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Underwriter Reputation and IPO Underpricing: The Moderating Role of The Listing Board in The Indonesia Capital Market

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Abstract. It is widely believed that the underwriter affects the IPO performance of the issuing firm. This research investigates how the reputation of underwriters influences the initial returns of IPOs, considering the moderating effect of the listing board. This study focuses on the data from 305 IPO Companies between 2018 and 2023. This data is being analyzed using an Independent Sample t-test and Ordinary Least Squares (OLS) regression analysis. The study finds that IPOs underwritten by prestigious underwriters typically experience lower underpricing, attributable to the underwriters' ability to reduce information asymmetry and select higher-quality issuers.

Keywords: Underwriter reputation; IPO underpricing; Listing Board.

Abstrak. *Secara luas diyakini bahwa penjamin emisi memengaruhi kinerja IPO perusahaan penerbit. Penelitian ini menyelidiki bagaimana reputasi penjamin emisi memengaruhi pengembalian awal IPO, dengan mempertimbangkan efek moderasi dari bursa saham yang terdaftar. Studi ini berfokus pada data dari 305 perusahaan IPO antara tahun 2018 dan 2023. Data ini dianalisis menggunakan Uji t Sampel Independen dan analisis regresi Ordinary Least Squares (OLS). Studi ini menemukan bahwa IPO yang dijamin oleh penjamin emisi bergengsi biasanya mengalami underpricing yang lebih rendah, yang disebabkan oleh kemampuan penjamin emisi untuk mengurangi asimetri informasi dan memilih penerbit berkualitas tinggi.*

Kata kunci: *Reputasi penjamin emisi; underpricing IPO; Dewan Pencatatan.*

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BACKGROUND

Initial public offerings (IPO) enable private firms to raise capital in the equity market, with issuing firms, underwriters, and new investors serving as key participants in IPO transactions (Hu et al., 2021). The number of IPO deals worldwide climbed significantly from 2019 to 2021, reaching a peak of 2,436 IPOs in 2021—a testament to the growing enthusiasm for IPOs as a means of raising capital. Consistent with these global trends, Indonesia itself has witnessed a substantial uptick in IPO activity from 2014 to 2023, highlighting its rising stature within the global investment landscape.

Prior studies have consistently shown that IPOs are generally underpriced (Loughran & Ritter, 2004; Loughran, Ritter, & Rydqvist, 1994; Ritter, 1984). It is well understood that various firm characteristics—such as ownership structure and leverage intensity—can influence a firm's decision to go public (e.g., Latham & Braun, 2010). However, the persistence of underpricing across a wide range of IPOs, regardless of these characteristics, indicates that other determinants may play a decisive role in shaping firm performance. In emerging markets like Brazil, where the average initial return can reach 78.50%, or Chile, where it hovers around 8.80%, underpricing reflects both information asymmetry and unique institutional factors. In Indonesia, earlier findings show underpricing levels of 21.67% (1996–2008) and 23.7% (2010–2017), reinforcing the view that market-specific conditions can significantly affect IPO pricing outcomes.

The literature on IPO underpricing theories can be categorized into four main areas: information asymmetry and agency problems, ownership and control, institutional factors, and behavioral models. Ljungqvist (2007) provides strong empirical evidence supporting the theory of information asymmetry and agency problems, noting that initial underpricing tends to be higher for high-quality firms with substantial market value (Banz, 1981). Underwriters play a critical role in IPO transactions, particularly in producing and disseminating information between the firm and potential investors (Lowry, Michaely, & Volkova, 2017). This underscores the question of whether an underwriter's reputation can mitigate or exacerbate IPO underpricing—especially in contexts with pronounced information gaps, such as those found in emerging markets.

Additionally, the Efficient Market Hypothesis (EMH), as proposed by Fama (1970), posits that in an efficient market, all available information is fully reflected in asset prices. Yet, IPO underpricing challenges the strong form of EMH, especially where regulatory structures or market conditions encourage significant information asymmetry. Concerning listing boards, EMH suggests that investors would price IPO stocks differently depending on board classification. For instance, Main Board firms—generally perceived as more stable with superior disclosure—could see lower pricing inefficiency relative to boards like the Acceleration Board, where higher information asymmetry can lead to more severe deviations from intrinsic value (Fama, 1970). Accordingly, the choice of the listing board may act as a moderator in the link between underwriter's reputation and IPO underpricing, influencing the degree to which investors can accurately assess the issuing firm's true worth.

Within Indonesia, underwriters play a key role in reducing information asymmetry, making their reputation a significant factor for IPO success—particularly given the country's elevated levels of underpricing. Empirical evidence from Yolana and Martani (2005), Gumanti and Niagara (2006), and Widiyanti and Kusuma (2013) places Indonesia's average underpricing rate in the 20–30% range, corroborated by Widarjo et

al. (2017), who report an approximate 33% rate for most years between 2000 and 2014 (excluding 2008 and 2009). Although several studies point to factors like ownership retention, auditor quality, corporate governance, and voluntary disclosure (Darmadi & Gunawan, 2013; Widarjo & Bandi, 2018), limited research has specifically probed how a lead underwriter's reputation might influence the underpricing levels. Moreover, prior studies have seldom accounted for the moderating role of different listing boards—Main Board, Development Board, New Economy Board, Acceleration Board, and Special Monitoring Board—each of which has distinct listing requirements and risk profiles (Asandimitra, 2016; Hantoro, 2023).

Finally, OJK Regulation No. 76/POJK.04/2017 introduces more rigorous governance and disclosure requirements, offering an updated lens through which to analyze how underwriter reputation interplays with board classification and information asymmetry in Indonesia's capital market. This new framework consolidates and refines earlier provisions (e.g., Bapepam-LK Regulation No. IX.A.2) to align better with global best practices. Given these developments, the present study aims to bridge the gap by analyzing how the moderating role of listing boards interacts with the underwriter's reputation in shaping IPO outcomes. Such an investigation can inform policymakers and market participants, ultimately strengthening investor confidence and driving sustainable economic growth in Indonesia's capital markets.

THEORETICAL REVIEW

Underpricing Phenomenon in Stock Exchange

Underpricing is common in IPO markets, especially in developing countries, where new companies often experience significant differences between their offering price and the closing price on the first trading day. This price gap, known as underpricing, is viewed as an indirect cost to the issuer, as the funds raised are less than what could have been collected had the stock been priced closer to its market value. As can be seen from Table 1 below, in Indonesia, underpricing has been recorded at an average of 21.76% for IPOs from 1996 to 2008 (Hakiman & Irfani, 2012). Similar studies from other emerging markets, such as Brazil and Mexico, show even higher rates of underpricing, with Brazil's IPOs underpricing as high as 78.50% (Leal, Hernandez, & Maturana, 1990), and Mexico recording 33.00% (Aggarwal, Leal, & Hernandez, 1990). On the other hand, Chile exhibited a relatively lower average of 8.80% (Aggarwal, Leal, & Hernandez, 1997), while Portugal's IPO underpricing was recorded at 54.40% (Alpalhao, 1987), and Nigeria at 19.10% (Ikoku, 1993).

Table 1. Underpricing Phenomenon in Emerging Markets (Irfani, 2011)

Country	Researcher	Sample Size	Time Period	Avg. Initial Return
Brazil	Leal, Hernandez, Maturana	62	1979 – 1990	78.50%
Chile	Aggarwal, Leal and Hernandez	55	1982 – 1997	8.80%
Indonesia	Hakiman, Irfani	202	1996 – 2008	21.76%
Mexico	Aggarwal, Leal and Hernandez	37	1987 – 1990	33.00%
Nigeria	Ikoku	63	1989 – 1993	19.10%
Portugal	Alpalhao	62	1986 – 1987	54.40%

Underpricing can be attributed to several factors, including market sentiment, issuer characteristics, and the role of intermediaries like underwriters. In emerging markets, where information asymmetry is more pronounced, underpricing is often used as a tool to attract investors by offering them immediate returns. This phenomenon, while advantageous to initial investors, creates challenges for issuers who cannot fully capitalize on their stock's intrinsic value. Theories surrounding the IPO underpricing phenomenon often focus on mitigating information asymmetry between investors and issuers to reduce underpricing levels (Ljungqvist, 2007; Lowry, Michaely, & Volkova, 2017).

Underwriter and Underpricing

The role of underwriters in IPOs is critical in reducing the level of underpricing, as reputable underwriters help signal the quality of the issuing company to the market. Research by Carter and Manaster (1990) highlights the importance of underwriter reputation in signaling to investors that a company is credible and its valuation is close to its true market value (Dimovski et al., 2011). This reduces information asymmetry, leading to lower underpricing. Underwriters with strong reputations typically have the resources and expertise to ensure that the offering price of the stock is more aligned with its intrinsic value, reducing the cost of capital for the company.

In the Indonesian context, studies by Bandi et al. (2020) reveal that companies that hired reputable underwriters experienced significantly lower levels of underpricing. The study analyzed 163 IPOs from 2010 to 2017 and found a negative relationship between underwriter reputation and IPO underpricing. This implies that companies engaging top-tier underwriters can reduce their cost of capital and enhance their financial performance by minimizing the loss of potential proceeds caused by underpricing.

Listing Board

The Indonesia Stock Exchange (IDX) classifies companies into different listing boards based on their size, growth potential, and financial performance, which can influence investor perceptions and IPO pricing. The Main Board is reserved for large companies with stable financials, while the New Economy Board, launched in 2022, caters to high-growth, tech-driven firms. The Development Board is aimed at medium-sized companies, while the Acceleration Board focuses on smaller enterprises, particularly SMEs, providing them with access to capital markets (Asandimitra, 2016). Each board carries its own set of investor expectations and perceived risks, influencing how IPOs are priced and how much underpricing occurs.

Research has shown that the classification of companies on different boards can have a moderating effect on the relationship between underwriter reputation and underpricing. For instance, companies listed on the Main Board tend to benefit more from reputable underwriters, as the board's classification reinforces the perception of stability and reduced risk. Conversely, companies listed on the Acceleration Board, which are smaller and perceived as riskier, may not benefit as much from reputable underwriters due to the inherent information asymmetry associated with such companies (Hantoro, 2023). As a result, the underwriter's role in reducing underpricing may be more significant for firms on the Main Board than those on the Acceleration Board.

Hypothesis Development

Underpricing during an IPO has been a consistent feature in financial markets, particularly in emerging markets like Indonesia. According to the Efficient Market Hypothesis (EMH) proposed by Fama (1970), share prices in an efficient market should swiftly reflect all publicly available information. Yet, the recurring underpricing phenomenon indicates potential market inefficiencies, often tied to information asymmetry, where issuers possess more detailed knowledge of their true valuation and growth prospects than external investors.

An underwriter's reputation becomes pivotal in managing IPO underpricing (Hu et al., 2021). Well-regarded underwriters can act as credible intermediaries, reducing information gaps and signaling firm quality to potential investors. Empirical evidence from Carter and Manaster (1990), as well as Bandi et al. (2020) in Indonesia, highlights that companies employing reputable underwriters tend to expe-rience lower underpricing due to heightened investor confidence and stronger demand for the IPO.

H1: The reputation of underwriters negatively affects IPO underpricing.

Moreover, the listing board on which a company debuts moderates the relationship between underwriter reputation and IPO underpricing. Companies on the Main Board—generally larger and more established—benefit from higher standards of corporate governance and stricter disclosure requirements, resulting in reduced information asymmetry (Fama, 1970). This environment amplifies the certification effect of high-reputation underwriters, thereby further lowering IPO underpricing.

H2: The Main Board positively enhances the effect of underwriter reputation on underpricing.

Conversely, smaller firms on the Development Board often face greater risks and uncertainty due to their less established track records, making it harder for investors to evaluate the firm's true value. In these conditions, even a reputable underwriter may struggle to assuage investor concerns, as the underlying information asymmetry is more pronounced. Consequently, while underwriter reputation still matters, its capacity to counterbalance underpricing is diminished compared to that on more established boards.

H3: The Development Board negatively enhances the effect of underwriter reputation on underpricing.

RESEARCH METHODS

Methodology

This research adopts an empirical quantitative approach to examine the effect of underwriter reputation on IPO underpricing in the Indonesian capital market, considering the moderating role of the listing board. The study focuses on 305 IPO companies listed between 2018 and 2023, and the analysis is performed using Stata software. The research utilizes both the Independent Sample Difference Test and Ordinary Least Squares (OLS) regression analysis to investigate the relationship between underwriter reputation and IPO underpricing, and the moderating effect of the listing board. By analyzing data from regulatory websites and financial databases such as Bank Indonesia, Otoritas Jasa Keuangan (OJK), and Bursa Efek Indonesia (IDX), the study ensures comprehensive data

collection and robustness in its findings. The study also includes a literature review that examines past research on underwriter reputation and IPO underpricing from sources such as Carter & Manaster (1990) and Hu et al. (2021), providing a solid theoretical foundation.

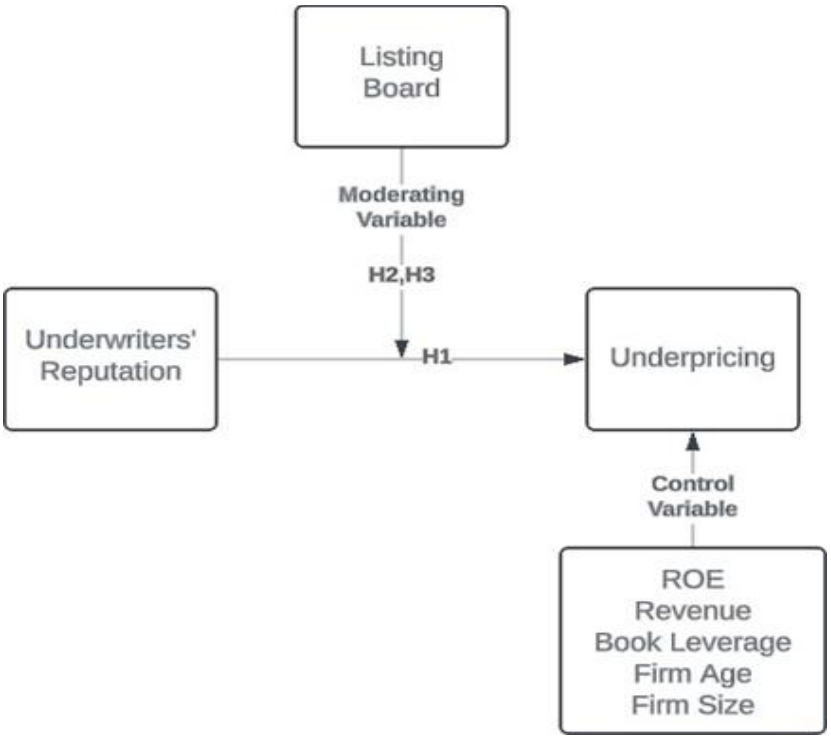

Figure 1. Research Model

Variables

The research model incorporates various variables to measure the impact of underwriter's reputation on IPO underpricing, with the listing board acting as a moderating factor. Several control variables are included to account for other factors influencing IPO underpricing, ensuring the isolation of the primary relationship being studied. The variables can be seen in Figure 1 above.

1. Dependent Variable

The dependent variable in this study is IPO underpricing, measured as the Market-Adjusted Initial Return (MAIR) following the methodology outlined by Boulton et al. (2010) and Hu et al. (2021). MAIR is used to calculate the first-day stock return adjusted for overall market performance. This metric captures the difference between the offer price and the closing price on the first day of trading, reflecting the degree of underpricing in the IPO (Hu et al. 2021).

$$MAIR = (\text{first day close price})/(\text{offer price}) - I_f / I_o$$

MAIR is the Market-Adjusted Initial Return, If is the close price of the value-weighted market index on the listing date, and IO is the close price of the value-weighted market index on the offering date.

2. Independent Variable

The underwriter's reputation serves as the independent variable, measured through multiple ranking methods. Drawing on Megginson and Weiss (1991), underwriters are first ranked by their market share of IPO proceeds. Furthermore, Reputation1, following Ariyani (2019), focuses on net adjusted working capital (MKBD), identifying the top third of underwriters by this metric. Meanwhile, in line with Su and Bangassa (2011) and Hu et al. (2021), Reputation2 and Reputation3 apply dummy variables set to 1 if an underwriter is in the top third based on the number of IPOs handled or underwriting revenue, respectively (Booth & Smith, 1986). Finally, Reputation4 extends the methodology by including the total transaction value measure proposed by Putra et al. (2023). Each ranking highlights a different facet of underwriter prestige, allowing for a comprehensive assessment of how reputation influences IPO underpricing.

3. Moderating Variable

The moderating variable in this research is the listing board classification, which influences the relationship between underwriter reputation and IPO underpricing. According to Fama's Efficient Market Hypothesis (EMH), in a semi-strong efficient market, all publicly available information, such as a company's listing on a specific board, should be reflected in stock prices (Fama, 1970). Companies in the Indonesian Stock Exchange are listed across five listing boards: the Main Board, New Economy Board, Development Board, Acceleration Board, and the Special Monitoring Board (Asandimitra, 2016). Each board represents different levels of company risk, market perception, and investor expectations, which can either strengthen or weaken the impact of the underwriter's reputation on underpricing.

4. Control Variable

Several control variables are incorporated to account for firm-specific and market-related attributes that may influence IPO underpricing. These include IPO size (logarithm of IPO proceeds), ROE (return on equity), sales revenue (logarithm of total revenue), and book leverage (ratio of debt to total assets) (Hu et al., 2021). Additionally, the study controls for firm age (logarithm of years since establishment) to capture any maturity effects and LnTass (the natural log of total assets; Bandi et al., 2020) to reflect differences in scale. By including these control variables, the analysis more accurately isolates the effect of underwriter reputation on IPO underpricing and clarifies the moderating influence of the listing board.

Data Analysis Method

The data analysis employs both descriptive and inferential statistical methods. Descriptive statistics are used to summarize the characteristics of the sample, including the distribution of IPO size, P/E ratio, ROE, sales revenue, book leverage, firm age, and board classification (Hu et al., 2021). This step provides an initial overview of the dataset and allows for preliminary insights into the behavior of IPOs on different listing boards. The Independent Sample Difference Test assesses whether IPO underpricing varies significantly across different listing boards. Two approaches are used: the Independent Sample t-test, which is applied when the data are normally distributed, and the Mann-Whitney U-test, used when the data do not meet the normality assumption (Ariyani, 2019).

Finally, OLS regression analysis is employed to examine the relationship between underwriter reputation and IPO underpricing, with the listing board as a moderating variable. The regression model also controls for variables such as IPO size, P/E ratio, ROE, sales revenue, book leverage, and firm age to isolate the effect of the independent and moderating variables (Atmaja, 2009; Ariyani, 2019).
The research empirical regression model is as follows:

1. MAIR = a + β1UND1 + β2UND2 + β3UND3 + β4UND4 + Control + ε
2. MAIR = a + β1UND1 + β2UND2 + β3UND3 + β4UND4 + β5LSBM + Control + ε
3. MAIR = a + β1UND1 + β2UND2 + β3UND3 + β4UND4 + β5LSBD + Control + ε

In this model, MAIR represents underwriter's reputation, while a is the constant term. UND denotes underpricing, LSBM signifies the Main Board, and LSBD refers to the Development Board. Finally, ε is the error term, capturing any variations in MAIR (Market-Adjusted Initial Return) that are not explained by UND and the other variables in the model. The regression results are then assessed by examining the t-statistics and p-values (probabilities) for each variable. At significance levels of 1%, 5%, or 10%, if the p-value for any independent variable is less than 0.01, 0.05, or 0.10, it indicates that the independent variable has a statistically significant impact on the dependent variable (Ariyani, 2019).

RESULTS AND DISCUSSIONS

Descriptive statistics of The Main Board Model

Table 2 provides the descriptive statistics for the Main Board model used in the analysis, including the dependent variable, independent variables, and moderating variables.

Table 2. Descriptive Statistics Main Board Model

Variables	Mean	Min	Max	Std. Dev
MAIR	0.334	-0.3645	0.7658	0.246
UND1	0.681	0	1	0.466
UND2	0.881	0	1	0.323
UND3	0.439	0	1	0.497
UND4	0.419	0	1	0.494
LSBM	0.249	0	1	0.433
UND1_LSBM	0.200	0	1	0.400
UND2_LSBM	0.222	0	1	0.416
UND3_LSBM	0.147	0	1	0.355
UND4_LSBM	0.167	0	1	0.373
ROE	0.067	-34.482	6.244	2.040
LnRev	26.207	21.53	31.42	1.788
BookLev	0.254	-0.176	0.91	0.215
LnAge	2.585	0	4.48	0.840
LnTass	26.745	22.11	32.68	1.646

Across 305 observations, the dependent variable MAIR, representing post-IPO performance, averages 33.4%, spanning -36.45% to 76.58% with a 24.6% standard deviation, suggesting moderate variability. Underwriter reputation is captured by four dummy variables (UND1, UND2, UND3, UND4), each set to 1 if an IPO is managed by

a top-reputation underwriter. Mean values range from 0.419 (UND4) to 0.681 (UND1), indicating that 41.9% to 68.1% of IPOs are handled by underwriters deemed highly reputable. LSBM (Main Board) has a mean of 0.249, signifying that 24.9% of firms list on the Main Board. Interaction terms (e.g., UND1_LSBM = 0.200) measure the combined influence of high-reputation underwriters and board classification on MAIR.

Among control variables, ROE averages 6.7% (ranging -34.48% to 6.24%), while LnRev (mean 26.207) and BookLev (mean 25.4%) reflect differences in revenue and leverage levels. LnAge (mean 2.585) indicates firm maturity, and LnTAss (mean 26.745) shows substantial variation in asset size across

Descriptive Statistics of The Development Board Model

Table 3 provides the descriptive statistics for the Development Board model used in the analysis, including the dependent variable, independent variables, and moderating variables. This study uses 305 observations per variable, with MAIR (dependent variable) averaging 33.4%, ranging from -36.45% to 76.58%, and exhibiting a 24.6% standard deviation. Underwriter reputation is captured by four dummies (UND1–UND4). The mean of 0.681 for UND1 indicates that 68.1% of IPOs involve highly reputable underwriters, whereas UND2, UND3, and UND4 show progressively lower proportions (58.1%, 43.9%, and 41.9%, respectively).

LSBD, a dummy for listing on the Development Board, has a mean of 0.750, implying that 75% of firms are on this board. Interaction terms (e.g., UND1_LSBD = 0.481) highlight the combined impact of underwriter reputation and board classification on IPO outcomes. Among the control variables, ROE averages 6.7% (range: -34.48% to 6.24%), while LnRev (mean 26.207, range 21.53 to 31.42) and BookLev (mean 25.4%, range -0.176 to 1.39) capture revenue scale and debt reliance. LnAge (mean 2.585) measures firm maturity, and LnTAss (mean 26.745, range 22.11 to 32.68) indicates significant variation in company size.

Table 3. Descriptive Statistics Development Board Model

Variables	Mean	Min	Max	Std. Dev
MAIR	0.334	-0.3645	0.7658	0.246
UND1	0.681	0	1	0.466
UND2	0.881	0	1	0.323
UND3	0.439	0	1	0.497
UND4	0.419	0	1	0.494
LSBM	0.249	0	1	0.433
UND1_LSBM	0.200	0	1	0.400
UND2_LSBM	0.222	0	1	0.416
UND3_LSBM	0.147	0	1	0.355
UND4_LSBM	0.167	0	1	0.373
ROE	0.067	-34.482	6.244	2.040
LnRev	26.207	21.53	31.42	1.788
BookLev	0.254	-0.176	0.91	0.215
LnAge	2.585	0	4.48	0.840
LnTass	26.745	22.11	32.68	1.646

Regression Results

1. Underwriter Reputation on IPO Underpricing

Table 4 provides the descriptive statistics for the Main Board model used in the analysis, including the dependent variable, independent variables, and moderating variables.

Table 4. Descriptive Statistics for the Main Board Model Used in the Analysis

Variables	Coefficient	Std. Error	t-Stat	P-Value
UND1	0.040	0.035	1.12	0.266
UND2	-0.269	0.044	-0.61	0.543
UND3	0.014	0.031	0.47	0.635
UND4	-0.078	0.031	-2.50	0.013**
ROE	-0.004	0.006	-0.75	0.454
LnRev	-0.050	0.006	-4.52	0.000***
BookLev	0.235	0.061	3.81	0.000***
LnAge	-0.018	0.016	-1.13	0.259
LnTass	0.017	0.012	1.39	0.166
_cons	1.221	0.237	5.15	0.000
Number of Observation			305	
R-Squared			0.1626	
Adjusted R-Squared			0.1370	
F Statistics (9,295)			6.36	
Prob (F-Statistics)			0.0000***	

Table 4 shows that the model is highly significant (Prob(F-Statistic) = 0.000), with an R-squared of 0.1626 indicating that about 16.26% of the variation in MAIR is explained by the independent variables; the adjusted R-squared of 0.1370 suggests a modest fit. Among the main variables, only UND4 is significant at the 5% level and negatively associated with underpricing, whereas the other primary variables are not significant.

Meanwhile the control variables, two factors—LnRev and BookLev—stand out as significant. The negative, highly significant coefficient on LnRev indicates that higher revenue lowers underpricing by reducing perceived risk and information gaps. Conversely, BookLev shows a positive coefficient, suggesting that higher leverage increases perceived risk, leading underwriters and issuers to set more conservative IPO prices. Meanwhile, ROE, LnAge, and LnTass exhibit no significant effect, implying that investors may prioritize forward-looking indicators (like revenue and leverage) over profitability (ROE), age (LnAge), or total assets (LnTass) when evaluating short-term underpricing in the Indonesian market.

2. The Moderating Effect of Main Board

Table 5 shows the model is highly significant at the 1% level (Prob(F-Statistic) = 0.000), with an R-squared of 0.1737, indicating that about 17.37% of the variation in MAIR is explained by the independent variables. The adjusted R-squared of 0.1338 suggests a modest fit. Among the main variables, UND4 (5% significance, negative coefficient) and UND2_LSBM (5% significance, positive coefficient) stand out, while the others are not significant.

The control variables, LnRev (negative coefficient) and BookLev (positive coefficient) significantly influence underpricing, reflecting how higher revenue lowers perceived risk and extensive leverage raises it. Meanwhile, ROE, LnAge, and LnTass show no significant impact, implying that investors focus more on forward-looking

indicators and capital structure—namely revenue (LnRev) and leverage (BookLev)—over metrics like profitability, firm age, or total assets in explaining short-term underpricing in Indonesia's capital market.

Table 5. Analysis Moderating Effect of Main Board Model

Variables	Coefficient	Std. Error	T-Stat	P-Value
UND1	0.351	0.039	0.88	0.380
UND2	-0.057	0.050	-1.13	0.260
UND3	0.025	0.036	0.70	0.485
UND4	-0.070	0.037	-1.91	0.057*
LSBM	-0.120	0.097	-1.24	0.217
UND1_LSBM	-0.039	0.102	-0.38	0.701
UND2_LSBM	0.198	0.117	1.69	0.092*
UND3_LSBM	-0.044	0.072	-0.61	0.540
UND4_LSBM	-0.026	0.078	-0.33	0.740
ROE	-0.004	0.006	-0.65	0.516
LnRev	-0.050	0.011	-4.31	0.000***
BookLev	0.228	0.062	3.65	0.000***
LnAge	-0.016	0.016	-0.98	0.326
LnTass	0.018	0.012	1.45	0.149
_cons	1.188	0.286	4.15	0.000
Number of Observation			305	
R-Squared			0.1737	
Adjusted R-Squared			0.1338	
F Statistics (9,295)			4.35	
Prob (F-Statistics)			0.000***	

Table 6. Analysis Moderating Effect of Development Board Model

Variables	Coefficient	Std. Error	T-Stat	P-Value
UND1	-0.004	0.093	-0.04	0.965
UND2	0.141	0.106	1.33	0.185
UND3	-0.018	0.062	-0.30	0.763
UND4	-0.096	0.068	-1.41	0.159
LSBD	0.120	0.097	1.24	0.217
UND1_LSBD	0.039	0.102	0.38	0.701
UND2_LSBD	-0.198	0.117	-1.69	0.092*
UND3_LSBD	0.044	0.072	0.61	0.540
UND4_LSBD	0.026	0.078	0.33	0.740
ROE	-0.004	0.006	-0.65	0.516
LnRev	-0.050	0.011	-4.31	0.000***
BookLev	0.228	0.062	3.65	0.000***
LnAge	-0.016	0.016	-0.98	0.326
LnTass	0.018	0.012	1.45	0.149
cons	1.067	0.306	3.48	0.001
Number of Observation			305	
R-Squared			0.1737	
Adjusted R-Squared			0.1338	
F Statistics (9,295)			4.35	
Prob (F-Statistics)			0.000***	

3. The Moderating Effect of Development Board

Table 6 indicates the model is highly significant (Prob(F-Statistic) = 0.000) at the 1% level, with an R-squared of 0.1737 implying that 17.37% of the variation in MAIR is explained by the independent variables. The adjusted R-squared of 0.1338 suggests a modest fit overall. Among the main variables, UND2_LSBM (5% significance, positive coefficient) stands out; the others show no significance.

The LnRev (negative coefficient) and BookLev (positive coefficient) significantly predict underpricing, highlighting the importance of a firm's revenue base in reducing perceived risk and the heightened risk associated with heavy leverage. Conversely, ROE, LnAge, and LnTass do not exhibit significant impacts, indicating investors may prioritize forward-looking indicators like revenue and leverage over profitability, firm age, or asset size in assessing short-term underpricing in the Indonesian context.

Discussions

1. Underwriter Reputation on IPO Underpricing

Table 4 shows that UND4 (p=0.013) is significant at the 5% level, with a negative coefficient of 0.078, indicating that higher underwriter reputation correlates with lower underpricing. This aligns with the Efficient Market Hypothesis (Fama, 1970) and Ljungqvist (2007) on mitigating information asymmetry. The result also mirrors global evidence (Carter & Manaster, 1990; Michaely & Shaw, 1994; Hu et al., 2021) and Indonesian studies (Bandi et al., 2020). Importantly, UND4—based on transaction value (Putra et al., 2023) and updated monthly by the IDX—emerges as the most relevant metric in this context, reinforcing its robustness as an underwriter reputation measure.

2. The Moderating Effect of the Main Board

Table 5 indicates that UND2_LSBM (p=0.092, coefficient=0.198) is significant at the 10% level, suggesting the Main Board amplifies the impact of underwriter reputation on reducing underpricing. According to Fama (1970) and Ljungqvist (2007), the Main Board's stricter disclosure and governance standards lower information asymmetry, enhancing the effect of high-reputation underwriters in curbing underpricing. Consequently, Main Board–listed companies see reduced underpricing and more stable post-IPO performance.

3. The Moderating Effect of the Development Board

Table 6 reveals that UND2_LSBM (p=0.092, coefficient=-0.198) becomes negative for Development Board firms, indicating that the Development Board weakens the link between underwriter reputation and underpricing. Companies on this board typically have less established track records, leading to higher information asymmetry and limiting the ability of reputable underwriters to mitigate underpricing (Fama, 1970; Ljungqvist, 2007). Consequently, IPOs on the Development Board experience higher underpricing due to the board's inherent risk profile and investor uncertainty.

CONCLUSIONS AND RECOMMENDATIONS

This study examines how underwriter reputation affects IPO underpricing in Indonesia, focusing on the moderating role of listing boards. Drawing on 305 IPOs from 2018 to 2023, the results (Table 5.1) demonstrate that reputable underwriters significantly

reduce underpricing, thereby enhancing post-IPO returns. Notably, UND4, based on transaction value (Putra et al., 2023), emerges as a particularly relevant metric in Indonesia, where regular IDX-released data provide credible insights into underwriter capabilities.

The findings also reveal performance differentials across listing boards: Main Board companies, being larger and more mature, generally experience more stable post-IPO outcomes than Development Board firms, which often face greater risk and volatility. This underscores the influence of firm maturity and market positioning on IPO performance. Overall, the study enriches the literature on IPO underpricing and underwriter reputation, affirming that underwriters with strong market track records help mitigate underpricing risks. Furthermore, the analysis underscores the importance of board selection, offering a nuanced perspective on IPO market dynamics in emerging economies like Indonesia.

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