"An Empirical Study on Trends, Growth, and Underpricing in SME Initial Public Offerings in India (2015–2024)"

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Abstract:

This paper analyses the patterns, growth, and underpricing of SME Initial Public Offerings (IPOs) in India from 2015 to 2024. During this period, 990 SME IPOs generated ₹20,200 crore, with underpricing noted in 79.79% of instances, resulting in an average first-day increase of 24.63%. The research utilizes a mixed-methods approach, combining quantitative analysis of IPO price trends with statistical hypothesis testing via the t-test to evaluate pricing efficiency. Research indicates that underpricing has escalated over time, reaching its peak of 89% in 2024, while average first-day gains have surged from 4% (2015–2019) to 56% in 2024, signifying enhanced market speculation. Principal reasons affecting underpricing encompass information asymmetry, market sentiment, and underwriter tactics. The research underscores the necessity for regulatory reforms, augmented disclosure standards, and expanded investor education to rectify price inefficiencies and market volatility.
Keywords: IPO, listing day gains, pricing efficiency, regulatory challenges, SME, underpricing.

1. Introduction:

Small and Medium Enterprises (SMEs) are essential to India's economic advancement, notably contributing to job creation, innovation, and regional development. These firms constitute the foundation of the nation's industrial ecosystem, promoting entrepreneurship and economic resilience. Access to financing has historically posed a significant issue for SMEs, constraining their capacity to expand operations and compete effectively in the marketplace. To fix this problem, the Securities and Exchange Board of India (SEBI) set up special SME platforms on stock exchanges. These platforms make it easier for small businesses to get equity capital through Initial Public Offerings (IPOs). SME IPOs differ from conventional mainboard IPOs regarding scale, regulatory structures, and investor profiles. These IPOs, traded on specialized platforms like NSE Emerge and BSE SME, serve firms with modest capital needs, providing streamlined compliance processes and lower expenses. By reducing entry barriers, SME platforms have democratized access to public stock markets, allowing smaller enterprises to secure funding, increase visibility, and bolster financial stability. These platforms are mostly used by specialized investors, like high-net-worth individuals (HNIs) and knowledgeable regular people who are interested in small businesses' (SMEs) huge growth potential. The increasing prevalence of SME IPOs highlights their significance in promoting sectoral innovation and entrepreneurship. Industries including manufacturing, information technology, healthcare, and renewable energy have notably utilized these resources to enhance operations, engage in research and development, and broaden market access. Nonetheless, the SME IPO market faces numerous hurdles. Inherent characteristics of SME IPOs include limited financial history, increased price volatility, and lower market liquidity, all of which impact investor behaviour and market outcomes. These variables lead to occurrences like underpricing, where IPO shares are priced below their true value to attract subscribers and ensure a successful listing. Underpricing is an important component of SME IPOs, illustrating the interaction among information asymmetry, market sentiment, and regulatory frameworks. Although underpricing indicates elevated subscription rates and initial popularity, it simultaneously leads to pricing inefficiencies, resulting in potential revenue loss for the issuing company. This paper investigates the determinants of underpricing in SME IPOs, analysing its effects on market efficiency, investor trust, and the long-term growth of the SME sector. The report analyses pricing trends and performance measures from 2015 to 2024, identifying patterns and factors contributing to underpricing, hence providing insights into the dynamics of SME finance. The research additionally assesses the wider implications of SME IPOs on India's economic framework. Despite challenges, these platforms have become a key way for startups and growing businesses to get funding, helping them overcome financial limits and achieve steady growth. Throughout the past decade, the SME IPO ecosystem has experienced substantial growth, indicative of increasing investor interest and entrepreneurial engagement. The total capital raised and the quantity of IPOs have escalated, underscoring the growing dependence on public equity markets for financing. This research seeks to enhance the dialogue on SME financing in India by tackling critical concerns like pricing inefficiencies and regulatory inefficiencies. It provides pragmatic insights for policymakers, regulators, and market participants to improve the efficiency and stability of SME platforms, ensuring they remain a vital engine for economic growth and innovation.

Figure - (I)

2. Literature Review

SME's Initial Public Offerings (SME IPOs) enable small and medium-sized companies to raise equity capital by publicly issuing shares for the first time. These IPOs are specifically designed to meet the requirements of small enterprises, characterized by their comparatively modest capital need. In India, the Securities and Exchange Board of India (SEBI) established specialized platforms, including NSE Emerge and BSE SME, to enable the listing and trading of SME shares. These platforms seek to minimize barriers to entry by providing streamlined regulatory requirements and compliance procedures, so enhancing accessibility of these companies while safeguarding investor safety. SME IPOs notably different from conventional mainboard IPOs in some significant ways. Mainboard IPOs often serve large-cap corporations with substantial financial history and established operations, whereas SME IPOs focus on organizations that are usually in their early growth phases. These companies typically possess limited financial histories and exhibit smaller market capitalizations, resulting in more share volatility. Furthermore, SME IPOs target a specialized investor demographic, predominantly including high-net-worth individuals (HNIs) and knowledgeable retail investors, in contrast to the institutional investors that prevail in mainboard IPOs. SME IPOs are frequently linked to growing or specialized sectors, including technology, healthcare, and renewable energy, indicative of their substantial development potential. Nonetheless, they come with various problems such as lower liquidity, which may hinder share trading, and increased susceptibility to market volatility. Notwithstanding these dangers, SME IPOs have considerable upside potential for investors prepared to manage their intricacies. In contrast to mainboard IPOs, SME IPOs have smaller issue sizes and are subject to less stringent regulatory frameworks, enabling companies to secure funding with lessened compliance expenses. These attributes empower SMEs to access public equity markets for operational expansion, enhanced competitiveness, and increased visibility. This finance mechanism is essential for smaller firms to overcome financial limitations and significantly contribute to innovation, employment, and economic development in India.

Bradley, Cooney, Dolvin, and Jordan (2006) investigate the phenomena of underpricing, long-term performance, lockup periods, and gross spreads in penny stock IPOs in the United States from the period 1990 to 1998. Their findings suggest that penny stock IPOs demonstrate superior initial returns relative to conventional IPOs, although exhibit significantly poorer long-term performance.

Vismara et al. (2012): This study analysed the post-listing performance of Initial Public Offerings (IPOs) on the Italian Alternative Investment Market (AIM), which predominantly serves small and medium enterprises (SMEs). The research demonstrated that IPOs in this market typically provide negative returns over the long term, reflecting difficulties in attaining sustained post-IPO growth and investor returns in the SME-focused sector.

Alvarez and Gonzalez (2005): This study examined the performance of IPOs on SME boards within the Spanish SME market and identified a persistent trend of underperformance. Their findings highlighted the structural and market-specific challenges encountered by SMEs in sustaining investor confidence and providing long-term value post-listing.

Dr. M. Anbukarasi and R. Prasanth (2022) analysed investors' fundamental perceptions of sectoral investments in the BSE and advocated for investments in areas that optimize return on investment. This study illustrates how corporations diversify across various sectors and entities to optimize returns and mitigate associated risks.

N. Vani (2021) examined the influence of IPOs on the Indian economy and assessed the role of the Indian IPO market in the nation's economic growth. It reveals a thin association between the capital raised through IPOs and GDP figures in India. The T-Test results reveal that the funds generated from IPOs do not contribute to India's GDP growth and advise SEBI to frequently review, monitor, and revise the regulations governing the new issues/IPO market, which may enhance transparency and efficiency in this sector.

Harsimran Sandhu and Kousik Guhathakurta (2020): The study reveals a correlation between IPO offer price ranges and pre-listing demand among investors. Individual investors (RII and NII) follow institutional investors (QIB) by avoiding the lowest-priced IPOs. Post-listing, the lowest IPO offer price ranges lead to lower initial turnover. Individual and institutional investors maximize their post-listing ownership at diverse ranges of IPO offer prices. Lower promoter holdings diffuse higher ownership among individual shareholders by targeting lower IPO offer prices, increasing control.

Nischay Arora and Balwinder Singh (2020) The study found that board independence, board committees, and ownership concentration negatively impact underpricing, while ownership concentration positively moderates the relationship between board independence and IPO underpricing.

Suraj Naik and Manas Mayur (2017) analyse the valuation of Initial Public Offerings (IPOs) for 109 distinct companies across three timeframes: January 2014 to December 2014, January 2015 to December 2015, and January 2016 to December 2016. This era is characterized by India's restoration of political stability. The IPO valuation was affected by the anticipated political stability in the nation. The rise in political stability has led to an increase in the number of IPOs.

3. Objective of the study

To analyse the growth trajectory of SME IPOs over the last decade, focusing on patterns in capital raised, sectoral distribution, and listing performance.

To assess the efficiency of pricing in SME IPOs in India, concentrating on trends of underpricing and the implications for investors and issuers.

To examine the key factors responsible for underpricing in SME IPOs, encompassing market sentiment, information asymmetry, and underwriter tactics.

4. Hypothesis

Hypothesis1: Pricing Efficiency in SME IPOs:

Null Hypothesis (H_0): SME IPOs are priced efficiently, with no significant deviation from their intrinsic value.

$$\boldsymbol{H_0 = Offer\ Price = Exact\ Pricing}$$

$$i.e. Listing\ day\ gain\ /\ loss = 0$$

Alternative Hypothesis (H_A): SME IPOs are not priced efficiently, showing significant deviations from their intrinsic value.

$$\boldsymbol{H_A \neq Offer\ Price\ \neq\ Exact\ Pricing}$$

$$i.e. Listing\ day\ gain\ /\ loss \neq 0$$

Hypothesis 2: Trends in Underpricing Over Time:

Null Hypothesis (H_0): The degree of underpricing in SME IPOs has remained consistent over the years.

$$\boldsymbol{H_0 = S_1 = S_2 = \ldots\ldots = S_N}$$

This implies that the standard deviation of underpricing has not changed significantly across different years.

Alternative Hypothesis (H_A): The degree of underpricing in SME IPOs has significantly varied over the years.

$$\boldsymbol{H_A \neq S_1 \neq S_2 \neq \ldots\ldots \neq S_N}$$

This suggests that the standard deviation differs across multiple years, indicating fluctuations in underpricing trends over time.

5. Research Methodology

This study uses a mixed-methods approach to analyse trends, challenges, and underpricing in SME IPOs in India. Data from 2015-2024 was collected from stock exchange platforms, SEBI reports, and industry publications. The study tested two hypotheses to assess pricing efficiency and trends over time.

$$\boldsymbol{Underpricing\ UP_i = \frac{(first\ day\ closing\ price_i - Offer\ pric_i)}{Offer\ Price_i} * 100}$$

Methodology for Calculating Average Underpricing - The average underpricing is computed as the arithmetic mean of the underpricing percentages across all IPOs in the sample, given by

$$Average\ Underpricing = \frac{\sum UP_i}{N}$$
$$where\ N\ is\ the\ total\ number\ of\ IPOs$$

Standard Deviation of Underpricing - *To assess the dispersion of underpricing among IPOs, the standard deviation is calculated as:*

$$\boldsymbol{s = \sqrt{\frac{\sum(UP_i - \overline{UP_i}\ )^2}{N}}}$$

where s represents the standard deviation of underpricing, UP_i is the underpricing of each IPO, and UP_i bar is mean underpricing. higher standard deviation indicates greater variability in underpricing among IPOs

6. Implications of study:

Trends and Growth in SME Initial Public Offerings (IPOs): Small and Medium Enterprises (SME) Initial Public Offerings (IPOs) have shown remarkable growth over the years, reflecting increased investor interest and greater reliance on public markets by SMEs for capital.

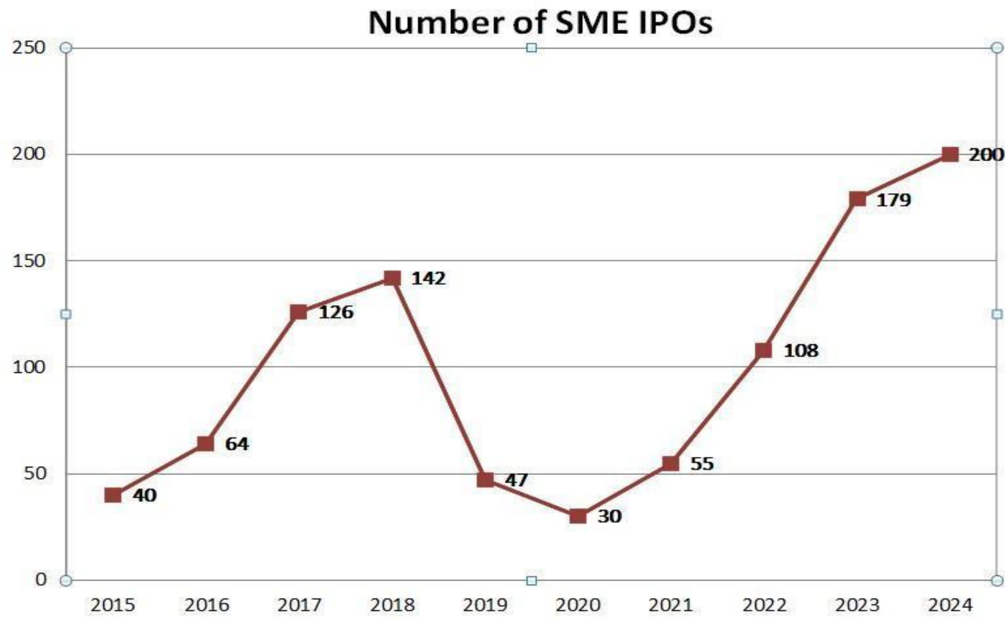

Figure - (II)

Data Source: The statistics summarize the yearly count of SME IPOs issued on the BSE SME and NSE Emerge platforms from 2015 to 2024.

The trends in SME IPOs in India from 2015 to 2024 exhibit a shifting pattern, reflecting variations in economic conditions, investor attitude, and regulatory changes. The number of SME IPOs substantially increased from 40 in 2015 to a peak of 142 in 2018. Nonetheless, there was a significant decrease in 2019, with merely 47 IPOs, followed by an even lesser total of 30 IPOs in 2020. The market began its recovery in 2021 with 55 IPOs, subsequently exhibiting a robust rising trajectory, leading up to 108 IPOs in 2022, 179 in 2023, and an unprecedented 200 SME IPOs in 2024. This rebounding underscores the expanding significance of SME listings in India's capital markets and growing investor trust in the sector.

The money raised via SME IPOs exhibited an identical trend. The funds raised increased from ₹257.68 crore in 2015 to ₹2,365 crore in 2018, corresponding with the elevated number of IPOs that year. Nonetheless, a notable fall occurred in 2019 and 2020, with capital raised falling to ₹580 crore and ₹181 crore, respectively. The fall can be linked to multiple factors, including the NBFC liquidity crisis and the overall economic slowdown, which limited financial access for SMEs. Following 2020, the SME IPO market saw a significant resurgence. The capital raised escalated to ₹766 crore in 2021, subsequently rose to ₹1,941 crore in 2022, ₹4,822 crore in 2023, and reached a record ₹7,068 crore in 2024. This significant increase indicates a robust turnaround in investor enthusiasm, propelled by enhanced economic conditions and increased involvement from institutional and individual investors. The post-pandemic economic recovery, coupled with favourable market conditions, has played a pivotal role in this rebirth.

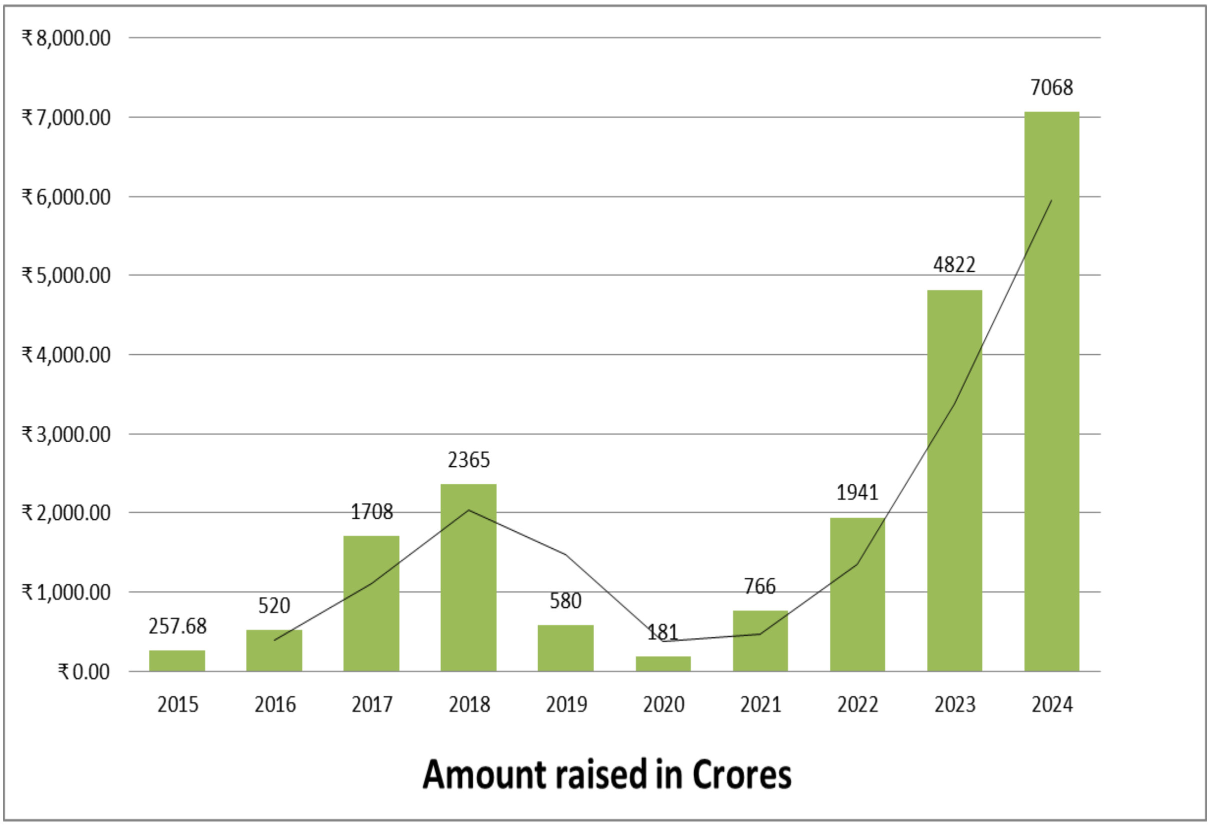

Figure - (III)

Data Source: The statistics summarize the yearly fund raised by SME IPOs issued on the BSE SME and NSE Emerge platforms from 2015 to 2024

Numerous macroeconomic and financial issues influenced the significant downturn in 2019 and 2020. IL&FS[i] crisis triggered a liquidity shortage in the NBFC industry, a crucial finance source for SMEs, hindering enterprises' ability to obtain capital for expansion and IPOs. Furthermore, India's GDP growth slowed to 4.5% in 2019, undermining investor confidence. More stringent SEBI criteria have rendered it increasingly difficult for SMEs to achieve listing.

The significant resurgence in SME IPOs and capital raised since 2021 indicates enhanced investor confidence and growing interest in SME equities. The exceptional figures in 2023 and 2024 indicate that SMEs are achieving greater acceptance in India's financial markets, with investors demonstrating a greater willingness to engage in their expansion. This trend suggests an optimistic perspective for SME financing, with robust momentum anticipated to persist in the forthcoming years.

Underpricing in SME IPOs: Underpricing refers to the phenomenon where the initial public offerings (IPOs) of small and medium-sized enterprises (SMEs) are priced below their actual

[i] Infrastructure Leasing & Financial Services Ltd (IL&FS) is a systemically important Core Investment Company regulated by the Reserve Bank of India. It primarily provides loans, advances, and investments to its group businesses.

value. This often results in a significant price jump on the first trading day when the stock begins trading publicly.

Analysing SME IPO Underpricing:

Historical Data: Compare underpricing trends across different years or regions. Analyse average first-day returns for SME IPOs compared to mainboard IPOs.

Factors Influencing Pricing: Evaluate the quality of financial disclosures, industry prospects, and market conditions at the time of listing.

Market Sentiment: Correlate underpricing with broader market performance or investor appetite for SME investments.

Performance Post-Listing: Study long-term performance to understand whether underpricing was justified or indicative of investor over-optimism.

Data Analysis: **Table: I**

Serial Number	Year	Total number of SME - IPOs	Total Underpriced SME IPOs	Overpriced SME IPOs	Exact Priced SME IPOs	Percentage of underpriced SME IPOs in each year (%)
1	2015	40	34	6	0	85
2	2016	64	47	14	3	73.43
3	2017	126	99	24	3	78.57
4	2018	141	101	35	5	71.63
5	2019	47	37	6	4	78.72
6	2020	30	19	7	4	63.33
7	2021	55	38	15	2	69.09
8	2022	108	89	19	o	82.4
9	2023	179	148	30	1	82.68
10	2024	200	178	12	0	89
Total	10 years	**990**	**790**	**168**	**22**	**79.79**

The data showcases the pricing trends of SME IPOs over a decade, focusing on **underpricing** (positive listing day gains), **overpricing** (negative listing day gains), and **exact pricing (no gain/loss)**.

1. Underpriced IPOs: The number of underpriced IPOs grew steadily from 34 in 2015 to a peak of 178 in 2024, highlighting consistent investor interest and favourable pricing for SMEs. The percentage of underpriced IPOs remained high across the years, ranging from 63.33% in 2020 to a remarkable 89.00% in 2024, indicating that most IPOs offered significant listing day gains.
2. Overpriced IPOs: Overpriced IPOs, resulting in negative listing day gains, varied yearly. The highest count was 35 in 2018, while the lowest was 12 in 2024, suggesting improved pricing strategies over time.
3. Exact Pricing: IPOs with exact pricing (no significant listing day movement) were minimal, with a maximum of 5 in 2018, and several years (e.g., 2022, 2024) having none.
4. Percentage of Underpriced IPOs: The percentage of underpriced IPOs remained consistently above 63%, peaking at 89.00% in 2024, signifying that SMEs have effectively used underpricing as a strategy to attract investors.

In the last 10 years total of 990 SME IPOs were issued which raised roughly 20,200 crore rupees out of these 990 SME IPOs, 790 were underpriced i.e. positive return on listing day, 168 were overpriced (negative return on listing day) and 22 gave no positive or negative return,

Trends in Underpricing or Listing Day Gains (2015–2024): Over the past 10 years, the underpricing for each SME IPO was calculated, followed by the computation of the mean, median, and standard deviation of underpricing for each year. The analysis concludes that: The analysis of listing day gains for IPOs from 2015 to 2024 highlights significant trends in market performance over the decade. From 2015 to 2019, IPOs demonstrated consistent but moderate gains, with average returns ranging between 4% and 5% and low variability. Median gains during this period were close to the averages, reflecting stable and predictable market conditions. This phase indicated a cautious yet steady approach by investors, with limited risk and reward dynamics.

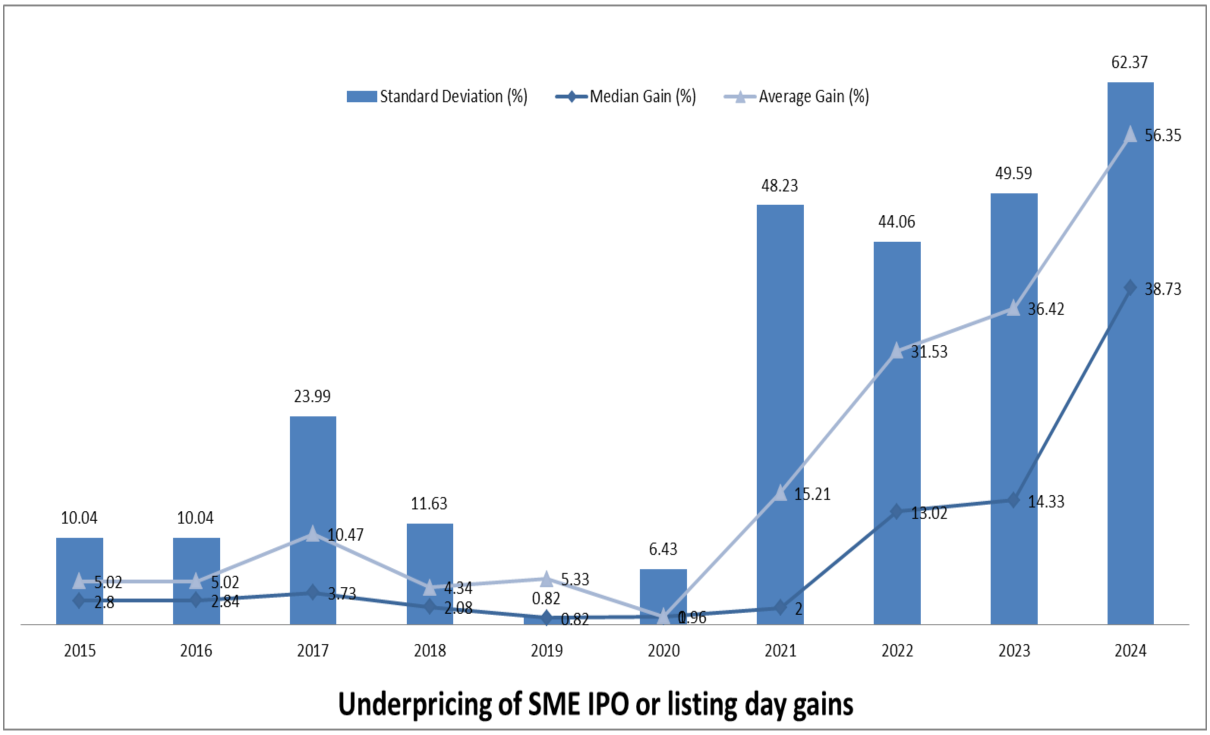

Figure - (IV)

In 2020, listing day gains hit their lowest point, with an average of just 1% and minimal variability. This reduction was likely affected by worldwide uncertainty and disruptions caused by the Corona pandemic, resulting in reduced investor activity and enthusiasm for IPOs. The median gain confirmed this trend, remaining approximately 0.96%, indicating the least advantageous year for IPO performance. Beginning in 2021, the market had a notable transformation, characterized by a substantial rise in listing day gains. Average returns increased to 15% in 2021 and reached a record high of 56% in 2024, signifying stronger investor interest and a more speculative market atmosphere. This time was marked by significant fluctuation, as indicated by the elevated standard deviations. Median gains, however inferior to averages, demonstrated a significant increase, reaching 38.73% in 2024. The decade signifies a shift from stability and moderate returns to a high-risk, high-reward atmosphere. The initial years provided stability, however the latter years exhibited greater volatility and exceptional returns, influenced by changing investor mood and dynamic market conditions.

Hypothesis testing:

$$Sample\ mean\ X = 0.2463,$$

$$Standard\ deviation\ (s) = 0.4457$$

$$N^{ii} = 976$$

$$\mu_0 = 0$$

[ii] Out of 990 SME IPOs, 14 IPOs were dropped due to data un-availability.

$$t\ statistics = \frac{(X - \mu_0)}{\frac{s}{\sqrt{N}}}$$

Substituting these values will give is t statistics = 17.26

The calculated t-statistic is 17.26

At a 95% significance level, the critical value for a two-tailed test with large degrees of freedom is 1.96. Since the t-statistic (17.26) is much greater than the critical value (1.96), we reject the null hypothesis. This indicates that there is statistically significant evidence to suggest that the mean percentage gain/loss is different from zero.

Therefore, we conclude that there is significant underpricing in SME IPOs.

Hypothesis 2:

As shown in Figure (iv), the standard deviation for underpricing has continuously changed across different years, demonstrating fluctuations in SME IPO underpricing trends. Since the variability is not stable over time, we reject the null hypothesis (H_0) and conclude that the degree of underpricing has significantly varied over the years.

7. Reason for Underpricing in SME IPOs

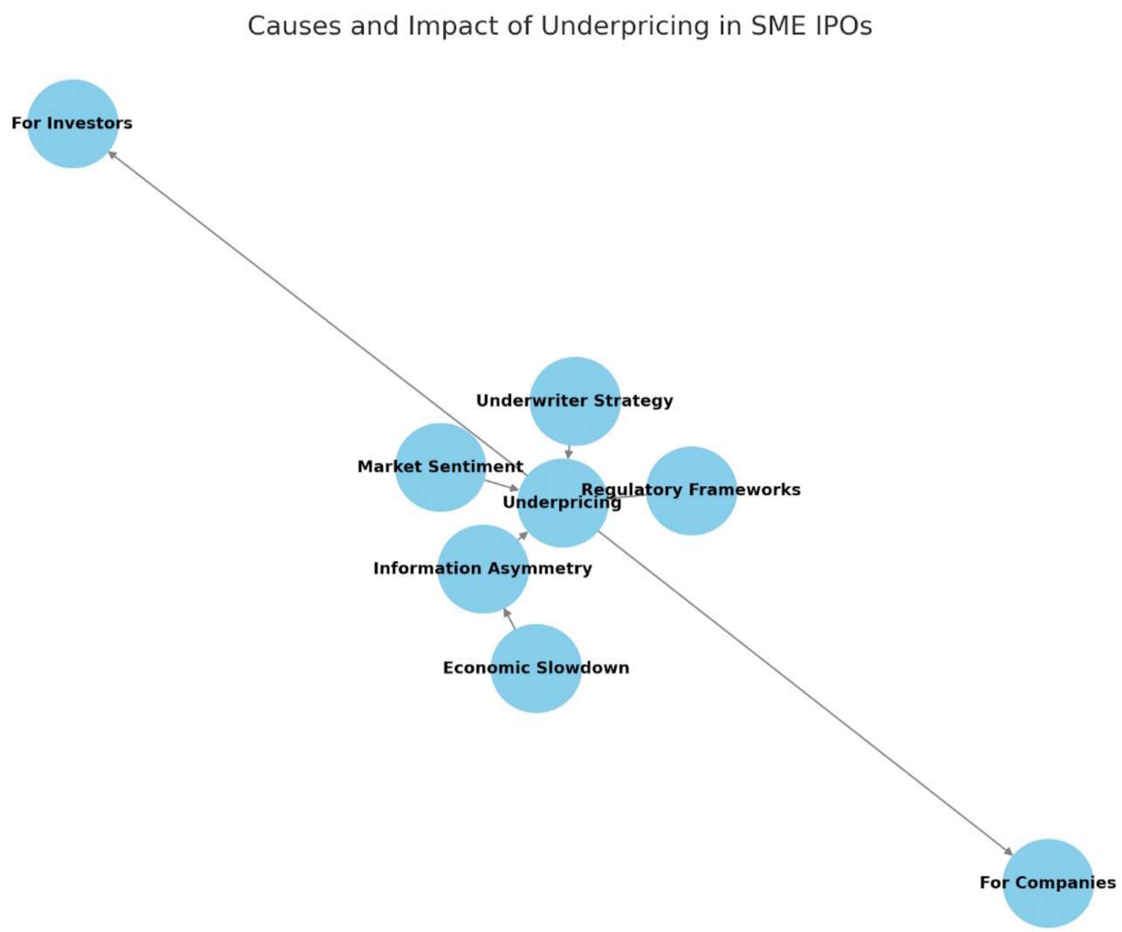

Figure (V)

Source: Author's creation

Underpricing is a prevalent occurrence in the initial public offering (IPO) market, especially for small and medium firms (SMEs). Multiple factors contribute to the underpricing of IPOs, including market dynamics and the strategic decisions made by firms and underwriters.

1. **Information Asymmetry:** Information asymmetry is pivotal in the phenomenon of IPO underpricing. SMEs frequently exhibit limited public disclosure in contrast to larger corporations. Investors may struggle to precisely evaluate the company's financial stability, growth prospects, and associated dangers. To decrease this uncertainty, corporations and underwriters establish a lower IPO price, therefore enhancing its appeal to prospective investors.
2. **Market Sentiment and Demand Generation:** Market sentiment significantly influences pricing strategies. In times of economic instability or poor market circumstances, corporations may intentionally undervalue their IPOs to guarantee full subscription. A cheaper price serves as an incentive for intelligent investors, thereby enhancing demand. This method can enhance investor interest and credibility for SMEs.
3. **Underwriter Strategies:** Underwriters are crucial in establishing the pricing of an IPO. Their principal objective is to guarantee the IPO's success by attaining complete subscription and fostering favorable market momentum. To accomplish this, underwriters frequently price the shares cautiously, resulting in an oversubscription situation that elevates post-listing demand. This strategy enables underwriters to establish a history of successful IPOs and enhance their market reputation.
4. **Regulatory Frameworks and Listing Requirements:** The regulatory framework governing SME exchanges also plays a role in underpricing. SME platforms, including the BSE SME and NSE Emerge in India, enforce less rigorous listing criteria compared to main boards. The less rigid regulations for promoting smaller companies to pursue public offerings may also foster the perception of increased risk among investors. In response, corporations may provide reduced pricing to encourage participation and fulfil regulatory subscription requirements.
5. **Risk Mitigation:** SMEs typically encounter elevated risks owing to their limited scale, limited operational history, and concentration on certain markets or industries. To alleviate these risks and secure adequate investor interest, corporations frequently implement conservative pricing strategies. This risk-averse strategy is especially vital in markets where investor enthusiasm for high-risk assets is limited.
6**. Signaling and Future Offerings**: Underpricing may function as a signalling technique. An effective IPO, characterized by robust first-day returns, conveys favorable indications to the market regarding the company's development potential and reliability. This, thus, may assist the company in obtaining more favorable conditions in forthcoming stock or debt issues. For SMEs seeking to secure a sustainable market position, the immediate expense of underpricing is sometimes regarded as a justifiable compromise.
7. **Behavioral Factors:** Investor psychology and behavior also contribute to undervaluation. Retail and institutional investors are attracted to IPOs that demonstrate a history of first-day profits. Through underpricing, firms exploit this behavioral inclination, fostering a sense of urgency and amplifying demand for their shares.
8. **Economic and Competitive Factors:** In times of economic downturns or intensified competition among IPOs, corporations may engage in underpricing as a strategy for

differentiation. This technique guarantees adequate attention and mitigates the danger of undersubscription, even under adverse market conditions.

IPO underpricing is affected by a confluence of market dynamics, strategic factors, and regulatory influences. It provides investors with rapid profits while simultaneously enabling enterprises to get successful listings and attract market attention. For SMEs, underpricing is frequently a strategic decision intended to reconcile immediate fundraising needs with enduring market standing.

8. Result and conclusion:

The study concludes that SME IPOs in India exhibit significant pricing inefficiencies, as evidenced by the statistical analysis using a t-test. The results reveal that the mean percentage gain or loss on listing days is significantly different from zero (t-statistic = 17.26, critical value = 1.96, $p < 0.05$), leading to the rejection of the null hypothesis. This underscores the prevalence of substantial underpricing, characterized by a decade-long trend of positive listing day gains for a majority of SME IPOs. Among the 976 IPOs issued between 2015 and 2024, 79.79% were underpriced, yielding positive listing day returns, while only 168 were overpriced, and 22 showed no significant gains or losses. The study highlights significant year-to-year variations in underpricing trends, influenced by prevailing market conditions. The proportion of underpriced IPOs consistently remained high, peaking at 89% in 2024. Moreover, average listing day gains evolved from 4%-5% during 2015–2019 to an extraordinary 56% in 2024, reflecting heightened speculative activity and increased investor interest. These findings provide robust evidence against the null hypothesis, emphasizing the dynamic nature of market behaviour and pricing anomalies. Beyond pricing inefficiencies, the SME IPO market has demonstrated remarkable growth, with the number of IPOs increasing from 40 in 2015 to 200 in 2024. The total funds raised during this period reached ₹20,200 crore, signifying the growing reliance of SMEs on public markets for capital. While cyclicality in IPO activity reflects broader economic conditions, the sector's expansion underscores its critical role in the financial ecosystem. These results emphasize the need for targeted regulatory reforms to address pricing inefficiencies and stabilize the SME IPO market. Enhanced transparency, stricter disclosure norms, and improved investor education could foster a more efficient market environment, ultimately supporting sustainable growth and equitable capital access.

9. Further Study Scope

1. **Long-Term Performance of SME IPOs**: Further research can explore the long-term performance of SME IPOs, examining whether the initial listing day gains are sustained over the years or if they decline.
2. **Impact of Underpricing on Companies and Investors**: A deeper analysis of the impact of underpricing on both companies and investors could shed light on how this phenomenon affects long-term growth for SMEs and returns for investors.
3. **Market Sentiment and External Factors**: Investigating how broader economic factors (such as the political climate, global economic downturns, or pandemics) influence SME IPO performance and investor behaviour can provide valuable insights for future IPO pricing strategies.

4. **Investor Education and Liquidity Solutions**: Future studies could focus on ways to improve investor education regarding SME IPOs and develop mechanisms to address liquidity concerns, such as creating specialized trading platforms for SME stocks.
5. **Regulatory Improvements**: Investigating potential regulatory improvements and policy reforms that could help SMEs access capital markets more efficiently while ensuring investor protection and market stability would be valuable for creating a more robust SME IPO market.

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