IPO PERFORMANCE AND INVESTMENT DECISION BEHAVIOR IN BANKING SECTOR OF NEPAL

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment of the 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 "**IPO Performance and Investment Decision Behavior in Banking Sector of Nepal**". The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

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

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Report of Research Committee

Miss Parbati Neupane has defended research proposal entitled "**IPO Performance and Investment Decision Behavior in Banking Sector of Nepal**", successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Deepak Basnet and submit the thesis for evaluation and viva voce examination.

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Approval Sheet

We, the undersigned, have examined the thesis entitled "**IPO Performance and Investment Decision Behavior in Banking Sector of Nepal**" presented by Parbati Neupane a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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This study entitled "**IPO Performance and Investment Decision Behavior in Banking Sector of Nepal**" has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the IPO performance and investment decision in Nepal.

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Parbati Neupane

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ABBREVIATIONS

AD	:	Anno Domini
BSE	:	Bombay Stock Exchange
CDM	:	Central Department of Management
CFO	:	Chief financial Officers
CG	:	Company Goodwill
CP	:	Company Performance
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
ID	:	Investment Decision
IPO	:	Initial Public Offering
LSE	:	London Stock Exchange
Ltd	:	Limited
MI	:	Market Information
NEPSE	:	Nepal Stock Exchange
QM	:	Quality Management
SEBON	:	Security Exchange Board of Nepal
SEC	:	Security Exchange

ABSTRACT

When a securities is first offered to the public with the hope that a liquid market will form, this is known as an initial public offering, or IPO. Any debt or equity security may be the subject of an IPO.

This study aims to examine the relationship between quality management, company goodwill, performance, and sectors, market information, and the decision to invest in the Nepalese stock market. Additionally, it will evaluate the influence of these factors on the decision to invest in an initial public offering (IPO).

Descriptive and informal comparative research designs were used in this study. 400 respondents from banks and brokerage firms were selected as a sample for the primary data collection. The non-probability sampling method is employed for data collection. The questions have been answered using the easy sampling method. Investment decision is a dependent variable, while firm sector, income, goodwill, market information, and performance are independent variables. Corporate sector and quality management have a positive, significant link with investment decisions, whereas corporate goodwill has a positively negligible relationship. Similarly, market data has a detrimental impact on investing choices. Information about the market, firm sector, and investment choices do not significantly correlate. While market information has a significant negative impact on investment decisions, the quality management company sector has a significant favorable impact. However, performance and business goodwill have little positive and negative effects on investment decisions, respectively.

Keywords: *Company sector, income, company goodwill, market information and company performance, investment decision, IPO*

CHAPTER – I

INTRODUCTION

1.1 Background of the Study

The foundation of any corporate organization's establishment and growth is finance. All of the production components are brought together in an industrial unit with the aid of finance. As a result, funding is essential to a company's success. Without sufficient funding, even highly potential businesses could collapse. Financial decisions have long-term effects. Financial tactics of the company, which in turn affects the company's worth. Business firms receive the necessary funding from financial institutions. As a result, financial institutions are essential to the nation's process of economic expansion (Khadka, 2014).

Economic growth is the primary prerequisite for a nation's progress. The financial sector is crucial to economic growth because it receives deposits from consumers at a rate of interest and uses that money to invest in major industries and other business sectors at a rate of interest. Private financial institutions' involvement is considerably more crucial to the growth of the economy. In addition to the economic sector, a nation's social culture, industrial, and technological sectors need all be robust for its growth and advancement (Shrestha & Bhandari, 2010).

As we live in a globalized society, the world has become smaller than a village due to the quick growth of information technology and transportation infrastructure. The globalization of markets and economies has made the current global economy more complex and competitive. Every development that takes place in one area of the earth has an impact on another. A strong economy depends on the effective flow of money from net savers to businesses and individuals in need of financing. It is impossible for the economy to run without effective transfer (Ministry of Finance, 2019).

Investment is the act of giving up current rupees in exchange for future rupees, usually involving two distinct factors: risk and time. The sacrifice is certain and occurs in the here and now. If there is a reward at all, it usually comes later and is not always clear in size. In certain instances, time is the determining factor (government bonds, for example). In other situations, though, risk takes center stage (call options on common stocks, for instance). In still other cases, time and risk play crucial roles (common stock, for instance). An Initial

Public Offering (IPO), sometimes known as a "public offering," occurs when a business issues shares or common stock to the general public for the first time. These are typically issued by newer, smaller businesses looking for funding to grow, but big privately held businesses hoping to go public can also do so (Ali et al., 2022).

An additional option available to investors is an initial public offering (IPO). When a security is sold to the public for the first time with the hope that a liquid market will emerge, this is known as an initial public offering, or IPO. Any debt or equity security may be the subject of an IPO (Cong & Howell, 2021).

An underwriting company may support the issuer in an initial public offering (IPO) by advising on the optimal offering price, timing, and kind of securities to issue (preferred or common). Investing in an IPO can be risky. As there is frequently no historical data available to evaluate the company, it can be difficult for individual investors to forecast what the stock or share will do on its first day of trade and in the near future. Moreover, the majority of initial public offerings (IPOs) involve businesses that are undergoing a brief phase of expansion, which adds to the uncertainties around their potential future worth (Dhungana & Devkota, 2022).

The primary securities market, which gives rise to new stock and bond issuance, provides cash to the issuer, which they can use to fund their business. Companies often raise equity capital from a small group of investors when they first start out. As their operations grow, they require more equity capital and want to "go public" by selling to the broader public. There may be direct or indirect costs associated with this type of public offering. Underwriting, auditing, and legal fees are included in the direct costs. In addition, the indirect expenses consist of time and effort management and share dilution at a price lower than market value. The cost of capital for companies going public is impacted by these types of direct and indirect costs (Poornima et al., 2016).

Investment bankers or issue managers are the individuals or organizations in charge of locating investors for the initial public offering (IPO) of securities sold in the main market. Underwriters, another name for investment bankers, are those who buy new securities from issuers and arrange for the general public to buy them. One or more investment banks act as "Underwriters" in initial public offerings (IPOs). To sell its shares to the general public, the business presenting the shares, known as the "issuer," enters into an agreement with an

underwriter. The underwriter then makes proposals to sell these shares to investors (Horace, 2024).

When Security Exchange Center changed its name to Stock Exchange Limited in 1993, a secondary market broker system was created. Giving government bonds and corporate assets free marketability and liquidity is Stock Exchange Ltd.'s main goal. Following the creation of a fully functional stock exchange. The shares that the general people had owned for many years were liquidated. In compliance with the Securities Exchange Act of 1983 and the Companies Ordinance of 2005, companies have to first obtain clearance from the Company Registrar's Office for their prospectus before submitting it to the SEBONA new ordinance that went into effect on September 23, 2005, included a requirement for public businesses to register all securities with the SEBON prior to issuance. Additionally, the regulation mandated that issuing corporations write prospectuses and make them publicly available upon SEBON clearance (Kang & Lam, 2023).

In summary, the first time a company sells its common shares to the general public is during an IPO. An IPO's primary goal is to raise money for the company. IPOs are a good way to raise money, but they also come with a lot of reporting and regulatory compliance responsibilities (Karlsson et al., 2021).

1.2 Problem Statement

Manu and Saini (2020) a problem does not always indicate that there is a major issue with the organization being studied or the current circumstances. A problem is merely an interest in a topic for which there may be solutions that could enhance the current state of affairs.

Staying at home is the situation that COVID19 generated. During that period, all government offices, educational institutions, movie theaters, hotels, and movie theaters are closed. Thus, all imaginative persons participate in initial public offerings (IPOs) over the internet. More than 200,000 new investors registered DMAT accounts during the epidemic in order to apply for shares in the primary market. Various categories of investors exist, including but not limited to graduate students, business owners, merchants, and educators. Few investors were considering engaging in the primary market prior to the COVID 19. On the other hand, a lot of people apply for IPOs during the shutdown.

There are many reason of increasing the number of investor, such as closed all investing sectors, to utilize the free time, to utilize the theoretical knowledge in practicable way,to

secure the investment and so on. Many financial student have the little about financialsystem, but other investor who have not sufficient knowledge about the IPO.

The relationship between stock market development and economic growth has drawn renewed attention from academics and policy makers in both developed and developing countries due to the emergence of the equity market phenomenon and the need to provide liquidity for equity issues linked to privatization. With an emphasis on the development role of stock markets, the growing significance of stock markets in developing nations has created several opportunities for research on the relationship between financial development and economic growth. Numerous developing country empirical investigations shown that every country has an infrastructure and that national financial system variations have a significant impact on how quickly a nation's economy grows (Krause et al., 2021).

In the past 20 years, Nepal's financial sector has expanded quickly. According to the most recent data available, the financial industry has grown faster than the real sector. This has prompted concerns about how long the nation's financial sector could continue to flourish. Since banks control the majority of Nepal's financial industry, the banking sector has grown the most. The government and decision-makers have not given the securities market's significance in the nation's development enough thought. Due to this, Nepal's securities market has not been able to contribute as much to the nation's development as it could have (Kumar, 2023).

Numerous factors contribute to the rise in the number of investors, including the closure of all investment areas, the desire to make the most of spare time, the application of theoretical knowledge in real-world scenarios, investment security, and more. While many finance students know very little about the financial system, some investors lack adequate understanding of first public offerings (IPOs) (Kaplan et al., 2020).

Thus, the primary focus of this research was on the factors that motivate investors to participate in initial public offerings (IPOs) during pandemics, the shifting investment patterns of Nepalese investors during COVID-19, and the state of the stock market during COVID-19. Additionally, ascertain the investment's driving force. The purpose of this study is to provide answers to the following queries.

i. What are the behavioral factors of investors that influence investment decision of Nepalese share market?

ii. Is there any relationship between quality management, company's goodwill, performance and sectors, market information and investment decision of Nepalese share market?

iii. How does the quality management, company's goodwill, performance and sectors and market information impact on investment decision of Nepalese share market?

1.3 Objectives of the Study

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

i. To assess the factors of behavioral biases that influence investment decision of Nepalese share market regarding IPO.

ii. To examine the relationship between quality management, company's goodwill, performance and sectors, market information and investment decision of Nepalese share market regarding IPO.

iii. To analyze the effect of factors of quality management, company's goodwill, performance and sectors and market information on investment decision of Nepalese share market regarding IPO.

1.4 Hypothesis

Three hypotheses were drawn for the purpose of relationship between dependent and independent variables.

H_1: Quality management has a significant impact on investment decision.

H_2: Company goodwill has a significant impact on investment decision

H_3: Company performance has a significant impact on investment decision

H_4: Company sector has a significant impact on investment decision.

H_5: Market information has a significant impact on investment decision.

1.5 Rationale of the Study

Since there is currently a lack of research on initial public offerings (IPOs) in Nepal, this study appears to be an important resource, particularly for generating long-term financing

by bank and non-banking financial sectors. It also benefits potential investors and organizations involved in the public offering space. This study will help with policy formulation and provide policy makers with useful information about current laws and regulations. Investors will be better equipped to understand their investments and make wise decisions as a result of this study. Additionally, it will benefit students who wish to conduct research in IPO (Maskey, 2023).

The influence of an initial public offering (IPO) on key performance indicators, such as return on equity and return on assets, for banks and non-banking finance organizations, as well as the regulatory framework, potential issues, and future prospects of IPOs in Nepal, will be examined in this study. Understanding how investors react to initial public offerings (IPOs) in various industries would also be beneficial. This investigation may provide important information to the potential offering company as well (Mehmood et al., 2023).

1.6 Limitations of the Study

This study regarding IPO has following limitations.

i. The study is predominantly based on primary source of data regarding the determinants of investors. Therefore, the reliability of conclusions of the study depends upon the accuracy of the information provided by the respondents.
ii. This study has been concern with NEPSE so the finding of this study will may not be generalized.
iii. The information regarding the same questionnaire is different from different sources like articles and other websites.

CHAPTER - II

LITERATURE REVIEW

Review of literature is the process of learning and understanding the concept of the related topic. After selecting the topic of research, researchers should study different materials (like Books, Journals, Magazines, Newspapers, Articles etc.) to collect the information's about the subject matter of the study. This process of studying different education materials which are related with the selected topic of the research is called "Review of Literature". The study was guided by theories which had previously been developed and that have called for more research on the subject matter over the years. This chapter presents theoretical review, conceptual review, empirical review and research gap.

2.1 Theoretical Review

Regret-Theory

People's emotional response to committing a mistake is referred to as regret (Nagtilak & Kulkarni, 2021). Remorse avoidance is compatible with the size and book-to-market impact, according to DeBondt and Thaler (1987). Stock prices of higher book-to-market firms are often lower. These businesses are "out of favor" and are probably facing financial instability. Likewise, less conventional investments are smaller, less well-known companies. An investor in such a corporation must have greater guts, which raises the needed rate of return. Investors may become more risk averse toward stocks that have recently performed poorly, discount their cash flows at a higher rate, and consequently create a value-stock risk premium if they place more emphasis on the gains or losses of individual stocks than on the performance of entire portfolios.

Investors frequently make decisions that they later come to regret Evans (2002). Their selling strategy involves steering clear of shares that have lost value and quickly selling those that have gained value (Shiller, 1998; Lebaron, 1999). Psychologists have discovered that when people make unorthodox selections, they feel more remorse and self-blame for their poor choices. Purchasing a blue-chip portfolio that is rejected, for instance, is not as unpleasant as suffering the same losses on an unidentified start-up company. Blue-chip stock losses are less likely to be regretted since they are easier to explain to bad luck than to poor choices. Shiller (2000) describes a psychological experiment conducted by Deutsh

and Gerrard that demonstrated people's propensity to agree with the majority opinion. People in the experiment questioned their own beliefs and discovered that everyone else didn't share them. While each of these human tendencies makes sense on its own, taken as a whole, they can result in illogical and herd mentality. Any investor may feel more at ease purchasing a well-liked stock if other investors also think highly of it; but, those individuals will also bear some of the blame should the stock decline from its initial level of expectation. Investors are more reluctant to sell at a lower profit margin when the market downturn reduces their net worth. They wait for the return of that profitable time by mentally putting the gains they formerly had in compartments (Qian et al., 2022).

Theory of Mental Accounting

In addition to having an impact on personal money, mental accounting is a frequent occurrence in the intricate world of investing. An investor creates a fresh mental virtual account for a new stock when they purchase it. Every investment has done the same. It is hard to see an outcome in a different light after one has given it a mental account. Investment wealth might be negatively impacted by this mental process when interactions between assets indifferent accounts are ignored (Chandra, 2018).

Pride is the positive antithesis of regret. Closing a stock quantity at a gain creates price, but closing at a loss creates remorse. An inclination to realize gains and postpone losses results from the pursuit of pride and the avoidance of regret (Shefrin & Statman, 1985). But pride and remorse have unequal strengths, and losses seem greater than gains (Kahneman & Tversky, 1979). Because regret is stronger than pride, there is an asymmetry between the two that favors inaction over action (Kahneman & Tversky, 1979; Thaler, 1999). According to Shefrin and Statman (1985), investors who are susceptible to this bias could be hesitant to experience both gains and losses.

In a bull market and economic boom, people become used to healthy, if paper, gains. Investors are more reluctant to sell at a lower profit margin when the market downturn reduces their net worth. They wait for the return of that profitable time by building mental compartments for the gain they previously experienced (Qian et al., 2022).

Prospect/Loss-Aversion-Theory

Prospect theory states that investor preference defies the conventional utility function, which evaluates investments based on expected utility. Psychologists Daniel Kahneman

and Amos Tversky created this hypothesis in 1979 to explain the behavior of investors in risky situations. These academics contend that people make decisions by weighing the possible benefits and drawbacks of a certain course of action in light of a specific reference point, typically the investment's purchase price, the decision maker's expectations, or the relevant past. The predicted usefulness is influenced by how people present a problem or a result.

According to prospect theory, people experience greater stress when they lose money than when they earn a certain amount of cash. Individuals will work harder to prevent losses than to make profits, thus they will hang onto lost stocks in the hopes that their value would rise. People are risk takers for losses, according to Tversky and Kahneman (Johnson, 2002). The utility function is convex for loss, indicating that people experience pain when they lose, but twice the loss does not equal twice the pain. It is concave for gains, meaning that people feel good when they win, but twice the gain does not make them feel twice good.

Over/ Under Reacting Theory

Under-reaction and over-reaction are two significant phenomena that frequently occur in financial markets and have been the focus of much recent research. The phenomenon known as the under-reaction occurs when the values of securities "under-react" to new information in the short term or move slowly and poorly when the news about them is announced. When negative news is published, it usually happens that the headline underreacts to the good news. This could indicate that the title initially underreacted to the positive news, but it quickly corrected this error by giving better returns in the next term, which is usually one year (Barberis et al., 1998).

Extensive empirical data supports the under-reaction issue. Culter et al. (1989) have made a significant contribution by examining and verifying the existence of positive auto correlation of stock returns in the short term. This suggests that there is an initial under-reaction and subsequent adjustment of prices to new information. The phenomenon known as "over-reaction" occurs when the values of securities "over-react" to new information over an extended period of time, or move significantly in response to a string of news stories pertaining to them. The average bond yield in the time following the release of positive news is often lower than the average yield in the time following the release of a string of negative news. This could imply that the title initially overreacts to the string of positive announcements but then corrects itself by providing smaller returns (Barberis et al., 1998).

Extensive empirical data also supports the idea that overreaction occurs. Among the most significant contributions were those made by (De Bondt & Thaler, 1985; Fama, 1998), who demonstrated the presence of negative autocorrelation of return for three to five years after the series of advertisements, suggesting an initial overreaction and a subsequent price adjustment in response to new information.

Theory of Overconfidence

Overconfidence shows up when there is minimal diversification due to a propensity to spend excessively in one's area of familiarity, according to Ritter (2003). It's challenging to choose common stocks that will do better than the market. Feedback is loud and predictability is low. Consequently, the task that people are most overconfident about is stock selection (González et al., 2021).

Many people overestimate their abilities, skills, knowledge, and information accuracy due to their excessive self-confidence. Among the phenomena that behavioral finance has explored the most is the idea of overconfidence. After Lichtenstein, (1977) released the foundational work, a large body of literature emerged as a result of the efforts of numerous economists. Applications of cognitive psychology in a variety of professional domains, including engineering, entrepreneurship, psychology, law, and management.

Overconfidence has a big impact on how investors behave in the financial markets. It is important to emphasize that people, not the market, are what cause an excess of certainty. Being regarded as exceptionally knowledgeable and capable prompts the agents to perform tasks that they otherwise would not. Specifically, the rate at which an investor buys and sells bonds seems to be greatly impacted, and the more overconfident an operator is, the more he will buy and sell on the market. Barber and Odean (1999), show that the presence of overconfidence in financial markets lead investors to make unprofitable trading.

Heuristic Theory

The term heuristic was introduced by Tversky and Kahneman (1974) who described that the majority of judgments made in complicated and uncertain environments are based on assumptions about the probability of uncertain events. When something is unknown, it could be about whether it will happen or not. These assumptions then contribute to heuristic thinking, which is the tendency for people to make decisions more easily by applying general guidelines. De Bondt (2008) provided support for the idea that people, or investors,

have a bias in their beliefs that influences their decision-making and way of thinking. Heuristics are "the use of experience and practical efforts," according to Fromlet (2001), which is an attempt to swiftly evaluate information by depending on prior experiences combined with intuition. It clarifies how people or groups decide when faced with uncertainty. Using rules of thumb to guide their information processing leads to a common mistake made by investors when making decisions. Heuristic methods can, on the one hand, speed up decision-making. Systematic biases or inaccuracies could arise from this method. The three categories of heuristic bias identified by Tversky and Kahneman (1974) are representativeness, availability, and anchoring biases, all of which will be examined in this research.

Framing Theory

After discussing heuristics, we go on to the topic of cognitive bias, or framing. Frensidy (2016) asserts that conventional finance operates under the presumption of transparent framing. Behaviorists, on the other hand, have a different perspective; many of the frames are opaque enough that investors find it difficult to understand. As a result, the choices chosen will be heavily influenced by the way the data is framed or presented. Drawing from the results of the preceding experiment, Frensidy (2016) used the same data on two distinct groups, A and B, to define someone (let's say named Budi) in a different way. Budi is characterized as smart, industrious, impulsive, critical, stubborn, and jealous in group A, but jealous, stubborn, critical, impulsive, diligent, and smart in group B.

The same attributes of Budi, arranged in the opposite order, appear to have a major impact on the groups' evaluation outcomes. The experiment's findings show that the qualities listed earlier have a greater impact than those listed later. Budi is substantially better assessed by group A than by group B. He maintained that such phenomena can be explained by two factors. First, when the amount of information to be processed increases, one's focus level may decline, causing the information that is placed behind to receive less attention. Secondly, initial perceptions typically carry greater weight than subsequent information. The result of these two factors is anchoring bias.

2.2 Conceptual Review

A private company's first public offering IPOs are frequently issued by younger, smaller businesses searching for funding to grow, but they can also be carried out by larger privately

held businesses hoping to list on a public exchange. An underwriting company assists the issuer in an initial public offering (IPO) by helping it choose the kind of securities to issue (preferred or common), the optimum offering price, and the best time to go public (Nangalia & Kothari, 2016).

Risky investment

IPOs pose a considerable investment risk as it's challenging for individual investors to forecast the stock's performance on its debut and shortly thereafter, given the limited historical data available for analysis. Furthermore, most IPOs involve companies in a transitional growth phase, introducing additional uncertainty regarding their future valuation.

Pricing

Regarding pricing, IPOs typically start with underpricing, aiming to spark interest among investors and potentially leading to substantial gains for those allocated shares at the offering price. However, this strategy often results in missed opportunities for the company to raise capital. Conversely, overpricing carries its own risks, potentially hindering the underwriters' ability to fulfill their share-selling commitments and causing the stock's marketability to suffer if its value declines post-debut.

Investment banks carefully consider various factors when determining IPO pricing, seeking a balance between stimulating investor interest and raising sufficient capital for the company. This process often involves underwriters securing share purchase commitments from leading institutional investors.

Why go Public?

Going public provides companies with significant cash infusion and opens up various financial opportunities, including access to better debt rates due to increased scrutiny and the ability to issue additional stock to facilitate mergers and acquisitions. Publicly traded companies also enjoy liquidity in the open markets, enabling initiatives such as employee stock ownership plans, which aid in attracting top talent.

How does an IPO get Value?

As for IPO valuation, the market forces of supply and demand ultimately determine the price of newly issued stocks. Analysts proficient in stock evaluation assess a stock's worth

and act accordingly: buying undervalued stocks to hold until their value aligns with their assessment or short selling overvalued stocks in anticipation of market corrections.

What are some good methods for analyzing IPO's?

What are some effective approaches for analyzing initial public offerings (IPOs)? IPOs represent unique opportunities in the stock market as they involve newly issued shares. Unlike established companies, IPO issuers lack prior trading history, making them less thoroughly scrutinized. This lack of historical data can present both buying opportunities and increased risks. While some view the absence of past performance as a chance to capitalize, others see it as a sign of heightened risk compared to seasoned stocks. Various methods exist for analyzing IPOs, although conventional approaches may be less straightforward due to the absence of demonstrated performance.

For investors fortunate enough to have a solid relationship with their broker, there's the possibility of accessing oversubscribed new issues ahead of other clients. These IPOs often experience significant price appreciation upon market entry due to high demand surpassing supply. As a result, the price of oversubscribed IPOs tends to rise until supply and demand stabilize.

The IPO marks a company's first sale of stock, transitioning it from private to public ownership. This move can be highly beneficial for the company, providing access to capital and other advantages. Notably, many startups have gone public despite lacking profits, sometimes with little more than a business plan. However, gaining access to popular IPOs can be challenging for individual investors.

The underwriting process

The underwriting process plays a crucial role in IPOs, involving the issuance of new securities to raise funds from investors. Companies typically enlist investment banks for underwriting services. Analyzing an IPO company can be particularly challenging due to limited historical data. While focusing on typical financial metrics, it's essential to closely examine the management team and their utilization plans for the IPO-generated funds. Additionally, evaluating the underwriters' credibility is crucial, as successful IPOs often rely on reputable brokerages capable of effectively promoting new issues.

Money Market

The money market operates as a platform for short-term securities, including treasury bills, government bonds, and commercial paper. Both primary and secondary market activities occur within the money market, catering to individuals, businesses, governments, and financial institutions with temporary surplus or financing needs. In practice, the money market intersects with the capital market in countries with efficient financial systems, as merchant banks are active in both domains. The operational techniques and facilities required for the money market closely align with those of the capital market, given the similarity in instruments and functions.

Capital market

The capital market serves as a platform for the issuance and trading of securities, enabling companies and governments to secure long-term funding. It encompasses both the stock market and the bond market, comprising the primary market for new issuances and the secondary market for trading existing securities. This market plays a crucial role in directing investment towards corporate sectors through the issuance of securities. Key components of the capital market include activities related to the organization, distribution, and trading of securities, as well as the entities and individuals involved in these transactions, governed by regulatory frameworks and market practices.

This financial ecosystem enables the exchange of long-term funds, including securities issued by businesses and governments, with securities exchanges serving as pivotal platforms for equity and debt transactions. The efficient functioning of the capital market, supported by investment bankers, is vital for sustaining business growth in the long term. Within the capital market, various financial instruments such as common shares, preference shares, treasury bills, and debentures are traded. It can be further categorized into non-securities and securities markets.

i. Non-securities Market

The non-securities market refers to a financial arena where borrowers' needs are met over an extended period without the issuance of traditional securities such as stocks, bonds, or debentures. This market involves financial transactions among lending institutions like banks, businesses, savings institutions, or individuals (Nangalia & Kothari, 2016).

Securities Market: The securities market encompasses the trading of various types of securities. It serves as a platform where securities are bought and sold, catering to the processes involved in placing orders, executing transactions, managing payment and transfer costs, and potentially handling tax obligations on profits (Horace, 2014).

In the securities market, prices for securities are established, facilitating their exchange among individuals. This market enables the sale and resale of transferable securities, acting as a mechanism to connect buyers and sellers of financial assets. It is typically divided into primary and secondary markets, where new securities are sold in the primary market and existing securities are traded in the secondary market. Brokers, dealers, and market makers play key roles in creating secondary markets, facilitating transactions by bringing together buyers and sellers or setting bid and ask prices (Nangalia & Kothari, 2016).

i Primary Market

ii Secondary Market

Primary Market

The primary market refers to the segment of the financial market focused on the issuance of fresh securities. These securities, such as stocks or bonds, are newly issued by companies, governments, or public entities to raise funds. Typically, a group of securities dealers, known as a syndicate, handles this process, which involves selling the new securities to investors through underwriting. For instance, when a company issues new stock for the first time, it's termed an initial public offering (IPO), with details often outlined in a prospectus (Nangalia & Kothari, 2016).

Key characteristics of the primary market include:

- It serves as a source for raising new long-term capital.
- Securities are sold for the first time, directly from the issuing company to investors.
- It is utilized by companies to establish new ventures or to expand and update existing ones.
- It plays a vital role in facilitating capital formation within the economy.

Secondary market

The secondary market involves the trading of securities previously issued in the primary market. Here, shares are bought and sold between investors, providing liquidity and a platform for transactions. To participate in the secondary market, companies must list their

securities on the stock exchange. Unlike the primary market, the secondary market does not provide capital to the original issuer. Instead, it enables the transfer of existing securities, allowing owners to dispose of them as desired. An active secondary market is essential for an efficient primary market, as it ensures investors can freely trade their investments without feeling "locked in" (Horace, 2014).

Investment considerations for potential investors in the primary market

Merely relying on rules and regulations isn't sufficient to safeguard investors' interests. It's crucial for investors to carefully assess various aspects of a company before making investment decisions. This involves opting for shares from well-established companies with promising future prospects, dependable management, involvement in advantageous sectors, or demonstrating high growth potential. Investing in such shares typically entails lower risks. Investors engaging in stock investment must compare market prices with the intrinsic value of shares, selecting those with a lower market price relative to their value. It's imperative for investors to gather information about a company's promoters, size, growth trajectory, operational environment, board of directors, historical and projected financial statements, which can be sourced from the company's memorandum, prospectus, and articles (Poornima, Aala, & Deepha, 2016).

Investment considerations for potential investors in the secondary market

Before investing in the secondary market, investors should be well-informed about several key aspects: i. They should track the returns to shareholders in forms like cash dividends, stock dividends, or bonus shares, along with metrics such as Earnings per Share (EPS), Book Value of Share (BVS), Price-Earnings Ratio (P/E Ratio), and the company's future plans and growth expectations, as detailed in annual, quarterly, and semi-annual performance reports, profit and loss accounts (P/L a/c), balance sheets (B/S), and annual reports. ii. Analyzing price-related information provided by regulatory bodies like SEBON and NEPSE about listed companies is essential. iii. Studying trading statements and financial analyses of listed companies published by NEPSE is crucial. iv. Reading articles on share trading and economic matters published in various newspapers and magazines can provide valuable insights. v. Examining the annual report of SEBON is important. vi. Familiarizing oneself with acts and regulations pertaining to shareholders' rights is essential.

When investors decide to invest, they typically consult a broker to select a suitable firm and representative to work with. This representative should be capable of providing investors with timely and relevant information regarding specific company securities as needed (Poornima et al., 2016).

Pricing differences

The price of an Initial Public Offering (IPO) and the price at which the IPO shares begin trading in the secondary market may differ significantly, as we may have discovered.

When an initial public offering (IPO) is "hot" or attracts a large number of investors, pricing differences tend to arise. An IPO is considered "Hot" when there is a significant gap between the supply and demand of the securities. Only once trading in the IPO shares starts can the surplus demand be met? In the initial hours or days of trading, this mismatch between supply and demand typically results in a sharp increase in the price of each share. After this first burst of trading subsidies, prices frequently decline (Poornima et al. 2016).

2.3 Empirical Review

Kang and Bao Lam (2024) conducted a research on the impact of environmental disclosure on initial public offering underpricing: Singaporean sustainable development. This research uses signaling theory to investigate how environmental disclosures affect equity underpricing during initial public offers (IPOs), which are the process by which privately held companies list on stock markets. Because there is a significant knowledge asymmetry between corporations and investors during initial public offerings (IPOs), firms frequently undervalue their shares in order to draw in investors. This study finds that positive disclosures correspond with lesser underpricing when they are genuine, based on linguistic analysis of environmental disclosures in prospectuses from the Singapore Exchange from 2009 to 2019. This result holds up well to many model parameters and data. This study offers fresh proof that tone and authenticity—two linguistic characteristics—interact to affect a crucial IPO result. The findings imply that while investors are drawn to favorable disclosure tones, they are also skeptical of the veracity of these disclosures. This research helps businesses and other stakeholders navigate Singapore's emerging and expanding sustainability reporting trend.

Mehmood (2023) investigated on inclusive mapping of initial public offerings: a bibliometric and literature review study. With the phenomenal increase that initial public

offerings (IPOs) have shown over the past ten years, the goal of this study is to present a review and analysis of the empirical and theoretical literature on IPOs. This work conducts a meta-literature evaluation employing both qualitative and quantitative methods to examine the IPO literature produced between 1984 and 2020. A total of 2777 papers were reviewed and analyzed using citation analysis (using Herzing's Publish or Perish and VOS viewer tools) and content analysis. The conclusions provide an explanation for important components found in the literature, such as nations, organizations, publications, writers, articles, and subjects. The co-authorship network and the three study streams—IPO and stock market behavior, IPO and finance theories, and IPO overview and growth—are also discussed. In order to support further study, this report proposed 15 future research topics based on the assessment and analysis of the IPO literature. This report also offered a dual perspective on the current status of research on initial public offerings. Firstly, it says that initial public offerings (IPOs) are not exclusive to certain nations, regions, or eras. The second issue is that, despite IPOs' substantial financial value, there aren't many IPO research available. To the best of the authors' knowledge, this analysis is the first of its type to offer an inclusive mapping-based empirical assessment of initial public offerings.

Devkota and Dhungana (2022) conducted a research on corporate payout policy and test of life cycle theory; evidence from Nepalese commercial banks. One of the most contentious topics in theoretical finance is business dividend policy, with several theories attempting to explain the firm's payout behavior. When considering a company's dividend from the standpoint of its life cycle, it is evident that the two are significantly different. In the absence of regulatory restrictions, businesses initially keep all of their profits and do not distribute dividends since they have more chances for investment. Mature companies retain less and give greater dividends because they have fewer investment options, a slower rate of growth, and a lower cost of acquiring outside capital.

Ritter and Shao (2022) analyzed the initial public offerings Chinese style. An overview of the Chinese initial public offering (IPO) market is given in this article, with particular attention paid to IPO pricing, bids and allocation, and aftermarket trading. According to this study, stringent regulations lead to strong initial returns and reduced IPO offer prices, which raises the cost of going public. With little regard for the long term, investors view initial public offerings (IPOs) as lotteries with extraordinarily high short-term rewards. However, the auction selling approach functions as intended. When bidding, mutual funds are more transparent than other investors, and their advantages are probably not the result

of special treatment from underwriters. This study also covers the most recent overhaul of the registration system.

Reber and gold (2022) conducted a research on ESG disclosure and idiosyncratic risk in initial public offerings. The relationship between environmental, social, and governance (ESG) disclosure and performance and firm-specific (idiosyncratic) risks has been repeatedly contested by conceptual arguments like the "transparency fallacy" and "impression management," as well as inconsistent empirical data, despite the legitimacy theory's strong arguments to the contrary. As a result, this paper examines this relationship in the groundbreaking context of initial public offers (IPOs), which signify the first public selling of common stock. Strong information asymmetry between company insiders and the general public, along with a lack of confidence in the legitimacy of the corporation, are characteristics of initial public offerings (IPOs) that increase the financial risks to issuers and investors in aftermarket trading.

This study uses US data to show that: (1) voluntary ESG disclosure lowers downside tail risk and idiosyncratic volatility; and (2) better ESG ratings are related with lower firm-specific volatility and downside tail risk during the first year of trading in the aftermarket. This offers theoretical justifications for the associations seen, implying that businesses pursuing ESG performance and disclosing their endeavors demonstrate their adherence to sustainability-related standards, thereby obtaining and maintaining a social license to operate. After going public, ESG performance and transparency aid businesses in establishing their credibility with investors. This analysis also shows that ESG disclosure can replace some of the more traditional metrics, like company age, provided in the literature by serving as a more reliable proxy for ex-ante uncertainty as a predictor of aftermarket risk.

Ali (2022) conducted a research on micro-meso-level and macro-level determinants of stock price crash risk: a systematic survey of literature. In order to identify the macro-meso and micro-level factors influencing stock price crashes, this paper performs a comprehensive assessment and synthesis of the empirical research on the antecedents of stock price crash risk. The authors evaluated the macro-meso and micro-level factors influencing stock market collapses by methodically reviewing 85 empirical studies that were published in journals with an ABS ranking. The results show that macroeconomic variables that affect firm-level business conduct and raise the likelihood of a stock market

crash include corporate governance, political and legal issues, socioeconomic indices, and religious attitudes. The probability of a stock market crash is significantly influenced at the meso-level by factors such as media coverage, industry-level characteristics, consumer concentration, ownership structure, and behavioral aspects. Lastly, managerial traits, firm-specific factors, earnings management, business policies, CEO attributes and compensation, financial transparency, and financial transparency are micro-level factors that affect the likelihood of a stock market crash.

Raza (2021) examined the impact of micro and macro factors on share prices, especially non-financial enterprises listed on the Pakistan Stock Exchange in the textile sector (PSX). Utilizing databases, annual reports, SBP, Data Stream, and other secondary sources, the study gathered information from publicly traded textile businesses (PSX). Panel data analysis was employed in the study between 2009 and 2017 to look at the effect on share price. Numerous statistical analysis techniques, such as descriptive statistics, correlation matrices, pooled OLS, Hausman tests, Breusch and Pagan LM tests, and fixed effect models, were employed in the analysis. In Pakistan's textile industry, it was discovered that firm share price was positively and strongly correlated with both macro and micro dynamics (GDP, EPS, BVS, and LNFS). On the other hand, it was found that macro (INF) and micro (DPS) dynamics were insignificant. The study adds to the corpus of information and ongoing discussion regarding the variables affecting share price in developing markets, specifically in Pakistan's textile industry.

Krause, Chen and Bruton (2021) examined on initial public offering (IPO) underpricing reflects the inability of early investors to capture the full value of an entrepreneurial firm. IPO companies may be able to prevent underpricing by indicating wealth preservation through a reduction in the authority of the chief executive officer (CEO). However, CEO power can also be seen as wealth creation by people operating in high-power-distance cultures, making it a mixed signal for IPO investors. This makes such signaling especially difficult for many IPO organizations. This study, which draws on signaling theory, contends that CEO power and IPO underpricing are positively correlated. However, because the information conveyed becomes less clear, this association becomes less strong for IPO firms operating in high cultural power distance nations. However, when underwriter reputation provides a substitute signal, the signaling impact of both CEO power and demand-side cultural power distance becomes less significant. Practitioners of IPO corporate governance, including entrepreneurs, venture investors, underwriters, and

regulators, can benefit from this research's fresh insights. at particular, this study shows how the power dynamics at the top tiers affect demand-side legitimacy, or the perceived legitimacy of U.S.-listed companies among foreign clients. Consequently, investors and financial analysts who object to the concentration of CEO authority ought to take into account the possible advantages that this concentration of power could provide the company in its competitiveness within diverse cultural contexts linked to overseas markets.

Cong and Howell (2021) conducted a research on policy uncertainty and innovation: evidence from initial public offering interventions in china. Particularly in China, public equity is a significant source of risk capital. There have been sporadic IPO suspensions by the Chinese government, which exposes companies that have previously received approval to go public to unspecified listing delays. For impacted enterprises, the temporary ban on going public raises uncertainty about their access to public markets. According to this study, corporate innovation activity is decreased by suspension-induced delays for years following listing as well as during the delay. Temporary negative impacts on tangible investment and positive effects on leverage are consistent with financial limitations being addressed post-listing during the suspensions. According to our findings, stable, effective IPO markets are critical to the development of firm value. They illustrate how policy uncertainty has a detrimental impact on corporate innovation and that it is cumulative.

Gonzalez (2021) conducted a research on determinants of corporate tone in an initial public offering: Powerful CEOs versus well-functioning boards. Though it ignores its causes, recent research on initial public offerings (IPOs) indicates that tone has a major impact on IPO underpricing. The focus of this research is on the variables influencing the informational tone of initial public offerings (IPOs). This study, which examined 211 Latin American initial public offerings (IPOs) between 2000 and 2019, found empirical support for the idea that a strong CEO can affect the tone of market disclosures by encouraging the use of positive language and avoiding negative language. Also, the results of this study indicate that more independent boards typically employ more negative language. Furthermore, this study reveals a non-monotonic link between the tone of the prospectus and board size, indicating that a larger board can reduce the IPO prospectus's overuse of positive tones and increase its amount of unfavorable tones. All things considered, effective boards provide a counterbalance to strong CEOs and produce more accurate disclosure to the market. The study concludes that the tone of information revealed is highly influenced

by market dominating auditors, the age of the issuing firm, the anticipated use of proceeds, and the quantity of risk indicators.

Endri (2021) observed about the stock price volatility during the COVID-2019 Pandemic: The GRACH model. Using an event study methodology and the GARCH model, this research looked at how stock prices on the Indonesia Stock Exchange (IDX) responded to COVID-19. The composite stock price index (JCI) closing price and companies that are part of LQ-45 in the 40 days leading up to the COVID-19 incident, the day of the incident (March 2, 2020), and the 10 days following the incident (January 6, 2020 – March 16, 2020) comprise the re-search sample. Research demonstrates that abnormal returns are adversely affected by COVID-19, that JCI volatility is very variable during the COVID-19 event, and that the GARCH(1,2) model may be used to estimate volatility and forecast abnormal returns for stocks in IDX during COVID-19-affected market conditions. The study's practical implications for investors are that abnormal returns are impacted by stock price volatility, which was brought on by the COVID-19 event. In order to manage a stock portfolio in the face of future conditions of uncertainty and greater volatility, multiple lines of risk management are required. Furthermore, it creates avenues for speculators to make money in an inefficient market. The empirical literature that is presently being generated to look into the phenomena of stock price volatility behavior during COVID-19 on the IDX is the basis for this study. The COVID-19 pandemic causes an increase in stock price volatility, which in turn causes anomalous returns to drop, as demonstrated by the GARCH model. The empirical results also support the theories of financial behavior related to uncertainty and the efficient market hypothesis theory related to the study of occurrences.

Karlsson, Häggqvist and Hedberg (2020) conducted a research on market structure and efficiency in Swedish commercial banking, 1912–1938. The relationship between market structure and performance in the Swedish commercial banking sector from 1912 to 1938 is examined in this article. New market regulations were implemented at this time in an effort to promote large-scale banking. The industry thus went through a significant era of consolidation. These alterations to the market structure followed the growth and advancement of industry. Because of this, it is widely believed that the new system encouraged banks that could effectively provide financial services to the industry. However, no thorough analysis of the real effects of these policy changes on the banks' performance has been carried out up to this point. The efficiency of Swedish commercial banks is evaluated in this study through the creation of a Malmquist index, which is based

on technical efficiency scores obtained from Data Envelopment Analysis (DEA). Fractional regression analysis is a tool used by researchers to study how bank mergers and market concentration affect efficiency. According to this study, over this time period, the average efficiency of the Swedish commercial banking industry was significantly impacted negatively by market concentration. Large financial intermediaries might have been required to direct funding towards extensive industrial and infrastructure projects.

Kaplan, Taylor and Williams (2020) researched on the public company accounting oversight board (PCAOB) has expressed concern that audit reports do not contain sufficient variation to provide useful information to the market. This study examines whether information uncertainty is impacted by (1) three types of audit reports unqualified (clean), hybrid (with explanatory language about financial stress), and going concern (GCAR) and (2) audit report disclosures using a sample of financially stressed initial public offering (IPO) firms. This study finds a considerable reduction in information uncertainty, which supports the idea that audit reports both hybrid and GCAR as well as audit report disclosures, offer valuable information to the market. Crucially, we discover that the discretionary going concern disclosures from management neither increase nor decrease the information uncertainty associated with GCARs and hybrid audit reports. This study shows that the market is informed by the types of audit reports that are currently in use and by the disclosures made by financially troubled initial public offerings.

Manu and Saini (2020) researched on today’s fast moving and dynamic world, short-term investors face difficulty while choosing which avenue to invest in. Because of the VUCA factors (volatility, uncertainty, complexity, and ambiguity) that affect how asset prices will move in the future, investors see investing in securities as a very dangerous endeavor. Using event study technique, the study has been conducted to assess the post-Initial Public Officer (IPO) performance of numerous companies that went public in 2017. The analysis also finds a number of elements that affect these IPOs' movement in the short term and attempts to ascertain whether these offerings were underpriced in the short run. According to the study, almost 70% of the chosen initial public offerings (IPOs) are underpriced in the short term. The movement of these IPOs is unaffected by the company's age, the IPO's size, the ownership sector, or the promoter's holdings following the issue.

Thonse et al. (2017) studied on pricing and performance of IPOs: evidence from Indian stock market. This study examined the IPOs' long-term performance as well as their

original pricing. The study aimed to determine the following: a) the listing day performance (underpricing) of initial public offerings (IPOs) in India; b) the post-listing aftermarket performance of IPOs in India; and c) the post-listing aftermarket performance of book-built and fixed-price IPOs, separately. The analysis included a sample of 464 initial public offerings (IPOs) that went public during the fiscal years 2001 and 2011 (365 book-built IPOs and 99 fixed-price IPOs). The 15-year study period ran from the 2001 fiscal year to 2015. Only IPOs that were mandated to be listed on the Bombay Stock Exchange (BSE) were included in the sample. The corporate database of CMIE–Prowess was the source of the daily share prices. The study looked at how well initial public offerings (IPOs) performed on their listing day on the Indian stock market, as well as how well they performed after listing in the aftermarket. The study looked at the pricing and long-term performance of 464 Indian IPOs that went public between 2001 and 2011 (365 book-built IPOs and 99 fixed-price IPOs). The study period is 15 years, spanning the fiscal years 2001 through 2015. Analysis of the data shows that book-built IPOs were underpriced by less of an amount than fixed-price IPOs. Additionally, book-built initial public offerings (IPOs) were linked to negative cumulative average abnormal returns (CAARS) for a period of five years and longer. In contrast, fixed-price IPOs had negative CAARS that became positive after 1.5 years and remained positive after that.

Poornima and Deepha (2016) conducted a research on the performance of initial public offering of companies listed in NSE, India & Gulf base GCC index. The study's primary goal was to assess how well India's initial public offerings (IPOs) performed. The goals of the study were to: a) determine how Indian initial public offerings (IPOs) performed over a short period of time, that is, from the date of offering to the public to the first day of trading following listing on a stock exchange; b) assess the IPOs' long-term performance, taking into account and excluding initial returns; and c) determine whether the returns were greater over the long term or the short term in order to draw more conclusive findings. The majority of the investigation was limited to secondary data. The purpose of this study was to assess IPO performance in both the primary and secondary markets. Investment instruments such as market adjusted excess returns and raw returns were employed to examine the performance over the long and short terms. In order to make wise selections, it was crucial for investors to examine the IPO stock trend. The study period ran from January 2013 until December 2014. Nine companies that were listed during the analyzed period on the national stock exchange of India comprise the sample for the study. The

study's findings shed light on the performance of initial public offerings (IPOs), which were primarily viewed as speculative tools that helped investors make better decisions.

Shrestha (2016) examined on public response to primary issue of shares. The analysis found that the primary market's breadth has been expanding recently. Even regular investors massively invest their savings in the new share offering, significantly increasing the amount of oversubscription. According to the report, the primary market is expanding at a promising rate since a large number of public limited firms, including joint venture banks, have been successful in raising capital by offering their shares for public purchase. The companies' positive reception from investors was a clear indicator of the public's rising trust in the primary market. Irrespective of the company's viability and the promoter's credentials, the public just takes anything comes their way. Each organization that entered the market was able to successfully access the available funds, and the issue was concluded with far more subscriptions than the required seven days.

Pandey (2015) researched on public response to primary issue of shares in Nepal. With the following goals in mind: pinpoint the issues facing the principal shared issue market, evaluate the market's expansion, examine the public's reaction to shares as a pattern, and determine the causes of variation. According to this study, there were few prospects for investment in other industries, which led to a high level of public response in the main market. It was not properly analyzed as an investment. In spite of this, the public was more drawn to shares than other industries, mostly because they offered bonuses or dividend capital gains, which raised the value of investments. The public's reaction to major issues concerning the banking and financial sectors was shown to be typically higher than that of the manufacturing and services sectors. The fact that interest rates were higher than dividend yields during the period of 2005 to 2008, public corporations were underperforming, and the public was unaware of the significance of investing in stocks were the main reasons for the poor response. Now that people were informed, there was more money flowing into the market, they could see that the majority of companies were paying dividends, their share prices were rising, and there weren't many better places to invest. As a result, the response was quite positive. Since the average interest rate has decreased, investing in stocks can yield higher returns.

Khadka (2014) conducted a research on Nepal surveyed: issues in local bond market development. One of his study's main conclusions was that the financial market was

underdeveloped. Although prices were not market-oriented, the government market was more developed. The degree of maturity of the equity markets demonstrated the level of expertise that issuers, investors, and intermediaries possessed when it came to transacting with securities in the primary and secondary markets. While the country's market as a whole was still developing, the Nepal Stock Exchange (NEPSE) was established only a few years later, on January 13, 1994. It was a government-owned organization that did not operate for profit. By global measures, the equities market was quiet little. Only 129 companies have been listed in the roughly 12 years since NEPSE was established, indicating that both investors and privately owned businesses needed to put in more work and contribute more to the equity market. The following report extraction provided further details on the state of the NEPSE equity market.

Pradhan and Shrestha (2013) analyzed performance of the initial public offering (IPO) in the Nepalese stock market. The main objective of this study was to examine the performance and determining variables of IPOS of Nepalese stock market. Subscription rate, issue size, firm size, reputation of issue manager and market condition were selected as IPO factors and these were the independent variables. Initial return was dependent variable. The secondary source of data was used to assess the performance of the initial public offerings in the Nepalese stock market. The study was based on 61 firms for the period 2005-2011. The regression models were estimated to test the significance and importance of initial return in Nepalese stock market. The study found that there was a positive impact of IPO factors (firm size, reputation of issue manager, subscription rate and market condition) on initial return. It indicates that greater the firm size, higher would be the initial return. Similarly, higher the reputation of issue manager, higher would be the initial return. Likewise, increase in subscription rate leads to better initial return .The result reveals that better the market condition, higher would be the initial return. The study also indicates that there was a negative relationship between issue size and initial return which implies that greater the issue size, lowered would be the initial return. The coefficient of beta was positive and significant for firm size, reputation of issue manager, subscription rate and market condition and initial returned whereas the beta coefficient was negative and significant for issue size and initial return.

Table 1

Summary of Empirical Review

Study	Objectives	Variables	Methodology	Findings	Implications
Kaplan, taylor and Williams (2020)	To investigate whether information uncertainty is affected by unqualified (clean) and hybrid audit reports.	Dep-IPO information Indep-Unqualified, GCAR and hybrid audit reports	data used in this study are available from audit reports of PCAOB	It was discovered that going concern disclosures at the discretion of management are neither a replacement nor a supplement to the GCARs and hybrid audit reports' ability to reduce information ambiguity.	The study provide evidence that current audit report types and disclosures of financially stressed IPO firms provide information to the market.
Karlss, Häggqvi and Hedberg (2020)	To analyze to examine the impact of market concentration and bank mergers on efficiency.	Dep-Deposit Capital and general expenses Indep- total loan and bond share	Researchers use fractional regression analysis	During this time, the average efficiency of the Swedish commercial banking sector was negatively impacted by this market concentration. Large financial intermediaries might have been required to direct funding towards extensive industrial and infrastructure projects.	The practical implication of the study's findings for investors is that the COVID-19 event caused stock price volatility, which affects abnormal returns
Manu and saini (2020)	To analyze the post-Initial Public	Dep-Abnormal return and total return	The study uses Correlation, Regression	According to the study, almost 70% of the chosen initial public offerings	The future studies can analyses not only the short-run performance but

	Officer (IPO) performanc e of various companies	Indep- Age of the company, issue size of the IPO, ownership sector and the promoter's holdings	and ANOVA test to analyses the post-performance	(IPOs) are underpriced in the short term. The movement of these IPOs is unaffected by the company's age, the IPO's size, the ownership sector, or the promoter's holdings following the issue.	also the long-run performance of the IPOs over a period of time to give More comprehensive results of study can be to identify if the total and abnormal returns of the IPOs are affected by the allocation pattern between the institutional and retail investors.
Cong and howell (2021)	To increases uncertainty about access to public markets for affected firms	Dep- financial constraints Indep- Tangible investment and leverage	By using regression analysis and correlation.	Financial limitations during the suspensions being eased after listing is consistent with transitory negative effects on tangible investment and positive effects on leverage.	The results suggest that predictable, well-functioning IPO markets are important for firm value creation. They demonstrate that corporate innovation is cumulative and is negatively affected by policy uncertainty.
Endri (2021)	To examine the response of stock prices on the Indonesia Stock	Dep- stock price Indep- Abnormal returns	By using statistical methods through SPSS	The empirical results also support the theories of financial behavior related to uncertainty and the efficient market hypothesis theory	The empirical findings also validate the efficient market hypothesis theory related to the study of events and the

	Exchange (IDX)			related to the study of occurrences.	theory of financial behavior related to uncertainty.
Gonzalez (2021)	concentrates on the factors that shape the tone of the information disclosed in IPOs	Indep- Powerful, entrenched CEOs, board size and optimistic tone	Sampling 211 Latin American IPOs	The study discovered a non-monotonic link between the tone of the prospectus and board size, indicating that a larger board might reduce the IPO prospectus's overuse of positive tones and increase its amount of unfavorable tones.	This result suggests that the section that conveys differentiated information and could serve as a signal mechanism is the summary section.
Krause, Chen and Bruton (2021)	To offers new knowledge for IPO corporate governance practitioner	Dep- Early investors Indep- Capitalists, underwriters and regulators	By using signaling theory and survey method	However, when underwriter reputation provides a substitute signal, the signaling impact of both CEO power and demand-side cultural power distance becomes less significant.	This research offers new knowledge for IPO corporate governance practitioners, such as entrepreneurs, venture capitalists, underwriters, and regulators.
Raza (2021)	to examine the impact of micro and macro factors on share price	Dep- Stock Price Indep-EPS, BVS, GDP, DPS, INF and LNFS	The study used descriptive statistics, correlation matrix, pooled OLS, Breusch and Pagan LM test	(GDP) and firm share price in Pakistan's textile industry were discovered to be positively and significantly correlated. On the other hand, it was found that macro (INF) and micro	The research contributes to the body of knowledge and current debate about the factors that influence share price in developing markets, particularly in Pakistan's textile sector.

				(DPS) dynamics were insignificant.	
Ali (2022)	To ascertain the macro-meso and micro-level determinants contributing to stock price crashes	Dep- stock price Indep- Micro, meso and Macro level	systematically reviewed 85 empirical papers published in ABS-ranked journals	The results show that macroeconomic variables that affect firm-level business conduct and raise the likelihood of a stock market crash include corporate governance, political and legal issues, socioeconomic indices, and religious attitudes.	Based on our analysis we identify priority areas for future research.
Reber and gold (2022)	investigate this relationship in the revelatory case of initial public oferings (IPOs)	Dep-US IPOs Indep-ESG disclosure	only considered IPOs listed on the NYSE, NASDAQ or AMEX	The research discovered a negative correlation between idiosyncratic volatility and downside tail risk and ESG performance scores. This supports the legitimacy argument for sustainable business practices, according to which stakeholders and society at large reward "proper" and "appropriate" corporate practices.	This imbalance in observations is likely to diminish in the future, as richer datasets become available not only in absolute numbers but also in terms of an increasing relative proportion of IPOs disclosing their ESG ratings.
Ritter and shao (2022)	provides a survey of China's initial	Dep-IPOs investors Indep-IPO pricing,	Study includes sample of 3,600 IPOs	The justification for this is that the government wants money to go toward	Without regulatory interventions trying to save investors from such risk,

	public offering (IPO) market, focusing on IPO pricing, bids and allocation	bids and allocation and after-market trading	during the period of 1990 to 2018	sectors that it favors, like semiconductors. Numerous corporations' IPO decisions and valuations are impacted by these political concerns.	investors will come to realize that IPO stocks are not providing guaranteed returns but are risky investments. They will have to conduct careful due diligence and price IPO shares more efficiently.
Mehmood (2023)	to present a review and analysis of initial public offerings literature, both empirical and theoretical	Dep- IPOs literature Indep- IPO overview and growth, IPO and theories, and IPO and stock market behavior	Using Herzing's Publish or Perish and VOS viewer software	The conclusions provide an explanation for important components found in the literature, such as nations, organizations, publications, writers, articles, and subjects. Three research streams and the co-authorship network are also given.	Based on the review and analyses of the IPO literature, this paper developed 15 future research questions to facilitate an extension of the research.
Kang and bao lam (2024)	to examine the impact of environmental disclosures on equity underpricing	Dep- Equity underprices Indep- Environmental disclosure	Using a linguistic technique	This research helps businesses and other stakeholders navigate Singapore's emerging and expanding sustainability reporting trend.	The results suggest that investors are not easily attracted by positive disclosure tones but are also concerned with the authenticity of such disclosures.

2.4 Research Gap

According to a review of the literature on initial public offerings in the Nepalese market, insurance businesses are more appealing to investors than development banks and commercial banks. Though making an IPO investment frequently ensures a profit, doing so carries some risk. These risks and rewards should be known to the investors. Many studies have been conducted on the public's reaction to initial public offerings (IPOs) in the Nepalese market, but Spencer (2018) and Kshetri and Jha (2016) did not address issues such as IPO pricing at face value or premium, investors' goals in terms of long-term capital gains or short-term gains, or the influence of rumors and whims on investment decisions that have a big impact on the share market. Furthermore Diaz and Esparcia (2019) had not tested the hypothesis on investor's response.

Behera et al. (2022) has examined the relationship between the Investor Cognition and Neuroplasticity of Investor in the Indian context. Also, Behera et al. (2021) has examined the relationship between firm performance and interest in investment in the Indian context. The literature in the Nepalese setting is lacking. Sufficient research hasn't looked at the connection between market knowledge and corporate goodwill. The relationship between financial interest, literacy, and investment decision making has not been extensively studied in the research conducted by Walls (2005) and Hermansson and Jonsson (2021). In order to close this gap, the study will investigate how risk absorption mediates the relationship between investor cognition and neuroplasticity. The independent factors in this study were categorized into five categories: quality management, company performance, corporate goodwill, company sectors, and market information. These categories are comparable to those identified by Paudel (2012) and Shrestha (2016). Thus, from an academic and policy standpoint, this study will benefit the interested parties, investors, universities, banks, and brokerage firms. Since the majority of investors in Nepal are risk averse, this thesis also examines whether individuals would rather borrow money than use personal funds for investments.

CHAPTER- III

RESEARCH METHODOLOGY

This chapter deals with research methodology aspect to be used in this study. Different types of methodology is used in various types of research depending up on purposes nature of problem and data. The study uses quantitative methods in the analysis of the data gathered.

3.1 Research Design

The descriptive and informal research designs are explained by this study. In order to gather information about respondents' organizational commitment, a questionnaire was given to them as part of the research's quantitative methodology. The study's descriptive research design is chosen in order to gather information about the respondents' profiles, present and describe the data gathering process, and characterize the respondents.

3.2 Population and Sample, and Sampling Design

The study's population consists of 5823000 DEMAT users as of fiscal year 2079/80. Only 400 of the 410 questionnaires that were distributed for the original data collection were returned, and those 400 were selected as samples. The non-probability sampling approach is used to obtain data. The questions have been filled out using the convenience sampling method.

3.3 Nature and Source of Data

Only primary sources of data were employed in this study, and those were surveys given to individual NPESE investors. A systematic questionnaire with a five-point Likert scale is used to gather data. Because of this, the study's analysis of the causal link between its variables has been descriptive in nature. Data that support generalization are provided. Experts will review the data collected from the questionnaire to ensure its reliability. A few portions of the questionnaire were changed after experts were contacted to improve the validity of the data acquired through the questionnaire for this study, which will assess the questionnaire's face validity.

3.4 Method of Analysis

The respondents were personally involved in the study at their place of employment. Individuals were given questionnaires to complete. The summary of descriptive statistics related to the primary data analysis, which is based on responses from a questionnaire survey, is used in this study. Regression analysis is one of the descriptive statistical methods available in Microsoft Excel and the Statistical Package for Social Science (SPSS) software.

3.4.1 Data Analysis Tools

Every research project starts with data analysis and presentation. To obtain accurate findings from this study, a variety of descriptive and analytical approaches were used to assess the data. To accomplish the study's goal, a number of statistical and mathematical techniques have been applied. The following is a quick presentation of the statistical instruments used in this study:

Descriptive Statistics

Brief informational coefficients known as descriptive statistics are used to provide an overview of a specific data collection, which may be a sample or a representative of the full population. Measurements of central tendency and measurements of variability (spread) are the two categories into which descriptive statistics fall. The standard deviation, variance, minimum and maximum variable, kurtosis, and skewness are measurements of variability, whereas the mean, median, and mode are measures of central tendency.

Mean

The arithmetic mean is the most often used and well-liked metric for summarizing all of the data in one variable. It is computed by dividing the total number of things by the sum of all the items. The average value during the study period is represented by the means of the various variables.

$$\text{Mean } (\bar{X}) = \frac{\Sigma x}{n}$$

Standard Deviation

The degree to which individual objects vary from a core value is known as dispersion. The absolute dispersion is measured by the standard deviation. The standard deviation increases

with the degree of dispersion. A high level of observational regularity and series homogeneity is indicated by minimal standard deviations, and vice versa.

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum(X - \bar{X})^2}{n}}$$

Correlation Analysis

One statistical method for describing how closely one variable is related to another is correlation analysis. The current investigation has employed simple correlation. The correlation coefficient between the ensuing financial variables has been computed, analyzed, and displayed in a matrix format. The following formula can be used to calculate the correlation coefficient between two variables, X and Y.

$$\text{Correlation Coefficient (r)} = \frac{n\Sigma XY - \Sigma X\Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2}\sqrt{n\Sigma Y^2 - (\Sigma Y)^2}}$$

Coefficient of Determination (r^2)

A measure of the degree of linear relationship or correlation between two variables—one of which is dependent and the other independent—is called the coefficient of determination. Stated differently, r is the overall percentage variance in the dependent variables. There are values for the coefficient of determination that range from zero to one. Only when the unexpected variation is zero, or when every data point in the scatterplot falls precisely on the regression line, can a value of one occur.

Regression Analysis

Regression analysis indicates movement direction but not relative movement in the variables under investigation. We can determine the relative movement in the variables with the use of regression analysis. Analysis of regression for the given variable.-have been computed and analyzed. Multiple regression analysis can be used to quantify and estimate the components econometrically that affect PS estimates. A statistical technique that makes it easier to estimate or forecast the value of the dependent variable from the value of the independent variable is multiple regression analysis. Multiple coefficient of determination, standard error of estimate, and least squares approaches are typically computed for this purpose in multiple regression analysis. The multiple regression equation is:

Model 1: $Y= \alpha+\beta_1X_1 +\beta_2X_2 +\beta_3X_3 +\beta_4X_4 + e_i$

Where

α= Intercept, β= Coefficient

(Y) = Investment Decision

QM (β_1) = Quality Management

CG (β_2) = Company Goodwill

CP (β_3) = Company Performance

CS (β_4) = Company Sector

MI (β_5) = Market Information

e_i = error terms E

3.5 Research Framework and Definition of Variables

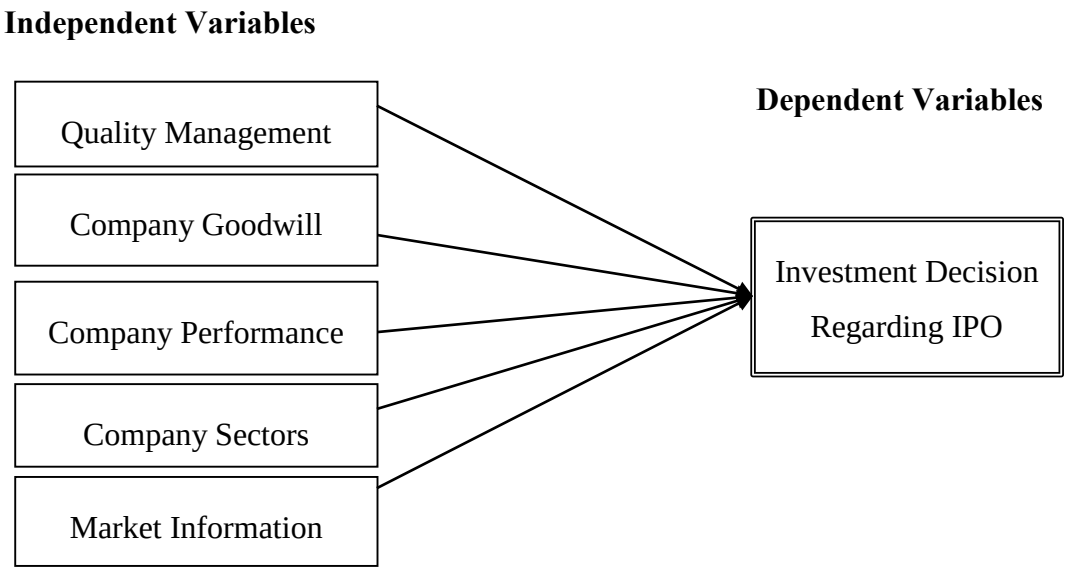

Figure 1

Research Framework

Source: (Gnawali, 2020; Dirir, 2022)

Defining Variables

Research purpose is to answer the specific questions. For answering such underlying questions, we develop and define variables. There are two kinds of variables in this research:

Quality management

The initial public offering's reception from the public is boosted by effective quality management within the leadership. The higher the quality of management, the more positive the public response, leading to increased subscription rates (Endri, 2021).

Company goodwill

The public's reaction to an initial public offering is influenced positively by the goodwill of the company. Greater company goodwill correlates with more favorable public responses and higher subscription rates (Horace, 2014).

Company performance

The public's response to an initial public offering is bolstered by the company's performance metrics. A higher level of company performance results in a better percentage price premium, earnings per share, return on investment, return on equity, dividend declarations, and capital gains, leading to increased public interest in the IPO (Kumar, 2023).

Company sectors

The public's response to an initial public offering is influenced by the sectors in which the company operates. Sectors such as hydropower, manufacturing, insurance, banking, and microfinance contribute positively to public interest in IPOs. Particularly, sectors like banking and insurance tend to elicit higher responses compared to others (Manu & Saini, 2020).

Market information

The public's response to an initial public offering is impacted by the availability of market information. A greater abundance of market information, including media commentary, historical IPO trends, market share data, future predictions and forecasts, as well as assessments of new project risks and prospects, leads to heightened public engagement with the IPO (Maskey, 2023).

CHAPTER – IV

RESULTS AND DISCUSSIONS

This chapter presents the findings obtained through the data collection process, focusing on analyzing and interpreting both primary and secondary data. The primary data, gathered from 400 respondents through a questionnaire, are examined to understand public awareness and their expectations regarding various issues.

In contrast, secondary data sourced from banks and financial institutions are utilized to scrutinize public responses to primary offerings. This includes assessing metrics such as subscription levels, approved issue quantities, company values, offering pace, and investor behavior.

The collected data are analyzed using regression coefficients of two variables. The ultimate goal of this research study is to be realized through the insights gained from this data analysis.

4.1 Structured of Initial Public Offering

Protections Trade Act, 1983 has made required that the responsible organization ought to enlist the protections in SEBON and get endorsement prior to going to public.

Table 2

Initial Public Offering Approved

S.N	Sector	No. of Share	Amount of Share	Public Issue Size	Public Issue Amount
1	Microfinance	2417130	241713000	826130	82613000
2	Investment	23400000	1170000000	2925000	146250000
3	Hydropower	277625527	27762552700	73142063	7510544112
	Total	508336663	49663666300	135239994	22378612897

Source: Annual report of SEBON, 2079/80

Table 2 shows the variety of issue sum and negative of offer supported during the period. Among those monetary area, Hydropower issue more offer contrast with others areas for example 277625527 no. of offers with 27762552700 sum. Absolute no. what's more, measure of offer supported from each of the two area for example microfinance and investment are 2417130 and 23400000 with sum of 241713000 and 1170000000 respectively.

Table 3

Demographics Characteristics of Respondents

Respondent Character	No. of Responses	Percentage (%)
Gender		
Male	136	34
Female	264	66
Total	400	100
Age		
Under 25	8	2
26-35	336	84
36-45	40	10
46-55	12	3
Over 55	4	1
Total	400	100
Occupation		
Student	12	3
Private Business	64	16
Banking and Finance	280	70
Government Employee	40	10
Other	4	1
Total	400	100
Qualification		
+2	12	3
Bachelors	96	24
Masters	292	72
Total	400	100

Source: Survey, 2025

In this review, most of respondents (i.e., 264) were female, making up 66% of the all-out respondents. Interestingly, 34% of the absolute respondents 136 were male. Each respondent is separated into five age gatherings, with the majority of respondents falling into the 25-35 age range (for example 336). It was responsible for 84% of the responses. Only 6% of responders were more than 46 and under 25 years of age.

It was discovered that 73% of respondents had earned a college degree (i.e. 292). Additionally, a bachelor's degree was held by 96 respondents, or 24% of all respondents. Only 3% of the populace had schooling comparable to +2 levels. Among the 5 occupation, Banking and money was the most continuous position (for example 280) which included 70 % of the all-out reactions. Moreover, personal business and government worker were 16 % and 10 % individually.

4.2 Descriptive Statistics

Expressive statistics are concise metrics that summarize a data set, which can represent either an entire population or a sample from it. These statistics are divided into measures

of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability encompass standard deviation, variance, minimum and maximum values, as well as kurtosis and skewness.

Table 4

Descriptive Statistics for Quality Management

Particular	Min	Max	Mean	SD
How much do you believe that the company's legitimacy influences your investment in an IPO?	1.00	5.00	3.153	1.363
To what degree do you think that corporate governance impacts your decision to invest in an IPO?	1.00	5.00	3.347	1.323
How significant is the value of human resources in your investment choices for an IPO?	1.00	5.00	3.281	1.336
How important is the role of the founder CEO in your decision to invest in an IPO?	1.00	5.00	3.152	1.279
To what extent does the involvement of key shareholders or promoters affect your investment in an IPO?	1.00	5.00	3.355	1.326

Source: Survey, 2025

Table 4 shows expressive insights of a singular thing and in general quality management sub-factor. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The given assertion mean worth is more than 3. This demonstrates that quality management can be achieved while making investment decisions.

Table 5

Descriptive Statistics of Company Goodwill

Particular	Min	Max	Mean	SD
Do you significantly think the corporate profile will influence your decision when investing in the IPO?	1.00	5.00	2.063	1.238
How much impact do you believe the historical background will have on your IPO investment?	1.00	5.00	2.957	1.324
How important do you think the age of the company is when making an IPO investment?	1.00	5.00	2.612	1.009
To what degree do you feel the prestige of the board members will affect your investment in the IPO?	1.00	5.00	2.856	1.186
How does the current financial position influence your decision to invest in the IPO?	1.00	5.00	2.718	1.142

Source: Survey, 2025

Table 5 shows elucidating measurements of a singular things and all in all of company goodwill sub-factor. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The general mean of preparing and company goodwill pay is 2.821, which isn't more prominent than 3 however near it, with

standard deviation 1.180. This demonstrates that effective company goodwill can lead to investment decision.

Table 6

Descriptive Statistics of Company Performance

Items	Min	Max	Mean	SD
How much do you agree that ROI influences an investor's decision to invest in an IPO?	1.00	5.00	3.22	1.327
How significant do you find ROE in motivating an investor to invest in an IPO?	1.00	5.00	3.60	1.341
How important do you think the percentage price premium is in attracting investors to an IPO or FPO?	1.00	5.00	3.47	1.416
To what degree do you believe earnings per share affect an investor's decision to invest in an IPO?	1.00	5.00	3.17	1.223
How much do you think dividend premium matters when considering an investment in an IPO?	1.00	5.00	3.17	1.541

Source: Survey, 2025

Table 6 shows engaging measurements of individual things and in general of company performance. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The standard deviation of the overall mean of company performance with investment decision is 1.369, which is higher than 1. Through investment decision and company performance, this demonstrates that an investment decision might be the right one.

Table 7

Descriptive Statistics of Company Sectors

Items	Min	Max	Mean	SD
How would you assess the benefits of investing in the hydropower company through its IPO compared to other options?	1.00	5.00	3.18	1.349
How would you evaluate the potential advantages of investing in the manufacturing company via its IPO?	1.00	5.00	3.35	1.321
How does investing in finance or micro-finance compare? What about investing in the banking sector through an IPO?	1.00	5.00	3.28	1.352
To what extent do you study that deal in banking area of IPO is Better?	1.00	5.00	3.17	1.286
How does investing in an insurance company IPO measure up?	1.00	5.00	3.32	1.359

Source: Survey, 2025

Table 7 shows enlightening insights of specific things of company sectors. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The general mean of company sectors is 3.26, which is more prominent

than 3, with standard deviation 1.334. This demonstrates that company sectors can be used to make sound investment decisions.

Table 8

Descriptive Statistics of Market Information

Particular	Min	Max	Mean	SD
To what extent do you consider that comments on media affects in your investment in IPO?	1.00	5.00	3.153	1.363
To what extent do you consider that future prediction and forecast affects your investment in IPO?	1.00	5.00	3.347	1.323
To what extent do you consider that new project risk and prospects affects in your investment in IPO?	1.00	5.00	3.281	1.336
To what extent do you consider that market share will affect, while investing in the IPO?	1.00	5.00	3.152	1.279
To what extend do you consider the past trend of IPO, while investing in the IPO?	1.00	5.00	3.355	1.326

Source: Survey, 2025

Descriptive statistics for each item and the market information sub-factor as a whole are presented in Table 8. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The general mean of market information is more prominent than 3, with standard deviation of more prominent that 1. This demonstrates the way that decision could be taken through compelling market information.

Table 9

Descriptive Statistics of Investment Decision

Items	Min	Max	Mean	SD
My investment reports better results than expected.	1.00	5.00	3.24	1.323
My investment in stock has demonstrated increased cash flow growth.	1.00	5.00	3.61	1.336
My investment in stocks has a lower risk compared to the market I general.	1.00	5.00	3.49	1.407
My investment in stocks has a high degree of safety.	1.00	5.00	3.17	1.215
My investment proceeds will be used in a way that benefits society.	1.00	5.00	3.17	1.544

Source: Survey, 2025

Table 9 shows elucidating measurements of investment decision of workers. The variables are measured using five statements. Five-point Likert scale responses were provided by each respondent. The general mean of investment decision element is more than 3, with standard deviation of multiple. This shows wise investment decision in venture.

Table 10

Overall Descriptive Analysis

Particulars	N	Minimum	Maximum	Mean	Std. Deviation
Investment Decision	400	1.00	5.00	3.102	1.149
Quality Management	400	1.00	5.00	3.134	1.152
Company Goodwill	400	1.00	5.00	3.299	1.105
Company Performance	400	1.00	5.00	3.215	1.170
Company Sector	400	1.00	5.00	3.038	1.151
Market Information	400	1.00	5.00	3.370	1.093

Source: Appendix I

Table 10 exhibits the typical mean worth between the scopes of Likert scale. The reaction on questions with respect to investment decision has mean worth 3.102. Similarly, the mean values of the questionnaire responses regarding quality management are 3.134. The reaction towards the survey connected with company goodwill has 3.299 mean qualities and reaction towards the assertion connected with company performance is 3.215. Similarly reaction towards the assertions of company sector and market information have mean worth of 3.038 and 3.370 individually.

4.3 Reliability test

Table 11

Reliability Test

Variables	Cronbach's Alpha Based on Standardized Items	N of Items
Market Information	.715	5
Quality Management	.809	5
Company Goodwill	.842	5
Company Performance	.651	5
Company Sector	.557	5
Investment Decision	.957	5

Unwavering quality test is directed to gauge the inward consistency for example unwavering quality of the estimating instrument. Cronbach's alpha coefficient ranges from 0 to 1, with a higher value representing greater reliability. Last but not least, Cronbach's alpha coefficient ought to be greater than 0.70. This scale has great inner legitimacy and unwavering quality. The dependability test incorporate cronbach's alpha of market information, quality management, company goodwill, company performance, company sector and investment decision are 0.715, 0.809, 0.842, 0.651, 0.557 and 0.957 separately.

4.4 Correlation Analysis

Just, the connection is a device which is intended to gauge the connection between at least two variable and connection examination estimates the strength or level of straight connections between at least two factors. Assuming the adjustment of the worth of one variable outcomes the adjustment of the worth of another variable then we say that the factors are connected. In order to determine the direction of the relationship between the dependent and independent variables, members of the MFIs under investigation were asked 25 questions about the company's sector, income, goodwill, market information, and performance, as well as investment decision.

We utilize numerous connections when there is one variable as reliant and different factors considered as free factors and the impact of the multitude of autonomous factors working together is concentrated on the reliant variable. Table 12 summarizes the outcome.

Table 12

Correlation Coefficient

Variables	ID	QM	CG	CP	CS	MI
Investment Decision	1					
Quality Management	.356**	1				
	.000					
Company Goodwill	.017	.016	1			
	.734	.754				
Company Performance	-.033	-.010	-.022	1		
	.516	.847	.655			
Company Sector	.107*	.107*	.127*	.112*	1	
	.032	.033	.011	.024		
Market Information	-.107*	.008	-.027	.000	-.026	1
	.032	.868	.595	.992	.598	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

Source: Appendix II

Table 12 shows the relationship between the quality management and company sector shows positive and significant correlation investment decision with coefficient 0.356 and 0.107. Similarly, with a negative coefficient of 0.107, the correlation between investment decision and market information is statistically significant. It implies that there is a 100% chance of a correlation between quality management and investment decision. The market information status is adversely corresponded with investment decision (r=-0.107). Goodwill and investment decision have no significant correlation. It implies that there is a

0.2% chance that there is no correlation between goodwill and investment decision. Company sector is additionally emphatically related with the investment decision (r=-0.107). (p=0.032) There is a strong correlation between investment decision and company sector. The fact that the p-value is less than 0.05 indicates that there is a significant relationship between investment decision powers.

Similarly, the correlation between a company's performance and its investment decision is negative, at -0.054. The relationship between company performance and investment decision is insignificant since p-value is (0.283) which is more than 0.05. Once more, the variable market information is negatively associated with investment decision (r=-0.101). With a p-value of 0.044, the correlation between market information and investment decision is significant.

4.5 Multiple Regression Analysis

An equation for estimating the value of a dependent variable from two or more independent variables is known as a multiple regression equation. To put it another way, it is a mathematical relationship that exists between a single dependent variable and at least two independent variables. In this study relapse condition will be:

$Y= \alpha+ \beta_1 X_1+ \beta_2 X_2+ \beta_3 X_3+ \beta_4 X_4 + \beta_5 X_5+E_1$

Where α= constant term

Y= Investment decision

β_1, β_2, β_3, β_4, β_5 = the coefficient/ determinants of investment decision to IPO (company goodwill, quality management, company sector, market information and company performance).

X_1= Quality management

X_2=Company goodwill

X_3= Company performance

X_4= Company sector

X_5= Market information

E_1=Error term mathematically,

Table 13

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.407a	.165	.155	.49004

a. Predictors: (Constant), QM, MI, CG, CS, CP

Table 14

ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.733	5	3.747	15.602	.000
	Residual	94.617	394	.240		
	Total	113.350	399			

a. Dependent Variable: ID

b. Predictors: (Constant), QM, MI, CG, CS, CP

Table 15

Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t – value	P-Value	Descriptive
	B	SE	Beta			
Constant	2.091	0.347		6.025	0.000	Sig
Quality management (X1)	0.412	0.051	0.377	8.153	0.000	Sig
Company goodwill (X2)	-0.029	0.061	-0.022	-0.475	0.635	In Sig
Company performance (X3)	0.052	0.060	0.040	-0.871	0.384	In Sig
Company sector (X4)	0.084	0.043	0.091	1.942	0.053	In Sig
Market information (X5)	-0.117	0.046	-0.118	-2.556	0.011	Sig

Source: Appendix III

The table shows p-value of constant term and quality management are 0.000, which is less than significance level of 0.05. Therefore, it shows positive and significant impact of quality management on investment decision. Similarly, the p value of the company goodwill is 0.635 with negative coefficient of -0.029 which indicates that negative and insignificant impact of company goodwill on investment decision. Likewise, the p-value of company performance (r=0.052, P=0.384) and company sector (r=0.084, P=0.053) shows positive and insignificant impact on investment decision. Market information shows negative but significant impact on investment decision at 0.05 level of significance.

4.6 Discussion

The trade of certain present value for uncertain future company goodwill is regarded as investment. Initial public offering financial backer, consequently expect to think about different pointers prior to effective money management. First sale of stock is the offering of protections to the overall population interestingly. Small investors can also invest in the primary market, which gives the issuer access to funds.

Investment is the exchange of certain present value for uncertain future company goodwill. First sale of stock monetary patron, thusly hope to contemplate various pointers preceding compelling cash the board. First offer of stock is the contribution of assurances to the general populace curiously. Little financial backers can likewise put resources into the essential market, which gives the guarantor admittance to reserves.

This result is in line with Kang and Bao Lam (2020) examine the performance and influencing factors of initial public offerings (IPOs) in the Nepalese stock market for the year 2023. The independent variables considered include the company's goodwill, quality management, sector, market information, and IPO performance factors. The dependent variable is the initial return. To assess the performance of these IPOs in the Nepalese market, secondary sources of information were used. Various regression models were employed to test the significance and impact of initial returns in the Nepalese financial market.

Investors' perceptions of initial public offerings have a significant impact on the Nepalese stock market. These findings are particularly significant in light of the observed relationships between company sectors, company goodwill, and market information in areas with lower risk (Ritter & Shao, 2022). The current investigation discovers that the greater part of financial backers consider projected return followed by organization generosity, quality administration and rest thought about the company sectors in Initial public offerings. An issue manager raises money through an initial public offering (IPO) to invest in various industries. The company's goodwill and reputation will improve as a result. Notwithstanding the various tales the concentrate in Nepalese setting are exceptionally restricted. Financial backers will watch the titles however the principal hotspot for data ought to be the outline which gives bunches of data. This study has utilized both primary and secondary data sources to examine investors' willingness to invest in various industry sectors. The optional wellsprings of information additionally has been

acquainted on Investment decision with first sale of stock in Nepalese market. The essential wellsprings of information has been utilized to look at the assessment of respondents concerning initial public offering in Nepal. With the end goal of essential information assortment, resource of pre-determined questions have been fundamentally as the instrument. Consequently discernment in Initial public not set in stone by above factors, support the discoveries of Ali (2022) however inverse to the discoveries of Cong and Howell (2021).

CHAPTER – V

SUMMARY AND CONCLUSION

5.1 Summary

In this study, the main focus is on analyzing the choices made regarding the initial sale of stock in the Nepalese market. The primary concern for the public at the outset is the initial public offering (IPO). The primary market facilitates the issuance of new securities to help organizations raise funds, and the development of the securities market in Nepal is still in its early stages. The objective of this problem statement is to assess how investors will respond to IPOs in both the financial and non-financial sectors.

The aim of this study is to analyze public awareness of initial public offerings (IPOs) to assess the development of key market elements and the factors influencing investment decisions related to IPOs. This research is crucial for understanding the impact of IPOs on the performance of banks and non-banking financial institutions, including their equity returns and asset returns, as well as for examining the legal, strategic, and future implications of IPOs in Nepal. The study utilizes both primary and secondary data for this analysis. Primary data is collected through surveys, while secondary data is sourced from NEPSE, SEBON, and various commercial banks. The study's conceptual framework was developed based on the dependent and independent variables identified through a literature review. The overall structure of the exploratory study was outlined in the third section. Data were collected using a questionnaire from 400 respondents. This process was completed to assess the validity of the research and the questionnaire.

The exploration is expressive and relaxed near in nature. The majority of the research is carried out using primary and secondary data. It incorporates quality administration, organization altruism, company performance, company sectors and market information. Information are portrayed by different relapse. Around 88% are revenue to put resources into monetary area and just 12% are in non-monetary area.

5.2 Conclusions

The review utilized to observationally examinations regardless of whether the Nepalese IPO'S are undervalued in short-raced to decide if different free factors like quality administration, organization altruism, company performance ,company sectors and market information. The majority of IPOS, according to the findings, were priced too low. Likewise the review features that there is huge effect of different free factors on the absolute returns of chosen Nepalese IPO'S. The regression results indicate that the selected independent variables and their respective returns are significantly related. Regardless of the extensive stretch of protections winning in the Nepalese market, the vast majority of the general population have close to zero familiarity with initial public offering. Even with this information, the majority are more interested in the financial sector than other industries.

The correlation between investment decision and quality management is statistically significant, according to the correlation analysis results. It implies that there is a 100% chance of a correlation between quality management and investment decision. The organization generosity status is adversely related with Investment decision (r=-0.0378). Goodwill and investment decision have no significant correlation. It implies that there is a 0.2% chance that there is no correlation between goodwill and investment decision. The variable investment decision has a negative correlation with the variable company sector (r=-0.020). The relationship between company sector and Investment decision is huge (p=0.125). The fact that the p-value is less than 0.05 indicates that there is a significant relationship between investment decision powers.

With respect to the consequence of relapse examination, quality management level has an irrelevant relationship on investment decision where, P worth of value the executives level is 0.691, which is more prominent than 0.05 and isn't huge at the degree of 0.05. Company performance have huge relationship on investment decision. Since p worth of company goodwill level is 0.044 and company performance is 0.000 which is under 0.05. They are critical at 0.05 level. Likewise, company sector and market information have critical relationship on investment decisions. P worth of company sector and market information are 0.740 and 0.574 separately and these two qualities are more noteworthy than 0.05. It implies there is no critical connection between company sector, market information and investment decisions.

5.3 Implications

After the exploration following ramifications are made for better initial public offering:

- As speculation financiers assume an imperative part in the Initial public offering process, they ought to attempt to give more straightforward, quick, bothers free help with the goal that more open include in the initial public offering.
- Prior to putting resources into any organization, every one of the financial backers should go through that organization's monetary subtleties, outline, or they will be in trouble if by some stroke of good luck go with the market bits of hearsay.
- Little financial backers are additionally the piece of essential market, so Initial public offering subsidizing through monetary foundation ought to be completely controlled to deter the huge financial backers who apply in names of family members, companions and so forth.
- In order to make an IPO "hot," more and more advertisements must be promoted, and the public should be shown the real picture. So that cost doesn't fall after issue at the hour of exchanging.
- In the distribution of IPOs, the majority of underwriters target institutional or wealthy investors, which is extremely unethical and illogical. In order for all investors to receive shares, the allotment procedure must be proportional rather than random.
- As a result of asymmetric information, investors are becoming speculators rather than rational investors. They ought to realize the entire stock valuation process and really at that time start to contribute.
- When choosing an issue, the Manager Company should pick securities that general investors can confidently trust.
- Applications should be solicited from all regions of the country to ensure that all interested candidates have the opportunity to apply. This is important because most Initial Public Offerings (IPOs) are currently concentrated in the valley.

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APPENDIX-I

QUESTIONNAIRE

Dear respondent,

I am conducting this questionnaire survey for an academic research as required by the MBS program. The title of my research is "IPO Performance and Investment Decision Behavior in Banking Sector of Nepal" I would like to state that this research is purely for an academic purpose and I am simply interested in your candid and honest opinion. I assure you that strict confidentiality will be maintained and the information furnished by you will be used only for the academic purpose.

Thanking for your Cooperation

Parbati Neupane
MBS student
Shanker Dev Campus, Kathmandu

Bank	
Department	
Gender	a) Male b)Female
Age	a)Under 25 b)25-35 c)36-45 d)46-55 e)Above 55
Qualification(Highest Degree)	a)+2 b) Bachelors c) Masters
Occupation	a) Professor b) Agriculture c) Business d) Others

APPENDIX- II

Below are several statements about you with which you may agree or disagree. Using the response scale below, indicate your agreement or disagreement with each item by choosing the appropriate number. Please give your responses as followings:

Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
1	2	3	4	5

Quality Management

Particular	1	2	3	4	5
To what extent do you consider that Legitimacy of Company affects in your investment in IPO?					
To what extent do you consider that Corporate Governance affects in your investment in IPO?					
To what extent do you consider that Human Resources Value that affects in your investment in IPO?					
To what extent do you consider that Founder CEO affects in your investment of IPO?					
To what extent do you consider that Key Shareholder /Promoter affects in your investment in IPO?					

Company Goodwill

Particulars	1	2	3	4	5
To what extent do you consider that Corporate Profile will affect, when investing in the IPO?					
To what extent do you consider that Historical Background will affect, while investing in the IPO?					
To what extent do you consider that Age of Company affects in your investment in IPO?					
To what extent do you consider that Prestige of Board Member will affect while investing in the IPO?					
To what extent do you consider that Current Financial Position affects in your investment in IPO?					

Company Performance

Particular	1	2	3	4	5
To what extent do you agree that ROI make investor to invest in IPO?					
To what extent do you consider that ROE make investor to invest in IPO?					
To what extent do you consider the Percentage Price Premium make investor to invest in IPO/FPO?					
To what extent do you consider that Earning Per Share make investor to invest in IPO?					
To what extent do you consider that Dividend Premium matter more for your investment in IPO?					

Company Sectors

Particular	1	2	3	4	5
To what extent do you consider that investment in the Hydropower Company of IPO is better?					
To what extent do you consider that investment in the Manufacturing Company of IPO is better?					
To what extent do you consider that investment in finance or Micro-Finance					
To what extent do you consider that investment in Banking sector of IPO is Better?					
To what extent do you consider that investment in Insurance Company of IPO is better?					

Market Information

Particular	1	2	3	4	5
To what extent do you consider that Comments on Media affects in your investment in IPO?					
To what extent do you consider that Future Prediction and Forecast affects your investment in IPO?					
To what extent do you consider that New project Risk and prospects affects in your investment in IPO?					
To what extent do you consider that Market share will affect, while investing in the IPO?					
To what extend do you consider the past trend of IPO, while investing in the IPO?					

Investment Decision

Particular	1	2	3	4	5
My investment reports better results than expected.					
My investment in stock has demonstrated increased cash flow growth.					
My investment in stocks has a lower risk compared to the market I general.					
My investment in stocks has a high degree of safety.					
My investment proceeds will be used in a way that benefits society.					

Thank You

PAPER NAME

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