

**PERCEPTION OF INVESTORS TOWARDS INITIAL PUBLIC OFFERING  
(IPO) IN NEPAL  
(REFERENCE TO SURKHET DISTRICT)**

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

By

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## CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Perception of investors toward initial public offering (IPO) in Nepal with reference to Surkhet district**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes.

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

Mamata Paudel

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September, 2021

## REPORT OF RESEARCH COMMITTEE

Mrs. Mamata Paudel it has defended research proposal entitled “**Perception of investors towards initial public offering (IPO) in Nepal with reference to Surkhet district**” Successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidance of supervisor prof, Dr. Puspa Raj Sharma and submit the thesis for evaluation and viva voice examination.

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## APPROVAL SHEET

We have examined the dissertation entitled “**Perception of investors toward initial public offering (IPO) in Nepal with reference to Surkhet district**”. . Presented by **Mamata Paudel**, for the degree of **Master of Business Studies (MBS)** and conducted the viva voice examination of the candidate. We hereby certify that the dissertation is acceptable for the award for degree.

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## ACKNOWLEDGEMENTS

This research study “Perception of investors toward initial public offering (IPO) in Nepal With reference to Surkhet district)”, has been prepared to fulfill partial requirement of MBS semester program. I am extremely grateful and indebted to my respected and honorable supervisor Prof. Dr. Puspa Raj Sharma for supervising me and for providing me the valuable guidelines, suggestions and comments in the preparation of this study.

I am grateful to Chairperson of Research Committee Prof. Dr. Sanjay Kumar Shrestha for his precious suggestion and timely support for completing this work. Likewise, I am grateful to Prof. Dr. Ramji Gautam, the head of Central Department of Management and all the teachers and administrative staffs of Central Department of Management for their help during the study period.

I am thankful to my parents, friends who always encouraged and inspired me continuously in whatever way it is possible.

Lastly, I would like to conclude that I am very grateful to all of my lectures, professors and well-wishers who have directly or indirectly contributed to accomplish this task. Finally, I would like to thanks my entire family member for Kindly financial and technical support.

Mamata Paudel

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Researcher

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**ABBREVIATIONS/ACRONYMS**

BFI	:	Bank and Financial Institution
BO	:	Beneficiary owner
BOID	:	Beneficiary owner Identity Number
BSE	:	Bombay Stock Exchange
CG	:	Company Goodwill
CP	:	Company Performance
CS	:	Company Sector
CSE	:	Colombo Stock Exchange
DEMAT	:	Dematerialization
DP	:	Depository Participants
EPSE	:	Nepal Stock Exchange
FPO	:	Further Public Offering
ID	:	Investment Decision
IPO	:	Initial Public Offering
IT	:	Information Technology
MI	:	Market Information
NRB	:	Nepal Rastra Bank
NSE	:	Nairobi Stock Exchange
SEBON	:	Securities Board of Nepal
SEC	:	Security Exchange center
SLC	:	School Leaving Certificate
SPSS	:	Statistical Package for the Social Science

## ABSTRACT

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

The correlation results were used to answer the five variables. The Pearson Correlation coefficient between all five independent variables and dependent variable (investment decision) was done, which implies that five variables (quality management, company goodwill, company performance, company sector and market information) are positively correlated at 1% significant level.

The research is primarily based on primary data. Data was collected from 100 respondents who were connected at Surkhet district. The descriptive analysis was preferred in SPSS by using statistical tools such as mean and standard deviation. Similarly, correlation analyses were also used to analyze the relationship between variables and impact of different factors on investment decision (dependent variable).

# **CHAPTER-1:**

## **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.

Financial market refers to a marketplace, where creation and trading of financial assets, such as share, debentures, bonds, derivatives, currencies, etc. take place. It plays a crucial role in allocating limited resources, in the country's economy. It acts as an intermediary between the savers and investors by mobilizing funds between them. The financial market provides a platform to the buyers and sellers, to meet, for trading assets at a price determined by the demand and supply forces. Financial market is broadly classified in to two types on the basis of maturity- money market and capital market. The money market where monetary assets such a commercial paper, certificate of deposits, treasury bills etc. which mature within a year, are traded. It is the market for short term funds. No such market exists physically; the transactions are performed over the virtual network, i.e. fax, internet or phone. The capital market is a place where medium- and long-term financial assets are traded. It is divided in to two types- primary market and secondary market. Primary market is a financial market where company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issues. Secondary market is an organized marketplace; where in already issued securities are traded between investors, such as individuals, merchant bankers, stock brokers and mutual funds, ([www.financialjargon.com](http://www.financialjargon.com)).

Capital markets, which deal with securities such as stocks and bonds, are associated with financial resource mobilization on a long term basis. By raising capital directly

from the public, they lower the cost of capital. Capital markets also allow for wider ownership among the public, thereby distributing risks and wealth amongst smaller investors. For investors, they provide an effective vehicle for making investment choices which suit their own preferences of risk and returns based on available information. As such, capital markets help the economy to generate more savings and productive investments. A basic feature of an efficient capital market is constant liquidity, i.e., an easy mechanism for entry and exit by investors. This requires sufficient volume and size of transactions in the market, ([www.investmentpedia.com](http://www.investmentpedia.com)).

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).

Institutional investors and individual investors, both are equally important from the investment point of view. As to the general meaning, the organized financial institutions that have substantial funds investment in the securities of others are known as institutional investors. Institutional investors play decisive role in the mobilizing the financial recourses from small savers to large units of industrial investors through collecting funds from small savers by issuing own securities in large volume through direct placement in primary market as well as they trade on securities in large volume in the secondary market provide liquidity and competitive market provide to the listed securities among various companies, ([www.sebon.gov.np](http://www.sebon.gov.np)).

In Nepal, the first public issue of ordinary shares took place with the public issue of Biratnagar Jute Mills and Nepal Bank Limited in 1973 A.D. But the development of the capital market started in 1976 A.D. after the establishment of Security Exchange Center with the objective of facilitating and promoting the capital market in Nepal. It

was the only capital market institution which undertook the job of brokering, underwriting and managing public issue, market making for government bond and other financial services. Security Exchange center dealt in the securities as a broker as well as a regulatory body (Roka, 2011).

Securities Board of Nepal (SEBON) was established by the government of Nepal on June 7, 1993 as an apex regulator of securities markets. It has been regulating the market under the securities Act, 2006. SEBON plays an important role in protecting and promoting the interest of the investor by regulating the issue, transfer, sale and exchange of registered securities, issue necessary security regulations and directives, provide advice to the government on matters related with the development of capital market. After the introduction of the company's ordinance in 2006, a provision has been made which requires public companies to register with the SEBON all securities before issuance. The ordinance made mandatory for issuing companies to prepare prospectus, and publish it to public after getting SEBON's approval. With the introduction of company's ordinance and the regulation of SEBON, capital market is growing day to day. The investors are now very keen to make investment in the securities of the companies, through both primary and secondary markets, ([www.sebon.gov.np](http://www.sebon.gov.np)).

IPO application process in Nepal is digital and so everything is done online. No more visiting the banks. Apply for the IPOs of Nepal through laptop or even a Smartphone or tablet. The sale goes usually for 4 working days and it is within those 4 days one must go to the Mero share website, access and fill up the ASBA (Application Supported by Blocked Amount) with all the details and submit it. Make sure that bank account has the necessary rupees amount that is to be blocked for ASBA, within a week for the allotment to be concluded. After that, depending upon the number of shares issued, the number of total applications received and amount of investment, investors are allotted a certain number of shares. Since Shrawan 2074, every accurate application/applicant gets at least 10 units of IPO shares. However, depending on the number of applications, investor might receive additional shares if there are more to be allotted or no shares if there aren't enough for everyone. After allocation, the financial organization has been release the blocked amount while debiting the allotted share amount from investor's bank account. After some time, the share quantity that

investor were allotted has been show up in your Demat account statement, (unicodnepali.com).

Investment in stock market helps to mobilize which in turns helps in development of the economy. Investment in shares has been being started from primary market through the purchase of Initial Public offering and further has been traded in secondary market. The investors can buy and sell the existing share at the market price in the stock exchange. An equity share is considered as the ownership capital of the company. Equity instruments are traded based on the movement of price which has been be depended on the demand and supply. Investment has been generally done by investors through their direct control on buy and sell of the securities or has been be managed by fund managers like brokers the main aim of investors is to get capital appreciation and returns. The capital appreciation occurs when shares are sold more than purchase price. The returns have been being in the form of dividend. The study concentrates on Investors' attitude towards investment decisions in equity market and their risk bearing attitude based on their gender, age, income, education and occupation. This study analyses and concludes by classifying investors as conservative, moderate and aggressive, (keown and petty, 2009).

Investors have a number of investment alternative in which some of them are traditional investments like bank deposits, gold and so on which have been used from generations' time whereas few are relatively new options which have become popular like Equity, mutual fund, commodity and derivatives and so on. The present study concentrates only on equity investment. The total capital of the company has been being divided into smaller units known as Equity share. Turn Company has been be liable to pay dividend to shareholder out of their profits. Equity Investors has been get returns in the form of dividend and capital appreciation. Along with this benefit, the holder of equity shares has been get voting rights in the company. Moreover, investors in equity shares have been treated as owners of the company and the ownership is limited to the extent of the shares held by investors. A company issues shares primarily when there are in need of funds for growth of the business or for the expansion. It initially approaches the investors in primary market through Initial Public Offering (IPO). In IPO, equity shares of the company have been is offered to the general public for subscription for the first time. Once, the shares get listed on a

particular stock exchange and exchange provides for frequent trading. General public can subscribe to the IPO and these shares can be sold on a stock exchange like NEPSE .Once allotments of shares are done, (Yashaswini, 2019).

An initial public offering is the sales of company's stock to the public for the first time. The primary impetus for an IPO is generally either to raise capital or to offer an exit strategy. In fact the firm in most incipient stage of development generally relies entirely on personal loans, saving, family and friends for their initial financing. The financial market provides a platform to the buyers and sellers, to meet, for trading assets at a price determined by the demand and supply forces. Financial market is broadly classified in to two types on the basis of maturity- money market and capital market. It is divided in to two types- primary market and secondary market. Primary market is a financial market where company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issues. 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. In this competitive world, various investment avenues are available but majority of investors consider equity as their investment option because investment in equity require less amount minimal time to trade its liquidity . So this study has been help us to find how investors' perception has been have an impact on investment decisions and its reasons behind to take such decisions depending on the situation.

## **2.1 Problem statement**

Most of the people from rural areas are almost illiterate to securities. Also in urban areas, very few people with business and intellectual family backgrounds bear some knowledge on it. Concentration of wealth in a few hands is also one of the major reasons behind backwardness of societies. This is a nationwide problem. On the basis of disparity in income, living standard, and educational status, we can out rightly categorize people living in the country under lower, medium and upper class. There is a wide economic gap between rich and bourgeois. Investing on various financial



instruments forming efficient portfolios helps in reducing such gap by generating sufficient passive income to the small investors.

Primary market, part of capital market, is a major source of fund to the companies involved in various kind of business. When primary market is flourishes only then entrepreneurs can fund their business, increasing employment and revenues to the government. In Nepal, fortunately, investors in IPO market are optimistic about the market and the investment. The prospect of IPO is very high in Nepal which is evident from the oversubscription of IPOs issued in the market. However, scenario is changing specially in hydropower sector which is suffering from over subscription due to increase in investor awareness of IPO in market. So understanding the changing attitude and psychology of the investors is equally important to maintain the attractiveness of the IPO. Thus, this research aims to study the perception of investors across different demographic variables.

The capital market in Nepal is still in the developing phase and is very small in size in terms of both number of participants and the size of capital. The market gets easily saturated. Unnecessary rumors affect the investment decisions of investors. Investors are very sentimental. This will have great repercussion if the confidence of investors is lost. Sound level of awareness can protect them from manipulated. Financial awareness significantly affects the level of investment decision (AL-Tamimi& Kali, 2009). So, this study also examines the level of awareness among investor regarding IPO in Nepal.

The Structural changes in the primary market have occurred. The need to queue for hours by the investors to make the application in primary issue has been replaced by the online application system. Furthermore, a significant decrease in time for the allotment and listing of securities has increased the liquidity in the market and has decreased the issuance cost of the securities. Most of the retail investors in the market are speculative: they bet their money without proper information and analysis. They sell their stocks immediately after listed in NEPSE. They are short term investor, who looks for quick way of earning of money. So how is the investor take their investment in new offering and identification of the proportion of such investor is another major issue.

- i. What is the perception of investors towards initial public offering in Nepal?
- ii. Is there any relationship between different factors (Quality management, Company goodwill, company performance, Company sectors and Market information) and investment decision of investors in IPO?

### **1.3 Objective of the study**

The overall purpose of this research is to identify the investor's perception towards IPO in Nepal reference to Surkhet District. The main objective of the study is as follows.

- i. To assess the perception of investors towards IPO under quality management, company goodwill, company performance, company sector and market information.
- ii. To assess the relationship between different factors (Quality management, Company goodwill, Company performance, Company sectors and Market information) and investment decision of investors in IPO.

### **1.4 Rationale of the study**

More than 75% people are still not aware or literate regarding public offering in Nepal. So this study has been be useful for those who are seeking some knowledge regarding IPO and expected to be helpful for the general investor and organizations that are directly or indirectly related in public offering. This study has been also assisting the issuing companies to know the perception and preferences of investor towards IPO in Nepal. This study has been be significantly know the crucial factors that affects investors perception and risk return in terms of investment in IPO and it was helpful for all the student and researcher who want undergo a research in IPO.

Investment in stock market in different sector is all about the psychology of investors where the price of the company fluctuates much frequently, psychology of the investors plays major role in making investment decision. Psychology in finance is included in behavioral finance. The study of behavioral finance in Nepal is very rare. This study adds a very important literature in the field of behavioral finance in Nepal. Various studies have been conducted in the international context related to this concept but only few researchers seem to have been done in the context of Nepal. No comprehensive studies relating to perceptions have been conducted yet.

### **1.5 Limitation of the study**

- i. Resource constraints due to lack of internationally published research articles and literature in Nepalese context about Initial Public Offering (IPO).
- ii. Only Surkhet District is considered for the study which may not represent the whole demographic territory of Nepal.
- iii. The finding of this research may not be representing the scenario of secondary market.
- iv. Sample size of 100 has been used in collecting primary data may not represent the population.

### **1.6 Chapter plan**

The research has been organized into five chapters which has been presented in such a way that the research objective has been easily met and research questions have been answered properly. The results and findings of the study have been depicted in a systematic manner. Each chapter's content is further described as follows:-

#### **Chapter- 1: Introduction**

This chapter deals with the major issues related to the perception of investors towards initial public offering (IPO), background of the study, statement of the problem and research questions, objective of the study, rationale of the study, limitations of the study and chapter plan.

#### **Chapter-2: Literature review**

Literature review chapter deals with the findings of previous researches related to the current study. Different research work related to investor perception has been discussed in order to prepare a base for the study. It includes a discussion on the review of major studies and research gap.

#### **Chapter-3: Research methodology**

This chapter explains about research methodology to be used for the study. It covers research design, population and sample, sources of data, data analysis tools and techniques, conceptual framework and definition of variables and software used.

**Chapter- 4: Results and discussion**

This chapter presents all collected data in systematic manner and analysis of such data by using various tools. This chapter has been divided into demographics profile, descriptive analysis and correlation analysis. Mean standard deviation and correlation analysis has been conducted to find out the appropriate result and discussions.

**Chapter-5: Summary and conclusion**

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

## **CHAPTER-2:**

### **LITERATURE REVIEW**

#### **2.1 Introductions**

This chapter highlights upon the existing literature and research related to the present study with a view to functioning out what had already been explained and how the present research adds to this dimension. Under this research, various books, journals, articles and previous research has been consulted and reviewed.

#### **2.2 Theoretical 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).

The word 'investments' is one that most of us are familiar with hearing in financial context. For many of us, it may make us thing of big business and vests sums of money, but there is much to the world of investments than multi-million dollar deals. Although it is true that, at the top level, investments may run into many millions, it is possible for the average person in the street to invest smaller amounts of money and to invest it wisely.

In truth, investments can cover a wide range of options. One of the most traditional types of investing is in the stock market. This has been viewed by some as being a difficult type of investment to get into, but times are changing. The new range of

online stockbrokers available mean that it's now easy (and fairly inexpensive) to get involved in buying and selling shares.

An alternative type of investment, which has become particularly popular in the UK, is that of property. Putting money into residential properties and then taking a rental income is seen by many as a win-win situation. The largest downside to this type of investing is that a large capital sum is needed to begin with, or else it is need to take out a sizeable loan. As with the stock market, property should be looked at as a long-term investment.

Investment in its broad sense means the sacrifice of current dollars for future dollars. The investment for future returns generally and automatically involves two attributes time and risk. The sacrifice of present wealth takes place in certainty but the reward or returns is uncertain and hence bears a risk of uncertainty (Sharpe, Alexander and Bailey; 2002).

Investment is an exchange of financial claim - stocks and bonds etc. Investment is the employment of funds with the aim of achieving additional income or growth in value. It involves the commitment of resources that have been saved or put away from current consumption in the hope that some benefits has been accrue in future. An investment involves the sacrifice of current rupees for future rupees. The sacrifice takes place in the present and certain. The reward comes later and is uncertain.

Investment is generally categorized into real assets or financial assets. Real assets are tangible, material things such as buildings, automobiles, factories, knowledge and machines that are used to produce goods that can be seen and felt. Real assets are generally less liquid than financial assets. Returns on real assets are frequently more difficult to measure accurately. But our principal concern is with financial assets.

Financial assets are piece of paper representing an indirect claim to real assets held by someone else. These pieces of paper represent debt or equity commitments. Financial assets define the allocation of income or wealth among investors. Financial assets are created and destroyed in the ordinary course of doing business. When a loan is paid off, both the creditor's claim (a financial asset) and the debtor's obligation (a financial liability) cease to exist. Financial assets such as stocks and bonds can be held by investors in both direct and indirect forms. Investors can buy and sell stocks and

bonds directly through financial markets or indirectly by pooling their funds with other investors. The returns on a financial asset come from the income produced by the real assets that are financed by the issuance of the security.

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 Stock 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 nonprofessionals 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 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.

## **2.3 Empirical review**

### **2.2.1 Review of journal and article**

Gnawali (2021) examined effect of the independent variables on investment decision making behavior of individual in stock market. This study used primary data to investigate the effect of the independent variables on investment decision making

behavior of individual in stock market of Nepal. This study has been adopted the descriptive and analytical research design. Convenience sampling has adopted for the study as population is considered as infinite for the retail investors and is difficult to estimate. The sample size for this study includes 250 respondents in Nepal. The data related to the study was collected from the investors present in broker house which was used for calculating the correlation and regression. This study has used both descriptive and inferential analysis. The result found that all the independent have positive relationship except psychological factor has negative relationship. This study has left door open for further study. It has been identified 20 behavioral biases and It can be used the structural equation modeling to get the reality and the research also can be explored by secondary method.

Gnawali & Niroula (2021) Examined examine the perception of investors towards initial public offering (IPO), to analyze the relationship between different factors (quality management, company goodwill, company performance, company sector and market information) and investment decision to examine the factors that impact in IPO to making investment decision. This research used primary data. The data was collected from 290 respondents which were related to five different brokerage firms at Kathmandu district. The inferential analysis was preferred in SPSS by using statistical tools such as correlation and regression analysis to analyze the relationship between variables and the impact of different factors on investment decision. The study revealed that quality management, company goodwill, company performance, company sector and market information are the highly considerable factors before making investment decision in IPO.

Salem (2021) the research aimed to identify the impact of the corona virus on auditing quality in Jordan. Due to the hazardous situation of movement in Jordan, the researcher contacted six international audit firms by phone to examine the impact of the pandemic on the auditing quality to collect the data. All of the auditors who were contacted by the researcher confirmed that the corona virus affected the audit quality in Jordan, and due to social distancing and restrictions on movement, the auditors face difficulties in collecting proper evidence which may increase the possibility of making wrong opinions regarding the auditing performance by them. For carrying out an effective study, the researcher used a secondary method of data to gather

information on the research topic. Also, in order to carry out the research in a dynamic manner, the researcher has adopted a systematic review method to clarify the processing auditing pattern in the field.

Kamal (2020) Stock market forecast has continuously caught the attention of many forecasters and researchers. Some of the theories commend that stock markets are really a random walk and it is a fool's game to attempt and forecast them. Forecasting stock prices is a challenging problem in itself because of the number of variables which are involved. Market also performs like a voting tool but in the longer term, it acts like a weighing instrument and hence there is scope for guessing the market actions for a longer timeframe. Application of mechanism learning techniques and other procedures for stock price analysis and anticipating is an area that shows great promise. In this paper, we first provide a concise review of stock markets and then focus on some of the research achievements in stock analysis and prediction.

Ruby & Narsis (2020) States that Investment is very important for every individual for the purpose for financial future needs. The purpose of savings differs among individuals. Every depositor is not an investor. The attitude for investing differs from one investor to another. It is a very important variable in human behavior. The approach results in a particular behavior or desired action. Individuals attain attitude from several sources and therefore investment knowledge need not be acquired from birth. The important basis of attaining the attitudes is direct experience with the family, peer groups, neighborhood, economic status, occupation and mass communication. Hence, attitude may be defined as a settled way of thinking. They may be either positive or negative directed towards certain people, institutions or service. This research paper reveals individual investor behavior of Indian capital market.

Gnawali, (2020) examine perception of investor towards IPO, to analyze the relationship between different factors (Quality management, Company Goodwill Company performance, Company sector and Market information) and investment decision and to examine the impact of such factors on investment decision in IPO. The research is primarily based on primary data. Data was collected from 290 respondents who were connected at five different brokerage firms at Kathmandu district. The inferential analysis was preferred in SPSS by using statistical tools such

as correlation and regression analysis were used to analyze the relationship between variables and impact of different factors on investment decision (dependent variable). The study revealed that Quality management, Company goodwill Company performance, Company sector and Market information are the highly considerable factors before making investment decision in IPO.

Yashaswini, (2019) Examined the Stock market have different attitude towards risk and returns, where some investors are risk bearer and some are risk avoider. This risk bearing attitude has been based on personal, economical, environment and situational factors such as income, family size expenditure pattern and age. Investors tend to follow different investment attitude as they move through different stage of the life cycle. In Youth age, they concentrate on Growth oriented Investments, Higher potential growth and risk, Stress capital Gains over current income. Whereas middle age group take into consideration like their family demands and responsibilities become important(Educational expenses, retirement savings),Move toward less risky investments to preserve capital, Transition to higher quality securities with lower risk. When it comes to Retirement Stage preservation of a capital becomes primary goal, highly conservative investments portfolio, and Current income needed to supplement retirement income.

Singh, (2019) Examine that analyze the factors dominating the retail investors in the equity market which include use of predictive skills to outperform the market, purchase price of stocks as a reference point in trading, trading on National Stock Exchange is usually determined by past experiences in the market, preferences of short term investment and holding onto looser stocks and selling winners. The study is descriptive and exploratory in design, where survey method was used for data collection. Data is gathered from the investors of Bhopal region. The study undertakes Random Sampling. The result found that in stock market investor behavior, it is statistically proven that investors use their predictive skills to outperform the market and 59.8% investors agree to it and the study reveals that investors prefer holding onto looser stocks and selling winners, 23.2% investors agreed. Conclusion and recommendation of this study was the behavior of the retail investors are guided by their predictive skills, purchase price of stocks as a reference point and having confidence on past trading. The investors prefer to invest in short term horizon and

they do have the acumen to hold on the looser stocks and to sell the stocks which are volatile or have high velocity transactions. It may further be suggested that with some add on facility on financial literacy, the number of retail investors may increase more resulting in a more vibrant investors and robust stock market.

Singh, (2019) investment amongst the computed observations has reportedly been overly impacted by the behavioral factors that have affected the penetration of retail investors in the Indian Equity Market. The penetration of investors in Indian Equity Market is 2.5% (Economic Times, Jan 09, 2019) of the population of India. We have conducted an Empirical Analysis which aims to identify the factors influencing the retail investor's participation in the Indian Equity market. The major factors identified from the literature studied by the researchers are Herd Behavior, Capital Appreciation, Tax Benefit, Online Trading, Stock Brokers Influence, Stock Prices Movement, and Volatility of the Market, Dividend Returns, Degree of Risk, Individual Financial Needs and Investment Advisories. The study emphasizes on the validation of the factors identified, which affects the retail investor penetration, attitudes, the buying and the selling behavior of investors in the Indian Equity Market, with the help of Confirmatory Factor Analysis (CFA) & Path Analysis. The researchers have mostly relied on the survey method to generate primary data using structured questionnaires. Researchers surveyed 273 retail investors and with the help of CFA found that Herd Behavior, Capital Appreciation, Tax Benefit, Online Trading, Stock Brokers Influence and Investment Advisories are the major factors that have influenced retail investor's investment behavior towards equity market.

D.M & S (2019) studied the investors' attitude towards investment decisions in equity market to identify investors attitude towards equity investment and to analyze various factors influencing towards equity investment. This study is based on secondary sources like journals, books and paper presentations, research articles on equity investors and other related topics and various websites. The study concentrates on Investors' attitude towards investment decisions in equity market and their risk bearing attitude based on their gender, age, income, education and occupation. This study analyses and concludes by classifying investors as conservative, moderate and aggressive. Conservative investors avoid risk, moderate investors take medium risk tolerance and aggressive investors take high risk in their investment.

Marsidi, (2019) Stated that the primary purpose of this study is to examine the effect of issue-specific characteristics and company's attributes on the existence of under pricing of IPOs listed in Malaysia Stock Exchange from 2012 to 2015. Market-adjusted abnormal return is used as a proxy of dependent variable in this study, namely degree of IPO under pricing whereas the independent variables are the determinants of IPO. This paper aims to illustrate the relationship between the degree of IPO under pricing and the four determinants namely issues price, offer size, company age and market capitalization. Upon the analysis, the degree of IPO under pricing is 21.05% from a sample of 59 IPOs listed in the stock market. By applying multiple regression analysis, noted that market capitalization shows positive relationship with the degree of IPO under pricing whereas issues price and offer size are negatively related to the dependent variable. Moreover, the analysis indicates that the relationship between degree of IPO under pricing and company age is insignificant.

Vijayan, (2018) studied the Factors Influencing IPO Overpricing and under pricing in the Global Stock Market with the objective to find out whether the IPO is under pricing or overpricing. Secondary data was collected for the paper analysis. The sample consist of different articles from 2002 – 2018. Out of the total articles analyze articles, 60% of them deal with IPO under pricing, 9 % of them are related to IPO overpricing, 1% of them are dealing with both under pricing and overpricing and 30% of them are not related to IPO overpricing and under pricing. As a result of the analysis IPO under pricing predominates overpricing in most of the articles. Large number of articles dealing with IPO pricing is analyzed and factors affecting IPO pricing are identified.

Vakil, (2018) conducted a study on investor's perception about IPO and IPOs performance in stock market to examine the investors' perception towards risk-return of investment, satisfaction level after investment in Indian capital market. And evaluate the post issue performance of IPOs and its success rate. The study also tries to find out the factors which affect investors while selecting any company's IPOs. Total sample size of the project was 150 and data were analyzed through descriptive and analytical research design. The study found that the fundamentals of the company are available for investors to know about the history of any company and that can

decide about their investment as investors are keener to evaluate IPO on the basis of risk and return relationship. Most of them invest due to higher returns, company profile and its future expected growth in the form of dividend, earning per share, prices whether increasing or not. Investors like to invest for long term as IPO has been give u better return in future rather than in short period of time. Speculators do invest for intra-day but investors should invest for longer period as it has been give time the companies to grow well. Mostly the objective is growth of funds which is possible in long term and not in short term.

Kukreja, (2018) the present paper aims at understanding the variability in IPO volume and initial return in Indian capital market. In order to see whether the IPOs were timed with the favorable market or not the market was divided into the hot and cold market, defined on the basis of the monthly IPO volume. Then the relationship between market type and total proceeds was established with the help of a multivariate regression model with the idea that any timing attempt should be reflected in the activity of issuance of equity. The result based on multivariate regression suggest that Market timers, identified as firms that go public when the market is hot, tried to maximize the total proceeds at the time of IPO. The hot-market effect is remarkably robust; it is significant for both firm and industry-level characteristics.

Sasta,(2018) Purpose of this paper is to identify constructs involved in Retail Investors Investment Behavior towards Initial Public Offers and suggest a model to understand the relationship between various construct considered. Data was collected through structured questionnaire from selected sample size and finally 504 responses were used to justify the structure. A feeling that primary market can provide better return than secondary market, Knowledge about the IPO issue, Pricing of the issue are considered to be the dominant items influencing a retail investors investment decision. The study determined four variables Information Asymmetry, Attitude, EIC attributes and Subjective norms can influence any decisions. Attitude is highly influenced by information and hence it is suggested to know more information about the Economy, market, industry and the company which gives an informed guess on the IPO issue. Also, the study contributed in identifying a model that can show a meaningful relationship among the variables identified and Intention of an investor towards IPO investments. Though the four considered had direct or indirect relationship with

Intention, Attitude had a major influence. Information Asymmetry had an indirect relationship with Intention by modifying the perception of investors either through the Attitude or through the EIC attributes.

Kumar & Vasumathi, (2018) Explain that the globalization of financial markets has been increasing the size of the community of retail investors' over the past two decades by providing a wide variety of market and investment options. Hence, it makes their investment decision process more complex. The factors influencing investor's perception are return on investment, market trend, risk, short term profitability, price of the share, dividend policy, past financial performance, company reputation, reputation of the board of directors, current earnings of the company and experts' opinion. This paper aspires to investigate the perceptions towards equity and other alternative investment avenues available, people's perception of passive investing versus active investing in equities; it also focuses on the main factors influencing investor's perception. The study employs primary data as well as secondary data and the data reveals different factors influencing investment decisions of investors.

Sidana & Sarin, (2017) Explain that Initial Public Offering is considered to be the most outstanding matter for a firm. If a company," being public" is just as foremost as "going public." Small and new companies normally issues IPOs when they are in need of capital, but occasionally large companies also issue them for public trading. Company considered it a big commitment to be going public. Company way of doing business is going to be affected by this process of IPOs'. But offering an IPO is very vapid and more time is required for this. SEBI, from May 1, 2007, the Indian stock market regulator made it compulsory that all IPOs must be graded by a credit rating agency. But in very short span of time it was made optional by SEBI in 2013. In this paper it is tried to find out perceptions of investors towards IPO grading. This study is based on primary data collected through a well designed structured questionnaire from 200 investors from Delhi and Chandigarh.

Srinivas & Rao, (2017) tried to find out the factors influencing investment decision in IPO among retail individual investors. The study shows that capital appreciation and safety in investment are the driving forces of the investment. Higher annual returns are also motivating investors towards investment in IPO. Most of the respondents are



investing their funds for very short period of time i.e. less than 3 months. They are subscribing shares in primary market through IPO and are selling in secondary market for higher return. Long term investment reduces risk and increase return so investors should invest for long time. Furthermore, fundamentals of the organization is another important factor considering while investment in IPO. More than half of the respondents are looking at fundamentals of the organization. Investment in companies those are fundamentally strong gives more and assured return. Investors are selling their shares when market reaches new high. Investors prefer to purchase stock when there are expectations of rise in market. As mentioned earlier investors are staying invested for short period of time and is selling shares when they get desired rate of return.

Sebastian, (2017) States that a study on derivatives is futile without knowing the attitude and perception of individual investors in the market. The derivative market segment in India use the derivatives instruments to hedge their risk and earn profit through speculation. In the present highly uncertain business scenario, the importance of risk management is much greater than ever before. The emergence of derivatives market is an ingenious feat of financial engineering that provides an effective and less costly solution to the problem of risk that is embedded in the price unpredictability of the underlying asset. In India, the emergence and growth of derivatives market is relatively a recent phenomenon. The growth of derivatives usage over the last two decades has been rapid in both advanced economies and emerging markets. Derivatives are enormously useful instruments in the management of risk. In Kerala, the retail investors see derivative instruments as a risky investment option because many of them lack the basic knowledge regarding their purpose and modus operandi. Most of the investors withdraw their investment decision in financial derivative due to lack of knowledge and technical support. A close examination of the derivative market brings out the fact that the retail investors are ready to invest in the derivatives with a support extended by a third party. Therefore it is very important to have an insight into derivative market from the perspective of the investors in Kerala. This study has been being very beneficial for the brokers, traders, financial economists, financial consultants and Authorities concerned.

Khatri, (2017) studied the factors influencing investor's investment in initial public offering with the main objective to study the purpose of investment in IPO, to study the factors that influence investors to go for IPO and to study the problems faced by investors while investing in IPO. Primary data was collected through structured questionnaire to obtain relevant information. The analysis of the data includes both descriptive and inferential statistics. The study revealed that majority of the investor's takes broker's advice while investing in IPO. It can be stated from the data analysis that majority of the respondents find the IPO procedure to be difficult. The analysis indicates that the major problem faced by the investors is delay in refund and lack of clarity in allotment. The factor analysis was carried to identify the factors that influence the investors to invest in IPO. The KMO value of 0.783 suggests that there is adequate number of factors that can be extracted. The analysis accounted for 62.03% of variance and the most important factor that influence the investors are Company Philosophy, Future Prediction and Projection, News relating to company IPO and Financial Performance.

Bajo & Raimondo (2017) studied about the media sentiment and IPO under pricing. This study was analyzed 2814 U.S IPOs in the period of 1995 – 2013 by using textual analysis to compute the sentiment (tone) from almost thirty thousand articles (from approximately five hundred newspapers). The study document that positive newspaper tones are indeed positively associated with first-day returns. This effect is highly significant and economically meaningful, as one standard deviation in the tone is associated with a roughly 2.5% increase in the level of under pricing. Based on 2814 US IPOs and almost 30,000 newspaper articles it shows that the positive tones are positively associated with IPO under pricing which effect is stronger when news is reported close to the IPO date or by more reputable newspapers.

Adhikari, (2017) in his study made an attempt to identify the factor influencing individual investor's behavior during initial public offering (IPO) in Nepal. The basic purpose of the study is to analyze and examine the investor's perception and factors that influence individual investor behavior during IPOs in Nepal. In this study exploratory and descriptive research design has been used. Convenience sampling was used to collect the primary data from 100 respondents through questionnaire. The Study found out that capital appreciation, investors demographics trends, preferred

source of information, and industry specialization are the most important factor before making investment decision in IPO. Adoption of interest, social media, mobile marketing and awareness program has been enhancing the public knowledge on IPO and investment at the stock exchange.

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.

Singh & yadav (2016) studied about the Factors Influencing Investors Decision in Investing in Equity Shares in Jaipur and Moradabad with Special Reference to Gender to identify factors that influencing and motivates the investors to invest in shares. The research is empirical in nature and a sample of 100 individual investors has been collected through convenience sampling. Data has been collected through a questionnaire and primary as well as secondary data has been used. The finding of the study reveals that both male and female investors' concern about considering past dividends paid by companies while investing in equity shares. Male investors analyze the financial ratios such P/E ratio, D/P ratio, current financial position of the company, daily reports published by stock exchanges, past bonus paid the company, structure of BOD and recommendation. While female investor due to lack of financial literacy are not so convenient with financial data's. But Female investor gives more importance to the advice given by their friends and relatives. They look more for the security of their investments so they invest cautiously is motivated by the people who are successful in share investment. And also, they care about bonus history of company, structure of BOD.

Kasilingam, (2016). Behavioral finance is a new discipline in finance, which studies the cognitive psychology of an individual's money-related decisions. It has evolved as a response to standard economic theory, which presumes that people are rational, risk-

averse and profit maximizers. This concept of the rational individual formed the base for numerous theories about the capital markets. But the reality is that all individuals are far less rational in their decision making than the economic theory takes over. Individual's investment decisions is a complex procedure which controls logic, abstract thought and planning qualities. Based on the influence of these attributes, individual's investment decisions are emotional, fast and automatic. This study is intended to find out the impact of behavioral bias factors on investment decision of equity investors. Retail investors who access the Indian equity market from the Tamil Nadu state are taken as respondents for this survey. By utilizing the broad critique of literature, six behavioral bias factors are identified to find out its impact on investors' investment decisions. They are mood, emotions, heuristics, frames, personality and gambling. This study also examines the relationship among these behavioral bias factors. Descriptive research is utilized to identify the factors that influence investors' investment decisions. This research involves the use of both secondary and primary data. The secondary data includes the selection of broking firm and primary source of data is collected by using well-structured and non-disguised questionnaire. The multistage random sampling technique is applied to select respondents. The data are collected from the retail investors who access Indian equity market from the chosen area of Tamil Nadu. Cronbach's alpha is used to find out the reliability of the constructs. The findings of the Cronbach's alpha test reveal that the reliability of the study variables is greater than the threshold value of 0.6. Besides, Composite Reliability of all the variables is larger than the reference value of 0.6. The gathered data are analyzed quantitatively by using several statistical tools. Conceptual Model is developed by using Structural Equation Modeling (SEM). The findings of this study reveal that all the selected behavioral bias factors have shown significant influence of investors' investment decisions. The result of the impact of interdependence among the behavioral bias factors reveals that, except mood factor, all the factors have shown a strong relationship with other factors.

Patra, (2016) today the field of investment is even more dynamic than it was a decade ago. World events are rapidly growing that alter the values of specific assets. The investors have many assets to choose from, and the amount of information available to the investors is staggering and continually growing. The key to a successful financial plan is to keep apart a larger amount of savings and invest it intelligently.

These investments are not totally safe from risks, so one should try to understand what kind of risks are related to them before taking action. To understand the characteristics of each one of the different types of investment Investors must have enough financial knowledge. The study examines that the level of importance assumed by the investors on various investment objectives based on the demographic variables and selective factors. Research has been done in the selected areas of Visakhapatnam District (A.P.) with the help of primary data collected using a structured questionnaire by adopting five point likert scale and analyzed by using percentage method, Chi- Square test, weighted average ranking method. Primary data is collected from 200 respondents by using convenience sampling method and reviewed the related research papers for conceptual understanding.

Nagtilak, (2015) Initial Public Offering is the most phenomenal event for an organization. For any company, “being public” is just as important as “going public.” IPOs are normally issued by small and new companies who are in need of capital to expand their business, but sometimes large companies also issue them for public trading. Going public is a very big decision for any company. It permanently changes the way company does business. A public company has more sources of capital than a private company. But going public or offering an IPO is very tedious and time consuming process for any company.

Whenever a firm needs money, the first thing it does is, it goes to the bank. However sometimes banks may not be in a position to provide huge sum of money for a long time. In such a scenario the best way to raise money is through offer of shares. It is the first sale of stock or securities by a company to the public.

Sourcing money through IPO is a very tedious process. It requires a huge analysis and implementation of numerous commercial laws applicable to public offerings e.g. Companies Act, FEMA, Income Tax Act Securities Contract Act and SEBI Guidelines on “Disclosure and Investor Protection”.

Therefore to understand this complex subject, this study is conducted. IPOs can be a risky investment. For any individual investor, it is difficult to predict, how the stocks will perform, on their initial days of trading and in near future as there is little or no historical data available to analyze the company or firm.

Agrawalla, (2015) the pricing efficiency of initial public offerings (IPOs) is documented to be positively influenced by some of the certification mechanisms. Such mechanisms claim to reduce the information asymmetry between the issuers and investors. The certifications that have a positive influence include investment banker reputation, group or venture capital affiliation, association with financial institutions and analyst coverage, among others. The positive influence is claimed to be greater in the emerging markets, where frictions due to information asymmetry are relatively greater compared to the developed markets. It is in this context that the Indian market regulator added a unique certification for IPOs in May 2007 by mandating the grading of IPOs by an independent rating agency. It is expected to reduce the information asymmetry by providing comprehensive issue-related information to the market, especially to the retail investors in an 'easy-to-use' format. While the grades make no comments on the issue pricing, they are expected to reflect the fundamental strength of the IPO.

Nagtilak & Kulkarni (2015) studied investor's perception towards initial public offering in Mumbai to find out the level of awareness about IPO in the investors and their confidence level and preferences while investing money in IPO. They also studied the investor's attitude towards IPO process and legal requirements. The study is based on the primary as well as secondary data. Convenience sampling was used to collect the primary data from 100 respondents through questionnaire. The secondary data is collected from various journal, libraries and books. The study concluded that IPO is not a risky investment. Investors have shown much confidence in IPO, and large number of investors prefers to invest in IPO. Furthermore, investors highly considered factors such as goodwill market share, and current financial position of the company, broker advice and news in the media before investing in IPO.

### **2.2.2 Review of previous thesis**

Bhatta, (2019) examines the perception of investor towards initial public offering (IPO) in Nepal. All the factors with its sub factors have analysis critically and it was found that all factors such as Quality management, Company Goodwill Company performance, Company sector and Market Information have the correlation with each other and also have a significant impact over the perception of general investor while making investment decision. Among the factor company goodwill was found to be

highly considered before investing by the investor, whose mean value was  $1.5655 \pm 0.18$  followed by company performance and market information.

The study revealed that majority of the investors in IPO is male which means that male is more interested in investing in IPO. Male have dominant involvement in share market of Nepal. Similarly, most of the investors belong to the age group of 25 to 40 because people of this age group are active and much risk taker than other age group. Most of the investors have educational qualification of bachelor degree and accordingly master or above. Similarly, it was found that most of the investors have invested less than 10 thousand amount investment in IPO. Investors are found to have required awareness level in order to invest in IPO. Investor also considers IPO as risk free form of investment. A person's data analysis of consideration company goodwill revealed a positive correlation,  $r = 0.719$   $p = 0.000$ , while making investment decision. General investors who invest in primary market highly considered while investing money.

#### **2.4 Research gap**

This research was only for academic purpose; in the research population size was based on IPO investor of Surkhet district. In Surkhet district there is huge number of investor in IPO. As a local candidate of this district and sampling method also convenience sampling for me so it is easier to collect accurate, reliable and valid data about local investor and very few research have been done in this area so I want to select this District. Other research done in normal environment but now the situation is very complex due to COVID-19. And other research gap is sectoral gap because different researcher done research in Mutual fund, Portfolio management and investor attitude toward decision on insurance but attitude toward decision in equity market is not so that it is important for doing research for the fact on equity market about investor. In other hand there was area gap because this research is focus on out of Kathmandu valley and time period gap also because in other period investor invest money through physical appearance but in this period all invest apply share on smart mobile through internet using different application like Demat account, Meroshare, C-ASBA, ASBA etc. These are the major research gap in this research.

## **CHAPTER- 3:**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter identifies the type of design used in this study so to understand this topic and collect required data using suitable techniques. This chapter begins with the research plan and design of the study followed by population and sample. Similarly, data collection procedure, data collection instrument, and the details about the data analysis tools and techniques are presented. This chapter is highlighted the research methodology use for the study.

#### **3.2 Research design**

The research is based on the primary data and information. The descriptive and co-relational research design has been used. The focus is on perception of investor's towards initial public offering. For this study, 100 investors are examined in Surkhet District. These methods were found appropriate because the research intended to explore the cause-and- effect relationship between the different variables. The collected information is presented and analyzed using SPSS.

#### **3.3 Population sample and sampling design**

Sampling is to draw conclusion from the whole population. The research is concentrated on the study perception of investors' towards initial public offering in Surkhet District. Find out the public response to the initial public offering. All of the investors of Surkhet district are the taken as population and sample size is 100 among 18000 investors registered in imperial security limited. 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 Nature and sources of data**

The present study is based on primary data to meet the specific objectives of the study which has been collects using structure questionnaire survey method. There are many different types of primary data sources, such as interviews, questionnaire, observation or experiments so in this study questionnaire survey is taken to examine the perception of investor's towards IPO in Surkhet District. The data for research was



collected with the help of a questionnaire based on a 5point rating scale ranging from 1-Strongly Agree to 5-Strongly disagree.

### **3.1.1 Questionnaire**

Structural semi-questionnaire send through email Delivery and collection of questionnaires allow researcher to confirm that the questionnaires were filled up completely and reduce the occurrence of missing data. It facilitates the researcher to explain respondents about any queries they may have regarding the questionnaire. Source of questionnaire is Gnuwali (2020).

### **3.1.2 Justification of study place**

Surkhet is the province capital of Karnali Province. Surkhet is the one of the ten district of Karnali located about 600 kilometers (373 mi) west of the national capital Kathmandu. The district's area is 2,488.64 square kilometers (960.87 sq mi) which is longest in Nepal. It had 288,527 population in 2001 and 350,804 in 2011 which male comprised 169,461 and female 181,381. It is the district headquarters of surkhet and commercial hub of the Karnali state of the new federal republic. In Surkhet district there are huge number of investor in IPO. As a local candidate of this district and sampling method also convince and random sampling for me so it is easier to collect accurate, reliable and valid data about local investor and very few research have been done in this are so I want to select this District.

### **3.5 Data collection procedure and instrument**

The required data are from primary sources. Data are required for conducting this research is basically obtained from primary sources through online. Data has been collected through questionnaire. Respondents for the research are taken from within the surkhet district. 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.

### **3.6 Data processing procedure and data analysis methods**

Various statistical tools like mean, median, standard deviation and correlation has been used to analyze and interpret the data collected through primary source. SPSS has been used for the analysis of collected data. The data were processed through tabulated frequency distribution using SPSS software. A correlation statistical

technique was then used to test and establish the strength of the relationship among the variable.

Analysis is the careful study of available facts so that one can understand and draw conclusion from them on the basis of established principles and sound logic. The collected data information through primary sources correspondingly has been being tabulated, categorized and analyzed by using appropriate statistical and financial tools. And open- end questions are included in the questionnaires. The comparative analysis has been undertaken by using percentage, graphs and chart.

Some statistical tools are used to implicit the comparative results are as follows:

**a) Multiple Bar- diagrams and graphs**

Diagrams and graphs are visual aids which give a bird's eye view of a set of numerical data which show the information in a way that enables us to make comparison between two or more than two sets of data. Diagrams are in different types. Out of these various types of diagram one of the most important form of diagrammatic presentation of data is multiple bar diagram which is used in cases where multiple characteristics of the same set of data have to be presented and compared.

**b) Percentage**

Percentage is one of the most useful tools for the comparison of two quantities or variables. Simply, the word percentage means per hundred. In other words, the fraction with 100 as its denominator is known as a percentage and the numerator of this fraction is known as rate of percent.

**c) Mean**

An average line which represents group of values. In other words, the quantities which are the representative of the huge mass of quantities are known as average. The most popular mean is arithmetic mean or average, which is calculating the sum of all variables divided by the number of variables. The mean is the arithmetic average of a variable.

#### d) Standard deviation

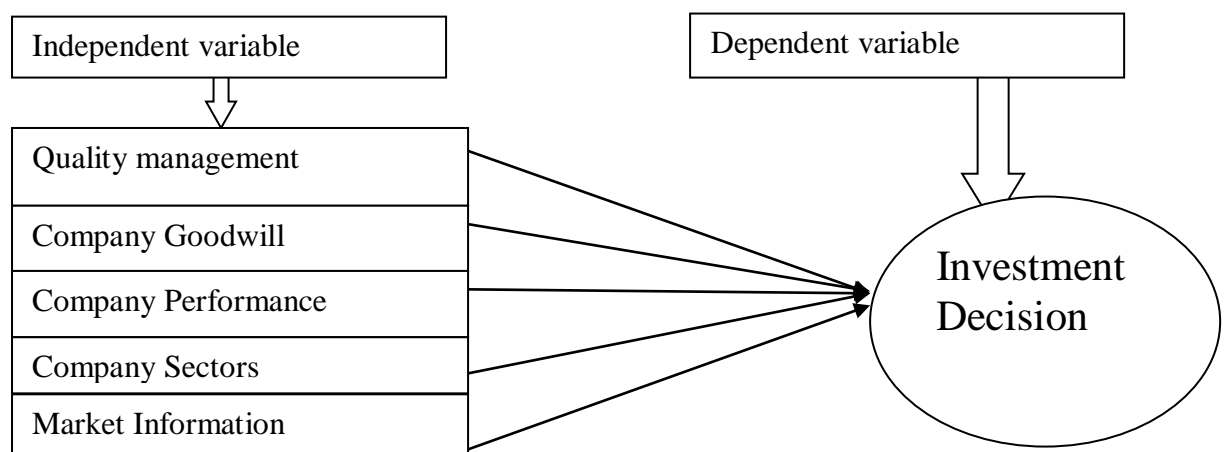
Standard deviation (S.D.) is the most popular and the most useful measure of dispersion. It indicates the ranges and size of deviance from the middle or mean. It measures the absolute dispersion. Higher the values of standard deviation higher the variability and vice versa. It is the positive square root of average sum of squares of deviations of observations from the arithmetic mean of the distribution.

#### e) Correlation analysis

Correlation is one of the most useful statistics. In other words, correlation is the statistical tool measures the degree of relationship of one variable with another variable. Two or more variables are said to be correlated if change in the one variable appears to be related or linked with the change in the other variables value. Correlation says just degree of relationship between two or more variables. It does not tell us anything about cause and effect relationship. Correlation may be positive or negative. Correlation lies between -1 & +1. When Pearson's correlation( $r$ ) is close to 1 then there is strong relationship between two variables. This means that change in one variable are strongly correlated with change in second variable. When correlation( $r$ ) is close to zero then there is weak relationship between two variables.

### 3.7 Research framework and definition of variables

A Conceptual framework is a visual representation that helps to illustrate the expected relationship between cause and effect in a financial context. It is also called a Conceptual Model or research model. Different variables and the assumed relationships between those variables are included in the model and reflect the expectations.



Sources: Gnawali, (2020)

**CHAPTER- 4:**  
**RESULTS AND DISCUSSION**

**4.1 Result**

This chapter describes the analysis results generated from the process of data collection. It deals with the analysis and interpretation of the primary data collected through questionnaire from 100 respondents. Data were analyzed with reference to the objectives of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results derived from the analysis of the data.

**4.1.1 Demographic respondent's profile**

Respondents profile has been shown in the following table;

**Table 4.1**

*Distribution of respondent's profile*

Statement	Frequency	Percentage
Age	Below 20 years	1 1.0%
	20-40 Years	98 98%
	40-60 Years	1 1%
Gender	Male	53 53.5%
	Female	46 46.5%
Educational status of Respondent	SLC	1 1.0%
	Intermediate	4 4.0%
	Graduate	65 65.7%
	Post Graduate	29 29.3%
Occupation of Respondent	Student	72 72.7%
	Business	3 3.0%
	Gov. Employee	8 8.1%
	Private Employee	16 16.2%
Invested Amount in IPO	1-10 Thousands	56 56.6%
	10-30 Thousands	23 23.2%
	30-50 Thousands	10 10.1%
	50 Thousands and above	10 10.1%
Total		100

**Sources: Field Survey, 2021**

Table 4.1, presents the 1% of the respondents were the age group of below 20 years, while those between 20-40 years were 98% of the respondents. Similarly, out of the total respondents, and 1% of the respondents were aged 40 to 60 years respectively.

This shows that most of the retail investor respondents were in their prime ages between 20-40 years old which falls in the category of the youth.

Out of total respondents, 53.5% of the respondents were male and 46.5% were female. This concluded that male respondents were more than female.

Majority (65.7%) of the respondents had graduate, 29.3% and 4 % respondents had completed post graduate and above and intermediate respectively. While, only few (1%) respondent had completed S.L.C. This implies that most of the respondents were from graduate category.

More than one-fourth (72.7%) of the respondents had stock investment student as their main occupation, 3% respondents were business, 8.1% respondents from government employee and Among the total respondents 16.20% had private employee as their main occupation.

Majority (56.6%) of the respondents had 1-10 thousand invested in IPOs. Among the respondents, those who have invested amount Rs. 10-30 thousand and 30-50 thousand are 23.2% and 10.1% and 50 thousand and above are 10.1% respectively in IPO.

**Figure no 4.1**  
*Age wise profile of respondents*

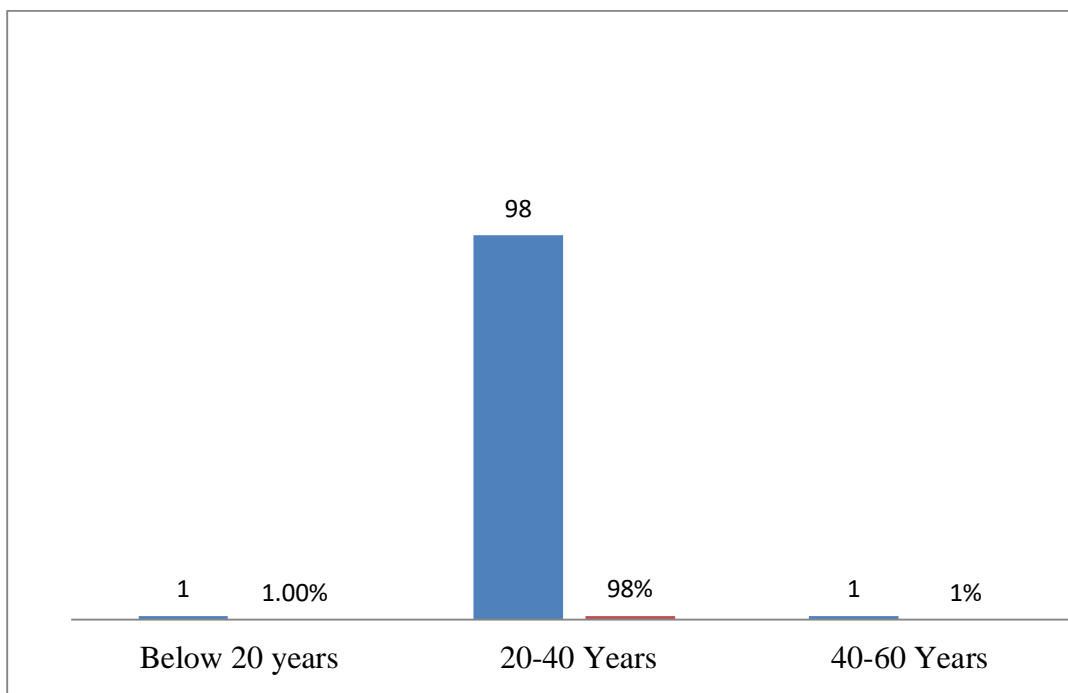


Figure 4.1, presents the age status of the respondents. Out of the total 1 % of the respondents were found in the age group of below 20 years, 80% were 20 to 40 years

and 1% were above 40 to 60 years respectively. This shows that most of the respondents are from young category.

**Figure no 4.2**

*Gender wise profile of respondents*

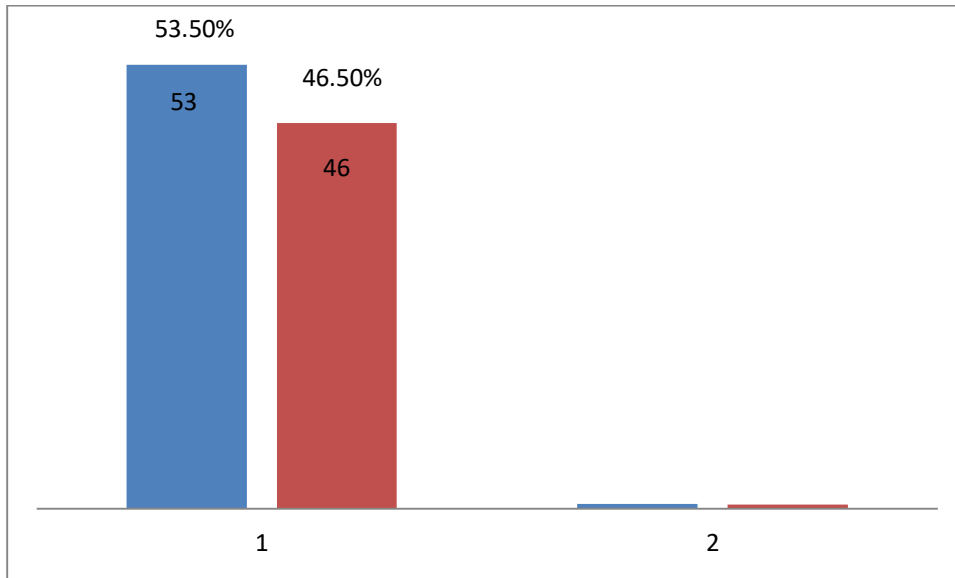


Figure 4.2 presents the gender wise profile of respondent. Out of total respondents, 53.5% of the respondents were male and 46.5% were female respectively. It shows that most of the respondents are from male.

**Figure no 4.3**

*Educational Status of Respondents*

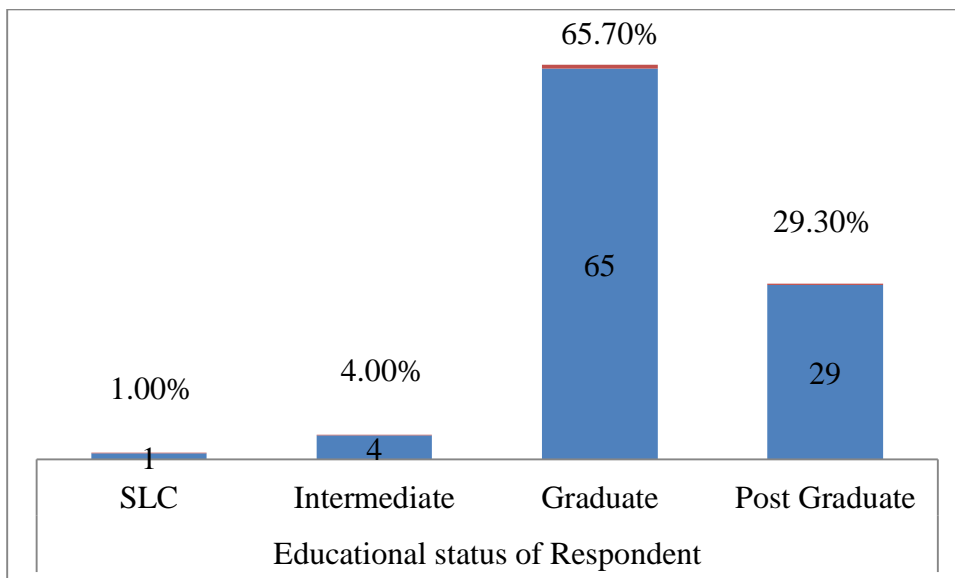


Figure 4.3 shows that educational status of the respondents. Out of the total respondents found that majority (65.7%) of the respondents had graduate, 29.3% and 4% respondents had post graduate and intermediate respectively. While, only few (1%) respondent had completed S.L.C. This implies that most of the respondents are from graduate category.

**Figure 4.4**  
*Occupation status of Respondents*

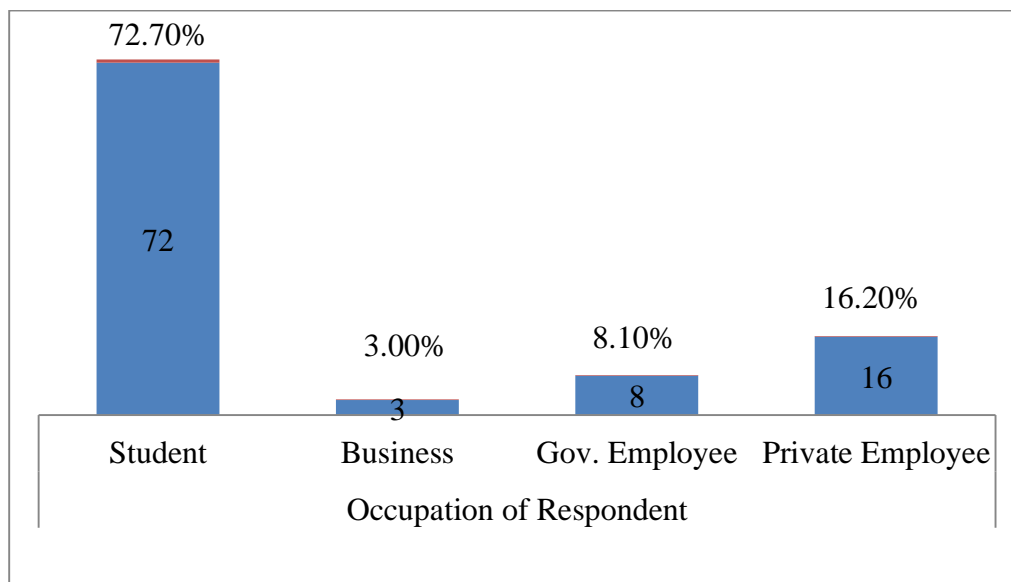


Figure 4.4 presents occupation status of the respondents. Out of the total respondent 72.70 % were students, 3%, 8.81% and 16.20 are business, government employee and private employee respectively. It implies that most of the respondents are from student's category.

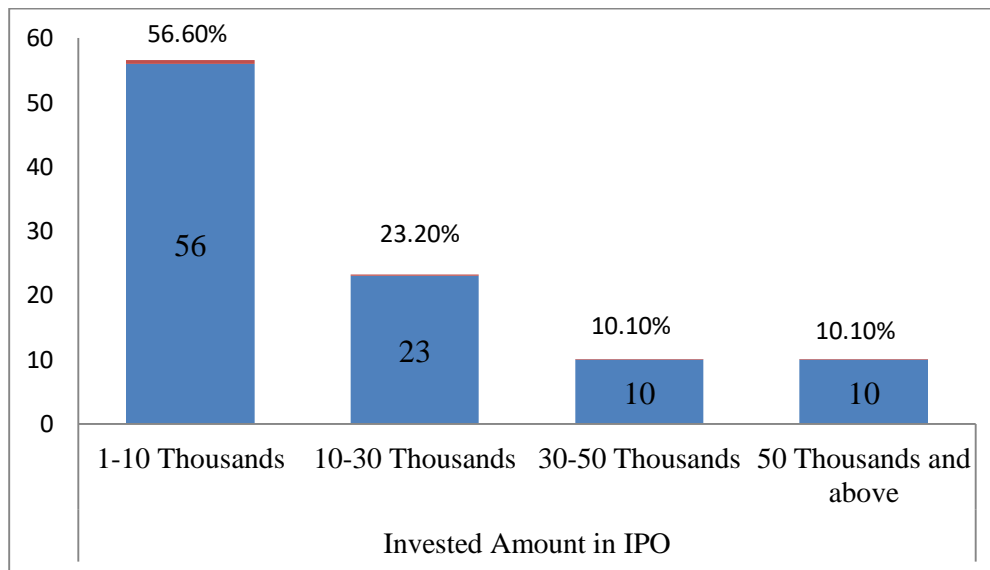
**Figure no 4.5***Invested Amounts status of the Respondents*

Figure 4.5, presents investment amount of the respondents. Out of the total respondent 56.6% of the respondent had 1 to 10 thousand invested in IPO, 23.20% , 10.10 % , and 1.10% of the respondent had 10 to 30 , 30 to 50 and above 50 thousand invested respectively. Its shows that most of the respondent had 1 to 10 thousand rupees invested in IPO.

#### **4.2 Assessment of positions of perceptions of investors in decision making.**

Descriptive statistics is used to analyze the data collected from the respondents during the research process. In this part we present frequency distribution for each service dimensions which they create our dependent variables and show other information such as minimum, maximum, mean and standard deviation for each of them. The rating of the factors was scaled from 1(strongly Agree) to 5(Strongly Dis - Agree).

##### **4.2.1 Assessment of positions of perceptions of investors in quality management**

Quality management is one of the independent variables of the research. Five factors related to quality management were analyzed to find its relationship with investment decision. The five factors are QM1= Legitimacy of the company, QM2= corporate governance, QM3= Human resource value, QM4= Founder CEO and QM5= key shareholder/ promoter. The rating of the factors was scaled from 1(strongly Agree) to 5(Strongly Dis- Agree).



**Table 4.2***Assessment of positions of perceptions of investors in quality management*

Particulars	N	Mean	Std. Deviation
1 Do you consider that legitimacy of company affects in your investment in IPO.	100	3.72	1.088
2. Do you consider that Corporate Governance affects in your investment in IPO.	100	3.73	1.276
3. Do you consider that Human Resource Value that affects in your investment in IPO.	100	3.31	1.322
4. Do you consider that founder CEO affects in your investment of IPO?	100	3.57	1.153
5. Do you consider that key shareholder/promoter affects in your investment in IPO.	100	3.54	1.240
Summated mean and standard deviation of quality management	100	3.5717	.80863

**Sources: Field Survey, 2021**

Table 4.2 shows descriptive statistics of the quality management that investor considers while making investment decision on IPO. All means value is more than 3 out of total 5 point rating scale, which means that investor highly consider quality management while investing in IPO. QM3 has the lowest mean of 3.31 and standard deviation 1.322 which means that investors very low consider authority of the company before investing in IPO. Similarly mean value of QM3 and QM5 almost similar to each other which indicates that investors give highly considerate on these factors. Similarly, QM1 and QM2 are also highly considered factor where mean is 3.72 and 3.73. Similarly, the average mean value for quality management is 3.5717 with standard deviation of each factors are more than 1 so we conclude that majority of respondent have no similarity on their view. This indicates that the quality management also highly considerable factor while investing in the IPO.

#### **4.2.2 Assessment of positions of perceptions of investors in company goodwill**

Company goodwill is one of the independent variable of the research. Five factors related to Company goodwill were analyzed to find its relationship with investment decision. The five factors are CG1= Corporate profile, CG2= Historical background, CG3= Age of the company, CG4= Prestige of board member and CG5= Current

financial position. The rating of the factors were scaled from 1(strongly Agree) to 5(Strongly Dis- Agree).

**Table 4.3**

*Assessment of positions of perceptions of investors of company goodwill*

	N	Mean	Std. Deviation
1. Do you consider that corporate profile will affect, when investing in the IPO.	100	3.74	1.242
2. Do you consider that Historical Background will affect, while investing in the IPO.	100	3.70	1.305
3. Do you consider that age of company affects in your investment in IPO.	100	3.40	1.177
4. Do you consider that prestige of Board member will affect while Investing in the IPO.	100	3.46	1.189
5. Do you consider that current Financial position affects in your Investment in IPO.	100	3.93	1.311
Summated mean and standard deviation Company Goodwill	100	3.6465	.85515

**Sources: Field Survey, 2021**

Table 4.3 shows descriptive statistics of the company goodwill that investor consider while making investment decision on IPO. All the mean values are more than 3 out of 5 point it's seem to more than average value which means that investor highly consider company goodwill while investing in IPO. The mean value of every factor is less than three; indicator which shows that investor gives highly consideration to each indicator of company goodwill before investing in IPO. The standard deviation of all the factors is less than 2 which indicates that all the investors have nearly almost same opinion; all investor cannot want to take risk. Finally the average mean value for Company goodwill is 3.64 with standard deviation of each factors is more than 1 it indicate that there is no similarity of respondents. This indicates that the Company goodwill is highly considerable factor while investing in the IPO. The highest mean is 3.93 it indicates that current financial position affects in your Investment in IPO is more consider while they invested in IPO.

### 4.1.3 Assessment of positions of perceptions of investors in Company performance

Company performance is also one of the independent variable of the research. Five factors related to Company performance were analyzed to find its relationship with investment decision. The five factors are CP1= ROI, CP2= ROE, CP3= Price premium, CP4= Earnings per share and CP5= Dividend premium. The rating of the factors were scaled from 1(strongly Agree), to 5(Strongly Dis- Agree).

**Table 4.4**

*Assessment of positions of perceptions of investors of company performance*

	N	Mean	Std. Deviation
1. Do you agree that ROI make investor to invest in IPO?	100	3.65	1.198
2. Do you consider that ROE make investor to invest in IPO?	100	3.75	1.137
3. Do you consider that percentage price premium make investor to invest in IPO/FPO?	100	3.39	1.067
4. Do you consider that Earning Per Share make investor to invest in IPO?	100	3.84	1.201
5. Do you consider that Dividend Premium matter more for your investment in IPO?	100	3.66	1.188
Summated mean and standard deviation of Company Performance	100	3.6566	.93897

**Sources: Field Survey, 2021**

Table 4.4 shows descriptive statistics of the company performance that investor consider while making investment decision on IPO. All the mean values are more than 3 out of 5 point rating scale, which means that investor highly; consider company performance while investing in IPO. CP3 has a lowest mean of 3.39 which means that investors less consider Price premium then other dimension before investing in IPO. Similarly, mean value of CP1, CP2, CP4 and CP5 have almost similar mean values the 3.39 to 3.84 which mean that investor give highly consider to each of four factors. The standard deviation is more than 1 it indicate that there is no similarity of respondent. The average mean value for Company performance is 3.6566 with standard deviation of .93897. This indicates that the Company performance is also highly considerable factor while investing in the IPO.

#### 4.1.4 Assessment of positions of perceptions of investor's in company sector

In company sector there is five independent variable, which related with investment decision, dependent variable. Five factors related to Company Sector were analyzed to find its relationship with investment decision. The six factors are CS1= Investment in the banking sector, CS2= Investment in Microfinance, CS3= Investment in insurance company, CS4= Investment in manufacturing company, CS5= Investment in hydropower sector and CS6= Investment in hotel. The rating of the factors were scaled from 1(strongly Agree) to 5(Strongly Dis- Agree).

**Table 4.5**

*Assessment of positions of perceptions of investors in company sector*

	N	Mean	Std. Deviation
1. Do you consider that investment in the banking sector of IPO is better?	100	3.61	1.185
2.Do you consider that investment in Insurance Company of IPO is better	100	3.81	1.104
3.Do you consider that investment in manufacturing company	100	3.76	1.262
4. Do you consider the investment in Hydro power company of IPO is better?	100	3.47	1.014
5. Do you consider that investment in IPO of Hotels?	100	3.35	1.062
Summated mean and stander deviation of Company Sector	100	3.6000	.69517

**Sources: Field Survey, 2021**

Table 4.5 shows the assessment of positions of perception of investors in company sector that investor consider while making investment decision on IPO. The mean of each question are more than 3 except hydropower sector (CS4) and hotel sector (CS5). Which means that investors highly consider the entire sector before making investment decision except CS4 and CS5.The mean value of CS2 is 3.81 with standard deviation of 1.1048 for the statement “Do you consider that investment in insurance Company of IPO is better”, shows that investors have highest consideration with this sector. Investors very low consider on hotel sector where 3.35 is the lowest mean value 1.06 and standard deviation. The average mean value for company sector is 3.600 with the standard deviation of 0.69517. All standard deviation is more than 1 it indicate that there is no similarity of respondent which means that investors highly consider company sector while investing in IPO in Surkhet.

#### 4.1.5 Assessment of positions of perceptions of investors in market information

Market information is one of the independent variable of the research. Five factors related to market information were analyzed to find its relationship with investment decision. The five factors are MI1= Comment on media, MI2= Future prediction and forecast, MI3= New project and prospects, MI4= market share and MI5= past trends of IPO. The rating of the factors were scaled from 1(strongly Agree) to 5(Strongly Dis- Agree).

**Table 4.6**

*Assessment of positions of perceptions of investors of market information*

	N	Mean	Std. Deviation
1. Do you consider that Comment on Media affects in your Investment in IPO.	100	3.52	1.155
2. Do you consider that Future Prediction and Forecast affects your Investment in IPO?	100	3.74	1.130
3. Do you consider that New project risk and prospects affects In your investment in IPO.	100	3.62	1.066
4. Do you consider that market share will affect, while investing in the IPO.	100	3.54	1.223
5. Do you consider that the past trend of IPO, while investing in the IPO.	100	3.67	1.143
Summated mean and stander deviation of Market Information	100	3.6141	.85009

**Sources: Field Survey, 2021**

Table 4.5 shows that the mean of each question are more than 3 which means that investors highly consider the market information before making investment decision. The standard deviation of all the factors 1.066 to 1.155 which indicates that all the investors have almost same opinion, all standard deviation is more than 1 it indicate that there is no similarity of respondent, the overall mean value for market information is 3.6141 with the standard deviation of .85009 which means that investors have high level of consideration with market information. All standard deviation is more than 1 it indicate that there is no similarity of respondent.

#### 4.1.6 Assessment of positions of perceptions of investors in investment decision

Investment decision of investor in this research is considered to be the dependent variable and various other concepts have been considered as independent variables. The relationship between such independent variable is explained above separately

with the dependent variable. Respondents were asked four questions in order to examine their perception in making investment decision. The questions are PID1= Do you consider buying / selling of IPO, PID2 = Do you consider that individual investor have more risk in IPO investment, PID3 = Do you consider that IPOs are risk free form of investment and PID4 = Do you consider that IPOs are guaranteed way of making money. The rating for the questions scaled form 1(strongly Agree) to 5 (Strongly Dis- Agree).

**Table 4.7**

*Assessment of positions of perceptions of investors in investment decision*

	N	Mean	Std. Deviation
1. Do you consider buying/ selling of IPO.	100	3.98	1.195
2. Do you consider that individual investor have more risk in IPO Investment.	100	2.85	1.289
3. Do you consider that IPOs are risk free form of investment?	100	3.27	1.398
4. Do you consider that IPOs are guaranteed way of making money?	100	3.48	1.281
Summated mean and standard deviation of Investment Decision	100	3.3965	.82685

**Sources: Field Survey, 2021**

Table 4.7 shows assessment of positions of perceptions of investors in investment decision of the of respondents in IPO. All the mean values are more than 3 out of 5 rating scale except PID2 which means that respondents are highly consider all the dimensions of investment in IPO except PDI2.The mean value of PDI2 is 2.85 with standard deviation of 1.289 for the statement “Do you consider that individual investor have more risk in IPO investment.”, shows that investors have moderate level of consideration with this dimension. The overall mean value is 3.3965 with the standard deviation of 0.82685 which means that respondents have high level of consideration with above four dimensions while making investment decision in IPO. All the value of standard deviation is more than 1 it indicate that there is no similarity of respondent.

**Table no.4.7***Rule for Interpreting Standard deviation*

Degree of standard deviation	Interpretation
Equal to 1	Similarity on respondent
More than 1	No similarity on respondent on investment

Wadhwa, (2015)

**4.1.7 Association between dependent and independent variables****Table No 4.8***Rule of Thumb for Interpreting Correlation Coefficient*

Degree of Correlation	Interpretation
0.90 to 1.00 (-.90 to -1.00)	Very high positive (negative) correlation
0.70 to 0.90 (-.70 to -.90)	High positive (negative) correlation
0.50 to 0.70 (-.50 to -.70)	Moderate positive (negative) correlation
0.30 to 0.50 (-.30 to -.50)	Low positive (negative) correlation
0.00 to 0.30 (.00 to -.30)	Negligible correlation

Hinkle, Wiersma & Jurs (2003) the range 0.90 to 1.00 implied very high level of correlation. The range between 0.70 to 0.90 implied high levels of correlation and range between 0.50 to 0.70 implied moderate levels of correlation. The range 0.30 to 0.50 implied that low level of correlation and a negligible level of correlation are implied by the range 0.00 to 0.30.

Pearson Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables. This analysis was carried out for variables having simple multi option answers. Correlation matrix was computed to assess the extent or degree of relationship in between the research variables. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Mean while, a negative correlation reveals an inverse of the above; an increase in one when the other decreases. Correlation between Independent and Dependent variables is shown in Table 4.9:

**Table 4.9***Association between dependent variable and independent variables*

Particulars		Investment Decision
Quality Management	Pearson Correlation	.279**
	Sig. (2-tailed)	.005
	N	100
Company Goodwill	Pearson Correlation	.349**
	Sig. (2-tailed)	.000
	N	100
Company Performance	Pearson Correlation	.453**
	Sig. (2-tailed)	.000
	N	100
Company Sector	Pearson Correlation	.407**
	Sig. (2-tailed)	.000
	N	100
Market Information	Pearson Correlation	.526**
	Sig. (2-tailed)	.000
	N	100
Investment Decision	Pearson Correlation	1
	Sig. (2-tailed)	
	N	100

**Sources: Field Survey, 2021**

The table 4.8 shows the associations between dependent and independent variables. The Pearson Correlation coefficient between the independent variable Quality Management and dependent variable Investment Decision is 0.279, which implies that the relationship between quality management and investment decision is significantly and positive at 1% level of significance.



The Pearson Correlation coefficient between the company goodwill and investment decision is 0.349, which implies that the relationship between company goodwill and investment decision is significantly and positive at 1% level of significance.

The Pearson Correlation coefficient between Company performance and investment decision is 0.453. Which implies that the relationship between company performance and investment decision is significantly and positive at 1% level of significance.

The Pearson Correlation coefficient between the Company sector and investment decision is 0.407, which implies that the relationship between company sector and investment decision is significantly and positive at 1% level of significance.

The Pearson Correlation coefficient between the Market information and investment decision is 0.526, which implies that the relationship between market information and investment decision is significantly and positive at 1% level of significance.

#### **4.2 Findings**

This study focuses on the Perception of Investor towards Initial Public Offering (IPO) in Surkhet district. Research provides a lot the information about investors towards IPO under sub heading of quality management of company, company goodwill, company performance, company sector and market information. The major finding or results of the study are summarized as below:

- i. Majority of the respondents (investors) are male (53.5%), Graduate (65.7%), Age group of 20-40 years (98%) and occupation student is (72.7%).
- ii. The average mean value of Quality management is 3.5717, which shows that respondents highly consider it while making investment decision in IPO.
- iii. The average mean value of Company goodwill is 3.6465, which shows that respondents agree to highly consider Company goodwill is an important factor before investing in IPO.
- iv. The average mean of Company performance is 3.6566 which show that respondents highly consider that company performance is an important factor which affects in investment decision.
- v. The average mean of Company sector is 3.60 which show that the general investor gives more importance to company sector while making investment decision in IPO.

- vi. The average mean of market information is 3.6141 which show that the general investor gives more importance to market information while making investment decision in IPO
- vii. The aggregate mean of investment decision is 3.3965, which reveals that there is highly positive perception among investor towards Initial Public Offering (IPO) in Surkhet district.
- viii. The correlation results were used to answer the five research questions. The Pearson Correlation coefficient between all five independent variables and dependent variable (investment decision) was done, which implies that five variables (quality managements is 0.279, company goodwill is 0.349, company performance is 0.453, company sector is 0.407 and market information is 0.526) are positively correlated at 1% significant level.
- ix. Majority of Investor in Surkhet at the time of investing IPO they are considering market information.
- x. Market information influences the perception of investor at the time of investing in IPO.

### **4.3 Discussion**

Gnawali, (2020). Perception of Investors towards Initial Public Offering (IPO) in Nepal conclude, that Company sector and quality management are the highly considered factors. This study contributes 0.698 on the perception in investment decision on IPO. The significance of the dependent and independent variable are also analyzed from the significant value drawn from the sample. The correlation results were used to answer the five research variable. The Pearson Correlation coefficient between all five independent variables and dependent variable (investment decision) was done, which implies that five variables (quality management, company goodwill, company performance, company sector and market information) but in this research cannot agree with the result because that market information and company sector are consider more than other factor while investing IPO because of change of time period, investor awareness this is happened. This study shows that market information and investment decision correlation is .5256.

Srinivas & Rao, (2017) most influences factors in initial public offering. This research clearly indicates that company goodwill, company performance and market

information are major factors which largely affect in perception in investment decision in IPO. Company sector and quality management also are the highly considered factors. This result seems to be same in this research because theoretical framework, dependent variable and independent variables are same, methodology and the study are also same so that its seem to be same.

Kunwar, (2016). Awareness, perception and investment decision of individual investors towards Initial Public Offering (IPO). Research finds out the result investment decision process they are not ready to sell very fast in secondary market but in this research investor most of investor is wanted to hold IPO. Stock market forecast has continuously caught the attention of many forecasters and researchers. Some of the theories commend that stock markets are really a random walk and it is a fool's game to attempt and forecast them. Forecasting stock prices is a challenging problem in itself because of the number of variables which are involved. Market also performs like a voting tool but in the longer term, it acts like a weighing instrument and hence there is scope for guessing the market actions for a longer timeframe. Application of mechanism learning techniques and other procedures for stock price analysis and anticipating is an area that shows great promise. In this paper, we first provide a concise review of stock markets and then focus on some of the research achievements in stock analysis and prediction.

## **CHAPTER- 5:**

### **SUMMARY AND CONCLUSIONS**

This chapter is final chapter which summarizes the research summary, conclusion and implications of the study. The entire chapter is summarized in three sections. The first one summarizes the study and general overview about research findings. The second section derives the conclusion of the study and the third one suggests few recommendations.

#### **5.1 Summary**

The general objective of this research was to gain insight in to investor's perception and awareness related to IPO. Similarly, this study also examines the factors that affect investors to make investment decision on IPO. Among various factors that can influence investors to buy IPO, five factors such as quality management, company goodwill, company performance, and company sector and market information were focused according to their importance realized from the literature.

In order to meet the objectives, primary data were collected from the IPO investors, who were contacted personally at 1 brokerage houses in Surkhet district. The questionnaire with 29 and 130 questionnaires were distributed among investors of IPO in one brokerage houses. Finally, 100 valid questionnaires were selected and data analysis was applied to them. Finally, the researcher came to know that all the tested variables have impact on investment decision.

In order to determine the survey result, different statistical tests have been performed. At first, Respondents answered on a five-point Likert scale ranging from 'Strongly Agree' to 'Strongly Dis-Agree'. The responses were collected and the data was arranged and analyzed using Microsoft Excel and SPSS software packages. 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 form 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.

## **5.2 Conclusions**

The main purpose of the research study was to ease the perception of investor towards initial public offering (IPO) in Nepal with references to Surkhet District. All the factors with its sub factors have analysis critically and it was found that all factors such as Quality management, Company Goodwill, Company performance, Company sector and Market Information have the correlation with each other and also have a significant impact over the perception of general investor while making investment decision. Among the factor market company performance was found to be highly considered before investing by the investor, whose mean value was more than three and standard deviation is zero point six nine followed by company sector and market information.

The study revealed that majority of the investors in IPO is male which means that male is more interested in investing in IPO. Male have dominant involvement in share market Surkhet. Similarly, most of the investors belong to the age group of twenty to forty because people of this age group are active and much risk taker than other age group. Most of the investors have educational qualification of bachelor degree and accordingly master or above. Similarly, it was found that most of the investors have invested less than ten thousand amount investment in IPO. Investors are found to have required awareness level on order to invest in IPO. Investor also considers IPO as risk free form of investment. A Pearson's data analysis of consideration quality management revealed a positive correlation, while making investment decision. General investors who invest in primary market highly considered while investing money.

Investors are found to have required awareness level on order to invest in IPO. Investor also considers IPO as risk free form of investment. A parsons' data analysis of consideration company goodwill revealed a positive correlation, while making investment decision. General investors who invest in primary market highly considered while investing money. All factors are found that positive correlation with

investment decision. Data are collection through primary sources through questionnaire from investor and data interpretation by using Excel and SPSS.

### **5.3 Implication**

This research access the perception of investors towards IPO market of Surkhet. It accesses the relationship of different factors (quality management, company goodwill, company performance, and company sector and market information) considering investment decision on IPO. This study found that there was positive relationship between the variables which clearly indicates that investors highly consider all the factors before making investment decision on IPO. Investors much more consider company goodwill, company performance and market information and accordingly company sector and quality management while investing in IPO. Therefore, this study contributes to all who tries to entrance in this sector. It helps to concerned companies, issue managers, regulatory bodies, students and researcher to acknowledge about the current psychology of the primary investors.

According to the finding of the study, it has implications that the government and regulatory bodies should take positive steps towards disseminating information on knowledge and skills necessary to make investment decisions. This will encourage more people to view the IPO as viable and risk-free form of investment option.

Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature, apart from improving on the aspect of perception of investor towards Initial Public Offering (IPO) in Nepal. According to the interpretations of the study to success in the Nepalese stock market investors should always be clear to their strength, weakness, requirement, risk taking capabilities and how to react on different and ever-changing market conditions. They should not buy the shares of a company until they know details about it. Before investing in any company all the investor must go through the company's financial details, prospects and other relevant information about the company rather than market whim and rumors. Investment bankers and issues play vital role in the IPO process, they should try to give more transparent, fast, hassle free service so that more public involve in the IPO. Issuing companies should make a good choice regarding the type of issues and understand the market sentiment to make their IPOs successful. Most IPO subscriber in Nepal is short term investors who are

interested to sell their stocks as soon as they are listed in stock exchange. Also, they are not aware about the process of IPO. They are investing on IPO as a quick way to make money rather than a long-term investment.

### **5.3.1 Managerial implications**

- i. The research will also provide valuable information to the Nepal stock exchange, government bodies, institution, potential listed companies, researcher, students, and individual in Nepal.
- ii. Manager should attention various factor affecting the perceptions of investor like management system, goodwill. Company performance, company sector and market information and 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.
- iii. 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.
- iv. This research was confined within Surkhet district so manager generalizes this result only the surkhet district.
- v. This research only focused on the five factors. However, future research regarding the relationship may provide insight about other variables that may have an effect on investment decision apart from the variables mentioned in this study.

### **5.3.2 Future Research Implications**

- i. This study is purely an academic research, so sample size is small. For the professional research purpose, in order to reduce the error and to make the result more pervasive sample size should be increased.
- ii. The data were collected only through questionnaire, survey form online. Future researcher can collect the response through conducting detailed interview techniques to understand the perception of investors towards IPO in Surkhet.
- iii. 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.

- iv. 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.
- v. The research report implicate that by the help of providing training to the investors about IPO then the number of investors would be increases.
- vi. A recommendation for future researcher is to use a larger sample of participants comprised of the entire stock market as a whole so exact scenario of stock market in Nepal can be identified.



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## Questionnaire

Research Questionnaire “Perception of investor toward initial public offering (IPO) in  
Nepal: Reference to Surkhet District

Dear investors,

I am Mamata paudel from Central Department of Management, Tribhuvan University. I am pursuing Master of Business Studies with Finance as major. As a part of the MBS study I am conducting a research entitled “Perception of investors towards Initial Public Offering (IPO) in Nepal”. As an Investor in IPO you are humbly requested to fill this questionnaire. This study is carried out purely for academic purpose and the information given will be treated with confidentiality and for only the purpose of this study. Your response and time is greatly appreciated.

### Respondents Profile

1 .Name: .....

2. Age: (a)

Below – 20 years (b) 20 – 40 years (c) 40 – 60 years

3. Gender:

Male Female

4. Education:

SLC Intermediate Bachelor Master level or above

5. Occupation:

Business student government employee Private employee

6. Investment amount in IPOs:

1 - 10 thousand 10 – 30 thousand 30 – 50Thousand 50 thousand and above

**Kindly Tick the appropriate box**

**SA – strongly Agree A- Agree N – Neutral D – Disagree SD – Strongly disagree**

S.N	FACTORS	SA	A	N	D	SD
<b>A</b>	<b>Quality management</b>					
1	Do you consider that legitimacy of company affects in your investment in IPO.					
2	Do you consider that Corporate Governance affects in your investment in IPO.					
3	Do you consider that Human Resource Value that affects in your investment in IPO.					
4	Do you consider that founder CEO affects in your investment of IPO?					
5	Do you consider that key shareholder/promoter affects in your investment in IPO.					
<b>B</b>	<b>Company Goodwill</b>					
1	Do you consider that corporate profile will affect, when investing in the IPO.					
2	Do you consider that Historical Background will affect, while investing in the IPO.					
3	Do you consider that age of company affects in your investment in IPO.					
4	Do you consider that prestige of Board member will affect while Investing in the IPO.					
5	Do you consider that current Financial position affects in your Investment in IPO.					
<b>C</b>	<b>Company Performance</b>					
1	Do you agree that ROI make investor to invest in IPO?					
2	Do you consider that ROE make investor to invest in IPO?					
3	Do you consider that percentage price premium make investor to invest in IPO/FPO?					
4	Do you consider that Earning Per Share make investor to invest in IPO?					
5	Do you consider that Dividend Premium matter more for your investment in IPO?					
<b>D</b>	<b>Company Sectors</b>					
1	Do you consider that investment in the banking sector of IPO is better?					
2	Do you consider that investment in Insurance Company of IPO is better					
3	Do you consider that investment in manufacturing company					
4	Do you consider the investment in Hydropower company of IPO is better?					

5	Do you consider that investment in IPO of Hotels?					
<b>E</b>	<b>Market Information</b>					
1	Do you consider that Comment on Media affects in your Investment in IPO.					
2	Do you consider that Future Prediction and Forecast affects your Investment in IPO?					
3	Do you consider that New project risk and prospects affects In your investment in IPO.					
4	Do you consider that market share will affect, while investing in the IPO.					
5	Do you consider that the past trend of IPO, while investing in the IPO.					
<b>F</b>	<b>Perception in Investment Decision</b>					
1	Do you consider buying/ selling of IPO.					
2	Do you consider that individual investor have more risk in IPO Investment.					
3	Do you consider that IPOs are risk free form of investment?					
4	Do you consider that IPOs are guaranteed way of y?					

*Thanks for your time and consideration.*

## Appendixes

**Table: 3.1**

**Reliability test of dependent and independent variables**

S.N	Variables	Cronbach's Alpha	No of item (N)
1.	Quality management	.682	5
2.	Company goodwill	.719	5
3.	Company performance	.869	5
4.	Company sector	.591	5
5.	Market information	.797	5
6.	Investment decision	.519	4

**Table 4.1**

**Distribution of respondent's profile**

		Frequency	Percentage
Age	Below 20 Years	1	1.0%
	20-40 Years	97	98.0%
	40-60 Years	1	1.0%
Gender	Male	53	53.5%
	Female	46	46.5%
Educational status of Respondent	SLC	1	1.0%
	Intermediate	4	4.0%
	Graduate	65	65.7%
	Post Graduate	29	29.3%
Occupation of Respondent	Student	72	72.7%
	Business	3	3.0%
	Gov. Employee	8	8.1%
	Private Employee	16	16.2%
Invested Amount in IPO	1-10 Thousands	56	56.6%
	10-30 Thousands	23	23.2%
	30-50 Thousands	10	10.1%
	50 Thousands and above	10	10.1%

**Table 4.2****Descriptive statistics of quality management**

	N	Mean	Std. Deviation
1 Do you consider that legitimacy of company affects in your investment in IPO.	100	3.72	1.088
2. Do you consider that Corporate Governance affects in your investment in IPO.	100	3.73	1.276
3. Do you consider that Human Resource Value that affects in your investment in IPO.	100	3.31	1.322
4. Do you consider that founder CEO affects in your investment of IPO?	100	3.57	1.153
5. Do you consider that key shareholder/promoter affects in your investment in IPO.	100	3.54	1.240
Quality Management	100	3.5717	.80863

**Table 4.3****Descriptive Statistics of Company Goodwill**

	N	Mean	Std. Deviation
1. Do you consider that corporate profile will affect, when investing in the IPO.	100	3.74	1.242
2. Do you consider that Historical Background will affect, while investing in the IPO.	100	3.70	1.305
3. Do you consider that age of company affects in your investment in IPO.	100	3.40	1.177
4. Do you consider that prestige of Board member will affect while Investing in the IPO.	100	3.46	1.189
5. Do you consider that current Financial position affects in your Investment in IPO.	100	3.93	1.311
Company Goodwill	100	3.6465	.85515



**Table 4.4****Descriptive Statistics of company performance**

	N	Mean	Std. Deviation
1. Do you agree that ROI make investor to invest in IPO?	100	3.65	1.198
2. Do you consider that ROE make investor to invest in IPO?	100	3.75	1.137
3. Do you consider that percentage price premium make investor to invest in IPO/FPO?	100	3.39	1.067
4. Do you consider that Earning Per Share make investor to invest in IPO?	100	3.84	1.201
5. Do you consider that Dividend Premium matter more for your investment in IPO?	100	3.66	1.188
Company Performance	100	3.6566	.93897

**Table 4.5****Descriptive statistics of company sector**

	N	Mean	Std. Deviation
1. Do you consider that investment in the banking sector of IPO is better?	100	3.61	1.185
2. Do you consider that investment in Insurance Company of IPO is better	100	3.81	1.104
3. Do you consider that investment in manufacturing company	100	3.76	1.262
4. Do you consider the investment in Hydro power company of IPO is better?	100	3.47	1.014
5. Do you consider that investment in IPO of Hotels?	100	3.35	1.062
Company Sector	100	3.6000	.69517

**Table 4.6****Descriptive statistics of market information**

	N	Mean	Std. Deviation
1. Do you consider that Comment on Media affects in your Investment in IPO.	100	3.52	1.155
2. Do you consider that Future Prediction and Forecast affects your Investment in IPO?	100	3.74	1.130
3. Do you consider that New project risk and prospects affects In your investment in IPO.	100	3.62	1.066
4. Do you consider that market share will affect, while investing in the IPO.	100	3.54	1.223
5. Do you consider that the past trend of IPO, while investing in the IPO.	100	3.67	1.143
Market Information	100	3.6141	.85009

**Table 4.7****Descriptive statistics of investment decision of respondent in IPO**

	N	Mean	Std. Deviation
1. Do you consider buying/ selling of IPO.	100	3.98	1.195
2. Do you consider that individual investor have more risk in IPO Investment.	100	2.85	1.289
3. Do you consider that IPOs are risk free form of investment?	100	3.27	1.398
4. Do you consider that IPOs are guaranteed way of making money?	100	3.48	1.281
Investment Decision	100	3.3965	.82685

**Table 4.8 Correlation analysis**

		Investment Decision
Quality Management	Pearson Correlation	.279**
	Sig. (2-tailed)	.005
	N	100
Company Goodwill	Pearson Correlation	.349**
	Sig. (2-tailed)	.000
	N	100
Company Performance	Pearson Correlation	.453**
	Sig. (2-tailed)	.000
	N	100
Company Sector	Pearson Correlation	.407**
	Sig. (2-tailed)	.000
	N	100
Market Information	Pearson Correlation	.526**
	Sig. (2-tailed)	.000
	N	100
Investment Decision	Pearson Correlation	1
	Sig. (2-tailed)	
	N	100

**PERCEPTION OF INVESTORS TOWARDS INITIAL PUBLIC OFFERING  
(IPO) IN NEPAL**

**WITH REFERENCE TO SURKHET DISTRICT**

A Thesis proposal

By

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Class Roll No: 89

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Submitted in partial fulfillment of the requirement for the degree of

Master of Business Management (MBS)

In the

Faculty of Management

Tribhuvan University

Kathmandu, Nepal

January, 2021

## Introduction

### 1. Background of the study

Financial market refers to a marketplace, where creation and trading of financial assets, such as share, debentures, bonds etc. take place. It plays a crucial role in allocating limited resources, in the country's economy. It acts as an intermediary between the savers and investors by mobilizing funds between them. The financial market provides a platform to the buyers and sellers, to meet, for trading assets at a price determined by the demand and supply forces. Financial market is broadly classified in to two types on the basis of maturity- money market and capital market. The money market where monetary assets such a commercial paper, certificate of deposits, treasury bills etc. which mature within a year, are traded. It is the market for short term funds. No such market exist physically; the transactions are performed over the virtual network, i.e. fax, internet or phone. The capital market where medium- and long-term financial assets are traded. It is divided in to two types- primary market and secondary market. Primary market is a financial market where company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issues. Secondary market is an organized market where in already issued securities are traded between investors, such as individuals, merchant bankers, stock brokers and mutual funds, (financialjargon.com).

Gnawali. A. (2020), An initial public offering is the sales of company's stock to the public for the first time. The primary impetus for an IPO is generally either to raise capital or to offer an exit strategy. In fact the firm in most incipient stage of development generally relies entirely on personal loans, saving, family and friends for their initial financing. The financial market provides a platform to the buyers and sellers, to meet, for trading assets at a price determined by the demand and supply forces. Financial market is broadly classified in to two types on the basis of maturity- money market and capital market. It is divided in to two types- primary market and secondary market. Primary market is a financial market where company listed on an exchange, for the first time, issues new security or already listed company brings the fresh issues (financialjargon.com). Initial public offering (IPO) is the process by which a private company can go public by sale of its stocks to general public. It could be a new, young company or an old company which decides to be listed the stock

exchange and hence goes public. All the traded stocks are listed in NEPSE in Nepal. Company raising money through IPO is called as 'company going public'. When a company offers stocks to the public, then each stock represents a piece of ownership. And each investor who holds stocks of the company will be considered as a part of the owners of the company. When a company does perform well, its investors get rewarded in the form of increased value of their stock. The risk comes when a company is not doing well, and its stock value is on the fall. Investment decision in any avenue is an outcome of some analyses. It may be both fundamental analysis and technical Analysis. IPO issues provide an opportunity to maximize returns as they penetrate into equity investment.

Initial public offering (IPO) is the process by which a private company can go public by sale of its stocks to general public. It could be a new, young company or an old company which decides to be listed the stock exchange and hence goes public. All the traded stocks are listed in NEPSE in Nepal. Company raising money through IPO is called as 'company going public'. When a company offers stocks to the public, then each stock represents a piece of ownership. And each investor who holds stocks of the company will be considered as a part of the owners of the company. When a company does perform well, its investors get rewarded in the form of increased value of their stock. The risk comes when a company is not doing well, and its stock value is on the fall. Investment decision in any avenue is an outcome of some analyses. It may be both fundamental analysis and technical Analysis. IPO issues provide an opportunity to maximize returns as they penetrate into equity investments. An IPO can be a debt or equity security, such as bond or stock are sold to initial buyer by the corporation or government agency borrowing the fund. In an IPO the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue, best offering price and time to bring it to market. In Nepal underwriting firm is also called issue manager, ([www.invetopedia.com](http://www.invetopedia.com)).

The IPO application process in Nepal is now digital and so everything is done online. No more visiting the banks. Apply for the IPOs of Nepal through laptop or even a smartphone or tablet. The sale goes usually for 4 working days and it is within those 4 days one must go to the meroshare website, access and fill up the ASBA (Application Supported by Blocked Amount) with all the details and submit it. Make sure that bank

account has the necessary rupees amount that is to be blocked for ASBA. Then within a week for the allotment to be concluded. After that, depending upon the number of shares issued, the number of total applications received and amount of investment, investors are allotted a certain number of shares. Since Shrawan 2074, every accurate application/applicant gets at least 10 units of IPO shares. However, depending on the number of applications, investor might receive additional shares if there are more to be allotted or no shares if there aren't enough for everyone. After allocation, the financial organization will release the blocked amount while debiting the allotted share amount from investor's bank account. After some time, the share quantity that investor were allotted will show up in your Demat account statement, (unicodnepali.com).

## **2. Statement of the problems and Research Questions**

In this competitive world, various investment avenues are available but majority of investors consider equity as their investment option because investment in equity require less amount minimal time to trade its liquidity . So this study will help us to find how investors' attitude will have an impact on investment decisions and its reasons behind to take such decisions depending on the situation.

- i. What is the perception of investors towards initial public offering in Nepal?
- ii. Is there any relationship between different factors (Quality management, Company goodwill, company performance, Company sectors and Market information) and investment decision of investors in IPO?

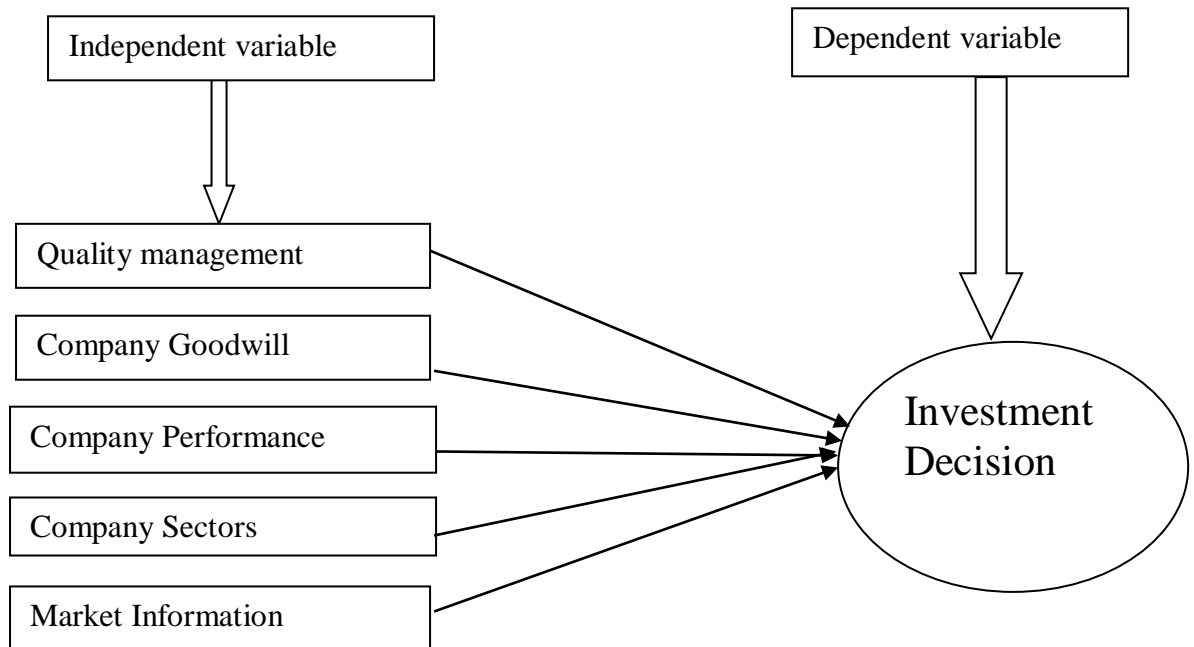
## **3. Objectives of the study**

The overall purpose of this research is to identify the investor's perception towards IPO in Nepal reference to Surkhet district. The main objective of the study is as follows:

- i. To assess the perception of investors towards IPO under quality management, company goodwill, company performance, company sector and market information.

- ii. To assess the relationship between different factors (Quality management, Company goodwill, Company performance, Company sectors and Market information) and investment decision of investors in IPO.

#### 4. Conceptual Framework



Source: Gnawali (2020)

#### 5. Rationale of the study

More than 75% people are still not aware or literate regarding public offering in Nepal. So this study will be useful for those who are seeking some knowledge regarding IPO and expected to be helpful for the general investor and organizations that are directly or indirectly related in public offering. This study will also assist the issuing companies to know the perception and preferences of investor towards IPO in Nepal. This study will be significantly know the crucial factors that affects investors perception and risk return in terms of investment in IPO and it will helpful for all the student and researcher who want undergo a research in IPO.

#### 6. Limitation of the study

- i. Resource constraints due to lack of internationally published research articles and literature in Nepalese context about Initial Public Offering (IPO).
- ii. Only Surkhet District is considered for the study which may not represent the whole demographic territory of Nepal.



- iii. The finding of this research may not be representing the scenario of secondary market.
- iv. Sample size of 100 will be used in collecting primary data may not represent the population.

## **7. Literature review**

Gnawali, (2020). The main purpose of the study is to examine perception of investor towards IPO, to analyze the relationship between different factors (Quality management, Company Goodwill, Company performance, Company sector and Market information) and investment decision and to examine the impact of such factors on investment decision in IPO. The research is primarily based on primary data. Data was collected from 290 respondents who were connected at five different brokerage firms at Kathmandu district. The inferential analysis was preferred in SPSS by using statistical tools such as correlation and regression analysis were used to analyze the relationship between variables and impact of different factors on investment decision (dependent variable). The study revealed that Quality management, Company goodwill, Company performance, Company sector and Market information are the highly considerable factors before making investment decision in IPO.

Khatri, (2017). The analysis of the data reveals that majority of the investor's takes broker's advice while investing in IPO. The analysis also states that 182 respondents invest in IPO to benefit from listing gain. It can be stated from the data analysis that majority of the respondents find the IPO procedure to be difficult. The analysis indicates that the major problem faced by the investors is delay in refund and lack of clarity in allotment. The factor analysis was carried to identify the factors that influence the investors to invest in IPO. The KMO value of 0.783 suggests that there is adequate number of factors that can be extracted. The analysis accounted for 62.03% of variance and the most important factor that influence the investors are Company Philosophy, Future Prediction and Projection, News relating to company IPO and Financial Performance.

Yashaswini, (2019). Stock market have different attitude towards risk and returns, where some investors are risk bearer and some are risk avoider. This risk bearing attitude will be based on personal, economical, environment and situational factors

such as income, family size expenditure pattern and age. Investors tend to follow different investment attitude as they move through different stage of the life cycle. In Youth age, they concentrate on Growth oriented Investments, Higher potential growth and risk, Stress capital Gains over current income. Whereas middle age group take into consideration like their family demands and responsibilities become important(Educational expenses, retirement savings),Move toward less risky investments to preserve capital, Transition to higher quality securities with lower risk. When it comes to Retirement Stage preservation of a capital becomes primary goal, highly conservative investments portfolio, and Current income needed to supplement retirement income.

### **8. Research gap**

This research was only for academic purpose; in the research population size was based on IPO investor of Surkhet district. In Surkhet district there is huge number of investor in IPO. As a local candidate of this district and sampling method also convenience sampling for me so it is easier to collect accurate, reliable and valid data about local investor and very few research have been done in this area so I want to select this District. Other research done in normal environment but now the situation is very complex due to covid-19. And other research gap is sectoral gap because different researcher done research in Mutual fund, Portfolio management and investor attitude toward decision on insurance but attitude toward decision in equity market is not so that it is important for doing research for the is the fact on equity market about investor. In other hand there was area gap because this research is focus on out of Kathmandu valley and time period gap also because in other period investor invest money through physical appearance but in this period all invest apply share on smart mobile through internet using different application like Demat account, meroshare, C-ASBA, ASBA etc. These are the major research gap in this research.

### **9. Research methodology**

Research methodology refers to the various sequential steps (along with a rationale, of each step) to be adopted by a researcher in studying a problem with certain object in view. A focus is to be given to research design, sample selection and size, data collection procedure, data processing, definition of variables, meaning and definition

of statistical tools used. This chapter will highlight the research methodology used for the study.

### **9.1 Research design**

The research study will be analyzing the perceptions of investors towards IPO in Nepal reference to Surkhet District. A research design is a plan, structure, and strategy to obtain the objectives of the study. The research will be based on the primary data and information. The descriptive and correlational research design will be used. These methods will be found appropriate because the research intended to explore the cause-and-effect relationship between the different variables. The collected information will be present and analyze using SPSS.

### **9.2 Population of sample**

The target population for this study will be all the investors who invested in Initial Public Offering (IPO) in Surkhet District. As a result, researcher will be selected 100 investors to represent the population.

### **9.3 Sources of data**

This study will be used only primary data to meet the specific objective of the study. There are many different types of primary data sources, such as interviews, questionnaire, observation or experiments. So, in this study questionnaire survey will be taken to examine the perception of investors towards IPOs in Nepal. The data for the research will be collected with the help of a questionnaire based on a likert scale from 1- strongly agree consider to 5- strongly disagree consider.

### **9.4 Data collection and processing procedure**

A questionnaire will be prepared taking the objective of the research study into consideration. The questionnaire will be filled by taking the response of responses. For convenience, respondent will be selected from the investors who come to the brokerage house for various investment purposes.

### **9.5 Data analysis tools and techniques**

Various statistical tools like mean, median, standard deviation and correlation analysis will be used to analyze and interpret the data collected through primary sources. SPSS will be used for the analysis of collected data.

## **10. Chapter Plan**

The research will be organized into five chapters which will be presented in such a way that the research objective will be easily met and research questions will be answered properly. The results and findings of the study will depict systematic manner. Each chapter's content is further described as follows:-

### **Chapter 1: Introduction**

This chapter deals with the major issues related to the perception of investors towards initial public offering(IPO) , background of the study, statement of the problem and research questions, objective of the study , rationale of the study , limitations of the study and chapter plan.

### **Chapter-II: Literature review**

Literature review chapter will deal with the finding of previous researches related for the current study. Different research work related to perception investor will be discussed in order to prepare a base for the study. It includes a discussion on the conceptual framework and review of major studies and research gap.

### **Chapter-III: Research Methodology**

This chapter explains about research methodology will be used for the study. It will cover research design, population and sample, sources of data, data analysis tools and techniques and software used.

### **Chapter IV: Results and discussion**

This chapter will be presents all collected data in systematic manner and analysis of such data by using various tools. This chapter will be divided into three divisions: demographics profile, descriptive analysis and correlation analysis.

### **Chapter-IV: Summary and Conclusion**

This chapter finally summarizes the study in few paragraphs and tries to conclude the whole study; that is the result of the research. And finally depending upon the summary and conclusion will be given.

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### Website

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