

PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING (IPO) IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the requirements for the Master of Business Studies (MBS)

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor it has been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis.

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Juna Sharma

June, 2024

RECOMMENDATION LETTER

Ms. Juna Sharma has defended research proposal entitled “**Public Response to Initial Public Offering (IPO) in Nepal**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asso. Prof. Dr. Kapil Khanal submit the dissertation for evaluation and viva-voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled "**Public Response to Initial Public Offering (IPO) in Nepal**" presented by Juna Sharma, a candidate for the degree of **Master of Business Studies (MBS)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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ABBREVIATIONS

ANOVA = Analysis of Variance

BSE = Bombay Stock Exchange

CG = Company Goodwill

CP = Company Performance

CR = Corporate Reputation

CS = Company Sector

CEO = Chief Executive Officer

ID = Investment Decisions

IPO = Initial Public Offering

MI = Market Information

NEPSE = Nepal Stock Exchange

NYSE = New York Stock Exchange

SEBON = Securities Board of Nepal

SPSS = Statistical Package for Social Sciences

SR = Sustainability Reporting

QM = Quality Management

ABSTRACT

Investing in the stock market promotes capital mobilization and contributes to economic development. Stock investments begin in the main market with the acquisition of Initial Public Offerings (IPOs), followed by secondary market trading. Investors trade existing shares at market values on the Nepal Stock Exchange. Nepal sees a significant injection of cash through IPOs each year, indicating a strong preference for this market among Nepalese investors. This study, titled "Public Response to Initial Public Offerings (IPOs) in Nepal: A Case Study of Rupandehi District," seeks to gauge investor sentiments regarding IPOs.

The study also aims to investigate the relationship between several characteristics such as quality management, company goodwill, company performance, company sector, and market information and IPO investment decisions. The study used correlation results to address the five factors. The Pearson Correlation coefficient was used to investigate the link between the five independent factors and the dependent variable (investment decision). At a 5% significance level, the results show a positive association between the five variables: quality management, company goodwill, company performance, company sector, and market information.

The research focuses on primary data collected from 403 respondents in the Rupandehi area. The approach adopted was descriptive analysis using the Statistical Package for Social Sciences (SPSS), including statistical variables such as mean and standard deviation. Correlation and regression studies were also performed to investigate the relationships between variables and better understand the influence of various factors on investment decisions.

Keywords: *Initial Public Offerings (IPO), Investment Decision, Public Perceptions, Capital Market*

CHAPTER I

INTRODUCTION

1.1 Background of the study

An equal breakdown of a company's capital is represented by a share, which gives the owner a share of the company's debt as well as an equal interest in its profits. There are two primary categories of shares: preference shares, which offer a fixed periodic income but no voting rights, and ordinary shares, which grant both a vote and an earnings share. The financial market serves as a vital middleman in the allocation of resources within the economy by facilitating the creation and trading of a wide range of financial assets between investors and savers.

The money market, which deals with short-term assets, and the capital market, which handles medium and long term financial assets, are the two main categories into which the financial market can be divided depending on maturity. In order to lower capital costs, enable wider ownership, and mobilize long-term financial resources, capital markets particularly those pertaining to stocks and bonds are essential.

An IPO is a type of public offering in which a business lists its shares on a stock market and makes its equity available to the public for the first time. Through initial public offerings (IPOs), businesses can raise money directly from the public, diversifying their stock base and increasing brand awareness. Both individual and institutional investors are important players in the investment landscape, although institutional investors mobilize a larger portion of the financial resources (Abbas 2022).

After the Securities Exchange Center was founded in 1976, Nepal's capital market started to grow. Later, to oversee the securities industry and safeguard the interests of investors, the Securities Board of Nepal (SEBON) was founded. With the shift to an online application process for initial public offerings (IPOs) in Nepal, the market has expanded due to elevated investor interest.

Economic development is aided by stock market investment, which is made possible by the acquisition of initial public offerings (IPOs) and secondary market trading. Investors seek dividends and capital appreciation; their propensity for taking on risk is influenced by a number of variables, including age, gender, income, education, and occupation (Khatri 2017). Based on their preferred levels of risk, investors are categorized as conservative,

moderate, or aggressive in the study's analysis of their attitudes toward equity market investment decisions (Aggarwal 2022).

Equity investment involves buying shares representing ownership in a company, providing investors with dividends and voting rights. IPOs offer companies a means to raise funds for growth, and the study focuses on investors' perceptions and decision making in the Nepalese market, considering the evolving nature of the country's capital market (Gnawali 2021).

The main goal of this study is to ascertain how the public feels about initial public offerings (IPOs) in the Nepalese market, how the primary market is expanding, and what investors anticipate from their investments, among other things. Since Nepal's capital market is still in its developing phase, many people lack sufficient understanding of stocks and the workings of the capital market. Many investment routes are available in this competitive world, but the majority of investors choose equity as their investment option because it requires less money and takes less time to trade its liquidity. Thus, this study contributes to the understanding of how investors' response influence investment decisions and the rationale behind making such judgments in various scenarios.

1.2 Problem statement

While few people from intellectual and entrepreneurial families in metropolitan areas are knowledgeable about financial securities, many people in rural areas are not. The nation's socio-economic regression is mostly caused by the concentration of wealth in the hands of a few number of people (Dhungana 2023). The glaring differences are highlighted by the division of the people into lower, medium, and upper classes according to income, living conditions, and level of education. Strategic investments in a variety of financial instruments can help to reduce the significant economic gap between the wealthy and the middle class by building effective portfolios that provide smaller investors with enough passive income.

One important segment of the capital market that provides a substantial amount of funding to businesses involved in a variety of commercial endeavors is the primary market. For business owners to obtain capital, which in turn promotes company growth, increases job

prospects, and boosts government income, the primary market must be thriving. Investor confidence in investments is demonstrated by the optimistic outlook among Nepalese participants in the Initial Public Offering (IPO) market. Oversubscriptions, which indicate a strong level of demand for IPOs, highlight the country's IPO market's considerable potential. But there's a clear change in the scene, especially in the hydropower space, where oversubscription issues are a result of increased investor knowledge. Maintaining the appeal of initial public offerings (IPOs) requires an understanding of the changing mindsets and attitudes of investors. Therefore, the purpose of this study is to investigate investor attitudes concerning a range of demographic factors.

Currently in its development phase, Nepal's capital market is limited in terms of both the number of participants and the volume of capital. Due to investors' high emotional sensitivity, it is prone to saturation, which is made worse by their vulnerability to baseless rumors that have a big influence on their investment decisions. Losing investor trust in a market this precarious might have serious repercussions. To protect investors from manipulation, it is therefore essential to maintain a sound degree of awareness.

The primary market has undergone significant structural changes. An effective online application system has replaced the long standing habit of investors waiting in line for hours to submit applications for primary issues. This change has shortened the time it takes to allot and list securities, improved market liquidity, and decreased the cost of issuing new securities.

Most retail investors in the market behave speculatively, making rash decisions without doing adequate research and analysis. Their propensity to sell equities as soon as they are listed on the Nepal Stock Exchange (NEPSE) is indicative of this impetuous approach (Dhungana 2018). Due to the fact that most of these investors are short-term participants looking for rapid returns, it can be difficult to gauge their involvement in new offerings and estimate their share of the market (Karmacharya 2022). These findings lead to the following two important research questions:

- i. How do investors feel about initial public offerings in Nepal?
- ii. Do investors' decisions to invest in initial public offerings (IPOs) appear to be influenced by a number of criteria, including quality management, company goodwill, performance, company sectors, and market information?

- iii. How initial public offerings (IPOs) effect the lifestyle of people?

1.3 Objectives of the study

The overall objective of this study is to explore and examine the investor's response to the Initial offering or primary issue of shares in perspective of Nepal. The specific objectives of the study are as follows:

- i. To analyze the public response towards IPO under quality management, company goodwill, company performance, company sector and market information.
- ii. To examine how the public reacts to the initial public offerings across various sectors.
- iii. To explain the relationship between independent variables (Quality management, Company goodwill, Management information, Company sectors, Company performance) to Investment decision.

1.4 Rationale of the study

In Nepal, almost 70% of the population is still illiterate or ignorant of initial public offerings. Both general investors and companies directly or indirectly involved in IPOs can benefit greatly from this research as a significant resource for information on initial public offerings. The study also helps issuing businesses comprehend investor preferences and response to initial public offerings (IPOs) in Nepal. It helps academics and students interested in IPO research by clearly identifying important aspects impacting investor response and risk-return considerations in IPO investments.

1.5 Limitations of the study

- i. The study only considers the Rupandehi district, which does not accurately reflect Nepal's entire demographic region.
- ii. It's possible that the research's conclusions do not accurately reflect the secondary market environment.
- iii. The 403 sample size that was used to gather primary data might not accurately reflect the whole population.

CHAPTER II

LITERATURE REVIEW

2.1 Introduction

In order to determine the existing body of knowledge and explain how the current research advances the subject, this chapter reviews the body of recent literature and research that is pertinent to the current study. A thorough assessment of books, journals, articles, and previous research findings is part of the investigation.

2.2 Theoretical review

A market provides a venue for the buying and selling of goods and services, either directly or through agents. Accurate information about historical transaction prices and volumes, as well as the dynamics of supply and demand, are critical components of a market. In particular, the financial market is a venue for the trading of securities like stocks, bonds, and debentures. It serves as a single location where buyers and sellers meet to conduct business.

Financial markets are essential for enabling the flow of money from people with excess money to people who are short on cash. By shifting money from people with inefficient uses of it to those with profitable investment opportunities, they promote economic efficiency. The money market and the capital market are both included in the financial market. Short-term debt instruments and marketable securities are transacted in the money market, whereas long-term securities, including stocks and bonds, are transacted in the capital market.

Attitude Theory

In general, the field of attitude theory has focused mostly on breaking down attitudes, creating attitudes, and creating cohesive systems that include a variety of attitudes, values, and beliefs. This field of inquiry is especially interested in attitudes that appear in or are relevant to the workplace. According to Ajzen and Fishbein (1980), attitude is a persistent disposition that includes feelings, thoughts, and behavioral preferences that are aimed toward certain people, groups, concepts, ideologies, issues, or things. As a result, in an organizational setting, a person will inevitably form opinions about a wide range of topics, including coworkers, managers, employees, policies, pay scales, benefits, opportunities for advancement, organizational culture and atmosphere, and a host of other organizational characteristics.

The most common method for characterizing an attitude's structure is to divide it into three main parts. The affective component of an attitude captures a person's sentiment, emotional reaction, or feeling toward something.

In general, investments require the sacrifice of present cash in exchange for the possibility of future rewards, which entails time and risk. There are many other ways to invest, including buying real estate, which is very common in the UK, or trading stocks. The main idea behind investing is allocating funds that are saved from present consumption in the hope of reaping rewards later on.

More precisely, investments fall into two categories: financial assets (which reflect claims to other people's real assets) and real assets (which are tangible objects like buildings and machinery). Financial assets distribute income or wealth across investors; they are frequently equities and bonds. Financial markets, encompassing the money and capital markets, are essential to the smooth operation of the economy because they allocate resources to profitable ventures. By ensuring that extra money is distributed to those in need, this fosters economic expansion.

2.2.1 Money market

Short-term debt securities are included in the money markets; some examples are commercial paper, banker's acceptances, Treasury bills, and negotiable certificates of deposit issued by financial institutions, corporations, and governments. These products stand out for their great safety and high liquidity. Money market securities are regarded as very safe because of their conservative nature, even if they have returns that are noticeably lower than those of most other securities.

2.2.2 Capital market

Companies and governments can access long-term loans and equity capital through the capital market, which provides the necessary funding for their protracted investment needs. Entities can obtain finance through the primary market, bond market, and stock market within the capital market. Governmental regulatory agencies are in charge of keeping an eye on the trading of securities on these organized capital markets. Furthermore, financial regulatory authorities

scrutinize and closely monitor the approval of new issues, with participating institutions engaging in the process.

2.2.3 Security market

The buying and selling of securities by economic players is facilitated by the securities market, a subsection of the larger financial market that operates on the basis of supply and demand. This market, which consists of derivatives, bond, and equities markets, provides a venue for professional and amateur traders to engage and set prices. Creating a link between investment and saving is one of the securities market's main purposes, which helps to create new wealth. The primary markets, where new securities are issued, and the secondary markets, where old securities can be traded, are the two separate stages at which the securities market functions.

Operating inside the larger financial market, the securities market allows economic entities to exchange securities according to supply and demand. This market, which consists of derivatives, bond, and equities markets, is where professionals and amateurs alike congregate to set prices. The main purpose of the securities market is to facilitate the transfer of savings to investments, hence promoting the creation of new wealth. The primary markets, where new securities are issued, and the secondary markets, where existing assets are bought and sold, are the two main tiers that make up this market.

2.2.4 Non-security market

Financial transactions take place directly between suppliers and users in the non-securities market; securities are not issued. Through financial transactions between lending organizations like development banks, business houses, banks, or individual entities, long-term funds are raised through this market. This category includes products or instruments that are not easily marketable and are not traded on a reputable exchange such as the Boston Stock Exchange. Even while these things are valuable, they might not be quickly turned into cash and don't always have the support of a bank or underwriter.

2.2.5 Primary market

The primary market is a financial platform where businesses or government organizations issue newly issued assets, such stocks or bonds, directly to initial purchasers who supply the capital as investors. Because they get the proceeds from the sale of securities, businesses or government entities actively participate in the transaction and immediately benefit from the issue in this

market. An important financial player in this context is the investment bank, which is essential in enabling the first sale of securities on the primary market.

2.2.6 Secondary market

Securities that have already been released to the public and are listed on a stock exchange are traded on the secondary market. Market makers, dealers, and brokers are the ones who generate this market. Brokers serve as go-betweens, bringing together buyers and sellers while also assisting in the transaction. Dealers set the bid and ask prices, or the prices at which they are willing to purchase and sell. An example of the organized character of the secondary market is the brokerage and dealer activities that occur in organized markets or stock exchanges, such as the Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE), and Bombay Stock Exchange (BSE).

2.3 Conceptual Review

A conceptual review is an analytical synthesis of theoretical stances and the corpus of literature relevant to a specific research question or topic. It provides a full understanding of the theories, concepts, and theoretical frameworks relevant to the research or topic. as the examination of the underlying theories and concepts in the topic of study being investigated. It helps to define the research questions and supports the development of data analysis plans and research methodologies.

Perceived risk

It is commonly known that risk affects customer purchasing behavior because real risk tends to affect consumers' decision-making (Michelle Kovacs, 2011). According to Hofstede and Bond (1984), risk aversion is the degree to which people feel threatened or uneasy in unknown situations, which prompts them to create institutions and beliefs to lessen those situations. In a similar vein, "perceived risk" refers to a person's subjective assessment of possible drawbacks resulting from their decisions (Caral-Mafe, 2009). Perceived risks prioritize psychological and performance concerns, with social and time loss hazards receiving less attention (Araloral-Mafe, 2009). Since the 1960s, the concept of perceived risk has been used to clarify customer

2.4 Empirical review

Chalk and Peavy (1987) reported that the US capital market had average excess returns of 21.65 percent and 9.87 percent, respectively. But in terms of long-term performance, empirical data from the US market suggests that IPOs generally underperform over time when compared to the market as a whole.

According to Derrien and Womack's (2005) observations, underpricing is more prevalent in bullish (hot) market conditions and less prevalent in bearish (cold) market conditions on the French stock market. When first public offerings (IPOs) are carried out in a hot market with high investor interest, they are expected to yield higher profits during the first trading days than when they are carried out in a cool market. However, as investor views shift over time, the prices of initial public offerings (IPOs) in hot markets typically reverse, indicating that overconfidence may have contributed to overvaluation during the hot market era.

Bildik and Yilmaz (2008) found a positive relationship between firm size and underpricing. In their analysis of 234 IPOs that were launched on the Istanbul Stock Exchange in Turkey between 1990 and 2003.

Islam et al. (2010) provided insight into the degree of underpricing in IPOs and the variables that affect it in the Bangladeshi setting of the Chittagong Stock Exchange (CSE). According to their research, Bangladesh's capital market has a higher degree of underpricing than other developed and Asian stock markets.

According to Afza et al. (2013), a considerable number of companies see underpricing when they go through an initial public offering (IPO). The percentage difference between the IPO share price that investors are offered and the price at which the shares eventually trade on the market is known as underpricing. According to their study, initial public offerings (IPOs) frequently show significant underpricing on the first day of trading on a number of international stock exchanges.

In 2017, Khatri, N.N. Examined what influences investors' investment in initial public offerings (IPOs) and According to the data research, a sizable percentage of investors in initial public offerings (IPOs) rely on broker guidance. In addition, investors face two main obstacles: a lack of clarity in the allocation processes and delays in refunds. The corporate philosophy, future projections and predictions, and news about the firm's IPO and financial performance are the three main factors that shape investor decisions in initial public offerings (IPOs), according to

factor analysis. Regarding the study's managerial implications, brokerage firms, issuing corporations, and investors can all benefit from the insightful conclusions. By utilizing these information, services and products can be more specifically tailored, improving the overall experience of investing in initial public offerings.

Dhungana, B. R. et al. (2018) looked on the behavioral elements that affect the decision-making processes and performance of individual investors afterward. This study has a sample size of 350 people who were randomly chosen from different broker houses, and it is geographically restricted to five major cities. The study's conclusions show a strong correlation between the length of an investment and age, gender, and marital status. Gender does not significantly affect the research variables, according to additional analysis performed with independent sample t-tests. Analogously, one-way ANOVA tests reveal that although age has no significant effect on the majority of research variables, it has an effect on investment performance. Moreover, the majority of research variables aside from herding behavior are not substantially impacted by marital status. Furthermore, with the exception of herding behavior, few research variables are significantly impacted by education. These findings highlight the importance of behavioral elements in affecting investor performance and decision-making. The report advises regulatory bodies to concentrate on giving investors the tools they need to make wise financial decisions in the stock market, including knowledge of and control over behavioral factors.

Silva et al. (2018) looked at the relationship between economic growth and stock market performance, specifically how changes in the stock market affect economic expansion. They used basic regression and correlation analyses, two econometric techniques, to examine data from 2000 to 2015 from businesses listed on the Colombo stock market. They used SPSS software for their analysis. The study's results are consistent with earlier studies, showing a strong positive correlation between Sri Lanka's economic expansion and the performance of its stock market. This study adds to the body of knowledge already in existence and offers insightful information to academics and professionals working in developing countries.

M.K.S. Niazi et al. (2019) studied on the Moderating Role of Financial Literacy in Financial Attitude and Investment Decision Making suggest that financial inclusion should be improved and a methodology for raising financial awareness should be developed in order to optimize investment decisions.

The study by Gnawali A. (2020) examined investors' opinions of initial public offerings (IPOs) and examined the relationship between their investment choices and a number of variables, including quality management, company goodwill, performance, sector, and market information. 290 respondents connected to five different brokerage businesses in the Kathmandu district provided the primary data used in the study. The dependent variable in this study was the investment decision itself. Inferential analysis, which was carried out using statistical tools like regression analysis and correlation in SPSS, was used to examine the relationships between variables and evaluate the effects of various factors on this decision. The research results emphasized the value of Quality management, Company goodwill, Company performance, Company sector, and Market information as critical factors for investors when making investment decisions in IPOs.

PH, H., and R. Uchil (2020) research employed the partial least square approach on the impact of investor sentiment and its antecedent on investing decision-making. According to their research, investor sentiment is significantly and favorably impacted by herding behavior, media exposure, advocate endorsements, and social interactions. Remarkably, social interaction had the least impact on investor sentiment out of all of these elements. Furthermore, the study emphasizes that investor attitude and investment decision making are positively correlated.

According to studied by Gnawali A. (2021), the Nepal Stock Exchange is the only stock market in Nepal's financial system. This study investigates how several independent variables affect people's decision-making practices in the Nepalese stock market. The study looks into how these independent variables affect investing decisions using primary data. Regression analysis and correlation calculations were made easier by interacting with investors in broker houses during the data collection process. Both descriptive and inferential methods of analysis are used in the study. The results of correlation tests indicate that the independent variables have a primarily positive association, with the exception of psychological components, which show a negative correlation. Only social contact and regulatory regulations have a significant impact on total investor decision making habits, according to regression study. Regression research highlights the important influence that social contact, regulatory rules, psychological considerations, and a firm's reputation have on the investment decisions of beginner investors. On the other hand, seasoned investors show that social interaction alone dramatically alters their ways of making

decisions. All things considered, this research clarifies the behavioral dynamics at work when people make investments in the Nepalese stock market.

In Zaimovic, A. et al. (2021), effects from the Global Financial Crisis and COVID-19 are considered when analyzing prior research on stock portfolio diversification across markets and historical periods, drawing on large databases. They make use of methods for systematic literature reviews and bibliometric analysis. The ideal number of stocks for diversification depends on a number of variables, including investor characteristics, investing universe features, and risk measuring techniques. According to their research, portfolio sizes are higher now than they were in the past, particularly in developed markets, and they deny the existence of a universally optimal stock count. Fewer equities are usually needed for diversification in emerging markets. Furthermore, a better correlation between stocks and the market means that individual investors need hold fewer stocks. They also look into how machine learning might help with better financial choices. The findings set the stage for further study and provide guidance to institutional and private investors both.

Abbas, Y. A. et al. (2022) examined how corporate reputation (CR) and sustainability reporting (SR) interact with initial public offering (IPO) companies, specifically in Malaysia's growing market. The research looks at 139 sampled IPO businesses listed on Bursa Malaysia using secondary data collected from 2007 to 2017 through content analysis of annual reports and Data stream. Ordinary least squares (OLS) regression is used in the analytical process. According to the results, there is a positive relationship between CR and SR's employee, societal, environmental, and product dimensions as well as its quantity and quality. This implies that IPO businesses can improve their CR by utilizing SR methods. Nonetheless, the analysis highlights a general pattern in which most businesses pay little attention to SR issues. As a result, given its critical role in supporting the CR of Malaysian IPO businesses, there is a necessity for additional research to examine SR practices inside IPO corporations. These findings have ramifications for regulatory agencies and financial institutions, who should encourage corporate responsibility (SR) cultures. Additionally, companies are urged to incorporate social practices into their SR choices, highlighting how crucial it is to coordinate organizational and social endeavors.

Aggarwal, D. et al. (2022) gather a fresh dataset to examine the recent increase in dual class IPOs. According to their research, dual class companies have a variety of ownership

arrangements, such as distinct controlling shareholder arrangements and differences in the rights to vote and economic representation. Interestingly, note that founder-controlled companies are the main force behind the increasing ubiquity of mixed class arrangements. Results also show that the bigger the negotiating power of founders, the bigger the chasm between their economic rights and their ability to vote. Over time, the rise of founder control has been attributed to two factors: the ease of access to private capital and technical breakthroughs that reduce the need for external financing by enterprises. They also note that companies with more clout in negotiations are less inclined to incorporate sunset clauses that end dual structure. These clauses usually aim to allay any possible worries about governance that may arise from dual class share arrangements.

Research by Karmacharya, B. et al. (2022) examined how certain investors' decisions are influenced by perceived behavioral aspects that affect the Nepal Stock Exchange's (NEPSE) performance. The study employs structural model analysis to demonstrate that of the four behavioral variables studied, herding, heuristic, and market factors have a major effect on investment performance. It is noteworthy that investors tend to rely on and be inclined towards market sentiment and information. The results highlight how investors look at both behavioral trends and stock fundamentals when looking to profit from the market. The study's sample consisted of 350 people from different broking businesses in 2018, with a focus on five major locations.

The study conducted by Dhungana B.R. and colleagues (2023) aims to examine the factors that impact investors' decisions when it comes to initial public offerings in Pokhara, Nepal. It includes the following five major predictors: market information, industry dynamics, firm performance, management caliber, and corporate reputation. A structured questionnaire was used to collect primary data from 223 respondents through a field survey. Both descriptive (based on perceptual and demographic data) and inferential (based on correlation) statistical techniques were used in the investigation. The findings show that investors' decisions on initial public offerings (IPOs) are heavily influenced by a number of factors, including industry dynamics, management caliber, corporate reputation, company performance, and market intelligence. In addition, the company's reputation, the founders, CEOs, and important shareholders' and board members' biographies, their financial status, past results, return on equity, earnings per share, capital gains, and current market share also have an impact on IPO choices. Notably, the

majority of investors prioritize investing in the finance, microfinance, and insurance industries. These findings help corporations and regulators better understand investor preferences and improve information disclosure processes by providing insightful information.

2.5 Research Gap

This study was conducted purely for academic purposes, and the population size was determined by looking at IPO investors in the Rupandehi district. An enormous number of investors are involved in IPOs on Rupandehi. Since there hasn't been much study done in this area, I wish to choose this district because, as a local candidate for the district, I find it simpler to gather accurate, trustworthy, and legitimate data about local investors using the consent sampling method. Another area of research deficiency is the oral gap, as there have been studies conducted by various researchers on mutual funds, portfolio management, and investor attitudes toward insurance decisions; however, there is a lack of research on investor attitudes toward equity market decisions, despite the importance of studying investor facts. Conversely, there was a time gap as well as an area gap because this research focused on areas outside of the Kathmandu Valley. While investors in previous periods invested based on their physical appearance, in this period, all investments were made through smart mobile applications via the internet using various applications such as Demat account, meroshare, C-ASBA, ASBA, etc. The main research gaps in this study are these.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the design used in the study to understand the topic and collect the required data using suitable approaches. The research plan and study design are covered first, followed by a discussion of the population and sample. The chapter also discusses the instrument used to collect data, the process for collecting data, and offers insights into the methods and instruments used in data analysis.

3.2 Research design

A research design includes the strategy, framework, and method used to accomplish the goals of the study. The research methodology used in the study included analytical, co-relational, and descriptive techniques. To make the process of describing and conceptualizing easier, descriptive and analytical research designs are used and to analyze the relationship between the variables, a co-relational research approach has been used.

However, in this specific study uses a descriptive research design and is based on primary data and information. The main goal is to examine the attitudes of investors and how they make decisions in the stock market by examining the several elements that impact the market. In the Rupandehi district, 403 investors are examined as part of the investigation. These techniques were selected since the goal of the study is to identify the relationships between various variables' causes and effects. SPSS is then used to present and evaluate the collected data. The survey explores a wide range of factual questions on stock market investment decisions and investor sentiments.

3.3 Population and Sample

In this study, convenience sampling method is used which is a non-probability sampling. As investors, millions of people participate in the stock market actively. However, it is not possible to investigate the full population of individual investors due to practical restrictions like time constraints, expensive costs, and significant human work necessary for data collecting. As a result, the population of investors in the stock market in the Rupandehi district is the subject of

this study. In order to address this, 403 investors were selected as a sample by the researcher in order to represent the larger community. These carefully chosen individuals will offer insightful commentary on stock market views and investment choices. The scale-based questionnaire attempts to collect detailed information about many facets of investors' viewpoints toward the stock market.

3.4 Nature and sources of data

The questionnaire survey provided primary data that is used in this inquiry. There are several ways to collect primary data, such as observations, experiments, and interviews. But for this study, a questionnaire survey was chosen to gauge the public's reaction to investors' IPO investment choices in the Rupandehi District stock market. A five-point rating scale on which respondents could indicate their opinions on a range from 1 (strongly agree) to 5 (strongly disagree) was used in the data collection process. The following categories are included in this rating scale:

- 1 – Strongly Disagree
- 2 – Disagree
- 3 – Neutral
- 4 – Agree
- 5 – Strongly Agree

3.5 Procedure of data collection

Questionnaires were used to gather primary data. To gather vital information, the researcher held conversations with people who were relevant to the study area. The data obtained from the questionnaire was analyzed using statistical methods, and the results are then presented.

3.6 Instruments of data collection

The analysis begins with a review of primary data using SPSS. Data collected from respondents is coded and tabulated in an SPSS worksheet, and quantitative data entry and analysis are made easier with MS-Excel. The study of the variables influencing investment decisions in the

Nepalese stock market uses descriptive statistics like mean and standard deviation to analyze the data. Regression and correlation are all included in inferential analyses. Tests of significance improve the efficacy of results. Only the study's conclusions and suggestions are based on its findings.

3.7 Methods of data analysis

A number of statistical techniques, including mean, median, standard deviation, regression and correlation, were used to examine and clarify the information gathered from original sources. The Statistical Package for the Social Sciences (SPSS) was used to analyze the data that had been gathered. After that, SPSS software was used to tabulate the frequency distribution of the data. After then, a statistical approach known as correlation analysis was used to look at and quantify the strength of correlations between the variables.

Analyzing entails carefully going over the information at hand in order to understand and make decisions based on accepted wisdom and reason. Using relevant statistical and financial methods, data gathered from primary and secondary sources will be tallied, categorized, and examined. Both checkbox and open-ended items are included in the surveys. To get relevant information, a lot of important people will be questioned during the data collection procedure.

Several statistical techniques, including the following ones, have been used to highlight the comparison findings:

a) Multiple graphical representations and charts

A visual summary of numerical data is provided by graphs and diagrams, which makes it easier to compare two or more sets of data. Among the different kinds of diagrams, the numerous bar diagram is an essential kind of illustration. When it's necessary to present and compare several attributes of the same dataset, this approach is used. When several attributes of the same dataset need to be shown and contrasted, this approach is used.

b) Circular chart

One popular visual aid for displaying data with large magnitude differences is a pie diagram. This method converts the provided values into 360 degrees since a circle's angle is 360 degrees. After then, each data element is shown as an angle that adds up to 360 degrees for the entire dataset.

c) Percentage comparison

A useful tool for comparing two amounts or variables is the percentage. The word "percentage" basically means per hundred. A percentage is, to put it simply, a fraction where the numerator is the rate expressed in percent and the denominator is 100.

d) Arithmetic mean

A group of numbers is represented by the mean, which is an average line. The representative value of a wide range of quantities is reflected in this metric. The arithmetic mean, often known as the average, is the most widely used type of mean. It is computed by adding up all of the variables and dividing the total number of variables.

e) Measure of dispersion

Deviation from the mean since it shows the range and magnitude of deviations from the mean, the standard deviation (S.D.) is a commonly used and useful measure of dispersion. A measure of absolute dispersion, it is the positive square root of the average sum squared of the departures of observations from the distribution's arithmetic mean. Variability is higher for larger standard deviation values and vice versa.

f) Analysis of correlation

The degree of association between variables can be determined statistically via correlation analysis, which is a very helpful technique. The relationship between changes in one variable and changes in another is quantified. Although correlation offers information on the strength of link, it does not suggest a cause-and-effect relationship. Pearson's correlation (r) values for correlations between two variables range from -1 to +1; a number near 1 indicates a strong association between the variables, while a value around 0 indicates a weak relationship.

3.8 Research framework and definition of variables

An illustration that predicts the relationships between cause and effect in a financial setting is called a conceptual framework, sometimes referred to as a conceptual model or research model. According to Gnawali (2020), this framework reflects the expected outcomes by incorporating several variables and their assumed interrelationships.

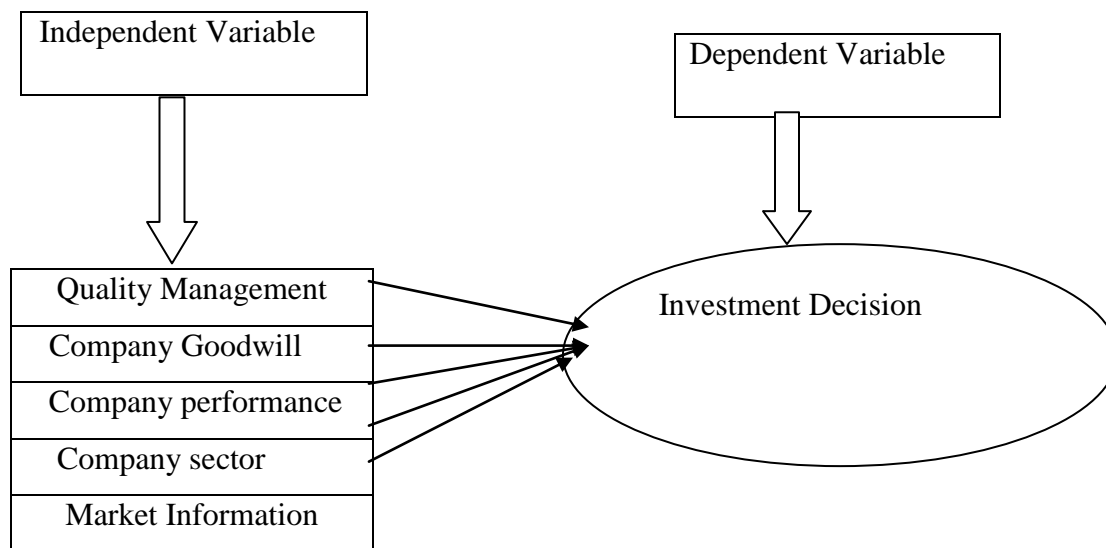


Figure 3.1: Independent and Dependent variables

Source: Gnawali (2020), Research Paper

Independent Variable: A variable that the researcher manipulates or controls during an experiment or study is known as an independent variable. It is the variable that the investigator believes will influence the dependent variable.

Quality Management: An organized strategy for making sure that goods and services continuously meet or beyond consumer expectations is known as quality management. It entails procedures, methods, and approaches meant to raise the caliber of products or services that a company provides. Reducing expenses, raising customer happiness, and preserving market competitiveness all depend on quality management.

Company Goodwill: The intangible worth that results from a firm having a solid reputation, a well-known brand, a devoted clientele, and other advantageous qualities that support its capacity to make sales and be profitable is referred to as company goodwill. It stands for the price a buyer pays for an acquired business over and above its fixed assets and liabilities.

Company performance: Company performance describes how successfully a business is accomplishing its aims and objectives; this is usually gauged using a variety of financial and non-financial metrics. Evaluating a company's performance entails looking at things like profitability, revenue growth, market share, productivity, efficiency, and employee engagement.

Company sector: An industry or sector that a corporation operates in is referred to as its "company sector." Companies are divided into many sectors according to the kinds of products, services, and business operations they offer. Sectors are generally categorized according to commonalities in target markets, company processes, regulatory frameworks, and economic factors.

Market Information: Data, figures, news, and analysis about financial markets, businesses, industries, and economic trends are all considered to be part of market information. It offers perceptions into investor mood, market characteristics, and those that drive asset prices. Understanding the market is crucial for controlling risks, finding growth prospects, and making well-informed financial decisions.

Dependent Variable: The variable that is observed and measured in a research project or experiment is known as the dependent variable. It is the variable that is impacted by the independent variable and may vary in response to changes made to the independent variable or variables.

Investment Decision: Investment Decision is the process of putting resources, usually money, into projects or assets with the hope of making money later on. It entails evaluating a range of investment possibilities, calculating the possible risks and returns, and selecting the best option depending on the investor's goals, risk tolerance, and financial circumstances.

CHAPTER IV

RESULTS AND DISCUSSION

4.1 Introduction

The results of the process of gathering data are presented in this section. This includes looking at and comprehending the original information obtained through a survey that was given to 403 participants. The study objectives stated in the previous chapter are in line with the analysis. In order to deliver the results of the analysis, this section's main goal is to examine and analyze the collected data.

4.1.1 Demographic respondent's profile

Respondent's profile has been shown in the following table

Table 1

Distribution of respondent profile

	Statement	Frequency	Percentage
Age	Below 20 years	35	8.7
	20-40 years	284	70.5
	40-60 years	68	16.9
	Above 60 years	16	4
Gender	Male	258	64
	Female	145	36
Education Qualification	Below SEE	12	3
	SEE	30	7.4
	Intermediate	71	17.6
	Bachelors	166	41.2
	Masters and above	124	30.8
Occupation	Business	61	15.1
	Student	110	27.3
	Government employee	108	26.8
	Private employee	125	31
Investment in IPO	None	47	11.7
	1-20 thousand	92	22.8
	20-40 thousand	82	20.3
	40-60 thousand	79	19.6
	60 thousand and above	105	26.1

Table 1 presents the demographic distribution of the participants. It is noteworthy that 8.7% of the questioned individuals were under the age of 20, and a substantial 70.5% of them belonged to the 20–40 age group. In a similar vein, 16.9% of respondents were between the ages of 40 and 60, and 4% were older than 60. This suggests that most of the respondents who were retail investors were in their prime, or between the ages of 20 and 40, classifying them as young.

The gender breakdown of the respondents showed a male preponderance with 64% of male respondents and 36% of female respondents. With regard to educational background, 41.2% of the respondents held a bachelor's degree. Only 3% were below S.E.E., 17.6% were intermediate, 7.4% had completed S.E.E., and 30.8% had a master's degree or higher.

In terms of profession of the respondents, 27.3% classified themselves as students active in stock investments, while 31% worked in the private sector, 26.8% were employed by the government, and 15.1% were in business. These numbers shed light on the variety of occupations held by those who participated in the survey.

When investing habits were examined, it was found that a sizable 26.1% of respondents had made over Rs 60,000 in initial public offerings. The percentages of those investing between Rs. 1-20 thousand, 20-40 thousand, 40-60 thousand, and none at all were, in order, 22.8%, 20.3%, 19.6%, and 11.7%. This breakdown clarifies the respondents' financial commitments and investing preferences in the IPO market.

4.2 Assessment of positions of response of investors in decision making

The data collected from survey respondents during the study phase was analyzed using descriptive statistics. For each service dimension, which make up our dependent variables, we present a frequency distribution in this section. Important information is also provided, including the mean and standard deviation for each dimension, as well as the minimum and maximum values. On a scale of 1 (strongly disagree) to 5 (strongly agree), the criteria were ranked.

Descriptive Statistics

Table 2

Descriptive Statistics table

	N	Mean	Std. Deviation
QM	403	3.988	0.6166
CG	403	3.628	0.6270
CP	403	4.072	0.7260
CS	403	3.712	0.5532
MI	403	3.581	0.6061
ID	403	3.546	0.5663
Valid N (listwise)	403		

Correlations

Table 3

Correlations table of different variables

		QM	CG	CP	CS	MI	ID
QM	Pearson						
	Correlation	1	.318**	.591**	.284**	.209**	.201**
	Sig. (2-tailed)		.000	.000	.000	.000	.001
	N	403	403	403	403	403	403
CG	Pearson						
	Correlation	.318**	1	.339**	.296**	.509**	.198**
	Sig. (2-tailed)	.000		.000	.000	.000	.001
	N	403	403	403	403	403	403
CP	Pearson						
	Correlation	.591**	.339**	1	.332**	.233**	.283**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	403	403	403	403	403	403
CS	Pearson						
	Correlation	.284**	.296**	.332**	1	.483**	.357**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	403	403	403	403	403	403
MI	Pearson						
	Correlation	.209**	.509**	.233**	.483**	1	.289**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	403	403	403	403	403	403
ID	Pearson						
	Correlation	.201**	.198**	.283**	.357**	.289**	1
	Sig. (2-tailed)	.001	.001	.000	.000	.000	
	N	403	403	403	403	403	403

** . Correlation is significant at the 0.01 level (2-tailed).

Regression analysis

Table 4

Regression analysis between variables

Model	Coefficients	Std. Error	t-stat	P-value
(Constant)	1.642	0.280	5.862	0.000
QM	0.005	0.064	0.071	0.943
CG	-8.801E-5	0.061	-0.001	0.999
CP	0.134	0.056	2.410	0.017
CS	0.239	0.067	3.550	0.000
MI	0.127	0.066	1.933	0.054

It shows the coefficients of the independent variables. The regression model can be written mathematically as:

$$\text{Investment Decision} = 1.642 + 0.005\text{QM} - 8.801 \times 10^{-5}\text{CG} + 0.134\text{CP} + 0.239\text{CS} + 0.127\text{MI}$$

Investment Decision's regression coefficient on QM has a positive coefficient, or 0.005. The influence of QM is beneficial and indicates an increase in QM while making investment decisions. The standard error of the regression coefficient, or SE, is 0.064 and represents the variability of the observed values around the fitted line of regression. The p-value is 0.9143 and the t-statistic for this coefficient is 0.071. Therefore, at a 5% significance level, the t-statistic is not significant and the p-value is not significant.

With a coefficient of -0.801×10^{-5} , the investment decision's regression on CG is negative. The variability of the observed values around the fitted line of regression is measured by the regression coefficient's SE, which is 0.061 in this case. The t-statistic for this coefficient is -0.001, and the p-value is 0.999. Thus, at 5%, the p-value is not significant and the t-statistic is not significant.

The investment decision's regression coefficient on CP has a positive value of 0.134. The measured variability of the observed values around the fitted line of regression is represented by the regression coefficient's SE of 0.056. The p-value for this coefficient is 0.017, and the t-

statistic is 2.41. The p-value is significant at the 5% significance level, while the t-statistic is not.

The Investment Decision on CS regression coefficient has a positive value of 0.239. The measured variability of the observed values around the fitted line of regression is represented by the regression coefficient's SE of 0.057. The t-statistic for this coefficient is 3.55, and the p-value is 0.000. The p-value is significant at the 5% significance level, while the t-statistic is not.

With 0.127, the investment decision's regression coefficient on MI is positive. As a measure of the variability of the observed values around the fitted line of regression, the regression coefficient has a SE of 0.066. P-value is 0.054 and the coefficient's t-statistic is 1.933. Consequently, at the 5% significance level, the p-value is significant and the t-statistic is not significant.

Table 5

Rule of Thumb for Interpreting Correlation Coefficient

Degree of Correlation	Interpretation
0.90 to 1.00 (-0.90 to -1.00)	Very high positive (negative) correlation
0.70 to 0.90 (-0.70 to -0.90)	High positive (negative) correlation
0.50 to 0.70 (-0.50 to -0.70)	Moderate positive (negative) correlation
0.30 to 0.50 (-0.30 to -0.50)	Low positive (negative) correlation
0.00 to 0.30 (0.00 to -0.30)	Negligible correlation

According to the above table, the correlation strength can be interpreted according to certain ranges: a correlation between 0.90 and 1.00 indicates a very high level, 0.70 and 0.90 implies a high level, 0.50 and 0.70 implies a moderate level, 0.30 and 0.50 implies a low level, and 0.00 to 0.30 indicates a negligible level of correlation. According to Hinkle D.E. et al. (2003), Pearson Correlation analysis was used in the study to investigate the correlations between independent and dependent variables. This technique uses straightforward multi-option replies to calculate the linear correlation between pairs of variables. The degree of association between the research variables was assessed by computing the correlation matrix. An increase in one variable is correlated with an increase in another, or positive correlation denotes a positive relationship

direction. On the other hand, a negative correlation denotes an inverse relationship in which a rise in one measure is correlated with a fall in another.

4.3 Findings

The main focus of this study is how investors in the Rupandehi district responded to initial public offerings, or IPOs. In order to comprehend investor mood, the study explores a number of topics, including market information, company performance, goodwill, and quality management within the organization. The following succinct summary of the main findings:

- i. Of the respondents, most are male (65.6%), have a bachelor's degree (40.6%), are in the 20–40 age range (70.7%), and are students (33.7%).
- ii. Quality management has an average mean score of 3.988, indicating that respondents give this factor a high priority when choosing which IPO to participate in.
- iii. The average mean value for company goodwill is 3.632, suggesting that respondents strongly believe that company goodwill is an important consideration when making an IPO investment.
- iv. A high degree of care is shown for how company performance affects investment decisions, as evidenced by the average mean of 4.07 for company performance.
- v. The average mean for the company sector is 3.712, indicating that general investors give the company sector a lot of weight when choosing which IPO to invest in.
- vi. The average mean for market information is 3.58, indicating that while making investment decisions in initial public offerings (IPOs), investors give considerable weight to market information.
- vii. The Rupandehi district's initial public offering (IPO) is seen very favorably by investors, as evidenced by the overall mean of investment decisions, which is 3.546.
- viii. At a 5% significant level, correlation analysis shows positive correlations between the dependent variable (investment choice) and the five independent variables (quality management, company goodwill, company performance, company sector, and market information).
- ix. When making an IPO investment, the majority of Rupandehi investors give market knowledge top priority.

- x. When it comes to investing decisions in initial public offerings (IPOs), market information plays a significant role.

4.4 Discussion

This study concludes that factors such as company performance, company goodwill and quality management (independent variable) as a major relation to their impact on investment decisions (dependent variable) during Initial Public Offerings (IPOs). The examination of significance in both (dependent and independent variables) is conducted through an analysis of the sample, with the results indicating a notable correlation. The Pearson Correlation coefficient is employed to assess the relationship between the five independent variables (quality management, company goodwill, company performance, company sector, and market information) and the dependent variable (investment decision).

Market information and company sector were prioritized over other factors in IPO investment, attributed to changing time periods and investor awareness. Notably, the study revealed a correlation of 0.357 between company sector and investment decision. In Gnawali (2020) concluded that factors such as company sector and quality management are highly influential in investment decisions. It contributed a score of 0.698 to understanding perception in IPO investment decisions. Significance was also drawn from the dependent and independent variables, with correlation results informing five research variables. While the Pearson Correlation coefficient indicated a relationship between the five independent variables and the dependent variable (investment decision), the study found discrepancies.

A high degree of care is shown for how company performance affects investment decisions, as (0.283) and market information (0.289), indicating that while making investment decisions in initial public offerings (IPOs), investors give considerable weight to market information. But in Dhungana, B. R. et al. (2023) concluded that investor select those firm with best company performance (0.77), and market information has prioritized less as compare to other factors (0.51) but in this result response to investment decision investor more prioritize to company sector and market information, less prioritize to company goodwill. These research shows the contracts result which may be due to the time gap, financial literacy and digital literacy.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter, which summarizes the research findings, conclusions, and study implications, acts as the section's conclusion. There are three components to it. The first section offers a thorough synopsis of the investigation and identifies the main conclusions. The study's conclusions are then presented in the second portion, and particular recommendations are made in the third section.

5.1 Summary

The purpose of this study was to investigate investor perceptions and reactions to initial public offerings (IPOs). The study also examined the variables affecting investors' choices to participate in initial public offerings (IPOs). The literature indicated the significance of various aspects, including quality management, corporate goodwill, performance, and sector and market information, which were then ranked.

Collecting primary data from IPO investors in Rupandehi district is a good approach to understand their perspectives and behaviors. With 403 questionnaires distributed through email and social media, you likely gained diverse insights. It's interesting that all tested variables were found to impact investment decisions. This suggests a rich dataset and potential for thorough analysis.

Several statistical tests were carried out to determine the survey results. A five-point Likert scale, from "Strongly Agree" to "Strongly Disagree," was used by the respondents. Software tools such as Microsoft Excel and SPSS were used to arrange and analyze the collected replies.

Either the money market or the capital market can be used to facilitate financial transactions. Although the money market serves immediate requirements, companies frequently need long-term assets. The ability of capital markets to supply money for the enhancement of long-term assets makes them vital to the functioning of businesses.

An institution can raise cash from the public by issuing securities for the first time through an Initial Public Offering (IPO) in the primary market. This research also looks at the Nepalese capital market as a whole, showing how important it is becoming as an alternative for investors. While the idea of a capital market is not new, Nepal is one of the emerging markets for it. The

country's financial system is developed in part by the stock market, which is a part of the capital market.

Since most of the coefficients were positive and only one is negative. It is to be expected that the regression analysis will yield mostly favorable outcomes, but a few unexpectedly low numbers are also there. The analysis of the data indicates that there is a positive link between investor and investment choice on IPO. This demonstrates even more how directly an investment decision is impacted by dependent variables including corporate performance, goodwill, market knowledge, quality control, and company sector. Finally, a few really intriguing conclusions can be drawn from this study.

5.2 Conclusion

This research study's main goal was to improve investor response of initial public offers (IPOs) in Nepal, with a particular emphasis on the Rupandehi District. Following a thorough analysis, all components and their sub-factors were found to have substantial connections and effects on the response of investors in general while making investment decisions. Important elements that have a significant impact on investor impressions include Quality Management, Company Goodwill, Company Performance, Company Sector, and Market Information. These elements also show interdependence.

With a mean value more than four and a standard deviation of 0.9428, market company performance was found to be the most important element considered by investors. Company sector and market information were the next most important factors. The survey found that men make up the bulk of Rupandehi IPO investors, suggesting that men are more interested in making IPO investments. Furthermore, the majority of investors fall into the twenty to forty age range, which is distinguished by their higher risk tolerance and busy lifestyle in comparison to other age groups. Most investors have completed a bachelor's degree in education.

Additionally, it was noted that the majority of investors made IPO investments totaling more than Rs 60,000. Investors showed the necessary awareness of initial public offerings (IPOs), considering them to be a reasonably risk-free investment option. A significant association between company goodwill and quality management was found by Pearson's data analysis when

it came to investment decisions. When it came to making financial investments, general investors in the primary market were highly valued.

Excel and SPSS were used for the data interpretation process after investors were given a questionnaire as the main method of data collection. The results highlight the significance of particular characteristics and demographics in influencing investor perceptions and choices in Nepal's initial public offering (IPO) market, especially in the Rupandehi District.

5.3 Implications

In order to better understand how many aspects, including company performance, company sector, market information, company goodwill and quality management, influence investment decisions, this study looks at investor reactions to the Rupandehi IPO market. The study shows a good correlation between these variables, highlighting the careful thought investors devote to a number of aspects prior to making an IPO decision. Investors prioritize company goodwill, performance, market information and in turn, the company's sector and quality management.

This study is important because it sheds light on the present thinking of primary investors, which is helpful information for firms, issue managers, regulators, students, and scholars that are interested in this field. The study's conclusions support proactive steps by the government and regulatory organizations to disseminate information on the skills and knowledge needed to make wise investment decisions and to support initial public offerings (IPOs) as a feasible and low-risk investment option.

The study's findings lead to suggestions for more research that highlight the necessity of improving investors' reactions to initial public offerings (IPOs) in Nepal. As per the study, investors' capacity to succeed in the Nepalese stock market depends on their ability to clearly identify their requirements, capabilities, weaknesses, risk tolerance, and flexibility in response to changing market conditions. It emphasizes how crucial it is to conduct extensive due diligence

before making an investment and challenges investors to look closely at a company's financials, prospects, and other pertinent data rather than relying just on hearsay and market trends.

Moreover, the research indicates that issuers and investment bankers have crucial responsibilities to play in the initial public offering (IPO) process, highlighting the significance of prompt, easy, and transparent services to attract a wider audience to IPOs. For successful IPOs, issuing businesses are recommended to make well-informed decisions on the kinds of issues to offer and to assess the mood of the market. In Nepal's IPO market, the report also notes that short-term investors are common. These investors are frequently motivated by the need for rapid profits rather than a long-term investment view. As a result, investors must become more knowledgeable about the initial public offering (IPO) process and the significance of making wise judgments for long-term investment results.

5.3.1 Managerial implications

- i. The study offers insightful information to the Nepal stock exchange, authorities, organizations, possible listed businesses, scholars, students, and citizens of Nepal.
- ii. Managers need to be aware of the several elements that affect investor reactions, including the management structure, goodwill, business performance, industry, market intelligence, and the opportunities and hazards associated with the initial public offering (IPO). Following corporate policies and procedures will help the organization manage new difficulties and expectations.
- iii. To foster confidence and a favorable perception in the eyes of investors, the management should educate the public about initial public offerings (IPOs) through the media, brokers, and issue managers.
- iv. The district of Rupandehi was the exclusive focus of this study. The Rupandehi district should be the sole recipient of the outcomes, according to managers.
- v. Five criteria were the only ones that this study looked at. Future research on this association, nevertheless, might reveal information about other factors besides those listed above that might influence investing choices.

5.3.2 Future Research Implications

- i. Because this study is primarily an academic inquiry, there is a small sample size. Increasing the sample size is recommended in order to reduce errors and improve the trustworthiness of data for use in professional research.
- ii. Online surveys were the only method used to gather the information. It is advised that in future studies, thorough interviewing methods be used to ascertain investor reactions to initial public offerings (IPOs) in the Rupandehi district.
- iii. Primary data was the only focus of these investigations. Both primary and secondary data may be incorporated by later researchers, who will employ a variety of analytical techniques and instruments.
- iv. According to the research report, future studies may be helpful in filling up knowledge gaps and identifying possible research topics.
- v. According to the research report, educating investors about initial public offerings (IPOs) may lead to a rise in the number of investors.
- vi. In order to precisely determine the current state of the Nepali stock market, it is recommended that future researchers utilize a broader and more varied participant sample that includes all segments of the stock market.

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APPENDIX - I

Questionnaire

Research Questionnaire “Public Response to Initial Public Offering (IPO) in Nepal”

Dear investors,

I am Juna Sharma from Shankerdev Campus, Tribhuvan University. I am pursuing Master of Business Studies (MBS). As a part of the MBS study I am conducting a research entitled “Public Response to Initial Public Offering (IPO) in Nepal”. As an Investor in IPO you are humbly requested to fill this questionnaire. This study is carried out purely for academic purpose and the information given will be treated with confidentiality and for only the purpose of this study. Your response and time is greatly appreciated.

Respondents Profile

1. Name:
2. Gender: Male Female
3. Age: Below 20 years 20 – 40 years 40 – 60 years Above 60 years
4. Education: Below SEE SEE Intermediate Bachelor Master level or above
5. Occupation: Business student government employee Private employee
6. Investment in IPOs: 1-20 thousand 20-40 thousand 40 thousand and above

Please kindly tick in the appropriate box

SA – strongly Agree A- Agree N – Neutral D – Disagree SD – Strongly disagree

A. Quality management

S.N	Question	SA	A	N	D	SD
1	Do you consider that key shareholder/promoter affects in your investment in IPO?					
2	Do you consider that founder CEO affects in your investment of IPO?					
3	Do you consider that human resource Value that affects in your investment in IPO?					
4	Do you consider that legitimacy of company affects in your investment in IPO?					
5	Do you consider that corporate governance affects in your investment in IPO?					

B. Company goodwill

S.N	Question	SA	A	N	D	SD
1	Do you consider that corporate profile will affect, when investing in the IPO?					
2	Do you consider that age of company affects in your investment in IPO?					
3	Do you consider that current financial position affects in your investment in IPO?					
4	Do you consider that historical background will affect, while investing in the IPO?					
5	Do you consider that prestige of board member will affect while investing in the IPO?					

C. Company performance

S.N	Question	SA	A	N	D	SD
1	Do you consider that ROE make investor to invest in IPO?					
2	Do you consider that percentage price premium make investor to invest in IPO/FPO?					
3	Do you agree that ROI make investor to invest in IPO?					
4	Do you consider that dividend premium matter more for your investment in IPO?					
5	Do you consider that earning per share (EPS) make investor to invest in IPO?					

D. Company sector

S.N	Question	SA	A	N	D	SD
1	Do you consider that investment in the IPO of banking sector is better?					
2	Do you consider that investment in the IPO of manufacturing company is better?					
3	Do you consider that investment in the IPO of insurance Company is better?					
4	Do you consider the investment in the IPO of hotels is better?					
5	Do you consider the investment in the IPO of hydropower company is better?					

E. Market information

S.N	Question	SA	A	N	D	SD
1	Do you consider that comment on media affects in your investment in IPO?					
2	Do you consider that new project risk and prospects affects					

	in your investment in IPO?					
3	Do you consider that future prediction and forecast affects your investment in IPO?					
4	Do you consider that the past trend of IPO, while investing in the IPO?					
5	Do you consider that market share will affect, while investing in the IPO?					

F. Investment decision

S.N	Question	SA	A	N	D	SD
1	Do you consider that IPOs are risk free form of investment?					
2	Do you consider buying/ selling of IPO??					
3	Do you consider that IPOs are guaranteed way of making profit only ?					
4	Do you consider that individual investor have more risk in IPO Investment?					
5	Do you consider fundamental and technical knowledge while investing in IPO?					

APPENDIX - II

Correlations

		QM	CG	CP	CS	MI	ID
QM	Pearson						
	Correlation	1	.318**	.591**	.284**	.209**	.201**
	Sig. (2-tailed)		.000	.000	.000	.000	.001
	N	403	403	403	403	403	403
CG	Pearson						
	Correlation	.318**	1	.339**	.296**	.509**	.198**
	Sig. (2-tailed)	.000		.000	.000	.000	.001
	N	403	403	403	403	403	403
CP	Pearson						
	Correlation	.591**	.339**	1	.332**	.233**	.283**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	403	403	403	403	403	403
CS	Pearson						
	Correlation	.284**	.296**	.332**	1	.483**	.357**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	403	403	403	403	403	403
MI	Pearson						
	Correlation	.209**	.509**	.233**	.483**	1	.289**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	403	403	403	403	403	403
ID	Pearson						
	Correlation	.201**	.198**	.283**	.357**	.289**	1
	Sig. (2-tailed)	.001	.001	.000	.000	.000	
	N	403	403	403	403	403	403

** . Correlation is significant at the 0.01 level (2-tailed).

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T.U. Registration No. 7-2 -0302-0756-2015 In Partial Fulfillment of the Requirement for the Degree of Master of Business Studies (M.B.S.) In the Faculty of Management Tribhuvan University Kathmandu June, 2024 CERTIFICATION OF AUTHORSHIP I certify that the work in this thesis has not previously been submitted for a degree nor it has been submitted as part of requirements for a degree except as fully acknowledged within the text. I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the reference section of the thesis

. Juna Sharma June, 2024 ii RECOMMENDATION LETTER It is certified that thesis entitled "Public Response to Initial Public Offering (IPO) in Nepal". Juna Sharma

is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. The thesis is forwarded for examination . Associate **Prof. Dr** . Kapil Khanal **Supervisor**

, Shanker Dev Campus Tribhuvan University, Kathmandu June,2

APPROVAL SHEET We, the undersigned, have examined the thesis entitled "Public Response to Initial Public Offering (IPO) in Nepal" **presented by** Juna Sharma, **a candidate for the degree of Master of Business Studies (MBS) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance** . Associate Prof. **Dr** . Kapil Khanal **Thesis Supervisor** **Internal Examiner** **External Examiner**