FACTORS INFLUENCING THE SUCCESS OF IPO

Dissertation submitted to the Shanker Dev Campus, Faculty of Management in partial fulfillment of the requirements for the Master's Degree

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May, 2025

Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of the dissertation entitled “Factors Influencing the Success of IPO” The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it 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

Mr. Prashant Ghimire has a defended research dissertation entitled "Factors Influencing the Success of IPO" 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 the supervisor and submit the thesis for evaluation and viva vocal examination.

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We have examined the dissertation entitled “Factors Influencing the Success of IPO” presented by, for the degree of Master of Business Studies (MBS) and conducted the viva examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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Acknowledgement

I would like to express my heartfelt gratitude to my supervisor, Dr. Bimla Manandhar for their invaluable guidance, encouragement, and support throughout this research journey. Their insightful advice and constructive feedback have been instrumental in shaping this thesis.

I sincerely thank the faculty and staff of Shankar Dev Campus for their support and guidance, which created a helpful environment for completing this research.

I am also grateful to the participants who gave their time and insights to make this study possible. A special thanks to my family and friends for their constant support and encouragement during this journey. Their belief in me kept me motivated.

Lastly, I thank everyone who helped me directly or indirectly in completing this thesis.

Your support is truly appreciated.

Parshant Ghimire

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Abbreviations

D-IPO	:	Determinants of IPO Success
FA-IPO	:	Factors Affecting IPO Success
IB	:	Investment Banks
IPO	:	Initial Public Offering
ISF	:	IPO Success Factors
NEPSE	:	Nepal Stock Exchange
SEBON	:	Securities Board of Nepal
SPSS	:	Statistical Package for the Social Sciences

Abstract

This study examines the factors influencing the success of Initial Public Offerings (IPOs) in Nepal, focusing on pricing, efficiency, cost, and stock issuance. The research aims to identify how these variables correlate with IPO success, providing insights for companies, investors, and policymakers. The study is motivated by the growing importance of IPOs in Nepal's capital market and the need to understand the determinants of their success. A descriptive and analytical research design was employed, utilizing primary data collected through a self-administered questionnaire from 300 respondents in Kathmandu Valley. The data was analyzed using statistical tools such as correlation analysis, multiple regression, and descriptive statistics (mean, standard deviation). Cronbach's alpha was used to ensure the reliability of the data. The results align with global research but emphasize the unique context of Nepal's market, where retail investor behavior and regulatory frameworks play critical roles. Practical implications include recommendations for cost optimization, strategic pricing, and improved transparency to enhance IPO outcomes. The study contributes to academic literature and offers actionable insights for stakeholders in Nepal's capital market.

Keywords: *IPO success, pricing, efficiency, cost, stock issuance, Nepal, emerging markets.*

CHAPTER-I
INTRODUCTION

1.1 Background of the study

In the early current time, the Dutch were monetary trend-setters who helped establish the frameworks of present day monetary frameworks. The main present day IPO happened in March 1602, when the Dutch East Company offers of the organization to the general population so as to raise capital (Goetzmann & Rouwenhorst, 2008). The firm can raise their capital by issuing Initial public offering in the primary market. IPO are kind of open offering of stock by companies to the institutional. Investors and that convert the selling to the common people in primary market or at stock exchange for the first time. The principle strategies of IPO are book building sell off strategy and open offer. The book-building strategy has the benefit of diminishing the level of undervaluing (Seng, 2017). A money related framework is a framework that permits the trading of assets between banks, speculators and borrowers. Monetary market has critical task to carry out in this setting since it is a piece of the money related framework. It gives the money related assets expected to the long pull and economic improvement of various areas of the economy (Fang, 2021).

Initial public offerings (IPO) are critical achievement in any organization's development as it advances from being a private restricted organization to open constrained. Effective IPO can create huge measure of riches for organization advertisers and also pre IPO financial specialists. Generally a greater part of the IPO's were under-evaluated with an intension to issue unusual benefits on the posting in this way drawing in more speculators to buy in to their stocks. Investigational examinations have built up the above in effective markets (Ali, 2018). Essential market encourage securities to the financial specialists and help the corporate division in arranging assets as open issue, offer available to be purchased, private position and right issue. A first sale of stock (IPO) is an organization's first offering of value to people in general. Initial public offering is a noteworthy wellspring of capital for firms (Shanmugam, 2016).

Meanwhile, the IPO audit is used to choose firms for IPOs and to pick and authorize quality companies to go public in order to improve their access to funding channels

and techniques and to support the capital market's positive cycle. Usually, the shares of a listed company are sold through brokers or market makers in accordance with the terms agreed in the prospectus or registration statement issued by the corresponding Securities and Futures Commission, and once the IPO is completed, this company can apply for listing and trading on a stock exchange or quotation system. Therefore a limited liability company should be changed to a stock corporation before applying for an IPO (Loughran, et al. 2003).

Sustainable profitability refers to an organization's capacity to produce steady and long-term profits from its ongoing operations. Among these, the primary judging factors for deciding if a business can undertake an IPO are IPO price, efficiency, cost, and stock issuance. By way of generalization, the company and its directors, the reporting accountant, the sponsor, the company's lawyers, the sponsor's lawyers, and so on, each with their own duties and divisions of labor, are among the many roles involved in an initial public offering (IPO), which is actually a more complicated process. The Securities and Futures Commission has some basic requirements for the proposed listed companies to issue conditions, broadly divided into the non-financial information and financial information, which allows the proposed listed companies to have an order, to ensure the integrity of its business system, with the ability to operate independently directly to the market, so that the success of the IPO has a more definitive answer (Zaręba, 2014).

The study of factors affecting the success of Initial Public Offerings (IPOs) is crucial for understanding how companies can optimize their market first appearance. An IPO represents a significant transition for a private company, enabling it to raise capital and enhance visibility (Perera, 2015). However, the process is fraught with challenges influenced by various determinants. Key factors include market conditions, which significantly impact investor sentiment and the overall success of an IPO. A stable economic environment fosters confidence among potential investors, while volatility can deter participation. Pricing strategies are also critical; achieving a balance between underpricing and overpricing is essential to attract investors without sacrificing capital. Additionally, the role of corporate governance cannot be overlooked, as strong management practices enhance credibility and investor trust (Agarwal, 2002).

Moreover, the selection of a reputable investment banker is vital, as they provide necessary expertise and access to investor networks. Other factors such as the company's financial health, market timing, and compliance with legal regulations further contribute to the IPO's success. Understanding these elements allows companies to navigate the complexities of going public effectively, ensuring a successful transition into the public market (Vaidyanathan, 2003).

1.2 Statement of problem

The success of an Initial Public Offering (IPO) is influenced by a multitude of interrelated factors that can significantly impact a company's ability to raise capital and establish a strong market presence. Market conditions play a crucial role; favorable economic environments characterized by investor confidence and stable market conditions often lead to successful IPOs, while volatility can deter potential investors and suppress interest in new offerings (Smith & Johnson, 2020). Additionally, company fundamentals such as financial health, growth prospects, and corporate governance are critical. Companies with strong financial records and effective management teams tend to attract more investors, thus enhancing the likelihood of a successful IPO (lee et al., 2019).

Valuation and pricing strategies are also pivotal. The balance between underpricing and overpricing shares can determine the immediate success of an IPO. Underpricing may lead to a quick rise in stock price post-IPO, generating interest, but it can also result in lost capital for the issuing company. Conversely, overpricing can alienate investors and lead to poor performance (Ritter, 2021). Furthermore, investor sentiment is essential; high demand driven by positive perceptions of the company and its market potential can lead to oversubscription, which is often viewed as a marker of success (Baker & Wurgler, 2022).

However, regulatory compliance cannot be overlooked. Companies must navigate complex legal frameworks and ensure transparency in their financial disclosures to build trust with potential investors (SEC, 2023). The interplay of these factors market conditions, company fundamentals, pricing strategies, investor sentiment, and regulatory compliance creates a multifaceted landscape that companies must skillfully manage to achieve IPO success.

To achieve the set objectives the study tries to find the answer the following questions:

- Does price of stock affect the success of IPO?
- What is the role of cost and stock issuance in determining the success of IPO?
- How does the stock efficiency influence the success of IPO?

1.3 Objectives of the study

The purpose of this study is to identify the factors influencing the success of IPO in Nepal.

The specific objectives of the study are:

- To assess the effect of the price of stock on the success of IPO.
- To examine the role of cost and stock issuance in the success of IPO.
- To analyze the influence of stock efficiency on the success of IPO.

1.4 Rational of the study

The significance of studying the factors affecting the success of Initial Public Offerings (IPOs) lies in its potential to enhance understanding for companies, investors, and policymakers. Successful IPOs are crucial for companies seeking to raise capital for growth and expansion, thereby contributing to their long-term sustainability and market presence. By identifying key determinants such as market conditions, company fundamentals, pricing strategies, and investor sentiment, the study provides valuable insights that can guide companies in their preparation for going public.

Moreover, understanding these factors can help investors make informed decisions, allowing them to assess the potential success of an IPO based on empirical data and financial ratios. This knowledge can lead to more strategic investment choices, ultimately improving investor outcomes and market efficiency. Additionally, the findings can assist regulators in creating frameworks that support a healthy IPO environment, ensuring that both issuers and investors are protected. This research not only contributes to academic literature but also has practical implications for

enhancing IPO strategies, fostering investor confidence, and promoting stable financial markets.

1.5 Research hypothesis

Hypothesis 1: The pricing strategy of an IPO influences its success is significantly correlated.

Hypothesis 2: There is a considerable link between efficiency and success of IPO.

Hypothesis 3: The costs of stock play a significant correlation with the success of IPO.

Hypothesis 4: The stock issuance is direct correlation with the success of the IPO.

1.6 Limitations of the study

The limitations of the study is as follows:

- This study is concentrated on factors influencing the success of IPO.
- This study is based on primary data.
- Kathmandu valley is taken for the study.

CHAPTER-II
LITERATURE REVIEW

One of the most crucial components of an academic paper is the literature review. Reviews of previous theses, dissertations, newspapers, periodicals, and expert recommendations are all included in the literature review. This chapter specifically aims to cover important research on the elements that influence IPO success, including pricing, efficiency, cost, and issuance, as well as the link between these characteristics and the pattern of IPO succession. This chapter is broken up into two pieces for ease of study: the conceptual review and the review of relevant works. While a review of related studies extracts passages from the numerous related research projects that have been conducted to illustrate different aspects of the topic, a conceptual evaluation highlights the elements and components that served as the study's basis.

2.1 Conceptual review

Generating profits and revenues for shareholders is the most commonly stated objective of every business. This is true for businesses of all sizes, from the biggest listed on the New York Stock Exchange to the tiniest, like local supermarkets. However, a business needs funds and, thus, a suitable financing technique in order to grow and achieve its objectives. There are several ways to raise money. One of them, known as a stock market debut, is aimed mostly at companies that are not in the early phases of development and involves listing their shares for trading on the stock exchange (Ljungqvist & Wilhelm, 2008).

The process of selling firm shares on the open market via the stock exchange is known as an initial public offering (IPO). Companies choose an IPO for a variety of reasons. The main objective is to secure more funding to support the company's continued expansion, which includes growing the operations' scope, putting investment initiatives into action, attaining quicker growth, entering new markets, and eventually raising the company's worth. Additionally, an IPO boosts the company's reputation, improves the likelihood that it will receive bank funding, and makes it easier to raise additional funds through follow-on offerings.

However, an IPO carries drawbacks in addition to its many benefits. Among them is the duty to reveal details about the firm's financial status both at the initial public

offering (IPO) and on a regular basis during the time the company is listed on the stock exchange. Furthermore, the owner's power is diminished when company shares is sold. Another significant factor is the operation's high cost. The high volume of initial public offerings (IPOs) that we see annually on stock exchanges worldwide suggests that the benefits of this method of capital rising must exceed the drawbacks, and deciding on the IPO's starting price is one of the main challenges.

2.1.1 Theory of an initial public offering

The offering of securities to the general public on the main market is known as an Initial Public Offering. This is the first time a business is making stock available to the general public. IPOs are frequently used by newer or smaller businesses looking for funding to grow. Another name for it is a public offering.

The initial public offering (IPO) procedure is how fund-seeking groups, like commercial entities, get the money they need from interested fund-surplus groups, like investors. Shares, preference shares, bonds, debentures, and even commercial papers are among the instruments that may be sold during an initial public offering. However, the term 'IPO' is used in this study to refer to the first public offering of common shares. Therefore, it is possible to see initial public offerings as a means of converting privately owned companies into publicly traded companies. According to Kewon and others (2004), a public offering is a security sale in which all investors have the chance to purchase a share in the financial claims being sold. Through IPO, public at large are able to buy the financial instruments which allow the investors to have some financial claim on the issuing company.

2.1.1.1 Life Cycle Theory

According to the life cycle hypothesis, an IPO is the more cost-effective way for a business to raise external equity capital when it reaches a particular size. Early in its life cycle, a firm will remain private, but once it becomes big enough, it can go public, according to Zingales (1995).

This theory implies that the timing decision of an IPO is a natural occurrence resulting from the maturity of a company. Companies will time their IPOs with regards to their life cycle, consequently issuing an IPO at a point in time when they need capital to finance growth and create a public liquid market for firm ownership.

According to this concept, a company's maturity naturally influences the date of its initial public offering (IPO). Businesses will schedule their initial public offerings (IPOs) according to their life cycle, which means they will do so when they need money to fund expansion and establish a public, liquid market for company ownership.

According to Pagano, Panetta and Zingales (1998), larger companies and firms in industries with a high market to book ratios are more prone to go public, and those companies going public seem to have reduced their cost of credit significantly. Lerner, 1994 observed that industry market to book value ratio has a significant effect on the choice to go public rather than to obtain additional venture capital financing. This theory therefore suggests that firms will time the issue an IPO in favor of their existing stage in their life cycle.

2.1.1.2 Market-Timing Theory

This theory explains how companies decide whether to use debt (borrowing money) or equity (selling shares) to fund their projects. According to Barker and Wuglar (2002), businesses choose the option that financial markets value more at the time. This is because market timing plays a big role in whether companies prefer debt or equity. Lucas and McDonald (1990) suggest that if companies know their shares are undervalued, they will delay selling them. For example, if the stock market doesn’t value a company highly, its owners might wait for a "bull market" (when prices are rising) to launch an IPO and get better prices for their shares.

Choe, Masulis, and Nanda (1993) also found that companies avoid launching IPOs when there are few other high-quality companies doing the same. Other theories suggest that stock markets give useful information to business owners. For example, when stock prices rise, it can signal good growth opportunities, encouraging companies to go public (Subrahmanyam & Titman, 1999; Schultz, 2000). Because of this, managers try to time their IPOs to take advantage of the best market conditions and get the highest possible prices for their shares.

The market timing theory also suggests that managers create "hot markets" (when many IPOs happen during good market conditions) and "cold markets" (when IPOs slow down during bad conditions). This happens because companies try to launch

their IPOs when the market is most favorable, leading to clusters of IPOs during good times (Ritter, 1984).

2.1.1.3 Pecking Order Theory

Donaldson (1961) first introduced this idea, and later, Stewart C. Myers and Nicolus Majluf (1984) expanded on it. The theory suggests that companies choose how to fund their projects based on the cost of financing. They prefer to use their own money first (like profits they've saved). When that runs out, they borrow money (debt). If borrowing more isn't a good idea, they finally sell shares (equity). Companies don't have a fixed plan for how much debt or equity to use, but they prefer using their own money over outside funds because of the risks of "adverse selection" (where outside investors might not fully understand the company's value). When they do need outside money, they prefer debt over equity because debt is cheaper and involves less risk of misunderstandings.

The pecking order theory assumes that companies don't aim for a specific mix of debt and equity. Instead, they focus on avoiding the high costs that come from information gaps between managers and investors. Because of this, companies follow a simple order for funding: first, they use their own money, then they borrow, and only as a last resort do they sell shares. This is because the cost of financing goes up as the risk of misunderstandings increases.

According to this theory, companies will only consider launching an IPO (selling shares to the public) after they've used up all other options, like borrowing money or using their own savings. IPOs are seen as a last step in the funding process.

2.1.2 Ideal Aspect of IPO

Across the globe, several researches on initial public offerings (IPOs) have been carried out. Four patterns linked to IPO succession have been consistently identified by these investigations. Pricing, efficiency, cost, and stock issuance are these four trends.

2.1.2.1 Pricing

The IPO price is crucial because it affects how much money a company raises and the interests of everyone involved. If the price is too low, the company gets less money. If

it’s too high, investors pay more, and banks face higher risks. A good IPO price is close to the stock’s first trading price.

Sometimes, IPO prices don’t match the stock’s real value. This happens because of changes in the company’s finances, growth, or how prices are set. To fix this, companies and banks should set prices based on the company’s real value and market demand. If prices are too low (called "suppression"), investors profit a lot on the first day. If prices are too high (called "premiums"), existing shareholders benefit.

Banks often set IPO prices lower to reduce risks and make shares easier to sell. This leads to price suppression, which companies want to avoid because it means losing potential value. In China, IPO suppression is common because companies and banks try to reduce risks, making it easier for companies to go public.

2.1.2.2 Efficiency

IPOs have been paused and restarted nine times in the last 30 years due to unstable markets. Recent reforms have made IPOs more efficient. IPO efficiency, also called primary market efficiency, is often measured by the "IPO suppression rate," which looks at how much stock prices rise on the first day of trading. This is a key focus for researchers.

Behavioral finance explains IPO efficiency through investor sentiment and market bubbles. Better information about companies reduces over-optimism, lowering stock prices and improving long-term performance. IPOs are more efficient when foreign-backed banks handle them. Studies show that IPO efficiency depends on factors like company size, debt levels, investor behavior, and market stability. Stable markets and good corporate governance boost IPO success by building investor trust. Companies with strong finances and growth potential attract more investors, making IPOs more efficient. Investor enthusiasm also plays a big role high excitement boosts IPOs, while low interest hurts them. Venture capital can improve IPO efficiency by reducing risks and supporting companies after they go public.

2.1.2.3 Costs

The registration reform affects IPO costs in two ways: direct costs (like fees) and indirect costs (like market risks). While the reform lowers direct costs, it increases indirect costs, raising the total cost of IPOs. This shows the reform is important for China’s capital market growth and better resource allocation (Miao et al., 2015).

IPO financing costs are the total expenses a company pays to raise money through an IPO. Understanding these costs helps companies on the GEM (Growth Enterprise Market) reduce risks and meet their funding goals. The GEM market's IPO costs are higher, but studying them can improve investor asset liquidity, reduce risks, and make better use of capital. Factors like issue size, profit growth, and debt levels directly affect these costs (Wang, 2020).

Indirect costs are often seen in how much stock prices rise on the first trading day. Larger IPOs tend to have lower indirect costs because there's less speculation. By studying these factors, companies can better control IPO costs and improve their chances of success (Wang, 2020).

2.1.2.4 Stock Issuance

An IPO stock offering happens when a company's original shareholders sell their shares to the public. This can occur during the IPO or later when shareholders reduce their holdings. Unlike an IPO incremental offering (where new shares are created), IPO stock offerings don't increase the total number of shares, and the money goes to the shareholders, not the company. This doesn't affect other shareholders' stakes (Lan & Chen, 2014).

Stock offerings have several goals: preventing too much fundraising, improving efficiency, adding market oversight, helping old shareholders exit, and ensuring fair IPO pricing. Overall, they balance the interests of investors, shareholders, and the market (Lv, 2023).

Stock offerings can be categorized in two ways:

Incremental vs. Non-Incremental: Mixed offerings increase the total shares, while non-incremental offerings don't.

Over-Allotment Rights: Shareholders can use extra shares to meet demand, showing confidence in the company and boosting market trust (Huang, 2023).

For investors, IPO stock offerings provide transparency and better information, improving liquidity. However, if old shareholders sell too many shares, especially risky investors, it can lower the IPO price and hurt the company's funding (Hung, 2023).

2.1.3 Historical Background of IPO succession and failure in Nepal.

The history of IPOs (Initial Public Offerings) in Nepal has seen both successes and failures, showing how the country's stock market has grown over time. It started in 1937 when Biratnagar Jute Mills and Nepal Bank Limited issued shares, marking the beginning of public offerings. However, it wasn't until 1993 that the Nepal Stock Exchange (NEPSE) was created, giving a proper platform for trading stocks. Trading officially began on January 13, 1994, with just 37 companies listed. Since then, the market has grown a lot, with around 269 companies listed as of 2023 (Gurung, 2020).

Nepal's IPO market has had many successes, especially during times of economic growth and high investor confidence. Many companies have raised money successfully through IPOs, thanks to good market conditions and investor interest. However, there have also been failures. Some IPOs didn't do well because of weak company performance, poor pricing, or bad market conditions. Overpricing or lack of transparency has sometimes led to poor results after the IPO, making investors hesitant to join future offerings.

To tackle these issues, Nepal's regulatory system has improved over time. The Securities Board of Nepal (SEBON) was created, and new laws were introduced to make the market work better and protect investors. Despite these changes, the IPO market is still affected by economic conditions and company-specific factors, making it a challenging space for both companies and investors in Nepal (Gurung, 2020).

2.2 Empirical review

In this section, different literature instances are critically reviewed to obtain the factor affecting succession of the IPO in the context of Nepal. The study is difference from other studies that the variables used are different and focused on the succession of IPO and the relevant factors are described in the following literature review table.

Yao (2024) studied the determinants of the successful IPO. The objective of the study was to identify the succession or failure of IPO in certain variables such as cost, pricing and efficiency. The study used multiple regressions for analysis of data. The study found current stage of the market environment, the company's own factors, the financing efforts of the IPO market and the overall stock market heat impact on the primary market allocation efficiency deviation is increasing, due to the imbalance between supply and demand of stock market, as well as the lack of maturity of the

market participants and other reasons, the media reports and the stock market heat has become one of the main reasons for the volatility of stock market. The study concluded that they should be aware of the need to grasp appropriate listing opportunities and really use the fund-raising capital for their own benign operation, in order to promote the capital mercerization, so that resources can be reasonably optimized and used.

Bhabdarkar and Bagul (2024) examined on performance of IPO in recent years in India. The objective of this study were to evaluate the rate of premium on IPOs, to evaluate the performance of IPOs on listing day, and to analyses and compare short run and long run performance of IPOs. This research used descriptive statistics to analyze the data. The study found that for investors, IPO performance is inherently volatile and subject to market dynamics. The study is valuable for investors, financial analysts, and researchers interested in understanding the performance trends of IPOs over different time horizons.

Kumar and Kumar (2024) conducted the study on impact of macroeconomic factors on initial public offering: an analytical study of investor's decision. The main objective of the research were to study different macroeconomic variables that impact IPO purchase decisions by investors in Uttar Pradesh, and to explore IPO purchase decision factors by investors and concern issues and challenges. The research used the Bartlett's and chi-square tests to analyze the data. The research found that the four factors GDP, Unemployment, Inflation, and Interest rates are comparatively more important in a long-run relationship. Also found a reciprocal causality relationship between index return and exchange rate in short run relations. Inflation and Money Supply (MS) show a positive and significant relation to stock returns. Interest rate shows a negative and minor relationship with market returns.

Joshi (2023) investigated the initial public offering (IPO) and factors influencing investment decision: evidence from Dhangadhi. The objectives of this research were to examine the relationship between the review of the prospectus and IPO, to analyze the relationship between academic qualification and IPO investment decision and to examine the relationship between experience in the stock market and IPO investment decisions. The study used correlation coefficient to analyze data. The result of the study indicated significant relationship between the variables. The correlation analysis revealed strong positive correlations between the review of the prospectus and

investment decision, as well as experience and investment decision. The correlation between academic qualification and investment decision was positive but relatively weak. Furthermore, the regression analysis confirms the influence of these factors on investment decisions, reviewing a prospectus, academic qualification, and experience significantly affects investment decisions in IPOs.

Raut et al. (2022) studied the pricing of IPOs. The objective of this study was to investigate pricing performance of IPOs listed. The study used multiple regressions for analyzing data. The study found there is no significant correlation among issues price, issues size and Market Adjusted Excess Return. The study concluded that it is safe to invest in the IPO as average listing day return is positive.

Malachowski and Santes (2021) examined the success of an IPO, analysis of IPO underpricing on the Warsaw stock exchange. This study aimed to analyze the factors that influence the level of underpricing of an initial public offering (IPO) on the Warsaw Stock Exchange (WSE). The classical linear regression method was used to analyze the data. Study finds three variables that influence the level of underpricing: the involvement of private equity or venture capital funds in the transaction, the rate of return of the WSE Index in the 6 months before the IPO, and the amount of capital offered during the debut. This confirms the assumption that investors are irrational and that they are more inclined to invest in the so-called 'hot market.' A new hypothesis that we have verified is the negative impact of the value of the offered capital during the debut.

Kaur (2020) studied the public offer's performance an analysis of Nse listed companies. The objective of this research was to explore the puzzles of IPOs and FPOs in short term and long-term performance. This study used descriptive statistics to analyze. The finding of the research revealed that price performance of offering is judged on the basis of underpricing and over pricing; the existence of long-run under performance for the IPOs depends on the methodology used. Secondly the study also showed that neither the characteristics of the IPO size of the issue, the underwriter´s reputation nor those of the firm in the year prior to going public have a have a statistically significant influence on the stock return of the firm three or five years after going public.

Deb and Mishra (2019) studied a variety of issues especially for long term performance of 184 IPOs in India. Their study aimed at analyzing the performance of IPO both in primary market and secondary market. The authors use investment tools like the Raw Returns, Market Adjusted Excess Returns to analyze both the short term and the long term performance. Their found that there is, on the average only, significantly positive return on the listing-day and the day following that, which gets reversed but not annulled within ten days. Not only does the 50 percentage plus day 0 average RI for the former group is in sharp contrast with the 14 percentage day 0 RI for the latter, but they found that the positive group does not gain anything from an up-market preceding the IPO, whereas a down-market is a major cause for the poor listing-day performance of the negative group.

Viswan (2019) studied the pricing and performance of IPO in India. The main objective of this study was to analysis the literatures available in the area of Initial Public Offers in India and abroad. A descriptive (Mean and Standard Deviation) analysis method is used for the presentation of the studies. The study reveals that the median IPO is overvalued at the offer price over the long run. This study concluded that IPOs are overvalued and earn return more than that of undervalued IPOs on the first day of listing ,but the long run return will be much less than the underpriced IPOs.

Suri (2018) examined the performance analysis of initial public offering (IPO) in India. The core objectives of the study were to study the trend in fund raised by Initial Public Offerings in India, to study the performance of Initial Public Offers through over subscription ratio, and to study the performance of Initial Public Offers through listing day gains. The research used T-Test, Standard Deviation and Coefficient of Variance to analyze data. The results of the study showed that the performance of the IPO's significantly differs from the performance of the IPO's. It also examined that the number of IPO's and the fund raised through them also differ significantly for the two periods.

Poornima et. al. (2016) analyzed the short run performance of 9 companies listed in National Stock Exchange of India. The objective of the study is to understand the anomaly of abnormal returns as well long term performance to analyze the performance of the IPO's. Their study aimed at analyzing the performance of IPO both in primary market and secondary market. The use tools like the Raw Returns,

Market Adjusted Excess Returns to analyze both the short term and the long term performance. Their results shows that five companies offered higher returns in the primary market and sold in the secondary market, whereas only one company gives higher returns in the primary market and one company which gives higher returns in the secondary market.

Kumar and Bhawan (2016) investigated an exus between the Indian stock market and considered macroeconomic indicators. The objective of the study is to conduct necessary analyses addressing long and short term relationships. The method used in research was Granger causality tests and Johansen's co-integration analysis on monthly data. The findings are stimulating and valuable for comprehending the relationship between macroeconomic factors and stock returns. In addition, three out of four elements (namely, WPI, money supply, and T-bill) have a greater level of significance in a long-term relationship. According to the analysis, there is short-term bidirectional causality between the Sensex and the currency rate. Inflation and money supply show a positive and significant relation to stock returns. The Interest Rate (IR) has a negative and statistically negligible correlation with stock market performance. The Indian capital markets exhibit market inefficiency due to the combination of stock returns and macroeconomic indices.

Ramesh and Dhume (2015) studied a sample of150 IPOs that entered the primary capital market in India. The objective is to examine the price performance of these IPOs listed on National Stock Exchange (NSE). By considering the gap of 1 month, 3 months, 6months and 1 year, 2 years and 3 years respectively the authors studied the Short run and Long run price performance of the sample. The findings of their study reveal that, there exists over pricing in the Indian Primary Capital Market. Secondly, overpricing is more prevalent in the long run time period than in the short run.

Joshy and Agarwalla (2015) studied the impact of mandatory IPO grading on pricing efficiency and demand in the Indian capital market. The objective of this study is to investigate whether mandatory IPO grading, introduced by Indian regulators and conducted by credit rating agencies, influences demand and pricing efficiency of initial public offerings (IPOs). Method used for study is Cross-sectional regression analysis was employed to measure the degree of underpricing and demand for graded IPOs. This study finds IPO grading had no significant effect on underpricing or investor demand. Grading failed to reduce information asymmetry, as graded IPOs

did not show lower underpricing compared to ungraded ones. Variations in grading scores did not explain cross-sectional differences in market-adjusted underpricing. The study concluded that regulatory grading requirements did not enhance retail investors' decision-making or improve IPO pricing efficiency.

Khurshed, et.al. (2015) studied the IPO grading in India: does it add value to the book building process? The objective of the study is to evaluate whether mandatory IPO grading contributes value to India's book-building process by examining its impact on underpricing and investor behavior. Methodology used for research was Analyzed 47 book-built IPOs using ANOVA to test hypotheses. Findings of the study reveal that there is no Impact on Underpricing: IPO grading did not significantly influence the underpricing of book-built IPOs.

Table 1

Literature Review

Author /Date	**Title**	**Objectives**	**Methodology**	**Major findings**
Yao, (2024)	A Study on the Determinants of the Successful IPO	To guide the investment sentiment and to find out the problem, analyze the reasons and methods to ensure that the company can be successfully listed Issuance.	Mean and standard deviation	The success of an IPO can be linked to several factors, including pricing, efficiency, cost and stock issuance, in which the pricing of an IPO is often based on the observation of the company's fundamentals and thinking, and should reflect the company's intrinsic value of the appeal, but also requires a series of reasonable institutional arrangements, through the market mechanism to guide the investment sentiment, and to find out the problem, analyses the reasons and methods to ensure that the company can be successfully listed Issuance.

Joshi, (2023)	Initial Public Offering and Factors Influencing Investment Decision: Evidence From Dhangadhi.	To examine the relationship between the review of the prospectus and IPO investment decision. To analysis the relationship between academic qualification and IPO investment decision.	Descriptive and Causal Comparative Survey Research	The findings indicated that significant relationship between the variables. The correlation analysis reveals strong positive correlation between the review of the prospectus and investment decision, as well as experience and investment decision.
Shrestha, (2024)	Investment Decision Behaviour and IPO Success in Nepal	To explore the factors influencing the success of IPOs in Nepal, focusing on investor behavior and market dynamics.	Qualitative approach using semi-structured Quantitative survey	Overconfidence bias significantly influences investor decisions, but herding behavior is minimal. Corporate profile, financial position, IPO size, short-term returns, market rumors, goodwill, and sector performance are key determinants of IPO success.
Raut, et al. (2022)	An Examination of the Pricing of IPOs: The Indian Perspective	To analyze the trend of IPOs in India during 2010-2021. To analyze the short-run pricing performance of IPOs in India.	descriptive and explanatory research design	This study observes that the issue price and the listing open price and close price have a strong positive correlation. Additionally, the study finds that neither issue size nor issue price have significant impact on Market Adjusted Excess Return.
Malachowski and Gadowska-	What Determines the Success of an IPO? Analysis of	To analyze the factors that influences the level	Analytical Research Design	This research findings point to three variables that influence the level of underpricing: the

dos (2021)	IPO Underpricing on the Warsaw Stock Exchange	of underpricing of an initial public offering (IPO) on the Warsaw Stock Exchange (WSE).		involvement of private equity or venture capital funds in the transaction, the rate of return of the WSE Index in the 6 months before the IPO, and the amount of capital offered during the debut.
Kaur, et al. (2020)	Public Offer's Performance- An Analysis of Nse Listed Companies	To explore the puzzles of IPOs and FPOs in short term and long-term performance.	Descriptive research by using secondary data.	The study discovered that an IPO is when an unlisted company makes either fresh issue of securities or an offer for sale of its existing securities to the public. IPO when issued can be under performed or over performed. Investors state that, underpricing signals high interest to the market whereas overpriced stocks will drop long-term as the price stabilizes..
Viswan, (2019)	Pricing and Performance of IPOs in India- A Critical Review	To study the literatures available in the area of IPO in India and abroad.	Univariate, vicariate and multivariate analyses	The finding of the study revealed that lead Managers consult clients before setting offer price in the prospectus. Lead managers may intentionally underpriced IPOs, to attract more and more clients.
Suri and Hada (2018)	Performance Analysis of Initial Public Offerings in India.	To study the trend in fund raised by by Initial public offerings in India. To study the performance of IPO	Cross-sectional qualitative research	The research paper concluded the energy performance of the IPO's launched during the period 2011-May 2014 significantly differs from the performance of the IPO's which

		though over subscription.		were launched between June 2014-June 2017. It was also examined that the number of IPO's and the fund raised through them also differ significantly for the two periods.
Bhadarkar and Bagul, (2024)	A Study on Performance of IPO in recent year in India	To evaluate the rate of premium on IPOs. To evaluate the performance of IPOs on listing day. To analyses and compare short run and long run performance of IPOs.	descriptive and analytical	The study found that all IPOs do not fetch higher price on the listing day. In the secondary market also, the issued shares generate fluctuating returns in short term and long term.
Kumar and Kumar,. (2024)	Impact of Macrocosmic Factors on Initial Public Offer: An Analytical Study of Investor's Decision	To study different macroeconomic variables that impact IPO purchase decisions by investors in Uttar Pradesh. To explore IPO purchase decision factors by investors and concern issues and challenges.	Descriptive Analysis	Results indicated that GDP, inflation rate, and interest rate substantially impact IPO purchase decisions. However, the rate of unemployment has been discovered to have no significant effect on investors' IPO purchase decisions.
Poornima et. al. (2016)	A Study on the Performance of Initial Public	To understand the anomaly of abnormal returns as	Raw Returns, Market Adjusted	That five companies offered higher returns in the primary market and sold in the secondary

	Offering of Companies Listed in NSE, INDIA & Gulf Base GCC Index.	well long term performance to analyze the performance of the IPO's.	Excess Returns	market, whereas only one company gives higher returns in the primary market and one company which gives higher returns in the secondary market.
Pradhan & Shrestha (2016)	Performance of Initial Public Offerings (IPOs) in the Nepalese Stock Market	To examine the factors affecting the short-term performance and success of IPOs in Nepal.	Quantitative analysis, secondary data, Regression models	Subscription rate is the most significant predictor of IPO success, with high subscription linked to higher initial returns. Market returns negatively impact initial returns. Firm size and issue manager reputation also influence success.
Kumar and Bhawan (2016)	Macroeconomic Factors and the Indian Stock Market: Exploring Long and Short Run Relationships.	To conduct necessary analyses addressing long and short term relationships	Granger causality tests and Johansen's co-integration analysis	The relationship between macroeconomic factors and stock returns. In addition, three out of four WPI, money supply, and T-bill have a greater level of significance in a long-term relationship. There is short-term bidirectional causality between the Sensex and the currency rate. Inflation and money supply show a positive and significant relation to stock returns. The Interest Rate (IR) has a negative and statistically negligible correlation with stock market performance. The Indian capital markets exhibit market inefficiency due to the combination of stock returns and macroeconomic indices.

Niroula, (2015)	Factors Affecting the Underpricing and Success of IPOs in Nepal	To investigate the factors contributing to IPO underpricing and their impact on IPO success in Nepal.	To investigate the factors contributing to IPO underpricing and their impact on IPO success in Nepal.	Subscription times positively affect underpricing, indicating oversubscription drives IPO success. Nepalese investors view IPOs as safe, high-return investments, leading to high oversubscription rates.
Ramesh and Dhume (2015)	Performance Analysis of Initial Public Offering in Indian Context.	To conduct necessary analyses addressing long and short term relationships.	Short run and Long run price performance of the sample	The findings of their study reveal that, there exists overpricing in the Indian Primary Capital Market. Secondly, overpricing is more prevalent in the long run time period than in the short run.
Joshy and Agarwalla (2015)	The Impact of Mandatory IPO Grading on Pricing Efficiency and Demand in the Indian Capital Market	To investigate whether mandatory IPO grading, introduced by Indian regulators and conducted by credit rating agencies, influences demand and pricing efficiency of initial public offerings (IPOs).	Cross-sectional regression analysis was employed to measure the degree of underpricing and demand for graded IPOs.	IPO grading had no significant effect on underpricing or investor demand. Grading failed to reduce information asymmetry, as graded IPOs did not show lower underpricing compared to ungraded ones. Variations in grading scores did not explain cross-sectional differences in market-adjusted underpricing. The study concluded that regulatory grading requirements did not enhance retail investors' decision-making or improve IPO pricing efficiency.
Khurshed, et al. (2015)	IPO Grading in India: Does It	o evaluate whether mandatory IPO	Analyzed 47 book-built IPOs	No Impact on Underpricing: IPO grading did not

Add Value to the Book Building Process?	grading contributes value to India's book-building process by examining its impact on underpricing and investor behavior.	using ANOVA to test hypotheses. Key variables: Promoters' equity retention, firm age, and issue size.	significantly influence the underpricing of book-built IPOs. Unexpected Beneficiaries: While grading was designed to aid retail investors, it was primarily utilized by sophisticated institutional investors. Limited Efficacy: Grading failed to enhance pricing efficiency or reduce information asymmetry in the book-building process.

2.3 Research gap

There aren't many researches on the Nepalese context, despite the fact that many have been conducted throughout the world on many IPO related topics, including two empirically validated theories: IPO underpricing and performance/succession of IPOs. One study attempted to determine IPO underpricing in Nepal, but few studies have examined the current situation of IPOs in the country. However, none of the studies have been able to portray the complete picture of IPOs and their practices in Nepal. In this regard, the paper looks at the current situation of initial public offerings (IPOs) in Nepal and the variables that affect their succession. The initial public offering (IPO) procedure is really very complicated, with many roles involved. A minor error in the IPO's conduct might prevent the firm from becoming public. The requirements that the business must meet and their significance are listed, one by one, together with a number of criteria including cost, efficiency, pricing, and stock offering.

CHAPTER-III
RESEARCH METHODOLOGY

This chapter provides the research methodology and study design that were employed. It describes the specific research process used in the investigation of the relationship of specified variables and regulation with the success of the IPOs.

This chapter explains the collection procedure of data and the methodology used by the researcher for analyzing the available data. This chapter covers research plan and design, description of sample, instrumentation, data collection procedure, validity and reliability of data and analysis plan.

3.1 Research Design

The plan outlines the steps to take in order to achieve the research goal. This study's research design is both descriptive and analytical. The descriptive research design is the most popular among researchers since it is rich in applying several research methods to investigate the research variables under consideration. The use of an analytical research approach yields operational definitions, and a better-researched model for a topic that has not been thoroughly studied.

Since the relationship of availability of finance, training and education, government policy with the success of the IPO studies are not much investigated in Nepal, descriptive and analytical research design approach is the best possible research design approach. That is why this method was selected for the study. The result of this research was based upon the primary survey. Self- administered questionnaire technique was used for collecting data from the respondents. (I.e. IPO in Nepal).

3.2 Population and Sample

The total number of people residing in a certain geographic area is known as the population. The total number of respondents in the sectors being studied is the population for the study.

The whole population of Nepal is made up of entrepreneurs. A sample is a subset of the population that is selected for the purpose of gathering data. 300 people make up the study's sample. Entrepreneurs were contacted to conduct a self-administered questionnaire using the survey technique in order to collect responses from the sample. Since the precise number of entrepreneurs is unclear, a sample size of 300

will be used for this study, which will be determined with a 95% confidence level, a 5% margin of error, and a z-value of 1.960.

3.3 Sampling Design

The data was gathered using a convenient sampling strategy. This approach is suitable and popular for theory testing research all around the world. Convenient sampling is now widely acknowledged in management science when data is to be collected from a large number of respondents and contextual validity of the connection between variables is to be assessed. However, because the research was conducted for academic purposes and had a limited budget, convenient sampling was employed. For this reason, a convenient method was employed to contact and gather information from the potential responders.

3.4 Sources of Data

Data sources are the approaches used to collect information from participants for the study's objectives. There are two categories of data sources: primary sources and secondary sources. Since primary data was gathered directly via a questionnaire, it was the only main source used in the study. The required primary data was obtained directly from the company owners. In order to do this, the researcher distributed surveys by email, social media, and in certain situations, in person. Primary sources of data were employed in this investigation. Such information was gathered using a self-administered questionnaire survey approach that included eighteen items and four research variables.

3.5 Instrument of Data Collection

Primary data is the foundation of the investigation. The basic data was collected through a questionnaire, while additional data was gathered from listed firms' websites and annual reports. For mathematical analysis, a wide range of statistical and financial techniques have been applied, including regression, correlation, standard deviation, average (mean), and others. Similarly, spreadsheets, Word, Excel, and SPSS have been used for computations. Information collected from many sources cannot be utilized directly in its original form since it is raw data. Research investigations and data analysis would be pointless if the data were not presented in an understandable way. The analysis part would be difficult for readers to understand without processing the data. Data processing is therefore required to guarantee that

the study is instantly understandable. Data presentation entails updating, confirming, and utilizing a range of tools, such as tables, to maintain raw data in a comprehensible manner. Additionally, all necessary tools are used to exhibit the data in this study so that the analysis section may be easily understood.

3.6 Method of Analysis

The thesis will discuss and incorporate the statistical and financial methods utilized to evaluate the data and reach the research's conclusion. The data is analyzed using a variety of methods to provide particular research conclusions. The following statistical tools will be used in this study as the emphasis on statistical tools aligns with the topic requirement.

3.6.1 Arithmetic Mean ($\bar{X}$)

The mean is the value that displays the concentration of values in the middle of the distribution and reflects the group of values. The average that most accurately depicts the facts gives us a point. It depicts the characteristics that the entire group has in common. The arithmetic mean value of the entire data set is located between the two extreme observations. It serves as a messenger for the uniform mass of information. The AM's value may be calculated by adding up each item and dividing the amount by the number of items. (Suri, 2018)

Mathematically,

Arithmetic Means (AM) is given by,

$$\bar{X}=\frac{\sum \bar{X}}{n}$$

Where,

$\bar{X}$ = Arithmetic Mean

$\sum \bar{X}$ = Sum of all the value of the variable X

N = Number of observation

3.6.2 Standard Deviation (σ)

The absolute deviation is measured by the standard deviation. The size of the values' departures from their mean will increase with the standard deviation. High levels of homogeneity and uniformity in observations and series are indicated by small standard deviations, and vice versa. (Suri, 2018)

Mathematically,

$$\sigma = \sqrt{\frac{\sum(X-\overline{X})^2}{n}}$$

3.6.3 Coefficient of Variation (CV)

Coefficient of Variation is a relative measure. To compare the variability between two or more series, CV is more appropriate statistical tool. (Suri, 2018)

Mathematically,

$$CV = \frac{\sigma}{\overline{X}}$$

3.5.4 Correlation Coefficient (r)

Correlation is the term used to describe the right statistical methods used to uncover, measure, and express a quantitative connection in a concise formula. A positive correlation exists when there is a direct proportionality between the values of the variables. In contrast, if the variable values are inversely proportionate, the correlation is considered to be negative; nonetheless, Karl Pearson states that the correlation coefficient always stays between +1 and -1. The simple correlation coefficient (between two variables, for example, X and Y) is given by, (Suri, 2018)

$$r_{xy} = \frac{cov\,(x,y)}{\sigma x \sigma y}$$

$$r_{xy} = \frac{N\sum XY - \sum X \sum Y}{\sqrt{N\sum X^2 - (\sum X)^2}\sqrt{N\sum Y^2 - (Y)^2}}$$

Where,

r_{xy} = the correlation between two variables X and Y, ‘r’ lies always between +1 and -1

When ‘r’ = +1, there is perfect positive correlation. When ‘r’ = -1, there is perfect negative correlation. When ‘r’ = 0, there is no correlation. When ‘r’ lies between 0.7 to 0.999 (or -0.7 to -0.999) there is high degree of positive or negative correlation. When ‘r’ lies between 0.5 and 0.699, there is a moderate degree of correlation.

When ’r’ is less than 0.5, there is low degree of correlation.

3.6.6 Regression Analysis

Regression is the statistical technique that enables us to forecast the value of an unknown variable based on the known value of any other variable. Assuming that the two variables are closely related, we may infer the value of one from the value of the other. The independent variable is one whose value is known, whereas the dependent variable is one whose value must be approximated. Therefore, regression uses a specific amount of change in one variable to predict the average likely change in another. By establishing an estimated functional connection between the variables, it is a statistical method for identifying the link between the variables. It is used to ascertain whether or not the provided independent variable has an impact on the dependent variable. A popular application of statistical theory in almost all scientific fields is regression analysis.

Multiple Regression model

Data regression model has been used in the analysis. The technique of data estimation takes care of the problem of heterogeneity in the 2 banks selected for the study. The econometric model employed in the study is given as: (Suri, 2018)

$$Y = \beta 0 + \beta\ Xit + eit$$

Here, Xit is the vector of explanatory variables, β is the coefficient of explanatory variables, Y is the dependent variable, eit is the error term (assumed to have zero mean and independent throughout the time period), and β0 is the constant. The impact of non-performing loans (which regulate the effect of cash reserve requirements and bank size) on the performance of commercial banks has been calculated using the regression equation below by using the prescribed econometric model, specifically tailored to this study:

$$\text{Success of the IPO} = \beta 0 + \beta 1\ \text{Price} + \beta 2\ \text{Efficiency} + \beta 3\ \text{Cost} + \beta 4\ \text{Stock Issuance} + eit$$

3.7 Reliability Analysis Test

There are number of tools for conducting reliability test but the most commonly used tool is Cronbach's alpha.. In general, data with alpha value ranging from 0.70 to 0.95 are considered to be reliable. Low number of questions might be the cause of a less alpha value. Elements or heterogeneous constructs have inadequate interrelationships.

This study also relies on Cronbach's alpha for testing the reliability of the data collected. (Suri, 2018)

Table 2

Cronbach's Alpha

Variables	Numbers of Items	Cronbach's Alpha
Price	5	0.761
Efficiency	4	0.747
Cost	5	0.718
Stock Issuance	4	0.784

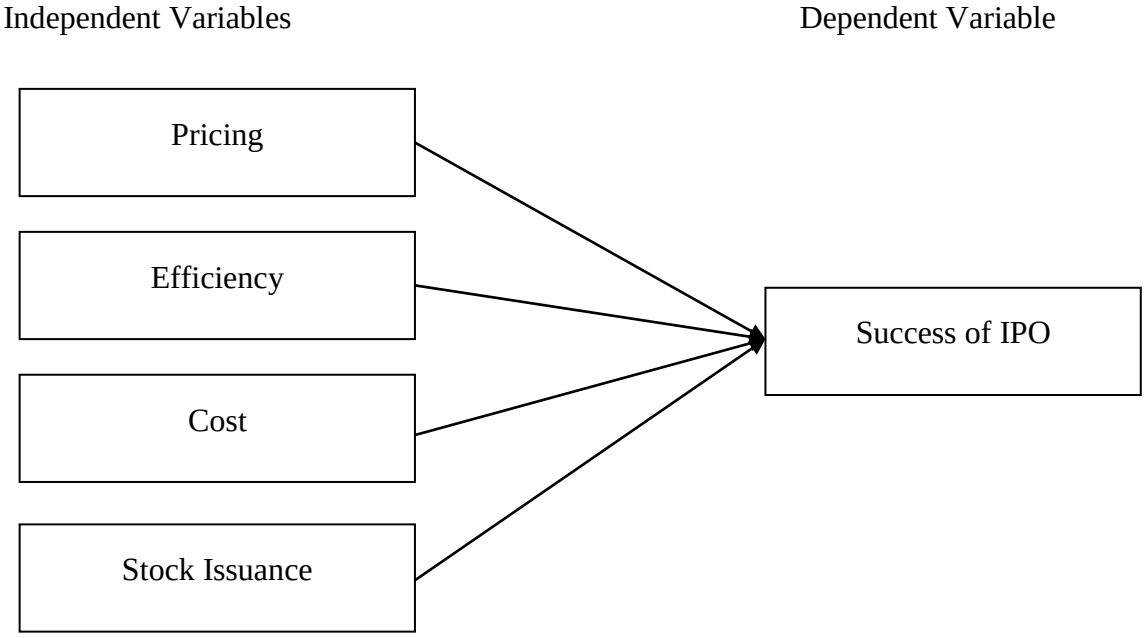
Table 1 symbolizes Cronbach's alpha for four different variables that have been used in this research. The table shows that Availability of Price, Efficiency, Cost and Stock Issuance with reliability statistics of 0.761, 0.747, 0.718 respectively. Similarly, Success of the business has four items with reliability statistics 0.784. Cronbach's alpha of all four variables are greater than 0.7. Therefore, the scales are considered to be reliable and consistent to measure the respective variable

3.8 Research Framework and Definition of Variables

The theoretical framework is the basis or foundation upon which the study is established. It is within the framework of this theory that the entire story proceeds. This framework is design to understand the influencing factor on the success of IPOs. The theoretical framework is developed to test the impacts of variables on the succession of IPOs.. To summarize, we believe that success of IPO is influenced by external factors such as opportunity identification, resources, and business considerations.

Figure 1

Theoretical Framework



Source: *Yao, X. (2024)*

2.9 Definition of Variable

The functional description of the variables utilized in the study is covered in this section.

2.9.1 Pricing

The success of an IPO depends on its pricing, which must balance the interests of issuers, underwriters, and investors. Underpricing reduces fundraising effectiveness, while overpricing increases costs and risks for investors and underwriters. Key factors influencing IPO pricing include market conditions, company fundamentals, investor sentiment, and regulatory policies. IPO pricing should align with market demand and fundamentals to avoid price suppression (underpricing) or premiums (overpricing). Price suppression occurs when shares are priced below their real value, often due to information asymmetry, allowing informed investors to profit. Premiums happen when shares are priced above their market value, benefiting existing shareholders. Effective IPO pricing requires considering company value, growth prospects, and market dynamics to ensure fairness and success for all stakeholders. (Fang, 2021)

2.9.2 Efficiency

In less than 30 years since IPOs were introduced in Nepal, regulators have suspended and restarted the IPO process nine times due to market uncertainties. Following the latest restart, reforms were implemented, significantly improving IPO efficiency. IPO efficiency, often measured by the IPO suppression rate (underpricing), reflects how well the primary market functions. Foreign research focuses on excess returns of new shares, linking IPO efficiency to investor sentiment and speculative behavior. Studies show that factors like company size, profitability, and investor structure influence IPO efficiency. High IPO suppression is often tied to market defects, secondary market operations, and investor speculation, leading to high initial returns. Reforms aim to address these issues and enhance market stability. (Li, 2018)

3.9.3 Costs

The total cost of an IPO includes direct and indirect costs. Registration reform reduces direct costs but increases indirect costs, leading to a higher total issuance cost. This reform is crucial for China's capital market development and resource optimization. IPO financing costs, the total expenses for raising funds through an IPO, are influenced by factors like issue size, profitability, and gearing ratio. For the GEM market, high IPO financing costs highlight the need for better cost control to reduce risks and improve efficiency. Indirect costs, reflected in first-day price suppression (underpricing), are negatively correlated with issue size larger issues tend to have lower price suppression. Understanding these factors helps control IPO costs, ensuring successful fundraising and supporting market growth. (Bubna & Prabhala, 2019)

3.9.4 Stock Issuance

An IPO stock offering refers to the sale of shares by existing shareholders during a company's initial public offering. There are two key types: selling shares during the IPO and reducing holdings after the IPO. Unlike an IPO's new stock issuance, these shares come from original shareholders, with proceeds going to them rather than the company, and the total share count remains unchanged.

The main purposes of a stock offering include optimizing fundraising, introducing market oversight, enabling old shareholders to exit, and ensuring fair IPO pricing.

Stock offerings can be classified based on incremental offerings or over-allotment rights, which influence market liquidity and investor confidence. However, challenges arise, such as investor skepticism about the company's value when major shareholders sell. Issues like speculative investor behavior, high valuation concerns, and excessive fundraising also impact the IPO stock offering system, highlighting the need for careful regulation and balance. (Bandgar & Rawal, 2012)

3.9.5 Success of IPO

The success of an Initial Public Offering (IPO) can be defined through several key metrics and criteria that reflect both the immediate market performance and the long-term viability of the company post IPO. IPO markets experience peaks and valleys in terms of the number of IPOs and capital raised in a year, the sectors finding favor with investors and the returns post IPO. Macroeconomic conditions act as either headwinds or accelerants, but great companies often can go public in almost any market. Ultimate success will be different for each company, but certain elements of a successful IPO are common across most IPOs. And the path to success is built upon preparation that is defined most of the time by quarters and years as opposed to weeks and months. (Yao, 2024)

CHAPTER-IV
RESULT AND DISCUSSION

This study's results and talks give a clear picture of what affects how well an IPO does. The findings show what really matters for setting the initial price of an IPO in financial companies like BFIs. Plus, the way the study was employed using Primary data and analytical tools makes the results strong and trust worth.

4.1 Respondents' Profile Analysis

The demographic details of the various respondents who took part in the study are examined in this section. In the IPO selection preference, the respondent's profile comprises their age group, gender, occupation, and level of education. This study has 300 participants, and the response rate is 100%.

Table 3

Distribution of respondents based on Gender

Gender	Frequency	Percentage
Male	155	51.67
Female	145	48.33
Total	300	

Source: *Survey, 2025*

Table 3 shows the distribution of respondents based on their gender. Out of all 300 respondents, Male respondents are higher consisting 51.67%.

Table 4

Distribution of respondents by Age

Age Group	Frequency	Percentage
Less than 21 years	28	9.33
22-25 years	70	23.33
26-31 years	89	29.67
32-40 years	73	24.33
41-50 years	40	13.33
Total	300	

Source: *Survey, 2025*

Table 4 shows the distribution of respondents based on their age group. Out of all 300 respondents, most of the respondents are from age group between 26-31 years, which comprise 29.67 percent and least from less than 21 years category as there were only 9.33%

Table 5

Distribution of respondents based on Education Qualification

Education Qualification	Frequency	Percentage
High School	85	28.33
Bachelor's Degree	125	41.67
Master's Degree	69	23
PHD	12	4
Other	9	3
Total	300	

Source: *Survey, 2025*

Table 5 shows the distribution of respondents based on the education qualification. As a result, highest proportion of respondents is from high School & Bachelor's degree group were 28.33% and 41.67 % respectively.

Table 6

Distribution of respondents based on Occupation

Occupation	Frequency	Percentage
Students	120	40
Self-Employed	37	12.33
Employed	111	37
Unemployed	32	10.67
Total	300	

Source: *Survey, 2025*

Table 6shows the distribution of respondents based on their occupation. Among the different occupation groups, majority of the respondents were students comprising 40%.

4.2 Respondents Data Presentation and Descriptive Analysis

Data analysis simplifies the collected information by organizing it into tables. Interpretation then explores the meaning and importance of the findings. Without interpretation, analysis is unfinished, and without analysis, interpretation cannot proceed. Further, the data is studied using the right statistical and financial tools.

A detailed study looks at the success of Initial Public Offerings and the factors influencing them in the Nepalese stock market. The tables provided contain data on efficiency, stock issuance, costs, and prices. They show strong connections between these factors and how investors perceive them, which together impact the success of IPOs. These findings improve our understanding of investor behavior and help in

creating policies that encourage better decision-making and a more stable stock market in Nepal.

In this study, respondents were given statements to rate on a five-point Likert scale, where 1 is the lowest and 5 is the highest. The total possible score for each statement is 15, and dividing this by the number of items gives an average (mean) value of 3. If the mean value of an item is greater than 3, it means most respondents leaned toward agreeing with the statement. The standard deviation shows how much the responses varied from the average (mean) value.

4.1.1 Pricing

The study presented five statements about pricing factors to respondents. The table below shows how respondents rated these statements on a scale (e.g., 1 to 5) and includes basic details like average scores (mean) and how much the responses varied (standard deviation).

Table 7

The present stage of Pricing

Pricing Items	Mean	SD
The initial pricing of an IPO influences its success	3.54	1.175
Underpricing contributes to an IPO's success	3.93	0.97
Does the price approach enhance the IPO's success	3.46	1.321

Source: *Survey, 2025*

Table 7shows that a summary of factors that influence the success of an IPO (Initial Public Offering). It focuses on the average scores (mean) and how much the responses varied (standard deviation) for three different attitude statements. The status of pricing shown, the highest mean score of 3.93, with a standard deviation of 0.97, suggests that a underpricing segment of investors seek lowest price of stock others then, determining the succession of the IPO. On the other hand, statements like the initial pricing of an IPO influences its success has mean value of3.54 and standard deviation of 1.175 and Does the price approach enhance the IPO's success has the mean value of3.46 and standard deviation of 1.175. Third question has slightly lower average

scores, indicating that respondents do not see these pricing strategies as major barriers to the success of an IPO.

According to the results, investors, general public often approach succession of the IPO with varied degrees of pricing dependence, even while they frequently rely on their own judgment and the counsel of others. This hybrid strategy may have varying effects on variables determining and IPO succession, affecting by market sentiment and dynamics.

4.1.2 Efficiency

The survey included four statements about factors related to efficiency. The table below displays the average (mean) and the variation (standard deviation) of the responses given by participants for these four statements.

Table 8

The present stage of Efficiency

Efficiency Items	Mean	SD
A company's size has a big influence on the success of IPOs	4.20	0.759
The IPO offer a sufficient return on buy the new shares	4.00	0.872
The operational procedure has a much greater influence on an IPO's success.	3.77	1.111
IPO success is influenced by a company's capacity to functionally implement its business plan before going public.	4.04	0.872

Source: *Survey, 2025*

Table 8depict that a summary of factors that influence the success of an IPO (Initial Public Offering). It focuses on the average scores (mean) and how much the responses varied (standard deviation) for four different attitude statements The highest mean score of 4.20, with a standard deviation of 0.759, suggests that investors carefully consider the size of a company before investing, so that company size plays a significant role in determining the success of an IPO. Similarly, there is a strong tendency towards succession of the IPO in statements like The IPO offer a sufficient return on buy the new shares where the mean value is4.00, and standard deviation value of 0.872,The operational procedure has a much greater influence on an IPO's success have calculated mean value of 4.16 and standard deviation value of0.957 and

the statement, IPO success is influenced by a company's capacity to functionally implement its business plan before going public has mean value of 4.04 and standard deviation value of 0.872. In contrast, there is a lower mean score for the statement of the operational procedure has a much greater influence on an IPO's success, which suggests that investors least consider in the determining the succession of the IPO. Nepalese IPO succession determine on efficiency seem to have a typically optimistic and risk-aware prospect attitude.

According to the research, Nepalese investors evaluate potential factors to determine the success of an IPO. Their investment habits, portfolio management strategies, and overall understanding of the market can all be influenced by how an IPO performs.

4.1.3 Cost

Three statements were presented under the factor cost for respondents. Following table shows the rating scale of respondents in following three statements as well as its descriptive characteristics.

Table 9

The present stage of cost

Items	Mean	SD
The overall procurement cost associated with an IPO significantly impacts the succession of IPOs.	4.241	0.963
The cost made before the offering to public has influence the succession of IPOs.	4.144	0.705
Costly expenditures may discourage businesses from going through an IPO, which might impact its success.	4.068	0.821

Source: *Survey, 2025*

Table 9shows that the descriptive details (like average and variation) of the responses for the statement that reflects the variable cost. Among the three statements the overall procurement cost associated with an IPO significantly impacts the succession of IPOs. was highest mean value i.e. 4.251 with the standard deviation of0.963andthestatementCostly expenditures may discourage businesses from going through an IPO, which might impact its success was the least mean 4.068 with the standard deviation of 0.821.Whereas statements the cost made before the offering to

public has influence the succession of IPOs was mean value of 4.144 with standard deviation of 0.705. The respondent was in between Strongly Disagree (1) and Strongly Agree (5). Thus, this section presents that the independent factor (i.e. Cost) on individual factor effect on success of IPO through descriptive analysis was not bad.

4.1.4 Stock Issuing

The survey included three statements about stock issuing. The table below shows the average (mean) and the variation (standard deviation) of the ratings given by respondents for these statements.

Table 10

The present stage of stock issuing

Stock Issuing Items	Mean	SD
The amount of stock offered affect the IPO's success	3.978	0.676
The timing of stock issuance would play a critical role in determining the success of an IPO.	4.278	0.864
IPOs that are more successful are the result of public-oriented stock issuance strategy.	4.048	0.735

Source: *Survey, 2025*

Table 10 shows the descriptive characteristics of the response in the statements that represents the dependent variable called stock issuing. Among the three statements the amount of stock offered affect the IPO's success is mean value of 3.978 with standard deviation of 0.676. The statement the timing of stock issuance would play a critical role in determining the success of an IPO is highest mean value i.e. 4.278 with the standard deviation of 0.864 and the statement IPOs that are more successful are the result of public-oriented stock issuance strategy is mean value of 2.645 with the standard deviation of 1.303. In this study, the level of stock issuing includes three different statements that were measured in five pointed Likert Scale: 1-Strongly Disagree to 5-Strongly Agree.

The average rating for stock issuing was 4.101, with a variation of 0.758. This indicates that, based on the descriptive analysis, the level of stock issuing was considered good.

4.1.5 Success of IPO

The survey included three statements about the success of IPOs (Initial Public Offerings). The table below shows the average (mean) and the variation (standard deviation) of the ratings given by respondents for these three statements.

Table 11

The present stage of success of IPO

Success of IPO Items	Mean	SD
An IPO's success would be determined by investor satisfaction and share price stability.	4.20	0.759
The increase in share price from the initial public offering to the present trading price is a measure of an IPO's success.	4.00	0.872
Success of IPOs is oversubscription with respect to issue share.	4.04	0.872

Source: *Survey, 2025*

Table 11depict that a summary of how successful IPOs (Initial Public Offerings) are in the Nepalese stock market. It focuses on the average scores (mean) and the variation (standard deviation) for different statements about success of IPO. The highest mean score of 4.20, with a standard deviation of 0.759, suggests that a An IPO's success would be determined by investor satisfaction and share price stability. Similarly, there is a strong tendency in statements like the increase in share price from the initial public offering to the present trading price is a measure of an IPO's success where the mean is 4.04 and standard deviation is0.814 and Success of IPOs is oversubscription with respect to issue share has the mean of 4.16 and standard deviation of 0.957.The weighted average mean score of 4.08 and standard deviation score of 0.834 overall across all criteria.

4.2 In brief of all Dependent and Independent Variables

This section provides an overview of all the variables in the study, including the dependent variable (success of IPO) and the independent variables (Cost, Efficiency, Stock Issuing, and Pricing). The analysis is based on a descriptive study that includes sixteen statements measured on a five-point Likert Scale, where 1 means "Strongly Disagree" and 5 means "Strongly Agree."

Table 12

Overall Summery of all variables

Success of IPO Items	Mean	SD
Pricing	3.643	1.155
Efficiency	4.0025	0.9035
Cost	4.151	0.832
Stock Issuing	4.101	0.758
Success of IPO	4.16	0.834

Source: *Survey, 2025*

Table 12 shows the summary of all the variables of the study through descriptive statistical analysis. The magnitude of pricing was 3.643 with standard deviation of 1.155 which means level of price was lower within the factors determining the success of the IPO. Among the factor of cost was highest mean value i.e. 4.151 with standard deviation of 0.832 followed by efficiency, stock issuing and success of IPO with mean value of 4.0025, 4.101 and 4.16 where standard deviation was 0.9035, 0.758 and 0.834 respectively. This section provides a descriptive analysis of both the dependent and independent factors, showing that the overall results were fairly good.

4.3 Correlation Analysis

Correlation analysis measures how strongly a single factor is related to an investment decision. The correlation coefficient ranges from -1 to 1. If the coefficient is greater than 0, it means there's a positive relationship between the two variables. If it's less than 0, there's a negative relationship. A positive correlation means both variables move in the same direction when one increases, the other also increases, and when one decreases, the other decreases too. A negative correlation, on the other hand, means the variables move in opposite directions. So, with a positive correlation, we can say that changes in the independent variable directly affect the dependent variable in the same way.

Below table 13depict the correlation coefficients between the success of IPOs (Initial Public Offerings) in the Nepalese stock market and factors like Pricing (P), Efficiency

(E), Cost (C), and Stock Issuing (SI). In simple terms, the table provides real data that highlights how the success of IPOs is connected to these four factors: pricing, cost, efficiency, and stock issuing.

Table 13

Relationship of Affecting Factors and Success of IPO

Variables	Success of IPO	Pricing (P)	Cost (C)	Efficiency (E)	Stock Issuance (SI)
Success of IPO	1				
Pricing (P)	0.493** (0.000)	1			
Cost (C)	0.547** (0.000)	0.572** (0.000)	1		
Efficiency (E)	0.443** (0.000)	0.344** (0.000)	0.511** (0.000)	1	
Stock Issuance (SI)	0.359** (0.000)	0.420** (0.000)	0.490** (0.000)	0.271** (0.000)	1

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

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

Source: *SPSS Analysis*

Table 13depict the correlation coefficients between the dependent variable (success of IPOs) and the independent variables (Pricing, Cost, Efficiency, and Stock Issuance). The study involved 300 respondents, and the significance level was set at 0.01. All variables showed statistically significant correlations. Specifically, Pricing ($r = 0.493$, $p < 0.000$), Cost ($r = 0.547$, $p < 0.000$), Efficiency ($r = 0.443$, $p < 0.000$), and Stock Issuance ($r = 0.359$, $p < 0.000$) were positively correlated with the success of IPOs. These results suggest a strong relationship between these determining factors (Cost, Pricing, Efficiency, and Stock Issuance) and the success of IPOs.

4.4 Multiple Regression Analysis

Regression analysis is used to identify the cause-and-effect relationship between independent variables (like Pricing, Cost, Efficiency, and Stock Issuance) and the dependent variable (success of IPOs). It measures the linear relationship between these variables, showing how strong and intense the connection is. Additionally, regression analysis helps predict outcomes based on the relationship. In this study, a stepwise regression analysis was conducted to examine how the independent variables influence the success of IPOs.

Table 14

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.760[a]	0.581	0.575	0.63186

a. Dependent Variables: Success of IPO

Source: *SPSS Analysis*

Table 14 shows the factors that determine the success of an IPO. R-square is a statistical measure that shows how well the data fits the regression line. It is also called the coefficient of determination (or multiple determinations for multiple regressions). Simply put, R-square tells us the percentage of variation in the outcome (dependent variable) that is explained by the model. R-square values range from 0% to 100%, and a higher R-square means the model fits the data better. In this case, the R-square value is 0.58, meaning that 58% of the variation in IPO success is explained by factors like pricing, efficiency, cost, and stock issuance. A higher R-square value suggests a strong positive relationship between these factors (pricing, cost, efficiency, and stock issuance) and IPO success. Additionally, the standard error of estimate is 0.63186, which indicates how much the regression equation deviates from the actual data.

Table 15

ANOVA Test

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	119.953	4	39.984	100.148	0.000[b]
Residual	86.637	294	0.399		
Total	206.590	398			

Source: *SPPS Analysis*

Table 15shows the ANOVA table, which is used to check if the overall model is significant and suitable for the research. The results in Table 11 show that the p-value is less than the significance level (α), i.e., 0.000 < 0.05. This means the model is statistically significant at a 5% significance level. Therefore, the multiple linear regression models can be used to analyze the data.

Table 16

Coefficient of Regression Table

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.396	0.181		2.187	0.030
Pricing	0.155	0.059	0.141	2.623	0.009
Efficiency	0.248	0.060	0.267	4.139	0.000
Cost	0.415	0.058	0.456	7.093	0.000
Stock Issuance	0.293	0.095	0.296	3.084	0.001

a. Dependent Variable: Success of IPO

Source: SPSS Analysis

Table 16 shows the results of the factors that determine the success of an IPO. The table uses the significance (sig) value to show whether the independent variables are statistically significant. The analysis confirms that there is no multicollinearity between the independent variables (pricing, efficiency, cost, and stock issuance) and the dependent variable (IPO success).

Higher beta values indicate a stronger influence of the independent variables on the dependent variable. From the results, cost has the strongest impact on IPO success with a beta of 0.415, followed by stock issuance (beta = 0.293), efficiency (beta = 0.248), and pricing (beta = 0.155).

Significance value (p-value) less than 0.05 indicates a significant relationship between the independent variables and the dependent variable. All the determining factors in this study have significance values below 0.05, meaning they significantly affect IPO success. Specifically, pricing has a significance value of 0.009, efficiency has 0.000, cost has 0.000, and stock issuance has 0.001. Since all these values are less than 0.05, they show a significant relationship with the success of an IPO.

Table 17

Summary of Hypothesis

Alternative Hypothesis	P-value	Results
The pricing strategy of an IPO influences its success is significantly correlated.	0.009	Accepted
There is a considerable link between efficiency and success of IPO.	0.000	Accepted
The costs of stock play a significant correlation with the success of IPO.	0.000	Accepted
The stock issuance is direct correlation with the success of the IPO.	0.001	Accepted

Source: *SPSS Analysis*

4.5 Discussion

The success of an Initial Public Offering (IPO) is influenced by several key factors, as highlighted in this study. The analysis reveals that cost, efficiency, stock issuance, and pricing play significant roles in determining IPO success. Among these, cost emerges as the most dominant factor, with the highest beta value of 0.415, indicating its strong

influence on IPO performance. This suggests that companies aiming for a successful IPO must carefully manage their costs, as investors are highly sensitive to financial efficiency and cost structures. Efficiency and stock issuance also show considerable impact, with beta values of 0.248 and 0.293, respectively, underscoring the importance of operational effectiveness and strategic stock distribution in attracting investor confidence. Pricing, while still significant, has a relatively lower influence, with a beta value of 0.155, implying that while it is a critical factor, it may not be as major as the others in driving IPO success.

The statistical significance of these factors further strengthens their relevance in IPO success. All variables pricing, efficiency, cost, and stock issuance have significance values (p-values) below the 0.05 threshold, confirming their strong relationship with IPO outcomes. For instance, efficiency and cost both have significance values of 0.000, indicating their critical role in shaping investor perceptions and market performance. Similarly, stock issuance and pricing, with significance values of 0.001 and 0.009, respectively, demonstrate their importance in the IPO process. This study's results match what Fang (2021) and Huang (2023) found, showing that pricing and efficiency are key to a successful IPO. However, Viswan (2018) and Promod and Veerendra (2024) had different findings, suggesting that companies need to balance financial, operational, and strategic factors for a successful IPO. The study also confirms that the factors analyzed don’t overlap, meaning each one independently contributes to the IPO's success, making the findings reliable.

Overall, this study provides valuable insights for companies planning to go public. The findings highlight the need for a comprehensive approach, where cost management, operational efficiency, strategic stock issuance, and appropriate pricing are prioritized. By addressing these factors, firms can enhance their appeal to investors and improve their chances of a successful IPO. Future research could explore additional variables, such as market conditions, industry trends, or regulatory environments, to further refine the understanding of IPO success determinants. This study contributes to the growing body of knowledge on IPOs, offering practical guidance for businesses and investors alike in navigating the complexities of public offerings.

CHAPTER-V
SUMMERY AND CONCLUSION

This chapter explains what we found and what we concluded in the study. We got these results by the data analysis and hypothesis testing in the last chapter. The chapter has three parts: First part tells what we found, second part gives our final thoughts, and third part suggests what should be done next.

5.1 Summery

The study highlights that IPO success is determined by a combination of key factors, with cost efficiency emerging as the most influential element. The analysis reveals that companies with well managed costs and transparent financial structures are more likely to attract investor confidence and achieve sustainable post IPO performance. Which emphasizes that high issuance costs can deter investor participation, particularly in emerging markets like Nepal. Therefore, firms planning to go public must prioritize cost optimization to enhance their IPO's success.

Alongside cost, operational efficiency and strategic stock issuance play critical roles in shaping IPO outcomes. Efficient market operations and clear stock allocation processes help build trust among investors. Additionally, the study confirms that stock issuance strategies, including promoter retention and supply demand balance, significantly impact short term and long term IPO performance. However, overemphasis on issuance size without aligning with investor expectations can lead to volatility. Thus, a balanced approach is essential for long-term stability.

While pricing remains an important factor, its impact on IPO success is relatively lower compared to cost and efficiency. The study finds that while competitive pricing can generate initial investor interest, it does not guarantee sustained market performance. Which placed greater emphasis on pricing alone. Instead, the findings suggest that pricing should be part of a broader strategy that includes cost control, operational transparency, and effective stock distribution. For Nepal's market, where retail investors dominate, fair pricing combined with strong financial discipline is likely to yield better results.

This study provides valuable insights for companies, investors, and policymakers navigating the complexities of IPOs. By focusing on cost management, operational efficiency, strategic stock issuance, and balanced pricing, firms can improve their

chances of a successful public offering. Future research should explore additional variables, such as market sentiment an

5.2 Conclusion

The success of an Initial Public Offering (IPO) is influenced by a combination of financial, operational, and market-related factors, as evidenced by global research. Key determinants include pricing, cost efficiency, stock issuance, and operational effectiveness, each contributing uniquely to IPO performance. Studies such as Yao (2024) and Malachowski and Santes (2021) highlight that pricing strategies, particularly underpricing, can attract initial investor interest but may not ensure long-term stability. Meanwhile, cost efficiency emerges as the most critical factor, with high issuance costs and poor financial management deterring investor confidence, especially in emerging markets like Nepal (Kaur, 2020; Joshy & Agarwalla, 2015). These findings suggest that companies must balance short-term pricing tactics with sustainable cost structures to achieve IPO success.

Efficiency and stock issuance also play pivotal roles in shaping IPO outcomes. Research by Fang (2021) and Kumar and Bhawan (2016) underscores the importance of market and operational efficiency, noting that transparent allocation processes and macroeconomic stability enhance investor trust. Additionally, stock issuance strategies, including promoter retention and supply-demand balance, significantly impact IPO performance (Khurshed et al., 2015; Bhabdarkar & Bagul, 2024). However, excessive focus on issuance size without aligning with investor expectations can lead to suboptimal results. For instance, Deb and Mishra (2019) found that while listing day gains may be high, they often reverse due to speculative trading, emphasizing the need for strategic long-term planning.

The interplay of these factors varies across markets, with contextual elements such as regulatory frameworks and investor behavior further influencing IPO success. In Nepal’s nascent capital market, challenges like information asymmetry, limited liquidity, and retail investor dominance necessitate tailored approaches (Joshi, 2023; Seng, 2017). Comparative studies, such as Viswan (2019) and Promod & Veerendra (2024), reveal that while some determinants (e.g., pricing) are universally relevant, their relative importance differs based on market maturity. For example, Nepalese firms may prioritize cost control and transparency over aggressive pricing to build

trust among local investors. Regulatory interventions, such as mandatory grading, have shown mixed results in similar markets, suggesting that policies should focus on enhancing disclosure rather than rigid controls (Joshy & Agarwalla, 2015).

In short, achieving IPO success requires a holistic approach that integrates cost management, efficient operations, strategic stock issuance, and context-sensitive pricing. This study's findings, supported by global and regional research, provide actionable insights for firms and policymakers in Nepal. Future research should explore additional variables, such as market sentiment, industry trends, and geopolitical stability, to refine IPO strategies further. By addressing these multifaceted factors, companies can enhance their appeal to investors, mitigate risks, and ensure sustainable post-IPO performance in dynamic markets.

5.3 Implication

5.3.1 Practical Implications

The findings provide actionable insights for firms planning an IPO in Nepal and similar emerging markets:

Cost Optimization is Critical: Since cost efficiency ($\beta = 0.415$) has the strongest impact, companies must minimize unnecessary issuance expenses, improve financial transparency, and adopt lean operational models to attract investors.

Strategic Pricing Matters: While pricing ($\beta = 0.155$) has a relatively lower influence, firms should avoid excessive underpricing, which may lead to short term gains but long term instability. Instead, a balanced approach factoring in market demand and fair valuation is recommended.

Efficiency and Governance Enhance Credibility: High operational efficiency ($\beta = 0.248$) and well-structured stock issuance ($\beta = 0.293$) improve investor trust. Companies should strengthen corporate governance, streamline IPO processes, and ensure clear communication via prospectuses.

5.3.2 Policy and Regulatory Implications

The study highlights areas where regulators can enhance IPO frameworks:

Strengthening Disclosure Norms: Since mandatory grading showed limited success in India (Joshy & Agarwalla, 2015), Nepalese regulators should focus on improving transparency (e.g., detailed cost breakdowns, risk disclosures) rather than rigid pricing controls.

Investor Education Initiatives: Given Nepal's retail investor driven market, regulators should promote financial literacy programs to help investors assess IPO risks beyond short term gains.

Encouraging SME Participation: High issuance costs disproportionately affect smaller firms. Policymakers could introduce fee subsidies or simplified listing procedures for SMEs to foster inclusive capital market growth.

5.3.3 Implications for Investors

Investors can leverage the study's findings to make informed IPO decisions:

Prioritize Cost Efficient Firms: Companies with lower issuance costs and strong financial discipline are more likely to sustain post IPO performance.

Look beyond Short Term Gains: Avoid over reliance on underpriced IPOs; instead, evaluate long term operational efficiency and governance quality.

Diversify Based on Issuance Strategy: Firms with balanced stock issuance (e.g., reasonable promoter retention, controlled supply) may offer more stable returns.

5.3.4 Academic and Future Research Implications

The study opens avenues for further research:

Context Specific Studies: Future work should explore Nepal-specific factors like political stability and local investor behavior, which were beyond this study's scope.

Expanding Variable Analysis: Integrating macroeconomic indicators (e.g., inflation, GDP growth) and market sentiment could refine IPO success models.

Comparative Cross Market Studies: Comparing Nepal's IPO trends with those of similar markets (e.g., India, Bhutan, Bangladesh and Sri Lanka) could yield broader insights into emerging-market IPO dynamics.

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Appendix

Dear Respondent,

My name is Prashant Ghimire, and I am a Master of Business Studies (MBS) student at the Shanker Dev Campus. A research study on "**Factors Influencing the Success of IPO**" is required for the degree, so I am asking for your help in filling out the questionnaire that is attached. Your responses will be kept completely confidential and used only for this study, so please fill it out completely. To ensure the success of the research, contribute an objective comment. The document will not contain any personal information about you. The questionnaires have been designed as the five scales.

Demographic

Section I: Respondent's Profile

Gender

- Male
- Female
- Others

Current Age

- Less than 21 Years
- 22-25 Years
- 26-31 Years
- 32-40 Years
- 41-50 Years

Academic Qualification

- Higher School
- Bachelor's Degree
- Master's Degree
- Above Master's Degree

Occupation

- Students
- Unemployed
- Employed
- Self-Employed

Section II: Independent and Dependent Variables

I request you to tick (√) any one option out of five alternatives.

1= highly disagreed, **2**= disagreed, **3**= neutral, **4**= agreed and **5**= highly agreed.

Pricing

S.N.	Particulars	1	2	3	4	5
1	The initial pricing of an IPO influences its success					
2	Underpricing contributes to an IPO's success					
3	Does the price approach enhance the IPO's success					

Efficiency

S.N.	Particulars	1	2	3	4	5
1	A company's size has a big influence on the success of IPOs					
2	The IPO offer a sufficient return on buy the new shares					
3	The operational procedure has a much greater influence on an IPO's success.					
4	IPO success is influenced by a company's capacity to functionally implement its business plan before going public.					

Costs

S.N.	Particulars	1	2	3	4	5
1	The overall procurement cost associated with an IPO significantly impacts the succession of IPOs.					
2	The cost made before the offering to public has influence the succession of IPOs.					
3	Costly expenditures may discourage businesses from going through an IPO, which might impact its success.					

Stock Issuance

S.N.	Particulars	1	2	3	4	5
1	The amount of stock offered affect the IPO's success					
2	The timing of stock issuance would play a critical role in determining the success of an IPO.					
3	IPOs that are more successful are the result of public-oriented stock issuance strategy.					

Success of IPO

S.N.	Particulars	1	2	3	4	5
1	An IPO's success would be determined by investor satisfaction and share price stability.					
2	The increase in share price from the initial public offering to the present trading price is a measure of an IPO's success.					
3	Success of IPOs is oversubscription with respect to issue share.					

** Thank you **

PAPER NAME

FACTORS INFLUENCING THE SUCCESS OF IPO

AUTHOR

Prashant Ghimire

WORD COUNT

14768 Words

CHARACTER COUNT

82270 Characters

PAGE COUNT

52 Pages

FILE SIZE

95.4KB

SUBMISSION DATE

May 26, 2025 12:07 PM GMT+5:30

REPORT DATE

May 26, 2025 12:07 PM GMT+5:30

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