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Factors Affecting the Underpricing of Shares of Companies that Conduct Initial Public Offerings with the Auditor's Reputation as a Moderator

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ABSTRACT

Underpricing remains a prevalent phenomenon in initial public offerings (IPOs) in Indonesia. Despite global and national economic uncertainties, statistical data from the Indonesia Stock Exchange (IDX) reveal significant growth in both the investor base and the number of IPOs during the 2020–2024 period. This study aims to identify the determinants of underpricing for companies that conducted IPOs on the IDX between 2020 and 2024, with auditor reputation serving as a moderating variable. This quantitative research employs Signaling Theory to analyze the informational cues available during and after the IPO process. The independent variables examined in relation to underpricing include Return on Assets (ROA), Debt to Equity Ratio (DER), Earnings Per Share (EPS), and Firm Size, with Auditor Reputation incorporated as a moderating variable to assess its influence on the relationships. The study's population consists of firms that completed IPOs on the IDX from 2020 to 2024. A purposive sampling technique was utilized, resulting in a final sample of 177 companies. Data analysis was conducted using SPSS software, specifically applying the Moderated Regression Analysis method. The findings offer empirical evidence that DER has a significant effect on underpricing. In contrast, ROA, EPS, and Firm Size do not exhibit a statistically significant impact on underpricing. Furthermore, statistical tests indicate that Auditor Reputation does not enhance the moderating effect of ROA, DER, EPS, or Firm Size on underpricing.

Keywords: *Initial Public Offering, Underpricing, Signaling Theory.*

INTRODUCTION

The capital market has an important role for the Indonesian economy as one of the sources of corporate funding, where the amount of funds invested reflects investors' optimism about the company's performance. Throughout 2020-2024, Indonesia's capital market experienced significant dynamics influenced by various external factors including the Covid-19 pandemic and the domestic political situation. Although the pandemic had caused economic uncertainty and encouraged investors to choose to hold cash rather than invest in risky assets (Wenno, 2020) , data from KSEI shows a very positive increase in the number of capital market investors from 3.88 million in 2020 to 14.87 million in 2024. Digital transformation has also driven investor growth by providing easier access to the capital market through online investment platforms, while the number of companies conducting IPOs has also experienced an increasing trend from 50 companies in 2020 to a peak of 78 companies in 2023, although it drops to 41 companies in 2024.

Table 1. Growth of Capital Market Investors and IPO Companies

YEAR	CAPITAL MARKET INVESTORS	IPO COMPANIES
2020	3.880.753	50
2021	7.489.337	52
2022	10.311.152	56
2023	12.168.061	78
2024	14.871.639	41

Source: KSEI and e-IPO (2025)

In the context of an IPO, the prospectus is a document required by the OJK based on POJK No. 8/POJK.04/2017 which contains detailed information on the company's financial condition, business plan, management, and risk factors. However, information asymmetry persists when there is an information imbalance between the IPO company and the investors, where the company usually has a deeper understanding of the performance and future prospects than the investor. This condition can cause the phenomenon of underpricing, overpricing, and truepricing (Otoritas Service Finance Republic of Indonesia, 2017) (Lindrianasari et al., 2023) , where underpricing refers to the phenomenon of IPO prices that are much lower than the transaction price recorded in the initial public offering (Zhou et al., 2020). Although underpricing can be detrimental to the company due to the potential for insufficient funds, Yao (2024) it argues that in the context of an IPO full of uncertainty, a little underpricing can be a strategic tool to build market confidence. The following is the number of IPO companies that experienced underpricing, overpricing, and true pricing during 2020–2024:

Table 2. Data on the Number of Underpricing, Overpricing, and Truepricing

YEAR	IPO COMPANIES	UNDERPRICING	OVERPRICING	TRUEPRICING
2020	51	49	2	-
2021	52	42	9	1
2022	56	34	22	-
2023	78	46	31	1
2024	41	28	13	-
TOTAL	278	199	77	2

Source: Processed secondary data (2025)

This research refers to the Signaling Theory which explains that companies can reduce information asymmetry by providing clear and credible signals to investors through IPO prospectuses (Bergh et al, 2014). Various factors in the company's prospectus are considered by investors before deciding to buy IPO shares, including financial ratios such as Return on Assets (ROA) which shows management's efficiency in managing assets to generate profits, Debt to Equity Ratio (DER) which reflects the level of financial risk of the company, and Earnings Per Share (EPS) which shows potential profits for shareholders. In addition, the size of the company and the reputation of the auditor are also important factors, where large companies generally have better transparency so as to reduce information asymmetry (Lindrianasari et al., 2023; Sunarko & Rasyid, 2023; Rafieldy & Yusrialis, 2023; Solida et al.,

2020) while auditors with a high reputation give investors more confidence in the fairness of the data in financial statements (Permadi & Yasa, 2017).

Previous empirical studies on the factors that influence stock underpricing have shown inconsistent results. Numerous studies conclude that ROA is positively related to underpricing due to the positive signals it provides about a company's profitability and future performance. (Murtini et al., 2024; Rossovski et al., 2024; Sunarko & Rasyid, 2023), but other studies concluded that ROA does not affect underpricing (Dwi Perkasa & Maiyaliza, 2024; Safitri & Marsono, 2022). Similarly, with DER, the majority of studies have found that DER does not affect underpricing (Dwi Perkasa & Maiyaliza, 2024; Isynuwardhana & Febryan, 2022; Lindrianasari et al., 2023), although some have found a positive influence (Dwi Perkasa & Maiyaliza, 2024). For EPS, the research of Khatimah & Khalid (2024) and Darryl & Yusbardini (2023) showed a significant influence on underpricing, while Sunarko & Rasyid (2023) found the opposite result. The inconsistency of the results of this study, especially in the context of the pandemic period that has not been widely researched as stated by Zhang & Neupane (2024) which only examined 32 countries, shows the need for further research to understand the dynamics of IPO underpricing in uncertain market conditions.

Many research results support the conduct of this research, but on the other hand, some studies actually show results that are contrary to the results of previous research. Research on the influence of Return on Assets (ROA), Debt to Equity Ratio (DER), Earning per Share (EPS), and company size on underpricing rates has been conducted by many previous researchers. However, the results of these studies still show inconsistencies. This inconsistency shows that the phenomenon of underpricing is still relevant and interesting to be studied further, therefore it is necessary to have a moderation variable that can clarify or strengthen the relationship between independent variables and underpricing, so that it is expected to provide more comprehensive and accurate findings.

Permadi & Yasa (2017) In his research that examines the influence of financial information in prospectuses on the underpricing level of initial shares, the auditor's reputation is used as a moderator. This is because a well-behaved auditor will certainly audit financial statements so as not to mislead users. Auditor reputation is used as a moderation variable because it can strengthen investors' confidence in the validity of financial data used to assess IPOs, thereby strengthening the influence of financial factors such as ROA, DER, and EPS on underpricing. Highly reputable auditors such as KAP Big 4 become external parties that provide verification and assurance of financial data. These factors reflect the IPO value based on investors' evaluations of the company's prospects after going public (Bertoni et al., 2022) .

This research raises the phenomenon of an increasing number of investors and companies conducting IPOs amid global and national economic uncertainty throughout 2020–2024, including the pandemic and elections. On the other hand, IPO underpricing still occurs frequently even though the availability of information through prospectuses has been formally regulated by regulators. This study seeks to examine how the information contained in the prospectus, both accounting and non-accounting, can influence investor decisions and underpricing rates. Highlighting the context of Indonesia as a developing market that is undergoing a digital transition and the growth of retail investors, this study provides a relevant perspective on the dynamics of the capital market post-pandemic. The results of the research

are expected to make practical and theoretical contributions in understanding the role of IPO information on the efficiency of stock prices in the primary market.

RESEARCH METHODS

The research conducted is a type of quantitative research. Signal theory is used as a basis to test the content of information at the time of the IPO and after the IPO. Signal theory states that investors will respond when they receive information related to a stock that will conduct an IPO. In this context, companies that conduct public offerings usually use certain signals, such as a set offering price as well as a company prospectus that can show investors that the company has good fundamentals.

Data Type

The study utilizes quantitative data. As stated by Sugiyono (2015), quantitative data refers to data presented in numerical form or data that can be measured or scored. The required data includes information on the IPO date, the share offering price, the daily closing price of the shares, and the company's financial ratios.

Data Source

The data used in this study is sourced from secondary data. Secondary data is data obtained by reading, learning, and understanding through other media sourced from literature, books, and documents. Secondary data is data that has been collected by other parties (Sugiyono, 2019). In this research, the secondary data comprises financial statements and closing stock prices. Secondary data was obtained through the OSIRIS Database, Indonesia Stock Exchange, Yahoo Finance, IDN Finance and other data sources that can be used to support this research.

This study employed a documentation approach to data collection. In this method, data are obtained by reviewing records and written materials relevant to the research topic. Specifically, information was gathered from the OSIRIS Financial Data database, the Indonesia Stock Exchange (IDX), Yahoo Finance, IDN Finance, and other supporting sources. The collected data were organized and processed in Microsoft Excel, then analyzed using IBM SPSS Statistics version 27.

RESULTS AND DISCUSSION

Data Analysis and Hypothesis Testing

This study aims to find out the factors that affect stock underpricing by using the reputation of the auditor as a moderation variable. The hypothesis testing of this study uses descriptive statistics, classical assumption tests, and hypothesis tests. Before starting this data processing, the researcher first calculated the underpricing (Y), ROA (X1), DER (X2), EPS (X3), Company Size (X4), and coded the Auditor Reputation variable to convert qualitative funds into numerical forms that could be analyzed statistically. The data of this study was calculated with the help of the IBM SPSS version 27 program.

Descriptive Statistical Analysis

Through descriptive statistics, data can be described or summarized in terms of minimum, maximum, mean, and standard deviation values obtained from the research

variables. The table provided below summarizes the descriptive statistical analysis results of the variables involved in this study:

Table 3. Descriptive Statistical Analysis Results

	N	Minimum	Maximum	Average	Standard deviation
X1	177	-0,39	0,57	0,0548	0,09423
X2	177	0	71,29	1,6295	5,51727
X3	177	-24,85	8200,89	63,2654	618,67207
X4	177	20,49	33,15	26,353	1,85153
Z	177	0	1	0,07	0,262
Y	177	1	140	39,86	28,858
Valid N (listwise)	177				

Source: Processed secondary data (2025)

Based on the results of descriptive statistical analysis of 177 companies that were the research sample, each variable in the sample showed varying results. The lowest underpricing value was obtained from PT Diamond Citra Propertindo Tbk (DADA) which conducted an IPO on February 14, 2020, while the highest underpricing value was obtained by PT Royaltama Mulia Kontraktorindo Tbk (RMKO) which conducted an IPO on July 31, 2024. The statistics show that the magnitude of underpricing values in the study sample is in the range of 1 to 140 with an average value of 39.86, meaning that most of the underpricing is gathered at low values and close to the minimum value. Meanwhile, the standard deviation value obtained was 28.858.

Descriptive statistical analysis on the X1 variable or ROA (Return on Assets) produced through the statistical calculation showed an average value of 0.0548 with a minimum value of -0.39 obtained by the company PT ITSEC Asia Tbk (CYBR) and a maximum value of 0.57 obtained by the company PT Multi Medika Internasional Tbk (MMIX). A high average value of Return on Assets (ROA) indicates that in general the companies in the sample are able to use their assets efficiently to generate profits, thus reflecting good financial performance. The standard deviation resulting from the calculation of the DER variable obtained a value of 0.09423.

According to the outcomes of the DER (Debt to Equity Ratio) descriptive statistical analysis, it is known that the average value of 1.6295 with a minimum value of 0.00 was obtained by the company PT Intra Golflink Resorts Tbk (GOLF) and the maximum value of 71.29 was obtained by the company PT MDTV Media Technologies Tbk (NETV). The high average DER across the study sample indicates that companies tend to use financing through debt rather than equity, which may reflect a high level of financial risk in the eyes of investors. The standard deviation resulting from the calculation of the DER variable obtained a value of 5.51727 which indicates that the deviation of the DER value from the overall average of the sample company is ± 5.51727 from the value of 1.6295.

From the descriptive statistical analysis results, it can be observed that the EPS (Earning Per Share) variable illustrates that the average EPS value obtained is IDR 63.26 per share with a minimum EPS value of -IDR 24.85 produced by the company PT Global Digital Niaga Tbk (BELI) and a maximum value of IDR 8,200.89 produced by PT Diagnos Laboratorium Utama

Tbk (DGNS). EPS describes a company's ability to create profits for its shareholders. With an average value of IDR 63.26 and a distribution from IDR 24.85 to IDR 8,200.89, it can be concluded that the financial performance between companies is diverse. The standard deviation in the EPS variable is 618.67207.

Referring to the results of the descriptive statistical analysis of the Company Size variable, it can be inferred that the smallest value of company size is owned by PT Sumber Global Energy Tbk (SGER) with a value of 20.49 and the largest value of company size is owned by PT Wulandari Bangun Laksana Tbk (BSBL) with a value of 33.15. On average, the companies in the sample have a company size of 26.35 in log units of total assets and the standard deviation value of the company size spreads around ±1.84 from the average of 26.35.

The auditor's reputation variable was measured using a dummy variable, which was a value of 1 for companies audited by The Big Four accounting firm and a value of 0 for companies audited by non-Big Four accounting firm In accordance with the results of descriptive statistical analysis, it is known that the average value of the Auditor Reputation variable is 0.07 with a standard deviation of 0.262. Since the mean value is 0.07 and tends to be close to the minimum value of 0, it is concluded that the majority of the sample uses non-Big Four accounting firm.

Classical Assumption Test Results

Table 4. Classical Assumption Test Results

Test Type	Methods/Criteria	Result	Critical Values	Conclusion
Normality	Kolmogorov-Smirnov	Sig. = 0.100	> 0.05	Normally distributed data
Multikolinearitas	Tolerance & VIF	Tolerance: 0.909-0.969 VIF: 1.032-1.101	Tolerance > 0.10 VIF < 10	Multicollinearity does not occur
Heteroskedastisitas	Glejser Test	Sig. X1-X4: 0.086-0.665	> 0.05	Heteroscedasticity does not occur
Car correlations	Durbin-Watson	DW = 2.053	1.789 < DW < 2.211	No autocorrelation occurs

Source: Processed secondary data (2025)

Description of Classical Assumption Test Results

According to the classical assumption testing, the regression model in this study adheres to all the prerequisites for a proper multiple linear regression analysis. Normality tests using the Kolmogorov-Smirnov One-Sample on 177 samples yielded a significance value of 0.100 (> 0.05), indicating a normally distributed data. The multicollinearity test showed that all independent variables (ROA, DER, EPS, and Company Size) had a tolerance value of 0.909-0.969 (> 0.10) and a VIF of 1.032-1.101 (< 10), indicating no high correlation between independent variables. The heteroscedasticity test with the Glejser Test yielded significance values for all independent variables ranging from 0.086-0.665 (> 0.05), indicating that residual variance is constant. The autocorrelation test with Durbin-Watson yielded a value of DW = 2.053 which was in the interval of 1.789 < DW < 2.211, indicating no positive or negative

autocorrelations. Based on these results, the regression model is free from the violation of classical assumptions and is feasible for use in moderation regression analysis.

Hypothesis Test Results

The hypothesis test in this study was carried out to prove the truth of the hypothesis that had been made. The initial hypothesis of this study is that Return on Assets (X1), Debt to Equity Ratio (X2), Earning Per Share (X3), and Company Size (X4) have an influence on Underpricing (Y) and the Auditor Reputation (Z) has a moderation effect on the interaction between independent and dependent variables.

a. Statistical Test F

The statistical test F was used to find out how the regression model used as a whole was able to explain the phenomenon being studied. Although this study does not test how all independent variables affect the bound variables simultaneously, this test must still be carried out to see the feasibility of the regression model. However, the results of the statistics are not used to support the hypothesis proposed with a significance level of 0.05. The following are the results of the Statistics F test:

Table 5. Statistical Test Results F

Model		Sum of Squares	df	Mean Square	F	Say.
1	Regression	11306738	4	2826685	3,595	0,008
	Residual	135258731	172	786388		
	Total	146565469	176			

Source: Processed secondary data (2025)

The F statistical test results in the table above show a significance value of 0.008, which is lower than 0.05. Therefore, it can be concluded that the independent variables simultaneously impact the dependent variable, confirming that this research model is appropriate..

b. Determination Coefficient Test (Adjusted R^2)

The Adjusted R^2 test was conducted to assess how much of the variation in the dependent variable is influenced by the independent variables. The value of the coefficient of determination is between zero and one. The closer it is to 1 the better the model is at explaining the relationship, and the closer to 0 it is to explain the weaker the explanation. The results of the determination coefficient test (Adjusted R^2) are as follows:

Table 6. Determination Coefficient Test

Model	R	R Square	Adjusted R Square
1	0,278	0,077	0,056

Source: Processed secondary data (2025)

Based on the results of the determination coefficient test in Table 5.7, it is known that the Adjusted R^2 value is 0.056, meaning that 5.6% of the dependent variables can be explained by the variation of the four independent variables (ROA, DER, EPS, and Company Size) in this study. The remaining 94.4% was explained by other factors that were not included in the study.

c. Statistical Test t

The t-statistical test is used to determine how much influence one independent variable partially has in explaining the variation of the dependent variable tested at a significance level of 0.05. The results of the Statistical Test t are as follows:

Table 7. Moderated Regression Analysis Result

	Model	B	Std. Error	Beta	t	Say.	Information
1	(Cash)	-29,941	36,708		-0,816	0,416	
	X1	17,168	24,038	0,056	0,714	0,476	H1 rejected
	X2	1,230	0,400	0,235	3,075	0,002	H2 accepted
	X3	0,001	0,004	0,023	0,298	0,766	H3 rejected
	X4	2,567	1,406	0,165	1,825	0,070	H4 rejected
	X1. Z	39,588	80,888	0,042	0,489	0,625	H5 rejected
	X2. Z	-0,475	2,035	-0,021	-0,233	0,816	H6 rejected
	X3. Z	-0,146	0,117	-0,115	-1,248	0,214	H7 rejected
	X4. Z	-0,178	0,420	-0,048	-0,425	0,672	H8 rejected

Source: Processed secondary data (2025)

In interpreting the results of the statistical test t, a comparison is made between the probability number and the significance limit, where if the significance is ≤ 0.05, H0 is rejected and H1 is accepted, indicating the influence of the statistically tested variable. The results of the analysis showed that the regression coefficient for Return on Assets (ROA) had no significant effect on stock underpricing (significance 0.476), while the Debt to Equity Ratio (DER) had a significant effect (significance 0.002). Earnings Per Share (EPS) and company size also had no significant effect, with significance of 0.766 and 0.070, respectively. In addition, the interaction between all variables and the auditor's reputation showed insignificant results, so no moderation effect was proven.

Overall, the results show that only DER has an effect on stock underpricing in companies that conduct IPOs on the Indonesia Stock Exchange in the 2020-2024 period, while ROA, EPS, and company size do not show a significant influence. In addition, the auditor's reputation did not strengthen the relationship between these variables and stock underpricing, which was indicated by a significance greater than 0.05 at each interaction. This indicates that other factors may need to be considered to understand the dynamics of underpricing stocks in the market.

The Effect of Return on Assets on Stock Underpricing

Based on the results of the hypothesis test presented in Table 5.8, it is known that the study shows that H1 is rejected. It can be concluded that the Return on Assets (ROA) variable has no effect on stock underpricing. This means that this study does not support the first hypothesis (H1).

These findings are in line with research Abbas et al. (2022) , and Isynuwardhana & Febryan (2022) Suharti & Purwanto (2022) Utomo & Kurniasih (2020) Series (2020) which states that Return on Assets has no effect on stock underpricing. This can be interpreted that the high and low profits generated by the company from the assets it owns are not the main

consideration for investors in determining the initial stock offering price, or other factors may be more dominant in influencing risk perception and valuation during the IPO. Isynuwardhana & Febryan (2022) considering that investors also look at other ratios to analyze whether the company is worth investing in, rather than just using Return on Assets (ROA).

The finding that Returns on Assets (ROA) has no significant effect on stock underpricing can be explained by several key factors. First, investors don't just rely on one financial ratio. Although ROA is an indicator of profitability in practice, investors at IPO often consider the broader picture including other ratios such as ROI (Return on Investment), ROE (Return on Equity), PER (Price to Earnings Ratio). This view is in line with several studies that state that investment feasibility is seen from various ratios, not just ROA. Second, differences in research results can be caused by market conditions such as variations between research periods, characteristics of the company sample, or different capital market conditions.

Meanwhile, this research is contrary to the research Murtini et al. (2024) which Rossovsky et al. (2024) Sunarko - Rashid (2023b) Rudianto et al. (2022) Thoriq et al. (2018) states that Return on Assets influences stock underpricing. These differences in results may be due to various factors, such as differences in the research period, characteristics of the company sample, different capital market conditions, or the use of variable measurement methods.

These findings indicate that positive signals related to the company's profitability performance as assumed in some theories have not been empirically proven to affect the level of stock underpricing in the context of this study. This suggests that the hypothesized signal did not work effectively in this study. Therefore, these results open up room for further research in identifying non-financial signals or behavioral factors that may have a significant influence on stock underpricing.

The Effect of Debt-to-Equity Ratio on Stock Underpricing

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H2 is accepted. It can be concluded that the Debt-to-Equity Ratio (DER) variable influences stock underpricing. This means that this study supports the second hypothesis (H2).

In general, a high level of DER can indicate a higher level of a company's financial risk due to its reliance on debt. These findings are consistent with signals theory, where high debt ratios send greater financial risk signals to investors. To attract buyer interest amid this perception of risk, companies tend to offer their shares at a lower price. Thus, DER is an important signal that investors consider in making investment decisions during an initial public offering (IPO).

These findings are in line with the study Hadi (2019) which Thoriq et al. (2018) Dwi Perkasa & Maiyaliza (2024) states that the Debt to Equity Ratio has an effect on stock underpricing. In general, a high level of DER can indicate a higher level of a company's financial risk due to its reliance on debt. Investors tend to see this as a negative signal that may encourage companies to offer shares at lower prices (underpricing) in order to attract investor interest amid the perception of risk. On the other hand, a moderate DER can also be considered positive because it shows the company is able to leverage leverage to increase profitability, albeit with limitations. Mind Kuncoro & Squirt (2019) argues that a high Debt to Equity

Ratio (DER) does not necessarily indicate that the company is bad. The results of this study prove that the Debt to Equity Ratio (DER) is not able to provide signals for investors, so the Debt to Equity Ratio (DER) is not used as a benchmark for investors in making investment decisions.

Meanwhile, this research is contrary to the research Abbas et al. (2022) , Rudianto et al. (2022) , Suharti & Purwanto (2022) , and Isynuwardhana & Febryan (2022) Utomo & Kurniasih (2020) Mind Kuncoro & Squirt (2019) which states that the Debt to Equity Ratio has no effect on stock underpricing. It is possible that in some contexts, investors focus more on other aspects of the company, such as growth prospects or management quality, rather than debt levels in assessing potential underpricing.

Overall, the results of this study enrich the understanding of signal theory in the context of the Indonesian capital market, especially related to the role of DER in stock underpricing. These findings confirm that while DERs can be a signal of financial risk, their effectiveness and interpretation are highly dependent on the market context and other factors that investors consider. Therefore, further research needs to dig deeper into the complexity of the signals received and interpreted by the market and how these signals interact in influencing investment decisions.

The Effect of Earnings Per Share on Stock Underpricing

Based on the results of the hypothesis test presented in Table 5.8, it is known that the study shows that H3 is rejected. It can be concluded that the Earning Per Share (EPS) variable has no effect on stock underpricing. This means that this study does not support the third hypothesis (H3).

These findings are in line with the study Sunarko - Rashid (2023b) and Khaira & Sudiman (2019) Daeli & Wijaya (2020) Rudianto et al. (2022) which states that Earning Per Share has no effect on stock underpricing. Investors at the time of IPOs are often more focused on the company's future growth potential and business prospects than historical performance. EPS, as a measure of earnings per share from the previous period, may be considered less relevant compared to the company's growth narrative and market position. Companies that are newly IPOs may be in the phase of massive investments for expansion or product development, which could depress EPS in the short term for long-term growth. According to Khaira & Sudiman (2019) , EPS is not a consideration in order to determine the price of the initial public offering because the EPS ratio owned by the issuer before conducting an IPO will change after the issuer conducts an IPO due to the development of the company's profit which is influenced by tax policies and economic conditions.

EPS is often used as an important indicator to measure a company's profitability from a shareholder's point of view. However, EPS may not be relevant for many companies that have just IPOED, especially startups that have not yet profited. Additionally, market sentiment and investor hype are often more dominant in driving underpricing compared to fundamental metrics such as EPS, which show the influence of non-financial factors in investment decisions.

Meanwhile, this study is contrary to Abbas et al. (2022) , , , and Khatimah & Khalid (2024) Darryl & Yusbardini (2023) Haniifah Hart (2021) states that Earning Per Share has an effect on stock underpricing. If earnings per share are high, the company will pay

dividends, which will make more investors buy companies that have high EPS, which can have a significant positive effect on underpricing (Abbas et al., 2022) .

In the context of signal theory, these results indicate that EPS may not be the most relevant or effective signal for investors in assessing the underpricing of shares during IPOs. Investors are most likely looking for other, stronger signals regarding the company's future prospects and growth potential. Therefore, further research needs to identify non-financial signals or other prospective information that are more dominant in shaping investor perception of underpricing in initial public offerings.

The Effect of Company Size on Stock Underpricing

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H4 is rejected. It can be concluded that the Company Size variable has no effect on stock underpricing. This means that this study does not support the fourth hypothesis (H4). These findings are in line with the study Sapphire & Marsono (2022) , , Rafieldy & Yusrialis (2023) Solida et al. (2020) São Paulo & Maulidya (2021) Udasi et al. (2021) and Daeli & Wijaya (2020) which also states that Company Size has no effect on stock underpricing. Investors think that large companies are not necessarily better than small companies in providing initial returns, so company size is not the main factor in investment decisions (Sapphire & Marsono , 2022) . This means that IPO investors are often more interested in the company's growth and innovation potential than simply its size to look for the potential to get high capital gains.

Although in theory large companies have more public information that should reduce information asymmetry, these findings suggest that company size is no longer the main signal in the capital market. These investors may be more influenced by recommendations from social media, online investment communities, or market trends than by in-depth fundamental analysis. Thus, the credibility associated with the size of a large company can be replaced by non-fundamental signals that are more dynamic and behavioral.

This research is in contrast to the research conducted by Darryl & Yusbardini (2023) , Sabaria (2023). (Mayasari et al., 2018) These results reinforce the view that company size is not always a strong or single signal for investors in assessing potential stock underpricing . Modern investors tend to focus more on the narrative of growth, innovation, and future prospects, regardless of the scale of the company.

The Effect of Return on Assets on Stock Underpricing with the Auditor's Reputation as a Moderator

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H5 is rejected. It can be concluded that the Auditor Reputation variable is not able to strengthen the influence of Return on Assets (ROA) on stock underpricing. This means that this study does not support the fifth hypothesis (H5).

These findings indicate that, in the context of this study, the quality or reputation of external auditors did not significantly alter or strengthen the relationship between ROA and the level of stock underpricing during IPOs. Although the auditor's reputation is important for the credibility of the financial statements, in an IPO situation that is full of uncertainty and future

expectations, his role as a moderator may not be as strong as hypothetical. This means that investors already have a perception of ROAs and associated risks so that the auditors' reputation doesn't change their views too much.

These findings contribute to the empirical study by showing that in this context and period studied, auditor reputation does not play a significant role as a significant moderating variable. This opens up opportunities for further research to explore specific conditions under which auditor reputation may have a clearer influence, or to identify other moderation variables that are more relevant in the relationship between ROA and stock underpricing.

The Effect of Debt to Equity Ratio on Stock Underpricing with the Auditor's Reputation as a Moderator

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H6 is rejected. It can be concluded that the Auditor Reputation variable is not able to strengthen the influence of Debt to Equity Ratio (DER) on stock underpricing. This means that this study does not support the sixth hypothesis (H6).

These findings are in line with research that states that auditor reputation is not able to strengthen the influence of DER on underpricing (Wittianjani & Yasa, 2020) . When investors evaluate a DER, their main focus is on the level of financial risk inherent in a company's capital structure. The auditor's reputation may provide assurance of the accuracy of the figures in the financial statements, but it does not change the substance of the high or low debt risk itself. These results further indicate that the quality signals provided by auditors' reputations may not be dominant enough to change investors' perceptions of the risks posed by DERs, particularly in IPOs.

Reputable auditors serve as a signal of the quality and reliability of historical data such as financial statements, rather than as a signal of future growth prospects or performance. In an IPO situation, investors are more focused on future uncertainties and potentials that cannot be guaranteed by an audit. Therefore, signals from the auditor's reputation may be less strong than other signals such as the reputation of an underwriter that directly guarantees the quality of a company and its prospects to the market.

This study contributes to an empirical study by showing that in the context and period studied, auditor reputation does not play a significant role as a moderation variable in the relationship between Debt to Equity Ratio (DER) and stock underpricing. This opens up opportunities for further research to explore specific conditions under which auditors' reputation may have a clearer influence, or to identify other more relevant moderation variables in the relationship.

The Effect of Earning Per Share on Stock Underpricing with the Auditor's Reputation as a Moderator

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H5 is rejected. It can be concluded that the Auditor Reputation variable is not able to strengthen the influence of Earning Per Share (EPS) on stock underpricing. This means that this study does not support the seventh hypothesis (H7).

These findings indicate that in the context and period of this study, the quality or reputation of external auditors did not significantly alter or strengthen the relationship between earnings per share (EPS) and the level of stock underpricing at the time of IPO. If the company's EPS is very high, it is already a strong positive signal. On the other hand, if the EPS is low or negative, it can be interpreted as a warning signal. The signal provided by EPS itself may be clear enough that the auditor's reputation does not change much in the investor's interpretation of the data in relation to underpricing. On the other hand, the auditor's role is limited to validating the accuracy of historical data rather than reducing the perception of risk inherent in a company's fundamentals.

Although the auditor's reputation has not been proven to strengthen the influence of Earning Per Share (EPS) on stock underpricing in this study, this finding can be an empirical study that enriches the literature related to underpricing. There is a great opportunity for future studies that identify specific scenarios in which the role of auditor reputation moderation becomes real, or find other moderating variables that are better suited to this relationship.

The Influence of Company Size on Stock Underpricing with the Auditor's Reputation as a Moderator

Based on the results of the hypothesis test presented in Table, it is known that the study shows that H8 is rejected. It can be inferred that the Auditor Reputation variable does not strengthen the effect of Company Size on stock underpricing. This means that this study does not support the eighth hypothesis (H8).

These findings are in line with research Permadi & Yasa (2017) . Investors may already have a high level of trust in large companies based on familiarity and easy access to information, so the auditor's reputation does not provide significant additional signals to reinforce how the size of the company affects underpricing. In addition, the use of auditors by IPO companies is often considered a mandatory requirement that must be met, so the presence of a reputable presence may no longer be a strong differentiation signal that could strengthen the relationship between company size and underpricing.

The results of this study add to the empirical study by showing that the auditor's reputation does not significantly strengthen the influence of Company Size on stock underpricing in the observed period and context. This paves the way for further research to identify scenarios in which the role of reputation moderation of auditors becomes apparent, or to uncover other moderators that are more relevant in the context of Company Size and underpricing.

CONCLUSION

The focus of this study is to analyze the determinants of stock underpricing among firms conducting IPOs on the Indonesia Stock Exchange from 2020 to 2024, using a sample of 177 firms and considering auditor reputation as a moderating variable. The findings indicate that *Return on Assets* (*ROA*), *Earnings Per Share* (*EPS*), and *Company Size* do not significantly affect stock underpricing, while the *Debt to Equity Ratio* (*DER*) has a significant positive impact. Additionally, auditor reputation does not strengthen the effects of ROA, DER, EPS, or company size on underpricing. For future research, it is suggested to explore other potential

moderating variables, such as corporate governance quality or market sentiment, to gain deeper insights into the dynamics of IPO underpricing in emerging markets.

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