

## *Short Term Performance of SME IPOs listed on the BSE platform: A Five-Year Analysis (2019-23)*

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*Abstract: The study examines the short-term performance of small and medium enterprise (SME) initial public offerings (IPOs) listed on the BSE SME platform during 2019–2023. The study measures initial returns and initial excess returns to measure the extent of under-pricing on the listing-day of SME IPOs, by using a sample of 154 companies. In the study, year-wise patterns are examined to assess changes in the number of IPOs, capital raised and average under-pricing across the study period. The study finds that, on the average, there is a significant positive return on the listing day in SME IPOs, with an average initial return of 20.76% and an average initial excess return of 18.04% for the overall time. It is observed that IPOs are initially under-priced. The level of under-pricing is fluctuating over the years, with the lowest return of 47.50% in 2020 during the COVID-19 pandemic and the highest return of 125.65% seen in 2021. It indicates investor's confidence after recovery of markets in the post-pandemic period. The study also highlights a significant growth in SME IPO activity, both in terms of number of issues of SME IPO and total capital raised. The conclusion of the study has vital implications for investors, policymakers and issuers seeking to promote transparency, pricing efficiencies and accessibility of India's SME IPO markets.*

*Keywords: SME IPOs, Listing Day Return, Under-pricing, BSE SME, Initial Performance.*

### I. INTRODUCTION

In the last few years, India has seen a sensational growth in the number of firms or companies raising capital through Initial Public Offerings (IPO). An IPO represents the major milestone in the growth journey for many enterprises, particularly SMEs. It enables them to obtain external capital, improve corporate credibility and enhance visibility (Singh et al., 2025). Companies issue IPOs for many different reasons such as business expansion, debt restructuring, additional working capital requirement and diversification (Siwach & Kumar, 2025). Moreover, IPO plays a significant role for firms in organizing public savings into productive investment channels that helps in generating industrial growth and economic development (Singh & Anand, 2020). According to Ministry of Micro, Small and Medium Enterprises, The MSME sector contributes in Indian economy around 35.4% of manufacturing output, 30.1% of India's GDP and around 45–46% of total exports during 2023–24 (MSME PIB, 2025). MSME exports have increased from Rs. 3.95 lakh crore in 2020–21 to over Rs. 12.39 lakh crore in 2024–25, whereas the MSME sector has provided jobs to approximately 28 crore people through nearly 6.5 crore registered enterprises (MSME PIB, 2025). This official data highlights the important role of MSMEs in promoting entrepreneurship and inclusive development. In developing Countries, like India, SMEs are the backbone of an economy that act as critical driver of

economic growth, employment generation and innovations (Singh & Gaur, 2018). In 2012, the Bombay stock exchange launched its SME platform to overcome these challenges and give SMEs an effective and transparent funding mechanism. It has become a promising avenue for small businesses to raise equity capital and integrate into the formal capital markets (Pandey & Kumar, 2020). The BSE SME platform has experienced remarkable growth with over 600 listed firms raising over Rs. 10,652 crores and achieving a market capitalization of around Rs. 1.85 lakh Crore as of 2025 (Economic Times, 2025). Furthermore, the average issue size has also increased from Rs. 11 crores in the 2019-20 to over Rs. 32 crores after 2023.

However, In the Indian context, the listing-day performance of SME IPOs and the extent of their under-pricing has remains relatively unexplored. IPO under-pricing refers to the fact that IPO's listing price is higher than its offer price, enabling investors to earn positive returns on the first day of trading (Manu & Saini, 2020). Several Indian studies have documented under-pricing in mainboard IPOs (Manu & Saini, 2020; Singla, 2020; Arora, 2024) but there is relatively limited research on under-pricing of SME IPOs. The SME IPOs are different from mainboard IPOs in terms of issue size, investor base, liquidity and pricing behaviour. This study attempts to fill the research gap by measuring the extent of under-pricing of SME IPOs listed on the BSE platform during the study period and analyse the year-wise trends of SME IPO activity with respect to the number of issues and the total capital raised from 2019 to 2023. The study provides empirical evidence on short-term performance and under-pricing behaviour of SME IPOs by examining a sample of 154 companies during the period. The study has practical implications for investors, issuers and policymakers interested in improving the efficiency and inclusiveness of India's equity market.

The structure of the rest of the paper is as follows. Section 2 presents a review of literature. Section 3 describes research methodology. Section 4 presents the results and discussion. Section 5 discusses implications, limitations and conclusion.

## II. REVIEW OF LITERATURE

Initial research on the Indian IPOs was largely focused on mainboard IPOs. Bombay stock exchange (BSE) launched its SME platform in 2012 that provide opportunity for systematic research and analysis of SME IPO. Sehgal & Singh (2008) present strong evidence of significant under-pricing in Indian IPOs during the period from 1992 to 2001, with an average under-pricing of 99.2%. Moreover, they found a positive correlation between under-pricing and subscription level and a negative correlation between under-pricing and the firm age. Similarly, based on market-adjusted initial returns, Sahoo and Rajib (2010) showed that Indian IPOs were undervalued by about 46.55%. After some time, this analysis was expanded to 116 initial public offerings (IPOs) issued between 2006 and 2007 by Singh & Kumar (2012), who found a strong positive correlation between under-pricing and oversubscription values. Their research showed that initial returns is significantly impacted by investor demand. In 2017, Dhamija & Arora conducted a study on 100 SME IPOs issued between Feb 2012 to march 2015 in BSE and NSE platforms. The findings of the study showed that SME IPOs often generate positive initial return, that is clear evidence of under-pricing. They also highlighted that the magnitude of under-pricing in SME IPOs is higher compared to mainboard IPOs. Singh & Anand (2020) conducted a study on 176 SME IPOs issued during February 2012 to March 2017, found an average return of 8.66% on listing day. The findings of the study also showed that issue price, firm age, subscription level, listing delay and investors sentiments are important factors that affect listing day performance.

Arora & Singh (2020) conducted a study that examine the impact of corporate governance on under-pricing of 200 SME IPOs issued during 2012 to 2017. The study highlighted that there was negative correlation between ownership concentration and initial return. Manu and Saini (2020) examined the initial performance of SME IPOs and found that around 70% of the issues were under-priced. The study highlighted that issue size, age of firms and type of ownership didn't affect the initial return of a stock. Roy & Gupta (2022) conducted a study on mainboard IPOs and found that average under-pricing of IPOs listed on the BSE during 2015-20 were 11.19%. Recently in 2024, Arora & Singh conducted again a study on 403 IPOs listed on both exchanges (NSE and BSE) from 2012 to 2018. The study found that underwriter reputation played a vital role in assessing

under-pricing behaviour of SME IPO. The study also highlighted that underwriter reputation impact listing day performance but does not have any significant influence on long run performance. Overall, the literature on under-pricing shows consistency in its occurrence both among mainboard and SME IPOs. Most of the previous studies in India were based on data prior to 2018. Thus, a research gap exists in the literature related to SME IPO performance in respect to economic disruption, investor behaviour and policy reforms since 2019. Therefore, this study extends previous works by measuring the extent of under-pricing and analyses the year-wise trends in SME IPO activity with respect to the number of issues and the total capital raised from 2019 to 2023.

### III. RESEARCH OBJECTIVES

1. To Measure the extent of under-pricing in SME IPOs listed on the BSE platform during the period 2019–2023.
2. To analyse the year-wise trends in SME IPO activity with respect to the number of issues and the total capital raised from 2019 to 2023.

### IV. RESEARCH METHODOLOGY

#### Research Design

The research design of the present study is descriptive and empirical. The research is descriptive in nature because it aims to measure and describe the extent of under-pricing in SME IPO issues listed on the SME platform of the BSE. It is empirical since it makes use of observable data about IPO issues and statistical methods for analysing the listing-day performance. The design is cross-sectional; focusing on the performance of each IPO on the first day of trading, rather than over a longer time period.

#### Data Collection

#### Period of Study

The study covers a period of five years, from 2019 to 2023. The main reason why this period has been chosen is that it includes the pre-pandemic, pandemic and post-pandemic recovery phases, thus showing the dynamics of changing market conditions and investor sentiments during these years.

#### Sample Selection

The sample consisted of 154 SME IPOs listed on the BSE SME platform during the study period for which complete data on offer price, listing price and closing price on the first trading day were available. Companies with incomplete or missing data were excluded in order to ensure the reliability of results.

#### Data Sources

This study is completely based on secondary data, collected from sources that were reliable and authentic. Sources include the official website of the Bombay Stock Exchange ([www.bseindia.com](http://www.bseindia.com)) and the Prowess IQ database maintained by the Centre for Monitoring Indian Economy.

#### Measurement of Variables

The short-term performance of SME IPOs is measured using the **Initial Return (IR)** and **Initial Excess Return (IER)**, which help determine the level of underpricing on the listing day.

Initial Return (IR)

Initial return represents the percentage change between the **offer price** and the **closing price on the listing day**.

$$\text{Initial return} = \frac{\text{Closing price of the stock on the listing day} - \text{Offer price}}{\text{Offer price}}$$

A positive IR indicates **underpricing**, whereas a negative IR indicates **overpricing**.

### (b) Market Return (MR)

The overall market movement during the period between the IPO closing and listing dates is measured using the **BSE SME IPO Index**.

$$\text{Market return} = \frac{\text{Stock index on the listing day} - \text{Stock index on the issue closure day}}{\text{Stock index on the issue closure day}}$$

### (c) Initial Excess Return (IER)

To measure true performance after adjusting for market-wide movements, **Initial Excess Return (IER)** is computed as:

$$\text{Initial excess return} = \text{Initial return} - \text{Market return}$$

IER exhibits the market-adjusted abnormal return and shows whether the IPO outperformed or underperformed the overall market on the day of listing.

## V. ANALYTICAL TOOLS AND TECHNIQUES

**Descriptive statistics:** In order to describe the return volatility and central tendency of performance measures, the mean, median, standard deviation, minimum and maximum values are calculated using descriptive statistics.

**Trends & patterns:** Year-wise patterns are examined to assess changes in the number of IPOs, capital raised and average underpricing across the study period. Trends in the number of IPOs, capital raised and average initial returns are shown graphically using bar charts and line graphs.

### Result and Discussion

This section “Result and Discussion” presents and interprets the results of the study on listing-day performance of SME IPOs listed on the BSE platform between 2019 and 2023. The findings are based on descriptive statistics, trend analysis and computation of initial returns and initial excess returns to assess the degree of underpricing.

#### Trend of SME IPO Activity on BSE (2019–2023)

Table 1 presents the number of SME IPOs and the total amount raised during the 2019-23. The number of IPOs increased from 12 to 61 during 2019-23, while the total capital raised surged from Rs. 96.21 crore to Rs. 1,353.05 crore. There was indeed a strong upward trend in the SME IPO market on the BSE platform from 2019 to 2023.

**Table 1: Year-wise Analysis of SME IPO Activity on BSE (2019–2023)**

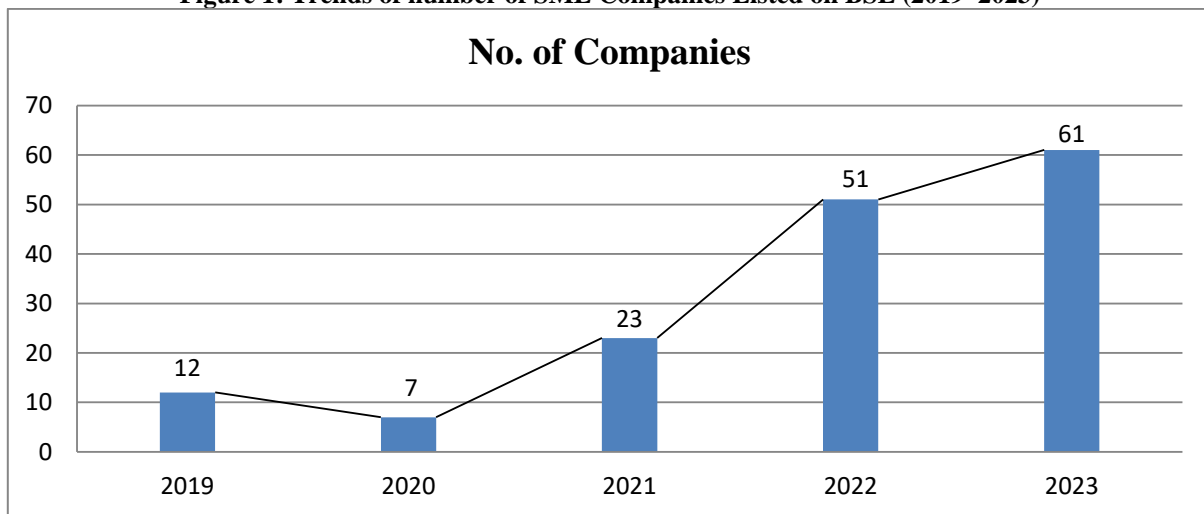
Sr. No	Year	No. of Companies	Amount Raised (Cr.)
1	2019	12	96.21
2	2020	7	39.3
3	2021	23	305.52
4	2022	51	679.15
5	2023	61	1353.05
	<b>Total</b>	<b>154</b>	<b>2473.23</b>

*Source: Compiled by researchers based on data retrieved from CMIE Prowess Database*

Thus, the year 2020 reported the lowest IPO activity on account of disruptions in the COVID-19 pandemic. Only 7 firms raised Rs. 39.3 crore during that year. After that, a notable recovery after covid pandemic happened in 2021 with 23 enterprises mobilizing Rs. 305.52 crore, shows recovered investor confidence. In 2022 and 2023, the No. of IPOs issued and capital raised

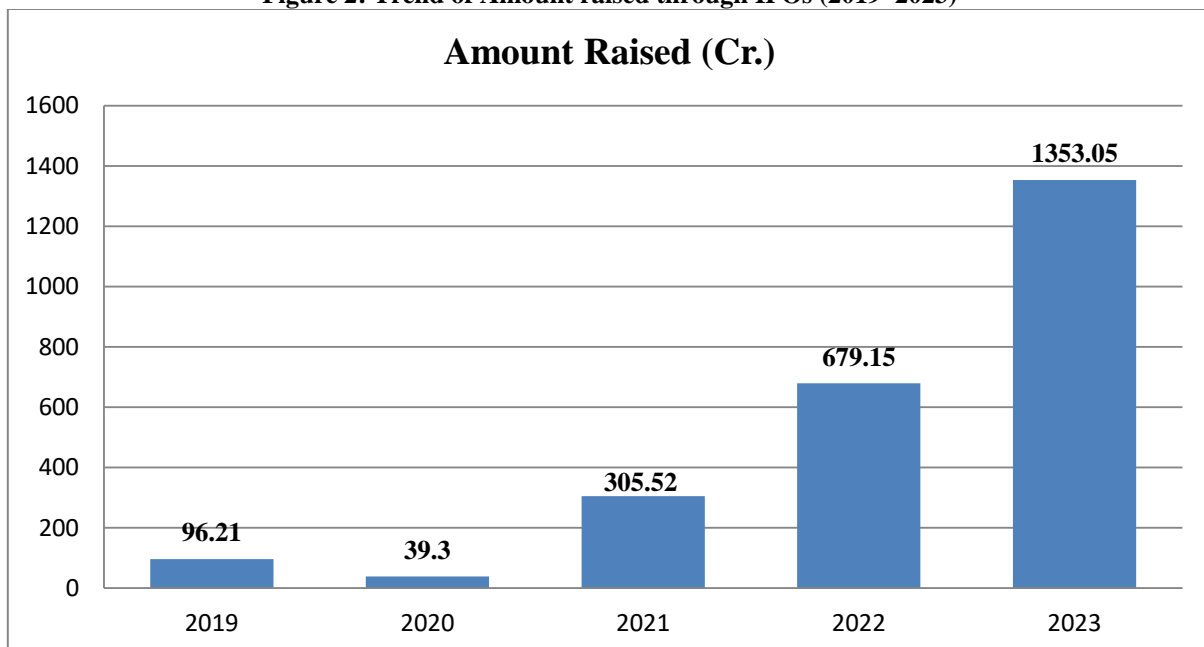
reached an all-time high. The growth has therefore been continuous, reflecting greater dependence on SMEs on equity financing. Overall, the figure Shows strong post-pandemic recovery with a sustained upward momentum in SME IPO activity.

**Figure 1: Trends of number of SME Companies Listed on BSE (2019–2023)**



*Source: Compiled by researchers based on data retrieved from CMIE Prowess Database*

**Figure 2: Trend of Amount raised through IPOs (2019–2023)**



*Source: Compiled by researchers based on data retrieved from CMIE Prowess Database*

Figure 2 shows the amount raised in crore rupees from 2019 to 2023. The total amount raised in the year 2019 was Rs. 96.21 crore, which fell in 2020 to Rs. 39.3 crore. From 2021 onwards, the trend reversed upward, with the amount rising to Rs. 305.52 crore. This upward climb continued in the year 2022 when it reached Rs. 679.15 crore and mounted to Rs. 1353.05 crore in 2023. Overall, after 2020, the data shows a remarkable growth trajectory, reflecting strong momentum for recovery and an increase in investor confidence over the years.

### Industry Classification of SME IPOs

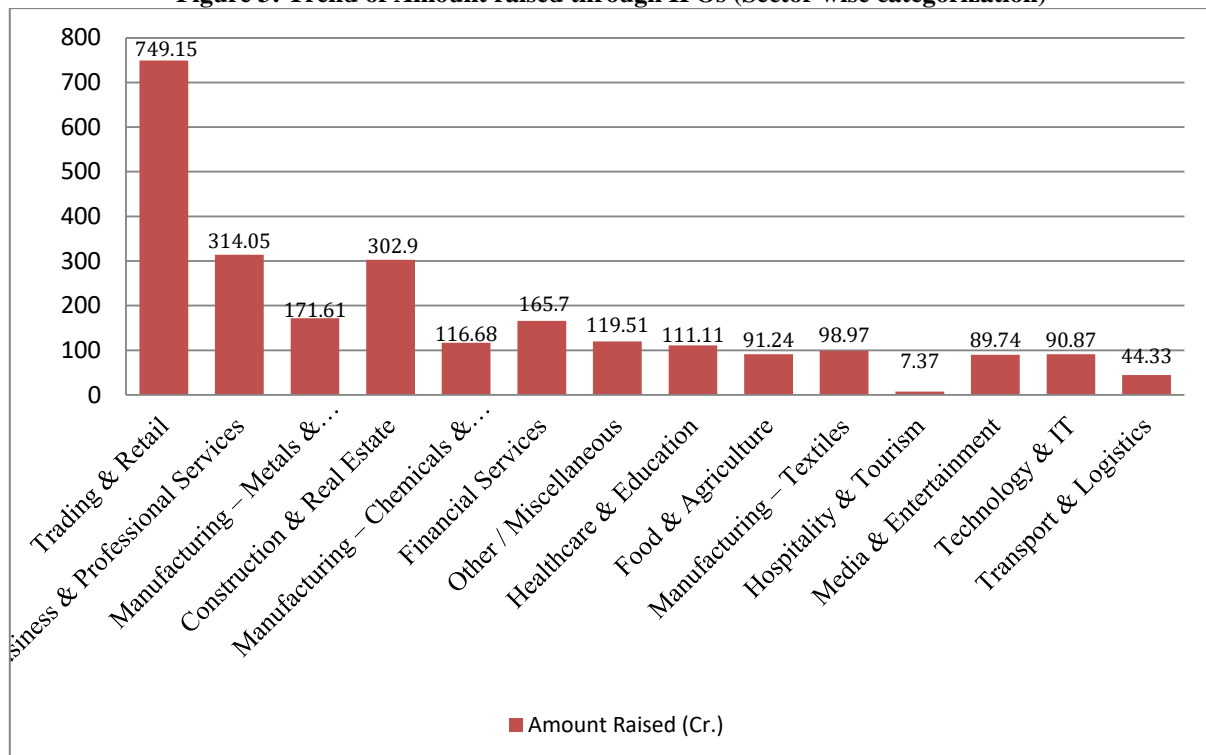
Table 2 presents the classification of SME IPOs across major industry groups. The Trading and Retail sector contributed the highest number of 43 firms, raising Rs. 749.15 Cr. in capital. This would appear to be a reflection of the increasing formalization and scaling-up of small-scale trading and retail businesses in India. Other important sectors were Business & Professional Services, Construction & Real Estate, and Financial Services, cumulatively accounting for over half of the total IPO activity.

**Table 2: Classification of SME IPOs across major industry groups**

Sr. No.	Broad Industry Group	No. of Companies	Amount Raised (Cr.)
1	Trading & Retail	43	749.15
2	Business & Professional Services	20	314.05
3	Construction & Real Estate	14	302.9
4	Manufacturing – Metals & Engineering	16	171.61
5	Financial Services	11	165.7
6	Other / Miscellaneous	8	119.51
7	Manufacturing – Chemicals & Materials	10	116.68
8	Healthcare & Education	8	111.11
9	Manufacturing – Textiles	4	98.97
10	Food & Agriculture	6	91.24
11	Technology & IT	3	90.87
12	Media & Entertainment	5	89.74
13	Transport & Logistics	4	44.33
14	Hospitality & Tourism	2	7.37
	<b>TOTAL</b>	<b>154</b>	<b>2473.23</b>

*Source: Compiled by researchers based on data retrieved from CMIE Prowess Database*

The Trading and Retail sector contributed the highest number of 43 firms, raising Rs. 749.15 Cr. in capital. This would appear to be a reflection of the increasing formalization and scaling-up of small-scale trading and retail businesses in India. Other important sectors were Business & Professional Services, Construction & Real Estate and Financial Services, cumulatively accounting for over half of the total IPO activity. These results corroborate the findings of Singh and Anand 2020, who also reported high listing activity of SMEs in trade-related and construction sectors, reflecting their significant contribution to India's small business ecosystem.

**Figure 3: Trend of Amount raised through IPOs (Sector wise categorization)**

*Source: Compiled by researchers based on data retrieved from CMIE Prowess Database*

### Year-wise Analysis of Listing-Day Returns

Table 3 show the year-wise analysis of Initial Returns (IR) for the period 2019–2023. The average initial return for the total sample is 20.76%, indicating a significant level of under-pricing in SME IPOs during the period.

**Table 3: year-wise analysis of Initial Returns (IR)**

Year	Average IR (%)	Median IR (%)	Max IR (%)	Min IR (%)	Std. Dev.
2019	2.37	1.03	14.00	-14.50	7.02
2020	1.01	0.27	5.35	-3.00	2.91
2021	12.97	3.64	125.65	-7.25	28.73
2022	25.18	7.69	110.26	-47.50	38.94
2023	25.90	6.71	99.50	-24.00	39.08
<b>Overall (2019–2023)</b>	<b>20.76</b>	<b>5.99</b>	<b>125.65</b>	<b>-47.50</b>	<b>35.88</b>

Source: Compiled by researchers based on data retrieved from CMIE Prowess Database

There is year to year volatility in the magnitude of under-pricing, with a minimum return in 2019-20. After that there has been seen a sharp increase from 2021 onwards. There has seen a lowest initial return of -47.50% in 2020 and highest initial return of 125.65% in 2021. The average standard deviation is 35.88% during the study period. In the years, 2022 and 2023 have recorded high average initial returns of 25.18% and 25.90%, which indicates bullish market conditions and participation of retail investors.

### Initial Excess Returns (IER)

Table 4 show the year-wise analysis of Initial Excess Returns (IER) for the period 2019–2023, that are adjusted for market wide movements. The average IER for all 154 SME IPOs was found to be 18.04%, which confirms significant under-pricing exists in the BSE SME platform.

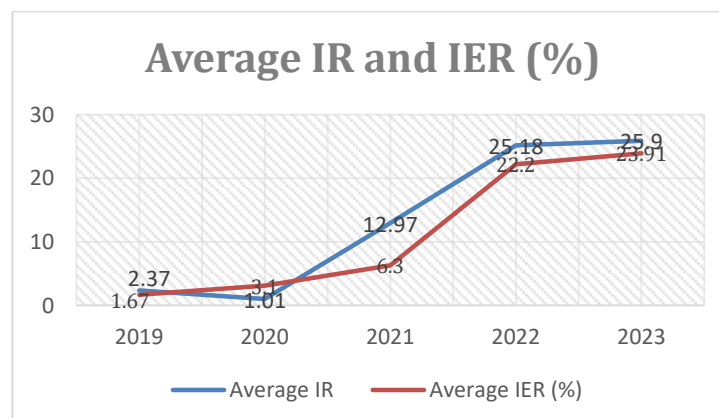
**Table 4: year-wise analysis of Initial Excess Returns (IER)**

Year	Average IER (%)	Median IER (%)	Max IER (%)	Min IER (%)	Std. Dev.
2019	1.67	2.09	13.28	-15.46	6.78
2020	3.10	5.47	6.16	-3.23	3.77
2021	6.30	3.02	117.25	-31.94	30.12
2022	22.20	6.29	106.56	-54.13	37.41
2023	23.91	6.08	103.82	-25.62	39.40
<b>Overall (2019–2023)</b>	<b>18.04</b>	<b>5.47</b>	<b>117.25</b>	<b>-54.13</b>	<b>35.66</b>

Source: Compiled by researchers based on data retrieved from CMIE Prowess Database

The highest under-pricing occurred during the years 2022 and 2023, consistent with periods of strong market optimism and higher investor participation. The wide standard deviation indicates considerable variation across IPOs, suggesting thereby that under-pricing is not uniform and may also depend on issue-specific and firm-level characteristics such as issue size, age, and sector.

**Figure 4: Average IR and IER (%)**



Source: Compiled by researchers based on data retrieved from CMIE Prowess Database

Figure 4 shows the trend of average initial return and initial excess return during the period 2019-23. The average market-adjusted abnormal return of the period for all 154 SME IPOs is 18.04%, which indicates a significant under-pricing on the BSE platform. In the years 2019-20, there is a lowest return, indicate weak investor's confidence and low participation of retail investors due to pandemic. The highest under-pricing occurred during 2022 and 2023, shows strong market optimism and higher investor participation.

## VI. CONCLUSION, POLICY IMPLICATION AND LIMITATION

This study examined the listing-day performance of SME Initial Public Offerings (IPOs) listed on the Bombay Stock Exchange (BSE) during the period 2019–2023. The findings of the study show consistent under-pricing across all years by using a sample of 154 SME IPOs. The analysis of initial returns (IR) and market-adjusted initial excess returns shows a consistent pattern of positive average returns, indicating significant under-pricing among SME IPOs in India. The intensity of under-pricing increased continuously in the post-pandemic period, reflecting restored investor confidence in SME capital mobilization. The year-wise rise in both the number of IPOs and overall capital raised reflects growing reliance of SMEs on stock markets.

The findings of significant under-pricing have important implications for many stakeholders. For investors; particularly retail investors, the evidence of positive listing day return indicates attractive short-term opportunities. Policymakers promoting SME financing must consider capacity-building programmes to support SMEs in valuation, compliance and investor communication so that pricing becomes more efficient and sustainable. For regulators such as SEBI and stock exchanges, the persistence of high initial returns suggests the need for enhanced monitoring of IPO pricing methods, disclosure quality, and underwriter practices to reduce information asymmetry. Issuers may interpret under-pricing as an indicator of conservative pricing or limited price discovery mechanisms, suggesting a stronger need for market-based book-building, improved financial transparency and strengthened corporate governance practices.

The study is based solely on BSE SME listings but it doesn't include SME IPOs listed on NSE platform. In this study, only listing day performance are examined, long run performance could yield different perspective into sustainability of returns. The study also based on descriptive and market-adjusted measures, without incorporating regression models to identify determinants of under-pricing. Future research can extend the dataset to both exchanges- NSE and BSE, by examine determinants effecting short and long run performance of SME IPO. Long-term performance analysis of SME IPO may also provide deeper insights.

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