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The Effect of Corporate Governance Mechanisms on Initial Return on IPO Companies Listed on the Indonesia Stock Exchange

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Abstract:

This study examines the effect of corporate governance mechanisms on initial returns in companies conducting IPOs on the Indonesia Stock Exchange for the 2019-2023 period. The phenomenon of underpricing in IPOs which increased significantly (61.2%) during this period became the main problem under study. Using an associative causal quantitative approach with secondary data that is time series and cross section, this study analyses 136 companies selected through purposive sampling. The independent variables studied include board gender diversity, board size, independent commissioners, and managerial ownership. The results show that board gender diversity, board size, and independent commissioners have no significant effect on initial return. However, managerial ownership has a significant positive effect. Simultaneously, the four variables have no effect on initial return with the ability to explain limited variation in initial return (R Square 7.6%). This study implies that in Indonesia, of the corporate governance aspects studied, only managerial ownership has a significant influence on IPO performance.

Keywords: *Corporate Governance; Initial Return; IPO*

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1. Introduction

Initial Public Offering (IPO) is the sale of a company's shares for the first time to the public which is the most important event in the company's life cycle (Brealey et al., 2020). IPOs are the most commonly used way to obtain interest-free funding from the capital market (Badru et al., 2016). Initial return is the difference between the share offering price in the primary market and the closing price in the secondary market. A positive initial return occurs when the IPO price is lower than the closing price on the first trading day or commonly called underpricing. Conversely, a negative initial return is called overpricing, which occurs when the IPO price is higher than the closing price on the first trading day. Underpricing is often due to the IPO offering price being too low, which causes a price surge on the first day of trading (Song et al., 2014).

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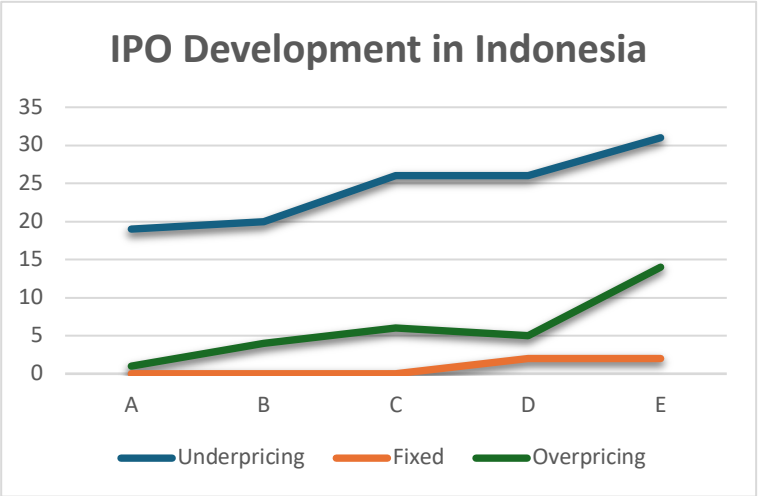

Figure 1. Chart of IPO Development 2019-2023
Source: www.idx.co.id (2025 processed original data)

Figure 1. shows the development of issuers who IPO in 2019-2023 there was a significant increase in the level of underpricing by 61.2%. Thus, most companies experienced a significant increase in the level of underpricing when the company conducted an IPO in 2019-2023. Meanwhile, the level of overpricing also increased by 7.1%. Of the 156 companies, 122 companies experienced the underpricing phenomenon. Meanwhile, 4 companies experienced a fixed price and 30 companies experienced overpricing. This high demand results in share ownership becoming more dispersed among external investors after the IPO, thus reducing the incentive for outsiders to closely monitor company management (Boulton et al., 2010). Thus, underpricing can be viewed as a cost that internal firms must bear if they are to retain control of their firms in countries with strong regulations protecting the legal rights of external investors.

Corporate governance is a set of rules that regulate the relationship between various stakeholders in the company, including shareholders, management, creditors, government, and employees (Hidayat & Kusumastuti, 2015). Corporate governance mechanisms include internal mechanisms, such as board structure, managerial ownership and executive compensation, as well as external mechanisms, such as markets for corporate control, institutional ownership and the level of debt financing. This study focuses on the effect of corporate governance structure on initial return as measured by gender diversity of the board of directors, board size, independent commissioners, and managerial ownership.

The presence of female directors is considered to bring a different perspective in decision making, including when going public so that it can affect investor preferences (Rau et al., 2024). Bigelow et al. (2014) examined the potential for gender bias in the evaluation of IPO prospectuses and found that women tend not to attract IPO investors. Gender diversity has a negative effect on IPOs. Women are three times less likely to raise external capital from investors than men (Guzman & Kacperczyk, 2019).

Board size is seen as a significant variable in influencing initial return. Several studies have found that board size has a significant effect on initial return. A larger board size tends to increase initial return (Handa & Singh, 2017; Park & Byun, 2022). Meanwhile, Santioso & Desmonda (2021) state that board size has a significant negative effect on the level of underpricing. Several other studies did not find the significance of the relationship between board size and IPO, such as in the research of Tjaputra et al. (2023) which suggests that board size has no effect on underpricing. The inconsistency of the results of research that has been done regarding the relationship between board size and initial return requires empirical testing, especially in Indonesia.

Independent commissioners are another aspect that is considered important in increasing the credibility of the company in the eyes of investors (Bansal & Thenmozhi, 2019). Independent commissioners are expected to provide objective oversight of management, thereby reducing the risk of decisions that harm shareholders. In the context of an IPO, the presence of independent commissioners is expected to increase investor confidence, which in turn has a positive impact on market response and stock market prices. The effect of independent commissioners on initial returns in companies in the world, including Indonesia, still shows inconsistencies in results that are interesting to study. Based on research (Waris & Din, 2021) found that there is a positive relationship between independent commissioners and initial return. Another study states that managerial ownership positively moderates the negative relationship between independent commissioners and underpricing in SME IPOs in India (Amri & Ramadhi, 2021; Gunawan & Laturette, 2021). Meanwhile, research conducted by Teti & Montefusco (2022) produced insignificant findings between independent commissioners and underpricing. Based on the different research results, it is necessary to update research on the effect of independent commissioners on initial return.

The implementation of good corporate governance in a company can provide a good signal to investors that the company can have good performance quality. This provides evidence that corporate governance also has an influence on the underpricing phenomenon. Another characteristic of corporate governance is the ownership structure which can be proxied by managerial ownership or share ownership by the company's internal management (Natsir et al., 2024). The greater the managerial ownership, the less likely management will act inefficiently which can affect stock performance. However, high managerial ownership can also be seen as a sign of potential risk of less transparent decision making. Research conducted by Kang et al. (2015) found that the level of managerial ownership has a positive effect on underpricing. The study also states that when management increases their direct ownership in the pre-IPO period, the probability of selling shares by insiders after the lockup period ends and the number of shares sold increases. However, this result does not hold when managerial ownership has indirect ownership, implying that the role of managerial ownership in IPOs is limited to the case of direct ownership in the Korean market. Meanwhile, Sukmawati et al. (2017) showed insignificant results between managerial ownership and underpricing. The study shows that the average managerial

ownership is 14.36% (<50%), which means that low managerial ownership does not have the power to influence stock pricing policies when an IPO occurs. This is in line with research conducted by Natsir et al. (2024) which states that managerial ownership has no effect on underpricing. However, the results of this study do not support the results of research conducted by Agulina & Wijaya (2014) that managerial ownership affects underpricing. Therefore, it is important to examine how managerial ownership affects initial return in Indonesia

This study aims to revisit the influence of corporate governance on initial returns in companies conducting IPOs during the period 2019- 2023 in Indonesia through analyzing the effect of board gender diversity, board size, independent commissioners, and managerial ownership on initial returns in companies conducting IPOs in Indonesia in 2019-2023. By exploring the relationship between these variables, this research is expected to contribute both theoretically and practically, especially in understanding the factors that affect IPO performance in the Indonesian stock market.

2. Theoretical Background

Signaling Theory: The main issue of signaling theory is information asymmetry. Companies with many intangible assets often face high information asymmetry, which makes investors hesitate. However, if the company makes information disclosure, it can reduce information asymmetry will make the stock price in the market more reflective of the true value of the company, which ultimately increases the return or profit for the initial owner of the company. Regulations require disclosure of standardized information prior to listing on the stock exchange so that the stock price then serves as a signal that reflects the collection of information from investors. Signaling theory explains how company management decisions can be an indicator for investors in assessing the future of the company. In practice, there is an information gap where management has a deeper understanding of the company's prospects than investors. This condition is known as asymmetric information, which is the opposite of symmetric information. In the context of symmetric information, both investors and managers have access to the same information about the company's prospects (Brigham & Houston, 2019). High board diversity and size can signal better governance quality. These positive signals can reduce investor uncertainty, which in turn affects initial returns.

Agency Theory: Agency theory is an important foundation in explaining the conflict of interest between shareholders and management. Agency theory is a concept that explains the relationship between the contract giver (principal) and the contract receiver (agent). In order to achieve its financial goals, the principal delegates full authority to the agent to generate profits for it. Conflicts of interest between the principal and agent occur due to the possibility that the agent does not always act in accordance with the principal's wishes. Agency theory explains how independent commissioners can help reduce agency problems through more objective supervision, one of which is by minimizing manager decisions that are not fundamental in terms

of sacrificing shareholder interests or personal interests (Amri & Ramadhi, 2021). Managerial ownership also plays an important role because it can align the interests of management with shareholders

IPO: Initial Public Offering (IPO) as the first process of a company offering its securities to the public. Before the IPO, share ownership is still limited to the owners and management of the company. By conducting an IPO, the company's status changes to a public company. There are several motivations for companies to conduct IPOs. These motivations include strengthening capital, ease of acquisition of other companies, and transparency of company value for management and the public.

Initial Return: Initial return refers to the percentage change in share price on the first day of trading compared to the IPO offering price. When a company decides to go public, an initial price is set for the company's shares and then the underwriter starts the book-building process (Willenborg et al., 2015). During the book-building process, underwriters collect information from potential investors regarding their interest in the company's shares, and this information is used to determine the IPO offering price and allocate shares to early investors (Blankespoor et al., 2017). Information asymmetry theory explains that IPO underpricing occurs due to information gaps between issuers, underwriters, and investors (Gao et al., 2024). High initial return is often considered an indicator of underpricing and can affect investors' perceptions of firm value (Katti & Phani, 2016).

Gender Diversity of the Board of Directors: The existence of gender diversity has been the focus of corporate governance research in recent years. Gender diversity can improve firm performance and decision-making. Many countries have issued regulations to require the composition of female board members in listed companies. In Malaysia, The Malaysian Code on Corporate Governance requires at least 30% of board members to be women (MCCG, 2021). Norway is even stricter by requiring 40% of board members to be women. Meanwhile, in India, the company law requires every board of a particular company to have a female member. Indonesia does not yet have specific regulations regarding the composition of female board members. The Limited Liability Company Law and Financial Services Authority (OJK) regulations only stipulate that the board of commissioners/directors must have integrity, competence and good reputation, without mentioning the gender proportion. This has led to the low participation of women in corporate management in Indonesia compared to other countries that have issued regulations on the mandatory composition of female board members. Increasing the number of women on boards of directors is not only seen as a step towards equality, but also as a strategy to improve company performance.

Board Size: The size of the board of directors can affect the effectiveness of supervision and decision-making in the company. A larger board can improve oversight of management and address agency problems, but it can also create coordination and communication problems (Kao et al., 2019). The optimal board size

may vary depending on firm and industry characteristics (Chancharat & Kumpamool, 2022).

Independent Commissioners: Board independence refers to the proportion of independent commissioners. Independent commissioners can be more effective in protecting the interests of shareholders and other stakeholders (Apriliani, 2023). Independent commissioners can also improve the transparency and quality of corporate information disclosure (Alqatan et al., 2019).

Managerial Ownership: Managerial ownership is shareholders from management who actively participate in the company's decision making. These parties are the board of commissioners and the board of directors of the company. The existence of management in the company has different backgrounds, including: (1) To represent institutional shareholders, (2) Are professionals appointed by shareholders at the General Meeting of Shareholders (GMS), (3) Have a position as a company manager because they also own company shares. Management with significant share ownership may be more careful in setting the IPO price to avoid excessive underpricing, as this may affect the value of the company and their own financial interests (Sukmawati et al., 2017).

Hypothesis and Conceptual Framework

Gender diversity on the board of directors can be a signal to investors regarding the future performance of the company. Gender diversity can affect initial returns because it provides more diverse decision-making perspectives. Women's involvement encourages corporate innovation, and different views create a more comprehensive environment for optimal problem solving. Research by Reutzel & Belsito (2015), Badru et al. (2019), Quintana-García & Benavides-Velasco (2016), and Handa & Singh (2017) who found that board gender diversity has a negative effect on initial return. But contrary to Rau et al. (2024) and Tjaputra et al. (2023) who found a positive effect.

H1 : Gender diversity of the board of directors affects initial return

A large board size can help the firm obtain important resources in strategy formulation. A large number of directors is effective in monitoring management performance and overcoming agency problems. However, a board that is too large can cause coordination and communication problems that actually reduce company performance. Research by Handa & Singh (2017), Arora & Singh (2020), and Chiraz & Jarboui (2016) found a positive relationship between board size, while on the other hand Santioso & Desmonda (2021) and Teti & Montefusco (2022) found a negative relationship between variables.

H2: Board size affects initial return

Board independence is seen as a solution to overcome agency conflicts that occur due to the separation of ownership and control in the company. Some studies such as Chiraz & Jarboui (2016) and Arora & Singh (2020) found a negative relationship

between independent commissioners and initial return. However, other studies such as Arora & Singh (2020) and Waris & Din (2021) actually found a positive relationship.

H3: Independent commissioners affect initial return

The greater the proportion of shares held, the lower the costs they will bear for taking actions that reduce the value of the firm. When the number of shares owned by management increases, this is seen as positive for the value of the company and usually makes the stock price rise. With management share ownership, the quality and value of the company will continue to increase. As a result, the company does not need to set a low share price to succeed the IPO (Rustami et al., 2017).

H4: Managerial ownership affects initial return

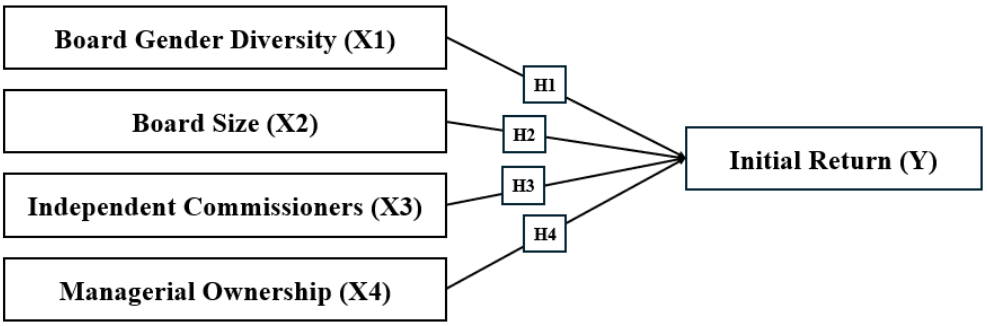

Figure 2. Conceptual Framework
Source: 2025 processed original data

3. Methodology

This research is quantitative research with an associative causal approach. Quantitative research was chosen because this research uses numerical data and statistical analysis to test hypotheses. The associative causal approach is used because this research aims to analyze the cause-and-effect relationship between the independent variable and the dependent variable (Sugiyono, 2018). This study uses secondary data that is time series and cross section. The data used is secondary data derived from IDX including company initial return data obtained from stokbit and characteristics of the board of commissioners, directors, and management share ownership obtained from the company's IPO prospectus. The population in this study were all companies that conducted Initial Public Offering (IPO) on the Indonesia Stock Exchange for the period 2019-2023 totaling 298 and the total sample was 156 companies which were then outliers to get a sample of 136 companies. Sampling was carried out using purposive sampling method with the following criteria: (1) Companies that conduct IPOs on the IDX for the 2019-2023 period. (2) The company did not relist during the study period.

The variables in this study consist of gender diversity of the board of directors, board size, independent commissioners, and managerial ownership which are independent

variables and the dependent variable is initial return. In this study, the gender diversity of the board of directors is measured by the Blau index after being categorized into 2 categories, male and female boards of directors in a company with the formula:

$$\text{Gender Diversity of the Board of Directors} = 1 - \sum_{i=1}^{k} P_i^2$$

The size of the board of directors in this study uses the formula:

$$\text{Board size} = \Sigma \text{ Board of Directors}$$

Independent commissioners are measured using the formula:

$$\text{Independent Commissioner} = \frac{\text{Number of Independent Commissioners}}{\text{Total Board of Commissioners}} \times 100\%$$

Managerial ownership is measured through share ownership owned by the board of directors with the formula:

$$\text{Managerial Ownership} = \frac{\text{Total Shares of Directors}}{\text{Total Outstanding Shares}} \times 100\%$$

While the initial return is obtained from the difference between the first day closing price in the secondary market and the initial offering price (IPO) divided by the initial offering price, calculated by the formula:

$$\text{Initial Return} = \frac{Pt1 - Pt0}{Pt0} \times 100\%$$

The data analysis technique applied in this research is descriptive analysis. Prerequisite test analysis in the form of normality test, multicoloniarity, heteroscedasticity, autocorrelation and hypothesis testing using multiple linear regression test, t-test, and F-test using SPSS version 20.

4. Empirical Findings/Results

Descriptive Statistics

Descriptive statistics are an initial analysis that provides the earliest picture before researchers conduct other tests to determine the results of the hypothesis. In descriptive statistics, researchers can find out the mean, median, mode, and standard deviation of the data studied. The following are descriptive statistics in this study.

Table 1. Reliability Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
Gender Diversity of the Board of Directors	136	.00	50.00	20.6544	22.40085
Board Size	136	2.00	7.00	3.1691	1.27399
Independent Commissioner	136	33.00	67.00	41.5809	8.74457
Managerial Ownership	136	.00	100.00	25.3676	29.50732
Initial Return	136	-.34	.70	.2038	.21926

Source: 2025 processed original data

This study used 136 samples (N) for all variables. Gender Diversity of the Board of Directors has a minimum value of 0% and a maximum of 50%, with an average of 20.65% and a standard deviation of 22.40%, indicating a fairly high variation in gender diversity. Board size ranges from 2 to 7 people with an average of 3.17 people and a standard deviation of 1.27, indicating a relatively small board size. Independent Commissioners range from 33% to 67%, with an average of 41.58% and a standard deviation of 8.74%, indicating compliance with the minimum requirement of independent commissioners. Managerial Ownership varies from 0% to 100%, with an average of 25.37% and a standard deviation of 29.51%, illustrating a wide distribution of ownership. Initial Return as the dependent variable has a minimum value of -0.34 and a maximum of 0.70, with an average of 0.2038 and a standard deviation of 0.21926, indicating a considerable variation in initial returns in the companies in the sample.

Traditional assumption test

Test of normalcy

The regression model is normally distributed if the Normal Probability Plot line shows points in one line according to the direction of the line.

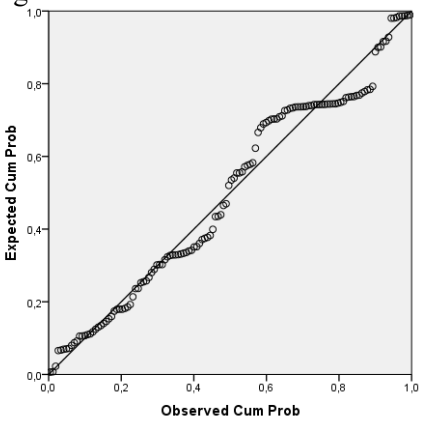

Figure 3. Results of the Normalcy Test

Source: 2025 processed original data

From the graph, it is known that the regression model has a normal distribution. This is because, the resulting diagonal points describe the actual data. To ensure that the diagonal is correct, a normality test is carried out using Kolmogorof Smirnov. The normality test uses the Kolmogorof-Smirnov technique to prove that the data used is

normal. If Sig. > 0.05 means normal is normal. Conversely, if Sig. <0.05 it means that the distribution is not normal. The following are the results obtained in the normality test using Kolmogorof-Smirnov.

Table 2. Results of the Normalcy Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		136
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.21829918
Most Extreme Differences	Absolute	.104
	Positive	.102
	Negative	-.104
Test Statistic		1.209
Asymp. Sig. (2-tailed)		.107
a. Test distribution is Normal.		
b. Calculated from data.		

Source: 2025 processed original data

Based on the table above, the Sig value. 0.107 > 0.05 which means that the data is normally distributed.

Test of Multicollinearity

The purpose of this test is to test whether there is a correlation between the independent variables in the regression. The following are the results of the multicolonierity test.

Table 3. Results of the Multicollinearity Test

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Gender Diversity of the Board of Directors	.983	1.017
	Board Size	.877	1.140
	Independent Commissioner	.884	1.132
	Managerial Ownership	.964	1.037
a. Dependent Variable: Initial Return			

Source: 2024 processed original data

The gender diversity variable of the board of directors has a VIF value of 1.017 and a tolerance value of 0.983. The board size variable shows a VIF value of 1.140 with a tolerance value of 0.877. The independent commissioner variable has a VIF value of 1.132 and a tolerance value of 0.884. Managerial ownership variable with a VIF value of 1.037 and a tolerance value of 0.964. All of these variables meet the criteria for the absence of multicollinearity symptoms because the VIF value < 10 and the tolerance value> 0.10. Thus, it can be concluded that there is no strong correlation between the independent variables, so that the regression model in this study can be considered good and suitable for use in further analysis.

Test of Heteroscedasticity

This test is used to test whether the residual model has the same variation. If the significance > 0.05 means that there is no heteroscedasticity in the data. Conversely, if the significance value <0.05, it means that heteroscedasticity occurs. The following results are obtained in the heteroscedasticity test using the Glejser Test.

Table 4. Results of the Multicollinearity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.768	3.911		.452	.654
	Gender Diversity of the Board of Directors	.234	.758	.066	.308	.759
	Board Size	.021	.323	.014	.066	.948
	Independent Commissioner	-.580	.421	-.224	-1.379	.175
	Managerial Ownership	.021	.025	.130	.863	.393

a. Dependent Variable: ABS_RES

Source: 2024 processed original data

Based on this table, it is obtained that all variables have a Sig. < 0.05, meaning that there are no symptoms of heteroscedasticity.

Test for Autocorrelation

Table 5. Results of the Autocorrelation Test

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.434[a]	.188	-.218	.95185	1.957

a. Predictors: (Constant), Board Gender Diversity, Board Size, Independent Commissioner, Managerial Ownership

b. Dependent Variable: Initial Return

Source: 2025 processed original data

From the table, the Durbin-Watson value is 1.957. Based on k (4) and N (136) with 5% significance, du (1.7808) < Durbin-Watson (1.957) < 4-du (2.043) means that autocorrelation symptoms do not exist.

Analysis of Multiple Linear Regression

Sugiyono (2018) emphasized that multiple regression comes from a functional and causal relationship between 1 independent variable and the dependent variable. This method is used to test H1, H2, H3, and H4. The following are the steps in multiple linear regression analysis

t-Test

Testing the effect of independent variables separately on the dependent variable can be carried out with the t test or partial test (Sugiyono, 2018). Acceptance or rejection of the hypothesis is determined by the Significance value listed in the table "Coefficients" in the SPSS output. If the Sig. value is found <0.05, it can be concluded that there is an influence of the independent variable and the hypothesis is accepted.

However, if the Sig. value> 0.05, it means that there is no influence and the hypothesis is rejected.

Table 6. t-Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-4.243	.855		-4.964	.000		
	Gender Diversity of the Board of Directors	-.004	.006	-.064	-.736	.463	.983	1.017
	Board Size	.053	.109	.045	.488	.626	.877	1.140
	Independent Commissioner	.000	.016	.001	.011	.992	.884	1.132
	Managerial Ownership	.010	.005	.185	2.118	.036	.964	1.037

a. Dependent Variable: Initial Return

Source: 2024 processed original data

From the results above, it can be concluded that H1 is rejected because variable X1 (Gender Diversity of the Board of Directors) has no effect on variable Y (Initial Return). This is evidenced by the resulting significance value of 0.463> 0.05. H2 is rejected because variable X2 (Board Size) has no effect on variable Y (Initial Return). This is indicated by the resulting significance value of 0.626> 0.05. H3 is rejected because variable X3 (Independent Commissioner) has no effect on variable Y (Initial Return). This is indicated by the resulting significance value of 0.992> 0.05. Meanwhile, H4 is accepted because variable X4 (Managerial Ownership) has an effect on variable Y (Initial Return). This is indicated by the resulting significance value of 0.036< 0.05.

F-test

Ghozali (2016) explains that the simultaneous test is a method for analyzing the collective influence of independent variables on the dependent variable. This test aims to determine the significance of the joint influence of the independent variables. The test uses a significance level of 0.05 (α = 5% and α = 10%). When the significance value is <0.05 or <0.10, then Ha is accepted, which indicates a significant regression coefficient and the simultaneous influence of the independent variable on the dependent variable and vice versa.

Table 7. F-Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.476	4	3.119	1.356	.253[b]
	Residuals	301.254	131	2.300		
	Total	313.731	135			

a. Dependent Variable: Initial Return

b. Predictors: (Constant), Board Gender Diversity, Board Size, Independent Commissioner, Ownership

Source: 2025 processed original data

From this table, it can be concluded that variable X (gender diversity of the board of directors, board size, independent commissioners, managerial ownership) does not

simultaneously affect variable Y (initial return). This is evidenced by the resulting significance value of 0.253> 0.05.

Determination Coefficient Test

The coefficient of determination is a measuring tool that shows the ability of the model to explain variations in the dependent variable (Ghozali, 2016). The R Square value is in the range 0 to 1. If R Square is close to 0, this means that the independent variables have a very limited capacity to explain the variation in the dependent variable. However, if Square is close to 1, this indicates that the independent variables are able to provide almost all the information needed to predict variations in the dependent variable.

Table 8. R Square Result

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.276[a]	.076	.008	.09934

a. Predictors: (Constant), Board Gender Diversity, Board Size, Independent Commissioner, Managerial Ownership

b. Dependent Variable: Initial Return

Source: 2025 processed original data

Based on the results of the coefficient of determination test in the table above, an R value of 0.276 is obtained which indicates a weak correlation between the independent variables and Initial Return, an R Square value of 0.076 indicates that Gender Diversity of the Board of Directors, Board Size, Independent Commissioners, and Managerial Ownership are only able to explain 7.6% of the variation in Initial Return, while the other 92.4% is influenced by factors not examined in this model, with a lower Adjusted R Square value (0.008) and a Standard Error of the Estimate of 0.09934 which indicates that the model has good precision but limited explanatory ability.

5. Discussion

The Effect of Gender of the Board of Directors on Initial Return

The results show that gender diversity of the board of directors has no significant effect on initial return (Sig. 0.463 > 0.05), so H1 is rejected. This insignificance may be due to the low representation of women in the board of directors of Indonesian companies (on average only 20.65%), the absence of regulations requiring a minimum composition of female board members, and Indonesian investors who have not considered gender diversity as an important factor in IPO investment decisions.

Effect of Board Size on Initial Return

Board size has no significant effect on initial return (Sig. 0.626 > 0.05), so H2 is rejected. This may be due to the relatively small and homogeneous size of the board of directors in the sample (3.17 people on average), which does not provide enough variation to detect a significant effect. Investors are more likely to consider other factors such as financial performance, underwriter reputation, or market conditions in IPO investment decisions.

Effect of Independent Commissioner on Initial Return
Independent commissioners have no significant effect on initial return (Sig. 0.992 > 0.05), so H3 is rejected. The number of independent commissioners in a company does not affect the selling price of shares at IPO, because the number of independent commissioners does not guarantee good supervision of management in a company. The independence of the board of commissioners is unable to explain the company's ability to reduce fraud in the financial statements. Di Indonesia, keberadaan komisaris independen cenderung untuk memenuhi persyaratan regulasi (rata-rata 41,58%, sedikit di atas persyaratan minimum). Hal ini mengakibatkan investor belum sepenuhnya mempercayai bahwa komisaris independen dapat efektif mengurangi masalah keagenan dan meningkatkan tata kelola perusahaan. In Indonesia, the presence of independent commissioners tends to fulfil regulatory requirements (41.58% on average, slightly above the minimum requirement). This results in investors not fully believing that independent commissioners can effectively reduce agency problems and improve corporate governance.

The Effect of Managerial Ownership on Initial Return
Managerial ownership has a significant positive effect on initial return (Sig. 0.036 <0.05), so H4 is accepted. The positive regression coefficient (0.185) indicates that the higher the managerial ownership, the higher the initial return. This may be because management with high share ownership (average 25.37%) is more motivated to set a low IPO price to create positive sentiment and increase stock liquidity. Investors may also perceive high managerial ownership as a signal of long-term commitment, increasing the demand for shares in the secondary market.

6. Conclusions

This study analyzes the effect of corporate governance mechanisms on initial return in 136 companies that IPO on the Indonesia Stock Exchange for the period 2019-2023. The results show that gender diversity of the board of directors, board size, and independent commissioners have no significant effect on initial return. However, managerial ownership is found to have a positive significant effect on initial return, with a regression coefficient of 0.185. The higher the managerial ownership, the higher the initial return.

Overall, the four corporate governance variables studied have no simultaneous effect on initial return, with the ability to explain very limited variation in initial return (R Square is only 7.6%). This study implies that in Indonesia, of all the corporate governance aspects studied, only managerial ownership has a significant influence on IPO performance. This may be because management with high shareholding (average 25.37%) is more motivated to set a low IPO price to create positive sentiment and increase stock liquidity, while investors may perceive high managerial ownership as a signal of long-term commitment. Future research can include the same variables, but with different periods. It is also expected to add research variables such as

financial leverage, institutional ownership, underwriters, and audit committee size to perfect this research.

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