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A STUDY ON INVESTORS PERCEPTION TOWARDS IPO

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INTRODUCTION:

The term "IPO" stands for "Initial Public Offering," and it refers to a fresh offering of shares from a previously unlisted company. This is accomplished by selling to the general public the shares owned by the promoters or private investors prior to the IPO. When additional investors or the Promoter own the shares, their position is reduced to the amount that their shares are made available to the public. In other circumstances, fresh shares are issued to the public, while the promoters' shares remain with them. In both circumstances, the promoters' share of the overall capital decreases.

REVIEW OF LITERATURE:

1. A Gnawali, B Niroula (2021): The main aim of this study is to examine the perception of investors towards initial public offering (IPO), to analyze the relationship between different factors (quality management, company goodwill, company performance, company sector, and market information) and investment decision to examine the factors that impact in IPO to making an investment decision. This research used primary data. The data was collected from 290 respondents which were related to five different brokerage firms at Kathmandu district. The inferential analysis was preferred in SPSS by using statistical tools such as correlation and regression analysis to analyze the relationship between variables and the impact of different factors on investment decisions. The study revealed that quality management, company goodwill, company performance, company sector, and market information are the highly considerable factors before making investment decisions in IPO.

2. Dr. Achyut Gnawali (2020): The main purpose of the study is to examine exception of investor towards IPO, to analyze the relationship between different factors (Quality management, Company Goodwill, Company performance, Company sector and Market information) and investment decision and to examine the impact of such factors on investment decision in IPO. The research is primarily based on primary data. Data was collected from 290 respondents who were connected at five different brokerage firms in Kathmandu district. The inferential analysis was preferred in SPSS by using statistical tools such as correlation and regression analysis were used to analyze the relationship between variables and impact of different factors on investment decision (dependent variable). The study revealed that Quality management, Company goodwill, Company 22 | Page performance, Company sector and Market information are the highly considerable factors before making investment decision in IPO.

3. R Ganesh, S Thiyagarajan (2021): Companies sometime advertise their products and potential for growth before issuing new stocks or bonds in the market. In the beginning, advertisements for IPOs and mutual funds were primarily attention-drawing. They lacked many important disclosures like price-related information, company information, use of proceeds, etc. making optimal investment decisions. Later advertisements have become more responsible, with the complete disclosure of possible returns and risks. Disclosure of information increases the acceptability of the company among investors leading to more efficient investment decisions. The present study aims to determine the impact of IPO advertisements on Indian investors and the influence of various possible biases that could make those investors make irrational decisions. Primary data collected through structured interview from the investors, is used for the study. The findings confirm that in India, investors who go for IPOs demand more useful and trustworthy disclosures in the advertisements and brochures brought out by the firms. The results are expected to interest academicians and firms who intend to float shares in the primary market.

4. S Saravanan, R Satish (2018): Purpose of this paper is to identify constructs involved in Retail Investors Investment Behavior towards Initial Public Offers and suggest a model to understand the relationship between various construct considered. Data was collected through structured questionnaire from selected sample size and finally 504 responses were used to justify the structure. The study determined four variables Information Asymmetry, Representativeness and Familiarity (Heuristics), Market/Company Perception and Societal Perception. Also, the study contributed in identifying a model that can show a meaningful relationship among the variables identified and Intention of an investor towards IPO investments. Though the four considered had a direct or indirect relationship with Intention, Heuristics considered had a major influence. Information Asymmetry had an indirect relationship with Intention by modifying the perception of investors either through the Representativeness and Familiarity or through the Market and Company Perception.

5. BP Sahoo, K Kaur (2017): Through this study an effort is made in the study to investigate the relevance of IPO grading on the under-pricing, long-term returns, liquidity and the P/E ratio of the companies. For the purpose of the study, 83 IPOs are selected, which came after May 2007 through National Stock Exchange (NSE) and possess IPO grades at the time of issue. The IPOs of different IPO grades have been analyzed in terms of under-pricing, liquidity, P/E ratio and long-term returns using t test and regression analysis. The results indicate that the QIBs consider IPO grading significantly and hence also affects the overall subscription of the IPO. The listing day liquidity of higher graded IPOs is low but commands better liquidity in the long term.

STATEMENT OF THE PROBLEM

This study intends to investigate the elements that impact investor attitudes and decision-making processes in the context of initial public offerings (IPOs). We aim to provide a deeper view of how investors perceive IPOs and the ramifications for companies entering the public market by combining quantitative and qualitative data. This study aims to add to the existing body of knowledge on IPOs by investigating aspects such as risk perceptions, company reputation, financial performance, market conditions, information transparency, and regulatory factors, providing valuable insights for companies, financial intermediaries, and policymakers alike.

OBJECTIVES:

- To know the perception of investors towards IPO.
- To find out the level of awareness about IPO in the investors.
- To study the purpose of investment in IPO and study the factors that influence investors to go for IPO.

RESEARCH METHODOLOGY:

SOURCE OF DATA – PRIMARY DATA AND SECONDARY DATA

AREA OF THE STUDY – COIMBATORE

SAMPLE SIZE- FIFTY FIVE

SAMPLING TECHNIQUES- RANDOM SAMPLINGS

PERCENTAGE ANALYSIS:**AGE:**

S.NO.	Particulars	Numbers of responses	Percentage
1	ABOVE 18 - 25	46	84%
2	26-35	6	10.90%
3	36-45	2	3.60%
4	46-55	1	1.80%
	Total	55	100%

GENDER:

S.NO.	Particulars	Numbers of responses	Percentage
1	Male	45	81.80%
2	Female	10	18.2
	Total	55	100%

OCCUPATION:

S.NO.	Particulars	Numbers of responses	Percentage
1	Student	40	72.70%
2	Employed	13	23.60%
3	Self employed	2	3.60%
4	Retired	0	0%
	Total	55	100%

MARITAL STATUS:

S.NO.	Particulars	Numbers of responses	Percentage
1	Married	12	22.60%
2	Un married	41	77.40%
	Total	55	100%

MONTHLY INCOME

S.NO.	Particulars	Numbers of responses	Percentage
1	BELOW 10000	32	58.20%
2	10000 – 20000	10	18.20%
3	20000 – 30000	10	18.20%
4	30000 – 40000	3	6%
	Total	55	100%

INVESTMENT STRATEGY ?

S.NO.	Particulars	Numbers of responses	Percentage
1	ENHANCES DIVERSIFICATION	10	18.50%
2	PURSES GROWTH OPPORTUNITIES	33	61.10%
3	FIT RISK TOLERANCE	4	7.40%
4	OTHERS	7	13%
	Total	55	100%

INVESTED IN IPOs BEFORE

S.NO.	Particulars	Numbers of responses	Percentage
1	YES	18	33.30%
2	NO	36	66.70%
	TOTAL	55	100%

INFORMATION ABOUT IPOs?

S.NO.	Particulars	Numbers of responses	Percentage
1	FINANCIAL NEWS WEBSITES	18	32.70%
2	SOCIAL MEDIA	22	40.00%
3	FRIENDS/FAMILY	14	25.50%
4	OTHERS	1	2%
	Total	55	100%

INVESTING IN IPOs ?

S.NO.	Particulars	Numbers of responses	Percentage
1	very confident	10	18.20%
2	somewhat confident	17	30.90%
3	Neutral	26	47.30%
4	not very confident	1	2%
5	not confident at all	1	2%
	Total	55	100%

FACTORS INFLUENCING?

S.NO.	Particulars	Numbers of responses	Percentage
1	company reputation	7	12.70%
2	financial performs	19	34.50%
3	markets trend	18	32.70%
4	recommendation from experts	5	9%
5	Others	6	11%
	Total	55	100%

TYPES OF IPOs?

S.NO.	Particulars	Numbers of responses	Percentage
1	Technology	15	27.80%
2	healthcare	23	42.60%
3	consumer goods	12	22.20%
4	real estate	4	7%
	Total	55	100%

RISK TOLERANCE

S.NO.	Particulars	Numbers of responses	Percentage
1	High	15	27.80%
2	Moderate	36	66.70%
3	Low	3	5.60%
	Total	55	100%

COMMUNICATION CHANNELS

S.NO.	Particulars	Numbers of responses	Percentage
1	Local newspaper	7	13.20%
2	local business forums	18	34.00%
3	community event	12	22.60%
4	online forums / groups	16	33%
	Total	55	100%

TYPICAL INVESTMENT HORIZON

S.NO.	Particulars	Numbers of responses	Percentage
1	short term (less than 6 months)	16	29.60%
2	medium term (6 months to 1 yr)	29	53.70%
3	long term (more than 1 yr)	9	16.70%
	Total	55	100%

POST-INVESTMENT COMMUNICATION

S.NO.	Particulars	Numbers of responses	Percentage
1	very satisfied	8	14.80%
2	Satisfied	22	40.70%
3	Neutral	21	38.90%
4	dissatisfied	3	6%
5	very dissatisfied	0	0%
	Total	55	100%

IPOs OVER THE NEXT YEAR ?

S.NO.	Particulars	Numbers of responses	Percentage
1	Increase	22	40.70%
2	decrease	12	22.20%
3	Maintain	22	40.70%
	Total	55	100%

INVESTMENT DECISION?

S.NO.	Particulars	Numbers of responses	Percentage
1	less than 1 hour	18	34.00%
2	1-2 hour	23	43.40%
3	2-5 hour	6	11.30%
4	more than 5 hour	6	11%
	Total	55	100%

ANALYST RATINGS AND RECOMMENDATIONS

S.NO.	Particulars	Numbers of responses	Percentage
1	Always	14	25.90%
2	sometimes	32	59.30%
3	Rarely	7	13.00%
4	Never	1	2%
	Total	55	100%

CHI SQUARE:

COUNT OF AGE	COLUMN LABELS				
Row Labels	FINANCIAL NEWS WEBSITES	FRIENDS/FAMILY	OTHERS	SOCIAL MEDIA	Grand Total
26 – 35	1	2	0	3	6
36 – 45	0	1	0	1	2
46 – 55	0	1	0	0	1
ABOVE 18 – 25	17	10	1	18	46
Grand Total	18	14	1	22	55

Chi-Square Test Result	Chi-Square static	Degree of freedom	Significance level	Critical Chi-square Value (df =6)	Conclusion
Value	25.751	6	0.05	12.592	Significant (Reject Null Hypothesis)

We reject the null hypothesis because the calculated Chi-Square value (25.751) exceeds the threshold Chi-Square value (12.592) at the 0.05 level of significance. In other words, there is enough data to establish that there is a significant association between the variables under investigation.

ANOVA:

SUMMARY				
Groups	Count	Sum	Average	Variance
Column 1	4	55	13.75	338.917
Column 2	4	0.999	0.249	0.112

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	364.5135	1	364.513	0.059	0.05	5.987
Within Groups	1017.086	6	6102.516			
Total	1381.6	7				

The ANOVA analysis of the data shows that there is no significant difference in the mean values of the two groups, Column 1 and Column 2. With an F-statistic of 2.15034 and a p-value of 0.192899, failure to reject the null hypothesis implies that any observed differences in means are more likely due to random chance than a meaningful difference between the groups. As a result, the experimental circumstances do not appear to have a substantial impact on the outcomes studied.

REGRESSION STATISTICS:

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.076
R Square	0.005
Adjusted R Square	-0.055
Standard Error	1.148
Observations	53

ANOVA

	Df	SS	MS	F	Significance F
Regression	3	0.376	0.125	0.045	0.462
Residual	49	64.642	1.319		
Total	52	65.018			

The firm reputation (4.226): Although there is a positive relationship between firm reputation and the dependent variable, it is not statistically significant at the 5% level, indicating that it may not consistently predict changes in the outcome. Financial Performance (1.258): Similar to firm reputation, there is a positive link with the dependent variable, but it is not statistically significant, indicating that it may not have a consistent impact on the outcome. Markets Trend (0.360): This variable has a statistically significant positive relationship with the dependent variable, showing that market movements play a role in predicting the outcome. Recommendation

from Experts (-0.064): There is a negative association with the dependent variable, but it is not statistically significant, indicating that expert recommendations may not be accurate predictors of the outcome in this context.

FINDINGS:

FINDING FROM PERCENTAGE ANALYSIS:

- The majority of responders (84%) are aged 18 to 25, reflecting a younger demographic.
- Male respondents account for the majority (81.8%) of the poll, demonstrating a considerable gender imbalance.
- Students account for the majority of respondents (72.7%), showing that the poll is primarily aimed at those in educational institutions.
- The majority of respondents are unmarried (77.4%), showing a high proportion of single people in the survey sample.
- A considerable majority of respondents (58.2%) earn less than 10,000 per month, showing a predominance of low-income persons.
- Pursuing growth possibilities is the most popular investing approach among respondents (61.1%), showing a preference for investments with high potential returns.
- The majority (66.7%) have never invested in an initial public offering (IPO), indicating potential chances for market expansion or IPO education.
- Social media is also significant, with 40.00% of respondents using it.
- The 47.30% remain neutral about their confidence level.
- Financial performance of the company is the most significant factor, influencing 34.50% of respondents.
- Healthcare IPOs are the most preferred, with 42.60% of respondents showing interest.
- The majority of respondents (66.70%) have a moderate risk tolerance.
- Local business forums and online forums/groups are the most preferred channels for communication regarding IPOs.
- The majority of respondents (53.70%) have a medium-term investment horizon (6 months to 1 year).
- A significant portion of respondents (40.70%) are satisfied with their post-investment communication.
- The 40.70% of respondents expect an increase in IPO activity over the next year.
- The majority of respondents (77.40%) spend between less than 1 hour & 2 hours on making an investment decision.
- The 59.30% of respondents sometimes use analyst ratings and recommendations in their investment decisions.

FINDING FROM CHI-SQUARE:

- Chi-Square statistic value: 25.751.
- Degree of freedom: 6.
- Significance level (alpha): 0.05.
- Critical Chi-square value (df=6): 12.592.

FINDING FROM ANOVA:

- The F-statistic is 2.15034, with a p-value of 0.192899. We do not reject the null hypothesis because the p-value exceeds the selected significance level of 0.05.
- There is no significant variation in averages across the groups. In other words, there is insufficient information to establish that there is a difference in means between the groups.
- Within-group variability is relatively high when compared to between-group variability.
- This study shows that the factor being tested (probably the varied values of a single component) has no significant effect on the dependent variable.

FINDING FROM REGRESSION STATISTICS:

The ANOVA table measures the significance of both the overall regression model and the individual factors. The F-statistic (0.0952) in the ANOVA table measures the regression model's overall significance. A higher F-value denotes a more significant overall model. However, in this scenario, the F-value is relatively low. The p-value for the F-statistic (0.462) is greater than the standard significance level of 0.05, indicating that the overall regression model is not statistically significant. Individual predictors' significance is examined using their p-values. None of the predictors appear to be statistically significant, since all p-values are above 0.05.

SUGGESTIONS:

The majority of respondents are young, male students with low income, indicating a need for tailored educational efforts targeting this demographic. While there is a significant interest in IPOs, a large portion of respondents have never invested in them. This suggests an opportunity for market expansion and education campaigns to increase investor participation. Financial performance of the company appears to be the most significant factor influencing investment decisions. Companies planning IPOs should prioritize transparent communication regarding their financial health. Social media and local business forums are key channels for disseminating information about IPOs. Companies should utilize these platforms effectively to reach potential

investors. A majority of respondents have a medium-term investment horizon, which indicates a preference for investments with relatively quick returns. Companies should consider this preference when structuring their IPOs. Satisfaction with post-investment communication is moderate. Companies should focus on enhancing their communication strategies to build investor confidence and trust. A significant portion of respondents anticipate an increase in IPO activity over the next year. This suggests a positive outlook for the IPO market, but companies should ensure they meet investor expectations regarding transparency and performance.

CONCLUSION:

The study sheds light on investor beliefs and behaviors about initial public offerings (IPOs). It finds substantial correlations between demographic variables such as age and the sources of IPO-related information. However, while these demographic features may influence how investors obtain information, they have little impact on investment decisions. Furthermore, the study concludes that the characteristics analyzed, such as company reputation, financial performance, market trends, and expert advice, do not reliably predict investor behavior in IPOs. Despite this, respondents express a strong curiosity about growth potential and moderate satisfaction with post-investment contact. Finally, while the study sheds light on investor preferences and sources of information about IPOs, it implies that more research is needed to better understand the factors influencing investment decisions in this setting. Furthermore, actions to increase financial literacy and improve communication channels may contribute to a more informed and inclusive investing landscape in IPO markets.

REFERENCE:

- **A Gnawali, B Niroula (2021):** The main aim of this study is to examine the perception of investors towards initial public offering (IPO)
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- **AK Singh (2017):** The present study analyses the growth patterns of Indian IPO market since liberalization. It studies the general and specific trends in IPO Market from 1992– 2015.
- **S Sahoo (2017):** The concept of anchor investors was introduced by the market regulator, Securities Exchange Board of India (SEBI), to bring transparency in the book building mechanism.
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