

THE INFLUENCE OF UNDERWRITER REPUTATION, FIRM SIZE, FIRM AGE, AND LEVERAGE ON IPO STOCK UNDERPRICING ON THE INDONESIA STOCK EXCHANGE DURING 2020–2024

Ni Putu Mimi Wahyuni^{1*}, Ni Ketut Rasmini²

^{1,2}Department of Accounting, Faculty of Economics and Business, Universitas Udayana, Indonesia

E-mail: wahyuni21231@student.unud.ac.id, tut_ras@yahoo.com

Received: 01/06/2026 | Revised : 05/06/2026 | Accepted: 15/06/2026 | Published :25/07/2026

Abstract

The rapid growth of Indonesia's economy and business environment has encouraged companies to seek external financing to sustain and expand their operations through equity issuance in an Initial Public Offering (IPO). Drawing on **Signaling Theory**, firm characteristics and IPO supporting parties are regarded as quality signals that may influence investors' decisions and potentially lead to stock underpricing. This study aims to examine the effects of underwriter reputation, firm size, firm age, and leverage on the level of IPO underpricing among companies listed on the Indonesia Stock Exchange (IDX). The study population comprised 267 companies that conducted IPOs on the IDX, of which 184 companies were selected as the research sample based on predetermined sampling criteria. A total of 920 observations were analyzed, representing the selected firms over the five-year study period from 2020 to 2024. This study employed a quantitative research approach, and the data were analyzed using multiple linear regression with SPSS software. The findings reveal that underwriter reputation and firm age have a negative effect on IPO underpricing, whereas firm size has a positive effect. In addition, leverage is found to have a negative effect on IPO underpricing. These findings suggest that reputable underwriters, more established firms, and higher leverage levels reduce IPO underpricing by providing positive signals regarding firm quality and financial discipline. Conversely, larger firms tend to experience higher levels of underpricing because of stronger investor expectations and more optimistic market responses toward newly issued shares. Overall, the findings highlight the importance of both firm-specific characteristics and underwriter reputation in determining the level of IPO underpricing.

Keywords: IPO underpricing, underwriter reputation, firm size, firm age, leverage, Initial Public Offering (IPO).

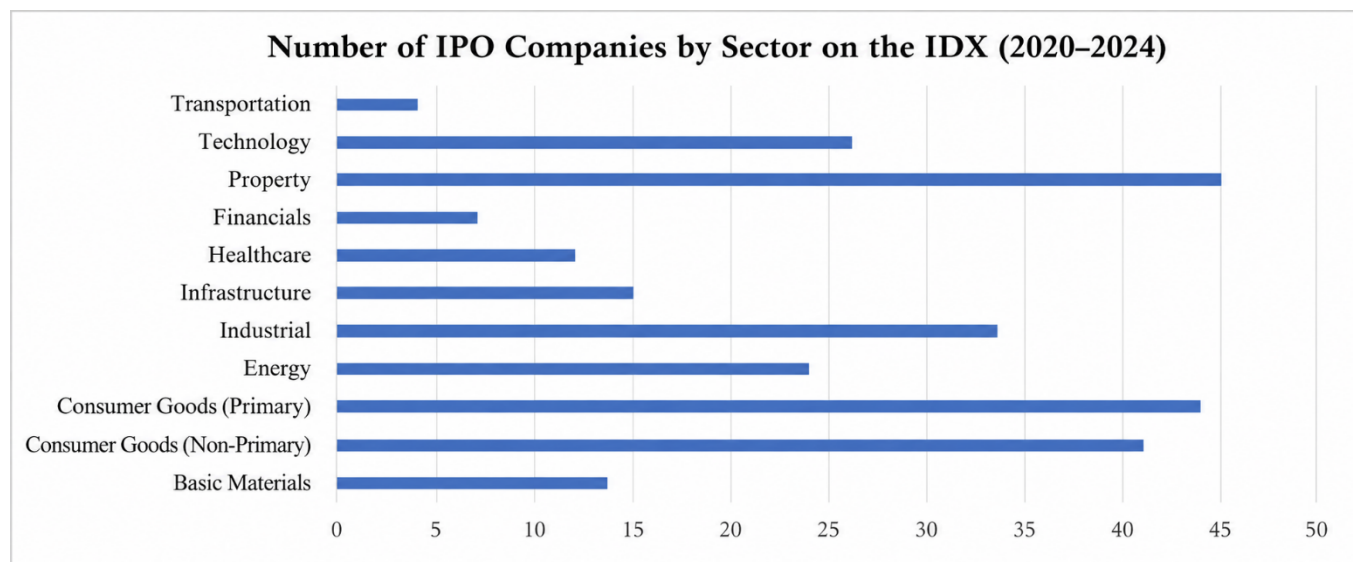
INTRODUCTION

Indonesia's economy and business sector have experienced substantial growth in recent years, requiring companies to strengthen their competitive capabilities to survive and expand in an increasingly competitive business environment. To support business expansion, companies frequently require substantial external financing, which is commonly obtained through the issuance of new shares via an Initial Public Offering (IPO) in the capital market (Fraskya & Sari, 2024). Companies and other institutions raise external funds by issuing equity securities or debt instruments, while investors allocate their capital by purchasing capital market instruments either directly or through mutual funds. In this context, the capital market serves as an intermediary between firms seeking funding and investors with excess capital through the trading of financial instruments, such as stocks and bonds, under the supervision of the Indonesia Stock Exchange (IDX).

A company's decision to offer a portion of its ownership to the public through the capital market marks its transition into a publicly listed company (go public). Consequently, the company is required to enhance corporate transparency by providing financial and operational information to the public while allowing investors to acquire ownership interests through share purchases. The initial sale of shares to the public is referred to as an Initial Public Offering (IPO). An IPO is the process through which a company offers and sells its shares to investors in the primary market, after which the shares become tradable in the secondary market. Before conducting an IPO, companies must satisfy various regulatory requirements established by both the financial regulator and the Indonesia Stock Exchange (IDX). Once all listing requirements have been fulfilled, the IDX grants approval for the share listing agreement. Subsequently, the public offering period generally lasts between one and five business days. Following the

completion of the offering period, the IDX officially announces the listing of the company's shares together with its stock ticker symbol, which is subsequently used for trading activities in the secondary market (Harahap et al., 2020). The trend in the number of companies conducting Initial Public Offerings (IPOs) in Indonesia during the 2020–2024 period is presented in Figure 1.

Figure 1. Companies Conducting Initial Public Offerings (IPOs) on the Indonesia Stock Exchange During 2020–2024



Source: Processed Data (2026).

Based on Figure 1, the property sector recorded the highest number of companies conducting Initial Public Offerings (IPOs) during the 2020–2024 period, with 46 companies (17.23%). The primary consumer goods and non-primary consumer goods sectors also exhibited substantial IPO activity, accounting for 44 companies (16.48%) and 41 companies (15.36%), respectively. These were followed by the industrial, technology, and energy sectors, which recorded 34 companies (12.73%), 26 companies (9.74%), and 24 companies (8.99%), respectively. In contrast, the infrastructure, basic materials, and healthcare sectors experienced relatively fewer IPOs, while the financial and transportation sectors recorded the lowest number of IPOs, with only 7 and 4 companies, respectively. Overall, this distribution indicates that IPO activity on the Indonesia Stock Exchange during the observation period was dominated by companies operating in the property, consumer goods, and industrial sectors, which generally require substantial external financing to support business growth and expansion.

One of the most common phenomena associated with an Initial Public Offering (IPO) is underpricing. Underpricing refers to a condition in which the offering price of a stock in the primary market is lower than its market price when the stock begins trading in the secondary market (Pradnyana et al., 2024). This phenomenon has been widely documented across IPO markets worldwide, including Indonesia. From the issuing firm's perspective, underpricing is considered undesirable because it prevents the company from maximizing the amount of capital raised through the IPO. Consequently, companies planning to go public generally seek to minimize the risk of underpricing (Lestari & Trihastuti, 2020).

Zhang and Neupane (2024) argue that underpricing remains one of the most extensively discussed issues in the IPO literature because of its broad implications for all stakeholders involved. Although substantial underpricing may generate short-term gains for investors who purchase shares at the offering price, it simultaneously imposes costs on issuing firms by reducing potential proceeds from the offering. The degree of underpricing is not random but is influenced by a combination of firm-specific and external factors. Internal determinants commonly associated with IPO underpricing include firm size, firm age, and leverage, whereas underwriter reputation represents an important external factor that may influence the success of the IPO process. Collectively, these factors provide a comprehensive explanation for variations in IPO underpricing. The underwriter plays a crucial role in the IPO process as the institution responsible for underwriting and marketing newly issued shares. Owing to its superior experience and access to capital market information, as well as a better understanding of investor expectations, the underwriter assists issuing firms in determining an appropriate offering price. In practice, underwriters often set the initial offering price at a relatively conservative level to minimize the risk of unsuccessful subscription (Liu & Wu,

2023). Accordingly, the success of an IPO is highly dependent upon the expertise and reputation of the underwriter in managing the issuance process. Previous empirical studies have reported inconsistent findings regarding the role of underwriter reputation, which is frequently regarded as a signal of firm quality during the IPO process. Dwijaya and Cahyadi (2022) found that underwriter reputation has a positive and significant effect on underpricing, whereas Apsari et al. (2021) reported a negative relationship. These inconsistent findings indicate the existence of an empirical gap concerning the influence of underwriter reputation on IPO underpricing, thereby warranting further investigation to provide more comprehensive empirical evidence.

IPO underpricing is also expected to be influenced by firm size. Larger firms are generally more recognizable to the public, which may enhance investor confidence regarding their future prospects and potentially reduce information uncertainty. However, previous studies examining the relationship between firm size and IPO underpricing have produced inconsistent results. Lestari and Yunifa (2020) found that firm size positively affects underpricing, suggesting that larger firms tend to experience higher levels of IPO underpricing. Conversely, Rohman and Fitriati (2024) reported a negative relationship between firm size and underpricing among service companies listed on the Indonesia Stock Exchange. These conflicting findings reveal an empirical gap regarding the relationship between firm size and IPO underpricing, highlighting the need for further research using more recent IPO data across various industrial sectors.

Firm age is another variable that may serve as an indicator of organizational stability and operational experience, thereby influencing investor perceptions. Bigus and Dreyer (2023) argue that younger firms generally experience higher levels of information asymmetry, making them more susceptible to greater IPO underpricing. Investors tend to perceive older firms as more attractive investment opportunities because companies with longer operating histories are considered more capable of sustaining long-term business performance and maintaining competitiveness (Mulyani & Maulidya, 2021).

Previous empirical evidence regarding the relationship between firm age and IPO underpricing has also produced inconsistent findings. Dwijaya and Cahyadi (2021) reported a positive effect of firm age on IPO underpricing, suggesting that firms with longer operating histories tend to experience higher underpricing. In contrast, Isyuardhana and Febryan (2022) found a negative relationship between firm age and IPO underpricing. These contradictory findings indicate an empirical gap concerning the role of firm age in determining IPO underpricing and justify further empirical investigation using more recent IPO data from companies listed on the Indonesia Stock Exchange.

Leverage, defined as the use of debt financing to support corporate assets and operations, is another factor that may signal a firm's financial condition to prospective investors and consequently influence IPO pricing. In this study, leverage is measured using the Debt-to-Equity Ratio (DER). Kennedy et al. (2021) found that leverage negatively affects IPO underpricing. This finding is consistent with Evitasari et al. (2023), who reported that leverage has a significant negative effect on IPO underpricing among companies listed on the Indonesia Stock Exchange during the 2019–2021 period. Nevertheless, changes in capital market conditions, firm characteristics, and macroeconomic environments across different periods may alter the relationship between leverage and IPO underpricing. Therefore, further investigation using more recent IPO data remains necessary.

This study is grounded in Signaling Theory, which posits that firms communicate relevant information to investors in order to reduce information asymmetry, particularly during the IPO process. Under conditions of limited information, investors rely on firm characteristics and the attributes of IPO intermediaries as signals when evaluating firm quality and future prospects. Teti and Montefusco (2022) argue that the degree of IPO underpricing itself may serve as a signal of firm quality. In the present study, underwriter reputation is viewed as a signal of corporate credibility, firm size as a signal of organizational stability and operational capacity, firm age as a signal of operational experience and business sustainability, and leverage as a signal of the firm's financial condition and capital structure. These signals influence investors' perceptions of corporate risk and future performance. The more favorable the signals received by investors, the lower the level of information uncertainty, thereby influencing demand for IPO shares and the resulting degree of underpricing.

Although numerous studies have examined the effects of underwriter reputation, firm size, firm age, and leverage on IPO underpricing, the findings remain inconclusive. These inconsistent results suggest that the determinants of IPO underpricing have not yet been explained consistently, indicating the presence of unresolved empirical gaps. Moreover, the substantial increase in IPO activity on the Indonesia Stock Exchange in recent years, accompanied by changes in economic conditions and capital market dynamics, may have altered investor responses to available information. Therefore, this study is important because it provides more recent empirical evidence regarding the determinants of IPO underpricing among companies conducting IPOs on the Indonesia Stock Exchange.

during the 2020–2024 period, while simultaneously strengthening the explanatory power of Signaling Theory in explaining the underpricing phenomenon in the Indonesian capital market.

METHOD

This study employed a quantitative research approach, with the research design serving as a framework for data collection, processing, analysis, and interpretation (Siregar, 2022). The study aimed to examine the effects of underwriter reputation, firm size, firm age, and leverage on IPO stock underpricing among companies conducting an Initial Public Offering (IPO) on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. The research was conducted using secondary data obtained from the official IDX website, while the research objects comprised companies that experienced underpricing following their IPOs. The dependent variable was IPO underpricing, proxied by initial return, whereas the independent variables included underwriter reputation (measured as a dummy variable), firm size, firm age, and leverage, which was proxied by the Debt-to-Asset Ratio (DAR) (Putri & Ekaningtias, 2024; Rini & Damayanti, 2024; Sidabutar & Tumeuw, 2025; Dwijaya & Cahyadi, 2022).

The study population consisted of 267 companies from all industrial sectors that conducted IPOs on the Indonesia Stock Exchange during the 2020–2024 period. A total of 184 companies were selected as the research sample using a non-probability sampling technique with a purposive sampling method (Sugiyono, 2023). The sample selection was based on predetermined criteria, namely companies that conducted an IPO, experienced underpricing, and published their financial statements in a timely manner throughout the observation period. The study utilized quantitative secondary data obtained from annual reports, financial statements, the official IDX website, corporate websites, and other relevant literature. Data were collected using the documentation method, which involved reviewing IPO offering prices, first-day closing prices, underwriter information, and other data relevant to the research objectives (Sugiyono, 2020; Dwiantari & Sari, 2024).

The data analysis began with descriptive statistical analysis to summarize the characteristics of the research data. Subsequently, the classical assumption tests were performed, including the Kolmogorov–Smirnov normality test, the multicollinearity test using Tolerance and Variance Inflation Factor (VIF) values, and the Glejser test to assess heteroscedasticity (Ghozali, 2016). The hypotheses were then tested using multiple linear regression analysis with IBM SPSS Statistics Version 27. The regression analysis included the partial significance test (t-test), the overall model significance test (F-test), and the coefficient of determination (R^2) to examine the effects of underwriter reputation, firm size, firm age, and leverage on IPO stock underpricing among companies listed on the Indonesia Stock Exchange during the 2020–2024 period (Ghozali, 2016).

RESULTS AND DISCUSSION

Descriptive Statistics

The research objects comprised companies from all industrial sectors listed on the Indonesia Stock Exchange (IDX) that conducted Initial Public Offerings (IPOs) during the 2020–2024 period, resulting in a total population of 267 companies. The research sample was determined using a purposive sampling technique based on predefined criteria relevant to the objectives of the study. Following the sample selection process, 184 companies met the sampling criteria. With a five-year observation period, the study generated a total of 920 firm-year observations for analysis. The names and stock ticker symbols of the 184 sample companies are presented in the appendix.

This study was conducted to examine the effects of underwriter reputation, firm size, firm age, and leverage on IPO stock underpricing. Prior to hypothesis testing, descriptive statistical analysis was performed to provide a general overview of the research data. Descriptive statistics summarize the characteristics of the data and present essential information regarding the variables without testing research hypotheses. Accordingly, this analysis serves to describe the observed characteristics of the sample data without drawing statistical inferences or generalizations beyond the study sample.

In this study, the descriptive statistical analysis includes the number of observations, minimum and maximum values, mean values, and standard deviations as measures of data dispersion. The results of the descriptive statistical analysis are presented in Table 1.

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Standard Deviation
Underwriter Reputation (X_1)	920	0.00	1.00	0.53	0.50
Firm Size (X_2)	920	25.69	31.63	30.44	1.07
Firm Age (X_3)	920	0.00	57.00	14.46	11.29
Leverage (X_4)	920	0.31	0.80	0.55	0.15
IPO Stock Underpricing (Y)	920	-0.17	0.25	0.01	0.13

Source: Processed Data (2026), SPSS Output.

The descriptive statistical results indicate that underwriter reputation and firm size have mean values relatively close to their respective maximum values, suggesting that the majority of sample firms employed highly reputable underwriters and were relatively large in terms of total assets. In contrast, firm age and leverage exhibit mean values closer to their minimum values, indicating that most sample firms were relatively young and maintained relatively low levels of debt financing, reflecting more conservative financial risk. Furthermore, the IPO stock underpricing variable has a relatively low mean value, indicating that the difference between the IPO offering price and the first-day market price was generally small. In some cases, the offering price even exceeded the market price, resulting in overpricing. Overall, the sample is characterized by relatively large firms employing reputable underwriters, maintaining moderate leverage, possessing relatively short operating histories, and experiencing relatively low levels of IPO underpricing throughout the observation period.

Classical Assumption Tests

1. Normality Test

The normality test was conducted using the Kolmogorov–Smirnov (K–S) test by comparing the distribution of the sample data with a normal distribution. A significance value greater than 0.05 indicates that the data are normally distributed, whereas a significance value below 0.05 indicates that the data do not follow a normal distribution. The results of the normality test are presented in Table 2.

Table 2. Normality Test Results
One-Sample Kolmogorov–Smirnov Test

	Unstandardized Residual
N	920
Normal Parameters	
Mean	0.000
Standard Deviation	0.127
Most Extreme Differences	
Absolute	0.087
Positive	0.087
Negative	-0.065
Test Statistic	0.087
Asymp. Sig. (2-tailed)	0.100

Source: Processed Data (2026), SPSS Output.

As presented in Table 2, the Kolmogorov–Smirnov test statistic is 0.087, with a significance value of 0.100, which exceeds the threshold of 0.05. Therefore, the data are normally distributed and satisfy the normality assumption required for subsequent regression analysis.

2. Multicollinearity Test

The multicollinearity test was performed to determine whether correlations existed among the independent variables included in the regression model. The assessment was based on the Tolerance values and the Variance Inflation Factor (VIF). A model is considered to exhibit multicollinearity when the Tolerance value is less than 0.10 or the VIF exceeds 10. The results of the multicollinearity test are presented in Table 3.

Table 3. Multicollinearity Test Results

Variable	Tolerance VIF	
Underwriter Reputation (X ₁)	0.988	1.012
Firm Size (X ₂)	0.988	1.012
Firm Age (X ₃)	0.994	1.006
Leverage (X ₄)	0.993	1.007

Source: Processed Data (2026), SPSS Output.

As shown in Table 3, all independent variables have Tolerance values greater than 0.10 and VIF values well below 10. These results indicate that no multicollinearity exists among the independent variables, confirming that the regression model satisfies the multicollinearity assumption.

3. Heteroscedasticity Test

The heteroscedasticity test was conducted to determine whether the variance of the residuals remained constant across observations. Constant residual variance is referred to as homoscedasticity, whereas non-constant variance indicates heteroscedasticity. A well-specified regression model should not exhibit heteroscedasticity. The Glejser test was employed for this purpose by examining the significance values of the independent variables. A significance value of ≤ 0.05 indicates the presence of heteroscedasticity, whereas a value of ≥ 0.05 indicates its absence. The results of the heteroscedasticity test are presented in Table 4.

Table 4. Heteroscedasticity Test Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	0.135	0.060	—	2.267	0.024
Underwriter Reputation (X ₁)	-0.005	0.004	-0.040	-1.213	0.225
Firm Size (X ₂)	-0.001	0.002	-0.012	-0.374	0.709
Firm Age (X ₃)	-0.016	0.000	-0.003	-0.085	0.932
Leverage (X ₄)	-0.001	0.014	-0.001	-0.039	0.969

Dependent Variable: Absolute Residual (AbsRes)

Source: Processed Data (2026), SPSS Output.

As presented in Table 4, the significance values are 0.225 for Underwriter Reputation, 0.709 for Firm Size, 0.932 for Firm Age, and 0.969 for Leverage. Since all significance values exceed 0.05, there is no evidence of heteroscedasticity in the regression model. Accordingly, the assumption of homoscedasticity is satisfied, indicating that the regression model is appropriate for hypothesis testing.

Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the direction and magnitude of the effects of the independent variables on the dependent variable in this study. The statistical summary and hypothesis testing results presented in this paper are based on the complete SPSS output.

Model Goodness-of-Fit Test (F-Test)

Table 5. F-Test Results

ANOVA				
Model	Sum of Squares	df	Mean Square	F Sig.
Regression	0.106	4	0.026	2.640 0.016
Residual	14.725	915	0.016	
Total	14.830	919		

Source: Processed Data (2026), SPSS Output.

As presented in Table 5, the F-test produced a significance value of 0.016, which is lower than the significance threshold of 0.05. This result indicates that underwriter reputation, firm size, firm age, and leverage jointly have a statistically significant effect on IPO stock underpricing. Therefore, the proposed regression model is considered appropriate for explaining the relationship between the independent and dependent variables.

Coefficient of Determination (R^2)

The coefficient of determination (R^2) was used to assess the explanatory power of the regression model by measuring the proportion of variation in the dependent variable explained by the independent variables. Higher R^2 values indicate greater explanatory power. The results of the coefficient of determination are presented in Table 6.

Table 6. Coefficient of Determination Results

Model R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.684	0.701	0.12686

Source: Processed Data (2026), SPSS Output.

The coefficient of determination analysis indicates an Adjusted R^2 value of 0.700, implying that 70.0% of the variation in IPO stock underpricing is explained by the combined effects of underwriter reputation, firm size, firm age, and leverage. The remaining 30.0% is attributable to other factors not included in the regression model.

Partial Significance Test (t-Test)

The partial significance test (t-test) was conducted to examine the individual effect of each independent variable on the dependent variable. Statistical significance was evaluated at the 5% significance level. An independent variable is considered to have a significant effect if its significance value is below 0.05. The results of the t-test are presented in Table 7.

Table 7. t-Test Results

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
Constant	0.112	0.121	—	0.926	0.355
Underwriter Reputation (X_1)	-0.122	0.008	-0.049	-2.481	0.039
Firm Size (X_2)	0.062	0.004	0.032	1.951	0.042
Firm Age (X_3)	-0.063	0.000	-0.032	-1.972	0.031
Leverage (X_4)	-0.131	0.029	-0.051	-2.550	0.021

Source: Processed Data (2026), SPSS Output.

Based on the estimated regression model, the findings can be interpreted as follows:

1. Underwriter Reputation (X_1) has a regression coefficient of -0.122 , indicating that, holding all other variables constant, a one-unit increase in underwriter reputation is associated with a 0.122-unit decrease in IPO stock underpricing. The first hypothesis (H_1) yields a regression coefficient of -0.122 , with a t-statistic of -2.481 and a p-value of 0.039, which is below the 5% significance level. Accordingly, H_1 is supported, indicating that underwriter reputation has a negative and statistically significant effect on IPO stock underpricing.
2. Firm Size (X_2) has a regression coefficient of 0.062, indicating that, ceteris paribus, a one-unit increase in firm size leads to a 0.062-unit increase in IPO stock underpricing. The second hypothesis (H_2) produces a regression coefficient of 0.062, with a t-statistic of 1.951 and a p-value of 0.042, indicating statistical significance at the 5% level. Therefore, H_2 is supported, suggesting that firm size has a positive and statistically significant effect on IPO stock underpricing.
3. Firm Age (X_3) has a regression coefficient of -0.063 , indicating that a one-unit increase in firm age is associated with a 0.063-unit decrease in IPO stock underpricing, assuming all other variables remain constant. The third hypothesis (H_3) yields a regression coefficient of -0.063 , with a t-statistic of -1.972 and a p-value of 0.031, indicating statistical significance. Consequently, H_3 is supported, demonstrating that firm age has a negative and statistically significant effect on IPO stock underpricing.

4. Leverage (X_4) has a regression coefficient of -0.131 , indicating that, holding other variables constant, a one-unit increase in leverage results in a 0.131 -unit decrease in IPO stock underpricing. The fourth hypothesis (H_4) produces a regression coefficient of -0.131 , with a t -statistic of -2.550 and a p -value of 0.021 , indicating statistical significance. Accordingly, H_4 is supported, suggesting that leverage has a negative and statistically significant effect on IPO stock underpricing.

Discussion

The Effect of Underwriter Reputation on IPO Stock Underpricing

The empirical results indicate that underwriter reputation **has a negative and statistically significant effect** on IPO stock underpricing. From the perspective of Signaling Theory, underwriter reputation serves as a quality signal that reduces information asymmetry between issuing firms and investors. Highly reputable underwriters are generally perceived to possess superior analytical capabilities, extensive market experience, and rigorous screening standards in selecting companies for public offerings. Consequently, the involvement of a reputable underwriter sends a positive signal to the market that the issuing firm is credible and of high quality.

The negative relationship between underwriter reputation and IPO underpricing can be further explained by Signaling Theory, which emphasizes the role of credible signals in mitigating information asymmetry during the IPO process. Reputable underwriters are perceived as possessing greater credibility, expertise, and underwriting capabilities, enabling them to certify the quality of issuing firms more effectively. This positive certification enhances investor confidence in the intrinsic value of the offered shares, thereby reducing uncertainty regarding investment risk. As a result, issuing firms face less pressure to deliberately underprice their shares as compensation for investors' perceived risk, leading to lower levels of IPO underpricing.

When firms appoint highly reputable underwriters, the level of information uncertainty perceived by investors decreases substantially. Consequently, the need to set the offering price below its intrinsic value as a risk compensation mechanism is reduced. In other words, the stronger the underwriter's reputation, the more accurate the IPO pricing process becomes, resulting in lower underpricing. Firms employing reputable underwriters therefore tend to experience lower levels of IPO underpricing, reflecting greater post-IPO price stability (Fikri & Jajuli, 2025).

Conversely, when underwriters have relatively weak reputations, investors tend to question the credibility of the information disclosed during the IPO process. To attract investor interest under such circumstances, issuing firms often offer shares at prices below their intrinsic value, thereby increasing the degree of underpricing. Accordingly, the empirical evidence demonstrating a negative relationship between underwriter reputation and IPO underpricing is consistent with Signaling Theory, whereby underwriter reputation functions as an indicator of credibility that reduces uncertainty and minimizes underpricing in the capital market. Kuswandi et al. (2025) similarly argue that IPOs underwritten by prestigious investment banks generally exhibit lower levels of underpricing because reputable underwriters are more effective in mitigating information asymmetry and selecting high-quality issuers.

These findings are consistent with those reported by Calomiris et al. (2022), who found that high-quality underwriters are better able to mitigate information asymmetry problems. Similar evidence was reported by Apsari et al. (2022), Lestari and Trihastuti (2020), and Martha and Oniesca (2024), all of whom concluded that underwriter reputation has a negative effect on IPO underpricing, indicating that more reputable underwriters are associated with lower levels of underpricing.

The Effect of Firm Size on IPO Stock Underpricing

The finding that **firm size has a positive and statistically significant effect** on IPO underpricing can be explained through **Signaling Theory**, combined with market demand mechanisms during the IPO process. Within this theoretical framework, firm size serves as a positive signal reflecting corporate credibility, operational stability, and greater information availability compared with smaller firms. Larger firms generally possess greater total assets, broader market exposure, and higher public visibility, thereby reducing information asymmetry.

However, positive signals in the IPO context not only reduce uncertainty but also increase the attractiveness of newly issued shares to investors. Large firms are generally perceived as safer and more promising investment opportunities, which may generate oversubscription during the IPO process. Strong investor demand subsequently creates upward pressure on stock prices in the secondary market, resulting in a substantial increase in post-IPO prices. Consequently, the price difference between the IPO offering price and the market price widens, leading to higher underpricing, even when the initial offering price has been conservatively determined to facilitate successful share absorption. Therefore, the positive relationship between firm size and IPO underpricing should not necessarily be interpreted as evidence of pricing inefficiency but rather as a consequence of heightened investor optimism and

strong market demand for large firms. These findings are consistent with Fariskya and Sari (2024), who reported that firm size significantly affects IPO underpricing because larger firms attract greater investor attention. Similar findings were also documented by Pradnyana and Erawati (2024) and Isyuardhana and Febryan (2022), who concluded that larger firms tend to experience higher IPO underpricing owing to stronger market demand during the initial offering.

The Effect of Firm Age on IPO Stock Underpricing

The results indicate that firm age **has a negative and statistically significant effect on IPO underpricing**. According to Signaling Theory, firm age functions as a quality signal reflecting a company's operational track record, managerial experience, and long-term business sustainability. Firms with longer operating histories generally provide more comprehensive historical information that is readily available to investors, thereby reducing information asymmetry between issuers and potential investors. Lower information asymmetry enhances investor confidence because investment decisions can be based on more established and verifiable historical performance. As investor confidence increases, perceived investment risk declines, reducing the need for issuing firms to offer shares at discounted prices through underpricing. Consequently, the IPO offering price is more likely to approximate its intrinsic value.

A longer corporate history also signals organizational stability, adaptability to changing business environments, and effective managerial capability in managing corporate risk. These positive signals strengthen investors' perceptions of firm quality, thereby reducing the necessity of employing underpricing as an incentive mechanism. Accordingly, firms with longer operating histories tend to experience lower levels of IPO underpricing because of reduced information asymmetry and greater investor confidence. These findings support the study conducted by Mulyani and Maulidya (2021), who argued that older firms are generally perceived as more stable and competitive. Likewise, Pradnyana and Erawati (2024) reported a negative relationship between firm age and IPO underpricing, while Setyorini et al. (2024) emphasized that firm age is closely associated with investor risk perception and uncertainty in IPO valuation.

The Effect of Leverage on IPO Stock Underpricing

The findings further reveal that leverage has a negative and statistically significant effect on IPO underpricing. This relationship can be explained through Signaling Theory, which considers capital structure as an important signal of a firm's financial risk. Higher leverage reflects greater reliance on debt financing, implying increased fixed financial obligations and a higher likelihood of financial distress. From the perspective of investors, this condition represents a negative signal because it suggests a heavier financial burden that the company must bear in the future.

Such signals increase investors' perceptions of uncertainty regarding the firm's ability to meet its financial obligations and maintain sustainable business performance over the long term. In addition, high leverage may intensify information asymmetry because investors cannot fully observe the firm's effectiveness in managing debt under changing economic conditions. Consequently, investors tend to adopt a more cautious approach when evaluating IPO shares.

Under these circumstances, firms with relatively high leverage tend to set IPO offering prices closer to their intrinsic values in order to reduce market resistance and attract investor participation. This pricing strategy limits excessive price appreciation in the secondary market, thereby reducing the level of IPO underpricing. Accordingly, the negative relationship between leverage and IPO underpricing reflects a pricing adjustment mechanism through which firms respond to investors' higher risk perceptions.

These findings are consistent with those reported by Lestari and Trihastuti (2020), who found that leverage negatively affects IPO underpricing. Similar evidence was documented by Aisyah (2024), while Rafiely and Yusrialis (2023) also confirmed that leverage has a significant influence on IPO stock underpricing among companies listed on the Indonesia Stock Exchange.

CONCLUSIONS

Based on the findings and discussion presented above, the following conclusions can be drawn:

1. Underwriter reputation has a significant effect on IPO underpricing. The negative direction of the relationship indicates that the higher the reputation of the underwriter, the lower the level of IPO underpricing. This finding suggests that reputable underwriters provide credible quality signals regarding issuing firms and facilitate more efficient IPO pricing.

2. Firm size has a significant effect on IPO underpricing. The positive relationship indicates that larger firms tend to experience higher levels of IPO underpricing. This result is attributable to stronger investor expectations and more optimistic market responses toward the shares of large firms during the IPO process.
3. Firm age has a significant effect on IPO underpricing. The negative relationship indicates that firms with longer operating histories tend to experience lower levels of IPO underpricing. This finding reflects the reduction in information asymmetry and the increased investor confidence associated with more established firms.
4. Leverage has a significant effect on IPO underpricing. The negative relationship indicates that firms with higher leverage tend to exhibit lower levels of IPO underpricing. This finding suggests that the market interprets debt financing as a signal of financial discipline, leading firms to adopt more prudent IPO pricing strategies.

REFERENCES

- Abbas, D. S., Rauf, A., Hidayat, I., & Sasmita, D. (2022). Determinant on Underpricing at the Initial Public Offering: Evidence Indonesia Stock Exchange. *Quantitative Economics and Management Studies*, 3(2), 175–185. <https://doi.org/10.35877/454RI.qems852>
- Agustina, M., & Yousuf, I. (2021). Pengaruh Umur Perusahaan, Profitabilitas, dan Leverage Terhadap Underpricing Saham Pada Penawaran Umum Perdana di Bursa Efek Indonesia. *JIEB : Jurnal Ilmiah Ekonomi Bisnis*, 7(3), 417–429. <http://ejournal.stiepancasetia.ac.id/index.php/jieb>
- Alwi, M., Muliati, M., Din, M., & Pakawaru, M. I. (2025). Determinan Initial Return IPO di Indonesia: Pandemi, Pasca-Pandemi dengan Pendekatan Bootstrap. *Jurnal Proaksi*, 12(4), 571–590.
- Alya Hafisah, H., & Khairunnisa, K. (2023). Tingkat Underpricing Dan Faktor-Faktor Yang Mempengaruhinya. *Akurasi: Jurnal Studi Akuntansi Dan Keuangan*, 6(2), 310–325. <https://doi.org/10.29303/akurasi.v6i2.406>
- Anggita Dwiantari, N., & Mediatrix Ratna Sari, M. (2021). Faktor-Faktor yang Mempengaruhi Fenomena Ketepatanwaktuan Publikasi Laporan Keuangan. *E-Jurnal Akuntansi*, 31(2), 374–387. <https://doi.org/10.24843/EJA.2021.v31.i02.p09>
- Apsari, P. & Yasa, Gerianta & Astika, Ida. (2021). effect of underwriter's reputation and auditor's reputation on underpricing in medium companies taking an initial public offering on the Indonesia stock exchange. *International research journal of management, IT and social sciences*. 9. 67–78. <https://doi.org/10.21744/irjmis.v9n1.2002>
- Azzuhruhi, F. A. ., & Putri, E. (2024). Pengaruh Reputasi Underwriter, Ukuran Perusahaan, Dan Nilai Perusahaan Terhadap Initial Return 1 Hari (Studi Empiris Pada Perusahaan Yang Melakukan Initial Public Offering (IPO) Di Bursa Efek Indonesia (BEI) Periode 2020–2022). *Management Studies and Entrepreneurship Journal (MSEJ)*, 5(2), 5311–5318.
- Bigus, J., & Dreyer, F. (2023). Country-level Accounting Enforcement and IPO Underpricing. *Abacus*, 59(3), 735–764. <https://doi.org/10.1111/abac.12280>
- Cahyana, Siti Aisyah (2024). Pengaruh Leverage, Reputasi Underwriter dan Reputasi Auditor Terhadap Underpricing Saham pada Perusahaan Perdagangan, Jasa dan Investasi yang Melakukan IPO di BEI Tahun 2020–2022.
- Calomiris, C. W., Izhakian, Y., & Zender, J. F. (2022). Underwriter Reputation, Issuer–Underwriter Matching, and SEO Performance. *Journal of Financial and Quantitative Analysis*, 57(6), 2444–2483. <https://doi.org/10.1017/S002210902100065X>
- Chrisnanda, W. A., & Raharja, S. (2023). Pengaruh Reputasi Underwriter, Return On Equity, dan Umur Perusahaan Syariah Terhadap Underpricing (Studi Pada Perusahaan yang Teregistrasi di BEI Tahun 2018–2021). *Jurnal Ilmiah Ekonomi Islam*, 9(03), 4329–4339. doi: <http://idx.doi.org/10.29040/jiei.v9i3.11451>
- Damayanty, P., Wahab, D., & Safitri, N. (2022). The Influence of Profitability, Firm Size and Company Activities on Sustainability Report Disclosure. *Journal of Scientific Edunomika*, 6 (2), 1–11. <https://doi.org/10.29040/jie.v6i2.4998>
- Damayanty, P., & Masrin, R. (2022). Effect of Managerial Ownership Structure, Leverage, Financial Distress and Litigation Risk on Accounting Conservatism. *Journal of Business and Management*, 2 (2), 111–127.
- Deswanto, R. B., & Siregar, S. V. (2018). The associations between environmental disclosures with financial performance, environmental performance, and firm value. *Social Responsibility Journal*, 14(1), 180–193. <https://doi.org/10.1108/SRJ-01-2017-0005>

- Dewi, M., Gayatri, G., & Wirama, D. (2024). The Moderating Role of Underwriter Reputation in the Relationship Between Financial Performance and Underpricing Levels. *E-Jurnal Akuntansi*, 34(9), 2365-2378. <https://doi.org/10.24843/EJA.2024.v34.i09.p15>
- Dwijaya, N., & Cahyadi, H. (2021). Faktor – Faktor yang Mempengaruhi Tingkat Underpricing: Studi Empiris Perusahaan Keluarga IPO di BEI. *Jurnal Ekonomi*, 377-394.
- Evitasari, R., & Nurhadi, N. (2023). Pengaruh Leverage, Profitabilitas, Dan Firm Size Terhadap Tingkat Underpricing Saham Ipo Di Bursa Efek Indonesia (Bei). *CURRENT: Jurnal Kajian Akuntansi dan Bisnis Terkini*.
- Fariskya, S., & Sari, S. (2024). The Impact of Financial Performance on Initial Returns of Companies Conducting Initial Public Offerings in Indonesia. *E-Jurnal Akuntansi*, 34(5), 1166-1179. doi:10.24843/EJA.2024.v34.i05.p08
- Fariskya, S., & Sari, S. (2024). The Impact of Financial Performance on Initial Returns of Companies Conducting Initial Public Offerings in Indonesia. *E-Jurnal Akuntansi*, 34(5), 1166-1179. <https://doi.org/10.24843/EJA.2024.v34.i05.p08>
- Hadi Cahyadi, N. D. (2022). Faktor-Faktor yang Mempengaruhi Tingkat Underpricing: Studi Empiris Perusahaan Keluarga IPO di BEI. *Jurnal Ekonomi*, 26(11), 337–394. <https://doi.org/10.24912/je.v26i11.783>
- Hartman-Glaser, B., Thibodeau, M., & Yoshida, J. (2022). Initial Public Offerings and Local House Prices. *SSRN Electronic Journal*. <https://ssrn-3329651.pdf>
- Isynuwardhana D, & Febryan, F. V. (2022). Factors Affecting Underpricing Level during IPO in Indonesia Stock Exchange 2018-2019. *The Indonesian Accounting Review*, 12(1), 87. <https://doi.org/10.14414/tiar.v12i1.2660>
- Laporan Tahunan BEI. (2022). Maintaining Resilience to Overcome Challenges Laporan Tahunan 2022 Annual Report. <https://www.idx.co.id/Media/ccrhy5gi/laporan-tahunan-pt-bursa-efek-indonesia-tahun-2022-230627.pdf>. Diakses pada tanggal 5 November 2024 pukul 5.53 WITA
- Lestari & Trihastuti. (2020). Pengaruh Ukuran Perusahaan, Reputasi Underwriter, Return on Asset (Roa), Return on Equity (Roe) Dan Leverage Terhadap Underpricing Saham Initial Public Offering (Ipo) Pada Pasar Perdana Di Bursa Efek Indonesia Periode 2012-2016. *JEA : Jurnal Ekonomi Akuntansi*, 5(1): 39-52
- Lestari & Yunifa Sri (2020). Pengaruh Ukuran Perusahaan, Reputasi Underwriter, Return on Asset (ROA), Return On Equity (ROE) dan Leverage Terhadap Underpricing Saham IPO Pada Pasar Perdana Di Bursa Efek Indonesia Periode 2012-2016. *Jurnal Ekonomi Akuntansi*, Hal 39-52. Volume 5. No. 1, April 2020.
- Liu & Wu. (2023). Underwriter reputation and the pricing of securities: Evidence from asset-backed securities. *International Review of Financial Analysis*, 88
- Mahardika, D. F., & Ismiyanti, F. (2021). The Effect of Financial and Non-Financial Variables on Underpricing. *European Journal of Economic and Financial Research*, 4(4), 65–81. <https://doi.org/10.46827/ejefr.v4i4.991>
- Martha, Oniesca (2024). Dampak reputasi underwriter, ukuran perusahaan dan leverage terhadap underpricing saham pada saat IPO (studi kasus pada perusahaan sub-sektor teknologi).
- Mulyani, E., & Maulidya, R. (2021). Underpricing Saham pada Saat Initial Public Offering (IPO): Pengaruh Ukuran Perusahaan, Umur Perusahaan, Reputasi KAP dan Profitabilitas. *Wahana Riset Akuntansi*, 9(2), 139. <https://doi.org/10.24036/wra.v9i2.112970>
- Najwa Rahma, M., & Rinaldi, R. (2024). Pengaruh WCTO, DAR dan NPM Terhadap Financial Distress Pada Perusahaan Manufaktur Sektor Barang Konsumen Primer. *Ikraith-Ekonomika*, 7(2), 98-111. <https://doi.org/10.37817/ikraith-ekonomika.v7i2.3339>
- Ningrum, A. S., & Mahardika, D. P. (2021). Analisis Determinan Net Initial Return pada Perusahaan yang melakukan IPO di Bursa Efek Indonesia. *Jurnal Ilmiah Wahana Akuntansi*, 16(1), 94-110. <https://doi.org/10.21009/wahana.16.016>
- P. Johnson Kennedy, S. Sitompul, & S. Tobing. (2021). Faktor-Faktor yang Mempengaruhi Tingkat Underpricing Saham pada Perusahaan Non Keuangan yang Melakukan Initial Public Offering di Bursa Efek Indonesia Periode 2014-2018. *Journal of Management and Business Review*, vol. 18, no. 2, pp. 285-299, Jun. 2021. <https://doi.org/10.34149/jmbr.v18i2.280>
- Postiglione, M., Carini, C., & Falini, A. (2025). Assessing Firm ESG Performance Through Corporate Survival: The Moderating Role of Firm Size. *International Review of Financial Analysis*, 100, 103973. <https://doi.org/10.1016/j.irfa.2025.103973>
- Prabowo, E., & Hidayati, N. (2023). Dampak Leverage dan Ukuran Perusahaan terhadap Underpricing Saham IPO. *Jurnal Ekonomi dan Bisnis*, 16(2), 78-92.
- Pradnyadevi, M. A., & Suardikha, I. M. S. (2020). Pengaruh Informasi Akuntansi dan Permintaan Investor terhadap

- Underpricing. *E-Jurnal Akuntansi*, 30(3), 746. <https://doi.org/10.24843/eja.2020.v30.i03.p16>
- Pradnyana, K.W.A & Erawati, N.M.A. (2024). The Effect of company performance on Underpricing Level IPO Shares on the Indonesia Stock Exchange for the period 2013-2023. *Journal of tourism economics and policy*, 4(3), 317-324. <https://doi.org/10.38142/jtep.v4i3.1113>
- Purnama Harahap, A., Ramadhan Hasibuan, R., & Risma Candanni, L., (2020). Peluang dan Tantangan Initial Public Offering (IPO) Pada Perusahaan Start-Up di Indonesia. *IJIEB: Indonesian Journal of Islamic Economics and Business*, 5(2), 30-45. <http://e-journal.lp2m.uinjambi.ac.id/ojp/index.php/ijieib>
- Putri, M.W., & Ekaningtias, D. (2024). Pengaruh Financial Leverage, Profitabilitas dan Ukuran Perusahaan pada Tingkat Underpricing Saham Initial Public Offering di Bursa Efek Indonesia Periode 2020-2023. *IDEI: Jurnal Ekonomi & Bisnis*, 5(2), 96-109. 10.38076/ideijeb.v5i2.295
- Rini, P. N., & Damayanty, P. (2024). The influence of auditor reputation, firm size, and underwriter's reputation on share underpricing. *COSTING: Journal of Economic, Business and Accounting*, 7(2), 3256-3264. <https://doi.org/10.1234/abcde12345>
- Rohman, M. F., & Fitriati, I. R. (2024). Pengaruh Umur Perusahaan, Ukuran Perusahaan, Return on Asset Dan Debt to Equity Ratio Terhadap Underpricing Saham Pada Perusahaan Jasa Saat Initial Public Offering (IPO) Di Bursa Efek Indonesia (BEI) Periode 2020-2023. *EKOMA: Jurnal Ekonomi, Manajemen, Akuntansi*, 3(6), 2478–2488. <https://doi.org/10.56799/ekoma.v3i6.5361>
- Sahir, S. H. (2022). *Metodologi Penelitian* (1st ed). Penerbit KBM Indonesia
- Saputra, S. H. (2022). Pengaruh leverage, return on equity (ROE), dan ukuran perusahaan terhadap underpricing saham: Studi empiris pada perusahaan sektor farmasi yang terdaftar di Bursa Efek Indonesia tahun 2018-2021. *Jurnal Ekonomi dan Bisnis*, 7(2), 3256-3264. <https://doi.org/10.1234/abcde12345>
- Setyana, E.N., & Nurcahyono, N. (2024). The Effect of Earning Per Share, Leverage, Liquidity, Company Size and Age on Stock Price. *Economics and Business International Conference Proceeding*, 1(2), 142-157.
- Sidabutar, A.P., & Tumeuw, F.J. (2025). Pengaruh Umur Perusahaan, Reputasi Underwriter, Jenis Industri dan Struktur Modal terhadap Tingkat Underpricing Saham pada Perusahaan yang Melakukan IPO di Bursa Efek Indonesia (Studi pada Perusahaan yang Terdaftar di BEI Periode 2021-2024). *Jurnal EMBA*, 13(4), 129-142.
- Siev, S., & Qadan, M. (2022). Call Me When You Grow Up: Firms' Age, Size, and IPO Performance across Sectors. *Journal of Risk and Financial Management*, 15(12), 586. <https://doi.org/10.3390/jrfm15120586>
- Sugiyono. (2023). *Metode penelitian kuantitatif, kualitatif, dan R&D*. Bandung: Alfabeta.
- Syofian, A., & Nurzi, S. (2020). Pengaruh Reputasi Underwriter, Reputasi Auditor, dan Ukuran Perusahaan Terhadap Underpricing Perusahaan yang Melakukan Initial Public Offering (IPO) di BEI. *Jurnal Eksplorasi Akuntansi*, 3 (1), 137-152.
- Teti, E., & Montefusco, I. (2022). Corporate governance and IPO underpricing: Evidence from the Italian market. *Journal of Management and Governance*, 26(3), 851–889. <https://doi.org/10.1007/s10997-021-09563-z>
- Undang-Undang RI No.8 tahun 1995 tentang Pasar Modal
- Zhang, Z., & Neupane, S. (2024). Global IPO underpricing during the Covid-19 pandemic: The impact of firm fundamentals, financial intermediaries, and global factors. *International Review of Financial Analysis*, 91, 102954. <https://doi.org/10.1016/j.irfa.2023.102954>
- Zhou, M., Li, K., & Chen, Z. (2020). Corporate governance quality and leverage: Evidence from China. *International Review of Financial Analysis*, 73, 101652. <https://doi.org/10.1016/j.irfa.2020.101652>