Initial Returns Determinants with the Underwriter's Reputation as a Moderating Factor

Dewi Cahyani Pangestuti
Management Study Program, Faculty of Economics and Business, UPN Veteran Jakarta, Indonesia
Jl. RS Fatmawati, Cilandak, Kota Jakarta Selatan, DKI Jakarta, 12450

Abstract
Tujuan Utama - Tujuan penelitian ini yaitu untuk mengidentifikasi faktor-faktor yang mempengaruhi Initial Return (IR) dengan underwriter reputation sebagai moderasi.
Metode - Metode regresi linier berganda digunakan untuk menganalisis penelitian ini dengan uji statistik t-test (parsial) sebagai pengujian hipotesis, dan data diolah dengan menggunakan software Product and Service Solutions (SPSS) versi 23.
Temuan Utama - Hasil penelitian ini menunjukkan bahwa Return On Assets (ROA) dan Company Size (SIZE), memiliki pengaruh positif terhadap Initial Return (IR), sedangkan Current Ratio (CR), dan Price Earning Ratio (PER) tidak berpengaruh terhadap Initial Return (IR). Debt to Equity ratio (DER) dan Earnings Per Share (EPS) berpengaruh negatif terhadap initial return. Reputasi underwriter dapat memoderasi pengaruh Return On Assets (ROA), Debt to Equity ratio (DER), Current Ratio (CR), Company Size (SIZE), dan Price Earning Ratio (PER) terhadap Initial Return (IR), tetapi tidak dapat dimoderasi pada pengaruh Earnings Per Share (EPS) terhadap Initial Return (IR).
Implikasi Teori dan Kebijakan – Temuan penelitian ini dapat berimplikasi pada kegiatan initial public offering (IPO) di pasar perdana. Memberikan implikasi pada pihak-pihak yang terkait seperti emiten yang akan go public, investor yang akan mengambil keputusan untuk berinvestasi di perusahaan dengan tingkat underpricing yang tinggi, dan peneliti yang akan melakukan riset tambahan mengenai topik ini.
Kebaruan Penelitian – Kebaruan dalam penelitian ini adalah penggunaan underwriter reputation sebagai moderasi dalam initial return, dengan variabel independen yaitu profitabilitas, leverage keuangan, likuiditas, ukuran perusahaan, earnings per share dan price earning ratio, dimana penelitian-penelitian sebelumnya underwriter reputation digunakan sebagai variabel independen.

Abstract
Main Purpose *- The purpose of this study is to identify factors that affect Initial Return (IR) with underwriter reputation as moderation.*
Method *- The multiple linear regression method was used to analyze this study with a statistical t-test (partial) as hypothesis testing, and the data was processed using Product and Service Solutions (SPSS) software version 23.*
Main Findings *- The results of this study show that Return on Assets (ROA) and Company Size (SIZE), have a positive influence on Initial Return (IR), while Current Ratio (CR), and Price Earning Ratio (PER) do not affect Initial Return (IR). Debt to Equity Ratio (DER and Earnings Per Share (EPS) negatively affect initial returns. Underwriter reputations can moderate the effect of Return on Assets (ROA), Debt to Equity ratio (DER), Current Ratio (CR), Company Size (SIZE), and Price Earning Ratio (PER) on Initial Return (IR), but cannot be moderated on the effect of Earnings Per Share (EPS) on Initial Return (IR).*
Theory and Practical Implications *– The findings of this study can have implications for initial public offering (IPO) activities in the primary market. Provides implications for related parties such as issuers who will go public, investors who will make decisions to invest in companies with a high level of underpricing, and researchers who will conduct additional research on this topic.*
Novelty *- The novelty in this study is the use of underwriter reputation as a moderation in initial returns, with independent variables, namely profitability, financial leverage, liquidity, company size, earnings per share and price earning ratio, where previous studies of underwriter reputation were used as independent variables.*

Keywords: Initial Return; Underwriter's Reputation; Return on Assets; Debt to Equity Ratio (DER); Current Ratio (CR); Company Size; Earnings Per Share (EPS); Price Earning Ratio (PER)

Corresponding author. dewichepe@upnvj.ac.id
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INTRODUCTION

The capital market is one of the alternatives that can support the company's financial needs to increase capital so currently more and more companies are going public and raising additional funds through Initial Public Offerings (IPO). In Indonesia, this has been regulated in Law No. 8 of 1995 concerning the capital market (Abbas et al., 2022). However, the interesting thing about the IPO event is that the issuer can offer shares at a price agreed upon with the underwriter. When companies and underwriters determine the offer price, there are two possibilities after that, namely underpricing or overpricing. The definition of underpricing is that the initial share price is smaller than the stock price when it starts trading on the secondary market while overpricing is the opposite (Prawesti & Indrasari, 2014). This phenomenon is common in the capital market and can be found in various countries so it is interesting to study.

If underpricing occurs, investors get benefits in the form of returns or initial returns, while the company does not get the maximum profit. However, when overpricing occurs, the company will get the maximum profit and investors will not get profit (Prawesti & Indrasari, 2014). This phenomenon is in accordance with signaling theory where underpricing becomes a positive signal for investors to get more profit (Adrian et al., 2019). The phenomenon of underpricing is also in accordance with agency theory where information asymmetry occurs because the underwriter has more information on the issuer and the information is used to make approval of the optimal IPO price for him so that the issuer can determine a lower share offering price (Ningrum & Mahardika, 2021; Abbas et al., 2022). This is also in line with the opinions of Hastuti (2017) and Wulandari (2017), who stated that information asymmetry causes underpricing in the capital market, thus creating positive initial returns. Initial return is the profit earned by investors during the period from the stock purchased in the initial market to the closing price on the first day in the secondary market (Afriyeni & Marlius, 2019; Putri, 2019). This is what motivates investors to invest at the time of IPO.

There are many factors that affect initial return, one of which is accounting information such as profitability, financial leverage, liquidity, company size, earnings per share (EPS), and price earning ratio (PER). Profitability is one of the measurements used to assess a company's ability to make a profit (Nazir & Agustina, 2018). Financial leverage is the use of additional debt or financing that has a fixed burden in the form of interest expense and principal that must be paid by the company (Hermuningsih, 2020). Liquidity is the ability of a company to meet its short-term obligations (Setyawan et al., 2018). The size of a company is the scale of a company in the eyes of investors as measured by its total assets (Mezhoud & Boubaker, 2011). Earnings per share (EPS) describes the amount of rupiah earned by investors for each ordinary share or net income per ordinary share (Hermuningsih, 2020). PER reflects investors' assessment of the company's future profits (Khumaidah, 2018). The underwriter reputation variable was also created as a moderation variable in this study, which means it will increase or weaken the independent influence of dependent factors. As an underwriter, the use of a reputable

underwriter will reduce investor uncertainty regarding the contents of the prospectus company that is not misleading (Riyadi, 2013).

According to research from (Watung & Ilat, 2016; Widyawati & Halmawati, 2018; Nazir & Agustina, 2018; Setyawan et al., 2018) when return on assets has a favorable impact on initial return, it suggests that investors evaluate the company's profit or ROA when purchasing stock. According to research from (Nazir & Agustina, 2018; Setyawan et al., 2018; Widyawati & Harsinah, 2018; Mahmudin et al., 2019; Pour & Lasfer, 2019) means a larger ratio means that corporations borrow more money, putting them in danger if their debt levels are too high. According to research from (Bouzouita et al., 2015; Saputri & Purbawangsa, 2016; Setyawan et al., 2018; Widyawati & Harsiah, 2018) when the company's high current ratio will make investors believe that the company can pay its short-term debt. According to research conducted by (Mezhoud & Boubaker, 2011; Wiguna & Yadnyana, 2015; Saputra & Putrayasa, 2018; Hermuningsih, 2020; Zuliardi & Witiastuti, 2020) investors believe that the larger the size of the company, the more the company will generate a high return, and conversely. According to research conducted by (Prawesti & Indrasari, 2014; Watung & Ilat, 2016; Nadia & Daud, 2017; Wulandari, 2017; Khumaidah, 2018; Setiawan, 2018) explains that with high EPS, the welfare of shareholders will increase, and conversely. According to research conducted by (Meihendri, 2016; Natsir & Rahmania, 2017; Khumaidah, 2018) which explains that initial return is influenced by the PER with a positive direction.

This study modifies the research conducted by Hidayati & Triyanti (2020) and Abbas et al., (2022). The difference between this research and previous research is in the observation period conducted on all companies that conducted initial public offerings on the Indonesia Stock Exchange in 2016-2020. Another difference is the addition of the Price Earning Ratio (PER) variable which reflects investors' assessment of the company's future profits so that it is expected to affect initial returns. The inconsistency of the results of previous studies also prompted researchers to use the underwriter reputation variable as a moderation variable. Based on the explanation above, this study aims to find out what affects initial returns. In addition, the findings of this study can have implications for IPO activities in the primary market, as well as parties who will conduct further research on factors that affect initial returns, issuers who will go public, and investors who will make investment decisions.

METHOD

This study used panel data regression that combined time series and cross section data. The advantages performs data regression panel, including: first, it can give researchers a large number of observations, increase the degree of freedom, the data has great variability and reduces the collinearity between explanatory variables, which can produce efficient econometric estimates. In this study, the data used was included in secondary data types. This secondary data is obtained by methods of observing financial ratios, statistical data on IPO stock performance, annual returns of IPO companies, and financial statements from companies listed on the Indonesia Stock Exchange.

All companies that perform initial public offerings (IPOs) on the Indonesia Stock Exchange are included in this study's population (IDX). The financial statements will be used to collect data for the 2016-2020 study period. The sampling technique utilized in this study is non-probability sampling with strategies such as saturated samples of up to 135 companies.

Initial Return

An Initial Return (Y) is a profit or return obtained from assets in the initial offering from the time they are purchased in the initial market until they are registered in the secondary market (Jogiyanto, 2018). Initial return formula:

$$\text{IR} = \frac{Closing\ Price\ on\ the\ 1st\ day\ of\ IPO}{Offering\ Price} \text{ x } 100\%$$

Profitability (X_1)

The profitability relationship (ROA) with initial return (IR) is that the higher the profitability of the company, the higher the initial return obtained by investors (Husnan, 2018; Almaqtari et al., 2019; Banerjee, 2016). Profitability are-measured by:

$$\text{ROA} = \frac{Earning\ After\ Tax}{Total\ Asset} \text{ x } 100\%$$

Financial Leverage (X_2)

A larger ratio means that corporations borrow more money, putting them in danger if their debt levels are too high (Nazir & Agustina, 2018) and (Mahmudin et al., 2019). Financial leverage are-measured by:

$$\text{DER} = \frac{Total\ Debt}{Total\ Equity} \text{ x } 100\%$$

Liquidity (X_3)

The company's high current ratio will make investors believe that the company can pay its short-term debt so that this results in underpricing when the company conducts an IPO. The liquidity ratio used in this study is the current ratio. Which can be measured with:

$$\text{CR} = \frac{Current\ Asset}{Current\ Liabilities} \text{ x } 100\%$$

Company Size (SIZE) (X_4)

The size of the company determines the investor's assessment of the company's prospects. So many investors trust companies that have a larger size than small companies (Saputra & Putrayasa, 2018; Brigham & Houston, 2021). The Size of the Company are measured by:

SIZE = Ln (total asset)

Earnings Per Share (EPS) (X_5)

Brigham & Houston (2021) the company's high performance is reflected in the value of its earnings per share, and this is an attraction for investors and also potential investors in buying shares because high earnings per share show that the company is healthy so that it can provide high returns in the future. EPS is an indication of the profit that will be maintained by investors as measured by:

$$\text{EPS} = \frac{Earning\ After\ Tax}{Shareholder\ Public} \text{ x } 100\%$$

Price Earnings Ratio (PER) (X_6)

In theory, higher EPS indicates that companies are more valuable. If investors feel happy paying a higher stock price, then it could reflect strong profits or high profit expectations. That is, if the company posts higher earnings, then its price per share will also rise. This ratio calculated by:

$$\text{PER} = \frac{Offer\ Price\ per\ Share}{EPS} \text{ x } 100\%$$

Reputation Underwriter (X_7)

It is a dummy variable by providing a value of 1 for underwriters who are included in the Top 20 most active brokers in the IDX and who in addition to the Top 20 most active brokers in the IDX are rated 0.

UND = underwriter included in the Top 20 Most Active Brokers in IDX

This study uses multiple regressions to analyze data with IBM SPSS-23 software. Multiple linear regression analysis is used to generalize research data and perform shorter parallel calculations. These analytical techniques used through several stages, namely:

1. Analyze Descriptively
2. Classical Assumption Tests include the Normality Test, Multicollinearity Test, Heteroskedasticity Test, and the Autocorrelation Test.
3. Moderated Regression Analysis in the form of equations as follows:

   $Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + \beta7X1*X7 + \beta8X2*X7 + \beta9X3*X7 + \beta10X4*X7 + \beta11X5*X7 + \beta12X6*X7 + e$

RESULT AND DISCUSSION

Descriptive Statistics

Based on the descriptive statistical data in Table 1, the mean value of the initial return variable is 38,37% which indicates that the

company's initial return is high. The mean value of return on asset is 5,29% which means that company still has a low ROA disclosure score. The mean value of debt to equity ratio is 31,30% which means a high company leverage ratio, causing an increase in underpricing. The mean value of current ratio variable is 97,30% which means that the company is able to increase its productivity and increase the initial return on its shares when conducting an IPO.

Table 1. Descriptive Statistics

	Minimum	Maximum	Mean	Std. Deviation
Initial Return	-9.00	70.00	38.3651	8.78160
Return On Assets	-12.11	78.00	5.2942	2.34493
Debt to Equity Ratio	,01	296.68	31.3037	6.21229
Current Ratio	,75	1582,00	97.2954	25.23653
SIZE	20.81	33.76	27.6188	1.94968
Earning Per Share	-129.49	148,80	23.9939	3.90379
Price Earning Ratio	-555.56	588,24	21.3597	5.33272
Underwriter's Reputation	0	1	,6014	,49138

Source: data processed

The mean value of firm size is 27,61% which means that company has a large SIZE that can affect investor's judgment. The mean value of earning per share variable is 23,99% which means the company's high EPS has an impact on the low initial return earned by investors. The mean value of price earning ratio is 21,36% which means that the company has good prospects in the future.

The moderation variable in this study is the Reputation Underwriter (UND). The difference between the mean value of this UND variable is 0.60. This can be interpreted that 60% of the total sample companies use a reputable underwriter who falls into the category of 20 Most Active Brokerage Houses by Total Trading Value January-March 2020.

Moderated Regression Analysis

Table 2. Moderated Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	317.480	61.735		5.143	.001
ROA	3.506	1.746	442	2.004	.032
DER	-15.497	3.507	-.619	-4.419	.001
CR	1.224	1.581	.067	.774	.444
Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
SIZE	9.404	1.258	.380	4.165	.001
EPS	-.483	.329	-.330	-1.468	.025
PER	.035	.033	.079	1.073	.290
ROA.*Underwriter's Reputation	9.286	2.284	.997	4.065	.001
DER.*Underwriter's Reputation	15.534	5.001	.614	3.106	.004
CR.*Underwriter's Reputation	27.101	4.487	1.217	6.040	.001
SIZE.*Underwriter's Reputation	1.927	.606	.956	3.179	.003
EPS.*Underwriter's Reputation	-.740	.440	-.443	-1.681	.102
PER.*Underwriter's Reputation	.599	.199	.367	3.006	.005

Source: data processed

Further Table 2 the moderated regression analysis models in this study are shown by the following equations:

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + \beta7X1*X7 + \beta8X2*X7 + \beta9X3*X7 + \beta10X4*X7 + \beta11X5*X7 + \beta12X6*X7$

IR = 317,480 + 3,506 ROA – 15,497 DER + 1,224 CR + 9,404 SIZE – 0,483 EPS + 0,035 PER + 9,286 ROA*UND + 15,534 DER*UND + 27,101 CR*UND + 1,927 SIZE*UND – 0,740 EPS*UND + 0,599 PER*UND

The constant value of the equation of 317,480 indicates that the initial return is influenced by the variables ROA, DER, CR, SIZE, EPS, PER, and UND.

Table 3. Adjusted R Square

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.847[a]	.718	.691	8.27803

a. Predictors: (Constant), Moderation6, DER, CR, PER, Moderation3, EPS, Moderation1, SIZE, Moderation4, Moderation5, Moderation2, ROA, Reputation Underwriter

Source: data processed

The adjusted R Square value of 0,691 indicates the effect of variables X1, X2, X3, X4, X5, X6, X7 simultaneously against variable Y is 69,1%, and the remaining 30,9% is explained by other variables.

Effect of Return on Asset on Initial Return

The t-test results show that the return on assets has a significant and considerable impact on the first return of companies that go public for the first time. The ROA had a positive effect on the initial return, according to the findings. The results of this study show that investors view ROA as a factor that measures the company's profitability and determines profits for investors. So, the high value of ROA guarantees that the company has the capital capacity to be able to generate maximum profits. This causes investors to pay attention to the amount of ROA in the initial market offering. This is based on the notion that the greater the ROA, the smaller the underpricing, since investors will appraise the company's performance better and be willing to pay a higher price for its first shares. This is in accordance with the signal theory where profitability will be a positive signal for investors if the company has good performance.

The profitability relationship (ROA) with initial return (IR) is that the higher the profitability of the company, the higher the initial return obtained by investors. This is because of the high ROA value, proving that the company uses more assets to generate profits to minimize the risk that investors will face and they are willing to buy the initial stock price at a higher price because the company has good performance that will have an impact on increasing initial returns, (Husnan, 2018; Almaqtari et al., 2019; Banerjee, 2016). The relationship between underpricing and the underwriter's reputation in initial public offerings (IPO) has received a lot of attention in the financial literature over the past 40 years. The term "underpricing" refers to the potential profit that an IPO customer can make when the IPO share issuance price is below the closing price of the stock on the first day of listing.

The results of this study support previous research conducted by (Watung & Ilat, 2016; Nazir & Agustina, 2018; Setyawan et al., 2018; Widyawati & Halmawati, 2018) states that Return on Asset (ROA) has a positive effect on initial return. When the ROA rises, the demand for the stock rises, and the stock price rises as a result. Investors assume that a high ROA indicates that the company's performance is also good, therefore they are willing to pay a high price for the company's initial shares. However, this

is not following the research conducted by (Wijayanto, 2010; Prawesti & Indrasari, 2014; Wiguna & Yadnyana, 2015) that ROA has no significant effect on initial return.

Underwriter's Reputation Effect as a moderating variable on Return on Asset relationship against Initial Return

In this study, the reputation of underwriters was found to be able to influence the relationship between return on assets and initial returns. This shows that if the company uses reputable auditors, it will have an effect on strengthening the return on assets. The high reputation of underwriters has more experience in their role as underwriters and has certain considerations in offering shares in the primary market. This is also because the role of auditors in auditing the financial statements of companies that go public is able to provide adequate confidence because investors believe that the auditors have a good reputation. Besides that, investors also believe that the company will be able to improve its performance which will then be a good signal for the company. This result is in line with research conducted by Nurhidayati et al., (1998).

Effect of Debt to Equity Ratio on Initial Return

The t-test revealed that the debt-to-equity ratio had a major impact on the early returns of companies that launched initial stock offerings. The DER had a negative effect on the initial return. The size of the DER will reflect the company's failure to repay its loans where the greater the debt ratio, the more risk that must be borne by the company. This will certainly affect the demand for the company's shares at the time of the IPO and have an impact on reducing the level of Initial Return that can be accepted by investors. This is in accordance with the signal theory where companies that have unfavorable conditions will be a negative signal for investors. Also, the higher the company's leverage ratio, the higher the level of underpricing. The Debt to Equity Ratio shows the condition of uncertainty and risk that is being experienced by the company which can result in information asymmetry (Permadi & Yasa, 2017).

Investors believe that information related to a company's debt level is important to consider because a high DER reflects a bad signal that can affect the company's performance and prosperity in the future. This is in line with the signaling theory which states that if the information received by a potential investor is in the form of a bad signal, then the effect that is interpreted by the potential investor on the market value of the company will decrease (Ningrum & Mahardika, 2021). Investors believe that the company's leveraged position is quite optimal, or does not harm the position of the company or investors, of course, the decision to purchase several IPO shares offered by the company will occur and the increase in the supply mechanism and demand for shares provides an opportunity for other investors to get initial returns. The high interest of investors in stocks will increase the price of the stock when traded, the underpricing rate of the stock will also increase and this will result in a greater initial return for investors.

According to (Brigham & Houston, 2021) and (Jogiyanto, 2018) when a debt-to-equity ratio is low, it means the company is borrowing less money from a lender than it is borrowing from its shareholders. A larger ratio means that corporations borrow more money, putting them in danger if their debt levels are too high (Nazir & Agustina, 2018 and Mahmudin et al., 2019). A high DER, in general, implies that the company is experiencing financial difficulties and will be unable to repay the debtor. However, if it's too low, it suggests the company is relying too heavily on equity to support its operations, which can be expensive and inefficient, (Pangestuti, 2018). By comparing liabilities to equity, companies can utilize the DER to determine how much leverage has been used. Excessive leverage indicates that the company poses a significant risk to investors. Divide the entire liabilities by the total equity to get the appropriate debt ratio. If the debt-to-equity ratio is less than 0.5, the company is

predominantly funded by equity; if it is larger than 0.5, the company is mostly supported by debt.

The ideal debt-to-equity ratio will vary widely by industry, but the general agreement is that it should not exceed 2.0. While certain big fixed-weight asset companies (such as mining or manufacturing) may have a ratio of more than 2,0. High stock prices when traded can be caused by the high interest of investors in the stock, which will cause high underpricing of the stock, and this will certainly lead to a greater initial return on the stock.

The results of the study can support the research conducted by (Nazir & Agustina, 2018; Pangestuti, 2018; Setyawan et al., 2018; Widyawati & Harsiah, 2018; Mahmudin et al., 2019; Pour & Lasfer, 2019) initial return is negatively and significantly affected by DER. However, this result contradicts research from (Nadia & Daud, 2017; Riyandi, 2018; Hermuningsih, 2020).

Underwriter's Reputation Effect as a moderating variable on Debt to Equity Ratio relationship against Initial Return

Underwriters are important in a range of financial industries, including mortgage lending, insurance, the stock market, and several types of debt security trading. Someone who works as the last underwriter is referred to as a "book runner." Employers that wish to take on part of the liability or risk will sign their names at the bottom of the document and indicate how much risk they are ready to take on. Underwriters is the name given to these business people. Depending on the business, modern underwriters take on some responsibilities. Underwriters are responsible for estimating the level of risk associated with transactions and other business activities. The risk of an investment's actual return or profit differing from the predicted return or profit is known as "risk." Underwriters are trusted by investors because they decide whether a business risk is worthwhile.

The variable DER with an initial return in this study can be moderated by the underwriters' reputation. Where appropriate, the underwriter's reputation can be utilized as a signal to lessen the level of uncertainty that cannot be disclosed by the prospectus and to indicate that the issuer's confidential knowledge about the company's future prospects is not deceptive. However, if a company's DER is large, it implies that it is also at risk. Investors in making investment decisions will, of course, consider the company's financial leverage information. The high level of obligation makes it more difficult for the company's management to make predictions for the company's future course, so this can affect the uncertainty of a stock price, which is in line with the study conducted by Firdaus & Herawati (2020).

Effect of Current Ratio on Initial Return

The t-test revealed that the current ratio had a marginal effect on the initial return on the company that executed the initial stock offering. According to the effect of the current ratio on the initial return in the Indonesian stock market, stocks with low or high liquidity levels do not guarantee a high initial return, and vice versa. The current ratio measures a firm's ability to satisfy short-term obligations and carry out operational activities, with a high current ratio indicating that the company will improve the initial return on its shares when executing an IPO.

A Current Ratio (CR) is a metric that compares current assets and liabilities by dividing assets by liabilities. Potential creditors use current ratios to evaluate a company's liquidity, or ability to repay short-term debts. Across industries, current ratios are a widely used metric for assessing a company's short-term liquidity in terms of accessible assets and outstanding liabilities. In other words, it shows the company's ability to generate enough income to pay off all of its outstanding debts. It's a global indicator for analyzing a company's overall financial health. While permissible ratios vary by sector, ratios of 1.5 to 3 are generally considered acceptable (Widyawati & Harsiah, 2018).

According to Setyawan et al., (2018) if the current ratio is low, then the company's performance is poor in paying off its short-term liabilities. A company with good operations will be rated positively by investors. This can certainly encourage the increasing mechanism of demand and IPO stock offering to trigger an increase in the stock price when the initial sale is accompanied by an increase in the initial return that can be received by the investor him/herself. Companies that have a high current ratio indicate that the company can meet operational needs well. In accordance with the signaling theory, this is a positive signal for investors because it will encourage and increase the demand and supply of shares, which will ultimately increase the stock price at the time of the initial sale and increase the initial return for investors.

The results of this study are in line with (Bouzouita et al., 2015; Setyawan et al., 2018; Widyawati & Harsiah, 2018) which states that the current ratio has a positive effect on the initial return because the large current ratio (liquidity) will indicate the level of the company's ability to fulfill the company's operations so that it can have an impact on the amount of Initial Return during the IPO. Unlike the research conducted by Radipria et al., (2015), Nuryasinta & Haryanto (2017), Wildahayu & Priantinah (2019), serta Ningrum & Mahardika (2021) which state that investors pay more attention to other factors in making decisions and consider a current ratio that is too high as a company's inaccuracy in allocating its funds.

Underwriter's Reputation Effect as a moderating variable on Current Ratio relationship against Initial Return

The results show that the current ratio, moderated by the reputation of the underwriter, indicates the existence of a relationship with the initial return. Because liquidity refers to a firm's ability to repay its short-term debt, a company with a high liquidity value will lessen investor uncertainty. Meanwhile, the underwriter's reputation might serve as a signal to investors that the company is trustworthy and has a bright future. In this study, the current ratio is a variable that is considered to affect the initial return by investors. Because liquidity can contribute significantly to the increase in stock price when a new company goes public (Setyawan et al., 2018). Underwriter businesses with a strong reputation will assess the value of a company that has good liquidity (Haska et al., 2016).

Effect of Company Size (SIZE) on Initial Return.

The results of the t-test reveal that company size has a large impact on initial returns in companies that launch initial public offerings. Firm size affects initial returns. This shows that investors believe that large companies have a higher profitability than small companies (Saputra & Putrayasa, 2018; Brigham & Houston, 2021). Therefore, large companies tend to be affected by positive signals from the market and will affect the market, while small companies tend to be riskier and have long-term uncertainty.

The size of the company determines the investor's assessment of the company's prospects. So many investors trust companies that have a larger size than small companies, (Brigham & Houston, 2021; Saputra & Putrayasa, 2018). If the information is in the hands of many investors, it will reduce market uncertainty which means less underpricing risk (Zuliardi & Witiastuti, 2020). Information about a company is a reason for investors to determine their investment decisions to improve the company's valuation and minimize risk (Wiguna & Yadnyana, 2015). Investors believe that the larger the size of the company, the more the company will generate a high return, and conversely, the smaller the size of the company, the lower the initial return that will be received by investors will also be because of uncertainty about the company's prospects (Hermuningsih, 2020).

Large-scale enterprises have more complete information about the conditions of the company than small-scale enterprises. Following the signal theory, information

about the company is a reason for investors to make their investment decisions to increase the company's valuation and minimize risk (Wiguna & Yadnyana, 2015). The level of ambiguity in the future will be reduced due to the large amount of information obtained by investors. The low level of corporate uncertainty causes the level of underpricing and initial returns to be also low because the possibility of asymmetric information is getting smaller (Abbas et al., 2022). This is by agency theory, where the amount of information provided by the company will reduce the possibility of asymmetric information so that the possibility of the underwriter taking advantage of the investor's ignorance of his interests will be reduced.

The results of this study are in line with the research conducted by (Mezhoud & Boubaker, 2011; Hermuningsih, 2015; Wiguna & Yadnyana, 2015; Saputra & Putrayasa, 2018; Abbas et al., 2022). However, the results of this study do not support previous studies conducted by (Arman, 2012; Mubarok et al., 2015; Putri, 2019) which state that the number of assets that reflect the company is considered to have not given a definite picture of the company's actual wealth. In other words, a large asset may not necessarily provide a large initial return for investors.

Underwriter's Reputation Effect as a moderating variable on Company Size relationship against Initial Return

The reputation of the underwriter is one of the considerations of investors in choosing. The lower the underpricing, the better the reputation of the underwriter to underwrite. The lower the first return rate, the better the underwriter's reputation. And, the higher the IPO value borne by the underwriter in underwriting the shares issued by the issuer, the better the reputation of the underwriter, meaning the level of confidence of the issuer in the underwriter is higher. The reputation of the underwriter is getting better, causing the initial return to be lower, and conversely, the reputation of the underwriter is getting worse, causing the initial return to be higher, (Lutfianto, 2013).

In this study, it is shown that underwriter reputation is able to moderate the relationship between firm size and initial returns. This is because large-scale companies are generally better known to the public regardless of whether they use a reputable auditor or not. This means that the use of a reputable auditor by large-scale companies to conduct audits is able to determine the level of underpricing of the company. In addition, the auditor's ability to influence the level of underpricing is due to the increasing public confidence in the quality of the financial information presented in the prospectus. The results of this study are supported by previous research conducted by (Putra & Sudjarni, 2017; Alimah, 2020).

Effect of Earnings Per Share on Initial Returns

Brigham & Houston, (2021) the company's high performance is reflected in the value of its earnings per share, and this is an attraction for investors and also potential investors in buying shares because high earnings per share show that the company is healthy so that it can provide high returns in the future. According to Pangestuti (2018), EPS has a relationship with the company's performance. So the more established the company, the higher the EPS it has, which then affects the lower initial return obtained by investors. With high EPS, the welfare of shareholders will increase, and conversely, low EPS means that the welfare of shareholders must still be improved (Barker & Chiu, 2015).

Therefore, there is a relationship between EPS and initial return where if the EPS provided by the company is low in value, then the determination of the stock price at the IPO is significantly lower than the price that occurs in the secondary market. This is what causes underpricing. Another statement also explains that EPS can affect initial return because the amount of EPS listed on the prospectus is sometimes not able to convince investors significantly, so the stock price at

the time of the IPO cannot be sold at a relatively high price because it will result in the stock not being sold on the secondary market, (Webber, 2018).

The results of the t-test showed that earnings per share partially had a significant effect on initial returns in companies that conducted initial stock offerings. High EPS indicates that investors place high expectations on their investments in the company. This confidence and expectation are demonstrated by investors by buying shares of the company at the time of the IPO. High demand for stocks that have high EPS results in excess demand so that underwriters need to allot or ration the shares to investors who will buy them. By doing so, allotment by the underwriter will cause investors to acquire relatively fewer shares than they would like. This is following signaling theory where long-term investors will pick up on these positive signals and will encourage investors to buy back the shares when the Indonesia Stock Exchange does list them. Investors are willing to buy shares at a higher price than they paid at the time of the IPO so that the initial return on the stock will be positive.

The results of this study show that EPS has a significant effect, but the direction is negative judging from its linear regression equations. This indicates that the initial return obtained by investors is slight because the stock price is high during the IPO and after the IPO due to allotment conducted by underwriters in the initial market. Meanwhile, the company will experience profits because the shares offered in the initial market experience an increase in sales so that funds obtained from the public are maximal and follow the company's expectations when going public.

The results of this study are following the research (Handayani, 2008; Wijayanto, 2010; Hermuningsih, 2020). However, the results of this study do not support previous research conducted by (Prawesti & Indrasari, 2014; Watung & Ilat, 2016; Nadia & Daud, 2017; Wulandari, 2017; Khumaidah, 2018) EPS have a positive influence on initial returns where the greater the EPS, the greater the amount of underpricing of shares so that the initial return will increase.

Underwriter's Reputation Effect as a moderating variable on Earning per Share relationship against Initial Return

The results illustrate that the reputation of the underwriter cannot moderate the relationship between earnings per share and initial returns. If the EPS is higher, the expectation of making a profit will be even greater, so that the initial price imposed by the issuer will increase. However, EPS is not a consideration in setting the initial public offering price because the EPS owned by the issuer prior to the IPO will change after the issuer conducts the IPO due to the development of the company's profit which is influenced by tax policies and economic conditions. Thus, the company needs to have a reputation for underwriters who have the ability to influence the company's leverage. The results of this study are following the research (Wiyani, 2016).

Effect of Price Earnings Ratio on Initial Return

According to (Husnan, 2018) The PER is a quarterly or annual number that describes the earnings of public firms per outstanding share. Earnings per share (EPS) are calculated by dividing the company's quarterly or yearly net income by the number of outstanding shares. In other words, companies that are expected to grow rapidly, or in other words, have prospects that are guaranteed in the future, can have a high PER. In theory, higher PER indicates that companies are more valuable. If investors feel happy paying a higher stock price, then it could reflect strong profits or high profit expectations.

The results of the t-test showed that the price earnings ratio partially had a positive but insignificant effect on the initial return on the company that conducted the initial stock offering. The price-earnings ratio (PER) is a financial ratio that can describe the company's prospects. PER describes public income per outstanding share (Husnan, 2018). If the high

PER means that in the future the company has good prospects, this certainly encourages investors to own the company's shares. A high price-earnings ratio attracts investors because it has a high rate of profit sharing and growth that will increase stock prices.

PER can reflect the intrinsic value of a stock where if the intrinsic value of a stock is higher than the market price then the stock is undervalued. Conversely, if the intrinsic value of the stock is lower than the market price, then the stock is overvalued (Lutfianto, 2013). This is in accordance with the concept of signaling theory that PER can be used as a good or bad signal. The insignificance of this study is because a PER that is too high may not be attractive because stock prices may not rise again, meaning that the possibility of obtaining capital gain will be smaller and the initial return will be low (Filayati & Soekotjo, 2020). This is in line with the research of (Lutfianto, 2013; Meihendri, 2016; Natsir & Rahmania, 2017; Khumaidah, 2018) which states that PER has a positive influence on initial return. However, the results of this study contradict the research of Enika (2013) which states that the company's PER value cannot yet reflect the changes that occur in the initial return that investors will receive in companies conducting an IPO.

Underwriter's Reputation Effect as a moderating variable on Price Earnings Ratio relationship against Initial Return

In this study, there was a relationship between the price earnings ratio and the initial return moderated by the underwriter's reputation variable. This is because investors strongly consider the level of the company's prospects for the profit it generates. The price earnings ratio also determines the price of the shares that investors will buy in the relevant category of stocks purchased or not because the value of PER indicates the position of the stock price whether it is close to the price, or vice versa, it can be too expensive or too cheap. The lower the PER, the prospect that the company will decrease or be less feasible to invest its shares in the capital market. So, this is in line with the research conducted by Lutfianto (2013).

CONCLUSIONS

The purpose of this study is to figure out what factors influence the initial return. The factors that determine the first return studied in this study are accounting and non-accounting information. In this work, multiple linear regression analysis was utilized to test the hypothesis. Companies that have initial public offerings (IPOs) in 2016-2020 were utilized as samples. Hypothesis testing revealed the following that the return on assets and firm size has a positive and significant effect on the initial return, the liquidity and price earning ratio has positive and not significant effect on the initial return, also financial leverage and earning per share has a negative and significant effect on the initial return. Besides that, the underwriter's reputation was able to moderate the relationship of profitability, liquidity, financial leverage, firm size, and price earning ratio to initial return. But, the underwriter's reputation cannot be moderated on earning per share relationship against initial return.

The findings of this study can have implications for initial public offering (IPO) activities in the initial market, as well as parties who will conduct further research on factors that affect initial return, such as issuers who will go public, investors who will make decisions about investing in companies with high underpricing levels, and researchers who will conduct additional research on this topic. Also, the reputation of the underwriter can moderate the effect of return on assets (ROA), Debt to Equity ratio (DER), Company Size (SIZE), and Earnings per Share (EPS) on Initial Return (IR).

There are limitations contained in this study, namely using only six independent variables as factors that are suspected to affect initial return, including Return on Asset (ROA), Debt to Equity Ratio (DER), Current Ratio (CR), Company Size (SIZE), Earnings Per Share (EPS), and Price Earnings Ratio

(PER). This allows for several other factors that are overlooked because they may be suspected to also affect initial returns, such as exchange rates, inflation, auditor reputation, industry type, and proceeds (percentage of stock offerings). More samples, a longer time of observation, different sorts of companies, and other moderating variables may be considered by future researchers.

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