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Determinants of Market Discounts on Companies That Conduct Initial Public Offerings on the Indonesia Stock Exchange for the 2015-2019 Period

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ABSTRACT

Indonesia is one of the developing countries with a significant increase in capital market growth based on data released by KSEI (PT Kustodian Sentral Efek Indonesia), the total capital market investors in Indonesia as of 27 December 2019 reached 2.47 million investors, this number has increased significantly from 2018 where the number of investors was 1.61 million. The purpose of this study is to analyze the factors that affect the market discount on IPO shares for the 2015-2019 period, Explain the influence of these factors on the market discount of IPO shares in the 2015-2019 period. and Analyzing the phenomenon of market discounts occurring in IPO shares in the 2015-2019 period. The variables that have a significant effect on market discount are return on assets (ROA), debt to equity ratio (DER), company age (AGE), company size (SIZE), Return on Equity (ROE), Earning per Share (EPS) and firm age (AGE) with a significance value of <0.05. Market discount occurs on shares that IPO in the 2015-2019 period. Whereas investors and issuers can take mitigation or preventive actions, but if it is advanced, problem solving can be done by taking a solution

Keywords: ROA, DER, AGE, SIZE, EPS, Market Discount, IPO

INTRODUCTION

Indonesia is one of the developing countries with a significant increase in capital market growth based on data released by KSEI (PT Kustodian Sentral Efek Indonesia), the total capital market investors in Indonesia until December 27, 2019 reached 2.47 million investors, this number has increased significantly from 2018 where the number of investors was 1.61 million. This also affects trading activities on the IDX (Indonesia Stock Exchange), Kontan.co.id stated that the frequency of trading on the IDX in 2019 increased by 21% or 469,000 times per day, making the IDX have higher trading liquidity among other exchanges in the Southeast Asian region.

Empirical testing of the phenomenon of overpricing has been carried out by several researchers in Indonesia. Hanafi and Husnan (1991) indicated an abnormal positive return at the end of the first week of the initial 1990 stock issuance. Ernyan and Husnan (2002) found positive initial returns for investors who bought initial shares of both financial and non-financial companies as well as Triaryati (2003). All of these studies treat initial returns the same as initial stock discounts. Meanwhile, research on the factors that influence the magnitude of overpricing in the Indonesian capital market has given different results. Triaryati (2003) found that the abnormal return on initial stock issuance was not influenced by the underwriter's reputation, aftermarket volatility, company age and size. This result is similar to the testing of Nurhidayati and Indriantoro (1998) which did not succeed in proving a single hypothesis developed in the context of information asymmetry between capital market participants. Meanwhile, Yasa (2003) found that only the underwriter reputation variable had a positive effect on initial returns.

Muniya Alteza (2013) found that the size of the company, the age and percentage of shares offered to the public had a negative and significant effect on market discounts. In addition, the regression results also indicate that the expected liquidity has a positive and significant effect, while liquidity risk and secondary market volatility have a negative and significant effect on market reaction, respectively. Research conducted by Daljono (2000) in Handayani (2008), which states that there is a significant relationship between DER and overpricing, while the results of research conducted by durukan (2002) in Handayani (2008) which states that DER does not have a significant effect on overpricing. Likewise, the research conducted by Ghozali (2002) in Tifani (2011), which states that there is a negative and significant relationship between ROA and overpricing, while the results of research conducted by trisnawati (1999) in Tifani (2011) which states that ROA does not have a significant effect on overpricing. In addition, research conducted by Sulistio (2005) in Hapsari (2012) stated that EPS did not have a significant effect on overpricing, while the results of research conducted by Ardiansyah (2005), which stated that there was a negative and significant relationship between EPS and overpricing. In addition, the research conducted by Trisnawati (1999) which stated that the Percentage of Stock Offering did not have a significant effect on overpricing, while the results of research conducted by Nasirwan (2008), which stated that there was a negative and significant relationship between the percentage of stock offerings and overpricing.

From various previous studies, there are inconsistencies in the results of the study so that it is still necessary to re-examine the factors that affect overpricing. Based on the inconsistency, the author is interested in further researching what factors affect the overpricing of shares, especially in companies that conduct initial public offerings (IPOs) on the Indonesia Stock Exchange (IDX). It can also be seen in more depth when an issuer is about to go public, many phenomena will occur as previously explained. This phenomenon will certainly affect the performance of IPO stocks (Dao, 2020; Chowdurry 2020). The absence of research on market discounts on IPO stocks from the 2015-2019 period made penulis inspired to conduct research to reveal the factors that influenced the stock market discounts that conducted IPOs in the 2015-2019 period. The results of this study can certainly add to the findings of the IPO stock market discount phenomenon in developing countries such as Indonesia.

From the above background, questions can be formulated as follows, namely (1) Factors affecting market discounts on IPO stocks for the period 2015-2019; (2) How factors affect market-discounted IPO stocks in the 2015-2019 period; (3) Does the market discount phenomenon occur in stocks that IPO in the period 2015-2019? It is hoped that the results of this study can be used to add references that can provide information for the possibility of further research. For academic circles, it is hoped that it can increase knowledge and be used as a reference for similar research in the future. For researchers, it is hoped that it can help to add discourse and references both in theory and practice, especially regarding the comparison of market discounts on the company's initial public offering on the Indonesia Stock Exchange (IDX) so that it can be useful for subsequent related and similar research.

METHODS

This research was conducted from June to July 2022 in companies that conducted IPOs for the 2015-2019 period. The data collection method used in this study consists of secondary data derived from the Prospectus Report and Laporan Kof the issuer whose IPO for the period 2015-2019 which is accessed through the website: www.idx.co.id and also the website of the issuer concerned. The data is taken based on the Prospectus Report and stock price data closing 90 days after the IPO. The source of the data is issuers or companies that went public on the IDX in the 2015-2019 period. With the characteristics, listing date, standing date, initial price at the time of the IPO, closing price after 90 trading days on the Indonesia Stock Exchange (IDX), total asset amount and main underwriters. The number of issuers that conducted IPOs in the 2015-2019 period all amounted to 179 issuers. This research uses a quantitative method of secondary data collection, because the variables studied are directly related to the condition of the research problem. The method used is a multiple linear regression model is Ordinary Least Square (OLS). Why use OLS because this method can explain the influence of free variables on bound variables, according to the title of the study taken.

Descriptive analysis is a form of research data analysis carried out to test the generalization of research results based on one sample. Nasution (2017) states that descriptive analysis is carried out through testing descriptive hypotheses. This descriptive analysis uses one or more variables but is independent, therefore this analysis does not take the form of comparisons or relationships. Regression Analysis aims to determine the influence of free variables on bound variables by using statistical analysis tools, namely multiple regression linear with the OLS (Ordinary Least Square) method. (Gurdajati,2003). This analysis is a method used to analyze the relationship between variables. The general form of this analysis is to link the bound variable Y with one or more free variables X1,X2,X3,X4,....Xn. The pattern of relationships between the variables to be analyzed is carried out based on the basis of samples obtained through secondary data.

RESULTS

This research was conducted on all companies that experienced market discounts when conducting an initial public offering (IPO) on the Indonesia Stock Exchange (IDX) for the 2015-2019 period using the purposive sampling method. Research conducted on the IDX for the 2015-2019 period from a total population of 179 obtained a research sample of 144 companies, 35 companies were declared relisted at the IPO.

At the time of the initial public offering, there were 91 issuers from 144 issuers during the IPO that experienced market discounts including: BOGA, PBSA, WSBP, INCF, JGLE, SHIP, MTRA, ARTO, IPCM, CAMP, JMAS, PBID, DWGL, ZINC, KIOS, NASA, MPOW, MAPB, ARMY, KMTR, TOPS, FIRE, FINN, TGRA, CSIS, FORZ, ZONE, SOTS, LUCK, DIVA, POLA, DEAL, SOSS, ONE,YELO, DUCK, GOOD,HKMUMPRO,KPAS,SURE,CITY, PANI,DIGI,MOLI,LAND,ANDI,FILM,NFCX,MGRO,POLL,RISE,MAPA,KPAL,PZZA,PRIM,BRIS,BTPS,DFAM,TDPM,INPS,JSKY,HELI,BOSS,LCKM,IFII,IFSH,AGAR,CHEESE,PSGO,TEBE,ESIP,IRRA,NZIA, KEEN,HDIT,SMKL,INOV,FUJI,CITY,IPTV,ENVY,BLUE,WOOD,KJEN,POLU,SFAN,BOLA,JAST,HRME, MTPS, COCO, NATO and FOOD.

Descriptive statistics are used to find out the picture of each variable used in research conducted on the Indonesia Stock Exchange. The variables used are return on assets (ROA), debt to equity ratio (DER), company age (AGE), company size (SIZE), Return on Equity (ROE), Earnings per Share (EPS) and company age (AGE) to market discounts. From the analysis, it can be known the minimum, maximum, mean, and standard deviation values of each variable. The following are descriptive statistics of each variable used on the Indonesia Stock Exchange.

Table 1 Descriptive Statistics

Variable	Minimum	Maximum	Mean
Market Discounts	0.00	0.92	0.2637
Debt to Equity Ratio (DER)	0.00	5.94	1.1710
Return on Equity (ROE)	-0.06	2.13	0.1143
Return on Assets (ROA)	-0.24	0.43	0.0530
Earning per Share (EPS)	-185.00	149.00	19.4795
Company Size (*SIZE*)	19.50	31.22	26.7268
Company Age (AGE)	2.00	60.00	17.3516

Based on descriptive statistics, it illustrates that the average market discount value of 91 companies that conducted IPOs on the Indonesia Stock Exchange for the period 201 5-2019 was 26.37%. The lowest value of the market discount itself for companies that have the lowest overpricing occurred in kmtr issuers of 0%. Meanwhile, the highest overpricing rate occurs in SOTS issuers which have an underpricing rate of 92%.

The lowest DER occurred in FUJI issuers of 0 registered on July 09, 20199 including in the financial sector. The highest DER occurred in ARTO issuers of 5.94 registered on January 12, 2016 including in the financial sector. The average DER in this study was 1. 17. Debt to equity ratio (DER) should not exceed the amount of debt, where the higher this ratio, the riskier it will be.

The lowest RO E occurred in SURE issuers at -24%, while the highest RO E was owned by PBSA issuers at 43%. The average ROE in this study was 11.43%. The lowest ROE is owned by issuers engaged in the mining materials sector, while the highest ROE is owned by issuers engaged in the same property, real estate and building construction sectors listed in 2019. The higher the value of return on equity (ROE), the better because it shows the company's ability to utilize capital from all assets owned, and vice versa if the ROE is lower, the company does not succeed in using its assets to manage capital.

The lowest ROA occurred in JGLE issuers at 6% while the highest ROA was owned by TGRA issuers at 213%. The average ROA in this study was 5.3%. The highest ROA is owned by issuers engaged in the Transportation, Infrastructure and Utilities sectors, while the lowest ROA is owned by issuers engaged in the Trade, Services and Investment sectors. The higher the value of return on assets (ROA), the better because it shows the company's ability to generate profits from all assets owned, and vice versa if the ROA is lower, the company does not succeed in using its assets to generate profits.

The lowest EPS occurred in JMAS issuers of -185 registered on December 18, 2017, including in the financial sector. The highest EPS occurred in POLU issuers of 149 registered on June 26, 2015 including in other Industrial sectors. The average EPS in this study was 19.47. Earnings per Share (EPS), The more the value of earnings per share or EPS increases every year, indicating that the company is getting better and more profitable.

The size of the company (SIZE) is calculated by the total assets owned by the company. The lowest SIZE is owned by the TDPM issuer of Rp. The 19.5 00,000,000,000 registered on April 09, 2018 belong to the basic and chemical industry sectors. The highest SIZE is owned by a BRIS issuer of Rp. The 31,220,000,000,000 registered on 09 May 2018 belong to the financial sector. The average size of the company is Rp. 26,720.000,000,000.

The age (AGE) of the youngest company occurred in the WSBP issuer, which was 2 years at the time of the IPO on September 20, 2019, including in the basic industry and chemicals sector. The oldest company age occurred at the time of the IPO was the 60-year-old GOOD issuer registered on October 10, 2018, including in the consumer goods industry sector. The average lifespan of the company is 17 years and 8 months.

Hypothesis Test and Discussion

Independent variables in this study The variables used are return on assets (ROA), debt to equity ratio (DER), company age (AGE), company size (SIZE), Return on Equity (ROE), Earnings per Share (EPS) and company age (AGE) against the dependent variable, namely market discounts.

Table 2 Multiple Linear Regression Model test results

	B	S.E.	t	Sig.
Constant	2.958	2.568	1.152	0.001
DER	0.091	0.120	0.763	0.007
ROA	0.192	0.111	1.730	0.006
ROE	-3.638	2.154	-1.688	0.004
EPS	-0.004	0.003	-1.093	0.006
SIZE	-0.052	0.098	-0.527	0.009
AGE	-0.014	0.015	-0.912	0.004

Source: processed data (2022)

From Table 4.5 model results The test results of the Multiple Linear Regression Model , the regression equation obtained in this study is as follows:

Market discount = 2.95 + 0.091DER + 0.192ROA – 3.638ROE – 0.004 EPS – 0.052SIZE – 0.014AGE

Based on the regression model formed in the equation above, the explanation that can be given is as follows:

a) The value of the constant is obtained by 2, 958. This result can be assumed if its six free variables are worth zero, then the market discount variable has increased by 2,958.
b) The DER regression coefficient is obtained by 0. 091 states that any addition of 1% DER will increase the market discount by 0.091 provided that other variables are considered constant.
c) The ROA regression coefficient obtained by 0.192 states that each addition of 1% ROA will increase the market discount by 0.192 with the note that other variables are considered constant.
d) The ROE regression coefficient obtained by -3,638 states that any decrease of 1% ROE will increase the market discount by 3,638 with the note that other variables are considered constant.
e) The EPS regression coefficient obtained by -0.004 states that any decrease of 1% EPS will increase the market discount by 0.004 with the note that other variables are considered constant.
f) The SIZE regression coefficient obtained by -0.052 states that any decrease of 1% SIZE will increase the market discount by 0.052 with the note that other variables are considered constant.
g) The AGE regression coefficient obtained by -0.014 states that any decrease of 1% AGE will increase the market discount by 0.014 with the note that other variables are considered constant.

From Table 4.5 it can be seen that all independent variables studied have a significant effect on dependent variables. Here's an analysis of each independent variable test against a free variable:

a) The effect of DER on market discounts

DER partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of 0.091. Because the value of B is positive, DER has a positive relationship with themarket.

The results of this study are inconsistent with the research conducted by Irawati (2011) and Gatot (2013) which states that DER has a negative and significant effect on market discounts, but the results of this study are consistent with research conducted by Resta Azzahra (2011), Wahyusari (2013) and Anom Cahaya (2016) that partially DER has a significant effect with a positive direction towards market discounts.

Financial liabilities are a source of interest-laden funding (debt) that is generally used to finance fixed / long-term assets. Financial obligations reflect market confidence in the company (Susilowati 2010). According to Ayu Wahyusari (2016) this happens because theoretically a high DER describes a large company risk that has an impact on uncertainty in the future. The high DER also reduces investors' interest in investing in the company. A high DER indicates a higher risk of financial failure or failure to repay debt to creditors. Companies with a high DER value tend to use the proceeds of ipos to repay debts owed to creditors rather than to expand their business in order to develop their companies. Investors in making investment decisions will consider the high value of DER, therefore the level of uncertainty is getting higher so that the market discount rate tends to increase.

From the point of view of *signaling theory*, apart from being an indicator of market confidence, the use of financial obligations reflects management's belief in the company's ability to obtain sufficient cash flows in the future greater than its financial obligations. In other words, the increase in financial liabilities is a positive signal that to get a profit in the future is higher than the uncertainty or risks that the company faces. Therefore, the higher the *company's financial leverage*, the greater the market discount rate.

b) The effect of ROA on market discounts

ROA partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of 0.192. Because the value of B is positive, the ROA has a positive relationship with market discounts.

The results of this study are inconsistent with research conducted by Wijayanto (2010) and Badriah (2013) which stated that ROA did not have a significant effect with a negative direction towards market discounts, but the results of this study were consistent with research conducted by Imam Ghozali and Mudrik Al Mansur (2002), Dora Bunga (2010) and Mega Gunawan (2015) that partially ROA had a significant effect on market discounts.

According to Sri Trisnaningsih (2005), the level of profitability is information on the level of profit achieved or information about the effectiveness of the company's operations. The higher the profitability value of the company indicates the higher the profit it generates. Thus, the greater the ROA ratio, the higher the stock price is assessed by investors.

If the company has information about the present value and better future cash flow than the investor, the market discount will be a means of convincing potential buyers of the true value of the company. Allen and Faulhaber (1989), Grinblatt and Hwang (1989), and Welch (1989) were among the main originators in this understanding, which is actually a variation of the signaling theory introduced by Spence (1974).

In signaling theory, information asymmetry that occurs between issuers, underwriters, and between investors can be minimized by issuing prospectuses by companies (Bini 2011). The financial variables in the company's prospectus will give an important signal for potential investors to invest their shares in the primary market. Profitability is the ability of an issuer to generate profits and measure the level of operational efficiency and efficiency in using their assets. Profitability of an enterprise that reflects the effectiveness of the company's operations in order to make a profit in the future. If the profitability of a company is of high value, it will reduce the risk of uncertainty for investors. The use of profitability reflects management's beliefs about the company's ability to obtain sufficient profits in the future. In other words, the increase in profitability is a positive signal that to make a profit in the future is higher than the uncertainty or risks that the company faces.

c) The effect of ROE on market discounts

Based on the results of the study showed that the signification rate was 0. 004 < α (0.05). The magnitude of the influence indicated by the value of B is the value of the coefficient of -3.638. Because the value of B is negative, roe has a negative relationship with market discounts.

This means that *the variable return on equity* (ROE) affects market discounts. The results of this study are consistent with research conducted by Hapsari and Mahfud (2012) which states that *Return On Equity* (ROE) negatively affects market discounts. However, the results of this study are inconsistent with the research of Purbarangga and Yuyetta (2013) which states that Return On Equity has a non-significant negative effect on market discounts. Return on equity (ROE) is a profitability proxy that shows a company's ability to make a profit based on the equity it has. Based on the company data sampled, the majority of roe values have decreased, indicating the company's poor financial performance. This creates a negative signal for investors so that the demand for stocks decreases and causes the company's shares to be rated lower (market discounts) in order to attract investment interest.

d) Effect of EPS on market discounts

Based on the results of the study showed that the signification rate was 0.006 < α (0.05). The magnitude of the influence indicated by the value of B is the value of the coefficient of -0.004. Because the value of B is negative, EPS has a negative relationship with market discounts.

Research on the effect of the earnings per share variable on market discounts shows that it has a significant negative effect. The results of the study are in accordance with sofyan's statement (2007), earnings per share are used to measure management's success in achieving profits for company owners. A low earnings per share ratio means that management cannot produce good performance by paying attention to the income earned by the company.

However, EPS did not have a significant influence on the underpricing rate of initial shares in companies that conducted initial public offerings listed on the IDX (Gunawan & Jodin, 2017) and rejected research that stated that EPS had a significant effect on market discounts on initial shares in companies listed on the Indonesia Stock Exchange for the period 2013-2017 (Adriyani et al., 2018).

A high earnings per share ratio means that a company is well established (mature) because it can provide a large amount of profit to investors. Earnings per share is a proxy for earnings per share of a company which is expected to provide an overview for investors of the share of profits that can be obtained in a certain period by owning a share. The high profitability of a company will reduce uncertainty for investors so that it will lower the underpricing rate. The results of this study are supported by research conducted by Sari (2011) which states that the variable earnings per share have a negative and significant effect on market discounts.

e) The effect of SIZE on market discounts

SIZE partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of -0.052. Because the value of B is negative, size has a negative relationship with market discounts.

The results of the study are consistent with research conducted by Indah (2006) which states that SIZE has a negative and significant effect on underpricing, but the results of this study are consistent with research conducted by Firdaus (2012) and Gerianta Wirawan Yasa (2007) that partially SIZE does not have a significant effect with a negative direction towards undepricing.

Theoretically, larger companies have greater certainty than small companies so that it will reduce the level of uncertainty about the company's future prospects. This can help investors predict the risks that may occur if they invest in the company (Chastina Yolana and Dwi Martani 2005). Company performance is basically the result achieved by a company by managing the resources in the company as effectively and efficiently as possible in order to achieve the goals that have been set by management (Hernandiastoro 2005).

Good company performance of a company is one of the investors' considerations. The better the level of the company's performance, it is expected that the company's share price will increase and will provide benefits for investors, both dividend profits and capital gains which affect investors' investment decisions.

f) The effect of AGE on market discounts

AGE partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of -0. 014. Because the value of B is negative, age has a negative relationship with market discounts.

The results of this study are consistent with research conducted by Yulianti (2011) which states that AGE has a negative and significant effect on market discounts, but the results of this study are not consistent with research conducted by Kristiantari (2012) that partially AGE has no significant effect and has a negative direction towards market discounts.

Partially AGE has a significant effect and has a negative direction towards market discounts because companies that have been established for a long time, are likely to already have a lot of experience gained (Zirman and Darlis, 2011). The longer the life of the company, the more information the public has obtained about the company. Thus reducing the existence of information asymmetry and minimizing uncertainty in the future. According to *information asymmetry*, companies with good quality choose market discounts as a signal to indicate that the quality of their company is different from other companies. The implication of this signal is that the company expects the market discount rate at the time of the follow-up stock offering is not as high as it was at the time of the initial offering. Allen and Faulhaber (1989), Grinblatt and Hwang (1989), and Welch (1989) were among the main originators in this understanding, which was actually a variation of the signal theme introduced by Spence (1974).

This explains that the high life of a company (it has been established for a long time) can reduce the level of uncertainty and risks faced by investors. Investors assume that companies with a higher age have better experience and knowledge in carrying out business activities and overcoming competition with competitors, as well as experience in overcoming economic crises that can make it difficult for the company so that investors and underwriters do not need to set prices that are too low so that investors are willing to engage in initial bidding activities.

Based on the results of the analysis carried out on variables that affect market discounts , several managerial implications can be formulated that can be carried out by investors and issuers to continue to make investments.

I. **For Investors**

This research is expected to be a consideration for investing funds in the capital market and to obtain optimal returns for investors. Investors can consider the fundamental factors of the company towards market discounts. The financial variables in the company's prospectus will give an important signal for investors to invest their shares in the primary market.

ROA is a financial variable used by investors to assess the company's performance from the profits obtained. The increase in profitability is a positive signal for investors that to make a profit in the future is higher than the uncertainty or risks that the company faces.

DER is a financial variable used by investors to assess the company's risk from the debt obtained. DER can be a positive signal for investors, if in the prospectus that has been issued by the company explains that the company's debt is used for the company's expansion. So investors believe the company has good prospects in the future.

ROE is a profitability proxy that shows a company's ability to make a profit based on its equity. Based on the company data sampled, the majority of roe values have decreased, indicating the company's poor financial performance. This creates a negative signal for investors so that the demand for stocks decreases and causes the company's shares to be rated lower (market discounts) in order to attract investment interest.

EPS is used to measure management's success in achieving profits for company owners. A low earnings per share ratio means that management cannot produce good performance by paying attention to the income earned by the company.

The high lifespan of the company (it has been established for a long time) can also be taken into consideration, as it reduces the level of uncertainty and risks that investors face. Investors assume that companies with a higher age have better experience and knowledge in carrying out business activities and overcoming competition with competitors, as well as experience in overcoming economic crises that can make it difficult for companies so that investors are willing to engage in initial offering activities.

The large size of the company does not reflect that the company has good prospects in the future. Investors will assess whether the company's capital and income are used to improve the company's performance. Because on the basis of investors pay more attention to the results of the performance of the company compared to the size of the company.

II. Issuer

This research is expected to be useful for issuers to influence investors in making investment decisions. If the company has information about the present value and better future cash flow than the investor, the market discount will be a means of convincing potential buyers of the true value of the company. The issuance of a clear prospectus has an important role to play in making these decisions.

Companies that have a good ROA value with an ROA value of > 2%, can issue a stock price with a high value. Because the company knows with good company performance, the company can set the opening price well so that investors will not hesitate to invest their funds.

ROE can show how much net profit the company makes from each rupiah invested by investors or shareholders. A good or ideal stock ROE is at least at the level of 15% or more. This means that every investment of IDR 1,000, brings a net profit of at least 15%.

If the value of EPS increases from year to year, the company is getting better because the company's profit is increasing, and the company can be said to be growing. If a share has an EPS value of IDR 500, then the share generates a profit of IDR 500 per share.

A high DER can cause stock pricing in the primary market to tend to experience market discounts because it will have a high effect on the uncertainty of the returns that investors will receive on their investments. Therefore, the issuer must be able to explain how the company's debt management will be in the future in the prospectus they issued.

Long-established companies have an advantage in terms of company publications compared to companies that are still new because they were first known by investors. So long-established companies have a lower market discount rate than new companies.

Large companies theoretically have a greater level of certainty than small companies so that it will reduce the level of uncertainty about the company's future prospects. However, issuers should not rely too much on good popularity, because investors prefer companies with good performance over just looking at the size of the company.

CONCLUSION

The variables that affect the efficiency of market discounts are return on assets (ROA), debt to equity ratio (DER), company age (AGE), company size (SIZE), Return on Equity (ROE), Earning per Share (EPS) and company age (AGE) with a significance value of <0.05.

DER partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of 0.091. Because the value of B is positive, DER has a positive relationship with market discounts. ROA partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of 0.192. Because the value of B is positive, the ROA has a positive relationship with market discounts. Based on the results of the study, it showed that the signification rate was 0.004 < α (0.05). The magnitude of the influence indicated by the value of B is the value of the coefficient of -3.638. Because the value of B is negative, roe has a negative relationship with market discounts. Based on the results of the study, it showed that the signification rate was 0.006 < α (0.05). The magnitude of the influence indicated by the value of B is the value of the coefficient of -0.004. Because the value of B is negative, EPS has a negative relationship with market discounts. SIZE partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of -0.052. Because the value of B is negative, size has a negative relationship with market discounts. AGE partially has a significant effect on market discounts, it can be seen that the significance value <0.05. The magnitude of the influence indicated by the value of B is the value of the coefficient of -0.014. Because the value of B is negative, age has a negative relationship with market discounts.

Market discounts occur on stocks that IPO in the period 2015-2019. Whereas investors and issuers can carry out mitigation or preventive measures, but if it is continued, solutions to the problem can be carried out by taking a solutive action.

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