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A Study on Perception of Investors on IPO

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ABSTRACT

An investor perception research is directed at an issuer's institutional audience in the capital markets, which includes sell-side analysts and current and former investors. An ideal investor perception survey would also reach out to analysts and potential investors who work for rival businesses but not the issuer. The study's goal is to understand how investors feel about initial public offerings and their performance. In order to minimize losses, the study suggests that investors sell expensive shares by the end of the listing day. It also suggests that investors hold onto cheap investments for extended periods of time in order to earn higher returns.

Keywords: Investors Investment, IPO, Awareness, Financial market

1 Introduction

IPOs are often Smaller, younger businesses looking for funding to grow can also issue initial public offerings (IPOs), as can huge privately held businesses wishing to become public [1]. Investors who purchase newly issued shares from a corporation after it lists its refuges on a public exchange pay the company directly for such shares [2]. So, a company can access a large pool of depositors through an IPO to raise money for working capital, debt repayment, or future growth [3]. Both a financing and an exit strategy can be employed with an IPO. The primary goal of an IPO in a financing strategy is to raise capital for the firm. Two components make up an IPO in its entirety [4]. The first stage of the offering is the pre-marketing phase, and the second is the real IPO [5]. A business that wishes to go public will either make a public statement to attract interest or ask underwriters for confidential bids [6]. Initial Public Offerings, or IPOs, are a mechanism for businesses to receive capital from investors for their future. An initial public offering is the sale of safeties to the general public on the primary market (IPO) [7]. It has a protracted or undetermined maturity and serves as the company's primary source of funding. An IPO is an important phase in a company's growth. It enables a company to acquire capital via the public capital market. When a business sells stock to the open for the first time, it does so in an IPO [8]. Initial Public Offerings (IPOs) typically have raising funds as their primary goal. In general, businesses get their first round of funding from family, friends, personal loans, and equity. Marketing materials are created for the new stock issuance's pre-marketing [9]. Management and the underwriters advertise the share issuance to set a final offering price and assess demand. Underwriters may change their financial analysis as part of the marketing process [10].

The study's goal is to understand how investors feel about initial public offerings and their performance. Additionally to research retail investors' perspectives on IPOs. to evaluate IPO success and provide investors with insightful advice.

2 Recent Works

Gurung, J. B. [2020] [11] says the author looked at over-all investors' perspectives on IPO savings in the main market. The study from Pokhara City was based on a survey of 109 ordinary depositors who actively contributed in the main market. Male and female investors perceive risk and reward from IPO investments significantly differently, according to a study. According to the study, the largest drivers of IPO return and risk among investors are the scope of the business that issues IPOs then the administration's policy reports.

Gurung et al [2019] [12] examined this study, 118 university professors were polled to gauge their familiarity with initial public offerings. The majority of university professors, according to research, have a moderate degree of IPO understanding. The results demonstrate that what most significantly impacts and directs university professors toward IPO activities is their self-awareness, which is followed by the media, publications, friends, and their professional experiences.

Saravanan et al [2018] [13] investigates the conceptual underpinnings of retail investors' investment behavior toward IPOs. The four variables that the study discovered were unevenness, representativeness and familiarity, company awareness, and societal perception. The findings suggest that the importance of heuristics was significant. By altering investors' perceptions, information asymmetry has a secondary impact on intention.

Sarin et al [2017] [14] made a study, which involved 200 investors from Delhi and Chandigarh, sought to understand how investors felt about IPO grading. According to the report, the majority of investors have expressed belief in initial public offerings and invest in them. Investors continue to have faith in these investment tools despite excessive price volatility, pricing manipulation, and corporate fraud. The majority of investors supported the reinstatement of India's once-mandatory grading system.

Singh et al [2012] [15] examines a psychometric study titled "Risk Perception of Investors in Initial Public Offer of Shares." In this study, the author seeks to determine how investors perceive risk while investing in initial public offerings (IPOs) and how much the marketing mix's components affect risk perception on a whole. According to this survey, investors generally perceive IPO risk at a moderate level. Some of the factors that have a disproportionately greater impact on investors' perceptions of risk include the reportage of dishonours in the media, the absence of IPO-related info in the media, the necessity for asset education, and local depositor forums.

3 Research methodology

Research technique is the methodical, scientific search for relevant data on a given subject. In addition to prediction and application, it also comprised testing, verification, classification, organization, and orientation. It deals with descriptive research type.

3.1 Objective of the study

- To study the stakeholders perception towards IPO's.
- To identify the investors awareness towards IPO.
- To examine the factors influencing investor behaviour towards IPOs.

3.2 Scope of the Study

The goal of this work is to examine how stakeholders view initial public offerings (IPOs). Furthermore, the study helps us determine whether investor impression depends on the investor's demographics as well as a number of other criteria.

3.3 Sampling Technique

Convenient sampling is a kind of non-probability sampling in which the sample is taken from the nearest area of the population.

4 Results and Discussion

4.1 Data analysis

Area of Investment

Table 1: *Area of Investment*

Particulars	Frequency	Percent
Bank deposits	92	42.8
Shares	23	10.7
Mutual funds	34	15.8
Insurance Policies	66	30.7
Total	215	100.0

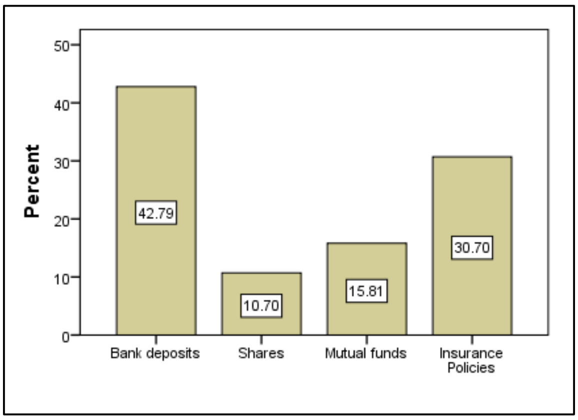

Figure 1: *Area of Investment*

According to the data, 10.7% of respondents invest in stocks, 15.8% in mutual funds, 30.7% in insurance policies, and 42.8% of respondents put money into bank accounts.

Prefer to do the investment transactions

Table 2: *Investment Transactions*

Particulars	Frequency	Percent
Financial advisor	158	73.5
On my own	57	26.5
Total	215	100.0

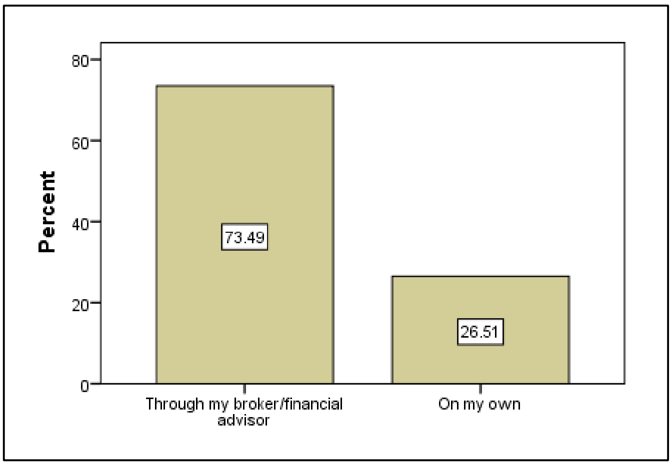

Figure 2: *Investment Transactions*

It is assumed that 26.5% of respondents invest on their own, while 73.5% of respondents invest trades through a broker or financial counsellor.

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IPO is a having fixed price

Table 3: *IPO is a having fixed price*

Particulars	Frequency	Percent
0 – Rs 500	31	14.4
Rs 501 – Rs 1000	45	20.9
Rs 1,001 – Rs 1,500	23	10.7
Rs 1,501 – Rs 2000	42	19.5
Rs 2,001 – Rs 2,500	74	34.4
Total	215	100.0

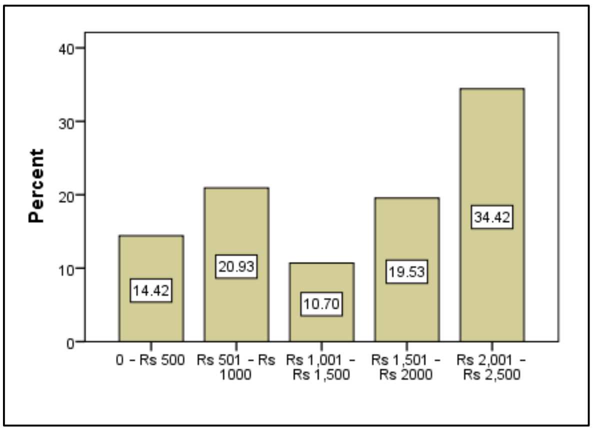

Figure 3: *IPO is a having fixed price*

It is evident that 14.4% of respondents pick Rs. 0-500 if the initial public offering (IPO) has a fixed price, 20.9% choose Rs. 501-1000, 10.9% choose Rs. 1001-1500, 10.7% choose Rs. 1001-1500, 19.5% choose Rs. 1501-2000, and 34.4% choose over Rs. 2501.

Profit expecting in long term IPO

Table 4: *Profit expecting in long term IPO*

Particulars	Frequency	Percent
0 – 100%	72	33.5
101% – 200%	46	21.4
201% - 300%	42	19.5
301% - 400%	55	25.6
Total	215	100.0

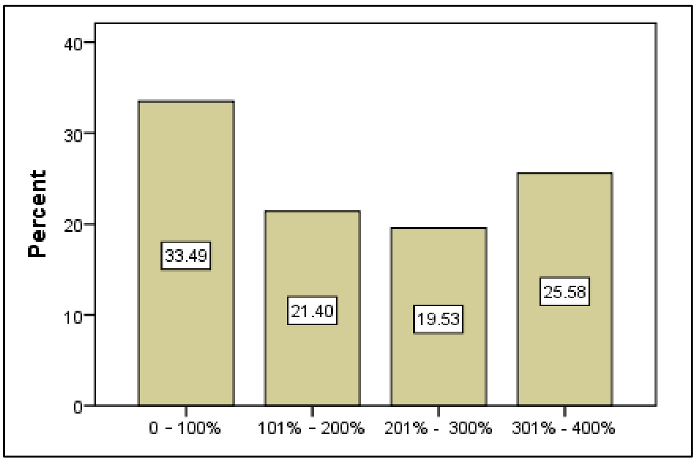

Figure 4: *Profit expecting in long term IPO*

According to the data, 33.5% of respondents anticipate long-term IPO returns of 0–100%, 21.4% anticipate 101–200%, 19.5% anticipate 201–300%, and 25.6% anticipate 301–400%.

Feel about the procedure for IPO's

Table 5: *Feel about the procedure for IPO's*

Particulars	Frequency	Percent
Easy	128	59.5
Very easy	70	32.6
Difficult	17	7.9
Total	215	100.0

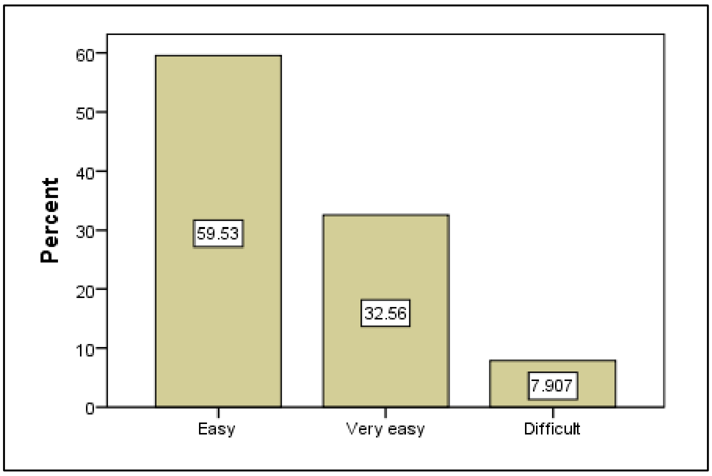

Figure 5: *Feel about the procedure for IPO's*

It is evident that 59.5% of respondents find the IPO process simple, 32.6% find it extremely simple, and 7.9% find it challenging.

4.2 Findings

- It is assumed 10.7% of respondents invest in stocks, 15.8% in mutual funds, 30.7% in insurance policies, and 42.8% of respondents put money into bank accounts.
- It is assumed that 26.5% of respondents invest on their own, while 73.5% of respondents invest trades through a broker or financial counsellor.
- It is evident that 14.4% of respondents pick Rs. 0-500 if the initial public offering (IPO) has a fixed price, 20.9% choose Rs. 501-1000.
- It is assumed 33.5% of respondents anticipate long-term IPO returns of 0–100%, 21.4% anticipate 101–200%, 19.5% anticipate 201–300%, and 25.6% anticipate 301–400.
- It is evident that 59.5% of respondents find the IPO process simple, 32.6% find it extremely simple, and 7.9% find it challenging.

4.3 Suggestions

- Investor awareness campaigns should be undertaken to assist these investors in choosing investments that would yield the highest returns with the least amount of risk.
- The company should take the required steps to improve investor friendliness and offer prospective investors assistance when applying for an IPO.
- The company should take the required steps to improve investor friendliness and offer prospective investors assistance when applying for an IPO.
- Investors have also encountered other issues, such as refund issues, delays in crediting allotted shares, and unclear shares.

5. Conclusions

Through a first public offering, the company has the opportunity to get money from the primary market. The only way to raise sizable amounts of money is through issuing shares through an IPO. The true price can be discovered when shares are listed on the stock exchange. An IPO's performance depends on a number of factors, including the date of issue, the share price to be used, the anticipated earnings and cash flow, the IPO grade, the reputation of the underwriters, etc. According to the study, under-priced IPOs produce higher profits. The market may establish a new fair and honest price as new information enters the market from sources other than the syndicate. In order to minimize losses, the study also suggests that investors sell shares that are overpriced at the end of the listing day. In order to get larger returns on shares that are under-priced, investors can also hold onto their investments for extended periods of time.

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