

# **PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING (IPO) IN NEPAL**

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By

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Public Response to Initial Public Offering (IPO) in Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

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## REPORT OF RESEARCH COMMITTEE

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## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Public Response to Initial Public Offering (IPO) in Nepal**” presented by Bhim Bahadur Thapa a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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## ABBREVIATIONS

BOD	:	Board of Director
C-ASBA	:	Centralized Application Supported by Blocked Amount
D.F.	:	Degree of Freedom
D/P	:	Dividend Payout
DPS	:	Dividend Per Share
EMH	:	Efficient Market Hypothesis
EPS	:	Equity Per Share
FY	:	Fiscal Year
GOV.	:	Government
IPO	:	Initial Public Offering
M & A	:	Merger and Acquisition
N.P	:	Nepal
NEPSE	:	Nepal Stock Exchange
OTC	:	Over The Counter
P/E	:	Price Earning
SEBON	:	Security Board of Nepal
SPSS	:	Statistical Package for Social Sciences
WWW	:	World Wide Wabe

## ABSTRACT

Fortunately, in Nepal, IPO investors are positive about the market and their investment. The likelihood of an IPO in Nepal is very strong, as evidenced by the market's oversubscription for IPOs. So knowing the changing attitudes and psychology of investors is critical to maintaining the IPO's attractiveness. Thus, the goal of this study is to investigate investor perceptions across various demographic characteristics. Nepal's capital market is still in its early stages and is extremely modest in terms of both the number of players and the amount of money. This study named "Public Response to Initial Public Offering (IPO) in Nepal."

To determine the public response to the initial public offering, a questionnaire is created and physically given to the public. All Kathmandu Valley investors are included as a population, with a sample size of 100. To conduct the investigation, samples were gathered using a straightforward sampling technique. The necessary data and information for the study will be gathered from both primary and secondary sources. The study uses 10-year data from fiscal years 2013/14 to 2032/23. After gathering the primary data, it was presented in a table. To analyze the data, MS Excel applications were utilized, as well as several statistical tools. The findings are mostly based on primary data. Descriptive analysis was preferred in SPSS by employing.

Majority of the respondent are male i.e. 57% and female is 43%. This study helps to know how public response towards IPO in Nepal. This study may be useful for the library purpose so that those students who are willing to prepare a thesis can have some idea. The research will also benefit the Nepal Stock Exchange, government agencies, institutions, potential listed firms, researchers, students, and individuals in Nepal.

*Keywords:* Public Response, IPO, awareness, respondent, relationship, investors

# CHAPTER-I

## INTRODUCTION

### 1.1 Background of the Study

IPO stands for Initial Public Offering. A private firm can offer its shares to the public for the first time through an initial public offering (IPO). By going public, a private company sells ownership in the form of stock outside investors allowing the public to purchase shares on a stock exchange. Often, the only way to finance rapid growth and expansion is through an IPO. The money is raised from the general public as an equity fund. The company can use this money for various purposes such as the expansion of the business, paying off debt, etc. A particular type of public issue is an IPO. It is a company's first equity offering to the general public. Next, in order to enable trading in the shares, they are listed on the stock exchange. The exchange between a company and its shareholders is one-time. This new share sale occurs in a market known as the "Primary Market." To list their shares on the market, companies have to abide by stringent financial, public distribution, and managerial standards established by the exchange. Businesses are listed on the exchange, and if certain conditions are met, the general public is able to buy shares. When a company becomes public, its shares are bought and sold in the "Secondary Market" (IPO).Kukreja (2012).

An organization can raise money for its upcoming projects by selling shares to the public for the first time through an initial public offering (IPO), which also allows the company to list on a stock exchange. Every traded stock in Nepal is listed on the NEPSE. An initial public offering (IPO) is the security that a company issues to the public for the first time, either following incorporation or during its conversion from a private to a public firm. The term "Company Going Public" refers to a company that raises capital through an IPO. Public offering is a security offering where all the investors have the opportunity to obtain a piece of the financial claims being sold (Keown and Petty, 2009). Consequently, an IPO is essentially a company's initial public offering of stock.

An unlisted firm (A company which is not listed on the stock exchange) announces initial public offering (IPO) when it decides to generate capital through sale of securities or shares for the first time to the public. The selling of securities to the general public on the primary market is known as an initial public offering, or IPO. First-time issuers of new

securities trade on a primary market. Following its stock exchange listing, the business becomes publicly traded, allowing its shares to be freely exchanged on the open market. The term "issuer" refers to the business that issues shares to the general public. There are two common types of IPO: Fixed Price Offering and Book Building Offering.

Security Board of Nepal is referred to as SEBON. On June 7, 1993, the Nepali government established SEBON as the top securities market regulator. It has been in charge of market regulation since 2006 under the Securities Act. SEBON ensures transparency, investors protection, and the fair functioning of capital market in the country. These days, investors are eager to purchase company stocks on the primary as well as secondary markets ([www.sebon.gov.np](http://www.sebon.gov.np)). The IPO application process in Nepal is all digital and hence everything is done online. Don't go to the banks any more. Apply for Nepal's initial public offerings (IPOs) using a laptop, smartphone, or tablet. The Nepal Stock Exchange (NEPSE) operates five days a week, from Sunday to Thursday. The market is closed on Fridays and Saturdays, as well as on public holidays declared by the government of Nepal. Regular trading hours are typically from 11:00 AM to 3:00 PM (Nepal Time). On the Meroshare website, the candidate must download and fill out the C-ASBA (Centralized Application Supported by Blocked Amount) form. Check if the bank account is sufficient to block the required amount of rupees for ASBA. After that, the week will see the completion of the allotment. After then, investors are allotted a certain number of shares, depending on the total amount invested, the number of applications submitted, and the number of shares awarded. Since Shrawan 2074, each valid application or applicant has been granted a minimum of 10 units of the IPO equity. Should additional shares be required for distribution, investors have the option to acquire them; but, if sufficient shares are not accessible for all.

NEPSE stands for the Nepal Stock exchange. It was established in 1993. It is the only stock exchange in Nepal, where shares of publicly traded company. NEPSE formally opened its trading floor on 13th January 1994. As of mid-August 2024, there are 242 companies listed on the Nepal Stock Exchange (NEPSE). These companies span various sectors, including banking, financial institutions, insurance, hydropower, manufacturing, processing industries, investment companies, hotels, and trading companies. The number of listed companies has grown over time, reflecting the expanding financial and industrial sectors in Nepal.

The basic objective of NEPSE is centered on the development and regulation of Nepali capital market. NEPSE provide platform for companies to raise capital by issuing share to the public. When Biratnagar Jute Mill and Nepal Bank Limited listed their shares on the market, Nepal's securities history officially began. In 1937, the shares of these two corporations went public. The Exchange has 50 registered brokers as of February 2023. The world's first ever IPO was the Dutch East India Company's public offering of stock in 1604. In Nepal Generally IPO is issued in Rs 100 per unit of share. Saudi Aramco raised £25.6 billion in its first public offering (IPO) on the Riyadh Stock Exchange in 2019, making it the largest IPO in history in terms of value. Therefore, this study has assisted us in determining how the public responds and what many aspects, such as quality management, company goodwill, performance, company sector, and market information, influence an investor's decision to make an investment.

## **1.2 Problem Statement**

Rao and Babu (2023) found that investment decisions differ by demographic characteristics such as age, gender, occupation, computer literacy, internet use and trading activity, Gnawali (2021) discovered that, with the exception of the psychological element, all independent variables had positive relationships. Likewise, Ali (2022) found that managerial traits, firm specific factors, earnings management, business policies, CEO attributes and compensation, financial transparency, and financial transparency are micro-level factors that affect the likelihood of a stock market crash. Thus, study attempts to answer the following questions:

- 1 What is the level of public awareness and how public response to IPO in Nepal?
- 2 What factors motivate public to investment in IPO?
- 3 Is there any relationship between different factors (Quality management, Company goodwill, Company performance, Company sector and Market information) and investment decision of investor?

## **1.3 Objectives of the study**

The main purpose of the study is to identify how the public response to Initial Public offering (IPO) in Nepal. The main objective of the study are as follows.

- 1 To analyze the level of public awareness and how public response to the IPO in Nepal.

- 2 To analyze investor's expectation from his or her investment on IPO.
- 3 To analyze the relationship between different factors (Quality management, Company goodwill, Company performance, Company sector and Market information) and investment decision of investor.

#### **1.4 Hypothesis**

Chi -square test is used for this study, to know the relationship between different factors or variables such as Quality management, Company goodwill, Company performance, Company sector, Market information and so on and investment decision of investor.

$H_0$ =There is no significance difference between different variable and investment decision of investors

$H_1$ = There is significant difference between different variable and investment decision of investors.

#### **1.5 Rationale of the Study**

On the public's reaction to the IPO, numerous studies have been conducted. Before now, the majority of research has concentrated on the risk that corporate securities investors faced. Examining investor reaction is the primary goal of this study project. So, this investigation will be crucial in assisting in the resolution of the aforementioned research question. Regarding initial public offerings (IPOs), a large number of individuals in Nepal remain ignorant. Consequently, everyone looking to learn more about IPOs will find this study to be very helpful. It will also be beneficial to organizations and investors that are somehow involved in the initial public offering (IPO). Also, by knowing the perspective and preference, this study will help the issuing companies

#### **1.6 Limitations of the Study**

This study is based on both primary data and secondary data, Therefore the accuracy of research depends upon its reliability. Some of the limitations of the study are listed below.

1. Basically, data are taken from primary sources through questionnaire. Therefore, reliability of data depends on the respondent.
2. This study was done from limited resources, so there might be some variance. Only selected statistical tool and variable is used.

3. Some individuals were not as responsive. Respondents were unwilling to contribute to the research due to a lack of time.
4. There is a possibility of data collecting inaccuracy because many respondents did not provide genuine questionnaire responses.
5. The survey only includes the Kathmandu valley, which may not fully represent Nepal's demographics.

## **CHAPTER- II**

### **LITERATURE REVIEW**

A literature review is a comprehensive and systematic examination of existing scholarly work on a particular topic. It involves summarizing, analyzing, and synthesizing previous research to provide a clear understanding of the current state of knowledge on the subject. This chapter is divided into two parts. In the first part some Theoretical review and Conceptual review has been provided and in the second part review of past research works, books, journals and articles has been provided.

#### **2.1 Theoretical Review**

The public response to IPO is widely studied phenomenon in global markets, yet its dynamic can differ significantly based on local market structures, investors profiles and socio-cultural factors. In Nepal, IPOs have significant interest from retail investors, resulting in high oversubscription rates. This theoretical review will explore key financial and behavioral theories that could guide the study.

##### **2.1.1 Efficient Market Hypothesis (EMH)**

The EMH, developed by Eugene Fama can, posits that stock prices reflect all available information, meaning no investor consistently outperform the market through timing or stock selection, Nepal's stock market , particularly its IPO segment, seems to challenge the assumption of EMH. Retail investors often rely on incomplete or speculative information, leading, to behaviors that deviate from market efficiency.

##### **2.1.2 Prospect Theory**

This theory is developed by Kahneman and Tversky, This theory explains how individuals assess risk, focusing on perceived gains and losses rather than final outcomes. Investors are often more sensitive to potential losses than gains, which can impact their decision-making. In Nepal's IPO market, investors often see IPO as low-risk opportunities to make quick profit. Due to the relatively low initial investment and the high oversubscription rate, Investors perceive IPO as Zero Risk investment when the underlying companies might carry long-term risks.

### **2.1.3 Herding Behavior Theory**

Herding behavior refers to the tendency of individuals to mimic the actions of a larger group, often ignoring their own analysis or the available information. This theory suggests that investors are influenced by the actions of others, particularly in situations of uncertainty. In Nepal, this theory is common, where a significant number of retail investors follow the crowd, subscribing to IPOs based on peer action rather than company fundamentals. This has led to oversubscription in many IPOs where demand significantly exceeds the share available.

### **2.1.4 Financial literacy and Public Response**

Financial literacy involves the knowledge and skills necessary to make informed financial decisions. Research shows that higher financial literacy leads to more rational investment decisions, while a lack of financial knowledge increases the likelihood of speculative behavior and herd following. In Nepal, many retail investors have limited financial literacy, which affects their understanding of IPOs and leads to speculative participation. Understanding the level of financial literacy among Nepalese investors and its impact on their response to IPOs could provide valuable insights for improving market stability and investor protection.

### **2.1.5 Market Sentiment and IPO Performance**

Market Sentiment refers to the overall attitude of investors toward a particular market or investment. Sentiment is often influenced by factors such as news reports, market trends, and general economic conditions, and it can significantly impact IPO participation and pricing. Investor sentiment in Nepal's IPO market is often driven by optimism and expectations of quick gain, which may result in inflated demand and speculative investments.

## **2.2 Conceptual Review**

A conceptual framework is a representation of the relationship you expect to see between your variables, or the features or properties that you want to explore. Conceptual frameworks can be written or illustrated, and they are typically created by reviewing the body of research that has already been done on your subject. A conceptual framework incorporates additional concepts and empirical results from the literature along with one or more formal theories, either in whole or in part. It serves to illustrate the connections

between these concepts and how the research study is related to them. A conceptual framework is a flexible analytical tool that can be used in a variety of situations. It can be used in a variety of job categories when a broad image is required. It is employed to arrange and draw mental differences.

### **2.2.1 Financial Market**

The term "financial market" refers to a trading platform where buyers and sellers exchange financial products including stocks, bonds, and currencies, commodities, and derivatives. These markets play a crucial role in facilitating the allocation of capital and resources within an economy. Financial markets can be categorized into different types based on the nature of the instruments traded and the maturity of the instruments. Here are some common types of financial markets are listed below:

- i. Stock Market (Equity Market)
- ii. Bond Market (Debt Market)
- iii. Foreign Exchange (Forex) Market
- iv. Commodity Market
- v. Derivatives Market
- vi. Money Market
- vii. Cryptocurrency Market

### **2.2.2 Money Market**

The money market is a segment of the financial market where short-term borrowing and lending take place, typically involving instruments with maturities of one year or less. The money market plays a crucial role in the overall financial system by providing liquidity, facilitating short-term financing, and serving as a platform for the management of cash and short-term investment needs. Here are some key features and instruments associated with the money market. Overall, the money market serves as a vital component of the broader financial system, providing a foundation for short-term financing, liquidity management, and the efficient allocation of funds in the economy.

### **2.2.3 Capital Market**

The capital market is a segment of the financial market where long-term debt and equity instruments are traded between buyers and sellers. It plays a crucial role in facilitating the flow of capital from investors to businesses and governments for long-term investment

purposes. The capital market is essential for supporting economic growth, providing companies with the necessary funding for expansion, and allowing investors to participate in the ownership and growth of businesses. In summary, the capital market serves as a critical component of the broader financial system, connecting investors seeking returns with entities in need of long-term funding. It provides the foundation for economic growth and development by facilitating efficient allocation of capital.

#### **2.2.4 Security Market**

The term "security market" generally refers to a subset of the financial markets where various financial instruments, known as securities, are bought and sold. Securities represent ownership or a claim on underlying assets and are traded as a way for investors to buy or sell financial assets. The security market encompasses a wide range of instruments, and participants engage in transactions for investment, speculation, and hedging purposes. The security market is dynamic, reflecting economic conditions, investor sentiment, and regulatory changes. It serves as a critical component of the broader financial system, providing liquidity, capital formation, and investment opportunities for a diverse range of participants.

#### **2.2.5 Primary Market**

The primary market, also known as the new issue market, is a segment of the financial market where new securities are issued and sold for the first time by issuers to investors. In the primary market, companies, governments, and other entities raise capital by offering fresh securities to the public. This market plays a crucial role in facilitating the initial issuance of securities and is essential for capital formation. The primary market is essential for the efficient functioning of the financial system, as it provides a mechanism for companies and governments to access capital for growth and development. It also offers investment opportunities for individuals and institutions seeking to participate in the early stages of a security's lifecycle.

#### **2.2.6 Secondary Market**

The secondary market, also known as the aftermarket, is the financial market where existing securities are bought and sold among investors after their initial issuance in the primary market. Unlike the primary market, where securities are issued for the first time, the secondary market is where these securities are traded on organized exchanges or over-

the-counter (OTC) platforms. Overall, the secondary market plays a crucial role in the efficient functioning of the financial system by providing liquidity, price discovery, and opportunities for investors to adjust their investment portfolios based on changing market conditions.

### **2.2.7 Public Offering**

A public offering, is known as a securities offering or a new issue, refers to the process through which a company raises capital by issuing new securities to the public for the first time. This process typically involves the sale of stocks or bonds in the primary market. There are different types of public offerings, including Initial Public Offerings (IPOs), secondary offerings, and debt offerings.

#### **2.2.7.1 Features of an IPO**

An Initial Public Offering (IPO) is a process through which a private company offers its shares to the public for the first time, transitioning from private to public ownership.

Here are the key features of an IPO in Nepal:

- i. Regulatory Framework
- ii. Eligibility Criteria
- iii. Offer Size and Pricing
- iv. Application Process
- v. Allotment and Listing
- vi. Post-IPO Compliance
- vii. Investor Protection
- viii. Risk Factors

These features outline the fundamental aspects of an IPO in Nepal, which aims to provide a structured process for companies seeking to raise capital while ensuring investor protection.

#### **2.2.7.2 Advantage of an IPO**

An Initial Public Offering (IPO) can offer several advantages to a company seeking to go public by issuing its shares to the public for the first time. Here are some key advantages of an IPO:

- i. Access to Capital
- ii. Liquidity for Existing Shareholders
- iii. Enhanced Company Profile and Visibility
- iv. Employee Benefits and Retention
- v. Currency for Mergers and Acquisitions (M&A)
- vi. Flexibility for Future Capital Raising
- vii. Market Valuation and Benchmarking
- viii. Brand Recognition and Customer Trust
- ix. Attracting Institutional Investors
- x. Currency for Stock-Based Acquisitions

Publicly traded shares can be used as a currency for stock-based acquisitions. This is advantageous when acquiring other companies, allowing the acquiring company to use its shares as a means of payment.

While there are clear advantages to an IPO, it's important to note that the process also comes with challenges and responsibilities. Companies need to navigate increased regulatory scrutiny, ongoing reporting requirements, and the need to manage shareholder expectations. The decision to go public should align with the company's long-term strategic goals and considerations.

### **2.2.7.3 Disadvantage of an IPO**

While an Initial Public Offering (IPO) can offer significant advantages to a company, it also comes with certain disadvantages and challenges. Here are some common disadvantages associated with going public through an IPO:

- i. Costs and Expenses
- ii. Regulatory Compliance and Reporting
- iii. Market Volatility
- iv. Short-Term Focus
- v. Loss of Control
- vi. Public Scrutiny and Transparency
- vii. Pressure for Quarterly Results
- viii. Risk of Hostile Takeovers
- ix. Management Distraction
- x. Employee Morale and Focus

#### xi. Market Conditions

The success of an IPO can be influenced by market conditions. If market conditions are unfavorable, the company may need to delay or reconsider the IPO, impacting its capital-raising plans.

It's crucial for companies to carefully weigh the pros and cons of an IPO and assess whether the benefits align with their long-term strategic objectives. Going public is a significant decision that requires thorough planning and consideration of the potential challenges involved.

#### **2.2.7.4 Timing of Public Offering**

The timing of a public offering, whether it's an Initial Public Offering (IPO) or another form of public offering, is a critical decision that depends on various factors. Companies and their stakeholders carefully consider market conditions, the company's financial health, industry trends, and other strategic considerations when determining the optimal timing for a public

offering. Here are some key factors to consider:

##### **1. Market Conditions**

The overall condition of the financial markets can significantly impact the timing of a public offering. Companies often aim to go public during periods of favorable market conditions when investor sentiment is positive, and there is demand for new issuances.

##### **2. Economic Environment**

The broader economic environment plays a role in the decision to go public. Economic stability, growth prospects, and macroeconomic factors can influence the success of an IPO.

##### **3. Industry Trends**

Industry-specific trends and conditions are crucial considerations. Companies may choose to go public when their industry is experiencing growth, positive sentiment, or increased investor interest.

##### **4. Company Performance**

The financial health and performance of the company are critical factors. Companies often choose to go public when they have a track record of consistent revenue growth, profitability, and a strong business outlook.

## **5. Strategic Milestones**

Companies may time their public offerings to coincide with strategic milestones or achievements. This could include reaching a certain level of revenue, completing a major product launch, or achieving specific operational goals.

## **6. Competitive Landscape**

The competitive landscape and the presence of other companies in the same industry going public can influence timing. Companies may choose to avoid periods when there is significant competition for investor attention.

## **7. Regulatory Environment**

Changes in regulatory requirements or market conditions may impact the timing of an IPO. Companies need to assess the regulatory landscape and ensure compliance with listing requirements.

## **8. Investor Demand**

The level of investor demand for the company's shares is a critical consideration. Companies often conduct roadshows and gauge investor interest before finalizing the timing of the offering.

## **9. Global and Political Events**

Global events, geopolitical stability, and political conditions can influence market sentiment. Companies may consider these factors to avoid periods of heightened uncertainty or volatility.

## **10. Company Readiness**

The company's internal readiness is crucial. This includes having robust financial reporting systems, effective corporate governance practices, and a well-prepared management team capable of handling the demands of being a publicly traded company.

## **11. Exit Strategy and Investor Liquidity**

For existing shareholders looking to exit or achieve liquidity, the timing of an IPO is important. Providing an opportunity for early investors to realize returns can be a factor in the decision-making process.

## **12. Investor Relations Preparation**

Adequate preparation for investor relations is essential. Companies should be ready to communicate effectively with investors, analysts, and the media, ensuring a smooth transition to public ownership.

The decision on when to go public is strategic and depends on a combination of internal and external factors. It often involves collaboration among company executives, financial

advisors, underwriters, and legal counsel to assess market conditions and determine the most favorable timing for the offering. Companies may also work closely with investment banks to conduct thorough due diligence and evaluate the IPO market.

### **2.2.8 Securities Issue Procedure in Primary Market in Nepal (Legal Rules, Regulations)**

In Nepal, the process for issuing securities in the primary market is regulated by the Securities Board of Nepal (SEBON) under the Securities Act, 2063 (2007). The procedure is designed to ensure transparency, protect investors, and maintain market integrity. Here's an overview of the securities issue procedure in the primary market in Nepal:

#### **1. Pre-Issue Preparations**

- **Board Approval:** The company's board of directors must pass a resolution approving the issuance of securities.
- **Appointment of Issue Manager:** The company must appoint an issue manager (merchant banker) licensed by SEBON to manage the issuance process.
- **Due Diligence:** The company and the issue manager must conduct due diligence to ensure that the company's financials, operations, and legal standing are sound.

#### **2. Preparation of the Prospectus**

- **Drafting the Prospectus:** A detailed prospectus must be prepared, including information about the company, its financial status, business operations, risks, and the purpose of the issue.
- **Approval by SEBON:** The prospectus must be submitted to SEBON for approval. SEBON reviews the prospectus to ensure it meets the requirements under the Securities Act and related regulations.
- **Corrections and Modifications:** SEBON may require the company to make corrections or provide additional information before approving the prospectus.

#### **3. Regulatory Filing**

- **Filing with SEBON:** After SEBON's approval, the company must file the final prospectus with SEBON. The company also needs to file with the Office of the Registrar of Companies and obtain a certificate of commencement.
- Public Announcement:** The company is required to make a public announcement about the issue, detailing the key aspects of the securities offering.

#### **4. Marketing the Issue**

- Roadshows and Investor Meetings: The company, along with the issue manager, may conduct roadshows and meetings with potential investors to create awareness and generate interest.
- Publication of Prospectus: The approved prospectus must be published in national newspapers to inform the public about the offering.

#### **5. Subscription Process**

- Opening of Subscription: The subscription for the securities is opened to the public for a specified period. Investors can apply for shares/bonds during this period.
- Application Collection: Applications are collected through designated banks and financial institutions (collection centers).

#### **6. Allotment of Securities**

- Finalization of Allotment: After the subscription period ends, the issue manager finalizes the allotment of securities based on the applications received. In case of oversubscription, allotment is made on a pro-rata basis.
- Refund Process: If the issue is oversubscribed, refunds for the unallotted shares are processed and returned to the investors.

#### **7. Listing on Stock Exchange**

- Approval from Nepal Stock Exchange (NEPSE): The company must apply for listing its securities on NEPSE after the successful allotment.
- Trading of Securities: Once listed, the securities can be traded on NEPSE.

#### **8. Post-Issue Compliance**

- Continuous Disclosure: The company is required to comply with continuous disclosure requirements, such as submitting annual and quarterly reports to SEBON and NEPSE.
- Compliance with Corporate Governance: The company must adhere to corporate governance standards as stipulated by SEBON and other relevant regulations.  
Legal Rules and Regulations in Nepal
- Securities Act, 2063 (2007): The primary legislation governing securities markets in Nepal.
- SEBON Guidelines: SEBON issues various guidelines and directives, such as the Securities Registration and Issuance Regulations, which provide detailed procedures for issuing securities.

- Companies Act, 2063 (2006): Governs the legal framework for companies in Nepal, including provisions for capital raising through securities issuance.
- Nepal Rastra Bank (NRB) Directives: For financial institutions, NRB's directives also play a crucial role in the issuance process, particularly concerning capital adequacy and prudential norms.

## Conclusion

Issuing securities in the primary market in Nepal involves strict adherence to regulatory requirements set by SEBON and other relevant authorities. Companies must work closely with their issue managers and legal advisors to ensure that all procedural and legal requirements are met for a successful and compliant issuance.

### 2.2.9 Issue Approval Guidelines

In Nepal, the approval of securities issues in the primary market is governed by the Securities Board of Nepal (SEBON). The approval process ensures that issuers comply with legal, regulatory, and procedural requirements. Below are the key guidelines for obtaining issue approval from SEBON:

#### 1. Application Submission

- Initial Submission: The company must submit an application to SEBON, seeking approval for the issuance of securities. This application should include detailed information about the securities being issued, the company's financials, and the intended use of the funds.
- Required Documents: The application must be accompanied by several documents, including:
  - Draft prospectus
  - Memorandum and Articles of Association
  - Board resolution approving the issue
  - Audited financial statements (usually for the past three years)
  - Due diligence report by the issue manager
  - Legal opinion on the issuance

#### 2. Prospectus Review

- Compliance Check: SEBON reviews the draft prospectus to ensure it complies with the Securities Act, 2063 (2007) and SEBON's regulations. The prospectus must

provide a clear and accurate representation of the company's financial status, risks, and other material information.

- **Content Requirements:** The prospectus should include:
  - Details of the company's business and management
  - Financial statements and performance indicators
  - Risk factors associated with the investment
  - Use of proceeds from the issue
  - Information on underwriters and other intermediaries
  - Terms and conditions of the securities being issued

### **3. Due Diligence by SEBON**

- **Verification of Information:** SEBON conducts a thorough verification of the information provided in the prospectus and supporting documents. This includes cross-checking the company's financials, legal standing, and compliance history.
- **Site Visits and Inspections:** In some cases, SEBON may conduct site visits or inspections to verify the company's operations and the accuracy of the information provided.

### **4. Issue Manager's Role**

- **Due Diligence Report:** The issue manager (merchant banker) is required to submit a due diligence report, certifying that the information provided by the company is accurate and that the prospectus meets all regulatory requirements.
- **Underwriting Arrangements:** If applicable, the issue manager must also submit details of any underwriting arrangements, including the names of underwriters and the underwriting agreement.

### **5. Review of Legal Compliance**

- **Legal Opinion:** A legal opinion is required to confirm that the securities issuance complies with all applicable laws and regulations, including the Companies Act, Securities Act, and any other relevant legislation.
- **Compliance with Corporate Governance:** SEBON ensures that the issuing company adheres to corporate governance norms, including the composition of the board and the independence of directors.

### **6. Approval or Rejection**

- **Approval:** If SEBON is satisfied with the application and prospectus, it grants approval for the securities issue. The approval is usually subject to certain conditions, which the company must fulfill before proceeding with the issuance.

- Rejection: If SEBON finds any discrepancies or issues with the application, it may reject the application or request further information or modifications before granting approval.

## **7. Public Disclosure**

- Publication of Prospectus: Upon receiving SEBON's approval, the company must publish the approved prospectus in widely circulated newspapers and make it available to the public.
- Public Announcement: The company must also make a public announcement regarding the issue, providing essential details like the issue size, price, and subscription dates.

## **8. Subscription and Allotment**

- Opening of Subscription: The company can open the subscription for securities as per the dates approved by SEBON.
- Oversight of Allotment Process: SEBON may oversee the allotment process to ensure it is conducted fairly, especially in cases of oversubscription.

### **Regulatory Framework**

- Securities Act, 2063 (2007): The primary legislation governing securities issuance in Nepal.
- SEBON Regulations: Various SEBON regulations provide detailed guidelines on the issuance process, including the Securities Registration and Issuance Regulations.
- Companies Act, 2063 (2006): Governs corporate actions, including securities issuance.
- SEBON Circulars and Directives: SEBON periodically issues circulars and directives that provide additional guidance on the approval process.

### **Conclusion**

The issue approval process in Nepal is designed to ensure that companies meet all legal and regulatory requirements before issuing securities. SEBON plays a critical role in reviewing applications, verifying compliance, and protecting investors by ensuring that all material information is disclosed transparently. Companies must work closely with their issue managers and legal advisors to navigate this process successfully.

### **2.2.10 Types of Securities offered in the primary market**

In the primary market, various types of securities are offered by companies, governments, and other entities seeking to raise capital. The primary market is where new securities are

issued and sold to investors for the first time. The two main types of securities offered in the primary market are equity securities (stocks) and debt securities (bonds). Here's an overview of each:

### **1. Equity Securities (Stocks):**

- **Common Stock:** Common stock represents ownership in a company and typically comes with voting rights at shareholder meetings. Common stockholders may receive dividends if declared by the company, but their claims on assets and earnings are subordinate to those of preferred stockholders and bondholders in case of liquidation.
- **Preferred Stock:** Preferred stock is a class of stock that has preference over common stock in terms of dividend payments and asset distribution in the event of liquidation. However, preferred stockholders usually do not have voting rights to the same extent as common stockholders.

### **2 Debt Securities (Bonds):**

- **Corporate Bonds:** These are debt securities issued by corporations to raise capital. Investors who purchase corporate bonds become creditors to the issuing company. Corporate bonds pay periodic interest (coupon payments) to bondholders, and the principal amount is returned at maturity.
- **Government Bonds:** Issued by national governments, government bonds are considered low-risk investments. Examples include U.S. Treasury bonds in the United States and government bonds issued by countries worldwide. They pay periodic interest and return the principal at maturity.
- **Municipal Bonds:** Issued by state and local governments or their agencies to fund public projects such as infrastructure development. Interest earned on municipal bonds is often exempt from federal income tax and, in some cases, state and local taxes.
- **Convertible Bonds:** These are bonds that can be converted into a specified number of common stock shares of the issuing company. Convertible bonds provide the holder with the opportunity to participate in potential stock price appreciation.

### **3. Hybrid Securities:**

- **Preference Shares:** These are hybrid securities that combine features of both equity and debt. Preference shareholders receive fixed dividends, and they have a higher

claim on assets compared to common stockholders but lower than bondholders in case of liquidation.

- **Convertible Preferred Stock:** Similar to convertible bonds, convertible preferred stock allows holders to convert their shares into a specified number of common shares. This provides investors with potential equity participation while enjoying preferred stock characteristics.

#### **4. Derivative Securities**

- **Warrants:** Warrants are options that give the holder the right to buy a specified number of shares at a predetermined price within a certain time frame. Warrants are often attached to other securities, such as bonds or preferred stock.
- **Rights:** Rights are issued to existing shareholders, providing them the option to purchase additional shares at a discounted price during a specified subscription period. Rights offerings are a way for companies to raise additional capital from existing shareholders.

These are some of the common types of securities offered in the primary market. The specific terms and features of each security can vary based on the issuing entity and the terms of the offering. Investors consider factors such as risk, return, and their investment objectives when deciding to participate in primary market offerings.

#### **2.2.11. Terms involved in the process of Initial Public Offering (IPO) in Nepal.**

The process of conducting an Initial Public Offering (IPO) in Nepal involves several steps, including regulatory compliance, due diligence, and engagement with various stakeholders. While the specific details can vary based on the company and the regulatory environment, here is a general overview of the IPO process in Nepal:

##### **1 Preparation and Planning**

**Company Assessment:** Evaluate the company's financial health, growth prospects, and corporate governance to determine readiness for going public.

**Legal Compliance:** Ensure compliance with the regulatory framework for IPOs in Nepal.

##### **2. Engage Advisors**

- **Hire Underwriters:** Select underwriters or investment banks to lead the IPO process.
- **Legal and Accounting Advisors:** Engage legal counsel and accounting firms for regulatory and financial compliance.

### **3. Due Diligence**

- Financial Due Diligence: Conduct a thorough review of financial statements, accounting practices, and other financial aspects.
- Legal Due Diligence: Examine legal aspects, contracts, and potential liabilities.

### **4. Drafting Offer Document**

- Prospectus Preparation: Draft a comprehensive prospectus containing relevant information about the company, its operations, financials, risks, and the terms of the offering.

### **5. Application to Regulatory Authority**

- Submit to SEBON: File the prospectus and other required documents with the Securities Board of Nepal (SEBON), the regulatory authority overseeing securities offerings in Nepal.

### **6. Due Diligence by SEBON**

- SEBON Review: SEBON conducts its review of the prospectus, and the issuer responds to any queries or requests for additional information.

### **7. Approval from SEBON**

- Receive Approval: Once SEBON is satisfied with the prospectus and other requirements, it grants approval for the IPO.

### **8. Roadshow**

- Investor Presentations: Conduct a roadshow to present the company to potential institutional and retail investors. This involves marketing the IPO and gathering indications of interest.

### **9. Pricing and Allotment**

- Determine Offering Price: Based on investor demand and market conditions, determine the final offering price for the shares.

- Allotment of Shares: Allocate shares to institutional and retail investors based on demand.

## **10. Listing**

- Stock Exchange Listing: List the shares on the Nepal Stock Exchange (NEPSE) or any other stock exchange in Nepal.

## **11. Public Offering**

Open Public Subscription: Allow the general public to subscribe to the shares during the public offering period.

## **12. Closing**

- Close of IPO: Once the subscription period concludes, close the IPO process.
- Receipt of Funds: Receive funds from investors in exchange for the issued shares.

## **13. Post-IPO Compliance**

- Ongoing Reporting: Adhere to ongoing reporting requirements, including financial disclosures, earnings reports, and material event filings.
- Shareholder Relations: Establish and maintain effective communication with investors and analysts.

## **14. Post-IPO Strategic Planning**

- Utilize Capital: Deploy the raised capital for business expansion, acquisitions, or debt reduction.
- Long-Term Strategy: Execute the company's long-term strategic plans as a publicly traded entity.

## **15. Lock-Up Period**

- Shareholder Lock-Up: Existing shareholders, especially insiders, may be subject to a lock-up period during which they cannot sell their shares.

- It's important for companies considering an IPO in Nepal to work closely with regulatory authorities, legal advisors, underwriters, and financial consultants to ensure compliance with local regulations and a successful IPO process. The specific details and requirements may be subject to changes in regulatory frameworks, so staying updated on the latest guidelines is crucial.

### **2.3 Empirical Review**

Rao and Babu (2023) found that Demographic factors including age, gender, occupation, computer proficiency, internet use, and trading activity were found to influence investing decisions differently. Varying in terms of age, gender, occupation, internet use, computer literacy, and trade activity. A person's computer proficiency, amount of internet usage, and degree of online trading activity can all have an impact on their investment preferences.

Ahmeti and Iseni (2023) analyzed to investigate how certain business factors specifically, independent variables like liquidity, size, age, physical assets, leverage, capital, and firm growth affect profitability as measured by return on assets (ROA) and net profit margin (NPM), which are the dependent variables. For the years 2015 through 2020, eleven insurance firms make up the study's sample. The regression's findings show that the company's age, size, and leverage all significantly affect ROA. Meanwhile, firm development and size have a big impact on the NPM of insurance businesses in Kosovo.

Supriyatna et al. (2023) assessed the influence of profitability and firm size on stock prices, considering dividend policy as a potential mediating variable. The study focuses on 47 banking companies listed on the Indonesia Stock Exchange between 2017 and 2021, employing the saturated sample method. Data analysis was conducted using panel data regression in reviews version 12. The findings indicate that profitability does not significantly impact stock prices, whereas company size does. However, the study does not find evidence to support dividend policy as an intervening variable, as it fails to mediate the effects of profitability and company size on the stock prices of banking companies listed on the Indonesia Stock Exchange during the specified period.

Muspa (2023) examined the impact of leverage and dividend policy on the enhancement of stock prices, which are crucial indicators for evaluating a company's performance and attractiveness to investors. The research population consisted of all manufacturing firms

listed on the Indonesia Stock Exchange during the period from 2017 to 2021. Purposive sampling was utilized to select 230 manufacturing companies for the study. Structural Equation Modeling analysis based on Partial Least Squares was employed to analyze the 19 data. The findings revealed a positive relationship between leverage and dividend policy. Furthermore, both leverage and dividend policy were found to have a positive influence on stock prices. Specifically, the study concluded that dividend policy effectively mediated the relationship between leverage and stock prices.

Bhatt and Jain (2022) measured the study of economic policy uncertainty and dividend policy: Evidence from development banks in Nepal. We looked at how Economic Policy Uncertainty (EPU) affected dividend distribution strategy in order to offer some data from prospective developing nations. The empirical findings show that during EPU, the banking company in Nepal does not start or stop paying dividends. Additionally, we discovered evidence that banking executives did not respond to policy distress with a cautious incentive. For the banking company in Nepal, the choice to pay dividends is instinctive rather than unclear due to shifts in economic policy. Our findings run counter to the findings of other significant studies carried out in developed market environments, thus we recommend that banking companies think about, assess, and modify their dividend policy in light of the opportunities and risks presented by the national economic strategy.

Ali (2022) conducted a research on Micro-meso-level and macro-level determinants of stock price crash risk: a systematic survey of literature. In order to identify the macro-meso and micro-level factors influencing stock price crashes, this paper performs a comprehensive assessment and synthesis of the empirical research on the antecedents of stock price crash risk. The probability of a stock market crash is significantly influenced at the meso-level by factors such as media coverage, industry-level characteristics, consumer concentration, ownership structure, and behavioral aspects. Lastly, managerial traits, firm specific factors, earnings management, business policies, CEO attributes and compensation, financial transparency, and financial transparency are micro-level factors that affect the likelihood of a stock market crash.

Putri et al. (2022) analyzed the effect of dividend policy on stock price volatility in manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2020. It also examined other factors believed to affect dividend policy and stock price volatility,

including firm size, earnings volatility, and leverage. A quantitative approach was employed, utilizing secondary data extracted from the companies' annual financial reports. Purposive sampling was used, resulting in a sample of 62 companies with a total of 124 observations. Multiple regression analysis was conducted, with SPSS 16 serving as the analytical tool. The empirical findings of the study indicated that dividend policy had a negative impact on stock price volatility. Specifically, an increase in dividends paid was associated with a decrease in stock price volatility. The control variables of firm size and leverage were found to have no significant effect on stock price volatility. However, the study identified a positive relationship between earnings volatility and stock price volatility.

Salem (2021) sought to ascertain the effect of the coronavirus on Jordanian auditing standards. The researcher contacted six international audit firms in order to collect data and investigate how the pandemic affected audit quality, given the dangerous travel conditions in Jordan. The researcher verified with every auditor that they were infected with the coronavirus. The low audit quality in Jordan is a result of social isolation and travel restrictions, which makes it challenging for auditors to get relevant data and raises the possibility that they would make inaccurate judgments about their own auditing performance. In order to gather information regarding the research subject in an efficient manner, the researcher employed a secondary data gathering strategy. Additionally, the investigator has utilized.

Gnawali (2021) Individual stock market investment decisions were examined for the impact of independent variables. This study used primary data to assess the impact of independent variables on people's stock market investment decision-making behavior in Nepal. The research design used for this study was both analytical and descriptive. Because retail investors are thought to be an infinite population that is impossible to measure, convenience sampling was used in this study. There are 250 respondents from Nepal in the study's sample size. Investors at the broker house provided the study's data, which was utilized to calculate correlation and regression. Descriptive and inferential analyses were employed in this investigation. The findings indicated that every independent variable was positive.

Gnawali and Niroula (2021) investigated the factors influencing IPO investment decisions by examining the relationship between a number of parameters (quality management,

corporate goodwill, company performance, firm sector, and market information) and investment decision-making. examined the opinions of investors regarding first public offerings (IPOs). Primary data were used in this study. Data was gathered from 290 respondents in the Kathmandu district who were connected to five distinct brokerage firms. Using statistical methods like regression analysis and correlation to examine the relationship between variables and the influence of various factors on investment decisions, inferential analysis was the preferred method in SPSS. According to the survey, before making an investment decision in an initial public offering (IPO), quality management, corporate goodwill, performance, industry, and market intelligence are all very important considerations.

Kamal (2020) The prediction of the stock market has consistently attracted the interest of many researchers and forecasters. Some ideas praise the idea that trying to predict the stock market is a fool's game since it is essentially a random walk. Due to the numerous variables involved, stock price forecasting is a difficult task in and of itself. Although the market functions as a voting tool as well, it also functions as a weighing instrument over the long run, which allows for longer-term market prediction. There is a lot of potential in the application of mechanism learning approaches and other processes for stock price analysis and forecasting. This paper begins with a brief overview of stock markets before concentrating on various

Ruby and Narsis (2020) The author claims that investments are essential to meeting everyone's financial needs going forward. The motives for people's savings differ. Not every person who makes a deposit is an investor. Investors have different attitudes toward investment. It is an essential component of human behavior. The technique produces the intended behavior or action. Investment knowledge does not have to be innate since people acquire attitudes from a range of sources. A person's first-hand interactions with their family, friends, community, profession, economic standing, and mass media lay a strong basis for their attitudes. Consequently, attitude might be defined as a rigid way of thinking. They may be directed at particular individuals, groups, organizations, or services and may be favorable or negative.

Gnawali, (2020) Analyze investor perception of IPOs, the relationship between many criteria (such as quality management, company performance, goodwill, industry, and market information) and investment decisions, and the influence of these aspects on IPO

investment decisions. Primary data serve as the main foundation for the research. 290 respondents who worked for five different brokerage businesses in the Kathmandu district provided the data. Using statistical techniques like regression analysis and correlation to examine the influence of various factors on investment decisions, as well as the relationship between variables, inferential analysis was the chosen method in SPSS (dependent variable). The survey found that before making an investment decision, quality management, company goodwill, company performance, company sector, and market intelligence are all very important considerations.

Kumari (2019) used an empirical analysis to investigate the effect of bonus issuance announcements on stock price behavior in India. In light of this, the current study looks at how Bonus Issue announcements affected the Indian stock market during the course of the five-year period from 2014 to 2018. Market participants typically interpret news about company activity as positive. The data have been analyzed and assessed using statistical methods such as the t-test, mean, standard deviation, regression analysis, percentage analysis, and CAGR (Compounded Annual Growth Rate). For every bonus issue announcement event, a study window (t-10 to t+10) was chosen in order to assess the abnormal return taking into account nine organizations. Thus, the announcement of a bonus share issue has no effect on the Indian stock market.

Thapa (2019) carried out a study on the variables that affect Nepali stock prices. Finding the factors influencing the stock price in the Nepali market is the researcher's main objective. The share price was significantly positively correlated with earnings per share (EPS), dividend per share (DPS), market whims and rumors, and business profiles; the price to earnings ratio (PER) and interest rate (IR) were significantly correlated negatively with share price. Regression and ratio analysis were used in financial and statistical analysis to arrive at these conclusions. Consequently, it is concluded that the most important indications of stock prices in Nepal's secondary market would be dividends and the short-term interest rate.

Silwal and Napit (2019) carried out a study on the foundations of stock price in development banks in Nepal. Finding the variables influencing Nepalese development banks' stock market price between 2065–2066 and 2074–2075 is the aim of this study. It is based on combined cross-sectional data collected over a ten-year period from ten banks whose equities were listed on the Nepal Stock Exchange. Dividend yield has a slight but

favorable effect on stock price, whereas BVPS has a negative association and is statistically insignificant with company price. It also demonstrates that book value per share is one of the primary determinants of Nepali stock prices.

D.M and S (2019) In order to ascertain investor attitudes toward equity investment and to examine various factors impacting equity investment, investors' opinions regarding investment decisions in the stock market were examined. Periodicals, books, research articles on stock investors and related subjects, paper presentations, and other websites are some of the secondary materials used in this study. The study focuses on the attitudes of investors toward making decisions on their equity investments and the amount of risk they are ready to accept in relation to their age, gender, income, occupation, and educational attainment. Following examination, investors are divided into three groups in this study: 22 aggressive, moderate, and conservative. While cautious investors avoid risk, moderate investors can handle medium risk, and aggressive investors take on high investment risk.

Singh, et al. (2019) made an attempt to find out the A review of the Indian IPO market reveals IPO underpricing and the predictive ability of corporate governance systems related to the board. The study used descriptive sample statistics and logistic regression to examine the objectives. It reveals that the presence of woman director on board increases the likelihood (or probability) of IPO underpricing. In contrast, the possibility of an IPO underpricing is decreased when an independent director serves as the board chair. However, the number of nonexecutive directors as a measure of board independence has an insignificantly negative impact on likelihood of occurrence of IPO underpricing. To conclude, although the present study conveys that, board-related corporate governance mechanisms viz. gender diversity and nature of board leadership may be statistically significant predictors of IPO underpricing.

Bhatta, (2019) looks at investors' opinions about initial public offerings (IPOs) in Nepal. After a thorough analysis of each factor and all of its subfactors, it was discovered that a number of factors, including market information, company performance, goodwill, and quality management, are correlated with one another and significantly influence how general investors perceive certain situations when making decisions about investments. The mean value of the factors that investors evaluated before making an investment was  $1.5655 \pm .18$ , with corporate goodwill ranking 28th among them. Information about the

market and company performance were ranked higher. Males are more likely than females to invest in initial public offerings (IPOs), according to the study's findings. In Nepal, the share market is dominated by men.

Pokharel (2018) tried to survey of investor's preference on stock market: A case of Nepal stock exchange. In order to gather information from randomly chosen respondents, this study employed a structured questionnaire and survey research methodology to ask people questions about their opinions, attitudes, and behaviors. The study's target population consisted of all the approximately one million investors that were selected from NEPSE. The findings showed that investors were discovered to be interested in secondary markets for investments. The primary factors influencing share selection are high earning rate and liquidity. Investors believe that broker advice and index movement are the most important aspects when making an investment decision in the NEPSE secondary market. The daily newspaper's news and current market conditions are thought to have the least impact on investing decisions. The respondents' top priorities for motivational reasons were capital gains.

Vakil (2018) examined the reactions of investors to initial public offerings (IPOs) and the performance of these transactions on the stock market. The study examined how satisfied investors were with an initial public offering (IPO) in the Indian capital market, as well as how much risk and return they felt they were getting. And to 21 evaluate initial public offerings' success rate and post-issue performance. The study also looks for factors influencing investors' choices about the initial public offering (IPO) of each company. There were 150 participants in the experiment in all, and both descriptive and analytical research methods were used to analyze the data. The paper claims that investors are more willing to evaluate initial public offerings (IPOs) by looking at how risk and return are related.

Vijayan (2018) determined whether the IPO is overpricing or underpricing by looking at the Factors Influencing IPO Overpricing and Underpricing in the Global Stock Market. For the paper study, secondary data was gathered. Various papers published between 2002 and 2018 make up the sample. Thirty percent of the articles that are analyzed have nothing to do with IPO overpricing and underpricing, whereas sixty percent of the articles deal with IPO underpricing, nine percent with IPO overpricing, and one percent with both. Because of the analysis, in the majority of the publications, IPO underpricing

predominates over overpricing. Numerous publications pertaining to initial public offerings (IPOs) are examined, and the variables influencing their prices are determined.

Adhikari (2017) made an effort to determine the factors impacting the behavior of individual investors during Nepal's initial public offering (IPO) in his study. The primary objective of the study is to analyze and examine investor views and the factors influencing individual investor behavior during initial public offerings (IPOs) in Nepal. Both exploratory and descriptive research designs were employed in this study. 100 respondents completed a questionnaire to provide primary data, which was gathered by convenience sampling. According to the study, the most crucial factors to consider before making an IPO investment decision are sector specialization, preferred 19 sources of information, demographic trends among investors, and capital appreciation. Public awareness of initial public offerings (IPOs) and stock exchange investments will increase with the adoption of interest, social media, mobile marketing, and awareness programs.

Bajo and Raimondo (2017) examined media opinion and IPO underpricing. Textual analysis was utilized to assess 2814 U.S. first public offers (IPOs) between 1995 and 2013, thereby identifying the sentiment (tone) of about thirty thousand articles (from around five hundred newspapers). Positive newspaper tones are positively correlated with first-day returns, according to the investigation. This effect is very significant and has economic significance because one standard deviation increase in the tone is associated with a 2.5% increase in the degree of underpricing. Positive tones are positively connected with IPO underpricing, according to an examination of 2814 US IPOs and roughly 30,000 newspaper stories. When news is reported by more reliable publications or in the lead-up to the IPO, this effect is magnified.

Khatri (2017) examined the variables affecting investors' initial public offerings (IPOs) with the main objectives of learning why investors invest in IPOs, what motivates them to do so, and what problems arise when they do. A structured questionnaire was used to collect primary data in order to identify relevant information. In order to analyze the data, both descriptive and inferential statistics are used. The majority of investors, according to the survey, take initial public offerings (IPOs) as advised by their brokers. The results of the data analysis indicate that the majority of respondents found the IPO process to be difficult. The analysis suggests that confusing allocation and reimbursement delays are the investors' primary complaints.

Srinivas and Rao (2017) aimed to identify the factors impacting the choices made by ordinary retail investors to participate in initial public offerings (IPOs). The study shows that safety and financial appreciation are the main reasons people invest. Higher annual returns are another factor that motivates investors to take part in initial public offerings (IPOs). Less than three months is the average duration during which the majority of respondents invest their assets. Through an IPO, they subscribe for shares in the primary market and subsequently sell them for a higher profit in the secondary market. Investors should think about making long-term investments because they reduce risk and increase profit. Additionally, while making an investment in an IPO, the business's fundamentals are an important factor to take into account.

Regmi (2017) conducted a study with the goals of determining the primary share issue market's existing state, examining its growth, and analyzing the public's reaction to the initial public offering. According to Regmi's summary of his results, the public's reaction to the security market is strong since there are few investment possibilities and people are drawn to shares because they will improve their investment worth. They are becoming more knowledgeable about the stock market and understanding the value of investing in shares. This study shows that the public is responding favorably to nearly every area. It is evident that the public typically responds more favorably to major issues pertaining to the banking and financial sectors than to those pertaining to the industrial and services sectors.

Shrestha (2016) studied "public response to primary issue of shares in" The investigation revealed a recent expansion of the major market. Ordinary people also significantly participate in new share offers with their funds, which leads to a large oversubscription. The primary market's expansion is positive, according to the report's conclusion, since numerous public limited companies—including joint venture banks—have been successful in generating money by offering their shares for public purchase. The increasing public trust in the primary market was reflected in the investors' positive responses to the businesses. The general public just takes advantage of everything that is offered to them, regardless of the company's viability or the background of the promoter.

Kunwar (2016) In order to determine investor attitudes and awareness of initial public offerings (IPOs) in Nepal and to investigate the factors influencing IPO investment decisions, the study looked at individual investors' awareness, perceptions, and

investment decisions about IPOs. Both descriptive and inferential analysis were used in the study. 116 respondents provided their primary data, which was gathered by practical sampling techniques. The study found that initial public offerings (IPOs) were viewed favorably by investors in Nepal. Along with showing that investor impressions of initial public offerings (IPOs) and knowledge levels were unchanged by gender, age, occupation, or monthly income level, the poll also revealed that investor awareness levels were significantly greater than necessary.

Sarwar and Darwin (2016) conducted the study on investor's attitude towards the stock market: A study in Dhaka city, Bangladesh to find out investors' attitude towards 18 stock market. The study found that there was an association between educational qualification of investors and their attitudes. But in case of other selected demographic and socioeconomic variables (age, gender, income level and investment level) there was no association between these variables and investors' attitude. Furthermore, investors have used different sources for their investment decisions, where study reveals that investors give most importance to FM radio and least importance to television talk show as source of information. In this study six demographic and socio-economic variables have been used to find out the association with investors' attitude.

Singh and Yadav (2016) Researchers studied the characteristics Influencing Investors' Decisions in Investing in Equity Shares in Jaipur and Moradabad, with a focus on gender, in order to find characteristics that motivate and inspire investors to invest in shares. Convenience sampling was used to choose 100 individual investors for the empirical investigation. A questionnaire was utilized to collect the data, which included both primary and secondary sources. The results of the study demonstrate that when purchasing equity shares, investors male and female alike are worried about previous dividend payments made by companies. Male investors research financial figures such the P/E and D/P ratios, the company's current financial situation, the daily reports provided by stock exchanges, the company's previous bonus payments.

Pandey (2015) conducted a study titled "Public response to primary issue of shares in Nepal." The objectives of the study were to determine the reasons for variance, identify the challenges faced by the primary shared issue market, evaluate the expansion of the primary issue market, and analyze the pattern of public response to shares. According to Mr. Pandey, his findings were as follows: The paucity of investment opportunities in

other industries led to a robust response from the public in the main market. There was no in-depth study of the investments done. In spite of this, shares continued to attract more public interest than other industries

Jacob and Agarwalla (2015) investigated the question, Does Mandatory IPO Grading Help Pricing Efficiency? In order to represent different firm, issue, and market features, the study uses 17 dependent variables in cross-sectional regressions of the measures of underpricing and demand. The sample of graded initial public offerings (IPOs) covered in the study consists of 182 issues spanning the 6-year period between October 2005 and September 2011. The study found no evidence that grading affected IPO price or demand. Grading, which is intended to guide individual investors, doesn't appear to have an impact on demand. Grades do not influence the effectiveness of IPO pricing, despite the fact that they appear to influence institutional investor demand. Compared to the ungraded issues, the issues that have been graded

Nagtilak and Kulkarni (2015) Examined how investors in Mumbai felt about initial public offerings (IPOs) in order to find out about their confidence, investing preferences, and knowledge about IPOs. They also examined investor sentiment regarding the IPO process and regulatory requirements. The research is based on primary and secondary data. Convenience sampling was used to collect primary data, which was obtained from 100 respondents who filled out a questionnaire. as well as secondary information from other publications, journals, and libraries. According to the report, IPOs are not risky investments. Investors have shown a great deal of faith in initial public offerings (IPOs), with many of them being the preferred option. Investors also carefully evaluated factors like market share, goodwill, the company's current financial status, and broker recommendations.

Khadka (2014) finalized a study titled "Nepal surveyed: issues in local bond market development". His research's principal discovery was how underdeveloped the financial sector was. Though prices did not correspond with market conditions, the government market was more developed. The degree to which issuers, investors, and intermediaries were informed about dealing with securities at the primary and secondary market levels was evident in the stage at which the equity markets were developing. While the country's overall market was still developing, the Nepal Stock Exchange (NEPSE) had only been founded on January 13, 1994. The organization was not-for-profit and owned by the

government. By global standards, the stock market was quite small. After about 12 years of establishment, just 129 companies have been listed.

Chawla and Joshi (2014) studied the retail investor's perception for factors affecting primary market and effect of demographic profile of investors on the perception and the problem faced by retail investors during investment in IPOs. Primary data was collected through questionnaire from 175 retail investors from Surat city during 2013-2014. The study was descriptive and convenience sampling technique was used. The study revealed that the most important factors investors consider while investing in primary market are company goodwill, current financial position of company, whereas demographic factors did not influence the investment decision. The study also revealed the major difficulties faced by the investor in IPOs: refund related problems, delay in allotment of share and lack of transparency while applying in primary market.

Leila and Farshid (2014) Factors Affecting the Price of Shares in the Tehran Stock Exchange's Initial Public Offering (IPO). The researcher's major goal was to investigate if the pricing of first offerings on the Tehran Stock Exchange is lower than actual, as well as to investigate the elements that influence the pricing of initial shares on the stock exchange. The survey comprised 115 stock market companies from 2006 to 2012. The researcher determined that the P/E variable has a substantial relationship with price variations on initial offerings, with the greatest impact on the price of initial offerings.

Rakesh and Srinivas (2013) studied the investor's attitude towards insurance with evidence from Visakhapatnam to examine the investor's socio-economic status, its impact on their attitude towards insurance products and important parameters that investors think about before investing in insurance products. They also try to suggest the company in adopting the methods to improve the customer's attitude towards the insurance products. The primary data was collected from 150 respondent by applying 16 chi-square test. The study revealed that investor attitude towards insurance product totally depends on the reasons which are considered as factor for forming of risk. The factors are political situation, attitude of Government towards FDI, overall investment climate, schemes portfolio of investment, minimum investment and most importantly investor guidance where null hypothesis is accepted. Therefore, when investors are guided properly towards their financial goal with suitable schemes and plans, they can be persuaded to invest in insurance. The study recommend that the company should publish their financial profile

transparently and timely and lunch product as per the peoples comfort zone. Advertising should be more creative and product oriented that gives sense of belongingness towards customers.

Bhattarai (2012) has conducted a study with the primary goal of evaluating public reaction to the initial public offering. However, the study also looked into the IPO's trading method and location. The study relied on both primary and secondary data. Primary data was acquired by direct questionnaires distributed to general investors, while secondary data was gathered from SEBON, NEPSE, and other institutions' publications. The survey revealed that while most general investors in Nepal lack considerable information about the primary market, they are nevertheless eager to participate in it. It was also discovered that practically every sector received positive feedback from the people. Financial institutions and insurance businesses were becoming more attractive.

Neupane and Poshakwale (2012) conducted a study on transparency in IPO mechanism: Retail investors' participation, IPO pricing and returns with the basic objective to examine the retail investors' participation, their influence on IPO pricing and the returns they make on IPO investment. The sample size of the research was 306 book building and auction IPOs listed on the Bombay Stock Exchange (BSE) and/or the National Stock Exchange (NSE) of India over a 10year period from January 2001 to December 2010. The researcher has used the descriptive statistics to analyze the data. The study shows that the participation of retail investors is significantly influenced by the participation of institutional investors. It also finds that favorable demand by retail investors is positively associated with a high IPO price even after controlling for demand by institutional investors. Further, the study reveals that due to aggressive bidding by overconfident investors, retail investors are, on average, unlikely to make positive allocation weighted initial returns even in a setting where they do not have to compete with institutional investors.

Singh (2012) conducted a study to determine how investors felt about initial public offerings (IPOs). According to the survey, when investing in initial public offerings (IPOs), investors consider five key factors: the company's image, size, previous IPO performance, pricing, and current market conditions. Males prefer to invest in smaller numbers, whereas females are more speculative. Furthermore, he discovered that investors who invest the most money typically base their decisions on growth and profits,

whereas those in the lowest investment bracket base their decisions on growth and place little value on the number of years the company has been in business, whereas it is a significant factor for the middle investor bracket.

Shiwakoti (2012) A study on the "effect on share price before and after right offering" indicated that shareholders of Nepalese financial organizations lack relevant 21 knowledge about the right shares and their impact on wealth position. As a result, the free movement of share prices during and after the rights were not confirmed. The study also discovered that, hypothetically, following the issuance of rights, corporate earnings per share decreased. However, if the corporation used the rights offering to raise cash effectively, earnings per share increased. The study yielded similar results as the previous study.

Paudel (2012) conducted a study on "public response to IPO in" with the following objectives: identifying the IPO dealing procedure, examining the IPO pace, and analyzing the public response to the IPO. He used both primary and secondary data sources. The study found that, despite their lack of understanding of the primary market, ordinary investors in Nepal remained interested in engaging in it. They expressed more interest in the financial industry than in the non-financial sector. The research also stated that the rate of initial public offerings appears to have been irregular. Despite the lengthy procedure of the organization's public offering, the service provided to investors looks to be outstanding. The stock market received a great response from the public.

Bennet, et al. (2011) The Investors' Attitude on Stock Selection Decision study examined investors' perceptions of the numerous aspects that influence equity stock selection decisions. The study was primarily based on primary data. Using a Structured Questionnaire, the necessary information was gathered from retail investors residing in Tamil Nadu between May and September 2010. The study's focus was on description. The sample size comprised 400 retail investors from ten different Investment Centers. The study's analysis showed that the average value of the five elements, which are Return on Equity, Quality of Management, Return on Investment, Price to Earnings Ratio, and other company ratios, affected decision makers. Other five variables, namely: 15 Recommendation by Analyst, Broker, and Research Report, Recommended by Friend, Family, and Peer, Geographical Location of the Company, and Social Responsibility, were accorded the lowest priority.

Rajrajan (2010) studied about investor's lifestyle and their investment characteristics to identify and analyze the relationship between investor's lifestyle and their investment pattern. Data were collected from 405 investors in Madras using questionnaire method. The investors were classified into 3 groups viz active investors and passive investors. Cluster analysis, correspondence analysis and Kruskal Wallis test was used to study the association between lifestyle groups and the various investment related characteristics. The study revealed that the level of expense earnings and investment were associated with the size of household. Active investors group by professional. The expected rate of return from investments varied between investment styles.

Vaidya (2010) A study on "stock market movements and behavior" revealed that listed businesses' profitability, dividend, bonus, and right share announcements had a substantial impact on the overall NEPSE index movement. Investors were showing dividends following the NEPSE movement, but the amount of dividends was too small in proportion to the market price of shares, according to primary data analysis. The national political climate had a significant impact on market movement. The study discovered that the Nepalese stock market had a mid-July influence due to the month-of-the-year effect. Similarly, he discovered that the day-of-the-week effect caused the Nepalese stock market to be consistently pessimistic on Tuesdays.

Table 1

*Meta Table*

Source	Major findings
Rao and Babu (2023)	Its found that decision differ demographics characters such as age gender, occupation. computer literacy, access of internet.
Muspa (2023)	The findings reveled a positive relationship between leverage and dividend policy.
Ali (2022)	Its found that managerial traits firms specific factor, earning management, business policies, CEO attributes & compensation, financial transparency are micro-level factors that affect the likelihood of a stock market crash.
Putri et al. (2022)	The study find that a positive relationship between earning volatility and stock price volatility.
Gnawali (2021)	All independent variables, with the exception of psychological aspects, had positive relationships, according to the results.
Gnawali and Niroula (2021)	The research findings indicate that quality management, company goodwill, performance, industry, and market knowledge are important considerations when deciding which IPO to invest in.

D.M &S (2019)		In order to avoid risk, conservative investors adopt a low risk tolerance, moderate investors adopt a medium risk tolerance, and aggressive investors use a high risk investing strategy, according to the study's conclusion.
Singh. al.(2019)	et	The study reported that presence of woman director on board increase the likelihood of IPO underpricing in contrary to independent directors furthermore, board-related corporate governance mechanism viz gender diversity may be statistically significant predictors of IPO underpricing.
Vakil (2018)		As to the study, investors assess initial public offerings (IPOs) based on the correlation between risk and return. Due to the increased return, corporate profile, anticipated future growth, and cost, they invest. Additionally, an IPO yields higher returns over time as opposed to a brief period of time.
Vijayan K. R (2018)	and	The result of the analysis stated that IPO underpricing predominates overpricing in most of the article, Large number of article dealing with IPO pricing are analyzed and factor affecting IPO pricing are identified.
Pokharel (2018)		Result showed that investors preference for investment in listed companies of share were the liquidity and high rate of return and the influencing factor of investment decision was brokers advice rather than the investors solo decision.
Adhikari (2017)		The study discovered that the most crucial factors to consider before making an IPO investment decision are capital appreciation, demographic trends, and preferred information sources.
Bajo Raimondo (2017)	and	The result of the analysis stated that positive tones are positively associated with IPO underpricing which effect is stronger when news is reported close to the IPO date or by more reputable newspaper
Singh Yadav (2016)	&	The paper concluded that fundamental, technical and financial analysis are the main factor before investing in the share. Company profit, BOD member, day to day news performance of company are also considered.
Sarwar Darwin (2016)	and	The study found that age, gender, income level (yearly), investment level have no association with the attitude of investors towards stock market. But educational qualification has an association with the investors attitude towards stock market
Kunwar (2016)		The study found that there positive perception and awareness level was well toward IPO in Nepal. It was clearly said that the perception and awarness level of investors IPO in different based on their gender, age, occupation, and monthly income.
Jacob & Agarwalla (2015)		The finding reveled that there was no any significant impact of grading on IPO pricing or demand

Nagtilak and Kulkarni (2015)	According to the study, investing in initial public offerings (IPOs) is not hazardous. Before investing in an initial public offering (IPO), investors gave careful consideration to issues such the company's goodwill, market share, and present financial situation, as well as broker recommendations and media reports.
Chawala and Joshi (2014)	The study reveled that the company good will, current financial status are the important factors while investing in primary market, Refund related problem, delay in allotment of share and lack of transparency are the major issue
Leila & Farshid (2014)	The researcher came to the conclusion that the P/E variable had the greatest influence on IPO pricing and had a substantial relationship with price movement on IPOs.
Rakesh and Srinivas (2013)	The study showed that there was positive attitude towards insurance. When investors were guided properly towards their financial goal with suitable scheme and plans they can be persuaded to invest in insurance.
Neupane & Poshakwale (2012)	The study reveled that the demand by tetail investors play positive role in a high IPO price. Further the study found that due to aggressive bidding, retail investors unlikely to make positive initial return where they do not have to compete with institutional investors
Bennet, etal. (2011)	The study found that ROE, P/E ratio quality of management, Return on investment and various ratios of the company influenced the decision maker
Rairajan (2010)	The study reveled that the level of expenses earning and investment were associated with the size of household. The expected rate of return from investment varied between investment styles.

## 2.4 Research Gap

Many research studies have been conducted by different students, experts and researchers about Public Response to Initial Public Offering (IPO) in Nepal. This research was only for academic purpose. Most of the researcher were made a questionnaire and distributed through online in which researcher were unable to interact with respondents but In this research questionnaire were made and physically distributed to public of Kathmandu valley and also most of the researcher made a questionnaire of only 15 questions but In this research questionnaire were made of 25 questions which helps to collect accurate, reliable and valid data from respondent.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

Research methodology refers to the procedures or strategies used to find, select, process, and analyze information about a topic. The methodology portion of a research report allows the reader to objectively assess a study's overall validity and dependability. Research methodology is a way to systematically solve the research problem. In other words, research methodology describes the method and process apply in entire aspect of the study. Research methodology simply refers to the practical “how” of a research study. A focus is given to research design, sample selection and size, data collection procedure, data processing, definition of variables, meaning and definition of statistical tools used.

#### **3.1 Research design**

The general plan or strategy that unifies the many elements of a research effort is called research design. It include defining the research challenge, deciding on the best procedures for gathering and analyzing data, and figuring out the instruments and strategies needed to successfully address the research questions. Because it guarantees the validity, reliability, and precision of the findings, research design is essential.

#### **3.2 Population, sample and sampling design**

Population refers to the universe of research study in which research is based and sample refers to the some elements of the population which helps to draw conclusion about entire population. if population is large then researcher is selected the sample to undertake the study. To derive conclusions from the entire population, sample. The focus of the research is on how investors in Nepal responded to the country's first public offering. An initial public offering (IPO) questionnaire is created and physically given to the public in order to get feedback. Every investor in the Kathmandu Valley is included in the sample, with a population size of 100. Samples were taken as a convenient sampling approach in order to conduct the investigation. Convenience sampling is the practice of choosing samples based on available information rather than judgment or probability. Pre-testing of the questionnaire and descriptive study were conducted.

### **3.3 Nature and sources of data collection**

The required data and information for the study will be collected from both primary and secondary sources. 10 years of data from FY 2013/14 to FY 2032/23 is taken for study. The secondary data will be collected from related books, magazines, journals, articles, reports, bulletins, data from NEPSE index, report of SEBON, Brokers Nepal Rastra Bank, Central Bureau of Statistics, related website, vlog, internet, ChatGPT as well as expert view. The primary data will be collected by using structured questionnaires and asked to the public who invest their money in IPO.

### **3.4 Data collection and processing procedure**

After collecting the required data from related books, magazines, journals, articles, reports, bulletins, data from NEPSE index, report of SEBON, Brokers Nepal Rastra Bank, Central Bureau of Statistics, related website, vlog, internet and public view etc. In order to process data, NEPSE index, Trading reports of NEPSE, Annual reports of SEBON, Economic survey, Nepal Rastra Bank's Economic Report were reviewed. These data were grouped in different tables, figures, diagrams and pie-charts according to their nature. Most of the data have been compiled in one form and processed and interpreted as required.

The essential data are sourced from their primary sources. Primary sources provided the vast majority of the data required to carry out this investigation. By means of a questionnaire, data was acquired. Participants in the research are selected from the Kathmandu valley who have firsthand experience dealing with investors. Every investor receives an in-person questionnaire. After primary data is collected, it is displayed in a table for analysis with MS Excel applications and other statistical tools.

### **3.5 Data analysis tools and techniques**

This study is based on both primary and secondary data. Statistical methods were employed to assess the questionnaire data, and the results are presented. Data collected from respondents were coded and collated in MS Excel. MS Excel is a tool for quantitative data entry and analysis. Statistical approaches are used to examine various factors based on information. Table, Chi-square, and percentage of tastes

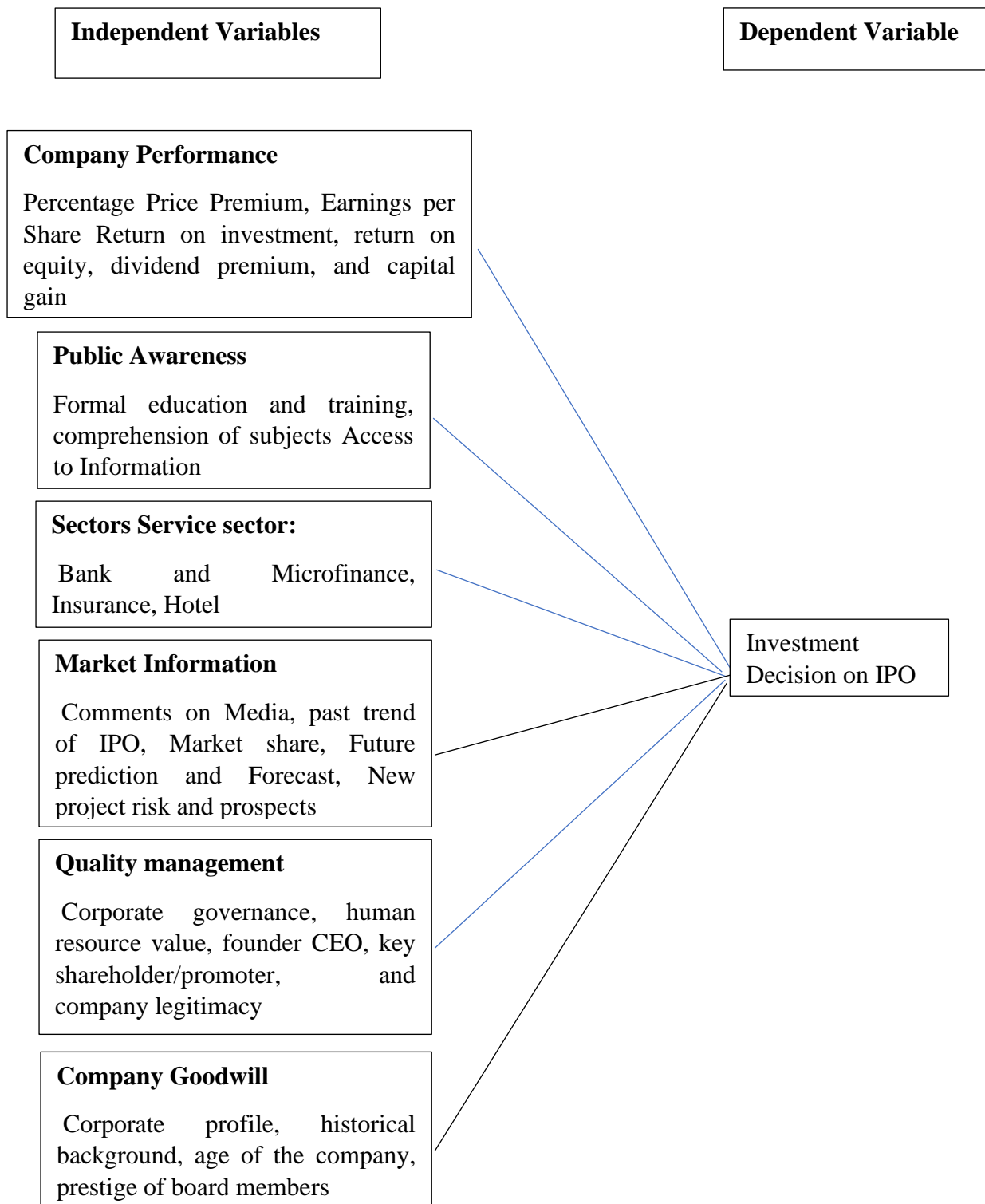
- **Percentage Analysis**

Percentage analysis is a statistical method that expresses a subset of data as a percentage of the whole, providing information about the relative importance or distribution of distinct variables. In research, it is widely used to compare categories, demonstrate patterns, and simplify big data sets.

- **Chi-square Analysis**

Any statistical hypothesis test in which the null hypothesis is true and the test statistic's sampling distribution is chi-squared is known as a chi-squared test. The term 'chi-squared test' is frequently used interchangeably with Pearson's chi-squared test, without more explanation. To find out if there is a significant discrepancy in one or more categories between the expected and observed frequencies, the chi-squared test is utilized. In this research chi-squared test is used for the test of relationship between different variable and investment decision of investor.

### 3.6 Research Framework



(Source: Vijayan, 2018)

Figure 1 Research Framework

## **Definition of variable**

- **Formal Education and Training**

In Nepal, formal education and training in Initial Public Offerings (IPOs) and the broader securities market are important for professionals working in finance, banking, investment, and related fields. Although there are no specific degree programs solely focused on IPOs, education and training are typically provided through various institutions, courses, and professional certifications. Many universities in Nepal, such as Tribhuvan University, Kathmandu University, and Pokhara University, offer BBS, BBA, MBS, MBA or Finance programs. These programs often include courses on financial markets, investment, and corporate finance, providing foundational knowledge relevant to IPOs. Formal education and training in IPOs in Nepal are embedded within broader finance and business programs at universities and through professional certifications. Institutions like SEBON, NEPSE, and various professional bodies also provide targeted training and workshops to ensure that finance professionals are well-versed in the IPO process and related regulations. Continuous education and practical exposure through these programs are essential for anyone looking to specialize in the field of IPOs and capital markets in Nepal.

- **Access to information**

Access to information about IPOs in Nepal is facilitated through various online and offline channels, including regulatory bodies like SEBON and NEPSE, issue managers, financial institutions, and media, through friend & relatives, through brokers ,through newspaper and so on. Various sources provide detailed information about upcoming, ongoing, and past IPOs in Nepal. By utilizing these resources, investors can stay informed about upcoming IPOs, understand the application process, and make informed investment decisions.

- **Sectors to investment**

Investing in Initial Public Offerings (IPOs) in Nepal can be a strategic way to participate in the growth of various sectors within the economy. However, choosing the right sector is crucial to maximizing returns and minimizing risks. Some of the key sectors to consider when investing in IPOs in Nepal are: Banking and Financial Services, Hydropower, Insurance, Microfinance, Manufacturing, Tourism and Hospitality and so on.

- **Company Performance**

Evaluating a company's performance before investing, especially in an IPO, is crucial. Below are the key aspects you should consider when assessing a company's performance like: Earnings Per Share (EPS), Return on Equity (ROE), Return on Assets (ROA), Cash Flow, Corporate Governance, Dividend Yield, Dividend Payout Ratio, external factors. Analyzing a company's performance involves a comprehensive review of its financial health, market position, operational efficiency, and management quality. By carefully assessing these factors, you can make more informed decisions about whether to invest in a company's IPO. Additionally, consider the company's growth potential, risks, and how it compares to its industry peers. Investing with a clear understanding of these elements can help you achieve better outcomes and align your investments with your financial goals.

- **Quality management**

Quality management plays a significant role in the success of an Initial Public Offering (IPO) in Nepal. A company with a strong quality management system (QMS) is likely to have higher investor confidence. Investors are more willing to invest in a company that consistently delivers high-quality products or services, as it indicates reliability and long-term viability. Quality management has a profound impact on a company's ability to successfully launch an IPO in Nepal. It not only boosts investor confidence but also enhances the company's financial performance, compliance, customer satisfaction, and overall market position. A strong commitment to quality can lead to a more favorable IPO outcome, both in terms of initial demand and long-term stock performance. For companies in Nepal planning to go public, investing in robust quality management systems is essential for achieving a successful IPO.

- **Company Goodwill**

A company's goodwill significantly impacts investment decisions in Nepal, just as it does in other markets. Goodwill represents the intangible value of a company beyond its tangible assets, including its brand reputation, customer relationships, and overall market presence. Companies with strong goodwill often have well-established brands and positive reputations. This can enhance investor confidence, as a reputable brand is seen as more stable and capable of sustaining long-term profitability. Goodwill significantly impacts investment decisions in Nepal by influencing investor confidence, company valuation, revenue stability, and overall market perception. Companies with strong

goodwill benefit from enhanced brand value, customer loyalty, and operational efficiency, which makes them more attractive to investors. Effective management of goodwill can lead to higher valuations, better investment opportunities, and long-term growth prospects. For companies planning an IPO or seeking investment, maintaining and leveraging goodwill is crucial for achieving favorable investment outcomes.

## **CHAPTER- IV**

### **RESULTS AND DISCUSSION**

#### **4.1 Results**

This chapter discusses the results of the analyses performed during the data collection method. It deals with the analysis and interpretation of primary data collected from 100 respondents via a questionnaire. This chapter describes the main part of the study, which includes a detailed presentation and analysis of data acquired from various sources. The statistics and information are shown and analyzed using tables. This chapter covers the findings from the data processing, analysis, and interpretation processes. A variety of statistical instruments are used to assess the collected data and information. It consists of two sections: results and discussion.

##### **4.1.1 Analysis of Secondary Data:**

To analysis secondary data 10 years data are collected. Secondary data are collected from the annual reports of SEBON from FY 2013/14 to 2022/23, websites of SEBON.

##### **4.1.1.1 Amount of Public Issue**

Public issue refers to the process of offering new securities (such as shares or bonds) to the general public in order to raise capital. Companies usually undertake public issues to fund expansion, pay off debts, or for other corporate purposes. From Fiscal year 2013/14 to 2022/23 amount of public issue is Rs 492.2 billions.

Table 2

*Amount of Public Issue* (Rs. In billions)

Fiscal year	Amount of Public issue	% of Public Issue
2013/14	7.27	1.48
2014/15	14.44	2.93
2015/16	18.99	3.86
2016/17	59.39	12.06
2017/18	53.3	10.83
2018/19	49.76	10.11
2019/20	33.64	6.83
2020/21	108.74	22.1
2021/22	50.63	10.29
2022/23	96.04	19.51
Total	492.2	100

Source: SEBON Annual Report

Table 2 shows that FY from 2013/14 to 2022/23 SEBON has amount of public issue is 492.2 billions. In 2013/14 amount of public issue is 7.27 (1.48%), In 2014/15 amount of public issue is 14.44 (2.93%), In 2015/16 amount of public issue is 18.99 (3.86%), In 2016/17 amount of public issue is 59.39 (12.06%), In 2017/18 amount of public issue is 53.3 (10.83%), In 2018/19 amount of public issue is 49.76 (10.11%), In 2019/20 amount of public issue is 33.64 (6.83%), In 2020/21 amount of public issue is 108.74 (22.1%), In 2021/22 amount of public issue is 50.63 (10.29%), In 2022/23 amount of public issue is 96.04 (19.51%)

#### **4.1.1.2 Number of Public issue**

Table 3 shows the number of issue approved during the period 1993 to 2008/09. Highest number of public issue is 101 in FY 2016/17 and Lowest number of public issue is 34 in FY 2019/20

Table 3

*Number of Public issue*

Fiscal year	No. of public issue	% of Public
2013/14	45	7.1
2014/15	48	7.57
2015/16	55	8.68
2016/17	101	15.93
2017/18	87	13.72
2018/19	65	10.25
2019/20	34	5.36
2020/21	61	9.62
2021/22	56	8.83
2022/23	82	12.93
Total	634	100

Source: SEBON Annual Report

Table 3 shows that FY from 2013/14 to 2022/23 SEBON has public issue 634 issues in total. In 2013/14 number of public issue is 45 (7.1%), In 2014/15 number of public issue is 48 (7.57%), In 2015/16 number of public issue is 55 (8.68%), In 2016/17 number of public issue is 101 (15.93%), In 2017/18 number of public issue is 87 (13.72%), In 2018/19 number of public issue is 65 (10.25%), In 2019/20 number of public issue is 34 (5.36%), In 2020/21 number of public issue is 61 (9.62%), In 2021/22 number of public issue is 56 (8.83%), In 2022/23 number of public issue is 82 (12.93%)

#### **4.1.2 Analysis of Primary Data**

Questionnaires with a sufficient number of questions were created in order to gather primary data and fulfill the study's goal. One hundred investors were given the questionnaires in order to gather firsthand knowledge. Investor reactions to the primary market and initial public offering (IPO) vary, and the following analysis is done on their responses:

#### 4.1.2.1 Know about IPO

While getting information about if people had know about IPO from 100 respondents, 79% said yes, of course, 10% said they know a little about it, 11% said that they know very much and no one 0% said they never heard about IPO

Table 4

##### *Know about IPO*

	No. of Respondents	Percentage (%)
a) Yes, of course	79	79%
b) A little	10	10%
c) Very much	11	11%
d) Never heard	0	0%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 1

Null hypothesis H0 = There is no significant different between knowing about IPO and investment decision of the different respondents.

Alternative hypothesis H1 = There is significant different between the knowing about IPO and investment decision of the different responding.

Calculated  $\chi^2$  Chi-square test = 158.48

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.82.

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means that there is significant difference between the knowing about IPO and investment decision of the different respondents.

#### 4.1.2.2 Taken any formal course or training related to IPO

While getting information about if people took any formal course or training related to IPO from 100 respondents, 22% said yes they took formal course or training and 78% said no, they don't took any formal course or training related to IPO.

Table 5

*Taken any formal course or training related to IPO*

		No. of Respondents	Percentage (%)
a)	Yes	22	22%
b)	No	78	78%
Total		100	100%

Source: Field Survey, 2024

### Hypothesis 2

Null hypothesis H0 = There is no significant different between taking any formal course or training related to IPO and investment decision of the different respondents.

Alternative hypothesis H1 = There is significant different between taking any formal course or training related to IPO and investment decision of the different respondents.

Calculated  $\chi^2$  Chi-square test = 31.36

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which there is significant different between taking any formal course or training related to IPO and investment decision of the different respondents

### 4.1.2.3 Nepal's present condition for invest in IPO

While getting information about if Nepal's present condition is suitable for invest in IPO from 100 respondents, 57% said yes present condition is suitable to invest in IPO and 43% said no present condition is not suitable invest in IPO.

Table 6

*Nepal's present condition for invest in IPO*

		No. of Respondents	Percentage(%)
a)	Yes	57	57
b)	No	43	43
Total		100	100%

Source: Field Survey, 2024

### Hypothesis 3

Null hypothesis H0 = Nepal's present condition is suitable of the investment in IPO

Alternative hypothesis H1 = Nepal's present condition is not suitable of the investment in IPO

Calculated  $\chi^2$  Chi-square test = 1.96

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is less than tabulate value, it means null hypothesis is accepted. hence alternative hypothesis is rejected which means Nepal's present condition is suitable for invest in IPO

#### 4.1.2.4 Getting information to invest in IPO

Out of 100 respondents, 40% said they get information through media, 48% said they get information through friend & relatives, 4% said they get information through brokers and 8% said they get information from others source.

Table 7

*Getting information to invest in IPO*

	No. of Respondents	Percentage (%)
a) Through media	40	40%
b) Through friend & relatives	48	48%
c) Through brokers	4	4%
d) Others	8	8%
Total	100	100%

Source: Field Survey, 2024

### Hypothesis 4

Null hypothesis H0 = There is no significant different between getting information to invest in IPO

Alternative hypothesis H1 = There is significant different between getting information to invest in IPO

Calculated  $\chi^2$  Chi-square test = 59.36

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted respondents there is significant different between getting information to invest in IPO

#### 4.1.2.5 Past experience of investment in IPO

Out of 100 respondents 90% said they have past experience of investment in IPO and 10% said they don't have past experience of investment in IPO.

Table 8

##### *Past experience of investment in IPO*

	No. of Respondents	Percentage (%)
a) Yes	90	90%
b) No	10	10%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 5

Null hypothesis H0 = There is no significant different between past experience to invest in IPO

Alternative hypothesis H1 = There is significance different between past experience to invest in IPO

Calculated  $\chi^2$  Chi-square test = 64

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted its means there is significant different between past experience to invest in IPO

#### 4.1.2.6 Market to preferred to make investment

Out of 100 respondents 55% said they preferred to invest in primary market (IPO) and 45% said they preferred to invest in secondary market

Table 9

*Market to preferred to make investment*

	No. of Respondents	Percentage (%)
a) Primary Market (IPO)	55	55%
b) Secondary Market	45	45%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 6

Null hypothesis H0 = Market helps to preferred to make investment decision

Alternative hypothesis H1 = Market don't helps to preferred to make investment decision

Calculated  $\chi^2$  Chi-square test = 1

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is smaller than tabulate value, it means null hypothesis is accepted hence alternative hypothesis is rejected its means Market helps to preferred to make investment decision.

**4.1.2.7 Aware about financial performance of companies**

Out of 100 respondents 20% said they aware little about financial performance, 56% said they aware moderate, 19% said they aware very much and 5% said they don't have aware about financial performance of companies.

Table 10

*Aware about financial performance of companies*

	No. of Respondents	Percentage (%)
a) Little	20	20%
b) Moderate	56	56%
c) Very much	19	19%
d) Not at all	5	5%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 7

Null hypothesis H0 = There is no significant different between awareness about financial performance of the companies to invest decision in IPO

Alternative hypothesis H1 = There is significant different between awareness about financial performance of the companies to invest decision in IPO

Calculated  $\chi^2$  Chi-square test = 56.88

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between awareness about financial performance of the companies to invest decision in IPO

#### 4.1.2.8 Sectors to invest

Out of 100 respondents 80% said they preferred to invest in financial sector and 20% said they preferred to invest in non-financial sector.

Table 11

*Sectors to invest*

	No. of Respondents	Percentage (%)
a) Financial	80	80%
b) Non-financial	20	20%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 8

Null hypothesis H0 = There is no significant different between sector to invest decision in IPO

Alternative hypothesis H1 = There is significant different between sector to invest decision in IPO

Calculated  $\chi^2$  Chi-square test = 36

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between sector to invest decision in IPO

#### 4.1.2.9 Financial sector to invest

Out of 100 respondents 58% said they preferred to invest in commercial Bank, 6% preferred to invest in Development Bank, 12% preferred to invest in Financial company and 24% preferred to invest in insurance company.

Table 12

##### *Financial sector to invest*

	No. of Respondents	Percentage (%)
a) Commerical Bank	58	58%
b) Development Bank	6	6%
c) Finance company	12	12%
d) Insurance Company	24	24%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 9

Null hypothesis  $H_0$  = There is no significant different between financial sector to invest decision in IPO

Alternative hypothesis  $H_1$  = There is significant different between financial sector to investment decision in IPO

Calculated  $\chi^2$  Chi-square test = 64.8

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between financial sector to invest decision in IPO

#### 4.1.2.10 Non-Financial sector to invest

Out of 100 respondents 13% said they preferred to invest in Hotels, 55% preferred to invest in Hydropower, 25% preferred to invest in Trading companies and 7% preferred to invest in other sector.

Table 13

*Non-Financial sector to invest*

	No. of Respondents	Percentage (%)
a) Hotels	13	13%
b) Hydropower	55	55%
c) Trading companies	25	25%
d) Others	7	7%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 10

Null hypothesis H0 = There is no significant different between non-financial sector to invest decision in IPO

Alternative hypothesis H1 = There is significant different between non-financial sector to invest decision in IPO

Calculated  $\chi^2$  Chi-square test = 54.72

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between non-financial sector to invest decision in IPO

#### 4.1.2.11 Limited number of people invest in IPO

Out of 100 respondents 4% said due to lack of money, 72% said due to lack of information, 23% said due to lack of knowledge and 1% said due to other region

Table 14

*Limited number of people invest in IPO*

	No. of Respondents	Percentage (%)
a) Lack of money	4	4%
b) Lack of information	72	72%
c) Lack of knowledge	23	23%
d) Others	1	1%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 11

Null hypothesis H0 = There is no significant different between limited number of people invest in IPO

Alternative hypothesis H1 = There is significant different between limited number of people invest in IPO

Calculated  $\chi^2$  Chi-square test = 129.2

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between limited number of people invest in IPO.

**4.1.2.12 Source of fund to invest in IPO**

Out of 100 respondents 94% said they used personal fund to invest in IPO and 6% said they used Loan/ credit to invest in IPO.

Table 15

*Source of fund to invest in IPO*

	No. of Respondents	Percentage (%)
a) Personal fund	94	94%
b) Loan/credit	6	6%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 12

Null hypothesis H0 = There is no significant different between source of fund to invest in IPO

Alternative hypothesis H1 = There is significant different between source of fund to invest in IPO

Calculated  $\chi^2$  Chi-square test = 77.44

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is no significant different between source of fund to invest in IPO

**4.1.2.13 Habit to read prospectus of the company before invest**

Out of 100 respondents 45% have habit to read prospectus and 55% have habit to not read prospectus before invest.

Table 16

*Habit to read prospectus of the company before invest*

	No. of Respondents	Percentage (%)
a) Yes	45	45%
b) No	55	55%
Total	100	100%

Source: Field Survey, 2024

### Hypothesis 13

Null hypothesis H0 = There is no significant different between reading prospectus to invest in IPO

Alternative hypothesis H1 = There is significant different between reading prospectus to invest in IPO

Calculated  $\chi^2$  Chi-square test = 1

The tabulated  $\chi^2$  at 5% level of significance for 1 d.f. is 3.841 Since, calculate value is smaller than tabulate value, it means null hypothesis is accepted hence alternative hypothesis is rejected which means = There is significant different between reading prospectus to invest in IPO.

#### 4.1.2.14 Firms do not like to going in public

Out of 100 respondents 4% said region behind firms do not like to going in public is due to obligation to mass share holder, 17% said due to enough capital generated internally, 21% said due to share profit with public, 34% said due to maintain monopoly and keep control and 24% said due to complexity in management.

Table 17

#### *Firms do not like to going in public*

	No. of Respondents	Percentage (%)
a) Obligation to mass share holders	4	4%
b) Enough capital generated internally	17	17%
c) Share profit with public	21	21%
d) To maintain monopoly and keep control	34	34%
e) Complexity in management	24	24%
Total	100	100%

Source: Field Survey, 2024

### Hypothesis 14

Null hypothesis H0 = There is no significant different between firm do not like to go in public

Alternative hypothesis H1 = There is significant different between firm do not like to go in public

Calculated  $\chi^2$  Chi-square test = 23.9

The tabulated  $\chi^2$  at 5% level of significance for 4 d.f. is 9.488

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between firm do not like to go in public

#### 4.1.2.15 Reasons behind over subscription in IPO

Out of 100 respondents 24% said due to lack of investment opportunity in other sector, 1% said due to high dividend distribution, 42% said due to low risk, 28% said due to high return within short period of time and 5% said due to other region.

Table 18

*Reasons behind over subscription in IPO*

	No. of Respondents	Percentage (%)
a) Lack of investment opportunity in other sectors	24	24
b) High dividend distribution	1	1
c) Low risk	42	42
d) High return within short period of time	28	28
e) Others	5	5
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 15

Null hypothesis H0 = There is no significant different between over subscription in IPO

Alternative hypothesis H1 = There is no significant different between over subscription in IPO

Calculated  $\chi^2$  Chi-square test = 55.1

The tabulated  $\chi^2$  at 5% level of significance for 4 d.f. is 9.488

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is no significant different between over subscription in IPO.

#### 4.1.2.16 Problem facing during invest in IPO

Out of 100 respondents 24% said there is problem in delay in allotment, 5% said they have refund problem, 20% said they have no clarity in allotment, 51% said delay listing NEPSE and 0% no one is facing other problem.

Table 19

#### *Problem facing during invest in IPO*

	No. of Respondents	Percentage (%)
a) Delay in allotment	24	24%
b) Refund problem	5	5%
c) No clarity in allotment	20	20%
d) Delay in listing in NEPSE	51	51%
e) Others	0	0%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 16

Null hypothesis H<sub>0</sub> = There is no significant different between problem facing during invest in IPO

Alternative hypothesis H<sub>1</sub> = There is significant different between problem facing during invest in IPO

Calculated  $\chi^2$  Chi-square test = 80.1

The tabulated  $\chi^2$  at 5% level of significance for 4 d.f. is 9.488

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between problem facing during invest in IPO

#### 4.1.2.17 Expectation to invest in IPO

Out of 100 respondent 46% expects stock dividend/Bonus share, 36% expect cash dividend, 15% expect right share and 3% expect in others.

Table 20

##### *Expectation to invest in IPO*

	No. of Respondents	Percentage (%)
a) Stock dividend/ Bonus share	46	46%
b) Cash Dividend	36	36%
c) Right Share	15	15%
d) Others	3	3%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 17

Null hypothesis H<sub>0</sub> = There is no significant different between expected to invest in IPO

Alternative hypothesis H<sub>1</sub> = There is significant different between expected to invest in IPO

Calculated  $\chi^2$  Chi-square test = 45.84

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means there is significant different between expected to invest in IPO

#### 4.1.2.18 Look before invest in IPO

Out of 100 respondent, 24% look corporate image/ goodwill, 12% look quality management/ company performance, 62% look future return and 2% look in others

Table 21

*Look before invest in IPO*

	No. of Respondents	Percentage (%)
a) Corporate image/ goodwill	24	24%
b) Quality management/ company performance	12	12%
c) Future return	62	62%
d) Others	2	2%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 18

Null hypothesis H0 = There is no significant different between looking before invest in IPO

Alternative hypothesis H1 = There is significant different between looking before invest in IPO

Calculated  $\chi^2$  Chi-square test = 82.72

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between looking before invest in IPO

**4.1.2.19 Factor motivate to invest in IPO**

Out of 100 respondent 8% motivate due to offering company is performing well in the market, 36% motivate due to low risk or Zero risk, 40 % motivate due to highest possibility to increase share price within a short period of time and 16% motivate due to very less chance to company failure

Table 22

*Factor motivate to invest in IPO*

	No. of Respondents	Percentage(%)
a) The offering company is performing well in market	8	8%
b) Low risk or Zero risk	36	36%
c) Highest possibility to increase share price within a short period of time	40	40%
d) Very less chance to company failure	16	16%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 19

Null hypothesis H0 = There is no significant different between factor motivate to invest in IPO

Alternative hypothesis H1 = There is no significant different between factor motivate to invest in IPO

Calculated  $\chi^2$  Chi-square test = 28.64

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is no significant different between factor motivate to invest in IPO

**4.1.2.20 How long have been making investment in IPO**

Out of 100 respondent 59% make investment in IPO less than 5 years, 34% make investment between 6 to 10 year, 2% make investment between 11 to 15 years and 5% make investment more than 15 years.

Table 23

*How long have been making investment in IPO*

	No. of Respondents	Percentage(%)
a) Less than 5 years	59	59%
b) 6 to 10 years	34	34%
c) 11 to 15 years	2	2%
d) More than 15 years	5	5%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 20

Null hypothesis H0 = There is no significant different between how long have been making investment in IPO

Alternative hypothesis H1 = There is significant different between how long have been making investment in IPO

Calculated  $\chi^2$  Chi-square test = 86.64

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between how long have been making investment in IPO.

#### **4.2.21 Number of companies applied to invest in IPO till now**

Out of 100 respondent 17% applied less than 10 companies, 37% applied 11 to 30 companies, 20% applied 31 to 50 companies and 26 % applied more than 50 companies

Table 24

*Number of companies applied to invest in IPO till now*

	No. of Respondents	Percentage (%)
a) Less than 10 companies	17	17%
b) 11 to 30 companies	37	37%
c) 31 to 50 companies	20	20%
d) More than 50 companies	26	26%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 21

Null hypothesis H0 = There is no significant different between number of companies applied to investment in IPO

Alternative hypothesis H1 = There is significant different between number of companies applied to investment in IPO

Calculated  $\chi^2$  Chi-square test = 9.36

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between number of companies applied to investment in IPO

#### 4.2.22 Number of companies's IPO has been allotted till now

Out of 100 respondents 23% has been allotted less than 5 companies, 20% allotted between 6 to 10 companies, 36% allotted between 11 to 15 companies and 21% allotted more than 15 companies IPO has been allotted till now.

Table 25

*Number of companies's IPO has been allotted till now*

	No. of Respondents	Percentage(%)
a) Less than 5 companies	23	23%
b) 6 to 10 companies	20	20%
c) 11 to 15 ompanies	36	36%
d) More than 15 companies	21	21%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 22

Null hypothesis H0 = There is no significant different between number of companies IPO has been allotted till now to investment in IPO

Alternative hypothesis H1 = There is significant different between number of companies IPO has been allotted till now to investment in IPO

Calculated  $\chi^2$  Chi-square test = 6.64

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is accepted hence alternative hypothesis is rejected which means There is significant different between number of companies IPO has been allotted till now to investment in IPO

#### 4.2.23 Highest amount of investment made in IPO of any single company

Out of 100 respondent 52% make investment below Rs 5000, 28% made investment between Rs 6000 to 10000, 10% made invest between Rs 11000 to 15000 and 10% made investment above Rs 15000

Table 26

*Highest amount of investment made in IPO of any single company*

	No. of Respondents	Percentage(%)
a) Below 5000	52	52%
b) 6000 to 10000	28	28%
c) 11000 to 15000	10	10%
d) Above 15000	10	10%
Total	100	100%

Source: Field Survey, 2024

Hypothesis 23

Null hypothesis H<sub>0</sub> = There is no significant different between highest amount of investment made in IPO to making investment in IPO

Alternative hypothesis H<sub>1</sub> = There is significant different between highest amount of investment made in IPO to making investment in IPO

Calculated  $\chi^2$  Chi-square test = 47.52

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between highest amount of investment made in IPO to making investment in IPO

**4.1.2.24 Highest amount of return/profit made from IPO of any single company**

Out of 100 respondent 42% make profit below Rs 10000, 27% made profit between Rs 11000 to 25000, 20% made profit between Rs 26000 to 50000 and 11% made profit above Rs 50000

Table 27

*Highest amount of return/profit made from IPO of any single company*

	No. of Respondents	Percentage(%)
a) Below 10000	42	42%
b) 11000 to 25000	27	27%
c) 26000 to 50000	20	20%
d) Above 50000	11	11%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 24

Null hypothesis H0 = There is no significant different between highest amount of profit made in IPO to making investment in IPO

Alternative hypothesis H1 = There is significant different between highest amount of profit made in IPO to making investment in IPO

Calculated  $\chi^2$  Chi-square test = 20.56

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means = There is significant different between highest amount of profit made in IPO to making investment in IPO

#### **4.1.2.25 How long have been hold allotted shares**

Out of 100 respondent 20% hold allotted share less than 4 months, 12% hold between 5 to 8 months, 16% hod between 9 to 12 months and 52% hold more than 1 year

Table 28

*How long have been hold allotted shares*

	No. of Respondents	Percentage(%)
a) Less than 4 months	20	20%
b) Between 5 to 8 months	12	12%
c) Between 9 to 12 months	16	16%
d) More than 1 year	52	52%
Total	100	100%

Source: Field Survey, 2024

#### Hypothesis 25

Null hypothesis H0 = There is no significant different between how long have been hold allotted share to make investment in IPO

Alternative hypothesis H1 = There is significant different between how long have been hold allotted share to make investment in IPO

Calculated  $\chi^2$  Chi-square test = 40.16

The tabulated  $\chi^2$  at 5% level of significance for 3 d.f. is 7.815

Since, calculate value is greater than tabulate value, it means null hypothesis is rejected hence alternative hypothesis is accepted which means There is significant different between how long have been hold allotted share to make investment in IPO

#### 4.2 Findings

The initial public offering (IPO) and its reception by the Nepali public are the main subjects of this study. Many details about investors' attitudes about initial public offerings (IPOs) may be found in research under the headings of public awareness, market knowledge, corporate performance, goodwill, and quality management of the business. The following summarises the study's main findings or findings:

- Majority of the respondent are male i.e. 57% and female is 43%
- From FY 2013/14 to 2.22/23 highest amount of public issue is 108.74 billions in the year 2020/21, whereas the lowest number of public issue is only 7.27 billion in the year 2013/14. similarly highest number of public is 101 number of issues in

the year 20016/17, whereas the lowest number of public issue is only 34 issues in the year 2019/20

- While getting information about if people had know about IPO. Out 100 respondents, 79% said yes, of course, 10% said they know a little about it, 11% said that they known very much and no one 0% said they never heard about IPO. Calculated  $\chi^2$  Chi-square test = 158.48 which means that there is significant difference between the knowing about IPO and investment decision of the different respondents
- While getting information about if people took any formal course or training related to IPO Out of 100 respondents, 22% said yes they took formal course or training and majority of respondent i.e. 78% said no, they don't took any formal course or training related to IPO. Calculated  $\chi^2$  Chi-square test = 31.36 which means there is significant different between taking any formal course or training related to IPO and investment decision of the different respondents.
- While getting information about Nepal present is suitable or not. Out of 100 respondents, 57% said yes present condition is suitable to invest in IPO and 43% said no present condition is not suitable invest in IPO. Calculated  $\chi^2$  Chi-square test = 1.96 which means Nepal's present condition is suitable for invest in IPO.
- While getting information about information Out of 100 respondents, 40% said they get information through media, 48% said they get information through friend & relatives, 4% said they get information through brokers and 8% said they get information from others source. Calculated  $\chi^2$  Chi-square test = 59.36 which means there is significant different between getting information to invest in IPO
- While getting information about past experience Out of 100 respondents majority of respondent i.e. 90% said they have past experience of investment in IPO and 10% said they don't have past experience of investment in IPO. Calculated  $\chi^2$  Chi-square test = 64 its means there is significant different between past experience to invest in IPO
- While getting information about Which market public want to invest Out of 100 respondents 55% said they preferred to invest in primary market (IPO) and 45% said they preferred to invest in secondary market Calculated  $\chi^2$  Chi-square test = 1 its means Market helps to preferred to make investment decision.

- While getting information about aware about financial performance IPO invest Out of 100 respondents 20% said they aware little about financial performance, 56% said they aware moderate, 19% said they aware very much and 5% said they don't have aware about financial performance of companies Calculated  $\chi^2$  Chi-square test = 56.88 which means There is significant different between awareness about financial performance of the companies to invest decision in IPO
- While getting information about sector to invest. Out of 100 respondents majority of respondent i.e. 80% said they preferred to invest in financial sector and 20% said they preferred to invest in non-financial sector. in IPO Calculated  $\chi^2$  Chi-square test = 36 which means There is significant different between sector to invest decision in IPO
- While getting information about financial sector. Out of 100 respondents 58% said they preferred to invest in commercial Bank, 6% preferred to invest in Development Bank, 12% preferred to invest in Financial company and 24% preferred to invest in insurance company Calculated  $\chi^2$  Chi-square test = 64.8 which means There is significant different between financial sector to invest decision in IPO
- While getting information about non-financial Out of 100 respondents 13% said they preferred to invest in Hotels, 55% preferred to invest in Hydropower, 25% preferred to invest in Trading companies and 7% preferred to invest in other sector Calculated  $\chi^2$  Chi-square test = 54.72 which means There is significant different between non-financial sector to invest decision in IPO
- While getting information about limited number of people invest in IPO. Out of 100 respondents 4% said due to lack of money, 72% said due to lack of information, 23% said due to lack of knowledge and only 1% said due to other region Calculated  $\chi^2$  Chi-square test = 129.2 which means There is significant different between limited number of people invest in IPO
- While getting information about source of fund to invest. Out of 100 respondents majority of respondents i.e. 94% said they used personal fund to invest in IPO and only 6% said they used Loan/ credit to invest in IPO Calculated  $\chi^2$  Chi-square test = 77.44 which means There is no significant different between source of fund to invest in IPO

- While getting information about habit to read prospectus Out of 100 respondents 45% have habit to read prospectus and 55% have habit to not read prospectus before invest Calculated  $\chi^2$  Chi-square test = 1 which means There is significant different between reading prospectus to invest in IPO
- While getting information about firm do not like to going to public. Out of 100 respondents 4% said region behind firms do not like to going in public is due to obligation to mass share holder, 17% said due to enough capital generated internally, 21% said due to share profit with public, 34% said due to maintain monopoly and keep control and 24% said due to complexity in management Calculated  $\chi^2$  Chi-square test = 23.9 which means There is significant different between firm do not like to go in public
- While getting information about over subscription in IPO. Out of 100 respondents 24% said due to lack of investment opportunity in other sector, 1% said due to high dividend distribution, 42% said due to low risk, 28% said due to high return within short period of time and 5% said due to other region Calculated  $\chi^2$  Chi-square test = 55.1 which means There is no significant different between over subscription in IPO
- While getting information about problem face during invest in IPO. Out of 100 respondents 24% said there is problem in delay in allotment, 5% said they have refund problem, 20% said they have no clarity in allotment, 51% said delay listing NEPSE and 0% no one is facing other problem Calculated  $\chi^2$  Chi-square test = 80.1 which means There is significant different between problem facing during invest in IPO
- While getting information about expectation to invest in IPO. Out of 100 respondent 46% expects stock dividend/Bonus share, 36% expect cash dividend, 15% expect right share and 3% expect in others Calculated  $\chi^2$  Chi-square test = 45.84 which means there is significant different between expected to invest in IPO
- While getting information about look before investment in IPO Out of 100 respondents, 24% look corporate image/ goodwill, 12% look quality management/ company performance, 62% look future return and 2% look in others Calculated  $\chi^2$  Chi-square test = 82.72 which means There is significant different between looking before invest in IPO

- While getting information about factor motivate to invest in IPO. Out of 100 respondent 8% motivate due to offering company is performing well in the market, 36% motivate due to low risk or Zero risk, 40 % motivate due to highest possibility to increase share price within a short period of time and 16% motivate due to very less chance to company failure Calculated  $\chi^2$  Chi-square test 28.64 which means There is no significant different between factor motivate to invest in IPO
- While getting information about how long have been investing in IPO. Out of 100 respondent 59% make investment in IPO less than 5 years, 34% make investment between 6 to 10 years, 2% make investment between 11 to 15 years and 5% make investment more than 15 years Calculated  $\chi^2$  Chi-square test = 86.64 which means There is significant different between how long have been making investment in IPO
- While getting information about numbers of companies applied to invest till now. Out of 100 respondent 17% applied less than 10 companies, 37% applied 11 to 30 companies, 20% applied 31 to 50 companies and 26 % applied more than 50 companies Calculated  $\chi^2$  Chi-square test = 9.36 which means There is significant different between number of companies applied to investment in IPO
- While getting information about number of companies IPO allotted till now. Out 100 respondents 23% has been allotted less than 5 companies, 20% allotted between 6 to 10 companies, 36% allotted between 11 to 15 companies and 21% allotted more than 15 companies IPO has been allotted till now Calculated  $\chi^2$  Chi-square test = 6.64 which means There is no different between number of companies IPO has been allotted till now to investment in IPO
- While getting information about highest amount of investment made in IPO Out of 100 respondent 52% make investment below Rs 5000, 28% made investment between Rs 6000 to 10000, 10% made invest between Rs 11000 to 15000 and 10% made investment above Rs 15000 Calculated  $\chi^2$  Chi-square test = 47.52 which means There is significant different between highest amount of investment made in IPO to making investment in IPO
- While getting information about highest number of profit made by single company Out of 100 respondent 42% make profit below Rs 10000, 27% made profit between Rs 11000 to 25000, 20% made profit between Rs 26000 to 50000

and 11% made profit above Rs 50000 Calculated  $\chi^2$  Chi-square test = 20.56 which means There is significant different between highest amount of profit made in IPO to making investment in IPO

- While getting information about how long hold allotted share Out of 100 respondent 20% hold allotted share less than 4 months, 12% hold between 5 to 8 months, 16% hold between 9 to 12 months and 52% hold more than 1 year Calculated  $\chi^2$  Chi-square test = 40.16 which means There is significant different between how long have been hold allotted share to make investment in IPO

### 4.3 Discussion

This study revealed that Majority of the respondent are male i.e. 57% and female is 43%. It mean male has more interest to invest in IPO than female. Majority of people know about IPO, Majority of people don't took any course related to IPO, Majority of people i.e 80% want to invest in financial sector, 58% want to invest in commercial bank, Majority of people i.e 94% use their personal fund, majority said that reasons behind limited number of people invest in IPO is due to lack of getting information

Gnawali & Niroula (2021) The relationship between several elements (quality management, company goodwill, company performance, company sector, and market information) and investment decision-making was investigated to determine the factors that influence IPO investment decisions. Investor attitudes toward initial public offerings (IPOs) were examined. This study used primary data. Data was collected from 290 respondents in the Kathmandu district who were affiliated with five different brokerage firms. Inferential analysis was the favored method in SPSS for investigating the relationship between variables and the impact of various factors on investment decisions, using statistical procedures such as regression analysis and correlation. According to the report, quality management, company goodwill, performance, industry, and market intelligence are all critical factors to consider when investing in an initial public offering (IPO).

Bhatta, (2019) analyzes investor attitudes toward initial public offerings (IPOs) in Nepal. Following a thorough examination of each factor and its subfactors, it was discovered that all of the variables, including market information, company performance, goodwill, and quality management, correlated with one another and had a significant impact on how general investors felt about specific investments. Company goodwill was identified as one

of 28 variables that investors valued highly before making an investment decision. The average value was  $1.5655 \pm .18$ , followed by market knowledge and firm performance. According to the survey, men account for the majority of IPO investors, indicating that men are more likely to participate in IPOs. Men dominate Nepal's share market.

Rao and Babu (2023) found that investment decisions differ by demographic characteristics such as age, gender, occupation, computer literacy, internet use, and trading activity. Investment preferences may also be affected by a person's familiarity with computers, degree of internet usage, and level of engagement in online trading. But In this study investment decision is differ by sector to invest, information, awareness of investors, high return, low risk and so on it was found that most of the investors preferred to make investment in financial sector rather than non- financial sector. In financial sector most of the investor preferred to invest in Commercial bank. In non- financial sector majority of investor preferred to invest in hydropower.

## **CHAPTER-V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

IPO stands for Initial Public Offering. An IPO refers to the process of offering shares of a private corporation to the public in a new stock issuance for the first time. A public company can issue an IPO to the general public to collect the money. An IPO is an important step in the growth of a business. It provides a company access to funds through the public capital market. An IPO also greatly increases the credibility and publicity that a business receives. In many cases, an IPO is the only way to finance quick growth and expansion.

The Nepal Stock Exchange (NEPSE) was established in 1993 as the country's only stock exchange. As the only stock exchange company, the Nepal Stock Exchange (NEPSE), formally opened its trading floor on 13th January 1994. As of mid-August 2024, there are 242 companies listed on the Nepal Stock Exchange (NEPSE). These companies span various sectors, including banking, financial institutions, insurance, hydropower, manufacturing, processing industries, investment companies, hotels, and trading companies. The number of listed companies has grown over time, reflecting the expanding financial and industrial sectors in Nepal. The Nepal Stock Exchange (NEPSE) operates five days a week, from Sunday to Thursday. The market is closed on Fridays and Saturdays, as well as on public holidays declared by the government of Nepal. Regular trading hours are typically from 11:00 AM to 3:00 PM (Nepal Time). The candidate must go to the Meroshare website, get the C-ASBA (Centralized Application Supported by Blocked Amount), complete it, and send it in. Check that the bank account contains the correct amount of rupees to be blocked for ASBA. After that, the allotment will be completed in one week. Investors are then assigned a certain number of shares based on the amount invested, the number of applications received overall, and the number of shares issued. Every accurate application or applicant since Shrawan 2074 has received at least ten units of the IPO for shares. If more shares are needed to be given, investors may obtain them; but, if there are not enough for everyone, they may not receive any shares at all.

Basically, data are taken from primary sources through questionnaire. Therefore, reliability of data depends on the respondent. This study was done from limited resources, so there might be some variance. Only selected statistical tool and variable is used. Some of the persons were not so responsive. Respondents were not willing to contribute to research due to lack of time. Possibility of error in data collection because many of respondents were not given actual answers of questionnaire. The study only takes into account the Kathmandu Valley, which does not accurately reflect Nepal's entire population region.

Determining the public's reaction to initial public offerings (IPOs) in Nepal is the primary goal of the study. The primary goals of the research are To analyze the level of public awareness and how public response to the IPO in Nepal, To analyze investor's expectation from his or her investment on IPO, to examine the relationship between an investor's investment decision and several criteria, including quality management, company goodwill, performance, industry, and market information. In order to achieve the study's aims, I gathered primary data by creating questionnaires with a total of 25 items. To get first-hand information, questionnaires were given to one hundred investors. Several statistical tests were run in order to ascertain the survey result. First, data was gathered from respondents and organized and analyzed using software programs such as SPSS and Microsoft Excel. Statistical techniques are used to analyze various factors based on data. Table, percentage, Chi-square analysis.

## **5.2 Conclusion**

Finding out how the public in Nepal reacts to initial public offerings (IPOs) is the primary goal of the study. Upon conducting a thorough examination of all the variables and components, it was discovered that a wide range of criteria, including quality management, company goodwill, performance, industry, and market information, significantly influence how general investors perceive these things when making investment decisions. The majority of IPO investors, according to the report, are men, indicating that men are more inclined to invest in initial public offerings. In the Kathmandu Valley, share markets are dominated by men.. Most of the investors are student and bankers. Majority of investors do not take any formal course or training related to IPO. Most of the investors get information through friends & relatives. Similarly, it was found that most of the investors preferred to make investment in

financial sector rather than non- financial sector. In financial sector most of the investor preferred to invest in Commercial bank. In non- financial sector majority of investor preferred to invest in hydropower. Majority of investors invest less than five thousand amount in any single company's IPO also majority of investor able to make below ten thousands profit from any single IPO. Investors are found to have required awareness level on order to invest in IPO. Investor also considers IPO as risk free form of investment decision. General investors who invest in primary market highly considered while investing money. Data are collection through primary sources through questionnaire from investor and data interpretation by using Excel and SPSS.

### **5.3 Implications**

Finding out how the public reacts to initial public offerings (IPOs) in Nepal is the primary goal of the study.. The main objective of the study are as follows. To analyze the level of public awareness and how public response to the IPO in Nepal. To analyze investor's expectation from his or her investment on IPO. To examine the relationship between an investor's investment decision and several criteria (such as quality management, company goodwill, performance, industry, and market information). Most IPO subscriber in Nepal is short term investors who interested to sell their stocks as soon as they are listed in stock exchange. Also, they are not aware about the process of IPO so government should make the aware about investing in IPO. Most of the people are preferred to invest in commercial sector rather than non-financial sector so government should encourage people make invest in non- financial sector also. Some implication of this study are listed below.

- This study helps to know about awareness level of general public towards IPO in Nepal.
- This study helps to know how public response towards IPO in Nepal.
- This study may be useful for those who are willing to know something about IPO in Nepal.
- This study may be useful for the library purpose so that those students who are willing to prepare a thesis can have some idea.
- This study can be used as a guideline or reference while preparing other thesis.

- The study will yield significant insights for various stakeholders in Nepal, including the stock market, government agencies, educational institutions, prospective listed firms, researchers, students, and individual citizens.
- Manager should attention various factor affecting the perceptions of investor like management system, goodwill. Company performance, company sector and market information and the risk and opportunity created by the IPO process to new challenge and expectation facing on the business can be managed by the company rules and regulations. Through media, brokers and issue manager the manager should provide knowledge about IPO to create faith and good image in the mind of the investors.
- The data were collected only through questionnaire. Future researcher can collect the response through conducting detailed interview techniques to understand the perception of investors towards IPO in Kathmandu valley.
- These studies were highly focused on primary data and further researcher will used both primary and secondary data and can be used other tools and method for analysis.
- It is unethical and illogical for underwriters to seek institutional or rich investors in initial public offerings (IPOs). To ensure that all investors receive shares, the allocation procedure must be done on a pro rata basis as opposed to a lottery.

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### **Website**

- <https://www.investopedia.com/>
- <https://demotrading.nepalstock.com>
- <https://en.wikipedia.org/>
- <https://elibrary.tucl.edu.np/handle/123456789/12>
- [www.nrb.org.np](http://www.nrb.org.np)
- <https://www.sebon.gov.np/>
- <https://www.nepalstock.com/>
- <https://openai.com/chatgpt/>

## APPENDIX 1

### Questionnaire:

#### “Public Response To Initial Public offering (IPO) IN Nepal”

Dear Respondent,

My name is Bhim Bahadur Thapa. I am a student of MBS, studying at Shanker Dev Campus. I am doing a Thesis/ dissertation on the topic “Public Response To Initial Public Offering (IPO) IN Nepal” in partial fulfillment of the requirement for the degree of Master in Business Studies (MBS Semester). Yours sincere and unbiased response will be highly beneficial and appreciated. The information you provide will kept confidential and used only for the research purpose, and will not misuse.

**Name:**.....

**Occupation:** .....      **Gender:**.....

**Address:**.....

1. Do you know about IPO?

- a) Yes, of course      b) A little
- c) Very much      d) Never heard

2. Do you have taken any formal course or training related to IPO?

- a) Yes      b) No

3. Do you think Nepal’s present condition is suitable for investment in IPO?

- a) Yes      b) No

4. How do you get information for opportunity to invest in IPO?

- a) Through media      b) Through friend & relatives
- c) Through brokers      d) Others (Please Specify).....



a) Yes

b) No

14. What is the reason do you think the most of firms do not like to going in public?

a) Obligation to mass share holders

b) Enough capital generated internally

c) Sharing profit with public

d) To maintain monopoly and keep control

e) Complexity in management

15. Reasons of over subscription in IPO is due to

a) Lack of investment opportunity in other sectors

b) High dividend distribution

c) Low Risk  
time

d) High return within short period of  
time

e) Others (please specify).....

16. What problems do you face during investment in IPO?

a) Delay in allotment

b) Refund problems

c) No clarity in allotment

d) Delay in listing in NEPSE

d) Others (Please Specify).....

17. In what expectation do you invest in IPO?

a) Stock dividend/ Bonus share

b) Cash divided

c) Right share

d) Others (please specify).....

18. What do you look before investment in IPO?

a) Corporate image/ goodwill

b) Quality Management / company performance

c) Future return

d) Others (Please specify).....

19. What factor motivate you to invest in IPO?

a) The offering company is performing well in the market  
risk

b) Low risk or Zero  
risk

c) High possibility to increase share price within a short period of time

d) Very less chance to company failure

20. How long have you been investing in IPO?
- a) Less than 5 years
  - b) 6 to 10 years
  - c) 11 to 15 years
  - d) More than 15 years
21. How many companies IPO have you applied to invest till now?
- a) Less than 10 companies
  - b) 11 to 30 companies
  - c) 31 to 50 companies
  - d) More than 50 companies
22. How many companies IPO has been allotted to you till now?
- a) Less than 5 companies
  - b) 6 to 10 companies
  - c) 11 to 15 companies
  - d) More than 15 companies
23. Highest amount of investment made in IPO of any single company?
- a) Below 5000
  - b) 6000 to 10000
  - c) 11000 to 15000
  - d) Above 15000
24. Highest amount of return/ profit made from IPO of any single company?
- a) Below 10000
  - b) 11000 to 25000
  - c) 26000 to 50000
  - d) Above 50000
25. How long have you hold yours allotted shares?
- a) Less than 4 months
  - b) Between 5 to 8 months
  - c) Between 9 to 12 months
  - d) More than 1 year

**Thank You**

## APPENDIX 2

### Hypothesis 1

#### Know about IPO

		<b>O</b>	<b>E=25</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Yes, of course	79	25	54	2916	116.64
b	A little	10	25	-15	225	9
c	Very much	11	25	-14	196	7.84
d	Never Heard	0	25	-25	625	25
		$\sum O=100$				$\sum (O-E)^2/E=158.48$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 158.48$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.82$

### Hypothesis 2

#### Taken any formal course or training related to IPO

		<b>O</b>	<b>E=50</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Yes	22	50	-28	784	15.68
b	No	78	50	28	784	15.68
		$\sum O=100$				$\sum (O-E)^2/E = 31.36$

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 31.36$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(1)} = 3.841$

### Hypothesis 3

#### Nepal's present condition for invest in IPO

		<b>O</b>	<b>E=25</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Yes	57	50	7	49	0.98
b	No	43	50	-7	49	0.98
		$\sum O=100$				$\sum (O-E)^2/E = 1.96$

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 1.96$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(1)} = 3.841$

#### Hypothesis 4

##### Getting information to invest in IPO

		O	E=25	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Through media	40	25	15	225	9
b	Through friends & relatives	48	25	23	529	21.16
c	Through brokers	4	25	-21	441	17.64
d	Others	8	25	-17	289	11.56
		∑O=100				∑ (O-E) <sup>2</sup> /E =59.36

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 59.36$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

#### Hypothesis 5

##### Past experience of investment in IPO

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Yes	90	50	40	1600	32
b	No	10	50	-40	1600	32
		∑O=100				∑ (O-E) <sup>2</sup> /E=64

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 64$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(1)} = 3.841$

#### Hypothesis 6

##### Market to preferred to make investment

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Primary market (IPO)	55	50	5	25	0.5
b	Secondary market	45	50	-5	25	0.5
		∑O=100				∑ (O-E) <sup>2</sup> /E=1

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 1$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(1)} = 3.841$

### Hypothesis 7

Aware about financial performance of companies

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Little	20	25	-5	25	1
b	Moderate	56	25	31	961	38.44
c	Very much	19	25	-6	36	1.44
d	Not at all	5	25	-20	400	16
		$\sum O=100$				$\sum (O-E)^2/E=56.88$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 56.88$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(3) = 7.815$

### Hypothesis 8

Sector to invest

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Financial	80	50	30	900	18
b	Non- financial	20	50	-30	900	18
		$\sum O=100$				$\sum (O-E)^2/E=36$

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 36$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(1) = 3.841$

### Hypothesis 9

Financial sector to invest

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Commercial Bank	58	25	33	1089	43.56
b	Development Bank	6	25	-19	361	14.44
c	Financial company	12	25	-13	169	6.76
d	Insurance company	24	25	-1	1	0.04
		$\sum O=100$				$\sum (O-E)^2/E=64.8$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 64.8$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(3) = 7.82$

### Hypothesis 10

Non- financial to invest

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Hotels	13	25	-12	144	5.76
b	Hydropower	55	25	30	900	36
c	Trading company	25	25	0	0	0
d	Others	7	25	-18	324	12.96
		$\sum O=100$				$\sum (O-E)^2/E=54.72$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 54.72$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(3) = 7.82$

### Hypothesis 11

Limited number of people invest in IPO

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Lack of money	4	25	-21	441	17.64
b	Lack of information	72	25	47	2209	88.36
c	Lack of knowledge	23	25	-2	4	0.16
d	Others	1	25	-24	576	23.04
		$\sum O=100$				$\sum (O-E)^2/E=129.2$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 129.2$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(3) = 7.815$

### Hypothesis 12

Source of fund to invest in IPO

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Personal fund	94	50	44	1936	38.72
b	Loan/credit	6	50	-44	1936	38.72
		$\sum O=100$				$\sum (O-E)^2/E=77.44$

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 77.44$

$\alpha = 5\%$  Tabulated  $\chi^2 0.05(1) = 3.841$

### Hypothesis 13

Habit to read prospectus of the company before invest

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Yes	45	50	-5	25	0.5
b	No	55	50	5	25	0.5
		∑O=100				∑(O-E) <sup>2</sup> /E=1

Here,  $E = \sum O/n = 100/2 = 50$

Degree of freedom (d.f.) =  $n-1 = 2-1 = 1$

Calculated  $\chi^2 = 1$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(1)} = 3.841$

### Hypothesis 14

Firms do not like to going in public

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Obligation to mass share holders	4	20	-16	256	12.8
b	Enough capital generated internally	17	20	-3	9	0.45
c	Share profit with public	21	20	1	1	0.05
d	To maintain monopoly & keep control	34	20	14	196	9.8
e	Complexity in management	24	20	4	16	0.8
		∑O=100				∑(O-E) <sup>2</sup> /E=23.9

Here,  $E = \sum O/n = 100/5 = 20$

Degree of freedom (d.f.) =  $n-1 = 5-1 = 4$

Calculated  $\chi^2 = 23.9$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(4)} = 9.488$

### Hypothesis 15

Reasons of over subscription in IPO

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Lack of investment opportunity in other sectors	24	20	4	16	0.8
b	High dividend distribution	1	20	-19	361	18.05
c	Low Risk	42	20	22	484	24.2
d	High return within short period of time	28	20	8	64	3.2
e	Others	5	20	-15	225	11.25
		∑O=100				∑(O-E) <sup>2</sup> /E=55.1

Here,  $E = \sum O/n = 100/5 = 20$

Degree of freedom (d.f.) =  $n-1 = 5-1 = 4$

Calculated  $\chi^2 = 55.1$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(4)} = 9.488$

Hypothesis 16

Problem facing during invest in IPO

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Delay in allotment	24	20	4	16	0.8
b	Refund problem	5	20	-15	225	11.25
c	No clarity in allotment	20	20	0	0	0
d	Delay in listing in NEPSE	51	20	31	961	48.05
e	Others	0	20	-20	400	20
		$\sum O=100$				$\sum (O-E)^2/E=80.1$

Here,  $E = \sum O/n = 100/5 = 20$

Degree of freedom (d.f.) =  $n-1 = 5-1 = 4$

Calculated  $\chi^2 = 80.1$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(4)} = 9.488$

Hypothesis 17

Expected to invest in IPO

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Stock dividend/Bonus share	46	25	21	441	17.64
b	Cash dividend	36	25	11	121	4.84
c	Right share	15	25	-10	100	4
d	Others	3	25	-22	484	19.36
		$\sum O=100$				$\sum (O-E)^2/E=45.84$

Here,  $E = \sum O/n = 100/5 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 45.84$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 18

#### Look before invest in IPO

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Corporate image/ goodwill	24	25	-1	1	0.04
b	Quality management/ company performance	12	25	-13	169	6.76
c	Future return	62	25	37	1369	54.76
d	Others	2	25	-23	529	21.16
		$\sum O=100$				$\sum (O-E)^2/E=82.72$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 82.72$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 19

#### Factors motivate to invest in IPO

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	The offering company is performing well in market	8	25	-17	289	11.56
b	Low risk or Zero risk	36	25	11	121	4.84
c	Highest possibility to increase share price within short period of time	40	25	15	225	9
d	Very less chance to company failure	16	25	-9	81	3.24
		$\sum O=100$				$\sum (O-E)^2/E=28.64$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 28.64$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 20

#### How long have been making investment in IPO

		<b>O</b>	<b>E</b>	<b>O-E</b>	<b>(O-E)<sup>2</sup></b>	<b>(O-E)<sup>2</sup>/E</b>
a	Less than 5 years	59	25	34	1156	46.24
b	6 to 10 years	34	25	9	81	3.24
c	11 to 15 years	2	25	-23	529	21.16
d	More than 15 years	5	25	-20	400	16
		$\sum O=100$				$\sum (O-E)^2/E=86.64$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 86.64$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 21

Number of companies applied to invest in IPO till now

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Less than 10 companies	17	25	-8	64	2.56
b	11 to 30 companies	37	25	12	144	5.76
c	31 to 50 companies	20	25	-5	25	1
d	More than 50 companies	26	25	1	1	0.04
		$\sum O=100$				$\sum (O-E)^2/E=9.36$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 9.36$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 22

Number of companies IPO has been allotted till now

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Less than 5 companies	23	25	-2	4	0.16
b	6 to 10 companies	20	25	-5	25	1
c	11 to 15 companies	36	25	11	121	4.84
d	More than 15 companies	21	25	-4	16	0.64
		$\sum O=100$				$\sum (O-E)^2/E=6.64$

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 6.64$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 23

Highest amount of investment made in IPO of any single company

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Below 5000	52	25	27	729	29.16
b	6000 to 10000	28	25	3	9	0.36
c	11000 to 15000	10	25	-15	225	9
d	Above 15000	10	25	-15	225	9
		∑O=100				∑(O-E) <sup>2</sup> /E=47.52

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 47.52$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 24

Highest amount of return/profit made from IPO of any company

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Below 10000	42	25	17	289	11.56
b	11000 to 25000	27	25	2	4	0.16
c	26000 to 50000	20	25	-5	25	1
d	Above 50000	11	25	-14	196	7.84
		∑O=100				∑(O-E) <sup>2</sup> /E=20.56

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 20.56$

$\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

### Hypothesis 25

How long have been hold allotted shares

		O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
a	Less than 4 months	20	25	-5	25	1
b	Between 5 to 8 months	12	25	-13	169	6.76
c	Between 9 to 12 months	16	25	-9	81	3.24
d	More than 1 year	52	25	27	729	29.16
		∑O=100				∑(O-E) <sup>2</sup> /E=40.16

Here,  $E = \sum O/n = 100/4 = 25$

Degree of freedom (d.f.) =  $n-1 = 4-1 = 3$

Calculated  $\chi^2 = 40.16$   $\alpha = 5\%$  Tabulated  $\chi^2_{0.05(3)} = 7.815$

# PUBLIC RESPONSE TO INITIAL PUBLIC OFFERING (IPO...

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## paper text:

ABSTRACT Fortunately, in Nepal, IPO investors are positive

**about the market and** their **investment. The** likelihood **of** an **IPO** in Nepal **is very**

strong, as evidenced by the market's oversubscription for IPOs. So knowing

**the changing** attitudes **and psychology of investors is** critical **to** maintaining **the** IPO's **attractiveness** .

Thus, **the**