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Research Article

Analysis of Factors Influencing Stock Underpricing in Initial Public Offerings on the Indonesia Stock Exchange for the 2019-2023 Period

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Abstract - *The problem that arises most of the time in an Initial Public Offerings (IPO) is that the share price at the point, which initial offer is at is relatively lower than what it is in the closing price when selling in the secondary market or denoted by underpricing. This research aimed at identifying the significant impact among Underwriter Reputation, Return on Asset, Company Size, as well as, Earning Per Share on Underpricing established in an IPO. The approach in this study is quantitative approach. The data utilized in the research are secondary data as financial reports of company companies in the food and beverage industries listed on the Indonesia Stock Exchange (IDX). The participants in this research were the firms that made IPO during the duration of 2019-2023 on the IDX. In this study, the same variables will be revisiting but with different sectors, and different years of research. The research methods include quantitative approach with the secondary data type in the form of financial reports, purposive sampling method and data analysis procedure with the aid of statistical tools with SmartPLS (Partial Leas Square) through multiple linear regression analysis, and the hypothesis testing with the help of t test. Findings of this research show that, underwriter reputation has strong negative impact on underpricing, that is, the level of impact is strong, return on assets has no significant impact on underpricing, debt to equity ratio has no significant effect on underpricing shares at the time of initial public ofifiering (IPO).*

Keywords - *Underwriter, Return On Asset, Financial Leverage, Underpricing.*

I. INTRODUCTION

A. Problem

Generally, every company desires to expand its business. This can be achieved through expansion. To achieve this expansion, companies require substantial additional capital. To meet this significant funding requirement, internal funds are often insufficient. Therefore, efforts are needed to seek external funding sources. One alternative method of external funding is through a participation mechanism, which is generally carried out by selling company shares to the public, often known as going public. According to the Dictionary of Economic Law, a capital market is defined as a market or meeting place where sellers and buyers trade long-term securities, such as stocks and bonds (Erawaty & J.S., 1996).

Undergoing a process of going public, the shares of a firm are initially sold on a primary market and not a secondary market before the firms shares can be traded on a secondary market as is currently often known as an IPO (Initial Public Offering) (Jugiyanto, 2009). The share price however gets decided in an agreement between the issuer and underwriter. When a company is going through an IPO there is usually a price gap of the stocks in the stock market. This is because the stock price as recorded during the IPO is usually lower than the stock price as recorded in the stock exchange during the first day (closing price). It is referred to as underpricing or out-performing (Ritter et al., 1991). On the other hand, when there is a very high difference between the price at the time of the IPO and the price at the secondary market at the first day, there is overpricing. Information asymmetry leads to underpricing of stocks in different capital markets across the globe. In the model by Rock (1986), information asymmetry exists among the investors in the case some investors possess more information concerning a company prospects than others. Better informed investors will make profitable decisions with regard to a particular company. Underpricing is one of the common issues in regard to an IPO, whereby the price of stock at the particular time of the IPO is comparatively low to the price of the stock when it is traded on the secondary market when the stock closes (Sulistyawati, 2017). Underpricing represents a favorable difference between stock price on the secondary market and the stock price on the primary market or when IPO occurred. This difference in prices is referred to as the first-return (IR), or as a positive investment gain. Such underpricing works unfavorably to the company considering that it is the side that requires the money and must have its IPO prices at the highest point. Conversely, the underpricing acts to the advantage of investors as they have the opportunity to get a starting payoff.

Underpricing makes investors more attracted to the company's shares. However, companies should still avoid underpricing. Therefore, companies need to understand the factors that can influence underpricing during an IPO. Some of the factors that can influence underpricing that will be discussed in this study are underwriter reputation, Return on Assets (ROA), company size, and Earnings Per Share (EPS). An underwriter is a party that enters into a contract with an issuer to conduct a public offering on behalf of the issuer without any obligation to purchase any remaining unsold securities. Underwriters generally have better information about an issuer's shares than the issuer itself. Therefore, underwriters will utilize this information to reach an optimal agreement with the issuer. It can be said that with a higher underwriter reputation, issuers expect to earn higher revenues due to the underwriter's better work quality. This is evidenced by research (Juanda, 2017), which shows that underwriter reputation has a significant influence on underpricing. However, research conducted by (Hendrawaty, 2020) states that underwriter reputation has no significant effect on underpricing.

Profitability is a company's ability to generate profits within a given period. According to Husnan (2001), profitability is a company's ability to generate profits. Profitability indicates a business entity's ability to generate profits using all of its capital. Company profitability will influence investor decisions regarding future investments. Information regarding a company's profitability level is crucial for investors in making investment decisions. High profitability will reduce future company uncertainty and, at the same time, market uncertainty, thereby reducing underpricing. Previous research has shown inconsistencies. For example, the results of this study conducted by Marofen (2015), Pahlevi (2014), and Lismawati (2015) have shown that profitability, measured by Return on Assets (ROA), has a significant negative effect on underpricing. This study contradicts research conducted by Retnowati (2013), Aini (2013), and Wahyu (2013), which found that ROA profitability had no significant effect on underpricing. The second financial factor influencing the level of underpricing is financial leverage, which indicates a company's ability to repay debts with its existing capital. Financial leverage indicates the extent of a company's risk and uncertainty. High financial leverage indicates a company's risk, whichinvestors will consider when making investment decisions (Trisnawati, 1998). High financial leverage will result in stock prices that tend to be underpriced because it will affect the high uncertainty of the returns investors will receive on their investments. Therefore, the higher a company's financial leverage, the greater the level of underpricing.

Although numerous studies have been conducted on the phenomenon of underpricing, this area remains an interesting topic due to inconsistent research results. Previous studies have examined the factors that can influence underpricing. The purpose of this study is todetermine andanalyze the influence of underwriterreputation, returnonassets (ROA), and financial leverage (DER) on underpricing in companies conducting an IPO. In line with Tarumanagara University's research master plan, this research supports sustainable entrepreneurship practices at the company level and identifies determinants of entrepreneurial intentions. The novelty of this study is the re-examination of the same variables in different sectors and different research years.

B. Theoretical Basis

Signaling Theory suggests the manner in which a company is supposed to give signals to financial statements users. According to Brigham (2014), signaling theory defines a shareholder-perspective of possibilities to grow value of a company in the future by reporting this information by the company managements to the shareholders. The companies do this to offer cues to the shareholders or investors on what the company management thinks about the future of the company and in so doing this allows the stockholder or the people who have invested in the company to know which companies are worth better than the companies that are not worth investing in. The published company reports may be utilized as a guideline to the shareholders and as an influencing factor in determining an investment. The company reports can be availed by the company management to be used inside the company. Shareholders can be provided with information about the company that may keep the interest of investors. The signalling theory focuses on the relevance of the company reports when making investment decisions (Moeljadi, 2014).

Scott(1997) defines information asymmetry as when some of the parties to a business transaction possess more information than other parties to the transaction. There are two broad types of information asymmetry which are the morphe hazard and the adverse selection (Scott, 1997). This is a form of moral hazard that occurs where one party is unable to observe what the other party is doing yet these things affect the interest of all the parties in the agreement. The second-act, which is adverse selection, is present when one party holds information unavailable to the other one. The more knowledgeable party can use this to take advantage over the less knowledgeable party (Baron 1982, cited in Ernyan and Husnan 2002). According to Rock (1986), the phenomenon of underpricing is essential to compensate uninformed investors for informed investors. Consequently, information asymmetry results, leading uninformed investors to seek underpriced prices. Underwriters, responsible for selling shares of an issuer (company), must be able to determine a sufficiently underpriced price to encourageuninformedinvestorstoparticipateintheoffering process, thereby avoiding theriskof losses andlawsuits duetounsold shares. Megginson(1997) in Mansur and Ghozali(2002) statedthatunderconditions of informationasymmetry, it is very difficult for investors to distinguish between quality companies and those that are not, leading investors to undervalue the shares of both companies.

According to Law No. 8 of 1995, the capital market is an activity related to the public offering and trading of securities of public companies, including the securities issuedby institutions and professions related tosecurities (Tandelilin, 2010). The capital market is a place where various parties, especially companies, sell shares (stock) and bonds with the aim of using the proceeds from these sales to raise additional funds or strengthen the company's capital (Fahmi, 2012). According to (Yulfasni, 2005:2), the capital market can play a crucial role in a country's economic development. This is because a capital market functions as: (1) a means of collecting public funds for channeling into productive activities; (2) a source of easy, cheap, and fast financing for the business world and national development; (3) a means of encouraging business opportunities and simultaneously creating jobs; (4) a means of increasing the efficiency of the allocation of production resources; (5) a means of strengthening the operation of market mechanisms in managing the monetary system, as the capital market can be a means of "open market operations" at any time by the Central Bank; and (6) an investment alternative for investors.

Sudirman (2015) argued that the capital market has two markets; the first is the primary market which refers to the selling of shares and other securities to the market (public offering) before listing them on the stock exchange. This process is referred to as initial public offering (IPO), and the secondary market where a share and any other security is offered to the broader market after theprimary market. In this secondary market the set price of securities is set according to the exchange rate. An increase and decrease in exchange rate of the security are as a result of the attractive forces that exist between supply and demand in securities. According to Sudirman (2015), the capital market is a significant player in economy of any country as in acts as a source of capital growth of businesses. Being a capital market, people who do not want their money to lose value through depreciation as a result of inflation can find an alternative. The shares purchased will after a period give the buyers (the owners) dividends (part of the company profits). Consequently, the selling of shares in the capital market may be regarded as a way of harmonizing the income.

Moreover, since this will be a way of boosting state revenue, the government will charge tax on any dividends paid to the shareholders. Such extra tax earnings will raise the state revenue and with the extra capital received through the capital markets, the productivity of the company will go up. An Initial Public Offering (IPO) is a public offering conducted by a company during its initial public offering (Ang, 1997). A public offering (PPO) is a company's activity to raise funds from investors by selling shares or bonds. A public offering is often referred to as going public. Companies in need of funds can issue securities such as stocks, bonds, and other securities.

These newly sold securities can be an initial public offering (IPO) or additional new securities if the company has already gone public. According to Alma (2012), going public is the activity of offering shares or other securities to the public based on procedures stipulated in the Capital Markets Law and its implementing regulations. There are various reasons why companies want to go public and sell their shares to the public, including increasing company capital, expanding their business, facilitating the purchase of other companies, and enabling management and the public to understand the company's value (Retnowati, 2013). An underwriter is the guarantor for any company issuing shares on the capital market (Fahmi, 2015). Darmaji (2019) explains that the underwriter acts as an agent, while the issuer acts as the principal. The principal, as the capital owner, has access to internal company information, while the agent, as the actor in the company's operational practices, has comprehensive information about the company's performance, including the principal's goals, functions, and background. In carrying out their duties, the underwriter will enter into a contract with the issuer to make a public offering for the issuer's benefit, with or without an obligation to purchase any remaining unsold shares.

The term "underpricing" is commonly used to describe the difference between the offering price of shares on the primary market and the share price on the secondary market on the first day (RBeatty & Ritter, 1986). According to Kasmir (2018:157), the debt-to-equity ratio is used to assess debt versus equity. This ratio is calculated by comparing all debt, including current liabilities, with all equity. This ratio is useful to determine the amount of funds provided by borrowers (creditors) with the company owner. In other words, this ratio serves to determine every rupiah of own capital that is used as debt collateral. According to Hery (2018:168) the debt to capital ratio or Debt to Equity ratio is a ratio used to measure the proportion of debt to capital.

This ratio shows the extent to which the company is financed by debt. The lower this ratio, the higher the level of company funding provided by shareholders, and the greater the protection for creditors (protection margin) in the event of a depreciation in asset value or major losses. Underwriter according to Capital Market Law No. 8 of 1995 concerning Capital Markets "Securities Underwriter Is a Party that makes a contract with the Issuer to conduct a Public Offering for the benefit of the Issuer with or without the obligation to purchase the remaining unsold Securities." According to (Jugiyanto, 2016), an underwriter is an intermediary (investment broker) who carries out the underwriting process (underwriting), namely the process of purchasing securities that will later be resold to the public. Investment brokers will provide essential advice during the public offering process. These recommendations may include: the type of security to be sold, the price of the security, and the timing of the offering. Underwriter reputation is a dummy variable, with a value of 1 for highly reputable underwriters and 0 for those with a high reputation.

According to Diyastuti (2017), an underwriter is an investment banking firm that acts as a financial intermediary for the issuance of new shares. The underwriter has three roles: providing the company with procedural and financial advice, purchasing the shares, and ultimately reselling them. According to Hardjana (2008), reputation is the crystallization of an image built by the public based on direct or indirect experiences and organizational performance. According to Syarofina (2012), underwriter reputation is a measure of the underwriter's quality in offering an issuer's shares, as measured by the highest number of trading transactions. Fanny (2015) states that underwriter reputation can be measured by identifying underwriters in the top 10 of the 20 most active brokerage houses monthly in terms of total value on the IDX. Research conducted by Ghozali (2010) shows that underwriter reputation significantly influences underpricing, with a negative correlation coefficient.

Financial leverage is a term indicating that the use of debt will benefit a company as long as the return on debt is higher than the interest rate (Fauzan & Siagian, 2017). In this study, financial leverage is calculated using the debt-to-assets ratio, a ratio that measures the proportion of funds sourced from debt to finance company assets (Prasetyorini, 2013). Several previous researchers have conducted research on the effect of financial leverage on underpricing levels. Kartika and Putra (2017) found in their research that financial leverage significantly influences underpricing levels with a negative coefficient. Meanwhile, Kristiantari (2013) found in her research that financial leverage has no significant effect on underpricing levels with a negative coefficient. This research gap between the research of Kartika and Putra (2017) and Kristiantari (2013) has prompted further research on the effect of financial leverage on stock underpricing levels during an initial public offering (IPO). Return on Assets measures a company's overall ability to generate profits using the total assets available within the company. Briefly, Return on Assets (ROA) is a company's ability to generate operating profits (Silitonga, 2015). Some tools commonly used to measure company performance as a reflection of shareholder welfare include standard accounting parameters or financial statement ratios, return on assets (ROA), return on equity, and return on investment. (Wijaya, 2015).

Return on Assets (ROA) is a company's ability to generate net profit based on a certain level of assets (Husaini, 2012). Several previous researchers have conducted research on the effect of Return on Assets (ROA) on underpricing levels. Prastica (2012) found that Return on Assets (ROA) significantly influences underpricing levels with a positive coefficient. Meanwhile, Putra and Damayanthi (2013) found that Return on Assets (ROA) had no significant effect on underpricing levels with a negative coefficient.

This research gap between Prastica's (2012) and Putra and Damayanthi's (2013) research encourages further research on the effect of Return on Assets (ROA) on stock underpricing levels during an Initial Public Offering (IPO). According to Daud (2017), Return on Assets is a ratio that can be used to assess whether a company's activities are profitable. Therefore, ROA can attract investors because the higher the ROA of a company or issuer, the higher the company's profits. According to (Kasmir, 2018:201), Return on Assets (ROI) is the return on investment, or return on total assets, a ratio that shows the return on the total assets used by the company. A high level of Return on Assets indicates a company's good performance, which is considered to reduce the level of underpricing.

C. Hypothesis Development

a. Underwriter Reputation on Underpricing

Underwriters with a strong reputation can influence underpricing levels. A high reputation underwriter is more likely to take risks by offering high prices, thus reducing the underpricing level of the stock. This is consistent with research (Juanda, 2017), which found that underwriter reputation has a significant negative effect on underpricing. However, research (Susanto, 2021) shows a different, positive effect. Research conducted by (Sebrina, 2021) shows that underwriter reputation has a significant negative effect on underpricing, as do research (Daeli, 2020) and (Frizkiandie, 2019).

Underwriter reputation can be used as a signal. Underwriters with a strong reputation are more confident in the success of a stock offering and its absorption by the market. Thus, there is a tendency for underwriters with high reputations to be more willing to offer high prices as a consequence of the quality of their underwriting, resulting in lower underpricing levels. Underwriter reputation is believed to be an important consideration for investors when purchasing a company's shares. The higher the underwriter's reputation, the lower the initial return, or the negative effect of underwriter reputation on underpricing (Beatty, 1989). Previous research by Kristiantari (2013) found that underwriter reputation significantly influences underpricing levels, with a negative correlation.

H1: Underwriter Reputation is Suspected to Have a Negative and Significant Effect on Stock Underpricing

i). Return on Assets to Underpricing

Return on Assets (ROA) is the ratio of net profit after tax to total assets, or a measure of the return on a company's assets. ROA is a profitability ratio, indicating how effectively a company operates, generating profits. High profitability indicates a company's ability to generate higher profits (Prastica, 2012). ROA is one of the factors investors consider when investing capital. High profitability will attract more investors, increasing demand for the company's shares, and consequently, increasing the share price. A high return on assets (ROA) will reduce future company uncertainty and, at the same time, reduce IPO uncertainty, thereby reducing underpricing.

Research conducted by Daeli (2020) shows that ROA has a significant negative effect on underpricing, and Kutu (2022) proves that ROA has a significant effect on underpricing. This is also supported by research by Isyuwardhana (2022), which states that ROA has a significant effect on underpricing. These results align with research by Mukhlis (2017) and Agustine (2020) that found ROA has an impact on underpricing. Furthermore, research by Prastica (2012) found that ROA significantly influences underpricing.

H2: Return on Assets is Suspected to have a Negative and Significant Effect on the Level of Stock Underpricing

i). Financial Leverage on the Level of Stock Underpricing

Financial leverage is a term indicating that the use of debt will benefit a company as long as the return on the debt is higher than the interest rate. This concept of leverage is important for investors in making stock valuation considerations. Investors generally tend to be risk-averse (Fauzan & Siagian, 2017). High financial leverage will result in stock pricing that tends to be underpriced because it affects the high uncertainty of the returns investors will receive on their investments. Therefore, the higher a company's financial leverage, the greater the level of underpricing. Research conducted by Kristiantari (2013) found that financial leverage significantly influences the level of underpricing.

H3: Financial Leverage is Suspected to Have a Positive and Significant Effect on the Level of Stock Underdepricing

To clarify the formulation of the research hypothesis, the following is a schematic of the research hypothesis:

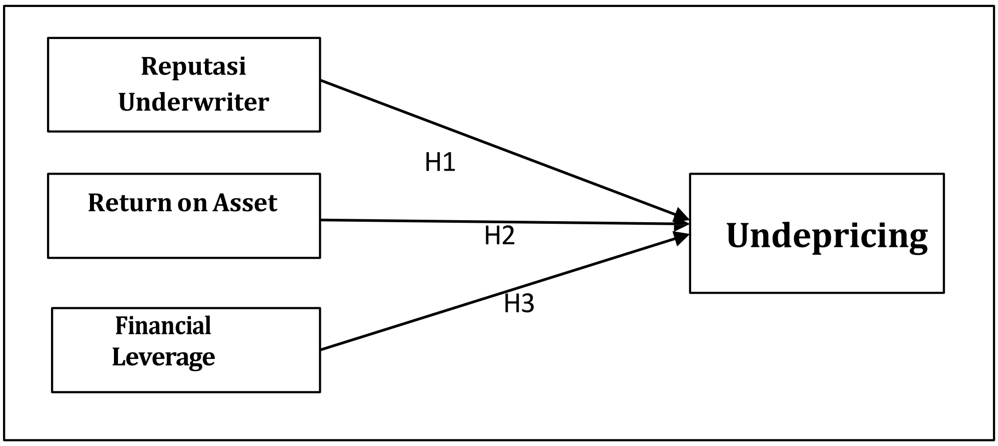

Figure 1. Research Model

II. MATERIALS AND METHODS

Research design is a plan for collecting, measuring, and analyzing data based on the research questions of a study (Sekaran, 2017). According to Sugiyono (2015), research design consists of two types: qualitative and quantitative research methods.

Qualitative research methods are based on the philosophy of postpositivity, used for research in natural conditions (as opposed to experiments), where the researcher acts as the key instrument, data collection techniques are combined, data analysis is inductive/qualitative, and qualitative research results emphasize meaning rather than generalization. Meanwhile, quantitative research methods can be defined as research methods based on the philosophy of positivism, used for research on specific populations or samples, data collection using research instruments, and data analysis is quantitative/statistical, with the aim of testing predetermined hypotheses (Sugiyono, 2015). The method used in this research is a quantitative method. This research uses quantitative methods because the research data are in the form of numbers and the analysis uses statistics. By using quantitative methods, we will obtain significant influences or significant relationships between the variables studied. The data used is secondary data in the form of financial reports from food and beverage companies listed on the Indonesia Stock Exchange (IDX).

A. Population, Sampling Technique, and Sample Size

A population is the total number of individuals, objects, phenomena, or events from which conclusions can be drawn. The population in this study was companies conducting IPOs on the IDX between 2019 and 2023. The sample selection technique used was purposive sampling. Purposive sampling is a sampling technique based on

specific considerations (Sugiyono, 2015). The reason for using this purposive sampling technique is that it is suitable for quantitative research, or research that does not generalize (Sugiyono, 2015).
The criteria for determining the sample of companies for this study are as follows:

a) Food and beverage companies conducting IPOs on the Indonesia Stock Exchange between 2019 and 2023.
b) Listing date on the IDX and offering price are available.
c) Data on the necessary financial variables (Return on Assets, Earnings per Share, Company Size) and non-financial variables (underwriter reputation) are available and can be obtained from the company's financial statements.

The sample is representative of the population studied (Sugiyono, 2017). In this study, the sample consists of the financial statements (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements) of food and beverage companies conducting IPOs on the Indonesia Stock Exchange (IDX) between 2019 and 2023.

B. Operationalization of Variables

a. Underwriter Reputation

This variable uses a dummy variable. This variable is defined on a scale of 1 for the reputation of underwriters who are among the top 10 securities companies. Conversely, on a scale of 0 for the reputation of underwriters who are not among the top 10 securities companies. The top 10 companies are:

Table 1. Top 10 Securities Companies in Indonesia

No.	Company
1.	BNI Sekuritas
2.	BCA Sekuritas
3.	Mirae Asset Sekuritas Indonesia
4.	Mandiri Sekuritas
5.	Indo Premier Sekuritas
6.	Phillip Sekuritas Indonesia
7.	CGS-CIMB Sekuritas Indonesia
8.	RHB Sekuritas Indonesia
9.	Deutsche Sekuritas Indonesia
10.	MNC Sekuritas

Source: Data processed by the author

b. Return on Asset

Return on assets indicates how much net profit can be earned from all of a company's assets. The formula for Return on Assets can be formulated as follows:

ROA = (Nett Income ÷ Total Asset) x 100%

c. Leverage

$$Total\ debt\ to\ equity\ ratio = \frac{Current\ liabilities + Long - Term\ liabilities}{Total\ Equity}$$

The leverage ratio is used to determine the extent to which a company is able to pay off or meet its long-term obligations. In this study, the researcher used the Debt Ratio as a proxy. The Debt Ratio formula is:

d. Underpricing

The dependent variable used in this study is underpricing. This variable is measured by the initial return, which is the difference between the stock price on the first day of closing (closing price) on the secondary market divided by the initial offering price (offering price) multiplied by 100%. Systematically, it can be formulated as follows (Suyatmin & Sujadi, 2006):

$$IR = ((Ptl - Pto) \div Pto) \times 100\%$$

where:
IR = initial return
Pt 0 = initial offering price
Pt I = closing price on the company's first day of the IPO

C. Data Analysis Technique

This data analysis method uses statistical tools with the help of SmartPLS (Partial Less Squares). SmartPLS will explain the data analysis method in detail. This data analysis uses multiple linear regression analysis, and hypothesis testing uses the t-test. To examine the effect of independent variables on the dependent variable, the following empirical model is used

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + e$$

where:
Y = Underpricing
X1 = Underwriter Reputation X2 = Return on Asset (ROA)
X3 = Leverage

III. RESULTS AND DISCUSSION

A. Results

The object of this study is the 2023 financial statements of eight food and beverage companies that conducted Initial Public Offerings (IPOs) on the Indonesia Stock Exchange between 2019 and 2023. To determine the effect of independent variables on underpricing, this study will use the 2023 financial statements as a calculation. The sample used was companies that conducted initial public offerings between 2019 and 2023. Of the 15 companies that conducted initial public offerings during this period, seven were excluded due to overpricing, resulting in only eight companies being included in the sample.

a. Descriptive Statistics

The following are the results of descriptive statistical tests, presented in the table below. The variables below were tested using smartPLS.

Table 2. Results of Descriptive Statistical Tests for Research Variables

Variable	Mean	Median	Scale Min	Scale Max	Standard Deviation	P-Value
Underpricing	0.622	0.873	0.128	1.427	0.351	0.934
Underwriter Reputation	0.213	0.000	0.000	1.000	0.432	0.000
ROA (Return on Assets)	0.042	0.041	-0.163	0.181	0.107	0.428
Leverage (Lev)	0.501	0.189	-0.271	1.711	0.562	0.205

Source: SmartPLS Output

The research data, summarized in Table 2, shows descriptive statistics for the variables used in this study, which can be presented in interval, ratio, or dummy scales. Underpricing variable was calculated as the difference between the price offered by the underwriters at the initial stage of the offering of the securities at the Indonesia Stock Exchange (IDX) and the initial price of the securities at the secondary market and had an average of 0.622 or 62.20%. This implies that on average, 62.20 percent of the stock share offered was underpriced as per the sampled companies. That is, the company calculated the estimation of the company low as compared to the estimation of investors. The underpricing went far as low as 0.128 and as high as 1.427. The highest score in the case of the Underwriter Reputation variable was 1 and the lowest was 0.000. This was shown by the mean lesser than the standard deviation which was 0.167 < 0.373 that showed high data deviation (non- homogeneity). The Return on Assets variable reached the highest value of 0.179 and the lowest value 0.154. The standard deviation was higher than the mean value, 0.042 < 0.107, and this high degree of data deviation, (non-homogeneity) was obtained. The leverage (LEV) which is another financial variable prior to the IPO was 0.501 on average. This implies that the averagely sampled firm prior to its IPO had debt level of up to 45.59 percent against its equity. The minimum LEV value was -0.271 and maximum leverage value was 1.711.

b. Multiple Linear Regression Test

The effect of the independent variables, namely underwriter reputation, Return on Assets, size of the company, and leverage, on the dependent variable, namely underpricing, on food and beverage companies that indulge in IPOs on the Indonesia Stock Exchange concerning the time period of 2019 - 2023 was determined using multiple linear regression test. The findings on the hypothesis testing conducted on multiple linear regression analysis as presented in the table below:

Table 3. Multiple Linear Regression Test Results

Variable	Unstandardized Coefficient		t-value	Significance (Sig.)
	(B)	Std. Error		
Underwriter Reputation	-4.845	0.428	-11.673	0.000
Profitability (ROA)	-1.882	0.356	0.147	0.794
Leverage (DER)	1.053	0.106	1.254	0.664

Source: SmartPLS Output

The results of the hypothesis testing indicate that the Underwriter Reputation variable has a significant value of 0.000, which is below 0.05. This indicates that underwriter reputation significantly influences underpricing disclosure. Return on assets (ROA) has no effect on underpricing disclosure, with an unstandardized beta coefficient of -1.882 and a significant value of 0.7946, well above 0.05. Leverage level (LEV) does not influence underpricing disclosure. Leverage level (LEV) has an unstandardized beta coefficient of 1.053 and a significant value of 0.664, well above 0.05.

B. Discussion

a. The Underwriter Reputation Variable Significantly Influences Underpricing Disclosure

This significant negative effect Such an adverse result implies that the larger the reputation of underwriters, the lower the degree of underpricing experienced Prendergast and Ulph (2000). This means that the higher the reputation of the underwriters is the more likely they will quote a higher price as the result of the quality involved in its security leading to a low rate of underpricing. In cases of IPO, the underwriter is the first party that potential investors examine since the underwriter possesses more detailed information about the market according to the investors. Moreover, the reputation of the underwriter is also a signal that might be employed to increase the level of certainty and indicate that the company-specific information about the company in terms of its future prospects is not distorted in some way (Kardi, 2014).

The underwriter reputation that has no impact on underpricing might be as a result of the disparity in the sampling disparities in ranking of the underwriter reputation conducted by each researcher bearing in mind that in Indonesia another institution that is official to inspect and conduct periodic analysis of performance of securities companies (underwriters) does not exist. The findings of this research align with the findings of the past study by (Marofen, 2015) who established that underwriter reputation has a negative but insignificant influence on underpricing. Such findings can also be backup with studies conducted by Caster and Manaster (1990), Sandhiaji (2004), and Rosyati and Sabeni (2002), which indicated, that indeed, underwriter reputation affects the underpricing negatively and significantly. This implies that high reputed underwriters have tendencies to price higher due to the good quality of their underwriting and this leads to low underpricing rates. In this instance, underwriters hold vast information of the market and thus, an investor considers using underwriters as an investment consideration into the capital market.

b. ROA Variable Has No Significant Effect on Underpricing Disclosure

These findings do not support the research conducted by Lismawati (2015) and Marofen (2015), which found a negative and significant relationship between ROA and underpricing. However, this finding supports the results of research conducted by (Ayu Wahyu, 2013), (Pahlevi, 2014), (Aini, 2013), and (Retnowati, 2013) which stated that ROA does not significantly influence underpricing. The ROA variable showed no significant effect on the level of underpricing. ROA has no effect. This may be caused by investor distrust of the financial information presented by issuers in the prospectus. Investors suspect there is a possibility that the financial statements of companies conducting an IPO have been inflated to show better performance. Thus, investors do not pay attention to the ROA presented in the prospectus, but tend to refer to the ROA for several years before the company went public. Another reason is because investors suspect there are indications of issuers implementing earnings management policies in their financial statements because the issuers want to send a positive signal to the market about their companies. Companies that have implemented earnings management. According to Amin (cited in Shoviyah, 2013), issuers indicated to have implemented earnings management policies do so in an effort to provide better performance information so that the market responds positively to the IPO policy.

c. Leverage Variable Has No Significant Effect on Underpricing Disclosure

These findings do not support the research conducted by (Lismawati, 2015), (Ayu Wahyu, 2013), and (Pahlevi, 2014), which stated a significant relationship between DER and underpricing. However, these findings support the research conducted by (Natalia, 2016), (Marofen, 2015), (Aini, 2013), (Retnowati, 2013), and Suyatmi and Sujadi (2006), which stated that DER does not significantly influence underpricing. The lack of influence of leverage on underpricing is because investors are more focused on external factors, such as the global crisis in 2008, which caused the rupiah exchange rate to soar against the US dollar. This unstable economy has caused companies with US dollar loans to attempt to cover their loans with IPO funds, which influences investors' assessments in their invest ment decisions. This study uses the DER (Decree of Return) as a measurement tool for financial leverage. Financial leverage reflects a company's ability to meet all its obligations. The DER variable showed no significant effect on the level of underpricing. This may be due to investor distrust of the financial information presented by issuers, similar to investor distrust of the company's profitability (ROA) information presented in the prospectus. Furthermore, investors assume that if the DER is too high, there is a tendency or possibility that the company will use IPO proceeds to repay debt. A higher DER value can be assumed to pose a higher risk to the company's liquidity.

IV. CONCLUSION

Based on the analysis of the research data presented in the previous chapter, it can be concluded that returnon assets does not significantly influence underpricing, debt-to-equity ratio does not significantly influence underpricing, and underwriter reputationhas asignificant negative effectonunderpricing of shares during initial public offerings (IPOs). This study has limitations that should be considered by future researchers. Based on the analysis, the following recommendations can be put forward: Prospective investors planning to invest by purchasing shares in acompany ontheprimary market are advised to consider not only the company's financial information but also non-financial factors. This study demonstrates that underwriter reputation (RU) and the percentage of shares offered influence underpricing during an IPO. Prospective issuers planning to purchase shares on the primary market are advised to minimize information gapsby reating a well- designed prospectus to attract investors. Investors interested in investing in the primary market should considerother variables in the financial prospectus to predict which shares will not experience underpricing and thus assist in making investment decisions to achieve optimal returns. For further research, it is recommended to add variable soutside offinancial ratios such as industry type, market conditions, inflation, exchange rates, etc. because it is very possible that these variables also influence the level of underpricing.

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