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The Effect of Underwriter's Reputation and Auditor's Reputation on Underpricing in Medium Companies Taking an Initial Public Offering on the Indonesia Stock Exchange

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Abstract

The purpose of this study is to obtain empirical evidence of the influence of auditor reputation and the effect of underwriter reputation on medium-sized companies that conduct initial public offerings. This research was conducted on 190 companies experiencing underpricing listed on the Indonesia Stock Exchange (IDX) for the 2016-2021 period, the research data used in this study is secondary data. The number of samples analyzed was 130 development board companies and experienced underpricing because companies that met the sample criteria. The analytical technique used in this study was Multiple Linear Regression Analysis. The results of the study prove that underwriter reputation has a negative influence on underpricing of medium-sized companies that conduct initial public offerings. The reputation of the auditor has no effect on the underpricing of medium-sized companies that make this initial public offering on the IDX.

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1 Introduction

The development of business environment will certainly create a condition of intense competition. One way for companies to compete is to get additional funds to further expand their business. Fitriyani (2016), states that the alternative that companies can choose is to increase the number of ownership by issuing new shares and selling them to the capital market. The event of issuing company shares for the first time and selling them to the capital market is called an initial public offering. In Indonesia, capital market activities are regulated in Law no. 8 of 1995 concerning the capital market which defines an initial public offering as an offering activity carried out by a company to sell securities to the public based on the procedures stipulated in the law and its implementation. The issuance of shares for the first time is carried out in the primary market, after which the shares will be traded on the secondary market or the Indonesia Stock Exchange (IDX).

When a company decides to issue its initial shares which will be offered for the first time in the primary market, it faces an important problem, namely determining the initial share price that must be offered to meet the required funding needs. Herawati et al. (2016), stated that the company's difficulty in determining the value of initial shares is because the company's shares have never been traded so that they have difficulty assessing and determining a fair price, especially when the company does not have sufficient information about the capital market. Agency theory can explain the occurrence of underpricing, this is due to agency problems by the underwriter as the agent and the company as the principal. Pertiwi et al. (2015), explain that underpricing occurs one of them because of the agency problem, which is explained in agency theory, this agency problem is a problem that arises between the two parties. The company certainly wants its shares to be sold at the highest possible price, while the underwriter wants all shares to be sold to investors. Because if all the shares are sold, the underwriter will be freed from the obligation to buy shares that are not sold. For this reason, the underwriter will try to keep prices as low as possible. So in this case there was underpricing at the time of the initial offering which made the company have to accept a low price (Billingsley & Schneller, 2009; Fargher et al., 2001).

In addition to agency theory, one of the theories that can explain the occurrence of underpricing is the asymmetry theory. Fardila & Rahmawati (2019), argue that the asymmetry theory is able to explain underwriters who have more information than companies. The company wants a high initial share price to meet its funding needs, while the underwriter wants a low initial share price in order to reduce the risk to be borne because the underwriter has better information about the state of the capital market when compared to the company. The risk borne by the underwriter is when the stock price offered in the primary market is not sold. According to Agustiningsih et al. (2014), that the amount of risk borne by the underwriter is the multiplication of the shares that are not sold at the price at which they are offered. Underwriters are not willing to buy shares that are not salable. Efforts are being made to negotiate with the company so that the share price is not too high. Ramadana (2018), reveals that companies that are just about to conduct an IPO will have less information than companies that have been trading their shares in the stock market for a long time, this information is used by investors in determining investments. Prime is usually underpricing. The phenomenon of underpricing is unavoidable in the stock market, and the following is the development of underpricing during 2016 to June 2021.

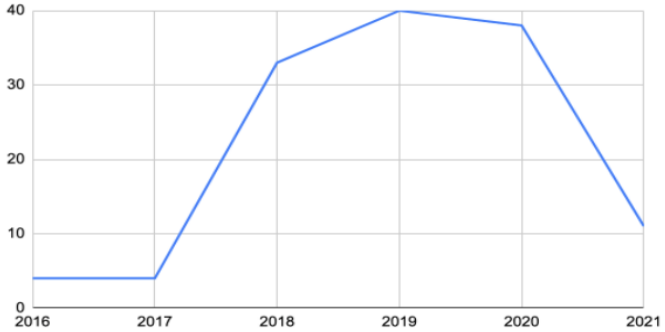

Figure 1. Underpricing developments on the IDX during 2016 to June 2021
Source: Indonesia Stock Exchange, Yahoo Finance and data processed, 2021

Based on Figure 1, it shows that underpricing that occurred during 2016 to June 2021 is more likely to increase every year, with a fairly large portion compared to overpricing. Research related to underpricing has been carried out by

several previous studies, including (Nurazizah & Majidah, 2019). The results of their research show that the average underpricing rate is 36,155 with a maximum value of 70,000 and a minimum value of 0.769. Gao & Hou (2019), conducted a study on underpricing with a total sample of 142 companies, the results of the research show that substantially underpricing is around 30.26 percent (Shukla et al., 2016; Chang et al., 2012).

Agustine & Sutrisno (2020), the results of his research show that there are 152 companies conducting IPOs and 122 companies experiencing underpricing. Underpricing has a minimum value of 0.0061 and a maximum value of 1.291 with a mean value of 0.780. Putro & Priantinah (2017), researched underpricing with research results showing that there were 68 companies that conducted IPOs in 2012-2015 and 66 companies that experienced underpricing. The amount of underpricing ranges from 0.0035 to 0.7000 with a mean value of 0.28219. Gusnia & Lestaric (2019), conducted a study on underpricing in the Indonesia Capital Market for the period 2013-2017, with the results showing that there were 46 companies that experienced underpricing and the average percentage of underpricing was 0.32. In addition, five countries in Asia, namely China, India, Korea, Malaysia and Japan, also experienced underpricing (Albada & Yong, 2020).

Companies that decide to offer their shares on the stock exchange or conduct an initial public offering (IPO) need an intermediary or so-called underwriter in determining the price of their shares to be offered in the primary market. The stock price in the primary market is determined based on an agreement between the company and the underwriter. Underwriters have more information on the demand for company shares, so that information can be used to obtain an optimal agreement with the company, namely by minimizing the risk of having to buy shares that do not sell at low prices. The population of this study is underwriters or underwriters with the full commitment-type who are providing guarantees to the company that they will buy the securities offered and then resell them to the public at a higher price than the price paid to the company with the risk that if part or all of these securities are not sold, then all of them become the burden of the underwriter.

Based on its reputation, the price of shares offered in the primary market is expected not to be lower than after the shares entered the secondary market or there is no underpricing. In addition to underwriters, auditors are also able to influence underpricing. Auditor reputation shows the quality and professionalism of the auditors who audit the company's financial statements. The use of a reputable auditor will reduce the company's opportunity to be fraudulent in presenting inaccurate information to the market. According to research conducted by Darlis (2011), it shows that auditor reputation has a significant negative effect on the level of underpricing. While the research that has been done by Prastica (2012); Risqi & Harto (2013); Ekadjaja (2009), states that auditor reputation has no effect on the level of underpricing.

Minister of Finance Decree No. 859/KMK.01/1987 companies that will go public (IPO) are required to include financial statements that have been audited by a Public Accounting Firm. This audit is important as a benchmark for the company's performance against information that will be provided to external parties in this case are investors. The accuracy of the information produced by the auditor which is derived from the financial statements depends on the quality of the auditor. Better quality auditors must provide precise and accurate information, namely information that can accurately indicate the value of the company. Sunariyah (2011), explains that underpricing is the determination of stock prices in the primary market to be lower than stock prices in the secondary market. So that investors have the opportunity to profit from the price difference, and vice versa if the initial stock price is set overpricing, then this will be detrimental to investors because they do not receive an initial return. As a result, investors will tend to stay away from overpriced stocks. The amount of underpricing is measured by initial return, which the return is obtained by shareholders from assets in the initial offering from the time they are purchased in the primary market until they are first registered in the secondary market.

The determination of underwriters and auditors who will be invited to cooperate in assisting the company's assessment to conduct an IPO is something that needs to be considered properly by the company. The reputation of the underwriter and the reputation of the auditor are equally important because a good reputation is expected to give a positive signal to potential investors. Leland & David H Pyle (1977), state that the good quality gives a signal to the market with the aim that the market can distinguish good quality companies from companies that are not of good quality, so that the reputation of the underwriter and the reputation of a good auditor will be better or more accurate in the assessment of the company that will conduct the audit. IPO, so that the value offered at the IPO with market reaction is less likely to experience too significant inequality, so the value of underpricing tends to be smaller. Research that has been done by Darlis (2011), shows that the reputation of the underwriter has a significant negative effect on the level of underpricing. While the research that has been done by Prastica (2012); Ekadjaja (2009), states that the reputation of the underwriter has no effect on the level of underpricing.

This study uses several control variables that are used to control the influence of the independent variable on the dependent variable, so that it is not influenced by factors outside the study. The control variables used in this study are company size and company age. The age of the company shows how long the company is able to survive and is proof that the company is able to compete and can take business opportunities that exist in the economy. Companies that operate longer have a greater ability to provide information. This will reduce information asymmetry and reduce market uncertainty, which in turn will reduce the level of underpricing. Solida et al. (2020); Putra & Djawoto (2020); Akbar & Africano (2019); Singgih et al. (2018); Syahwildan & Aminudin (2021); Syofian & Sebrina (2021) examined company age, company size and underpricing, with the research results showing that the age of the company has a significant effect on underpricing. Nursiam & Rahayu (2019), stated that large-scale company sizes tend to be better known to the public so that information about the prospects of large-scale companies is easier to obtain.

This study conducted research on medium-sized companies, reported from several sources of information. Based on data obtained from the Indonesia Stock Exchange, it is known that there are 236 companies conducting initial public offerings in 2016-June 2021, 190 companies experiencing underpricing in 2016-June 2021, and companies listed on the development board and underpricing in 2016-June 2021 as many as 130 companies, 50 companies listed on the main board and underpricing from 2016 to June 2021, 10 companies on the Acceleration Board and underpricing from 2016 to June 2021. Chairman of the Board of Commissioners of the Financial Services Authority (OJK) Wimboh Santoso appealed to the Indonesia Stock Exchange (IDX) to be more aggressive in inviting companies to conduct initial public offerings (IPOs). Especially middle-class companies to support equity, so the company is not only an elephant company but the medium can also (IPO) Merdeka (2019), in addition another source also stated that Arora & Singh (2019), conducted research on underpricing, stated that medium-scale companies "have little operating history tend to suffer from the problem of information asymmetry and uncertainty". Therefore, this study will use a medium-scale company with criteria on the development board on the IDX as a criterion in determining the sample in this study. The adoption of this research into the initial public offering (IPO) regulation on the Indonesia Stock Exchange refers to the go public regulation (www.idx.com) which divides the company into two parts, namely the main board and development board, so that researchers use the criteria of the development board in determining the research sample. Therefore, researchers are interested in conducting research on "The influence of underwriter reputation and auditor reputation on underpricing in medium-sized companies conducting initial public offerings (IPOs) on the Indonesia Stock Exchange". Based on the background, the theory used and some previous research, it can be formulated hypotheses and the conceptual framework of this research is:

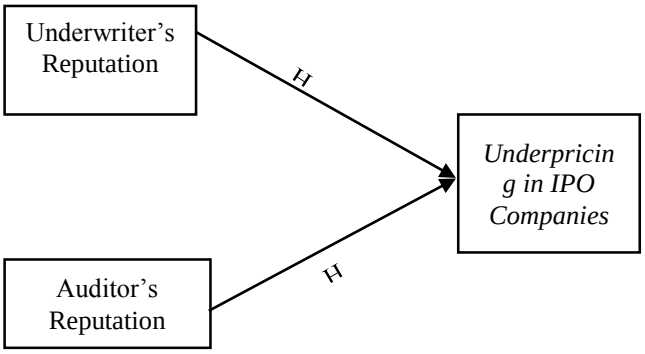

Figure 2. *Conceptual Framework*

1. H1: Underwriter reputation has a negative effect on underpricing in medium-sized companies conducting initial public offerings (IPOs).
2. H2: Auditor reputation has a negative effect on Underpricing in Medium Companies Conducting Initial Public Offerings (IPOs)

2 Materials and Methods

The location of the research was carried out on the Indonesia Stock Exchange (IDX). The population in this study are companies that conduct initial public offerings (IPOs) from 2016 to June 2021 on the Indonesia Stock Exchange (IDX). Sampling in this study was carried out using purposive sampling technique.

Tabel 1
Selection results of sampling

Description of Research Sample	Total
Companies that conduct initial public offerings from 2016 to June 2021	236
Companies that have been delisted from 2016 to June 2021	(23)
Companies that are listed on the main board and experience underpricing from 2016 to June 2021	(50)
Companies that are on the acceleration board and experience underpricing from 2016 to June 2021	(10)
Main board companies experiencing overpricing from 2016 to June 2021	(14)
Total number of research samples	139
Sample development board company underpricing 2016 to June 2021	130
Sample development board companies experiencing overpricing 2016 to june 2021	9

The data collection method used in this research is by means of documentation, literature study. The data of this research are sourced from company prospectuses which show total assets, underwriters, public accountants, year of establishment of the company, year of the company's IPO, offering share price, and closing share price of companies conducting initial offerings on the IDX. The data analysis technique used in this study is multiple linear regression analysis using the Statistical Product and Service Solution (SPSS) program (Haruta, 1997; Stockwell & Peterson, 2002).

3 Results and Discussions

Descriptive statistics provide an overview of the research object that is sampled. The explanation of the data through descriptive statistics is expected to provide an initial picture of the problem being studied. This analysis is useful for explaining the characteristics of the sample, especially the number of observations, the average value, the extreme values, namely the minimum and maximum values, as well as the standard deviation of each variable. The results of the descriptive statistics of the underpricing variable, underwriter reputation, auditor reputation, company age, company size can be seen in Table 2 below.

Tabel 2
Descriptive statistical results of the sample of medium companies conducting IPOs

Variables	Number of Samples	Minimum Value	Miximum Value	Average	Std. Dev
IR	139	-0,90	1,83	0,46	0,37
UNDW	139	0,00	1,00	0,24	0,43
AUD	139	0,00	1,00	0,05	0,23
AGE	139	2,00	64,00	17,76	13,32
LNTA	139	23,33	30,70	26,38	1,38

Data source: Data processed, 2021

Based on Table 2, it can be concluded that the number of observations (N) of this study was 139 companies. The minimum value of -0.90 in the initial return which has a negative sign means that the negative initial return value is included in the overpricing category, and means that medium-sized companies that carry out IPOs from 2016 to June 2021 have a minimum value of minus 0.90 obtained of the difference between the share price on the primary market and the selling price of the shares on the first day on the secondary market. The maximum value of 1.83 means that the maximum value of initial return has a positive sign, which means that the positive initial return value is included in the underpricing category obtained from the difference between the stock price in the primary market and the selling price of the shares on the first day in the secondary market by 183%, the average value An average of 0.46 means that the average initial return value has a positive sign which means that the positive initial return value is included in the underpricing category obtained from the difference between the stock price in the primary market and the selling price of the shares on the first day in the secondary market by 46%, and the standard deviation value of 0.37 is smaller than the average value which has a positive sign, which means that the positive initial return value is included in the

underpricing category, this indicates that the data distribution is evenly distributed. The underwriter reputation variable is a dummy variable with a value of 1 for underwriters who are ranked in the top 10 underwriters, based on descriptive statistics showing the minimum value is 0 that the underwriter reputation value 0 represents the reputation of underwriters used by medium-sized companies conducting IPOs from 2016 to June 2021 that are not reputable , and the maximum value of underwriter reputation is 1 which represents the reputation of underwriters used by reputable medium-sized companies conducting IPOs from 2016 to June 2021. The average value is 0.24 with a standard deviation of 0.43 this shows that the distribution of the data is uneven, because the standard deviation value is greater than the average value (Ljungqvist, 2007; Ekkayokkaya & Pengniti, 2012).

Auditor reputation variable is a dummy variable with a value of 1 for prestigious auditors (auditors affiliated with KAP Big Four) and a value of 0 for non-prestigious auditors. The results of descriptive statistics, the minimum value is 0 which shows that the auditor's reputation, a value of 0 represents the reputation of the auditor used by medium-sized companies conducting IPOs from 2016 to June 2021, which are not reputable, and the maximum value of auditor reputation is 1 which represents the reputation of the auditors used by medium-sized companies that are not reputable. Reputable IPO 2016 to June 2021. The average value is 0.05 with a standard deviation of 0.23 this shows that the distribution of the data is uneven, because the standard deviation value is greater than the average value. The average value of the company age variable for companies conducting IPOs listed on the IDX from 2016 to June 2021 is 17.76, which means the average age of medium-sized companies that conduct IPOs from 2016 to June 2021 is 17 years from the time the company was founded until the company conducting an IPO, the minimum value for the variable age of the company is 2 which is owned by PT Alfa Energi Investama Tbk., PT Yelooo Integra Datanet Tbk, and PT. Berkah Beton Sadaya Tbk, which means that the minimum age for a medium-sized company conducting an IPO is 2 years from the time the company was founded until the company conducted an IPO. While the highest value of the variable age of the company is 64 which is owned by PT Indonesia Tabacco Tbk, which means that the maximum value of the age of a medium-sized company conducting an IPO is 64 years from the company's establishment until the company conducts an IPO. The standard deviation value of 13.32 is smaller than the average value of the age of the company, this shows that the distribution of the data is evenly distributed (Nanda & Yun, 1997; Jelic et al., 2001).

The average value of the company size variable for companies conducting IPOs listed on the IDX from 2016 to June 2021 is 26.38, which means that the average value of the total assets of companies conducting IPOs from 2016 to June 2021 is IDR 830,195,633,111. The minimum value of the company size variable is 23.33 which is owned by PT Arkadia Digital Media Tbk, which means that the minimum value of the total assets of companies that carry out IPOs from 2016 to June 2021 is Rp. 13,523,061,349. While the highest value of the company size variable is 30.70 which is owned by PT Bank Multiarta Sentosa Tbk, which means that the maximum value of the total assets of medium-sized companies conducting IPOs from 2016 to June 2021 is Rp. 21,537,936,008,109. The standard deviation value of 1.38 is smaller than the average value of the size of the company, this indicates that the distribution of the data is evenly distributed. This research uses analysis technique with multiple linear regression analysis method (Multiple Linear Regression). The results of multiple linear regression analysis can be seen in Table 3.

Table 3
Multiple Linear Regression Analysis Test Results

Variabel	Unstandardized Coefficient		Standardized Coefficient	t	Sig.
	B	Std. Error	Beta		
Constant	1,09	0,49		2,23	0,03
UNDW	-0,11	0,05	-0,17	-2,02	0,04
AUD	-0,09	0,11	-0,07	-0,82	0,41
AGE	-0,00	0,00	-0,23	-2,73	0,00
LNTA	-0,02	0,02	-0,08	-0,95	0,34
Adjusted R_{square} : Sebelum	0,02				
Adjusted R_{square} : Sesudah	0,08				
F_{hitung} :		4,01			
Sig. F_{hitung} :		0,00			

This multiple linear regression analysis is mathematically written with the following equation:

$$IR = \alpha - \beta 1UNDW - \beta 2AUD - \beta 3AGE - \beta 4LNTA + e \quad (1)$$

If the above equation is applied to the results of multiple linear regression analysis, then the following equation is obtained:

$$IR = 1{,}09 - 0{,}11UNDW - 0{,}09AUD - 0{,}00AGE - 0{,}02LNTA + e \quad (2)$$

Discussion of research hypotheses

The Effect of Underwriter's Reputation on Underpricing in Medium Companies Conducting Initial Public Offerings (IPOs). Based on the results of calculations using multiple linear regression analysis, it shows that the underwriter reputation regression coefficient has a significant negative sign, it shows that the first hypothesis is accepted, the better the underwriter reputation in a medium-sized company that conducts an initial public offering (IPO), the underpricing will decrease. The underwriter's reputation shows the issuer's level of trust in the underwriter. The issuer chooses a reputable underwriter, of course, with the aim of being able to assist the issuer in maximizing the acquisition of additional capital through the sale of shares. Underwriters have a big role in the process of going public, the stock offering price in the primary market is the result of an agreement between the underwriter and the company. Based on agency theory, it explains that in an agency relationship in a contract, one party, namely the principal, with another party, namely the agent. In the underpricing phenomenon, the agency theory approach explains that the underpricing phenomenon occurs because of differences in interests between the agent (underwriter) and the principal (company) caused by information asymmetry between agents who have more information than the principal. Underwriters with better information about the capital market than issuers will take advantage of this more information for their benefit, namely reducing the risk of unsold shares in the primary market. In this case the underwriter has better information about the demand for company shares, compared to the company itself. Therefore, the underwriter will take advantage of the information they have to make an optimal agreement with the company. Since the initial share price is determined by the company and the underwriter as the underwriter, it is appropriate if the underwriter has a big role in determining the initial share price. Therefore, the underwriter as an external party that bridges the interests of the company and investors has an effect on the underpriced level. Aryapranata & Adityawarman (2017), state that underwriter reputation has a negative effect on underpricing, in addition to research conducted by Anggreani (2019), also states that underwriter reputation has a negative and significant effect on underpricing, the conclusion is that the better the underwriter's reputation, the level of underpricing will tend to decrease. Pertiwi et al. (2015), explain that underpricing occurs one of them because of the agency problem, which is explained in agency theory, this agency problem is a problem that arises between the two parties. The company certainly wants its shares to be sold at the highest possible price, while the underwriter wants all shares to be sold to investors. The difference in information held between the company and the underwriter that causes the initial share price to be set will tend to experience underpricing. Ramadana (2018), reveals that a company that is about to conduct an initial public offering (IPO) will have less information than the underwriter, the information held by the underwriter will be used in determining the initial share price, with information inequality and market uncertainty, the initial share price usually underpricing. In addition to the imbalance of information owned by companies and underwriters (Raidanti et al., 2021; Rusli et al., 2021).

The Effect of Auditor Reputation on Underpricing in Medium Companies Conducting Initial Public Offerings (IPOs). Based on the results of calculations using multiple linear regression analysis, it shows that the regression coefficient of the auditor's reputation has an insignificant negative sign, it shows that the second hypothesis is not accepted, the better the reputation of the auditor in a medium-sized company that conducts an initial public offering (IPO), the underpricing will be experienced an insignificant decrease. Auditors are parties who assess whether or not a financial report issued by a company is appropriate. Companies that will conduct an IPO will choose a public accounting firm (KAP) that has a good reputation because the reputation of the auditor affects the credibility of financial statements when a company goes public, this is supported by several previous studies, namely Mubarrok & Islam (2020), explaining that many companies choose to use the services of a KAP that has a good reputation to increase the credibility of the financial statements. Firth & Liau-Tan (1998), also reveal that companies conducting IPOs that have higher specific risks have incentives to choose auditors who are perceived to have high quality. Septiana & Yuyetta (2013), explain that the auditor is one of the determinants of the quality of disclosure of financial information presented by the company. This auditor plays a role in auditing the company's financial statements. Publishers who

use the services of auditors who have a good reputation tend to have better and more reliable disclosure of financial statement information. The credibility of the financial statements will be very useful for investors to obtain information in determining their investment. An auditor who has a good reputation will send a positive signal to investors regarding the company's credibility and disclosure of financial statements (Sundarasen et al., 2018). The credibility of the disclosure of financial statements provides a signal to the auditor to reduce uncertainty and information asymmetry. Auditors who have a high reputation will maintain their reputation by providing good auditing quality, but the results of the study show that auditor reputation has no effect on underpricing and is supported by research conducted by Hartono (2018); Agustiningsih et al. (2014); Risqi & Harto (2013) with the results of research on auditor reputation has no significant effect on underpricing. There is no effect of auditor reputation on underpricing because investors do not consider auditor reputation in assessing issuers that conduct IPOs. Therefore, even though issuers use the services of auditors who have a high reputation or low reputation in auditing the results of financial statements, investors tend not to pay attention to this.

However, according to Lee et al. (2017), compared to those in the IPO markets of various countries, the financial statements of companies listed on the IPO market in Indonesia and mainland China are less reliable. Therefore, even if the issuer uses an auditor with a high reputation or a low reputation, investors will not pay attention to it. Research conducted by Lestari et al. (2015) which also supports the results of this study which states that auditor reputation has no effect on underpricing. So that the better the reputation of the auditor, it will not be a factor in decreasing or increasing the level of underpricing. Research conducted by Yasa (2008) stated that in his research he could not prove the relationship between auditor reputation and underpricing, but an increase in auditing ability and quality should be carried out so that the results are indeed beneficial to investors and prospective issuers in a decision making.

Discussion of control variables

The control variable in this study is used to control the influence of the independent variable on the dependent variable, so that it is not influenced by factors outside the study. Company size and company age are control variables used in this study to control the influence of underwriter reputation and auditor reputation on underpricing in medium-sized companies conducting initial public offerings (IPOs). Based on the results of calculations using multiple linear regression analysis test which was carried out before and after the control variables were taken into account in the research model. Before entering the variables of company size and company age as the Adjusted R Square variable of 0.02 and after entering the control variable in the Adjusted R Square study of 0.08, it shows that the control variable used can function according to its function, namely suppressing the influence of other factors. Outside the model, because the Adjusted R Square generated after and before using the control variable is greater than not using the control variable.

The calculation results show that the regression coefficient of company size and company age has a negative sign, company age shows how long the company is able to survive and is proof that the company is able to compete and can take business opportunities that exist in the economy. Companies that operate longer have a greater ability to provide information. This will reduce information asymmetry and reduce market uncertainty, which in turn will reduce the level of underpricing. High company size describes the company's ability to survive for a long time. According to Prastica (2012) large-scale companies are generally better known to the public than small companies. The size of the company also determines the level of investor confidence in investing their funds, so the larger the size of the company will reduce the level of underpricing. The results of research conducted by Solida et al (2020); Putra & Djawoto (2020); Akbar & Africano (2019); Singgih et al., (2018); Syahwildan & Aminudin (2021); Syofian & Sebrina (2021), examined the company age, company size and underpricing, with the results of his research showing that company age has a significant effect on underpricing. Nursiam & Rahayu (2019), stated that large-scale company sizes tend to be better known to the public so that information about the prospects of large-scale companies is easier to obtain.

4 Conclusion

Based on the results of data analysis and discussions that have been carried out, it can be concluded as follows: Underwriter reputation has a negative effect on underpricing in medium-sized companies that conduct IPOs. Auditor reputation has no effect on underpricing in medium-sized companies conducting IPOs. Based on the results of the analysis and conclusions, the researchers provide the following suggestions. For investors who want to invest in companies that will conduct an IPO, they should consider factors that have been tested to have a negative influence on

the level of underpricing, namely in this study the reputation of the underwriter, so as to minimize the risk of investing and obtain the desired profit. For further research, this study explains that the results of the auditor's reputation research have no effect on underpricing, this study uses KAP BIG four as a parameter to determine the reputation of auditors who use a dummy measuring instrument, so it is recommended for further researchers who will conduct similar research relating to auditor reputation, it is advisable to use other parameters that have the potential to measure auditor reputation such as audit fees, audit rotation, and audit tenure.

Conflict of interest statement
The authors declared that they have no competing interests.

Statement of authorship
The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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