

Examining Underpricing in Initial Public Offering: Deepening Insights on Non-Financial Information

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JEL Classification:

G10

G24

G32

D82

Received: 10 June 2024

Revised: 20 April 2025

Accepted: 29 April 2025

Available online: September 2025

Published regularly: September 2025

Abstract

Research Originality: The nominal value variable from the prospectus in this study is the novelty, as no previous research has been found. Investors indicate the nominal value as a positive signal from the company to reduce existing information asymmetry.

Research Objectives: This study examines the phenomenon of IPO underpricing on the Indonesia Stock Exchange, resulting in suboptimal IPO fund-raising.

Research Methods: Using a quantitative approach with descriptive and causality designs, the study analyzed 251 companies from 2017 to 2023 through multiple linear regression analysis.

Empirical Results: Indonesia has a high IPO underpricing rate of 37.17%. Most IPOs (68.54%) were Shariah-compliant. The reputation of underwriters changed each year, and the free float ratio declined over time. On average, IPOs were oversubscribed by more than 28 times each year. Although COVID-19 affected market sentiment, it did not impact underpricing. The nominal value of IPO stocks varied each year but generally declined. Regression results show Shariah compliance and strong underwriters reduce underpricing, while higher free float, oversubscription, and nominal value increase it.

Implications: The implications of this research theoretically support signaling theory and information asymmetry. Practically, this research can be a reference for further researchers, investors, companies, and the government as regulators.

Keywords:

initial public offering; underpricing; signaling; asymmetric information; public ownership

How to Cite:

Rezky, D. M., Mahri, A. J. W., & Utami, S. A. (2025). Examining Underpricing in Initial Public Offering: Deepening Insights on Non-Financial Information. *Etikonomi*, 24(2), 425 – 440. <https://doi.org/10.15408/etk.v24i2.39355>.

INTRODUCTION

The number of companies that go public or carry out IPOs on the IDX continues to increase annually. By the end of 2023, 79 companies set an all-time high record. As for 2019-2021, the number fluctuated slightly due to disrupted business conditions and the COVID-19 pandemic, resulting in several companies delaying their share listings on the stock exchange. The phenomenon that often occurs during an initial public offering (IPO) is that the company's share price is underpriced when it is listed on the stock exchange and traded in the secondary market (Ahmad-Zaluki & Badru, 2021; Agustina et al., 2021; Putra & Lubis, 2023). Empirical evidence of high first-day returns for IPO companies is known as IPO underpricing (Mazumder & Saha, 2021). Hence, the phenomenon of underpricing in IPO stocks is a universal phenomenon (Hanafi & Hanafi, 2022).

IPO underpricing has long been a subject of intense academic scrutiny and practical debate. The phenomenon of IPO underpricing was historically first documented in the United States by Ibbotson in 1975, who found an average initial return of 11.4% for IPOs between 1960 and 1969. Since then, numerous studies have confirmed the existence of underpricing in various countries. This phenomenon has been observed in various markets, including emerging economies like Indonesia, where unique features such as a high proportion of Shariah-compliant offerings add complexity. The level of underpricing varies significantly across countries, industries, offering methods, and periods, but the presence of a positive and substantial initial return is powerful. Although the roots of underpricing date back to the last decades of the twentieth century, this topic continues to captivate market participants due to the significant transfer of wealth from the company issuing the offer to the investors who acquire shares, as a consequence of firms' IPOs (Teti & Montefusco, 2022). So that some companies generally do not tend to IPO with underpriced shares, as this would result in a transfer of wealth from the companies to the investors. On the other hand, for investors, underpricing is beneficial because they can acquire shares with high valuations at a lower price (Abbas et al., 2022).

Several theories can explain the phenomenon of underpricing, including the signaling theory, the information asymmetry theory, and the winner's curse model. Additionally, many studies have used company performance variables such as EPS, ROA, ROE, DER, etc. (Rodoni et al., 2018; Madyan et al., 2020; Bandi et al., 2020; Sonu, 2022), and also other information variables such as the reputation of underwriters, auditor reputation, macroeconomic data, and others (Sundarasan et al., 2018; Rodoni et al., 2018; Agustina et al., 2021; Albada et al., 2023).

Despite extensive research on IPO underpricing, the role of nominal value from the prospectus in this phenomenon remains underexplored. These conditions may affect investor perception and, therefore, demand and could impact initial pricing and, subsequently, the performance. This condition means that there might be less attention given to the relationship between nominal value and share price, which leads to a gap in understanding how this might impact IPO underpricing. Thus, by researching nominal value, crucial lessons can be learned about IPO pricing strategies and investor behavior.

Indonesia is one of the most attractive countries for research on sharia as it is the largest Muslim country in the world in terms of population. The phenomenon of IPO underpricing remains a critical area of financial research, particularly in emerging markets like Indonesia, where Shariah compliance adds unique dynamics to investor behavior (Hanafi & Hanafi, 2022). Shariah offers a potential contribution to the debate on optimal IPO methods and IPO underpricing issues in general, and it is expected to reduce information asymmetry and agency problems (Hanafi & Hanafi, 2022). In previous research, Bakar & Rosbi (2017), which is in line with Yaakub & Sherif (2019), concluded that sharia status has a positive effect on the level of IPO underpricing, while according to Mayes & Alqahtani (2015) sharia compliance has a negative effect which is supported by research by Mehmood et al. (2021). In addition, research conducted by Boulanouar & Alqahtani (2016), supported by Hanafi & Hanafi (2022) and Albada (2024), indicates that Sharia status has no significant effect on the level of IPO underpricing.

Apart from Sharia status, another factor considered when looking at a company that will IPO is the reputation of the underwriter. Underwriters with a good reputation will try to maintain their image and market share by successfully guaranteeing the company's IPO (Bandi et al., 2020). A better underwriter reputation can signal the quality of the company, reduce information asymmetry, and reduce the level of IPO underpricing (Hanafi & Hanafi, 2022). In previous research, Arora & Singh (2019) document that underwriter reputation is associated with higher levels of underpricing or said to have a positive effect; this research is supported by Abbas et al. (2022) as well as Hanafi & Hanafi (2022) in contrast to the research of Rodoni et al. (2018) which is also supported by Setya et al. (2020) and Hu et al. (2021) which concluded that reputable underwriters have a negative effect on the level of underpricing. Meanwhile, according to Agustina et al. (2021), the underwriter's reputation statistically has no significant effect on the level of underpricing.

The phenomenon of underpricing can also be influenced by external shareholders, both individuals and institutions, after the IPO, known as public ownership or public float (Michel et al., 2014). In Indonesia, the Indonesia Stock Exchange sets a minimum requirement for the number of shares owned by the public or free float shares of at least 50 million shares and at least 7.5% of the total shares listed. In previous research, Madyan et al. (2020) concluded that the post-IPO public ownership ratio has a positive effect on the level of IPO underpricing. This research is supported by Hanafi & Hanafi (2022) and Harjayanti et al. (2025), in contrast to research conducted by Macit et al. (2015), which concludes that asymmetric information proxied by the percentage of shares sold to the public has a negative effect on the level of IPO underpricing. The results of this study are supported by Kavalenka (2018), Acedo-Ramírez et al. (2019), and Panda & Guha Deb (2023). The results of research by Yuliani et al. (2019) concluded that the percentage of shares offered to the public did not affect the level of underpricing. This research is supported by Zuliardi & Witiastuti (2020), who concluded that the percentage of free float/percentage of stock offerings does not affect the IPO underpricing rate.

When a company's shares are officially listed on the Indonesia Stock Exchange, there are usually words conveyed by internal and external company parties that assist in the public offering process. One of them is the disclosure of oversubscription. Oversubscription refers to the ratio of the number of shares requested by investors to the number of shares offered (Tajuddin et al., 2018). Oversubscription can affect the level of underpricing because excess demand can cause an increase in the share price at the time of the IPO. Mehmood et al. (2021) conducted previous research that concluded there is a positive influence between oversubscription and the level of IPO underpricing, which is in line with the research of Albada et al. (2023). Meanwhile, according to the results of research by Mayes & Alqahtani (2015) and Boulanouar & Alqahtani (2016), oversubscription does not influence the level of IPO underpricing.

At the end of 2019, the world was hit by a virus pandemic called Coronavirus. In early March 2020, the Coronavirus entered Indonesia, which resulted in various activities being hampered due to the COVID-19 fear sentiment. COVID-19 has introduced a new variable pandemic-induced sentiment that has had profound effects on every field. Due to its impact on all fields, the topic of the coronavirus pandemic has become increasingly attractive to researchers around the world (Fedorova et al., 2023). One of those affected is the financial sector, in this study in particular is IPO activity, which can be seen in the data on the number of IPOs in 2019-2020 which has decreased and when the new normal 2020-2021 begins to be applied, it grows again but not so much and when the sentiment of Covid-19 fear begins to subside, IPOs in 2022-2023 begin to grow rapidly. COVID-19 sentiment, characterized by heightened uncertainty and volatility, can provoke episodes of widespread sales of risky assets (Zaremba et al., 2020). Integrating this variable into the analytical framework not only reflects the contemporary market milieu but also challenges conventional theories by testing them under crisis conditions. Therefore, the COVID-19 fear sentiment can also affect the behavior of investors who will buy IPO shares. Baig & Chen (2022) found that COVID-19 has a positive effect on the level of IPO underpricing. This research is supported by İlbasım (2023) as well as Zhang & Neupane (2024), which shows that Covid-19 sentiment has a significant positive relationship with the level of underpricing. In contrast to the research results of Mazumder & Saha (2021), which concluded that Covid-19 proxied by the fear index has a negative effect on initial return. This research is in line with Indrawati & Kohardinata (2022) and Meliana & Nainggolan (2023).

In conclusion, the objective of this study is to re-examine IPO underpricing through the lens of Shariah compliance, underwriter reputation, free float ratio (percentage of shares offered), oversubscription, and COVID-19 sentiment in Indonesia. In this market, Islamic finance and pandemic recovery intersect. By resolving contradictions in prior literature (e.g., Shariah as a signal vs. a driver of overreaction) and introducing nominal value as a novel factor, we provide actionable insights for issuers, regulators, and investors navigating Indonesia's evolving IPO landscape.

METHODS

In this study, we used purposive sampling techniques based on specific criteria. These criteria are: 1) stocks of companies that IPO on the Indonesia Stock Exchange in 2017-2023; 2) stocks that experienced the underpricing phenomenon on the first day of the IPO; and 3) stocks that experienced oversubscription at the time of IPO. With these criteria, the number of samples in this study amounted to 251 shares of companies that IPO on the Indonesia Stock Exchange (IDX) between 2017 and 2023. The dependent variable in this study is underpricing IPO, and the Independent variables are Shariah Compliance, Underwriter Reputation, Free Float Ratio, Oversubscription, Covid-19 Sentiment, and Nominal Value.

Table 1. Variables Operationalization

Variable	Indicator	Source of Data
Dependent Variable:		
Underpricing	The first day closing price of the IPO minus the offer price divided by the offer price.	Yahoo Finance and related company prospectus documents
Independent Variables:		
Shariah Compliance	Dummy variable, 1 if the company's shares are categorized as shariah compliance, 0 if not compliant.	Financial Services Authority (OJK) website and the Indonesia Stock Exchange (IDX) website.
Underwriter Reputation	Dummy variable, 1 if reputation underwriter is included in Top 10 most active IDX members in total trading value, 0 if not included.	IDX Yearly Statistics
Free Float Ratio	Number of shares offered divided by the total number of shares expressed in percentage.	Related company prospectus document
Oversubscription	Number of shares demanded by investors divided by number of shares offered.	Digital media such as economic, business, and financial news websites.
Covid-19 Sentiment	Dummy variable, 1 if the company's shares IPO in 2020-2021, 0 if the IPO is other than 2020-2021.	The time span of the covid-19 virus entering Indonesia.
Nominal Value	The nominal value contained in the prospectus of the company.	Related company prospectus document

Therefore, the research model for the study is:

$$UND = \alpha - \beta_1 SHARIAH - \beta_2 RU10 + \beta_3 FLOAT + \beta_4 OVS + \beta_5 COVID + \beta_6 NOMINAL + \varepsilon$$

Where:

UND : Underpricing

SHARIAH : Shariah Compliance

RU10 : Underwriter Reputation (Top 10)

FLOAT : Free Float Ratio

OVS : Oversubscription
COVID : Covid-19 Sentiment
NOMINAL : Nominal Value

In the context, an explanation will be sought between the independent variable as the cause and the dependent variable as the effect in a phenomenon. This study will explain the influence of the variables Shariah compliance, underwriter reputation, free float ratio, oversubscription, COVID-19 sentiment, and nominal value on the IPO underpricing level. Data analysis in scientific research aims to present empirical findings in the form of descriptive statistical data and inferential statistical analysis to draw conclusions on the research results. To answer research questions, data analysis techniques in this study will use descriptive analysis and multiple regression analysis. Before conducting research hypothesis testing, it is necessary to test several classical assumptions. The classical assumption test is conducted so that the model in the study meets the BLUE assumption (Best, Linear, Unbiased, Estimator). These assumptions include linearity tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests.

Regression analysis is one of the parametric inferential statistical techniques. The time dimension in this study is cross-sectional, namely, data that includes all shares of companies conducting initial public offerings or IPOs in the period 2017-2023. This analysis is conducted to determine the influence of variables in the research model, specifically the relationship between independent variables and dependent variables, using both partial (t-test) and simultaneous (F-test) analyses.

RESULTS AND DISCUSSION

The phenomenon of IPO underpricing in Indonesia remains significantly high, averaging 37.17%, which is comparable to other emerging markets. This study investigates how Shariah compliance, underwriter reputation, free float ratio, oversubscription, Covid-19 sentiment, and nominal value influence underpricing in IPOs. The findings suggest that Shariah compliance and underwriter reputation negatively impact underpricing, while free float ratio, oversubscription, and nominal value positively influence it. However, Covid-19 sentiment does not significantly affect underpricing. These findings contribute to the ongoing discourse on IPO pricing and market behavior by aligning with and challenging previous research. Overall, these findings underscore the importance of both firm-specific characteristics and prospectus information in shaping IPO underpricing. They provide a nuanced understanding that can help issuers, underwriters, and regulators better navigate the IPO process in Indonesia.

The number of IPO shares per sector can vary each year. However, the number of IPO stocks per sector does not guarantee the success of the IPO or the company's future success. This is because many factors can affect the success of an IPO or a company in the future. Each company certainly has different risks and challenges, including competition in its respective industry, global economic conditions, government policies, and internal

factors of the company itself. Companies need to continue to evaluate internal conditions and pay attention to external conditions in making strategic decisions, such as conducting an IPO. Sector rotation is one of the external factors that reflects the movement of money invested in shares from one industry to another as an effort by investors and traders to anticipate the next stage of the economic cycle. Therefore, the number of IPO companies per sector each year will differ depending on overall conditions.

Table 2. Number of IPO Companies 2017-2023

Sector	Sample	%
Energy	18	7.17
Basic Materials	24	9.56
Industrials	17	6.77
Consumer Non-Cyclicals	41	16.33
Consumer Cyclicals	45	17.93
Healthcare	8	3.19
Finance	12	4.78
Property & Real Estate	27	10.76
Technology	24	9.56
Infrastructures	19	7.57
Transportation & Logistic	16	6.37
Total	251	

Table 3. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
UND	251	.0045	.7000	.369596	.2200996
SHARIAH	251	0	1	.67	.470
RU10	251	0	1	.22	.417
FLOAT	251	.0106	.5200	.225430	.0877043
OVS	251	1.00	500.00	52.6561	85.66323
COVID	251	0	1	.26	.441
Ln_NOMINAL	251	.0000	6.9078	3.984589	.9420946

Previous studies report that IPO underpricing varies widely across countries. For example, the U.S. experienced an 11.4% average underpricing in the 1960s, while global first-day returns have ranged from 10% to 80%. Notably, China's average underpricing is 77%, Indonesia's is 58.3%, South Korea's is 41.6%, and Mexico's is 1.8%, the lowest average underpricing (Zhang & Neupane, 2024). In Indonesia specifically, the 2017–2023 period shows an average underpricing of 36.96%, with past studies reporting figures from

18.15% (Madyan et al., 2020) to 58.3% (Zhang & Neupane, 2024). Furthermore, Hanafi & Hanafi (2022) found that the average underpricing of sharia and non-sharia stocks was not much different, around 19% for sharia stocks and 21% for non-sharia stocks.

The overall number of shares of IPO companies with shariah compliance, characterized by sharia status, dominates the IPO stock market in Indonesia at 68.54%. This condition is also supported by regulators, together with other supporting institutions, to ensure compliance. Shariah compliance status boosts investor confidence by aligning with their religious values (Mehmood et al., 2021). This can also attract public trust in the company and increase investor interest. Thus, Sharia status can be an added value for companies in attracting investors and expanding opportunities to grow in the global market. Abdul Rahim and Yong (2010) concluded that Islamic IPOs in Malaysia have shown higher returns and risks, while Indonesian Islamic IPOs tend to have lower initial returns and lower risk (Hanafi & Hanafi, 2022). This is likely due to stricter screening of business and financials.

Underwriters who can satisfy IPO company clients will have a good reputation. The Indonesian Stock Exchange annually issues documents, IDX Yearly Statistics, which contain statistical information, including IDX Members Activity, which contains ranking data of exchange members in transactions. There are three categories: 50 Most Active IDX Members in Total Trading Volume, in Total Trading Value, and Total Trading Frequency. There are differences in the selection of underwriter reputation metrics: Utomo and Kurniasih (2020) with the 10 most active underwriters, Rodoni et al. (2018) with the top 50, and Yuliani et al. (2019) used the top 20. Meanwhile, Hanafi & Hanafi (2022) used underwriter reputation by creating quartiles of total issuance for each underwriter.

The percentage of shares offered or free float in an IPO includes a small portion of the majority of the company's shares. The percentage of shares to be offered will be determined and agreed upon by the company's management and the underwriter. The amount of free float shares reflects the voting rights that minority investors have in a company. The higher the percentage of free float, the higher their voting rights will be. In addition, free float will also have an impact on adjusting the calculation of stock weights for stock indices. In 2021, the Indonesia Stock Exchange (IDX) emphasized the rule that listed companies must have a minimum of 7.5 percent free float shares or the equivalent of 50 million shares.

In general, oversubscription of IPO shares in Indonesia shows a high level of confidence from investors in the growth prospects and profit potential of companies that will conduct an IPO. In developed countries, there is little focus on factors influencing oversubscription because pricing mechanisms differ, and information on pre-market oversubscription is almost non-existent in book-building and pricing mechanisms (Tajuddin et al., 2018). Including in Indonesia, information on oversubscription is usually published after interviews with relevant companies and can be accessed on digital media such as business and financial news sites. In Malaysia, the average oversubscription ratio is 23.21x, while, if separated into sharia and non-sharia stocks, the average oversubscription

ratio of sharia stocks is 24.93x and non-sharia stocks is 13.55x (Tajuddin et al., 2018). Meanwhile, in Pakistan, the average oversubscription ratio of Islamic stocks is 2.56x and non-sharia stocks is 2.73x, but overall, it is 2.66x (Mehmood et al., 2021).

Sentiment related to COVID-19 has had a significant impact on capital markets around the world since the pandemic began. Uncertainty caused by the spread of the virus, social distancing measures, and economic uncertainty has created high volatility in the stock market. Sentiment related to Covid-19 has also affected the underpricing trend in initial public offerings (IPOs) in the capital market. Mazumder and Saha (2021) found that the initial return or underpricing rate in the presence of COVID-19 is higher than in the last four decades on the United States stock exchange. Mazumder and Saha (2021) measure covid sentiment with the fear index, namely, an index with equal weight for new cases and deaths related to the COVID-19 pandemic. At the same time, Baig and Chen (2022), Fedorova et al. (2023), and Zhang and Neupane (2024) made Covid-19 sentiment a dummy variable with different periods.

Nominal value is the value stated in the company's articles of association, which is explicitly stated in the company's balance sheet and written in the collective share certificate (Santoso, 2020). Based on the data processed, in 2017-2018, the average nominal value of IPO shares was above Rp100, but in 2019 it was below Rp100, which indicates a downward trend from the previous year. Since then, the trend of the nominal value of initial shares has continued to decline until companies with large assets can conduct initial public offerings with a nominal value, such as PT Goto Gojek Tokopedia Tbk (GOTO), becoming an issuer with the smallest nominal value of Rp 1 per share.

Table 4. Regression Analysis

Model		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.064	.069
	SHARIAH	-.085	.026***
	RU10	-.116	.029***
	FLOAT	.638	.139***
	OVS	.000	.000***
	COVID	-.022	.027
	Ln_NOMINAL	.058	.013***

Notes: ***, **, *, significant at 1 %, 5 %, and 10 %. Number in the bracket is the probability.

The higher the level of Shariah compliance, the more qualified the company will be by the criteria for Shariah stocks, which will affect the level of underpricing when officially listed on the stock exchange. It can be concluded that Sharia compliance has a negative effect on underpricing. The results of this research are in line with the research of Mayes and Alqahtani (2015) and Mehmood et al. (2021) but reject Bakar and

Rosbi (2017) and Yaakub and Sherif (2019). Shariah compliance allows for more careful consideration of the offering price by the company, together with the underwriter. The existence of a significant negative influence indicates that companies that do not comply with sharia compliance price their offerings at relatively larger price discounts compared to companies that comply with sharia compliance. Therefore, with sharia compliance, the company has disclosed much information related to the condition of the company, thereby reducing information asymmetry. Apart from that, with sharia compliance, which means the stocks are categorized as sharia-compliant stocks, investors will receive a signal that the company is in good condition because it has passed the screening process and is included in the Sharia Securities List (DES). So, the share price offered is relatively close to the company's value, and investors are willing to pay more. The risk of underpricing accepted by the company will decrease, or underpricing will be minimized.

The underwriter's reputation is a key consideration when a company that is going to IPO chooses an underwriting company to be the company's underwriter. This is because in the IPO process, the underwriter is responsible for its obligations, especially for selling shares to the public. Prospective issuers need to be careful in choosing an underwriter because it will affect the risk of selling shares, which will also affect the level of underpricing. It can be concluded that the underwriter's reputation has a negative effect on underpricing. The results of this research are in line with the research of Rodoni et al. (2018), Setya et al. (2020), and Hu et al. (2021). However, not in line with research by Arora and Singh (2019), Abbas et al. (2022), and Hanafi and Hanafi (2022). Companies with underwriters with a high or good reputation can be a signal that the company is good. In addition, uncertainty regarding information asymmetry can be reduced when compared to underwriters with a low reputation. That way, a highly reputable underwriter will dare to set a higher offering share price because of the quality of the securities underwriting. So, the risk of underpricing received by the company will decrease, or underpricing will be minimized.

The free float ratio represents the proportion of company shares available to public investors. This ratio also determines the risks faced by the issuer. The free float ratio has a positive effect on underpricing. The results of this research are in line with the research of Madyan et al. (2020), Hanafi and Hanafi (2022), and Harjayanti et al. (2025). However, the results reject the research of Macit et al. (2015), Kavalenka (2018), Acedo-Ramírez et al. (2019), and Panda & Guha Deb (2023). The positive influence of the free float ratio indicates that the greater the free float ratio, the higher the level of underpricing. The free float ratio or percentage of shares offered will reveal information transparency so that investors will know the extent of available information in the company. The amount of uncertainty regarding information asymmetry will be seen in the free float ratio that has been agreed upon by the company together with the selected underwriter. As a result, the share price offered will be low given the significant uncertainty, so this will increase the level of underpricing.

Oversubscription is undoubtedly an investor sentiment because the high demand for shares from investors exceeds the number of shares offered by the company. The higher

the level of oversubscription, the more optimistic investor sentiment will be towards the company. So, it will affect the level of underpricing of shares when they are listed on the stock exchange. Oversubscription has a positive effect on underpricing. The results of this study are in line with research conducted by Mehmood et al. (2021) and Albada et al. (2023) but reject the results of Mayes and Alqahtani (2015) and Boulanouar and Alqahtani (2016). This result means that high or low investor demand or oversubscription reflects investors' confidence in investing in a company's shares, which ultimately influences investment decisions. Investors tend to be willing to buy IPO shares based on the sentiment of other investors who are also optimistic about companies that will be listed on the stock exchange. Oversubscription is considered a good investor sentiment signal by investors, so it can be used as a guide in making investment decisions because it can provide a high initial return. The higher the oversubscription, the greater the level of underpricing when listing on the stock exchange.

Apart from investor sentiment, there is also market sentiment, including the sentiment of the Covid-19 pandemic, which broke out in 2020 and 2021. COVID-19 sentiment also causes high uncertainty in the financial markets because it can influence many things, such as investment decisions, market behavior, and the price of an asset or instrument. Likewise, in the initial offering stock market, Covid-19 sentiment can influence the movement of newly IPO shares or the level of underpricing. It can be concluded that COVID-19 sentiment does not affect underpricing. The results of this research are not in line with research conducted by Baig and Chen (2022), İlbasım (2023), and Zhang and Neupane (2024), which stated that the COVID-19 variable had a positive effect on underpricing, and also Mazumder and Saha (2021), Indrawati & Kohardinata (2022), and Meliana and Nainggolan (2023), who state that the COVID-19 variable has a negative effect on underpricing. This result means that Covid-19 market sentiment is not a factor that can influence investors' investment decisions. Thus, the financial market is not completely influenced by the turmoil caused by the pandemic but instead focuses on other factors, such as the fundamental factors of the company itself, including both financial and non-financial information, overall market conditions, and the macroeconomic conditions of a country. Supported by investor optimism after the pandemic. Although in general the COVID-19 pandemic has a significant impact on the global economy, it has not significantly affected the initial public offering stock market. Therefore, it can be concluded that COVID-19 sentiment does not affect the rise or fall of underpricing.

Nominal value, also known as par value, is the value per share of a company, which is stated in the deed of establishment. The nominal value of shares does not directly reflect the share price, but can be useful data for comparing various investment options. Therefore, the nominal value can influence the level of underpricing. It can be concluded that nominal value has a positive effect on underpricing. The explanation that the nominal value can influence the level of underpricing is that the assumed nominal value can be used as a reference that the company has good quality, so that in the articles of association, it is not forced to lower the nominal value too much to

obtain larger IPO funds. A high nominal value can also give investors confidence that the company has valuable assets and has good growth potential. Therefore, investors are thought to see the nominal value as a positive signal from the company to reduce existing information asymmetry, so that investors dare to pay higher prices because the nominal value can reflect the company's credibility and prospects. Thus, the greater the nominal value, the greater the level of underpricing.

Overall, the difference between this study and previous studies lies in its exclusive focus on non-financial information. This study addresses a current phenomenon wherein investors increasingly consider factors such as Shariah compliance, underwriter reputation, free float ratio, market and investor sentiment, and the nominal value of stocks. In contrast, prior studies, such as Rodoni et al. (2018), Madyan et al. (2020), Bandi et al. (2020), and Sonu (2022) have typically combined both financial and non-financial information in their analyses.

Another difference with other studies is the metrics used to measure the variables. In this study, total trading value is employed as a measure of underwriter reputation, whereas prior studies have commonly employed metrics such as total trading frequency, total trading volume, and other related measures (Rodoni et al., 2018; Yuliani et al., 2019). The rationale behind this choice is that a higher total trading value reflects greater investor confidence in the broker, who also serves as the underwriter.

CONCLUSION

The results of underpricing research on 251 IPO shares in the 2017-2023 period were overall in the high category, namely 37.17%. Several factors affected underpricing, including sharia compliance, underwriter reputation, the free float ratio, oversubscription, and nominal value. 68.54% of the IPO stocks were Sharia-compliant. The underwriter reputation, measured by the top 10 most active by trading value, changed each year, and the free float ratio shows a downward trend from 2018 to 2022. Oversubscription varied each year, with an average of over 28 times. The Covid-19 sentiment shown influences the movement of an asset or instrument and investor behavior in general. Finally, the nominal value of shares fluctuates, and over time, their value becomes smaller. The study found that higher Sharia compliance and higher reputation of the underwriter led to lower underpricing. On the other hand, a higher free float ratio, higher oversubscription, and higher nominal value increased underpricing, while Covid-19 sentiment did not have a significant impact.

Based on the result, the implications of this research can be a reference for future researchers, investors, companies, and the government as a regulator. Policymakers are recommended to enhance regulatory frameworks that support robust Sharia compliance standards and promote the engagement of reputable underwriters, thereby fostering greater market stability and investor confidence. In addition, more straightforward guidelines on free float ratios and nominal share values, along with improvements in pricing mechanisms such as the book-building process, are advised to reduce underpricing and improve

transparency. Although Covid-19 sentiment did not show a significant effect, continued monitoring of market behavior remains important. These measures can strengthen IPO regulation, improve transparency, and support a more stable capital market in Indonesia.

Overall, these insights provide valuable guidance for investors, companies, and regulators in optimizing the IPO process. Investors can better assess the risk-return profile of new listings, while companies can refine their offering strategies. Regulators can utilize these results to develop targeted policies aimed at improving transparency and efficiency in the IPO market, ultimately contributing to a more resilient capital market in Indonesia.

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