

## Does Risk Factor Disclosure Influence Underpricing? Evidence from Indonesia IPOS

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### ARTICLE INFO

*Keywords:* Underpricing, Initial Public Offering (IPO), Disclosure of Factors Risk, Information Asymmetry, Prospectus

*Received :* 02, November

*Revised :* 18, November

*Accepted:* 28, November

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### ABSTRACT

This study analyzes the effect of risk factor disclosure in the prospectus on the underpricing rate of IPO shares in Indonesia. With a quantitative approach, this explanatory study analyzed 142 samples of companies that conducted IPOs on the Indonesia Stock Exchange for the 2022-2024 period. The results of multiple linear regression analysis based on cross-sectional data showed that the disclosure of business risks and general risks did not have a significant effect on underpricing. On the other hand, investment risk disclosure has a significant negative effect, while the age of the company has a significant positive effect. However, the regression model has a low Adjusted R<sup>2</sup> value indicating the weak ability of the risk variable to explain the underpricing variation. It is concluded that the disclosure of risk factors in the prospectus has not served effectively as a signal to reduce information asymmetry and affect the underpricing of IPOs in Indonesia.

## INTRODUCTION

The investment climate of the capital market in Indonesia is now increasing. Based on *Market Capitalization* data from the Indonesia Stock Exchange (IDX), the increase in investment in recent years has experienced an average growth of 15.34% per year, from IDR 6,970 trillion in 2020 to IDR 12,336 trillion in 2024. According to Jamaani & Alidarous (2024), the enthusiasm for capital market developments in Indonesia has given rise to opportunities for companies to obtain additional funds by conducting initial public offerings on the stock market. Based on data from the Indonesia Stock Exchange (IDX), in 2024, a total of 943 companies that have conducted an initial public offering process are recorded as many as 943 companies, which continue to grow every year. The process of offering shares by a company on the stock exchange by offering its shares to investors in an initial public offering involves a complex and specific process of determining the company's share price and valuation (Podedworna-Tarnowska, 2023).

The determination of the initial public offering price (*Initial Public Offering* = IPO) needs to pay attention to various aspects, not only the valuation which is based on fundamental analysis in the stock price negotiation, this price is determined based on the compromise between the IPO participants, namely shareholders, issuers, and potential investors. As a result, stock pricing is sometimes too cheap (*underpricing*) because the pricing is based on the satisfaction of the three main parties. Underpricing is a condition when the stock price at the time of the initial public offering (IPO) is set lower than the market price on the first day of trading. The level of *underpricing* can reflect market optimism as well as serve as compensation for investors for the uncertainty and asymmetry of information that occurs during the bidding process. Ahmed *et al.* (2024) noted that from 54 countries there was a variation in documentation results ranging from *the underpricing* level ranging from 5.7% in Argentina to the extreme ratio of 270.1% in the United Arab Emirates. In general, the underpricing rate of IPOs in developed *markets* is lower than in *emerging markets* (Gumanti *et al.*, 2017). The phenomenon of *undepricing* also often occurs in several capital markets in the United States, the United Kingdom, Australia, China and also in Indonesia (Jamaani & Alidarous, 2024). Although a large number of studies have already shed light on this phenomenon, there are still no definitive conclusions. In other words, there are various factors that can affect the occurrence of this phenomenon, one of which is related to prospectuses that can play a role in *underpricing* (Abdou & Dicle, 2007)

A prospectus is a legal document that must be issued by a company before conducting an initial public offering (IPO). The prospectus offers data related to various aspects of the issuing company which includes, among others, information related to past financial performance, brief business history of the company, ownership details, use of funds from the offering, long-term strategic plan of the company and risks that may arise related to the company's business (Gumanti *et al.*, 2017). Thus, a prospectus is the main document that includes a lot of information that investors and financial analysts must consider. There is a positive view to investors regarding clear indicators of risk with increased price

accuracy contained in the prospectus. This is because issuers and underwriters are legally and reputationally liable for misrepresentations made in the prospectus.

It is possible that the financial information contained in the prospectus of a newly operational company in a short period of time is not sufficient to draw significant conclusions about the company's potential future profitability. Therefore, the absence of future forecasts results in investors seeing a huge increase in the level of risk they will face. The risk information disclosed in the annual report can have a positive impact on the profit analysis forecast by improving the quality of the information or it can have a negative impact by improving the perception of risk analysis (Wang *et al.*, 2017).

Based on Article 6 of the Financial Services Authority Regulation No. 8/POJK.04/2017 on "Form and Content of Prospectus and Concise Prospectus in the Public Offering of Equity Securities" states that risk factors must be included in the prospectus. Furthermore, in article 22 of the same regulation, companies that want to go *public* must at least disclose risk factors, including main risks, business risks, risks to investors, and other risks. Thus, the disclosure of risk factors should act as a credible signal to potential investors, so that IPO issuers can use it as a means to convey the quality of the offering.

The study conducted by Campbell *et al.* (2014) stating that based on *signalling theory*, risk disclosure can act as a signal of company quality and positively affect the valuation. This research is in line with (Gumanti *et al.* 2017) provide an explanation that the risk factors mentioned in the prospectus are positively correlated with *underpricing*. Meanwhile, according to the research of Syamni *et al.* (2024) disclosing that risk disclosure levels vary from company to company and are not sufficiently effective for investors, as well as all proxy risk disclosure measures – i.e. internal risk disclosure, external risk, investment risk, and the amount of all risk disclosures are negatively correlated with the initial return of the Indonesian IPO. The study from Ding (2016) also states that risk factors do not have a significant impact on underpricing, but rather are more informative about downside risk that is useful for investors to evaluate IPOs.

There is an empirical study in China showing that there is no significant relationship between the quality of risk factor disclosure by companies and the level of *underpricing* of IPOs in companies backed by the Chinese government (Chen *et al.*, 2022). This research is also in line with Lukman (2020) in Indonesia who showed that the disclosure of risk factors in the prospectus had no significant effect on the Initial Return. Meanwhile, Wasiuzzaman *et al.* (2018) revealed that when risk factors are combined as a single value for overall risk disclosure, it shows a significant relationship to the company's initial rate of return. Therefore, the inequality in these studies shows that further research is needed to assess the minimum disclosure of risk factors by companies conducting IPOs with the rate of return that will be obtained by investors in the future.

This study specifically aims to find out how the disclosure of risk factors has an impact on the level of IPO underpricing in Indonesia. This is done based on the research background that has been described and the *research gap*

found. This study will be carried out in more depth by exploring the types of risk classifications, such as main risks, business risks, general risks or investment risks that have the most influence on the underpricing phenomenon. In addition, this study will also analyze whether company characteristics such as profitability, size, and age of the company play a role in strengthening or weakening the relationship between risk disclosure and *underpricing*.

Research on risk factors in the Indonesian capital market is still relatively limited, so it is hoped that this research can make a significant contribution to the development of an initial public offering mechanism. Furthermore, this study will use the population of IPO company stock data from 2022 to 2024 with a sample of 142 companies listed on the Indonesia Stock Exchange. The research data was obtained from the prospectus issued by each company as an official document containing information related to risk disclosure, financial data and company profile as the variables to be studied. The results of the analysis showed that the disclosure of business risks and general risks was not significant to the level of *underpricing*, while the disclosure of investment risks showed negative and significant results to the level of *underpricing*.

## THEORETICAL REVIEW

### *Asymmetric Information Theory*

*Asymmetric Information Theory* by Akerlof (1970) states that information imbalance between those who know the quality (sellers) and those who do not know (buyers) can cause market distortions. According to Wasiuzzaman *et al* (2018), *Asymmetric Information Theory* assumes that one of the three main parties, namely investors, underwriters and issuing companies, knows the secrets of certain information, while the other party does not know this information, thus creating an imbalance in the initial pricing of the shares during the IPO.

Companies that conduct an *Initial Public Offering* will offer the company's shares to the general public through the stock exchange. The stock exchange as a financial market allows companies and governments to raise funds by selling securities. The IPO process takes place through a joint decision from three parties, namely issuers, underwriters and investors with diverse goals (Brigham & Ehrhardt, 2020). Differences in goals from each party will give rise to an agreement on the stock price to be offered, stock prices that are too low or too high will cause differences in views from investors due to information disparities in both the primary and secondary markets

This asymmetry does not only occur between issuers and investors, but also between investors themselves, between *informed investors* and *uninformed investors* (Rock, 1986). *Informed investors* tend to only buy undervalued IPO shares, so *uninformed investors* often get an *allocation of overvalued shares*. As compensation for this uncertainty, issuers tend to underprice to attract *uninformed investors*. Most studies confirm that *underpricing* levels are also linked to ex-ante uncertainty within the company and for potential investors who expect returns from initial public offerings.

Ex-ante uncertainty is the level of uncertainty faced by investors in assessing a company that will conduct an IPO. According to Beatty & Ritter (1986) there is an equilibrium relationship between the expected underpricing of

the initial public offering and *the ex-ante uncertainty* about the value of the company. One of the variables that indicates ex-ante uncertainty is the number of risk factors stated in the prospectus. According to Jain & Kini (1999), companies with higher risks typically have lower initial investor valuations and a higher likelihood of failure. Risk disclosure, in this case, has a double effect. On the one hand, management can reduce ex-ante uncertainty by increasing transparency, which in turn lowers the need for underpricing. On the other hand, it can reduce information asymmetry and uncertainty, thereby lowering the need for *underpricing* (Wang *et al.*, 2017). This theory provides a framework for analyzing how risk disclosure serves as a signal that influences the perception of uncertainty and ultimately affects the *initial return* for investors towards IPO companies.

### ***Effect of business risk disclosure on underpricing***

Business risks are related to the company's core operations, such as competition, technology, and raw material supply. Transparent disclosure of these operational risks provides a clearer picture of the company's business challenges. With adequate information, investors can make more accurate valuations, which reduces uncertainty and ultimately reduces underpricing.

Wasiuzzaman *et al* (2018) examined IPOs in Malaysia and found that broader disclosure of operational risks correlated negatively with initial IPO returns. Similarly, Syamni *et al* (2024) in the context of Indonesia during the pandemic reported that comprehensive disclosure of business risks helps investors in assessing the company's prospects more realistically, thereby reducing excessive return expectations. The disclosure of specific and measurable business risks is more effective in reducing information asymmetry than *general disclosure* (Hope, 2016). Based on several research results that show the influence of business risk on underpricing, the following hypotheses can be drawn:

H1 : Disclosure of business risk has a negative effect on underpricing

### ***Effect of general risk disclosure on underpricing***

Common risks include external factors such as macroeconomic conditions, government policies, and foreign exchange rates. This disclosure shows the company's awareness of the external environment. By understanding the context of macro risks faced by companies, investors can make more rational expectations of returns, thereby reducing the likelihood of excessive underpricing.

Chen *et al* (2022) examined IPOs in the Chinese market found that comprehensive macroeconomic risk disclosure helps lower the volatility of post-IPO stock returns. Kuswanto (2020) and Müller *et al* (2015) confirm that disclosure of general risks can reduce uncertainty about a company's resilience to external shocks and increase the company's credibility in the eyes of investors. Based on several research results that show the influence of general risk on underpricing, the following hypotheses can be drawn:

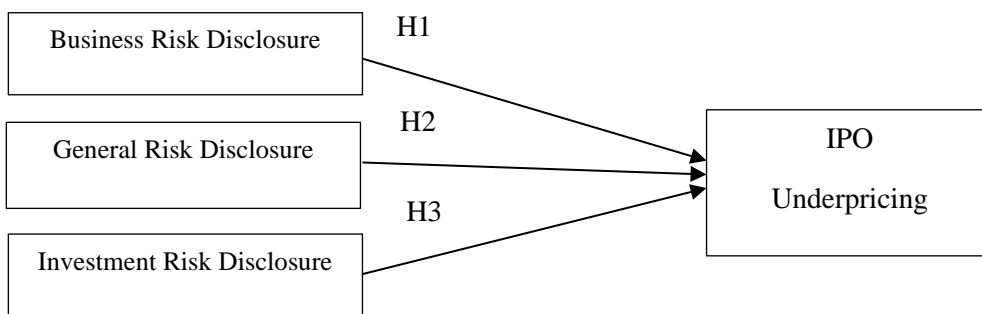
H2 : Disclosure of general risks has a negative effect on underpricing

**Effect of investment risk disclosure on underpricing**

Investment risk specifically highlights the potential losses that investors may face. Honest and direct disclosure of this can build credibility and trust. Investors will appreciate this transparency and may perceive the company as more trustworthy, which reduces the risk premium they ask for and in turn lowers the level of underpricing.

Campbell *et al.* (2014) explains that comprehensive disclosure of investment risks reduces uncertainty about the company's quality in the short term. Gumanti *et al.* (2017) shows that the disclosure of the number of risk factors is positively related to the level of *underpricing*. Syamni *et al* (2024) also found that investment risk disclosure has a significant negative relationship with initial IPO returns in Indonesia, investment risk disclosure in periods of high uncertainty (pandemic) significantly reduces investor ex-ante uncertainty. Based on several research results that show the influence of investment risk on underpricing, the following hypotheses can be drawn:

H3 : Disclosure of investor risk has a negative effect on *underpricing*



**Figure 1. Conceptual Framework**

**METHODOLOGY**

**Research and Sample Approach**

This study uses a quantitative approach with an explanatory type of research. This study explains the relationship between the variables of research and hypothesis testing that have been formulated previously. This research uses a quantitative approach because the data to be used is in the form of secondary data in financial statements and prospectuses published by the Indonesia Stock Exchange (IDX). Therefore, the data collection technique used is a *cross-sectional* type, because the research is only conducted once in a period of time, from 2022 to 2024. The population in this study includes all companies that *go public* on the Indonesia Stock Exchange from 2022-2024. The total population in this study is 178 companies.

The method used to classify the research sample is the *purposive sampling* method based on criteria that have been previously considered by the researcher. The sample criteria used in this study are as follows:

1. The company experienced underpricing on the first day of trading.
2. Prospectus data issued by the company must be accessible on the Indonesia Stock Exchange website

Based on the specified sample criteria, a sample number of 142 companies was obtained. Furthermore, the details of the description of risk factors are contained in article 22 of the Financial Services Authority Regulation No. 8/POJK.04/2017 can be seen in Table 1.

Table 1. Risk Factor Disclosure

No	Types of Risk Factors	Item Risk	Number of Items
1	Business risks	1. Competition 2. Investment or corporate action 3. Failure of the Issuer to comply with the applicable laws and regulations in its industry 4. Technological changes 5. Resource scarcity 6. Raw Material Supply	6
2	Common risks	1. Macro or global economic conditions 2. Foreign Exchange Rate Changes 3. Compliance with applicable laws and regulations related to the Issuer's business field 4. Lawsuits or lawsuits 5. Government Policy 6. Other country provisions or international regulations	6
3	Investment risks	Risks that potential investors can face	1

### Research Variables

This study measured the four independent variables of risk disclosure (major, business, general, and investor) using a simple ratio calculation. The measurement is carried out by dividing the actual amount of risk disclosure in the prospectus by the minimum amount of risk disclosure required according to POJK No. 8/POJK.04/2017, without assigning a score to each risk item. The measurement of variables is as follows:

Table 2. Definition of Operational Variables

Variabel	Indicator	Simbol
<b>Dependent Variable :</b>		
Underpricing	$IR = \frac{P_1 - P_0}{P_0} \times 100\%$	UP
<b>Independent Variable :</b>		
Business risk disclosure	$= \frac{\text{Amount of risk disclosures in the prospectus}}{\text{Minimum risk disclosure in POJK}}$	BRD

General risk disclosure	Risk Index (%) = $\frac{\text{Amount of risk disclosures in the prospectus}}{\text{Minimum risk disclosure in POJK}}$	GRD
Disclosure of investor risk	Risk Index (%) = $\frac{\text{Amount of risk disclosures in the prospectus}}{\text{Minimum risk disclosure in POJK}}$	IRD
<b>Control Variable:</b>		
Profitabilitas	Net profit ÷ Total Assets	ROA
Firm size	Natural logarithm of total assets (before IPO)	LnSize
Firm Age	Company age = Year of IPO - Year of establishment and Natural logarithm (firm age + 1)	LnAge

The data analysis technique in this study includes several stages. Starting from descriptive statistical analysis to describe the characteristics of the research variables and multiple linear regression analysis to test the influence of each independent variable on *underpricing*. The regression equation model used is as follows.

$$IR = \alpha + \beta_1 BRD + \beta_2 GRD + \beta_3 IRD + \beta_4 ROA + \beta_5 LnSIZE + \beta_6 LnAGE + \varepsilon$$

Where IR is *underpricing*, BRD is business risk disclosure, GRD is general risk disclosure, ROA is profitability, SIZE is company size, and AGE is company age. Hypothesis testing was carried out through the F test, the t test, the Adjusted R2 test and the multiple linear regression test.

## RESULTS

### *Statistics Descriptive*

As explained in the research method, the population of this study is 178 companies that conducted IPOs in 2022-2024. Based on the sample determination criteria, it is known that there are a total of 142 companies that meet the research sample. The following is table 3 of the presentation of the sample selection process.

Table 3. Research Sample Selection Criteria

No	Criterion	Sum
1	The company conducts IPO 2022-2024	178
2	The company does not experience underpricing on the first day of trading	38
3	The company experienced underpricing on the first day of trading	142
4	The prospectus is not available on the Indonesia Stock Exchange website	0
5	Companies with complete prospectus	142
6	Final sample	142

The distribution of the research sample is shown in table 4. In the table, it can be seen that the year with the highest number of samples is 2023 with a total of 58 companies (41%).

Table 4. Distribution of Research Samples by IPO Year

No	IPO year	Total	Sample	Sample Percentage
1	2022	59	49	34%
2	2023	79	58	41%
3	2024	40	35	25%
	Total	178	142	100%

Before conducting regression analysis, it is necessary to know how much Observation, Mean, Standard Deviation, Maximum, and Minimum data are used. The following are the results of the Descriptive Statistical Test:

Table 5. Descriptive Statistical Test (n=142)

	N	Mean	SD	Min	Max
IR	142	.222	0.125	0	.41
BRD	142	1.637	1.406	.5	8.833
GRD	142	.784	0.372	0	2.333
IRD	142	4.246	2.400	2	19
LnA	142	2.586	0.693	.693	4.025
ROA	142	.063	0.316	-1.056	3.245
LnS	142	25.855	2.343	20.197	33.58

Note:

UP is the underpricing rate expressed in percentages, BRD is the business risk disclosure, GRD is the general risk disclosure, IRD is the investment risk disclosure, LnA is the age of the company, ROA is the profitability level and LnS is the size of the company.

Based on the test results in table 5, this study uses 142 observations of companies that conducted IPOs in Indonesia in the 2022-2024 period. The results show that the *underpricing* variable (Y) shows an average of 22.2% with a standard deviation of 12.4%, indicating a fluctuation in the level of *underpricing* among issuers with a maximum value of 41%. On the independent variable side, Investment Risk (X3) recorded the highest average of 424.6% and the standard deviation of 240%. Business Risk (X1) also showed a wide data dispersion with a standard deviation of 140.6% and a value range of 50% to 883.3. Meanwhile, General Risk (X2) has the lowest average of 78.4% with a standard deviation of 37.1%, indicating a more moderate level and variation of disclosure.

Table 6 presents a correlation matrix of research variables. As seen in table 6, only investment risk is negatively and significantly correlated with the level of underpricing. It can also be seen in the table that investment risk disclosure is positively and significantly correlated with general risk disclosure and business risk. This suggests that these three types of risk disclosures are correlated with each other and are appropriate proxies for the risk level of the company conducting the initial public offering.

Table 6. Correlation Matrix of Research Variables

Variabel	UP	BRD	GRD	IRD	LnA	ROA
BRD	-0.2271					
GRD	-0.1249	0.6404*				
IRD	0.2522*	0.6511*	0.5738*			
LnA	0.1718	-0.0356	0.0480	0.0126		
ROA	0.1427	-0.1583	-0.0714	-0.1450	0.0084	
LnS	-0.1277	0.6231*	0.5500	0.4228*	0.2092	-0.0721

Note:

The \* sign indicates a significant correlation coefficient at a rate of 5% or better. UP is the underpricing level, BRD is the business risk disclosure, GRD is the general risk disclosure, IRD is the investment risk disclosure, LnA is the age of the company, ROA is the profitability level and LnS is the size of the company.

Table 7. Multiple Linear Regression Test

Variabel	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Constant	0.2551 (16.220)*	0.2550 (10.458)*	0.2777 (13.416)*	0.1868 (4.205)*	0.1914 (4.317)*	0.2003 (3.968)*
BRD	-0.0201 (-2.759)*			-0.0102 (-0.966)		
GRD		-0.0419 (-1.4898)			0.0237 (0.645)	
IRD			-0.0131 (-3.084)*			-0.0106 (-1.839)**
LnA				0.0299 (2.048)*	0.0299 (2.045)*	0.0324 (2.119)*
ROA				0.0388 (1.199)		0.0392 (1.209)
LnS						-0.0022 (-0.569)
Adj.R <sup>2</sup>	0.0448	0.0086	0.0569	0.0790	0.0760	0.0744
F-stat	7.6126	2.2196	9.5104	3.4185	3.9012	2.8885
VIF	1.000	1.000	1.000	1.794	1.510	1.283

Note:

The \*, \*\* sign indicates the significant correlation coefficients at the 5% and 10% levels, respectively. UP is the underpricing level, BRD is the business risk disclosure, GRD is the general risk disclosure, IRD is the investment risk disclosure, LnA is the age of the company, ROA is the profitability level and LnS is the size of the company.

## DISCUSSION

Based on the results of multiple linear regression from the six models tested, it shows that the ability of all models to explain dependent variables to the level of vulnerability is still very low. There was an Adjusted R<sup>2</sup> value in all models not exceeding 8%, which means that there was greater variation in the dependent variables by other factors not included in this study. In Model 1, the Business Risk disclosure variable had a negative and significant effect on the dependent variable ( $\beta = -0.0419$ ;  $t = -2.759$ ;  $p < 0.05$ ). This indicates that the higher the level of business risk disclosure by the company, the lower the value of the dependent variables measured.

In model 2, we test the influence of the general risk disclosure variable. The results showed that GRD had no significant effect on the dependent variable ( $\beta = -0.0419$ ;  $t = -1.4898$ ;  $p > 0.05$ ). This means that the disclosure of general risks does not statistically affect dependent variables. In Model 3, the investment risk disclosure (IRD) variable was shown to have a negative and significant effect on the dependent variable ( $\beta = -0.0131$ ;  $t = -3.084$ ;  $p < 0.05$ ). These findings indicate that the increase in investment risk disclosure is related to the decrease in dependent variables.

In addition to the main variables, the analysis also revealed the role of the control variables. The size of the firm consistently showed a positive and significant influence in all three models that contained it (Models 4, 5, and 6), which means that companies with larger scales tended to have higher values of dependent variables. In Model 5, the general risk disclosure variable was again tested with the company-size control variable and the results were consistent with Model 2, where the general risk remained insignificant.

This study reveals a complex relationship between the risk disclosure dimension and the underpricing rate of IPOs. The results of the analysis show that not all risk categories affect *underpricing* in the same way. The variables of business risk disclosure and general risk were shown to have no significant influence. These findings can be explained by the nature of both risks. Business risks (such as industrial competition and technological change) and general risks (such as macroeconomic conditions and government policies) are systemic and difficult to quantify their specific impact on an issuer. As a result, its disclosure in the prospectus does not strongly affect investor perceptions in the context of the IPO, so it does not have a significant impact on *underpricing*.

On the other hand, this study found that investment risk disclosure and company age (LnA) have a negative and significant effect on *underpricing*. More comprehensive investment risk disclosure was significant at a rate of 10% ( $p < 0.10$ ), while the age of older companies was significant at a rate of 5% ( $p < 0.05$ ). This means that companies are more transparent in disclosing investment-related

risks. Similarly, companies that have been operating for a longer period of time, tend to have lower levels of *underpricing*.

These key findings are in line with and at the same time answer the gap within the framework of *Asymmetric Information Theory* and *Signaling Theory*. Conceptually, these results are consistent with the theory that quality disclosure can reduce information uncertainty (Beatty & Ritter, 1986). Clear disclosure of investment risks acts as a positive signal that the issuer is not hiding negative information, so that investments are perceived to be safer and investors demand smaller price discounts (*underpricing*). Empirical support for this mechanism is also provided by Gu *et al.* (2024) who found that broad risk disclosure reduced information asymmetry and suppressed *underpricing*.

Overall, these findings enrich the understanding of the dual effects of risk disclosure. Through the perspective of information asymmetry theory, as put forward by Rock (1986), predicts that *underpricing* occurs as compensation for investors who do not have complete information. Thus, more and quality disclosure of information should reduce the level of information asymmetry and can reduce *underpricing*. However, the low significance results in this study indicate that quantitatively measured risk disclosures may not be effective in reducing information asymmetry in the eyes of investors. Meanwhile, for issuers, it is not just the number of disclosures, but the clarity and relevance of the specific risks disclosed that are crucial in mitigating *underpricing*.

## CONCLUSIONS AND RECOMMENDATIONS

This study found that the effect of risk factor disclosure on IPO *underpricing* in Indonesia for the 2022–2024 period is limited. Of the three types of risks studied, only the statistically proven Investment Risk Disclosure can lower *underpricing*. In contrast, the disclosure of Business Risk and General Risk did not show significant influence. These findings indicate that in the context of the post-pandemic Indonesian market, investors are paying more attention to and responding to risks directly related to their investment instruments, while tending to ignore risks that are more general and systemic in nature. The low visibility of the model (Adj. R<sup>2</sup>) also reinforces the conclusion that the *underpricing* dynamics in this period are more predominantly influenced by factors beyond risk disclosure, such as market sentiment and investor behavior.

These findings have important implications, especially for researchers and practitioners. For the researcher, these results show the need to expand the research model by including behavioral and non-fundamental variables to be able to more accurately explain the phenomenon of *underpricing* in an era dominated by retail investors and full of uncertainty. For issuers and underwriters, the practical implication is that efforts to reduce *underpricing* solely through broader risk disclosure may not be effective enough. A more comprehensive communication strategy, which also includes expectation management and a deep understanding of current market sentiment is becoming much more crucial.

## FURTHER STUDY

This research has several limitations. The first issue is related to the short research period (2022–2024) which affects the limited number of samples used because it only looks at companies that conduct IPOs. Second, the research period was conducted during post-Covid-19 conditions which showed that market conditions may not fully reflect normal situations. Thus, it can affect the company's decision when conducting an IPO. Third, this study analyzes variables that affect underpricing slightly, so that the researcher can then include variables that may be relevant, such as the underwriter's reputation, macroeconomic conditions, or behavioral factors that may affect underpricing. Also, extending the observation period to increase the number of samples and the findings can be generalized more broadly. These measures are expected to strengthen the findings of further research and provide a more comprehensive understanding of underpricing at IPOs.

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