This situation shows that many companies keep to get listed in Indonesia Stock Exchange despite off the challenging economic situation impact of Covid 19 pandemic era.

This research examines the underpricing phenomenon in Indonesia and also whether several key determinant components explain the variation of the level of underpricing. It is concluded that the underpricing phenomenon in Indonesia's IPO during period Year 2017 to 2021. Number of companies that experience underpricing has reached 85% on the first of trading day. If we compare this figure to some of research on Indonesia IPOs, the figure is almost similar. Gumati (2017) reported the number of IPO companies experience underpricing has reached 81.72% during period 1989 - 2005.

The research indicated that underwriter reputation is found to be positively related to the level of underpricing. Companies with larger size of IPOs are underpriced less than the smaller ones. It also documents that the ownership retention is negatively related with the level of underpricing.

The research concluded that ownership identity, ownership type, underwriter reputation, ownership retention and IPO proceed have not influenced to the level of underpricing for period other than 1 day (i.e 1 month, 3 Month and 6 Month).

The research has three limitations. First, it focus on IPOs in Indonesia Stock Exchange during Year 2017 to 2021. The application of this study result to other countries stock exchange that might have a different system and IPO process could have different result. Aside of it, the country economic condition must be taken into consideration since Indonesia is in the emerging and developing country situation. Second, until this research is concluded, the researcher found there is no available official underwriter rating issued by Indonesia stock exchange. The research conclusion related with the underwriter elements must follow the methodology to determine the underwriter categorization documented in this research. Different categorization methodology could have different result compared to this research. Third, this study does not differentiate the sample between pre and post 2020's economic crisis. Further study could analyze whether the economic crisis could differentiate the level of underpricing through a comparison of the analysis' pre- and post-crisis time periods.

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