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IPO UNDERPRICING PHENOMENON: THE EVIDENCE FROM THE WARSAW STOCK EXCHANGE

Abstract:

The existence of underpricing effect in IPO has been investigated by a several studies conducted on the basis of stock exchanges in numerous countries. This phenomenon has been explained in the literature with the help of agency theory, signaling, cascading, behavioral theories among others. Numerous exogenous and endogenous factors of IPO underpricing has been identified in several empirical researches. The influence of these various determinants mostly depends upon different level of the capital market development, different structures of the markets, countries' specific regulation. The aim of this article is to present and investigate the degree of underpricing depending on the form of IPO: an issue of new shares in the shape of a public subscription, a sale of existing shares in the shape of a public subscription, a combination of both previous variants or an introducing shares into trading without sale offering. The research is based on the historical data available from the Warsaw Stock Exchange. The analysis is conducted among IPOs that took place over the period 2005-2018. The numerical results indicate the differential effect on the degree of underpricing effect in IPO resulting from various forms of IPO.

Keywords:

IPO, underpricing, public subscription, share sale, share issue, listing

JEL Classification: G11, G23, G32