The Influence of Underwriter Reputation and Firm Age on IPO Pricing Decision: A Study on Companies Conducting IPOs on the Indonesia Stock Exchange in 2021–2024

Daniel Nathan
Faculty of economics and business, Universitas Padjadjaran

Prima Yusi Sari
Faculty of economics and business, Universitas Padjadjaran

Abstract: This study aims to analyze the effect of underwriter's reputation and firm age on IPO pricing decision among companies that went public on the Indonesia Stock Exchange (IDX) during the period 2021 to 2024. A quantitative approach was employed using multiple linear regression to examine the relationships between variables. The study's sample consists of 229 companies that conducted IPOs within the specified period. The independent variables include underwriter's reputation, categorized based on transaction volume rankings, and firm age, calculated as the difference between the year of establishment and the IPO year. The dependent variable is IPO pricing decision, represented by the natural logarithm of the offer price. Classical assumption tests and regression analyses were conducted to identify statistically significant influences. The results show that underwriter's reputation has a positive and significant effect on IPO pricing decision, highlighting the importance of third-party credibility in reducing uncertainty and signaling firm quality to investors. In addition, firm age also has a positive and significant influence, indicating that older firms tend to be perceived as more stable and less risky. Meanwhile, the control variable, institutional ownership, does not show a significant impact. These findings are supported by the results of a difference test, which confirms a significant pricing disparity between companies employing reputable underwriters and those that do not.

Keywords: *Initial Public Offering; Underwriter Reputation; Firm Age; IPO Pricing; Indonesian Capital Market.*

Introduction

An Initial Public Offering (IPO) serves as a pivotal mechanism for companies to secure capital from public investors, facilitating business expansion through funds unattainable via internal financing (Sanjib Biswas & Neha Joshi, 2023). While the transition to a public entity offers growth opportunities, it also brings forth significant challenges, notably in determining the initial offering price. This pricing must balance accurately reflecting the company's intrinsic value with appealing to potential investors, a task complicated by information asymmetry among the company, underwriters, and investors (David R. Williams & Carlton C. Young, 2012). Such asymmetry can lead to mispricing, affecting investor confidence and the company's market performance post-IPO, thereby making this aspect a critical consideration in the IPO process.

Information asymmetry refers to a situation where there is an unequal distribution of information between parties involved in a transaction, with one party having more or superior information compared to the other. This phenomenon is particularly evident in the context of an Initial Public Offering (IPO), where companies seeking to go public typically possess extensive, detailed knowledge about their financial health, business operations, and future prospects, while potential investors have limited access to this comprehensive information. This imbalance creates a challenge for investors, making it difficult to accurately assess the true value and risks associated with the IPO. Consequently, investors often depend on external signals or indicators to mitigate this

information gap and make informed decisions. These signals might include the credibility and track record of the underwriter handling the IPO, the company's historical performance, its age, and other publicly available data. Such reliance on indirect cues can influence investor perception and the overall fairness of the IPO pricing, as highlighted by Mahardika & Ismiyati (2021), emphasizing the critical role of transparent disclosures and reputable intermediaries in reducing information asymmetry in financial markets.

The reputation of an underwriter plays a crucial role in mitigating information asymmetry within the financial markets. A well-regarded underwriter is generally perceived as possessing superior skills in accurately assessing the value of a company, which significantly reduces the likelihood of mispricing securities. This competence in valuation is particularly important in the context of initial public offerings (IPOs), where accurate pricing can influence the success of the offering. Additionally, the age of a firm serves as an indicator of its operational experience and business stability. A more established company is often seen as a lower-risk investment, as it has likely navigated various market challenges and demonstrated resilience over time. Empirical research has consistently demonstrated that both the reputation of the underwriter and the age of the firm are influential factors in shaping investor decisions within the IPO market. These non-financial variables provide investors with valuable insights into the potential risks and rewards associated with investing in new public companies, thereby guiding their investment strategies.

Theoretical Framework

This study is firmly anchored in two pivotal theoretical frameworks: asymmetric information theory and signalling theory, both of which offer critical insights into the dynamics between internal factors of Initial Public Offerings (IPOs) and their pricing mechanisms. Asymmetric information theory, introduced by George A. Akerlof in 1970, elucidates the phenomenon where one party involved in a transaction possesses more comprehensive or superior information than the other, potentially resulting in suboptimal decision-making and inefficiencies within the market. This disparity in information can manifest in various forms, such as insider knowledge or undisclosed financial details, influencing investor perceptions and valuation accuracy. Complementing this, signalling theory explores how parties with privileged information can convey their insights credibly to less-informed participants, thereby mitigating the adverse effects of information asymmetry. Together, these theories provide a robust conceptual foundation for analysing how internal IPO factors, such as financial disclosures, management quality, and strategic communications, impact investor confidence and, consequently, IPO pricing outcomes.

In the IPO context, information asymmetry does not occur solely between the company and investors, but also between the issuer and the underwriter it employs (Baron, 1982; Rock, 1986; Welch, 1989). In such situations, the issuing firm typically holds the most up-to-date and comprehensive information regarding its own quality and future prospects. However, what is often overlooked is that the firm lacks sufficient information about the current state of the market and investor sentiment. Conversely, underwriters possess more accurate and current information about market conditions and the preferences of potential investors (Bandi, Widarjo, & Trinugroho, 2020). Meanwhile, potential investors face limited access to reliable information about the firm’s quality and future performance.

Meanwhile, signaling theory, introduced by Michael Spence (1973), described as signaling as a process where an informed party intentionally conveys information to an uninformed party to reduce information asymmetry. In the context of IPO process Signaling theory refers to the understanding that economic agents often undertake certain actions not solely to achieve their direct objectives, but rather to send positive signals to other parties (Don, 2024). Similarly, (Nurmasari, Nareswari, and Pratiwi 2023) argue that corporate management tends to disclose favorable news to prospective investors as a way to convey optimistic signals about future investments. These signals are also utilized by underwriters to mitigate their risk exposure. Firms with higher quality are more likely to send positive signals to the market, enabling investors to identify which companies are superior and which are not.

Allen and Faulhaber (1989) argue that low-quality firms are disinclined to imitate the underpricing strategy typically employed by high-quality firms because the sustainability of such a strategy relies heavily on consistent, strong future cash flow performance, which low-quality firms cannot maintain. Over time, the actual financial outcomes and performance metrics will expose the firm's true quality to investors and market participants, rendering any temporary gains from underpricing ineffective for those firms lacking genuine value. This dynamic underscores the role of signaling as a critical mechanism for distinguishing between firms in the market, allowing high-quality firms to credibly convey their superior prospects through strategic financial decisions such as underpricing during initial offerings, while deterring low-quality firms from adopting a similar approach due to the risk of eventual market correction and reputation damage.

An initial public offering (IPO) is not merely a mechanism for raising capital; it also serves as a strategic signal to the market, reflecting the firm's confidence in its future growth and performance. This signaling effect plays a critical role in mitigating information asymmetry between the firm and potential investors, as well as reducing agency costs associated with managerial decision-making. According to studies by Leland and Pyle (1977) and Ritter (1984), high-quality firms are particularly motivated to highlight their intrinsic value during the IPO process. They achieve this through detailed disclosures, robust financial reporting, and strategic investor communications, all designed to build trust and attract investment. The transparency and confidence exhibited during the IPO not only reassure investors of the firm's solid fundamentals but also often lead to superior post-IPO performance, as evidenced by higher returns observed in such firms. This dynamic underscores the IPO's dual role as both a capital-raising event and a powerful signal of a company's market potential and management credibility.

Hypothesis Development

Underwriter's Reputation and IPO Pricing Decision

An underwriter is a key financial intermediary, typically operating as a securities firm or an investment bank. Their primary role is to assist companies in the complex process of issuing shares to the public. This assistance involves several critical functions, including ensuring regulatory compliance, which requires navigating legal frameworks and adhering to financial regulations. Underwriters also engage in book-building, a process where they gauge investor interest and collect bids to determine the demand for shares. Furthermore, underwriters play a pivotal role in helping companies determine the appropriate price for an Initial Public Offering (IPO), balancing the interests of both the issuing company and potential investors to achieve an optimal price point that reflects market conditions.

Underwriter reputation refers to the perceived quality, credibility, and historical performance of an underwriter in managing IPOs. This reputation is built over time through consistent success in underwriting deals, maintaining transparency, and demonstrating reliability in the financial markets. According to Ong et al. (2020b), reputable underwriters are often linked to lower levels of IPO underpricing. This is because their established presence in the market acts as a signal of quality and trustworthiness, which helps to mitigate information asymmetry between the issuing company and potential investors. Information asymmetry can lead to uncertainty and risk, but a reputable underwriter's involvement reassures investors about the accuracy of the provided information and the fair valuation of the company.

A study conducted by Bandi, Widarjo, and Trinugroho (2020) highlights the paramount importance of underwriter reputation as an indicator, surpassing other variables examined in their research. Their analysis reveals that underwriter reputation significantly contributes to reducing the occurrence of IPO underpricing. This is attributed to the perception among investors that reputable underwriters possess the necessary expertise to conduct thorough due diligence and provide accurate estimations of a firm's fair value. Consequently, the IPO offering price set by reputable underwriters tends to be more aligned with the stock's initial trading price in the secondary market, minimizing large price fluctuations post-IPO. This finding underscores the strategic

advantage for firms aiming to maximize their IPO proceeds by selecting underwriters with strong reputations, as it enhances investor confidence and supports a more stable market entry for the company's shares.

H1. Underwriter's reputation has a positive effect in IPO pricing decision.

Firm's Age and Earnings Management

Firm age is defined as the number of years between the company's founding and its IPO year. This metric provides insight into a company's developmental timeline, encompassing its growth phases, market adaptation, and ability to withstand economic fluctuations. Older firms are generally considered to be more stable, experienced, and credible due to their prolonged exposure to diverse business cycles and challenges. This longevity often reflects a robust business model, effective management, and sustained profitability, which are attractive qualities for investors evaluating IPOs. Investors tend to associate firm age with accumulated knowledge, refined operational processes, and a well-established customer base, all of which contribute to perceived investment security.

According to Mahardika and Ismiyanti (2021), longer firm age serves as a signal of business sustainability and operational soundness. Business sustainability indicates that a firm has successfully navigated various market conditions, regulatory changes, and competitive pressures over time. Operational soundness suggests that the company has efficient management practices, strong internal controls, and a consistent ability to generate revenue and manage costs effectively. These attributes reduce the perceived risk for investors, as they imply that the company has a proven track record of resilience and adaptability. Consequently, firm age can significantly influence investor perceptions of risk and return, ultimately impacting the IPO offer price. Companies perceived as less risky often command higher offer prices, reflecting investor willingness to pay a premium for stability.

According to Siev and Qadan (2022), who studied 1,611 companies in the United States that conducted IPOs between 2009 and 2019, firms with a longer operating history tend to demonstrate better long-term performance compared to younger firms. This research highlights the correlation between firm age and sustained financial success, suggesting that experience contributes to strategic decision-making and market competitiveness. The empirical findings imply that seasoned companies have mastered risk management, optimized resource allocation, and cultivated strong industry relationships, all of which enhance long-term performance metrics. This positive track record shapes investor perception, suggesting that more experienced companies carry lower risk, thereby reducing valuation uncertainty. As a result, investor confidence in the IPO pricing increases, which often leads to oversubscription of the offering. Oversubscription indicates high demand, often driving up the stock price post-IPO and providing additional validation of the firm's market appeal and investor trust.

H2. Firm's age has a positive effect on IPO pricing decision.

Underwriter's Reputation, Firm's Age and IPO Pricing Decision

The lack of complete and credible information often becomes a major barrier for companies attempting to go public. However, the presence of a reputable underwriter is expected to mitigate such asymmetric information from the perspective of investors. One of the most influential factors in reducing information asymmetry is indeed the reputation of the underwriter. Choosing a highly reputable underwriter increases investor confidence in the issuing firm while also helping the company secure the necessary capital. This aligns with the findings of Mahardika and Ismiyanti (2021), who state that underwriter reputation significantly affects underpricing. The underlying cause of this underpricing is the increase in investor trust, which translates into positive market sentiment. Investors tend to assume that companies engaging reputable underwriters have undergone rigorous and accurate valuation processes, thereby minimizing the possibility of mispricing the IPO.

Firm age refers to the length of time a company has been operating and utilizing its assets to compete and maintain its presence in the business environment. Firm age can be

considered one of the factors influencing IPO pricing, as companies with a longer operating history are generally more well-known and trusted by both the public and investors. According to Bandi, Widarjo, and Trinugroho (2020), firm age reflects the extent to which a company is likely to survive in the future. Investors tend to view older firms more favorably than newly established ones, as long-standing companies are perceived to have greater resilience, stronger competitive capabilities, and a deeper understanding of market dynamics. Consequently, investors are more inclined to purchase shares of such firms, with the expectation that the share price will increase once traded in the secondary market. This can ultimately help the company achieve significant financial gains in the future.

H3. Underwriter's reputation and firm age simultaneously affect IPO pricing decision.

Institutional Ownership and IPO Pricing Decision

Institutional ownership, also referred to as large block shareholding, signifies the involvement of institutional investors within a company's ownership framework. These institutional investors can include entities such as pension funds, investment companies, life insurance firms, mutual funds, and other similar organisations (Sugeng, 2012). Lawati and Sanad (2023) define a large block shareholder as an institution holding 5% or more of a company's shares. The role of institutional shareholders has become increasingly significant in influencing the dynamics of capital markets. Their large-scale investments can impact corporate governance, strategic decisions, and financial performance, thereby shaping the overall market environment.

Institutional investors are known to provide positive signals to prospective IPO investors, as highlighted by Ong et al. (2020). The presence of institutional ownership is often interpreted as an indicator of a company's high quality, enhancing investor confidence. This perception can lead to the IPO price aligning more closely with its intrinsic value. Particularly in the book-building method, shares allocated to institutional investors help mitigate information asymmetry. This means that the knowledge gap between company insiders and the public is reduced, enabling a more accurate and satisfactory pricing of the offering for all parties involved.

In Indonesia, many companies exhibit ownership structures that are predominantly controlled by institutional investors. These acquisitions are frequently driven by objectives of market expansion, achieving synergy, and diversifying investment portfolios (Gitman & Zutter, 2015). The presence of institutional investors is viewed positively in the market, especially where retail investors may lack sufficient access to internal corporate data. Given that institutional investors are often considered to have superior analytical capabilities and access to information, their investment decisions can significantly reduce the degree of information asymmetry, fostering a more transparent and efficient market environment (Becket, 2002).

Ong et al. (2020) further discuss the considerable influence of institutional ownership on IPO valuation. Companies often prefer to allocate a substantial portion of their shares to institutional investors to enhance pricing accuracy and bolster investor confidence. The presence of these investors serves as a quality signal to underwriters, suggesting that the company is a worthy investment. Additionally, institutional investors are typically committed to holding shares for the long term, which supports price stability and justifies a higher or fairer IPO price. This long-term perspective not only benefits the issuing company but also contributes to the overall health and stability of the capital markets.

Research Method

Data Selection and Collection Approach

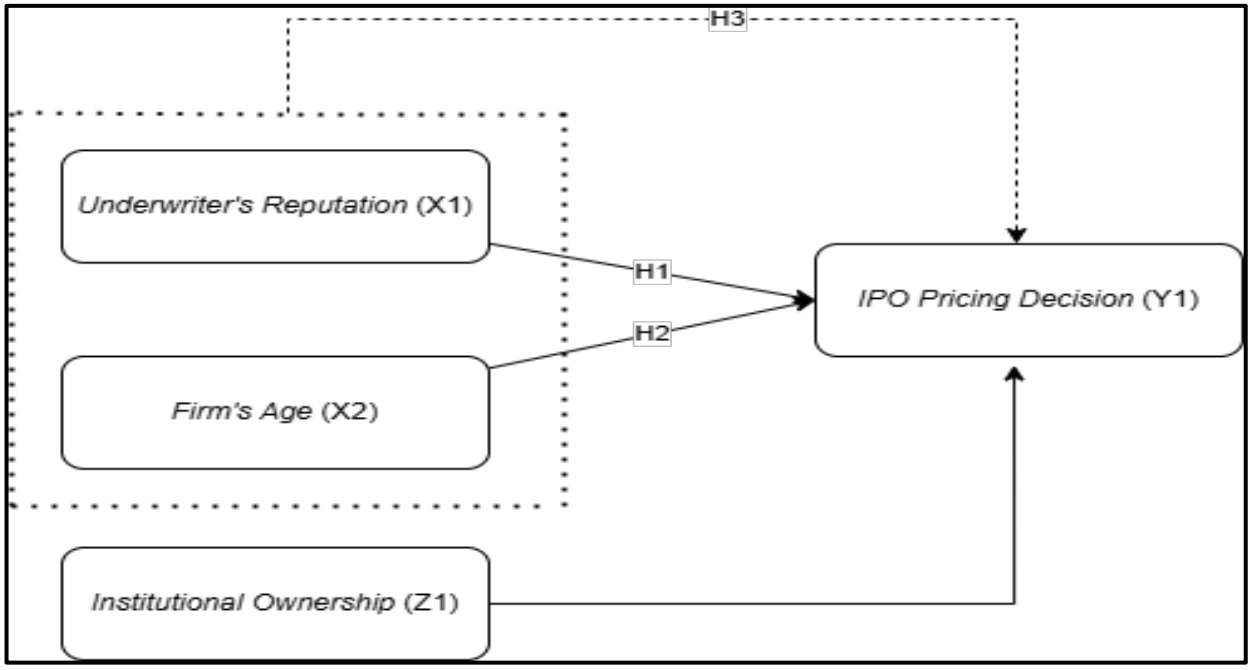
This research adopts a quantitative methodology complemented by a descriptive approach to comprehensively explore the influence of underwriter reputation and firm age on Initial Public Offering (IPO) pricing decisions. Quantitative research, as defined by Sugiyono (2013), involves the collection and analysis of numerical data that can be statistically measured to derive meaningful insights. This method is particularly effective for investigating relationships between distinct variables. Through hypothesis testing, this

study aims to validate theoretical assumptions using real-world data sourced from companies that have undergone IPO processes. The descriptive component of the approach aids in detailing and summarising the observed phenomena without manipulating the variables, offering a clear depiction of trends and patterns within the IPO landscape.

The data utilised in this research are categorised as secondary data, meticulously gathered from credible and authoritative sources to ensure the reliability and accuracy of the findings. These sources include the official website of the Indonesia Stock Exchange (IDX), which provides comprehensive data on market activities and company listings; the IPO Prospectus of each company, offering detailed disclosures on financial performance, business models, and risk factors; and other reputable databases such as RTI Business, IDX Fact Book, and E-IPO Indonesia. These platforms collectively furnish vital information on IPO offering prices, company ages, reputations of underwriters, and levels of institutional ownership. The integration of data from diverse sources enhances the depth and robustness of the analysis, enabling a multi-faceted understanding of the factors influencing IPO pricing decisions.

To provide a clear and structured representation of the conceptual framework and elucidate the interrelationships among the studied variables, a research model is depicted in Figure 1. This model visually outlines the hypothesised direct effects of underwriter reputation and firm age on IPO pricing decisions, postulating that these variables significantly impact the pricing outcomes. Additionally, institutional ownership is incorporated as a control variable within the model. This inclusion serves to account for external factors that might influence IPO pricing, thereby isolating the specific effects of the primary variables under investigation. The model facilitates a systematic examination of the research hypotheses, guiding the statistical analysis and interpretation of the results.

Figure 1. Research Framework Model



Operational Definition and Variable Measurement

After detailing the methods used to measure each variable, Table 1 offers a comprehensive overview of the operational definitions applied in this study. This table serves as a crucial reference, clearly outlining how each variable is defined and quantified, ensuring consistency and clarity in data interpretation.

Table 1. Operationalization of Variable

Variable	Definition	Indicator
IPO Pricing Decision (Y)	IPO pricing decision refers to the process of determining the initial offering price of a company's shares prior to their listing on the stock exchange. This decision involves various considerations, including the company's valuation, the reputation of the underwriter, market expectations, and investor demand conditions during the offering process (Lau & Leow, 2020).	Natural logarithm of Offer Price
Internal Components (X)		
Underwriter's Reputation (X1)	Underwriter reputation reflects the underwriter's capability in managing the IPO process and has a positive impact on both investors and issuers (Ong et al., 2020b).	A dummy variable is used by assigning a value of 1 for high-reputation underwriters and 0 otherwise. High reputation is determined based on rankings of Transactional Value.
Firm's Age (X2)	Firm age indicates how long a company has remained in business and serves as a signal to investors regarding the level of risk associated with the company (Mahardika & Ismiyanti, 2021).	Year of IPO substract with Year of Establishment
Control Variable		
Institutional Ownership	Institutional ownership represents the percentage of a company's shares held by institutional investors. This data serves as a signal to investors regarding the credibility of a company planning to go public (Ong et al., 2020).	$\frac{Shares\ own\ by\ institution}{Outstanding\ shares}$

Population, Sample, and Sampling Technique

In the context of this study, the population encompasses all Initial Public Offerings (IPOs) that took place on the Indonesia Stock Exchange (IDX) between the years 2021 and 2024. This includes not only the IPO events themselves but also the associated offering prices from the issuing firms. This comprehensive inclusion ensures that the research captures a complete picture of IPO trends and patterns within the specified timeframe. The decision to focus on this population is rooted in the relevance of IPO activities to the study's objectives, providing a rich dataset for analysis. Based on these criteria (Table 2), a total of 229 companies qualified for inclusion in the sample. Given the four-year observation period (2021–2024), this results in 229 firm-year observations as the final sample.

To select the appropriate data for analysis, the researcher employed a non-probability sampling method. Unlike probability sampling, where every member of the population has an equal chance of being selected, non-probability sampling does not guarantee this equality. This approach is often chosen when specific criteria or constraints guide the selection process. Within non-probability sampling, the researcher specifically utilized the total sampling technique. This means that every member of the defined population was included in the study without omission. The rationale behind choosing total sampling lies in its ability to provide comprehensive insights, as it eliminates sampling bias and ensures that the data is exhaustive. This method is particularly effective when the population size is manageable and when complete data is accessible, as was the case in this study, supported by official sources and the clear criteria established by the researcher.

Table 2. Sample Selection Criteria

Criteria	Total
Issuers that conducted IPOs during the 2021-2024 period	229
Issuers whose prospectus data from 2021-2024 is accessible online	(0)
Issuers that disclosed information about their underwriters	(0)
Total issuers that match the sample criteria	229
Total number of samples	229

Data Analysis Technique

The data analysis technique used in this study consists of descriptive statistics, and multiple liniear regression analysis. Descriptive statistics are employed to describe the characteristics of the research variables, including IPO pricing decision (Y) and the internal components such as underwriter's reputation (X1) and firm's age (X2), with institutional ownership as a control variable. Descriptive statistics are presented using minimum, maximum, mean, and standard deviation values. The classical assumption tests are conducted to ensure the reliability of the regression model.

The researcher employs multiple linear regression analysis because this model meets the requirement of involving two or more independent variables in relation to a dependent variable. This model is also used to construct an equation and apply it for predictive purposes (Ahmaddien & Syarkani, 2019). Multiple linear regression analysis is commonly used by researchers to examine correlations, where the relationships observed may be either negative or positive. In this study, the analysis involves the variables Underwriter's Reputation and Firm's Age and their influence on the IPO Pricing Decision of a given issuer, assuming all other factors remain constant. The regression is applied to all IPOs that occurred between 2022 and 2024.

The multiple linear regression model utilized in this study aims to analyze the determinants influencing IPO pricing decisions, represented mathematically as $Y = \beta + \beta1UW + \beta2FA + \beta3IO + e$. Here, the dependent variable (Y) signifies the IPO Pricing Decision, quantified through the natural logarithm of the offer price. The constant term (β) captures the baseline level of the IPO price absent the influence of predictor variables. Three independent variables are included: the underwriter's reputation (β1UW), firm's age (β2FA), and institutional ownership (β3IO). These predictors are assigned regression coefficients (β1, β2, β3), reflecting their individual effect magnitude and direction on IPO pricing decisions. Lastly, the model incorporates an error term (e), which accounts for the variance unexplained by the selected independent variables, capturing residual influences and measurement inaccuracies inherent in the regression model.

Results

Descriptive Statistics

Table 3 provides a descriptive statistical summary for the variables analyzed in this study, based on a sample of 229 IPO observations. The underwriter's reputation (UW) exhibits values ranging from a minimum of 0.00 to a maximum of 1.00, with a mean of 0.5590 and a standard deviation of 0.4976, reflecting a relatively balanced distribution of reputable versus less reputable underwriters within the sample. The variable firm age (FA) ranges from a minimum of 1 year to a maximum of 55 years, with an average age of approximately 16.97 years, and a notably high standard deviation of 11.3572, indicating substantial diversity in the maturity and experience levels of the firms analyzed.

Institutional ownership (IO) demonstrates significant variability, with values ranging between 0.00% and 99.996%, and a mean institutional holding of approximately 44.94%, coupled with a large standard deviation of 34.6388, highlighting the wide disparities in institutional investor involvement across IPO firms. Lastly, the IPO Pricing Decision, represented by the natural logarithm of offer prices, shows a minimum value of 4.25 and a maximum of 8.91, with a mean of 5.2163 and a relatively low standard

deviation of 0.7843, suggesting moderate consistency in IPO pricing across the sample. These descriptive results collectively reveal the heterogeneity inherent in IPO contexts, setting a solid foundation for further inferential analysis

Table 3. Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
UW	229	0,00	1,00	0,5590	0,49760
FA	229	1,00	55,00	16,9694	11,35720
IO	229	0,00	99,996	44,9409	34,63879
IPO Pricing Decision	229	4,25	8,91	5,2163	0,78430

Multiple Linear Regression

Table 4 presents the results of the multiple linear regression analysis evaluating determinants of IPO pricing decisions. The regression model's constant value (β = 0.655, p < 0.001) indicates a significantly positive baseline IPO pricing level when independent variables underwriter's reputation (UW), firm age (FA), and institutional ownership (IO) are held at zero. This finding suggests inherent market valuation dynamics beyond the examined predictors, highlighting baseline investor expectations and prevailing market conditions.

The regression outcomes reveal that underwriter's reputation (UW) significantly and positively influences IPO pricing decisions (β = 0.036, p < 0.001). The standardized beta coefficient of 0.300 demonstrates that UW markedly impacts IPO price levels, positioning it as a key determinant. The strong t-value (t = 5.138) corroborates the statistical robustness of this result, while the zero-order correlation coefficient of 0.377 reinforces that IPOs associated with reputable underwriters typically experience higher valuations, reflecting enhanced investor confidence and credibility.

Table 4. Multiple Linear Regression Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations
		B	Std. Error	Beta			Zero-order
1	(Constant)	0,655	0,008		87,002	0,000	
	UW	0,036	0,007	0,300	5,138	0,000	0,377
	FA	0,001	0,000	0,181	3,122	0,002	0,258
	IO	0,000	0,000	0,286	4,852	0,000	0,374

Firm age (FA) also positively affects IPO pricing, though with a comparatively moderate magnitude (β = 0.001, p = 0.002). Despite the small numeric value, its standardized coefficient (β = 0.181) indicates that older firms tend to command higher IPO pricing, attributed to perceptions of stability, reduced risk, and greater market familiarity. The statistically significant t-value (t = 3.122) confirms this relationship's reliability. The moderate zero-order correlation coefficient (0.258) supports the view that while firm age significantly contributes to IPO pricing, it exerts a less substantial effect compared to underwriter reputation and institutional ownership.

Institutional ownership (IO) similarly exhibits a significant positive relationship with IPO pricing decisions (β = 0.000, p < 0.001). Despite the negligible numerical value of the coefficient, the standardized beta coefficient (0.286) highlights its substantial practical significance. The robust t-value (t = 4.852) further affirms this predictor's importance. The moderate zero-order correlation (0.374) indicates that higher institutional ownership positively influences IPO pricing, reflecting institutional investors' critical role in signaling market confidence, legitimacy, and robust valuation to potential investors.

The findings highlight that underwriter reputation, firm age, and institutional

ownership play crucial roles as significant, positive predictors of IPO pricing decisions. A reputable underwriter often instils greater confidence among potential investors, as their expertise and track record imply a higher level of due diligence and financial scrutiny during the IPO process. Similarly, the age of the firm reflects its stability, operational history, and resilience in the market, which investors typically perceive as indicators of reduced risk and sustainable growth potential. Institutional ownership, representing the stake held by large, professional investors, signals market validation and trust in the company's future prospects. Collectively, these factors underscore the complex interplay of market dynamics, corporate characteristics, and investor sentiment that shape IPO valuations and influence how investors perceive the potential success and credibility of new public offerings.

Conclusion

Companies that engage high-reputation underwriters for their Initial Public Offerings (IPOs) tend to achieve pricing that aligns more closely with the fair market value of their shares. This alignment reduces the likelihood of underpricing, a scenario where shares are sold below their true value, potentially leaving money on the table for the issuing company. Reputable underwriters bring a depth of experience and credibility to the valuation process, utilising comprehensive analytical tools and extensive market knowledge. Investors place greater trust in these underwriters because their established track record reflects competence in evaluating a company's financial health, growth prospects, and overall valuation. This trust translates into greater investor confidence, leading to more robust demand and pricing stability in the market.

A high level of institutional ownership within a company is often seen as a strong indicator of market confidence. Institutional investors such as mutual funds, pension funds, and insurance companies typically have access to superior information channels and possess advanced analytical resources. They are diligent in conducting in-depth due diligence and financial analysis before committing large sums of capital. Their involvement suggests that the firm is fundamentally sound and has strong growth potential. This endorsement encourages more accurate IPO pricing as underwriters and retail investors view institutional participation as a stamp of approval. Consequently, the presence of institutional investors enhances the IPO's market reception, as it signals reduced risk and increased potential for stable returns.

Older firms are generally perceived as more stable and credible, attributes that significantly influence investor confidence during an IPO. The maturity of a firm often reflects its ability to survive various economic cycles, manage operational challenges, and maintain consistent revenue streams over time. Investors view these characteristics as indicators of reliability and reduced business risk. As a result, mature firms are more likely to be trusted in terms of their financial disclosures, governance practices, and growth projections. This trust facilitates more precise stock valuation, as investors feel more secure in their assessments of the company's worth. Ultimately, firm maturity contributes positively to investor trust and leads to more accurate and confident pricing decisions during the IPO process.

Implication

Theoretical implications include reinforcing the role of asymmetric information and signaling theory in explaining IPO pricing behavior. Asymmetric information occurs when there's an imbalance in the information available to different market participants, often giving an advantage to insiders over potential investors. Signaling theory suggests that companies can reduce this information gap by sending reliable signals to the market. In the context of IPOs, these signals might include engaging reputable underwriters or showcasing strong, credible company characteristics. The findings of the study affirm that such signals positively influence investor perceptions and decisions. This alignment with prior research highlights the critical role that managing perceptions through credible signals plays in determining IPO pricing outcomes, thereby deepening the understanding of financial market dynamics.

Practical implications are relevant for companies planning to go public. For these companies, the choice of underwriter is not just an administrative decision but a strategic

one, as high-reputation underwriters often convey trust and stability to the market. Additionally, a longer operational history provides a track record that potential investors can evaluate, reducing uncertainty about the company's performance. Attracting institutional investors, who generally conduct more rigorous due diligence, can further validate the company's credibility. These strategies collectively contribute to more favourable IPO pricing. For policymakers and regulators, the findings suggest a need to strengthen disclosure regulations to mitigate information asymmetries. Enhanced disclosures can ensure that all market participants have access to relevant information, thereby fostering a more transparent and efficient market environment.

Limitations

The research exclusively focuses on internal company factors to understand their effects on IPO pricing. Specifically, it examines the underwriter's reputation, which can influence investor confidence and perceived credibility of the IPO; the firm's age, as older companies may have more established operational histories and financial stability compared to newer firms; and institutional ownership, which may indicate a level of professional endorsement and affect demand. However, the study explicitly excludes external influences such as macroeconomic conditions, industry trends, and market sentiment. These factors can significantly sway IPO pricing by affecting investor behavior, overall market liquidity, and sector performance, but they are not accounted for in this research.

The study is confined to IPOs conducted during the 2021–2024 period. This specific timeframe may not comprehensively reflect long-term market dynamics or capture structural shifts in IPO behavior that occur over extended periods. Market conditions and regulatory environments can evolve considerably over decades, influencing patterns and trends that would not be evident within a narrower window. Consequently, the limited timeframe could restrict the generalizability of the findings to broader historical or future contexts.

Additionally, the analysis relies heavily on secondary data sources, primarily information available in IPO prospectuses and other publicly disclosed documents. While these sources provide essential details for analysis, the accuracy and completeness of the data are inherently constrained by the quality of disclosure practices and the thoroughness of the available documentation. There may be gaps, biases, or omissions in the reported information that could affect the study's outcomes, as the researchers have little control over the original data collection and reporting processes.

Suggestions

Future research should delve deeper into the integration of external factors that can significantly influence IPO pricing. This includes economic indicators such as GDP growth rates, inflation trends, and employment statistics, which collectively shape the overall market environment.

Additionally, industry-specific risks like regulatory changes, technological advancements, and competitive dynamics—can directly affect a company's valuation during its initial public offering. Interest rates play a pivotal role as well, influencing investor sentiment and the cost of capital. Lastly, market volatility, often measured by indices like the VIX, reflects the level of uncertainty in the market and can sway investor behaviour, impacting demand and pricing for new issues. By accounting for these diverse variables, studies can provide a more holistic and nuanced understanding of the determinants behind IPO pricing.

An extended observation period allows researchers to capture trends and anomalies that may not be evident in shorter time frames. By analysing IPOs over several years or even decades, it becomes possible to identify long-term patterns, such as shifts due to technological innovations, economic cycles, or evolving market regulations. Comparing different time intervals like pre- and post-financial crisis periods can reveal structural changes in market behaviour, investor preferences, and pricing mechanisms. This longitudinal approach helps in distinguishing between temporary market fluctuations and enduring trends, offering a more robust framework for understanding IPO pricing dynamics.

Utilising primary data collection methods, such as surveys and interviews,

affords a direct glimpse into the experiences and perspectives of key stakeholders involved in the IPO process. Engaging with company executives provides insights into the internal strategic considerations and subjective assessments that influence pricing decisions. Conversations with underwriters can uncover details about the methodologies and risk evaluations they employ, while institutional investors can offer viewpoints on what drives their investment decisions in new offerings. This qualitative data complements quantitative analyses, enriching the overall understanding of IPO pricing by highlighting the human and strategic elements that often go undocumented in secondary data sources.

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