

# How is the Impact of the Corporate Governance Mechanism on IPO Underpricing? (Empirical Study on Companies conducting IPOs on the Indonesia Stock Exchange 2010-2019)

**Kiki Satria Hutama Putra**

*Faculty of Economics and Business, Universitas Padjadjaran, Indonesia*

## Abstract

*The purpose of this study is to examine how the influence of corporate governance mechanisms on the level of underpricing of IPO companies in Indonesia. This study examines 301 company IPOs during the period 2010 to 2019 using secondary data collected through annual reports and company IPO prospectus on the Indonesia Stock Exchange. Sampling was done by purposive sampling technique with a final sample of 72 companies. Multiple linear regression analysis was used to examine the impact of corporate governance mechanisms on IPO underpricing. The results showed that female directors had a significant effect on underpricing the company's IPO, while the board of commissioners, the independence of the board of commissioners, the board of directors, the age of the board of directors, the board of the audit committee and the age of the company have no significant effect on the underpricing of the company's IPO.*

## Keywords

initial public offerings (IPO); underpricing; corporate governance



## I. Introduction

The focus of current research is growing on large cases where Good Corporate Governance (GCG) the company becomes the center of attention in suppressing fraudulent practices. Several major frauds that have occurred against giant companies such as the Enron case in the international environment as well as in the national environment such as the PT Garuda Indonesia (Persero) Tbk fraud case in 2018 and PT Asuransi Jiwasraya (Persero) which incidentally are both companies with legal status Indonesian State Owned Enterprises (BUMN).

Such frauds encourage supervisory boards to be vigilant and increase their focus because sometimes supervision is limited to large-scale companies. Meanwhile, the phenomenonGo public cannot be avoided by the seduction of a very large increase in capital from the activity of selling company shares which the company is ready to acquire for the sake of accelerating the company's business processes that have been designed as well as possible.

The initial public offering (IPO) is an important transition point in the development of the company, because the company changes the form of private ownership to public ownership of the company (Certo, et al, 2003). As IPOs provide a vital resource that is critical for future expansion and growth, IPOs are especially important for small entrepreneurial firms that are largely dependent on resources (Filatotvhev and Wright, 2005).

IPO is a legal term intended for the activities of an issuer to offer and eventually sell the securities it has issued in the form of shares or securities to the public at large, with the aim of providing input funds to the issuer, both for other activities, desired by the issuer. Initial Public Offering (IPO) is considered as the first significant stage in the evolution of a

company (Jain and Kini, 1994), because this decision will change the entire structure of the company. This is the reason why the topic of discussion regarding Initial Public Offering (IPO) is very interesting for researchers, investors, and decision makers (Ratu and Nono, 2019).

The company's decision making to develop its business by conducting an IPO is based on various reasons, both financial and non-financial needs of the company (Maksimovic and Pichler, 2001; Gill De Albornoz and Pope, 2004; Brau and Fawcett, 2006; Pastusiak, Bolek, Malaczewski and Kacprzyk, 2016). But whatever the motive, the decision to conduct an IPO will always have an impact on the company from a financial, accounting and operational perspective (Pastusiak, Bolek, Malaczewski and Kacprzyk, 2016).

The potential benefits obtained by the company through the IPO require the establishment of an effective Good Corporate Governance mechanism that must not only protect the interests of investors by aligning the interests of managers with shareholders but also give the company the ability to combat obstacles associated with the growth and expansion of the company's business activities. In this regard, board characteristics and ownership structure are important internal controls that reduce uncertainty and information asymmetry arising from their news in the market (Certo, 2003).

This study tries to determine the impact of the attributes of Good Corporate Governance on IPO underpricing in Indonesia. In some literature studies generally focus on the reasons for abnormal returns and performance after the IPO, but the research findings show differences. This raises big questions about the performance of Initial Public Offerings (IPOs). Problems that often arise after a company conducts an IPO are the phenomenon of information asymmetry and decreased performance (Sulistiyanto and Wibisono, 2003:1).

Underpricing is a phenomenon that often occurs when a company decides to conduct an IPO in various capital markets in the world. In Indonesia, based on research conducted by Aini (2013), it is found that the underpricing rate of IPO companies in Indonesia is always above 60% during 2007-2011. The underpricing phenomenon occurs when the initial share price is lower than the closing price of the IPO shares on the first day in the secondary market (Ali, et al. 2003).

The underpricing phenomenon during the IPO process is very detrimental to the company because the funds obtained from the sale of shares to the public are not optimal (Handayani, 2008), for this reason the company owners try their best to minimize underpricing (Prastiwi and Kusuma, 2001). According to Martani, et al. (2012) there are two anomalies in the IPO, underpricing and under-performance long-term. Underpricing occurs when the stock price at the time of the IPO is lower than the closing price on the first day in the secondary market. Meanwhile, long-term under-performance is a condition when the company cannot maintain its good performance, such as during the IPO. The two anomalies occur because of the asymmetry between company owners and investors.

There is evidence from several studies conducted, including research by Ahmad-Zaluki (2008) in Malaysia in the period 1990-2000; Jain and Kini (1994); Mikkelsen, Megan Pitch, & Shah (1997); Wang (2005) in China from 1994 to 1999; Duque & Almeida (2000) in Portuguese period 1992-1998; Doski (2014) in Iraq at the Asia cell Company; Cai & Wei (1997) in Japan; Roosenboom, van der Goot, and Mertens (2003) in the Netherlands; Alanazi, Liu, and Forster (2011) in Saudi and Kim, Kitsabunnarat, & Nofsinger (2004) in Thailand. Based on these studies, most of the company's declining performance after the IPO was caused by an increase in agency costs, company size, window-dressing and also due to market timing problems before issuing shares.

Apart from this, there are other problems that cause this, namely the demand to be more open and have to follow the regulations of the stock exchange regarding reporting obligations, as well as the necessity to increase the company's growth (Anogara and Pakarti, 2001; 49), as well as the costs of costs associated with the decision to conduct an IPO. One of these costs is a significant reduction in financial efficiency.

The implementation of a good Good Corporate Governance mechanism is a very important step to be implemented because Good Corporate Governance or good corporate governance is one of the requirements to create a quality capital market. Good Corporate Governance is considered to be one of the things that affect the level of underpricing in IPOs, because it can provoke the emergence of information asymmetry which can have an impact on the occurrence of underpricing. The implementation of Good Corporate Governance in the company gives a signal to investors that the company has good performance and quality. In the case of underpricing.

## **II. Review of Literature**

### **2.1 Hypotheses Development**

#### **a. Board of Commissioners**

The Board of Commissioners as an organ of the company collectively has the duty and responsibility to supervise and provide advice to the Board of Directors and ensure that the company implements Good Corporate Governance. The composition of the number of members of the board of commissioners has an important role in increasing the effectiveness of the board, (Rahmida, 2012). The greater the number of members of the board of commissioners, the more input and supervision will be carried out better. However, if the number of the board is too large, it will cause coordination and communication problems as well as a high salary burden. This is supported by Purwanto, et al (2015) which states that the larger the number of boards, the greater the coordination and communication problems at high levels of underpricing. Research conducted (Certo et al 2001; Yatim, 2008) showed that the size of the Board of Commissioners and underpricing had a negative effect, while (Li and Naughton, 2007; Hearn, 2011; Gozali and Mansur, 2002) said that the size of the Board of Commissioners and underpricing had a positive relationship. Thus, given the uncertainty of the relationship between board size and underpricing, the hypotheses made are:

H1: The Board of Commissioners has a significant effect on *underpricing* IPO.

#### **b. Independence of the Board of Commissioners**

The Independent Board is basically a board of commissioners who are expected to be able to carry out their duties independently and free from the influence of various parties that may interfere with the interests of the company. With an independent board, the company will have good monitoring quality so that it has an impact on the company's financial reporting that is free from fraud, so the level of risk borne by investors will be smaller so it is expected that the level of underpricing will also be smaller.

According to (Auliya and Januarti, 2015) the existence of an independent board is considered by investors as a bad thing. This is because investors think that the old board of commissioners knows more about the condition of the company than the independent board of commissioners who actually come from outside the company. So investors tend to judge the existence of the board of commissioners, the higher the proportion, the worse it will be. This is considered to lead to a higher level of underpricing when the company conducts an IPO.

Several studies that have conducted research on how the relationship between independent boards and underpricing vary. Research conducted (Chahine and Filatotchev, 2008; Hearn, 2011; Lin and Chuang, 2011). Auliya and Januarti, 2015) show that independent and underpricing boards have a negative influence, while (Certo et al., 2001a; Howton et al., 2001; Filatotchev and Bishop, 2002; Auliya and Januarti, 2015) say independent and underpricing boards have positive relationship. Thus, given the uncertainty of the relationship between independent boards and underpricing, the hypotheses made are:

H2: The Independent Board has a significant effect on *underpricing* IPO.

### **c. Board of Directors**

The board of directors is a party in a corporate entity in charge of conducting, carrying out the operations and management of the company. Members of the board of directors are appointed by the GMS. The board of directors is fully responsible for all forms of operations and management of the company in the context of carrying out interests in achieving company goals.

The board of directors is also responsible for the company's dealings with external parties such as suppliers, consumers, regulators and legal parties. In such a large role in the management of this company, the board of directors basically has significant control rights in the management of company resources and investor funds (Sukandar, 2014). The size of the board of directors is one indicator of good corporate governance. Because judged by the size of the board of directors, corporate governance will be better.

Based on this, to find out whether the board of directors affects the underpricing of the IPO, the hypotheses made are:

H3: The board of directors has a significant effect on *underpricing* IPO.

### **d. Female Director**

In corporate governance, where the main objective is to align the interests of management and management stakeholders to increase productivity and increase profits, the composition of the board becomes very important, (Handa and Singh, 2015). According to (Kesner, 1998; Kosnik, 1990; Hillman et al, 2002) says that each board member brings unique resources into the organization such as expertise, skills, information and relationships outside the organization so that female directors will provide resources available to the organization. them based on their gender. Individuals with different backgrounds will also have different points of view, which can lead to more effective decision making, (Handa and Singh, 2015).

Furthermore, financial experts who reviewed the role of women on corporate boards stated that female directors effectively assist boards in carrying out strategic functions because of their expressed efficiency in executing strategic plans compared to their male counterparts (de Luis-Carnicer, Maitez-Sanchez, Perez-Perez and Jose Vela-Jimenez, 2008; Hoobler, Masterson, Nkomo and Michel, 2008). Hiring female directors on the board not only enhances the monitoring ability of the board but also signifies the equality and women empowerment philosophy of top management thereby giving legitimacy to the organization (Zelechowski and Bilimoria, 2003).

In line with this, Mohan and Chen, (2004) reveal an insignificant relationship between female directors and underpricing because investors do not see higher female representation on the board as a signal of reduced uncertainty and higher firm quality. Several studies have been carried out to determine the relationship between the presence of women on the board and its effect on improving company performance (Scharader et al,

1997; Bilimoria, 2000; Singh and Vinnicombe, 2004). Based on this, the hypotheses made to determine the relationship between female directors and underpricing IPOs are:

H4: Female directors have a significant effect on *underpricing* IPO.

#### **e. Board Age**

The experience and maturity of the board of directors gives credibility to strategic decisions taken because they know more about the potential future performance of the company, thereby reducing uncertainty and information asymmetry about the offering (Certo et al., 2001). Experience and maturity can flow from the age of the board of directors. Therefore, Board Age was included to see its relationship to IPO underpricing (Arora and Singh, 2020).

According to Kang et al, (2007) the maturity, discretion and morality embraced by older directors lead to higher growth in earnings and reduction of underpricing. In addition, their prudence and conservative attitude guarantees a return on investment to investors and reduces concerns about supply in investors' minds (Muth and Donaldson, 1998). Based on this, the hypothesis made to determine the relationship between the age of the board of directors and IPO underpricing are:

H5: The age of the Board of Directors has a significant effect on *underpricing* IPO.

#### **f. Audit Committee Board**

According to Arora and Singh, (2020) the number of board committees formed to monitor and supervise effective information disclosure and executive remuneration is one of the variables that affect IPO underpricing. Jiraporn et al, (2009) explained that board committees not only help in achieving board effectiveness but also help in initiating board strategic decisions.

Based on several studies on the impact of forming committee boards on underpricing that have been carried out, the results and impacts are very large. However, given the fact that the establishment of an independent board committee is a very expensive process and low quality companies will not be able to replicate it, (Arora and Singh, 2020). Hearn, (2011) suspects that only higher value companies can demonstrate their quality through this committee. Investors perceive that a more independent board committee will reduce information asymmetry and agency problems, thereby reducing underpricing.

Based on this, the hypotheses made to determine the relationship between the committee board and IPO underpricing are:

H6: The committee board has a significant effect on *underpricing* IPO.

#### **g. Company Age**

The age of the company shows how long the company has been in existence. Companies with a longer age are usually more in demand by potential investors because investors think that the company is able to maintain its performance so that it can survive until now. This indicates that the older the company, the lower the level of underpricing.

Several studies have been conducted to answer whether the age of the company affects the level of underpricing, such as the research of Wahyusari, (2013) which gives the result that the age of the company has a significant effect on the underpricing of the IPO.

Based on this, the hypotheses made to determine the relationship between company age and IPO underpricing are:

H7: Company age has no significant effect on *underpricing* IPO.



### III. Research Methods

#### 3.1 Population and Sample

The population in this study were all companies listed on the Indonesia Stock Exchange (IDX) in the 2010-2019 period. While the sample in this study was selected using a purposive sampling method with the following criteria:

**Table 1.** Criteria Sampling

Information	Amount
Companies that conduct IPOs 2010-2019	301
Companies that were expelled due to overpricing	50
Companies that are issued because of fixed prices (not underpricing or overpricing)	140
The company was excluded due to incomplete data	39
<b>Number of samples that meet the criteria</b>	<b>72</b>

#### 3.2 Operationalization Variable

The following is the operationalization of the variables in this study:

**Table 2.** Variable Operations

Research variable	Definition of Variabelle	Indicator	Measurement Scale
<i>Underpricing</i> (Y)	The positive difference between the stock price on the first day of closing (closing price) in the secondary market divided by the initial offering price / IPO (offering price) which is calculated by the amount of Initial Return	$UP = \frac{(P1 - P0)}{P_0} \times 100\%$	Ratio
Number of Board of Commissioners (X1)	The number of boards of commissioners in a company conducting an IPO (Vafeas, 2000) in (Rahmida, 2012)	$\Sigma$ Member of the board of commissioners	Ratio
Independence of the Board of Commissioners (X2)	Number of independent commissioners in the organizational structure of a company conducting an IPO (Rahmida, 2012) in (Purwanto et al, 2015)	$\frac{\text{Number of independent commissioners}}{\text{Total board of commissioners}}$	Ratio
Board of Directors (X7)	The board of directors basically has significant control rights in the management of company resources and investor funds (Sukandar, 2014). The size of the board of directors is one indicator of good corporate	$\Sigma$ Member of the board of directors	Ratio

	governance. Because judged by the size of the board of directors, corporate governance will be better.		
Female Director (X4)	The existence of female directors is expected to provide added value for the company, because they are more detailed in terms of supervising the implementation of CSR, so that it is expected to have a positive impact on the implementation of CSR (Setiawan et al, 2018)	$\frac{\text{Number of Female Directors}}{\text{Total Board Members}}$	Ratio
Board Age (X5)	The experience and maturity of the board of directors gives credibility to strategic decisions taken because they know more about the potential future performance of the company, thereby reducing uncertainty and information asymmetry about the offering (Certo et al., 2001).	Average age of all board members	Ratio
Committee Board (X3)	The number of audit committees in the company at the time of the IPO, (Auliya and Januarti, 2015)	$\Sigma$ Member of the board of commissioners	Ratio
Company Age (X11)	The age of the company shows how long the company has been in existence. Companies with a longer age are usually more in demand by potential investors because investors think that the company is able to maintain its performance so that it can survive until now.	Listing date – Company Established	Ratio

Source: Processed Data

### 3.3 Research Model

In this study, the regression test performed was multiple regression test. Duwi Priyatno (2013: 47) explains that multiple linear regression analysis is used to predict the dependent variable if the independent variable is increased or decreased. The research model made in this study is as follows:

$$\text{Underpricing} = \alpha + \beta_1 \text{Number of Board of Commissioners} + \beta_2 \text{Independency of the Board of Commissioners} + \beta_3 \text{Board Directors} + \beta_4 \text{Female Director} + \beta_5 \text{Age of the Board of Directors} + \beta_6 \text{Board of Audit Committee} + \beta_7 \text{Company Age} + e$$

## IV. Results and Discussion

### 4.1 Descriptive Statistics Test

Descriptive statistical test is intended to provide an overview or description of a data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis and skewness. The following are the results of descriptive statistical tests in this study:

**Table 3.** Descriptive Statistical Test

	N	Min	Max	mean	Std. Deviation
Underpricing	72	.01	.70	.2935	.24435
Board of Commissioners	72	2	13	3.5972	1.82054
Independence of the Board of Commissioners	72	0	2	.4282	.23773
Board of Directors	72	2	9	4.0694	1.35653
Women Director	72	0	.80	.1829	.21547
Age of the Board of Directors	72	35.33	61.50	48.6726	5.31678
Board of Audit Committee	72	2	7	3.1111	.54529
Age of Company	72	2	73	22.7222	16.26560
Valid N (Listwise)	72				

Based on the descriptive statistical test in Table 2, it is known that the number of samples (N) of the study is 72, where the maximum value of the underpricing level is 0.70 while the minimum value is 0.01 and the average value is 0.29. The maximum value for the number of commissioners is 13 while the minimum value is 2 and the average value is 3.59. The maximum value of the independence of the board of commissioners is 2 while the minimum value is 0 and the average value is 0.42. The maximum value for the board of directors is 9 while the minimum value is 2 and the average value is 4.06. The maximum value for female directors is 0.80 while the minimum value is 0 and the average value is 0.18. The maximum value for the age of the board of directors is 61.50 while the minimum value is 35.33 and the average value is 48.67. The maximum score for the audit committee board is 7 while the minimum score is 2 and the average score is 3.11. The maximum value of the age of the company is 73 while the minimum value is 2 and the average value is 22.72.

### 4.2 Correlation Test

Correlation test was conducted to explain the relationship between the independent variable and the dependent variable. The following are the results of the correlation test in this study:



**Table 4. Correlation Test**

		Underpricing	Independence Board of Commissioners	of The Board of Commissioners	Board of Directors	Women Director	Age of the Board of Directors	Board of Audit Committee	Age of Company
Underpricing	Pearson Correlation	1	-.219	-.009	-.273*	-.180	-.258*	-.210	-.235*
	Sig. (2-tailed)		.065	.940	.020	.129	.028	.076	.047
	N	72	72	72	72	72	72	72	72
Board of Commissioners	Pearson Correlation	-.219	1	-.192	.502**	.075	.111	.074	.192
	Sig. (2-tailed)	.065		.106	.000	.530	.355	.536	.107
	N	72	72	72	72	72	72	72	72
Independence of The Board of Commissioners	Pearson Correlation	-.009	-.192	1	-.054	-.132	.245*	-.044	.060
	Sig. (2-tailed)	.940	.106		.650	.267	.038	.711	.618
	N	72	72	72	72	72	72	72	72
Board of Directors	Pearson Correlation	-.273*	.502**	-.054	1	.020	.214	.047	.249*
	Sig. (2-tailed)	.020	.000	.650		.870	.072	.698	.035
	N	72	72	72	72	72	72	72	72
Women Director	Pearson Correlation	-.180	.075	-.132	.020	1	-.234*	-.072	.058
	Sig. (2-tailed)	.129	.530	.267	.870		.048	.551	.630
	N	72	72	72	72	72	72	72	72
Age of the Board of Directors	Pearson Correlation	-.258*	.111	.245*	.214	-.234*	1	.096	.267*
	Sig. (2-tailed)	.028	.355	.038	.072	.048		.421	.023
	N	72	72	72	72	72	72	72	72
Board of Audit Committee	Pearson Correlation	-.210	.074	-.044	.047	-.072	.096	1	.108
	Sig. (2-tailed)	.076	.536	.711	.698	.551	.421		.365
	N	72	72	72	72	72	72	72	72
Age of Company	Pearson Correlation	-.235*	.192	.060	.249*	.058	.267*	.108	1
	Sig. (2-tailed)	.047	.107	.618	.035	.630	.023	.365	
	N	72	72	72	72	72	72	72	72

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Based on the correlation test in Table 3, the results show that the significance value of the board of commissioners is 0.065 indicating that the board of commissioners has no relationship with underpricing of the IPO. The significance value of the independence of the board of commissioners is 0.940, indicating that the independence of the board of commissioners has no relationship with underpricing of the IPO. The significance value of the board of directors is 0.020 indicating that the board of directors has a relationship with underpricing of the IPO. The significance value of female directors is 0.129, indicating that female directors have no relationship with underpricing IPOs. The significance value of the age of the board of directors is 0.028 indicating that the age of the board of directors has a relationship with underpricing of the IPO. The significance value of the audit committee board is 0, 076 indicate that the audit committee board has no relationship with IPO underpricing. The significance value of company age of 0.047 indicates that the age of the company has a relationship with IPO underpricing.

#### 4.3 Coefficient of Determination Test

The value used in the coefficient of determination is to use the value of R Square (R<sup>2</sup>). The greater the value of R Square (R<sup>2</sup>), the ability of the independent variable to explain the dependent variable is getting better. The following are the results of testing the coefficient of determination in this study:

**Table 5. Coefficient of Determination Test**

Model	R	R Square	Adjusted R Square
1	.467a	.218	.133

Based on the results of testing the coefficient of determination in Table 4, it was found that the value of R Square (R<sup>2</sup>) is 21.8%. From the results of the value of R Square (R<sup>2</sup>) it can be explained that the effect of all independent variables on the dependent variable is 21.8% while the remaining 78.2% is influenced by other variables not examined in this study.

#### 4.4 Hypothesis Testing

##### a. Partial Test (t)

The t-test was used to determine the partial (individual) effect of the independent variables on the dependent variable with a significance level ( $\alpha$ ) of 5% or 0.05. The results of the t-test carried out in this study are as follows:

**Table 6.** Partial Test (t)

Model		t	Sig.
1	(Constant)	4.285	.000
	Board of Commissioners	-.531	.597
	Independence of the Board of Commissioners	-.072	.943
	Board of Directors	-1.176	.244
	Women Director	-2.033	.046
	Age of the Board of Directors	-1.849	.069
	Board of Audit Committee	-1.635	.107
	Age of Company	-.740	.462

a. Dependent Variable: Underpricing

Based on the results of the t-test in Table 5, it is known that the significance (Sig.) of the board of commissioners is 0.597, meaning that the board of commissioners has no significant effect on the level of underpricing of the IPO carried out. The significance (Sig.) of the independence of the board of commissioners is 0.943, meaning that the independence of the board of commissioners has no significant effect on the level of underpricing of the IPO conducted. The significance (Sig.) of the board of directors is 0.244, which means that the board of directors has no significant effect on the level of underpricing of the IPO. The significance (Sig.) of female directors is 0.046, meaning that female directors have a significant effect on the level of underpricing of IPOs. The significance (Sig.) of the age of the board of directors is 0.069, which means that the age of the board of directors has no significant effect on the level of underpricing of the IPO. Signification (Sig. ) the audit committee board of 0.107 means that the audit committee board has no significant effect on the level of underpricing of the IPO carried out. The significance (Sig.) of the age of the company is 0.462, which means that the age of the company has no significant effect on the level of underpricing of the IPO.

##### b. Simultaneous Test (F)

The F test is used to determine the simultaneous (together) effect of the independent variables on the dependent variable. The following are the results of the simultaneous test (F) in this study:

**Table 7.** Simultaneous Test (F)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.925	7	.132	2,552	.022b
	Residual	3.314	64	.052		
	Total	4.239	71			

a. Dependent Variable: Underpricing

b. Predictors: (Constant), Company Age, Women Director, Board Of Audit Committee, Independence Of The Board Of Commissioners, Board Of Directors, Age Of The Board Of Directors, Board Of Commissioners

Based on the results of the F test in Table 6, it is known that the calculated F value is 2.552 with a significance value (Sig.) of 0.022. So it can be concluded that the board of commissioners, the independence of the board of commissioners, the board of directors, female directors, the age of the board of directors, the board of the audit committee, and the age of the company simultaneously influence the level of underpricing of the IPO.

## V. Conclusion

The company's desire to develop its business activities makes the company need a lot of additional capital quickly so that the activity of selling shares in the capital market as a solution to accelerate capital increase becomes very attractive for the company. The activity of selling initial shares or an initial public offering (IPO) requires companies to manage the company properly through good corporate governance mechanisms. Thus, corporate governance is currently the center of public attention because the monitoring and control carried out are sometimes not given enough attention.

This study aims to explain the underpricing of IPO activities carried out through corporate governance mechanisms so that it can assist in reducing the information asymmetry that occurs. The results showed that based on the total research population of 301 companies, only 72 companies were the final sample of the study, this was influenced by the large number of samples of companies that lost data. Based on the tests conducted, it can be concluded that the variables of the board of commissioners, the independence of the board of commissioners, the board of directors, the age of the board of directors, the board of the audit committee, and the age of the company have no significant effect on IPO underpricing. This can explain that these variables do not have a direct relationship to IPO underpricing. This is also supported by the R Square value which is only 21.8%, meaning that there are many other variables that affect IPO underpricing but are not the focus of this study. Meanwhile, the results of other studies show that the female director variable has a significant effect on the level of IPO underpricing this indicates that the presence of female directors in the company's board of directors is needed. With the diversity of the board of directors in a company, there will be more positive input in every company decision making. this indicates that the presence of female directors in the company's board of directors is very much needed. With the diversity of the board of directors in a company, there will be more positive input in every company decision making. this indicates that the presence of female directors in the company's board of directors is very much needed. With the diversity of the board of directors in a company, there will be more positive input in every company decision making.

## References

- Ahmad-Zaluki, N. A. (2008). Post-IPO Operating Performance and Earnings Management. *International Business Research*, 1(2), 39-48.
- Aini, Shoviyah Nur. 2013. Faktor-Faktor yang Mempengaruhi Underpricing Saham Pada Perusahaan IPO di BEI Periode 2007-2011. *Jurnal Ilmiah Manajemen*, Vol.1, No. 1, Hal.89.
- Alanazi, A. S, Liu, B. dan Forster, J. (2011). The financial performance of Saudi Arabian IPOs. *International Journal of Islamic and Middle Eastern Finance and Management*, 4(2), 146-157. <https://doi.org/10.1108/17538391111144533>.
- Ali Syaiful, Hartono dan Jogiyanto. 2003. Pengaruh Pemilihan Metode Akuntansi terhadap Tingkat Underpricing Saham Perdana. *Jurnal Riset Akuntansi Indonesia*. Vol 6: 41-53.
- Anogara, P., dan Pakarti, P. (2001). Pengantar Pasar Modal. Jakarta: Rineka Cipta.
- Arora, N. and Singh, B. (2020), “Corporate Governance and underpricing of small and medium enterprises IPOs India”, *Journal Corporate Governance*, Vol. 20 Issue 3.
- Auliya, R. dan Januarti, I. (2015), “Pengaruh Mekanisme Corporate Governance Terhadap Tingkat Underpricing IPO. Studi Empiris Pada Perusahaan yang IPO di Bursa Efek Indonesia Tahun 2009-2014). Thesis, Fakultas Ekonomi dan Bisnis.
- Brau, J. C., and Fawcett, S.E. (2006). Initial Public Offerings: An Analysis of Finance, 61(1), 399-436. <https://doi.org/10.1111/j.1540-6261.2006.00840.x>
- Cai, J. and Wei, K. C. J. (1997). The investment and operating performance of Japanese initial public offerings. *Pacific Basin Finance Journal*, 5(4), 389-417. [https://doi.org/10.1016/S0927-538X\(97\)00021-8](https://doi.org/10.1016/S0927-538X(97)00021-8).
- Certo, S.T. (2003), “Influencing initial public offering investors with prestige: signaling with board structures”, *Academy of Management Review*, Vol. 28 No. 3, pp. 432-446.
- Certo, S.T., Daily, C.M. and Dalton, D.R. (2001), “Signalling firm value through board structure: an investigation of initial public offerings”, *Entrepreneurship Theory & Practice*, Vol. 26, pp. 33-50.
- Certo, S.T., Daily, c.M., Cannella, A.A.jr and dalton, D.R. (2003), “Giving money to get money: how CEO stock options and CEO equity enhance IPO valuations”, *Academy of Management Journal*, Vol. 46 No. 5, pp. 643-653.
- Chahine, S. and Filatotchev, I. (2008), “The effects of information disclosure and board independence on IPO discount”, *Journal of Small Business Management*, Vol. 46 No.2, pp. 219-241.
- De Luis-Carnicer, P., Martinez-Sánchez., Á., Pérez- Pérez, M., & JoséVela-Jiménez, M. (2008), “Gender diversity in management:Curvilinear relationships to reconcile findings”, *Gender in Management: An International Journal*, 23(8), 583-597.
- Doski, S.A. (2014). The effect of Initial public offering on company performance: A case study on Asia cell in Kurdistan Region. *Research Journal of Finance and Accounting*, 5(18), 103-117.
- Duque, J. dan Almeida, M. (2000). Ownership Structure And Initial Public Offerings In Small Economies-The Case Of Portugal.
- Filatotchev, I. and Bishop, K. (2002), “Board composition, share ownership, and underpricing of UK IPO firm”, *Strategic Management Journal*, Vol. 23 No. 10, pp. 941-955.
- Filatotchev, I. and Wright, M. (2005), *The Life Cycle of Corporate Governance*, Edward Elgar Publishing.

- Forum for Corporate Governance in Indonesia (FCGI), (2001), Seri Tata Kelola Perusahaan (Corporate Governance), Edisi ke-2 Jakarta.
- Ghozali dan Manzur. (2002). Analisis Faktor-Faktor Yang Mempengaruhi Tingkat Underpriced Di Bursa Efek Jakarta. *Jurnal Bisnis dan Akuntansi*. Vol 4 No 1. April 2002
- Gill De Albornoz, B., and Pope, P. F. (2004). The Determinants of The Going Public Decision: Evidence from The U.K (AD No. 22).
- Gumanti, T. A. (2002). Underpricing dan biaya-biaya di sekitar initial public offering. *Journal Ekonomi Manajemen Dan Akuntansi Wahana*, 5(4), 135-147.
- Handa, R. and Singh, B. (2015), "Women directors and IPO underpricing: evidence from Indian markets", *Gender in Management: An International Journal*, Vol. 30 No. 3, pp. 186-205.
- Hearn, B. (2011), "The impact of corporate governance measures on the performance of West African IPO Firms", *Emerging Market Review*, Vol. 12 No.2, pp. 130-151.
- Hillman, A.J., Cannella, A.A. and Harris, I.C. (2002), "Women and racial minorities in the boardroom: how do directors differ?", *Journal of Management*, Vol. 28 No. 6, pp. 747-763.
- Hoobler, J. M., Masterson, C. R., Nkomo, S. M., & Michel, E. J. (2008), "The business case for women leaders: Meta-analysis, research critique, and path forward", *Journal of Management*, 44(6), 2473-2499.
- Howton, S.D., Howton, S.W. and Olson, G.T. (2001), "Board ownership and IPO returns", *Journal of Economics and Finance*, Vol. 25 No.1, pp. 100-114.
- Jain, B.A., and Kini, O. (1994). The Post-Issue Operating Performance of IPO Firms. *American Finance Association*, 49(5), 1699-1726.
- Jensen, M.C. and Meckling, W.H. (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure", *Journal of Financial Economics*, Vol. 33 No. 4, pp. 305-360
- Jiraporn, P., Singh, M. and Lee, C.I. (2009), "Ineffective corporate governance: director busyness and board committee memberships", *Journal of Banking & Finance*, Vol. 33 No. 5, pp.819-828.
- Kang, H, Cheng, M. and Gray, S. J. (2007), "Corporate governance and board composition: diversity and independence of Australian boards", *Corporate Governance An International Review*. Vol. 15 No. 2, pp. 194-207.
- Kesner, I.F. (1998), "Directors characteristic and committee membership: an investigation of type, occupation, tenure and gender", *Academy of Management Journal*, Vol. 31 No. 1, pp.66-84.
- Kim, K.A. Kitsabunnarat, P. dan Nofsinger, J. R. (2004). Ownership and operating performance in an emerging market: evidence from Thai IPO firms. *Journal of Corporate Finance*, 10(3), 355-381.
- Kosnik, R.D. (1990), "Effects of board demography and directors' incentives on corporate greenmail decisions", *The Academy of Management Journal*, Vol. 33 No. 1, pp. 129-150.
- Li, L. and Naughton, T. (2007), "Going public with good governance: evidence from China", *Corporate Governance: An International Review*, Vol. 15 No.6, pp. 1190-1202.
- Lin, CP dan Chuang, CM (2011), "Principal-principal conflicts and IPO pricing in an emerging economy", *Corporate Governance: An International Review*, Vol. 19 No. 6, pp. 585-600.



- Maksimovic, V., and Pichler, P. (2001). Technological Innovation and Initial Public Offerings. *The Review of Financial Studies*, 14(2)
- Martani, Dwi. Ika, Leony Sinaga. Dan Akhmad Syahroza. 2012. "Analysis on Factors Affecting IPO Underpricing and their Effects on Earning Persistence". *World Review of Business Research*, Vol. 2. No.2. March 2012. Pp. 1-15.
- Mikkelsen, W. H., Megan Partch, M., dan Shah, K. (1997). Ownership and operating performance of companies that go public. *Journal of Financial Economics*, 44(3), 281-307. [https://doi.org/10.1016/S0304-405X\(97\)00006-8](https://doi.org/10.1016/S0304-405X(97)00006-8).
- Mohan, N. J., and Chen, C. R. (2004), "Are IPOs priced differently based upon gender?" *Journal of Behavioral Finance*, 5(1), 57-65.
- Muth, M. M. and Donaldson, L. (1998), "Stewardship theory and board structure: a contingency other demographics", *Corporate Governance*, Vol. 152 No.2, pp. 499-521.
- Organization for Economic Cooperation and Development. (2004), the OECD Principles of Corporate Governance. Retrieved March 5, 2016 from. <http://oecd.org/corporate/ca/corporategovernanceprinciples/31557724.pdf.htm>
- Pastusiak, R., Bolek, M., Malaczewski, M., and Kacprzyk, M. (2016). Company Profitabilitas Before and After IPO. Is it a Windows Dressing or Equity Dilution Effect? *Prague Economic Papers*, 25(01), 1-13. <https://doi.org/10.18267/j.pep.540>.
- Prastiwi, A., dan Kusuma, 2001. Analisis Kinerja Surat Berharga setelah Penawaran Perdana (IPO) di Indonesia. *Jurnal Ekonomi dan Bisnis Indonesia*, Vol. 16(2). Pp 177-187.
- Priyatno, D. (2013). Analisis Korelasi, Regresi dan Multivariate dengan SPSS. Yogyakarta : Gava Media.
- Purwanto. Agustiningih, S. W, Insani. S.F, dan Wahyono. B. (2015), Fenomena Underpricing pada Perusahaan yang Go Public di Indonesia. *Ekonomi Bisnis & Kewirausahaan*, 3. (1): hal. 22-43.
- Rahmida, A.R. (2012), "Pengaruh Karakteristik Dewan Komisaris, Keberadaan Komite Audit, Kualitas Auditor Eksternal, dan Monitoring Bank terhadap Underpricing saat Initial Public Offering". Tesis Magister Manajemen Universitas Indonesia. Hal 1-11.
- Ratu, I. D. dan Nono, S. (2019), "Pengaruh Initial Public Offering (IPO) Terhadap Kinerja Perusahaan", *Jurnal Riset Akuntansi dan Keuangan*, Vol. 7, No.1, 2019, 19-28.
- Roosenboom, P.G.J., van der Goot, L.R.T., dan Mertens, G. (2003). Earnings management and Initial Public Offerings: Evidence from the Netherlands. *The International Journal of Accounting: Education and Research*, 38(3), 243-266.
- Schrader, CB, Blackburn, VB and Iles, P. (1997), "Women in management and firm financial performance: an exploratory study", *Journal of Managerial Issues*, Vol. 9 No. 3, pp. 355-376.
- Singh, V. and Vinnicombe, S. (2004), "Why so few women directors in top UK boardrooms? Evidence and theoretical explanations", *Corporate Governance: An International Review*, Vol. 12 No.4, pp. 479-488.
- Sukandar, Panky Pradana. (2014). Pengaruh Ukuran Dewan Direksi dan Dewan Komisaris Serta Ukuran Perusahaan Terhadap Kinerja Keuangan Perusahaan.
- Sulistiyanto, S., dan Wibisana, H. (2003). GOOD CORPORATE GOVERNANCE: Berhasilkah Diterapkan Di Indonesia? *Jurnal Widya Warta*, 1(2), 1-9.
- Wahyusari, Ayu. (2013), "Analisis Faktor-Faktor Yang Mempengaruhi Underpricing Saham Saat IPO Di BEI. *Accounting Analysis Journal*. Vol. 2 No. 4.

- Wang, C. (2005). Ownership and operating performance of Chinese IPOs. *Journal of Banking & Finance*, 29(7), 1835-1856.  
<https://doi.org/10.1016/J.JBANKFIN.2004.07.003>.
- Yatim, P. (2008), "Underpricing and board structures: an investigation of Malaysian IPOs", ECMLG2008-Proceedings of the 4th European Conference on Management Leadership and Governance: ECMLG, Academic Conferences, p. 213.
- Zelevchowski, D. D., and Bilimoria, D. (2003), "The experience of women corporate inside directors on the boards of Fortune 1,000 firms. *Women in Management Review*, 18(7), 376-381.