

1. Introduction

E-commerce companies in Indonesia are an integral part of the rapidly growing electronic commerce industry, contributing 75.6% to the digital economy's value in Indonesia, according to the report by Google, Temasek, and Bain & Company titled e-Conomy SEA 2023. As shown in Figure 1 below, it is explained that the Gross Merchandise Value (GMV) from the e-commerce sector in Indonesia is estimated to reach US\$62 billion out of the total digital economy GMV of US\$82 billion in that year (Katadata.co.id, 2023).

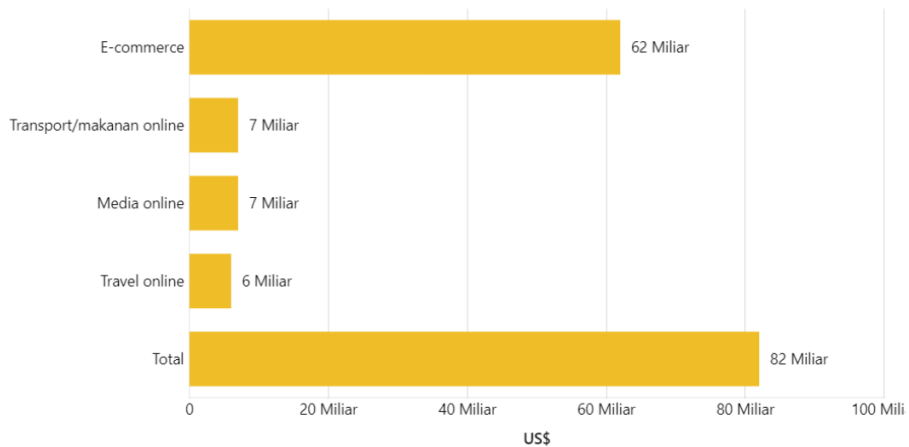


Figure 1. Projection of Gross Transaction Value/ GMV of Indonesia's Digital Economy by Sector (2023)
Source: www.databoks.katadata.co.id (2023)

E-commerce companies fall into the technology industry category with promising business prospects. During the Covid-19 pandemic, most people in Indonesia shopped online to avoid the spread of the virus, following the government's recommendation to limit social and economic activities across the country (snips.stockbit.com, 2023).

Based on population data from the Directorate General of Population and Civil Registration (Dukcapil) of the Ministry of Home Affairs, Indonesia's total population in December 2023 reached 280.73 million. With internet penetration in 2023 reaching 78.19% of the total population, the e-commerce sector has become an attractive area for both retail and institutional investors, both local and foreign, to invest in e-commerce company stocks on the Indonesian Stock Exchange (Katadata.co.id, 2023).

Below is the historical stock price of e-commerce companies before and one year after their IPO:



Figure 2 Comparison of Stock Prices Before and After IPO of E-Commerce Companies Listed on the IDX

Source: data processed by the author from www.finance.yahoo.com (2024)

Figure 2 above shows that the stock prices of the three e-commerce companies listed on the Indonesia Stock Exchange (IDX) tend to decline, especially for BUKA and GOTO, while BELI's stock price has increased compared to its IPO price, assuming a closing price with the same comparison period of 365 days after the IPO.

BUKA conducted its initial public offering (IPO) on August 6, 2021, at a price of IDR 850 and experienced a significant stock price decline of IDR 532, or -63%, one year after the IPO, with a closing price of IDR 318 on August 5, 2022. Similarly, GOTO's stock price, initially offered at IDR 338, saw a significant decline of IDR 239, or -71%, one year after the IPO, with a closing price of IDR 99 on April 11, 2023. In contrast, BELI's stock price increased compared to its IPO price, rising by IDR 216, or 86%, with a closing price of IDR 466 on November 8, 2023, while the price offered to investors at the IPO was IDR 250.

An Initial Public Offering (IPO) is the first public offering of shares to the public by a company following capital market regulations (OJK, 2010). During an IPO, the share price offered is determined by the issuer or the company conducting the public offering and the underwriter, known as the IPO Price. This IPO Price serves as the initial price in the capital market and will change in the secondary market based on the law of supply and demand (Nopriadi, 2016).

Generally, the price at the time of an Initial Public Offering (IPO) often experiences underpricing, a phenomenon supported by various studies. This underpricing can reduce a company's interest in selling