

Determinants of Flotation Costs among Indonesian IPOs

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ABSTRACT

This study aims to analyze the effect of gross proceeds, company size, profitability, and leverage on share issuance costs in 164 companies conducting Initial Public Offerings (IPOs) in Indonesia during the 2022–2024 period. The results of a multiple linear regression analysis based on cross-sectional data indicate that gross proceeds and company size have a partial negative effect on new share issuance costs. This confirms the evidence supporting findings in other countries that company size and IPO size determine the size of issuance costs. However, a significant positive correlation between company size and IPO size causes the two to cancel each other out during the multiple regression analysis. Large companies and large IPO sizes reduce the percentage of share issuance costs. Profitability levels and leverage levels in the final year before the IPO do not affect the size of issuance costs.

INTRODUCTION

The capital market has an important role as a long-term source of funding for companies. One of the commonly used mechanisms is *Initial Public Offering* (IPO) or initial public offering, which is a complex process and requires significant costs. Strict regulations resulted in the price of the IPO offering being depressed and *Return* high costs, thus incurring costs *going public*. The big ones (Qian *et al.*, 2024). The costs arising from this capital raising activity are called flotation costs, which include direct and indirect cost components. Burton *et al.* (2006) notes that consulting, legal, and administrative costs can make up a large portion of the total flotation costs, and the lack of transparency exacerbates the publisher's inability to accurately estimate these costs. Market intransparency and high transaction complexity complicate cost estimation and increase bargaining power *Dealer* against the publisher (Green *et al.*, 2007).

In Indonesia, IPO activity has shown an increase in recent years. During the period 2010 to 2022, a total of 384 companies have conducted IPOs, reflecting significant growth in national capital market activity. This is supported by data showing variations in *Underpricing* and the number of companies that Implement IPO (Harjayanti *et al.*, 2025). Bruner *et al.* (2006) explained that issuers from developing countries face greater costs and obstacles than issuers from developed countries. Empirical studies in the domestic market also show that Indonesian issuers bear the burden of IPO costs, both in terms of direct costs and indirect costs through *Underpricing*, so it is more burdensome than the practice in developed countries. These findings are in line with Loughran's *et al.* (1994) and Wawryszuk-Misztal (2016) who stated that capital markets in developing countries generally face greater IPO costs and underpricing due to weak market efficiency and high information uncertainty.

Flotation *cost*, often referred to in the literature as *direct costs*, refers to all expenses directly related to the initial public offering (IPO) process. The literature on flotation costs in Indonesia focuses more on the phenomenon of *underpricing* or post-IPO performance.

In the context of regulations in Indonesia, the transparency of emission costs is regulated through Bapepam-LK Circular Letter Number 05/BL/2006, which requires issuers to disclose in detail all costs related to public offerings in the prospectus. This provision covers various cost components, such as emission assurance costs, capital market support profession fees (public accountants, legal consultants, notaries), and listing fees on the stock exchange. The regulation aims to improve information disclosure, issuer accountability, and provide investors with a clearer picture of the structure of flotation costs incurred by companies when conducting an IPO.

Empirical studies in developed countries such as the US show that in large companies, marginal flotation costs include *Underwriting* is in the range of around 5%, while bankruptcy costs reach 8.4%. In contrast, in small companies, the cost of flotation was recorded higher, at around 10.7%, with bankruptcy costs reaching 15.1% (Hennessy & Whited, 2007). A study by Kaserer & Kraft (2003) Of the 117 initial public offerings (IPOs) in Germany in the period 1993–1998 found that the average flotation cost amounted to 7.77% of gross revenue, with costs

Underwriting the average is 5.01%. In Asia, one of the developing countries such as Bangladesh shows that companies allocate about 6% of the total IPO funds as flotation costs (Rahman *et al.*, 2020). In Africa, an empirical study conducted in Kenya showed that the average flotation cost ranged from 3.1–3.4% of the supply size, with a median of 2.98%, a standard deviation of 2.7%, and a minimum and maximum values of 0.13% and 14.27%, respectively (Mwenda, 2021).

This study aims to analyze the determinants of flotation costs in companies conducting initial public offerings (IPOs) in Indonesia, focusing on direct costs such as underwriter fees, listing fees, and consultant fees. The limitations of the study in Indonesia, which have unique characteristics in regulation, dominance of family firms, and capital market structures, create a gap in the literature on factors that affect the amount of flotation costs. Using data from 169 companies that IPOs during 2022–2024, this study examines the influence of *gross proceeds*, *firm size*, *profitability* and *leverage* on flotation costs, with the perspective of information asymmetry theory as *the grand theory*. This theory explains that these variables function as a signal of company quality in reducing information inequality between issuers, underwriters, and investors. The results of the research are expected to make an empirical contribution to the development of knowledge in the field of finance and capital market efficiency in developing countries such as Indonesia.

THEORETICAL REVIEW

An IPO is basically an event formed by the goals, decisions, and actions of three entities, namely the issuer, the underwriter, and the investor. During the IPO, there are three parties, the issuer, the underwriter, and the investor, who are motivated by diverse and sometimes conflicting goals. This motivation is often reflected in the phenomenon of information asymmetry, where the interests of issuers, underwriters, and investors are not aligned (Jamaani & Alidarous, 2019).

Theoretically, this phenomenon is rooted in *the grand theory* of information asymmetry introduced by Akerlof (1970) through his work *The Market for Lemons*, and further developed by Spence (1973) with *signaling theory* and Stiglitz (2000) through *screening theory*. This theory confirms that one party (issuer and *underwriter*) has more complete information about the company's value and prospects than the other party (investor). This imbalance causes problems of *adverse selection* and *moral hazard*. Investors who have more limited information tend to demand compensation in the form of lower share prices, while issuers try to maximize the funds raised. These differences in interests gave birth to the practice of *underpricing* in IPOs as a mechanism to bridge the information gap.

Underwriters, for example, are driven to raise the offer price in order to optimize the funds raised, but are also motivated to maintain their reputation by avoiding *Break price* (Song & Tang, 2015). In addition, underwriters prioritize institutions that they have previously worked with. Regular investors earn greater profits than casual investors in IPOs (Source: *et al.*, 2007). This creates an imbalance of interests between various groups of investors.

The cost of issuing shares or what is referred to as *flotation costs* is one of the main components that appear in the IPO process. These costs cover all expenses arising from public offering activities and usually reduce the amount of net funds the company receives. In the financial literature, *the term flotation costs* is often used interchangeably with *direct costs*, as both reflect the direct costs incurred by a company to acquire new equity funds through the capital market. According to Ritter, *direct costs* include *underwriter commissions, printing expenses, auditing expenses, and other out-of-pocket costs* (Ritter, 1987).

Based on the Financial Services Authority Regulation Number 8/POJK.04/2017 concerning "Form and Content of Prospectus and Short Prospectus in the Context of Public Offering of Equity Securities" in article 15 states that the Issuer must disclose information about the estimated details of the costs incurred by the Issuer in the context of the Public Offering either in the form of a certain percentage or absolute value in currency denominations, which at least include: guarantee service fees, implementation service fees, sales service fees, capital market supporting professional service fees, capital market support institution service fees, financial consulting service fees, and miscellaneous costs.

Research on the cost of flotation is based on the foundation of a major theory. Signal theory (*Signaling Theory*) states that the manager (agent) or company qualitatively has excess information compared to outside parties and that they use certain measures or facilities implying the quality of their company (Scott, 2009). Thus, the manager's decision in determining the funding structure, including the amount of flotation costs incurred, can be a signal to investors regarding the company's prospects and credibility in the capital market.

The size of the share offering affects the efficiency of the cost of emissions because the larger the funds raised, the fixed costs such as administrative and legal can be spread more widely, so that the percentage of flotation costs to the total fund becomes lower. This reflects economies of scale, where companies with large bids are more efficient in reducing the relative cost burden than companies with small bids. Research conducted on REIT companies in the United States, which included 125 REIT IPOs during the period 1996 to June 2010, showed a downward trend in total direct costs (*Total Direct Costs*) after 2000. The decline was due to reduced underwriting costs (*underwriting fees*) and non-emission costs (*non-underwriting expenses*). In addition, the results of the study identified that the size of the offer (*Offer size*) is the main determination of the total direct costs and each of their components, and has a negative influence on the amount of costs incurred in the initial public offering process (Bairagi & Dimovski, 2012).

Dimovski & Brooks (2007) examined the factors that affect the total direct costs of equity raising by property companies conducting IPOs in Australia during the period 1994 to 2004. The study showed that companies with larger offer sizes generally incur lower direct costs when measured as a percentage of *Proceeds*. These findings indicate an effect *economies of scale* in the initial public offering process, where an increase in the scale of the offering allows the company to reduce the proportion of the cost of emissions through better efficiency and negotiation ability with related parties.

However, there has not been much research that explicitly explores the possibility that increasing the size of the supply can actually increase the total direct costs nominally, especially in the context of a smaller or less efficient market such as Indonesia. Thus, there is still a gap in research on how the effect of supply size on direct costs can vary depending on market characteristics and the emission cost structure in each country. The hypotheses proposed in this study are as follows:

H1: *gross proceed* has a negative effect on flotation costs

Company size is one of the important determinants in flotation costs because larger companies generally have a stronger reputation, a higher level of information transparency, and a lower risk profile than smaller companies. This condition reduces information asymmetry between companies and investors, thereby reducing the need for risk compensation by underwriters in the form of *Underwriting fee* and other issuance costs. Previous studies have shown that the size of the company or the amount of funds raised (*Offer size*) is one of the main determinants of direct costs in the initial public offering process. Ritter (1987) stated that direct costs tend to decrease proportionally to the funds obtained due to the effects of *economies of scale*. Similar results were found by Dimovski & Brooks (2007) IPOs with net asset value (*Net Asset Value*) that are proportionately larger as well as that offer staple securities (*Stapled Securities*) who are likely to be involved in property development activities have lower fundraising costs. Bairagi & Dimovski (2012), which indicates that the size of the offer proves to be a major determining factor for total direct costs and their respective components, and has a negative influence on the magnitude of the cost. This efficiency occurs because large companies generally have better reputations, more mature organizational structures, and stronger negotiating capabilities with underwriters and other service providers.

However, most of the research was conducted in countries with established capital markets such as the United States and Australia. This condition is different from emerging markets such as Indonesia, which are characterized by a relatively smaller supply scale, a limited level of market efficiency, and an emission cost structure that may not fully follow the pattern of *economies of scale*. In addition, research that specifically examined the relationship between firm size and direct costs in Indonesia is still very limited. Therefore, there is still a research *gap* on whether the negative relationship between firm size and direct costs found in developed markets is also applicable in the context of emerging markets. The hypotheses proposed in this study are as follows:

H2: Company size has a negative effect on flotation costs

A company's profitability is considered an indicator of a company's quality. Companies that have a high level of profitability are generally considered to be more qualified and stable entities by capital market participants, as they reflect the ability of management to create profits and maintain operational liquidity. This superior profitability indirectly indicates lower risk, so that *Underwriter* there is no need to demand excessive compensation in the form of flotation fees or *Underwriting fee*. In the literature, profitability is often measured through indicators such as ROA (*Return on Assets*) or profit margin,

which reflects the financial health and resilience of the company in volatile economic conditions. Previous research findings support this view Wawryszuk-Misztal (2016) which researches the Warsaw Stock Exchange (*Warsaw Stock Exchange/WSE*) in Poland between 2006 and 2015 with a research sample covering 83 companies that conducted IPOs. Indicates that companies with higher levels of profitability (measured using ROA) bear lower total direct costs. Due to the limited literature on the factors that affect the direct costs of IPOs primarily related to profitability, this study aims to fill the gap. The hypotheses proposed in this study are as follows:

H3: Profitability negatively affects flotation costs

The company's capital structure before conducting an IPO is believed to affect the costs incurred during the offering process. One of the most commonly used indicators of capital structure is the *Leverage*, which is a comparison of total debt to equity of a company. Theoretically, companies with high levels of leverage are considered to have greater financial risks due to the burden of liability that must be beared. These risks can increase risk perception for underwriters and other professional service providers, thereby encouraging an increase in the direct costs that companies must pay when conducting an IPO. Research conducted by Dimovski & Brooks (2007) on property companies in Australia found that IPOs that used a larger proportion of debt tended to have higher raising costs. Companies with higher levels of leverage tend to incur greater costs due to the high perception of risk by the market and underwriters. In contrast, in emerging markets such as Indonesia, IPO fee structures and underwriters' behavior may differ due to smaller offering scales, still low levels of market efficiency, and large variations in leverage levels between companies. Until now, research that specifically explores the relationship between *leverage* and direct costs in IPO companies in Indonesia is still very limited. Thus, there is still a *research gap* on how *leverage* levels affect the amount of direct costs in the context of emerging markets, where the structure of risk and emission costs tends to differ from developed markets. The hypotheses proposed in this study are as follows:

H4: *leverage* has a negative effect on *flotation costs*.

METHODOLOGY

This study uses a quantitative approach with an explanatory design that aims to test the influence of *gross proceeds*, *firm size*, *profitability* and leverage on direct flotation costs in companies conducting IPOs in Indonesia. The population in this study is all companies that conducted IPOs on the Indonesia Stock Exchange (IDX) in the period 2022 to 2024. The sampling technique is carried out by the *purposive sampling* method, which is to select a company based on certain criteria. The criteria used include: the company conducted an IPO during the research period, the issuance prospectus reveals complete flotation cost data, and the company's financial data is adequately available in the annual report and prospectus document. Based on these criteria, as many as 165 companies were obtained as a research sample.

The type of data used is secondary data sourced from IPO prospectuses from the Indonesia Stock Exchange and the Financial Services Authority (OJK).

The data includes information on flotation costs (guarantee service fees, implementation service fees, sales service fees, capital market supporting professional service fees, capital market support institution service fees, financial consulting service fees, and other costs), total assets, net profit, total debt, and the amount of funds raised from the initial public offering.

The research population includes all companies that conducted IPOs on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. The sampling technique uses the purposive sampling method through the published prospectus. Selected companies must meet two criteria. First, the company discloses complete data related to the cost of flotation directly in the prospectus. Second, the company's financial data is fully available in the annual report and IPO prospectus.

Table 1. Definition of Operational Variables

Variable	Indicators/Formulas	Scale
Dependent Variable		
Flotation Costs (FC)	(Underwriter fees + legal fees + accounting fees + notary fees + registration fees + other fees) x Gross Proceeds	Ratio (%)
Independent Variables		
Gross Proceeds (LnGP)	Total IPO funds raised (Ln)	Ratio
Firm Size (LnSIZE)	Total assets (Ln)	Ratio
Profitability (ROA)	Net income ÷ Total assets (ROA)	Ratio
Leverage (LEV)	Total debt ÷ Total assets	Ratio

The data analysis technique in this study includes several stages. First, descriptive statistical analysis was carried out to describe the characteristics of the research variables, such as mean values, standard deviations, minimum values, and maximums. Furthermore, multiple linear regression analysis was used to test the influence of each independent variable on flotation costs. The regression equation model used is:

$$FC = \alpha + \beta_1 LnGP + \beta_2 LnSIZE + \beta_3 ROA + \beta_4 LEV + \varepsilon$$

Hypothesis testing was carried out through the t-test to determine the partial influence of each independent variable, the F-test to see the simultaneous influence of all independent variables, as well as the determination coefficient (R^2) to measure how much variation in flotation costs could be explained by the research model.

RESULTS AND DISCUSSION

Descriptive Statistics

Between 2022 and 2024, it was found that there were 169 companies that conducted IPOs with details of 58 companies conducting IPOs in 2022, 74 companies in 2023, and 37 companies in 2024. The results of the observation showed that there were five companies that had extreme data and were excluded from the sample. The extreme data was found on profitability (three companies) and *leverage* (two companies). Thus, the final sample of the study included 164 companies.

Before conducting regression analysis, descriptive statistical analysis was first carried out to describe the characteristics of the research data, including the number of observations, mean values, standard deviations, and the maximum and minimum values of each variable used. The following are the results of the Descriptive Statistical Test:

Table 2. Descriptive Statistical Test (n=164)

	N	Mean	SD	Min	Max
Flotation Cost	164	.048	0.028	.002	.139
Gross Proceed	164	25.469	1.043	23.731	29.933
Firm Size	164	25.358	1.927	20.906	30.22
Profitability	164	.06	0.131	-.575	.539
Leverage	164	.642	0.337	.073	3.206

Based on the results of the descriptive statistical test in Table 2 with 164 observations of companies conducting IPOs, the *Flotation Cost* as a dependent variable has an average of 4.8% with a standard deviation of 2.8%, indicating that the emission cost is relatively low but still varies between companies, with a minimum value of 0.2% and a maximum of 13.9%. The *Gross Proceed* variable shows an average of 25,469 with a moderate spread (SD 1,043), reflecting a fairly significant difference in the size of the stock offering. *Firm Size* also showed high variation, with an average of 25,358 and a standard deviation of 1,927, indicating a combination of small to large companies in the sample. *Profitability* has an average of 6% and a standard deviation of 13.1%, indicating that there are companies that are very profitable to those that have suffered significant losses, as can be seen from the minimum value of -57.5% and the maximum value of 53.9%. Meanwhile, *Leverage* recorded an average of 64.2% with a standard deviation of 33.7%, indicating a fairly wide variation in funding structures, from companies with very low debt to those with *leverage* of more than three times their assets.

Correlation between Variables

Table 3. Correlation Matrix between Variables

Variable	Gross Proceeds	Firm Size	Profitability	Leverage
Flotation cost	-0.643*	-0,435*	0,096	-0,039
Gross Proceeds		0,672*	-0,224*	0,019
Firm Size			-0,392*	0,042
Profitability				-0,328*

Note: * denote significant at 5% level or better

The results of the correlation analysis showed that *flotation cost* had a significant negative relationship with *gross proceeds* ($r = -0.643$; $p < 0.05$) and *firm size* ($r = -0.435$; $p < 0.05$), which indicates that the larger the funds raised from the public offering and the larger the size of the company, the emission costs incurred tend to decrease. In addition, a strong and significant positive relationship was found between *gross proceeds* and *firm size* ($r = 0.672$; $p < 0.05$), suggesting that companies with larger sizes tend to emit higher fund values. A significant relationship was also seen between *gross proceeds* and *profitability* ($r = -0.224$; $p < 0.05$), *leverage* and *profitability* ($r = -0.328$; $p < 0.05$), and *profitability* and *firm size* ($r = -0.392$; $p < 0.05$). Meanwhile, the relationship between *flotation cost* and *leverage* ($r = -0.039$) and *profitability* ($r = 0.096$) was not significant because the correlation value was low ($|r| < 0.154$), suggesting that the two variables had no significant relationship to the magnitude of the emission cost. Overall, these results confirm that *gross proceeds* and *firm size* play a dominant role in influencing *flotation costs*, while *leverage* and *profitability* have a weak or insignificant relationship.

Linear Regression

Table 4. Multiple Linear Regression Test

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Constant	0.247 (13.239)*	0.120 (10.125)*	0.255 (12.765)*	0.131 (9.086)*	0.254 (12.668)*
Gross Proceeds	-0.017 (-10.702)*		-0.017 (-10.612)*		-0.016 (-7.772)*
Firm Size		-0.006 (-6.156)*		-0.006 (-6.147)*	-0.001 (-0.418)
Profitability			-0.014 (-1.019)	-0.022 (-1.314)	-0.016 (-1.098)
Leverage			-0.004 (-0.765)	-0.004 (-0.725)	-0.004 (-0.794)
R-Square	0.414	0.189	0.418	0.198	0.419
F-Stat (p-value)	114.528*	37.906*	38.411*	13.226*	28.704*

Note: * denotes significant at 5% level or better. t-stats are in parentheses.

The results of the multiple linear regression test showed that the regression models used were statistically significant overall, as shown by the F-statistical value of each model which all had a significance level below 0.05. In Model 1, the *gross proceeds* variable had a negative and significant effect on *flotation cost* ($\beta = -0.017$; $t = -10.701$; $p < 0.05$), indicating that the larger the funds raised by the company through the securities offering, the lower the emission cost incurred. Model 2 shows that *firm size* also has a negative and significant effect on *flotation costs* ($\beta = -0.006$; $t = -6.156$; $p < 0.05$), which means that large companies tend to have higher emission cost efficiency.

In Model 3, the regression results showed that only the *gross proceeds variable* was significant ($p < 0.05$) in a negative direction, while *the leverage* and *profitability* were insignificant. The results of the analysis on Model 3 are consistent with Model 1. This means that the higher the gross proceeds, the lower the percentage of flotation costs.

Similar findings in Model 2 are seen in Model 4. Total assets were found to have a negative effect on flotation costs after the inclusion of two other variables, namely *leverage* and *profitability*. However, *leverage* and *profitability* do not have a significant effect on flotation costs. These findings confirm that the larger the size of the company, the lower the cost of flotation.

The results of the analysis by including all research variables (Model 5) show that gross proceeds still have a negative and significant effect on flotation costs. The size of the company (total assets) is no longer significant. The insignificance of the effect of total assets on flotation costs is very likely due to the high correlation between gross proceeds and total assets (i.e. 0.672, Table 3). *Profitability* and *leverage* remain without a significant effect on *flotation costs*.

In general, these results confirm that gross proceeds and firm size are the main determinants that affect the magnitude of flotation costs, while leverage and profitability do not contribute significantly to the variation in emission costs. These findings support the concept of economies of scale, where increasing the size of the company and the value of the funds raised allows for efficiencies in the cost of issuing securities.

The finding that the *gross proceeds* coefficient has a negative and significant effect on *flotation cost* is in line with the theory of *economies of scale* and asymmetric information. Conceptually, the larger the *gross proceeds* raised in the IPO process, the lower the relative flotation costs incurred by the company because fixed costs can be spread more efficiently. Ritter (1987) and Bairagi & Dimovski (2012) in the context of developed markets also found that larger offering sizes reduce the percentage of IPO direct costs. The results of this study support the signaling theory because the large value of the offer can reflect the institutional strength and credibility of the issuer, thereby reducing the need for risk compensation by the underwriter. Thus, the greater the value of the gross proceeds, the lower the percentage of share issuance costs borne by the company.

The results showed that *firm size* had a negative and significant effect on *flotation costs* in separate models, but became insignificant when tested together with *the gross proceeds* variable. Large companies theoretically have lower risk

profiles and higher levels of transparency, which act as a quality signal and lower risk perception for both investors and underwriters (Spence, 1978; Gumanti, 2009). The insignificant results in the full model can be explained by the strong correlation between *firm size* and *gross proceeds*, as described by Kaserer & Kraft (2003), so that the effects of the two overlap in the simultaneous model. From a signal perspective, the size of a company remains an indicator of credibility, but the interaction between variables causes its direct influence on flotation costs to become obscured.

The profitability in this study had no significant effect on flotation costs, a different result from the findings of Wawryszuk-Misztal (2016) which showed a significant negative effect on the Warsaw Exchange. This difference may be influenced by the structure of the Indonesian market in the 2022–2024 period, where retail investors dominate more and may pay less attention to historical profitability in determining IPO investment decisions. With the post-pandemic situation, global economic volatility, and high uncertainty conditions, such as weakening rates and new government policies, non-financial factors such as the business outlook or the value of supply may be more influential. From the perspective of information asymmetry theory, these results show that profitability disclosure has not been able to be a strong signal for investors and underwriters in the context of IPOs in Indonesia.

Leverage was also found to have no significant effect on flotation costs. This is in contrast to the results of research by Dimovski & Brooks (2007) which showed that high leverage increases the cost of emissions due to greater financial risk. This insignificance can be due to differences in market structure or investor preferences in assessing leverage risk in Indonesia, where high-leverage companies still have a great opportunity to attract investors if they have good growth prospects. Based on the theory of information asymmetry (Rock, 1986), high *leverage* should increase uncertainty and require higher risk compensation, but in the context of this study, *leverage* signals appear to be less effective in reducing or increasing flotation costs. Thus, the influence of *leverage* on emission costs is more dependent on contextual factors and local regulations.

CONCLUSIONS AND RECOMMENDATIONS

The results show that the variation in the cost of issuing new shares in the capital market is mainly influenced by the amount of funds raised (*gross proceeds*) and the size of the company (*firm size*). These two factors have a significant negative effect on *flotation costs*, showing that the larger the company and its emission value, the more efficient the cost of issuing shares to bear. This supports economies of *scale* in the IPO process, while internal factors such as profitability and leverage are not proven to be significant.

In practical terms, these findings suggest that companies that will be IPOs to increase the scale and value of their emissions in order to reduce issuance costs. Regulators can also consider policies that improve efficiency and cost transparency, particularly for small and medium-sized companies. The next research can include other variables such as the underwriter's reputation and market conditions for a more thorough analysis.

The results of this study open up opportunities for a more in-depth follow-up study on the factors that determine the cost of flotation in the context of emerging markets such as Indonesia. Given that the fundamental variables of the company do not all show a significant influence on the cost of flotation, the next study is recommended to expand the analysis of the model to include external and institutional variables, such as the reputation and concentration of *the underwriter's market*, the level of competition between underwriting institutions, the liquidity conditions of the capital market, and the regulatory policies of the capital market authorities (OJK and IDX). In addition, a qualitative research approach or mixed method is also recommended to delve deeper into the negotiation process between issuers and *underwriters* and understand how the flotation fee structure is formed in practice.

FURTHER STUDY

Further research can also extend the observation period and compare results between industrial sectors to identify structural differences, as well as conduct *cross-country studies* between Indonesia and other developing countries such as Malaysia, Thailand, or the Philippines to understand the institutional and regulatory differences that affect the structure of flotation costs. Thus, the results of further research are expected to enrich the empirical literature and strengthen the theoretical basis regarding emission cost efficiency and the institutional role in emerging capital markets.

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