DETERMINANTS OF FPO IN NEPALESE STOCK MARKETS

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the of requirements for the Master's Degree

By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled**"Determinants of FPO in Nepalese Stock Markets"**. The work of this dissertationhas not been submitted previously for the purpose of conferral of any degrees nor it has beenproposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has beenacknowledged. In addition, I declare that all information sources and literature used are cited inthe reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Pramod Rawal has defended research proposalentitled**"Determinants of FPO in Nepalese Stock Markets"**successfully. The research committee hasregistered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Keshar Singh Khatiand submit the thesis for evaluation and viva voce examination.

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Dissertation Proposal Defended Date:
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Dissertation Submitted Date
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APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Determinants of FPO in Nepalese Stock Markets"**presented by Mr. Pramod Rawal 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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Pramod Rawal

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ABBREVIATIONS

BPCL	:	Butwal Power Company Limited
CDR	:	Cash Dividend Ratio
CS	:	Company Sizes
CZBIL	:	Citizen Bank International Limited
FPO	:	Follow-On Public Offerings
FS	:	Firm Size
GBLBS	:	Grameen Bikas Laghubitta Bittiya Sanstha Limited
IMR	:	Issue Manager Reputation
LR	:	Leverage Ratio
MBS	:	Master of Business Study
MC	:	Market Cycle
MMFDB	:	Mirmire Laghubitta Bittiya Sanstha Limited
MTBVR	:	Market to Book Value Ratio
N/A	:	Not Applicable
NBL	:	Nepal Bank Limited
NEPSE	:	Nepal Stock Exchange
NMB	:	Nepal Merchant Banking and Finance Limited
NRB	:	Nepal Rastra Bank
PFL	:	Pokhara Finance Limited
PIC	:	Premier Insurance Company Limited
RM	:	Regression Model
ROA	:	Return on Assets
SEBON	:	Securities Board of Nepal
SEO	:	Seasoned Equity Offering
ST	:	Statistical Test
TU	:	Tribhuvan University
UNLB	:	Unique Nepal Laghubitta Bittiya Sanstha Limited
USLB	:	Unnati Sahakarya Laghubitta Bittiya Sanstha Limited

ABSTRACT

This research explores the factors influencing SEO value (LnSEO Value) in the Nepalese stock market, concentrating on five primary independent variables: Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), company size (LnSIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR). The study uses secondary data from the annual reports and financial websites of 10 companies that conducted Follow-on Public Offers (FPOs) between 2013/14 and 2022/23, applying both descriptive and causal research methodologies. Descriptive statistics indicate considerable variability in the data, particularly in company size, leverage ratios, and cash dividend ratios. The correlation analysis reveals that LnSIZE has the most substantial positive relationship with SEO value, implying that larger firms tend to have higher SEO values. Conversely, ROA, MTBVR, LR, and CDR show weaker or statistically insignificant correlations with SEO value. Regression analysis confirms these results, showing positive but non-significant associations between the independent variables and SEO value. These findings imply that while some variables exhibit positive relationships with SEO value, none of these relationships are statistically significant, suggesting the need for further research to identify additional factors that may influence SEO value.

Keywords: *SEO value, Return on Assets, Market-to-Book Value Ratio, company size, leverage ratio, cash dividend ratio.*

CHAPTER – I
INTRODUCTION

1.1 Background of the Study

The Nepalese stock market has experienced significant growth and advancement in recent years, with an increasing number of companies opting for Follow-on Public Offerings (FPOs) to secure additional capital. FPOs play a vital role in the capital market, providing companies with essential funds for expansion, new initiatives, debt repayment, and overall business development. Favorable market conditions, including rising stock prices, low volatility, and positive investor sentiment, create an optimal environment for companies to tap into equity markets through FPOs. These conditions not only reduce the cost of capital for issuers but also enhance investor reception, resulting in higher participation and the possibility of oversubscription (Rupakheti & Paudyal, 2021; Pandey, 2020).

Companies with strong financial indicators, such as high profitability, robust cash flows, and promising growth potential, are more inclined to view FPOs as a strategic financing alternative. The need for additional capital to support expansion initiatives, launch new projects, or leverage emerging market opportunities often motivates companies to pursue FPOs as a means to secure the required funds. The regulatory and policy framework surrounding FPOs in Nepal plays a crucial role in shaping companies' decisions regarding equity offerings. Favorable regulations, simplified approval procedures, and supportive policies can encourage companies to choose FPOs (Shrestha & Pokhrel, 2019; Thapa & Adhikari, 2018).

Industry-specific factors also influence FPO activities, with sectors experiencing rapid growth or transformation being more likely to pursue equity fundraising through FPOs. Industries such as banking and finance, infrastructure development, renewable energy, and telecommunications may see increased FPO activity due to sector-specific opportunities, capital requirements, and market demand. Companies typically evaluate market conditions, investor interest, and current pricing trends before determining the timing and scale of an FPO. Timing the offering to coincide with

periods of strong investor interest and favorable market sentiment can improve the success and reception of FPOs (Poudel & Thapa, 2020; Shrestha & Pandey, 2017).

Strategic objectives and capital structure factors also contribute to decisions regarding FPOs. Companies evaluate their overall capital structure, debt-equity ratio, cost of capital, and risk profile to identify the ideal financing mix that aligns growth goals with financial stability. The results of previous FPOs, such as market performance and investor perception, can influence future FPO strategies. By analyzing past equity offerings, market responses, pricing trends, and post-offering performance, companies can shape their approach to subsequent FPOs (Acharya & KC, 2022; Bhattarai & Bhattarai, 2021).

Although FPOs offer companies the chance to raise capital and promote growth, they also come with challenges, including market volatility, regulatory complexities, pricing uncertainties, and investor expectations. Recognizing these challenges and leveraging the factors that contribute to successful FPOs can enhance the effectiveness of equity fundraising initiatives in the Nepalese stock market, thereby fostering overall market development and boosting investor confidence (Ghimire & Sapkota, 2019; Dahal & Karki, 2023).

Economic factors, including GDP growth rates, inflation, and interest rates, also play a significant role in FPO decision-making. Companies may modify their financing strategies based on macroeconomic indicators and forecasts to optimize the timing and results of FPOs. Market liquidity and trading volumes in the Nepalese stock market are critical in assessing the appeal of FPOs. Greater liquidity and active trading can streamline the FPO process, reduce price fluctuations, and enhance investor participation (Acharya et al., 2021; Dhakal & Adhikari, 2019).

The competitive environment within industries and market segments can influence companies' decisions to pursue FPOs. Companies may strategically use FPOs to enhance their market position, finance competitive initiatives, or adapt to industry changes and emerging opportunities. Corporate governance practices and transparency are crucial factors for investors and regulators assessing FPOs. Companies with robust governance structures, transparent disclosure practices, and

accountable management are often seen more favorably by investors, which can improve the likelihood of FPO success (Gautam & Koirala, 2020; Shrestha & Ghimire, 2021).

Access to alternative financing options, such as bank loans, private placements, or venture capital, can influence companies' decisions to pursue FPOs. Companies may opt for FPOs instead of other financing methods based on factors like the cost of capital, availability of funds, repayment conditions, and how well the financing option aligns with growth strategies. Technological advancements and digital transformation efforts can also affect companies' capital needs and strategies for raising funds through FPOs. Companies utilizing technology for growth and innovation may seek additional capital via FPOs to support digital initiatives and stay competitive in the market (Sharma & Shrestha, 2018; Khadka & Basnet, 2022).

Investor demographics, preferences, and risk tolerance can influence demand for FPOs and shape companies' fundraising strategies. Understanding investor behavior, market segmentation, and investment trends is crucial for companies planning FPOs to effectively tailor their offerings and communication strategies. The reputation, track record, and market perception of companies seeking FPOs also play a significant role in affecting investor confidence and subscription levels. Companies with a history of strong performance, a clear strategic vision, and transparent communication practices are more likely to attract greater investor interest in their FPOs (Ghimire & Karki, 2021; Lama & Tamang, 2019).

Financial reporting practices, accounting standards, and audit quality can influence investor trust and valuation assessments for companies undertaking FPOs. Transparent financial disclosures, compliance with regulatory standards, and independent audit opinions can boost credibility and promote positive market responses to FPOs. Global economic trends, geopolitical events, and international market conditions can also indirectly affect the Nepalese stock market and shape companies' FPO strategies. Companies may track global developments and evaluate their potential impact on local market dynamics, investor sentiment, and capital flows (Koirala & Adhikari, 2020; Bhattarai et al., 2022).

Environmental, social, and governance (ESG) factors are becoming increasingly important in investment decisions and may influence FPO activities. Companies that emphasize sustainability, ethical practices, and social responsibility may attract ESG-focused investors and incorporate ESG elements into their FPO strategies and communications. Changes in regulations, updates to listing requirements, and policy reforms can affect the process of conducting FPOs and shape companies' decisions regarding equity offerings. Companies may need to stay attuned to regulatory changes and adapt their FPO strategies to navigate evolving compliance standards effectively (Dahal et al., 2021; Gautam & Poudel, 2019).

In conclusion, this study emphasizes the significance of understanding the determinants of Seasoned Equity Offerings (SEOs) or FPOs in the Nepalese stock market. With independent variables like Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR), the research offers valuable insights into the factors influencing FPOs. Moreover, investor education initiatives, financial literacy programs, and outreach efforts are essential in improving investor knowledge, enabling them to better evaluate FPO opportunities and contribute to the growth of the capital market. Despite the limited existing research on FPOs, this study helps close the gap and advances the understanding of FPO determinants in Nepal.

1.2 Problem Statement

The Nepalese stock market has faced considerable fluctuations in recent years, creating obstacles for companies looking to raise additional funds through Follow-on Public Offerings (FPOs) or Seasoned Equity Offerings (SEOs). This instability has resulted in volatile stock prices, investor uncertainty, and an unpredictable market, making it challenging for firms to forecast the success of their equity offerings. Even with regulatory reforms aimed at enhancing transparency, improving disclosure practices, and ensuring better protection for investors, many companies still find it difficult to optimize SEO value and reduce the risks of underpricing, where the offering price is set lower than the market value (Thapa&Adhikari, 2018). These challenges highlight the need to explore factors like investor sentiment, macroeconomic conditions, and firm-specific elements affecting FPO and SEO success in Nepal.

A key issue is the effect of a company's financial performance on the success of its FPO. Important financial variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR) play a crucial role in attracting investors and maximizing SEO value (Acharya & KC, 2022). Companies with weaker financial indicators often find it difficult to secure favorable valuations, resulting in underpricing and reduced investor confidence. However, the specific influence of these financial metrics on the Nepalese market remains insufficiently explored, leaving a gap in knowledge for both practitioners and regulators.

Moreover, prevailing market conditions such as investor sentiment, liquidity and trading volumes play a significant role in the pricing and overall success of SEOs (Ghimire & Karki, 2021). During periods of market optimism, investor confidence typically lowers underpricing risks, leading to more favorable pricing outcomes. In contrast, during times of economic instability or negative sentiment, companies may face heightened risks of underpricing, resulting in suboptimal capital-raising outcomes. Understanding how these market factors interact with a company's financial performance to influence FPO success is essential for developing effective pricing strategies and improving market efficiency.

The regulatory environment, though improved in recent years, still presents challenges related to enforcement, governance, and market oversight (Gautam & Koirala, 2020). Companies with weak corporate governance or insufficient transparency may find it difficult to gain investor trust, negatively affecting SEO valuations and success. Strengthening governance frameworks and improving regulatory enforcement are essential to mitigating the risks associated with SEOs and creating a more trustworthy investment environment.

Another important issue is the availability of alternative financing options, such as bank loans, private placements, or venture capital. These alternatives may influence a company's decision to pursue an FPO, depending on the relative costs and benefits of different funding sources (Sharma & Shrestha, 2018). This raises the question of how companies in Nepal evaluate these financing alternatives and how such decisions affect the timing and success of SEOs.

Furthermore, the increasing significance of Environmental, Social, and Governance (ESG) factors and technological advancements is influencing investor preferences. Companies that fail to align with global sustainability trends or do not invest in technological innovation may struggle to raise capital through SEOs (Shrestha & Ghimire, 2021). Understanding how ESG criteria and technology shape investor decisions is essential for companies looking to stay competitive in the evolving capital markets.

Given these challenges, it is crucial to explore the determinants of FPOs or SEOs in the Nepalese stock market. Based on previous research and reviews, there are existing gaps that require further investigation. To address these gaps, the researcher has formulated the following research questions to achieve the study's objectives.

i. What is the current trend of FPO or SEO in Nepalese in stock market?
ii. Is there any relationship between ROA, MTBVR, SIZE, LR and CDR with SEO Value in Nepalese stock market?
iii. How does the ROA, MTBVR, SIZE, LR and CDR impact on SEO Value in Nepalese stock market?

1.3 Objectives of the Study

Follow-on Public Offerings (FPOs) or Seasoned Equity Offerings (SEOs) are essential for companies on the Nepalese stock exchange to raise capital post-IPO. The success of these offerings, reflected in the dependent variable SEO value is influenced by several key independent variables such as ROA, MTBVR, SIZE, LR and CDR. Analyzing how these variables affect SEO value is crucial for investors and policymakers in understanding market dynamics and optimizing capital-raising strategies.

The objectives of the study are as follows:

i. To assess the current trend of FPOs or SEOs in the Nepalese stock market.
ii. To examine the relationship between ROA, MTBVR, SIZE, LR and CDR with SEO Value in the Nepalese stock market.
iii. To analyze the impact of ROA, MTBVR, SIZE, LR and CDR on SEO Value in the Nepalese stock market.

1.4 Rationale of the Study

The Nepalese stock market has experienced a significant rise in Follow-on Public Offerings (FPOs) as companies look to raise additional capital beyond their Initial Public Offerings (IPOs). However, there remains a considerable research gap regarding the factors influencing the pricing and success of FPOs in Nepal. This study aims to bridge that gap by examining key determinants such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR) and their effects on SEO value. Understanding these factors is important for several reasons: it helps companies make strategic financial decisions, enables investors to make informed choices, and supports policymakers in refining regulatory frameworks to enhance market transparency and efficiency. By exploring the relationship between these variables and SEO value, this research seeks to provide deeper insights into the dynamics of the Nepalese stock market. The findings will contribute to the existing knowledge on capital markets and financial management, offering actionable recommendations to improve market efficiency and strengthen investor confidence.

1.5 Limitations of the Study

This study's limitations include data availability constraints, sample size limitations for FPOs, external factors' influence, challenges in establishing causality, industry-specific nuances, and potential methodological impacts on result interpretation. The limitations of the study are as follows:

i. Limited to 10 firms that are PFL, GBLBS, PIC, BPCL, NMB, NBL, CZBIL, UNLB, MMFDB and USLB.
ii. The study may not be applicable to other areas.
iii. This study has covered data from FY 2074 to FY 2080.
iv. This study has limited variables that are firm size, Issue size, Subscription rate, Reputation of issue manager, Market cycle and Level of underpricing.
v. This study has focused on secondary data from Reports of NEPSE, SEBON, NRB, journals, articles, company sites and FPO related sources.
vi. The analysis of this study is based on the results obtained from multiple regression models.

CHAPTER – II
LITERATURE REVIEW

This chapter has focused on reviewing literature and analyzing previous research on the determinants of Follow-on Public Offerings (FPOs) in the Nepalese stock market. It includes both theoretical and empirical reviews from past studies, along with critical assessments and a summary table of the relevant literature. The review draws on various books, journals, and articles related to this topic. Furthermore, the chapter is structured into theoretical and empirical sections, offering a comprehensive analysis of the subject matter.

2.1 Theoretical Review

A theoretical review for a thesis involves examining and summarizing existing theories, concepts, and frameworks relevant to the research topic. The theories that are reviewed in this study are: Market Timing Theory, Pecking Order Theory, Signaling Theory, Adverse Selection Theory, Agency Theory and Dilution Theory.

Market Timing Theory

The Market Timing Theory of Follow-on Public Offerings (FPOs) suggests that companies opt to issue additional shares when they believe their stock is overvalued or when market conditions are particularly favorable. This theory indicates that firms time their FPOs to capitalize on periods of high market valuations and positive investor sentiment, allowing them to raise capital at a lower cost and reduce the dilution impact on existing shareholders. Supporting empirical evidence shows that companies are more inclined to conduct FPOs during bull markets and when stock prices are elevated, optimizing financial results by taking advantage of favorable market conditions (Baker & Wurgler, 2002). In the context of the Nepalese stock market, this theory highlights the need to understand how market timing and investor sentiment affect key FPO/SEO determinants, such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR), in order to effectively analyze and forecast the success of these offerings. Furthermore, the theory suggests that by strategically timing the market, companies can reduce dilution and maximize capital raised, thus

enhancing their financial flexibility and shareholder value over the long term. This approach to capital raising can significantly strengthen a firm's financial position and improve its market image.

Pecking Order Theory

The Pecking Order Theory of Follow-on Public Offerings (FPOs) asserts that firms prioritize their financing sources based on a hierarchy designed to minimize costs and effort. According to this theory, companies first use internal funds, then opt for debt, and only resort to issuing equity through FPOs when internal resources are insufficient, or borrowing is too costly or would negatively affect their leverage ratios. The decision to issue equity via FPOs typically indicates that a company has exhausted more favorable financing options, which may signal higher perceived risks or lower profitability. This theory outlines a structured approach to financing decisions, highlighting the costs and implications of different funding sources and offering an explanation for why firms might turn to FPOs as a last resort (Myers & Majluf, 1984). Applied to the Nepalese stock market, this theory provides valuable insight into the determinants of FPOs by linking financing preferences with the need for additional capital, thereby shedding light on the strategic choices firms make regarding their capital structure.

Signaling Theory

The Signaling Theory of Follow-on Public Offerings (FPOs) suggests that issuing additional equity can signal a firm's future prospects and management's confidence in its growth potential. When a company announces an FPO, it may signal to investors that it anticipates profitable opportunities requiring additional capital, thereby suggesting a positive outlook on future performance. On the other hand, an FPO could imply that the firm views its stock as overvalued, which may trigger investor skepticism. This theory emphasizes the informational asymmetry between management and external investors, where new equity issuance serves as a tool to communicate management’s private insights and intentions. Therefore, the decision to conduct an FPO can have a significant impact on investor perceptions and market reactions, reflecting both confidences in future growth and potential concerns about current valuation (Leland & Pyle, 1977). In the context of the Nepalese stock market,

this theory provides valuable insight into how FPO announcements influence investor sentiment and market dynamics.

Adverse selection Theory

The Adverse Selection Theory of Follow-on Public Offerings (FPOs) suggests that firms with private information about their true value may exploit this information asymmetry by issuing new shares when they believe their stock is overvalued. This practice can create adverse selection issues, as investors might interpret an FPO announcement as a signal that the firm's management perceives its stock to be overpriced. As a result, skepticism among investors may drive the stock price down after the FPO announcement, as investors adjust their valuations based on the perceived information asymmetry and the possibility that only firms with less favorable private information are choosing to issue new equity. This theory highlights the challenges in capital markets where managers have more accurate knowledge about a firm's value than outside investors, potentially leading to market inefficiencies and suboptimal financing decisions (Myers &Majluf, 1984). In the context of the Nepalese stock market, this theory provides valuable insight into how information asymmetry can affect FPO outcomes and shape investor reactions.

Agency Theory

The Agency Theory of Follow-on Public Offerings (FPOs) addresses the conflicts of interest between a firm's management (agents) and its shareholders (principals). According to this theory, managers may pursue FPOs for reasons that do not align with the interests of shareholders, such as expanding the firm's size to enhance their own power and compensation, rather than focusing on increasing shareholder value. This misalignment can lead to agency costs, where managerial objectives overshadow those of shareholders. Additionally, the extra capital raised from an FPO might reduce the financial discipline imposed by existing debt, which could result in inefficient investment decisions and diminished firm performance. To mitigate these agency problems, effective corporate governance and aligning managerial incentives with shareholder interests are crucial, ensuring that FPOs are executed in a way that benefits all stakeholders (Jensen &Meckling, 1976). In the context of the Nepalese stock market, this theory offers valuable insights into how agency conflicts might influence FPO decisions and their outcomes.

Dilution Effect

The Dilution Effect of Follow-on Public Offerings (FPOs) refers to the decrease in ownership percentage, earnings per share (EPS), and voting power that existing shareholders experience when a company issues additional shares. As more shares are introduced into the market, the value and control associated with existing shares are diluted, which often results in a decline in the stock price due to the increased share supply. This dilution is generally perceived negatively by investors if the proceeds from the FPO are not used effectively to enhance the company's earnings or if it signals that the stock may be overvalued. However, if the raised capital is invested in profitable projects, the long-term benefits can offset the initial dilution, potentially leading to a net increase in shareholder value. In the Nepalese stock market, understanding the Dilution Effect is crucial for assessing how FPOs influence shareholder value and the subsequent market reactions.

2.2 Empirical Review

Lin et al. (2024) conducted a study on the factors influencing Follow-on Public Offerings (FPOs) in the shipping industry, which has seen a shift from debt financing to equity financing in recent years. As most shipping companies had already completed their Initial Public Offerings (IPOs) by 2013, they now primarily rely on FPOs to raise additional capital. The study aimed to identify the key factors from an investor's perspective that affect the success of these offerings. The researchers used a hybrid multiple-criteria decision-making model combining the fuzzy-Delphi method with Decision-Making Trial and Evaluation Laboratory (DEMATEL). Survey responses from 33 investment experts were analyzed across four dimensions and 16 criteria. The findings revealed that financial indicators, especially earnings per share (EPS), play a critical role in determining the attractiveness of FPOs for investors. A significant increase in EPS was found to enhance the perceived financial performance of shipping companies, making their FPOs more appealing to potential investors.

Virtanen (2024) examined the initial underpricing and long-term performance of IPOs and Seasoned Equity Offerings (SEOs) in the Nordic markets, specifically Denmark, Finland, and Sweden. The study analyzed 153 IPOs from 2014 to 2021 and 157 SEOs from 2014 to 2018 to identify market trends and anomalies compared to U.S.-based theories. Using the event study methodology, the research assessed both immediate

(e.g., one day, one week) and extended (e.g., one month, three months) stock performance impacts, employing the Fama-French 6-factor model to calculate abnormal returns. The results indicated that Nordic IPOs did not exhibit significant initial underpricing, but showed modest long-term underperformance, suggesting initial market over-optimism. In contrast, SEOs experienced minimal initial underpricing but considerable long-term underperformance, indicating negative market adjustments over time. The findings revealed that while IPOs did not show statistically significant abnormal returns, SEOs demonstrated significant negative returns in longer event windows. This study provides insights into the unique performance patterns of equity offerings in the Nordic markets, contrasting with global trends and contributing to a deeper understanding of regional equity offering dynamics.

Seo (2024) developed a predictive model for Seasoned Equity Offerings (SEOs) using machine learning techniques, aiming to explore the effectiveness of non-linear methods in predicting SEO outcomes. Given the complexity of the factors influencing SEOs, the study utilized the random forest method and the gradient boosting tree model to capture the non-linear relationships between SEOs and their determinants. The study was driven by the idea that SEOs involve both direct and indirect costs, with corporate executives opting to issue additional equity only when the perceived benefits outweigh the costs, leading to a non-linear relationship with key variables, particularly those linked to market timing. The findings confirmed that decision tree-based models, such as random forest and gradient boosting trees, outperformed traditional linear models in predicting SEOs. These results suggest that machine learning methods offer enhanced predictive power in understanding SEO decisions. The study concluded that such models could provide valuable insights for investors and policymakers by improving the classification of companies likely to engage in SEOs, thereby enhancing market efficiency and decision-making.

Hoang et al. (2024) explored the influence of hierarchical complexity on the choice of Seasoned Equity Offering (SEO) methods among U.S.-listed firms from 2012 to 2017. Using multinomial logistic regression, the study analyzed how hierarchical complexity impacts the selection of SEO techniques, including rights offerings, firm commitment offerings, and accelerated offerings. To strengthen their findings, the

authors employed a two-stage least squares (2SLS) analysis to address potential endogeneity and applied propensity score matching to reduce self-selection bias. The results indicated that firms with higher hierarchical complexity were more likely to choose rights offerings over firm commitment offerings and generally avoided accelerated offerings. This preference was linked to increased information asymmetry and reduced transparency associated with greater organizational complexity. Additionally, the study identified an inverse correlation between hierarchical complexity and firm value after SEOs. This research contributes to the literature by highlighting how organizational structure influences SEO strategies and financing decisions.

Chen et al. (2023) examined the impact of increased equity financing incentives on firms' voluntary disclosure decisions, using the 2008 seasoned equity offering (SEO) deregulation as a natural experiment. This deregulation made it easier for small firms to access public equity financing, increasing their incentives for equity issuance while leaving their business and information environments unchanged. The study hypothesized that this boost in incentives would encourage firms to improve their disclosure practices even without actual equity issuance. By comparing affected firms with a control group that was not impacted by the deregulation, the analysis revealed that firms subject to the deregulation significantly increased their management earnings forecasts post-deregulation. This effect was stronger among firms with higher equity financing needs and those facing greater information asymmetry. The study suggests that increased equity financing incentives can prompt firms to voluntarily enhance disclosures as a strategy to reduce future equity issuance costs.

Evans et al. (2023) examined the effect of exchange-traded fund (ETF) ownership on companies' decisions to conduct seasoned equity offerings (SEOs). Their analysis revealed that firms with higher ETF ownership were more likely to initiate an SEO, as the presence of ETFs appeared to positively influence this decision. The study also found that increased ETF ownership was associated with more favorable market reactions to SEO announcements, including less negative announcement returns, smaller offering discounts, and improved long-term stock performance. This suggests that ETFs create opportunities for firms to time their equity issuance more strategically, as higher ETF participation can stimulate investor demand and improve

the terms of the offering. The findings indicate that ETF ownership plays a crucial role in enhancing both the immediate and long-term success of SEOs, presenting a new factor that influences firms' decisions on when and how to issue additional equity. This insight contributes to a broader understanding of the dynamics that drive SEO strategies and market responses.

Subrahmanyam et al. (2023) analyzed the long-term equity performance of Indian firms that conducted seasoned equity offerings (SEOs) from January 2010 to December 2022. The study included a sample of 177 SEO-issuing firms and compared their long-term performance with industry peers that had similar characteristics, such as size, age, and price-to-book ratio. The findings showed that firms issuing SEOs significantly underperformed their peers, with average returns 17% lower, or 3% annually, over a five-year holding period. This underperformance persisted under various market conditions, except during a brief period of the global financial crisis. The study suggests that SEO-issuing firms may raise capital for purposes that dilute shareholder value, invest in underperforming projects, or struggle to integrate new equity effectively. The results emphasize the need to consider long-term performance when evaluating SEO investments. Future research is recommended to explore specific factors contributing to this underperformance, such as different SEO types (e.g., rights issues vs. follow-on public offerings), market timing, and investor sentiment.

Chen and Liu (2022) examined the impact of Seasoned Equity Offerings (SEOs) and Return of Capital (ROC) on company performance, focusing on the mediating role of the agency problem. The study aimed to investigate whether these activities influenced company performance in both the short and long term, and whether the agency problem played a role in this relationship. The research used annual data from Taiwan's listed companies between 2000 and 2018, sourced from the Financial Supervisory Commission and Taiwan Economic Journal. The study employed the Fama-French three-factor asset pricing model and hierarchical regression analysis. Key variables included company performance, SEOs, ROC, free cash flow, and the agency problem. The findings indicated that companies conducting SEOs were mostly in the expansion or growth stages, but SEOs led to reduced performance both in the short and long term. However, after controlling for free cash flow, the negative impact

of SEOs on performance was lessened. In contrast, ROC companies, primarily in the decline stage, experienced improved long-term performance, with no significant impact from free cash flow. The study concluded that SEOs and ROC have distinct effects on company performance, with the agency problem mediating the negative impact of SEOs on performance but not affecting ROC companies. This research offered insights into the relationship between capital market activities and firm performance through the lens of agency theory.

Abdullah and Zaby (2021) conducted a comprehensive analysis of 149 seasoned equity offerings (SEOs) in Thailand from 2009 to 2019 to assess their impact on share prices. The study categorized SEOs based on time (early, mid, and grown) and volume (small, medium, big, and super). Using an event study methodology and a multi-factor model, the research found that most SEOs, regardless of time and volume categories, exhibited negative cumulative abnormal returns (CAR) during the event window. Among the time categories, grown SEOs had the highest proportion of negative CAR, while medium SEOs showed the most significant negative CAR under the volume categories. The results were validated through regression assumption tests using the Gnu Regression, Econometrics, and Time-series Library. These findings align with established theories and offer insights into the effects of SEOs on share prices, providing valuable implications for corporations, investors, and regulatory bodies aiming to enhance market confidence and sustainable corporate funding.

Veld et al. (2020) examined the announcement effects of Seasoned Equity Offerings (SEOs) by reviewing 199 studies from 38 leading finance journals and Social Sciences Research Network working papers. The primary objective was to assess the cumulative abnormal returns (CARs) associated with SEOs across different countries, with a significant focus on the United States, represented by 131 studies. The methodology involved aggregating and synthesizing empirical findings from various studies to determine general patterns and outcomes. The variables analyzed included abnormal returns, the country of the issuing firm, the type of equity issue (public, rights, or private placement), and specific firm characteristics such as dividend status, industrial classification, and the use of SEO proceeds. The findings revealed a statistically significant mean cumulative abnormal return of -0.98%, with more negative returns for U.S. companies and non-U.S. rights issues, and less negative

returns for private placements. Additionally, SEOs aimed at debt reduction, issued shortly after IPOs, or made by non-dividend-paying and industrial firms exhibited more negative wealth effects. The study concluded by highlighting key factors influencing SEO outcomes and recommending several future research directions to further explore the nuances of SEO announcements.

Le et al. (2020) examined the determinants influencing the decision of listed companies on the Ho Chi Minh Stock Exchange in Vietnam to conduct seasoned equity offerings (SEOs). The study utilized panel data from the audited financial statements of 99 companies over the period 2014-2018, applying a logit regression model using the fixed effects method to analyze factors affecting the decision to implement SEOs. The findings revealed that profitability, revenue growth, and company size had a statistically significant positive impact on the decision to issue additional equity, while the dividend pay-out ratio exerted a significant negative influence. These results remained robust even after accounting for various forms of equity offerings, such as bonus stocks, stock dividends, and rights to buy shares. The study's conclusions align with key economic theories, including agency theory, pecking order theory, and growth opportunity theory, and reflect the unique characteristics of the Vietnamese stock market. The research provides valuable insights for corporate managers, policymakers, and investors, helping them better understand the factors that drive SEO decisions within the context of Vietnam's evolving financial markets.

Boehme et al. (2020) investigated the relationship between seasoned equity offerings (SEOs) and future stock price crash risk using a large sample of U.S. firms from 1987 to 2011. The study found strong evidence that firms issuing SEOs are more likely to experience abnormally high future stock price crash risk, particularly when the offering involves the sale of Secondary shares refer to existing shares that are sold by insiders or major shareholders. Additionally, companies that had recently issued seasoned equity were far less likely to experience sudden positive price jumps compared to firms that had not issued equity. These findings suggest that companies issuing SEOs are more prone to hoarding bad news, leading to elevated crash risk, while withholding good news, which diminishes the likelihood of positive price jumps. The study's results provide important insights into the risks associated with

SEOs, particularly regarding how firms manage information disclosure during equity issuance, with implications for investors and regulators monitoring market transparency and risk.

Melia et al. (2020) examined the factors influencing the choice between rights issues and private placements as seasoned equity offering (SEO) methods in Australia, a market where both types of SEOs are common. Unlike the U.S., where rights issues are rare, Australia provides a more suitable environment for studying the determinants of SEO methods. The study aimed to assess whether regulatory frameworks impact a firm's decision to opt for rights issues or private placements. Using empirical analysis, the authors found that regulation plays a critical role in guiding this decision. Specifically, private placements are favored for smaller issues or when companies need to act swiftly. The results also indicated that firms are more inclined to choose private placements when seeking to capitalize on temporary stock overvaluation. This research highlights the significance of regulatory factors in shaping the SEO landscape and provides insights into how firms navigate the capital-raising process based on market conditions and regulatory constraints. The findings have important implications for understanding how regulation influences corporate financing strategies in the Australian market.

Pham et al. (2020) examined the influence of corporate social responsibility (CSR) and executive compensation structure on the pricing of seasoned equity offerings (SEOs), focusing on how CSR reduces information asymmetry between managers and potential shareholders. The study employed an OLS fixed-effect regression analysis on a sample of 2,102 U.S. SEOs with CSR scores from 1995 to 2015. The research aimed to explore whether firms with strong CSR practices experience a lower SEO discount and how executive compensation, particularly equity-based pay, interacts with CSR in this context. The findings revealed that firms with high CSR scores faced lower SEO discounts, indicating reduced price uncertainty and information asymmetry. Additionally, a positive relationship was documented between CSR and the proportion of equity-based executive compensation, suggesting that such compensation structures incentivize managers to actively reduce information asymmetry before SEOs. Ultimately, the study concluded that CSR plays a significant

role in mitigating the effects of information asymmetry on SEO pricing, while also reinforcing the influence of executive wealth on SEO discounting.

Cikrikci et al. (2019) examined the short-term stock price performance of 58 companies that carried out 79 Seasoned Equity Offerings (SEOs) on Borsa İstanbul between 2010 and 2015. The researchers assessed both raw and abnormal returns, using t-statistics to compare these returns with market averages and the performance of peer groups to evaluate SEO outcomes. To investigate long-term price performance and potential anomalies, they utilized regression analysis with the Panel Dynamic OLS (PDOLS) method. Their analysis revealed significant short-term underpricing anomalies, particularly in 2011 and 2015, with a notable concentration in the industrial sector. The study also identified various factors that influenced stock price movements following SEOs. Positive contributors included changes in leverage ratios, capital increase rates, and public share placements, while negative impacts were associated with the market-to-book ratio (M/B ratio) and private placements. These findings underscore the importance of considering specific factors, such as capital structure and the type of offering method, in evaluating the effectiveness of SEOs. The study offers valuable insights for investors on Borsa İstanbul, suggesting key variables to consider when assessing SEO performance.

McBrayer (2019) examined the impact of issuer credit ratings on the costs associated with seasoned equity offerings (SEOs) using a panel of SEOs from 1990 to 2014. The study aimed to explore whether firms with credit ratings experience reduced fees during the issuance of seasoned equity compared to unrated firms. By employing a propensity-score matched-sample comparison analysis, McBrayer compared firms that obtained new, long-term credit ratings with an unrated control group. The findings revealed that firms with credit ratings pay significantly lower investment banking fees—around 7.2% lower than their unrated counterparts—after controlling for known determinants of SEO fees. Additionally, the research extended to indirect costs, showing that rated firms faced reduced market-based costs and experienced less dilutionary impact when issuing equity. Moreover, these firms exhibited more positive abnormal returns surrounding the issuance. Overall, the study highlighted the financial advantages for companies obtaining credit ratings before issuing seasoned equity, particularly in terms of reduced direct and indirect costs.

Table 1

Summary of Empirical Review

Author(s)	Objectives	Variables	Methodology	Findings
Lin et al. (2024)	To identify factors affecting follow-on public offerings (FPOs) in the shipping industry.	**Dependent:** FPO success **Independent:** Financial indicators, earnings per share	Hybrid multiple-criteria decision-making model (fuzzy-Delphi method and DEMATEL)	Financial indicators, especially earnings per share, are crucial for FPO attractiveness. Increased EPS enhances FPO appeal.
Virtanen (2024)	To explore initial underpricing and long-term performance of IPOs and SEOs in Nordic markets.	**Dependent:** Long-term performance **Independent:** Initial underpricing, event windows	Event study methodology , Fama-French 6-factor model	Nordic IPOs show modest long-term underperformance; SEOs show significant long-term underperformance.
Seo (2024)	To develop a predictive model for SEOs using machine learning methods.	**Dependent:** SEO prediction accuracy **Independent:** Non-linear factors affecting SEOs	Random forest and gradient boosting tree models	Machine learning models outperform traditional models in predicting SEOs, enhancing market efficiency.
Hoang et al. (2024)	To examine the impact of hierarchical complexity on the choice of SEO methods among U.S.-listed firms.	**Dependent:** Choice of SEO methods **Independent:** Hierarchical complexity, SEO techniques	Multinomial logistic regression, 2SLS analysis, propensity score matching	High hierarchical complexity leads to preference for rights offerings; negative association with firm value post-SEO.

Chen et al. (2023)	To investigate how increased equity financing incentives affect voluntary disclosure decisions.	**Dependent:** Management earnings forecasts **Independent:** Equity financing incentives	Empirical analysis comparing deregulated firms with control firms	Firms affected by deregulation increased disclosures, especially those with higher equity financing needs.
Evans et al. (2023)	To examine how exchange-traded fund (ETF) ownership influences firms' decisions to conduct seasoned equity offerings (SEOs).	**Dependent:** SEO likelihood, announcement returns, discounts, long-term stock performance **Independent:** ETF ownership	Empirical analysis of ETF ownership effects on SEO parameters	Higher ETF ownership is positively correlated with SEO likelihood, less negative announcement returns, and improved long-term performance.
Subrahmanyam et al. (2023)	To analyze the long-term equity performance of Indian firms that conducted SEOs from January 2010 to December 2022.	**Dependent:** Long-term performance **Independent:** SEO issuance, market conditions	Comparative analysis of SEO-issuing firms versus industry peers	SEO-issuing firms underperform compared to peers; 17% lower returns over five years, persistent across market conditions.
Chen & Liu (2022)	To explore the impact of SEOs and ROC on company performance.	**Dependent:** Company performance **Independent:** SEOs, ROC, agency problem	Fama-French three-factor model, hierarchical regression analysis	SEOs generally reduce performance; ROC improves long-term performance; agency problem mediates the SEO impact.

Abdullah & Zaby (2021)	To conduct a comprehensive analysis of SEOs and their impact on share prices in Thailand, categorized by time and volume.	**Dependent:** Cumulative abnormal returns (CAR) **Independent:** SEO categories (time, volume)	Event study methodology, multi-factor model	Most SEOs show negative CAR; grown SEOs have the highest negative CAR; medium volume SEOs show the largest negative CAR.
Veld et al. (2020)	To review the announcement effects of SEOs across different countries and firm characteristics.	**Dependent:** Cumulative abnormal returns (CAR) **Independent:** Country, equity issue type, firm characteristics	Aggregated review of 199 studies, synthesis of empirical findings	Average CAR is -0.98%; negative for US and non-US rights issues, less negative for private placements.
Le et al. (2020)	To examine determinants influencing the decision of listed companies on the Ho Chi Minh Stock Exchange in Vietnam to conduct SEOs.	**Dependent:** Decision to conduct SEOs **Independent:** Profitability, revenue growth, company size, dividend pay-out ratio	Logit regression model with fixed effects method	Profitability, revenue growth, and company size positively impact SEO decisions; dividend pay-out ratio negatively impacts.
Boehme et al. (2020)	To investigate the relationship between SEOs and future stock price crash risk	**Dependent:** Future stock price crash risk **Independent:** SEO issuance, secondary shares sale	Large sample of U.S. firms from 1987 to 2011	SEOs are linked to higher crash risk and fewer positive price jumps. Firms with recent SEOs hoard bad news and withhold good news.

Melia et al. (2020)	To examine factors influencing the choice between rights issues and private placements in Australia	**Dependent:** Choice between rights issues and private placements **Independent:** Regulatory frameworks, issue size, stock valuation	Empirical analysis of SEO methods in Australia	Regulation impacts SEO method choice; private placements are preferred for smaller or urgent issues and stock overvaluation.
Pham et al. (2020)	To explore the influence of CSR and executive compensation on SEO pricing	**Dependent:** SEO discount **Independent:** CSR scores, executive compensation structure	OLS fixed-effect regression on 2,102 U.S. SEOs from 1995 to 2015	High CSR scores reduce SEO discounts. Equity-based executive compensation helps lower information asymmetry.
Cikrikci et al. (2019)	To examine short-term price performance of stocks after SEOs on Borsa İstanbul	**Dependent:** Short-term price performance (raw and abnormal returns) **Independent:** SEO-related factors (leverage ratio changes, capital increase rate, public placement)	Raw and abnormal returns calculation, regression analysis with PDOLS	Short-term underpricing in 2011 and 2015. Factors like leverage ratio and capital increase rate positively affect stock performance.
McBrayer (2019)	To explore the impact of issuer credit ratings on SEO costs	**Dependent:**SEO costs **Independent:** Credit ratings	Propensity-score matched-sample SEO comparison (1990-2014)	Credit-rated firms pay 7.2% less in investment banking fees and face lower market-based costs.

2.3 Research Gap

A research gap has emerged due to the short-term focus and limited sample size in previous studies on Follow-on Public Offerings (FPOs) or Seasoned Equity Offerings (SEOs) in the Nepalese stock market. Most research has concentrated on narrow timeframes and smaller samples, failing to fully capture the complexities and dynamics of these offerings. This study has identified a need to address this gap by examining FPO issuer firms over an extensive period of 8 years, from fiscal year 2072/73 to 2079/80. Utilizing a purposive sampling method, the research has focused on 10 out of the 16 FPO issuer firms: PFL, GBLBS, PIC, BPCL, NMB, NBL, CZBIL, UNLB, MMFDB, and USLB. By incorporating variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR) and Cash Dividend Ratio (CDR) to analyze their impact on SEO Value, the study aims to provide a comprehensive and nuanced understanding of the determinants affecting FPOs and SEOs. This approach has been designed to offer valuable insights for both academic research and practical applications in the Nepalese stock market. Therefore, this study has covered research gap successfully.

CHAPTER – III
RESEARCH METHODOLOGY

This chapter has presented an in-depth explanation of the research methodology, outlining the steps and procedures followed to gather and analyze data from the field. It has covered the research design, selection of population and sample, sampling techniques, types and sources of data, data collection tools, analytical methods, research framework, and definitions of variables, all of which are explained in detail below.

3.1 Research design

This study has used both descriptive and causal-comparative research designs to examine the factors influencing Follow-on Public Offerings (FPOs) in the Nepalese stock market. Descriptive statistics, such as minimum, maximum, mean, standard deviation, and the number of observations, have been employed to summarize and present the data. The causal-comparative method has been applied to investigate and determine the nature and degree of cause-and-effect relationships between variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR) in relation to SEO Value. Additionally, the study has utilized these designs to provide a comprehensive understanding of the determinants affecting SEO value. The findings aim to contribute valuable insights into the factors influencing the performance and valuation of FPOs in the Nepalese stock market.

3.2 Population and sample, and sampling design

The population for this study comprises all 16 FPO issuer firms. However, due to constraints of time and resources, the study has utilized a purposive sampling method to select 10 firms from this population. The firms chosen are PFL, GBLBS, PIC, BPCL, NMB, NBL, CZBIL, UNLB, MMFDB and USLB. Purposive sampling has been applied because it allows for the selection of specific firms that are most relevant to the study's objectives. This method has facilitated a more focused and manageable analysis of the determinants of Follow-on Public Offerings (FPOs) within the practical limitations of the research.

3.3 Nature and sources of data, and the instrument of data collection

This study relies on secondary data sources to analyze the determinants of follow-on public offerings (FPOs) in the Nepalese stock market. The data collection process involved gathering information from a variety of published sources, including annual reports of companies, journals, magazines, and articles that provide relevant financial and market insights. Additionally, the study utilized data from key financial institutions and regulatory bodies such as the Securities Board of Nepal (SEBON), Nepal Stock Exchange (NEPSE), and Nepal Rastra Bank. Websites and online databases related to FPOs were also consulted to ensure comprehensive coverage of the necessary financial and market data. These sources collectively provided the foundation for the analysis conducted in this study, enabling a thorough examination of the factors influencing FPOs in Nepal.

3.4 Method of analysis

The descriptive statistics, correlation analysis and multiple regression analysis were applied in order to examine and compare the impact of independent variable on the depend variables. Descriptive statistics has employed Max, Min, Mean and Standard Deviation. Correlation has showed the relationship between dependent variable with independent variables as well as regression analysis indentified the impact between dependent and independent variables. MS-excel and SPSS software have been used for data calculation and analysis of data.

A. Descriptive statistics

The descriptive statistics method is employed in various research approaches to analyze the variables of interest. Common tools include minimum, maximum, mean, standard deviation, and number of observations. This study aims to examine the determinants of FPOs in the Nepalese stock market. The mean is calculated to determine the average values of key variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR). Standard deviation is used to gauge the extent of variation in SEO Value explained by these independent variables. Descriptive statistics have been computed using SPSS version 29. The results of these calculations are as follows:

Arithmetic mean

The arithmetic mean, often called the average, reflects the central or most representative value of a dataset. It is computed by adding together all the individual data points and dividing the sum by the total number of data points. This method provides a single value that serves as a summary of the dataset, highlighting the central tendency where the data points are concentrated. The arithmetic mean is extensively applied in descriptive statistics for its straightforwardness and reliability in describing the overall properties of a dataset.

The calculation of the arithmetic mean is done using the following formula:

Arithmetic mean ($\bar{x}$) = $\frac{\sum x}{N}$

Where,

N= The total count of values in the dataset.

$\sum x$= The total of all values in the dataset.

Standard Deviation

Standard deviation is a statistical measure that quantifies the dispersion or variability of data points within a dataset. It provides insight into how much individual values deviate from the dataset's mean, thereby indicating the extent to which the data points are spread out or concentrated around the average value. A lower standard deviation signifies that the data points are closely clustered around the mean, while a higher standard deviation reflects greater variability and dispersion within the dataset. This measure is widely used in statistics to assess consistency and predictability, as it helps identify the degree of uniformity or diversity in the dataset. The calculation of standard deviation is based on a specific formula, which is expressed as follows:

Standard deviation (σ) = $\sqrt{\frac{\sum(x-\bar{x})^2}{N-1}}$

Where,

xRepresents every single data point in the dataset

$\bar{x}$Represents the average (mean) of the dataset

N Represents the total count of data points or observations in the dataset.

B. Inferential statistics

Inferential statistics involve methods to assess how independent variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR)affect the dependent variable, which is Seasoned Equity Offering Value (SEO Value). Techniques like correlation and regression analysis are utilized to evaluate the strength and significance of these relationships. This approach provides insights into the factors influencing the pricing dynamics of follow-on public offerings (FPOs) in the Nepalese stock market.

Correlation analysis

Correlation analysis explores the strength and direction of relationships between variables. A positive correlation means that when one variable increases or decreases, the other follows the same pattern. On the other hand, a negative correlation implies that when one variable changes, the other moves in the opposite direction. The correlation coefficient ranges from +1 to -1: +1 represents a perfect positive correlation, -1 represents a perfect negative correlation, and 0 indicates no correlation. A +1 coefficient means the variables move in perfect unison, while -1 signifies they move in completely opposite directions.

The Pearson correlation coefficient (r) is determined using the formula below:

$$r = \frac{n(\sum XY) - (\sum X)\ (\sum Y)}{\sqrt{[n(\sum X^2) - (\sum X)^2]\ [n(\sum Y^2) - (\sum Y)^2]}}$$

Where;

n = the total number of data pairs

$\sum XY$ is the sum of paired products.

The symbols $\sum X$ and $\sum Y$ represent the total sums of the X and Y scores, respectively.

Karl Pearson's correlation analysis method has been applied using SPSS version 29.

Regression analysis

Regression analysis involves statistical methods to estimate the impact of one or more independent variables (ROA, MTBVR, SIZE, LR, and CDR) on a dependent variable (SEO Value). It focuses on understanding how changes in independent variables influence the dependent variable while keeping other independent variables constant.

For this study, a single-model regression has been performed, as outlined in the following model specification.

Model Specification

In this model the dependent variable is SEO Value which has been influenced by several independent variables such as including Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR) and Cash Dividend Ratio (CDR).

The model is represented as:

$$\text{LnSEO Value} = \beta_0 + \beta_1 ROA + \beta_2 MTBVR + \beta_3 LnSIZE + \beta_4 LR + \beta_5 CDR + \varepsilon it$$

When,

β_0 = Intercept/ constant term

LnSEO Value = Natural Logarithm of Seasoned equity offering value

ROA = Returns on assets

MTBVR = Market-to-book value ratio

LnSIZE = Natural Logarithm of Company size

LR = Leverage ratio

CDR = Cash dividend ratio

εit = error term of the stochastic model

Betas (β_1, β_2, β_3, β_4, β_5) are the parameters of the mode

Table 2

Description and Measurement of Variables

Indicators	variables	Measurements
ROA	Returns on assets	Net returns/total assets
MTBVR	Market-to-book value ratio	Market value/Book value of stocks
SIZE	Company size	Natural Logarithm of Total Assets
LR	Leverage ratio	Total debts/Total assets
CDR	Cash dividend ratio	Cash dividends/Face value of stocks
SEO	Seasoned equity offering value	No of shares issue × Issue price

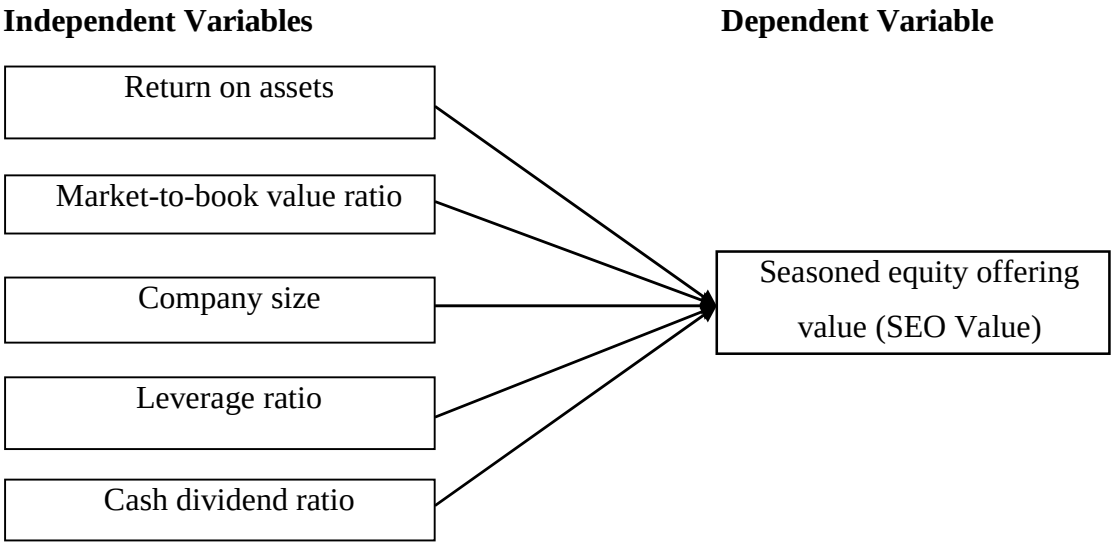
(Source: Le et al., 2020)

3.5 Research framework and definition of variables

A research framework has been employed to concentrate on the variables within the study.The figure illustrates various variables, including Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), Cash Dividend Ratio (CDR), and SEO Value.

Figure 1

Research Framework



(Source: Le et al., 2020)

Definition of variables

Various variables are used in this study as dependent and independent variables. The dependent variable is SEO Value, and the independent variables are Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR). The definitions of the variables employed in this study are outlined as follows:

SEO Value

The SEO Value serves as the dependent variable in this study, representing the overall value of seasoned equity offerings made by a company. To calculate SEO Value, the total number of shares issued in the seasoned equity offering is multiplied by the issue price per share. This approach offers a comprehensive measure of the capital raised through the equity offering and demonstrates the market's assessment of the newly issued shares. It is an essential metric for evaluating the effectiveness and influence of SEOs on a company's financial structure and stock valuation. By analyzing SEO

Value, the study aims to investigate how different factors influence the success and valuation of equity offerings, and how these offerings affect investor perceptions and the company's position in the market.

Return on Assets (ROA)

Return on Assets (ROA) is a key financial performance indicator that evaluates how efficiently a company uses its assets to generate net income. It is computed by taking the ratio of net income to total assets. ROA offers a perspective on a company's profitability in relation to its asset base, showing how effectively the company is managing its resources to generate earnings. A higher ROA indicates that the company is making efficient use of its assets to create profits, signaling strong operational efficiency and proficient asset management. This metric is crucial for investors and stakeholders, as it demonstrates the company's capacity to generate profit from its asset investments, serving as a vital indicator of overall financial performance and management effectiveness.

Market-to-Book Value Ratio (MTBVR)

The Market-to-Book Value Ratio (MTBVR) is a valuation tool that compares a company's market value to its book value. It is determined by dividing the market value of a company's equity by its book value. This ratio offers insights into how the market values the company's stock in relation to the historical cost recorded in its financial statements. A higher MTBVR suggests that the market views the company as having substantial growth potential or strong financial prospects, as investors are willing to pay a premium for the stock compared to its book value. On the other hand, a lower MTBVR may indicate that the market has less confidence in the company's future performance. This ratio is essential for assessing investor sentiment and understanding how market expectations align with the company's financial fundamentals.

Company Size (SIZE)

Company Size (SIZE) is determined by the total assets of a company, representing its overall scale and financial strength. Total assets include all that the company owns, such as cash, inventory, property, and equipment. This variable offers an insight into the firm's operational scale and its capacity to utilize resources. Larger companies

typically have greater market influence, more substantial operational capabilities, and stronger financial stability compared to smaller firms. By analyzing SIZE, the study can examine how a company's scale affects its ability to carry out and gain from seasoned equity offerings. This metric is useful for understanding the connection between a company's size and its financial strategies, including its methods for raising capital and managing equity offerings.

Leverage Ratio (LR)

The Leverage Ratio (LR) measures the proportion of a company's assets financed through debt, calculated by dividing total debt by total assets. This ratio offers insight into the company's financial leverage and its reliance on borrowed funds as opposed to equity. A higher LR indicates a greater dependence on debt to finance the company's assets, which can increase financial risk and impact the firm's stability. Conversely, a lower LR suggests a more cautious approach to financing, with a larger share of assets funded through equity. Examining LR helps understand how leverage affects the firm's financial health and its ability to raise further capital, especially through seasoned equity offerings. It also provides a clearer picture of the company's risk profile and financial strategy.

Cash Dividend Ratio (CDR)

The Cash Dividend Ratio (CDR) measures the portion of a company's earnings paid out as cash dividends in relation to the face value of its shares. It is calculated by dividing cash dividends by the face value of the stocks. This ratio provides insight into the company's dividend policy and its dedication to delivering value to shareholders. A higher CDR suggests that the company allocates a substantial portion of its earnings to dividends, which can improve shareholder satisfaction and attract investors looking for consistent income. In contrast, a lower CDR may indicate that the company prefers to reinvest its earnings into growth opportunities rather than distributing them to shareholders. Analyzing CDR is crucial for understanding how dividend policies affect shareholder value and the appeal of the company's equity offerings.

CHAPTER – IV
RESULTS AND DISSCUSSION

As detailed in earlier chapters, this study aims to analyze the factors affecting Follow-on Public Offerings (FPOs) in the Nepalese stock market. This chapter presents the findings and discussion of the research, utilizing both descriptive and inferential statistical methods. The descriptive statistics include mean, standard deviation, minimum, maximum, and observation count to explore variables such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (SIZE), Leverage Ratio (LR), Cash Dividend Ratio (CDR)and the dependent variable SEO Value. The mean determines the average value of these variables, while the standard deviation evaluates how much variation in the SEO Value is explained by the independent variables. Inferential statistics, such as correlation and multiple regression analyses are performed using SPSS version 29 to examine the relationships and effects of these variables.

4.1 Results

In this section of the results, the study examines the determinants of FPOs in the Nepalese stock market using statistical tools, including both descriptive and inferential statistics. Descriptive statistics provide an overview of the dataset, encompassing measures such as arithmetic mean, standard deviation, minimum, and maximum. These statistics help investigate the variables, including ROA, MTBVR, SIZE, LR, CDR and the dependent variableSeasoned Equity Offering Value (SEO Value). Inferential statistics include methods such as Karl Pearson's correlation analysis and multiple regression analysis to examine relationships between variables and assess the influence of various factors on SEO Value. The statistical analyses were performed utilizing SPSS version 29 software.

A. Descriptive Statistics Analysis

This study's descriptive statistics provide an overview of the data used to investigate the factors influencing Follow-on Public Offerings (FPOs) in the Nepalese stock market. The analysis includes the dependent variable SEO Value and independent variables such as ROA, MTBVR, SIZE, LR and CDR. The mean represents the

average value for each variable, while the standard deviation indicates the degree of variation from this average. Minimum and maximum values establish the range of the data, and variance, being the square of the standard deviation, also measures dispersion. These descriptive statistics are essential for understanding the central tendencies and spread of the data, setting the stage for more detailed inferential statistical analysis. The descriptive statistics for all variables in this study are detailed in Table 3 below.

Table 3

Descriptive Statistics of all Study Variables

Variables	N	Min	Max	Mean	Std. Deviation
ROA	10	1.70	5.10	2.9900	1.12591
MTBVR	10	10.00	14.20	11.7300	1.42521
LnSIZE	10	4.57	11.76	8.0885	2.51442
LR	10	31.80	40.50	35.2200	2.84636
CDR	10	12.50	50.00	27.5800	11.67893
LnSEO Value	10	2.52	8.60	6.3670	2.32615
Valid N (Listwise)	10				

(Source: SPSS Version 29)

Table 3 provides a summary of the descriptive statistics for all analyzed variables. Return on Assets (ROA) ranges from 1.70 to 5.10, with a mean of 2.99 and a standard deviation of 1.13, indicating moderate variability. Market-to-Book Value Ratio (MTBVR) spans from 10.00 to 14.20, with an average of 11.73 and a standard deviation of 1.43, showing relatively low variation. Company Size (LnSIZE) varies between 4.57 and 11.76, with a mean of 8.09 and a standard deviation of 2.51, reflecting noticeable dispersion. Leverage Ratio (LR) ranges from 31.80 to 40.50, with an average of 35.22 and a standard deviation of 2.85, suggesting moderate variability. Cash Dividend Ratio (CDR) spans from 12.50 to 50.00, with a mean of 27.58 and a standard deviation of 11.68, indicating substantial variation. The dependent variable, Seasoned Equity Offering Value (LnSEO Value), ranges from 2.52 to 8.60, with a mean of 6.37 and a standard deviation of 2.33, reflecting moderate dispersion. These descriptive statistics provide insights into the central tendencies and variability of the study variables.

B. Correlation analysis

Correlation analysis is a technique used to assess the relationship between independent variables including ROA, MTBVR, LnSIZE, LR and CDR with the dependent variable Seasoned Equity Offering Value (SEO Value). The study analyzed the inherent relationships among these variables. Karl Pearson's correlation analysis method was employed in this study using SPSS version 29, and the results are presented in Table 4.

Table 4

Karl Pearson's Correlation Analysis of Study Variables

Variables	ROA	MTBVR	LnSIZE	LR	CDR	LnSEO
ROA	1					
MTBVR	0.074	1				
LnSIZE	0.090	0.269	1			
LR	-0.435	0.232	0.145	1		
CDR	0.754*	0.305	0.483	-0.016	1	
LnSEO Value	0.231	0.208	0.795**	0.358	0.599	1

*. The correlation is significant at the 0.05 level (two-tailed).

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

(Source: SPSS Version 29)

Table 4 illustrates the correlation analysis of all study variables such as ROA, MTBVR, LnSIZE, LR and CDR with the dependent variable Seasoned Equity Offering Value (SEO Value).ROA exhibits a slight positive correlation of 0.231 with LnSEO Value, suggesting a minimal relationship, though it is not statistically significant.MTBVR has a weak positive correlation of 0.208 with LnSEO Value also indicating a limited association that is not significant. LnSIZE demonstrates a strong positive correlation of 0.795 with LnSEO Value indicating a significant and positive relationship at the 0.01 level suggesting larger firms are strongly associated with higher SEO values. LR has a moderate positive correlation of 0.358 with LnSEO Value, indicating a weak relationship that is not statistically significant. CDR shows a moderate positive correlation of 0.599 with LnSEO Value indicating a potential association though it is not statistically significant. These results suggest varying degrees of relationships with LnSIZE showing the most significant and positive influence on LnSEO Value.

C. Regression analysis

Regression analysis examines how independent variables collectively influence a dependent variable and can be used for predictions. In this study, multiple regression analysis has been employed to assess how ROA, MTBVR, LnSIZE, LR and CDR influence the SEO Value in the Nepalese stock market's Follow-on Public Offerings.

Table 5

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.894[a]	0.799	0.547	1.56563

a. Predictors: (Constant), ROA, MTVBR, LnSIZE, LR, CDR

b. Dependent variable: LnSEO Value

(Source: SPSS Version 29)

Table 5 reveals an R^2 value of 0.799, indicating that the independent variables (ROA, MTBVR, LnSIZE, LR, and CDR) collectively explain 79.9% of the variance in the dependent variable, LnSEO Value. The Adjusted R^2 of 0.547 shows 54.7% of the variance in LnSEO Value is explained after adjusting for predictor count. The standard error of the estimate, 1.56563, reflects the average deviation of observed values from the predicted regression line. These results highlight the model's strong explanatory power, accounting for moderate predictor complexity.

Table 6

Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.894	5	7.779	3.173	0.143[b]
	Residual	9.805	4	2.451		
	Total	48.699	9			

a. Dependent variable:LnSEO Value

b. Predictors: (Constant), ROA, MTVBR, LnSIZE, LR, CDR

(Source: SPSS Version 29)

Table 6 displays the ANOVA results, with a total sum of squares of 48.699. The regression sum of squares is 38.894, and the residual sum of squares is 9.805. The

mean square for the regression is 7.779, and the F-statistic is 3.173, with a significance level of 0.143. Since this significance level is above the 0.05 threshold, the model is not statistically significant, suggesting that the independent variables (ROA, MTBVR, LnSIZE, LR, CDR) do not collectively explain the variance in the dependent variable, LnSEO Value, in a statistically meaningful way.

Table 7

Regression Analysis for Dependent Variable LnSEO Value

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-10.787	10.366		-1.041	0.357
ROA	0.617	1.056	0.299	0.585	0.590
MTBVR	-0.203	0.401	-0.124	-0.507	0.639
LnSIZE	0.650	0.275	0.703	2.362	0.077
LR	0.341	0.246	0.417	1.381	0.239
CDR	0.016	0.105	0.079	0.151	0.888

a. Dependent variable: LnSEO Value

(Source: SPSS Version 29)

LnSEO Value = -10.787 +0.617ROA –0.203MTBVR + 0.650LnSIZE + 0.341LR + 0.016CDR + εit

Table 7 shows the regression analysis results for the dependent variable, LnSEO Value, and the impact of each independent variable. Return on Assets (ROA), with a positive coefficient of 0.617, suggests that higher ROA is associated with an increase in LnSEO Value, but the relationship is not statistically significant. Market-to-Book Value Ratio (MTBVR), with a negative coefficient of -0.203, suggests that higher MTBVR is associated with a decrease in LnSEO Value, though this relationship is also not statistically significant. Leverage Ratio (LR), with a positive coefficient of 0.341, suggests that a higher LR is linked to an increase in LnSEO Value, but again, it is not statistically significant. Cash Dividend Ratio (CDR), with a small positive coefficient of 0.016, indicates that higher cash dividend ratios might slightly increase LnSEO Value, though this impact is minimal and not statistically significant. Company Size (LnSIZE), with a positive coefficient of 0.650, suggests that larger

companies are associated with a higher LnSEO Value, but this relationship is not statistically significant at the 5% level. In summary, while all variables show some form of impact on LnSEO Value, none of the relationships are statistically significant, indicating that the results cannot conclusively establish the influence of these factors on LnSEO Value.

4.2 Discussion

The main objective of this study is to analyze the determinants of FPO underpricing in the Nepalese stock market. The dependent variable is the seasoned equity offering value (SEO Value) and the independent variables include return on assets (ROA), market-to-book value ratio (MTBVR), company size (SIZE), leverage ratio (LR), cash dividend ratio (CDR) and market cycle (MC). The population consists of all FPO issuer firms, totaling 16. However, due to constraints in time and resources, a purposive sampling method was employed to select 10 firms: PFL, GBLBS, PIC, BPCL, NMB, NBL, CZBIL, UNLB, MMFDB and USLB. The study utilizes panel data from 2013/14 to 2022/23, sourced from the firms' annual reports and economic surveys, with data analysis incorporating both descriptive (mean, SD) and inferential (correlation, regression) statistics.

The descriptive statistics indicate significant variability within the dataset. Return on Assets (ROA) ranges from 1.70 to 5.10, with a mean of 2.99 and a standard deviation of 1.13, suggesting moderate variability. Market-to-Book Value Ratio (MTBVR) spans from 10.00 to 14.20, with an average of 11.73 and a standard deviation of 1.43, showing relatively low variation. Company size (LnSIZE) varies between 4.57 and 11.76, with a mean of 8.09 and a standard deviation of 2.51, reflecting notable dispersion. Leverage Ratio (LR) ranges from 31.80 to 40.50, with an average of 35.22 and a standard deviation of 2.85, suggesting moderate variability. Cash Dividend Ratio (CDR) spans from 12.50 to 50.00, with a mean of 27.58 and a standard deviation of 11.68, indicating substantial variation. The dependent variable, Seasoned Equity Offering Value (LnSEO Value), ranges from 2.52 to 8.60, with a mean of 6.37 and a standard deviation of 2.33, reflecting moderate dispersion.

The correlation analysis highlights varying degrees of relationships between the independent variables (ROA, MTBVR, LnSIZE, LR, and CDR) and the dependent

variable, LnSEO Value, at a significance level of 0.05. Among the independent variables, LnSIZE exhibits the strongest and most statistically significant positive correlation with LnSEO Value (0.795), suggesting that larger firms are closely associated with higher SEO values. In contrast, ROA and MTBVR show weak positive correlations with LnSEO Value (0.231 and 0.208, respectively), indicating minimal associations, which are not statistically significant. LR and CDR display moderate positive correlations with LnSEO Value (0.358 and 0.599, respectively), but neither relationship reaches statistical significance. These findings emphasize the critical role of firm size (LnSIZE) in influencing SEO values, while other variables show weaker or insignificant correlations.

The regression analysis reveals the impact of various independent variables on the dependent variable, LnSEO Value. Return on Assets (ROA) shows a positive coefficient of 0.617, suggesting that higher ROA is associated with an increase in LnSEO Value, although this relationship is not statistically significant. Market-to-Book Value Ratio (MTBVR) has a negative coefficient of -0.203, implying that a higher MTBVR might lead to a decrease in LnSEO Value, but again, this relationship is not statistically significant. Leverage Ratio (LR) shows a positive coefficient of 0.341, indicating that a higher LR is linked to an increase in LnSEO Value, though this result is not statistically significant. Cash Dividend Ratio (CDR) has a small positive coefficient of 0.016, suggesting that higher CDR could slightly increase LnSEO Value, but the impact is minimal and not significant. Company Size (LnSIZE) with a positive coefficient of 0.650 suggests that larger companies are associated with higher LnSEO Value, but this too is not statistically significant at the 5% level. Overall, while the independent variables show some level of association with LnSEO Value, none of the relationships are statistically significant, indicating that the results do not conclusively support the influence of these factors on SEO value.

The correlation analysis in this study reveals both consistent and contrasting findings compared to previous research. Return on Assets (ROA) shows a weak positive correlation with SEO Value contrasting with Lin et al. (2024) who highlighted the significance of financial indicators like earnings per share in FPO success. Market-to-Book Value Ratio (MTBVR) also exhibits a weak positive correlation aligning with Le et al. (2020) but lacking statistical significance, suggesting it may not be a major

factor in SEO decisions. Company Size (LnSIZE), however, shows a strong positive correlation with SEO Value, consistent with findings from Le et al. (2020); Boehme et al. (2020), who also found that larger firms are more likely to conduct SEOs. Leverage Ratio (LR) shows a moderate positive correlation, similar to Veld et al. (2020) but with weaker significance, contrasting with Pham et al. (2020), who found leverage less influential. Lastly, Cash Dividend Ratio (CDR) shows a moderate positive correlation, but its impact is less direct compared to the findings of Pham et al. (2020), who focused on CSR and executive compensation influencing SEO pricing. Overall, the study confirms some established patterns, particularly regarding firm size, while also revealing variations, especially with financial indicators like ROA and MTBVR.

The regression analysis reveals mixed results when compared with previous studies. Return on Assets (ROA) shows a positive but statistically insignificant relationship with SEO Value, which contrasts with the findings of Lin et al. (2024), who identified financial indicators like earnings per share as critical to FPO success. Similarly, the Market-to-Book Value Ratio (MTBVR) has a negative coefficient but lacks statistical significance, aligning with Le et al. (2020) who found minimal impact of financial ratios on SEO decisions. Company Size (LnSIZE) shows a positive relationship with SEO Value, which is consistent with the findings of Boehme et al. (2020); Le et al. (2020), who emphasized the influence of larger firms in SEO activities. Leverage Ratio (LR) also shows a positive but statistically insignificant relationship, similar to Veld et al. (2020), who found leverage's impact on SEO less definitive. Cash Dividend Ratio (CDR) has a small positive coefficient, suggesting a minimal effect on SEO Value which contrasts with Pham et al. (2020), who noted that CSR and executive compensation had a more direct influence on SEO pricing. In conclusion, while some variables like company size show consistent findings with past research, others like ROA and MTBVR do not demonstrate significant relationships with SEO Value in this study.

CHAPTER – V
SUMMARY AND CONCLUSION

This chapter has three sections. In this study summary has been summarized in section first. The second section has provided a conclusion of the study. The third section has presented implications based on the summary and conclusion.

5.1 Summary

The main objective of this study is to examine the factors influencing SEO value (LnSEO Value) in the Nepalese stock market, with a focus on five independent variables: ROA, MTBVR, LnSIZE, LR, and CDR. The study aims to assess how these variables impact SEO value in selected firms in Nepal. To accomplish this, a descriptive and causal research design has been adopted. Descriptive research is used to analyze the current status and trends of SEO value, while causal research is applied to explore the relationships and effects of the chosen determinants on SEO value. Descriptive statistics, including minimum, maximum, mean, and standard deviation, are used to summarize the data, while causal-comparative research design is assessed through correlation and regression analysis. This study relies on secondary data, obtained from the annual reports of companies and relevant financial websites. The study population consists of all firms issuing FPOs in the Nepalese stock market, with a purposive sample of 10 firms selected due to time and resource constraints. These firms include PFL, GBLBS, PIC, BPCL, NMB, NBL, CZBIL, UNLB, MMFDB, and USLB. The data spans from 2016/17 to 2022/23. The descriptive statistics indicate significant variability within the dataset. Return on Assets (ROA) shows moderate variability, Market-to-Book Value Ratio (MTBVR) exhibits low variation, Company size (LnSIZE) demonstrates substantial dispersion, Leverage Ratio (LR) has moderate variability, and Cash Dividend Ratio (CDR) shows considerable variation. These findings suggest differing levels of dispersion across the study's variables.

The correlation analysis indicates varying strengths of relationships between the independent variables (ROA, MTBVR, LnSIZE, LR, and CDR) and the dependent variable, LnSEO Value, at a significance level of 0.05. Among these, LnSIZE exhibits the strongest positive correlation with LnSEO Value, suggesting that larger firms are

closely linked with higher SEO values. However, ROA and MTBVR show weak positive correlations, indicating minimal associations with SEO values, and neither of these relationships is statistically significant. LR and CDR also display moderate positive correlations with SEO value, but again, neither of these correlations reaches statistical significance, highlighting that while firm size is the most influential, the other variables show weaker or insignificant associations.

The regression analysis further reveals the impact of the independent variables on LnSEO Value. ROA shows a positive coefficient, suggesting that higher ROA is linked to an increase in SEO value, although this relationship is not statistically significant. MTBVR has a negative coefficient, implying that a higher MTBVR could decrease SEO value, but this finding is also not significant. Similarly, LR and CDR show positive coefficients, suggesting that higher leverage ratios and cash dividend ratios are associated with increased SEO values, but these relationships are not statistically significant. LnSIZE also has a positive coefficient, indicating that larger firms are associated with higher SEO values, though this is not statistically significant at the 5% level. Overall, while there are positive associations between these variables and SEO value, none of the relationships are statistically significant, suggesting that these factors do not conclusively influence SEO value.

5.2 Conclusion

The first objective of this study is to assess the current trend of follow-on public offerings (FPOs) or seasoned equity offerings (SEOs) in the Nepalese stock market. The study explores the trends by examining variables such as MTBVR, LnSIZE, LR and CDR. The analysis reveals significant variability in the trends of FPOs and SEOs, demonstrating how these factors influence the offerings in the Nepalese market. The findings highlight the role of company size, financial performance, and other key financial ratios in shaping the current trends of FPOs and SEOs, offering a deeper understanding of the market's evolving dynamics.

The second objective of this study is to investigate the relationship between Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (LnSIZE), Leverage Ratio (LR) and Cash Dividend Ratio (CDR) with SEO Value in the

Nepalese stock market. The analysis reveals varying degrees of association between these independent variables and SEO Value. While Company Size (LnSIZE) demonstrates the strongest positive relationship with SEO Value, other variables such as ROA, MTBVR, LR and CDR exhibit weaker or more moderate correlations, with some not is reaching statistical significance. These findings underscore the influence of company size as a key determinant of SEO value in Nepal, while highlighting the complexity of the relationships between financial performance indicators and SEO outcomes in the market.

The third objective of this study is to analyze the impact of Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (LnSIZE), Leverage Ratio (LR) and Cash Dividend Ratio (CDR) on SEO Value in the Nepalese stock market. The regression analysis reveals that while all independent variables show some level of association with SEO Value, none of these relationships are statistically significant. Company Size (LnSIZE) shows the strongest positive coefficient, suggesting a potential link to higher SEO values, although this relationship is not statistically significant at the 5% level. Other variables such as ROA, MTBVR, LR and CDR demonstrate positive or negative coefficients, but their impacts on SEO Value are minimal and not statistically significant. These results indicate that, although there is some theoretical influence of these factors on SEO Value, the statistical evidence does not conclusively establish their significance in the Nepalese market.

5.3 Implications

The findings of this study on the determinants of Seasoned Equity Offerings (SEOs) within the Nepalese stock market lead to several key implications. Based on the conclusions drawn from this research, the following implications have been identified:

i.Investment Strategy: For investors, the lack of significant relationships between traditional determinants such as Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), Company Size (LnSIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR) with SEO Value suggests that other factors, potentially beyond the conventional ones, may influence SEO pricing. Investors should thus consider

alternative factors, including broader market trends, investor sentiment, and other overlooked variables, when evaluating SEOs in the Nepalese market.

ii.Policy Implications: Regulatory bodies and policymakers may need to reconsider the existing frameworks for SEOs, as the study indicates that common financial indicators might not have a significant impact on SEO values in the Nepalese context. Gaining a deeper understanding of how these unique dynamics operate could help in designing more effective policies aimed at improving market efficiency and investor protection, which could further strengthen Nepal's equity markets.

iii.Corporate Strategy: For companies planning to conduct SEOs, the findings imply that relying solely on factors like company size or leverage may not significantly affect SEO values. Firms might need to adopt alternative strategies or focus on market-specific conditions and investor perceptions to improve the success and valuation of their offerings.

iv.Further Research: The study emphasizes the need for further investigation into the determinants of SEO value in Nepal's market. Future research could focus on exploring other potential factors, such as investor behavior, market sentiment, or macroeconomic conditions, which could more directly influence SEO pricing and outcomes.

v. Market Development: The results suggest that the Nepalese stock market may have unique characteristics that distinguish it from more developed markets. As the market matures, the factors influencing SEO values may evolve. Continuous monitoring and adaptation by market participants, including regulators, investors, and firms, will be essential to effectively respond to these changing dynamics.

These implications highlight the complexity of the Nepalese stock market and underscore the need for a more tailored approach in analyzing and predicting SEO outcomes, taking into account the evolving nature of the market.

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APPENDIX – I

Data of Selected Sample Firms for All Variables

Firms	FPO/SEO Issue Date	ROA (Times)	MTBVR (%)	SIZE (In Mill)	LR (%)	CDR (%)	SEO Value (In Mill)
USLB	2022/23	2.5	10.5	229	32.0	25.0	17.8
MMFDB	2022/23	3.1	12.8	96.3	34.1	18.3	12.38
CZBIL	2019/20	2.2	11.7	923.2	36.0	12.5	92.7
NBL	2019/20	1.8	14.2	127410	40.5	35.0	4951.7
BPCL	2018/19	4.5	13.5	9470	31.8	40.0	2044.5
PIC	2018/19	3.6	10.2	18230	33.2	28.0	526.9
SCB	2017/18	2.4	12.1	3750	35.6	22.0	3330
NLIC	2017/18	5.1	11.5	2160	37.0	50.0	4410
NIB	2016/17	3.0	10.8	115560	33.5	30.0	5450.6
RLFL	2016/17	1.7	10.0	320	38.5	15.0	514.2

(Source: Annual Reports and Financial Results of Selected Sample Firms from 2016/17 to 2022/23)

APPENDIX – II

Data of Selected Sample Firms with LnSIZE and LnSEO Value

Firms	FPO/SEO Issue Date	ROA (Times)	MTBVR (%)	LnSIZE (In Mill)	LR (%)	CDR (%)	LnSEO Value (In Mill)
USLB	2022/23	2.5	10.5	5.434	32.0	25.0	2.879
MMFDB	2022/23	3.1	12.8	4.567	34.1	18.3	2.516
CZBIL	2019/20	2.2	11.7	6.828	36.0	12.5	4.529
NBL	2019/20	1.8	14.2	11.755	40.5	35.0	8.507
BPCL	2018/19	4.5	13.5	9.156	31.8	40.0	7.623
PIC	2018/19	3.6	10.2	9.811	33.2	28.0	6.267
SCB	2017/18	2.4	12.1	8.230	35.6	22.0	8.111
NLIC	2017/18	5.1	11.5	7.678	37.0	50.0	8.392
NIB	2016/17	3.0	10.8	11.658	33.5	30.0	8.603
RLFL	2016/17	1.7	10.0	5.768	38.5	15.0	6.243

(Source: LnSIZE and LnSEO Value have been calculated by MS Office Excel 2007)

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ABSTRACT This research explores the factors influencing SEO value (LnSEO Value) in the Nepalese stock market, concentrating on five primary independent variables: Return on Assets (ROA), Market-to-Book Value Ratio (MTBVR), company size (LnSIZE), Leverage Ratio (LR), and Cash Dividend Ratio (CDR). The study uses secondary data from the annual reports and financial websites of 10 companies that conducted Follow-on Public Offers (FPOs) between 2013/14 and 2022/23, applying both descriptive and causal research methodologies. Descriptive statistics indicate considerable variability in the data, particularly in company size, leverage ratios, and cash dividend ratios. The correlation analysis reveals that LnSIZE has the most substantial positive relationship with SEO value, implying that larger firms tend to have higher SEO values. Conversely, ROA, MTBVR, LR, and CDR show weaker or statistically insignificant correlations with SEO value. Regression analysis confirms these results, showing positive but non-significant associations between the independent variables and SEO value. These findings imply that while some variables exhibit positive relationships with SEO value, none of these relationships are statistically significant, suggesting the need for further research to identify additional factors that may influence SEO value. Keywords: SEO value, **Return on Assets, Market-to-Book** Value **Ratio** , company **size** , leverage ratio, cash **dividend ratio**

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