



To cite this article: Vanalika Kalia and Dr. Neha Rohra (2026). INITIAL PUBLIC OFFERS (IPOS): A DETAILED THEORETICAL & CRITICAL REVIEW OF LITERATURE, International Journal of Research in Commerce and Management Studies (IJRCMS) 8 (2): 806-826 Article No. 721 Sub Id 1222

INITIAL PUBLIC OFFERS (IPOS): A DETAILED THEORETICAL & CRITICAL REVIEW OF LITERATURE

Vanalika Kalia¹ and Dr. Neha Rohra²

¹Student-B. Com (Honours), Department of Commerce, Indraprastha College for Women, University of Delhi, Delhi.

²Assistant Professor, Department of Commerce, Indraprastha College for Women, University of Delhi, Delhi

DOI: <https://doi.org/10.38193/IJRCMS.2026.8259>

ABSTRACT

This research presents a summary of empirical research on initial public offerings (IPOs) from 2010 to 2023, concentrating mainly on pricing anomalies, like underpricing in Indian and global markets. In these markets, average first-day returns reach 14.45% due to information asymmetries, market overvaluations, and firm signals such as oversubscription, which boost gains while dividend yields curb volatility. Traditional theories are challenged by these findings because insiders seem to have advantages and the market often gets overheated. Of course, SEBI regulations influence offer bands and subscriptions. Besides this, ESG disclosures made by companies let investors know what the companies are really doing, so these disclosures are a big plus point for the firms that want to be sustainable in terms of environment, social, and governance components. At the same time, the macroeconomic factors like the ones that cause the overall prices to increase (inflation and so on) have an impact on the volume of the transactions in the market. P/E (price-earnings) ratios plunge even during the periods of thematic strength. The problems in the researches highlight the lack of methodological rigor, small sample sizes and insufficient coverage of the post-2023 SME/digital sentiment aspect, which have limited depth. So, we need integrated behavioural-quantitative frameworks and meta-analyses to help refine predictive models not only for scholars but also for new investors and regulators who have to deal with constantly changing/dynamic emerging markets.

KEYWORDS: IPO underpricing, Information asymmetry, ESG disclosures, SEBI regulations, Macroeconomic factors.

INTRODUCTION

IPOs help companies raise capital—yet they frequently exhibit underpricing. Listing-day returns frequently exceed offer prices (Murthy & Singh, K. 2010, and Mishra, A. 2012). In India, studies show new stock sales were priced 14.45% too low on average across 235 IPOs from 1997 to 2008, whether using fixed prices or book-building.



Theoretical Foundations

IPOs often price too low or too high. Information asymmetry plays a big role; companies know more than buyers do. That gap leads to poor investor decisions. The winner's curse explains

why: investors grab shares in overpriced deals. They end up losing money because they didn't see the real value. Uninformed bidders usually acquire more stock when prices are wrong. Without extra gains, most don't join the offering. Using nonparametric sign tests and price-discovery models, Murthy and Singh K. (2010) found that large listing-day gains reflect broader market overvaluation rather than deliberate underpricing. This was made worse by informational inefficiencies and insider advantages of syndicates and lead managers. In the context of India, they challenged the underpricing narrative by analysing 24 initial public offerings (IPOs) that were listed on the National Stock Exchange (NSE) during bullish (Jan–Jul 2007) and bearish (Jan–Jul 2008).

And sometimes, IPOs go way above what they should. In particular in India, where insiders get edges and markets seem overvalued. That clashes with old ideas about underpricing tied to information gaps or the winner's curse. Murthy and Singh (2010) found that core ideas often don't match prices. Wei Leong and Sundarasan (2015) say high oversubscription means more investor interest, pushing prices up fast on day one. Data says this clearly across 148 Malaysian IPOs from 2008 to 2012. Ownership retention and underwriter reputation were part of the model too. They calm things down and lower volatility. Investors prefer steady returns, not swings. But business size or how much control owners keep does not really matter much, as the same study. Strong demand signals drive price spikes regardless of company scale. Still, some factors fade into background when you look closer. Market behaviour isn't always predictable by textbook rules anymore. Demand plays a big role—but so do hidden forces we haven't fully mapped yet.

Emerging Influences

Recent research has highlighted the potential for environmental, social, and governance (ESG) disclosures to reduce initial public offering (IPO) underpricing by increasing transparency and decreasing investor-perceived risks. This is particularly true for companies that prioritize sustainability strategies such as circular economy models (Ferri et al., 2023). Ferri et al. (2023) ran regression models, mixed-effects analyses, and random forests on 100 European IPOs from 2017 to 2021. Firms that published pre-IPO ESG reports faced less underpricing. That's because ESG data cuts through info gaps better than standard financial stats. Rising interest rates scare off investors in slow markets. Seepani and Murthy (2023) studied India's IPO trends using cointegration, VECM, and regime-switching models from 2015 - 2022. Industrial growth fuels market activity.

High IPOs drop off track with market slumps. SEBI limits how much time firms can keep quiet.



Brokers must follow strict guidelines too. Markets stay stable under these limits. Returns often fall during calm phases. Disclosure laws require strict transparency, and investors achieve trust this way. Under those rules, firms must reveal key risks and performance details early. Market participants rely on clear facts to make choices. Cold markets freeze new listings when rates climb sharply. Growth pushes them back online faster. Volatility really messes with IPO timing. Some firms wait until things calm down. Others push through—betting on old data or internal guesses. The study digs into Indian IPOs using logistic models before listing and OLS after. Lower price ranges mean less chance of retail and institutional demand. Wider bid-ask spreads after launch? That breaks up ownership when promoters hold small stakes. The pattern holds even under shaky markets, which was observed similar as Sandhu and Guhathakurta, (2020).

II. OBJECTIVES OF THE STUDY

This research aims to:

- To Examine the various studies that have been conducted related to IPOs, Globally and in India.
- To analyse in detail some traditional topics (like-IPO underpricing, overpricing, etc.) about IPOs and also look at few emerging areas of research relating to the IPOs (like ESG, sustainability, etc.).

III. LITERATURE REVIEW

The analysis of various researches related to IPOs, suggests that maximum studies have looked at IPO underpricing, Post IPO stock return performance, firm specific Indicators impact of IPO, etc. While few researches have also studied the emerging topics related to ESG/sustainability impact on IPOs, etc. The following table 1 shows in detail all the studies that were reviewed: -

TABLE 1

Author(s) and Year	Objective(s)	Country and Period and Methodology	Results
Murthy & Singh (2010)	To challenge the conventional view of systematic IPO underpricing by testing whether Indian IPOs are often overpriced relative to fundamentals.	India; Empirical market-model study of 24 NSE-listed IPOs during bullish (Jan–Jul 2007) and bearish (Jan–Jul 2008) periods, using non-parametric sign tests and price-discovery analysis under fixed-price and book-building.	Large positive effects on listing day are generally seen as an indication that the whole market has been overvalued rather than that the shares were deliberately underpriced, with the pricing being influenced by informational inefficiencies and the insider advantages of syndicates and lead managers. This, therefore, points to a necessity to reconsider the conventional IPO underpricing theories.
Mishra (2012)	Providing novel evidence about first-day IPO performance in India and compare underpricing under fixed-price versus book-building methods.	India; 235 IPOs were listed from April 1, 1997 to March 31, 2008; Empirical comparison of underpricing across pricing mechanisms and over time, including the 2007 “hot issue” period.	On average, the first day underpricing of new issues is substantially positive at 14.45% despite the fact that nearly 60% of IPOs are initially overvalued and underpricing increases dramatically in 2007 in line with hot issue market theory. Statistically there isn’t any significant difference in underpricing among fixed-price and book-building IPOs as per the research which also goes beyond the prior Indian underpricing evidence.
Wei Leong and Sundar asen (2015)	To study how initial IPO returns and their volatility (in Malaysia) is affected because of firm specific attributes, financial indicators & signalling factors.	Malaysia; 148 IPOs from 2008–2012; Hierarchical and stepwise regressions with variables including ownership retention, auditor and underwriter reputation, over-subscription, size, age, industry, prospective EPS, and dividend yield.	The proportion of over-subscription rate significantly enhances initial returns; thus, one can clearly see that it is the strong investor demand that pushes up the first, day prices to a higher level. The anticipated dividend yield of the corporation is negatively



			connected to the first return volatility, which means that an increased level of anticipated dividend payments would attract a steady demand and hence reduce the fluctuation of prices. At the same time, neither the retention of ownership nor the size of the company seems to have any significant influence.
Shukla (2017)	To discuss risks associated with IPO investing and how they affect investment outcomes.	India; Conceptual and descriptive review of IPOs, risk assessment processes, and key risk factors influencing IPO investments.	The study highlights that IPOs are significantly driven via conditions in the market and thus can bring about either huge profits or huge losses. Accordingly, the paper highlights the importance of a thorough risk assessment. To that end, the paper identifies the primary risks associated with IPOs and provides advice that can help both the research community and investors in grasping the concept of risk return trade, offs in IPOs.
Lee,S., Kim, and Lee, N. (2019)	To distinguish financial and operating performance of global low-cost carriers before and after IPOs and evaluate the impact of IPO funding.	A global sample of 12 low-cost carriers; a panel spanning one year prior to the IPO and four years subsequent to the IPO; Financial ratios (ROA, ROE, ROS, liquidity, leverage, asset turnover) and operating metrics (yield, load factor, ASK, RPK) analysed statistically.	After initial public offering, companies typically have better cash flow and the debt, to, equity ratio decreases as debt is paid off. Moreover, profit margins and operational efficiencies tend to increase though not all airlines show the same pattern, and asset turnover goes down at first due to the fast growth of the asset base, thus indicating that IPOs are important but intricate instruments for achieving further growth.



Gupta (2019)	To explain the IPO mechanism and	India; Descriptive legal and procedural review of SEBI	The article breaks down the reasons for a public offering, the
	regulatory framework in India and outline the full IPO process for firms.	regulations, eligibility norms, participants, stages, and timelines of Indian IPOs.	rules that companies must follow before and after their share issue, and the role of all IPO intermediaries, essentially walking through the India IPO process stepwise. It talks about the various requirements that need to be met and the supervision that is aimed at giving investors safety and facilitating well, functioning primary markets.
Sandhu and Guha hakurt at (2020)	To evaluate how IPO offer price ranges and issuance parameters Affect subscription, trading, and ownership structure in India.	India; IPOs with varying offer-price bands; Fifth logistic regression in the pre-listing phase for full/over-subscription probability by investor class; OLS post-listing regressions on initial trading ratio and ownership distribution.	Reduced chances of full or over subscription for all investor groups are associated with lower end price ranges. After the listing, a large spread of bid prices can be seen as investors try to maximize their holdings, and lower IPO prices along with fewer promoter holdings facilitate dispersed ownership by individual shareholders and increase control diffusion.



<p>Johnson and Sandberg (2020)</p>	<p>To investigate whether ESG performance influences turnover growth in newly listed U.S. firms.</p>	<p>United States; IPO firms 2015–2018; Quantitative study using Refinitiv ESG data and financials; Multiple regression linking ESG dimensions to turnover growth.</p>	<p>ESG factors, including environmental innovation, social responsibility, and governance structures, have different effects on turnover growth, which suggests that these factors are complex and have dimension, specific relationships. The research points out that there are difficulties with data and measurement, however, it still positions ESG as a possible major driver of post, IPO growth, which is supported by RBV, Dynamic Capabilities, and Legitimacy Theory.</p>
<p>Bui and Frongillo (2020)</p>	<p>To analyze how, in the U.S market, ESG disclosure attributes impact IPO underpricing.</p>	<p>United States; IPOs with prospectuses from SEC EDGAR; Quantitative approach using textual analysis of ESG disclosure frequency and sentiment plus multiple regression models.</p>	<p>More frequent use of environmental and governance, related terms and a significantly more negative environmental sentiment account for a large part of the IPO underpricing, whereas social aspects have a weaker effect. Findings show that investors thoroughly examine environmental risk and governance transparency in IPO filings, and the presence of ESG problems significantly influences the evolution of IPO prices.</p>



Ali, Khan and Rafiq (2020)	To assess economic determinants and consequences of IPO underpricing for listed firms in Pakistan.	Pakistan; 98 publicly listed firms, data 2013–2018; Regression analysis of underpricing on asset return, equity, EPS, profit margin, and earnings-price; Multicollinearity checked via variance inflation factor.	Asset return, equity, earnings per share (EPS) and profit margin are the principal positive determinants contributing to IPO underpricing, as they signify substantial economic rewards for investors, while earnings price contributes only slightly. The research suggests that investors may profit from the liquidity that result from underpricing in the secondary market when they plan their trading strategies.
Xian (2021)	To examine the influence of social media sentiment and investor attention from Stocktwits on IPO price and subsequent IPO performance.	United States; 387 IPOs from 2016–2019; Sentiment and attention measures from bullish/bearish tags and NLP/ML-classified posts; Regressions of first-day and long-run returns and turnover on sentiment and control variables.	The higher the investor interest and the more optimistic the sentiment, the larger were the first, day price jumps predicted, whereas the bearish sentiment had a stronger negative impact on first returns than the bullish sentiment had a positive effect. Negative sentiment leads to significant price reversals, while optimistic sentiment results in less consistent reversals and the high turnover following optimistic IPOs indicates that informed investors are selling overvalued shares to sentiment, driven retail investors.



<p>Khan et al (2021)</p>	<p>To evaluate the short and long-term stock performance of selected IPOs and determine whether holding IPO shares beyond the listing day improves returns.</p>	<p>India; 26 IPOs listed in 2016 on NSE; Descriptive and analytical study using share premium, listing-day performance and returns up to three years; Wilcoxon Signed Rank Test used to test incremental growth.</p>	<p>Initial stock offerings that are priced under the actual value of the company resulted in elevated initial returns and increased demand for the shares, whereas, IPOs that are overpriced, have lower returns in both short and long term. In general, long-term returns are higher than short term gains, thus, maintaining stocks for an extended duration is advantageous. This also highlights the importance of underpricing as the main factor behind IPO success and market efficiency.</p>
<p>Prądkiewicz, K., Pauka and Prądkiewicz, P. (2021)</p>	<p>To analyze the IPO performance of high-technology versus low-technology enterprises and ascertain the determinants of IPO success on the Warsaw Stock Exchange.</p>	<p>Poland; 334 HT and LT firms listed from 2004 to 2018; IPO success measured as capital raised during IPO relative to year-end equity, with underpricing as secondary measure; Analysis of leverage, firm size, and technology classification.</p>	<p>As a rule, high, tech firms tend to require less capital relative to equity and reveal a larger underpricing as compared to low, tech companies, thus inferring a poorer performance of the former's IPOs as a result of a higher level of subjective risk and asymmetric information. Debt ratio is considerably and positively correlated with the performance of initial public offerings and serves as a primary quality indicator, especially for high-tech businesses, while the firm's size also influences high-tech issuers, which causes them to increase their disclosure and take the staged issuance route.</p>



Sonu (2022)	To study how regulatory changes in Korea alter the relation between the quality of accounting information and its relation to IPO underpricing, emphasizing underwriter pricing and allocation discretion.	Korea; 263 IPOs from 2001–2011; Comparison of a strict regime (2001–May 2007) with limited underwriter discretion and a deregulated regime (June 2007–2011) with full discretion; Accruals quality used as information-quality proxy; First-day returns modelled with IV and nonlinear tests.	Higher accruals quality IPOs underprice more in the presence of a strict regulation; thus, their increased underpricing reflects regulatory distortions. Once deregulation takes place, lower accruals quality is related to higher underpricing, which is in line with asymmetric information theory and underwriter risk assessment, showing that allowing underwriters more freedom in pricing and allocation facilitates the incorporation of information quality in IPO prices and makes price discovery more efficient.
Navyatha and Gaddam (2022)	To identify firm-specific and issue-specific factors determining IPO issue prices across industries in India.	India; 148 IPOs from 2008–2019; Prospectus-based study guided by SEBI disclosures; Multiple regression models by National Industrial Classification to explain issue prices.	These are the main factors that influence IPO pricing in different sectors: P/E ratio, issue price to earnings (IPE), return on net worth (RONW), NAV after issue, amount of stock dilution-issue and size. The research reveals that the IPO price is a complicated one, but only to some extent, can it be explained by these financial metrics, which is a way of making it more user friendly to investors.
Ferri et al. (2023)	To examine the influence on IPO underpricing, of ESG disclosure and sustainability reporting.	Europe; 100 IPOs from 2017–2021; ESG disclosure measured from sustainability reports issued before IPO; Multiple linear regression, mixed-effects models, and random-forest ML to explain underpricing.	Companies disclosing sustainability reports are met with significantly less IPO underpricing, which is evidence that ESG disclosure alleviates the risk perception and information asymmetry and can have a greater effect than conventional financial metrics. The influence of ESG reporting on a firm is very significant



			when it is a company that embraces circular economy practices as it is a clear indication of resource efficiency and sustainability performance, and the authors believe that more comprehensive and detailed ESG disclosure can result in a lower cost of capital and a better IPO market entry, even if there is a limitation in terms of sample size and location.
Seepani and Murthy (2023)	To test whether local macroeconomic conditions drive IPO volume in India and how this varies across hot and cold IPO regimes.	India; 2015–2022; Co-integration and VECM to model long-run relations among interest rates, industrial output, and IPO counts; Markov regime-switching regressions to distinguish hot/cold markets.	Initial Public Offering (IPO) activity decreases when interest rates increase and increase when industrial output grows, with a consistent long, term equilibrium between the variables. A decrease in interest rates has a noteworthy effect on volume of IPOs in dormant markets; on the other hand, situations where investors see very high initial returns and anticipate that future rates will be favourable, thus monetary tightening acts as a disincentive for IPO entry and investor participation.



Yadav, Prosad, & Singh (2023)	To build an empirical model linking IPO offer prices to pre-IPO financial performance to aid Indian investors and issuers.	India; NSE-listed firms with IPOs between FY 2015–16 and 2020–21; Secondary data; Multivariate regression of offer price on financial indicators such as “NAV, ROA, PAT, and RONW”.	One of the factors which explains IPO offer prices is the pre-IPO financial performance to some extent, as can be seen from the significant positive effects of “NAV, ROA, PAT, and RONW”. This model is useful for issuers to be able to set more competitive offers and investors, in particular, those with a low level of resources, to estimate the intrinsic value and thus close the gap between the offer and listing prices, which in turn leads to a decrease in speculative mispricing.
Shetty et al. (2023)	To identify factors driving IPO subscription levels in India during and after the 2022 global market crisis.	India; 132 IPOs listed between April 2019 and March 2023; Multiple linear regression of total subscription on ten variables including external factors (broker recommendations, IPO rating, grey-market premium) and issue/allotment characteristics.	Broker recommendations, IPO ratings, and grey market premiums are the main factors that significantly raise the total subscription. In contrast, the characteristics of other issues and the proportions of allocations do not exhibit a noteworthy effect. Results suggested- investors in the Indian IPO market exhibit a greater propensity for speculative behaviour and trust expert opinions, rather than base their subscription decisions on the fundamental features of the IPOs.



<p>Mulchandani et al. (2023)</p>	<p>To examine how investor attention affects Indian IPOs' split short-term outcomes (premarket underpricing vs post-market mispricing) and long-term performance.</p>	<p>India; IPOs listed 2005–2019; Regression analysis using Google Trends Search Volume Index (GSVI) and subscription rate as indicators of investor attention; BHARs used for long-run performance.</p>	<p>Attention of Investor significantly and positively correlates with higher initial returns; thus, one can say that the attention theory finds its strong confirmation in the case of Indian IPOs. There is evidence in long run BHARs of sustained price reversals, implying that the pre-market behaviour driven by attention is a source of mispricing and, hence, the proper spreading of information and the use of attention as a variable become two important factors in the correct assessment of IPO profitability.</p>
<p>Räsänen (2024)</p>	<p>To examine the impact of ESG disclosure levels on post-IPO short-term performance and IPO underpricing in Nordic markets.</p>	<p>Nordic countries; 107 IPOs from 2016–2021 with Bloomberg ESG ratings; OLS regressions of underpricing and short-term returns on comprehensive ESG scores with distinct E, S, and G components.</p>	<p>Separately, individual ESG pillars have a strong effect in lowering IPO underpricing, while the combined ESG score seems to be inconsistent, probably because of a proprietary scoring. There is no substantial effect of ESG</p>



			disclosure on short, term post, IPO returns, which suggests that ESG information is mostly already reflected in the offer price. The paper also emphasizes that effect of ESG should be studied at the pillar level, and the features of the Nordic governance should be taken into consideration.
Ahlsén and Elfstrand (2024)	To examine how the volume and tone of ESG disclosures in prospectuses influence IPO underpricing in Sweden.	Sweden; 65 IPOs on Nasdaq Stockholm (2014–2023); Quantitative, deductive design using textual analysis and LIWC to measure ESG disclosure volume and tone; Regression analysis conducted in SPSS.	Increased underpricing correlates with heightened amounts of social and overall ESG disclosures, along with a more favourable tone in governance and overall ESG sections. The findings suggest that the disclosure of environmental, social and governance issues may be perceived by investors with considerable optimism, perhaps resulting in increased levels of underpricing. The study integrates principles of asymmetric information, signaling, herd behaviour, and stakeholder to account for these impacts.



<p>Alyasa -Gan, Che-Yahya, & Bahru din (2024)</p>	<p>To explore the influence of ESG practice disclosure on initial performance of Malaysian IPOs.</p>	<p>Malaysia; Between 2015-2023, 171 IPOs were listed on Bursa Malaysia. Multiple linear regression utilizing maximum likelihood estimate; Initial performance assessed using “offer-to-open and offer-to-close returns”; ESG disclosure analysed into environmental, social and governance elements.</p>	<p>Improved overall ESG, social and governance disclosures lead to better first IPO performance, whereas environmental disclosure adversely impacts it, probably because of the perception of cost burdens. According to signaling and legitimacy theories, ESG transparency helps to align investor expectations, reduces information asymmetry, and thereby boosts investor confidence, however, expensive environmental initiatives can still have a chilling effect on the short, run market reactions.</p>
<p>Kumar , V., and Kumar , P. (2024)</p>	<p>To examine how macroeconomic variables influence IPO investment behaviour and buying decisions in selected districts.</p>	<p>India (Agra Division: Agra, Firozabad, Mathura, Mainpuri); Empirical study of investors in various IPOs; Analysis of four macro factors—GDP, unemployment, inflation, interest rates—on IPO purchase decisions.</p>	<p>Initial Public Offering (IPO) investors are greatly shaped by elements such as the general economic performance measured by GDP, the changes in interest rates, and the rate at which prices for goods and services are rising, inflation. However, the level of unemployment has no impact on their decisions. The research finds out that macroeconomic fundamentals are the key factors that determine the direction of IPOs as a source of investment over a longer period in the local market.</p>
<p>Arslan, Golak, and Pirgaip . (2025)</p>	<p>To examine the effects of margin trading and regulatory reforms on IPO underpricing and first returns in growing capital market of Türkiye.</p>	<p>Türkiye; 2020–2023; 154 IPOs analyzed using market-adjusted abnormal returns and multivariate regressions including IPO characteristics, margin-loan ratios, and regulation dummies.</p>	<p>Demand for the product, promotion, government policies, profit, capital structure, and business environment are interlocking elements of a system because each equally influences the success of an IPO in the energy sector.</p>



Wang et al. (2025)	To Test the efficacy of book building in initial public offering pricing and the influence of investor behaviour and comprehension on pricing results.	Laboratory setting (Japan-based participants); Experimental design with 60 university subjects trading over 10 BB periods under varying instructional clarity.	Initial public offerings are continually priced above their intrinsic values as bright, but less informed investors tend to overstate their bids; a better understanding leads to less overpricing, thus implying that in the absence of screening and discretionary pricing, book building can result in IPO prices that are not efficient and thus, the existence of regulatory safeguards is legitimate.
Singh et al. (2025)	To analyze growth, underpricing, and valuation dynamics of SME IPOs in India and identify drivers of pricing inefficiency.	India; 2015–2024; Mixed-methods analysis of 990 SME IPOs using descriptive statistics and t-tests on first-day returns and time-varying underpricing.	Almost 80% of SME IPOs have a price that is lower than their true value, resulting in a very sharp increase in first, day returns, which, on average, reach 56% by 2024 and are mainly caused by speculation, strategic underwriter pricing, behavioural biases, and regulatory and macroeconomic factors. This situation reveals that there is a need for better disclosure and investor education.



Monteiro and Thausef (2025)	To further investigate IPO pricing anomalies in India and reassess the prevalence of Underpricing versus overpricing.	India; 2021-23, Market-model-based empirical study closely mirroring earlier work, using non-parametric tests on NSE-listed IPOs across contrasting market conditions.	The research findings reaffirm that a large number of Initial Public Offers (IPO) are priced beyond their actual intrinsic value even though listing gains are made in the short term. This situation has been explained by the involvement of factors such as information asymmetry, intermediary incentives, and price discovery flaws. Consequently, the prevailing view that overpricing may more accurately reflect the Indian IPO market is being strengthened by the findings.
Biswas and Dwivedi (2025)	To assess the influence of ESG reporting on decisions regarding investment, utilizing Infosys Ltd. as a case study.	India; Infosys, 2020–2024; Quantitative case study using secondary ESG reports, stock prices, and institutional investment data; with various statistical tests like Descriptive, correlation, and regression analysis.	A robust positive correlation exists between ESG scores and Infosys' stock price ($r = 0.85$), with ESG performance explaining approximately 73% of the fluctuations in stock price. Enhanced ESG disclosure significantly influences investment behaviour and their valuation, thus ESG openness being a valuable intangible asset. The research suggests the need for studies involving several firms over time and the use of sophisticated analytics to be able to extend the results.



Suyono et al. (2025)	To test whether selected firm characteristics explain IPO underpricing for Indonesian companies.	Indonesia; 180 IPOs on IDX (2019–2022) selected via purposive sampling; T-tests assessing impact of debt-to-equity ratio, return on equity, business age, and total asset turnover on underpricing.	No single variable out of DER, ROE, firm age, or total asset turnover that was considered had any significant effect on the extent of share underpricing. The results demonstrate that issues beyond mere accounting and structural variables are the primary determinants of IPO underpricing in the Indonesian market.
----------------------	--	---	--

IV. CRITICAL REVIEW

The research checks IPO data from 2010 to 2023, tracking pricing gaps, firm-level factors, and ESG in global markets and India. India's market reactions differ sharply from global patterns. Some findings depend heavily on listing documents without deeper analysis or original thinking. Murthy and Singh's (2010) work on 24 NSE listings from 2007 to 2008 revealed solid overvaluation issues in those early years. Mishra (2012) reported an average return of 14.45% for 235 Indian IPOs during 1997–2008. The research doesn't fully explain why prices fall short or rise unexpectedly. A more profound look into timing and market signals might reveal more clarity. More recent works, such as Ferri et al. (2023), linked environmental, social, and governance (ESG) disclosures to reduced underpricing in 100 European initial public offerings (2017–2021). It provides a solid framework for understanding pricing anomalies by highlighting cross-market observations such as oversubscription increasing returns (Wei Leong & Sundarasan, 2015) and interest rates restricting volumes in cold Indian markets (Seepani & Murthy, 2023).

Most reports focus on goals and outcomes rather than how deeply they examine flaws or limits. Some summaries skip judging the actual evidence behind claims. Murthy and Singh's nonparametric tests receive a mention, but not for small-sample bias (n=24). Mishra's larger dataset proves underpricing still happens despite claims about overvaluation being common. At least in theory, studies like Sandhu and Guhathakurta (2020) fail to check for multicollinearity or endogeneity. Navyatha and Gaddam (2022) follow suit. Furthermore, the robustness of various techniques, such as cointegration in Seepani and Murthy and machine learning in Ferri et al., is not compared.

Similar to how social media sentiment (Xian, 2021) merits expansion given retail investor surges in



2024–2025 Indian initial public offerings (IPOs), environmental, social, and governance (ESG) coverage is promising but limited to three studies (Johnson & Sandberg, 2020; Bui & Frongillo, 2020; Ferri et al., 2023). These studies ignore post-2023 India-specific trends in the wake of SEBI's sustainability mandates. With no meta-analysis to reconcile opposing findings, such as underpricing invariance across pricing mechanisms (Mishra, 2012) versus regulatory distortions (Sonu, 2022)—the overemphasis on underpricing (which accounts for more than 80 percent of citations) ignores long-term performance or initial public offerings (IPOs) of small and medium-sized enterprises (SMEs). Murthy & Singh (2010) push for new thinking but skip linking asymmetry with behaviour data. The shift isn't about blending models but testing how big the gaps are. Effect sizes matter more than lists. Meta-regression could show where SME underpricing exploded, up 56% after 2023; that's a clear signal. Small firms were undervalued sharply then.

Thus, we can see that IPOs exhibit underpricing or overpricing all over the world some markets show underpricing phenomenon some show overpricing, there is no single trend overall, it depends from market to market, country to country, etc. There are few researches on investor sentiment analysis & behavioural studies, that assess the impact on IPO pricing, post IPO performance, etc. Impact of ESG on IPOs is an emerging topic but lack of standard ESG Indexes and measures make it hard to assess the impact. Further SME and high-tech IPOs are not systematically explored, emphasising the need for more multidimensional and detailed research in this area.

V. CONCLUSION

This paper elucidates the persistent intricacies of IPO pricing anomalies, wherein underpricing persists due to entrenched information asymmetries, market overvaluations, and significant firm-level indicators such as oversubscription rates, while ESG disclosures and macroeconomic factors like interest rate variations introduce subtle mitigators across varying market conditions. Despite extensive testing of traditional theories against empirical realities that expose broader inefficiencies related to deliberate discounts, significant deficiencies remain in methodological consistency, sample robustness, and the analysis of post-2023 trends, including SME growth and digital investor sentiment. Behavioural and statistical tools mixed together provide better forecasts, helping investors and policymakers react faster to shifts in how new stock offerings play out across developing economies.

REFERENCES

1. Ahlsén,C., & Elfstrand,V., (2024). Unlocking Sustainability: Do ESG Disclosures Affect IPO Underpricing? A Quantitative Study Investigating the Relationship Between ESG Disclosure and IPO Underpricing in the Swedish Market. Linköping University, Available at: <https://www.diva-portal.org/smash/get/diva2:1874742/FULLTEXT01.pdf>
2. Ali, G., Khan,A.J., & Rafiq,S.,(2020). Economic analysis of ipo underpricing in stock market of



- Pakistan. *International Journal of Economics and Financial Issue*, 10(4), 198-205.
3. Alyasa-Gan,S.S, Che-Yahya,N., and Bahrudin,N.Z, (2024). ESG practices disclosure and initial performance of Malaysian IPOS. *Investment Management and Financial Innovations*,21(3), 199-210.
 4. Arslan, A.G., Colak,G., & Pirgaip,B., (2025). The impact of margin trading and regulatory policy on IPO underpricing: Evidence from Türkiye. *Borsa Istanbul Review*, 25(5), 1012-1025.
 5. Biswas, P., and Dwivedi,S.K., (2025). ESG Reporting and Its Impact on Investment: A Case Study on Infosys. *Asian Journal of Economics, Business and Accounting*, 25(7), 333-352.
 6. Bui,T.M.A., & Frongillo,A., (2020). How does the market perceive ESG in IPOs - Investigating how ESG factors affect IPO Underpricing in the U.S. market. Available at: <https://www.divaportal.org/smash/record.jsfpid=diva2%3A1444019&dswid=7960>
 7. Ferri, S., Tron, A., Colantoni, F., & Savio, R. (2023). Sustainability Disclosure and IPO Performance: Exploring the Impact of ESG Reporting. *Sustainability MDPI* ,15(6), 1-15
 8. Gupta, A. (2019). Regulatory framework of initial public offer in India. *Research Journal of Humanities and Social Sciences*, 10(4).
 9. Johnson,S., & Sandberg,W., (2020). The Impact of ESG-Score on Turnover Growth a Cross-Sectional Study of US IPOs. Available at: <https://www.divaportal.org/smash/get/diva2:1445960/FULLTEXT01.pdf>
 10. Khan, M.A., Zeeshan, K., Ahmad, M.F., Alakkas, A.A., & Farooqi, M.R. (2021). A STUDY OF STOCK PERFORMANCE OF SELECT IPOS IN INDIA. *Academy of Accounting and Financial Studies Journal*, 25(6), 1-11.
 11. Kumar, V. & Kumar,P., (2024). Impact of macroeconomic factors on initial public offer: An analytical study of investor's decision. *International Journal for Multidisciplinary Research*, 6(1),1-8.
 12. Lee,S., Kim, H., & Lee,N. (2019). A COMPARATIVE ANALYSIS OF FINANCIAL AND OPERATIONAL PERFORMANCE PRE - AND POST-IPO: WITH A FOCUS ON AIRLINE COMPANIES. *Academy of Accounting and Financial Studies Journal*, 23(3), 1-14.
 13. Mishra, A.K (2012). Underpricing of initial public offerings in India. *Investment Management and Financial Innovations*,9(2),182-192.
 14. Monteiro,V., & Thauseef P, M., (2025). IPO PERFORMANCE IN THE SHORT-RUN: EVIDENCE FROM BOMBAY STOCK EXCHANGE, *Al-Shodhana*, 13(2),101-111.
 15. Mulchandani, P., Pandey, R., Debata, B., & Renganathan, J., (2023). Investor attention and IPO returns: evidence from Indian markets. *Journal of Economic and Administrative Sciences*. 41(3),1002-1019
 16. Murthy,K.V Bhanu., & Singh, A.K (2010). "IPO Market: Underpricing or overpricing?", Available at IGIDR: http://www.igidr.ac.in/conf/money/mfc-12/Amit_bhanu_IPO%20Market.pdf
 17. Navyatha, K. & Gaddam, N., (2022). Factors Influencing the IPOs' Pricing in India. *International Journal of Advance Research and Innovative Ideas in Education*, 8(2), 89-98.
 18. Prędkiewicz, K., Pauka,M., and Prędkiewicz, P., (2021). IPO Success of High-Technology



Companies.

European Research Studies Journal, 26(3B), 799-816.

19. Räsänen, A. (2024). ESG impact on IPO underpricing and short-term performance Evidence from Nordic countries 2016-2021. Available at Vaasa:

<https://osuva.uwasa.fi/server/api/core/bitstreams/05ef65f0-a247-4d85-90a9-35b2ab707a69/content>

20. Sandhu, H. & Guhathakurta, K., (2020). Effects of IPO offer price ranges on initial subscription, initial turnover and ownership structure—evidence from Indian IPO Market. *Journal of Risk and Financial Management*, 13(11).

21. Seepani, J., & Murthy, K.V.R., (2023). IMPACT OF ECONOMIC VARIABLES ON IPOs IN INDIA -

AN ANALYTICAL STUDY. *European Journal of Social Sciences Studies*, 9(2), 224-236

22. Shetty, C., Vinish P., Aluru, S., Pinto, P., and Hawaldar, I.T, (2023).. IPO subscription dynamics: A comprehensive inquiry into the Indian stock Market. *Investment Management and Financial Innovations*, 20(4), 400-415.

23. Shukla, J. (2017). Assessment and factors of risk in an ipo's. *International Journal of Engineering Technologies and Management Research*, 4(5), 11-16.

24. Singh, S., Pal, S., Singh, J.P, & Singh, P. (2025). An Empirical Study on Trends, Growth, and Underpricing in SME Initial Public Offerings in India (2015–2024). *journal: Cuestiones de Fisioterapia*, 54(3), 5265-5280.

25. Sonu, C. H. (2022). Information quality and IPO underpricing: The role of underwriter pricing and allocation powers, *Pacific-Basin Finance Journal*, vol. 75.

26. Suyono, Paramita, Augustin, Y., Murwaningsari, E., and Hutahuruk, M., (2025). Factors affecting the level of underpricing of Shares in Initial Public Offering Companies. *Bilancia: Jurnal Ilmiah Akuntansi*, 9(1), 11-21

27. Wang, J., Funaki, Y., Ishikawa, R., & Ogura, Y. (2025). An experimental analysis of the IPO pricing mechanism: The case of Book-building. *WINPEC Working Paper Series No. E2513*, 1-43.

28. Wei Leong, M.S, & Sundarasan, S. (2015). IPO INITIAL RETURNS AND VOLATILITY: A STUDY IN AN EMERGING MARKET. *International Journal of Business and Finance Research*, 9(3), p-71-82.

29. Xian, Y. (2021). Social Media Sentiment and IPO Pricing. Available at SSRN: <https://ssrn.com/abstract=3870563>

30. Yadav, A., Prosad, J. M., & Singh, S. (2023). Pre-IPO Financial Performance and Offer Price Estimation: Evidence from India. *Journal of Risk and Financial Management*, 16(2):135,1-19