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ESG AND UNDERWRITER REPUTATION IN IPO UNDERPRICING: A SYSTEMATIC LITERATURE REVIEW WITH COVID-19 CONTEXT

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ABSTRACT
Underpricing in Initial Public Offerings (IPOs) remains a prominent anomaly in global corporate finance, particularly during systemic shocks such as the COVID-19 pandemic. This study employs a Systematic Literature Review (SLR) of 50 peer-reviewed articles published between 2005 and 2025 to investigate the influence of Environmental, Social, and Governance (ESG) disclosure and underwriter reputation on IPO pricing, while assessing the moderating effect of the pandemic. The review reveals that transparent and standardized ESG disclosure functions as an effective non-financial signal that reduces information asymmetry and lowers underpricing. Similarly, reputable underwriters enhance investor confidence and issuer credibility, although their effectiveness is context-dependent and may decline in overheated markets or when reputational capital is exploited opportunistically. The pandemic intensified investors reliance on credible quality indicators, underscoring the critical role of ESG and underwriter reputation in stabilizing expectations under high uncertainty. Nonetheless, key research gaps persist, including the absence of standardized ESG metrics, the scarcity of longitudinal studies covering pre- and post-crisis dynamics, and the limited use of integrated models addressing both mediation and moderation mechanisms. Future research directions highlight the need for cross-disciplinary approaches, such as big data analytics and natural language processing, to refine the measurement of ESG perceptions. This study contributes by extending theoretical insights into signaling mechanisms in IPO pricing and offering practical implications for issuers, underwriters, and regulators operating in volatile market conditions.

Keywords: ESG, underwriter reputation, IPO underpricing, COVID-19, signaling theory

INTRODUCTION

Capital markets are a cornerstone of modern financial systems, providing mechanisms for mobilizing funds, allocating resources, and spreading risks across economic sectors. Within this framework, the Initial Public Offering (IPO) represents a vital pathway through which firms raise substantial external capital by offering shares to the public (Cirillo et al., 2017). However, despite its importance, IPOs are consistently associated with the anomaly of underpricing, where the first-day closing price exceeds the offer price, resulting in considerable "money left on the table" for issuing firms (Ritter, 2024).

Although underpricing has been extensively documented, its magnitude varies across countries and periods. For instance, average underpricing reached 18.9% in the United States from 1980 to 2023 (Ritter, 2024), 28.3% in Sweden between 1980 and 2022 (Loughran et al., 2024), and 28.8% in Indonesia from 2020 to 2022 (Oktananda & Gantyowati, 2023). Much of the literature attributes this anomaly to information asymmetry between issuers, underwriters, and investors (Akerlof, 1970; Beatty & Ritter, 1986). Signaling theory argues that credible indicators, such as reputable underwriters or transparent Environmental, Social, and Governance (ESG) disclosure can mitigate such uncertainty by enhancing trust and reducing risk perceptions (Spence, 1973). Nevertheless, empirical evidence remains inconclusive across different institutional and geographical contexts (Ahlsén & Elfstrand, 2024).

Despite growing attention to both ESG and underwriter reputation, few studies have examined their joint impact on IPO pricing, particularly under systemic disruptions such as the COVID-19 pandemic. Prior research has typically analyzed these factors in isolation (Carter & Manaster, 1990), leaving limited insight into how they interact in crisis conditions. Moreover, while some evidence suggests that investors rely more heavily on these quality signals during the pandemic (Zhang & Neupane, 2024), other findings raise concerns about the credibility of ESG disclosures due to greenwashing practices (Parguel et al., 2011).

Addressing this gap, the present study systematically reviews empirical research published between 2005 and 2025 to pursue three objectives: (1) to examine whether ESG disclosure reduces IPO underpricing, (2) to evaluate the influence of underwriter reputation on IPO pricing efficiency, and (3) to assess how the COVID-19 crisis moderates these relationships. Drawing upon 50 peer-reviewed studies, this paper contributes to signaling theory by integrating financial and non-financial quality indicators and offers practical implications for issuers, underwriters, and regulators seeking to navigate volatile capital market environments.

LITERATURE REVIEW

Information Asymmetry Theory

The concept of information asymmetry highlights how unequal access to information among parties in financial transactions influences market outcomes (Akerlof, 1970). Within the IPO context, issuers and underwriters generally possess superior knowledge of firm value compared to investors, creating ex-ante uncertainty that often results in pricing discounts (Benveniste & Spindt, 1989; Beatty & Ritter, 1986). This imbalance also explains the so-called winner's curse, whereby uninformed investors face higher risks of adverse selection (Rock, 1986). To reduce such disadvantages, firms adopt disclosure strategies, including sustainability or ESG reporting, which signal credibility and improve investor confidence (Dhaliwal et al., 2011; Berg et al., 2022).

Signaling Theory

According to signaling theory, firms can convey unobservable quality attributes through credible external markers (Spence, 1973). In IPOs, signals such as transparent ESG reporting (Mahoney et al., 2013) or the appointment of a highly reputable underwriter (Carter & Manaster, 1990) are used to assure investors of firm quality and long-term viability. Nevertheless, the strength of these signals depends on authenticity: while robust disclosures can enhance legitimacy, symbolic or superficial reporting (greenwashing) may intensify skepticism and widen information gaps (Parguel et al., 2011). Similarly, although reputable underwriters are expected to mitigate underpricing through superior valuation accuracy, in certain circumstances they may strategically underprice to stimulate aftermarket demand (Demers & Lewellen, 2003).

IPO Underpricing

Underpricing occurs when the market price on the first trading day exceeds the offering price, creating immediate gains for investors but leaving issuers with unrealized proceeds (Loughran & Ritter, 2004). While it may serve as a mechanism to ensure successful subscription, excessive underpricing imposes substantial financial costs on firms. Determinants commonly cited include the level of information asymmetry, credibility of quality signals, underwriter reputation, and investors' preference for sustainability-oriented investment ((Allen & Faulhaber, 1989; Welch, 1989). Cross-country studies show significant variation, shaped by institutional frameworks, regulatory quality, and investor sentiment (Ritter, 2024; Loughran et al., 2024).

Environmental, Social, and Governance (ESG)

ESG represents a multidimensional construct for assessing corporate practices in environmental management, social responsibility, and governance transparency (Amel-Zadeh & Serafeim, 2018). In Indonesia, mandatory sustainability reporting for listed firms is regulated by OJK Regulation No. 51/POJK.03/2017, thereby strengthening non-financial transparency (OJK, 2017). Empirical findings regarding ESG and IPO underpricing remain mixed. Some studies Ahlsén & Elfstrand (2024) and Francesco Bollazzi et al. (2017) suggest that strong ESG performance increases investor demand and, paradoxically, underpricing. Others Harasheh (2023) and Ferri et al. (2023) conclude that ESG reporting mitigates risk perceptions and lowers underpricing. These divergences may be attributed to differences in disclosure quality, authenticity, and market awareness of sustainability issues.

Underwriter Reputation

Underwriter reputation is generally understood as the perceived ability of intermediaries to accurately value firms and manage IPO processes (Megginson & Weiss, 1991). In stable conditions, prestigious underwriters are associated with reduced underpricing due to their established expertise and credibility (Hu et al., 2021). However, during overheated or speculative markets, they may deliberately underprice to generate strong aftermarket performance (Kirkulak & Davis, 2005; Zhang & Neupane, 2024). Reputation has been measured using various proxies, such as stock exchange ranking, market share, or league table positions (Abbas et al., 2022; Xu & Zhao, 2014).

COVID-19 Pandemic

The outbreak of COVID-19 created unprecedented uncertainty in global markets, which significantly influenced IPO pricing dynamics (İlbasmış, 2023); Zhang & Neupane, 2024). The impact was especially severe in emerging economies where investor protection is weaker, amplifying information asymmetry (Panda & Deb, 2024). Under such volatile conditions, investors relied more heavily on credible quality signals such as ESG performance and underwriter reputation to reduce uncertainty. However, the pandemic also intensified concerns about the reliability of ESG disclosures, as opportunistic firms engaged in symbolic sustainability reporting without substantive practices (Baig & Chen, 2022; Putra & Lubis, 2024).

METHODS

Research Design

This study applies a Systematic Literature Review (SLR) to synthesize empirical findings on the relationship between Environmental, Social, and Governance (ESG) disclosure, underwriter reputation, and IPO underpricing. The SLR approach was selected because it allows for transparent, replicable, and comprehensive mapping of prior research across diverse contexts (Tranfield et al., 2003). To ensure rigor and reliability, the review process was structured in line with the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA 2020) framework, with necessary adjustments to suit the focus of financial and capital market research.

Data Sources and Search Strategy

Relevant studies were identified through a systematic search of major academic databases including Scopus, Web of Science, ScienceDirect, Emerald, and Google Scholar. The search covered publications between January 2005 and March 2025, using combinations of keywords such as “IPO underpricing,” “ESG disclosure,” “underwriter reputation,” “signaling theory,” and “COVID-19.” To minimize publication bias, both journal articles and high-quality conference proceedings were considered, provided they were peer-reviewed.

Inclusion and Exclusion Criteria

Studies were included if they: (1) investigated IPO pricing outcomes; (2) analyzed ESG disclosure and/or underwriter reputation as explanatory variables; (3) were published in English; and (4) provided empirical evidence. Papers were excluded if they: (a) focused only on theoretical frameworks without empirical validation; (b) discussed IPOs outside the scope of underpricing (e.g., long-run performance); or (c) were not accessible in full-text form.

Table 1. Literature inclusion and exclusion criteria

Aspect	Inclusion Criteria	Exclusion Criteria
Document Type	Scientific journal articles that have gone through a peer-review process .	Articles in the form of editorials, opinions, working papers , or have not yet undergone peer review .
Research Topics	Empirical studies or theoretical studies on ESG, underwriter reputation , IPO underpricing , and COVID-19	Articles that only discuss IPOs without relevance to key variables
Language	Written in English.	Written in a language other than English.
Accessibility	Available in full - text form .	Only available in abstract or summary form.
Publication Year	Published in the time span from 2005 to 2025.	Published before 2005 or not yet officially published.

Source: Processed Data (2025)

Screening and Selection Process

An initial pool of 343 documents was retrieved. After removing duplicates, titles and abstracts were screened to assess relevance, followed by a full-text review for eligibility. In line with PRISMA procedures, the final sample consisted of 50 studies. The screening process was independently carried out by two reviewers, and discrepancies were resolved through discussion to enhance reliability.

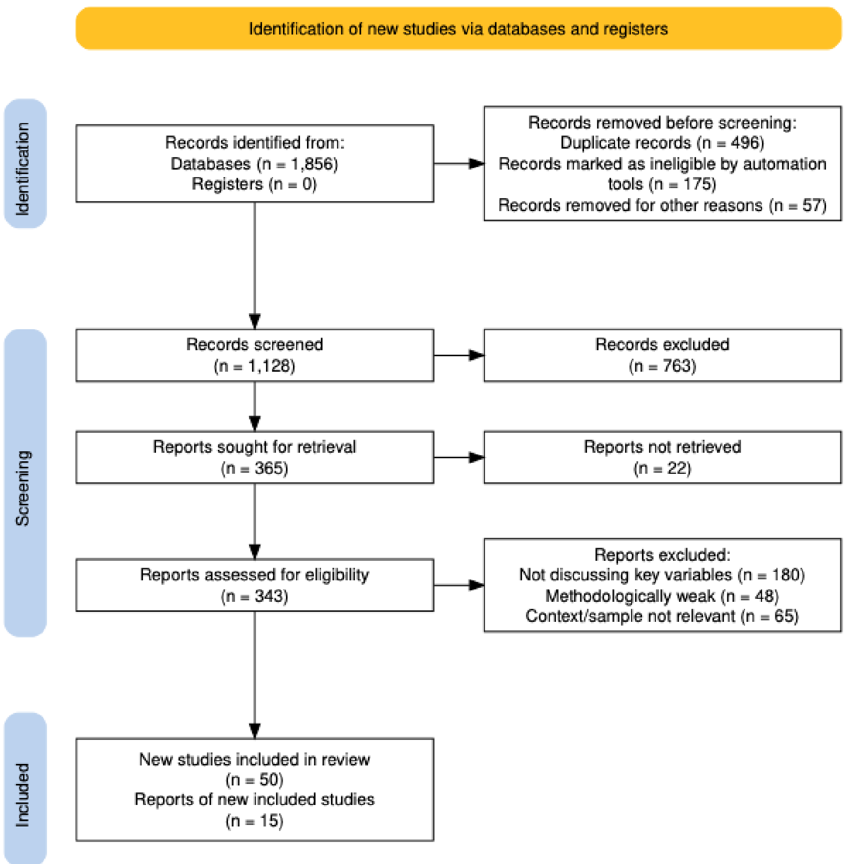

Figure 1. PRISMA-Systematic Literature Review (SLR) diagram
Source: Processed Data (2025)

Data Extraction and Analysis

Key information was extracted from each study, including author(s), year, country/region, data period, methodology, variables employed, and major findings. To capture emerging themes, the results were categorized into three dimensions: (1) ESG disclosure and its effect on underpricing; (2) underwriter reputation and market credibility; and (3) moderating role of systemic crises, particularly COVID-19. A narrative synthesis approach was employed, allowing the integration of findings across heterogeneous methods and contexts. Where applicable, patterns, inconsistencies, and research gaps were identified and discussed.

RESULTS

ESG Disclosure and IPO Underpricing

The review shows that Environmental, Social, and Governance (ESG) disclosure functions as an essential non-financial signal in Initial Public Offerings (IPOs). Transparent and standardized reporting helps mitigate information asymmetry by providing investors with greater clarity on firm quality and long-term sustainability (Dhaliwal et al., 2011; Berg et al., 2022). This finding is consistent with signaling theory, which emphasizes the role of credible signals in reducing uncertainty in markets characterized by incomplete information (Spence, 1973). Nevertheless, the effect of ESG is not uniform across contexts. In markets with high sustainability awareness, strong ESG disclosure reduces underpricing by lowering perceived risk, while in less mature environments, disclosure may have little impact or even increase underpricing due to heightened demand from socially responsible investors (Ahlsén & Elfstrand, 2024); Francesco Bollazzi et al., 2017). These findings imply that the effectiveness of ESG disclosure depends on both the authenticity of reporting and the maturity of market institutions. For issuers, the implication is that substantive and verifiable ESG practices can reduce the cost of capital, while for regulators, standardization of ESG metrics is crucial to prevent greenwashing.

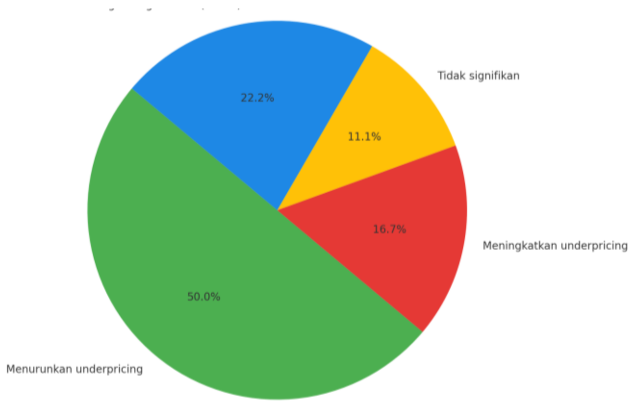

Figure 2. ESG Findings Related to IPO Underpricing
Source: Processed Data (2025)

Figure 2 illustrates the distribution of empirical findings from 18 studies that explicitly examined the role of ESG disclosure in IPO underpricing. The results reveal a heterogeneous pattern. Half of the studies (50%) reported that ESG disclosure effectively reduces underpricing by diminishing information asymmetry and enhancing investor confidence. This suggests that when sustainability reporting is perceived as credible and verifiable, it operates as a strong non-financial quality signal in line with signaling theory (Spence, 1973). In contrast, approximately 16.7% of the studies found the opposite effect, where strong ESG performance was associated with higher underpricing. This counterintuitive outcome is often explained by heightened investor demand for firms with strong ESG profiles, which can generate oversubscription pressure and drive first-day price jumps (Ahlsén & Elfstrand, 2024). A smaller proportion, around 11.1%, reported no significant relationship, indicating that in certain institutional or market settings, ESG signals may be undervalued or overlooked by investors. Finally, 22.2% of the findings were classified as context-dependent or mixed, highlighting that the effect of ESG disclosure is contingent on factors such as disclosure quality, market maturity, and the regulatory environment.

Taken together, the evidence underscores the non-linear and context-sensitive nature of ESG's role in IPO pricing. While ESG disclosure frequently reduces underpricing, its effectiveness varies considerably across markets and conditions. These findings reinforce the need for standardized ESG measurement frameworks and more nuanced models that account for both positive and paradoxical effects.

Underwriter Reputation and Market Credibility

Reputable underwriters play an important role in reducing uncertainty during IPOs by providing certification of firm quality and ensuring more accurate valuation (Megginson & Weiss, 1991; Hu et al., 2021). Their involvement enhances investor trust, which generally lowers the degree of underpricing. This is consistent with information asymmetry theory, where reputation serves as a proxy for hidden information held by issuers and underwriters (Akerlof, 1970). However, the review also highlights mixed findings. In speculative market conditions, high-prestige underwriters may strategically allow greater underpricing to generate strong aftermarket performance, leveraging their reputation opportunistically (Kirkulak & Davis, 2005; Zhang & Neupane, 2024). These contrasting outcomes indicate that reputation is a double-edged sword: while it often serves as a stabilizing mechanism, it may also be used strategically. The implication is that issuers must carefully select underwriters not only based on prestige but also on alignment of long-term interests, while regulators may need to strengthen disclosure standards for underwriting practices.

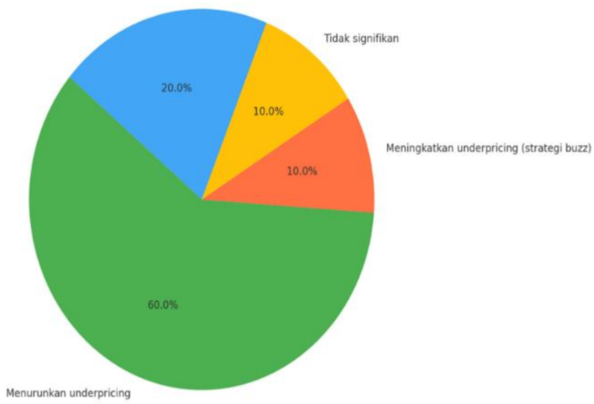

Figure 3. Underwriter Reputation and Its Effect on IPO Underpricing
Source: Processed Data (2025)

Figure 3 presents the distribution of findings from 20 empirical studies that explicitly investigated the relationship between underwriter reputation and IPO underpricing. The majority of studies (60%) indicate that reputable underwriters are associated with lower underpricing. This outcome is consistent with the certification hypothesis (Megginson & Weiss, 1991), where underwriter prestige functions as a credible quality signal that reduces information asymmetry, increases valuation accuracy, and builds investor confidence. Such findings suggest that reputation can serve as a stabilizing mechanism in IPO pricing, particularly in markets with high uncertainty. Conversely, 10% of the studies reported a positive relationship, where reputable underwriters were linked to higher underpricing. This counterintuitive result is often attributed to strategic underpricing or "buzz creation," in which prestigious underwriters deliberately set offer prices conservatively to stimulate aftermarket demand and generate publicity (Kirkulak & Davis, 2005; Zhang & Neupane, 2024). Another 10% of the findings show no statistically significant effect, implying that underwriter reputation may lose its signaling power in certain institutional contexts or when investors rely more heavily on alternative quality indicators such as ESG disclosure. Finally, 20% of the studies revealed context-dependent or mixed effects, highlighting that the influence of underwriter reputation varies across markets and time periods. Factors such as market maturity, investor sentiment, and regulatory oversight play a critical role in determining whether reputation reduces, amplifies, or has no effect on underpricing.

Overall, the evidence suggests that while underwriter reputation generally acts as a mechanism to mitigate IPO underpricing, its impact is not universal. The results underscore the need for future research to develop integrated models that examine how underwriter reputation interacts with non-financial signals like ESG disclosure, particularly under systemic shocks such as the COVID-19 pandemic. This perspective advances signaling theory by showing that reputation is not a static asset, but rather a dynamic and context-sensitive factor in IPO pricing.

COVID-19 as a Moderating Factor

The COVID-19 pandemic amplified ex-ante uncertainty in global capital markets, making credible signals more salient in IPO pricing decisions. During this period, both ESG disclosure and underwriter reputation became increasingly important in shaping investor expectations (İlbasmış, 2023; Panda & Deb, 2024). This is consistent with the notion in signaling theory that the value of quality indicators increases when uncertainty is high. At the same time, the crisis revealed the vulnerability of symbolic signaling. Concerns about greenwashing escalated as some issuers overstated their sustainability credentials without substantive practices, thereby weakening investor confidence (Baig & Chen, 2022; (Parguel et al., 2011). The implication is that crises not only intensify the demand for credible quality signals but also expose weaknesses in disclosure authenticity. For future policy, this underscores the need for regulatory frameworks that emphasize both transparency and verification of ESG practices, especially during systemic shocks.

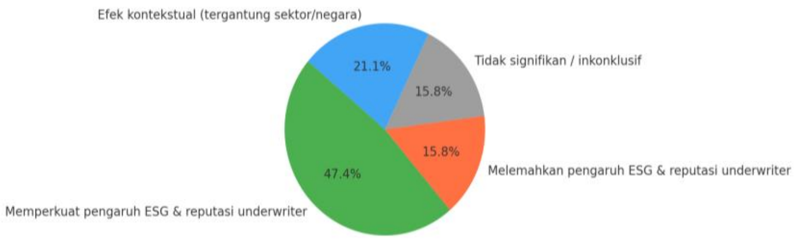

Figure 4. Moderating Role of COVID-19 in the ESG–Underwriter–IPO Relationship
Source: Processed Data (2025)

Figure 4 presents the distribution of 19 studies that explicitly examined the moderating role of the COVID-19 pandemic in the relationship between ESG disclosure, underwriter reputation, and IPO underpricing. The results show that nearly half of the studies (47.4%) conclude that COVID-19 strengthened the influence of credible quality signals, with ESG transparency and underwriter reputation becoming more decisive in reducing information asymmetry and stabilizing IPO pricing. This finding is consistent with signaling theory, which suggests that the value of quality indicators is magnified under conditions of heightened uncertainty (Spence, 1973). In contrast, 15.8% of the studies found that the moderating role of COVID-19 was associated with an increase in underpricing. This counterintuitive outcome can be attributed to investor overreaction to firms with strong ESG profiles or reputable underwriters, which in turn created oversubscription and higher first-day returns. Another 15.8% reported no significant moderation effect, suggesting that in certain institutional contexts, investors may have relied on alternative factors beyond ESG and underwriter reputation when assessing IPO risks. Finally, 21.1% of the findings revealed mixed or context-specific effects, underscoring that the crisis did not produce uniform outcomes across all markets or industries.

Taken together, the evidence highlights the dual role of systemic shocks. While COVID-19 increased the salience of credible signals, it also exposed the fragility of those signals when their authenticity was questionable, as seen in cases of symbolic ESG disclosure or opportunistic underwriter strategies. These findings imply that regulatory mechanisms ensuring disclosure quality and accountability are crucial, particularly during periods of market turbulence. For theory, the results extend the application of signaling theory by demonstrating that the strength of signals is not fixed but contingent on external shocks and institutional settings.

Integrated Insights And Contributions

Synthesizing the findings across studies, this review demonstrates that ESG disclosure and underwriter reputation jointly function as mechanisms to reduce IPO underpricing, particularly under conditions of heightened uncertainty such as the COVID-19 crisis. Their effectiveness, however, is shaped by disclosure quality, market maturity, and institutional context. Theoretically, these findings extend information asymmetry and signaling theory by highlighting the conditional and context-dependent nature of quality signals. From a practical standpoint, the results suggest that issuers should prioritize credible ESG communication and carefully evaluate underwriter alignment, while regulators should advance standardized disclosure frameworks and monitoring mechanisms. For academia, the contribution lies in clarifying the interaction between financial and non-financial signals in IPO pricing and in identifying avenues for future research, such as the development of integrated models capturing both moderating and mediating mechanisms.

Table 2. Systematic Review Findings on ESG, Underwriter Reputation, and IPO Undepricing

No	Author (Year)	Synthesis Theme	Variables Studied	Method	Period / Sample	Findings IPO Underpricing	Status
1	Chen et al. (2015)	(a), (d)	Company ownership (SOE vs private), institutional environment quality, underpricing	Quantitative (OLS)	China; IPOs 2001–2008; firm-level panel	In China, the degree of IPO underpricing is more severe for state-owned enterprises than for their private-sector counterparts, a discrepancy that is intensified by weaknesses in the institutional environment.	Prior Study
2	Huang et al. (2019)	(a), (d)	Family ownership structure, CEO duality, legal environment, asymmetric information	Quantitative	China; IPO 2004–2014; 424 companies	Family business structures increase underpricing if not closely monitored. The legal environment serves as a mitigation.	Prior Study
3	Pangesti Aji & Ekawati (2024)	(a), (d)	ESG disclosure, use of IPO funds (productive vs non-productive), level of underpricing, company resilience after IPO	Quantitative	Indonesia; 148 IPO companies 2016–2021	Companies with high ESG disclosure and IPO fund allocation for investment exhibit lower underpricing and higher survival rates.	New Study
4	Ferri et al. (2023)	(a)	ESG voluntary disclosure (qualitative & quantitative scores), controls: profitability, leverage, auditor reputation	Quantitative (OLS)	Italy; IPO 2011–2020	The dissemination of Environmental, Social, and Governance (ESG) information significantly lowers the underpricing of IPOs. This occurs because investors perceive such disclosures as a reliable marker of the issuing firm's trustworthiness and ethical standing.	New Study

5	Zhang & Neupane (2024)	(a), (c), (d)	ESG index (country level), underwriter reputation, VC support, investor protection, COVID-19 dummy variable, underpricing, ex-ante uncertainty	Quantitative (OLS, PSM)	Global; 6,113 IPOs in 32 countries; 2015–2021	Average underpricing increased by 17.6% during the pandemic. Underwriter reputation and ESG signals played a significant role in mitigating investor risk expectations during COVID-19.	New Study
6	Birkey et al. (2016)	(a)	CSR assurance, environmental reputation, corporate social responsibility	Quantitative	US; public company	CSR assurance increases positive environmental perceptions. It does not directly measure underpricing, but is relevant as a signal of ESG quality.	Prior Study
7	Economidou et al. (2023)	(a)	ESG materiality (sustainability ratings), market response to sustainability ratings	Quantitative	Europe; multi-country	ESG ratings have been shown to be materially perceived by the market; they influence initial IPO valuations and performance expectations.	Prior Study
8	Baker et al. (2021)	(a), (d)	ESG government risk (issuer's country of origin), cross-country underpricing	Quantitative	International IPOs 2010–2019	ESG (governance) policy risk in the home country is associated with greater underpricing in global markets.	Prior Study
9	Francesco Bollazzi et al. (2017)	(a), (d)	CSR disclosure (sustainability report), IPO performance, firm characteristics	Quantitative	Italy; IPO 2007–2014	CSR disclosure is associated with higher underpricing; significance weakens in the multivariate model.	Prior Study
10	Kang & Lam (2023)	(a), (c)	Environmental disclosure, sustainability signals, IPO underpricing	Quantitative	Singapore; IPO 2010–2020	Environmental disclosure significantly reduces IPO underpricing; investors respond positively to sustainability signals.	Prior Study
11	Harasheh (2023)	(a), (d)	ESG factors (E, S, G components), IPO	Quantitative	Southern Europe; firm-level IPO	high ESG score is associated with lower underpricing; ESG signals	Prior Study

			attractiveness, market perception			strengthen a company's credibility in the eyes of investors.	
12	Schmunkamp (2025)	(a), (d)	ESG ratings (RepRisk, AAA–CCC), IPO underpricing, risk perception	Quantitative	US; 2016–2022; firm-level	ESG rating significantly reduces IPO underpricing; investors use ESG as a credible non-financial quality signal.	New Study
13	Reber et al. (2022)	(a), (d)	ESG disclosure, idiosyncratic risk, information asymmetry	Quantitative	Global sample IPO	The dissemination of Environmental, Social, and Governance (ESG) information mitigates firm-specific risks that commonly contribute to IPO underpricing. Furthermore, robust ESG reporting is recognized for enhancing market transparency and stabilizing post-listing performance expectations.	Prior Study
14	Boulton (2024)	(a), (c), (d)	Mandatory ESG disclosure can reduce information asymmetry and litigation risk, thereby exerting a positive influence on the process and outcome of IPO valuation.	Quantitative	Global; post-IPO company in a tight regulatory environment	Empirical evidence indicates an inverse correlation between EPS and the level of underpricing, wherein superior earnings performance correlates with lower initial discounts. Furthermore, a reputable underwriter serves to enhance market trust and stabilize investor perceptions.	New Study
15	Oktananda & Gantyowati (2023)	(a), (b), (c), (d)	Financial (EPS, ROA) & non-financial variables (underwriter reputation , ESG dummy), IPO underpricing	Quantitative	Indonesia; 2020–2022; all BEI IPOs	EPS and underwriter reputation significantly reduce underpricing; ESG is not always effective due to the risk of greenwashing in Indonesian companies.	New Study
16	Kirana Astuti & Djamaluddin (2021)	(b), (d)	Underwriter reputation, ROA, DER, company size, leverage, EPS	Quantitative	Indonesia; IPOs on the IDX 2015–2019	Underwriter reputation significantly reduces underpricing; leverage and DER actually increase underpricing.	Prior Study

17	Abbas et al. (2022)	(b), (d)	EPS, ROE, underwriter reputation, company size, industry sector	Quantitative	Indonesia; 98 companies IPO on the IDX	EPS negatively impacts underpricing (the higher the EPS, the lower the underpricing); underwriter reputation strengthens market confidence.	Prior Study
18	Yuliani et al. (2019)	(b), (d)	Financial variables (DER, ROA), underwriter reputation , activity ratio, non-financial information	Quantitative	Indonesia; IPO 2013–2017	Underwriter reputation and ROA decrease underpricing; DER increases. Small companies with minimal information tend to experience high underpricing.	Prior Study
19	Xu & Zhao (2014)	(b), (d)	Ownership type (SOE vs. private), institutional variables, firm size	Quantitative	China; domestic capital market IPO	The average underpricing of IPOs in China is very high (110%). SOEs experience greater underpricing due to expectations of intervention and hidden information.	Prior Study
20	Razafindrambinina & Kwan (2013)	(b)	Underwriter and auditor reputation, trust signals, IPO effectiveness	Quantitative	Global sample ; across industries & countries	auditors and underwriters lower IPO underpricing; investors respond to reputation as an effective signal of quality.	Prior Study
21	Kirkulak & Davis (2005)	(b)	Underwriter reputation, issue size, market volatility	Quantitative	Japan; IPO 1993–1998	Prestigious underwriters are consistently shown to mitigate the degree of underpricing in Japanese initial public offerings. This stabilizing effect is particularly pronounced for smaller issuers, who typically face greater information asymmetry and investor skepticism.	Prior Study
22	Hu et al. (2021)	(b), (d)	Underwriter reputation, institutional investors, IPO performance	Quantitative	China; Growth Enterprise Market (ChiNext)	Underwriter reputation reduces underpricing, but the effect is weak when institutional investors dominate the offering.	Prior Study
23	Obrimah (2023)	(b)	underwriter pricing, market efficiency	Quantitative	Nigeria; local IPO	underwriters significantly reduce underpricing; perception of pricing	New Study

						service is a major factor in frontier markets.	
24	Sharma & Seraphim (2010)	(b)	Underwriter reputation, information asymmetry, investor trust	Quantitative	International; combination of emerging & developed markets	While a strong underwriter reputation is generally correlated with reduced IPO underpricing, the efficacy of this relationship is contingent upon specific market conditions and the prevailing architecture of information dissemination.	Prior Study
25	Fernando et al. (2015)	(b), (d)	Reputation, service differentiation, IPO pricing strategy	Quantitative	US; Capital market IPOs 1990–2007	Underwriter reputation does not always impact IPO pricing unless accompanied by service differentiation (prestige alone is not enough to reduce underpricing).	Prior Study
26	Widarjo et al. (2017)	(b), (d)	Underwriter reputation , intellectual capital (IC) disclosure, company size, ROA	Quantitative	Indonesia; 75 IPO companies 2011–2015	Underwriter reputation and IC disclosure simultaneously reduce underpricing. The signaling effect of IC disclosure also appears dominant.	Prior Study
27	Neupane & Thapa (2013)	(b)	Underwriter–investor relationship, underwriter reputation, initial IPO return	Quantitative	Australia; stock market IPO	Underwriter reputation reduces underpricing, but exclusive relationships with institutional investors actually increase the risk of selective allocation.	Prior Study
28	Su & Bangassa (2011)	(b), (d)	reputation, initial return, long-run performance, state vs. private IPOs	Quantitative	China; 1999–2006	Underwriter reputation reduces underpricing in private IPOs, but not in state-owned enterprise IPOs. The long-term impact depends on the ownership structure.	Prior Study
29	Chua (2014)	(b), (c), (d)	Market conditions, underwriter reputation, first day returns	Quantitative	Malaysia; 2001–2007	An underwriter's reputation lowers underpricing only when market conditions are stable. In a " hot market" reputation is leveraged for IPO hype strategies.	Prior Study

30	Ataker & Tas (2024)	(c), (d)	COVID-19 pandemic, underpricing, market factors, investor behavior	Quantitative	Türkiye; Borsa Istanbul during the pandemic (2020–2022)	Investor expectations of significant volatility, particularly in the technology and healthcare sectors, were a key driver behind the markedly elevated levels of IPO underpricing observed throughout the pandemic period.	New Study
31	Mazumder & Saha (2021)	(c), (d)	COVID-19 fear sentiment, short-term returns, IPO price stability	Quantitative	India; IPO during the early days of the pandemic	Investor fears about the pandemic drove high underpricing in initial offerings; the effect was most pronounced in the consumer and healthcare sectors.	Prior Study
32	Putra & Lubis (2024)	(c), (d)	Fear sentiment, government intervention, IPO underpricing	Quantitative	Indonesia; 2020–2023 IPO on the IDX	Government intervention acts as a moderator that neutralizes the effects of market fears of IPO underpricing.	New Study
33	Baig & Chen (2022)	(c), (d)	Information uncertainty, global capital markets, investor expectations	Quantitative	Global; various IPOs 2020–2021	COVID-19 has increased global underpricing due to a surge in information uncertainty. Technology sector IPOs are the most sensitive.	Prior Study
34	İlbasmış (2023)	(c), (d)	Aftermarket performance, underpricing, investor expectations during COVID-19	Quantitative	Türkiye; Borsa Istanbul IPO 2020–2022	Underpricing increased sharply during COVID-19; the market exhibited “ fear buying ” characteristics, but aftermarket returns tended to be quickly corrective.	New Study
35	Roopa et al. (2021)	(c)	The impact of the pandemic on MSME IPOs, changes in market performance before vs after lockdown	Quantitative	India; SME Platform IPO before and after 2020	IPOs on Indian MSME platforms experienced higher underpricing after the lockdown, as investors doubted the resilience of the small-medium sector.	Prior Study

36	Maheshwari & Kumar (2022)	(c), (d)	Fear of COVID-19, short-term IPO returns, sectoral response	Quantitative	India; IPOs during Q1 2020–Q1 2021	Fear of the pandemic led to investor overreaction → high underpricing in sectors such as tourism and automotive.	Prior Study
37	Kim et al. (2025)	(a), (c), (d)	ESG (Environmental Risk), green stock IPO, COVID-19 period, short-term performance	Quantitative	South Korea; Green IPO 2020–2022	“Green” stocks with low environmental risk experienced lower underpricing during COVID-19; ESG became a key mitigator in the crisis.	New Study
38	Hadiwidjaja et al. (2021)	(c), (d)	Industrial sector, COVID-19 dummy, underpricing	Quantitative	Indonesia; 2020–2021 IPOs by sector	The technology and healthcare sectors experienced low underpricing; the manufacturing and services sectors experienced increased underpricing during the pandemic.	Prior Study
39	Chania Putri & Permata Sari (2023)	(c), (d)	COVID-19 pandemic–endemic, underpricing trend on the IDX	Quantitative	Indonesia; all IPOs 2020–2023	Underpricing increased sharply at the start of the pandemic, but gradually declined as the pandemic entered its endemic phase; investors became more selective regarding sectors and ESG signals.	New Study
40	Wei (2024)	(c), (d)	Comparison of the 2008 crisis vs. COVID-19, ex-ante uncertainty, investor behavior	Quantitative	China; IPOs 2007–2009 & 2020–2022	The magnitude of IPO underpricing during the COVID-19 pandemic surpassed that observed in the 2008 financial crisis. This disparity is largely attributable to intensified information uncertainty and fundamental shifts in investor psychology and conduct during the global health emergency.	New Study
41	Pratiwi et al. (2024)	(a), (d)	Underpricing factors, long-term performance of green companies (green company IPO)	Quantitative	Indonesia; ESG company IPOs 2015–2021	“Green” companies experience lower underpricing, but their long-term performance is more consistent than non-ESG companies.	New Study

42	Alyasa-Gan et al. (2024)	(a), (d)	ESG disclosure (qualitative and quantitative), initial performance of IPOs	Quantitative	Malaysia; ESG sector IPOs 2018–2023	ESG disclosure strengthens investor perception → underpricing tends to decrease, especially in the renewable energy and green technology sectors.	New Study
43	Widarjo & Trinugroho (2020)	(b)	Lead underwriter reputation (experience, amount of underwriting), underpricing	Quantitative	Indonesia; IPO 2010–2017	underwriters significantly reduce underpricing. The effect is stronger in capital-intensive sectors and large companies.	Prior Study
44	Carter et al. (2010)	(b)	Underwriter reputation, alignment of interests between issuer and underwriter, IPO underpricing	Quantitative	US; IPO 1981–2005	Underwriters with high reputations tend to choose clients with good reputations → this synergy reduces IPO risk and underpricing.	Prior Study
45	Binti et al. (2014)	(b), (d)	Underwriter reputation, market risk, issue size, sharia status	Quantitative	Malaysia; IPOs of Islamic companies 2005–2012	Underwriter reputation significantly reduces underpricing. However, Islamic companies tend to experience higher underpricing due to investor risk perception.	Prior Study
46	Chang et al. (2010)	(b), (d)	reputation, earnings management, long-run IPO performance	Quantitative	Taiwan; IPO 1995–2005	underwriters reduce earnings manipulation and underpricing. However, the impact is significant only for IPOs without accounting manipulation.	Prior Study
47	Apsari et al. (2021)	(b), (d)	Underwriter reputation, auditor reputation, underpricing, characteristics of medium-sized companies	Quantitative	Indonesia; mid-sized companies IPO on the IDX 2016–2020	Underwriter and auditor reputations have a significant negative impact on underpricing. Investors rely on external credibility signals for mid-sized issuers.	Prior Study
48	Adanan et al. (2021)	(c), (d)	Intended use of IPO proceeds, underpricing, COVID-19 crisis	Quantitative	Malaysia; IPO 2019–2021	Underpricing is higher when the use of funds is unclear; the COVID crisis	Prior Study

						has heightened investor sensitivity to signals about the use of funds.	
49	Yahya et al. (2021)	(c), (d)	COVID abnormal returns, investor attention, fear sentiment, social isolation	Quantitative (Panel)	Global markets ; COVID 2020	Changes in returns during COVID-19 were influenced by psychological factors and investor attention; signals of increased market volatility → potentially increasing underpricing.	Prior Study
50	Pattanapanyasat & Jaikengkit (2022)	(c), (d)	Media exposure, IPO timing, uncertainty, COVID-19 pandemic	Quantitative	Thailand; IPO 2019–2021	Media exposure during the pandemic increased IPO appeal and actually reduced underpricing; however, the effect was only strong in the technology and healthcare sectors.	Prior Study

Source: Processed Data (2025)

Table 3. Research Gap Matrix on ESG, Underwriter Reputation, and IPO Underpricing

Dimensions	It has been widely studied	Under-researched/Inconsistent	Further Research Opportunities
ESG	Research by Ferri et al. (2023) and Schmunkamp (2025) establishes Environmental, Social, and Governance (ESG) disclosure as a credible quality signal. Their findings indicate that robust ESG reporting is consistently associated with a reduction in IPO underpricing within developed capital markets.	Differences in the effects of each dimension E, S, and G; inconsistent ESG disclosure or greenwashing (Oktananda & Gantyowati, 2023)	Separate research per dimension E, S, G; ESG assessment based on investor perception; Longitudinal study of ESG impact on long-term performance post-IPO
Underwriter Reputation	Hu et al. (2021) and Carter et al. (2010) document a negative relationship between an underwriter's reputation and underpricing levels, highlighting the critical role reputable underwriters play as guarantors of issuer quality and value.	Underwriter reputation in “hot markets” or frontier markets; Interaction of underwriter reputation with ESG	A cross-temporal study of reputation and pricing strategy; An experimental study of investor perceptions of reputation in an IPO under uncertainty.

COVID-19 crisis	COVID-19 increases underpricing globally; ESG and underwriter reputation serve as greater risk mitigators during crises (Zhang & Neupane, 2024); Kim et al., 2025)	Moderation of COVID-19 on other financial variables; Dynamics of institutional vs. retail investors during the pandemic	Comparative study between crises (COVID-19 vs. 2008 crisis); Post-pandemic impact analysis; Role of government intervention in stabilizing market perceptions
Geographical Context	China, US, Western Europe, Japan; focus on developed capital markets	Indonesia, India, Africa, MENA countries are still few	frontier markets; Comparison of institutional ESG and underwriter structures across countries
Methodology	The majority of quantitative studies are OLS/ cross-sectional regressions .	Minimal qualitative, longitudinal, mixed-methods studies	Use of panel data, mixed methods, ESG IPO case studies, ESG discourse analysis and underwriter reputation in the media or annual reports
Combination Variables	ESG study → underpricing or underwriter reputation → underpricing	Simultaneous combination of ESG and underwriter reputation in one model	simultaneously examines ESG signals and underwriter reputation; Non-linear interactions and conditional effects in a single multivariate framework.
Theoretical Perspective	Signaling theory, information asymmetry	Minimal institutional, behavioral, or legitimacy theory approaches	Multidisciplinary approach (investor psychology, ESG regulation, legitimacy theory, signaling-differentiation tradeoff)

Source: Processed Data (2025)

Table 4. Overview of Study Strengths and Limitations

Aspect	Advantages of Study	Study Limitations
Methodology	- The majority of studies use rigorous quantitative regression (OLS, PSM, panel data). - The designs are replicable and comparative across countries.	- The dominance of quantitative methods leads to data-driven bias. - Qualitative or mixed studies are still rare. - Lack of longitudinal or time-series analysis.
Variables & Measurement	- ESG and underwriter reputation are dissected using various indicators (external ESG scores, historical reputation, disclosure metrics). - Several studies compare financial vs. non-financial signals.	- There is no universal standard in ESG measurement or underwriter reputation. - Instrument heterogeneity makes it difficult to consolidate results. - Risk of biased interpretation of symbolic ESG/ greenwashing.

Geographical Context	- Cross-country representation: US, China, Italy, Indonesia, Türkiye, Malaysia, etc. - Developed vs. emerging market comparisons provide cross-institutional insights.	- Developing countries are still under-represented (e.g. Africa, Middle East, Latin America). - Data inequality causes regional bias in generalizations.
COVID-19 Crisis Period	- The pandemic was used as a natural experiment to test the reliability of ESG signals and reputation. - The 2020–2023 study revealed new dynamics in IPO underpricing.	- Existing research largely overlooks two critical aspects: first, the specific moderating role of the COVID-19 crisis on quality signals like ESG and underwriter credibility, and second, the differential impact of the pandemic's short-term volatility versus its long-term structural effects.

Source: Processed Data, 2025

CONCLUSION

This study systematically synthesized evidence from 50 peer-reviewed publications to evaluate the role of Environmental, Social, and Governance (ESG) practices and underwriter reputation in mitigating IPO underpricing, while also examining the moderating effect of the COVID-19 crisis. The findings highlight that credible ESG disclosure and reputable underwriters act as vital quality signals that reduce information asymmetry and enhance investor confidence, particularly during periods of heightened uncertainty such as the pandemic, although their effectiveness varies across institutional and market contexts. Nonetheless, the review identifies several limitations, including the lack of standardized ESG measurement frameworks, the dominance of cross-sectional rather than longitudinal or mixed-method designs, and the limited focus on emerging markets, which restricts the generalizability of current evidence. Future research should therefore adopt more integrative and context-sensitive approaches, incorporating multi-method analyses and unified theoretical models that jointly examine ESG, underwriter reputation, and systemic shocks, in order to provide deeper insights into IPO pricing dynamics.

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