

INFORMATION ASYMMETRIES, ISSUERS' INCENTIVES AND UNDERPRICING IN EMERGING MARKET: SOME EVIDENCE FROM TUNISIAN IPO FIRMS

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ABSTRACT

This paper examines Initial Public Offerings (IPOs) that took place in an emerging market such as Tunisian Stock Exchange. On the basis of a sample of 53 companies that went public during the period 1994 – 2013, research results show that underwriters, who are involved in the firm as shareholders or as group's subsidiaries i.e. self-marketed IPOs, are likely to exert a dominant influence on the offer and market prices, thereby reducing the cost of underpricing. Moreover, according to the principles of mental accounting, Tunisian IPO firms are willing to accept large underpricing when the perceived wealth gain is greater than the cost of underpricing. Finally, we find significant support that Tunisian issuers and their underwriters use discounted offer prices by setting prices below that warranted by its intrinsic valuations, to entice the uninformed investors to take part in the offerings for the purpose of successfully IPO implementation.

KEYWORDS: Initial Public Offering, Information Asymmetries, Issuers' Incentives, Emergent Market, Self Marketed IPOs