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Determinants of IPO Initial Return with Underwriter Reputation as a Moderation Variable

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A B S T R A C T
This study analyzes the determinants of return on initial public offerings (IPOs) in the early stages by examining the effects of profitability, leverage, and management ownership, as well as the moderating role of the underwriter reputation, on firms listing on Indonesia Stock Exchange from 2021 to 2024. Employing a quantitative explanatory approach, this study utilizes secondary data from IPO prospectuses and capital market publications. The data were analyzed using multiple linear regression and Moderation Regression Analysis (MRA). Results show profitability, represented by return on assets (ROA), and management ownership significantly negatively affect early returns, whereas leverage, represented by the debt-to-equity ratio (DER), shows no significance. Furthermore, the underwriter reputation functions as a quasi-moderator that strengthens the association of profitability with initial returns but does not moderate the effects of leverage or management ownership. These findings suggest that the formation of initial returns in the early phase of IPO trading is primarily driven by signals of firm quality and underwriter credibility, whereas information regarding financing structure and internal ownership plays a limited role in investors' initial valuation decisions.

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INTRODUCTION

The capital market serves a strategic role as an alternative funding source that enables firms to meet their capital expansion needs through the initial public offering (IPO) mechanism (Pangestuti, 2022). IPO is a capital market mechanism in which a company offers its shares to the public for the first time to raise funds from external investors (Pešterac, 2020). The funds obtained from the IPO can be used by the company for various purposes, such as business expansion, debt repayment, and improving overall performance (Juliana & Sumani, 2019). Given this strategic role, the development of IPO activity in various countries, including Indonesia, has become an interesting trend to observe.

IPO activity in the Indonesian capital market has shown significant growth over the past few years. A total of 224 companies completed initial public offerings during the 2021–2024 period. Due to the high level of IPO activity, Indonesia has the highest number of IPOs in Southeast Asia. The upward trend continued from 2021 to 2023 before slowing down in 2024.

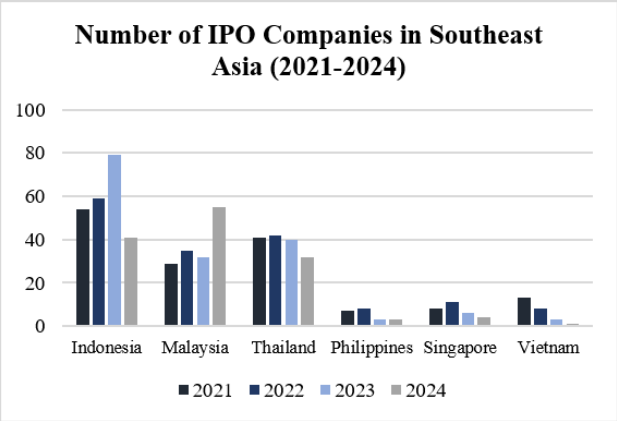

Figure 1. IPO Companies in Southeast Asia (2021-2024)

Over the past few years, the Indonesian Central Securities Depository (KSEI) has seen a significant increase in the number of investors. Increased retail investor participation has the potential to heighten share price volatility during the trading day due to differing perceptions and information constraints (Adrian et al., 2019). During the public offering stage, the underwriter has an important role setting the price discovery process and the bookbuilding mechanism's determination (Herawati, 2017). The difference between the offering price and the closing price on the first trading day is referred to as the initial return. (Ratnasari et al., 2023).

The initial positive returns reflect undervalued prices, which benefit investors but are detrimental to the company (Lu, 2024). Meanwhile, a negative initial return indicates a situation of overpricing that can be detrimental to investors (Gautama et al., 2015). In the Indonesian capital market, underpricing phenomenon or positive initial returns is more common, indicating the presence of information asymmetry and pricing that does not fully reflect the company's fair value (Widarjo et al., 2017).

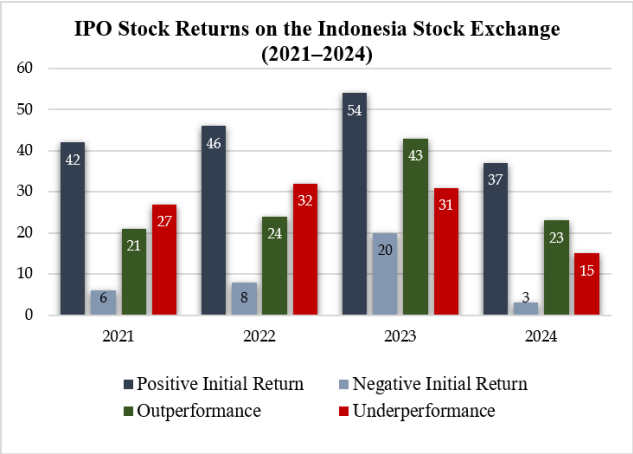

Figure 2. Stock IPO Return on the IDX (2021-2024)

During an IPO, companies are required to publish a prospectus as a form of information disclosure. The prospectus can include data on financial performance, ownership structure, the purpose of the IPO, and various parties involved, such as underwriters and auditors. According to signaling theory, investors obtain information about a company's quality through the fundamental facts listed in the prospectus (Djaelani et al., 2022). Previous study has generally focused around financial indicators including leverage, which is proxied by the debt-to-equity ratio (DER), and profitability, which is proxied by return on assets (ROA). DER reflects the company's capital structure and level of financial risk (Widyawati et al., 2019), while ROA measures a company's ability in earning profit by using their assets. (Wittianjani & Yasa, 2020)

Apart from financial ratios, the other fundamental aspect that is commonly considered is ownership structure, including management ownership (Darmawan & Bustaman, 2024). From an agency theory perspective, share ownership by company managers is seen as aligning the interests of management and shareholders (Hu et al., 2021). Meanwhile, a signaling theory perspective, management ownership can serve positively as an indicator of management's belief in the company's future performance (Sundarasen, 2019). However, while many previous studies focusing on financial ratios as determinants of initial returns have been conducted, there remains a research gap regarding the role of managerial ownership, which has been relatively limited.

On the other hand, external factors such as the reputation of underwriters are also often considered by investors when assessing the success of an IPO. Referring to signaling theory, reputable underwriters are seen as providing a quality signal due to their credibility and better market analysis skills in determining the initial offering price (Nadia & Daud, 2017). In this study, underwriter reputation will be positioned as a moderating variable because a strong reputation has the potential to strengthen the influence of fundamental factors on initial returns by reducing information asymmetry and increasing investor confidence (Hu et al., 2021).

Findings from previous research on determining factors of initial IPO returns have yielded inconsistent results. Pangestuti (2022) and Pratiwi & Linda (2025) discovered that profitability (ROA) significantly positively affects the initial return, while Djaelani et al. (2022) and Dwi Perkasa et al. (2024) found a significant negative effect. Inconsistent findings also occurred in the leverage variable, proxied by DER, and in the moderating function of underwriter reputation. Furthermore, research incorporating managerial ownership as a determinant of IPO initial returns is still relatively limited. Based on this gap, this research was conducted to review the influence of profitability, leverage, and managerial ownership on initial returns, using the underwriter reputation to moderate the variables, in companies that conducted IPOs on Indonesia Stock Exchange from 2021–2024 period. These findings are aimed to enhance existing literature and support more informed investment decisions.

LITERATURE REVIEW

Signaling Theory

The signaling theory was first proposed by Spence in 1973. Signalling theory emphasizes the importance information about a company, because it serves as a guide to help investors make investment decisions (Rivandi, 2017). In capital market context, signaling theory helps to lessen the asymmetry information that exists between investors and management (Ratnasari et al., 2023). During the IPO phase, positive information from the prospectus is interpreted as a signal of quality, which will boost investor interest and potentially driving stock demand for the stock during the initial trading day (Djaelani et al., 2022).

Agency Theory

Agency theory was developed by Jensen & Mecling (1976) to understand the connection between shareholders and management. Agency conflict occurs when management actions are not in the best interested of the shareholders (Eisenhardt, 1989). During an IPO, a company faces significant information asymmetry because public investors have limited information about the company's internal conditions. Managerial ownership acts as an alignment mechanism, where the greater the management ownership, the less potential for opportunistic behavior.

Initial Return

The initial return is defined as a difference between the offering price in the primary market and the selling price in the secondary market, reflecting the return earned from the initial investment (Djaelani et al., 2022). The initial return can be either positive or negative. Komariah et al. (2020) explain that underpricing occurs when the stock price in the secondary market exceeds the offering price in the primary market, resulting in a favorable initial return. Conversely, a negative initial return indicates overpricing. Che-Yahya et al. (2017) reveal that initial returns reflect market reactions to signals of issuer quality and the effectiveness of information disclosure.

Profitability

Profitability is a financial ratio used to measure a company's ability to generate profits from its operational activities. A commonly used indicator for profitability is the return on assets (ROA), which measures a company's ability to generate net income from its assets (Dwi Perkasa & Maiyaliza, 2024). Pangestuti (2022) and Pratiwi & Linda (2025) found that ROA positively influences initial returns because higher company profitability attracts investors, including from the first day of stock trading.

H1: Return on assets (ROA) has a positive effect on initial return.

Leverage

Leverage represents a financial indicator that illustrates the degree to which a company finances its operations through debt. The debt-to-equity ratio (DER) is frequently employed as a leverage proxy to evaluate the proportion of debt relative to shareholders' equity (Octafian et al., 2021). Research by Mahardika & Ismiyanti (2021) and Pangestuti (2022) indicates that the DER significantly negatively impacts on initial returns or the degree of underpricing. However, other studies, such as those conducted by Widyawati et al. (2019) and Djaelani et al. (2022) eport that that the DER has no significance.

H2: Debt-to-equity ratio (DER) has a negative effect on initial returns.

Managerial Ownership (MO)

Managerial ownership refers to the portion of shares held by a company's management (Ndua et al., 2023). Managerial share ownership serves as a corporate governance mechanism to mitigate potential agency conflicts. During an IPO, high managerial ownership signals management's confidence in future performance and reduces investor concerns about potential moral hazard (Sundarasen, 2019).

H3: Managerial ownership has a positive effect on initial returns.

Underwriter Reputation

An underwriter acts as a guarantor for companies planning an IPO by assisting with the execution of the public offering (Herawati, 2017). Underwriter reputation plays a very important role of the listing process as it reflects credibility and professionalism. A seminal study by Carter & Manaster (1990) states that high-reputation underwriters act as providers of a "certification effect," which is a quality assurance that the company has undergone a rigorous selection and evaluation process. This means that the underwriter reputation can increase investor confidence and reduce market uncertainty (Djaelani et al., 2022).

H4: Underwriter reputation moderates the effect of ROA on initial return.

H5: Underwriter reputation moderates the effect of DER on initial return.

H6: Underwriter reputation moderates the effect of MO on initial return.

METHODOLOGY

Research Type and Approach

This research uses an explanatory research design aimed at examining and explaining the cause-and-effect relation of the dependent and independent variables. Underwriter reputation is included as a moderator variable to explore their effect in moderating each independent variable's effect toward initial returns. The secondary data used includes company finance data, ownership structure, and underwriters, obtained from company prospectuses through the Indonesia Stock Exchange website. Meanwhile, the initial return rate is calculated from the offering and closing price during initial trading day, as available on platforms that provide capital market information.

Population and Sample

This study, the population includes all companies that conducted initial public offerings or IPOs on the Indonesia Stock Exchange (IDX) during 2021-2024. This study uses purposive sampling, which is a method of selecting a sample based on certain criteria tailored to research needs in order to make the data collected more targeted (Sugiyono, 2023). The sample utilized in this study was selected using the following criteria:

Table 1. Research Sample Criteria

No.	Criteria	Quantity
1	Total number of companies conducting IPOs on the Indonesia Stock Exchange (IDX) during the period 2021–2024	224
2	Less: Companies whose prospectuses are unavailable or contain incomplete information for research purposes	(0)
3	Less: Companies whose historical price data are unavailable on the official exchange website	(8)
Total Sample Companies		**216**

Research Variables and Measurement

Research consists of three types of variables: dependent, independent, and moderating. The initial return (IR) is the dependent variable, while the independent variables are return on assets (ROA), debt-to-equity ratio (DER), and management ownership. Meanwhile, underwriter reputation, as the moderating variable, is represented by a dummy variable. Reputation assessment is based on the method used by Pangestuti (2022), namely through the ranking of underwriters based on total trade value in underwriting activity on IDX during the observation period.

Code 1: High-reputation underwriters ranked in the top 20 by total trade value.

Code 0: Underwriters not ranked in the top 20 by total trade value.

The study employs descriptive analysis, classical assumption testing, and hypothesis testing through multiple linear regression analysis and

moderated regression analysis (MRA). Statistical testing was conducted using SPSS 26 software with the following moderation regression equation:

$$IR = \alpha + \beta_1 ROA + \beta_2 DER + \beta_3 MO + \beta_4 ReputasiUW + \beta_5 (ROA x ReputasiUW) + \beta_6 (DER x ReputasiUW) + \beta_7 (MO x ReputasiUW) + e$$

Hypothesis testing consisted of simultaneously testing (F-test), partially testing (t-test), and calculating the coefficient of determination (R^2) to assess the influence of independent variables and the capability of a regression model to describe the variability of the dependent variable.

RESULT AND DISCUSSION

Descriptive Statistical Test

Descriptive analysis was used to describe data through minimum, maximum, mean, and standard deviation. The outcomes of this analysis are outlined as follows.

Table 2. Descriptive Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROA	216	-0.39	0.41	0.050	0.0774
DER	216	0.01	71.30	1.718	5.4599
MO	216	0.00	0.80	0.126	0.2058
IR	216	-0.35	0.36	0.167	0.1671
Reputasi UW	216	0	1	0.260	0.4390
Valid N (listwise)	216				

Source: (SPSS Output, 2026)

Table 2 shows that the ROA variable varies between 0.39 and 0.41, with an average of 0.050, indicating relatively low and fluctuating profitability. The DER varies from 0.01 to 71.30 with an average of 1.718, demonstrating large variations in the funding mechanisms among companies. MO (Managerial ownership) has a mean of 0.126 with a range of 0.00-0.80, indicating that managerial ownership tends to be low. Initial return (IR) ranges from -0.35 to 0.36, with an average value of 0.167, suggesting variances in stock performance on the first day of trade. Meanwhile, the underwriter reputation has a mean of 0.260, indicating that a small percentage of companies use high-reputation underwriters.

Classic Assumption Test

1. **Normality Test**

Normality testing was conducted to confirm that the residuals of the regression model are normally distributed. The Kolmogorov-Smirnov (K-S) test was used in this study to perform the normalcy test, resulting in a probability value of 0.084, larger than the 0.05 significance threshold. Therefore, it is possible to conclude that the data are normal.

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		216
Normal Parameters[a,b]	Mean	0.00000000
	Std. Deviation	0.06506005
Most Extreme Differences	Absolute	0.057
	Positive	0.057
	Negative	-0.028
Test Statistic		0.057
Asymp. Sig. (2-tailed)		.084[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: (SPSS Output, 2026)

2. Multicollinearity Test

The multicollinearity test examines the tolerance values and variance inflation factors to see whether there is any link between the independent variables in the regression model. The results show that all variables exhibit tolerance values exceeding 0.01 and variance inflation factor (VIF) values below 10, suggesting the absence of multicollinearity. Therefore, the data satisfy the multicollinearity assumption.

Table 4. Multicollinearity Test Results

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	ROA	0.932	1.073
	DER	0.986	1.014
	MO	0.937	1.068
	Reputasi UW	0.995	1.005

a. Dependent Variable: IR

Source: (SPSS Output, 2026)

3. Heterokedasticity Test

A heteroscedasticity test was conducted to identify variation in residuals among data points in the model. This study employed the Glejser test, which indicated that each variable had a statistical significance (sig.) value larger than 0.05. Thus, it can be assumed that there are signs of heteroscedasticity in all variables, and the research data meet the requirements for the heteroscedasticity test.

Table 5. Heterokedasticity Test Results

Coefficients[a]			
	Model	t	Sig.
1	(Constant)	8.659	0.000
	ROA	1.951	0.053
	DER	-0.640	0.523
	MO	0.030	0.976
	Reputasi UW	0.381	0.704
a. Dependent Variable: ABS_RES			

Source: (SPSS Output, 2026)

Hypothesis Testing

1. Multiple Linear Regression Analysis

Multiple linear regression aims to identify correlation between the independent and dependent variables.

Table 6. Multiple Linear Regression Analysis Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.242	0.010		24.003	0.000
	ROA	-0.931	0.077	-0.599	-12.075	0.000
	DER	-0.001	0.001	-0.038	-0.789	0.431
	MO	-0.213	0.038	-0.280	-5.662	0.000
a. Dependent Variable: IR						

Source: (SPSS Output, 2026)

Table 6 shows that the constant term is 0.242, which means that if the independent variables (profitability, leverage, and managerial ownership) are set to zero, the initial return is estimated to be 0.242. The regression coefficient for the profitability variable (X1), namely return on assets (ROA), is negative at -0.931, indicating that every increase in ROA is followed by a decrease in the initial return of 0.931. The regression results show that the leverage variable (X2), represented by the debt-to-equity ratio (DER), has a negative coefficient of -0.001, suggesting that an increase in DER corresponds to a decline of 0.001 in initial returns. Meanwhile, the managerial ownership variable (X3) also exhibits a negative coefficient of -0.213, indicating that higher managerial ownership is associated with a reduction of 0.213 in initial returns.

2. Partial Test (t-test)

T-test was conducted to examine the effect of each independent variable on the variation in the dependent variable. A significance value (sig.) less than 0.05 implies that the independent variable has a statistically significant impact on the dependent variable.

Table 7. Partial Test Results (t-test)

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.242	0.010		24.003	0.000
	ROA	-0.931	0.077	-0.599	-12.075	0.000
	DER	-0.001	0.001	-0.038	-0.789	0.431
	MO	-0.213	0.038	-0.280	-5.662	0.000
a. Dependent Variable: IR						

Source: (SPSS Output, 2026)

Table 7 shows that the profitability variable, represented by return on assets (ROA), has a statistical significance of 0.000 (<0.05) and a regression coefficient of -0.931. The results suggest a significant negative correlation in ROA and initial returns, leading to the rejection of H_1. The managerial ownership (MO) variable has a significant negative impact in initial returns, as indicated by a significance value of 0.000 (<0.05) and a regression coefficient of -0.213. Therefore, H_2 is rejected. Meanwhile, the leverage variable, proxied by the DER, has a significance value of 0.431 (>0.05) and a regression coefficient of -0.001, suggesting that the DER does not have a significant effect on initial returns. Therefore, H_3 is rejected.

3. Simultaneous Test (F-Test)

Simultaneous testing (F-test) aims to identify the extent to which all independent factors influence the variance of the dependent variable. The test results show that the F- statistic is 74.526 with a significance level of 0.000, lower than 0.05. This means that the independent variables collectively have a significant effect on the dependent variables, so the regression model used is appropriate for explaining the relationship between these variables.

Table 8. Simultaneous Test Results (F Test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.082	3	1.027	74.526	.000[b]
	Residual	2.923	212	0.014		
	Total	6.005	215			
a. Dependent Variable: IR						
b. Predictors: (Constant), MO, DER, ROA						

Source: (SPSS Output, 2026)

4. Coefficient of Determination Test (R^2)

R^2 is used to define how accurately the model describes the dependent variable's variation. Test shows that the adjusted R^2 value is 0.506. This means that the dependent variable is explained by 50.6% from independent variable's variation. Meanwhile, the other 49.4% influenced by variables that were not included in this study.

Table 9. Determination Coefficient Test Results (R^2)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716[a]	0.513	0.506	0.11741

a. Predictors: (Constant), MO, DER, ROA

Source: (SPSS Output, 2026)

5. Uji Moderated Regression Analysis (MRA)

MRA examines the role of moderator variables in either strengthening or weakening the relation of the independent variable to the dependent variable.

Table 10. Results of Moderation Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.262	0.011		23.567	0.000
	ROA	-1.276	0.092	-0.821	-13.846	0.000
	DER	-0.002	0.001	-0.065	-1.411	0.160
	MO	-0.212	0.039	-0.278	-5.446	0.000
	Reputasi UW	-0.052	0.022	-0.137	-2.314	0.022
	ROAxReputasiUW	0.859	0.149	0.365	5.779	0.000
	DERxReputasiUW	0.003	0.006	0.025	0.485	0.628
	MOxReputasiUW	0.002	0.091	0.001	0.018	0.985

a. Dependent Variable: IR

Source: (SPSS Output, 2026)

The results of the MRA analysis indicate that the underwriter reputation has a statistically negative impact on initial returns, where the regression coefficient is 0.052 with significance level is 0.022. Interaction effects of profitability (ROA) and the underwriter reputation (ROA×ReputasiUW)) have a significant and positive impact to initial returns, with a regression coefficient at 0.859 and a significance level of 0.000. This result indicates that underwriter reputation acts as a quasi-moderator that not only moderates the relationship between ROA and initial return but also has a direct effect on initial returns, thus leading to the rejection of H_4.

Meanwhile, the interaction between leverage (DER) and underwriter reputation (DER×ReputasiUW) as well as the interaction between managerial ownership (MO) and underwriter reputation (MO×ReputasiUW) showed no significant influence on initial returns, respectively with p-values of 0.628 and 0.985. This indicates that underwriter reputation acts only as a predictor variable and cannot moderate the the link between leverage or management ownership and initial returns. Therefre, H_5 and H_6 are rejected.

The Effect of Profitability on Initial Return

The results of the study show that profitability, as proxied by return on assets (ROA), has a negative impact on initial returns. The implication is

that companies with low profitability tend to generate higher initial returns. The result implies that more profitable companies tend to be perceived as better quality and prospects, so there is no need to set an IPO offering price that is too low. Additionally, during the early stages of an IPO, investors tend not to fully prioritize profitability as the primary consideration and are more influenced by short-term expectations and market overreactions. These findings are aligned with research conducted by Dwi Perkasa et al. (2024) and Djaelani et al. (2022), which also found a significant negative relationship between ROA and initial returns, and further strengthen the empirical evidence that profitability can serve to reduce the level underpricing in an IPO.

The Effect of Leverage on Initial Return

Leverage, as defined by debt to equity ratio (DER), showed negative insignificant effect on initial returns. This finding suggests that a firm's capital structure has not yet become a primary consideration for investors at the early stage of an IPO. Investors tend to focus more on short-term profit potential than long-term risk, especially amid information constraints and high information asymmetry after IPO. As a result, leverage variations across companies are not directly reflected in the formation of initial returns. These findings are also consistent with studies conducted by Widyawati et al. (2019) and Djaelani et al. (2022).

The Effect of Managerial Ownership on Initial Return

The results of the study show that management ownership negatively impacts initial returns. These findings suggest that increased management ownership is associated with a lower initial return on its first day in trading. High managerial ownership has the potential to limit the quantity of shares circulating among market participants, thereby reducing demand pressure and making stock price movements more stable. From the perspective of signaling theory and agency theory, managerial ownership reflects management's management's belief in the company's future performance and helps reduce information asymmetry and agency conflicts. This finding is consistent with a study conducted by Darmawan et al. (2024), which concluded that ownership retention has negative effect on underpricing IPO.

Underwriter Reputation as a Moderating Variable between Profitability and Initial Returns

The moderation test results indicate that reputation of underwriter serve as a moderator in the relations of profitability (ROA) and initial returns. Underwriter reputation acts as a quasi-moderator, which not only amplifies the effect of ROA on initial return but also exerts a direct influence on initial return. The combination of high profitability and a good underwriter reputation creates a more credible signal of company quality for investors, thereby reducing uncertainty and information asymmetry at the time of the IPO. The findings are consistent with study conducted by Dwi Perkasa et al. (2024) and Pangestuti (2022).

Underwriter Reputation as a Moderating Variable between Leverage and Initial Returns

The reputation of the underwriter not moderating the relation of debt-to-equity ratio (DER) and initial return. Results show that underwriter reputation cannot reinforce the risk signals reflected in the firm's capital structure. During the initial trading phase, investors do not yet consider leverage as a primary basis for stock pricing, so the underwriter reputation does not increase the relevance of leverage to initial returns. This result corresponds with the findings of Dwi Perkasa et al. (2024), which states that the underwriter reputation fails to moderate the influence of DER and initial return.

Underwriter Reputation as a Moderating Variable between Managerial Ownership and Initial Returns

The results reveal that underwriter reputation fails to act as a moderating variable in the association between managerial ownership and initial returns. Findings show that investors evaluate managerial ownership independently, without linking it to the underwriter reputation appointed in the company. In agency theory context, managerial ownership is still viewed as a mechanism for aligning interests, but it is not reinforced by the underwriter reputation in influencing market reactions during an IPO. This finding is line with study conducted by Sundarasen (2019), that states management ownership does not always have significant influence towards market reaction during an IPO.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This research attempts to examine determinants of initial returns on IPO shares, with the reputation of underwriter included as a moderator variable. The findings indicate that profitability (ROA), and management ownership have a negative effect on the initial returns of companies conducting IPOs on the Indonesia Stock Exchange during the 2021–2024 period. In contrast, leverage (DER), does not show a statistically significant effect. These results suggest that in the early stages of an IPO, investors place greater emphasis on the profitability and ownership structure of a corporation, rather than its capital structure. Investment decisions at this stage tend to be driven more by market perceptions and short-term considerations than by indicators of long-term corporate quality.

Furthermore, the study shows that the reputation of the underwriter acts as a quasi-moderator in the relation of profitability and initial return, and has a direct effect on initial return. However, underwriter reputation fails to moderate the effects of leverage and managerial ownership on initial returns. Overall, these findings imply that issuer quality signals and the role of the underwriter contribute differently to the formation of initial returns. Therefore, caution is warranted when generalizing the results of this study, given the diversity of characteristics among the companies in the sample.

Recommendations

Based on the research findings and existing limitations, future studies are advised to use financial indicators that are more specific and contextually relevant to the characteristics of the industry. This approach is expected to more accurately capture how investors interpret financial information during the early stages of stock trading. Additionally, the measurement of underwriter reputation needs to be developed through alternative approaches, such as market-share-based measures or reputation indices derived from investor assessments. This approach will allow for a more comprehensive understanding of the underwriter role as a signal provider in conveying a company's quality. Subsequent research may also extend the observation period by examining post-IPO stock performance in both near-term and long-term contexts, thereby providing deeper and more comprehensive insights into stock price behavior over time.

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