

**A CRITICAL ANALYSIS OF THE UNDERPRICING RELATED TO COVID-19 AND POST
COVID-19 IPO STOCK PERFORMANCE IN OUR SOCIETY**

By

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ABSTRACT

The COVID-19 pandemic has had a significant impact on capital markets in ASEAN-5 countries (Indonesia, Malaysia, Thailand, the Philippines and Singapore), including the phenomenon of underpricing in initial public offerings (IPO). This research analyzes the influence of the COVID-19 Fear Index, company characteristics, IPO characteristics, and macroeconomic factors on underpricing and its impact on the long-term performance of IPO shares as measured using Buy and Hold Abnormal Return (BHAR) for one year in the period January 30, 2020 - May 5, 2023. A total of 303 companies were selected using the purposive sampling method. Data analysis was carried out using the Ordinary Least Squares (OLS) method, with winsorizing at the 5% and 95% levels and eliminating outliers based on a residual standard deviation of more than 3. The results of the study showed that the Fear Index had a negative effect on underpricing. In terms of company characteristics, Return on Assets (ROA) has a positive effect on underpricing and BHAR, while company size only has a positive effect on BHAR. For IPO characteristics, Public Ownership has a positive effect on underpricing, while Offer Size has a negative effect on BHAR. In the macroeconomic aspect, GDP per capita growth has a negative effect on underpricing, and interest rates have a negative effect on BHAR. In addition, underpricing has a significant negative effect on BHAR, indicating that low initial stock prices can affect long-term performance. This research emphasizes the importance of considering various factors in IPO analysis during the crisis. It is recommended for further research that underpricing be used as an intervening variable and use a fixed effect model per country, as well as deepen the analysis of underwriter reputation by considering differences in regulations between countries.

KEYWORDS: IPO Underpricing, Phenomenon Analysis, Fear, Covid-19, Post Covid-19, IPO Stock Performance in Regional ASEAN Countries

INTRODUCTION

Background

The phenomenon of underpricing in an IPO occurs when the share offering price is lower than the initial trading price on the secondary market, which is often detrimental to the issuer because it reduces the potential for funds raised. However, for investors, underpricing is profitable because it produces initial returns and also functions as a signal of company quality to reduce information asymmetry [1]. The COVID-19 pandemic, which began at the end of 2019, has had a significant impact on the global economy, including in the ASEAN region. Countries such as Indonesia, Malaysia, Thailand, the Philippines, and Singapore experienced sharp declines in GDP due to economic restrictions, recession, supply chain disruptions, and a decline in global demand, leading to increased market volatility and uncertainty for investors [2].

Table 1. IPO Stock Performance of ASEAN-5 Countries in 2020-2023

NO	Country	2020			2021			2022			2023		
		Underpricing	Stagnan	Overpricing	Underpricing	Stagnan	Overpricing	Underpricing	Stagnan	Overpricing	Underpricing	Stagnan	Overpricing
1	Indonesia	48	0	2	45	0	7	47	1	8	55	3	20
	Percentage	96.00%	0.00%	4.00%	86.54%	0.00%	13.46%	83.93%	1.79%	14.29%	70.51%	3.85%	25.64%
	Total	50			52			56			78		
2	Thailand	21	1	6	37	0	4	33	2	7	20	0	20
	Percentage	75.00%	3.57%	21.43%	90.24%	0.00%	9.76%	78.57%	4.76%	16.67%	50.00%	0.00%	50.00%
	Total	28			41			42			40		
3	Malaysia	13	0	5	24	2	2	25	1	8	24	1	7
	Percentage	72.22%	3.57%	27.78%	85.71%	7.14%	7.14%	73.53%	2.94%	23.53%	75.00%	3.13%	21.88%
	Total	18			28			34			32		
4	Singapore	9	0	2	8	0	0	9	0	2	3	0	3
	Percentage	81.82%	0.00%	18.18%	100.00%	0.00%	0.00%	81.82%	0.00%	18.18%	50.00%	0.00%	50.00%
	Total	11			8			11			6		
5	Philippines	2	0	1	6	0	1	1	0	3	2	0	1
	Percentage	66.67%	0.00%	33.34%	85.71%	0.00%	14.29%	25.00%	0.00%	75.00%	66.67%	0.00%	33.34%
	Total	3			7			4			3		

Resources: IDX, SET, KLSE, SGX, PSE (2025)

The impact of the pandemic on ASEAN-5 stock markets varies depending on; policies, economic structure and investor sentiment of each country. This difference triggers variations in underpricing, such as Indonesia which recorded a high level in 2020, while Singapore and Thailand experienced it in 2021. A total of 552 IPOs occurred in the region during 2020–2023. The study of Zhang et al. (2024) and Baig & Chen (2022) show higher underpricing during the pandemic, although this is still debated. Wigantini and Naingolan (2023) also found that the COVID-19 fear index had a negative impact on the market [3].

As WHO lifts the pandemic emergency status in May 2023, it is necessary to re-examine the relationship between underpricing and the long-term performance of IPOs in the ASEAN macroeconomic context during the global COVID-19 crisis, considering the lack of studies that comprehensively review this aspect [4].

- **Financial management**

Financial management is a strategic process in managing financial resources to maximize company value for shareholders. Its functions include planning, budgeting, and controlling, auditing and financial reporting. Gitman and Zutter identify three main decisions: funding, investment, and dividends. The ultimate goal is to improve shareholder welfare through increasing the company's market value [5].

- **Asymmetry Information Theory**

Information asymmetry occurs when one party has more information than the other party in a transaction. In an IPO, the company and underwriter often know more than investors. These triggers underpricing which is explained by three main theories:

1. Winner's Curse: Investors without information more often get overvalued IPOs, so issuers need to underprice as risk compensation [6].
2. Principal-Agent Theory: Underwriters as agents can have different interests from the issuer. Underpricing is used to avoid conflict, even as a form of hidden rent [7].
3. Signaling Theory: Quality companies signal their intrinsic value through underpricing, hoping for long-term benefits. The reputation of the underwriter, auditor, and governance support these signals [8].

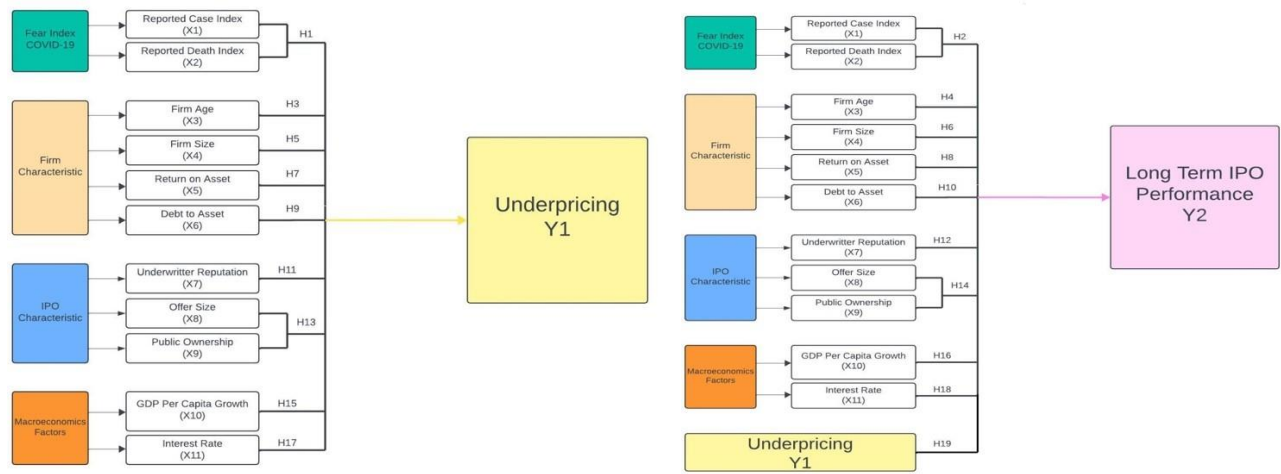
- **Efficient Market Hypothesis (EMH)**

The Efficient Market Hypothesis states that security prices in the capital market reflect all available information, whether historical, public or private. Thus, no investor can consistently earn abnormal returns after adjusting for risk, because the market reacts quickly to new information [9].

PREVIOUS RESEARCH

Various empirical studies reveal that IPO underpricing increased during the COVID-19 pandemic. Zhang and Neupane noted an increase in global underpricing of 17.6%, influenced by company

fundamentals, underwriter reputation, and policy uncertainty. Shareholder protection and ESG performance dampen underpricing, while economic support actually strengthens it. In ASEAN-5, Wigantini and Nainggolan find that the fear index influences post-IPO liquidity. Mazumder and Saha highlight that market fear reduces the short-term performance of IPOs. Baig and Chen added that the technology and health sectors experienced underpricing and high volatility due to uncertainty and policy responses [10]. Research Model and Hypothesis Research Model



Gambar 1. Model Penelitian 1 dan 2
 Source: *Kajian Teori, 2025*

The conceptual framework in this research describes the relationship between the variables tested, namely the COVID-19 Fear Index, Firm Characteristics, IPO Characteristics, and Macroeconomic Factors (variable).

HYPOTHESIS

Based on the research model that has been prepared, the hypothesis proposed is as follows:

- H1: The COVID-19 Fear Index has a significant negative influence on levels Underpricing at IPO
- H2: The COVID-19 Fear Index has a significant negative influence on long-term IPOs Performance
- H3: Company age has a significant negative influence on the level of underpricing at IPO
- H4: Company age has a significant positive influence on Long Term IPO Performance
- H5: Company size has a significant negative influence on the level of underpricing at IPO
- H6: Company size has a significant positive influence on Long Term IPO Performance
- H7: Return on Assets (ROA) has a significant positive influence on levels Underpricing at IPO
- H8: Return on Assets (ROA) has a significant positive influence on Long Term IPO Performance
- H9: Debt to Asset (DAR) has a positive influence on the level of Underpricing at IPO
- H10: Debt to Asset (DAR) has a negative influence on Long Term IPO Performance
- H11: Underwriter Reputation has a negative influence on the level of Underpricing at IPO,
- H12: Underwriter Reputation has a positive influence on Long Term IPO Performance
- H13: Offer Size and Public Ownership have a negative influence on the current level of Underpricing IPO,
- H14: Offer Size and Public Ownership have a positive influence on Long Term IPO Performance
- H15: GDP per Capita growth has a negative influence on the current level of underpricing IPO,
- H16: GDP per Capita growth has a positive influence on Long Term IPO Performance
- H17: Interest rates have a negative influence on the level of underpricing at IPO,
- H18: Interest rates have a negative influence on Long Term IPO Performance
- H19: The level of underpricing has a negative influence on current long-term IPO performance during the COVID-19 pandemic

CONCLUSION

1. The COVID-19 fear index, especially as measured through the Reported Death Index (RDI) variable, has a significant negative influence on underpricing during the IPO, but does not have a significant influence on the long-term performance of IPO share prices.
2. Company age does not have a significant influence on the level of underpricing and long-term performance of IPO share prices.
3. Company size does not have a significant influence on the level of underpricing at the IPO, but has a significant positive influence on the long-term performance of IPO share prices.
4. Return on Assets (ROA) has a significant positive influence on underpricing and long-term IPO share price performance.
5. Debt to Asset Ratio (DAR) has no significant effect on underpricing and the long-term performance of IPO share prices.
6. Underwriter Reputation does not have a significant influence on underpricing and the long-term performance of IPO share prices.
7. Offer size does not have a significant influence on the level of underpricing, but has a significant negative influence on the long-term performance of IPO share prices. Meanwhile, Public Ownership has a significant positive influence on underpricing, but does not have a significant influence on the long-term performance of IPO share prices.
8. GDP per Capita growth has a significant negative influence on underpricing, but does not have a significant influence on the long-term performance of IPO share prices.
9. Interest rates do not have a significant influence on underpricing, but have a significant negative influence on the long-term performance of IPO share prices.
10. Underpricing has a significant influence on the long-term stock performance of IPO share prices.

SUGGESTIONS

1. **Regulators and Stock Exchanges:** Increase transparency and tighten IPO prospectus regulations and implement stress tests to reduce uncertainty and increase investor confidence.
2. **Company:** Maintain strong financial fundamentals ahead of the IPO to minimize underpricing and optimize fund acquisition during book-building.
3. **Investors:** Avoid IPO euphoria for long-term investment, focus on fundamentals and macroeconomic conditions. For short-term traders, oversubscription and profitability analysis are more important to take advantage of underpricing.
4. **Next Researcher:** Use underpricing as an intervening variable and apply OLS with fixed effects between countries. Review underwriter reputation classifications taking into account different practices in each country and the role of each underwriter.

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