

Identification of Underpricing Factors Initial Public Offering Manufacturing Sector on The Indonesia Stock Exchange

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ABSTRACT

Purpose – This study aims to prove and analyze the effect of Return On Assets (ROA), Inflation Rate, Earning Per Share (EPS) and Debt to Asset Ratio (DAR) on Underpricing of shares in manufacturing companies during the initial public offering (IPO) on the Indonesian Stock Exchange in 2017-2021 years.

Methodology/approach – This research design is quantitative with an associative approach. The population in this study were all manufacturing companies that experienced stock underpricing in 2017 – 2021, while the samples used in this study were 53 manufacturing companies that met certain criteria in the study period. The sampling technique used purposive sampling method. The data analysis used is multiple linear regression analysis.

Findings – The results of this study indicate that Earning Per Share (EPS) has a significant negative effect on underpricing and the Inflation Rate has a significant positive effect on underpricing, while Return On Assets (ROA) and Debt to Asset Ratio (DAR) have no effect on underpricing.

Novelty/value – The high or low value of Return on Assets and debt to asset ratio does not significantly affect stock underpricing during the initial public offering. The value of earnings per share and inflation greatly affects the underpricing of shares in manufacturing companies during the initial public offering

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INTRODUCTION

Every company was founded with the aim that the company can maintain its business activities running well, growing rapidly in the long term. In achieving company goals, many obstacles faced by the company. One of them is the need for funding. Limited sources of company funds & access to banks to obtain additional funds is one of the problems faced by companies. Additional capital from founders or loans from third parties is only a temporary solution due to limitations from certain parties to inject funds.

A Go Public company is a company that offers its shares to the general public in accordance with the procedures stipulated in the Capital Market Law and its implementing regulations. Basically, the purpose of going public is to raise as much funds as possible from the wider

community. In the primary market, the share price is determined by the company and the underwriter, while in the secondary market, the share price is determined by market supply and demand (market mechanism). Setting the price of the initial public offering is not easy because there is no previous price that can be observed in setting the price of the initial public offering. Therefore, the company (issuer) can work together with the guarantor (underwriter) to assist with all the needs of the stock offering, including setting the initial share price.

Underpricing is a condition where the offering price at the time of the IPO is considered lower than the stock price at the closing of the first day on the secondary market, (Lestari, 2015). This condition of underpricing can be detrimental to companies that go public, because the funds obtained from the public are not maximum. Conversely, investors will benefit from receiving an initial return. Initial return is the profit earned by shareholders due to underpricing. The phenomenon of underpricing is of course not only influenced by financial information factors such as financial statement analysis, but also macroeconomic factors which still need to be studied further, even though there have been many studies on underpricing and have shown different results, it is possible that there are other factors that cause underpricing to occur frequently. (Himawan Budi Kuncoro & Rossje V Suryaputri, 2019). Selection of the sample in this study is a manufacturing company. One of the reasons is that almost every year, manufacturing companies that conduct IPOs experience relatively high underpricing.

Research phenomenon it can be seen that as many as 53 manufacturing companies experienced *Underpricing* shares when conducting an Initial Public Offering on the Indonesian Stock Exchange in the 2017-2021 period. It was found that there was a gap phenomenon that occurred in the variables Return On Assets (ROA), Earning Per Share (EPS), Inflation Rate and Debt to Asset Ratio (DAR). It can be concluded that the average development of these variables fluctuates (up and down). In 2017 it showed an average high Return On Asset ROA value of 9.31, but a decrease of 4.87 in 2018. In 2019 the average ROA value again decreased by 3.96, in 2020 there was a significant increase big 7.88. However, in 2021 the average ROA value has decreased again, which is 7.17. In the last 5 periods, in 2017 the average ROA value had a high value of 9.31 but was not followed by a low level of underpricing. This is not in line with what was stated by (Wijayanto, 2010) that the higher the ROA value means the company's ability to generate future profits is also higher, this can reduce IPO uncertainty in determining a fair share price so that it can reduce underpricing. Another financial factor that affects the level of underpricing is Earning Per Share (EPS). From the table above it can be seen that in 2017 the average EPS value was 24.07 while in 2018 it decreased by 18.39. In 2019 the average EPS value decreased again, namely by 13.84, but in 2020 there was an increase of 18.84 and in 2021 the average EPS value decreased quite drastically by 8.77. In the last 5 periods, the average EPS value was the lowest at 8.77 but this was not followed by a high level of underpricing which is still relatively low. This is not in line with the opinion (Handayani, 2008) which states that a high value of a company's Earning Per Share (EPS) will indicate a lower risk of underpricing and vice versa.

One of the macroeconomic factors is the inflation rate. The data above shows an increase in the inflation rate for manufacturing companies in 2017, which was 0.29, in 2018 it increased by 0.33. In 2019 there was a decrease of 0.22 and in 2020 it decreased quite drastically by 0.08, and in 2021 the average inflation rate increased by 0.15. In the last 5 periods, the lowest average inflation rate in 2020 was 0.08 but the underpricing rate was still considered high at 35.24. This is not in line with the results of research (Kemas Nurcholis Thoriq et al, 2018) that the higher the increase in the inflation rate will affect the high level of underpricing and vice versa.

Other financial factors that affect the level of underpricing are. Debt to Asset Ratio (DAR). From the table above it can be seen that in 2017 the average DAR value was 0.53, while in 2018 the company's DAR value decreased by 0.47. In 2019 the average DAR value increased by 0.63, in 2020 the average DAR value experienced a large increase of 1.03. In 2021 the average value of company size shows a value of 0.45. In the last 5 periods, in 2018 the average DAR value showed a value of 0.47 which was classified as low, but the level of underpricing in 2018 was also the highest in the last 5 periods

LITERATURE REVIEW

Signaling Theory

Signaling theory was first developed by (Ross, 1997). Signal theory explains that good financial reports are a signal or a sign that the company has been operating well. The manager is obliged to give a signal regarding the condition of the company to the owner as a form of responsibility for managing the company (Ross, 1997). In this context, the stock price during the initial public offering (IPO) serves as a signal to investors about the condition of the company. This signaling theory emphasizes the importance of the information issued by the company to the investment decisions of outsiders. Signaling theory explains how companies should present information to capital markets (Bini et al., 2011). According to Fahmi (2012: 100), signaling theory is a theory that discusses the rise and fall of prices in the market so that it will affect investors' decisions. Whatever information that occurs from the condition of a company's stock always has an effect on the decisions of investors as the party that catches the signal.

Return On Assets

According to Tandelilin (2013: 372) Return on Assets (ROA) is a ratio that describes a company's ability to utilize all of its assets to generate profit or profit for the company. According to Witjaksono (2012) and Gunawan and Jodin (2015) profitability as measured by Return on Assets (ROA) is a potential possessed by companies in determining stock prices in the primary market. The higher the level of company profitability indicates the high ability of the company to generate profits or profits so that investors can see this as a profitable company. This can reduce IPO uncertainty in determining a reasonable or optimal initial share price, thereby reducing the level of underpricing.

Earning Per Share

Earning Per Share (EPS) is a comparison between net profit after tax in a certain period with number of outstanding shares. Darmadji & Fakhruddin (2016: 198) explain that Earning Per Share (EPS) is a type of financial ratio where this ratio reflects the profit share for each outstanding share. Earning Per Share (EPS) is a proxy for the company's earnings per share which is expected to provide an overview for investors regarding the financial portion they can obtain in a certain period by owning a share. The higher the value of earnings per share, the more attractive investors will be in investing their capital, because earnings per share shows the profit that is the right of shareholders from each share they own.

Inflation Rate

According to Harymami (2007) inflation is the tendency of the prices of goods and services including factors of production, measured in units of currency which are increasing in general and continuously. Zubaidah (2003) stated that the inflation rate illustrates an increase in the general price level, where the value of money as a reflection of the general price level is unstable. With inflation, people's purchasing power is low, so the government raises interest rates to encourage people to save, with the aim of stabilizing economic conditions. This results in investors tending to invest in risk-free investments rather than stocks.

Debt to Asset Ratio

Debt to Asset Ratio (DAR) is one of the solvency ratios used to measure the ratio between total debt and total assets, in other words, how much a company's assets are financed by debt. *Debt to Asset Ratio* (DAR) describes the solvency ratio of a company in financing its assets, this ratio has a

negative impact on company performance. Where the higher the level of debt owned by the company means the interest expense will be even greater and will reduce profits. This will have an impact on the decline in stock prices. The higher the value of the Debt to Asset Ratio (DAR) owned by the company indicates the condition of the company's performance is decreasing. This reflects a bad signal and creates uncertainty in the future, so that the higher the Debt to Asset Ratio (DAR) value, the greater the possibility of underpricing.

The conceptual framework in this study can be described in chart form as follows:

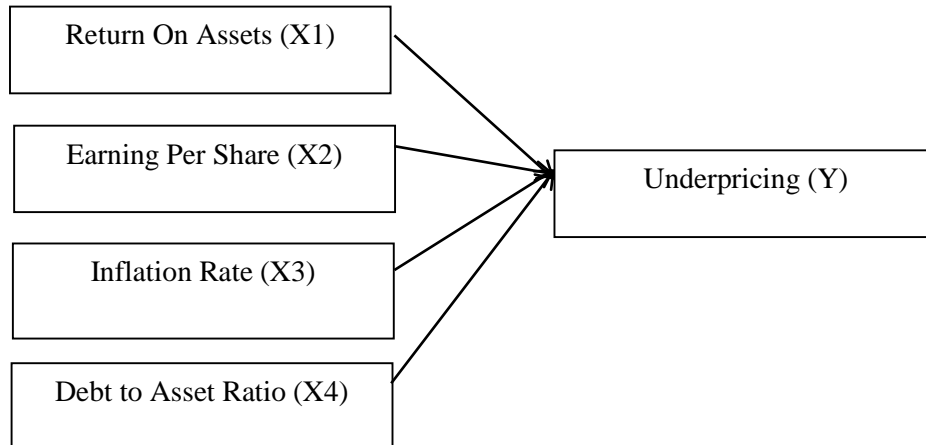


Fig. 1. Conceptual framework

Based on the theory and results of previous research that was successfully collected, this study took several hypotheses as follows:

H1 : Return On Assets Affect Underpricing.

H2: Earning Per Share Influences Underpricing.

H3 Inflation Rate Affects Underpricing.

H4: Debt to Asset Ratio Has an Influence on Underpricing

METHOD

This study uses a quantitative research approach. The type of research used is causal research. The data collection technique used is documentation, namely by collecting or taking the required data. The analytical method used is multiple linear regression analysis with the help of the SPSS version 20 application. The research population is all manufacturing companies that have experienced IPO stock underpricing on the IDX in 2017-2021, a total of 66 companies. While the population that meets the requirements to be sampled is 53 companies.

RESULT AND DISCUSSION

Result

Normality test

Table 1. Kolmogorov – Smirnov results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residuals
N		53
Normal Parameters, b	Means	0E-7
	std. Deviation	.58062020
Most Extreme Differences	absolute	.163
	Positive	.060
	Negative	-.163
Kolmogorov-Smirnov Z		1,187

asympt. Sig. (2-tailed) .119

a. Test distribution is Normal.

b. Calculated from data.

Source: SPSS Processing Results, 2022

The Kolmogorov–Smirnov table above shows a result of 0.119 where the above data can be said to be normally distributed if the data results are $0.119 > 0.05$, it can be concluded from the results of the normality test that it is proven to produce research data that is normally distributed.

Multicollinearity Test

Table 2 Multicollinearity Test
Coefficients^a

Model	Unstandardized Coefficients	Standardized Coefficients	Q	Sig.	Collinearity Statistics	
	B	std. Error	Betas		tolerance	VIF
(Constant)	3,491	.147		23,699	.000	
1 ROA	-.016	.015	-.167	-1,031	.308	.599
EPS	-.012	.006	-.362	-2,222	.031	.593
IT	.957	.375	.325	2,554	.014	.971
DAR	.256	.137	.299	1876	.067	.621
						1611

a. Dependent Variable: LN_Y

Source: SPSS Processing Results, 2022

From table 3 it can be seen that the tolerance value of each independent variable, namely the Return On Assets (ROA) variable, is 0.599, the Earning Per Share (EPS) variable is 0.593, the Inflation Rate (TI) variable is 0.97 and the Debt Asset to Ratio variable (DAR) is 0.6221. Then the VIF value of the Return On Asset variable (ROA) is 1.668, the Earning Per Share (EPS) variable is 1.687, the Inflation Rate (TI) variable is 1.030 and the Debt Asset to Ratio (DAR) variable is 1.611. From the test results of all variables have Tolerance value > 0.10 and VIF value < 10.00 , it can be concluded that there is no multicollinearity in the regression model.

Heteroscedasticity Test

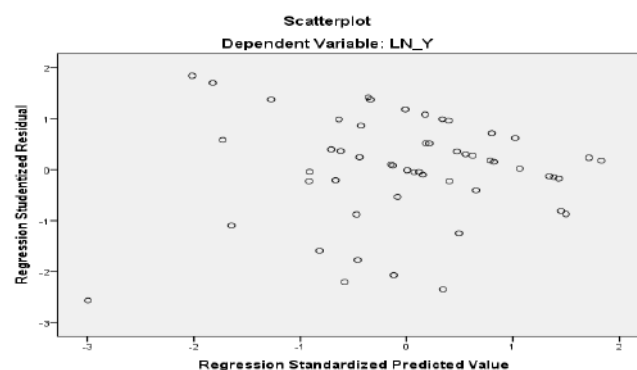


Fig 2. Scatterplot Graph

Source: SPSS Processing Results, 2022

From Figure 2 it can be seen that the points spread randomly and are spread both above and below the number 0 on the Y axis. It can be concluded that the regression model does not have heteroscedasticity.

Autocorrelation Test

Table 3 Autocorrelation Test

Summary model					
Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.495a	.245	.182	.60433	1,306

a. Predictors: (Constant), DAR, TI, ROA, EPS

b. Dependent Variable: LN_Y

Source: SPSS Processing Results, 2022

From table 3, the DW value is 1.306. This value will be compared with the value of the DW table with a significant 5%, where the number of samples N is 53 samples and the number of independent variables (K) is 4. With these data, the value of Du is 1.7228 and 4-dU is 2.2772. Then the DW value is between dU and 4-dU so it can be concluded that there is no autocorrelation in this study.

Multiple Linear Regression Analysis

Table 4. Multiple Linear Regression Analysis Test Results

Coefficientsa					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
(Constant)	3,491	.147		23,699	.000
ROA	-.016	.015	-.167	-1,031	.308
1 EPS	-.012	.006	-.362	-2,222	.031
IT	.957	.375	.325	2,554	.014
DAR	.256	.137	.299	1876	.067

a. Dependent Variable: LN_Y

Source: SPSS Processing Results, 2022

Based on the table above, it can be seen that the constant value (α value) is 3.491 and for ROA (β value) is -0.016, for EPS (β value) is -0.012, for the Inflation Rate (β value) is 0.957, while for DAR (β value)) of 0.256. So that the obtained multiple linear regression equation is asfollowing :

$$Y = 3.491 - 0.016X_1 - 0.012X_2 + 0.957X_3 + 0.256X_4 + e$$

The results of these equations can be explained as follows:

1. The constant (α) = 3.491 means that if all the independent variables have a zero value, then the value of the dependent variable is 3.491.
2. The regression coefficient of return on assets (X_1) = -0.016 is negative, indicating that return on assets has the opposite relationship to underpricing. This means that for every one unit increase in return on assets, underpricing will decrease by 0.016 units.
3. The regression coefficient of earnings per share (X_2) = -0.012 is negative, indicating that earnings per share has the opposite relationship to underpricing. This means that for every one unit increase in earnings per share, underpricing will decrease by 0.012 units.
4. The regression coefficient for the inflation rate (X_3) = 0.957 means that every one unit increase in the inflation rate will increase underpricing by 0.957 units.
5. The regression coefficient of debt asset to ratio (X_4) = 0.256 means that every one unit increase in debt asset to ratio will increase underpricing by 0.256 unit.

Hypothesis testing

a. Partial Test

Table 5. Partial Significance Test (t-test)

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients B	std. Error	Standardized Coefficients Betas		
(Constant)	3,491	.147		23,699	.000
ROA	-.016	.015	-.167	-1,031	.308
1 EPS	-.012	.006	-.362	-2,222	.031
IT	.957	.375	.325	2,554	.014
DAR	.256	.137	.299	1876	.067

a. Dependent Variable: LN_Y

Source: SPSS Processing Results, 2022

Berdasarkan If the test results are in table 6, it can be concluded:

1. The test results show a significant ROA of 0.308 > 0.05 and a t-value of -1.031 < 2.0106 and a coefficient of -0.016 so it can be concluded that ROA has no effect on underpricing.
2. The test results show a significant EPS of 0.031 < 0.05 and a t-value of -2.222 > 2.0106 and a coefficient of -0.012 so it can be concluded that EPS has a negative effect on underpricing.
3. The test results show a significant inflation rate of 0.014 < 0.05 and a t-value of 2.554 > 2.0106 and a coefficient of 0.957 so it can be concluded that the inflation rate has a positive effect on underpricing.
4. The test results show a significant DAR of 0.067 > 0.05 and a t-value of 1.876 < 2.0106 and a coefficient of 0.256 so it can be concluded that DAR has no effect on underpricing.

b. Simultaneous Test

Table 6 Simultaneous Significance Test Results (F-Test)

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,677	4	1,419	3,886	.008b
	residual	17,530	48	.365		
	Total	23,208	52			

a. Dependent Variable: LN_Y

b. Predictors: (Constant), DAR, TI, ROA, EPS

Source: SPSS Processing Results, 2022

In table 6 it can be seen that the value of F = 3.886 with a significance of 0.008 < 0.05. This shows that all the independent variables, namely: return on assets, earnings per share, inflation rate and debt asset to ratio together influence underpricing.

Determination Coefficient Test

Table 7 Test Results for the Coefficient of Determination

Summary model					
Model	R	R Square	Adjusted R Square	std. Error of the Estimate	Durbin-Watson
1	.495a	.245	.182	.60433	1,306

a. Predictors: (Constant), DAR, TI, ROA, EPS

b. Dependent Variable: LN_Y

Source: SPSS Processing Results, 2022

Based on table 8 above, the Adjusted R square is 0.182 or 18.2%. This means that the variables return on assets (x1), earnings per share (x2), inflation rate (x3) and debt asset to ratio (x4) have an effect on the logarithm of natural underpricing (y) of 24.5%. While the remaining 75.5% is influenced by other variables not examined in this study.

DISCUSSION

1. The Effect of Return On Assets on Underpricing

Based on the results of the tests in table 5 that have been carried out, it can be seen that the variable return on assets (ROA) has no significant effect in a negative direction on stock underpricing in manufacturing companies during initial public offerings on the Indonesian stock exchange in 2017-2021. This is evidenced by the results of the partial test (t-test) obtained by the t value of $-1.031 < 2.0106$ and the significance level shows 0.308 which is greater than the significance level of 0.05 (5%) and the regression coefficient value is -0.167 so that it can be concluded that the ability of the variable return on assets to underpricing is weak. This means accepting H_0 and rejecting H_1 , meaning that return on assets (ROA) has no significant effect on underpricing. The current high or low value of return on assets is not necessarily the same as in the future. Therefore, investors do not only pay attention to the value of return on assets (ROA) as a measure of profitability in a company, but there are still other profitability measures in this study. In other words, a company that has a return on assets (ROA) value does not guarantee that it has the ability to generate large profits either. Therefore, investors do not pay too much attention to the value of return on assets (ROA) presented in the prospectus during the initial public offering, so that the condition of stock prices in the primary market does not increase. The effect of Return On Assets (ROA) on underpricing is caused by investors' distrust of the financial information presented by issuers. Investors assume that the value of return on assets presented in the prospectus is the value of return on assets which contains elements of earnings management. So that the profitability presented in the prospectus may not necessarily reflect the actual performance of the company.

The results of this study do not support the signal theory which explains that if the information provided by the company to outsiders is positive, then the market will respond positively, and vice versa (Wahyudin, 2015). The results of this study are not in line with the research of Ghozali (2011) which states that there is a negative and significant relationship between the variable return on assets and underpricing, meaning that the higher the value of return on assets, the lower the level of underpricing. However, the results of this study are in line with the research put forward by Trisanawati (2011) and Kristiantri (2013) which state that the variable return on assets (ROA) has no effect on underpricing.

The results of this study explain that the high or low value of Return on Assets does not significantly affect stock underpricing during the initial public offering on the Indonesian stock exchange in 2017-2021. This is because, companies that have a return on assets (ROA) value do not guarantee that they also have the ability to generate large profits as well. Therefore, investors do not pay too much attention to the value of return on assets (ROA) presented in the prospectus during the initial public offering, so that the condition of stock prices on the primary market does not increase. So that the return on assets does not have an impact on underpricing.

2. The Effect of Earning Per Share on Underpricing

Based on the test results in table 5 that has been done, it can be seen that the earnings per share (EPS) variable has a negative and significant effect on underpricing of shares in manufacturing companies during the initial public offering on the Indonesian stock exchange in 2017-2021. This is evidenced by the results of the partial test (t-test) obtained by the t value of $-2.222 > 2.0106$ and the significance level shows 0.031 which is smaller than the significance level of 0.05 (5%) and the regression coefficient value is -0.362 so that This means that the ability of the earning per share variable to underpricing is quite strong. This means rejecting H_0 and accepting H_2 , Earning per share (EPS) has a significant effect on underpricing. This is because this ratio gives an idea to investors to get a return on the investment they make. The higher the earning per share (EPS) value, the greater the hope of obtaining profit, so that the initial price set by the issuer will increase or a fair value so

that it will reduce the level of underpricing. The results of this study are supported by research conducted by Sari (2011) which states that the earnings per share variable has a significant effect on underpricing.

The results of this study support the signal theory which reveals that good information about earnings, especially earnings per share, will be taken into consideration by investors in making decisions. Thus information on earnings per share (EPS) can be used as an estimator for investors to analyze profitability by considering the benefits to be received in the future. The results of this study are in line with the research of Ardiansyah (2004) which states that the variable earnings per share (EPS) has a negative effect on underpricing, meaning that the higher the value of earnings per share, the lower the level of underpricing. However, the results of this study do not support the research conducted by Sulistino (2005) which states that Earning Per Share has no significant effect on underpricing.

The results of this study explain that the value of earnings per share greatly influences the underpricing of shares in manufacturing companies during the initial public offering on the Indonesian stock exchange in 2017-2021. The negative direction explains that an increase in earnings per share will reduce the level of underpricing. This is because it gives an idea to investors to get a return on the investment they make. The higher the earning per share (EPS) value, the greater the hope of obtaining profit, so that the initial price set by the issuer will increase or be a fair value so that it will reduce the level of underpricing.

3. Influence of Inflation Rate on Underpricing

Based on the test results in table 5 that has been done, it can be seen that the inflation rate variable has a positive and significant effect on stock underpricing in manufacturing companies during initial public offerings on the Indonesian stock exchange in 2017-2021. This is evidenced by the results of the partial test (t-test) obtained by a calculated t value of $2.554 > 2.0106$ and the significance level shows 0.014 which is smaller than the significance level of 0.05 (5%) and the regression coefficient value is 0.325 so that it can be interpreted as ability inflation rate variable to underpricing is quite strong. This means rejecting H_0 and accepting H_3 , meaning that the inflation rate has a significant effect on underpricing. High inflation will have an impact on reducing people's purchasing power. This makes the public and investors more selective in using their money, including in investing. The increase in the price of goods makes trade quiet and makes the profits earned by the company decrease. The high rate of inflation will affect investors' decisions in investing. Investors will consider this condition of uncertainty to make a decision whether to invest capital in shares of companies that go public. A high inflation rate indicates a high level of uncertainty, so the level of underpricing that will be accepted is high. The high rate of inflation will affect investors' decisions in investing. Investors will consider this condition of uncertainty to make a decision whether to invest capital in shares of companies that go public. A high inflation rate indicates a high level of uncertainty, so the level of underpricing that will be accepted is high. The high rate of inflation will affect investors' decisions in investing. Investors will consider this condition of uncertainty to make a decision whether to invest capital in shares of companies that go public. A high inflation rate indicates a high level of uncertainty, so the level of underpricing that will be accepted is high.

According to signal theory, a decrease in profits earned by companies and a decrease in equity securities will cause demand activity in the capital market to also decrease. Therefore, there will be a risk of not selling the IPO shares. To avoid the high risk of not selling the IPO shares, the underwriter will set a low initial share price, which will give a positive signal to investors. The higher the inflation rate, the lower the price of shares in the primary market that will be determined, so that the higher the risk of companies experiencing underpricing. The results of this study are in line with research conducted by Kemas Nurcholis Thoriq et al (2018) which states that the inflation rate has a positive effect on underpricing, meaning that the higher the inflation rate, the higher the level of underpricing and vice versa. However, the results of this study do not support research conducted by Reni Ayuningtias (2010) which shows that there is no significant effect on underpricing.

Results This research explains that the rise and fall of the inflation rate greatly affects the underpricing of shares in manufacturing companies during the initial public offering (IPO) on the Indonesian stock exchange in 2017-2021. The positive direction explains that an increase in the inflation rate will increase stock underpricing and vice versa. This is because to avoid the high risk of not selling IPO shares, the underwriter will set a low initial share price, which will give a positive signal to investors. The higher the inflation rate, the lower the price of shares in the primary market that will be determined, so that the higher the risk of companies experiencing underpricing.

4. Effect of Debt to Asset Ratio on Underpricing

Based on the test results in table 5 that has been done, it can be seen that the debt to asset ratio (DAR) variable has no significant effect on underpricing of shares in manufacturing companies during initial public offerings on the Indonesian stock exchange in 2017-2021. This is evidenced by the results of the partial test (t-test) obtained by the t value of $1.876 < 2.0106$ and the significance level shows 0.067 which is greater than the significance level of 0.05 (5%) and the regression coefficient value is 0.299 so that it can be interpreted as the ability variable debt to asset ratio to weak underpricing. This means accepting H_0 and rejecting H_4 , meaning that the debt to asset ratio (DAR) has no significant effect on underpricing.. This is possible because in making investment decisions, investors do not only always analyze from a fundamental aspect but also have the potential to analyze from a technical perspective.. It has no effect on the debt to asset ratio (DAR) information on stock underpricing because when a company conducts a public offering, it could be that the company is included in the category of developing company. these costs by way of debt (Rohmawati, 2010). Thus an increase in debt can provide a positive signal to investors notifying that the company is growing, this is then considered by investors that the company will have a good future in the future, thereby reducing the uncertainty faced by investors, so that the level of financial leverage the company doesn't really matter

The results of this study do not support the signal theory which states that a high level of leverage is used by companies to provide signals to investors. Disclosure of information about the level of leverage is intended to provide an overview of the condition of the company. The high leverage presented by the company can indicate that the company has a high risk of underpricing. The results of this study are in line with Trisnawati's research (1996) which states that the debt to asset ratio (DAR) variable has no effect on stock underpricing in manufacturing companies listed on the Indonesian stock exchange for the 2017-2021 period.

The results of this study explain that the rise and fall in the value of the debt to asset ratio does not affect the underpricing of shares in manufacturing companies during the initial public offering (IPO) on the Indonesian stock exchange in 2017-2021. This is because *Debt to Asset Ratio* (DAR) owned by a company shows the company's ability to fulfill its obligations, but increases and decreases in the value of DAR cannot affect the level of underpricing. Companies with high DAR values are not necessarily unable to pay their obligations as long as the company's profits are also high.

CONCLUSION

Return On Assets (ROA) has no significant effect on stock underpricing during the initial public offering on the Indonesian stock exchange in 2017-2021. Earning Per Share (EPS) has a negative effect on stock underpricing during the initial public offering on the Indonesian stock exchange in 2017-2021. The inflation rate has a positive effect on stock underpricing during the initial public offering on the Indonesian stock exchange in 2017-2021. The Debt to Asset Ratio (DAR) has no effect on stock underpricing during the initial public offering on the Indonesian stock exchange in 2017-2021.

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