

Determinants of IPO Underpricing in Indonesia: Liquidity, Profitability and Underwriter Reputation

Analyzing IPO
Underpricing
Influences

Rosa Nur Haliza Safitri
Universitas Telkom; Bandung, Indonesia
E-Mail: rosanurhaliza25@gmail.com

3781

ABSTRACT

Initial public offerings often experience underpricing, where the offering price is lower than the first-day closing price, reflecting investor demand and market dynamics in Indonesia. This study aims to analyze the influence of liquidity, profitability, leverage, company size, company age, and underwriter reputation on underpricing for companies listed on the Indonesia Stock Exchange from 2018 to 2022. The research employed purposive sampling to select 224 companies meeting the criteria of underpricing, complete annual reports, and positive profits, with 193 companies included in the final analysis after data cleaning. Multiple linear regression was used to examine the relationships, supported by descriptive statistics and classical assumption tests. The findings reveal that only profitability, measured by return on assets, significantly influences underpricing, indicating that investors prioritize financial performance. Liquidity, leverage, company size, company age, and underwriter reputation show no significant individual effects, though they collectively impact underpricing. This suggests that companies with strong profitability may experience higher underpricing due to increased investor demand, offering insights for issuers to optimize financial performance before initial public offerings and for investors to focus on profitability metrics.

Submitted:
JULY 2025

Accepted:
SEPTEMBER 2025

Keywords: Indonesia Stock Exchange, IPO Underpricing, Leverage, Profitability, Underwriter Reputation.

ABSTRAK

Penawaran umum perdana sering mengalami underpricing, di mana harga penawaran lebih rendah dari harga penutupan hari pertama, yang mencerminkan permintaan investor dan dinamika pasar di Indonesia. Penelitian ini bertujuan untuk menganalisis pengaruh likuiditas, profitabilitas, leverage, ukuran perusahaan, usia perusahaan, dan reputasi underwriter terhadap underpricing untuk perusahaan yang terdaftar di Bursa Efek Indonesia dari tahun 2018 hingga 2022. Penelitian ini menggunakan purposive sampling untuk memilih 224 perusahaan yang memenuhi kriteria underpricing, laporan tahunan lengkap, dan laba positif, dengan 193 perusahaan dimasukkan dalam analisis akhir setelah pembersihan data. Regresi linier berganda digunakan untuk memeriksa hubungan, didukung oleh statistik deskriptif dan uji asumsi klasik. Temuan ini mengungkapkan bahwa hanya profitabilitas, yang diukur dengan pengembalian aset, secara signifikan memengaruhi underpricing, yang menunjukkan bahwa investor memprioritaskan kinerja keuangan. Likuiditas, leverage, ukuran perusahaan, usia perusahaan, dan reputasi underwriter tidak menunjukkan efek individual yang signifikan, meskipun secara kolektif memengaruhi underpricing. Hal ini menunjukkan bahwa perusahaan dengan profitabilitas yang kuat dapat mengalami underpricing yang lebih tinggi karena meningkatnya permintaan investor, memberikan wawasan bagi emiten untuk mengoptimalkan kinerja keuangan sebelum penawaran umum perdana dan bagi investor untuk berfokus pada metrik profitabilitas.

Kata Kunci: Bursa Efek Indonesia, Underpricing IPO, Leverage, Profitabilitas, Reputasi Underwriter.

JIMKES

Jurnal Ilmiah Manajemen
Kesatuan
Vol. 13 No. 5, 2025
pp. 3781-3792
IBI Kesatuan
ISSN 2337 – 7860
E-ISSN 2721 – 169X
DOI: 10.37641/jimkes.v13i5.3829

INTRODUCTION

A stock exchange is a sector that provides a system and/or facilities, as well as a venue, for matching offers to buy and sell securities from individuals or entities wishing to trade them. The primary purpose of a stock exchange is to organize and provide a system and/or facilities for securities trading. With effective systems and facilities in place, members of the exchange can conduct buy and sell transactions in an orderly, fair, and efficient manner. Furthermore, these systems and facilities allow the stock exchange to supervise its members more effectively (Otoritas Jasa Keuangan, 2023). The Indonesia Stock Exchange (IDX), as a key player in the nation's capital market, facilitates this process by offering a trusted platform for companies to raise capital and for investors to participate in wealth creation, aligning with its vision to become a competitive exchange with world-class credibility (Bursa Efek Indonesia, 2023).

Historically, capital markets existed long before Indonesia's independence. Capital markets, or stock exchanges, have been in place since the Dutch colonial era, specifically in 1912 in Batavia. During this period, the Dutch East Indies government established the capital market to benefit the colonial government or the Vereenigde Oost-Indische Compagnie (VOC) (Indonesia Stock Exchange, 2023). The vision of the IDX is to become a competitive exchange with world-class credibility. Its mission is to create a trusted and reliable financial market infrastructure to ensure an orderly, fair, and efficient market, accessible to all stakeholders through innovative products and services. However, the focus of this study is not on the historical evolution but on the contemporary phenomenon of Initial Public Offerings (IPOs) and their pricing dynamics, particularly underpricing, which remains a critical issue in emerging markets like Indonesia (Pahlevi, 2014).

An Initial Public Offering (IPO) occurs when an issuer sells a portion of its shares to the public. The purpose of the IPO is to raise additional funds to support the issuer's operations and accelerate expansion activities (MNC Sekuritas, 2023). A company that conducts an IPO is considered to have "gone public." The term "go public" refers to a company that offers some of its shares for sale to the public and lists its shares on the Indonesia Stock Exchange. The benefits of going public include obtaining new sources of capital and facilitating acquisitions through the issuance of new. IPOs are particularly significant in Indonesia, where companies seek to leverage the growing capital market to fund expansion amid dynamic economic conditions, such as post-COVID recovery and regulatory changes by the Financial Services Authority (*Otoritas Jasa Keuangan*/OJK) (Darmayanti et al., 2021).

Generally, companies strive to expand their operations in response to shifting market conditions and economic trends. To achieve this, they often require additional financial support. Companies can raise funds in two ways: through internal funds and external funds. Internal funds are derived from retained earnings or internal reserves, while external funds are obtained through debt, debentures (bonds), or the issuance of shares. An alternative method for securing financing is by selling new shares through an IPO (Ariyani & Ismanto, 2019). However, a key challenge in IPOs is underpricing, where shares are offered at a lower price in the primary market compared to their closing price on the first trading day in the secondary market, resulting in potential losses for issuers and windfall gains for investors (Syofian & Sebrina, 2021).

Despite extensive research, inconsistencies persist in understanding the factors influencing IPO underpricing in Indonesia. According to Ariyani and Ismanto (2019), financial factors like liquidity and profitability significantly affect underpricing, while non-financial factors like Company age and underwriter reputation show mixed results. Similarly, Kuncoro and Suryaputri (2019) found that leverage and Company size influence underpricing, but their significance varies across studies. For instance, Bunduwula et al. (2023) reported that profitability (Return on Assets, ROA) consistently impacts underpricing, whereas liquidity (Current Ratio, CR) often lacks significance, highlighting a research gap in the Indonesian context. These discrepancies, combined with the unique economic environment of 2018–2022, marked by post-COVID recovery and increased IPO activity, necessitate further investigation (Darmayanti et al., 2021).

The objective of this study is to analyze the influence of liquidity (Current Ratio), profitability (Return on Assets), leverage (Debt to Equity Ratio, DER), Company size, Company age, and underwriter reputation on IPO underpricing for companies listed on the IDX from 2018 to 2022, aiming to provide empirical evidence that resolves these inconsistencies and offers insights for issuers, investors, and policymakers.

LITERATURE REVIEW & HYPOTHESES DEVELOPMENT

Asymmetric Information and Signaling Theory

Asymmetric information theory refers to a situation where one party holds information that the other party does not possess. In the context of business, company management inherently has more knowledge about the company's operations and financial status than external parties. Management is directly involved in the company's commercial activities, which gives them a significant informational advantage (Kurnianto & Saraswati, 2016). According to Raharja (2014), asymmetric information contributes to IPO underpricing because issuers and underwriters may set lower initial prices to mitigate investor uncertainty, particularly in emerging markets like Indonesia, where information disclosure may be limited. This theory suggests that underpricing serves as a mechanism to attract investors who lack full information about the company's true value, thus reducing the risk of under-subscription.

Signaling theory posits that management communicates signals to external parties, including investors and entrepreneurs, to enhance trust regarding the company's future prospects. The information shared by company management serves as a basis for investor decision-making before investing (Barker et al., 2012; Bashir et al., 2013; Darmayanti et al., 2021). Investors, however, do not react passively to these signals. They process and interpret the provided information to assess whether it is advantageous or harmful. These signals can be both qualitative and quantitative and may either be directly actionable or require further analysis to assist investors in making profit-oriented decisions (Herlianto, 2017). In the Indonesian IPO context, signaling theory is critical as companies use financial metrics like profitability to signal their quality, reducing underpricing by fostering investor confidence (Setya & Fianto, 2020).

Agency theory helps explain the causes of underpricing in IPOs. It also models the processes involved in contracts between two or more parties, each seeking to maximize its own benefit. Agency theory further clarifies the conflicts that arise due to the differing interests of the parties involved. In particular, company policies are often influenced by agency theory, which describes senior managers as representatives with interests that diverge from those of the owners, thus also seeking to maximize their own satisfaction (Jensen & Meckling, 1976). According to Kuncoro and Suryaputri (2019), agency conflicts between issuers (principals) and underwriters (agents) can lead to underpricing as underwriters may prioritize their interests by setting conservative prices to ensure IPO success. In the context of underpricing, agency theory suggests that the underwriter acts as the agent, while the issuer represents the principal. As the capital owner, the principal has access to internal company information, while the agent, who participates in the company's operations, possesses information about the company's overall performance. This dynamic is particularly relevant in Indonesia, where underwriters' expertise and market knowledge influence pricing decisions (Syofian & Sebrina, 2021; Hassan, 2023; Siraj et al., 2024).

Variables Influencing IPO Underpricing

An IPO refers to the process by which an issuer offers or sells new shares to potential investors. Issuers conducting their first share sale or planning an IPO must be listed on the capital market. The goal of an IPO is to secure profitable financing, enhance the company's financial performance, improve growth prospects, and increase shareholder value (Dwijaya & Cahyadi, 2021; Pratiwi et al., 2024). According to Pahlevi (2014), underpricing, measured as the Initial Return (IR), occurs when IPO shares are priced lower in the primary market than their closing price on the first trading day, reflecting

investor demand and market perceptions. The formula for Initial Return is: $IR = (\text{Closing Price} - \text{Opening Price}) / \text{Opening Price}$. This phenomenon is prevalent in Indonesia, where financial and non-financial factors influence the extent of underpricing (Bunduwula et al., 2023).

The liquidity ratio, measured by the Current Ratio (CR), assesses a company's ability to meet short-term obligations (Kasmir, 2019). A higher CR indicates lower financial risk, potentially reducing underpricing by signaling stability (Bunduwula et al., 2023). Return on Assets (ROA) measures profitability, reflecting a company's ability to generate profits from its assets (Suardana et al., 2018; Setya & Fianto, 2020; Choiriyah et al., 2020). According to Octafian et al. (2021), higher ROA signals strong financial performance, reducing underpricing by attracting investor confidence. The Debt to Equity Ratio (DER) evaluates leverage, with higher ratios indicating greater financial risk, which may increase underpricing (Hidayah & Sunarsih, 2021). Company size, often measured by total assets, reduces uncertainty for larger firms, potentially lowering underpricing (Nasuci et al., 2020; Lubis et al., 2024; Oktaviani et al., 2024). According to Ramadana (2018), older firms with longer operational histories face less information asymmetry, reducing underpricing. Underwriter reputation, measured as a dummy variable (1 for top 20 IDX underwriters, zero otherwise), influences pricing accuracy (Jayanarendra & Wiagustini, 2019). However, Solida et al. (2020) found mixed results on the impact of underwriter reputation's impact in Indonesia, highlighting the need for further study.

H1: CR, ROA, DER, company size, company age, and underwriter simultaneously have a significant effect on IPO underpricing.

H2: CR has a significant effect on IPO underpricing.

H3: ROA has a significant effect on IPO underpricing.

H4: DER has a significant effect on IPO underpricing.

H5: Company size has a significant effect on IPO underpricing.

H6: Company age has a significant effect on IPO underpricing.

H7: Underwriter has a significant effect on IPO underpricing.

The research framework integrates the theoretical foundations and variables to explain IPO underpricing. According to Yuliani et al. (2019), financial and non-financial factors, grounded in asymmetric information, signaling, and agency theories, collectively influence underpricing in IPOs. Asymmetric information leads to underpricing as issuers and underwriters set conservative prices to attract investors (Raharja, 2014; Haeberle, 2019; Lee, 2021). Signaling theory suggests that companies use metrics like ROA to signal quality, reducing underpricing (Darmayanti et al., 2021). Agency theory highlights conflicts between issuers and underwriters, which may result in lower IPO prices to ensure market absorption (Kuncoro & Suryaputri, 2019). This framework is particularly relevant in Indonesia, where market dynamics and regulatory oversight by the OJK shape IPO outcomes (Sari & Azib, 2021).

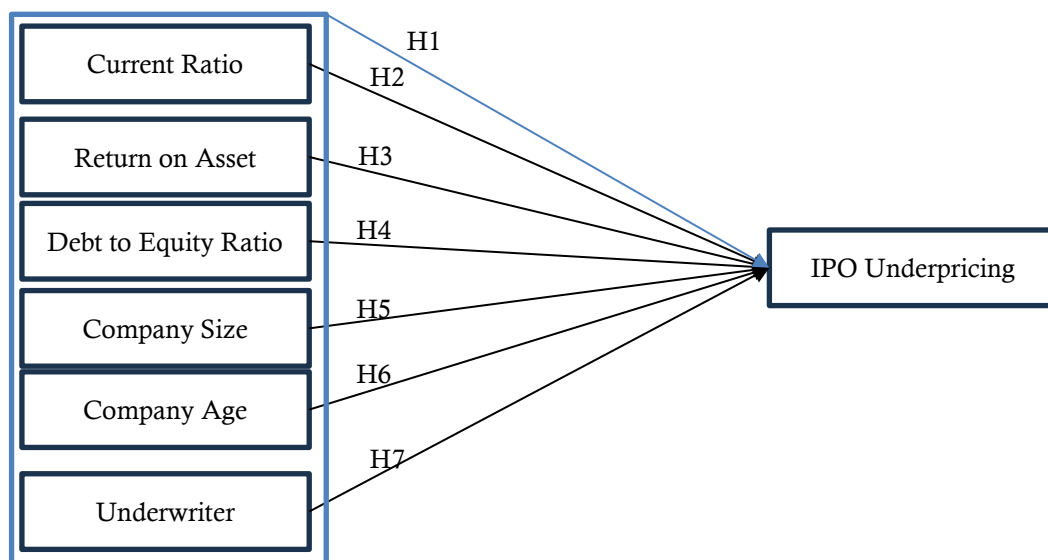


Figure 1. Research Framework

Figure 1 posits that CR, ROA, DER, company size, company age, and underwriter reputation directly influence underpricing. A higher CR signals lower financial risk, potentially reducing underpricing (Bunduwula et al., 2023). A high ROA indicates strong profitability, attracting investors and reducing underpricing (Octafian et al., 2021). Conversely, high DER may increase underpricing due to perceived financial risk (Hidayah & Sunarsih, 2021). Larger and older companies face less uncertainty, reducing underpricing (Ramadana, 2018). Reputable underwriters provide accurate pricing, minimizing underpricing (Jayanarendra & Wiagustini, 2019). Figure 1 illustrates these relationships, showing how financial and non-financial variables, mediated by theoretical constructs, impact underpricing. This framework is supported by Lusiawati et al. (2022), who emphasize the combined effect of these variables in emerging markets like Indonesia.

RESEARCH METHOD

This study sampled all companies that conducted Initial Public Offerings (IPOs) on the IDX over a five-year period from 2018 to 2022, resulting in a total population of 270 companies. To ensure data relevance, purposive sampling was applied with specific inclusion criteria: companies must have experienced underpricing, published complete annual reports, and reported positive profits during the IPO year. From this population, 224 companies met the inclusion criteria, while 46 were excluded due to overpricing, normal pricing, incomplete annual reports, or negative profits. Specifically, exclusions included 3 companies in 2018, 4 in 2019, 0 in 2020, 8 in 2021, and 17 in 2022 for overpricing or normal pricing; 4 in 2018, 4 in 2019, 4 in 2020, 1 in 2021, and 0 in 2022 for incomplete reports; and 9 in 2018, 8 in 2019, 7 in 2020, 7 in 2021, and 1 in 2022 for negative profits. This rigorous selection ensured a robust sample, though potential bias from purposive sampling was mitigated by adhering to strict, predefined criteria.

The dependent variable, IPO underpricing, was measured as the IR, calculated as the difference between the closing price on the first trading day in the secondary market and the offering price, divided by the offering price. Independent variables included liquidity (Current Ratio, CR), profitability (Return on Assets, ROA), leverage (Debt to Equity Ratio, DER), company size (natural logarithm of total assets), company age (years from founding to IPO), and underwriter reputation (dummy variable: 1 for top 20 IDX underwriters, 0 otherwise). Multiple linear regression was chosen as the analytical method due to its suitability for examining the linear relationships between these variables and IPO underpricing, ensuring robust statistical analysis (Pahlevi, 2014). Data were sourced from IDX Fact Books and company annual reports, ensuring reliability and consistency.

Data quality was assessed through descriptive statistical analysis, providing minimum, maximum, mean, and standard deviation values for all variables. To ensure the validity of the regression model, classical assumption tests were conducted, including normality (using the Central Limit Theorem for a sample size exceeding 30), multicollinearity (tolerance > 0.100 and VIF < 10.00), autocorrelation (Durbin-Watson test), and heteroscedasticity (Glejser test and scatterplot). These tests confirmed that the model was free from violations, ensuring reliable results. However, potential outliers, such as extreme values in CR or DER, were examined and retained if they reflected valid market conditions, enhancing the study's robustness. The analysis was performed using SPSS, providing a comprehensive evaluation of the factors influencing IPO underpricing.

RESULTS

This study examines the influence of liquidity (Current Ratio, CR), profitability (Return on Assets, ROA), leverage (Debt to Equity Ratio, DER), company size, company age, and underwriter reputation on IPO underpricing for companies listed on the IDX from 2018 to 2022. Using multiple linear regression, the analysis was conducted on a sample of 224 companies that met the inclusion criteria, with 193 companies deemed valid after data cleaning to remove incomplete or inconsistent records. The results, derived from SPSS processing, include descriptive statistics, classical assumption tests, regression analysis, and hypothesis testing, presented through tables and figures to ensure clarity. The findings provide insights into the factors driving underpricing in the Indonesian IPO market.

Table 1 Results of Descriptive Statistical Tests

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Initial Return	193	0.005	5.237	0.71363	0.884334
Current Ratio	193	0.006	314.286	3.58968	22.626736
Return On Asset	193	0.001	0.606	0.08367	0.099182
Debt to Equity Ratio	193	0.013	56.405	2.27048	4.824485
Underwriter	193	0	1	0.32	0.466
Company Age	193	1	74	16.98	13.270
Company Size	193	13.072	29.931	24.45018	3.408033
Valid N (listwise)	193				

Data quality testing in this case utilizes descriptive statistical analysis, which involves describing the distribution of data or samples. The sample consisted of 193 companies that experienced underpricing during their IPOs on the IDX from 2018 to 2022, after excluding 31 companies with incomplete data or inconsistencies, ensuring a robust dataset. The dependent variable was IPO underpricing, measured as the IR, while independent variables included CR, ROA, DER, underwriter reputation, company age, and company size. Table 1 displays the minimum, maximum, mean, and standard deviation for each variable. The Initial Return ranged from 0.005 to 5.237, with a mean of 0.71363 and a standard deviation of 0.884334, indicating significant variability in IPO underpricing levels. The CR showed a wide range (0.006 to 314.286, mean 3.58968), suggesting diverse liquidity profiles, with potential outliers at the upper end. ROA varied from 0.001 to 0.606 (mean 0.08367), reflecting differing profitability levels. DER ranged from 0.013 to 56.405 (mean 2.27048), indicating varied leverage structures, with high values suggesting potential outliers. The underwriter reputation, a dummy variable, had a mean of 0.32, indicating that 32% of IPOs involved top-tier underwriters. Company age ranged from 1 to 74 years (mean 16.98), and company size, measured as the logarithm of total assets, ranged from 13.072 to 29.931 (mean 24.45018).

According to Ghozali (2021), the normality test is conducted to determine whether the variables or residuals in a regression model follow a normal distribution. It is well known that the t- and F-tests assume that the residual values are normally distributed. If this assumption is violated, the statistical tests become invalid, especially for small sample sizes. The model used to assess normality is the Central Limit Theorem (CLT). Since the

sample size of 193 companies exceeds 30, the CLT ensures that the data can be considered normally distributed, satisfying this assumption for regression analysis. The normality test results confirmed that residuals followed a normal distribution, supporting the validity of subsequent statistical tests. This assumption is critical for ensuring the reliability of the t- and F-tests used in hypothesis testing, as discussed later in this section.

Table 2. Multicollinearity Test Results

Model	Tolerance	VIF
Current Ratio	0.994	1.006
Return On Asset	0.979	1.021
Debt to Equity Ratio	0.986	1.014
Underwriter	0.974	1.027
Company Age	0.986	1.014
Company Size	0.978	1.022

The purpose of the multicollinearity test is to determine whether there is a relationship between the dependent and independent variables. According to Ghozali (2021), multicollinearity is not considered a problem if the tolerance value is greater than 0.100 and the Variance Inflation Factor (VIF) is less than 10.00. Table 2 shows that all variables met these criteria: CR (tolerance 0.994, VIF 1.006), ROA (0.979, 1.021), DER (0.986, 1.014), underwriter (0.974, 1.027), company age (0.986, 1.014), and company size (0.978, 1.022). These results indicate no multicollinearity issues, ensuring that the independent variables are not overly correlated, which could otherwise bias the regression results. The absence of multicollinearity strengthens the model's ability to isolate the individual effects of each variable on IPO underpricing.

Table 3. Autocorrelation Test Results

Analysis	Value
R	0.612 ^a
R Square	0.374
Adjusted R Square	0.351
Std. Error of the Estimate	0.714452
Durbin-Watson	2.136

As shown in Table 3, the Durbin-Watson (DW) value is 2.136. The DW value was compared to the dU table value of 1.8288, using the equation ($dU < DW < 4-dU$), resulting in $1.8288 < 2.136 < 2.1712$. This confirms no autocorrelation problem, indicating that the residuals are independent across observations. The absence of autocorrelation ensures that the regression model's predictions are not influenced by systematic patterns in the data, enhancing the reliability of the results. The test supports the robustness of the model, as autocorrelation could otherwise lead to inefficient estimates and unreliable hypothesis testing outcomes.

Table 4. Heteroscedasticity Test Results

Model	Unstd. Coef. B	Std. Error	Std. Coef. Beta	t	Sig.
(Constant)	0.283	0.355		0.798	0.426
Current Ratio	-0.001	0.002	-0.049	-0.724	0.47
Return On Asset	2.242	0.468	0.329	4.788	0
Debt to Equity Ratio	-0.006	0.01	-0.042	-0.615	0.539
Underwriter	-0.213	0.1	-0.147	-2.132	0.034
Company Age	-0.005	0.003	-0.1	-1.458	0.146
Company Size	0.009	0.014	0.045	0.651	0.516

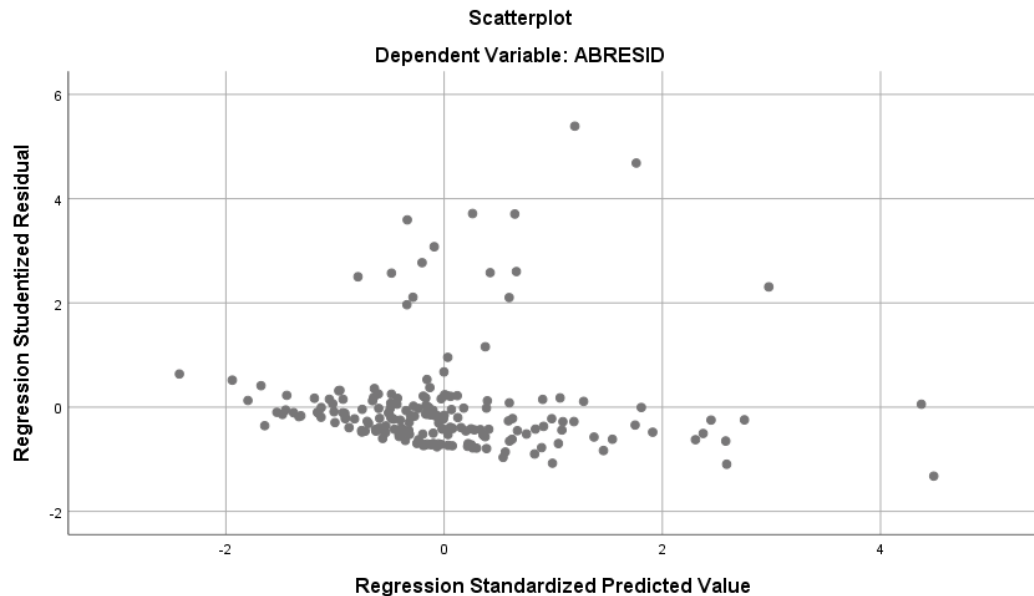


Figure 2. Scatterplot Graph of Heteroscedasticity Test

The Heteroscedasticity Test aims to determine whether there is inequality in the residual variance of one observation compared to another observation in this regression model. This is achieved using two methods: the Glejser test and a scatter plot. Table 4 shows that the significance values for CR (0.470), DER (0.539), underwriter (0.034), company age (0.146), and company size (0.516) are all greater than 0.05, except for ROA (0.000), indicating no widespread heteroscedasticity problem. However, the significant ROA result suggests potential heteroscedasticity, which was further investigated using Figure 2. The scatterplot shows points below the 0 mark on the Y-axis, confirming that the residual distribution is relatively homogeneous, and thus, the regression model does not exhibit significant heteroscedasticity. This finding ensures that the variance of errors is consistent, supporting the model's validity for hypothesis testing.

Table 5. Hypothesis Test Results

Model	Unstd. Coef. B	Std. Error	Std. Coef. Beta	t	Sig.
(Constant)	0.414	0.482		0.859	0.392
Current Ratio	0.003	0.003	0.066	0.939	0.349
Return On Asset	1.770	0.636	0.199	2.783	0.006
Debt to Equity Ratio	-0.007	0.013	-0.038	-0.539	0.591
Underwriter	-0.250	0.136	-0.132	-1.841	0.067
Company Age	-0.006	0.005	-0.092	-1.288	0.199
Company Size	0.014	0.019	0.054	0.753	0.453

Based on the analysis results in Table 5, the regression equation is: $Y = 0.414 + 0.003 (CR) + 1.770 (ROA) - 0.007 (DER) - 0.250 (UND) - 0.006 (Age) + 0.014 (Size) + e$. The coefficients indicate the direction and magnitude of each variable's effect on IPO underpricing. CR has a positive but insignificant effect ($t = 0.939$, $p = 0.349$), suggesting no significant impact. ROA shows a significant positive effect ($t = 2.783$, $p = 0.006$), indicating that higher profitability increases IPO underpricing. DER has a negative but insignificant effect ($t = -0.539$, $p = 0.591$), while underwriter reputation ($t = -1.841$, $p = 0.067$) and company age ($t = -1.288$, $p = 0.199$) also show negative but insignificant effects. Company size has a positive but insignificant effect ($t = 0.753$, $p = 0.453$). These results suggest that only ROA significantly influences IPO underpricing, highlighting its importance in the Indonesian IPO market.

Table 6. F Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.999	6	1.833	2.450	0.026 ^b
Residual	139.154	186	0.748		
Total	150.153	192			

Table 6 indicates an F-count of 2.450, compared to an F-table value of 2.26. Since the F-count exceeds the F-table and the significance value (0.026) is less than 0.05, the independent variables collectively have a significant simultaneous effect on IPO underpricing. This finding confirms that the model, as a whole, is statistically significant in explaining IPO underpricing, supporting the joint influence of the tested variables. The F-test results validate the use of multiple linear regression for this study, ensuring that the combined effect of the variables is meaningful.

The partial test (t-test) compares t-count values with the t-table value of 1.653 at a significance level (α) = 5%, with degrees of freedom $df = (n-k-1)$. For H1 (simultaneous effect), the F-test results ($F = 2.450$, $p = 0.026$) confirm a significant joint effect, accepting H1. For H2, the t-count (0.939) is less than 1.653, and $p = 0.349 > 0.05$, so H2 is rejected. For H3, the t-count (2.783) exceeds 1.653, and $p = 0.006 < 0.05$, accepting H3. For H4, the t-count (-0.539) is greater than -1.653, and $p = 0.591 > 0.05$, accepting H4 as DER has a negative but insignificant effect. For H5, the t-count (0.753) is less than 1.653, and $p = 0.453 > 0.05$, rejecting H5. For H6, the t-count (-1.288) is greater than -1.653, and $p = 0.199 > 0.05$, accepting H6. For H7, the t-count (-1.841) is less than -1.653, and $p = 0.067 > 0.05$, rejecting H7. These results, summarized in Table 5, indicate that only profitability significantly drives IPO underpricing, while other variables have limited or no significant impact.

DISCUSSION

The results of this study indicate that only profitability, measured by ROA, significantly influences IPO underpricing, while liquidity (Current Ratio, CR), leverage (Debt to Equity Ratio, DER), company size, company age, and underwriter reputation do not show significant effects. According to Bunduwula et al. (2023), ROA's significance reflects investor preference for profitability as a signal of company quality in the Indonesian IPO market, aligning with signaling theory. The positive effect of ROA on IPO underpricing, with a t-value of 2.783 and p-value of 0.006, suggests that companies with higher profitability experience greater IPO underpricing. This finding supports signaling theory, as high ROA signals strong financial performance, attracting investor demand and driving up first-day trading prices (Darmayanti et al., 2021). However, this result contrasts with Octafian et al. (2021), who found that high ROA typically reduces IPO underpricing by lowering investor uncertainty, indicating a context-specific dynamic in Indonesia where investor enthusiasm for profitable firms may amplify price surges.

The insignificant effect of CR, with a t-value of 0.939 and a p-value of 0.349, suggests that liquidity is not a primary concern for investors in the Indonesian IPO market. According to Rina et al. (2022), investors may prioritize long-term growth potential over short-term liquidity, especially in emerging markets where market sentiment drives IPO pricing. This finding aligns with the notion that investors focus on metrics signaling future profitability rather than immediate financial stability, particularly in a market like Indonesia with high growth expectations (Bunduwula et al., 2023). The lack of CR's influence may also stem from the diverse liquidity profiles of IPO firms, as evidenced by the wide CR range (0.006 to 314.286), which could dilute its predictive power in regression analysis.

Similarly, DER's insignificant effect ($t = -0.539$, $p = 0.591$) indicates that leverage does not significantly drive IPO underpricing. According to Hidayah and Sunarsih (2021), high leverage may not deter investors in Indonesia if growth prospects are strong, as IPO firms often use debt to fuel expansion. This result contrasts with studies suggesting that high DER increases IPO underpricing due to perceived financial risk, highlighting the unique

investor behavior in Indonesia's capital market. The wide range of DER values (0.013 to 56.405) suggests that extreme leverage levels in some firms may reflect industry-specific norms, reducing their overall impact on IPO underpricing.

Company size, company age, and underwriter reputation also showed insignificant effects, with p-values of 0.453, 0.199, and 0.067, respectively. According to Lusiawati et al. (2022), the lack of significance for company size and age may reflect investor focus on financial performance over non-financial factors in Indonesia's IPO market. Larger or older firms do not necessarily reduce IPO underpricing, as investors may perceive newer firms as having greater growth potential. Similarly, Sari and Wijaya (2023) note that the underwriter's reputation limited impact could stem from the dominance of retail investors in Indonesia, who rely less on underwriter credentials and more on market hype. This contrasts with studies in developed markets where reputable underwriters significantly reduce IPO underpricing by enhancing pricing accuracy (Jayanarendra & Wiagustini, 2019).

The simultaneous effect of all variables, confirmed by an F-test value of 2.450 and p-value of 0.026, indicates that the model collectively explains IPO underpricing, though only ROA drives significant individual effects. This finding underscores the importance of profitability in shaping investor perceptions in Indonesia's IPO market, where economic recovery post-COVID-19 and increased IPO activity from 2018 to 2022 amplified investor focus on financial performance (Darmayanti et al., 2021). According to Mahatidana and Yunita (2017), the moderate R^2 of 0.351 suggests that other factors, such as market sentiment or regulatory changes by the OJK, may also influence IPO underpricing, warranting further investigation.

These findings have practical implications for issuers, investors, and policymakers in Indonesia's capital market. Issuers should prioritize enhancing ROA before IPOs to signal quality, potentially accepting higher IPO underpricing as a trade-off for strong investor demand, as supported by Lusiawati et al. (2022). Investors can focus on profitability metrics when evaluating IPOs, recognizing that liquidity and leverage may be less critical in this market. Policymakers, such as the OJK, could encourage better disclosure of financial performance to reduce information asymmetry, aligning with signaling theory. These strategies can optimize IPO outcomes, balancing issuer benefits with investor returns in Indonesia's dynamic market.

CONCLUSION

This study concludes that among the tested variables, only profitability, measured by Return on Assets (ROA), significantly influences IPO underpricing for companies listed on the Indonesia Stock Exchange from 2018 to 2022. The significant positive effect of ROA suggests that investors in Indonesia prioritize profitability as a key indicator of company quality, driving higher first-day trading prices and resulting in greater IPO underpricing. Other variables, including liquidity (Current Ratio), leverage (Debt to Equity Ratio), company size, company age, and underwriter reputation, do not individually show significant effects. However, the simultaneous analysis confirms that these variables collectively impact IPO underpricing, indicating a complex interplay of financial and non-financial factors in shaping IPO outcomes in Indonesia's capital market.

The findings offer practical implications for stakeholders in Indonesia's IPO market. Issuers should focus on improving profitability before launching IPOs to attract investor interest, even if it leads to higher IPO underpricing, as this can enhance long-term market perception. Investors can prioritize ROA when evaluating IPO opportunities, recognizing its dominant role over liquidity or leverage. However, this study has limitations, including its focus on a five-year period (2018–2022), which may not capture longer-term trends, and the use of purposive sampling, which could introduce selection bias. Future research should explore additional variables, such as market sentiment or macroeconomic conditions, and extend the study period to enhance generalizability. Additionally,

examining the role of regulatory changes by the OJK could provide deeper insights into IPO underpricing dynamics.

REFERENCES

- [1] Ariyani, & Ismanto. (2019). Analisis pengaruh leverage, profitabilitas, likuiditas saham, dan reputasi underwriter terhadap underpricing IPO. *Jurnal Akuntansi*, 4(1), 45–56.
- [2] Barker, R., Hendry, J., Roberts, J., & Sanderson, P. (2012). Can company-fund manager meetings convey informational benefits? Exploring the rationalisation of equity investment decision making by UK fund managers. *Accounting, Organizations and Society*, 37(4), 207–222.
- [3] Bashir, T., Javed, A., Butt, A. A., Azam, N., Tanveer, A., & Ansar, I. (2013). An assessment study on the factors influencing the individual investor decision making behavior. *IOSR Journal of Business and Management*, 9(5), 37–44.
- [4] Bunduwula, I. A., Hajar, I., & Putera, A. (2023). Neraca analisis faktor-faktor yang mempengaruhi underpricing pada saat Initial Public Offering (IPO) (Studi kasus perusahaan yang melakukan Initial Public Offering di Bursa Efek Indonesia pada tahun 2018-2022). *Neraca*, 366(2), 1–15.
- [5] Choiriyah, C., Fatimah, F., Agustina, S., & Ulfa, U. (2020). The effect of return on assets, return on equity, net profit margin, earning per share, and operating profit margin on stock prices of banking companies in Indonesia Stock Exchange. *International Journal of Finance Research*, 1(2), 103–123.
- [6] Darmayanti, N., Mildawati, T., & Dwi Susilowati, F. (2021). Dampak COVID-19 terhadap perubahan harga dan return saham. *Ekuitas: Jurnal Ekonomi dan Keuangan*, 4(4), 462–480.
- [7] Dwijaya, N., & Cahyadi, H. (2021). Faktor-faktor yang mempengaruhi tingkat underpricing: Studi empiris perusahaan keluarga IPO di BEI. *Jurnal Manajemen Bisnis*, 12(2), 78–90.
- [8] Ghozali, I. (2021). *Aplikasi analisis multivariate dengan program IBM SPSS 26*. Semarang: Badan Penerbit Universitas Diponegoro.
- [9] Haeberle, K. S. (2019). Information asymmetry and the protection of ordinary investors. *UC Davis Law Review*, 53(1), 145–200.
- [10] Hassan, S. (2023). Assessment of financial performance and competitive dynamics of insurance companies on the Indonesian Stock Exchange. *Indonesia Accounting Research Journal*, 11(2), 11–127.
- [11] Herlianto, D. (2017). *Teori portofolio dan analisis investasi*. Jakarta, Indonesia: Salemba Empat.
- [12] Hidayah, L., & Sunarsih, S. (2021). Comparative analysis of factors affecting the underpricing level of sharia and non-sharia stocks at the time of Initial Public Offering. *Journal of Islamic Economic Scholar*, 2(2), 123–135.
- [13] Indonesia Stock Exchange. (2023). Visi dan misi Bursa Efek Indonesia. Retrieved on March 6, 2025, <https://www.idx.co.id>
- [14] Jayanarendra, A. A. G., & Wiagustini, N. L. P. (2019). Pengaruh reputasi underwriter, ukuran perusahaan, dan return on equity terhadap underpricing saat IPO di BEI. *E-Jurnal Manajemen Universitas Udayana*, 8(8), 4731–4755.
- [15] Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. In *Foundations of organizational strategy* (pp. 305–360). Cambridge, MA: Harvard University Press.
- [16] Kasmir. (2019). *Analisis laporan keuangan (Edisi Revisi)*. Jakarta, Indonesia: Rajawali Pers.
- [17] Kuncoro, H. B., & Suryaputri, R. V. (2019). Analisis faktor-faktor yang mempengaruhi underpricing saham pada penawaran umum perdana di BEI periode 2015-2017. *Jurnal Akuntansi Trisakti*, 6(2), 263–284.
- [18] Kurnianto, S., & Saraswati, E. (2016). Luas pengungkapan dan dampaknya terhadap asimetri informasi perusahaan sektor keuangan. *Jurnal Akuntansi Multiparadigma*, 7(4), 567–578.
- [19] Lee, J. (2021). Information asymmetry, mispricing, and security issuance. *The Journal of Finance*, 76(6), 3401–3446.
- [20] Lubis, B. P., Riyadi, R., & Suharmiati, S. (2024). Analysis influence management capital work, company size and capital structure to profitability. *Jurnal Ilmiah Akuntansi Kesatuan*, 12(2), 303–312.
- [21] Lusiawati, L., Novius, A., Elisanovi, E., & Martias, D. (2022). Analisis faktor-faktor yang mempengaruhi tingkat underpricing saham. *Indonesian Journal of Business Economics and Management*, 2(1), 9–15.
- [22] Mahatidana, M. R. A., & Yunita, I. (2017). An examination of factors influencing underpricing of IPOs in financial and manufacturing industries on the Indonesia Stock Exchange over the years.
- [23] MNC Sekuritas. (2023). Pengertian Initial Public Offering (IPO). Retrieved on March 6, 2025, from <https://www.mncsekuritas.id>

- [24] Nasuci, K. P., Sari, R., & Sari, R. H. D. P. (2020). The effect of audit tenure, company size, audit firm's reputation on audit quality. *Jurnal Ilmiah Akuntansi Kesatuan*, 8(3), 393–402.
- [25] Octafian, M., Wijayanti, A., & Masitoh, E. (2021). Pengaruh DER, ROA, NPM dan EPS terhadap underpricing. *Jurnal Dinamika Ekonomi Pembangunan*, 4(1), 390–396.
- [26] Oktaviani, D., Satriansyah, A., & Widianingrum, E. (2024). The effect of profitability, company size and leverage on company value. *Jurnal Ilmiah Akuntansi Kesatuan*, 12(2), 207–218.
- [27] Otoritas Jasa Keuangan. (2023). Pengertian pasar modal. Retrieved on March 6, 2025, from <https://sikapiuangmu.ojk.go.id>
- [28] Pahlevi, R. W. (2014). Analisis faktor-faktor yang mempengaruhi underpricing saham pada penawaran saham perdana di Bursa Efek Indonesia. *Jurnal Ekonomi dan Bisnis*, 9(2), 123–135.
- [29] Pratiwi, D. E., Nugroho, I. C., Susanto, A. S., & Muharam, H. (2024). Long-term performance of green company IPOs and underpricing factors for Gold Indonesia 2045. *Research Horizon*, 4(4), 101–108.
- [30] Raharja, B. S. (2014). Underpricing at the Initial Public Offering: Test of asymmetry information theory. *Jurnal Manajemen dan Kewirausahaan*, 16(2), 89–98.
- [31] Ramadana, S. W. (2018). Beberapa faktor yang mempengaruhi underpricing saham pada perusahaan yang melakukan Initial Public Offering (IPO) di Bursa Efek Indonesia. *Jurnal Riset Inspirasi Manajemen dan Kewirausahaan*, 2(2), 45–56.
- [32] Rina, N. R. A., Hermansyah, I., & Noor Wahid, N. (2022). Pengaruh Current Ratio, Return on Asset dan nilai tukar terhadap underpricing. *Jurnal Akuntansi dan Keuangan*, 7(1), 34–45.
- [33] Sari, D. K., & Wijaya, A. L. (2023). Pengaruh variabel keuangan dan non keuangan terhadap underpricing saham perusahaan yang melakukan Initial Public Offering (IPO) di Bursa Efek Indonesia (BEI) tahun 2020-2022. *Jurnal Manajemen dan Bisnis*, 14(1), 67–78.
- [34] Sari, R. I., & Azib. (2021). Pengaruh informasi keuangan dan informasi non keuangan terhadap underpricing pada perusahaan yang melakukan Initial Public Offering (IPO). *Prosiding Manajemen*, 5(2), 112–123.
- [35] Setya, V. A., & Fianto, B. A. (2020). Pengaruh variabel keuangan dan non-keuangan terhadap underpricing saham pada perusahaan jasa saat Initial Public Offering (IPO) di Bursa Efek Indonesia (BEI): Studi kasus pada saham syariah dan non syariah periode 2012-2017. *Jurnal Ekonomi Syariah Teori dan Terapan*, 7(5), 886–900.
- [36] Siraj, M. L., Syarifuddin, S., Tadampali, A. C. T., Zainal, H., & Mahmud, R. (2024). Understanding financial risk dynamics: Systematic literature review inquiry into credit, market, and operational risks: (A long-life lesson from global perspective to Indonesia market financial strategy). *Atestasi: Jurnal Ilmiah Akuntansi*, 7(2), 1186–1213.
- [37] Solida, A., Luthan, E., & Sofriyeni, N. (2020). Pengaruh pengungkapan intellectual capital, reputasi underwriter, financial leverage, umur dan size perusahaan terhadap underpricing saham IPO di Bursa Efek Indonesia periode 2014-2018. *Ekonomis: Journal of Economics and Business*, 4(1), 135–145.
- [38] Suardana, I. B. R., Astawa, I. N. D., & Martini, L. K. B. (2018). Influential factors towards return on assets and profit change: Study on all BPR in Bali Province. *International Journal of Social Sciences and Humanities*, 2(1), 105–116.
- [39] Syofian, A., & Sebrina, N. (2021). Pengaruh reputasi underwriter, reputasi auditor, dan ukuran perusahaan terhadap underpricing perusahaan yang melakukan Initial Public Offering (IPO) di BEI. *JEA Jurnal Eksplorasi Akuntansi*, 3(1), 56–67.
- [40] System: the period of 2011-2016. *International Journal of Scientific and Research Publications*, 7(11), 457–465.
- [41] Yuliani, Y., Wahyuni, D., & Bakar, S. W. (2019). The influence of financial and non-financial information to underpricing of stock prices in companies that conduct Initial Public Offering. *Ekspektra: Jurnal Bisnis dan Manajemen*, 3(1), 39–51.