MJIFM | MAJAPAHIT JOURNAL OF ISLAMIC FINANCE AND MANAGEMENT

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

DETERMINANTS OF THE LEVEL OF STOCK UNDERPRICING WHEN A COMPANY MAKES AN INITIAL PUBLIC OFFERING ON THE INDONESIAN STOCK EXCHANGE IN THE 2021-2024 PERIOD

Indah Yuliana[1]
Universitas Islam Sultan Agung, Semarang, Indonesia
yulianain69@gmail.com

Indri Kartika[2*]
Universitas Islam Sultan Agung, Semarang, Indonesia
indri@unissula.ac.id*

Maya Indriastuti[3]
Universitas Islam Sultan Agung, Semarang, Indonesia
maya@gmail.com

Naila Najihah[4]
Universitas Islam Sultan Agung, Semarang, Indonesia
naila.najihah@unissula.ac.id

Abstract

Underpricing, which refers to the difference between the Initial Public Offering (IPO) price and the closing price on the first trading day, can lead to financial disadvantages for issuers by offering shares below their actual value. This research explores the factors influencing underpricing, including the reputations of underwriters and auditors, financial indicators such as the Debt-to-Equity Ratio (DER) and Earnings Per Share (EPS), firm-specific characteristics like company size and age, as well as profitability as indicated by Return on Equity (ROE). The study analyzed data from 161 companies that launched IPOs on the Indonesia Stock Exchange during the 2021–2024 period, selected through purposive sampling. To assess the impact of these variables on underpricing, a multiple linear regression approach was utilized. The findings indicate that larger firm size, older firm age, higher EPS and ROE, along with reputable auditors, significantly lower the level of underpricing. In contrast, a higher DER contributes to greater underpricing. Meanwhile, underwriter reputation, though positively related, does not exhibit a statistically significant impact. The study

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

acknowledges limitations in the exclusion of industry sector differentiation and reliance on historical data, which may limit the findings' generalizability. Future research should consider more advanced econometric methods and incorporate additional variables. These findings suggest that investors should prioritize fundamental financial and governance factors over potential short-term gains from underpricing when evaluating IPOs.

Keywords: Underpricing, Underwriter Reputation, Auditor Credibility, Financial Performance (EPS, DER, ROE), Firm Characteristics (Size, Age), Initial Public Offering

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

INTRODUCTION

The capital market plays a crucial role in boosting Indonesia's national economic growth by enabling financial transactions, fostering transparent price discovery, and delivering key financial and operational information. It enables companies to raise capital through Initial Public Offerings (IPOs), enhancing transparency and corporate reputation. However, a common challenge in IPOs is underpricing, where the offering price is set lower than the initial trading price in the secondary market. This phenomenon, as highlighted by Bunduwula et al. (2023) and Hendy (2019), can lead to wealth transfers from issuers to early investors and result in companies receiving less funding than the actual market value of their shares. While some firms strategically use underpricing to attract investors and ensure market liquidity, it reflects information asymmetry and market uncertainty. Data from the Indonesia Stock Exchange (IDX) between 2021 and 2024 shows that underpricing remains prevalent, peaking at 90.24% in 2024, with an average of 46 out of 57 IPOs per year experiencing this issue. This consistent trend underscores the importance of understanding the determinants of underpricing to improve IPO strategies and optimize capital acquisition.

The Initial Public Offering (IPO) process is inherently complex and influenced by several factors, one of which is the credibility of the underwriter. A reputable and experienced underwriter enhances market trust, often leading to lower underpricing levels. Studies by Harmawan & Mahyus (2023), E. P. Sari et al. (2022), and others have shown a negative relationship between underwriter credibility and underpricing, although some research, such as Susilo & Chasanah (2023), found no significant effect. Another influential factor is firm size; larger firms tend to face lower underpricing due to better resources, operational

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

stability, and public recognition, which reduce perceived investment risks. This is supported by findings from Harmawan & Mahyus (2023), Andari & Saryadi (2020), and others, although contradictory evidence also exists. Firm age is similarly significant, with older firms typically experiencing less underpricing because of their longer operational history and greater market credibility. However, empirical results are mixed. Lastly, earnings per share (EPS) serves as a key financial indicator reflecting a company's profitability, where higher and stable EPS signals positive performance and potentially reduces underpricing by reinforcing investor confidence.

This research seeks to analyze the factors influencing stock underpricing in Initial Public Offerings (IPOs) listed on the Indonesia Stock Exchange from 2021 to 2024, by examining variables including company age, Earnings Per Share (EPS), Debt-to-Equity Ratio (DER), Return on Equity (ROE), and the reputation of the auditor. Previous studies show inconsistent results regarding these variables' influence on IPO underpricing. For instance, EPS and ROE are considered indicators of a firm's profitability and stability, which can reduce underpricing risk by attracting investor confidence. DER reflects financial leverage, where higher ratios may signal higher risk, potentially increasing underpricing. Auditor reputation plays a vital role in signaling financial transparency and credibility, thereby lowering perceived risk and underpricing. Firm age is also considered, as older firms typically offer more stable performance and readily available information, reducing uncertainty for investors. This study differs from prior research, particularly Syofian Ary (2021), by adding new variables and utilizing the latest IPO data, aiming to provide a more comprehensive and up-to-date

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

understanding of factors influencing underpricing in the Indonesian capital market.

LITERATURE REVIEW

Signal Theory

The signaling theory, first introduced by Spence (1973) and later developed by Ross (1977), explains how companies convey key information to reduce information asymmetry between internal and external parties. In the context of IPO underpricing, this theory suggests that firms use underpricing as a deliberate signal of high quality to investors, who otherwise lack access to the same level of information as company management. Since management holds more comprehensive insights into the firm's operations and future prospects, signaling through credible financial reports helps bridge the information gap. Ritter and Welch (2002) further emphasized that underpricing acts as a mechanism for firms to demonstrate strong potential and attract investor interest, both during the IPO and in future offerings. A significant increase in stock price post-IPO is often interpreted as a reflection of high firm value, which ultimately benefits shareholders. Thus, effective signaling is crucial; failure to communicate a firm's true value may lead to market mispricing, resulting in firm value being perceived either above or below its actual worth.

The Influence of Underwriter Reputation on Underpricing

An underwriter plays a critical role in ensuring the success of an Initial Public Offering (IPO) by determining the offering price that reflects the true value of the firm. Collaborating with a reputable underwriter can significantly reduce potential conflicts and minimize the risk of underpricing, as these underwriters

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

possess superior market insight, thorough evaluation capabilities, and greater credibility among investors (Jayanarendra & Wiagustini, 2019). High-reputation underwriters tend to be involved in IPOs with lower underpricing levels, signaling to the market that the offering price is trustworthy and accurately reflects the firm's fundamentals (Aini, 2013). This trusted pricing mechanism not only improves short-term IPO performance but also strengthens investor confidence in the long term, potentially enhancing the firm's market perception and post-IPO performance (Harmawan & Mahyus, 2023; Larasati et al., 2023). The following hypothesis is:

H_1: Underwriter reputation has a negative effect on the level of underpricing.

The Effect of Company Size on the Level of Underpricing

Widjaja, as cited in Yuniarti Diana (2020), asserts that total assets, average sales levels, and total sales serve as indicators of firm size, which can enhance public exposure to corporate information, thereby increasing investor confidence and facilitating business valuation. Larger firms typically have more information available in the market, reducing information asymmetry during IPOs. Moreover, firm size reflects uncertainty levels; larger firms tend to be more stable and less affected by market volatility, posing lower investment risks than smaller firms. Due to greater uncertainty, long-term investments in smaller firms carry higher risk. Consequently, firm size influences investor trust, with larger firms expected to exhibit lower levels of underpricing. This is consistent with Syofian Ary's (2021) findings, which indicate a negative relationship between firm size and IPO underpricing. Thus, the following hypothesis is :

H_2: Company size has a negative effect on the level of underpricing

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

The Influence of Company Age on the Level of Underpricing

The term "firm age" refers to the length of time a business has been operating, serving as an indicator of its viability, competitiveness, and sustainability. Older firms are generally perceived as more experienced, with proven operational capabilities and easier access to relevant information (Andari & Saryadi, 2020). A longer operating history suggests that the firm has successfully navigated various business cycles and market challenges, which lowers perceived investment risk. Mature companies typically offer a more comprehensive track record and greater transparency, thereby reducing information asymmetry during the IPO process. Consequently, investors tend to view older firms as safer investment options compared to younger firms, which face higher uncertainty in forecasting revenue and growth. This aligns with Hadi (2019), who found that firm age has a negative effect on the level of IPO underpricing. Therefore, the following conclusions regarding the hypothesis can be drawn:

H_3: Company age has a negative effect on the level of underpricing.

The Influence of Earnings per Share on the Level of Underpricing

Earnings Per Share (EPS) reflects the profit earned by investors for each share owned, serving as an indicator of a company's financial performance and its ability to generate shareholder value. A higher EPS signifies stronger profitability, enhances investor confidence, and indicates a lower likelihood of underpricing during an initial public offering (IPO). It also suggests earnings stability, sustainable performance, and supports valuation through the Price to Earnings (P/E) ratio. Companies with high EPS often have greater bargaining power and tend to distribute higher dividends, reducing investor risk perception.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

This supports the findings of Sari et al. (2022) and Putri et al. (2024), which conclude that EPS has a negative effect on underpricing levels. Therefore, the following conclusions regarding the hypothesis can be drawn:

H_4: Earnings per Share has a negative effect on the level of Underpricing

The Influence of Debt to Equity Ratio on the Level of Underpricing

The Debt to Equity Ratio (DER) is a financial metric that measures the proportion of a company's capital structure that is financed by debt relative to equity (Renitia et al., 2021). A high DER indicates greater reliance on debt, which increases financial risk, interest expenses, and vulnerability during economic downturns, while potentially reducing profitability and funding flexibility. These risks heighten the uncertainty perceived by investors, leading to a higher likelihood of underpricing during an IPO. This aligns with Wahyusari (2013), who found that DER has a positive influence on underpricing. Therefore, it can be concluded that DER is positively associated with the level of IPO underpricing:

H_5: Debt to Equity Ratio has a positive effect on the level of Underpricing.

The Influence of Return on Equity on the Level of Underpricing

The Return on Equity (ROE) is an indicator reflecting the net profit after tax generated by a company from its total equity (Gunawan & Gunarsih, 2021). It measures the company's profitability relative to shareholders' equity, representing the efficiency of capital utilization in generating earnings. A higher ROE signals stronger company performance and greater attractiveness to investors due to the potential for higher returns, which can increase demand for shares and reduce IPO underpricing. Conversely, a low ROE suggests suboptimal performance and may raise investor uncertainty, potentially increasing

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

underpricing. This aligns with Kristanti (2020), who found that ROE negatively affects underpricing. Therefore, the hypothesis is:

H_6: Return On Equity negatively affects underpricing.

The Influence of Auditor Reputation on the Level of Underpricing

Auditors with strong reputations enhance investor confidence in the accuracy and reliability of newly public companies' financial reports, reducing information asymmetry and lowering underpricing levels. This increased trust encourages investors to pay higher share prices. Conversely, companies audited by less reputable auditors may need to set lower share prices to attract investors, resulting in higher underpricing. Sari et al. (2017) demonstrated that financial reports audited by highly reputable public accounting firms reduce uncertainty regarding the company's true value. Thus, auditor reputation is a crucial variable affecting investor decisions and IPO pricing. Accordingly, the hypothesis is:

H_7: Auditor reputation negatively affects underpricing.

RESEARCH METHOD

This study utilizes a quantitative approach grounded in positivist philosophy to examine the impact of underwriter reputation, company size, company age, earnings per share, debt to equity ratio, return on equity, and auditor reputation on firm value, specifically focusing on underpricing in IPOs. The population includes 228 companies that went public on the Indonesia Stock Exchange from 2021 to 2024, with a purposive sample selected based on criteria such as underpricing occurrence, financial statements in rupiah, and data completeness. Secondary data were gathered through documentation of financial reports, IPO prices, and prospectus information from the official IDX website.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Independent variables encompass measures of firm characteristics and reputations, with underwriter and auditor reputation coded as binary indicators reflecting prestige, while company size, age, profitability, leverage, and returns are quantified through financial metrics. Underpricing, the dependent variable, represents the initial investor return measured by the difference between IPO offer price and first-day closing price. Multiple linear regression analysis was conducted after ensuring classical assumptions—normality, multicollinearity, heteroscedasticity, and autocorrelation—were met, with descriptive statistics summarizing the data. Model fitness was confirmed through tests assessing overall explanatory power and individual variable significance, where significant variables demonstrate meaningful influence on underpricing, contributing to a clearer understanding of the factors driving IPO performance in the Indonesian market.

RESULTS AND DISCUSSION

Overview of Research Objects

The study population comprises all firms that conducted IPOs on the Indonesia Stock Exchange (IDX) between 2021 and 2024. Utilizing purposive sampling, a total of 161 companies were selected based on predetermined criteria. Further details regarding the sample selection process are presented in Table 1 below:

Table 1.
Sampling Criteria

No	Sample Criteria	Amount
1	Companies that conducted an IPO on the IDX in the 2021-2024 period.	228

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

2	Companies that conducted an IPO in the 2021-2024 period but did not experience underpricing.	(46)
3	Companies that experienced underpricing presented financial reports on the Indonesia Stock Exchange in the 2021-2024 period.	0
4	Companies that had incomplete data, according to the data required with variables.	(11)
5	Companies that presented their financial reports using the rupiah currency were retained in the sample, while companies that issued financial reports in foreign currencies were excluded to maintain data consistency in the analysis.	(10)
	Number of Companies	161

Source: Data analyzed by the researcher (2025)

Descriptive Statistical Test

Table 2.
Results of Descriptive Statistical Tests

	N	Minimum	Maximum	Mean	Median	Std. Deviation
RUN	161	0	1	.20	.00	.405
SIZE	161	24.22	32.57	26.8858	26.4890	1.46802
AGE	161	1	55	16.22	14.00	10.544
EPS	161	-79.32	529.95	19.6510	5.7423	55.90406
DER	161	-18.94	7.59	.5088	.4062	1.74400
ROE	161	-.58	1.97	.0844	.0627	.18528
RAud	161	0	1	.08	.00	.273
Valid N (listwise)	161					

Source: Data analyzed by the researcher (2025)

Based on descriptive statistics from 161 observations, the Underwriter Reputation (RUN) variable, indicating the extent of underwriter usage in IPOs, ranges from 0.00 (128 companies) to 1.00 (33 companies) with a mean of 0.20 and median of 0.00, reflecting generally low usage and a dispersed distribution (SD =

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

0.405). Company Size (SIZE), measured by total assets, varies from 24.22 (PT. Fimperkasa Utama Tbk, 2021) to 32.57 (PT. GoTo Gojek Tokopedia Tbk, 2022), with an average of 26.89 and median of 26.49, indicating relatively large companies and a fairly even distribution (SD = 1.468). Company Age (AGE), defined as years since establishment until listing, ranges from 1 to 55 years, with a mean of 16.22 and median of 14.00, showing a sample dominated by relatively young firms and moderate variance (SD = 10.544). Earnings Per Share (EPS), calculated as net profit after tax per outstanding share, exhibits extreme variability from -79.32 to 529.95, with a mean of 19.65 and median of 5.74, suggesting most companies have lower EPS but some outliers significantly increase the average, resulting in a large standard deviation (SD = 55.90). Debt to Equity Ratio (DER), measuring total debt relative to equity, ranges from -18.94 to 7.59, with a mean of 0.51 and median of 0.41, indicating generally low leverage but a highly skewed distribution due to some companies with very high ratios (SD = 1.744). Return on Equity (ROE), calculated as net profit divided by equity, varies between -0.58 and 1.97, with a mean of 0.08 and median of 0.06, showing mostly low profitability with notable dispersion (SD = 0.185). Finally, Auditor Reputation (RAud), based on the use of top 4 audit firms, ranges from 0 (148 companies) to 13 (one company), with a mean of 0.08 and median of 0.00, indicating most companies do not engage top-tier auditors, while a small minority uses them frequently, resulting in a skewed distribution (SD = 0.273).

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Classical Assumption Test Results

Normality Test Results

Table 3.
Kolmogorov Smirnov Test Results
Before Data Transformation

N	161
Test Statistic	.185
Asymp. Sig. (2-tailed)	.000c

Source: Data analyzed by the researcher (2025)

Referring to the data in Table 3, the results of the normality test using the Kolmogorov-Smirnov method indicate a significance value of 0.000, which is below the threshold of 0.05. This shows that the data in this study are not normal. To normalize the data, this study conducted data transformation according to the characteristics of the data conditions of each variable and the skewness of the data.

Table 4.
Kolmogorov Smirnov Test Results
After Data Transformation

N	161
Test Statistic	.043
Asymp. Sig. (2-tailed)	.200c,d

According to the data in Table 4, the normality assessment is carried out by examining the standardized residuals derived from the regression results of the research model. Based on the test results using Kolmogorov Smirnov, the calculated value is 0.043 and the p value is 0.200. The p value> 0.05 means that the normality test results show that all variables are normal.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Multicollinearity Test Results

Table 5.
Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	RUN	.817	1.224
	SIZE	.620	1.613
	AGE	.765	1.307
	EPS	.605	1.654
	DER	.840	1.190
	ROE	.529	1.890
	RAud	.891	1.122

Source: Data analyzed by the researcher (2025)

Table 5 indicates that the variables RUN, SIZE, AGE, EPS, DER, ROE, and RAud meet the multicollinearity criteria, with VIF values less than 10 and tolerance values exceeding 0.1. So, it can be concluded that in the regression model of this study, there are no symptoms of multicollinearity.

Heteroscedasticity Test Results

Table 6.
Heteroscedasticity Test Results Coefficientsa[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.020	.041		.499	.619
	sqrt_RUN	.005	.008	.051	.602	.548
	Ln_SIZE	6.350E-5	.002	.004	.037	.971
	sqrt_AGE	.003	.002	.124	1.422	.157
	sqrt_EPS	.003	.002	.173	1.770	.079
	sqrt_DER	-.003	.007	-.037	-.450	.653

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

	sqrt_ROE	.032	.032	.104	.990	.324
	sqrt_RAud	-.016	.011	-.115	-1.430	.155

Source: Data analyzed by the researcher (2025)

The results of the heteroscedasticity test using the Glejser method, as shown in Table 6, indicate that the significance value for RUN is 0.548, which exceeds the threshold of 0.05. SIZE obtained a sig value of 0.971>0.05. AGE obtained a sig value of 0.157. EPS obtained a value of 0.079>0.05. DER obtained a value of 0.653>0.05. ROE obtained a value of 0.324>0.05 and RAud obtained a value of 0.155>0.05. So, it can be concluded that in this study, there is no heteroscedasticity problem.

Autocorrelation Test Results

Table 7.
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.749a	.561	.541	.06584	1.977

Source: Data analyzed by the researcher (2025)

As indicated in Table 9, the Durbin-Watson (DW) value is observed to be 1.977. Where the dU value (1.7054) < d (1.247) < 4-dU (2.2946). So it can be concluded that the results of the autocorrelation test have met the decision-making criteria, and there are no symptoms of autocorrelation.

Multiple Linear Regression Analysis

Table 8.
Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constatnt)	.844	.075	

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

	sqrt_RUN	.005	.014	.019
	Ln_SIZE	-.013	.003	-.280
	sqrt_AGE	-.009	.004	-.141
	sqrt_EPS	-.011	.003	-.249
	sqrt_DER	.037	.013	.166
	sqrt_ROE	-.180	.059	-.224
	sqrt_RAud	.042	.020	.119
	R2			.561
	Adj R2			.541
	Fcount			27.945
	F sig			.000

Based on the data presented, it was obtained:

IRU = 0,844 + 0,005 sqrt_RUN – 0,013 Ln_SIZE – 0,009 sqrt_AGE
– 0,011 sqrt_EPS + 0,037 sqrt_DER – 0,180 sqrt ROE
+ sqrt_RAud 0,042 + e

The regression equation's constant is 0.844, indicating that when RUN, SIZE, AGE, EPS, DER, ROE, and RAud are zero or held constant, the underpricing level is 0.844. RUN has a positive coefficient of 0.005, suggesting that higher RUN values increase underpricing. SIZE shows a negative coefficient of -0.013, implying that larger SIZE reduces underpricing. AGE also has a negative coefficient of -0.009, meaning that older firms tend to have lower underpricing. EPS has a negative coefficient of -0.011, indicating that higher earnings per share correspond to lower underpricing. DER's positive coefficient of 0.180 suggests that greater debt-to-equity ratios increase underpricing. ROE's negative coefficient of -0.037 implies that higher return on equity reduces underpricing, while RAud has a positive coefficient of 0.037, indicating that higher audit quality is associated with increased underpricing.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Based on the data in Table 8, the adjusted R^2 value of 0.541 indicates that the variables RUN, SIZE, AGE, EPS, DER, ROE, and RAud collectively explain 54.1% of the variation in the underpricing level, while the remaining 45.9% is influenced by other factors. In other words, the independent variables in this study account for 54.1% of the variation in the dependent variable.

Furthermore, the F-test results in Table 8 show an F-value of 27.945 with a p-value of 0.000 (<0.05), indicating that the regression model is statistically significant and capable of making reliable predictions.

The Effect of Underwriter Reputation (RUN) on Underpricing Rate

The t-test results show a calculated t-value of 0.321 with a p-value of 0.749, which is greater than 0.05. Therefore, hypothesis H1 is rejected, indicating that although underwriter reputation positively influences the underpricing rate, the effect is not statistically significant. The positive regression coefficient suggests that the more reputable the underwriter, the higher the underpricing rate. Underwriters likely have better insights into market conditions compared to issuers, as they interact more frequently with the market.

This finding supports the research of Susilo & Chasanah (2023), Andari & Saryadi (2020), Pahlevi (2019), Aini (2013), Wahyusari (2013), and Lukman & Kunawangsih (2023), which found no significant effect of underwriter reputation on underpricing. However, studies by Harmawan & Mahyus (2023), E.P. Sari et al. (2022), Syofian Ary (2021), and others reported a negative effect. The non-significance in this study may result from sample data limitations, as reputation was assessed only by ranking the top 10 IDX underwriters, while many companies used underwriters outside this group.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

The Effect of Firm Size (SIZE) on Underpricing Rate

The t-test results show a calculated t-value of -4.119 with a p-value of 0.000, which is less than 0.05, leading to the acceptance of hypothesis H2. This means that firm size has a significant and negative effect on underpricing. Larger firms typically have more assets and resources, increasing public awareness through their products, services, and activities. Investors tend to be more confident when investing in large companies due to perceived stability and lower uncertainty.

Large firms, characterized by high total assets, tend to attract long-term investor trust and reduce underpricing. The data shows asset values ranging from 24.22 billion (PT. Fimperkasa Utama Tbk, 2021) to 32.57 billion (PT. GoTo Gojek Tokopedia Tbk, 2022), with a mean of 26.8858 billion. This study supports findings by Harmawan & Mahyus (2023), Yuniarti Diana (2020), and others who concluded firm size negatively influences underpricing. Conversely, some researchers reported no significant relationship.

The Effect of Company Age (AGE) on Underpricing Level

The t-test results show a t-value of -2.308 with a p-value of 0.022, which is less than 0.05. Thus, H3 is accepted, indicating that company age has a significant negative effect on the level of underpricing. A longer operating history reflects a company's resilience and ability to compete while leveraging economic opportunities. Publicly available information tends to be more detailed and comprehensive for older companies, which reduces market uncertainty and information asymmetry, leading to lower underpricing.

It is widely accepted that investors perceive companies with a longer operational track record as less risky. Such firms generally have better strategies to ensure long-term sustainability. This is reflected in the statistical data, where

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

the lowest underpricing value was 1 (PT Venteny Fortuna International Tbk, 2022) and the highest was 55 (PT Carsurin Tbk, 2023), with a mean value of 16.22. These findings align with research by Hadi (2019), Sari et al. (2017), Saifudin & Rahmawati (2017), and Andari & Saryadi (2020), which confirm a negative effect of company age on underpricing. However, other studies like Putri et al. (2024), Sari et al. (2022), Kristanti (2020), Akbar & Africano (2019), Harmawan & Mahyus (2023), and Aini (2013) report no significant influence.

The Effect of Earnings Per Share (EPS) on Underpricing Level

The t-test results reveal a calculated t-value of -3.613 and a p-value of 0.000, which is below the 0.05 threshold. Therefore, H4 is accepted, indicating a significant negative impact of Earnings Per Share (EPS) on the underpricing level. Investors often lack complete insight into a company's core condition, so they rely on financial indicators like EPS to assess risk and opportunity. EPS measures the profitability per outstanding share, signaling the company's ability to generate earnings and reassuring investors of the firm's financial health and future prospects.

Companies with higher EPS tend to be valued more appropriately, reducing the need for pricing shares below their fair value to attract investors. Firms demonstrating strong financial performance typically experience lower underpricing levels because perceived information risk is diminished. The statistical data show the lowest underpricing value at -79.32 (PT Falmaco Nonwoven Industri Tbk, 2021) and the highest at 529.95 (PT Daaz Bara Lestari Tbk, 2024), with a mean of 19.65. This result supports findings from Putri et al. (2024) and Sari et al. (2022), while Saifudin & Rahmawati (2017) and Kristanti (2020) found no relationship between EPS and underpricing..

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

The Effect of Debt to Equity Ratio (DER) on Underpricing

The t-test results show a calculated t-value of 2.834 with a p-value of 0.005 (< 0.05), indicating that hypothesis H5 is accepted. This means that the underpricing level is significantly and positively influenced by the Debt to Equity Ratio (DER). A high DER reflects the extent to which a company relies on debt, which is generally perceived negatively by investors. This suggests that companies with high DER have a lower capacity to manage business risks and face substantial fixed financial obligations.

To counter this negative perception, companies tend to set a lower IPO price to attract investors, thereby increasing underpricing. Firms with high DER face greater default risk, but external investors lack full information about the company's risk management ability. Consequently, investors demand a risk premium through a lower stock price, causing underpricing. The dataset shows a minimum value of -18.94 (PT. Net Visi Media Tbk, 2022) and a maximum of 7.59 (PT. Bank Multiarta Sentosa Tbk, 2021), with a mean of 0.5088. These findings align with studies by Lukman & Kunawangsih (2023), Saifudin & Rahmawati (2017), Wahyusari (2013), and Susilo & Chasanah (2023). However, other research such as Putri et al. (2024) and Gunawan & Gunarsih (2021) found no significant relationship between DER and underpricing.

The Effect of Return on Equity (ROE) on Underpricing

The t-test results indicate a calculated t-value of -3.046 and a p-value of 0.003 (< 0.05), leading to acceptance of hypothesis H6. This demonstrates that underpricing is significantly and negatively affected by Return on Equity (ROE). A high ROE signals positive performance and profitability, increasing investor demand for the company's shares. ROE measures how efficiently a company

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

generates profits from shareholders' equity, making firms with higher ROE more attractive to investors.

As ROE rises, companies are perceived as more profitable, prompting investors to seek their shares and boosting secondary market prices. This reduces underpricing because the initial returns investors expect are smaller due to higher confidence in the company's prospects. ROE also reflects profit margins and asset use efficiency, helping investors assess future prospects and investment security. The data presents the same range as DER, with a minimum of -18.94 (PT. Net Visi Media Tbk, 2022), maximum 7.59 (PT. Bank Multiarta Sentosa Tbk, 2021), and mean 0.5088. These results support findings by Kristanti (2020) and Hadi (2019), while some studies like Saifudin & Rahmawati (2017) and Gunawan & Gunarsih (2021) report no significant effect of ROE on underpricing.

How Auditor Reputation (RAud) Affects Underpricing

Based on the test results, with a p-value of 0.003 < 0.05 and a t-value of 2.099, it can be concluded that H7 is accepted, indicating that auditor reputation has a significant and negative impact on underpricing levels. A reputable auditor tends to inspire greater investor confidence, reducing perceived risk and increasing investors' willingness to pay a premium for shares. High-reputation auditors are viewed as independent parties with the capability and credibility to assure the reliability of financial reports and company transparency. By selecting reputable auditors, companies signal to investors that their financial statements have been audited according to high professional standards, thereby boosting investor trust in the company's fundamental value and encouraging stock purchases closer to fair value. Consequently, firms need not engage in aggressive underpricing to attract market interest. Statistical data show a minimum value of

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

0 in 148 companies and a maximum of 13, with a mean of 0.08. This study confirms findings by Harmawan & Mahyus (2023), Sari et al. (2017), Saifudin & Rahmawati (2017), and Aini (2013), who reported a negative influence of auditor reputation on underpricing, contrasting with Susilo & Chasanah (2023), Pahlevi (2019), and Syofian Ary (2021), who found no effect of auditor reputation on underpricing.

CONCLUSION

This research aimed to investigate the influence of RUN, SIZE, AGE, EPS, DER, ROE, and RAud on the degree of underpricing. A total of 161 companies that met the specified criteria and conducted IPOs on the Indonesia Stock Exchange (IDX) between 2021 and 2024 were selected as the sample. Through multiple linear regression analysis, the findings reveal that although RUN has a positive relationship with underpricing, the effect is not statistically significant, likely due to limitations in the underwriter reputation measurement based only on IDX top ten rankings. SIZE and AGE significantly reduce underpricing, indicating that larger and older companies inspire greater investor confidence due to perceived stability and business prospects. EPS negatively and significantly affects underpricing, suggesting that higher earnings per share signal financial health and reduce underpricing risk. Conversely, DER positively and significantly influences underpricing, reflecting that companies with higher debt-to-equity ratios face higher default risk, increasing investor uncertainty and underpricing. ROE significantly lowers underpricing, as higher returns on equity indicate effective capital utilization and reassure investors. Lastly, RAud has a significant negative effect, showing that reputable auditors enhance financial

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

transparency and reduce information asymmetry, thereby lowering underpricing. However, the study has limitations, including lack of sectoral differentiation which affects generalizability, and the historical data period influenced by specific economic conditions, limiting applicability across different times. Future research should incorporate macroeconomic variables and more sophisticated econometric methods to capture complex dynamics. For companies planning IPOs, maintaining healthy financial structure, controlling leverage, and selecting reputable auditors and underwriters is crucial to build market trust. Investors are advised to carefully analyze financial indicators such as DER, EPS, and ROE to make rational investment decisions beyond short-term gains from underpricing.

REFERENCES

Ahmad, D. M., & Wibowo, B. (2024). Analisis Pengaruh Perhatian Investor pada Masa Penawaran Umum Perdana (IPO) terhadap Volatilitas Harga Saham Pasca IPO. Economic Reviews Journal, 3(1), 96–108. https://doi.org/10.56709/mrj.v4i1.622

Aini, S. N. (2013). Faktor-Faktor yang Mempengaruhi Underpricing Saham pada Perusahaan IPO di BEI Periode 2007-2011. Jurnal Ilmiah Manajemen, 1(1), 88–102.

Akbar, D. A., & Africano, F. (2019). Pengaruh Reputasi Underwriter dan Umur Perusahaan, terhadap Underpricing Saham pada saat Initial Public Offering. Jurnal Al Qardh, 4, 129–141.

Andari, B., & Saryadi, A. (2020). Pengaruh Return On Asset (ROA), Debt To Equity Ratio (DER), Ukuran Perusahaan, Umur Perusahaan, Jenis Industri dan Reputasi Underwriter terhadap Underpricing Saham pada Perusahaan IPO di Bursa Efek Indonesia Periode (2016-2018). Jurnal Ilmu Administrasi Bisnis, 9(4), 496–506. https://doi.org/10.14710/jiab.2020.28778

Big 4 Accounting Firms. (2025). The Big 4 Accounting Firms. Big 4 Accounting Firms. https://big4accountingfirms.org/

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Bunduwula, I. A., Hajar, I., & Putera, A. (2023). 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). Jurnal Ekonomi, Manajemen Dan Akuntansi, 1(2), 366–380. https://doi.org/10.572349/neraca.v1i2.163%0Ahttps://jurnal.kolibi.org/index. php/neraca/article/view/163

Bursa Efek Indonesia. (2025). Penjamin Emisi Efek yang Sudah Terdaftar di Indonesia pada Tahun 2025. Bursa Efek Indonesia. https://www.idx.co.id/id/anggota-bursa-dan-partisipan/profil-anggota-bursa

Ferdila, & Mustika, I. (2022). Pengaruh Current Ratio, Debt to Equity Ratio dan Earning per Share Ratio terhadap Harga Saham pada Perusahaan Teknologi yang Terdaftar di Bursa Efek Indonesia. Jurnal Ilmiah Akuntansi Dan Finansial Indonesia, 5(2), 17–28. https://doi.org/10.31629/jiafi.v5i2.4288

Ghozali, I. M. (2021). Aplikasi Analisis Multivariate. Badan Penerbit Universitas Diponegoro.

Gunawan, J., & Gunarsih, T. (2021). Analisis Pengaruh Variabel Keuangan dan Non Keuangan terhadap Underpricing pada Penawaran Saham Perdana di Bursa Efek Indonesia Periode 2016-2018. Telaah Bisnis, 20(2), 37. https://doi.org/10.35917/tb.v20i2.179

Hadi, S. (2019). Faktor- Faktor yang Mempengaruhi Underpricing Saham Perdana pada Perusahaan yang Melakukan Initial Public Offering. Jurnal Akuntansi & Perpajakan Jayakarta, I(1). http://journal.stiejayakarta.ac.id/index.php/JAPJayakarta/article/view/8/3

Harmawan, & Mahyus. (2023). Pengaruh Faktor Keuangan , Non Keuangan dan Makro Ekonomi terhadap Underpricing Saham pada Perusahaan yang Melakukan Initial Public Offering (IPO) di BEI Periode 2020 -. Journal of Accounting Knowledge, x(x), 1–21.

Hendy, F. (2019). Analisis Faktor-Faktor yang Mempengaruhi Underpricing Saham pada Perusahaan yang IPO di Bursa Efek Indonesia Tahun 2013-2018. Eknonomi Dan Bisnis, 3, 103–111.

Hikmawati, F. (2020). Metode Penelitian. Rajawali Pers.

Husnan, S., Hanafi, M. M., & Munandar, M. (2014). Price Stabilization And IPO Underpricing: An Empirical Study In The Indonesian Stock Exchange. Journal of Indonesian Economy and Business.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

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. https://doi.org/10.24843/ejmunud.2019.v08.i08.p01

Kristanti, I. N. (2020). Analisis Faktor-Faktor yang Mempengaruhi Tingkat Underpricing pada Perusahaan yang Melakukan Initial Public Offering Ika Neni Kristanti. Jurnal Ekonomi Dan Teknik Informatika, 8(2).

Kustodian Sentral Efek Indonesia. (2025). Underwriter di Pasar Modal. Kustodian Sentral Efek Indonesia. https://www.ksei.co.id/education/glossary?index=U

Larasati, N., Kusumaningarti, M., & Athori, A. (2023). Pengaruh Ukuran Perusahaan, Reputasi Underwriter, dan Persentase Penawaran Saham terhadap Underpricing Saham sebagai Pengambilan Keputusan Melakukan IPO di BEI. Jurnal Penelitian Ekonomi Manajemen Dan Bisnis (JEKOMBIS), 2(2), 244–257.

Lukman, S. A., & Kunawangsih, T. (2023). Pengaruh Likuiditas, Profitabilitas, Leverage, Reputasi Underwriter dan Jenis Industri terhadap Underpricing Saham pada Perusahaan yang Melakukan IPO di BEI pada Tahun 2020-2021. Wawasan: Jurnal Ilmu Manajemen, Ekonomi, Dan Kewirausahaan, 1(2), 40–54.

Pahlevi, R. W., Kurnianingsih, R., & Retnaningdiah, D. (2024). Pengaruh Reputasi Underwriter, Reputasi Auditor, Leverage, Profitabilitas Likuiditas, Ukuran Perusahaan, Life Stage Perusahaan terhadap Underpricing Saham pada IPO di BEI. Jurnal Kajian Ekonomi Dan Bisnis, 19(1), 1–23.

Prastica, Y. (2012). Faktor-Faktor yang Mempengaruhi Tingkat Underpricing pada saat Penawaran Umum Saham Perdana. Jurnal Ilmiah Mahasiswa Akuntansi, 1(4), 49–55.

Putra, K. M. S., & Djawoto. (2020). Pengaruh Reputasi Underwriter, Reputasi Auditor dan Ukuran Perusahaan terhadap Underpricing Saham. Jurnal Ilmu Dan Riset Manajemen, 9(2), 1–14.

Putri, M. R., Fitria, Y., Setyadi, B., Deva, I., Haris, S., & Ifanda, N. (2024). The Influence of Earning Per Share, Current Ratio and Debt To Equity Ratio on Share Price At Manufacturing Company Listed in Idx. Jurnal Ilmiah Ekonomi Dan Bisnis, 12(3), 3549–3556.

Putri, W. A. (2023). Analisis Faktor-Faktor yang Mempengaruhi Underpricing, Flipping Activity, dan Underperformance Saham pada Perusahaan yang Melakukan IPO di Bursa Efek Iindonesia Periode 2018-2021. Institutional Repository UIN Syarif Hidayatullah Jakarta, 13(1), 104–116.

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

Renitia, R., Suripto, S., & Harori, M. I. I. (2021). Pengaruh Total Asset Turnover, Debt To Equity Ratio (DER), Ukuran Perusahaan, Nilai Tukar Rupiah, dan IHSG terhadap Terjadinya Tingkat Underpricing Saham. Jurnal Perspektif Bisnis, 4(1), 23–37. https://doi.org/10.23960/jpb.v4i1.45

Riani, R., Buheli, M., & Mustapa, I. P. (2022). Analisis Perkembangan Kinerja Keuangan dengan Menggunakan Metode Du Pont System pada PT. Mustika Ratu Yang Go Publik di BEI. Journal of Technopreneurship on Economics and Business Review, 4(1), 30–43. https://doi.org/10.37195/jtebr.v4i1.99

Ridho, A. A., & Aprilia, R. K. (2024). Analisis Rasio Kesehatan Keuangan Perbankan terhadap Kinerja Keuangan. Diponegoro Journal of Accounting, 13(30), 1–14.

Ritter dan Welch. (2002). A Review of IPO Activity, Pricing, and Allocations.
The Journal of The American Finance Association, 57(4).

Saifudin, S., & Rahmawati, D. (2017). Pengaruh Informasi Akuntansi dan Non Akuntansi terhadap Underpricing Ketika Initial Public Offering di Bursa Efek Indonesia. Jurnal Penelitan Ekonomi Dan Bisnis, 1(1), 33–46. https://doi.org/10.33633/jpeb.v1i1.1478

Salim, M., Budiyanti, H., Nurman, Ramli, A., & Aslam, A. P. (2024). Pengaruh Earning Per Share (EPS), Return On Equity (ROE), dan Debt To Equity Ratio (DER) terhadap Harga Saham Perusahaan Lq45 yang Terdaftar di BEI Periode 2015-2022. Economics and Digital Business Review, 5(2), 72–83.

Sari, E. P., Muthia, F., Malinda, S., Muizzudin, M., & Andriana, I. (2022).
Analisis Faktor – Faktor yang Mempengaruhi Underpricing pada saat Initial Public Offering: Studi pada Perusahaan Go Public di BEI Tahun 2017- 2020". Al-Kharaj : Jurnal Ekonomi, Keuangan & Bisnis Syariah, 5(5), 2022– 2030. https://doi.org/10.47467/alkharaj.v5i5.2041

Sari, I. R., Slamet, A. R., & Rahman, F. (2017). Reputasi Underwriter dan Persentase Penawaran Saham terhadap Underpricing pada Perusahaan yang Melakukan Initial Public Offering (IPO) di Bursa Efek Indonesia Tahun. E – Jurnal Riset Manajemen, 26–39.

Sugiyono. (2019). Metode Penelitian Kuantitatif Kualitatif dan R&D. Alfabeta Bandung.

Surbakti, L., & Manurung, A. H. (2012). Earnings Management, Underpricing, Dan Underperformance Pada Initial Public Offering Di Indonesia.

Suriani, N., Risnita, & Jailani, M. S. (2023). Konsep Populasi dan Sampling Serta Pemilihan Partisipan Ditinjau dari Penelitian Ilmiah Pendidikan. Jurnal

Vol. 5 No. 1, 2025, 522–548 e-ISSN 2798-0170

IHSAN : Jurnal Pendidikan Islam, 1(2), 24–36. https://doi.org/10.61104/ihsan.v1i2.55

Susilo, D. E., & Chasanah, I. N. (2023). Analisis Faktor Internal dan Eksternal yang Mempengaruhi Tingkat Underpricing pada Saat Initial Public Offering (IPO). ISOQUANT : Jurnal Ekonomi, Manajemen Dan Akuntansi, 7(2), 204–214. https://doi.org/10.24269/iso.v7i2.2315

Syofian Ary, N. S. (2021). Pengaruh Reputasi Underwriter, Reputasi Auditor, dan Ukuran Perusahaan terhadap Underpricing Perusahaan yang Melakukan Initial Public Offering (IPO) di BEI. Jurnal Ekspolarisi Akuntansi, 3(1), 137–152.

Wahyusari, A. (2013). Analisis Faktor-Faktor yang Mempengaruhi Underpricing Saham saat IPO di BEI. Accounting Analysis Journal, 2(4), 386–394. http://journal.unnes.ac.id/sju/index.php/aaj

Winarsih Ramadana, S. (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), 102–108. www.e-bursa.com,

Yuniarti Diana, A. S. (2020). Pengaruh Leverage,Profitabilitas dan Ukuran Perusahaan terhadap Underpricing pada Saat Initial Public Offering. Jurnal Ilmiah Mahasiswa Manajemen, Bisnis Dan Akuntansi, 2(April), 214–227.

Yuniawati, S., Prihatni, R., & Sumiati, A. (2024). Pengaruh Employee Stock Ownership Program (ESOP), Leverage, Ukuran Perusahaan, dan Umur Perusahaan terhadap Kinerja Keuangan. Jurnal Akuntansi, Perpajakan Dan Auditing, 5(3), 551–569. https://doi.org/10.21009/japa.0503.07.