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# INITIAL PUBLIC OFFERINGS AND SPILLOVER EFFECTS - A SYSTEMATIC LITERATURE REVIEW

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**Abstract**

Initial Public Offerings (IPOs) represent a pivotal event in financial markets, often generating effects that extend beyond the issuing firm. These externalities are visible from the issue-filing stage and can be traced into the long run after listing, and are collectively termed as spillover effects, manifesting across its business partners, industries, markets, and other related parties, and have attracted increasing scholarly attention over the past two decades. This study conducts a systematic literature review, employing content analysis of 47 peer-reviewed articles published up to April 2025 across the Scopus database, to synthesise existing research on the spillover effects associated with IPOs, aiming to identify key themes and their impact. The analysis reveals diverse spillover mechanisms, such as information, competitive effect, geographical, supply chain, economic and other miscellaneous effects, that result in disclosure prompts, IPO encouragement, entrepreneurship promotion, valuation effects on industry peers, and other outcomes. The review also identifies important gaps, such as a lack of studies on emerging markets and an ambiguous definition of "spillover." This paper contributes to the literature by offering an integrated framework for understanding IPO-induced spillovers and provides recommendations for future research. The findings have practical implications for investors, policymakers, and financial analysts seeking to anticipate and respond to the broader market impacts of IPO activity and existing firms that can leverage or defend against the consequences of new entrants.

**Keywords**: Initial Public Offering, Spillover Effect, Literature Review.

## 1. INTRODUCTION

Initial Public Offering (IPO) refers to the issue of new stock by a private company to the general public, indicating its entrance into the stock market (Muehr & Lindner, 2023). By issuing shares for stock market trading, it exposes itself to public scrutiny and market pressures, while adhering to legal and regulatory requirements. Such a noteworthy accomplishment results in significant changes within and around a company, which creates ripple effects in its surroundings. These resulting influences on other entities are referred to as the spillover effect (Cao & McGuire, 2003). Being poorly defined in the literature, such an effect from IPO can happen through information, competition, geography, supply chain, and economy (Akhigbe et al., 2006; Benveniste et al., 2003; Butler et al., 2019; Kutsuna et al., 2016; Xie et al., 2024).

The IPO is a growing research area of interest, with studies focusing on developing countries and the sub-area of the spillover effect (Kumar & Singh, 2025).

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A thorough examination of the literature's conceptualisation and measurement of spillover is required due to the increasing significance of IPOs as economic indicators and change catalysts.

### 1.1 Literature Gap

Despite the field's notable expansion in recent years, only a small portion of the IPO literature specifically covers the spillover impact. Furthermore, existing studies are inconsistent in addressing “spillover”, and the scarcity of studies in emerging markets limits generalisability. This review addresses an important gap in the literature by giving a typology-based, comprehensive look into IPO spillovers across five important areas. Therefore, the study addresses the following research questions:

*RQ1*. What spillover effects are generated by Initial Public Offerings (IPOs)?

*RQ2*. How have IPO-related spillover effects been conceptualised and studied in the existing literature?

This study uses the PRISMA framework to perform a systematic literature review of 47 peer-reviewed publications indexed in Scopus till April 2025 to understand the concepts, methods and outcomes of spillover effects of IPO. The aim is to understand how various spillover effects caused by IPOs are represented in the literature and what the implications of such effects are.

The study has identified five spillover effects of significance. The most studied phenomenon, "information spillover," refers to the dissemination of crucial information from an IPO to other market participants, which affects the success, cost, and timing of subsequent IPOs. (Aghamolla & Guttman, 2021; Altı, 2005; Hoffmann-Burchardi, 2001). The effects also encourage Mergers and Acquisitions (M&A) (Aktas et al., 2016; Wu & Reuer, 2021) and affect the stock prices of industry peers (Akhigbe et al., 2003; S. Lee et al., 2011; Xue et al., 2025). Conversely, “competitive effect” emphasises how a new IPO increases industry competition, which frequently leads to drops in the stock prices and operational performance of rival companies (Akhigbe et al., 2006; Chod & Lyandres, 2011; Hsu et al., 2010). It also encourages strategic adjustments, such as tax evasion and environmental investments (Chen et al., 2023; L. Li et al., 2024).

Other categories include “geographical spillover”, where IPOs affect local housing markets, entrepreneurship, and firm behaviours around the IPO firm's headquarters (Defort et al., 2025; T. Nguyen et al., 2022; Stuart & Sorenson, 2003). “Supply chain spillover” has operational and financial consequences that suppliers and consumers of IPO enterprises face. These consequences might range from enhanced liquidity (Kutsuna et al., 2016) to greater financing and contractual responsibilities (Xue et al., 2025). “Economic spillover” represents shifts in regional economic metrics like employment, income, and asset growth (Butler et al., 2019; Park et al., 2019). The review also details some miscellaneous effects that neither align with the above typologies nor have an identified causal mechanism.

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The review critically evaluates the development of the research, emphasises new trends, and classifies and summarises findings from major spillovers. Through a thorough mapping of IPO-related spillovers and the identification of pertinent research paths, the study aims to improve an understanding of the wider effects brought about by going public. The structure of the paper is as follows: Section 2 discusses the methodology, Section 3 details the analysis, Section 4 discusses the findings, Section 5 considers the practical implications, and Section 6 concludes the paper with limitations and future research.

## 2. METHODOLOGY

The study aims to conduct a comprehensive analysis of the literature addressing the different spillover effects caused by IPOs on their surroundings and utilises a systematic literature review following the approach outlined by Paul et al. (2021), using the PRISMA guidelines (Page et al., 2021). The objective is to highlight the significant studies in the field and offer a comprehensive and critical assessment of the literature. The study is carried out using content analysis, following the guidelines by Paul and Criadio (2020) and Snyder (2019).

The Scopus database was used to identify the relevant papers due to its broader coverage of journals and disciplines (de Moya-Anegón et al., 2007; Maddi et al., 2024) and its adoption in the prior studies (Sundarakani & Ghouse, 2024; Yadav, 2024). Given the interdisciplinary nature of the term "spillover" and its varied usage across domains, a liberal inclusion criterion was adopted to include studies having an impact that cannot be directly attributed to the expected outcome from the IPO event (Mendoza-Jiménez et al., 2024).

All pertinent literature published up until April 2025 was considered. This facilitates the inclusion of all papers from the Scopus database that meet specific search criteria. The search strategy was developed through iterative keyword testing and refinement to include papers that denoted IPO spillovers.

The search was carried out using the following search query: TITLE-ABS-KEY (“IPO” OR “Initial Public Offering” OR “Primary Equity”) AND (“Spillover” OR “Externalities” OR “Effect” OR “Affect”), restricted to article title, abstract and keywords.

The initial search led to a list of 2,983 documents (as of April 2025). Next, a specific selection criterion was used to decide the inclusion and exclusion of articles. The non-English journals (160 articles) were removed as the first step. Subsequently, following the criterion of similar studies (Chatterjee et al., 2023; López Pérez et al., 2024), only peer-reviewed journal articles were considered, reducing the corpus to 2,422 documents. Since some identified articles belong to multi-disciplinary journals, subject area filters were avoided to eliminate premature exclusion. Following a detailed title and abstract screening, 2,375 articles were removed, and the final study sample involves 46 articles and one review (hereafter referred to as 47 articles for ease of use). The review process of the selected article is included in Annexure 1.

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## 3. ANALYSIS

A total of 47 articles published in journals with a Scopus index were found using the screening process. Figure 1 shows the distribution of studies by country, while Figure 2 shows the volume in publications by year. It is evident that research from the US predominates, with China coming in second. The expanding scholarly interest in the topic is demonstrated by the increasing trend in the volume of research on IPO-related spillover over time.

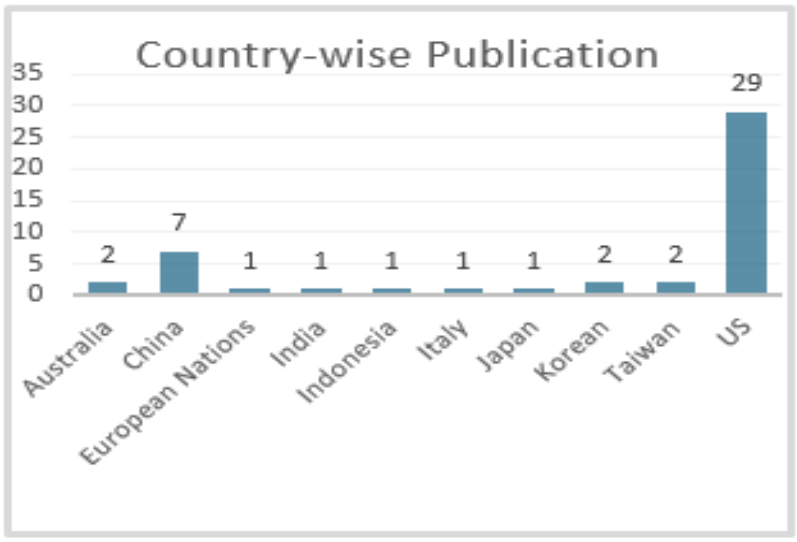


**Figure 1: Country-wise articles on IPO Spillover**


**Figure 2: Year-wise articles on IPO Spillover effect**

Mainly, five types of spillover effects were identified, as illustrated in Figure 3, with Information spillover studies taking the lead, followed by spillover due to the competitive effect and geographical spillover.

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There are limited studies on the supply chain and economic spillovers. A further classification at the end is made to include all papers that do not belong to the above types or that do not have a definitive explanatory mechanism.

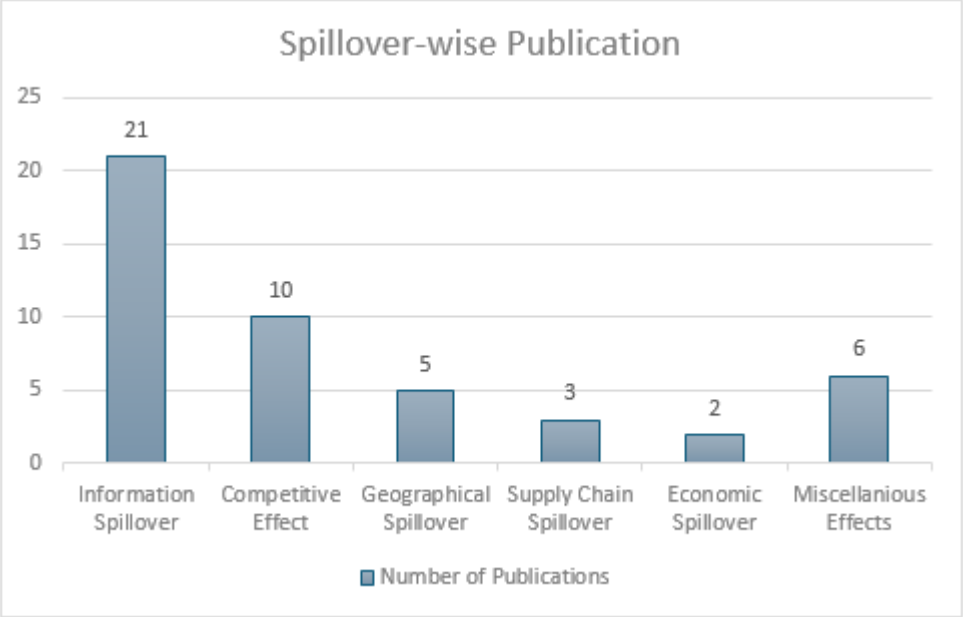


**Figure 3: Spillover-wise articles published**

### 3.1 Information Spillover

IPO acts as a multi-channel information event for stakeholders, influencing their perceptions and decisions, causing information spillover (Huangfu & Liu, 2019). The information made available to the public through disclosures, book building, market reaction and post-IPO performance will create a spillover effect in other areas.

The first wave of studies focused on the spillover effect of IPOs on promoting and clustering of further IPOs, with a predominant focus on the US market. Hoffmann-Burchardi (2001) introduced a herding model where it was proposed that subsequent IPOs that trigger IPO clustering could happen based on information introduced by earlier IPOs. This either creates a “variance effect” by which a firm faces risk-induced selling pressure due to a change in the prospects of an industry, or by “expected value effect”, which allows followers to take advantage of the highly precise information outcome from the first IPO. The model also addresses diminishing underpricing in the hot market, attributed to reduced uncertainty from the revealed information. Aghamolla and Guttman (2021) proposed a three-period multi-firm dynamic timing model to understand how the firms time IPOs with information spillover and investor sentiment. The time delay of IPO comes with a cost trade-off between lost growth opportunities and informational benefits from market reaction. It states that high-idiosyncratic firms will become pioneer IPOs.

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These endogenous timing behaviours will explain phenomena of sequential IPO clustering, IPO droughts, and fluctuations in IPO, along with industry concentration, sentiment uncertainty, and the cost of delay.

Benveniste et al. (2002) also addresses taking advantage of information created by the pioneer IPO. It states that the “free-rider problem” could demotivate pioneers to go public and thereby proposes a model where underwriters act as an intermediary to bundle IPOs of Common Valuation Factor (CVF), sharing information production cost through underpricing or higher underwriting fees, enabling pioneers to recover information-production cost. Alti (2005) also developed a theoretical model where the investors' private information on CVF is derived from the pricing outcomes of the pioneer IPOs and taken advantage of by followers having similar CVF, causing IPO clustering. Such spillover effects are most substantial early in a hot market at the time of uncertainty and few public incumbents, and a high-price IPO triggers more IPO by reducing information asymmetry. A low-price IPO leads to fewer subsequent IPO, fearing a negative outlook or informed investors withholding information.

Benveniste et al. (2003) provides empirical evidence that a firm’s decision to go public depends on the experience of contemporaneous issuers having a CVF, including their pre-filing and bookbuilding phase information, and their success affects IPO terms, completion likelihood and causes a bundling effect for following IPOs; with successive similar IPOs reducing initial return due to shared information production costs. Boeh and Dunbar (2014), while discussing the occurrence of the IPO wave, explain how past IPO activities (filings, issuances, withdrawals, and amendments) affect current IPO activity. The past activities, a signal for private information, indicate market sentiment and prospects, indicating the partial self-reinforcement of IPO waves on current issuer behaviour. A study conducted on the Italian firms by Baschieri et al. (2023) identified that IPO waves are not caused by information spillover, but by the favourable local economic shocks.

Concurrently, the investigation of information spillover effects on stock prices has developed, with most studies from the US. Akhigbe et al. (2003) found that the US IPO does not generate significant abnormal returns for publicly traded rival firms, except those in regulated industries or having a dormancy period, due to offsetting forces of positive information effect and adverse competitive effect. Akhigbe et al. (2004) also found that negative abnormal returns to the rivals of Real Estate Investment Trust (REIT) IPOs are more pronounced with their size, clustering, umbrella partnership and weak market conditions, caused by industry overvaluation and dilution signals of IPO. Lee et al. (2011) found that in a highly competitive and uncertain industry, IPO announcements introduce uncertainty-reducing information and signals by which directly competing incumbents experience more positive abnormal returns, moderated positively by Research and Development (R&D) and negatively by market concentration.

Cotei and Farhat (2013) found that the entire positive valuation effects on industry rivals are driven by Venture Capital (VC) backed firms, capable of producing superior industry prospects information.

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The IPO's positive (negative) price revision causes a corresponding increase (decrease) in rivals' stock prices. The spillover effect strengthens with IPO size, industry fragmentation and high growth opportunities. Liu et al. (2014) found that transaction partners given in the S-1 registration statement experience significant average abnormal returns due to the positive outlook of the IPO and are strengthened by the relationship uniqueness, while weakened by the partners' reduced bargaining power and business overlapping with the IPO firm. In contrast, diversified transaction partners are less affected by the IPO event.

For studies outside the US, Min (2020) found that IPO listing triggers negative abnormal returns for competitors in the Korean stock market based on institutional investors' strong demand for IPO stocks. In contrast, individual investors' demand causes a marginal contagion effect on competitors. Xue et al. (2025) found that the risk information disclosure of IPO firms in China increased voluntary disclosures and lowered stock price synchronicity among peer firms, strengthened by risk disclosure quality and quantity, information-poor environment and high competitive pressure.

Information spillover also causes price revision of subsequent IPOs in the same industry. Cheng and Chen (2008) while studying electronic industry IPOs in Taiwan, argued that observing pioneer IPOs causes offer price revision in the stock exchange and listing price revision for Over-the-Counter stocks, and increases the completion probability of IPOs. O'Connor Keefe (2014) stated that information spillover between IPOs in an Industry will only occur in hot and very-hot IPO markets, affecting the pricing and performance of subsequent IPOs.

IPOs also trigger M&A, providing information about industry opportunities in the US. Aktas et al. (2016) stated that IPO market signals, such as under-pricing and proceeds, express industry fundamentals and growth opportunities, increasing private M&A with improved deal quality, and stock being used for payments. Wu & Reuer (2021) found that IPO announcements trigger information dissemination and increase visibility of industry prospects, promoting VC-backed private venture acquisition. Associated spillover mechanisms (analyst coverage, media coverage, underpricing) are especially beneficial for inter-industry acquires, reducing search cost and adverse risk.

The information spillover effect manifests in other ways as well. Hoque and Mu (2023) explain that in the Chinese hybrid option, the information generated by institutional investors and their bidding results on contemporaneous IPO auctions can affect current IPO institutional investor participation and price revisions. In contrast, retail investors are influenced by the sentiments of their counterparts in contemporaneous IPO and the institutional investors in the current IPO. Suleiman (2024) stated that when a firm goes public in the US, bargaining power between lenders is reduced due to information availability, reducing borrowing costs, especially for firms with high R&D expenses, single lenders, or small in size. Liu et al. (2024) found that mandatory disclosure on the prospectus by the Chinese STAR board firms decreases the precision of the Management Earnings Forecast disclosure by non-STAR board listed firms, especially those facing higher competitive pressure.

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### 3.2 Competitive effect

When an IPO occurs, the existing competitive structure in an industry can amplify its impact, creating spillover due to competitive effects (Lewis & Stevens, 2012).

The initial wave of research on competitive effects focused on changes in the stock prices. Akhigbe et al. (2006) found that US industries experience a long-term unfavourable price performance for three years following an IPO, due to the competitive effect and IPO timing at industry valuation peak. The effect is more potent when IPOs are small, have a two-year gap, or the industry is either regulated or overvalued. McGilvery et al. (2012) observed that Australian IPOs cause negative abnormal returns for industry rivals around both the IPO announcement and completion dates, enhanced by information transfer through the prospectus about the larger board size, higher CEO ownership and investment or debt reduction uses of IPO proceeds. Nguyen et al. (2010) denied the competitive effect spillover from speculative industry IPO to resource industry IPOs, causing underpricing, but found information signalling by contemporaneous IPOs in the underpricing of resource IPOs during “hot issue”.

The subsequent wave of research focuses more on the performance of industry peers. These studies are focused on the US market and show an evolving pattern. The studies show that on average, the performance of a rival of the firm going public experienced a deterioration in operating performance in terms of sales, profitability, valuation, and market shares, and the impact of negative performance keeps declining over the stock market evolution. Hsu et al. (2010) states that rival firms experience negative abnormal stock returns from IPO filing and face operating performance deterioration after IPO, with reduced leverage, investment bank certification, and knowledge capital providing competitive advantages to IPO firms. The incumbent firms with high leverage and low R&D face the risk of delisting within three years of a competitor’s IPO.

Chod and Lyandres (2011) found that private firms after an industry IPO suffer performance decline due to the difference in riskiness and aggressiveness of strategies followed.

The effect is much stronger when an IPO firm’s industry has more intense competition, higher demand unpredictability, and a smaller systematic share of this uncertainty. Spiegel and Tookes (2020) state that the primary reason for the decline in performance of rivals is not the competitive effect, but rather the industry-wide decline. The competition effect exists when new firms leverage lower financing costs through IPOs. Henry (2023) emphasised that the performance deterioration post-IPO disproportionately affects financially constrained firms, having low-cash balances and high leverage, coupled with lower capital investment and employment growth.

The competitive pressure also influences the industry peers' decision to go public. Aghamolla and Thakor (2022) found that direct competitors of US drug development industry firms, especially those in the same R&D sector, are forced to go public to maintain their market share and funding. This “peer effect” also exists for other funding events such as acquisitions and VC funding.

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The latest studies explore actions taken by incumbent firms to address increasing competition due to IPOs. Chen et al. (2023) observed that industry peers in the US market, especially firms having higher financial constraints or product market competition, will engage in tax avoidance using Effective Tax Rates (ETRs) and Cash Effective Tax Rate (CETR) as a strategic reaction to a large industry IPO. Li et al. (2024) found that Chinese firms reduce their sulfur dioxide ($SO_2$) emissions in response to city/industry peer IPOs through increased engagement of green R&D and environmental protection investments, which reduces their risk as well as improve financing through debt and equity. Such response occurs in a highly competitive industry, a regulated industrial environment, larger private firms, geographically closer firms, as well as when IPO firms raise more capital or have better post-IPO performance.

### 3.3 Geographical spillover

A company's decision to go public affects the area around it, causing geographical spillover. The studies on geographical spillover deal with the local spillover rather than the global geographical spillover (Baumont et al., 2001)

Research on geographical spillover first identified its impact on entrepreneurship growth. The research carried out on the US biotechnology industry by Stuart and Sorenson (2003) demonstrates that liquidity events such as IPOs and cross-industry acquisitions, which provide liquid wealth to dissatisfied employees and founders, promote entrepreneurship, especially in states with weak non-compete regulations. Successful IPOs also encourage the creation of similar local ventures. A recent similar study by Defort et al. (2025) also discusses how the regional entrepreneurial ecosystems in European cities react to acquisitions and IPOs, which are methods of successful start-up exits. The studies revealed that the exits increase individual investment activities and venture creation locally, with the acquisitions acting as a stronger drive, as explained by the share retention of stakeholders after IPO. The recycling of entrepreneurial resources is used to explain increased entrepreneurial activity in the year after exits.

Geographical spillover also extends to the regional housing market, according to Nguyen et al. (2022), where it was found that house prices around the headquarters of firms in the US appreciated after IPO, especially for larger IPOs, in supply-constrained housing markets and for high-tech or innovation-focused local labour markets. The effect is also visible for housing rents, but at a smaller magnitude. Such increased housing demand and price effect is visible in three stages – the short-term expectation effect caused by anticipated economic growth around IPO activities, the wealth effect caused by expiry of the lock-up period for insiders, and the long-term effect caused by the sustained local IPO activities.

Xie et al. (2024) found that regional peers of Chinese firms going public engage in effective Real Earnings Management (REM) more actively due to reduced attention and monitoring from financial analysts, who are focused on the current IPO. The REM is prominent among non-state-owned enterprises and financially constrained firms in a region during IPO.

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IPOs can also harm the regional economy. Cornaggia et al. (2024) found that large IPOs in the US negatively affect establishment, employment, and population growth rate for the next 5 years, with the effect getting stronger towards the region around the IPO firm's headquarters. Such an effect results from "crowding out", increasing competition and reducing benefits in a locality.

### 3.4 Supply chain spillover

IPO events that cause spillover to the supply chain partners of the issuer due to their durable trading relationships are termed supply chain spillover (Johnson et al., 2010). Supply-chain spillover by IPO was first studied by Kutsuna et al. (2016), stating that when a Japanese firm goes public, its private SMEs supply chain partners benefit from the increased cash assets in the issuer's hands, resulting in revenue growth, increased fixed asset investments, and bank loan accessibility. The issuer's liquidity also gets transmitted to their private supplier and customers, with customers getting more credit from the issuer.

An earlier study by Johnson et al. (2015) that extensively discusses takeover defences by an IPO firm states that such strong defences create a positive spillover on the stock prices of its large customers around the IPO filing period, increased by social ties, long-term contracts, or high customer reliance.

Xue et al. (2025) state that since banks view a supplier IPO as a negative shock requiring stringent monitoring and causing a rise in supplier bargaining power, their customers experience negative spillover in terms of increased interest cost and more restrictive contracts, with higher fees and tighter covenants. The customer also faces higher bond issuance costs after the supplier's IPO, with a rise in operational, market, and accounting risk. The effect intensifies when suppliers have relationship-specific investments, a less concentrated customer base, and are more concentrated.

### 3.5 Economic Spillover

Economic Spillover refers to an IPO's indirect impact on regional economic factors.

The underexplored research area suggests a positive contribution of IPOs to the economy.

Park et al. (2019) found that IPOs of Korean Small and Medium Enterprises (SMEs) contribute to job creation, along with significant growth in their revenue, current assets, and total assets, which is enhanced by the cooperation of SMEs with large conglomerates.

In the US context, Butler et al. (2019) found employment generation, local business expansion, increased consumer spending through credit cards, luxury purchases, increased mortgages and housing prices, especially luxury houses, urban development and migration of wealthier residents near the firm's headquarters. The study also found that low-income residents who cannot afford the increasing housing prices are being displaced.

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### 3.6 Miscellaneous effects

Some other studies do not fall into the previous categories, where the main discussion is on the effect on stock prices. Li and Zhang (2021) studied and tried to explain the positive Cumulative Abnormal Return (CAR) experience by the rivals of a Chinese IPO firm and found that the spillover effect can be explained by the substitution hypothesis, characterised by highly restricted IPO supply, heavy retail investor participation, government influence and market perception.

There are certain studies that identified effects resembling spillovers, where the IPO affects the valuation of industry peers and the market, without clarifying the underlying cause. Taiwanese REIT IPO announcements positively affected non-REIT firms' abnormal returns, especially for underpriced stocks (M.-L. Lee et al., 2011). The regulated Chinese stock market IPOs were found to dampen the return momentum effect without significantly affecting market returns (Fang et al., 2012). The Indonesian market saw negative market returns on the offering day and positive market returns during the frozen period, and there was an insignificant effect during pre-offering period, unfrozen period, listing day, or post-listing day (Wijaya, 2020). Both Competitive (positive) and Contagion (negative) effects were found in the stock prices of the industrial incumbents before and after IPO listing in India, where Pulikottil (2023) failed to explain the effect using supply shocks. A recent study in the US found that newly public incumbents experience a negative valuation after an industry follower’s IPO, and the effect is amplified by how rapidly they deploy their IPO proceeds (Huson & Meng, 2025).

These papers, while painting pictures of spillover effects, raise doubts on the legitimacy of the spillover since stock price reaction to an IPO can also be explained using non-spillover effects, such as supply shock (Braun & Larrain, 2009).

## 4. FINDINGS

The review considers literature to find the various spillovers identified and implied as a result of the firm going public. It was found that an IPO could cause information, competitive, geographic, supply chain, and economic spillovers.

Information spillover is the most discussed and researched topic. A firm going public generates and discloses information relevant to the firm, industry or the market across various events that lead from the decision to go public to the long-run performance post IPO. The information can be generated from IPO announcements, registrations, withdrawals, mandatory and voluntary prospectus disclosures, book building process, pricing and price revisions, IPO event coverage by media and analysts, investor participation, reaction and feedback, market signals and reception through underpricing, market sentiment, proceeds, among others. Such information generated could either update the existing information available or bring in much-needed information in an information-poor environment.

Information from a new IPO could lead to further IPOs, IPO clustering, affect stock prices of other firms, influence pricing decisions of other IPOs, encourage private mergers and

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acquisitions within the industry, affect the cost of debt, encourage investor participation in subsequent IPOs and affect disclosures of others. While most spillovers positively impact the surroundings, IPOs could also result in adverse effects, such as negative returns for peers' stock prices and diminished precision of disclosures.

The earlier information spillover studies were theoretical models that emphasised the clustering of IPOs and their significance, while later studies proved the spillover effect of IPOs in encouraging subsequent IPOs. The recent studies in the area have started to shift into non-traditional financial topics such as disclosures and investor participation, increasing the nuances of the effect of IPOs.

Spillover by competitive effect is another term that has been discussed. While it could be called competitive spillover, the studies state the former exclusively. The competitive effect is not generated, like information spillover, but is intensified by an external factor, such as IPOs. The spillover effect caused by competition could have an insignificant or negative effect on other firms' stock price, market share, and operating performance. It could also lead to new IPOs and strategic decisions from other firms. All except the study between the resource and speculative industry IPO (H. Nguyen et al., 2010) discusses the effect on industry peers. The effects found are mostly negative, since a new IPO only increases the competition in the industry, forcing the companies to either adjust their strategies and techniques to maintain competitiveness or share the resource space and suffer losses. The positive effect of competition involves the reduction of pollution and the new IPO listings, which benefit the economy. While earlier studies show how peer firms are affected by the spillover, the latest research focuses on how firms oppose the competitive effect. Competitive effects force firms competing in the same space to adapt or decline.

Geographical spillover happens when the effect of an IPO is visible only around the region where the firm operates. It can foster entrepreneurship, affect the economic environment, and firm management practices in a regional area. While entrepreneurship has a positive effect, IPO also led to an increase in housing prices as well as a negative economic effect due to the concentration of firms, and fostered incumbent firms’ REM. This can be interpreted as when firms in an area start to go public, it encourages newly wealthy stakeholders to establish enterprises, and as more firms emerge, the resources get tighter, creating a negative impact on the economy.

Supply chain spillover is an area with limited attention, where the IPO from a partner in a supply chain brings in a positive return to stock price, injects liquidity and facilitates growth while tightening norms and increasing cost for debt financing, for different segments of transaction partners. Economic Spillover is also an area that has received limited attention. Studies in the US and Korea have found a positive impact on the economy through IPOs, asset creation, employment, migration, wealth creation, increased personal consumption, etc. A single study identified the substitution hypothesis as a spillover explanation for the stock price effect. Other studies discuss the impact on stock prices of other firms, but fail to identify whether the impact was due to spillover or not.

**Tianjin Daxue Xuebao (Ziran Kexue yu Gongcheng Jishu Ban)/**
**Journal of Tianjin University Science and Technology**
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In certain studies, more than one spillover is visible. This is especially applicable to two sets. First, information spillover and competitive effects are present in various studies. While in some papers, they are distinguished (Akhigbe et al., 2003, 2006; R. Liu et al., 2024; H. Nguyen et al., 2010; Suleiman, 2024) others use competitive effect as a pseudonym or complement for information spillover (McGilvery et al., 2012). This must not be confused with the contagion-competitive effect, which shows the direction of stock price movement in response to an IPO (Min, 2020). Secondly, geographical and economic spillovers coincide, primarily when the economic effects of IPOs are attributed to a particular region. Information and supply chain spillovers also cross over (K. Liu et al., 2014), but the effect is caused by information diffusion.

Some studies also find non-spillover effects that explain spillover-similar effects due to IPO. These include supply shock for stock price changes (Braun & Larrain, 2009; Carrasco-Mimbrera et al., 2020; Shi et al., 2018). Hot issue effect on stock price (H. Nguyen et al., 2010), market sentiment for IPO timing (Aghamolla & Guttman, 2021), and local economic shock, causing IPOs (Baschieri et al., 2023).

The most studied effect of IPO is on the stock price of others, caused by information spillovers, competitive effects and other unknown factors. The reaction from different countries is different, with the US experiencing a negative effect on peers and a positive effect in later years, while most other countries, except China, experience a negative reaction. The formation of new IPOs, primarily influenced by information spillover, is the next most studied effect, followed by operational performance and economic effect studies. Earlier studies were focused on the effect of new IPOs and stock price, with the new trend focusing on non-financial aspects such as disclosure, managerial actions, pollution and other factors.

### 4.1 Discussion

IPO serve as a robust market trigger mechanism. We may define IPO spillover as any effect attributable to events surrounding an IPO that impacts the pricing, disclosure, financing, performance or behaviour of other market participants, firms or local economies, that is beyond the issuing firm. Prevalence of information spillover underscores the central role of information asymmetry and how information enhances market transparency, fills gaps in information-scarce environments, and drives decision-making across investor classes and firms. The different distribution channels must be examined to find their significant effect on various outcomes. Competitive spillover brings strategic importance to IPO decisions and aligns with industrial organisation theories emphasising rivalry and strategic signalling. While studies detail financial metrics, there is a need to understand non-financial consequences and explore the behaviour and strategic responses of incumbents. Geographical and economic spillover reveals the socio-economic significance and suggests the need for localised policy responses and urban planning, especially in innovation hubs. Such a localised response should balance capital formation with local economic risks. The underexplored supply chain spillover points to a gap in the literature regarding interconnected global value chains. Spillover effect variations across countries emphasise institutional contexts, market maturity, and

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regulatory environments. This signifies the integration of market information and regional economics to provide a holistic theoretical explanation for the effects, calling for more comparative studies and the inclusion of emerging markets, where spillovers may be more pronounced due to information scarcity or concentrated economic activity. Future studies should also prioritise micro-linkage data to get a more meaningful assessment.

## 5. IMPLICATION

Understanding spillover helps us identify the broader market implications of a firm's decision. The informational and competitive effects help investors and stakeholders assess industry trends, anticipate growth prospects and optimise market entry timing. Investors can also utilise spillover signals to make more informed investment decisions. Spillovers help practitioners predict niche and wider market effects, and assist policymakers trying to strike a balance between systemic stability and capital-market growth. It can also assist policymakers in enhancing capital formation, fostering entrepreneurial development and balancing regional economic growth. It also helps in assessing the requirement for disclosure standards to improve market efficiency.

Additionally, spillover can reveal the influence of specific entities in shaping market outcomes and capture the behavioural responses of incumbent firms to peer IPOs. This knowledge facilitates strategic planning for issuing firms to mitigate potential adverse effects and leverage positive externalities. Additionally, existing firms can also leverage the positive effects and accommodate competition from the new incumbents.

## 6. CONCLUSION

The study uses a systematic literature review to analyse 47 peer-reviewed Scopus articles on the IPO spillover effect and mainly classifies them into information, competitive, geographic, supply chain, economic, and miscellaneous spillovers. Information spillover dominates in the literature, demonstrating how IPO-related disclosures, prospectus details, market signals, and analyst coverage inform subsequent IPO clustering, influence stock prices of industry peers, and affect broader M&A and financing activities. Competitive spillovers illustrate how new market entrants can diminish rivals' valuations and performance as well as spur strategic adjustments like tax planning or environmental investments. Economic and geographical spillovers, though less studied, reveal that IPOs can drive regional job creation, asset growth, and entrepreneurship while also affecting housing markets and local firm behaviours. Supply chain spillovers highlight the dual role of IPOs in either providing suppliers and customers with liquidity benefits or increasing their financing costs and monitoring requirements.

Future studies are possible by identifying stakeholders and analysing potential spillover effects. Identifying new information generators that were previously underexplored can help in analysing their impact. Cross-national comparative studies can direct future studies to compare the niche effect and market-specific character influences. Research related to the spillback effect is nonexistent. Future studies must also focus on other spillover effects, especially those of a non-financial and socio-economic nature.

**Tianjin Daxue Xuebao (Ziran Kexue yu Gongcheng Jishu Ban)/**
**Journal of Tianjin University Science and Technology**
ISSN (Online):0493-2137
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Mechanisms such as geographical and supply chain spillovers are underexplored and must be explored in depth.

The study faces certain limitations. Since the study only uses published, Scopus-indexed articles, combined with the ill-defined nature of the spillover effect and the use of specific keywords, there may be a possibility of missing out influential articles.

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**Tianjin Daxue Xuebao (Ziran Kexue yu Gongcheng Jishu Ban)/**
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**Tianjin Daxue Xuebao (Ziran Kexue yu Gongcheng Jishu Ban)/**
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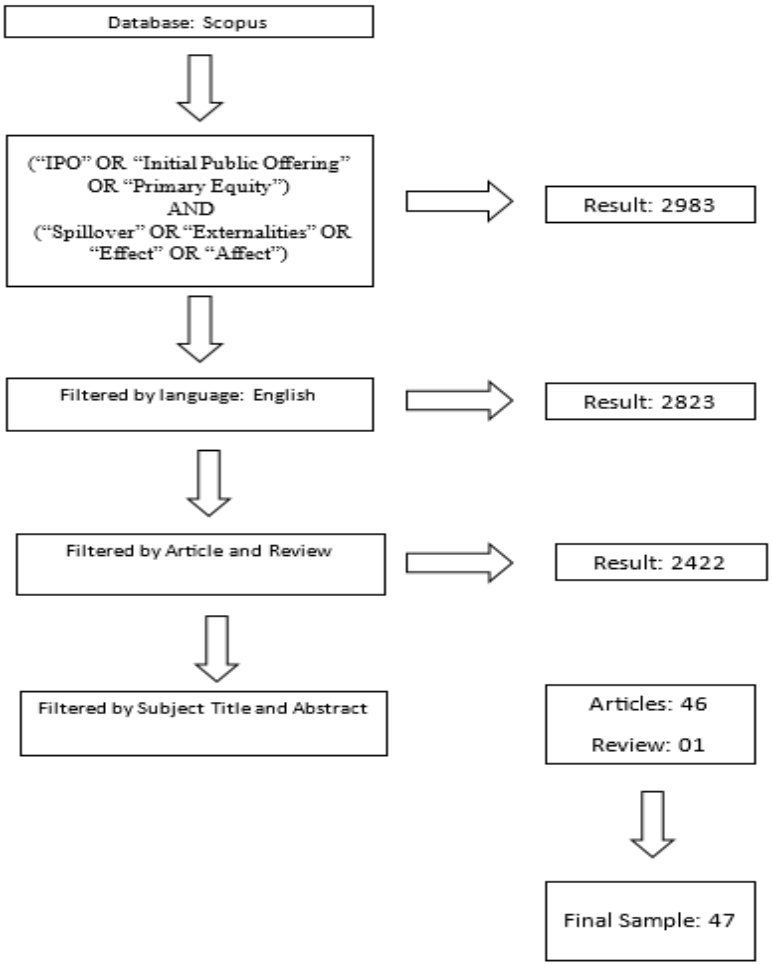
## Annexure

**Annexure 1: Review Process of Selected Article**



**Tianjin Daxue Xuebao (Ziran Kexue yu Gongcheng Jishu Ban)/**
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**Annexure 2: Final Sample of the Study**

| Author and Year | Title | Methodology | Spillover | Effect |
|---|---|---|---|---|
| **(Aghamolla & Guttman, 2021)** | Strategic timing of IPOs and disclosure: A dynamic model of multiple firms | Three-period Multi-firm Dynamic timing model | Information | New IPO decisions |
| **(Aghamolla & Thakor, 2022)** | IPO peer effects | Regression (OLS, IV) | Competitive | New IPOs |
| **(Akhigbe et al., 2003)** | Does an industry effect exist for initial public offerings? | Event study, Cross-sectional regression | Information | Stock Price |
| **(Akhigbe et al., 2004)** | Market signals associated with REIT IPOs | Event study, Regression | Information | Stock Price |
| **(Akhigbe et al., 2006)** | Long-term industry performance following IPOs | T-test, Fama/French calendar time series regressions | Competitive | Stock Performance |
| **(Aktas et al., 2016)** | Industry IPOs, growth opportunities, and private target acquisitions | Regression (OLS, fractional Logit) | Information | M&A |
| **(Altı, 2005)** | IPO market timing | Theoretical mode | Information | New IPOs |
| **(Bae et al., 2025)** | How Do Banks Respond to Supplier IPOs? | Difference-in-difference (DiD) Analysis, Regression | Supply Chain | Debt Cost |
| **(Baschieri et al., 2023)** | Local IPO waves, local shocks, and the going public decision | DiD, Regression (probit, multivariate), Profitability Analysis | Information | New IPOs |
| **(Benveniste et al., 2002)** | Information externalities and the role of underwriters in primary equity markets | Game-theoretic framework | Information | New IPOs |
| **(Benveniste et al., 2003)** | Evidence of Information Spillovers in the Production of Investment Banking Services | Regression | Information | New IPOs |
| **(Boeh & Dunbar, 2014)** | IPO waves and the issuance process | Vector autoregressive models with exogenous variables (VARX), Time series regression | Information | New IPO decisions |
| **(Butler et al., 2019)** | Local economic spillover effects of stock market listings | Regressions | Economic | Economy |
| **(Chen et al., 2023)** | Strategic reaction and tax avoidance: Evidence from the effect of large IPOs on peers | DiD, OLS regressions | Competitive | Strategic Action |

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| Author and Year | Title | Methodology | Spillover | Effect |
|---|---|---|---|---|
| **(Cheng & Chen, 2008)** | Information spillover effects of IPOs using 2SLS | Two-Stage Least Squares (2SLS) regression | Information | IPO pricing & completion probability |
| **(Chod & Lyandres, 2011)** | Strategic IPOs and product market competition | Product market competition theoretical model, OLS regression | Competitive | Market share, Valuation |
| **(Cornaggia et al., 2024)** | Initial public offerings and the local economy: Evidence of crowding out | 2SLS regression | Geographical | Economy |
| **(Cotei & Farhat, 2013)** | Informational externalities of initial public offerings: Does venture capital backing matter? | Event study methodology, OLS Regression, Patell t-test & Wilcoxon test | Information | Stock Price |
| **(Defort et al., 2025)** | How do successful exits impact regional development? Longitudinal evidence from European cities | Panel data regression | Geographical | Entrepreneurial ecosystems (EEs). |
| **(Fang et al., 2012)** | The determinants and consequences of IPOs in a regulated economy: Evidence from China | Regression | Others | Stock price (Market) |
| **(H. Nguyen et al., 2010)** | Underpricing, risk management, hot issue and crowding out effects: Evidence from the Australian resources sector initial public offerings | Regression | Competitive | Stock Price |
| **(Henry, 2023)** | The competitive effects of IPOs on industry rivals | IV design using two-stage least squares (2SLS). | Competitive | Performance |
| **(Hoffmann-Burchardi, 2001)** | Clustering of initial public offerings, information revelation and under-pricing | Herding model | Information | New IPOs |
| **(Hoque & Mu, 2023)** | Information spillover in Chinese hybrid IPO auctions | Regression (Cross-sectional OLS, Weighted LS, logit) | Information | investor participation & price revisions |
| **(Hsu et al., 2010)** | The new game in town: Competitive effects of IPOs | Event study, regression (Panel, Probit, Cross-sectional) | Competitive | Stock Price & Performance |
| **(Huson & Meng, 2025)** | IPO proceeds deployment and firm performance | Event study methodology, regression | Others | Stock prices (newly public firms) |
| **(Johnson et al., 2015)** | The bonding hypothesis of takeover defences: Evidence from IPO firms | Mann-Whitney non-parametric test; Regression (Poisson, 2SLS, OLS) | Supply Chain | Customer Stock Price |

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| **(K. Liu et al., 2014)** | Information diffusion and value redistribution among transaction partners of the IPO firm | Event Study, OLS regression | Information | Stock Price |
| **(Kutsuna et al., 2016)** | Supply-chain spillover effects of IPOs | DiD, Multivariate Regression | Supply Chain | Partner Growth and liquidity |
| **(L. Li et al., 2024)** | Tackling competition by reducing emissions: Private firms' polluting behavior under peer IPOs | DiD Analysis | Competitive | Pollution |
| **(M.-L. Lee et al., 2011)** | Market signals associated with Taiwan REIT IPOs: Reactions of non-REIT real estate stocks | Event study analysis, Regression Analysis | Others | Stock Price |
| **(McGilvery et al., 2012)** | Competitive valuation effects of Australian IPOs | Event study analysis, Pearson and Spearman correlation, multivariate OLS regression | Competitive | Stock Price |
| **(Min, 2020)** | Information spillover and demand shock effect of the IPOs on the stock price of the competitors: Evidence from the Korean stock market | Event study, Regression | Information | Stock Price |
| **(O'Connor Keefe, 2014)** | Does the effect of revealed private information on initial public offering (IPO) first trading day return differ by IPO market heat? | IV estimation (2SRI, GMM), OLS Regression | Information | IPO pricing & initial returns |
| **(Park et al., 2019)** | Effects of initial public offerings on the economic performance of small and medium-sized enterprises | ANOVA, multiple Regression | Economic | Economy |
| **(Pulikottil, 2023)** | Competitive and contagion effect of initial public offerings in India: An empirical study | Paired T test, Regression | Others | Stock Price |
| **(R. Liu et al., 2024)** | Peer Effects of Corporate Disclosures: Evidence from the Registration-Based IPO System in China | Difference in difference, Regression, cross-sectional analysis | Information | Disclosure |
| **(S. Lee et al., 2011)** | The impact of IPOs on the values of directly competing incumbents | OLS regression | Information | Stock Price |
| **(Spiegel & Tookes, 2020)** | Why Does an IPO Affect Rival Firms? | Dynamic structural oligopoly model, | Competitive | Performance |

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| **(Stuart & Sorenson, 2003)** | Liquidity Events and the Geographic Distribution of Entrepreneurial Activity | Regression (negative binomial regression) | Geographical | Entrepreneurship |
| **(Suleiman, 2024)** | The cost of debt around the IPO | OLS regression | Information | Debt Cost |
| **(T. Nguyen et al., 2022)** | Initial Public Offerings and Local Housing Markets | Panel data regressions | Geographical | Housing Price |
| **(Wijaya, 2020)** | The analysis of the effect of the initial public offering activity of the company on the IHSG market return during the period of 2013-2017 | ARCH/GARCH | Others | Stock price (market Index) |
| **(Wu & Reuer, 2021)** | The impact of industry IPOs on acquisitions of new ventures: An information spillovers perspective | Cox proportional hazard Regression model | Information | M&A |
| **(Xie et al., 2024)** | Intraregional effect of IPOs on firm-level real earnings management: evidence from the governance role of financial analysts | Regression | Geographical | Earning Management |
| **(Xue et al., 2025)** | The spillover effect of IPO technology risk information on stock price synchronization: Evidence from China | Regression | Information | Stock Price Synchronisation |
| **(Y. Li & Zhang, 2021)** | Another game in town: Spillover effects of IPOs in China | DiD Analysis, Multivariate Regression | Others | Stock Price |