

The Impact of Financial Leverage (DER), Return on Assets (ROA), and Inflation on Underpricing During Initial Public Offerings at the Indonesia Stock Exchange from 2019 to 2023

Ade Restu Rukyah*, Evi Octavia
Universitas Widyatama, Indonesia
Email: aderesturukyah@gmail.com*

Abstract. This study aims to determine the effect of financial leverage, return on assets and inflation on underpricing in companies conducting Initial Public Offerings in companies listed on the IDX. The study used quantitative method. The sample used in this study was 181 companies out of a total of 297 using purposive sampling, from the data obtained there were 61% of companies experiencing underpricing, this was caused by several factors, one of which was financial and non-financial factors which were used by both issuers and investors as benchmarks in determining stock price and investment decisions. The company's ability to return assets and debts is a factor that is generally considered by investors in investing in a company, in addition, the ongoing inflation rate is another factor that can reduce the real value of the company's income and profits in the future, making investors demand a high safety margin which results in the company setting a lower IPO price. Therefore, ROA, financial leverage and inflation were chosen as dependent variables in this study. The research method used is quantitative. Based on the research results obtained, financial factors, namely financial leverage and ROA, do not have a significant effect on underpricing, with a p-value of 0.554 and 0.397, while non-financial factors, namely inflation, have a significant effect on underpricing with a p-value of $0.000 < 0.05$.

Keywords: Financial Leverage, Return on Asset, Inflation, Underpricing.

INTRODUCTION

The most important business cycle in an effort to increase a company's equity and future planning is to go public, which can also serve as a reference for the public in assessing the company's quality. Before going public, the company must conduct an Initial Public Offering (IPO) (Fadila & Utami, 2020; Hakim & Fauzan, 2023; Islah & Adrianto, 2021; Nurmazatillah, 2021; Rizal et al., 2021; Thoriq et al., 2018). A phenomenon that often arises during an IPO is the underpricing phenomenon, which indicates that the price of newly issued shares is valued higher by the market than the offering price (Master, 2024).

Underpricing is considered detrimental to companies going public because the funds obtained are not optimal. The issuer does not receive the maximum potential funds that could be used to finance expansion (Setya & Fianto, 2020). The number of companies conducting IPOs on the Indonesia Stock Exchange (IDX) increased from 2019 to 2023, including companies in the technology, finance, and energy sectors. Many IPO stocks recorded significant price increases on the first day, indicating a high level of underpricing despite increased regulation and market transparency. Amid the dynamics caused by the COVID-19 pandemic in 2020 and 2021, the possibility of underpricing increased due to economic

uncertainty, prompting companies to set IPO prices conservatively.

The occurrence of underpricing in companies conducting their first IPO is influenced by several factors, including financial and non-financial aspects such as return on assets, financial leverage, company size, underwriter reputation, and return on equity (Perdana et al., 2016). This study focuses on financial factors, namely financial leverage and return on assets, as dependent variables. Return on Assets (ROA) is an important ratio in measuring a company's ability to generate profit from its invested assets. ROA is one of the key considerations for investors when deciding to invest in stocks on the exchange (*Imam Ghozali (2002). Pdf, n.d.*). If the company has strong performance, its shares will be in high demand among investors (Rachman, Yoga Tantular & Oktaviani, 2020). According to Firth and Smirth (1992), financial leverage becomes a determinant that makes it difficult for management to predict the company's future due to a high level of corporate liability. This affects the degree of underpricing of the initial shares.

Financial leverage is a consideration in this study because, according to Kittmetall (1993), theoretically, it reflects the risk of a company and therefore affects the uncertainty of stock prices. The higher the level of liability, the greater the underpricing. This research also includes the increase in inflation as a non-financial variable, which is a concern for investors due to its significant role in global macroeconomic changes. Rising inflation limits investors' ability to invest, leading them to seek investment products that offer returns higher than or equal to inflation, to avoid negative impacts on investment. This condition tends to result in underpricing (Sulistiawati, 2021).

Financial leverage is a ratio used to measure the extent to which a company's assets are financed by debt (Afiezan et al., 2021; Octavia et al., 2021; Sitorus et al., 2021; Sukarya & Baskara, 2019; Wulandari et al., 2022). It involves the use of funding sources with fixed costs, such as debt, aimed at increasing potential profits for shareholders. Companies may use both debt and equity to finance their operations. While debt is often a cheaper source of capital, it comes with fixed interest payments and repayment obligations. Timely repayment is necessary to avoid default risks (Revaldy & Sudarmadji Herry Sutrisno, 2023). Based on research conducted by Astuti and Djamaludin (2021), financial leverage has a significant effect on underpricing. This is because the greater the issuer's income, the lower the rate of underpricing.

The profitability ratio measures a company's ability to earn profits in relation to its sales, assets, capital, and retained earnings (Purnamasari, 2015). A company's ability to generate profits has a direct and positive impact on stock investor interest in the capital market. This increased interest raises demand for the company's shares, thereby pushing up share prices. This aligns with signal theory, which states that rising profits send positive signals to potential investors, thus increasing demand for shares (Kartadjumena & Hadi, 2024). Research by Andari and Saryadi (2020) found that ROA has an effect on underpricing, in line with Ridha et al. (2023), who found that ROA significantly affects companies conducting IPOs during 2018–2021.

Inflation refers to the general rise in commodity prices caused by misalignments between the commodity supply system (production, pricing, money supply, etc.) and community income levels. It is defined as a process of price increases within the economy (Sadono Sukirno, 2020). Under inflationary conditions, investor activity tends to decline, reducing overall investment. As a result, high inflation may contribute to underpricing in companies. Research by Saifudin

and Rahmawati (2017) found that inflation has a significant effect on underpricing.

MATERIALS AND METHODS

The method used in this study is a *quantitative* method. *Quantitative* research is a type of research characterized by a well-structured and planned approach, from initial planning to the research design. This research emphasizes data in the form of numbers—both in collection, analysis, and presentation of results. The goal of *quantitative* research is to gain a deeper understanding of the theories and laws that exist in the real world. This type of research often uses theoretical mathematical models and hypotheses as the basis for development (D. Purnamasari et al., 2023:119).

In this study, the population includes all companies that have gone public on the Indonesia Stock Exchange (IDX) from 2019 to 2023, with a total of 297 companies conducting IPOs. The sampling technique used is *purposive sampling*, which is a method that involves specific considerations in determining the sample. The following parameters were used to select the sample for this study:

1. Companies that conducted IPOs and were listed on the Indonesia Stock Exchange during the 2019–2023 period.
2. Companies that issued consecutive annual financial statements for the 2019–2023 period.
3. Companies that experienced *underpricing*.

The type of data used in this study is *secondary data*. The data consist of financial statement information, annual reports, and annual and monthly inflation data of companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period, which can be accessed through IDX and *IDNFINANCE*. The analysis method used in this study is *descriptive statistical analysis*. In conducting the analysis, accurate and reliable data are required, as they will be used in the research conducted by the author. The data analysis in this study employs Microsoft Excel 2010 and IBM SPSS 23 (*Statistical Package for Social Science*).

RESULTS AND DISCUSSION

Descriptive Analysis

In this study, the independent variables used are Financial Leverage (X1), Return on Asset (X2), and Inflation (X3). While Underpricing (Y) is a dependent variable.

Table 1. Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Financial Leverage (X1)	181	.00	7.59	.7512	.93464
Return on Asset (X2)	181	-.66	.47	.0319	.09806
Inflation (X3)	181	.01	.06	.0293	.01283
Underpricing (Y)	181	-.08	2.10	.3620	.38879
Valid N (listwise)	181				

Source: Data processed by the author

Table 1 shows a summary of statistics that includes the minimum, maximum, mean,

and standard deviations of the variables Financial Leverage (X1), Return on Asset (X2), Inflation (X3), and Underpricing (Y).

In the Financial Leverage (X1) variable, the minimum value is 0.00, the maximum value is 7.59, the mean value is 0.7512, and the standard deviation value is 0.93464. In the Return on Asset (X2) variable, the minimum value is -0.66, the maximum value is 0.47, the mean value is 0.0319, and the standard deviation value is 0.09806. In the Inflation variable (X3), the minimum value is 0.01, the maximum value is 0.06, the mean value is 0.0293, and the standard deviation value is 0.01283. In the Underpricing variable (Y), the minimum value is -0.08, the maximum value is 2.10, the mean value is 0.3620, and the standard deviation value is 0.38879.

Classic Assumption Test

Before the regression model is formed, classical assumptions are first tested so that the model formed provides a *BLUE* (*Best, Linear, Unbiased, Estimator*) estimate. This assumption test consists of four tests, namely the normality test, the heteroscedasticity test, the autocorrelation test and the multicollinearity test.

Normality Test

By using the help of the SPSS program application version 27.0, the *following* normality test calculation results were obtained:

Table 2. Normality Test Results			
One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			181
Normal Parameters ^{a,b}	Mean		.0000000
	Std. Deviation		.37116881
Most Extreme Differences	Absolute		.133
	Positive		.133
	Negative		-.115
Test Statistic			.133
Asymp. Sig. (2-tailed) ^c			.000
Monte Carlo Sig. (2-tailed) ^d	Sig.		.000
	99% Confidence Interval	Lower Bound	.000
		Upper Bound	.000
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 2000000.			

Based on table 2, the SPSS output was obtained a Sig. value of normality test using the Kolmogorov-Smirnovs method of 0.000. Since the *p-value* is smaller than *alpha* ($0.000 < 0.05$), it can be concluded that the residual data is not normally distributed. Because the data on the number of observations is more than 30 observation members, this is in accordance with the *central limit theorem* which states that if there is n more than 30, it is stated that the data

has a tendency to have a normal distribution (McLave, 2015). Based on this, further testing can be carried out.

Heteroscedasticity Test

The heteroscedasticity test is one of the parts of the assumption test that aims to ensure that the residual variance of the predictor value of the dependent variable remains consistently the same across the entire range of independent variable values. A good regression model is one that does not heteroscedasticity. This assumption test can be done using a scatterplot. Scatterplots are a good way to check if the data is homogeneous (meaning that the residue is the same across the regression lines/the spread of the data points remains constant at various levels of independent variables). If the data points are scattered above or below the Y axis and do not form a certain pattern, then there is no heteroscedasticity in the data.

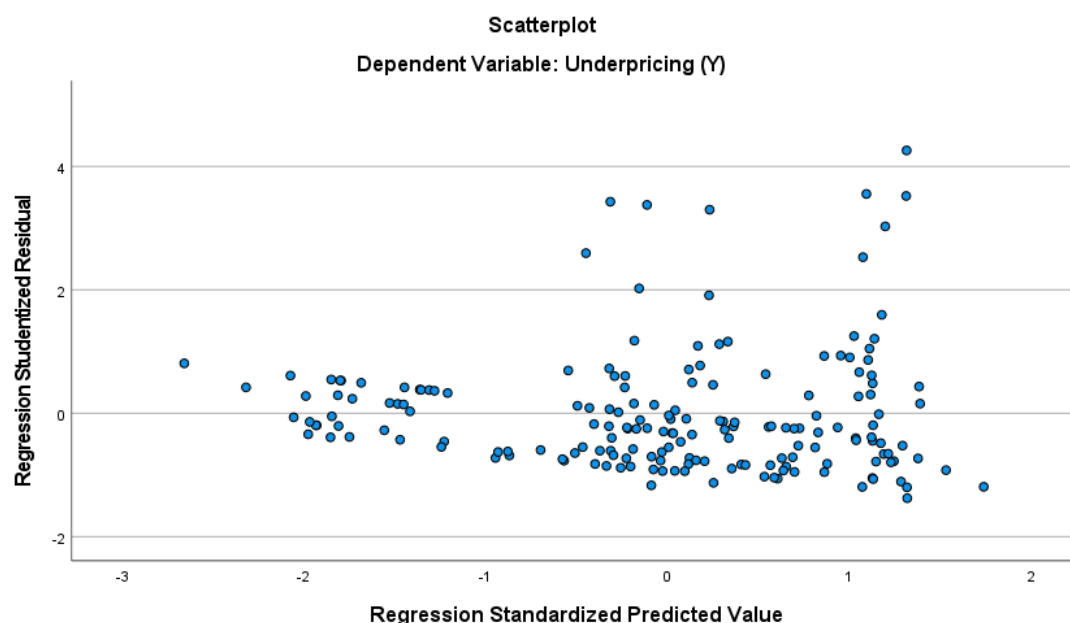


Figure 1. Heteroscedasticity Test Results

Based on Figure 1 it can be seen that the dots are scattered randomly, not forming a pattern. As well as the scattered points both above and below the zero on the Y axis.

Autocorrelation Test

The autocorrelation test aims to test in a linear regression model whether or not there is a correlation between the disruptive error in the t-period and the disruptive error in the t-1 period or the previous period. The autocorrelation test in this study uses the Durbin Watson test.

A good model should be free of autocorrelation. The most widely used autocorrelation test is the Durbin-Watson method whose conclusions are as follows:

A D-W value of great or above 2 means that there is a negative autocorrelation.

A D-W value between -2 to 2 means no autocorrelation or autocorrelation free

A small D-W value or below -2 means that there is a positive autocorrelation.

The results of the autocorrelation calculation using the Durbin-Watson value are

obtained, which are as follows:

Table 3. Autocorrelation Test Results

Model Summary ^b							
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate		Durbin-Watson
1	.298 ^a	.089	.073		.37430		1.771
a. Predictors: (Constant), Inflation (X3), Return on Asset (X2), Financial Leverage (X1)							
b. Dependent Variable: Underpricing (Y)							

Based on table 3, the Durbin-Watson value is 1,771. Based on these results, it can be seen that the Durbin-Watson value is between $-2 < DW < +2$. Therefore, it can be concluded that there is no autocorrelation in the panel data regression model.

Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between independent variables in the model. A good model should have no correlation between independent variables. With the help of the SPSS program application version 27.0, the output of the VIF value for each of the free variables is obtained as follows:

Table 4. VIF Value Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Financial Leverage (X1)	.992	1.008
	Return on Asset (X2)	.997	1.003
	Inflation (X3)	.993	1.007
a. Dependent Variable: Underpricing (Y)			

Based on table 4 regarding the multicollinearity test, it can be seen that the results in the appendix show that the VIF value of each independent variable is far below 10, so it can be concluded that there is no multicollinearity between independent variables in the regression model.

Multiple Linear Regression: Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) Against Underpricing (Y)

In this study, multiple regression analysis was intended to determine the influence between the variables Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) on Underpricing (Y). The goal is to predict or estimate the value of dependent variables in cause-and-effect relationships with the value of other variables.

Multiple Regression Equations

The multiple regression model to be formed is as follows:

$$Y = a + bX_1 + bX_2 + bX_3 + e$$

Dimana:

Y = Underpricing

- X_1 = Financial Leverage
 X_2 = Return on Asset
 X_3 = Inflation
 a = Number of constants
 b = Regression coefficient
 e = error

By using the help of the SPSS program application version 27, the *output* of the regression coefficient calculation results was obtained as follows:

Table 5. Results of Calculation of Regression Equation Coefficient Values

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	
1	(Constant)	.644	.076		8.499
	Financial Leverage (X1)	-.018	.030	-.043	-.593
	Return on Asset (X2)	-.242	.285	-.061	-.849
	Inflation (X3)	-8.898	2.182	-.294	-4.079

a. Dependent Variable: Underpricing (Y)

Based on table 5, the constant value and regression coefficient can be maintained so that multiple regression equations can be formed as follows:

$$Y = 0.644 - 0.018X_1 - 0.242X_2 - 8.898X_3$$

The above equation can be interpreted as follows:

- $a = 0.644$ means that if Financial Leverage (X_1), Return on Asset (X_2), and Inflation (X_3) are worth zero (0), then Underpricing (Y) will be worth 0.644 units.
 $b_1 = -0.018$ meaning that if the Financial Leverage (X_1) increases by one unit, then the Underpricing (Y) will decrease by 0.018 units assuming the other variables are constant.
 $b_2 = -0.242$ meaning that if the Return on Asset (X_2) increases by one unit, then the Underpricing (Y) will decrease by 0.242 units assuming the other variables are constant.
 $b_3 = -8,898$ meaning that if Inflation (X_3) increases by one unit, then Underpricing (Y) will decrease by 8,898 units assuming the other variables are constant.

Pearson Product Moment Review

Pearson Product Moment *correlation analysis* is an analysis used to find relationships and prove the hypothesis of the relationship between two or more variables when the data of the variables are in the form of intervals or ratios and the data source of each variable is the same (Sugiyono:228). With the help of the SPSS 27 program application, the *output* of the correlation coefficient results was obtained as follows:

Table 6. Value the Pearson Product Moment Correlation Coefficient

Model Summary ^b	
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Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.298 ^a	.089	.073		.37430	1.771
a. Predictors: (Constant), Inflation (X3), Return on Asset (X2), Financial Leverage (X1)						
b. Dependent Variable: Underpricing (Y)						

Based on table 6, it is known that the value of the correlation coefficient (R) is 0.298. The value is then interpreted based on Guilford's criteria as follows:

Table 7. Coefficients and Their Estimates

Coefficient Interval	Strength of Relationship
0.00 – 0.199	Very Weak
0.20 – 0.399	Weak
0.40 – 0.599	Moderate
0.60 – 0.799	Strong
0.80 – 1.000	Very Strong

Source: Sugiyono, 2009:231

Based on table 7, regarding the interpretation of the correlation coefficient presented, the correlation coefficient of 0.298 indicates a low relationship between the free variable and the bound variable.

Coefficient Determination Analysis

Determination coefficient analysis is an analysis used to determine the influence of one variable on other variables. The coefficient of determination is the square of the correlation coefficient (Sugiyono:231).

After the R value of 0.298 is known, the determination coefficient can be calculated using the following formula:

Table 8. Coefficient Determination Analysis

Model Summary ^b						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	.298 ^a	.089	.073		.37430	1.771
a. Predictors: (Constant), Inflation (X3), Return on Asset (X2), Financial Leverage (X1)						
b. Dependent Variable: Underpricing (Y)						

$$\begin{aligned}
 \text{KD} &= R^2 \times 100\% \\
 &= (0.298)^2 \times 100\% \\
 &= 8.9\%
 \end{aligned}$$

Thus, based on the value of the determination coefficient of Underpricing (Y) is influenced by Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) which is 8.9%, while the remaining 91.1% is influenced by other factors that are not studied. To determine the percentage influence of each variable on the variables Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) on Underpricing (Y), the Beta Coefficient $\times$ Zero-order formula was used, with the following results:

Table 9. Coefficient Beta $\times$ Zero-order

Coefficients ^a			
Model		Standardized Coefficients	Correlations
		Beta	Zero-order
1	Financial Leverage (X1)	-.043	-.018
	Return on Asset (X2)	-.061	-.050
	Inflation (X3)	-.294	-.289
a. Dependent Variable: Underpricing (Y)			

1. Financial Leverage (X1) = $-0.043 \times -0.018 = 0.1\%$
2. Return on Asset (X2) = $-0.061 \times -0.050 = 0.3\%$
3. Inflation (X3) = $-0.294 \times -0.289 = 8.5\%$

Based on the results of the partial percentage calculation above, it can be seen that the Financial Leverage variable (X1) has an influence of 0.1% on Underpricing (Y), then Return on Asset (X2) has an influence of 0.3% on Underpricing (Y), and Inflation (X3) has an influence of 8.5% on Underpricing (Y).

Hypothesis Testing

Partial Test (t-test)

The results of the partial test calculation are as follows:

Table 10. Partial Hypothesis Testing (t-Test)

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	t
		B	Std. Error	Beta	Sig.
1	(Constant)	.644	.076		8.499
	Financial Leverage (X1)	-.018	.030	-.043	.554
	Return on Asset (X2)	-.242	.285	-.061	.397
	Inflation (X3)	-8.898	2.182	-.294	.000
a. Dependent Variable: Underpricing (Y)					

Partial Hypothesis Testing Variabel Financial Leverage (X1)

H_0 : Financial Leverage (X1) has no significant effect on Underpricing (Y).

H_1 : Financial Leverage (X1) has a significant effect on Underpricing (Y). **H_0 :**

Testing Criteria:

- Reject H_0 and accept H_1 if the p-value (sig) is ≤ 0.05 .
- Accept H_0 and reject H_1 if the p-value (sig) is > 0.05 .

Based on the table above, the *p-value* or (significance) for the Financial Leverage (X1) variable is 0.554. Since the *p-value* is greater than 0.05 ($\alpha = 5\%$) or $0.554 > 0.05$, H_0 is accepted and H_1 is rejected, meaning that Financial Leverage (X1) has no significant effect on

Underpricing (Y).

Partial Hypothesis Testing of Return on Asset Variables (X2)

H0 : Return on Asset (X2) has no significant effect on Underpricing (Y).

H1 : Return on Asset (X2) has a significant effect on Underpricing (Y)

Test criteria:

Subtract H0 and accept H1 if *the p-value* (sig) $\leq$ from 0.05.

Accept H0 and subtract H1 if *the p-value* (sig) $>$ from 0.05.

Based on the table above, the *p-value* or (significance) for the Return on Asset (X2) variable is 0.397. Because the *p-value* is greater than 0.05 ($\alpha = 5\%$) or $0.397 > 0.05$, H0 is accepted and H1 is rejected, meaning that Return on Asset (X2) has no significant effect on Underpricing (Y).

Partial Hypothesis Testing of Inflation Variables (X3)

H0 : Inflation (X3) has no significant effect on underpricing (Y).

H1 : Inflation (X3) has a significant effect on Underpricing (Y).

Test criteria:

Subtract H0 and accept H1 if *the p-value* (sig) $\leq$ from 0.05.

Accept H0 and subtract H1 if *the p-value* (sig) $>$ from 0.05.

Based on the table above, the *p-value* or (significance) for the Inflation variable (X3) is 0.000. Because the *p-value* is less than 0.05 ($\alpha = 5\%$) or $0.000 < 0.05$, H0 is rejected and H1 is accepted, meaning that Inflation (X3) has a significant effect on Underpricing (Y).

Simultaneous Test (F Test)

Simultaneous hypothesis testing is a hypothesis test that aims to find out whether together the variables in the independent variable have a significant or insignificant effect on the dependent variable.

Hypothesis:

H0 : Together, the variables Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) have no significant effect on Underpricing (Y).

H1 : Together, the variables Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) have a significant effect on Underpricing (Y).

Test criteria:

Subtract H0 and accept H1 if *the p-value* (sig) $\leq$ from 0.05.

Accept H0 and subtract H1 if *the p-value* (sig) $>$ from 0.05.

The results of simultaneous hypothesis testing are as follows:

Table 11. Simultaneous Hypothesis Testing (F-Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.410	3	.803	5.734	.001 ^b
	Residual	24.798	177	.140		

Total	27.208	180
a. Dependent Variable: Underpricing (Y)		
b. Predictors: (Constant), Inflation (X3), Return on Asset (X2), Financial Leverage (X1)		

Based on the *above output*, it is known that the Fcal value is 5.734 with a *p-value* (sig) of 0.001. Because the *p-value* (sig) value is less than 0.05 ($\alpha = 5\%$) or $0.001 < 0.05$, H_0 is rejected and H_1 is accepted, meaning that together the variables Financial Leverage (X1), Return on Asset (X2), and Inflation (X3) have a significant effect on Underpricing (Y).

The Effect of Financial Leverage on Underpricing

Based on a hypothesis test partially using multiple linear regression, it is known that financial leverage does not have a significant effect on underpricing. This can be seen from a *p-value* greater than 0.05 ($\alpha = 5\%$) or $0.554 > 0.05$. This can happen because of several things, including the implications of signaling theory and the existence of information asymmetry that allows investors not to trust the information disclosed by the company as a basis for decision-making. Therefore, the statement that the higher the financial leverage, the higher the tendency of companies to experience underpricing, can be broken by the results of this study.

This is also in accordance with research conducted by Diana Yuniari & Syaifuddin (2020) financial leverage has no effect on the level of underpricing because the information provided by the company regarding the company's ability to pay obligations is not able to signal to investors in making decisions.

This research is supported by Y.S Lestari & A.Trihastuti (2020) where in their research it is stated that financial leverage has no effect on underpricing, this shows that financial leverage is not a concern for investors and does not make information on the company's ability to return obligations as the main factor in decision-making. The ability and strategy of management in managing debt from third parties is a clearer factor for investors. The results of this study are inversely proportional to the research conducted by Dwi Susilo (2023) where in his research it was stated that financial leverage has a positive effect on underpricing.

The Effect of Return on Asset on Underpricing.

The results of the return on asset hypothesis test against underpricing resulted in a *p-value* or (significance) for the Return on Asset (X2) variable of 0.397. Therefore, it can be concluded that return on assets does not have a significant effect on underpricing. Because the *p-value* is greater than 0.05 ($\alpha = 5\%$) or $0.397 > 0.05$. This is due to unassessable underpricing and investor skepticism of the financial statements presented by companies conducting Initial Public Offerings. Investors believe that issuers use profit management practices to improve performance. As a result, the issuer's ROA at the time of IPO does not show the true ROA because the large ROA as stated in the prospectus does not necessarily show the actual performance. As a result, the signaling theory is not in line with the findings of this study.

This research is in line with the research conducted by V.A.Setya & Fianto (2020) where in his research it was stated that return on assets did not have a significant effect on underpricing. This means that the size or size of the ROA will not affect the underpricing of the company conducting the IPO. The absence of ROA's influence on underpricing can be due to investors' lack of trust in the financial information provided by the company. In addition,

investors not only look at the ROA in the prospectus, but may also notice the ROA from a few years before the company went IPO. This way, investors can find out whether the financial statements have been exaggerated or not. This research is also supported by the results of Abbas.et.al (2022) research where the research could not show the effect of return on assets on underpricing in companies that conducted IPOs in the 2015-2019 range.

Diana Yuniari & Saifudin (2020) reveal a different thing. From the research conducted, it was found that return on assets has a significant positive influence on underpricing.

The Effect of Inflation on Underpricing

Based on the results of the inflation hypothesis test on underpricing, a *p-value* or (significance) for the Inflation variable (X3) of 0.000 was obtained. Because the *p-value* is smaller than 0.05 ($\alpha = 5\%$) or $0.000 < 0.05$. Therefore, it can be concluded that inflation has a significant influence on underpricing. This can be interpreted that the higher the inflation, the higher the tendency for underpricing. Nanda & Majidah (2019) in their research also stated the same results where inflation partially has a significant positive influence on underpricing. The higher the inflation rate in a country in the year the company conducts an IPO, the higher the risk of underpricing. This is because, when inflation is high, the risk of not selling initial shares is even greater, due to low investor interest in investing. As underwriters, underwriters tend to avoid the magnitude of the risks that will be faced when inflation is high, by setting a low initial share price. So, the higher the inflation rate in a country, the lower the initial stock price will be set.

Putri and Isyнуwardhana (2021) explained that when inflation increases, the value of underpricing will also increase. This is based on research conducted on companies that went public between 2018-2020, where the research also showed the same results, namely inflation has a significant positive influence on underpricing.

CONCLUSION

Based on the results of the analysis, this study concludes that among the three variables examined, only *Inflation* (X3) has a significant effect on *Underpricing* (Y), contributing 8.5% to the variation in *underpricing*, while *Financial Leverage* (X1) and *Return on Assets* (X2) do not show significant individual effects, with influence percentages of only 0.1% and 0.3%, respectively. However, when tested simultaneously, the three variables collectively have a significant effect on *underpricing*, accounting for a combined influence of 8.9%, leaving 91.1% of the variation to be explained by other variables not included in this study.

This suggests that *underpricing* is influenced by a more complex set of factors beyond *financial leverage*, *profitability*, and macroeconomic *inflation*. For future research, it is recommended to explore additional internal and external factors, such as investor sentiment, market conditions, firm size, industry type, or corporate governance mechanisms, to develop a more comprehensive understanding of the determinants of *underpricing* in IPOs. Additionally, expanding the time frame or examining different sectors may provide broader insights into *underpricing* behavior across various economic contexts.

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