

INVESTORS RESPONSE TO INITIAL PUBLIC OFFERING IN NEPAL

A Thesis

Submitted By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledge within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the bibliography section of the thesis.

.....

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Date:

RECOMMENDATION LETTER

It is certified that thesis entitled **INVESTORS RESPONSE TO INITIAL PUBLIC OFFERING IN NEPAL** submitted by Jhuma Timsina is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 90 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **INVESTORS RESPONSE TO INITIAL PUBLIC OFFERING IN NEPAL** presented by **Jhuma Timsina**, a candidate for the degree of **Master of Business Studies (MBS-Semester)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Researcher

TABLE OF CONTENTS

	Page No.:
<i>Certificate of Authorship</i>	<i>II</i>
<i>Recommendation Letter</i>	<i>III</i>
<i>Approval Sheet</i>	<i>IV</i>
<i>Acknowledgements</i>	<i>V</i>
<i>Table of Contents</i>	<i>VI</i>
<i>List of Table</i>	<i>X</i>
<i>List of Figure</i>	<i>XII</i>
<i>Abbreviations</i>	<i>XIII</i>
<i>Abstract</i>	<i>XIV</i>
CHAPTER-I INTRODUCTION	1-8
1.1 Background of the Study	1
1.2 Statement of the Problem & Research Question	4
1.3 Objectives of the Study	6
1.4 Significance of the Study	6
1.5 Limitation of the Study	7
1.6 Chapter Plan	8
CHAPTER-II LITERATURE REVIEW	9-27
2.1 Conceptual Review	9
2.2 Empirical Review	18
2.2.1 Review of Journals and Articles	18
2.2.2 Review of Previous Thesis	24

2.3 Research Gap and Conceptual Framework	25
---	----

CHAPTER-III RESEARCH METHODOLOGY 28-29

3.1 Research Design	28
---------------------	----

3.2 Nature and Sources of Data	28
--------------------------------	----

3.3 Population and Sample	28
---------------------------	----

3.4 Data Collection and Procedure	29
-----------------------------------	----

3.5 Tools and Technique of the Data Analysis	29
--	----

3.5.1 Percentage Analysis	29
---------------------------	----

3.5.2 Chi- square Analysis	29
----------------------------	----

CHAPTER-IV DATA PRESENTATION AND ANANYSIS 30-55

4.1 Introduction	30
------------------	----

4.2 Analysis of Primary Data	30
------------------------------	----

4.2.1 Education and Training	30
------------------------------	----

4.2.1.1 Formal Education	30
--------------------------	----

4.2.1.2 Formal Training for IPO	31
---------------------------------	----

4.2.1.3 Crash Courses Related to IPO	32
--------------------------------------	----

4.2.1.4 Training Host by Formal Organization	32
--	----

4.2.2 Understanding of Subject	33
--------------------------------	----

4.2.2.1 Know About Share	33
--------------------------	----

4.2.2.2 Habit of Studying Company Prospects	33
---	----

4.2.2.3 Aware about the Financial Performance of companies	34
--	----

4.2.2.4 Things that Look in Primary Market	34
--	----

4.2.2.5 Expectation towards Preferring to Invest	35
4.2.2.6 Bases of Decision for Investment	35
4.2.3 Access to Information	36
4.2.3.1 Sources of Information	36
4.2.3.2 Causes for Limited People Involved in IPO	37
4.2.3.3 Getting Information from Data Base	38
4.2.3.4 Formal Training for Information	38
4.2.3.5 Getting Information from Bank Employees	38
4.2.4 Investment Portfolio	39
4.2.4.1 Financial Sector for Investment	39
4.2.4.2 Non- Financial Sector for Investment	40
4.2.4.3 Difficulties faced while applying IPO	40
4.2.4.4 Motive of Investment in Primary Market	41
4.2.4.5 Causes of Over Application in IPO	41
4.2.4.6 Number of Company's securities Invested	42
4.2.4.7 Nepal Present Condition is Suitable or Not for Investment	43
4.5 Motive of Investment	43
4.6 Testing of Hypothesis	43
4.6.1 Testing Chi- square by Formal Education on IPO in Financial Sector	43
4.6.2 Testing Chi- square by Formal Training for IPO in Financial Sector	45
4.6.3 Testing Chi-Square by Crash Courses Related to IPO in Financial Sector	46
4.6.4 Testing Chi-square by Attended the Training Host by Formal Organization in Financial Sector	47
4.6.5 Testing Chi-square by Formal Education in Non-Financial Sectors	48
4.6.6 Testing Chi-square by Formal Training for IPO in Non-Financial sector	49

4.6.7 Testing Chi-square by Crash Courses Related to IPO in Non financial Sector	51	
4.6.8 Testing Chi-square by Attended the Training host by Formal Organization in Non Financial sector	52	
4.6.9 Hypothesis Summary	53	
4.7 Major Finding	54	
CHAPTER-V	SUMMARY, CONCLUSION AND IMPLICATION	56-61
5.1 Summary	56	
5.2 Conclusion	58	
5.3 Implication	60	
5.3.1 Managerial Implication	60	
5.3.2 Future Researcher Implication	60	
REFERENCES		
APPENDIX		

LIST OF TABLES

Table No.	Title	Page no.
Table 2.1	Registration Fee on Issue	16
Table 2.2	The Allotment Period of Securities	17
Table 4.1	Formal Education	31
Table 4.2	Formal Training for IPO	31
Table 4.3	Crash Courses Related to IPO	32
Table 4.4	Training host by Formal Organization	32
Table 4.5	Know about Share	33
Table 4.6	Read Prospects of the Financial Performance of Company	34
Table 4.7	Aware about the Financial Performance of Companies	34
Table 4.8	Base for Investment Decision	35
Table 4.9	Expectation from Investment	35
Table 4.10	Decision for Investment	36
Table 4.11	Sources of Information	37
Table 4.12	Causes for limited People Involved in IPO	37
Table 4.13	Getting Information from Data base	38
Table 4.14	Formal Training for Information	38
Table 4.15	Getting Information from Bank Employees	39
Table 4.16	Preferred Financial Sector	39
Table 4.17	Preferred Non- financial Sector	40
Table 4.18	Difficulties face after applying in IPO	41
Table 4.19	Motive to invest in IPO	41

Table 4.20	Causes of Over Application in IPO	42
Table 4.21	Number of Invested Companies	42
Table 4.22	Nepal's Present Condition is Suitable or not for Investment	43
Table 4.23	Relationship between Formal Education on IPO and Financial sector	44
Table 4.24	Relationship between Formal Training and Financial sector	45
Table 4.25	Relationship between Crash Courses related to IPO and Financial sector	46
Table 4.26	Relationship between Training host by Formal Organization and Financial Sector	47
Table 4.27	Relationship between Formal Education and Non- financial sector	48
Table 4.28	Relationship between Formal Training and Non- financial sector	50
Table 4.29	Relationship between Crash Courses related to IPO and Non- financial Sector	51
Table 4.30	Relationship between Training host by Formal Organization and Non- financial sector	52
Table 4.31	Hypothesis Test Summary	53

LIST OF FIGURES

Figure No.	Title	Page No.
Figure 2.3	Conceptual Framework	25

LIST OF ABBREVIATION

BOD	=	Board of Director
BSE	=	Bombay Stock Exchange
IPO	=	Initial Public Offering
NEPSE	=	Nepal Stock Exchange Limited
NRB	=	Nepal Rastra Bank
NYSE	=	New York Stock Exchange
ROC	=	Offices of the Registrar of Companies
SEBON	=	Security Board of Nepal
SEC	=	Securities Exchange Centre
NIM	=	New Issue Market
NATS	=	NEPSE Automated Trading System
VEC	=	Vector Error Correction

ABSTRACT

This paper concerns themes with Initial Public Offerings (IPOs) in the Nepalese capital market. The tremendous increase in the public companies has also embraced IPOs in the same pace. Initial public offering is the most phenomenal event of an organization. IPOs are the normally issued by small and new companies who are in need of capita to expand their business, but sometimes large companies also issue them for public trading. IPOs is found to be oversubscribed specially in the case of companies in the finance sector. The paper deals with the IPOs and public awareness in IPOs.

The main aim of this study is to analyze level of awareness, to identify the public response towards the IPO of financial and non financial sector in Nepalese market. The study aimed to evaluate the investors' motive to investment. This study is based on primary data through structured questionnaire, personally distributed to the investors. Data are analyzed by using appropriate statistical tools and percentage analysis as well as describe by tables. Descriptive research design has been used to collect the opinions and to know about response of respondents by convenience sampling technique. The main conclusion of this study is there is awareness of the investors towards on IPO. Specially, commercial banks, finance company, and hydropower are more preferable. And there is also relationship between awareness and investment decision of investor.

CHAPTER- I

INTRODUCTION

1.1 Background of the study

Share is a unit of ownership that represents an equal proportion of a company's capital. It entitles its holder (the shareholder) to an equal claim on the company's profits and an equal obligation for the company's debts and losses. Two major types of share are (1) ordinary shares (common stock), which entitle the shareholders to share in earnings of the company as and when they occur, and to vote at the company's annual general meeting and other official meetings, and (2) preference shares (preferred stock) which entitle the shareholder to a fixed periodic income (interest) but generally do not give him or her voting right.

An initial public offering is a specific case of public issue. It is the first equity offering by a company to the public at large. The shares are then listed on the stock exchange to facilitate trading in them. Thus IPO is basically company's first sale of stock to the public. Typically an IPO involves stocks from young and often times, little known companies but occasionally well established and well known firm do go public for a company, the cost of borrowing money through IPO is less in comparison to other popular option available in the market. Through IPO, company diversifies its equity base to large number of investors. When securities is listed in stock exchanges, it also gets benefited in term of brand building as its being discussed on almost day to day basis among millions of investor and export (Singh,2012).

The capital market classified in to two types:

- 1) Primary market
- 2) Secondary market

A primary market referred to as the issue market since it deals with new securities i.e. which have not been previously traded and are offered to the public for the first time. The market therefore derives its name from the fact that it makes available new block of securities for the public subscription. The stock of the company that is issued to the public for the first time is called initial public offerings in the capital market parlance. The securities issued in new issue market (NIM) are then traded in secondary market Singh (2012). Primary market issues can be classified in to three types.

- 1) Initial Public Offering (IPO)
- 2) Further Public Offering (FPO)
- 3) Rights Issue

An initial public offering is a specific case of public issue; it is the first equity offering by a company to the public at large. The shares are then listed on the stock exchange to facilitate trading in them. Thus IPO is basically company's first times, little known companies. But occasionally well established and well known firms do go public.

An Initial Public Offerings (IPO) refers to the first issue of shares a company makes available to the general public. It is a one-time transaction between a company and its shareholders. This sale of new shares takes place in a market is called the "Primary Market." Companies that want to list their shares on an exchange must meet stringent financial, public distribution and management standards set by the exchange. After these standards are met, companies are listed on the exchange and shares are available to the general public. After a company launches its IPO, shares are bought and sold in what is called the "Secondary Market." (Kukreja, 2012). Initial Public Offer (IPO) is a way through which a company sells the shares to the public for the first time to raise the fund for its future projects and gets listed in the stock exchange. All the traded stocks are listed in NEPSE in Nepal. The security which the companies issue for the first time to the public either after incorporation or on conversion from private to public company is called IPO. Company raising money through IPO is called as 'Company Going Public'. Public offering is a security offering where all the investors have the opportunity to acquire a portion of the financial claims being sold (Keown and Petty, 2009).

Rajagopala and Joseph (1999) revealed the various risks experienced by investors in corporate securities and the measures adopted for reducing risks. They opined that calculated risk might reduce the intensity of loss of investing. As per their study, many investors were holding shares of those companies that were non-existent. They opined that investors may accept risks inherent in equity, but they may not be willing to reconcile to the risk of fraud. Promoters should not be allowed to loot the genuine investors by their fraudulent acts.

Hvidkjaer (2008) analyzed the relationship between retail investor trading behavior and the cross section of future stock returns. The result suggests that stocks favoured by retail investors subsequently experience prolonged underperformance relative to stock out of favor with them. This results link the systematic component of retail investor behavior to future returns, i.e. informed investors might begin selling stocks that they believe to be overvalued. The overvaluation that these investors perceived could be driven by changes in firms fundamental values. (Mittal and Vyas, 2008) explored the relationship between various demographic factors and the investment personality exhibited by the investors. Empirical evidence suggested that factors as income, education and marital status affect an individual's investment decision. Further the results revealed that investors can be classified into four dominant investment personality namely casual, technical, informed and cautious.

Rajarajan (2000) classified investors on the basis of their demographics. He found the investors' characteristics on the basis of their investment size and the percentage of risky assets to total financial investment had declined as the investor moves up through various stages in life cycle. Further, he noted investor' lifestyles based characteristics.

The inception of the capital market has been provided investment opportunity for individual and institutional investors in Nepal. The investment being the current sacrifice of spending for the future benefits and the capital formation is an essential macroeconomic parameter that enlarges the economic activities in the economy. The capital markets acts as a mechanism that creates investments alternatives for the saving groups and long -term fund for individual, institutions, and for government. The history of the capital market was began in early seventeen century, the Amsterdam Stock Exchange is considered as the oldest stock exchange in the world which was started in 1602 followed by Paris Bourse in 1724 in Paris, France. The Bombay Stock Exchange was established in 1875 in a pioneer stock exchange in South Asia. The practice of stock exchange in Nepal is of recent phenomenon which was started after issuance of common stock by Biratnager Jute Mills Ltd. in 1937 A.D. whereas; the oldest existing stock certificate was issued in 1606 for Dutch Company. The history of securities exchange in Nepal shows that the first amendment in Securities Exchange Act, 1983 in 1993 paved the way for the restructuring of stock market in Nepal, which led to establish Securities Board of

Nepal (SEBON) in 1993 with a mandate to regulate and develop the stock market. The Act also led to convert the then Securities Exchange Centre (SEC) into Nepal Stock Exchange (NEPSE), a fully fledged open-out-cry- trading system with the induction stock brokers in January 13, 1994. With the existence of stock exchange, numbers of financial institutions, investment groups and independent investors have been engaging in financial sector in term of their association in banking and finance, insurance, manufacturing and service industries and hydropower sectors. As a result, the practitioners and beneficiaries or the investment communities have grown tremendously in the short period. Such speedy growth also raised the issue of the quality of growth (Kadariya & Subedi 2012).

Investor awareness is the knowledge of investment and about the important updates of the market to expand and to achieve the sustainable growth of economy, investor awareness and their commitment for the long term investment play a vital role. Thus, it is expected that the awareness and the commitment move in the same direction, and their association contributes a lot to the economic development. Capital market which is classified into primary market - raise the seed capital through initial public offering and the secondary market - the only platform which retains the long term investment through exchange of the securities. More specifically, secondary market provides liquidity to the economy through the role of financial intermediaries and those intermediaries have directly connected with the individual investors. Thus, they might be sufficient room at the end of brokerage firms and the financial intermediaries to play a vital role for creating investor awareness in Nepalese financial market (Joshi & Nyaupane 2012).

Companies generally issue the share as per the financial need of the company. To conclude, an IPO is the corporation's first sale of shares to the public investors to raise capital. While IPO are effective at raising capital, the issuing corporation should take care of regulatory and legal compliance and reporting requirements.

1.2 Statement of the Problems and Research Questions

The problem towards which this study is principally directed is to determine the responses of public towards IPO in Nepalese market, how the primary market is growing and what the investor expects from his or her investment, etc. The capital market in Nepal is still in the developing phase and many people do not have enough

knowledge about stocks and how capital market operates. At such, how people take on new issues of the corporation is something the study is directed. What will be the responses of public towards IPO in developing economy like ours? How many people are aware about stocks and the new issues made by the corporation?

Nagtilak & Kulakrni (2015) conducted a study on the investors' perception towards IPO in Mumbai, India taking the responses of 103 people out of which only 95 had invested in IPO. They concluded that IPO is no more a risky investment alternative as many people have shown confidence in IPO and prefer to invest in IPO. Major factors influencing the IPO are goodwill of the company, Market share of the company and current financial position of the company. The least considered factors are corporate profile and size of the IPO issued.

Lowry and Schwert (2002) through their paper "is the IPO Pricing Process Efficient" seek to throw light on the inefficient pricing of IPOs by examining underwriters' treatment of public information throughout the entire IPO pricing process. The article focuses on two issues; is public information fully incorporated into the initial price range and secondly into the final offer price.

Ritter (1998) conducted a survey on the market for Initial Public Offerings. It discusses the process of going public, valuation of IPOs, book building, price stabilization and costs and benefits of going public. It concludes that companies going public, especially young companies face a market which is subject to sharp swings in valuations.

Panday (2001) carried a study with the objective of identifying the problems of primary share issue market, assess the growth of primary issue market, analyze the pattern of public response to shares and find the reasons of variations. Pandey has summarized his findings as: public response in primary market is high due to lack of opportunities for investment in other fields. No proper investment analysis has been made. Despite this, public are attracted towards shares than other sectors, basically to increase their value of investment, be it dividend capital gain or bonus shares. It can be seen that public response to primary issues on banking and financial sectors is normally higher than that of the manufacturing and services sector.

We can see the increasing interest of public in the primary market instruments in the recent past. Most of the public offerings have been successfully made since the investors have considerable concern and willingness for investment in these securities (SEBON, Annual Report). So, how is the public taking their investment in new offering? Whether they are making the investment to reap the benefit in short period or they are planning of long term investment? This study is concerned towards all these things.

The study is done to know the perceptions of the investor regarding the investment in the securities through primary market. Also, this study is concentrated to determine which sector the investor prefers the most to make their investment. We can find oversubscription by a huge amount in some sectors while other sectors don't get that many applications. So, the variation in the responses of public is also what the study is focused at. Some of the major statement of problems in this study is as follows:-

1. What is the level of awareness on IPO in Nepal?
2. What is the motive of investment in primary market?
3. What is the investor's response towards IPO of various sectors?

1.3 Objectives of the Study

The prime objective of this study is to gain insight on how public investors respond to IPO in Nepal. The main objectives of the study are as follows:-

1. To identify the level of awareness on IPO in Nepal.
2. To analyze the motive of investment in primary market.
3. To determine how investors respond to various sectors for investment.

1.4 Significance of the Study

There are several studies that have been carried out on the investors' response to the IPO. Most of the studies previously focused on risk experienced by investors in corporate securities, relationship between retail investor trading behavior and the cross section of future stock returns, pricing of IPOs, process of going public, valuation of IPOs, book building, price stabilization and costs and benefits of going public, problems of primary share issue market, assess the growth of primary market, pattern of public response to shares. The main reason for this research work is to

analyze the awareness of investor. So that this study will also important to help to get answer of above research question.

Singh, (2012) present study attempts to examine the investors' perception on initial public offer. In measuring the perception of the investor's on the objective of raising an IPO it can be clearly that seen that the majority of the sample agrees that they do keep factor; corporate image ,size, performance of previous IPOs, price and present market condition in mind. The investors should look into the variables which make a company fundamentally strong before taking any concrete decisions.

Therefore, this study is expected to provide empirical evidence regarding the awareness of investors' on IPO. Many people are still illiterate regarding public offering in Nepal. So, this study will be of immense use for all those who are seeking some knowledge regarding IPO. Also, it will be helpful for the investors and organization that are related to IPO one way or the other. This study will also assist the issuing companies to know the perception as well as preference of investor towards IPO in Nepal. Also, this study will be significant to know the situation of public offering and to analyze the problems and prospects of IPO in Nepal. Lastly, it will be helpful for all the students and researchers who want to undergo a research in IPO.

1.5. Limitations of the Study

The study is based on both primary and secondary data. The following are some of the limitations the research possesses:-

- Some of the persons were not so responsive. Respondents may not be prepared to contribute to research due to lack of time and resources required.
- Possibility of error in data collection because many of investors may have not given actual answers of questionnaire.
- Convenient sampling with sample size of 100 were used in collecting primary data will may not represent the population.
- The accuracy of the research only depends upon primary data.
- The research work is only confined in Kathmandu city.

1.6 Chapter Plan

This study has been organized into five Chapters:

Chapter I - Introduction

Chapter I introduce the major issues concepts and issues related to the Initial Public Offering (IPO) of Nepal, general background, statement of the problems, objectives, significance, limitations of the study and organization and plan of work.

Chapter II- Literature Review

This chapter provides a brief review of literature related to this study. It will include a discussion on the conceptual framework and review of major studies. It will provide the overview of the related literature done in the past related to this study.

Chapter III- Research Methodology

This chapter describes the different methodologies employed in this study. It explains about the methods used to collect the data, the sources of data and sample size used.

Chapter- IV- Presentation and Analysis of Data

This chapter comprises of presentation and analysis of the data obtained during the study. Different tools and techniques of data analysis will be undertaken for the purpose to analysis of data, which includes figures and diagrams as well.

Chapter V- Summary, Conclusion and Implications

This chapter finally summarizes the study in few paragraphs and tries to conclude the whole study; that is the result of the research. Finally depending upon the summary and conclusion, implications have been given.

At the last references and appendix has been appended.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Conceptual Review

A market is a means by which product and services are bought and sold directly or through an agent. A market should provide accurate information on the price and volume of past transactions, and current supply and demand. Financial market can be defined as a marketplace where trading of securities takes place. Securities include equity, bonds, debentures, etc. It is such a marketplace which brings all the buyers and sellers under a same floor for the purpose of trading. Financial markets helps in transferring funds from people who have an excess of available funds to those who have a shortage. Financial markets, such as bond and stock markets, are crucial to promoting greater economic efficiency by channeling funds from people who do not have a productive use for them to those who do. Financial market consists of money market and capital market. Transactions in short term debt instruments or marketable securities take place in the money market where long-term securities (bonds and stocks) are traded in capital market (Gitman, 2003).

2.1.1 Money Market

Money markets are the markets for short-term debt securities. Treasury bills, banker's acceptance, commercial paper and negotiable certificate of deposit issued by governments, business and financial institutions are the example of money market securities. These instruments are very liquid and considered extraordinary safe because they are extremely conservative, money market securities offer significantly lower return than most other securities. (Thapa, 2070)

2.1.2 Capital Market

Capital market is the market for long-term loans and equity capital. Companies and the government can raise funds for long-term investments via the capital market. The capital market includes the stock market, the bond market, and the primary market. Securities trading on organized capital markets are monitored by the government; new issue are approved by authorities of financial supervision and monitored by participating banks. (Thapa, 2070).

2.1.2.1 Non Security Market

In non- security market, the transactions or the exchange of the funds takes place between user and supplier without issuing securities. The fund is raised as long term in the market and includes the financial transactions between the lending institutions such as development banks, business houses, banks or individuals too. A good or instrument that is not traded in a qualifying market (e.g. Boston Stoch Exchange) and is not easily marketable; i.e. it is not freely bought or sold as a security. It has a value, but it may be not quickly converted into cash in a short period of time and does not necessarily carry the backing of an underwriter or bank (Upreti,2017).

2.1.2.2 Security Market

Securities market is a component of the wider financial market where securities can be bought and sold between subjects of the economy, on the basis of demand and supply. Securities markets encompasses equity markets, bond markets and derivatives markets where prices can be determined participants both professional and non-professionals can meet. Security market major function is to provide line between saving and investment there by facilitating the creation of new wealth. Securities markets can be split into below two levels. Primary markets, where new securities are issued and secondary markets where existing securities can be bought and sold (Upreti, 2017).

2.1.3 Primary Market

A primary market is a financial market in which new issues of security, such as bond or stock, are sold to initial buyers by the corporation or government agency borrowing the funds from investors. This is the only market in which the companies or government bodies are involved in the transaction and receives direct benefits from issue that is the company actually receives the proceeds from the sale of securities (Bhattarai, 2012). An important financial institution that assists in the initial sale of securities in the primary market is the investment bank.

2.1.4 Secondary Market

Secondary market involves the purchases and sale of securities, which are already issued to the public and traded in the stock exchange. Broker, dealers and market

makers create secondary market. Brokers bring buyer and seller together with themselves actually buying or selling, dealers set price at which themselves are ready to buy and sell (bid and ask price respectively). Brokerage and dealer come together organized market or in stock exchange (Gitman, 1998).

A secondary market is a financial market in which securities that have been previously issued can be resold. Brokers, dealers and market makers create secondary market. Brokers are agents of investors who match buyers with sellers of securities; dealer's link buyers and sellers by buying and selling at stated prices. Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE) and Bombay Stock Exchange (BSE) are the examples of organized stock exchange (secondary market).

2.1.5 Primary Market and Initial Public Offering

The issue of shares in the primary market is subdivided into two parts- seasoned issues and unseasoned issues. A seasoned issue is an issue of additional securities from an established company whose securities already trade in the secondary market. On the other hand, an unseasoned new issue involves the initial offering of a security to the public. Initial Public Offer (IPO) is a way through which a company sells the shares to the public for the first time to raise the fund for its future projects and gets listed in the stock exchange. All the traded stocks are listed in NEPSE in Nepal. The security which the companies issue for the first time to the public either after incorporation or on conversion from private to public company is called IPO. Company raising money through IPO is called as 'Company Going Public'. Public offering is a security offering where all the investors have the opportunity to acquire a portion of the financial claims being sold (Keown and Petty, 2009). An IPO can be a debt or equity security. A primary market is a financial market in which new issues of a security, such as bond or a stock, are sold to initial buyers by the corporation or government agency borrowing the fund. An important financial institution that assists in the initial sale of securities in the primary market is the investment bank. In Nepal, investment banks are also called issue managers. Underwriting is the process by which the primary market functions, that is, how issues are sold to the primary buyers.

2.1.5.1 Common Equity/ Stock Offering

Common equity represents the ownership position in a company. The holders of common stocks, called shareholders or stockholder are the legal owners of the company. They are entitled for dividends for the capital contributed by shareholders by purchasing common shares. The capital represented by common stock is called share capital. Equities convey ownership of the corporation and are valued in line with expected future earnings. To date they have been relatively little affected by financial innovation (Gautam &Thapa, 2010).

2.1.5.2 Preference Shares

Preference share is a hybrid form of long term financing with combined features of both common stock and long-term debentures. Owners of preferred stock generally receive a fixed dividend when one is declared by the board of directors of the company. Preferred stock dividends must be paid before any dividends are paid to common stockholders. Preferred stockholders have prior claims on the company's assets and in case of liquidation, are entitled to full payment before the common stockholders receive anything. However, preferred stockholders do not generally participate in company management; they have no voting rights such as the common stockholders possess (Thapa, 2070).

2.1.5.3 Bonds/ Debentures

Bond is a secured debt and is secured by mortgage on the corporate property, whereas debenture is an unsecured corporate debt. A bond is a type of fixed-income security be a borrowing entity in which the amount to be paid to the investor is specified in the investment contract of indenture. Debentures have some important features such as interest rate, maturity date, redemption, indenture, security, converted ability, yield and claims on assets & incomes (Pandey, 2001).

2.1.5.4 Options

An option is a financial derivative that represents a contract sold by one party (the option writer) to another party (the option holder). Options are generally defined as a “contract between two parties in which one party has the right but not obligation to do something, usually to buy or sell some underlying asset”. There are two parties

involved in the option contract. They are option buyer and option seller. Option are contracts that oblige the writer (also called the seller) of the contract to deliver or purchase the assets specified in the contract, if the holder (also called the buyer) of the option chooses to exercise it. From the option buyer's viewpoint, option are assets because they embody a right to buy or sell an asset at a set price for a stated time. From the option writer's viewpoint, option are contingent liabilities; they impose the obligation to sell or purchase a stated amount of a stated price, for a stated time that is contingent upon the choice made by the holder of the option (Gautam & Thapa, 2017).

2.1.5.5 Warrants

A warrant is a long-term option issued by a company which gives the holder the right to purchase a specific number of shares of common stock at a stated price during a specified time period. The stated price is called exercise price and the final date on which warrant can be used is called expiration date. Number of shares that can be purchased using a warrant is known as exercise ratio. Warrants are issued along with bond or preferred stock. They are used to induce investors to buy a firm's long-term debt and preferred stock at a lower rate than otherwise would be required. Warrant holders may buy the stated number of shares for exercise price. This activity of firm is called exercise of warrant (Gautam & Thapa, 2017)

2.1.5.6 Convertibles

Convertible securities are bonds or preferred stocks that can be converted into stated number of common stock at the option of the holders within stipulated period in time. Conversion is made under specified terms and conditions. A bond can be converted into preferred stock and common stock while preferred stock can be converted into common stock only. Convertible securities (bonds or preferred stocks) provide stable return. Conversion feature typically enhances the marketability of an issue (Gautam & Thapa, 2017).

2.1.6 Initial Public Offering (IPO) Manual

Initial Public Offering (IPO) manual is the details procedure of handling initial public offering of the companies seeking "go public" fir the first time. This manual outlines all the activities and steps that are to be taken into consideration by all the issuing

companies and issue manager in respect to initial public offering (IPO). There are many organizations involved during the period of IPO. They are:

2.1.6.1 Issuing Company

Issuing company is a company that raises funds from general public as the form of equity shares, bonds, debentures, etc. through the process of public offering as per the requirement of the business. As per company Act, only public companies are liable to go for public offerings but not for private companies on it. NRB has made mandatory that financial institutions must go for common stock public offerings within specified time of operation commencement (Regami, 2017).

2.1.6.2 Investment Bank

An investment bank is typically a private company that provides various financial-related and other services to individuals, corporations, and governments such as raising financial capital by underwriting or acting as the client's agent in the issuance of securities. The two main lines of business in investment banking are called the sell side and the buy side. The "sell side" involves trading securities for cash or for other securities (e.g. facilitating transactions, market-making), or the promotion of securities (e.g. underwriting, research, etc.). The "buy side" involves the provision of advice to institutions that buy investment services. Private equity funds, mutual funds, life insurance companies, unit trusts, and hedge funds are the most common types of buy-side entities (Upreti 2017).

2.1.6.3 Issue Manager

Issue manager is an institution who is solely responsible to manage initial public offering. Issue managers are institutions holding license from Nepal Stock Exchange to manage public offering issues (Securities Exchange Act, 2063). Issue manager works as manager to the issue and underwriting for public issue of securities (SEBON, 2012). Issue managers receive commission from the issuing company for the services rendered.

2.1.6.4 Underwriter and Underwriting

The underwriters are investing-banking firms that act as financial midwives to a new issue (Brearley, 1972). An underwriter is a company or other entity that administers

the public issuance and distribution of securities from a corporation or other issuing body. An underwriter works closely with the issuing body to determine the offering price of the securities, buys them from the issuer, and sells them to investors via the underwriter's distribution network. Underwriters generally receive underwriting fees from their issuing clients, but they also can earn profits when selling the underwritten shares.

2.1.6.5 Bankers to an Issue

Bankers to an issue are normally commercial banks and their main responsibility is to provide custodian service to the issuing company. They may or may not receive application from the investors, issue acknowledgements for the same and enter application details in application schedules (Regami, 2017).

2.1.7 Securities Issue Procedure in Primary Market (Legal Rules, Regulations)

The securities issue in Nepal should have to make by abiding the securities Transaction Act 1983, Issue management guidelines, 1997 Securities registration and issue approval guidelines 2000. According to the provision mentioned in this legal framework, the procedure of securities issue in Nepal is as follows:

1. The issuing company should have to select the issue manager or underwriter to manager or underwrite the issue.
2. After the selection of the issue manager, the issue manager should have to prepare the prospectus of the issuing company as per the format designed by the company registration office and ministry of commerce and industry.
3. After the preparation of the prospectus, the issue manager should have to send the prospectus to the issuing company for getting an approval from the Board of Director (BOD).
4. After the approval from the BOD of issuing company, the prospectus should have to be sent to the company registrar for the approval. The registrar of Company (ROC) will send a company of prospectus to the SEBON, Nepal Rastra Bank (NRB) and Insurance Board in case of insurance company for the review of the prospectus.
5. The SEBON, Nepal Rastra bank (NRB) and Insurance Board will send the prospectus after the review.

6. The ROC will again make a correction to the prospectus with reference to the feedback received from the SEBON, Nepal Rastra Bank (NRB) and Insurance Board.
7. The ROC will send the corrected prospectus to the issue manager and the issue manager again sends the corrected prospectus back to the issuing company for the approval.
8. After the approval of issuing company the prospectus should have to send to the ROC for the approval.
9. After the approval of prospectus from ROC, the issue manager should have to register the security in the SEBON for issue after paying certain fee.

Table 2.1
Registration Fee on Issue

Amount of issue	Commission
Up to Rs 50,00,000	0.25%
Rs 50,00,000 to Rs 100,00,000	0.2%
Above Rs 100,00,000	0.15%

10. The SEBON will provide the approval for issue after the discussion of BOD of SEBON.
11. The issue manager should have to issue the securities within the 2 months of receiving the approval.
12. The issue manager should have to prepare the share issue announcement on the basis of the approved prospectus by ROC.
13. The announcement should have to publish in the National daily newspaper.
14. The issue of securities should have to open within a maximum of 15 days and minimum of 7 days of the announcement of the public issue.
15. The share should have to be issued for minimum of 5 days if the share is issued from minimum of 10 collection counters that will cover all 5 development region. If the above provision is not possible, the share should have to open for 7 days.
16. If the targeted amount is not collected within 7 days the company can extend the issue for next 30 days. After that if company thinks to open issue further, the company can extend for another 15 days after getting an approval from SEBON.
17. The issue manager should have to close the sale of share by providing per notice.

18. This issue manager collects the fund from the collection counter day by day.
19. The company has to allot the share according to the allotment guidelines of SEBON.

Table 2.2
The Allotment Period of Securities

Number of Securities	Time Period (in days)
Up to 15000	45
15000 to 60000	60
60000 to 100000	70
Above 100000	90

Sources: SEBON

20. The distribution of share certificate should have to commence within the 45 days to the allotment after completing the allotment of 50% of shares The Company also has to list the securities in the stock exchange within this period. Similarly, if the company has to refund it has to be made within this period.

2.1.8 Issue Approval Guidelines

According to the Securities Transaction Act, 2063 the company willing to issue the securities should have to register the securities registration and issue guidelines, 2000 has provide various clutches for making the issuance more systematic, ease and procedural. The main provision of these guidelines is

1. The company, which has operated for at least a year, is only allowed for the public issue.
2. The company can sell the share in premium price.
3. The prospectus of the issuing company should have to be prepared by the professionals and they will be liable for the prospectus.
4. The companies relate with tourism, trade, transport, and manufacturing should have to underwrite their securities from the recognize institutions for the issue.
5. The promoters are only allowed to sell his securities only after the 3 years of the publication of prospectus and operation of the company

2.2 Empirical Review

2.2.1 Review of Journal and Article

In this section, short extract related to the topic are drawn from International articles, Nepalese articles and journals along with Masters Degree Thesis. National and international articles are accessed from website while Masters Degree Thesis has been accessed from Central Library of Tribhuvan University.

Many research works have been carried out with respect to IPO throughout the globe. However, only those work which are easily accessible, relevant to the study and similar to our economy and capital market have been included here.

Brealey (1972) concluded the effect of dividend, P/E multiple, retained earnings, debt, splits and stock dividends, mergers and acquisitions and listings on stock price movements. Studies revealed that dividend are valued four times as highly as retained earnings.

Chandra (1975) conducted a study to assess the effect of certain economic factors on share prices. Chandra found significant relationship between share price and independent variables like dividend and size. Growth has positive but weak influence whereas risk and leverage have negligible influence.

Guinness (1993) explained that in this study, refined measurement forms for the under pricing levels in initial public offerings (IPOs) of common stock are applied to a sample of issues in Hong Kong. This application allows real levels of under pricing, confronting the investors and issuers to IPOs, to be discerned. This exercise is beneficial given reliance, in the existing literature, on the simplistic initial return (IR) measure of under pricing defined as the first market price in IPO shares less the offering price all divided by the offering price. It is noted that the IR measure of under pricing provides a rather misleading view of the initial returns available to investors and of the actual under pricing costs confronting the issuer.

Results in this paper for issuer-related and investor-related measures of underpricing indicate that actual underpricing levels are considerably lower than the IR underpricing measure. Given the conventional usage of the IR measure, the findings provide useful information to managers and stockholders in firms contemplating a firm listing and to investors subscribing for IPO shares. For managers and

stockholders in unquoted firms, the results suggest that the underpricing costs of listing are less onerous than is commonly believed. In particular, entrepreneurs appear to be 'giving away' less capital in the form of underpricing than is suggested in the literature. For investors, the evidence indicates that the returns attainable from IPO subscriptions are less attractive than is commonly believed.

Ritter (1998) conducted a survey on the market for Initial Public Offerings. It discusses the process of going public, valuation of IPOs, book building, price stabilization and costs and benefits of going public. It concludes that companies going public, especially young companies face a market which is subject to sharp swings in valuations.

Kviback (2001), done a study on, "Nepal survey: Issues in Local bond market Development." Major finding of his studies were: The financial market in Nepal is relatively underdeveloped. The government market is more developed, but prices are not market oriented. This state of development of equity markets indicates how well versed issuers, investors and intermediaries are in dealing with securities at the primary and secondary market levels. Nepal's overall market is still in its infancy, however. The Nepal Stock Exchange (NEPSE) is a late development, founded only in 1993. It is owned by the government and is a not-for-profit institution. The equity market of Nepal is relatively small from the international standards. With only 114 companies being listed in about 11 years of establishment of NEPSE, the equity market in Nepal requires more effort and contribution from the privately held companies as well as the investors. The status of Nepalese equity market is being elaborated in the following extraction of a report.

Lowry and Schuvert (2002) carried out a study which emphasized that both IPO volume and average initial returns are highly correlated. Furthermore, companies tend to go public following periods of high initial returns.

The study revealed that there exist significant positive relation between average initial returns and subsequent IPO volumes. They concluded with the result, which showed that the dynamic behavior of initial returns and IPO issued is a complicated function of many factors. There are significant bases in IPO offer prices and arise from underwriters not fully incorporating all avoidable information when they set offer prices. Furthermore, they found that its information learned during the registration

period that is positively related to further IPO volumes. Investment bankers learning processes throughout this registration period causes monthly aggregate initial returns to be auto correlated and to be positively related to future levels of IPO activity.

This paper focuses on German IPOs during the 1997 to 2001 period and covers a sample of 410 firms. The average initial return amounts to 44.47 % and peaks with 64.10% in 1998. Using time series regressions the cyclical behaviour of the issue activity is examined and we report that lagged underpricing and IPO volume influence the decision to go public by using a VAR(4). Following Ruud (1993), indirect evidence for the existence of price stabilisation is reported by analyzing the initial return distribution and the greenshoe usage. The cross-sectional regression using both OLS- and censored date estimations shows that the initial returns are mainly driven by investor sentiment and demand, and less by ex-ante uncertainty, especially during the dot-com boom (Oehler, Rummer & Smith, 2004).

Corwin & Schultz (2005) examined syndicates for 1638 IPO's from January 1997 through June 2002. Contrary to popular belief that the larger syndicate yields benefits, they discussed several factors that may limit syndicate size. They mainly examined how syndicate structure affects the likelihood and magnitude of offers price revisions in response to information, they used the total return from the midpoint of the falling price range to the closing price of the first day of trading. They found strong evidence of information production by syndicates members in IPO's underwritten by large syndicates and particularly by syndicates with a lot of co-manager, the offer price is more likely to be revised away from the midpoint of the falling price response to information. For large IPOs, they found underwriters who can provide coverage by a top-ranked analyst are more likely to be included in the syndicate. Finally, they concluded that although the IPO proceeds increase from 1997-2002, syndicates grew smaller.

Goergen and Others (2006) carried out a study on, "The Strategy of Going Public: How UK Firms Choose Their Listing Contracts." The study carried two objectives: The first objective was to derive potential factors that may influence the choice of IPO listing contracts from the few theoretical papers and empirical studies in the fields. The second objective was to test how well those factors explain the choice of the listing contract for the case of UK IPO.

The study focused on 240 flotations, which were listing on the official list of London Stock Exchange (LSE) during the period of 1991 to 1995. They used a binomial profit model to measure the impact of the variables on the contract choice. As the study proposed that three types of factors essentially influence the choice of contract; ex-ante uncertainty, certification and the visibility/exposure of the issue, they found that the higher the firms choose a placing contract. They also found strong evidence that the sponsor and creditors screening signals the quality of the IPO/RSI firm. Hence, firms, which use highly reputable sponsors and those with high debt to assets ratios usually, choose public offer contracts. They also found that firm that make small issues find it cheaper to use placing contracts. Finally, they concluded that in general the decision to choose a placing rather than an offer or vice-versa is taken by the firm within the framework of rational behavior.

Pollock and Gulati (2007) explained that in this study, we explore how multiple signals related to entrepreneurial companies at the time of their initial public offering (IPO) influence the firms' ability to acquire non-financial resources over time. Specifically, the study looks at how signals based on investors' initial reactions to the IPO, analyst coverage and affiliations with experienced venture capitalists and prominent underwriters combine to enhance the IPO firm's visibility and reduce uncertainty, thereby influencing its ability to form post-IPO alliances. We also consider the extent to which the effects of each of the signals are sustained or diminish over time. Their analysis of 404 IPOs conducted by technology companies between 1995 and 2000 shows that these signals are positively related to alliance formation patterns, and that the effects of these signals deteriorate at different rates over time.

Hvidkjaer (2008) analyzed the relationship between retail investor trading behavior and the cross section of future stock returns. The result suggests that stocks favored by retail investors subsequently experience prolonged underperformance relative to stock out of favor with them. This results link the systematic component of retail investor behavior to future returns, i.e., informed investors might begin selling stocks that they believe to be overvalued. The overvaluation that these investors perceived could be driven by changes in firms fundamental values.

Discovery of price in an IPO is both a science and an art (Shailaja & Singh 2008). There are two methods for making initial public issue: Fixed Pricing Method - where the company fixes a price at which the shares will be offered to the public and the Book Building method - It is a mechanism where, during the period for which the book for the IPO is open, bids are collected from investors at various prices, which are above or equal to the floor price.

Kukreja (2012) found that educational qualification has significant related with transparency of transaction in cash market, tax advantage in cash market, past performance of the company in cash market. Occupation has significant influence on investment pattern in cash market, services of the stock broker in cash market, risk and uncertainty in future & option, size of investment in future & option, services of the stock broker in future & option. Age has significant influential role on cash market, future & option, life insurance. These variables are having significant influence on investor behavior.

Ameer (2012) examined the dynamic relationship between the macroeconomic variables and IPOs using Vector Error Correction (VEC) methodology were also been examined to infer fluctuation and adjustments in the number of IPOs in response to changes in the macroeconomic variables. VEC allows to determine how much time the IPO market takes to adjust to its long-run equilibrium.

The results show that the nominal interest rate, industrial production and initial IPO returns have significant impacts on the number of IPOs. Furthermore, results from trace and maximum eigenvalue tests confirm that there exists a long-run equilibrium relationship between the interest rate, industrial production, private banks credit and number of IPOs. Though the results show that interest rates have a stronger relationship than other variables in a linear regression model.

Kadariya & Subedi (2012) carried out the study on, 'Investor Awareness and Investment on Equity in Nepalese Capital Market'. The major objective of the study is to find the level of awareness among the stock investors and to find the extent of relationship between investor awareness and volume of equity investment in secondary market and identify the level of equity investors' access to market information. The research design employed for the study are descriptive and correlation. Investor awareness is crucial for the investment decision making and

sustainable growth of capital market. The result of the study depicted that equity investors are aware and their level of awareness is high compared to desired level.

Bateni & Asghari, (2014) describes that price determined for a company's shares is true value of its property and opportunity for future development and growth. Nowadays Hundreds of companies enter stock exchange for the first time. Main question of this research is whether pricing the initial offering exchange on Tehran stock exchange is less than actual and what factors affect pricing of initial shares on stock exchange. For this purpose, 115 stock exchange companies from 2006 to 2012 were studied. Data gathered from these companies were analyzed with SPSS. Results indicated that only P/E variable has a significant relation with price changes on initial offerings and had highest impact on price of initial offerings.

Nagtilak & Kulakrni (2015) conducted a study on the investors' perception towards IPO in Mumbai, India taking the responses of 103 people out of which only 95 had invested in IPO. They concluded that IPO is no more a risky investment alternative as many people have shown confidence in IPO and prefer to invest in IPO. Major factors influencing the IPO are goodwill of the company, Market share of the company and current financial position of the company. The least considered factors are corporate profile and size of the IPO issued.

The purpose of this paper is to investigate IPO performance. At announcement, the impact of purchases by informed traders on stock returns and uninformed traders on volatility were assessed. In the post-IPO period, returns were expected to be driven by firms with high returns on equity and the implementation of growth strategies. Return on equity was evaluated further in terms of whether it had a direct effect or was instrumented by volatility, cash flow, profit margin or revenue growth (Abraham, Harris & Auerbach, 2016).

Seng and Yang (2017) describes on this paper explores the relation between the media sentiment and initial public offerings' (IPOs) under pricing which means whether the media were responsible for the phenomenal rise and fall in the market value. In this paper, we use sentiment analysis to calculate the media sentiment and use the sentimental words to classify the news articles. Then, we find that the media sentiment is significantly related to initial return (IR). We also find significant results that IR is related to market return compared to media sentiment in the non-electronics

industry. Furthermore, as this paper expected, the number of positive (negative) news articles has a positive (negative) influence on the IR in the electronics industry.

2.2.2 Review of Previous Thesis

Adhikari (2005) has conducted a research with the basic objective of the study to analyze the trends of Public offering market and process of going public in Nepal. For purpose of study data of the periods of 4 years from 1990/00 to 2003/04 were used.

The researcher concluded that underpricing does not occur among Nepalese firms. The researcher also added that the result is not consistent with theory and different finding of empirical studies conducted in different countries. IPO's market in Nepal does not enjoy any right to set the price of their issue. The price setting process is totally controlled by the regulatory body. Because of these reasons, Nepalese merchant banker could not play any role to influence the offer price of IPOs.

Bhattarai (2012) has performed a study on with the basic objective of assessing public response to the initial public offering. However, the study also focused on the dealing process and place of the IPO. The study has used both primary and secondary data. Primary data collected through direct questionnaires provided to the general investor while secondary data were collected from various publications of SEBON, NEPSE and other institutions.

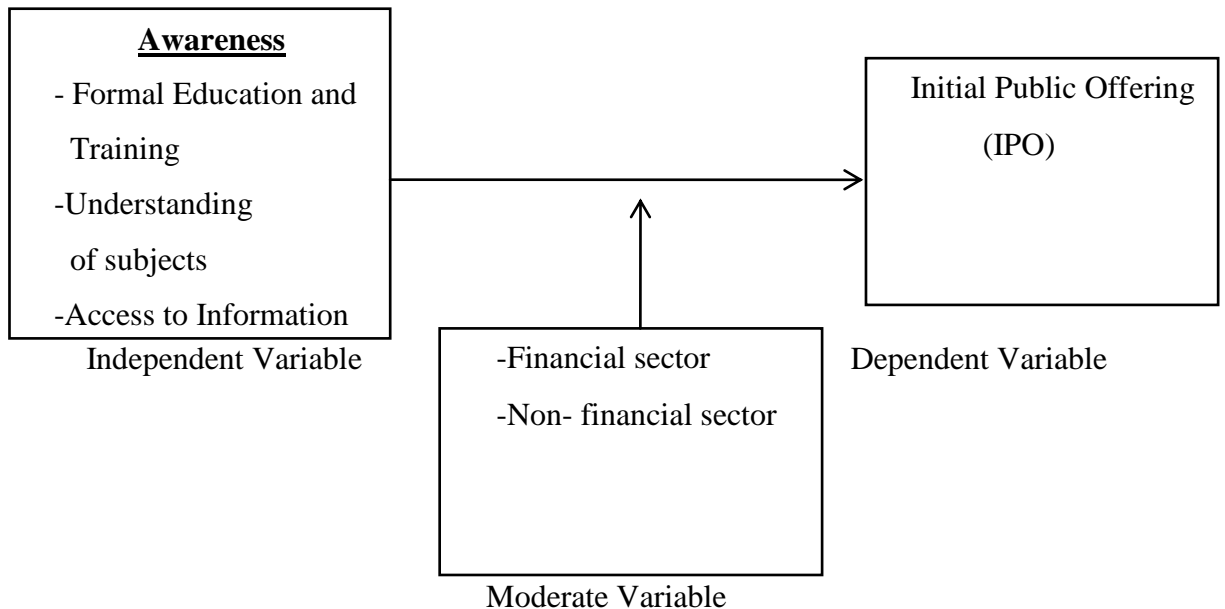
The study concluded that most of the general investors in Nepal do not have significant information regarding the primary market but still they are very much interested to invest money in the primary market. It is also found that almost each sector was getting good response from the public. Specially, financial institutions and insurance companies were becoming more preferable for public than the other non-financial sectors.

Regami (2017) carried a study with the objective of identifying the current situation of primary share issue market, examine the growth of primary share issue market, analyze the pattern of public response to the initial public offering. Regami has summarized his findings as: public response in security market is high due to lack of opportunities for investment and attracted towards shares to increase their value of investment. They are getting aware of stock market, and realized the importance of the investment in shares. As per this study, almost every sector is getting good

response from public. It can be seen that public response to primary issues on banking and financial sectors is normally higher than that of the manufacturing and services sector.

2.3 Research Gap and Conceptual Framework

Fig: 2.3 Conceptual Framework



Definition of variables

Formal Education and Training

Formal education and training is a conscious effort by human society to impart the skills and modes of thought considered essential for or social functioning. Education is a significant component, which among other factors influences investors' performance, risk-taking and stock market participation. Educated investors participate more actively on the stock market and they tend to make more rational investment decisions than investors with lower educational level. Besides stock market participation choices, education is considered a key element explaining investors' risk-taking behavior. Education appears to encourage risk taking and offers a possible explanation that higher level of academic education allows individuals to assess risk and benefits more adequately compared to investors with a lower educational level. Several authors state that besides academic education, training experience helps to achieve better performance on the stock market. Training experience helps investors to reduce certain behavioral biases and that investors' trading improves over time. Education is considered important characteristic

explaining investors' stock market participation choices, performance and risk-taking decisions on the stock market. Assessing the impact of education on investor trading experience in the form of trading activity, would be important in understanding investors' financial decision-making process. (Liivamagi, 2016).

Understanding of Subjects

Understanding of subjects deals with acquisition of basic information upon which more complex learning relies. Before getting into stock trading, it is need to know how to choose the right stocks, which requires an in-depth understanding of a company's annual report and financial statements. Learn how to understand what stock really represents in a company, and how to determine the true value of any stock. This allows investor make better investing decisions by avoiding the costly mistake of purchasing a company's stock when the market has pushed its share price too high relative to its value. This paper does not focus on what drives the media coverage of IPO firms but focuses on the effect of pre-IPO media coverage on the first day's return. In this paper, we use sentiment analysis to calculate the media sentiment and use the sentimental words to classify the news articles (Seng & Yang, 2017).

Access to information

Access to information entails learning in formal and informal education setting. It also entails fostering the competencies of media and information literacy that enable users to be empowered and make full use of access to the internet. Access to information is the ability for an individual to seek, receive and impart information effectively. This sometimes includes "scientific, indigenous, and traditional knowledge; freedom of information, building of open knowledge resources, including open Internet and open standards, and open access and availability of data; preservation of digital heritage; respect for cultural and linguistic diversity, such as fostering access to local content in accessible languages; quality education for all, including lifelong and e-learning; diffusion of new media and information literacy and skills, and social inclusion online, including addressing inequalities based on skills, education, gender, age, race, ethnicity, and accessibility including mobile, the Internet, and broadband infrastructures. Informed investors' like

investment institution have superior information about the true value of stock after the listing; on the contrary, uninformed investors' have more probability of buying inferior offering (Sang & Yang, 2017).

Research Gap

Research is a never ending process. It is the process of finding out something new again and again. From the above literature review we can conclude that there are various studies on the topic of Initial public offering in Nepal. Various studies have been carried out related to IPO in different parts of the world covering aspects of securities market, stock trading mechanism and stock pricing behaviors etc. including public response in primary issue of different securities. There is still lack of research in the field of initial public offering to the stock investment. Few studies have analyzed the existing state of IPO in Nepal.

However, none of the studies have been able to portray the complete picture of IPO's and its practices in Nepal. Furthermore, various changes have taken place and new policies have been developed in regard to IPO. This study tries to understand the pace of initial public offering, investors' response, procedure, rules, regulations, amendments as well as public awareness about it. This study remains helpful to public companies (new and existing), issue manager, underwriter, investor, government organizations, general public, researcher and other parties related to IPO. In this research researcher used the variables of awareness about investors' response which was never be found in other research.

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is the way to systematically solve the research problem. It includes the various steps that are adopted by the researcher to solve the problem along with the logic behind them.

3.1 Research Design

This study is basically focused on the investors' response to initial public offering in Nepal. A research design expresses both the structure of the research design problem and plan of investigation used to obtain evidence or relations of the problems. To conduct the study descriptive and analytical research design has been utilized for conceptualization of problem and to find out the result from statistical tools to show the relationship between education and training with financial and non financial sectors. In this research nominal (i.e. Yes and No) and choice wise questionnaire is linked for the collection of data. All of the investors of Kathmandu Valley are the taken as population and sample size are 100.

3.2 Nature and Sources of data

This study is based on primary data, which is collected from the field survey using structured questionnaire which is open-ended questions allow respondents to answer them in any way they choose. Primary data has been used to achieve the real and fact full result from this research.

3.3. Population and Sample

Sampling is to draw conclusion from the whole population. The research is concentrated on the study of investors' response to initial public offering in Nepal. To find out the public response to the initial public offering, this study has been divided into two sectors, financial and non financial sectors. All of the investors of Kathmandu Valley are the taken as population and sample size are 100.

To conduct the study, samples have been taken as convenient sampling technique. Convenience sampling refers to samples selected not by judgment or probabilities which are available, pre- testing of questionnaire and descriptive research was made.

3.4 Data Collection and processing Procedure

The required data are from primary sources. Data are required for conducting this research is basically obtained from primary sources. Data has been collected through questionnaire. Respondents for the research are taken from within the Kathmandu valley in direct interaction with investors. Questionnaire is personally distributed to all the investors. After collecting the primary data it has been presented in table while analyzing the data, the software SPSS, MS programs are used and also taken the help of different statistical tools.

3.5 Tools and Technique of the data Analysis

On the basis of data statistical tools are used to analyze of different variables. Percentage, table and chi-square have been used for describing the issues.

3.5.1 Percentage Analysis

The percentage analysis is done to compare two or more data for general knowledge. It is used to find out the portion of sample in favor of different choices.

3.5.2 Chi-square Analysis

A chi-squared test is any statistical hypothesis test where the sampling distribution of the test statistic is a chi-squared distribution when the null hypothesis is true. Without other qualification, 'chi-squared test' often is used as short for Pearson's chi-squared test. The chi-squared test is used to determine whether there is a significant difference between the expected frequencies and the observed frequencies in one or more categories. In this research chi-squared test is used for the test of relationship between education and training with financial and non-financial sector.

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter describes the main part of the whole study where the data collected from various sources are presented and analyzed in detail. The tables are used to portray and analyze the data and information. In this chapter efforts have been made to process the obtained data and analyze and interpret them. Various statistical tools are used to explore the obtained results and facts.

4.2 Analysis of Primary Data

The main objective of the study is to know the responses of investor towards IPO in Nepal. So, primary data were needed for which questionnaires were prepared with number of questions to meet the objective of the study. The questionnaires were distributed among 100 investors to find out the first hand information. The investors have various responses to the primary market and IPO and their responses are analyzed as follows:

4.2.1 Education & Training

4.2.1.1 Formal Education

Education is the process of facilitating learning or the acquisition of knowledge, skills, values, beliefs and habits. Educational methods include storytelling, discussions, teaching, training and directed research. Education frequently takes place under the guidance of educators, but learners may also educate themselves. Education can take place in formal or informal settings and any experience that has a formative effect on the way one thinks, feels, or acts may be considered educational.

Table 4.1
Formal Education

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	72	72.00
B	No	28	28.00
Total		100	100

Source: Field Survey, 2075

To know about how many investors have taken formal education on IPO was necessary. Table 4.1 shows that 72% of the respondents have taken formal education on IPO and remaining 28% don't take formal education on IPO. The result shows that most of the investors have taken formal education on IPO. Since the respondents are aware of taking formal education investing on IPO. Some of the respondents aren't aware of taking formal education investing on IPO.

4.2.1.2 Formal Training for IPO

Training is teaching, or developing in oneself or others, any skills and knowledge that relate to specific useful competencies. Training has specific goals of improving one's capability, capacity, productivity and performance. Training is a form of training with the goal of making people more aware of their own goals as well as their prejudices and more sensitive to others and to the dynamics of group interaction. Training focuses on a job position, development puts the emphasis on building a successful professional career.

Table 4.2
Formal Training for IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	45	45.00
B	No	55	55.00
Total		100	100

Source: Field Survey, 2075

To know how many investors have taken formal Training on IPO was necessary. From the result it showed that 45 % of the respondents have taken formal training on IPO and remaining 55% don't take formal training on IPO. The result shows that the more investors have not taken formal training on IPO. Since the respondents are not

aware on taking formal training before investing on IPO. Some of the respondents aware about the formal training they have taken training related to IPO.

4.2.1.3 Crash Courses related to IPO

Table 4.3
Crash Courses related to IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	21	21.00
B	No	79	79.00
Total		100	100

Source: Field Survey, 2075

Regarding to the information about investment in primary issue of taking crash courses related to IPO. From the result it showed that 21 % of the respondents have taken crash courses on IPO and remaining 79% don't take crash courses on IPO. The result shows that the more investors have not taken crash courses on IPO. Since the respondents are not aware on taking crash courses before investing on IPO. Some of the investors who have taken the crash courses to know the financial and other performance of the companies.

4.2.1.4 Training Host by Formal Organization

Table 4.4
Training host by Formal Organization

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	32	32.00
B	No	68	68.00
Total		100	100

Source: Field Survey, 2075

From the table 4.4, it is clear that most of the investors are not attended to take training host by formal organization. From our survey only 32% investors have taken training host by formal organization and 68% are not attained any type of trainings. Since the result shows that investors are not aware of taking training host by formal organization. Some of the investors who have aware on training host by formal organization.

4.2.2 Understanding of Subject

4.2.2.1 Know about Share

In financial markets, a share is a unit used as mutual funds, limited partnerships, and real estate investment trusts, share capital. The owner of shares in the corporation is a shareholder (or stockholder) of the corporation. A share is an indivisible unit of capital, expressing the ownership relationship between the company and the shareholder. The denominated value of a share is its face value, and the total of the face value of issued shares represent the capital of a company, which may not reflect the market value of those shares.

Table 4.5
Know about Share

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	100	100.00
B	No	0	00.00
Total		100	100

Source: *Field Survey, 2075*

Regarding to the knowledge about share, the result shows 100% respondents know about the share, which shows that investor are aware about the share. Most of the investors have more interested on IPO for investing share in different sectors.

4.2.2.2 Habit of studying Company Prospects

Companies issue their prospects, to show their image in the market, while they go to the public. The investor has asked do they read prospects before the investment the reply is quite satisfactory. 90% investor read the prospectus before they invest their money but 10 % investor doesn't consider what is written in the prospects. This result shows that investors are very aware regarding study of company prospects. Some of the investors aren't aware about the studying company prospects.

Table 4.6

Read Prospects of the Company

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	90	90.00
B	No	10	10.00
Total		100	100

Source: Field Survey, 2075

4.2.2.3 Aware about the Financial Performance of Companies

When investors were asked whether they are aware or not about the financial performance of companies, 30% replied that they are very known about the financial performance of the company ,30% replied moderately, 39% replied little and 1% replied not at all knowledge regarding their companies performance. This result shows that most of the investors have little knowledge about the financial performance of the company. And then very and moderate investors have knowledge about the financial performance of company and not have knowledge of investors about the company.

Table 4.7

Aware about the Financial Performance of companies

S.N.	Research Variable	No. of Respondents	Percentage
A	Very	30	30
B	Moderately	30	30
C	Little	39	39
D	Not at all	1	1
Total		100	100

Source: Field Survey, 2075

4.2.2.4 Things that look in Primary Market

Regarding the investment in primary market, 30% of the investors look on the corporate image. 11% investors look management team, 55% investor look future return and 4% look others. This result shows that the most of the investors look future return before invest in IPO. And some of the investors look in corporate image and management team and also future return when they invest on IPO.

Table 4.8

Base for Investment Decision

S.N.	Research Variable	No. of Respondents	Percentage
A	Corporate image	30	30
B	Management team	11	11
C	Future Return	55	55
D	Others	4	4
Total		100	100

Source: Field Survey, 2075

4.2.2.5 Expectation towards Preferring to Invest

The results obtained that 69% investors prefer to invest on expectation of stock dividend / bonus share. Similarly, 16% investors prefer to invest for the cash dividend. 13% investors prefer to invest for the right share and 2 % for others expectation. From this result it is concluded that most of the investors' expectations towards invest in IPO is stock dividend/bonus share. Then after investors' expectation on Cash dividend, right share and others have investing on IPO.

Table 4.9

Expectation from Investment

S.N.	Research Variable	No. of Respondents	Percentage
A	Stock dividend/bonus share	69	69
B	Cash dividend	16	16
C	Right share	13	13
D	Others	2	2
Total		100	100

Source: Field Survey, 2075

4.2.2.6 Bases of Decision for Investment

Decision-making is regarded as the cognitive process resulting in the selection of a belief or a course of action among several alternative possibilities. Every decision-making process produces a final choice, which may or may not prompt action. Decision-making is the process of identifying and choosing alternatives based on the values, preferences and beliefs of the decision-maker.

Table 4.10
Decision for Investment

S.N.	Research Variable	No. of Respondents	Percentage
A	Market index	31	31
B	Advise of friend	14	14
C	Performance of the company	55	55
D	Market whim	0	0
Total		100	100

Source: Field Survey, 2075

Regarding the investment decision making procedures, 31% of the respondents replied that they made decision on the basis of market index, 14% replied that they made decision on the basis of advices of friend 50% made on the basis of performance of the companies and none of them made investment on the basis of market whim. It shows that investors are very careful about investment decision. They invest in IPO on the basis of performance of the company and market index. Some of the investors invest by the advice of friend.

4.2.3 Access to Information

4.2.3.1 Sources of Information

Table 4.11 shows that regarding to the information about the investment in primary issue of securities, 74% respondents replied that they have known through media, 1% through brokers, 14% through issues manager/ issuing company remaining 11% from other sources. The result shows that many respondents' sources of information are media. Mostly the investors focus on the media for the proper information of the company while they invest in primary market. Then after the investors used brokers and also issue manager for getting appropriate information for the company.

Table 4.11
Sources of Information

S.N.	Research Variable	No. of Respondents	Percentage
A	Through media	74	74
B	Through broker	1	1
C	Through issue manager	14	14
D	Others	11	11
Total		100	100

Source: Field Survey, 2075

4.2.3.2 Causes for limited people involved in IPO

The objective of the question was to find out the view of people about the reason of only a few people investing in primary market.

Table 4.12
Causes for limited people involved in IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Lack of money	18	18
B	Lack of information	47	47
C	Lack of knowledge	33	33
D	Others	2	2
Total		100	100

Source: Field Survey, 2075

Table 4.12 described that 47% people think that the main reason is lack of information, where 33% people's view is lack of knowledge about primary market. 18% people think that the reason is lack of money and remaining 2% people think that reason is other. The result shows that lack of of information is the main causes for limited people involved in IPO. Due to the lack of money and knowledge investors invest few in primary market.

4.2.3.3 Getting Information from Data base

With regard to getting information from data base, 67% respondent got information from data base and remaining 33% respondent were not get the information from data base. The results show that more people use data base which shows that awareness to the IPO. Some of the investors aren't aware about the database information.

Table 4.13

Getting Information from Data base

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	67	67
B	No	33	33
Total		100	100

Source: Field Survey, 2075

4.2.3.4 Formal Training for Information

Table 4.14 shows that with regard to the take formal training for information only 39% respondent are take formal training for information and remaining 61% respondent are not taken formal training for information. Most of the investors have no formal training for information and some investors have formal training for information.

Table 4.14

Formal Training for information

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	39	39
B	No	61	61
Total		100	100

Source: Field Survey, 2075

4.2.3.5 Getting Information from Bank Employees

The result obtained on the question regarding to get information from bank employees showed that 18% of the investors get information from bank employee and remaining 82% investors are not get information from bank employees. The result shows that most of the investors have not got information from bank employees. Most

of the investors have no getting information from bank employees and some of the investors have getting information from bank employees.

Table 4.15

Getting Information from Bank Employees

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	18	18
B	No	82	82
Total		100	100

Source: Field Survey, 2075

4.2.4 Investment Portfolio

4.2.4.1 Financial Sectors for Investment.

In the question regarding their preferred financial sector of investment , 50% of investors are interested in commercial bank sector, 21% were interested in finance company,20% were interested insurance companies and remaining 9% were in development bank sector. From the table, it is clear that most of the investors. i.e.50% is attracted by commercial bank's performance. Then investors preferred on finance company, insurance companies and development bank for the investment.

Table 4.16

Preferred Financial Sector

S.N.	Research Variable	No. of Respondents	Percentage
A	Commercial bank	50	50
B	Development bank	9	9
C	Finance company	21	21
D	Insurance companies	20	20
Total		100	100

Source: Field Survey, 2075

4.2.4.2 Non- Financial Sector for Investment

Table 4.17

Preferred Non- financial sector

S.N.	Research Variable	No. of Respondents	Percentage
A	Hotels	19	19
B	Manufacturing & Processing companies	26	26
C	Trading companies	12	12
D	Other companies	43	43
Total		100	100

Source: *Field Survey, 2075*

Table 4.17 describes that among non financial sectors , survey done among 100 investors 43% said they prefer to invest others companies, 26% said they prefer to invest manufacturing and processing companies, 19% prefer to invest in hotels and 12% prefer to invest in trading companies. This result shows most of the investors invest in other companies except hotels, manufacturing & processing companies and trading companies.

4.2.4.3 Difficulties faced while applying IPO

With regard to difficulties faced while applying IPO, 19% think there is refund problem, 42% think that there is delay in allotment of shares which is the most among all. 22% have an opinion that there is no clarity in allotment of shares and 17% have other difficulties apart from above mentioned difficulties. This result shows that difficulties faced by investors while applying IPO is mainly delay in allotment of shares and no clarity in allotment. Some of the investors faced difficulties by refund problems.

Table 4.18
Difficulties face after applying in IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Refund problem	19	19
B	Delay in allotment of shares	42	42
C	No clarity in allotment	22	22
D	Other	17	17
Total		100	100

Source: Field Survey, 2075

4.2.4.4 Motive of Investment in Primary Market

Table 4.19
Motive to invest in IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Listing gain	14	14
B	Long –term gain	86	86
Total		100	100

Source: Field Survey, 2075

Table 4.19 explained that regarding to the motive of investment in primary market, 14% respondents invested for listing gain and 86% respondents invested for long-term gain. The result shows that most of the investors invest in IPO for the motive of long- term gain and then after listing gain.

4.2.4.5 Causes of Over Application in IPO

This question was asked to the investor about their view in the over application pattern of primary issue of share. In other word what is the reason that demand of securities in public issue is very high then the issued securities.

Table 4.20

Cause of Over Application in IPO

S.N.	Research Variable	No. of Respondents	Percentage
A	Lack of investment opportunity	54	54
B	High dividend distribution	23	23
C	Low interest rate on bank	7	7
D	Other	16	16
Total		100	100

Source: *Field Survey, 2075*

Table 4.20 shows that out of total, 54% respondents view is lack of investment opportunity in other sector, 23% respondents view is high dividend distribution where 7% respondents said the main reason of over application is low bank interest rate and the remaining 16% respondents stated other different reason then above. The result shows that a main cause of over application in IPO is lack of investment opportunity. Some of the investors invest in IPO for high dividend and low interest rate on bank so that there is a cause of over application.

4.2.4.6 Number of Company's Securities Invested

Regarding the respondent current investment condition, the majority of the respondents have invested their money into purchasing the securities more than one company. In this 34% of the respondents have invested 1-5 companies. Similarly , 1% respondent invest in only one company, while people investing 6-10 companies is 21% and rest of 44% investors are big investor that they invest their money in more than 10 companies. The result shows that most of the investor invests more than 10 companies.

Table 4.21

Number of Invested companies

S.N.	Research Variable	No. of Respondents	Percentage
A	Single company	1	1
B	1-5 companies	34	34
C	6-10 companies	21	21
D	More than 10 companies	44	44
Total		100	100

Source: *Field Survey, 2075*

4.2.4.7 Nepal present condition is suitable or not for Investment

The objective of the question was to find out the view of people regarding the present condition of Nepal is suitable or not for the investment in primary market.

Table 4.22

Nepal's present condition is suitable or not for investment

S.N.	Research Variable	No. of Respondents	Percentage
A	Yes	68	68
B	No	32	32
Total		100	100

Source: Field Survey, 2075

Table 4.22 results show that 68% investors are thinking that Nepal's situation is suitable and 32% investors think that Nepal's situation is not suitable for the investment. The result shows that Nepal's present condition is suitable for the investment in primary market.

4.5 Motive of Investment

From the analysis of primary data investors are motive through long term gain. They invest in primary market for future return. They also inspire from corporate image, management team of the company. Most of the investors invest in IPO through the motive of stock dividend/bonus share which helps to recover fluctuation of shares price. The whole analysis of this primary research investors are also motive from market index, advices of friends, performance of the company and cheap price of share than secondary market.

4.6 Testing of Hypothesis

4.6.1 Testing Chi-square by Formal Education on IPO in Financial Sector

According to the finding show in table 4.23 among the 50 investors of commercial bank 33 investors have taken formal education on IPO where as among 9 investors of development bank 6 investors have taken formal education, among the 21 investors of finance company invest in financial sector as the result 17 investors have taken formal education on IPO as well as among the 20 investors of insurance company

invest in financial sector which is only 16 investors have taken formal education on IPO.

Table no. 4.23

Relationship between Formal Education and Financial Sector

	In financial sector which sector would you prefer to invest?			
	Commercial Bank	Development Bank	Finance Company	Insurance Companies
Do you take formal education on IPO? Yes	33	6	17	16
No	17	3	4	4
Total	50	9	21	20

Chi- Square Tests				
		Value	Df	Asymp. Sig. (2-sided)
	Pearson Chi- Square	2.49	3	0.477
	Likelihood Ratio	2.563	3	0.464
	Linear-by-Linear Association	2.14	1	0.143
	No. of Valid Cases	100		

Null hypothesis: There is no relationship between formal education on IPO and financial sector.

Alternative hypothesis: There is relationship between formal education on IPO and financial sector.

Table no. 4.23 explained that the value 0.477 is greater than 0.05 which indicates there is a relationship between formal education on IPO and financial sector so that it shows alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.2 Testing Chi-square by Formal Training for IPO in Financial Sector:

Table 4.24 shows that in financial sector 50 investors invest in commercial bank as the result 23 investors have taken formal training for IPO, 9 investors invest in development bank 2 investors have taken formal training, 21 investors invest in finance company 13 investors have taken formal training and 20 investors invest on insurance company 7 investors have taken formal training for IPO.

Table no. 4.24

Relationship between Formal Training and Financial Sector

	In financial sector which sector would you prefer to invest?			
	Commercial Bank	Development Bank	Finance Company	Insurance Companies
Have you taken formal training for IPO? Yes	23	2	13	7
No	27	7	8	13
Total	50	9	21	20

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	5.14	3	0.162
Likelihood Ratio	5.291	3	0.152
Linear-by-Linear Association	0.024	1	0.877
No. of Valid Cases	100		

Null hypothesis: There is no relationship between formal training on IPO and financial sector.

Alternative hypothesis: There is relationship between formal training on IPO and financial sector.

Table no. 4.24 explained that the value 0.162 is greater than 0.05 which indicates there is a relationship between formal training on IPO and financial sector so that it is

alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.3 Testing Chi-square by Crash Courses related to IPO in Financial Sector:

Table no 4.25 shows that among the 50 investors invest in commercial bank 11 investors have taken crash course, 9 investors invest in development bank its only one investor has taken crash course, 21 investors invest in finance company 5 investors have taken crash course and among the 20 investors invest in insurance company 4 investors have taken crash courses related to IPO.

Table no. 4.25

Relationship between Crash Courses related IPO and Financial Sector

	In financial sector which sector would you prefer to invest?			
	Commercial Bank	Development Bank	Finance Company	Insurance Companies
Do you taken crash courses related to IPO? Yes	11	1	5	4
No	39	8	16	16
Total	50	9	21	20

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	0.673	3	0.880
Likelihood Ratio	0.753	3	0.861
Linear-by-Linear Association	0.004	1	0.951
No. of Valid Cases	100		

Null hypothesis: There is no relationship between crash courses related to IPO and financial sector.

Alternative hypothesis: There is relationship between crash courses related to IPO and financial sector.

Table no. 4.25 explained that the value 0.880 is greater than 0.05 which indicates there is a relationship between crash courses related to IPO and financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.4 Testing Chi-square by attended the Training host by Formal Organization in Financial Sector:

According to table no 4.26 the result shows that 50 investors invest in commercial bank 18 investors have been attended the training host by formal organization, 9 investors invest in development bank only one investor has taken training host by formal organization, 21 investors invest in finance company 8 investors have taken training host by formal organization and 20 investors invest in insurance company 5 investors have taken training host by formal organization.

Table no. 4.26

Relationship between Training host by Formal Organization and Financial Sector

	In financial sector which sector would you prefer to invest?			
	Commercial Bank	Development Bank	Finance Company	Insurance Companies
Have you been attended the training host by formal organization? Yes	18	1	8	5
No	32	8	13	15
Total	50	9	21	20

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	2.981	3	0.395
Likelihood Ratio	3.349	3	0.341
Linear-by-Linear Association	0.376	1	0.540
No. of Valid Cases	100		

Null hypothesis: There is no relationship between attended the training host by formal organization and financial sector.

Alternative hypothesis: There is relationship between attended the training host by formal organization and financial sector.

Table no.4.26 explained that the value 0.395 is greater than 0.05 which indicates there is a relationship between attended the training host by formal organization and financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.5 Testing Chi-square by Formal Education in Non-Financial Sector:

According to table no 4.27 shows that among the 19 investors invest in hotels 13 investors have taken formal education on IPO, 26 investors invest in manufacturing and processing companies 20 investor have taken formal education on IPO, 12 investors invest in trading company 9 investor have taken formal education and 43 investor invest on other companies 30 investor have taken formal education on IPO.

Table no. 4.27

Relationship between Formal Education and Non- Financial Sector

	In non financial sector which sector would you prefer to invest?			
	Hotels	Manufacturing and processing companies	Trading Companies	Other Companies
Do you take formal education on IPO? Yes	13	20	9	30
No	6	6	3	13
Total	19	26	12	43

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	0.593	3	0.898
Likelihood Ratio	0.602	3	0.896
Linear-by-Linear Association	0.027	1	0.869
No. of Valid Cases	100		

Null hypothesis: There is no relationship between formal education on IPO and non-financial sector.

Alternative hypothesis: There is relationship between formal education on IPO and non-financial sector.

Table no.4.27 explained that the value 0.898 is greater than 0.05 which indicates there is a relationship between attended the training host by formal organization and financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.6 Testing Chi-square by Formal Training for IPO in Non Financial Sector:

From the table no 4.28 shows that 19 investors invest in hotels 8 investor have taken formal training, 26 investors invest in manufacturing and processing companies 14 investor have taken formal training, 12 investor invest in trading companies 6 investor have taken formal training and 43 investors invest on other companies 17 investor have taken formal training on IPO.

Table no. 4.28

Relationship between Formal Training and Non Financial Sector

	In non financial sector which sector would you prefer to invest?			
	Hotels	Manufacturing and processing companies	Trading Companies	Other Companies
Do you take formal training on IPO? Yes	8	14	6	17
No	11	12	6	26
Total	19	26	12	43

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	1.527	3	0.676
Likelihood Ratio	1.526	3	0.676
Linear-by-Linear Association	0.359	1	0.549
No. of Valid Cases	100		

Null hypothesis: There is no relationship between formal training on IPO and non-financial sector.

Alternative hypothesis: There is relationship between formal training on IPO and non-financial sector.

Table no. 4.28 explained that the value 0.676 is greater than 0.05 which indicates there is a relationship between attended the training host by formal organization and financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.7 Testing Chi-square by Crash Courses related to IPO in Non-Financial Sector:

Table no 4.29 Shows that 19 investors invest in hotels 5 investor have taken crash courses, 26 investor invest on manufacturing and processing companies 6 investor have taken crash courses, 12 investor invest in trading companies its only 2 investor have taken crash courses and 43 investor invest in other companies which shows 8 investors have taken crash courses related on IPO.

Table no. 4.29

Relationship between Crash Courses related to IPO and Non Financial Sector

	In non financial sector which sector would you prefer to invest?			
	Hotels	Manufacturing and processing companies	Trading Companies	Other Companies
Do you have taken crash courses related to IPO? Yes	5	6	2	8
No	14	20	10	35
Total	19	26	12	43

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	0.676	3	0.879
Likelihood Ratio	0.669	3	0.881
Linear-by-Linear Association	0.547	1	0.460
No. of Valid Cases	100		

Null hypothesis: There is no relationship between crash courses related to IPO and non- financial sector.

Alternative hypothesis: There is relationship between crash courses related to IPO and non-financial sector.

Table no.4.29 explained that the value 0.879 is greater than 0.05 which indicates there is a relationship between attended the training host by formal organization and

financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.8 Testing Chi-square by attended the Training host by Formal Organization in Non Financial Sector:

Table no 4.30 shows that among the 19 investors invest in hotels 8 investor have attend the training, 26 investors invest in manufacturing and processing companies 9 investor have attend the training, 12 investor invest in trading company whereas 4 investor have attend the training and 43 investor invest in other companies whereas 11 investor have attend the training host by formal education.

Table no. 4.30

Relationship between Training host by Formal Organization and Non FinancialSector

	In non financial sector which sector would you prefer to invest?			
	Hotels	Manufacturing and processing companies	Trading Companies	Other Companies
Have you been attended the training host by formal organization? Yes	8	9	4	11
No	11	17	8	32
Total	19	26	12	43

Chi- Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi- Square	1.797	3	0.616
Likelihood Ratio	1.789	3	0.617
Linear-by-Linear Association	1.715	1	0.190
No. of Valid Cases	100		

Null hypothesis: There is no relationship between attended the training host by formal organization and non- financial sector.

Alternative hypothesis: There is relationship between attended the training host by formal organization and non-financial sector.

Table no.4.30 explained that the value 0.616 is greater than 0.05 which indicates there is a relationship between attended the training host by formal organization and financial sector so that it is alternative hypothesis. They are reflecting similar opinion towards different financial sectors.

4.6.9 Hypothesis Summary

Table 4.31
Hypothesis test Summary

Alternative hypothesis	Test	Sign.	Result
There is relationship between formal education on IPO and financial sector.	Pearson chi-Square	.477	Relationship exist
There is relationship between formal training for IPO and financial sector.	Pearson chi-Square	.162	Relationship exist
There is relationship between crash courses and financial sectors.	Pearson chi-Square	.880	Relationship exist
There is relationship between training host by formal organization and financial sector.	Pearson chi-Square	.395	Relationship exist
There is relationship between formal education on IPO and non-financial sector	Pearson chi-Square	.898	Relationship exist
There is relationship between formal training for IPO and non-financial sector.	Pearson chi-Square	.676	Relationship exist
There is relationship between crash course and non-financial sectors	Pearson chi-Square	.879	Relationship exist
There is relationship between training host by formal organization and financial sector.	Pearson chi-Square	.616	Relationship exist

4.7 Major Findings

The study was carried out with an objective to analyze different aspects of IPOs in Nepal. Data were collected and analyzed from primary sources using tools -tabulation and percentage analysis tool. The major findings are as follows:

1. 72% of the respondents have taken formal education and remaining 28% don't take formal education on IPO. Since the respondents are aware of taking formal education before investing on IPO. According to this study 45 % investors taken formal training for IPO, 21 % investors taken crash courses related to IPO and 32% investors have attended the training host by formal education which shows that less awareness about IPO.
2. The study shows that 100% investors have know about share, 90% investors read prospects of the company before investment, 30% investors are most aware, 30% investors are very aware and 39% investor are little aware about the financial performance of the company.
3. According to this study 30% investors look corporate image while investment in primary market ,55% investors look future return and 11% investors look management team for investment in primary market.
4. The study shows that 69% investors prefer to invest for the stock dividend, 16% investors prefer to invest for cash dividend and 13% investors for right share.
5. 74% investors get information through media,14% investors get information through issuing manager and 11% investor get information from others for opportunity to invest in primary market.
6. It is found that 67% investors get information from data base.39% investors take formal training for information and 18% investor get information from bank employees.
7. In financial sector most of the respondents prefer to invest on the Commercial Bank i.e. 50% and non financial sector prefer to invest on the other companies like Hydropower i.e. 43%
8. The study of primary data shows that most of the investors make an investment in IPO, 42 percent respondents were face difficulties after applying in IPO because it delay in allotment of shares which needs to considered by the issue managers and issuing company. And other found on difficulties that on 19 percent on refund problem and 22 percent on no clarity in allotment.

9. Analysis of primary data shows that most of the investors' purpose behind making investment in primary issue is for dividend followed by right share, bonus shares and others.
10. Overall we found that on the financial sectors while calculating chi- square there is a relationship between formal education, training and financial sector investors which indicates alternative hypothesis.
11. Analysis shows that on the non financial sectors exists positive relationship which indicates alternative hypothesis.

CHAPTER-V

SUMMARY, CONCLUSION AND IMPLICATIONS

This chapter embodies three parts of the study: Summary, Conclusion and Recommendations. The first part goes over with summarization of the whole study, the second part depicts the conclusion and the final part presents recommendation in the light of its findings. The facts and findings from primary data analysis are presented in this chapter.

5.1 Summary

Initial Public Offering (IPO) is a way for a company to raise money for investors for its future projects and get listed in Stock Exchange. The securities which the companies issue for the first time to the public convert the private to public company. Securities being offered by the issuing company can be debt or equity offerings. Initial public Offering (IPO) is the key mechanism of primary market. IPO is the first time issuance of securities to the public. Securities being offered can be debt or equity offering. Various components of capital market play important roles in practice and procedure of IPO.

Generally there exist two markets from where business entities secure capital viz: money market and capital market. Money market avails funds for shorter period of time, maximum of one year whereas capital market avails long term funds with terms suiting the needs of business entities. Primary market is the market for new and unseasoned securities whereas secondary market is the market for existing and seasoned securities. Money or Capital in financial vocabulary is one of the most important requirements for any business entity. Business entities need Capital at various stages of their performance.

Money can facilitate by either money market of capital market. Money market provides for short term but business need long term assets. For improvement of long term asset capital market provide fund. Hence capital market is essential market for business. Initial public offering (IPOs) is a part of primary market mechanism. When an institution raises capital from public through issuance of its securities for the first time, then its issue to the public is termed as initial public offering. It also study overall Nepalese capital market, capital market is a best alternative for the investment

in the other part of world capital market is old concept but in Nepal capital market is new emerging market. Stock market helps to development of financial structure of country.

As far as the practices of IPO is concerned, there exists two institutions which guide and influence IPO process: Security Board of Nepal (SEBON) and Nepal Stock Exchange (NEPSE). SEBON is the regulatory body which looks after all the securities market transaction including IPO. Likewise, NEPSE is the sole stock exchange of Nepal which provides marketability and liquidity to the security as is the common place where all the buyers and sellers meet together and the buying and selling of securities takes place.

Conceptual review of this study has covered concept of primary market and awareness about initial public offering, which analyzed by Formal Education & Training, Understanding of Subjects and Access to Information as well as this study covered Financial sectors and Non- Financial sectors. Similarly, reviews of related studies consist of review of articles, journals and past thesis. For the purpose meeting the objectives of the study, it has used descriptive and analytical research design and samples have been taken as convenient sampling technique. Presentation and analysis of data collected from primary sources reveals the existing state of IPOs in Nepal, analyzes IPOs and its relevant sectors. As the study is based on primary data has been retrieved from questionnaires to investor.

The primary sources of data show that most of the investors are aware to take formal education on IPO. Most of the investors are not aware to take formal training on initial public offering, crash courses related to IPOs, and training host by formal organization. This study shows that most of the investors read prospects of the company before investment. The primary sources of data show that the major source of information of public offering is media. These days' people are getting aware to primary market to choose the right sector for investment and invest their money in more than one company. The investors think that those companies who are performing well in the market will do better in the future and read prospects of the company before investing money. People think that lack of information and less assessable are the reasons of few people invest in IPO. Most of the investors expect

stock dividend/ bonus shares from their investment and they also look future return, corporate image and management team before investment.

This study found that most of the investors prefer commercial bank in financial sector and other companies than hotels. Manufacturing & processing companies and trading companies in non- financial sectors. This study found that delay in allotment of shares is the main difficulties face by investors after applying in initial public offering. This study has found that public response to initial public offering is high due to lack of investment opportunity for investment and attracted towards shares to increase their value of investment. They are getting aware of stock market and realized the importance of the investment in shares. From the research, researcher summarized that education and training on IPO indicates less awareness and understanding of subject and also access to information have high awareness among the respondents. People think that the present environment of Nepal is suitable for investment. From the test of hypothesis researcher found that there is a relationship exists between formal education and training and financial sectors investors and also found that relationship between formal education and non- financial sector investors.

5.2 Conclusion

The main purpose of the study is to investigate the investors' response to the initial public offering (IPO) in Nepal. The finding of this study indicates that investors are aware towards initial public offer. The investor awareness level is found to be affected by the education and training, understanding of subjects, and access to information on IPO. Most of the investor in primary market is involved from Kathmandu valley due to the only one stock exchange located in here and do not have sufficient information and knowledge regarding the investment but they are still interested to invest money in the primary market so the most of the securities are issued in over subscription. This is good sign to the expansion of the primary market.

Singh, M.(2012) mentioned in his studies that overall result concluded that when investing in IPOs companies generally consider five main factors i.e. the corporate image, size, performance of previous IPOs, price and present market condition, the investors investing the highest amount of money usually base their decisions on growth and profits, while those in the lowest investment bracket base their decisions on growth and do not give major emphasis on the number of years, the company has

been in business with, while it being a major parameter for middle investment bracket. In measuring the perception of the investor's on the objective of raising an IPO it can be clearly seen that the majority of the sample agrees that they do keep this factor in mind. This means that they do keep this factor in mind. This means that the investor interested in knowing the future plans of the company and how is it going to use the investor's money and generate returns. This result shows that purpose of the IPO investment is listing gain.

In this research compare to them, specifically in financial sector commercial bank and finance company are more preferable for public than development bank and insurance company. In non financial sectors, other companies and manufacturing and processing companies are more preferable than trading companies and hotels. The finding of this study revealed that there is a relationship between education and training towards investment in financial sector and non-financial sectors. Long term gain motivates most of the investors they invest in primary market for future return. They also inspire from corporate image, management team of the company and stock dividend.

The finding is inconsistent with the previous findings because the previous research shows that there is listing gain but present research shows the long term gain. Previous research consider corporate image, size, performance of previous IPOs, price and present market condition but present research consider corporate image, management team future return, and dividend for the investment.

Kadariya and Subedi (2012) conclude that the investor awareness level is found to be affected by the related work experience, understanding of investment environment, learning expectation, and access to market information. Equity investors in secondary market are not satisfied with the available sources of information and efforts of information disseminating mechanism. Equity investors with higher investment have more knowledge/ aware in investment than those with lower investment. This study shows that there is problem on access to information for equity investors in secondary market.

In this research compare with them that the investors awareness level is found to be affected by the investor awareness on IPO, learning expectation, access to market information. In this research primary market is focused and also in primary data and

found that the investor are satisfied with the available information for the investing on the organization. Investor invested in financial and non financial sector by the well education on the invest company.

The finding is consistent because the previous research and present research is related to work experience, understanding of investment environment, access to information. Both researches are findings about the awareness of the investors.

In overall the result concluded that the Nepalese investors are giving positive response to the initial public offers made by the companies, the market is developing gradually and the investment in primary issue can be taken as a good alternative.

5.3 Implications

On the basis of the study carried out and the obtained findings, some recommendations are herewith:

5.3.1 Managerial implication

1. This research report helps to manager for taking decision in setting goals and more accountability for accomplishing goals.
2. Manager should attention from the risk and opportunity created by the IPO process to new challenge and expectation facing on the business can be managed by the company rules and regulations.
3. The research report implicate that by the help of providing training to the investors about IPO then the number of investors would be increases.
4. Through media, brokers and issue manager the manager should provide knowledge about IPO to create faith and good image in the mind of the investors.

5.3.2 Future Researcher Implications

1. This study implicates to the researcher and scholars as it will contribute to the literature on the investors' response to IPO for further research.
2. The research report findings that the further research it would be useful for research gaps that will stimulate in future and also which have been made on possible areas for future studies.

3. From the total population of the brokers the further researcher can be used large scale, valid sample size.
4. These studies were only focused on primary data and further researcher will used both primary and secondary data and can be used other tools and method for analysis.

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APPENDIX 1

“Investors’ Awareness and Response to IPO in Nepal.”

Dear Respondent,

I am the student of MBS, studying at Central Department of Management, TU. I am doing a research on the topic of “Investors’ Response to IPO in Nepal” in partial fulfillment of the requirement of the degree of Master of Business Studies (MBS). Your sincere and unbiased response will be highly beneficial and as such will be appreciated. The information you provide here by will be kept confidential and be solely used for this research purpose.

Name:

Address:

Gender:

Education & Training

1. Do you take formal education on IPO?

- a) Yes b) No

2. Have you taken formal training for IPO?

- a) Yes b) No

3. Do you have taken crash courses related to IPO?

- a) Yes b) No

4. Have you been attended the training host by formal organization?

- a) Yes b) No

Understanding of Subject

1. Have you know about share?

- a) Yes b) No

2. Do you read prospects of the company before investment?

- a) Yes b) No

3. Are you aware about the financial performance of companies?

- a) Very
- b) Moderately
- c) Little
- d) Not at all

3. What is the thing that you look in to investment in primary market? (Tick one or more, if applicable)

- a) Corporate image
- b) Management team
- c) Future return
- d) Other (please specify).....

4. In what expectation do you prefer to invest?

- a) Stock dividend/ bonus shares
- b) Cash dividend
- c) Right share
- d) Other (please specify).....

5. On what basis do you make an investment?

- a) Market index
- b) Advices of friends
- c) Performance of the company
- d) Market whim

Access to Information

1. How do you get information for opportunity to invest in primary market?

- a) Through media
- b) Through brokers
- c) Through issue manager/ issuing company
- d) Others

2. Why few people invest in IPO?

- a) Lack of money
- b) Lack of information
- c) Lack of knowledge
- d) Others (please specify).....

3. Do you get information from data base?

- a) Yes b) No

4. Do you take formal training for information?

- a) Yes b) No

5. Do you get information from bank employees?

- a) Yes b) No

Extra

1. In financial sector which sector would you prefer to invest?

- a) Commercial bank b) Development bank
c) Finance company d) Insurance companies

2. In non financial sector which sector would you prefer to invest?

- a) Hotels b) Manufacturing & Processing companies
c) Trading companies d) Other companies

3. What difficulties do you face after applying in IPO?

- a) Refund problem b) Delay in allotment of shares
c) No clarity in allotment d) Others

4. Why do you invest in IPO?

- a) Listing gain b) Long-term gain

5. Main cause of over application in IPO is due to

- a) Lack of investment opportunity b) High dividend distribution
c) Low interest rate on bank d) Other

6 How many companies have you been invested in?

- a) Single company b) 1-5 companies
c) 6-10 companies d) more than 10 companies

7. Do you think Nepal's present condition is suitable for investment?

- a) Yes b) No

APPENDIX 3

Do you take formal education on IPO? * In financial sector which sector would you prefer to invest?

Crosstab

Count		In financial sector which sector would you prefer to invest?			
		commercial bank	development bank	finance company	insurance companies
Do you take formal education on IPO?	Yes	33	6	17	16
	No	17	3	4	4
Total		50	9	21	20

Crosstab

Count			Total
Do you take formal education on IPO?		Yes	72
		No	28
Total			100

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.490 ^a	3	.477
Likelihood Ratio	2.563	3	.464
Linear-by-Linear Association	2.140	1	.143
N of Valid Cases	100		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.52.

Have you taken formal training for IPO? * In financial sector which sector would you prefer to invest

Crosstab					
Count					
		In financial sector which sector would you prefer to invest?			
		commercial bank	development bank	finance company	insurance companies
Have you taken formal training for IPO?	Yes	23	2	13	7
	No	27	7	8	13
Total		50	9	21	20

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.140 ^a	3	.162
Likelihood Ratio	5.291	3	.152
Linear-by-Linear Association	.024	1	.877
N of Valid Cases	100		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 4.05.

DO you have taken crash courses related to IPO? * In financial sector which sector would you prefer to invest?

Crosstab					
Count					
		In financial sector which sector would you prefer to invest?			
		commercial bank	development bank	finance company	insurance companies
DO you have taken crash courses related to IPO?	Yes	11	1	5	4
	No	39	8	16	16
Total		50	9	21	20

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.673 ^a	3	.880
Likelihood Ratio	.753	3	.861
Linear-by-Linear Association	.004	1	.951
N of Valid Cases	100		

a. 3 cells (37.5%) have expected count less than 5. The minimum expected count is 1.89.

Have you been attended the training host by formal organization? * In financial sector which sector would you prefer to invest?

Crosstab					
Count		In financial sector which sector would you prefer to invest?			
		commercial bank	development bank	finance company	insurance companies
Have you been attended the training host by formal organization?	Yes	18	1	8	5
	No	32	8	13	15
Total		50	9	21	20

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.981 ^a	3	.395
Likelihood Ratio	3.349	3	.341
Linear-by-Linear Association	.376	1	.540
N of Valid Cases	100		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 2.88.