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ASYMMETRIC INFORMATION AND UNDERPRICING OF INITIAL PUBLIC OFFERINGS: EVIDENCE FROM CROATIA

Abstract:

Information asymmetry between issuing firm, the investment bank and the various classes of investors brings about the problem of Initial Public Offerings (IPO) underpricing. The empirical research determined that the degree of underpricing is dynamic and various markets forces interact simultaneously in observing the variation in pricing the new equity issues. By covering the twelve-year period, this paper gives analytical evidence of underpricing of initial public offerings in Croatia. By identified determinants of IPO underpricing, which are explained with the help of agency theory, signaling and behavioral theories, the paper points out to the significance of regulatory framework in this corporate governance segment.

Keywords:

IPO, Croatia, IPO underpricing, corporate governance

JEL Classification: G10, G24, G34