PERCEPTION OF INVESTORS TOWARDS IPO IN NEPAL

A Dissertation Submitted to the Office of the Dean, Faculty of Management
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By

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of the dissertation entitled **"PERCEPTION OF INVESTORS TOWARDS IPO IN NEPAL".** The work of this dissertation has not been submitted previously for conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation I received during this research work have 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

Ms. Rakshya Bhatta has successfully defended a research proposal entitled **"PERCEPTION OF INVESTORS TOWARDS IPO IN NEPAL"**. The research committee has registered the dissertation for further progress. It is recommended to carry out the work per the suggestions and guidance of supervisor Rita Maskey and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We have examined the dissertation entitled **"PERCEPTION OF INVESTORS TOWARDS IPO IN NEPAL"** presented by Ms. Rakshya Bhatta for the degree of **Master of Business Studies (MBS Semester)** and Conducted the Viva-voce examination of the candidate**.** We certify that the dissertation is acceptable for the award of a degree.

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TABLE OF CONTENENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

A	:	Awareness
ANOVA	:	Analysis of Variance
BSC	:	Bombay Stock Exchange
BFIs	:	Bank and Financial Institution
BO	:	Beneficiary owner
BOID	:	Beneficiary owner Identity Number
CFA	:	Chronbach alpha
CG	:	Company Goodwill
CP	:	Company Performance
CS	:	Company Sector
CSE	:	Colombo Stock Exchange
DP	:	Depository Participants
DEMAT	:	Dematerialization
FPO	:	Further Public Offering
ID	:	Investment Decision
IPO	:	Initial Public Offering
IT	:	Information Technology
MI	:	Market Information
NEPSE	:	Nepal Stock Exchange
NRB	:	Nepal Rastra Bank
NSE	:	Nirobi Stock Exchange
P	:	Perception
SEC	:	Security Exchange center
SEBON	:	Securities Board of Nepal
SLC	:	School Living Certificate
SPSS	:	Statistical Package for the Social Science

ABSTRACT

Investment in stock market helps to mobilize which in turns helps in development of the economy. Investment in shares will be started from primary market through the purchase of Initial Public Offering and further will be traded in secondary market. The investor can buy and sell the existing shares at the market price in the Nepal Stock Exchange. In Nepal, billions of capitals is raised every year through IPO. Nepalese investor seems to be highly attracted towards the IPO market. This research entitled perception of investors towards initial public offering (IPO) in Nepal. The main purpose of the study is to examine perception of investor towards IPO, to analyze the relationship between different factors (Quality management, Company Goodwill, Company performance, Company sector and Market information) and investment decision and to examine the impact of such factors on investment decision in IPO.

The research is primarily based on primary data. Data was collected from 400 respondents who were connected at five different brokerage firm at Kathmandu district. The descriptive and inferential analysis was preferred in SPSS by using statistical tools such as mean and standard deviation. Similarly, correlation and regression analysis were also used to analyze the relationship between variables and impact of different factors on investment decision (dependent variable).

The study revealed that Quality management, Company goodwill, Company performance, Company sector and Market information are the highly considerable factors before making investment decision in IPO. From the study it is found that the value of R2 is 0.159 which means that 15.9 % variation in investment decision is explained by the independent variables. However, the remaining 84.1 % is still unexplained in this research. Furthermore, it explained that there was positive correlation between the factors considering investment decision at 1% level of significance. Finally, investor should aware about all the factors before making investing decision.

Keywords: *Quality Management, Company Goodwill, Company Performance*

CHAPTER-I

INTRODUCTION

Background of the study

The financial market is a marketplace where financial assets such as shares, debt, bonds, derivatives, currencies, etc. are created and traded. It plays a vital role in the allocation of limited resources in the country's economy. It acts as an intermediary by mobilizing funds between savers and investors. The financial market serves as a meeting place where buyers and sellers come together to trade assets, with prices determined by demand and supply. It is classified into two types on the basis of maturity, i.e., money market and capital market. Monetary assets such as commercial paper, certificates of deposits, Treasury bills, etc. that mature within a year are traded on the money market. It is a market for short-term funds. Those markets do not exist physically; transactions are performed over a virtual network, i.e., the internet, fax, or a phone. Medium-term and long-term financial assets are traded on the capital market. It is divided into two types: the primary market and the secondary market. Primary markets are those where companies listed on an exchange, for the first time, issue new securities or an already listed company brings in fresh issues. Secondary markets are those markets where already issued securities are traded between investors such as individuals, stock brokers, merchant bankers, and mutual funds (financialjargon.com).

The company raises funds through two sources, i.e., internal sources and external sources. Internal sources refer to retained earnings, which is the most popular mode of financing for a company because businesses can generate capital internally. The company saves a lot on interest costs by avoiding debt financing. Additionally, obtaining a bank loan can be a time-consuming and tedious process that may also affect the liquidity of the firm. But it cannot always fulfil the financing needs of the company. External sources of financing are used, which involve raising funds from public issuing securities, i.e., bonds, stocks, and derivatives. Hence, raising funds through the issuance of securities has become a widely adopted financing option for business firms.

An Initial Public Offering (IPO) is the mechanism through which a privately held company can transition to becoming public by selling its stocks to the general public. This process is applicable to both new and established companies that choose to list their shares on the stock exchange and thereby become publicly accessible. All the traded stocks are listed in NEPSE in Nepal. When a company raises funds through an IPO, it is referred to as a "company going public." By offering stocks to the public, each stock represents a piece of ownership. Investors holding stock in the company will be considered owners of the company. Then investors in the company get rewarded in the form of increased stock value when the company does well. The risk may come when the company does not go well and there is a fall in its stock value. The decision to invest in any avenue is an outcome of some analyses, which may be both fundamental and technical. IPO issuances offer a chance to maximize return as they penetrate equity investments. An IPO can be either a debt or equity security, such as a bond or stock, that is sold to initial buyers by a corporation or government agency seeking funds. In an IPO, the issuer may obtain the assistance of an underwriting firm, which helps determine the most suitable type of security to issue, the best offering price, and the appropriate time to bring it to market (www.investopedia.com)

In 1973 A.D., the first public issue of ordinary shares took place in Nepal with the public issue of Biratnagar Jute Mills and Nepal Bank Limited. However, the capital market's development truly began in 1976 A.D. after the establishment of the Security Exchange Centre, aimed at facilitating and promoting the growth of Nepal's capital market. It was the only capital market institution that played a role in brokering, underwriting, and managing public issues. Additionally, it provided market-making services for government bonds and other financial services. The Security Exchange Centre acted as both a broker and a regulatory body in the securities industry (Roka, 2011).

In 1993, Security Exchange Centre was converted into Stock Exchange Limited, leading to the existence of a broker system for the secondary market. The main objectives of Nepal Stock Exchange Ltd. were to facilitate free marketability and enhance liquidity for government bonds and corporate securities. As a result of the establishment of a full-fledged stock exchange, the shares that the public had held for decades became liquid.

The primary motivation for an IPO is either to raise capital or to offer an exit strategy. In fact, during the early stages of development, most firms heavily depend on personal loans, savings, and support from family and friends for their initial financing needs. Khatri (2017) explains that the reasons for IPO issuance can be categorized into factors such as Funding Needs and Non-funding Needs. The reasons for seeking funding through an IPO include Funding Capital Requirements for Organic Growth, Expansion through Projects, Diversification, Funding Global Requirements, Funding Joint Venture and Collaborations needs, Funding Infrastructure Requirements, Marketing Initiatives and Distribution Channels, Financing Working Capital Requirements, Funding General Corporate Purposes, Investing in businesses through other companies, Repaying debt to strengthen the Balance Sheet and Meeting Issue. And in non-funding needs Enhancing Corporate Stature, Retention and incentive for Employees through stock options, Provide liquidity to the shareholders.

The government of Nepal established the Securities Board of Nepal (SEBON) on June 7, 1993, as an apex regulator of securities markets. Under the Securities Act of 2006, SEBON has been regulating the market. SEBON plays a significant role in protecting and promoting the interests of investors by overseeing the issuance, transfer, sale, and exchange of registered securities. It formulates essential security regulations and directives and provides advice to the government on matters related to the development of the capital market. After the introduction of the company's ordinance in 2006, a provision was made that requires that public companies register all securities with SEBON before they can be issued. As per the ordinance, issuing companies are obligated to prepare a prospectus and publish it to the public only after obtaining approval from SEBON. The capital market is growing day by day with the introduction of the company's ordinance and the regulation of SEBON. The investors now show a very keen interest in making investments in the securities of the companies, through both primary and secondary markets (www.sebon.gov.np).

The IPO application process has transitioned to a digital platform in Nepal, and now everything is done online. Now individuals can apply for the IPO of Nepal by using a laptop, smartphone, or tablet. The sales go on as usual for 4 working days, and it is within those in 4 days, one must visit the Mero share website, and they are required to access the site, complete the ASBA (Application Supported by Blocked Amount) form with all the details, and submit it. Make sure

that the BN account has the necessary rupee amount that needs to be reserved for the ASBA process. Then, within a week, the allotment process is finalized. Based on the number of total applicants received and the amount of investment, investors are allocated a certain number of shares depending on the number of shares issued.

Every accurate applicant gets at least 10 units of shares since Shrawan 2074. However, depending on the number of applications, investors might receive additional shares if there are more to be allotted or no shares if there aren't enough for everyone. After allocation, the financial organization will release the blocked amount and simultaneously deduct the assigned share value from the investor's bank account. After some time, the number of shares allocated to the investor will become visible in their Demat account statement, (unicodnepali.com).

Generally, companies issue shares as per their financial requirements. In summary, an IPO represents a company's initial offering of shares to the public, aiming to raise funds.

1.2 Problem Statement

The private market, as a part of the capital market, is a significant source of funds for companies involved in various kinds of business. The entrepreneur can fund their business when their primary market is flourishing, leading to the expansion of employment opportunities and revenue for the government. Investors in IPOs hold a positive outlook regarding the market and investment in Nepal. The prospect of an IPO is very high in Nepal, as demonstrated by the oversubscription of IPOs issued within the market. However, the scenario is changing, particularly within the hydropower sector, which is a little bit suffering from undersubscription because of the poor performance in the secondary market trading under par value and net worth. So, recognizing the changing attitudes and psychological aspects of the investors is crucial to maintaining the attractiveness of the IPO. Thus, the study intends to investigate the perceptions of investors across distinct demographic variables.

The capital market of Nepal is currently in its developmental stage and is very small in terms of both the size of the capital and the number of participants. The market becomes saturated quickly, and rumors affect the investment decisions of investors, who are very sentimental. This will have great repercussions if investor confidence diminishes. So only a high level of awareness can protect them from being manipulated. The level of investment decision-making is

significantly influenced by the extent of financial awareness. (AL-Tamimi & Kali,2009). So, this research helps examine the level of investor awareness concerning IPOs in Nepal.

The primary market has undergone structural changes. The previous practice of investors queuing for hours to apply for primary issue participation has been replaced by an online application system. Additionally, there has been a notable reduction in the time required for securities allotment and listing, leading to enhanced market liquidity and decreased issuance costs for securities. (SEBON, Annual Report 2017/18). A substantial portion of retail investors in the market engage in speculative activities, making investments without thorough information or analysis. They promptly sell their stocks following listing on NEPSE. These investors are oriented toward short-term gains and seek swift profit accumulation. Consequently, the approach investors adopt for new offerings and the identification of the proportion of such investors remain significant challenges.

The research has aimed to address the following research questions:

- What is the situation of perception of investors towards IPO in Nepal?
- Whether there is any relationship between different factors (Quality management, Company goodwill, Company performance, Company sector and Market information) and investment decision of investor?
- What are the impacts of different factors (Quality management, Company goodwill, Company performance, Company sector and Market information) on investment decision?

1.3 Objectives of the study

The fundamental aim of this research is to identify investors' perceptions of IPOs in Nepal. The primary goals of the study are given below:

- To examine scenario of the perception of investors towards IPOs in Nepal
- To analyze the relationship between various elements (Quality management, Company reputation, Company performance, Industry sector, and Market intelligence) and an investor's decision to invest.

- To assess the impact of Quality management, Company reputation, Company performance, Industry sector, and Market information on investment decisions.

1.4 Hypothesis

The following hypotheses were formulated to study the perception of investors towards Initial Public offerings (IPOs) in Nepal.

Hypothesis 1: There is positive relationship between quality management and investment decision.

Hypothesis 2: There is positive relationship between company goodwill and investment decision.

Hypothesis 3: There is positive relationship between company performance and investment decision.

Hypothesis 4: There is positive relationship between company sector and investment decision.

Hypothesis 5: There is positive relationship between market information and investment decision.

1.5 Rationale of the study

Investing in various sectors of the stock market is all about the psychology of investors. When a company's stock price experiences frequent fluctuations, the psychology of investors plays a vital role in making investment decisions. Psychology in finance is included in behavioral finance. The study of behavioral finance is very rare in Nepal. This study contributes significantly to the field of literature on behavioral finance within the Nepali context. Numerous studies have been carried out in the international context related to this concept, but it appears that only a limited number of researchers have done it within the context of Nepal. Comprehensive studies on perceptions have not yet been conducted. In Nepal, 90% of the population is still unaware or literate regarding public offerings. So, this study will be useful for those who are seeking knowledge regarding IPOs, and it is expected to be beneficial for both general investors and organizations with direct or indirect involvement in the IPO. This research paper will contribute to academia as it extends current research on the subject. Researchers and academicians will find this study to be a valuable resource for advancing their discussions and investigations. So that they can explore and further develop their studies on the perception of general investors

regarding IPOs. Furthermore, this study assists the issuing companies in understanding investor perceptions and preferences towards IPOs in Nepal. It will also be helpful for the students and researchers seeking to undertake studies and research in IPO.

1.6 Limitations of the study

The scope and limitations of this study encompass:

- There are many factors affecting the subject of in-depth public offering, though it is not possible to study all the factors. Therefore, it is only possible to study some factors such as quality management, company goodwill, and company performance, company sector, and market information.
- It is not possible to study the whole demographic territory of Nepal; only the Kathmandu Valley is considered for the study.
- The findings of the research may not represent the scenario of the secondary market.
- The sample size of 400 individuals used in the collection of the primary data may not represent the population.
- Data are taken only from the primary source by using a questionnaire. Therefore, the reliability of the data depends on the respondents.

CHAPTER-II

LITERATURE REVIEW

This chapter provides a concise overview of the literature related to various research studies carried out on different aspects of IPOs throughout the globe. However, it includes only those works that are relevant and assessable. This research aims to investigate how investors in Nepal perceive initial public offerings (IPOs). Additionally, it seeks to analyze the relationship and examine the influence on investment decisions regarding IPOs. For this purpose, this study has been conducted to provide the researcher with clear ideas, opinions, and concepts.

2.1 Theoretical review

2.1.1 Conceptual Review

Quality management

Quality management involves supervising all tasks necessary to uphold a desired level of excellence, encompassing aspects like corporate legitimacy, governance, human capital, and shareholder satisfaction.

Company goodwill

Company goodwill signifies the allure of a business, encompassing intangible factors like its history, corporate identity, longevity, and current financial standing.

Company performance

Company performance refers to financial metrics such as return on investment, equity, earnings per share, dividend capacity, net worth, loans, assets, and liabilities.

Company sector

Company sector denotes the various sectors in which a company operates, including banking, insurance, manufacturing, hydropower, and hospitality, as listed on the Nepal Stock Exchange.

Market information

Market information encompasses data sourced from various outlets, providing investors with insights into a company's prospects, media commentary, and historical IPO trends.

2.1.2 Theories

Financial market

The financial market serves as a platform where individuals engage in the buying and selling of financial instruments like shares, mutual funds, bonds, and so on. It functions as a mechanism intended to facilitate the connection between lenders and savers of money. The financial market plays a vital role in strengthening the economy of any country by generating the necessary capital for business investments.

Capital market

This is a market where securities with maturities exceeding one year are traded. A capital market is a financial market where long-term debt or equity-backed securities are traded. The foundation of the capital market is established by the various securities exchanges that provide debt and equity transactions. Capital markets encompass the primary market, where new securities are issued and sold, and the secondary market, where previously-issued securities are traded among investors.

Money market

The money market is the marketplace where highly liquid financial instruments with very short maturities are traded. It serves as a platform for short-term borrowing and lending among participants with maturities that usually range from overnight to slightly less than a year. These securities include T-bills, government bonds, certificates of deposits, banker’s acceptance, commercial paper, and so on. Money market instruments meet short-term financial requirements. Money market securities are short-term, low-risk, have a high volume of transactions, and are highly liquid.

Secondary market

The secondary market is where investors trade securities they currently possess. It is also known as the aftermarket, and it is the financial market in which previously issued financial instruments such as stocks, bonds, options, and futures are exchanged. Securities brokers and dealers play a vital role in ensuring a well-functioning secondary market. Examples of such secondary markets include the Nepal Stock Exchange (NEPSE), the New York Stock Exchange (NYSE), and the National Association of Securities Dealers Automated Quotation System (NASDAQ).

Primary market

The primary market is a financial market where newly created securities are introduced and made accessible for trading to both individuals and institutions. This is a market where companies offer new securities that have not been previously traded on any exchange. A company provides securities to the general public to raise funds to finance its long-term goal. The primary market is also referred to as the New Issue Market (NIM). In this market, securities are directly issued by companies to investors. Securities are typically issued through processes like initial public offerings (IPOs) or further public offerings (FPOs).

Common stock

Common stock refers to shares purchased by investors at their face value to enable their involvement in a company's profits and losses. It is a security that represents ownership in a corporation. Common stockholders exert influence by selecting a board of directors and participating in decisions regarding corporate policies. They hold the lowest position in the ownership hierarchy, meaning that if the company undergoes liquidation, common shareholders have claims on the company's assets only after bondholders, preferred shareholders, and other debt holders have been fully compensated.

Preference shares

Preference shares, also known as preferred stock, are a type of company stock that grants shareholders the privilege of receiving dividends ahead of common stockholders. If the company goes bankrupt, preferred stockholders have the right to receive their payments from the company's assets before common stockholders. Most preference shares have a fixed dividend,

whereas common stocks usually do not have fixed dividends. Additionally, preferred stock shareholders typically do not possess voting rights, while common stock shareholders usually do.

Bond and debenture

The bond is the most common type of debt instrument utilized by both private companies and government entities. They function as a formal agreement between the issuer and an investor. The investor lends a certain amount of money with the assurance of being repaid at a specified maturity date. Typically, the investor also obtains regular interest payments throughout the duration of the bond's term. A debenture is a type of debt instrument that is not secured by collateral. Debentures rely solely on the overall financial reliability and standing of the entity issuing them. Both corporations and governments frequently use debentures to raise funding. Investors in bonds typically purchase debentures based on the belief that the bond issuer is unlikely to default on the repayment.

Option

Options are financial instruments that are derivatives based on the value of underlying securities, such as stocks. An options contract offers the buyer the choice to either purchase or sell the underlying asset, depending on the specific terms of the contract they hold. In contrast to futures, there's no obligation for the holder to execute the purchase or sale of the asset. Each option contract comes with a designated expiration date by which the holder must decide whether to exercise their option. The specified price within an option is known as the strike price. Generally, options are traded through online or retail brokers.

Swap

A swap is a derivative agreement where two parties trade the cash flows or liabilities associated with two distinct financial instruments. Most swaps involve cash flows based on a notional principal amount, such as a loan or bond, although the specific instrument can vary widely. Usually, the principal amount doesn't actually transfer between the parties involved. Instead, each cash flow represents one leg of the swap. Typically, one cash flow remains fixed while the other fluctuates based on a benchmark interest rate, a variable currency exchange rate, or the price of an index. The most common type of swap is the interest rate swap. Swaps are not traded on formal exchanges, and it's not common for individual retail investors to participate in swap

transactions. Rather, swaps are over-the-counter contracts primarily between businesses or financial institutions that are customized to the specific requirements of both parties.

Initial public offering

When a company's shares are issued to its shareholders for the first time, it is known as an initial public offering.

Further public offering

When shares of a company that is already listed on an exchange are issued to the general public, it is known as a further public offering.

Dematerialization

Dematerialization (DMAT) is a process through which physical securities like share certificates and related documents are converted into an electronic format. These electronic securities are then credited to the investor's account, which is held by their Depository Participant. In accordance with the Central Depository Service Regulations of 2010, it is mandatory for all shares to undergo the dematerialization process.

CDS and clearing limited

CDS and Clearing Limited, a company formed in accordance with the Company Act, was promoted by Nepal Stock Exchange Limited (NEPSE) in 2010. Its primary objective is to offer centralized depository, clearing, and settlement services within Nepal. The company was officially launched on March 31, 2011. Its primary objective is to serve as a central depository for a wide range of financial instruments, including equity, bonds, warrants, etc., especially to manage securities in dematerialized form. This entity is entrusted with the safekeeping, deposit, and withdrawal of securities certificates and the transfer of ownership or rights in the said instruments. The depository functions will be performed by the company under the securities regulations of the Securities Board of Nepal (SEBON).

Depository participants (DP)

A depository participant (DP) is defined as an agent working on behalf of the depository or a corporate entity that holds membership with the Central Depository Company. They assist investors in dematerializing the paper-form share into an electronic format.

Beneficiary owner (BO)

A beneficial owner is an individual who has opened a Beneficiary Owner Account, DEMAT Account, or DP Account with the CDSC through the registered DP for depositing their securities or the instrument. Individuals who open an account with a DP will receive a unique BOID (Beneficiary Owner Identity Number), which is like a bank account number and should be referenced in all future transactions.

ASBA and C-ASBA

Application Supported by Blocked Amount (ASBA) is a process where investors apply for public or rights issues by blocking the application money in their bank account during the subscription process. C-ASBA (Centralized Application for ASBA-based Issuance) is an advanced version of the current ASBA system that enables the online application for shares. It will guarantee the centralized posting and verification of bank account numbers and DMAT account numbers, simplifying the supervision of duplicate applications for issue managers and share registrars. Additionally, it will allow for the cancellation of double applications and the preparation of a final report for securities allocation. The implementation of C-ASBA has become mandatory for all IPO (initial public offering), FPO, and rights/bonus share applications. In addition to the application process, investors can also check and review the IPO results through their Mero Share login accounts.

Merchant banker

They usually refer to companies or entities involved in all aspects of issue management, where they work as mediators in the fund mobilization from the general public to the companies. They assist companies in issuing shares to generate needed capital. Merchant bankers play a role in providing consulting and advisory services to corporate entities regarding issue management. This encompasses tasks like arranging for buying, selling or subscribing to shares during an

issue, along with other consulting services such as underwriting, analysis, advice on mergers and acquisitions, credit syndication, and portfolio management.

Issue manager

An issue manager is an individual responsible for managing the activities of merchant banking. They obtain licenses from the Nepal Stock Exchange to manage public offering issues as per the Security Exchange Act of 2063. These issue managers receive a commission from the issuing company in exchange for the services they provide.

Security board of Nepal (SEBON)

SEBON, established on June 7, 1993, in accordance with the Securities Exchange Act of 1983, functions as the highest authority overseeing Nepal's securities market. The main objective of SEBON is to safeguard the interests of investors through the regulation of securities markets. SEBON also oversees the issuance and trading of securities, market intermediaries, and market promotion development.

2.2 Empirical review

2.2.1 Review of International article

Veshne and Jamnani (2023) conducted a study on the performance of IPOs during the COVID-19 pandemic. The study included IPOs from various sectors such as finance, technology, service, infrastructure, food, pharmaceuticals, and information technology. Additionally, the research analyses the factors affecting investors' perceptions of investing in an IPO. It focused on IPOs that were issued during the pandemic, and their performance on the listing day was measured by considering the issue price, listing price, and closing price. It was observed that 90 percent of the IPOs chosen performed well on the listing day, while 10 percent did not meet expectations. Furthermore, the research also found that factors such as company brand, company sector, fundamental analysis, company ratings, expert opinion, and prevailing stock market conditions had a positive impact on investors' choices to invest in an IPO. It also revealed that factors like risk factors in the primary market, IPO returns on the listing day, and the Grey Market Premium did not exert a significant influence on investors' perceptions.

D.M. and S. (2019) studied investors attitudes towards investment decisions in the equity market. This study aimed to identify the attitude of investors towards equity investment and analyze the diverse factors that impact equity investment. This study relies on secondary sources such as journals, books, paper presentations, research articles on equity investors, and related subjects. The primary focus of this research is to examine investors' perspectives concerning their investment choices in the equity market. Additionally, it examines their risk-taking attitude based on their gender, age, income, education level, and occupation. This study analyses and concludes by categorizing investors into three groups: conservative, moderate, and aggressive. Conservative investors avoid risk; moderate investors display a moderate level of risk tolerance; and aggressive investors take a high level of risk in their investments.

Singh, et al. (2019) undertook a study to investigate the extent of underpricing in initial public offerings (IPOs) and the predictive power of board-related corporate governance mechanisms. Their research focused on the Indian IPO market. The research employed both descriptive sample statistics and logistic regression techniques to examine the objectives. The findings indicate that the presence of a woman director on board raises the chances of IPO underpricing. Contrary to this, when an independent director serves as the board's chairperson, it diminishes the likelihood of IPO underpricing. However, the number of nonexecutive directors, which serves as an indicator of board independence, does not significantly affect the probability of IPO underpricing. To conclude, this study suggests that board-related corporate governance mechanisms, such as gender diversity and the type of board leadership, may be statistically meaningful predictors of IPO underpricing.

Vakil (2018) conducted a study on investors' perceptions about IPOs and IPOs performance in the stock market to investigate how investors perceive the risk-return of investment and satisfaction level after investment in the Indian capital market. The research also tries to identify the factors that influence the investors decisions about the company's IPO. The project involved a total sample size of 150 participants, and the data were analyzed using both descriptive and analytical research methods. The research found that investors have access to a company's fundamentals, enabling them to learn about the company's history. This information plays a pivotal role in their investment decisions because investors are particularly interested in evaluating IPOs based on the relationship between risk and return. Investors choose to invest

based on the anticipation of greater returns, the company's profile, and its anticipated future growth in the form of divided earnings per share, whether increasing or not. Investors tend to invest for the long term because they believe that they will yield better returns in the future compared to short-term investments. While speculators may invest in intra-day trading, investors are encouraged to have a longer investment horizon as it will give the company the opportunity to grow well. Mostly, the objective is to achieve the growth of funds, which is typically possible in the long term rather than the short term.

Vijayan and Rajasree (2018) studied factors influencing IPO overpricing and underpricing in the global stock market. The primary aim was to determine whether IPOs tend to be underpriced or overpriced. Secondary data was collected for the paper's analysis. The sample consists of various articles published between 2002 and 2018. Among the articles analyzed, 60% focused on the topic of IPO underpricing, 9% addressed IPO overpricing, 1% tackled both underpricing and overpricing simultaneously, and the remaining 30% did not relate to either IPO underpricing or overpricing. The analysis revealed that IPO underpricing predominates overpricing in most of the articles. A substantial number of articles dealing with IPO pricing were examined, leading to the identification of factors affecting IPO pricing.

Bajo and Raimondo (2017) studied about the media sentiment and IPO underpricing. This research was analyzed 2814 the United States IPOs between 1995 and 2013 by using textual analysis to compute the sentiment or tone by analyzing nearly 30,000 articles (from approximately five hundred newspapers). The research findings confirm that positive newspaper tones are indeed positively associated with first-day returns. This effect is highly significant and has substantial economic implications, with a one-standard-deviation increase in tone being linked to approximately a 2.5% rise in the degree of underpricing. Using data from 2,814 US IPOs and an extensive dataset of nearly 30,000 newspaper articles, the study reveals a positive relationship between positive tones in news coverage and the degree of IPO underpricing. This effect is more pronounced when the news is reported in proximity to the IPO date or originates from more reputable newspapers.

Sarwar and Darwin (2016) conducted the study on investors attitudes towards the stock market: A study in Dhaka, Bangladesh, focusing on assessing the attitudes of investors towards the stock market. The study found that there was a correlation between the educational qualifications of

investors and their attitudes towards the stock market. However, for the various other demographic and socioeconomic factors considered in the study, namely age, gender, income level, and investment level, a relationship was identified between these variables and the attitudes held by investors. Additionally, the study observed that investors relied on different sources when making their investment decisions. Notably, the research highlighted that investors placed the highest importance on FM radio as an information source while assigning the least significance to television talk shows. In this study, six demographic and socioeconomic variables were used to explore their association with investors' attitudes.

Singh and Yadav (2016) studied the factors influencing investors decisions in investing in Equity Shares in Jaipur and Moradabad, with a particular focus on the influence of gender on factors affecting investors' decisions to invest in equity shares. The research aimed to identify the motivators and influencers behind investors' decisions to invest in shares. This research followed an empirical approach and gathered data from a sample of 100 individual investors using convenience sampling methods. Data was gathered through the administration of a questionnaire, and the study utilized both primary and secondary data sources. The findings of the research indicate that both male and female investors share a common concern when it comes to factoring in past dividend payments made by companies as part of their decision-making process while investing in equity shares. Male investors tend to analyze the various financial indicators such as the P/E ratio and D/P ratio, the current financial health of the company, daily reports issued by stock exchanges, past bonuses distributed by the company, the structure of the Board of Directors, and recommendations. In contrast, female investors, possibly due to a lack of financial literacy, may not feel as comfortable dealing with financial data. However, female investors place greater significance on recommendations and guidance from their friends and relatives. They tend to prioritize the safety of their investments, leading them to adopt a cautious approach. Their motivation stems from observing individuals who have achieved success in share investments. And also, they take into consideration the bonus history records of a company and the structure of its BOD.

Jacob and Agarwalla (2015) conducted a research study on the topic of mandatory IPOs. Grading: Does It Help Pricing Efficiency? In 2015, Jacob and Agarwalla conducted a research study titled "Mandatory IPO Grading: Its Impact on Pricing Efficiency. This research employed

cross-sectional regression analysis to examine the relationship between underpricing and demand as the dependent variables and a range of independent variables that represented different characteristics of firms, issues, and the market. The sample of graded IPOs used in the study has 182 issues spanning a six-year period from October 2005 to September 2011. The study did not identify any statistically significant effects of grading on either the pricing or demand of these IPOs. Although grading was initially anticipated to serve as a guide for retail investors, it did not seem to influence their demand for these offerings. Interestingly, while the grades did seem to affect the demand from institutional investors, they had no discernible impact on the overall efficiency of IPO pricing. The graded issues, which were anticipated to possess reduced information asymmetry, did not exhibit notably lower underpricing when compared to their ungraded counterparts. Additionally, the research revealed that variations in grading did not play a significant role in explaining the differences in market-adjusted underpricing across different IPOs.

Nagtilak and Kulkarni (2015) studied investors' perceptions towards initial public offerings in Mumbai to investigate the level of awareness about IPOs among investors and their confidence levels and investment preferences when it comes to allocating their funds to IPOs. Additionally, the researchers examined how investors viewed the IPO process and the associated legal requirements. To conduct their study, they utilized both primary and secondary data sources. Primary data was gathered from 100 respondents using a questionnaire, employing convenience sampling. They also sourced secondary data from various journals, libraries, and books. The research findings concluded that investing in IPOs is not considered a high-risk endeavor. Investors have shown a substantial level of confidence in IPOs, and a significant portion of them favor investing in these offerings. Furthermore, investors placed strong emphasis on factors such as a company's goodwill, market share, current financial position, advice from brokers, and information from media reports before making their IPO investment decisions.

Bateni and Asghari (2014) studied the factors that influence the pricing of shares during initial public offerings (IPOs) on the Tehran Stock Exchange. The primary aim of the researcher was to investigate if the initial offering prices on the Tehran Stock Exchange were lower than their actual values and to analyze the various factors influencing the pricing of these initial shares on the stock exchange. For this study, the researcher included 115 companies listed on the stock

exchange, spanning the years 2006 to 2012. The findings of the study indicated that the price-to-earnings (P/E) variable has a significant relationship with price changes during initial offerings. Furthermore, it was identified as having the most substantial influence on the pricing of these initial offerings.

Chawla and Joshi (2014) studied the perception of retail investors regarding the factors affecting the primary market. They also explored how the demographic profile of investors shaped their perceptions and examined the challenges encountered by retail investors when investing in initial public offerings (IPOs). The study gathered primary data by administering questionnaires to 175 retail investors in Surat city between 2013 and 2014. This research was descriptive in nature, and it employed the convenience sampling method. The findings from the study indicated that the critical factors influencing investors' decisions in the primary market include the company's reputation and its current financial health. Surprisingly, the demographic characteristics of investors were not found to have any impact on their investment decisions. Furthermore, the study also revealed the primary challenges experienced by investors when participating in initial public offerings (IPOs). These challenges included issues related to refunds, delays in the allotment of shares, and a lack of transparency in the application process within the primary market.

Rakesh and Srinivas (2013) studied the attitudes of investors towards insurance. Their primary objective was to investigate how an investor's socio-economic status influences their attitudes towards insurance products. They also aimed to identify the parameters that investors consider when making decisions about investing in insurance products. They also try to suggest to the company strategies to enhance customer attitudes towards their insurance products. The primary data was collected from 150 respondents by employing the chi-square test. The research findings indicated that investor perceptions regarding insurance products are entirely influenced by the factors considered in the formation of risk. These factors encompass the political situation, attitude of the government towards FDI, overall investment climate, scheme portfolio of investment, minimum investment, and most importantly, investor guidance where the null hypothesis is accepted. Therefore, when investors receive effective guidance aligned with their financial objectives, along with well-suited schemes and plans, they become more persuaded to invest in insurance. The study recommends that companies should make their financial profiles

readily available and transparent, launch products as per people's comfort zones, and enhance advertising efforts by focusing on creativity and product-related messaging to foster a stronger sense of belongingness with customers.

Neupane and Poshakwale (2012) conducted a study focused on evaluating the transparency of the IPO mechanism. Their primary aim was to investigate how retail investors participated in IPOs, the impact of their involvement on IPO pricing, and the returns they achieved from their investments in IPOs. The sample size of the research was 306 book building and auction IPOs that were listed on the Bombay Stock Exchange (BSE) and/or the National Stock Exchange (NSE) of India. This dataset covered a span of 10 years, ranging from January 2001 to December 2010. The research employed descriptive statistics to analyze the data. The study demonstrates that the involvement of retail investors is notably affected by the participation of institutional investors. It also identifies a positive correlation between strong demand from retail investors and higher IPO prices, even when considering institutional investor demand. Additionally, the research reveals that due to the aggressive bidding behavior of overly confident investors, retail investors, on average, tend not to realize positive allocation-weighted initial returns. This trend persists even in situations where they are not in direct competition with institutional investors.

Table 1

Summary of Empirical Review

Source	Objectives	Methodology	Findings
Veshne and Jamnani (2023)	To identify performance of IPOs during the COVID-19 pandemic	multivariate Structural Equation Modeling (SEM) approach	The study revealed that factors like risk factors in the primary market, IPO returns on the listing day, and the Grey Market Premium did not exert a significant influence on investors' perceptions.
D.M. and S. (2019)	To identify the attitude of investors towards Investment Decisions in the equity market	Analytical research design	The study concluded by categorizing investors as conservative, moderate, or and aggressive. Conservative investors avoid risk, moderate investors take medium risks, and aggressive investors take high risks with their investments.
Singh, et al. (2019)	To investigate the impact of gender diversity on board, IPO underpricing, and the Predictive Power of board-related corporate governance mechanisms in the Indian market	Descriptive sample statistics and logistic regression model	The findings of the study showed that the presence of women directors on the board increases the probability of IPO underpricing, unlike independent directors. Additionally, board-related corporate governance mechanisms, such as gender diversity, could be statistically significant predictors of IPO underpricing.
Vakil (2018)	The study of the perception of	Descriptive and Analytical	The study found that investors assess IPOs based on their perceived risk-return

	investors towards the risks and return of investment in IPOs and their performance in the stock market	research design by using SPSS software	relationship. They invest in IPOs due to the potential for higher returns, company profile, future expected growth, and price. Moreover, IPOs are seen to offer a better return in the long term than in the short term.
Vijayan and K. R (2018)	A Study on the Factors Influencing IPO Overpricing and Underpricing in the Global Stock Market	Secondary data survey and paper analysis	The analysis results indicated that IPO underpricing predominates overpricing in most of the articles. A large number of articles dealing with IPO pricing are analyzed, and factors affecting IPO pricing are identified.
Bajo and Raimondo (2017)	To find out the media's sentiment and its impact on IPO underpricing.	Analytical research design by using textual analysis	The analysis result indicated that positive tones are positively associated with IPO underpricing Which effect is stronger when news is reported close to the IPO date or by more reputable newspapers.
Sarwar and Darwin (2016)	To study the attitude of investors towards the stock market in Dhaka city, Bangladesh	Descriptive statistics	The study found that factors such as age, gender, income level (yearly), and investment level have no correlation with the attitude of investors towards the stock market. However, there was an association between the educational qualification and investors' attitude towards the stock market.
Singh and Yadav	To find out the factors that	Empirical survey	The research showed that before investing in shares, it is necessary to analyze the

(2016)	influence the investors decision to invest in the equity market	research design was adopted	fundamental, technical, and financial factors. Additionally, they consider the company profile, BOD members, day-to-day news, and performance of the company.
Jacob and Agarwalla (2015)	To determine whether the implementation of grading has impacted the demand and processing efficiency of IPOs	Cross - sectional regression model	The finding revealed that the introduction of grading has no significant impact on IPO pricing or demand.
Nagtilak and Kulkarni (2015)	To determine the perception of investors towards initial public offerings in Mumbai	Analytical research design by using primary source of data	This study shows that an IPO is not a risky investment. Investors considered factors such as goodwill, market share, and current the financial position of the company, broker advice, and news in the media when making decisions about investing in IPOs.
Bateni and Asghari (2014)	To study of factors affecting IPO price of the share on the Tehran Stock Exchange	Survey, correlative, elevated and comparative	The findings of the study indicated that the price-to-earnings (P/E) variable has a significant relationship with price changes during initial offerings.
Chawla and Joshi (2014)	To study retail investors perceptions of Surat City about	Descriptive and cross-sectional research	The research findings highlighted that company goodwill and current financial status are crucial factors when making investments in the primary market.

	factors affecting primary market mechanization in India	design	Refund-related issues, delays in share allotment, and a lack of transparency are major issues.
Rakesh and Srinivas (2013)	To analyze the attitude of investors towards insurance with evidence from Visakhapatnam	Descriptive and analytical research design used with chi square test	The research showed that there was a favorable attitude towards insurance. When investors are properly guided towards their financial goals with suitable schemes and plans, they become more inclined to invest in insurance.
Neupane and Poshakwale (2012)	To analyze the investors' participation in IPOs, their impact on IPO pricing, and the returns they generate from IPOs.	Descriptive statistics using multivariate regression analysis	The research revealed that the demand from retail investors has a positive influence on a high IPO price. Additionally, the study found that retail investors are unlikely to make favorable returns in cases where they do not have to compete with institutional investors due to aggressive bidding.

2.2.2 Review of National article

Kandel (2022) conducted a study on investors' perceptions of IPOs in Khairahani, a municipality in Chitwan. This study aimed to investigate how investors perceive the allocation of 10 units in IPOs and the book building system. Additionally, it analyses the factors that affect investor perceptions of IPO investments. This study used descriptive exploratory research to delve into the fundamental nature of the issue. The study consisted of 110 samples from Khairahani Municipality in Chitwan, who were purposefully chosen using a convenience sampling procedure. Information was collected from these respondents, who had applied for a minimum of 10 units of IPO, by using face-to-face interviews and a self-administrative questionnaire. The

findings revealed that the investor's perception was influenced by the company's performance and the overall performance of the sector. The majority of investors selected the microfinance sector because of the favorable returns it provided. Most investors expressed their intention to hold the IPO-allocated stocks for more than a year. Investors had a favorable perception regarding the allocation of 10 units of the IPO, but they remained neutral when it came to their level of interest in the Book Building System. Conducting an awareness program by the Securities Board of Nepal (SEBON) prior to the introduction of the book building pricing method can be effective in developing interest among the public in the book building system.

Gnawali and Niroula (2021) studied the perception of investors towards initial public offerings (IPOs) and the relationship between various factors, including quality management, company goodwill, company performance, company sector, and market information, and investment decisions to examine the factors that impact IPOs on their investment decisions. This research relied on primary data. The data was obtained from 290 participants who were affiliated with five distinct brokerage firms located within the Kathmandu district. Inferential analysis was preferred in SPSS by using statistical techniques such as correlation and regression analysis to examine the association between variables and assess how the various factors affect investment decisions. The research revealed that factors like quality management, company goodwill, company performance, company sector, and market information are significant factors when it comes to making IPO decisions.

Gnawali (2020) conducted a study on the perception of investors towards initial public offerings (IPOs) in Nepal, with reference to Kathmandu district. The major objective of the study is to analyze the relationship between different factors such as quality management, company goodwill, company performance, company sector, and market information. Additionally, it also examines the impact of those factors on investment decisions in IPOs. This study is mainly based on primary data. Data was gathered from 290 respondents affiliated with five distinct brokerage firms within Kathmandu District. Inferential analysis was conducted in SPSS, employing statistical methods like correlation and regression analysis to assess the connection between variables and the influence of various factors on investment decisions (the dependent variable). The research findings indicated that quality management, company goodwill, company

performance, company sector, and market information are highly significant factors when deciding to invest in an IPO.

Upadhyay (2019) conducted a study on the global book-building mechanism, examining it within the context of the regulatory framework. Furthermore, it also delves into a discussion about the applicability of the mechanism in the Nepalese context. Book building has become one of the most widely used pricing mechanisms for IPOs globally, including in Asia. It suggests that SEBON seems to be adopting a free pricing approach with certain limitations before implementing the book building mechanism. After the introduction of book building, it was temporarily banned in India and postponed in Bangladesh, and, in 2017, Inbox Business Technologies, a company, postponed the book-building process in Pakistan due to political instability. Hence, it is essential to understand which pricing mechanism in Nepalese IPOs produces a positive result and avoid being fanatical about IPO mechanisms. As a WTO member, Nepal cannot operate as a lonely market in today's globalized world. In such a situation, it is recommended that SEBON implement the book-building mechanism after maintaining informational and other efficiencies in the securities market of Nepal.

2.2.3 Review of Thesis

Subedi and Dangal (2022) studied about the short run return of Initial Public Offerings (IPOs) in Nepal. Their research investigates the initial returns (first-day performance) of 133 initial public offerings (IPOs) from Nepalese companies spanning a 15-year period, from 2005/06 to 2019/20. The study develops a comprehensive model based on observations of how these new offerings perform in the short term, building upon existing IPO underpricing literature. The findings reveal an average underpricing of a substantial 3003 percent. Furthermore, the study conducts a regression analysis, examining how various factors such as issue size, firm age, company size, market conditions, and subscription rate influence the initial IPO returns. The results highlight the subscription rate as the most influential predictor of IPO returns in Nepal's primary market. Specifically, companies with higher subscription rates tend to experience greater initial returns. Additionally, the study observes that market performance has a significant negative impact on initial returns.

Bhatt (2021) studied Nepalese Investors' Perception Towards IPO Investment in Nepal: A Covid Perspective. Its main objective is to analyze the participation of initial public offering (IPO)

investors, the factors that impact their investment decisions, and the current state of the stock market. Additionally, it also analyses the condition of the stock market during the COVID-19 pandemic, the determinants of IPO investment, and the tendencies of Nepalese investors regarding IPO investments. This study used both primary and secondary data. The data were analyzed using various statistical tools such as tables, graphs, arithmetic mean, standard deviation, correlation, and regression analysis. In this study, a convenience sampling approach was employed to select the sample size. A sample size of 250 participants was selected using a common rule of thumb. However, out of the 250 respondents, only 169 actually completed the questionnaire. The major finding of the research indicates that the situation of the stock market has been comparatively better than previous years, even during the COVID-19 pandemic. The NEPSE index has exhibited a swift and substantial rise and reached up to 2735.4 on April 15, 2021, which indicates a bullish trend in the stock market despite the COVID pandemic. Similarly, there has been a rapid increase in the market capitalization, reaching 3,620,828 million as of April 30, 2021. This shows that the condition of the stock market has been improving, with it performing relatively well even during the COVID-19 pandemic compared to non-pandemic times. Similarly, based on the collected data, the beneficiary owner's DMAT account will have climbed to $3,491,746 by April 30, 2021. This suggests that the behavior of the Nepalese investors towards IPO investment is positive. The analysis also indicates that the independent variable is positively correlated with the dependent variables. This suggests that positive changes in the independent variables reflect the positive shift in IPO investment. Similarly, according to the regression analysis, it was found that the updated policy of SEBON has a more significant impact on IPO investment compared to other variables.

Karki (2021) conducted a study on investors' decision-making behavior on initial public offerings of hydropower developers. Its main objective is to explore the factors contributing to increased investor interest in the previously overlooked sector of hydropower developer IPOs. It seeks to analyze the factors affecting investors decision-making processes towards IPOs in the hydropower sector and to assess the correlation between socio-demographic factors and investors decision-making behavior in this context. In the past, the hydropower sector's initial public offerings (IPOs) were largely neglected due to investors' lack of confidence in the sector. The IPO subscription rate for Shiva Shree Hydropower Company shrank significantly to 21.51% of the total issue (SEBON, 2021), in contrast to the high subscription rate of 91.5 times observed

for Ridi Hydropower Company. However, investors are regaining trust in hydropower developer IPOs. Recent IPOs of three hydropower companies, namely Mailung Khola Hydropower Company and Tehrathum Power Company Limited, were oversubscribed by more than 39 times.

Paudel (2021) conducted a study on the perception of investors towards initial public offerings (IPOs) in Nepal (reference to Surkhet District). The main objectives of the research are to assess the investor's perception of IPOs and the relationship between various factors such as quality management, company reputation, company performance, company sector, and market information and investment decisions in IPOs. The correlation findings were utilized to answer the five variables. A Pearson correlation coefficient analysis was conducted between all five independent variables and the dependent variable, i.e., investment decision, indicating a positive correlation among the five variables, i.e., quality management, company reputation, company performance, company sector, and market information, at the 1% significance level. This research initially relies on the primary data. Data was obtained from 100 participants located within Surkhet district. Descriptive analytic methods were chosen in SPSS, using statistical measures such as mean and standard deviation. Additionally, correlation analysis was used to assess the relationship between variables and the influence of different factors on investment decisions (dependent variable).

Bhatta (2019) studied the perception of investors towards initial public offerings (IPOs) in Nepal. The main objective of this study is to investigate the perception of investors towards IPOs. Additionally, it aims to assess the relationship between various factors such as quality management, company goodwill, company performance, company sector, market information, and investment decisions regarding IPOs. Furthermore, it seeks to examine the impact of those factors on investment decisions in IPOs. This research relies on primary data. Data was obtained from 400 respondents affiliated with five distinct brokerage firms in the Kathmandu district. The analysis of the data involves both descriptive and inferential analysis using statistical tools like the mean and standard deviation. Likewise, the study employed correlation and regression analysis to examine the relationship between variables and assess how different factors affect investment decisions (dependent variables). The study highlights factors such as quality management, company goodwill, company performance, company sector, and market information that should be considered before making investment decisions in an IPO. The results

of the study indicate that the R2 value is 0.698, indicating that 69.8% of the variation in investment decisions is explained by the independent variables. However, there remains 30.2% variability that remains unexplained in this research. Furthermore, the study explained the positive relationship among the factors relevant to investment decisions at a significance level of 1%. In conclusion, all investors should be well-informed about those factors before making any investment decisions.

Pokharel (2018) tried to survey investors preferences on the stock market: a case study of the Nepal Stock Exchange. This research employed a survey research design and utilized a structured questionnaire to gather data from randomly chosen respondents by asking individuals about their opinions, attitudes, and behaviors. The study's target population encompassed all investors drawn from the Nepal Stock Exchange (NEPSE), comprising approximately one million. The findings demonstrated that these investors exhibited a strong inclination towards participating in the secondary market for investments. Investors primarily select shares based on considerations such as liquidity and a high rate of return. When it comes to investors' perceptions of the factors that impact their investment decisions in the secondary market of NEPSE, they prioritize guidance from brokers and the movement of market indices. The news in the daily newspaper and market sentiments are considered to have the least influence on investment decisions. The most motivating factors prioritized by respondents were capital gains, liquidity, dividends, safety, and bonus shares. Factors such as tax benefits and rights shares were given less preference by the respondents.

Timsina (2018) studied the investors response to the initial public offering in Nepal. The primary objectives of the study are to analyze the level of awareness and identify the perception of the general public towards initial public offerings (IPOs) in both financial and non-financial sectors within the Nepalese market. It aimed to assess the reasons behind the investors' decisions to invest. It is based on collecting primary data through structured questionnaires that were personally distributed to the investors. The data were then analyzed using appropriate statistical tools and percentage analysis, and the data were described through tables. A descriptive research design was employed to gather opinions and learn about the responses of the respondents using the convenience sampling method. The main finding of the study indicates that investors are aware of IPOs. Particularly, commercial banks, finance companies, and hydropower are more

preferable. Additionally, there exists a relationship between awareness and investors' decisions to invest.

Adhikari (2017) made an attempt to identify the factor influencing individual investors behavior during the initial public offering (IPO) in Nepal in his study. The primary objective of this study was to analyze and explore the perceptions of investors and the various factors that influence their behavior during the IPO process in Nepal. This study employed both exploratory and descriptive research methods. Primary data was collected from 100 respondents through questionnaires using convenience sampling. The study's findings highlighted that factors such as capital appreciation, investor demographic trends, the favored source of information, and industry specialization were the most significant considerations for individuals while making investment decisions in IPOs. Utilizing interest, social media platforms, mobile marketing, and awareness program can contribute to improving the general knowledge of IPOs and investments within the stock exchange among the public.

Kunwar (2016) studied the awareness, perception, and investment choices made by individual investors in relation to initial public offerings (IPOs). The primary objectives of this study were to identify the perception and level of awareness among investors in Nepal regarding IPOs and to investigate the factors affecting their decisions when it comes to investing in IPOs. The study employed both descriptive and inferential analyses. A convenient sampling method was used to gather primary data from a group of 116 respondents. The study's results indicated a favorable perception among investors in Nepal regarding IPOs. Furthermore, the study also revealed that investors possessed a level of awareness that exceeded the necessary threshold. Interestingly, the perception of investors towards IPOs and their awareness levels did not significantly differ based on factors such as gender, age, occupation, or monthly income.

2.3 Research Gap

Despite numerous studies conducted on IPOs in various parts of the world, we find such studies lacking in Nepal. This study is entirely centered on a primary study analyzing the behavioral aspects of their investors. This research takes a unique approach by exploring the behavioral aspects of investors, thereby contributing to the body of literature in behavioral finance. which has been ignored greatly by the Nepalese researchers up to this point. Few studies have analyzed the existing state of IPOs in Nepal. However, none of the research conducted has managed to

provide a complete picture of IPOs and their operational aspects in Nepal. Additionally, there have been various changes and the introduction of new policies with regard to IPOs. This research seeks to address the knowledge gap. Additionally, this research tries to understand the pace at which initial public offerings (IPOs) occur in Nepal. Investors' perceptions, procedures, rules, regulations, amendments, as well as the impact and relationship of different factors affecting investment decisions This study will be helpful to a wide range of stakeholders, including public corporations, issue managers, underwriters, investors, government bodies, the general public, researchers, and other entities involved in the IPO process. Research related to the stock market is abundant in the literature, but the one that focuses on IPOs is very difficult to find. This research addresses an existing knowledge gap and studies the perception of general investors towards IPOs in Nepal. So, this study will provide valuable insights to those with an interest in the topic: schools, students, teachers, civil society and other stakeholders, entrepreneurs, and the government from an academic and policy perspective.

CHAPTER III

RESEARCH METHODOLOGY

In this section, an attempt has been made to outline the process undertaken by the researcher for collecting and analyzing the data in the study. This chapter encompasses the research design, target population, sampling method, data collection instruments and procedures, analysis, interpretation, and prediction.

3.1 Research design

The research study aims to examine investors' attitudes towards IPOs in Nepal. To analyze the study, two distinct approaches were utilized: a descriptive research design and casual research design. These methods were found suitable as the research aimed to investigate the cause-and-effect relationship between the different variables.

3.2 Population and sample

There are millions of investors involved in the Nepal Stock Exchange. Due to the various constraints, such as time shortages, huge costs involved, and human effort required to collect information, it was not practical to study the entire population of individual investors participating in the Nepal Stock Exchange. The study's target population encompasses all investors who invested in initial public offerings (IPOs) within the Kathmandu District. As a result, the researcher chose a sample of 560 investors to represent the population. While questionnaires were distributed to a total of 560 sampled participants, only 400 of them provided responses. Kunwar (2016), in his study on the awareness, perception, and investment decisions of individuals towards initial public offerings (IPOs), opted for a sample of 116 investors to represent all the individual investors in the country.

3.3 Sampling design

This study adopted convenience sampling to collect data from the respondents. This choice was made due to the researcher's easy access to data and proximity to the locations of five major brokerage firms in Kathmandu, which were visited to find out which respondents represented the investors of the country. Additionally, convenience sampling is ideal to deal with a large population.

3.4 Nature and sources of data

This study initially relied on primary data to fulfil its specific objective. There are numerous types of primary data sources, including interviews, surveys, questionnaires, observations, and experiments. In this study, a questionnaire survey was used as the method to investigate the perception of investors towards IPOs in Nepal.

Data for the research was gathered using a questionnaire that employed a 5-point rating scale ranging from 1, representing very high consideration, to 5, indicating very low consideration. The rating scale ranges from 1 to 5, as outlined below:

1 - Very high consider

2 - High consider

3 - Moderate consider

4 - Low consider

5 - Very low consider

The study employed 32 opinion statements to measure six different variables, of which five are independent variables and one is dependent. There were 28 different opinion statements employed to describe the independent variable: quality management", "company goodwill," "company performance," "company sector, and "market information." Additionally, four different opinion statements were used to describe the dependent variable, which is investment choice.

3.5 Data collection procedure

The research employed primary data since it offers pertinent and current information in the study's field. The data was gathered through the use of a questionnaire. Questionnaires were distributed and collected through the delivery and collection approach. This method ensures that the researcher can confirm that the questionnaire was filled out completely and reduces the likelihood of missing data. It enables the researcher to address any questions that may arise regarding the questionnaire. Consequently, this would increase the accuracy of the gathered data.

The study distributed questionnaires to investors from five brokerage firms located within the Kathmandu Valley. The data collection phase was anticipated to last for a total of three days. Responses to the questionnaire were received within a five-day timeframe.

3.6 Data analysis tools and techniques

The information gathered from the questionnaire was analyzed using statistical tools, and the results are presented. The analysis commenced with the assessment of the primary data through SPSS. The data obtained from the participants was coded and tabulated into a SPSS worksheet. For assessing the reliability of the scaled items, Cronbach's alpha coefficient was used. Microsoft Excel is used for both entering and analyzing quantitative data. For the descriptive study of variables pertaining to the factors influencing investment decisions in Nepal's IPO market, the mean and standard deviation have been calculated. For inferior analysis, regression, correlation, and hypothesis have been used. Significance tests were conducted to enhance the effectiveness of the results. The conclusion and recommendations are completely based on the study's findings.

3.7 Reliability test of data

To ascertain the reliability of the questions in the questionnaire to measure the variabilities of interest, a Cronbach's alpha (α) was conducted on a sample of 400 items. The Cronbach's alpha was used to assess the survey's quality and consistency.

Table: 3.1 Reliability test of dependent and independent variables

S.N.	Variables	Cronbach's Alpha	No of item (N)
1.	Quality management	.819	6
2.	Company goodwill	.742	5
3.	Company performance	.791	6
4.	Company sector	.738	6
5.	Market information	.771	5
6.	Investment decision	.369	4

Sources: Field Survey, 2019

Table 3.1 displays the Cronbach's alpha coefficients for the independent variables, which include quality management, company reputation, company performance, company sector, and market information. It is typically linked to internal consistency and typically falls within the range of 0 to 1. A Cronbach's alpha coefficient below 0.6 is categorized as 'poor,' while a coefficient higher than 0.6 but below 0.8 is considered 'acceptable,' and a coefficient exceeding 0.8 is considered 'good. Sekaran (2000). The Cronbach's alpha values for all variables except investment decision are within the range of 0.6 to 0.8 and above, making them acceptable. Therefore, the instruments used in this study are considered reliable, with the exception of the investment decision variable.

Mean

An average is a line that represents a group of values. In simpler terms, the quantities that are representative of the huge mass of quantities are known as the average. The most widely used form of mean is the arithmetic mean or average, which is calculated by adding all variables and then dividing by the total number of variables. The mean represents the arithmetic average of a variable.

Standard deviation

The standard deviation (S.D.) is the most commonly used and valuable measure of dispersion. It indicates the range and size of deviations from the middle or mean value. It erases the absolute dispersion. Greater values of the standard deviation indicate greater variability, and vice versa. It is the positive square root of the average sum of the squares of the deviation between individual observations and the arithmetic mean of the distribution.

Correlation analysis

Correlation is one of the most valuable statistical tools. In other words, it is the statistical tool that measures the degree of relationship between one variable and another variable. Two or more variables are considered correlated when a change in one variable seems to be related to or linked to the change in the other variable's value. Correlation measures the degree of the relationship between two or more variables and indicates how they are interconnected. It does not provide information about cause-and-effect relationships. It may be either positive or negative and lies between -1 and +1. When Pearson's correlation coefficient (r) is close to 1, then there is a strong relationship between two variables. This means that changes in one variable are

closely correlated with changes in another variable. When correlation (r) is near zero, it signifies that there is a weak relationship between the two variables.

Regression analysis

A method to determine the statistical relationship between two or more variables where the shift in the dependent variable is linked with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool that is used to determine the outcome or value of a specific criterion based on several other independent variables. It is often regarded as a predictor variable. It is a simultaneous combination of various factors to evaluate their influence and degree of impact on a particular result. It can be used to predict the effects or impacts of changes. The multiple regression analysis can be applied to obtain point estimates.

Regression model

$\hat{Y} = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X5 + \beta6X6 + \beta7X7 + ei$

Where,

$\hat{Y}$ = Investment decision (dependent variable)

X1 = Quality management

X2 = Company goodwill

X3 = Company performance

X4 = Company sectors

X5 = Market information

α = Constant

$\beta1, \beta2 \ldots \beta5$ = Regression coefficients of Factor 1 to Factor 5 respectively

ei = Error term.

Independent variables

The variable that is stable and unaffected by the other variable under investigation is known as the independent variable. These are the variables that influence the dependent variable. There are

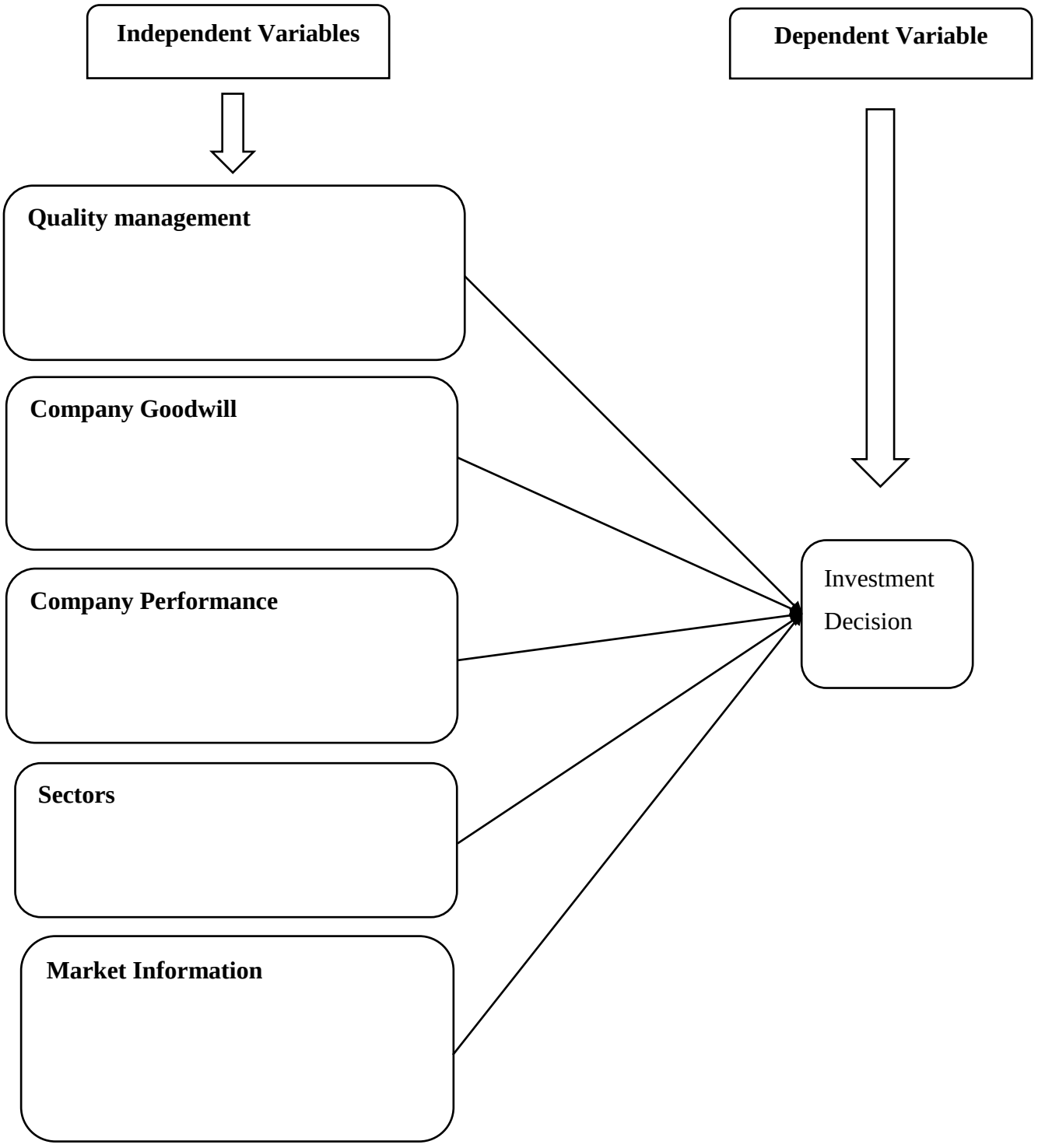
five independent variables in this research: quality management, company goodwill, company performance, company sector, and market information.

- **Quality management**
  Quality management is the act of overseeing all the activities and tasks needed to maintain a desired level of excellence. It includes factors such as the company's legitimacy, corporate governance, human resource value, and shareholder excellence.
- **Company goodwill**
  Company goodwill reflects the charm of the company. It relates to an intangible value of the business that includes the historical background of the company, its corporate profile, the age of the company, and its current financial position.
- **Company performance**
  It shows the financial indicators of the company, such as the company's return on investment, return on equity, earnings per share, dividend capacity, net worth, loans and advances, and the position of assets and liabilities.
- **Company sector**
  It represents the different sectors of the company that are listed on the Nepal Stock Exchange. Those sectors are banking, insurance, manufacturing, hydropower, and hotels.
- **Market information**
  It is information about the market and company that investors get from different sources. This includes the prospects of the company, comments in the media, and past trends about the IPO.

Dependent variable

The variable that is dependent on the independent variable is known as the dependent variable. In this research, the investment decision on an IPO is the dependent variable, which is dependent upon quality management, company goodwill, company performance, and company sector and market information.

3.8 Research Framework



CHAPTER IV

RESULTS AND DISCUSSION

This chapter outlines the analysis results obtained from the data collection process. It focuses on the analysis and interpretation of primary data gathered through a questionnaire from 400 respondents. The data were analyzed with reference to the 400 research objectives as previously outlined in the earlier chapter. The primary goal of the chapter is to analyze and interpret the collected data, ultimately presenting the findings resulting from the data analysis.

4.1 Respondent profile

The table below represents the profiles of the respondents:

Table 4.1 Distribution of respondent's profile

Profile		Frequency	Percent
Age	Below 25	65	16.25
	25-40	330	82.5
	41-55	5	1.25
	Above 55	-	-
	Total	**400**	**100**
Gender	Male	275	68.75
	Female	125	31.25
	Total	**400**	**100**
Educational Level	SLC	8	2
	Intermediate	21	5.25
	Bachelor	184	46
	Master level or above	187	46.75
	Total	**400**	**100**
Occupation	Business	65	16.25
	Investor	34	8.5
	Farmer	16	4
	Service	154	38.5
	Student	131	32.75
	Total	**400**	**100**
Investment amount in IPO	1-10 thousand	146	36.5
	10-50 thousand	111	27.75
	50-100 thousand	62	15.5
	1 lakh and above	81	20.25
	Total	**400**	**100**

Sources: Field Survey, 2023

According to Table 4.1, 16.25% of the survey participants were under 25 years old, while 82.5% were between 25 and 40 years old. Similarly, 1.25% fell into the 41-55 age group. This indicates that the majority of retail investors surveyed were in the 25-40 age bracket, which is considered youthful.

In terms of gender, 68.75% of respondents were male, while 31.25% were female, showing a higher representation of male respondents.

Regarding education, the largest portion (46.75%) had completed a master's degree, followed by 46% with bachelor's degrees, and 5.25% with intermediate education. Only a small percentage (2%) had completed schooling up to S.L.C., indicating a generally literate respondent base, which is beneficial for investor awareness.

In terms of occupation, 38.5% identified as service roles as their primary occupation, followed by 32.75% who were students, and 16.25% in business. A minority were in investment (8.5%) or farming (4%).

The majority (36.5%) of respondents had investments ranging from 1,000 to 10,000 rupees in IPOs. Those with investments between 10,000 and 50,000 rupees made up 27.75% of respondents, while 15.5% had invested between 50,000 and 1 lakh rupees, and 20.25% had investments exceeding 1 lakh rupees in IPOs.

4.2 Descriptive statistics

Descriptive statistics are used to examine the data gathered from the respondents as part of the research process. In this section, we provide frequency distributions for each service dimension from which we create our dependent variables and also present additional information, including the minimum, maximum, mean, and standard deviation for each of these dimensions. The rating of the factors was scaled, ranging from 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

4.2.1 Quality management

Quality management serves as one of the independent variables of the research. An analysis was conducted on six factors associated with quality management to determine their relationship with investment decisions. The six factors are QM1: legitimacy of the company; QM2: corporate

governance; QM3: human resource value; QM4: founder and CEO; QM5: key shareholder or promoter; and QM6: prestige of board members. These factors were assessed using a rating scale ranging from 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

Table 4.2 Descriptive statistics of quality management

Code	Opinion statement	N	Mean	Std. Deviation
QM1	Do you consider that the legitimacy of the company influences your decision to invest in an IPO?	400	2.1750	.92548
QM2	Do you consider that corporate governance plays a role in influencing your decision to invest in an initial public offering (IPO)?	400	2.4400	.97662
QM3	Do you consider the impact of human resource value while making investment decisions regarding an IPO?	400	2.4750	.96784
QM4	Do you consider that the founder and CEO influence investment decisions when it comes to an IPO?	400	2.4675	1.10317
QM5	Do you consider that key shareholders or promoters influence your investment in an IPO?	400	2.4425	1.09530
QM6	Do you consider the prestige of a board member to influence your investment decisions in the context of an IPO?	400	2.5575	1.07451
	Quality management	**400**	**2.4263**	**.74361**

Sources: Field Survey, 2023

Table 4.2 presents descriptive statistics related to the quality management factors that investors consider while making investment decisions regarding initial public offerings (IPOs). QM1 exhibits the lowest mean value of 2.1750 and a standard deviation of 0.92548, indicating that

investors prioritize the legitimacy of the company to a very high degree when deciding whether to invest in an IPO. Likewise, the mean values for QM2, QM3, QM4, and QM5 are closely aligned, suggesting that investors place significant emphasis on these factors. Additionally, QM6 is also highly regarded, with a mean value of 2.5575. The standard deviations for all factors range between 0.92 and 1.10, which indicates that all the investors have nearly the same opinion. Similarly, the overall mean value for quality management stands at 2.4263, with a standard deviation of 0.74361. This underscores the considerable importance investors place on quality management while considering investments in IPOs.

4.2.2 Company goodwill

Company goodwill is one of the independent variables in the research study. The study analyzed the five factors associated with company goodwill to find their relationship with investment decisions. The research has identified five factors: CG1 = corporate profile; CG2 = historical background; CG3 = age of the company; CG4 = prestige of board members; and CG5 = current financial position. The factors were rated on a scale ranging from 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

Table 4.3 Descriptive Statistics of Company Goodwill

Code	Opinion statement	N	Mean	Std. Deviation
CG1	Do you consider that corporate profile will influence investment decisions in IPOs?	400	1.9525	.86725
CG2	Do you consider that historical background plays a role in influencing investment decisions in IPOs?	400	2.0750	.93892
CG3	Do you consider that the age of the company impacts your investment decisions in IPOs?	400	2.2925	.96658
CG4	Do you consider that the prestige of the board member influences your investment decisions in IPOs?	400	2.5575	1.02681
CG5	Do you consider that your current financial position has an impact on your investment decisions in IPOs?	400	1.9600	.93573
	Company goodwill	**400**	**2.1675**	**0.66509**

Sources: Field Survey, 2023

The statistics presented in Table 4.3 indicate that investors place significant importance on company goodwill when making investment decisions for IPOs. The mean value of each indicator falls within the range of 1.95 to 2.55, indicating that investors attach considerable importance to every aspect of company goodwill before making investments in IPOs. The standard deviation for all factors falls within the range of 0.86 to 1.02, suggesting that investors hold very similar opinions across the board. Ultimately, the overall mean value for Company goodwill stands at 2.1675, with a standard deviation of 0.66509. This signifies that Company goodwill is a significantly influential factor when making investment decisions in IPOs.

4.2.3 Company performance

Company performance is one of the independent variables in the research. The study analyzed six factors associated with company performance to determine their relationship with investment decisions. The research has six factors, i.e., CP1 = ROI, CP2 = ROE, CP3 = price premium, CP4 = earnings per share, CP5 = dividend premium, and CP6 = capital gain. These factors are rated on a scale ranging from 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

Table 4.4 Descriptive Statistics of company performance

Code	Opinion statement	N	Mean	Std. Deviation
CP1	Do you agree that ROI influences an investor's decision to invest in an IPO?	400	2.0600	.89633
CP2	Do you agree that ROE is a factor that motivates investors to invest in IPOs?	400	2.1525	.85503
CP3	Do you consider that percentage price to be the premium considered a motivating factor for investors to participate in IPOs or FPOs?	400	2.3425	.92592
CP4	Do you consider that earning per share influences investors' decisions to invest in an IPO?	400	1.9375	.93583
CP5	Do you consider that dividend premium a more significant factor in your investment decisions regarding IPOs?	400	2.1000	.93659
CP6	Do you consider that a capital gain when participating in an IPO?	400	2.0825	.92890
	Company performance	400	2.1117	0.63907

Sources: Field Survey, 2023

The descriptive statistics presented in Table 4.4 outline the company performance metrics that investors consider when making investment decisions regarding IPOs. CP4 has the lowest mean of 1.9375, which means that investors consider earning per share more than other dimensions before investing in an IPO. Likewise, the mean values for CP1, CP2, CP5, and CP6 are quite similar, ranging from 2.06 to 2.15, indicating that investors place significant emphasis on each of these four factors. The standard deviation for all the factors falls within the range of 0.85 to 0.93, suggesting that the opinions of all investors are largely consistent or uniform. The overall mean value for Company performance stands at 2.1117, with a standard deviation of 0.63907. This suggests that Company performance is a significantly influential factor when making investment decisions in IPOs.

4.2.4 Company sector

The company sector is one of the five independent variables that relate to the dependent variable, i.e., the investment decision. An analysis was conducted to find the relationship between investment decisions and six factors related to the company sector. The six factors comprise: CS1 = investment in the banking sector; CS2 = investment in microfinance; CS3 = investment in an insurance company; CS4 = investment in a manufacturing company; CS5 = investment in the hydropower sector; and CS6 = investment in a hotel. The factors were rated on a scale ranging from 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

Table 4.5 Descriptive statistics of company sector

Code	Opinion statement	N	Mean	Std. Deviation
CS1	Do you consider that investment in the banking sector through an IPO is a preferable choice?	400	2.2375	1.37871
CS2	Do you consider that investing in microfinance is a preferable choice?	400	2.2000	.95251
CS3	Do you think it's a better choice to invest in an insurance company through an IPO?	400	2.1850	.92081
CS4	Do you consider that investing in a manufacturing company is a preferable choice?	400	2.2975	.95723
CS5	Do you think it's a better decision to invest in a hydropower company through an IPO?	400	2.3500	.97718
CS6	Do you consider that investment in the IPO of a hotel is a preferable choice?	400	2.6525	1.10671
	Company sector	**400**	**2.3290**	**0.71202**

Sources: Field Survey, 2023

The descriptive statistics provided in Table 4.5 detail the considerations investors consider regarding the company sector when making investment decisions on IPOs. Investors show a strong preference for insurance companies, with a mean value of 2.1800 and a standard deviation of 0.92452 being the lowest among the sectors considered. The overall mean value for the company sector is 2.3290, with a standard deviation of 0.71202, indicating that investors place significant emphasis on the company sector when investing in IPOs in Nepal.

4.2.5 Market information

Market information is considered one of the independent variables in the research. An analysis was conducted to analyze the relationship between investment decisions and five factors related

to market information. The five factors encompass MI1 = comment on media; MI2 = future prediction; and forecast, MI3 = new projects and prospects, MI4 = market share, and MI5 = past trends of IPO. The factors were evaluated using a scale that ranged from 1 (very high consider) to 2 (high Consider), 3 (moderate consider), 4 (low consider), and 5 (very low consider). A descriptive analysis was conducted for each question formulated, and an overall descriptive analysis for this variable is shown below:

Table 4.6 Descriptive statistics of market information

Code	Opinion statement	N	Mean	Std. Deviation
MI1	Do you consider that comments in the media have an impact on your decision to invest in an IPO?	400	2.4550	.97229
MI2	Do you consider that future predictions and forecasts influence your decision to invest in an IPO?	400	2.2725	.91670
MI3	Do you consider that new project risk and prospects influence your decision to invest in an IPO?	400	2.3300	.86775
MI4	Do you consider that market share will influence investment decisions related to IPOs?	400	2.2350	.84056
MI5	Do you consider the past trend of IPOs when making investment decisions related to IPOs?	400	2.3700	1.03478
	Market information	**400**	**2.3328**	**0.67128**

Sources: Field Survey, 2023

The statistics presented in Table 4.6 indicate that investors place significant importance on market information when making investment decisions for IPOs. The mean value of each indicator falls within the range of 2.23 to 2.45, indicating that investors attach considerable importance to every aspect of market information before making investments in IPOs. The

standard deviation for all the factors falls within the range of 0.84 to 1.03, suggesting that the opinions of all investors are nearly the same. The overall mean value for market information is 2.3328, with a standard deviation of 0.67128, indicating that investors hold a high regard for market information.

4.2.6 Investment decision

In this research, investment decision is considered the dependent variable, and other various concepts have been regarded as independent variables. The correlation between those independent variables is described individually with the dependent variable. Respondents were presented with four questions in order to examine their perceptions of making investment decisions. The questions are PID1 = Do you consider the purchase or sale of IPOs, PID2 = Do you believe that individual investors face greater risks in IPO investments, PID3 = Do you consider that IPOs are risk-free forms of investment, and PID4 = Do you consider that IPOs are guaranteed ways of earning profit? The questions are rated on a scale of 1 (very high consideration), 2 (high consideration), 3 (moderate consideration), 4 (low consideration), and 5 (very low consideration).

Table 4.7 Descriptive statistics of investment decision of respondent in IPO

Code	Opinion statement	N	Mean	Std. Deviation
PID1	Do you consider the purchase or sale of IPOs?	400	2.0975	.86305
PID2	Do you believe that individual investors face greater risks in IPO investments?	400	2.7975	1.85610
PID3	Do you consider that IPOs are risk-free forms of investment?	400	2.4575	1.15174
PID4	Do you consider that IPOs are guaranteed ways of earning profit?	400	2.5050	1.08069
	Investment decision	**400**	**2.4644**	**0.76015**

Sources: Field Survey, 2023

Table 4.7 provides descriptive statistics regarding respondents' investment decisions in IPOs. PID1 exhibits the lowest mean value of 2.0975 and a standard deviation of .86305, indicating that investors prioritize the purchase or sale of IPOs to a very high degree when deciding whether to invest in an IPO. The overall mean value is 2.4644, with a standard deviation of 0.76015, indicating that respondents give considerable importance to the four dimensions when making investment decisions in IPOs.

4.3 Inferential analysis

The purpose of this section is to outline the approach used to analyze the empirical results and test the hypothesis set established in the previous chapter. Inferential statistics encompasses procedures used by the researcher to draw conclusions or generalize observations made with samples to the broader population from which these samples were selected. It facilitates the use of one or more samples of observations to estimate values within a population. Inferential analysis involves testing hypotheses to determine whether the observed differences between groups or variables are real or occur simply by chance. It generates new information through predictions and generalizations derived from samples. This section encompasses two analytical tools, which are:

4.3.1 Correlation analysis

Pearson Correlation analysis is employed to establish the relationship between different independent and dependent variables related to the research. It measures the linear correlation between any pair of variables. This analysis was conducted for variables with simple multiple-choice responses. A correlation matrix was calculated to assess the level or degree of association among the research variables. A positive correlation indicates that the relationship's direction is positive, with one variable increasing in response to an increase in the other. On the other hand, the inverse correlation signifies the inverse of the above: when one variable decreases, the other increases.

Table 4.8 shows the correlation between independent and dependent variables.

Variables		**Investment decision**
Quality management:	Pearson Correlation	.285**
	Sig. (2-tailed)	.001
	N	400
Company goodwill:	Pearson Correlation	.306**
	Sig. (2-tailed)	.001
	N	400
Company performance:	Pearson Correlation	.235**
	Sig. (2-tailed)	.001
	N	400
Company sector:	Pearson Correlation	.332**
	Sig. (2-tailed)	.001
	N	400
Market information:	Pearson Correlation	.274**
	Sig. (2-tailed)	.001
	N	400
Investment Decision:	Pearson Correlation	1
	Sig. (2-tailed)	400
	N	

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

4.3.1.1 Relationship between quality management and investment decision

The Pearson Correlation coefficient of .285 indicates a positive correlation between the Quality Management independent variable and the Investment Decision dependent variable, signifying a relationship between Quality Management and investors' perceptions of investment decisions. This correlation is statistically significant at the 1% level.

4.3.1.2 Relationship between company goodwill and investment decision

The Pearson Correlation coefficient of .306 indicates a strong positive correlation between the Company Goodwill independent variable and the Investment Decision dependent variable, suggesting a connection between company goodwill and investment decisions. This correlation is statistically significant at the 1% level.

4.3.1.3 Relationship between company performance and investment decision

The Pearson Correlation coefficient of .235 indicates a positive correlation between the Company Performance independent variable and the Investment Decision dependent variable. This suggests that there is a relationship between company performance and investment decisions. This correlation is statistically significant at the 1% level.

4.3.1.4 Relationship between company sector and investment decision

The Pearson Correlation coefficient of .332 suggests a positive correlation between the Company Sector independent variable and the Investment Decision dependent variable. This indicates a relationship between the sector in which a company operates and investors' decisions regarding investments. This correlation is statistically significant at the 1% level.

4.3.1.5 Relationship between market information and investment decision

The Pearson Correlation coefficient of .274 indicates a positive correlation between the Market Information independent variable and the Investment Decision dependent variable. This suggests a connection between market information and investors' decisions regarding investments. This correlation is statistically significant at the 1% level.

4.3.2 Hypothesis testing

Hypothesis testing is the use of statistical methods to assess the probability that a given hypothesis is accurate. Hypothesis testing is done using inferential analysis. Inferential analysis is used to evaluate the hypothesis and ascertain whether the observation differences between groups or variables are real or occur simply by chance. If the sample data are not consistent with the statistical hypothesis, the hypothesis is rejected. Each hypothesis is evaluated and examined individually, and the analysis is performed using a statistical analysis system (SPSS) specifically

designed for this purpose. Each hypothesis is assessed using the Pearson's correlation coefficient, as shown in Table 4.8.

The results of each of these hypotheses are given below.

Table 4.9 hypothesis testing

S. N	Alternative hypothesis	Result/ Finding
H1	There is relationship between Quality management and investment decision.	0.001<0.01, H1 is accepted.
H2	There is relation between Company goodwill and investment decision.	0.001<0.01, H2 is accepted.
H3	There is relationship between Company performance and investment decision.	0.001<0.01, H3 is accepted.
H4	There is relationship between Company sector and investment decision	0.001<0.01, H4 is accepted
H5	There is relationship between Market information and investment decision.	0.001<0.01, H5 is accepted.

Sources: Field Survey, 2023

Table 4.9 indicates a significant relationship between each independent variable and the dependent variable (Investment Decision) at the 1% significance level, as evidenced by p-values lower than the alpha level of 0.01 (specifically, 0.001<0.01). Therefore, all hypotheses are accepted.

4.3.3 Regression analysis

The primary aim of multiple regressions is to learn more about the relationship between multiple independent or predictor variables and a dependent or outcome variable. In statistical modelling, regression analysis is a methodical statistical process to estimate the relationship between different variables. It encompasses a variety of techniques for modelling and analyzing multiple variables, especially when the emphasis is on the relationship between a dependent variable and

one or more independent variables. Correlation analysis can tell whether or not a strong relationship exists between two variables. While a correlational correlation can show a strong relationship between two variables, it cannot precisely reveal the exact nature or form of that relationship. In such instances, regression analysis offers more information about the slope of the relationship. It serves as a tool to describe the nature of the relationship and formulate predictions. Multiple regressions were used to investigate how independent variables such as quality management, company goodwill, company performance, company sector, and market information influence the perception of an investment decision, which serves as the dependent variable.

Statistically, a regression equation can be expressed as follows:

$\hat{Y} = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + ei.$

Where,

$\hat{Y}$ = Investment decision (dependent variable)

X1 = Quality Management

X2 = Company Goodwill

X3 = Company performance

X4 = Company Sector

X5 = Market Information

α = Constant

$\beta 1, \beta 2 \ldots \beta 5$ = Regression coefficients of Factor 1 to Factor 5 respectively

ei = Error term

Table 4.10 Model summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.399[a]	.159	.149	.70142

(Source: SPSS Version 29)

a. Predictors: (Constant), Market Information, Company Sector, Quality Management, Company Goodwill, Company Performance.
b. Dependent Variable: Investment Decision

The model summary states that the R-squared also referred to as the coefficient of determination, aids in explaining variance. With an R-squared value of 0.159 as shown in table 4.10, it signifies that the model elucidates that approximately 15.9% of the independent variables contribute to investment decisions in IPOs. Nonetheless, there is still 84.1% of variability in the research that remains unexplained. Additionally, the model summary reveals a standard error of the estimate of .70142, indicating that the observed values of investment decisions deviate from the regression line by approximately .70142 units on average.

Table 4.11 ANOVA test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.709	5	7.342	14.922	<.001[b]
	Residual	193.846	394	.492		
	Total	230.555	399			

a. Dependent Variable: Investment decision
b. Predictors: (Constant), Market Information, Company Sector, Quality Management, Company Goodwill, Company Performance

The ANOVA test indicates a calculated p-value of 0.000, which is less than the alpha value of 0.01. This suggests that the model effectively predicts the relationship between dependent and independent variables. Consequently, the independent variables—quality management, company

goodwill, company performance, and company sector and market information—play a significant role in explaining the variation in investment decisions in IPOs.

Table 4.12 Coefficient analysis

Coefficients[a]

Variables	B	Std. Error	Beta	t	Sig.
(Constant)	1.158	.160		7.222	<.001
QM	.097	.062	.094	1.562	.119
CG	.128	.069	.112	1.865	.063
CP	-.027	.071	-.022	-.373	.710
CS	.233	.060	.214	3.880	<.001
MI	.133	.064	.118	2.080	.038

(Source: SPSS Version 29)

a. Dependent Variable: Investment decision

Based on the above findings, the subsequent model has been formulated.

$\hat{Y} = 1.158 + .097\ X1 + .128\ X2 - .027\ X3 + .233\ X4 + .133\ X5$

In regression analysis, beta coefficients serve to elucidate the comparative significance of independent variables in their contribution to the variance observed in the dependent variable. The findings presented in Table 4.12 indicate that among the variables analyzed, company sector ($\beta4= 0.233$, $p<.001$) holds the highest level of significance for investment decisions, followed by market information ($\beta1=0.133$, $p=.038$), company goodwill ($\beta2= 0.128$, $p= 0.63$), quality management ($\beta3=0.097$, $p=.119$), and company performance ($\beta5=-.027$, $p=.710$). These results suggest that a one-unit increase in the company sector would correspond to a 0.233 unit increase in investment decisions while holding another variables constant. Likewise, a single-unit rise in the market information factor is associated with a 0.133 unit increase in investment decisions, while a one-unit increase in the company goodwill factor corresponds to a 0.128 unit increase in investment decisions, and so forth. In conclusion, the dimensions of quality management, company goodwill, company performance, company sector, and market information are all deemed significant. Consequently, the results of the multiple regression analysis corroborate the

alternative hypotheses, suggesting a positive association between the independent variables and the dependent variable in investment decision-making.

4.4 Discussion

In this study, a descriptive research design and a casual research design have been used to examine the perceptions of investors towards IPOs in Nepal. Various financial and statistical tools have been used to obtain the results of the study.

Correlation analysis shows that investment decisions and the company sector are significantly positively correlated at 0.332; thereafter, company goodwill is at 0.306; quality management is at 0.285; market information is at 0.274; and company performance is at 0.235. The correlation investment decision with company sector, company goodwill, quality management, market information, and company performance is significant at a 1% level of significance.

The regression analysis reveals that the beta of quality management is.097. In addition, the beta coefficients indicate that a one-unit increase in quality management would correspond to a 0.97-unit increase in investment decisions while holding another variables constant. Likewise, a single-unit rise in the company goodwill factor is associated with a 0.128 unit increase in investment decisions, while a one-unit increase in the company performance factor corresponds to a -0.27 unit increase in investment decisions. Similarly, the company sector has a beta of 0.233. It indicates that a 1 unit rise in the company sector is associated with a 0.233 unit increase in investment decisions. Lastly, the beta coefficient of market information (0.133) implies that 1 unit rise in market information would correspond to a 0.133 increase in investment decisions.

An empirical finding from the regression analysis shows that there is a positive relationship between quality management, company goodwill, company performance, company sector, and market information with investment decisions. The results can be explained as an increase in those variables will also increase in the investment decision. This outcome is consistent with the findings of Yadav (2016), Nagtilak and Kulkarni (2015), Gnawali and Niroula (2021), and Gnwali (2020) that quality management, corporate goodwill, corporate performance, company sector, and market information have a significant positive impact on investment decisions.

However, the findings from the regression analysis compared to the findings of Timsina (2018), Adhikari (2017), and Kunwar (2016) reveal that utilizing the internet, social media platforms, mobile marketing, and awareness can contribute to improving knowledge of IPOs.

D.M. and S. (2019) studied how investors perceive and approach investment decisions in the equity market. The study revealed that within the stock market, investors have varying attitudes toward risk and return. While some investors are risk bearers and some are risk avoiders, the risk-bearer attitude is influenced by a combination of personal, economic, environmental, and situational factors, including income, family size, expenditure pattern, and age. Similarly, Nagtilak and Kulkarni's (2015) research on the investor's perception of IPOs in Mumbai revealed that IPOs are perceived as risk-free investment options, where careful research and study are needed. Similarly, Vakil (2018) studied the perceptions of investors about initial public offerings and their performance in the stock market. It was concluded that a risk-return relationship exists when investing in IPOs. Investors participate in IPOs because they anticipate a higher return. Various factors, such as the company's history and expected future growth in the form of dividends, earnings per share, and price, influence their decision. The above studies possess a similar level of contribution and findings as the study titled "Perception of general investors towards IPOs in Nepal. This study clearly demonstrates that investors' perceptions of IPO investment decisions are largely affected by three factors: the company's goodwill, its financial performance, and market information. Additionally, the company sector and quality management are also factors worth considering.

CHAPTER V

SUMMARY AND CONCLUSIONS

This concluding chapter serves as a summary of the research, concluding remarks, and implications of the study. It is divided into three main sections. The first section provides a summary of the study and an overall view of the research findings. The second section draws conclusions based on the study's outcomes, and the third section offers several recommendations.

5.1 Summary

This section provides a succinct overview of the entire study, focusing on its key findings. The primary aim of this research is to identify investors' perceptions of IPOs in Nepal. The initial chapter sets the stage with a detailed background, objectives, relevance, limitations, and organization of the study.

The study's main objectives include (1) assessing the perception of investors towards IPOs in Nepal and (2) analyzing the relationship between various elements (quality management, company reputation, company performance, industry sector, and market intelligence) and an investors decision to invest (3) To examine how factors such as quality management, company reputation, and company performance, industry sector, and market information impact investment decisions. The second chapter included a literature review on the perceptions of investors about IPOs. So various national and international articles pertinent to the perception of investors towards IPOs in Nepal are reviewed. This section additionally concentrated on a thorough examination of important topics, concluding with a summary and identifying gaps for the research to address. The study aims to investigate the diverse factors that influence investors' perceptions of IPOs in Nepal.

The third chapter includes research design, population and sample, data collection techniques, data analysis, and presentation. A questionnaire consisting of 32 questions was customized to address these research hypotheses. A total of 560 questionnaires were distributed among IPO investors across different brokerage houses. Subsequently, 400 valid questionnaires were selected for data analysis. The analysis revealed that all the variables tested indeed have an impact on investment decisions. A descriptive research design and a casual research design have

been used to obtain the objectives of the study. The fourth chapter includes the presentation and analysis of data and also discusses the results of empirical testing of the perception of investors towards IPOs in Nepal. This study employs a descriptive research design and a casual research design for data analysis. Interpretation and comments are also made in the analysis section if needed. This chapter also highlighted the major findings of the study.

5.2 Conclusions

According to the objectives and analysis of the study, the following conclusions have been obtained from the data collection.

The regression analysis reveals that the beta of quality management is.097. In addition, the beta coefficients indicate that a one-unit increase in quality management would correspond to a.097 unit increase in investment decisions while holding another variables constant. Similarly, an increase of one unit in the market information factor is linked with a 0.133 unit rise in investment decisions, while an increment of one unit in the company goodwill factor correlates with a 0.128 unit increase in investment decisions. Likewise, an increment of one unit in company performance is linked with a -.027 unit rise in investment decisions. Lastly, the beta coefficient of 0.233 for the company sector implies that a one-unit increase in the company sector would correspond to a.233 unit increase in investment decisions while holding another variables constant.

The correlation analysis reveals significant positive correlations between investment decisions and various factors. This finding suggests that as variable quality management increases by.285 units, variable investment decisions tend to increase by the same unit as well. Between company goodwill and investment decisions, the correlation coefficient is 0.306, indicating a moderately positive correlation between the two variables. Similarly, the company performance and Investment decisions are correlated by 0.235, which indicates a moderately positive relationship between the two variables. The correlation between corporate sector and investment decision is positive, i.e., 0.332. variables. Lastly, market information and investment decisions are correlated by 0.274, indicating a moderately positive correlation between two variables.

Likewise, the findings of the study show a significant positive relationship between the investment decision and quality management, company goodwill, company performance,

company sector, and market information. Furthermore, the study shows that the study of investors' perceptions of IPOs in Nepal is helpful for investors since these variables have significant explanatory power and can be utilized for making effective projections for investment decisions.

5.3 Implication and recommendations

This research delves into investors' perceptions of Nepal's IPO market, analyzing the interplay and impact of various factors such as quality management, company goodwill, company performance, and market information on investment decisions in IPOs. The study reveals a positive correlation among these variables, highlighting investors' thorough consideration of these factors before committing to IPO investments. Particularly, investors prioritize factors like company performance, company goodwill, and company sector, alongside market information and quality management, when engaging in IPO investments. Consequently, this study offers valuable insights for stakeholders entering this sector, including companies, issue managers, regulatory bodies like NRB, NEPSE, and SEBON, as well as students and researchers seeking to understand the prevailing investor psychology in primary markets.

The study's results suggest that government and regulatory entities should actively promote the dissemination of information regarding the knowledge and skills required for making investment decisions. Doing so can foster a perception of Initial Public Offerings (IPOs) as a feasible and relatively safe investment choice, potentially encouraging more individuals to consider them.

The research findings of this study propose the following suggestions to act as a framework for future research endeavors with similar objectives, with a focus on enhancing the Perception of Investors regarding Initial Public Offerings (IPOs) in Nepal.

The study's interpretations highlight key strategies for success in the Nepalese stock market. Investors should possess a clear understanding of their strengths, weaknesses, requirements, risk tolerance, and how to adapt to evolving market conditions. They should refrain from purchasing shares in a company without thorough knowledge of its details. Prior to investing, all investors should thoroughly review the company's financial information, prospects, and other relevant details, rather than being influenced by market trends or rumors. Investment bankers and issuers play crucial roles in the IPO process; therefore, they should prioritize providing transparent,

efficient, and hassle-free services to encourage greater public participation in IPOs. Issuing companies should carefully select the type of offerings and gauge market sentiment to ensure the success of their IPOs. Notably, many IPO subscribers in Nepal are short-term investors seeking quick profits upon listing, often lacking awareness of the IPO process and viewing it primarily as a means of short-term gain rather than a long-term investment.

I. This study exclusively concentrated on the five factors. However, future investigations exploring the correlation could shed light on additional variables that might influence investment decisions beyond those addressed in this study.
II. Since this study is primarily academic, the sample size is limited. For professional research purposes, enhancing the sample size is essential to minimize errors and ensure broader applicability of the results.
III. This study was limited to the Kathmandu district. To enhance the effectiveness and authenticity of the research, it could be expanded to cover the entire country.
IV. The relevant regulatory body ought to carry out diverse research endeavors and share information concerning stock trading activities. This will enhance investors' comprehension of using financial instruments to assess a company's intrinsic share value before making investment decisions.
V. A suggestion for future researchers is to utilize a larger sample size comprising the entire stock market to identify the precise scenario of the stock market in Nepal.
VI. The data collection in this study was solely through questionnaires, survey forms, and feedback. Future researchers could consider employing detailed interview techniques to gather responses and better understand investors' perceptions toward IPOs in Nepal.

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Appendix-I

Research Questionnaire "Perception of Investors Towards Initial Public Offering (IPO) In Nepal"

Dear investors,

I am Rakhsya Bhatta, currently pursuing a Master of Business Studies with Finance as a major at the Central Department of Management, Tribhuvan University. As a part of the MBS study, I am conducting a research project titled "Perception of Investors Towards Initial Public Offering (IPO) in Nepal. I kindly ask for your participation in filling out this questionnaire as an investor in an IPO. This study is solely for educational purposes, and the information given will be handled confidentially and only for the purpose of this research. Your valuable response and time are greatly appreciated.

Respondents Profile

1. Name: ……. 2. Age: …… 3. Gender: ☐Male ☐Female

4. Education: ☐SLC ☐Intermediate ☐Bachelor ☐Master level or above

5. Occupation: ☐Business ☐Investor ☐Farmer ☐Service ☐Student

6. Investment amount in IPOs: ☐1 - 10 thousand ☐10 – 50 thousand ☐50 – 100 thousand ☐1 lakh and above

Which factors do you consider more in the IPOs Investment?

1. Very High Consider 2. High Consider 3. Moderate Consider

4. Low Consider 5. Very Low Consider

S.N.	FACTORS	1	2	3	4	5
A.	**Quality Management**					
1.	Do you consider that the legitimacy of the company influences your decision to invest in an IPO?					
2.	Do you consider that corporate governance plays a role in					

influencing your decision to invest in an initial public offering (IPO)?

3. Do you consider the impact of human resource value while making investment decisions regarding an IPO?
4. Do you consider that the founder and CEO influence investment decisions when it comes to an IPO?
5. Do you consider that key shareholders or promoters influence your investment in an IPO?
6. Do you consider the prestige of a board member to influence your investment decisions in the context of an IPO?

B. Company Goodwill

1. Do you consider that corporate profile will influence investment decisions in IPOs?
2. Do you consider that historical background plays a role in influencing investment decisions in IPOs?
3. Do you consider that the age of the company impacts your investment decisions in IPOs?
4. Do you consider that the prestige of the board member influences your investment decisions in IPOs?
5. Do you consider that your current financial position has an impact on your investment decisions in IPOs?

C. Company Performance

1. Do you agree that ROI influences an investor's decision to invest in an IPO?
2. Do you agree that ROE is a factor that motivates investors to invest in IPOs?
3. Do you consider that percentage price to be the premium considered a motivating factor for investors to participate in IPOs or FPOs?

4. Do you consider that earning per share influences investors' decisions to invest in an IPO?
5. Do you consider that dividend premium a more significant factor in your investment decisions regarding IPOs?
6. Do you consider that a capital gain when participating in an IPO?

D. Company Sectors

1. Do you consider that investment in the banking sector through an IPO is a preferable choice?
2. Do you consider that investing in microfinance is a preferable choice?
3. Do you think it's a better choice to invest in an insurance company through an IPO?
4. Do you consider that investing in a manufacturing company is a preferable choice?
5. Do you think it's a better decision to invest in a hydropower company through an IPO?
6. Do you consider that investment in the IPO of a hotel is a preferable choice?

E. Market Information

1. Do you consider that comments in the media have an impact on your decision to invest in an IPO?
2. Do you consider that future predictions and forecasts influence your decision to invest in an IPO?
3. Do you consider that new project risk and prospects influence your decision to invest in an IPO?
4. Do you consider that market share will influence investment decisions related to IPOs?
5. Do you consider the past trend of IPOs when making investment decisions related to IPOs?

F. Perception in Investment Decision

1. Do you consider the purchase or sale of IPOs?
2. Do you believe that individual investors face greater risks in IPO investments?
3. Do you consider that IPOs are risk-free forms of investment?
4. Do you consider that IPOs are guaranteed ways of earning profit?

Thanks for your time and consideration.

Appendix-II

Gender Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	275	68.8	68.8	68.8
	Female	125	31.3	31.3	100.0
	Total	400	100.0	100.0	

Age Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 25	65	16.3	16.3	16.3
	25 - 40	330	82.5	82.5	98.8
	41 - 55	5	1.3	1.3	100.0
	Total	400	100.0	100.0	

Education Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SLC	8	2.0	2.0	2.0
	Intermediate	21	5.3	5.3	7.3
	Bachelor	184	46.0	46.0	53.3
Master	level or above	187	46.8	46.8	100.0
	Total	400	100.0	100.0	

Occupation Distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Business	65	16.3	16.3	16.3
	Investor	34	8.5	8.5	24.8
	Farmer	16	4.0	4.0	28.7
	Service	154	38.5	38.5	67.3
	Student	131	32.8	32.8	100.0
	Total	400	100.0	100.0	

Investment amount in IPOs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-10 thousand	146	36.5	36.5	36.5
	10-50 thousand	111	27.8	27.8	64.3
	50-100 thousand	62	15.5	15.5	79.8
	1 lakh and above	81	20.3	20.3	100.0
	Total	400	100.0	100.0	

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.819	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.742	5

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.791	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.738	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.771	5

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	400	100.0
	Excluded[a]	0	.0
	Total	400	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.369	4

Appendix-III

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Do you consider that the legitimacy of the company influences your decision to invest in an IPO?	400	1.00	5.00	2.1750	.92548
Do you consider that corporate governance plays a role in influencing your decision to invest in an initial public offering (IPO)?	400	1.00	5.00	2.4400	.97662
Do you consider the impact of human resource value while making investment decisions regarding an IPO?	400	1.00	5.00	2.4750	.96784
Do you consider that the founder and CEO influence investment decisions when it comes to an IPO?	400	1.00	5.00	2.4675	1.10317
Do you consider that key shareholders or promoters influence your investment in an IPO?	400	1.00	5.00	2.4425	1.09530

Do you consider the prestige of a board member to influence your investment decisions in the context of an IPO?	400	1.00	5.00	2.5575	1.07451
Do you consider that corporate profile will influence investment decisions in IPOs?	400	1.00	5.00	1.9525	.86725
Do you consider that historical background plays a role in influencing investment decisions in IPOs?	400	1.00	5.00	2.0750	.93892
Do you consider that the age of the company impacts your investment decisions in IPOs?	400	1.00	5.00	2.2925	.96658
Do you consider that the prestige of the boardmember influences your investment decisions in IPOs?	400	1.00	5.00	2.5575	1.02681
Do you consider that your current financial position has an impact on your investment decisions in IPOs?	400	1.00	5.00	1.9600	.93573

Do you agree that ROI influences an investor's decision to invest in an IPO?	400	1.00	5.00	2.0600	.89633
Do you agree that ROE is a factor that motivates investors to invest in IPOs?	400	1.00	5.00	2.1525	.85503
Do you consider that percentage price to be the premium considered a motivating factor for investors to participate in IPOs or FPOs?	400	1.00	5.00	2.3425	.92592
Do you consider that earning per share influences investors' decisions to invest in an IPO?	400	1.00	5.00	1.9375	.93583
Do you consider that dividend premium a more significant factor in your investment decisions regarding IPOs?	400	1.00	5.00	2.1000	.93659
Do you consider that a capital gain when participating in an IPO?	400	1.00	5.00	2.0825	.92890
Do you consider that investment in the banking sector through an IPO is a preferable choice?	400	1.00	22.00	2.2375	1.37871

Do you consider that investing in microfinance is a preferable choice?	400	1.00	5.00	2.2000	.95251
Do you think it's a better choice to invest in an insurance company through an IPO?	400	1.00	5.00	2.1850	.92081
Do you consider that investing in a manufacturing company is a preferable choice?	400	1.00	5.00	2.2975	.95723
Do you think it's a better decision to invest in a hydropower company through an IPO?	400	1.00	5.00	2.3500	.97718
Do you consider that investment in the IPO of a hotel is a preferable choice?	400	1.00	5.00	2.6525	1.10671
Do you consider that comments in the media have an impact on your decision to invest in an IPO?	400	1.00	5.00	2.4550	.97229
Do you consider that future predictions and forecasts influence your decision to invest in an IPO?	400	1.00	5.00	2.2725	.91670
Do you consider that new project risk and prospects influence your decision to invest in an IPO?	400	1.00	5.00	2.3300	.86775

Do you consider that market share will influence investment decisions related to IPOs?	400	1.00	5.00	2.2350	.84056
Do you consider the past trend of IPOs when making investment decisions related to IPOs?	400	1.00	5.00	2.3700	1.03478
Do you consider the purchase or sale of IPOs?	400	1.00	5.00	2.0975	.86305
Do you believe that individual investors face greater risks in IPO investments?	400	1.00	23.00	2.7975	1.85610
Do you consider that IPOs are risk-free forms of investment?	400	1.00	5.00	2.4575	1.15174
Do you consider that IPOs are guaranteed ways of earning profit?	400	1.00	5.00	2.5050	1.08069
Valid N (listwise)	400				

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality Management	400	1.00	5.00	2.4263	.74361
Company Goodwill	400	1.00	5.00	2.1675	.66509
Company Performance	400	1.00	4.33	2.1125	.63903
Company Sector	400	1.00	5.17	2.3204	.69832
Market Information	400	1.00	4.60	2.3325	.67117
Investment Decision	400	1.00	7.50	2.4644	.76015
Valid N (listwise)	400				

Regressions

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Market Information, Company Sector, Quality Management, Company Performance, Company Goodwill[b]		. Enter

a. Dependent Variable: Perception in Investment Decision

b. All requested variables entered.

Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
.399[a]	.159	.149	.70142

a. Predictors: (Constant), Market Information, Company Sector, Quality Management, Company Performance, Company Goodwill

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.709	5	7.342	14.922	<.001[b]
	Residual	193.846	394	.492		
	Total	230.555	399			

a. Dependent Variable: Perception in Investment Decision

b. Predictors: (Constant), Market information, Company Sectors, Quality Management, Company Performance, Comapany Goodwill

Coefficients[a]

Variables	B	Std. Error	Beta	t	Sig.
(Constant)	1.158	.160		7.222	<.001
QM	.097	.062	.094	1.562	.119
CG	.128	.069	.112	1.865	.063
CP	-.027	.071	-.022	-.373	.710
CS	.233	.060	.214	3.880	<.001
MI	.133	.064	.118	2.080	.038

a. Dependent Variable: Perception in Investment Decision

Correlations

Correlations

		PID	QM	CG	CP	CS	MI
PID	Pearson Correlation	1	.285**	.306**	.235**	.332**	.274**
	Sig. (2-tailed)		<.001	<.001	<.001	<.001	<.001
	N	400	400	400	400	400	400
QM	Pearson Correlation	.285**	1	.528**	.534**	.407**	.476**
	Sig. (2-tailed)	<.001		<.001	<.001	<.001	<.001
	N	400	400	400	400	400	400
CG	Pearson Correlation	.306**	.528**	1	.474**	.464**	.475**
	Sig. (2-tailed)	<.001	<.001		<.001	<.001	<.001
	N	400	400	400	400	400	400
CP	Pearson Correlation	.235**	.534**	.474**	1	.459**	.470**
	Sig. (2-tailed)	<.001	<.001	<.001		<.001	<.001
	N	400	400	400	400	400	400
CS	Pearson Correlation	.332**	.407**	.464**	.459**	1	.323**
	Sig. (2-tailed)	<.001	<.001	<.001	<.001		<.001
	N	400	400	400	400	400	400
MI	Pearson Correlation	.274**	.476**	.475**	.470**	.323**	1
	Sig. (2-tailed)	<.001	<.001	<.001	<.001	<.001	
	N	400	400	400	400	400	400

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

PERCEPTION OF INVESTORS TOWARDS IPO IN NEPAL

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ABSTRACT Investment in stock market helps to mobilize which in turns helps in development of the economy. Investment in shares will be started from primary market through the purchase of Initial Public Offering and further will be traded in secondary market. The investor can buy and sell the existing shares at the market price in the Nepal Stock Exchange. In Nepal, billions of capitals is **raised every year through IPO. Nepalese investor seems to be highly attracted towards the IPO market. This research entitled perception of investors towards initial public offering (IPO) in Nepal**

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The main purpose of the study is to examine perception of investor towards IPO, to analyze the relationship between different factors (Quality management, Company Goodwill, Company performance, Company sector and Market information) and investment decision and to examine the impact of such factors on investment decision in IPO. The research is primarily based on primary data. Data was collected from 400 **respondents who were connected at five different brokerage** firm **at Kathmandu district. The** descriptive and **inferential analysis was preferred in SPSS by using statistical tools such as** mean **and**