


The Influence of Return on Asset, Firm Size, and Earnings Per Share on Underpricing With Debt to Equity Ratio as a Moderating Variable in Companies That Conduct an IPO on the Indonesian Stock Exchange

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Article Info	ABSTRACT
Keywords: Return on Assets, Firm Size, Earning Per Share, Debt to Equity Ratio, Underpricing	The purpose of this study is to determine the effect of financial information on underpricing in companies that conduct Initial Public Offering. The variables used in this study include Return on Assets (ROA), Firm Size (FS), Earning Per Share (EPS), and Debt to Equity Ratio (DER). The population studied involved companies that conducted IPOs and were listed on the Indonesia Stock Exchange in 2018-2022. Sampling was carried out using purposive sampling method, with a total of 195 companies as samples. Data analysis was carried out through multiple linear regression and MRA tests using Eviews 10 software. The results showed that Return On Asset and Firm Size have a negative effect on Underpricing. While Earning Per Share has a positive effect on Underpricing. In addition, Debt To Equity Ratio can moderate the effect of Return On Asset and Earning Per Share on Underpricing, but cannot moderate the effect of Firm Size on Underpricing. Simultaneous test results show that the variables Return On Asset, Firm Size, and Earning Per Share simultaneously affect Underpricing.
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INTRODUCTION

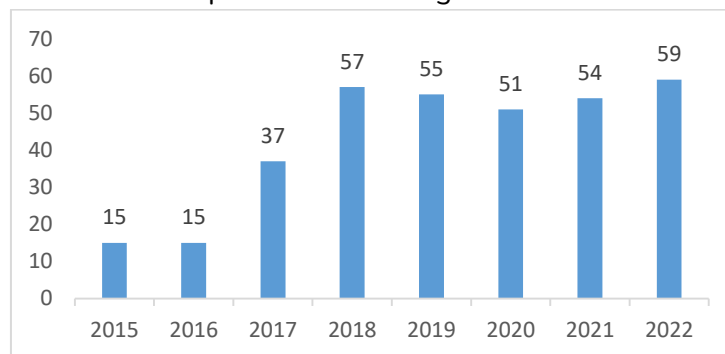
As the Indonesian economy continues to grow amid the global economic slowdown, domestic companies must continue to innovate to develop and maintain their business. In developing a business, a company certainly requires a lot of capital. Companies can obtain funding sources from within the company or outside the company. External sources of funds from outside the company can be obtained by making loans to third parties or by going public.

Companies usually choose to go public because they are looking for funding sources to develop their business by selling their shares for the first time when they are doing an Initial Public Offering (IPO) in the primary market. IPO is a situation where a company offers

its initial shares to the public in accordance with the provisions stipulated in the Law and implementing regulations.

From Figure 1, it can be seen that companies conducting IPOs from the period 2015-2022 continue to increase every year. In 2018 the companies that conducted IPOs penetrated more than 50 companies. This marks a new chapter in history and is a record for the most stock listings on the IDX in a year since privatization in 1992. In addition, quoting from the ASEAN National Secretariat, at the Annual General Meeting of Shareholders (AGM) stated that in 2018 it became the most exchanges that recorded IPOs in the ASEAN region.

Figure 1. Number of Companies Conducting IPOs for the 2015-2022 Period



Source: www.idx.com (Processed Data), 2023

During the IPO process, the price of shares offered in the primary market is determined by the issuer and the underwriter. However, there are often differences in pricing between issuers and underwriters. This difference in information knowledge can cause the share price to be unreasonable, so there will be two possibilities that occur, namely overpricing or underpricing. Issuers will usually set a high price to get maximum funds. Meanwhile, underwriters who know more about information in the capital market will set a low price with the aim that investors are interested in buying these shares and reducing the risks they bear. This difference in information knowledge can result in stock prices being unreasonable, so there will be several possibilities that occur, namely overpricing, underpricing, and truepricing.

Of these phenomena, underpricing is a phenomenon that often occurs when companies conduct IPOs. Underpricing is a phenomenon that occurs when the offering price in the primary market is lower than the closing price of the shares on the first day in the secondary market. There are different impacts felt by issuers and investors with the occurrence of underpricing. For issuers, underpricing is detrimental to the company because they have not received maximum funds. But on the other hand, underpricing is beneficial for investors by getting an initial return, which is the profit obtained from the difference between the IPO price and the selling price of shares on the first day on the secondary market.

Based on table 1, it can be seen that there are 276 companies that conducted IPOs from 2018 to 2022. Overall underpricing is a phenomenon that often occurs when companies conduct IPOs. It can be seen that more than 80% of IPO shares experience underpricing every year, even the percentage in 2020 reached 100%. This shows that the company has not been able to obtain maximum funds to run its business operations from the IPO process.

Table 1. IPO Development and Underpricing Phenomenon for the Period 2018-2022

Year	Company	Underpricing	Average		
			Underpricing (%)	Overpricing	Truepricing
2018	57	54	52,57	3	0
2019	55	51	53,81	3	1
2020	51	51	38,59	0	0
2021	54	45	24,31	8	0
2022	59	47	23,52	10	2

Source: www.idx.com (Processed Data), 2023

The occurrence of underpricing is the main cause because there is asymmetry or imbalance of information when the company conducts an IPO in the primary market. This information asymmetry occurs between the issuer and the underwriter. To minimize the occurrence of information asymmetry, the company can publish a prospectus. The company prospectus contains a variety of information, including financial and non-financial, which can provide insight into factors that may affect the level of stock underpricing. There are several important indicators of financial information that can affect underpricing when a company conducts an IPO. Some researchers use financial information such as return on assets, firm size, earnings per share, and debt to equity ratio as variables that can affect underpricing.

Return On Asset (ROA) is the company's ability to generate profits from all assets owned by the company (Sutrisno, 2017). By utilizing this ratio, investors can consider before investing their capital, to assess whether the company to be given capital has the ability in its operations to benefit from its assets, which can reduce the level of underpricing when IPO. The level of underpricing can be minimized by increasing the ROA value, because this can reduce the company's uncertainty when making an initial offering (Desmonda & Santioso, 2021).

Firm Size (FS) is the size of the company which can be assessed based on the total assets using the calculation of the logarithm value of total assets (Hartono, 2018). Generally, small companies are not as popular as large companies in the public eye. This makes it difficult for potential investors to obtain adequate information, so that the level of uncertainty regarding the company's future is difficult to predict, so that it can affect the level of underpricing (Asnaini, 2020).

Earnings Per Share (EPS) is the company's ability to generate earnings per share for shareholders (Fahmi, 2018). Investors often buy shares in the hope of receiving dividends, and high Earning per Share (EPS) can be one of the determining factors in dividend distribution by companies. As a result, shares of companies that have high EPS tend to attract more interest from investors, which can potentially affect the level of underpricing (Miswanto & Abdullah, 2020).

Debt To Equity Ratio (DER) is the ratio between the company's debt obligations and its equity (Sutrisno, 2017). The higher the debt to equity ratio value owned by a company, the greater the risk faced by the company and can increase uncertainty among investors which ultimately results in potential underpricing (Utomo & Kurniasih, 2020). Therefore, when a company wants to launch an initial public offering (IPO), the company will try to improve this financial ratio, because this ratio is important information for investors.

There are several studies that show different results between these financial factors on underpricing. The results of research from Agustine (2019) show that ROA has a negative effect on the level of underpricing. However, research by Irawan & Nasution (2023) shows that ROA has no significant effect on underpricing. Miswanto & Abdullah (2020) research shows that firm size has a negative effect on underpricing. However, Asnaini (2020) research shows an insignificant effect between firm size and underpricing. The results of research by Irawan & Nasution (2023) show that EPS has a negative effect on underpricing. In contrast to the research of Abbas et al. (2022) which results in EPS affecting underpricing positively. Based on the research of Susilo & Chasanah (2023), the results show that DER has a positive effect on underpricing. However, research by Hakim & Fauzan (2023) shows an insignificant effect between DER and underpricing. Meanwhile, in the research of Daeli & Wijaya (2020) DER is used as a moderating variable, the results of which DER is unable to moderate the influence between ROA, firm size, and EPS on underpricing.

Based on the explanation described above, the authors are interested in conducting research entitled "The Effect of Return On Asset, Firm Size, And Earnings Per Share On Underpricing With Debt To Equity Ratio As A Moderating Variable In Companies Conducting IPOs On The Indonesia Stock Exchange 2018-2022".

Literature Review

Return On Asset and Underpricing

A high ROA can affect the level of uncertainty that may be faced in the IPO process in the future, while reducing the possibility of underpricing. Based on signal theory, when a company holds an initial public offering and has a high return on assets (ROA), this will provide a positive signal to potential investors to buy the company's shares because the company is considered to have the ability to generate profits. Companies that have a high ROA level look more attractive in the eyes of investors so that investors will invest more than companies with lower ROA. This causes underwriters to set IPO share prices that tend to be higher because of their belief that selling shares of companies with high ROA levels can attract investors. So that a high company ROA will reduce the level of underpricing

(Desmonda & Santioso, 2021). Based on Agustine (2019) state that ROA has a negative influence on the level of underpricing. According to these explanations, the developed hypothesis is:

**H1: Return On Assets has a negative effect on Underpricing
Firm Size and Underpricing**

Companies that operate on a large scale tend to be more well-known to the public and investors. This provides an advantage for investors in accessing opportunities and value owned by the company. Based on signal theory, a larger company size provides a positive signal to investors because it means that the company has large assets, which indicates that the company has good prospects. This allows issuers and underwriters to set a higher offering price because of their belief that selling shares of companies with a high level of firm size can attract investors. Larger company size can reduce uncertainty in its business prospects, thereby helping to avoid the potential for determining an offer price that is too low which can cause underpricing (Asnaini, 2020). Based on Utomo & Kurniasih (2020) state that firm size has a negative influence on underpricing. According to these explanations, the developed hypothesis is:

**H2: Firm Size has a negative effect on Underpricing
Earning Per Share and Underpricing**

High Earning per Share (EPS) is an important indicator of success for a company, as this can generate investor confidence to invest their funds in the hope of getting capital gains in the future. Based on signal theory, quality companies can overcome the problem of undervaluing stock prices by signaling to investors that they have good quality. Positive signals such as high earnings per share (EPS) can reduce investor uncertainty, because higher EPS indicates large profits and the possibility of higher dividends earned (Djaelani et al., 2022). This will encourage investors to increase the size of their investment, so that the company's share price will increase and build underwriter confidence in determining the share price in the primary market. This causes the initial return obtained by investors to decrease, because the higher EPS will reduce uncertainty for investors and will also minimize the level of underpricing. Based on Irawan & Nasution (2023) state that EPS has a negative influence on underpricing. According to these explanations, the developed hypothesis is:

**H3: Earning per Share has a negative effect on Underpricing
ROA, FS, and EPS on Underpricing Moderated by Debt To Equity Ratio**

The higher a company's DER level, will cause the level of risk faced will be higher (Irawan & Nasution, 2023). According to signal theory, a high debt to equity ratio will cause investors to consider the company to have a risk of failing to repay loans. This can happen because companies tend to use the funds obtained to cover their debts first before providing returns to investors. In addition, the dependence of capital on external parties will be greater, which results in the company's burden also getting heavier. Therefore, investors will avoid companies that have high risk because the risk faced by investors will also be high. The existence of information disclosure about high DER levels provides a negative

signal for investors. Therefore, issuers and underwriters will set IPO share prices that tend to be lower in order to reduce the risk of unsold securities, resulting in higher underpricing (Utomo & Kurniasih, 2020). Based on Daeli & Wijaya (2020) state that DER can moderate the effect of ROA, FS, and EPS on Underpricing. According to these explanations, the developed hypothesis is:

H4: DER moderates the relationship between ROA and Underpricing

H5: DER moderates the relationship between FS and Underpricing

H6: DER moderates the relationship between EPS and underpricing

Conceptual framework

The framework in this study can be described as follows:

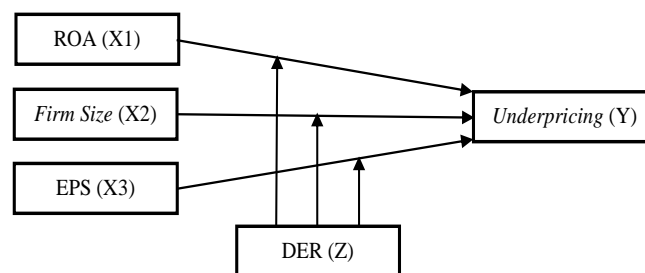


Figure 2. The Framework Of This Research

METHOD

Variable Operationalization

Dependent Variable

Underpricing is the dependent variable in this study. Underpricing is used to describe the price difference between the share offering price in the primary market and the share price in the secondary market on the first day (Hartono, 2018). The following is the formula for calculating underpricing:

$$IR = \frac{P_{t1} - P_{t0}}{P_{t0}}$$

Explanation:

IR = *Initial Return*

P_{t1} = Stock closing price on the first day in the secondary market

P_{t0} = Stock price in the primary market

Independent Variables

1. Return on Asset (ROA) is a ratio used to assess the extent to which the assets owned by the company can generate profits. The following is the formula for calculating return on assets:

$$Return\ on\ Asset = \frac{Earning\ After\ Tax}{Total\ Asset} \times 100\%$$

2. Firm Size (FS) Firm Size describes the size of a company which is shown in total assets, total sales, average total sales and average total assets. The following is the formula for calculating firm size:

$$Firm\ Size = Ln (Total\ Asset)$$

3. Earnings Per Share (EPS) is a ratio used to measure the company's performance in generating profit from per share that will be distributed to shareholders. The following is the formula for calculating earnings per share:

$$Earnings\ Per\ Share = \frac{Earning\ After\ Tax}{Number\ Of\ Shares} \times 100\%$$

Moderating Variable

Debt To Equity Ratio (DER) is a moderating variable in this study. DER is a ratio that serves to determine every rupiah of own capital used as debt collateral. The following is the formula for calculating the debt to equity ratio:

$$Debt\ To\ Equity\ Ratio = \frac{Total\ Liabilities}{Total\ Equity} \times 100\%$$

Determination of Population and Sample

The population in this study were 276 companies that conducted IPOs and were listed on the IDX in 2018-2022. Furthermore, in this study, the sample was determined using purposive sampling method. The sample selection criteria in this study are:

1. Companies that conducted IPOs on the Indonesia Stock Exchange (IDX) in the 2018-2022 period and experienced underpricing.
2. Companies that conduct IPOs on the Indonesia Stock Exchange (IDX) in the period 2018-2022 and have complete data needed for research.
3. Companies that conduct IPOs on the Indonesia Stock Exchange (IDX) in the period 2018-2022 and are not engaged in the financial sector.
4. Companies that IPO on the Indonesia Stock Exchange (IDX) in the period 2018-2022 and have financial statements expressed in rupiah.
5. Companies that conduct IPOs on the Indonesia Stock Exchange (IDX) in the period 2018-2022 and have positive profits.

Based on the sample selection process, a sample of 195 companies was obtained from 276 companies that conducted IPOs on the Indonesia Stock Exchange (IDX) in the period 2018-2022.

Data Types and Sources

The type of data used in this study is cross section data. The reason this study uses cross section data is because this study consists of various companies at a certain point in time, namely when the company conducts an IPO. The use of several time periods in this study aims to determine the latest developments in companies conducting IPOs in Indonesia and identify whether the occurrence of underpricing is temporary or consistent in the long term.

This study uses secondary data sources. The reason researchers choose secondary data in this study is because the data obtained comes from the financial statement data of companies conducting IPOs and listed on the IDX from 2018 to 2020. The data is obtained by downloading from the official website of the Indonesian Stocks Exchange (IDX).

Data Collection Technique

In this study, the documentation method was used as a data collection technique. Researchers obtained historical data from the website www.idx.com and the official websites of companies conducting IPOs from 2018-2022. The documents used in this study are as follows:

1. Annual report of companies conducting an IPO from 2018-2022.
2. Initial share price data for companies conducting an IPO from 2018-2022.

Data Analysis Technique

Classic Assumption Test

The classical assumption test is a step that must be taken as a statistical prerequisite for multiple linear regression analysis using the OLS (Ordinary Least Squared) method. The classic assumption tests used in this study are normality test, multicollinearity test, and heteroscedasticity test.

Multiple Linear Regression Analysis

Multiple linear regression tests are also useful for measuring the strength of the relationship between two or more variables, with the aim of estimating or predicting the population average or average value of the dependent variable based on the known values of the independent variables. This study uses computer aids with the Eviews 10 program to analyze multiple linear regression. To test the hypothesis in this study, the multiple linear regression analysis model can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Explanation:

Y = Underpricing

α = Constant

β = Regression Coefficient

X_1 = Return On Asset

X_2 = Firm Size

X_3 = Earning Per Share

ε = Error Rate

Moderating Regression Analysis (MRA)

In this research, to test the hypothesis, regression analysis was used using the Moderating Regression Analysis (MRA) method. MRA test is used with the aim of controlling the influence of moderating variables through an analytical approach that maintains the integrity of the research sample (Ghozali, 2018).

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1 X_4 + \beta_6 X_2 X_4 + \beta_7 X_3 X_4 + \varepsilon$$

Explanation:

$X_1 X_4$ = Interaction of ROA on DER

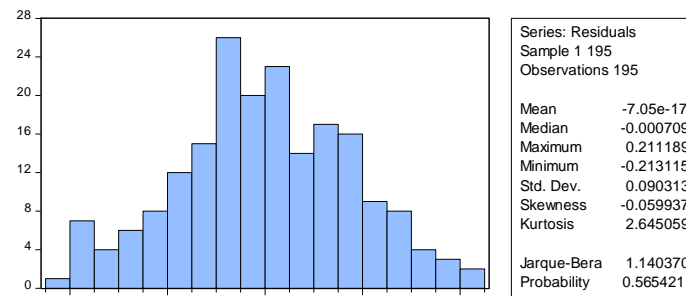
X_2X_4 = Interaction of Firm Size on DER

X_3X_4 = Interaction of EPS on DER

RESULT AND DISCUSSION

Classic Assumption Test Results

Normality Test



Source: Output Data Eviews 10, 2023

Figure 3. Normality Test Result

Based on Figure 3, it shows that the P-Value of Jarque-Bera is 0.565421, which means that the Jarque-Bera P-Value is greater than the significance value of 0.05, so H_0 is accepted. This indicates that the data or residuals are normally distributed.

Multicollinearity Test

Table 2. Multicollinearity Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
ROA	0.024224	2.668001	1.234671
FS	8.21E-06	140.3652	1.115431
EPS	2.49E-08	1.555225	1.191248
DER	6.97E-05	1.892385	1.077465
C	0.005626	131.7339	NA

Source: Output Data Eviews 10, 2023

Based on Table 2, it shows that all variables in the study have a VIF value of less than 10. It means that there is no multicollinearity problem in the regression model.

Heteroscedasticity Test

Table 3. Heteroscedasticity Test Results

F-statistic	1.729472	Prob. F(4,190)	0.1451
Obs*R-squared	6.850509	Prob. Chi-Square(4)	0.1440
Scaled explained SS	5.349489	Prob. Chi-Square(4)	0.2533

Source: Output Data Eviews 10, 2023

Based on Table 3, it shows a p-value of 0.1440, where the p-value is greater than the significant value of 0.05, so H0 is accepted. This means that there is no heteroscedasticity problem in the regression model.

Multiple Linear Regression Test Results

Table 4. Results of Multiple Linear Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.610997	0.168937	-3.616723	0.0004
X2	-0.073843	0.003151	-23.43128	0.0000
X3	0.000638	0.000174	3.676635	0.0003
C	2.389291	0.083300	28.68291	0.0000

Source: Output Data Eviews 10, 2023

Based on the multiple linear regression estimation results in Table 4, the following equation is obtained:

$$UP = 2.389291 - 0.610997ROA - 0.073843FS + 0.000638EPS$$

Moderating Regression Analysis (MRA) Test Results

Table 5. Results of Moderating Regression Analysis (MRA)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.678412	0.188332	-3.602205	0.0004
X2	-0.083062	0.003684	-22.54685	0.0000
X3	0.000874	0.000231	3.778315	0.0002
Z	-0.102253	0.086819	-1.177776	0.2404
X1Z	0.797218	0.316477	2.519040	0.0126
X2Z	0.005719	0.003332	1.716238	0.0878
X3Z	-0.000558	0.000203	-2.756913	0.0064
C	2.585073	0.096384	26.82054	0.0000

Source: Output Data Eviews 10, 2023

Based on the results of the Moderating Regression Analysis (MRA) estimation in Table 5, the following equation is obtained:

$$UP = 2.585073 - 0.678412ROA - 0.083062FS + 0.000874EPS - 0.102253DER + 0.797218ROA*DER + 0.005719FS*DER - 0.000558EPS*DER$$

Results of Hypothesis Testing

Partial Test Results (t Test)

Based on the test results in Table 4 and Table 5, it can be analyzed as follows:

1. It is known that the regression coefficient of return on assets is -0.610997 and the p-value is 0.0002 which is smaller than the significant value of 0.05, meaning that return on assets has a negative effect on underpricing.

2. It is known that the regression coefficient of firm size is -0.073843 and the p-value is 0.0000 which is smaller than the significant value of 0.05, meaning that firm size has a negative effect on underpricing.
3. It is known that the regression coefficient of earning per share is 0.000638 and the p-value is 0.00015 which is smaller than the significant value of 0.05, meaning that earning per share has a positive effect on underpricing.
4. It is known that the regression coefficient of the interaction variable ROA*DER is 0.797218 and the p-value is 0.0126 which is smaller than the significant value of 0.05, meaning that the debt to equity ratio strengthens the effect of return on assets on underpricing.
5. It is known that the regression coefficient of the interaction variable FS*DER is 0.005719 and the p-value is 0.0878 which is greater than the significant value of 0.05, meaning that the debt to equity ratio does not moderate the effect of firm size on underpricing.
6. It is known that the regression coefficient of the interaction variable EPS*DER is -0.000558 and the p-value is 0.0064 which is smaller than the significant value of 0.05, meaning that the debt to equity ratio weakens the effect of earning per share on underpricing.

Simultaneous Test Results (F Test)

F-statistic	207.2144
Prob(F-statistic)	0.000000

Source: Output Data Eviews 10, 2023

Based on the results of the F test in Table 6, the Prob (F-statistic) value is 0.000000 < 0.05, then H_0 is rejected. This means that return on assets, firm size, and earning per share together have an effect on underpricing.

Determination Coefficient (R^2)

R-squared	0.764964
Adjusted R-squared	0.761273

Source: Output Data Eviews 10, 2023

Based on Table 7, the Adjusted R-square value is 0.761273 or 76.1273%. This value can be interpreted that return on assets, firm size, and earning per share are able to influence underpricing by 76.1273% while the remaining 23.8727% is influenced by other factors not examined in this study. Then the R^2 value in this study is included in the criteria for a large value or close to one, meaning that the ability of the independent variable to explain the dependent variable is large.

Discussion

The Effect of Return On Asset on Underpricing

The test results show that Return On Asset (ROA) has a negative effect on underpricing, meaning that there is no unidirectional relationship between ROA and underpricing. This negative effect indicates that the higher the ROA of a company, the less likely the company will experience underpricing. The research results in this study are in accordance with signal theory which states that when a company holds an initial public offering and has a high return on assets (ROA), it will provide a positive signal to potential investors to buy the company's shares because the company is considered to have the ability to generate profits. In this study, information about ROA is important for investors. Investors are more interested in companies that have high ROA because they believe that companies that are able to manage their assets efficiently to generate profits have good growth potential in the future. This belief then makes them willing to invest in large amounts in companies that have high ROA. So that it can create high demand for the company's shares and cause the underwriter to set an IPO share price that tends to be higher because of its belief that selling shares of companies with high ROA levels can attract investors. High company ROA will reduce the level of underpricing. The results of this study are in line with research conducted by Miswanto & Abdullah (2020) which states that return on assets has a negative effect on underpricing.

The Effect of Firm Size on Underpricing

The test results show that Firm Size has a negative effect on underpricing, meaning that there is no unidirectional relationship between firm size and underpricing. This negative effect indicates that the higher the firm size of a company, the less likely the company will experience underpricing. The research results in this study are in accordance with signal theory which states that the larger the size of the company provides a positive signal for investors because it means that the company has large assets as well, which indicates that the company has good prospects. Companies that have a large scale tend to be more well-known in the public eye, so information about the company is more abundant compared to relatively smaller companies. This gives investors an advantage in accessing the opportunities and value of the company. In addition, investors believe that companies that are large in scale and have high assets tend not to be easily affected by economic changes, so they can overcome the challenges of competition in the economic field. This makes the issuer and underwriter will set a higher offering price because of their belief that selling shares of companies with a high level of firm size can attract investors. Larger company size can reduce uncertainty in its business prospects, thus helping to avoid the potential for setting the offering price too low which can cause underpricing. The results of this study are in line with research conducted by Utomo & Kurniasih (2020) which states that firm size has a negative effect on underpricing.

The Effect of Earning Per Share on Underpricing

The test results show that Earning Per Share has a positive effect on underpricing, meaning that there is a unidirectional relationship between earning per share and

underpricing. This positive effect indicates that the higher the earning per share of a company, the higher the possibility of the company experiencing underpricing. The research results that differ from the hypothesis can be caused because some companies have high EPS values when conducting IPOs during 2018-2022. Too much earning per share given to investors is also not good for the company. If the company gives too much earning per share to shareholders, the company will lack financial resources to support its growth. The reason is because all the income generated by the company is channeled to shareholders, so the company has difficulty in achieving rapid growth. This situation can result in a higher level of corporate uncertainty, which in turn will increase the level of underpricing. The results of this study are in line with research conducted by Abbas et al. (2022) which states that earning per share has a positive effect on underpricing.

The Effect of Return On Asset on Underpricing Moderated by Debt to Equity Ratio

The test results show that the debt to equity ratio is able to strengthen the negative effect of return on assets on underpricing. These results mean that the negative effect of ROA on underpricing can increase depending on the level of corporate debt. DER is a ratio used to evaluate the extent to which a company can fulfill its obligations using its own capital. Companies with a small DER value will avoid the risk of default because the company has a low level of debt so that the interest burden it faces is smaller. This makes investors interested in companies with a small DER value, so that it can reduce the level of underpricing. Based on signal theory, when a company holds an initial public offering and has a high return on assets (ROA), this will provide a positive signal to potential investors because the company is considered to have the ability to generate profits. So that the underwriter will set a high IPO share price, and eventually will cause a decrease in the level of underpricing. This is what causes the lower the DER value of a company followed by a high ROA value to cause investors to be more interested in the company. So that the underwriter will set a higher IPO share price, which will ultimately lead to a reduction in the level of underpricing. Therefore, DER can strengthen the negative effect of ROA on the level of underpricing.

The Effect of Firm Size on Underpricing Moderated by Debt to Equity Ratio

The test results show that the debt to equity ratio is not able to moderate the effect of firm size on underpricing, meaning that differences in capital structure (debt level) do not play an important role in changing the impact of firm size on underpricing. Basically, a high DER value signifies a greater level of risk, which in turn can increase underpricing. However, large-scale companies tend to be better known by the public and become the choice of investors regardless of whether the DER value is high or low. Large companies reflect large asset holdings and are considered to have good prospects for the long term. Investors generally have more confidence in large companies because they are considered capable of improving performance and generating profits consistently every year. This causes the DER value to have less meaning for investors in large companies. Investors consider large companies to have the ability to manage their finances efficiently, so that

they can avoid the risks that may occur due to too high a DER value. Therefore, the high and low debt to equity ratio will not change the effect of firm size on underpricing.

The Effect of Earning Per Share on Underpricing Moderated by Debt to Equity Ratio

The test results show that the debt to equity ratio is able to weaken the effect of earning per share on underpricing. These results mean that the negative effect of EPS on underpricing can decrease depending on the level of corporate debt. Debt to Equity Ratio is the balance between the debt owned by the company and its own capital. In general, a high DER will cause investors to consider the company to have a risk of failing to repay the loan. The amount of risk that may occur makes investors avoid companies that have high DER, so that it will cause the underpricing rate to increase. Based on signal theory, high earnings per share (EPS) can provide a positive signal to investors because it can reduce investor uncertainty. So that a high EPS value will reduce the level of underpricing. Companies with high EPS will attract investors' attention, but if accompanied by a high DER value, investors will reconsider investing their funds in the company. A high DER value can increase uncertainty and risk in the company, so this has an impact on weakening the negative effect of earning per share on underpricing.

CONCLUSION

This study aims to determine the effect of Return On Asset, Firm Size, and Earnings Per Share on Underpricing with Debt To Equity Ratio as a moderating variable in companies that IPO on the Indonesia Stock Exchange in 2018-2022. Based on the findings of this study, ROA and FS have a negative effect on underpricing. These results indicate that ROA and FS are important indicators that must be considered in a company because they can reduce the level of underpricing. However, the results show that EPS has a positive effect on underpricing. This can be caused by the company giving too much EPS to shareholders so that it can inhibit growth and cause an increase in the level of underpricing. Then the results show that DER can strengthen the influence of ROA on underpricing, but weaken the influence of EPS on underpricing. Although this research can provide benefits to related parties, but this research still has shortcomings, so for future researchers who will use the same research it is recommended to add non-financial factor variables that have not been used in this study such as underwriter reputation, inflation, blockholder ownership and others because the variables in this study only focus on financial factors including return on assets, firm size, earnings per share, and debt to equity ratio. In addition, further research can also add periods to obtain better results statistically.

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