Chapter 9

Investor allocations, use-of-funds and underpricing at Borsa Istanbul

Lokman Tütüncü[1,2]

Abstract

This study reviews allocation of shares and use-of-funds in 343 initial public offerings between 2010 and 2026 at Borsa Istanbul. The information is crucial to determine why companies go public, how they raise capital and intend to spend the collected proceeds. Four classes of investors; domestic and foreign institutions, retail investors, and qualified investors, as well as three uses of funds; investment, debt payment, and working capital, are defined to identify the sources and uses of capital. Findings show that the market experienced a recent shift in investor profile, retail investors and domestic institutions increasing their participation and moving in to the space evacuated by foreign institutions.

Pecking order theory and market timing – window of opportunity hypothesis are considered to explain going public decision. The pecking order explanation suggests that companies would issue equity to finance deficit only after internal funds and borrowing options are exhausted. Issuing equity to finance debt or working capital deficit may give negative quality signals due to disproportionate information costs associated with equity and indicate inability to generate earnings or borrow. In this equilibrium, companies would issue equity mostly to finance investment opportunities. Market timing explanation implies that issuers may time the market to exploit the positive sentiment in hot periods. These offerings may carry negative signals and be primarily motivated by a desire to reduce debt or improve working capital. Their investors may suffer from the winner's curse by investing in unattractive companies.

Consistent with the pecking order theory, findings show that investment is the dominant use-of-funds intention regardless of the time and investor profile

1 Assoc. Professor, Department of Business, Bursa Uludag University, Türkiye. Lokmant@uludag.edu.tr, ORCID 0000-0002-8653-9546

2 Department of Political Science and Management, University of Agder, Norway. Lokman.tutuncu@uia.no

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in the market. Market timing hypothesis is partially supported, as improving working capital becomes more important in recent years due to pandemic-induced liquidity crunch and macroeconomic conditions. The evidence does not support the winner's curse explanation that issuers exploit retail investors and allocate more shares to them in lower quality offerings where debt reduction and/or working capital are the primary motivations for going public. Overall, results indicate that investor profile has permanently changed and investors do not suffer from adverse selection as far as allocation of shares and capital is concerned. This result may be attributed to better investor protection regulations and investors' insensitivity to quality signals due to embedded short-termism in their investment behaviour.

1. Introduction

The breakout of the Iran war in February 2026 caused a major disruption in the world economy and financial markets, which may usher in a new cold market era and take years to recover from. This study provides a timely update on the Turkish initial public offerings (IPO), considering all 343 offerings between 2010 and February 2026. A total of 215 companies went public at Borsa Istanbul during and after the pandemic. Collectively, these firms issued over $10 billion equity, 40% more than the entire preceding decade. This period was characterised by an exceptional retail investor attention in the offerings (Tutuncu, 2023), and consequently witnessed two exceptionally hot years. A record number of 54 initial public offering took place in 2023 alone, returning $3.1 billion in gross proceeds. This was only after a decade-long record was broken in 2021, when 52 initial public offerings filled the coffers with $2.5 billion. The ongoing economic turbulence resulted in a search for alternative financing sources for companies, while individuals looked for channels to preserve their wealth. This facilitated the rise of IPOs, which offered a lifeline to companies seeking to finance their balance sheet and growth opportunities, as well as investors seeking alternative investment avenues.

Markets underwent a profound transformation and investor profile shifted at the beginning of the pandemic (Tutuncu, 2022, 2023), closely following the global pattern of increasing retail investor attention (Barber et al., 2022; Ozik et al., 2021; Pagano et al., 2021; Welch, 2022). Moreover, markets benefited from supportive local regulations that were adopted to facilitate retail investor participation, e.g., encouraging equal distribution of shares in 2023. While this strategy created conditions for improved market liquidity and led to record numbers of successful issues, there are also justifiable concerns that small investors may suffer from adverse selection and winner's curse (Rock, 1986), as their short-termism might be exploited by issuers and underwriters. Controversies and lawsuits over several issues heightened these concerns and

made careful navigation of the uncertainties more important than ever. For example, there are allegations that institutional investors tend to be given the lion's share in the most promising issues, an allusion to the winner's curse, and small investors miss out on the lucrative IPO returns. Another area of concern is the potential misuse of collected funds by unscrupulous managers, although this would be easy to spot because the uses of funds need to be reported in the following accounting periods to ensure proper use and accountability.

Luckily, the prospectus provides vital and transparent information about both allocations and use-of-funds. This study intends to update previous studies, Tutuncu (2022, 2023) for allocations and Tutuncu (2025) for funds, and provide a perspective on both ends of the going public process: how the capital is raised and spent to illuminate the controversies and enable investors to make more informed decisions. To my knowledge, no other study examined these aspects of the local market before.

2. Data

The data comes from an update of the authors' archive. The dataset was built over time and updated in February 2026 to incorporate the latest offerings. Public Disclosure Platform (www.kap.org.tr) and investor relations part of the company websites are the main sources for prospectus and its supplements.

The IPO population contains 343 going public firms from 2010 to February 2026. Table 1 details the distribution and type of offerings. 109 IPOs are primary offerings that issue new capital, 32 IPOs are secondary offerings that only involve the sale of existing shares, and 196 IPOs both raise new capital and sell existing shares. Overall, these IPOs result in the collection of $16.33 billion in gross proceeds. $10.2 billion of this was raised by 215 firms that went public in/after 2020. The IPO market growth in the post-pandemic period is evident, as this period accounts for 63% of the population both in terms of the amount of capital raised and the number of offerings. Moreover, this growth is mostly accounted for by the increase in the amount of new capital raised, rather than the sale of existing shares. Capital raises accounts for 65% of the proceeds in the post-2020 period compared to 57% before. Concurrently, proceeds from the sale of existing shares drop from 43% to 35%. Overall, companies raise over $10 billion to be used in the company activities, which are declared in the use-of-funds section of the prospectus. Existing shareholders raise $6.2 billion for their personal use.

Table 1. Distribution of offerings over time

Year	N	Primary (n)	Secondary (n)	Both (n)	Primary (mil$)	Second. (mil$)	Total (mil$)
2026	9	1	-	8	201.2	80.4	281.6
2025	18	3	-	15	733.3	359.5	1,092.8
2024	34	6	-	28	1,337.5	548.6	1,886.1
2023	54	16	2	36	2,220.5	930.2	3150.7
2022	40	8	3	29	718.4	427.6	1146
2021	52	12	8	32	1,252.9	1,224.6	2,477.5
2020	8	2	1	5	88.6	58.9	147.5
2019	6	2	-	4	35.7	10.6	46.3
2018	9	3	4	2	660.7	671.8	1,332.5
2017	3	-	2	1	5	351.2	356.2
2016	1	-	-	1	6.2	6.2	12.5
2015	5	3	-	2	25.6	9.6	35.2
2014	13	6	3	4	75.8	245.8	321.7
2013	18	11	1	6	564.7	155.4	720.1
2012	25	18	1	6	201.2	142.3	343.5
2011	26	12	2	6	473.5	380.8	854.3
2010	22	6	5	11	1,462.1	669.4	2,131.5
Total	343	109	32	196	10,063.1	6,273.1	16,336.2

Figures are in million USD. Turkish lira proceeds are converted to USD using TCMB effective bid rate on the first trading day. Primary: new capital raise, secondary: sale of existing shares.

The data properties require us to use unequal samples for allocation and use-of-proceeds documentation. For example, 32 offerings involve only secondary shares, where proceeds are collected by shareholders for their personal use. A further 18 offerings do not declare their use of funds. The firms were able to get away with a non-declaration act prior to the enactment of SPK Issue Directive 128.VII.1 (2013) Rule 33/1, which stipulated mandatory declaration of the use of funds. Overall, 50 offerings lack information on the use-of-funds, and the sample size is reduced to 293 for this part of the study. Second, the sample to document allocations is 276 as many older offerings lack data on IPO results. If I were to apply filters to drop observations that lack information on use-of-funds and allocations, the sample would be reduced to 235. This would effectively exclude a third of the observations, a risk I consider too great to take. However, analysis will be repeated with these 235

firms to ensure that companies on both collection and spending ends are the same and robust inferences can be derived.

Most offerings are small despite the large amount of capital in question. The largest offer size remains to be the IPO of Emlak Konut GYO in 2010, which raised $713 million. The second largest IPO is SOK Marketler AS in 2018, which raised $514 million. The largest post-pandemic IPO is Tab Gida AS in 2023, with an offering size of $243 million. Overall, only 36 IPOs have a deal size greater than $100 million, while 85 (25%) have a deal size smaller than $10 million. The small sizes are inevitably reflected in the descriptive statistics. To evade the distortion of numbers by outliers, I report most statistics and figures in terms of capital raised. Percentages are also reported in tables.

3. Investor classes and distribution of shares

Four classes of investors could be defined. Domestic and foreign institutions, individuals – also called retail or small investors – and qualified investors. Institutional investors dominate the equity markets today (Bebchuk et al., 2017). Attracting institutional investors, in particular foreign investors, and increasing their participation in equity markets has long been a target and viewed as a success in emerging markets due to their status as repeat players, long investment horizons and well-informed investment strategies. International evidence demonstrates that long-term institutional investment is credited with more effective governance, mitigation of agency problems and improved access to debt markets (Driss et al., 2021), as well as enduring performance improvements (Yin et al., 2018). Likewise, institutional investment in Borsa Istanbul responds to various firm-specific and macroeconomic quality signals, such as attractive valuations, high quality governance, inflation and exchange rates (Avci, 2024, 2026). Turkish authorities enabled discretionary allocation of shares to institutional investors in several successive directives (SPK (Capital Markets Board), 2010, 2013a, 2013b).

The investment behaviour of domestic and foreign institutions tend to follow different patterns. Domestic institutions are generally regarded as better stock pickers as they have an informational advantage (Choe et al., 2005; Zou et al., 2016). Recent evidence challenges this and argues that foreign investors evolved to trade at more favourable prices compared to domestic investors (Onishchenko & Ülkü, 2019). Market conditions may also affect the foreign investor behaviour; while they are regular investors in hot markets, they may withhold investment in cold markets (Tsai et al., 2019).

Qualified investors were first defined by SPK Directive VII. No. 29 (2006). The directive was intended to enable creation of hedge funds, which are

considered risky investments and require a proportional asset base and/or investment expertise for qualification. The initial definition covered domestic and foreign investment funds, pension funds, banks, asset management firms, foundations and other real and institutional entities holding capital or securities worth 1 million liras. The definition was modified several times, and the most recent update by SPK Directive 37.7 dated December 2025 raised the capital threshold to 10 million liras. While the investor class was defined, there was no separate allocations until the pandemic. SPK first defined a qualified individuals category in 2021, to prevent qualified investors from crowding out small investors. This coincided with additional regulations to protect small investors, such as stipulating equal distribution in IPOs smaller than 100 million liras. Pro-rata distribution, which was the norm before the change, favoured large subscription orders and put small investors at a disadvantage.

Qualified investors are credited with longer horizons and thus contributing to efficiency and stability of emerging markets (Tam et al., 2010). However, evidence points out that they are associated with already stable firms and their small commitments may prevent realisation of a large scale market impact (Liu et al., 2020). The local Turkish market is a more nuanced case, as it only recently became possible to define and quantify a qualified investor category. To date, 29 IPOs allocated an average of 23.5% shares to qualified investors, totalling $312 million in gross proceeds and capturing 2% of the market.

Table 2 reports the allocations in terms of gross proceeds. Institutional investors accumulate 43.4% of the proceeds, domestic and foreign investors accounting for nearly equal portions. Domestic institutions participate in a much greater number of offerings, receiving non-zero allocation in 247 (72%) IPOs vs. 121 (35%) for foreign investors. Nonetheless, foreign investors' tendency to make sizeable investments in large, well-known companies puts them on equal footing with domestic institutions. Retail investors, on the other hand, are the dominant force in the market, accounting for nearly 55% of the market.

Table 2. Investor allocations (n=276)

	Gross proceeds (mil$)			Gross proceeds (%)		
Investor type	Total	Mean	Median	Total	Mean	Median
Institutional investors	6841.2	24.8	9.3	43.4	29.7	28.1
- Domestic institutions	3349.3	12.2	7	21.2	21.3	20
- Foreign institutions	3504	12.7	0	22.2	8.7	0
Retail investors	8602.6	31.2	21.6	54.6	67.7	70
Qualified investors	312.7	1.1	0	2	2.5	0

The picture is, however, completely different when the pandemic structural break is accounted for. Figure 1a displays the market share of investors across years. While foreign investors were the dominant player before 2020 with a 53% market share, they were reduced to a minor role with a mere 5% share after. Retail investor allocation nearly doubled to dominate the market with a 65% commanding share. Domestic institutions rose from 11% to capturing 26% of the market, and qualified investors appeared with a 3% share. Figure 1b plots percentage allocations over time. Different patterns are observed for each investor class. Domestic institutions participate in more IPOs and receive greater allocations after 2020. Foreigners no longer take majority positions and cluster at the lower end, while retail investors cluster at the upper end of the allocations.

The stark change in investor demographics cannot be explained by local regulations alone and macroeconomic elements are likely to play an important role. Most importantly, the departure of foreign investors contradicts the domestic institutions' increasing participation, indicating that foreigners do not feel as comfortable as locals during turbulent times and stay away despite high short-term return potential. On the other hand, retail investors, domestic institutions, and qualified investors were more than capable of filling the space evacuated by foreigners and keep the IPO market functioning, as offerings continue to be oversubscribed. Initial concerns about the sustainability of the new investor demography have likely dissipated by now, as some conditions such as extra low interest rates that led to it are no longer valid reasons for the shifting investor profile. Instead, a new market order appears to have emerged, where individual investors permanently became part of the equity market and settled in their new role as the dominant player.

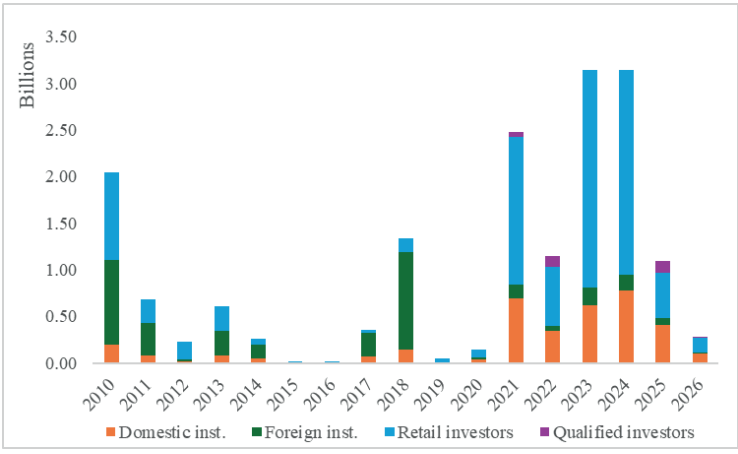

Figure 1a. Allocations over time in USD gross proceeds.

This comes at a cost to the average retail investor. Figure 2 shows the number of individuals participating in IPOs and the average size of their investment (ARI) (Tutuncu, 2023). The average number of investors per IPO rises from 28,888 to over 1 million, while ARI drops from $10,552 to just $185 to compensate for the increasing demand. Less than $100 is allocated to the average retail investor in 70% of the post-pandemic offerings, and less than $50 is allocated in half of the IPOs. ARI further drops to $77 for the 155 IPOs in the last four years, where 84% of the individuals receive less than $100 and 68% receive less than $50. The shrinking investment size both represents rising retail investor participation and return-chasing tactics as it is common to subscribe using multiple family accounts. While small amounts may add up, investors using a single account end up with smaller allocations than they would normally receive, which may discourage them from further market participation. The extremely high number of retail investors in some offerings could be artificially inflated and reflect this unfair practice.

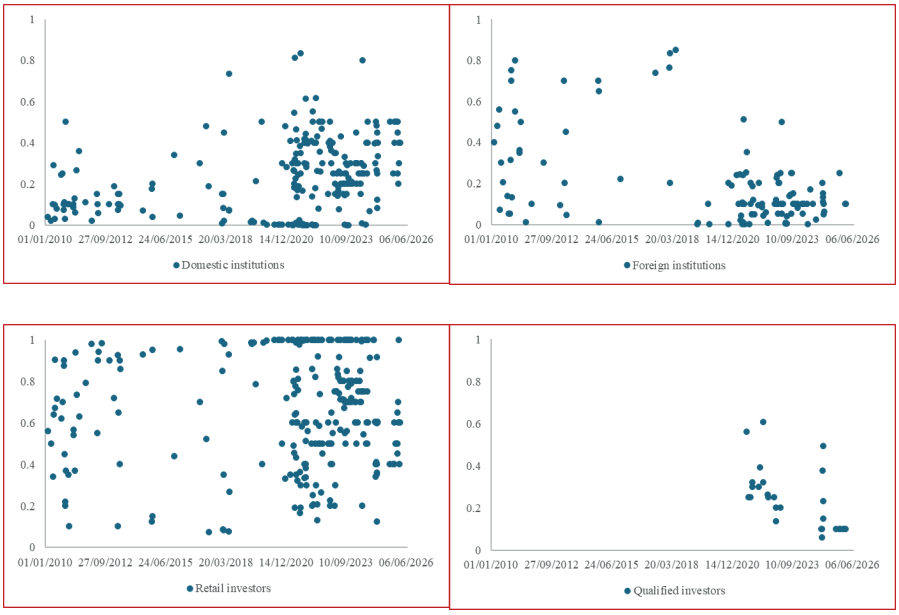

Figure 1b. Distribution of percentage non-zero investor allocations over time

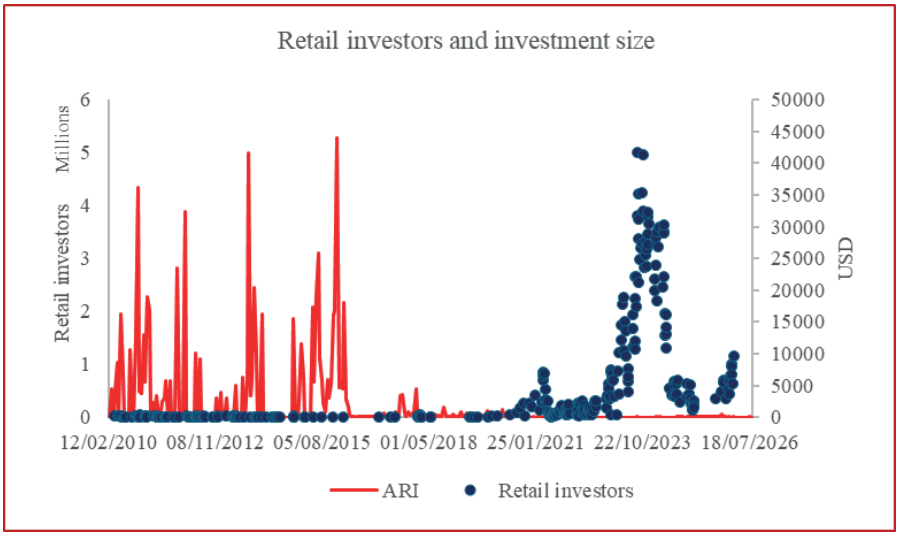

Figure 2. Number of retail investors and average retail investment per capita (ARI)

4. How are the funds intended to be used?

The prospectus supplements disclose several types of use for the proceeds. The disclosures are classified in line with the generally accepted style in the literature: investment, debt payment, and general corporate purpose (Amor & Kooli, 2017; Autore et al., 2009; Silva & Bilinski, 2015; Tang & Zhou, 2022; Tütüncü, 2025). Investment intention refers to capital expenditures (CAPEX) for expansion and purchase of new machinery, as well as research and development costs (R&D). Debt payment intention covers payment of existing financial and supplier debt, including servicing debt used to finance previously undertaken investment projects. General corporate purpose (GCP) refers to purchase of materials and inventories, as well as other activities to strengthen working capital. Use-of funds for 283 offerings are fully determined, and 10 offerings are partly determined. These offerings amount to $9.3 billion gross proceeds, implying that use-of-funds for 93% of the total raised capital is accounted for.

This information is crucial to identify motivations for going public. Going public is a form of external financing and should only be preferred after internal funds are exhausted. This pecking order arises due to varying levels of information costs among financing options; retained earnings have no information costs while issuing equity has high information costs, making issuing equity the least desirable option to finance deficit (Myers & Majluf, 1984). The deficit can be defined as the sum of changes in working capital,

cash dividend, net investment requirement (capital expenditures, acquisitions and R&D), minus net cash flow after interest and taxes (Frank & Goyal, 2003). Under this definition, issuing equity should be an extremely rare event and only done if companies are unable to create sufficient earnings and/or borrow from the market (Shyam-Sunder & C. Myers, 1999). This proposition indicates that for debt and working capital deficit cannot be regularly financed by equity, as the latter carries higher risk and informational cost than the deficit it is supposed to finance. It is a disproportionately risky option and usually carries a negative signal (e.g., inability to borrow from lenders or suppliers, poor working capital management). Dividend is an invalid reason for going public, as companies do not issue new equity to pay dividend. Financing an investment deficit, however, carries a proportional risk and may signal quality of the offering (Trueman, 1986).

On the other hand, companies may go public to take advantage of the windows of opportunities (Ritter, 1991) and attempt to time the market (Schultz, 2003), even if those funds are not urgently needed. In this case, the funds may be primarily used to improve working capital and pay the existing debt to improve leverage. Economic policies in recent years created suitable conditions for both explanations. First, the extremely low interest rates between 2020 and 2023 triggered an investor rush to the equity markets, creating favourable conditions to time the market. Afterwards, high borrowing costs and an enduring tight macroeconomic policy are likely to have limited companies' access to debt markets and accelerated going public plans, consistent with the pecking order theory. A different logic, but the same result could apply to the period before the pandemic, where macroeconomic outlook was more stable and equity markets were colder. This period was characterized by a decade of low inflation and interest rates, as well as insignificant levels of retail investor participation in the offerings. Therefore, market timing is a less likely option, although some issuers attempt to exploit brief hot periods (Avci, 2020). This implies that their primary reason for raising capital could be financing the investment deficit, yet Avci (2025) finds a decline in leverage and sales growth preceding the offering, concluding that growth or borrowing costs are not the main drivers of the going public decision.

Table 3. Use-of-funds (n=293)

	Gross proceeds (mil$)			Gross proceeds (%)		
Use-of-funds type	Total	Mean	Median	Total	Mean	Median
Investment	5415.6	18.5	6.9	58.4	51	52.5
- CAPEX	5211.1	17.8	6.5	56.2	47.5	50
- R&D	133.8	0.5	0	1.4	2.5	0
Debt payment	1873.9	6.4	0.7	20.2	20	10
General corporate purpose	1988.2	6.8	3	21.4	28	25

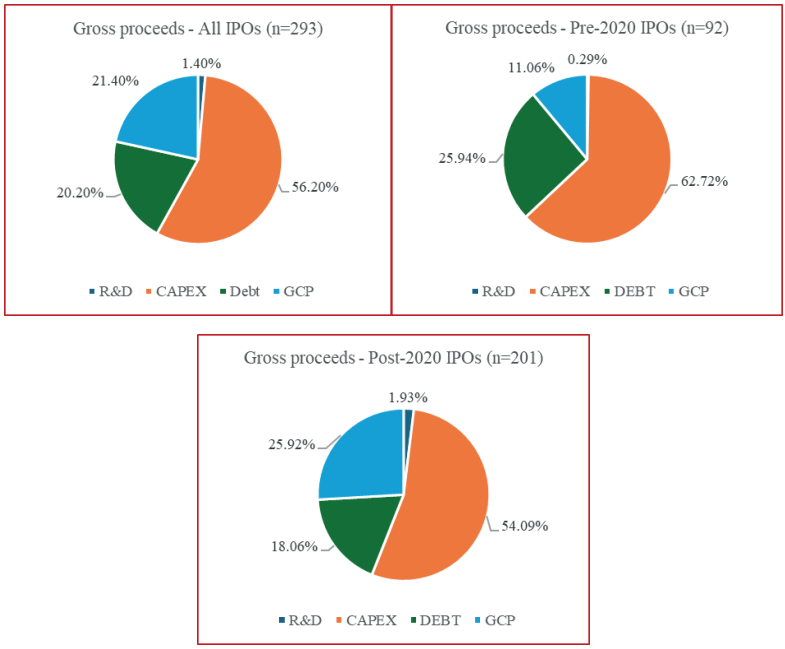

Figure 3a. Use-of-funds in USD gross proceeds – before and after the pandemic.

Table 3 reports and Figure 3a, 3b, 3c illustrate the distribution of funds. Fig. 3a and 3b are adjusted for IPO size, while Fig. 3c displays raw percentages. Financing investment opportunities is clearly the primary motive for going public; the motive holds in most years including hot market periods but excluding 2018. Improving working capital (GCP) is the secondary reason and particularly stand out after the pandemic. This is likely due to the liquidity crunch: for example, the majority of IPOs in 2020 declare that improving working capital as their primary intention for fund use. Debt payment is the

tertiary and weakest motive, only a fifth of the collected funds are intended for debt payments.

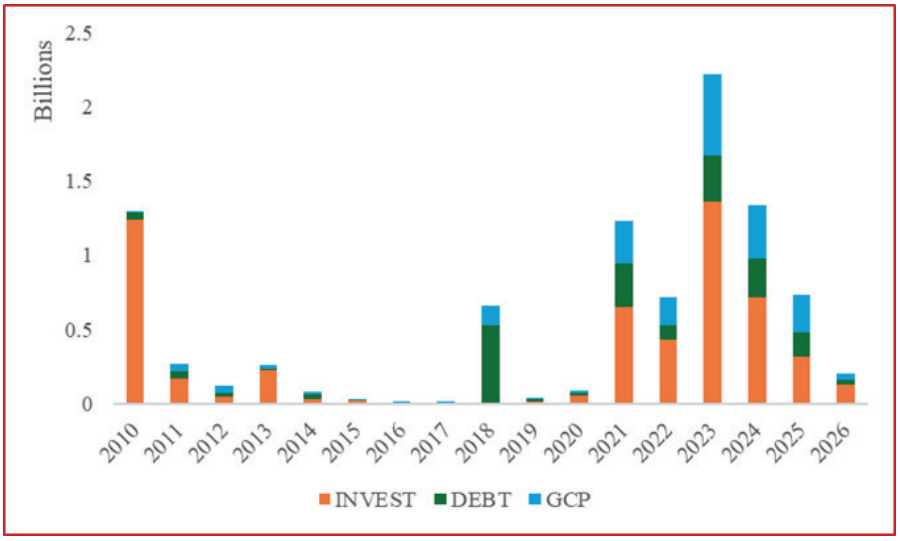

Figure 3b. Use-of-fund allocations over time (USD)

There are significant changes in the amount of the use-of-fund allocations after the pandemic (Fig. 3a, 3b): a sizeable increase in GCP, and large declines in CAPEX and debt payment intentions. Their percentage distributions (Fig. 3c), however, remain similar before and after the pandemic. Perhaps one of the most important changes is the recent increase in R&D funding. Nearly 2% of the funds in post-pandemic offerings are intended for R&D activities, which may lead to good results in the long run.

In addition, we examine IPOs where at least 50% of the funds are reserved to a single purpose. 167 (57%) offerings declare investment as their primary intention, 54 (18%) declare improving working capital, and 44 (15%) declare debt as their primary intention. An examination of their distributions reveals no specific pattern; investment is always the dominant motive; except in 2012 when it is behind the combined debt and working capital intentions. 60% of IPOs declare investment as their primary motive after 2020, compared to 52% before. The proportion is 13% vs. 20% for debt, and 19% vs. 16% for GCP motive. This suggests that post-pandemic offerings have stronger investment and weaker debt motives for going public. Fig. 3c reveals different clustering patterns for use-of-funds: while investment intention is clustered in the upper centre and top, GCP and Debt intentions are clustered in the lower centre and bottom percentages. These findings offer substantial support for

the pecking order explanation, as most issuers go public to finance investment opportunities regardless of the time. The growing GCP motive in recent years also suggests that some companies exploit windows of opportunities to strengthen their liquidity. The decline in the debt motive, however, implies that support for the market timing explanation is limited.

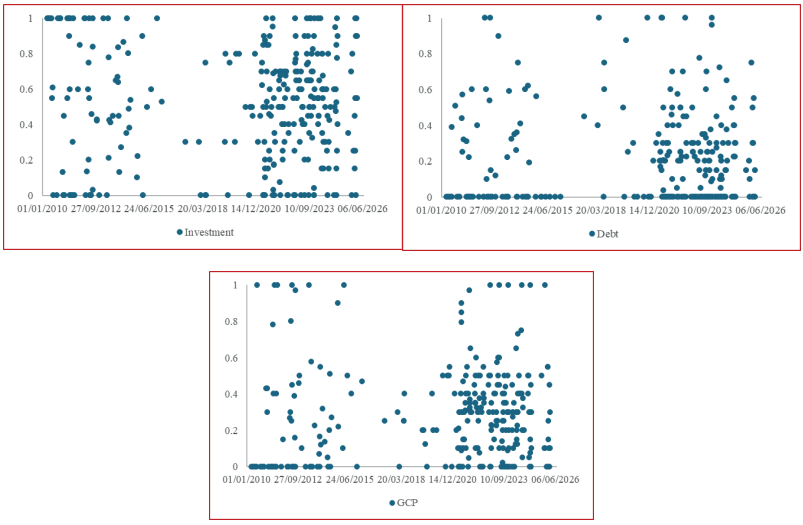

Figure 3c. Distribution of percentage use-of-funds over time

If retail investors suffer from the winner's curse, they would be indifferent to reasons for going public, and high and low-quality IPOs. Consequently, they could easily be persuaded to subscribe to IPOs with negative quality signals, e.g., those that attempt to time the market and intend to pay debt rather than financing new investment opportunities. Table 4 examines this possibility and finds no evidence of discriminatory allocation based on the investor type. On the contrary, small investors tend to be allocated more shares when less than 50% of the proceeds are intended for debt payments. Only domestic institutions receive more allocations when debt payment is the primary motivation for going public, although the evidence is weakly significant. We also examine whether allocations are discriminated based on the investment motivation, a possible source of long-term quality signal, and find no evidence of discriminatory allocation between investor classes.

Table 4. Average allocations by use-of-funds

	Debt ≥ 50%	Debt < 50%	t-value	Invest ≥ 50%	Invest < 50%	t-value
Institutional investors	0.3441	0.2653	1.8097*	0.2765	0.2762	0.0114
- Domestic institutions	0.2656	0.2069	1.7143*	0.2040	0.2312	1.1168
- Foreign institutions	0.0785	0.0613	0.6908	0.0726	0.0510	1.2277
Retail investors	0.6071	0.7094	2.1189**	0.7025	0.6845	0.5237
Qualified investors	0.0488	0.0230	1.5348	0.0201	0.0361	1.3512

These findings could be interpreted in several ways. First, bear in mind that the analysis is very brief and univariate. A multivariate analysis is needed to make robust inferences. We could, however, allude to a few potential explanations: i) the investor protection regulations may be working well and preventing discriminatory allocation practices, ii) investors in a hot market may not be sensitive to the different types of funds use, and may not perceive positive and negative signals, iii) the use-of-funds disclosure carries little informational value that affects stock prices in a market strictly focused on extracting short-term returns.

5. Underpricing

Stock price data is obtained from Borsa Istanbul Datastore (until 2021) and finance.yahoo.com (after 2021). Prices are corrected for stock splits. Table 5 reports the price discounts and raw initial returns. Price discount is the percentage difference between the estimated fair value of the stock and its actual IPO price, as it is customary to sweeten the deal through deliberate discounts. These price adjustments are directly observable from valuation reports in Türkiye (Tutuncu, 2020).

A limitation of measuring first day returns is the 10% price limit enforced on 12 March 2020. The limit is aimed at reducing volatility; however, it delays information procession and prevents efficient pricing of the stock, leading to a spillover of the pricing effect over several days. Indeed, 173 (80%) of the 215 post-pandemic IPOs hit the upper price limit on the first day, while only six hit the bottom limit (-10%). A concentration of recent issues at the limit is observed in Figure 4. Overall, 59 IPOs have negative initial returns, 13 IPOs have zero underpricing, 271 IPOs are underpriced.

Weekly returns or monthly average returns could be used as a substitute to first day returns (Banerjee et al., 2011; Loughran & Ritter, 2004). We do not measure these but report results from other studies, as there is no need to

replicate. Tutuncu (2023) reports average weekly cumulative return of 25% and monthly return of 58%. Arslan et al. (2025) reports five-day raw returns of 35% for 154 IPOs. Both papers express concern that price limits and restrictive allocation rules disable information extraction mechanism associated with bookbuilding and allocation discretion, hindering price discovery. On the other hand, discounts follow a similar and almost symmetrical distribution pre- and post-2020. If discounts are an effective guide for market performance, the stocks should not experience abnormal price swings in the short-term. The retail investors are the most likely culprit for unusual price patterns.

Table 5. Valuation discounts and initial returns

	All IPOs (n=343)		Pre-2020 (n=128)		Post-2020 (n=215)	
	Discount	IR	Discount	IR	Discount	IR
Mean	22.93%	7.52%	23.27%	6.91%	22.74%	7.88%
Median	20.90%	9.94%	21.65%	1.61%	20.53%	9.99%
25th	20.00%	0.80%	18.00%	-0.87%	20.00%	9.79%
75th	27.20%	10.00%	29.63%	11.59%	25.09%	10.00%
St. dev.	7.93%	9.78%	10.20%	14.75%	6.22%	4.84%
Min	0.00%	-17.29%	0.00%	-17.29%	5.00%	-11.06%
Max	54.20%	108.00%	54.20%	108.00%	50.10%	20.00%

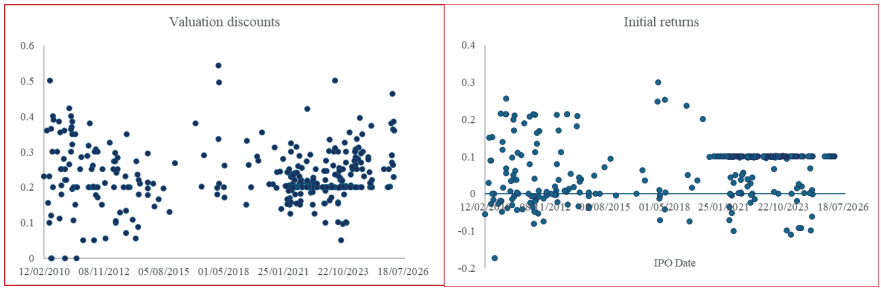

Figure 4. Valuation discounts and initial returns

6. Robustness check

This section reports the results from a dataset of 235 offerings for which both allocation and use-of-funds information is available. This complete dataset is, however, biased towards more recent offerings, which were characterised by greater retail investor and less foreign investor participation. Consequently, Table 6 observes a smaller market share for foreign institutions, dropping from 22.2% to 15.5%. Conversely, a 4.7% larger market share for retail

investors is reported. In line with the finding that going public motives do not significantly differ over time or based on the investor composition, there are only minor changes in use-of-fund intentions, and all reported changes are less than 1%. We conclude that our findings are indifferent and robust to the sample preference, e.g., using the population with missing data or a smaller sample with complete data.

Table 6. Allocations and use-of-funds for 235 IPOs

	Gross proceeds (mil$)			Gross proceeds (%)		
Panel A: Investor type	Total	Mean	Median	Total	Mean	Median
Institutional investors	4570	19.4	9.3	37.9	27.6	26.2
- Domestic institutions	2713.1	11.6	7.3	22.5	21.5	20
- Foreign institutions	1903	8.1	0	15.8	6.4	0
Retail investors	7155.9	30.5	21.3	59.3	69.5	70
Qualified investors	298.3	1.3	0	2.5	2.7	0
Panel B: Use-of-funds type						
Investment	5220.5	22.2	10.6	59	51.3	53
- CAPEX	5032.9	21.4	9.4	57	48	50
- R&D	131	0.6	0	1.5	2.8	0
Debt payment	1798.2	7.6	1.7	20.3	20	12
General corporate purpose	1889.6	8	4.4	21.3	28.4	30

Institutional allocations do not converge due to rounding.

6. Conclusion

This study aims to investigate the origins and intended targets of the capital raised in IPOs. The question is important to understand the changing market dynamics and dispel accountability concerns. We entertain several theories from finance literature to explain share allocations and use-of-funds. Specifically, the winner's curse hypothesis, market timing and pecking order theories are utilised to explicate why firms go public, and how going public firms allocate shares and intend to spend raised capital. The results show that allocation of funds is largely independent from allocation of shares, and the fund use patterns are consistent with the pecking order theory of financing, which suggests that raised equity capital should only be used to finance a deficit of proportionate risk. The fact that most companies are motivated by a desire to finance new investment opportunities validates this line of thought. There is also limited evidence that liquidity constraints after the pandemic played a role in the going public decision, offering partial support to the

market timing hypothesis. Thus, we conclude that retail investors do not suffer from the winner's curse or discriminatory allocation practices, entrenching their dominant role in the market for the foreseeable future. It is necessary to remind, however, that investors should validate the noisy information directly using the prospectus.

This study has two limitations and areas of extension. First, it examines the use-of-fund intentions, but not their actual use. The relevant regulations require going public companies to report on how they actually spend the funds and to what extent they adhere to the declared intentions in the prospectus. Second, a multivariate analysis is necessary to obtain statistically sound and conclusive evidence for our findings. Future studies in these two arenas could greatly extend this research.

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