CHAPTER I
INTRODUCTION

1.1 Background of the study

Finance is the important prerequisite for establishing and developing any business organization. Finance helps to bring together all the factors of production in industrial unit. Therefore financing is a critical element for success of a business. In the absence of adequate finance, even the business having high potentiality may fail. Financial decision impacts on the long range. Financial strategies of the firm thereby putting affect on the value of the firm. Financial institutions provide the requisite funds to the business firms. Therefore, financial institutions in the economy play a crucial role in the process of economic growth of the country (Khadka, 2014).

For the development of a country, economic development is the major requisite. For economic development, financial sector plays a very important role, where they collect funds from customers by paying some percent interest and invest it to large industry and other business sector by taking some percent interest. The participation of private financial institutions play even more important role for the economic development. Beside the economic sector, social culture, industrial and technology sector are also should be strong for the development and progress of a country (Shrestha and Bhandari, 2010).

Since, this is the era of globalization; rapid development in information technology and the advancement in transportation facilities have made the world as narrow as a village. The present world economy has been more competitive and complicated due to globalization of economies and market. Every sort of change occurring in one sector of the world affects the other. Healthy economy is dependent on efficient transfer of funds from people who are net savers to firms and individuals who need capital. Without efficient transfer the economy simply cannot function. Economic efficiency is simply impossible without a good system for allocating capital within the economy has predominantly a subsistent agricultural economy, which contributes about 33.10% percent of GDP and provides employment to more than 65.7% percent of the economically active population (Ministry of Finance, 2019).

Investment means the sacrifice of current rupees for the future rupees in which two different attributes are generally involved i.e. time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if any and the magnitude it's generally uncertain. In some cases the element of time predominates (for example government bonds). In other cases risk is the dominant attribute (for example call options on common stocks). In yet others, both time and risk are important (for example shares of common stock). Initial Public Offering (IPO), also referred to simply as a "public offering", is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded (Pandey, 2006).

For the investors Initial Public offering (IPO) is also an option. An Initial Public Offering (IPO) occurs when a security is sold to the general public for the first time, with the expectation that a liquid market will develop. An IPO can be of any debt or equity security (Pokhrel, 2016).

In an IPO, the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue(common or preferred), best offering price and time to bring it to market.

IPO can be a risky investment. For the individual investors, it is tough to predict what the stock or share will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPO are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value (Poornima, Aalaa, & Deepha, 2016).

Primary market of securities which originates new issues of stocks and bonds avails cash to the issuer which may be invested in the business. Generally companies start out their business by raising equity capital from the small number of investors, and with the increment of the business activities it needs additional equity capital and desires to "go public" by selling to the general public. This kind of public offering includes cost that may direct or indirect. The direct costs include legal, auditing, and underwriting fees. And the indirect costs include management of time and efforts as well as dilution of selling shares at below the price prevailing in the market. These kinds of direct and indirect costs affect the cost of capital for firms going public (Poornima, et al. 2016).

The people or institutions responsible for finding out investors for the IPO of the securities sold in the primary market are called the investment bankers or issue mangers. Investment bankers are also called underwriters; they purchase new issues from security issuers and arrange for their resale to the investing public. IPO generally involve one or more investment banks as "Underwriters". The company offering its shares called the "issuer” enters a contract with an underwriter to sell its shares to the public. The underwriter then approaches investors with offers to sell these shares (Agrawal, 2007).

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. The center used to take, buy and sale only on orders from interested investors and confirm them if a price and quantity matched. There was no time limit within which a deal took place. It normally took one day to three weeks. Due to this, general public faced problems while buying-selling shares. Although the secondary market was non-functional and public were not fully aware of on the working of the capital market. The public response to the new issues of the shares of selected companies like bank and finance companies were overwhelming (Khadka, 2014).

Security Exchange Center was converted into Stock Exchange Limited in 1993 and with this broker system for secondary market came in existence. The basic objective of Stock Exchange Ltd is to impart free marketability and liquidity to the government bonds and corporate securities. With the establishment of full fledged stock exchange. The shares which the public held for the decades became liquid. Prior to the establishment of Securities Ordinance 2005, companies were required to get approval of their prospectus from Company Registrar's Office and then to receive approval from the SEBON in accordance with Securities Exchange Act, 1983 and the Companies Ordinance, 2005. This new ordinance which came into effect since September 23, 2005, has incorporated a provision that requires the public companies to register with the SEBON all securities before their issuance. The ordinance also made mandatory for issuing companies to prepare prospectus, and publish it for the public after getting SEBON's approval (Pandey, 2013).

Capital Market is gaining business attention since last few years. The NEPSE index, which shows the stock price trend of all the listed securities in the stock market, has been increasing in the recent fiscal years. Hence, the general investors are very keen to make investment in the securities of the companies through both secondary and primary markets. In primary market, the investment is made through public issues of ordinary shares, preference shares, debentures and right shares as well as mutual fund and unit scheme (Thapa, 2076).

To sum up, an initial Public Offering is the first sale of corporation's common shares to public investors. The main purpose of an IPO is to raise capital for the corporation. While IPO are effective at raising capital, they also impose heavy regulatory compliance and reporting requirements.

The study mainly focuses on the responses towards Initial Public Offering by individual investors. It also focuses on what they actually want in IPO before they actually invest their sector preference, their knowledge level, and performance of issue managers. It also focuses in the distribution process of IPO, restriction on margin lending as IPO funding via financial institutional loans is not a healthy practice as it does not reveal the true picture of the company. Single investors apply hundreds of application showing dummy names. As a result they can capture large number of shares and can influence the company management and stock price too.

1.2 Problem statement

Still more than half of Nepalese Citizens are under the line of literacy. And among the literate ones as well maximum do know nothing about the practice of stocks. They do not know what the securities mean at all. How can we expect them to invest in the securities? And even among the aware people there is still lack of confidence level.

They do not want to take risk. In developing country like IPO is still new phenomenon.

IPO’s can be a risky investment. For the individual investor, it is tough to predict what the stock will do on its initial day of trading and in the near future because there is often little historical data with which to analyze the company. Also, most IPO’s are of companies going through a transitory growth period, which are subject to additional uncertainty regarding their future values.

But in recent trend, the investor investing in the IPO many times more than the issue. The reason for this is that only limited investors are applying for the IPO by using other citizenship certificate. Due to the uneducated people are giving their power of attorney to other for IPO, Which affect the financial system badly. These people are creating an artificial crisis, which in turn, the share price is more than their book value.

To control this activity, Security Board of Nepal (SEBON) is updating the criteria required for applying IPO, in order to make the IPO transparent. Among them, the latest updated criteria is that the investor should disclose the banking detail if he wants to apply for more the Rs 10,000; the investor should be present while submitting the form along with the original citizenship certificate; the issuing company must give the interest for the applied money during the period between applying date and allotment date; the issue manager must give the account payee Cheque while refunding the money for applying more than Rs 10000 and the issue manager must allot the share within 45 days.

The problem towards which this study is directed is to identify the investor’s responses towards the IPO of financial as well as non-financial sector in Nepalese market, how is primary market growing in Nepal, how are the issue managers performing in IPO, generally what an investor expects from his or her investment, how to invest in IPO and how to manage fund for IPO, etc. The study has tried to solve the following research questions:

i How is the public awareness regarding primary market in Nepal ?

ii What is the growth of primary stock market in Nepal ?

iii What are the factors that affect the public response to IPO?

1.3 Objectives of the study

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

i To analyze public awareness survey regarding IPO.

ii To assess the growth of primary stock market in Nepal

iii To examine the factors that affect the public response to IPO.

1.4 Rationale of the study

This study seems to be crucial source especially of raising long term finance by bank and non banking financial sectors, which is helpful to the prospective investors and the organization in the field of public Offering as there is still lack of study regarding IPO in Nepal. This study will assist in the formulation of policy and will assist the policy makers to get the practical knowledge of existing rules and regulations.

From this study, investors will have more clear conception over their investment and they will be able to make a right choice. It will also be helpful to the students who want to make research in IPO.

This study will be significant to analyze impact of IPO for sale on key parameter return in equity and return on assets of banks and non-banking finance companies for the study and the legal provision, possibilities, problems and prospects of IPO in Nepal. It will also be helpful to know the investors response to IPO of different industries. The prospective offering company may also get significant knowledge from this study.

1.5 Limitations of the study

This study of public response regarding IPO has some limitations as well. They are:-

i This study takes the secondary data also, so the accuracy of research depends upon the reliability of the data.

ii The data are used for fourteen years covering from 2005/06 to 2018/19.

iii The information regarding the same questionnaire is different from different sources.

1.6 Organization of the study

This study has organized into the following five chapters.

Chapter I - Introduction

This chapter contains introductory part. It describes the general background of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study and plan of the study.

Chapter II - Literature review

This chapter contains brief review of past research works and studies. It describes the conceptual framework of the subject matter as well.

Chapter III - Research methodology

This chapter explains about the methods to collect the data, the sample size used and about the methods used to analyze the data.

Chapter IV - Results and discussion

This chapter presents the collected data in tabular form and in different pictures, so that it could be easy to analyze them.

Chapter V - Summary and conclusions

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 discussion, conclusions, implications have been given.

CHAPTER II
LITERATURE REVIEW

2.1 Introduction

This part has been divided into theoretical and empirical review.

2.2 Theoretical review

2.2.1 Financial market

Market in which long term as well as short term loan is provided is called financial market. It provides forum in which supplier of funds and user of funds transact. Transactions in short term debt instruments, or marketable securities take place in the money market. Long term securities (like bonds and stocks) are traded in the capital market. Capital market further can be divided into primary market and secondary market (Nangalia & Kothari, 2016).

All securities, whether in the money or capital market are initially issued in the primary market? This is the only market in which the company or government is directly involved in the transaction and receives direct benefit from the resale of securities. Once the securities began to trade among individuals, business, government, or financial institutions, savers and investors, they become part of the secondary market. The primary market is where" new securities are sold" and the secondary market can be viewed as a "used” or "preowned" securities market (Bhandari, 2013).

In short, we can divide financial market into money market and capital market. And these markets can be further divided into primary and secondary market.

2.2.2 Money market

Money market is the market for the short term securities like treasury-Bills, Government bonds, certificates of deposits, banker's Acceptances and commercial paper or promissory notes. It includes both primary and secondary market activities. The money market exists because certain individuals, businesses, governments and financial institutions have temporarily idle funds that they wish to place in some kind of liquid assets or short term interest earning instrument. Like this other individuals, businesses, governments and financial institutions are in need of seasonal or temporary financing. Thus the money market provides the platform for the supplier (who have idle funds for some period) and demand makers of short-term liquid funds.

In theory, we found money market different from the capital market. In practice, however in most countries with efficient financial markets, where money and capital market is combined, the merchant banks are active in both. This is because negotiable money market instrument for all practical purposes is simply a short term capital market instrument. Therefore, the techniques and facilities needed to operate money market are almost same as those needed to operate the capital market (Shrestha and Bhandari, 2010).

2.2.3 Capital market

The capital market is the market for securities, where companies and governments can raise long term funds. The capital market includes the stock market and the bond market. The capital market consist of the primary market, where new issue are distributed to investors, and the secondary market, where existing securities are traded. Capital market can play vital role to mobilize the market follows capital to invest on the corporate sectors by the means of securities (Nangalia & Kothari, 2016).

Capital market includes:

- i Activities relating to the organization, distribution and trading of securities.
- ii Organizations, which facilitate these activities.
- iii Individuals and institutions, which buy and sell securities.
- iv Rules and regulations, customs and practices that control the organization and conduct the business in the market.

The capital market is a financial relationship created by a number of institutions and arrangements that allows the supplier and demanders of long term funds (funds with maturities of more than one year) to make transactions. Included among long term funds are securities issue of business and government. The backbone of the capital market is formed by the various securities exchanges that provide a forum of debt and equity transactions. The smooth functioning of the capital market, which is enhanced through the activities of investment bankers, is important to the long-run growth of business (Nangalia & Kothari, 2016). The capital market is the trading center for the financial instrument. In capital market different types of financial securities such as ordinary share, preference share, treasury bills, and debenture are traded. This market can be further divided into two parts:

i Non-securities market

ii Securities market

2.2.3.1 Non-securities market

Non-securities market is a market where financial needs of the borrower (demanders) are fulfilled for a longer period of time without issuance of any securities like shares, bonds and debenture. Financial transactions between the lending institutions such as banks, business houses, saving institutions or individuals come under this non-securities market (Nangalia & Kothari, 2016).

2.2.3.2 Securities market

The securities market is known as the market where all types of securities are traded. Security market is a broad term embracing a number of markets in which securities are bought and sold. Securities markets includes how an individual investor goes about the business of placing any order to buy or sell, how the order is executed, the process of setting the payment and transfer costs, and one hopes the payment of federal personal income taxes on the profits from the transaction (Horace, 2014).

Security market sets a price for the securities it trades and makes it easy for people to trade them. Securities market facilitates the sale and resale of transferable securities. The security market can be defined as the mechanism for bringing together buyer and seller of financial assets to facilitate trading. Securities market is classified into two, the market in new securities are sold is called primary market and the market in which existing securities are resold is called the secondary market. Secondary markets are created by brokers, dealers and market makers. Brokers bring buyer and seller together with themselves actually buying and selling; dealers set price at which they themselves are ready to buy and sell (bid and ask price respectively). Broker and dealer come together in organized market or in stock exchange (Nangalia, & Kothari, 2016).

The securities market may also be divided into two parts:

i Primary Market

ii Secondary Market

2.2.3.3 Primary market

The primary market is that part of the capital market that deals with the issuance of new securities. Companies, governments or public sector institutions can obtain funding through the sale of new stock or bond. This is typically done through a syndicate of securities dealers. The process of selling new issues to investors is called underwriting. In the case of a new stock, the sale is an initial public offering (IPO), though it can be found in the prospectus (Nangalia, & Kothari, 2016).

Features of Primary market:

i Market for new long term capital.

ii The securities are sold for the first time.

iii The securities are issued by the company directly to investors.

iv Used by the companies for the purpose of setting up new business or for expanding or modernizing the existing business.

v Facilitates capital formation in the economy.

2.2.3.4 Secondary market

In the secondary market the share once issued in the primary market are traded. So, the secondary market liquidates the shares and provides the opportunity between the investor and seller of the securities. The company must list the securities in the security market for the transaction purpose. Secondary market provides no capital to the original issuer. In the secondary market existing securities are traded and thus enabling disposal of these securities whenever the owners wish. An active secondary market is therefore a necessary condition for an effective primary market, as no investor wants to fell 'locked in' to an investment (Horace, 2014).

2.2.4 Investment consideration to potential investors in the primary market

Rules and regulations alone would not be able to protect the interest of investors. They should be able to analyze and evaluate following aspects of the company before taking their investment decision. Investors should select those companies share which are regarded as well operating and good future prospects, reliable management, beneficial sectors or higher growth. Investing in the shares of these companies is less risky than others. The investors who invest in stock, they must compare the price and the value or the share in the market and should select the share which has lower market price in comparison to its value. The investors should take information regarding company's promoters, size, growth, environment, board of directors, past statements and as well as budgeted statements, which can be obtained from memorandum, prospectus, articles of the concerned company (Poornima, Aala,& Deepha, 2016).

2.2.5 Investment consideration to the potential investors in the secondary market

Investors should be informed about the following matters before investing in the secondary market.

- i Keep information of the companies return to the shareholders in the form of cash dividends, stock dividends, bonus shares etc. they should also be informed about Earning per share (EPS), book value of share (BVS), price earning ratio (P/E Ratio), future plan, growth expectancy of the company through the annual, quarterly and half-yearly performance reports, profit and loss account (P/L a/c), balance sheet (B/S) and annual reports.
- ii Analyze the price related information provided by SEBON and NEPSE about the listed companies.
- iii Study the trading statements and financial analysis of the listed companies published by NEPSE.
- iv Study articles related to the trading of shares and economic matters published in different newspapers and magazines.
- v Study the annual report of SEBON.
- vi Study the act and regulation concerning to the shareholder's right.

Once the investors think of making investment, he approaches to the broker to choose a firm that is suitable for his needs of investments and to select a representative of the firm with whom he can work. The representative should be able to furnish the investor at all times, on reasonable choice, information on any specific company's securities (Poornima et al. 2016).

2.2.6 Pricing differences

We may have found that there can be large differences between the price of an Initial Public offering (IPO) and the price when the IPO shares start trading in the secondary market.

The pricing disparities occur most often when an IPO is "hot" or appeals to many investors. When an IPO is "Hot", the demand for the securities far exceeds the supply of shares. The excess demand can only be satisfied once trading in the IPO shares begins. This imbalance between supply and demand generally causes the price of each share to rise dramatically in the first hours or days of trading. Many times the price falls after this initial flurry of trading subsidies (Poornima et al. 2016).

2.2.7 IPO by private company to the public

IPO's are often issued by smaller, younger companies seeking capital to expand and also can be done by large privately owned companies looking to become publicly traded.

In an IPO, the issuer obtains the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market (Nangalia & Kothari, 2016).

2.2.8 Risky investment

IPO’s can be risky investment. For the individual investor, it is tough to predict what the stock will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPO's are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value (Poornima et al. 2016).

Pricing

Initially, IPOs have been under-priced. The effect of under-pricing an IPO is to generate additional interest in the stock when it first becomes publicly traded. This can led to significant gains for investors who have been allocated shares of the IPO at the offering price. However, under-pricing an IPO results in "money left in the table ", lost capital that could have been raised for the company had the stock been offered at a higher price.

The danger of over pricing is also an important consideration. If a stock is offered to the public at a higher price than what the market will pay, the underwriters may have trouble meeting their commitments to sell shares. Even if they sell all of the issued shares, if the stock falls in value on the first day of trading, it may lose its marketability and hence even more of its value.

Investment banks therefore take many factors into consideration when pricing an IPO, and attempt to reach an offering price that is low enough to stimulate interest in the stock, but high enough to raise adequate amount of capital for the company. The process of determining an optimal price usually involves the underwriters ("syndicate") arranging share purchase commitments from lead institutional investors (Nangalia & Kothari, 2016).

Why go public?

Going public raises cash and usually a lot of it. Being publicly traded also opens many financial doors. Because of the increased scrutiny; public companies can usually get better rates when they issue debt. S long as there is market demand, a public company can always issue more stock. Thus mergers and acquisitions are easier to do because stock can be issued as part of the deal .Trading in the open markets means liquidity. This makes possible to implement things like employee stock ownership plans, which helps to attract top talent (Poornima et al. 2016).

How does an IPO get valued?

The price of a financial asset traded on the market is set by the force of supply and demand. Newly issued stocks are no exception to this rule- they sell for whatever price a person is willing to pay for them. The best analysts are experts at evaluating stocks. They figure out what a stock is worth, and if the stock is trading at a discount from what they believe it is worth, they will buy the stock and hold it until they can sell it for a price that is close to or above, what they believe is a fair price for the stock. Conversely, if a goal analyst finds a stock trading for more than he or she believes it is worth, he or she moves on to analyzing another company, or short sells the overpriced stock, anticipating market correction in the share price (Poornima et al. 2016).

What are some good methods for analyzing IPO’s?

Initial public offerings (IPO) are unique stocks because they are newly issued. The companies that issues IPO’s have not been traded previously on an exchange and are less thoroughly analyzed than those companies that have been traded for long time. Some people believe that the lack of historical share price performance provides a buying opportunity, while others think that because IPO’s have not yet been analyzed and scrutinized by the market, they are considerably riskier than stocks that have a history of being analyzed. A number of methods can be used to analyze IPO’s, but because these stocks do not have a demonstrated past performance, analyzing them using conventional means becomes a bit trickier (Poornima et al. 2016).

If we are lucky enough to have a good relationship with our broker, we may be able to purchase oversubscribed new issues before their clients. These tend to appreciate considerably in price as soon as they become available on the market: because demand for these shares is higher than supply, the price of oversubscribed IPO’s tends to increases until supply and demand come into equilibrium (Nangilia & Kothari, 2016).

IPO is first sale of stock by a company. Broadly speaking, companies are either private or public. Going public means a company is switching from private ownership to public ownership. Going public raises cash and provides many benefits for the company. Many startups went public without any profits and little more than a business plan. For those getting in on a hot IPO is very difficult, if not impossible (Poornima et al. 2016).

2.2.9 The underwriting process

The process of underwriting involves raising money from investors by issuing new securities. Companies hire investment banks to underwrite an IPO. It's hard enough to analyze the stock of an established company. An IPO company is even trickier to analyze since there will not be a lot of historical information. Look for the usual information, and at the same time pay special attention to the management team and how they plan to use the funds generated from the IPO. At the same time we should analyze the underwriters as well. Successful IPO’s are typically supported by the brokerages that have the ability to promote a new issue well. Be more wary of smaller investment banks because they may be willing to underwrite any company.

2.3 Empirical review

The investment consideration begins from the selection of the broker to assist the trading in the securities market. Most investors had access to investment information in the form of oral and written from their brokers. Brokers subscribe to well-known investment information sources that could've have been used by the customers. Brokers were most active trading agents of capital market. Stockholders were backbone of stock market growth and it’s smoothed functioning.

2.3.1 Review of research articles

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

The main objective of this study was to examined the relationship between the performance of an IPO and its subscription rate among companies listed on the Hong Kong stock exchange. Correlation and regression analyses were employed to study the relationship between the subscription rate and the Annual Holding Gained (AHG) of an IPO and the various corporate factors that may influence the subscription decision. A sample of 60 out of 235 Hong Kong IPOs listed from 2008 to 2010 was randomly selected: 17 out of 49 in 2008, 19 out of 73 in 2009, and 24 out of 113 in 2010. They had an average subscription rate of about 107.3 times, ranging from a low of 1.1 to a high of 722.0. The average price-to-book ratio (PBR) of companies was 2.46 times, ranging from a low of 0.88 to a high of 6.23. Apparently, investors were very eager to buy the shares of these IPOs in Hong Kong.

The study found that although a high subscription rate indicates strong investor demanded for the stock, it was not found to be associated with good performance after the company goes public. This paper presented the findings of a studied on the performance of the initial public offerings (IPO) of shares listed on the Hong Kong Stock Exchange (HKEx), which had been the largest IPO market in the world since 2009. One indicator of the success of an IPO was its subscription rate, which was used as aproxy for the level of investor confidence in the stock being offered. This paper examined the relationship between the performance of an IPO and its subscription rate, and the corporate factors that may affect an investor’s decision to subscribe to an IPO. The Hong Kong evidence helped shed light on the importance of agency cost in the pricing of IPOs. One of the indicators of the success of an IPO was its subscription rate (SUR), which was used as a proxy for the level of investor confidence in the stock being offered. Correlation and regression analyses were employed to study the relationship between the SUR and the annual holding gained (AHG) of an IPO and the various corporate factors that may influence the subscription decision. Regression analysis was performed to investigate 1) the effect of the SUR of an IPO on its AHG, and 2) the corporate factors that may influence the leveled of subscription being made.

Poornima and Deepha (2016) studied on the performance of initial public offering of companies listed in NSE, India & Gulf base GCC index. The main objective of the study was to evaluate the performance of IPOs in India. The study was conducted with the objectives; a) to find out the performance of Indian IPOs for short period, ie. from the date of offered to the public to the date of their first day of trading after listing on stock exchange, b) to measure the long term performance of Indian IPOs including and excluding initial returns and c) to analysed whether the returns were more in short term or long term for better conclusion. The study was mainly confined to secondary data. This study aimed at analysed the performance of IPO both in primary market and secondary market. Investment tools like the raw returns, market adjusted excess returns was used to analyze both the short term and the long term performance. It was important f or the investors to analyze the trend of IPO stocks to make informed decisions. The period of studied was from Jan 2013 –Dec 2014. The sample for the studied includes 9 companies listed in national stock exchange of India pertaining to the studied period. The results of this study was threw light on the performance of the IPO's which were majorly considered as a speculative tool and hence aid in better decision making for the investors.

The study concluded that initial public offerings were gaining importance world wide as an important source of funds for the companies to accelerate their growth by using the mobilised funds to implement innovative strategies as well as considered as an important tool for investment since it offers huge profits on the listing day. In this studied the short ran performance of the companies was analysed to understand the anomaly of abnormal returns as well long term performance to analysed the performance of the IPO's in the long ran. The findings was also helped to conclude if IPO had been a long term investment tool or a speculative opportunity to earn booming profits.

In an article published by new business age (2016) mentioned that well informed and speculating investors, when they knew that the shares being floated were highly under-priced, approached various financial institutions for loans to placed their shared applications. Banks tend to be reluctant to offered small size loans for IPO's; especially when they had bigger players avail of loans from such financial institutions and apply for a large number of shares. So it was also possible that the big players may avail of loans from financial institutions in the name of their relatives, friends and families and made more than one application thus increasing the possibility of allotment for more shares to enjoyed the short run over performance of IPO's .Uniformed investors and small players, who also wanted to enjoy some benefits of the IPO's rarely, approached the financial institutions for funding and even if they did so, the possibility of these players being funded was low mainly due to their lack of relationship with such financial institutions and their not-to-big funding requirements. As a consequence, most shares were allotted to the handful of big investors though in different names and lesser shares were allotted to smaller investors. In this way, bigger players tend to enjoyed more from IPO's than small players, which went against the principles of stock market where investors needed to leveled playing field.

IPO's were also supposed to signal the health of companies making the IPO's. There were two ways in which IPO's, after being announced, provide important signals about the company; one when they were announced and the other at the started of trading. Oversubscription of IPO's after announcement signals a reasonably good health of the company and under-pricing of shares as more and more investors tried and took benefit of IPO. However, due to availability of loans from financial institutions, the true picture of the company may no longer prevail. This had been due to asymmetric information as even those who knew little about stock valuation (primarily speculators rather than rational investors) may approached financial institutions for Loans so that they enjoyed more from a short run performance of IPO's. Besides, more shares being allotted to bigger players in the market, informal bought sell deals happened even before the started of trading (because they can't won allotment during IPO), the price generally paid by the investors was more and the started of the trading day, we well observed that the share prices were more than the normally expected and unrealistic.

Thonse, Hawaldar, Naveen & Mallikarjunappa (2017) studied on 'pricing and performance of IPOs: evidence from Indian stock market'. This study analysed both initial pricing and long run performance of IPOs. Therefore, the objectives of the studied were: a) to ascertain the listing day performance (under pricing) of IPOs in India, b) to analysed listing day performance of book-built and fixed-price IPOs, separately, c) to ascertain post-listing aftermarket performance of IPOs in India, d) to analysed post-listing aftermarket performance of book-built and fixed-price IPOs, separately.

The sample of 464 IPOs (365 book-built IPOs and 99 fixed-price IPOs) that went public from the financial year 2001 to 2011 were selected for the study. The study period covered 15 years from the financial year 2001 to 2015. The sample was restricted to IPO'S that were compulsorily listed on Bombay Stock Exchange (BSE). Daily share prices had been taken from the corporate database of CMIE–Prowess.

The study examined the listing day performance of IPOs, book-built and fixed-price IPOs, post-listing aftermarket performance of IPOs, book-built and fixed-price IPOs in the Indian stock market. The study examined pricing as well as long run performance of 464 (365 book-built IPOs and 99 fixed-price IPOs) Indian IPOs that went public between 2001 and 2011. The studied covers 15 years from the financial year 2001 to 2015. Analysis of the results reveals that compared to fixed-price IPOs, book-built IPOs were underpriced by lesser magnitude. Moreover, book-built IPOs were associated with negative cumulative average abnormal returns (CAARS) up to five years and beyond, the negative CAARS associated with fixed-price IPOs turn positive after one and one-half year and continued to be positive thereafter.

2.3.2 Review of previous theses

Vaidya (2010) Conducted study on“ stock market in Movements and behavior” was found that profitability, dividend, bonus & right share declaration by listed companies in as had high importance in the overall NEPSE index movement. Investors were showing dividend behind the NEPSE movement, but the amount of dividend was too small vis-à-vis the market price of shares from the primary data analysis. The national political situation had been the major factor in the market movement in .The study found the mid-July effect under the month–of-the-year effect in Nepalese stock market. Similarly, he also found the Tuesday was the bearish day for the Nepalese stock market every time under the day-of-the week effect. Finally, he concluded that the behavior of Nepalese investors towards the stock market had been termed as an irrational exuberance.

Shiwakoti (2012) conducted study on “effect on share price before and after right offering” that the shareholders of Nepalese financial companies, there lacks the proper knowledge about the right shares and its impact of in wealth position. Due to this, free movement of share price during rights on and ex-rights were not confirmed. The studied also found, theoretically, after the issue of rights the earning per share of companies decreased, But if the company utilized the rights offering, so it raised fund in effective way the earning per share had been increased. The study found the similar results in the previous study.

Paudel (2012) conducted study on "public response to IPO in "with the objective of: identify the dealing process of IPO, analyze the pace of IPO and analyze the public response to the IPO. He used primary and secondary data both. The studied concluded that general investors in Nepal had not sufficient information regarding the primary market and in spite of this they were interested in investing money in the primary market. They were more interested in financial sector than non-financial sector. The study also summarized that pace of initial public offering in seems to have been irregular. Even though the organization's process of public offering was quite long, the service provided to the investors seems to be satisfactory. Public response in stock market was high due to lack of opportunities for investment in other sector. Despite this, public were attracted towards shares to increase their value of investment.

Khadka (2014) conducted study on, "Nepal surveyed: issues in local bond market development". Major finding of his study was: the financial market in was relatively undeveloped. The government market was more developed, but price were not market oriented. The state of development of equity markets indicated how well versed issuers, investors, and intermediaries were in dealing with securities at the primary and secondary market levels. Nepal’s overall market was still in its infancy however, The Nepal stock exchange (NEPSE) was a late development, founded only in 13^{th} January 1994. It was owned by the government and was a not for profit making institution.

The equity market of was relatively small from the international standards. With only 129 companies being listed in about 12 years of establishment of NEPSE, the equity market in required more effort and contribution from the privately held companies as well as the investors. The status of NEPSE equity market was elaborated in the following extraction of a report.

Pandey (2015) conducted study on, "public response to primary issue of shares in Nepal." with the objective of: identify the problems of primary shared issue market, assess the growth of primary issue market, analyzed the pattern of public response to shares & found the reasons of variation. Mr. Pandey summarized his find as: public response in primary market was high due to lack of opportunities for investment in other fields. No proper investment analysis was made. Despite this, public were attracted towards shares than other sectors, basically to increased their value of investment, was it's dividend capital gain or bonus shares. It was seen that public response to primary issues on banking and financial sectors was normally higher than that of the manufacturing and services sector. Major cause for poor response in the period 2005-2008 was; interest rates was higher as compared to dividend yield, the public companies was not performing well and people didn't knew about the importance of investing securities. Now the response was highly positive because people were aware, money flowed in the market was higher, people saw that most companies were distributing dividends, share prices were increasing for most companies and a lack of better alternatives for investment. Now that the average interest rates had gone down, more can be obtained from investment in stock.

Shrestha (2016) conducted study on "public response to primary issue of shares in "The study revealed the fact that the scope of primary market was recent days in booming. Even the general investors heavily invest their saving in the new issue of shares causing over subscription to a great deal. The study asserted that the growth of the primary market in encouraging since many public limited companies including joint venture banks were successful in tapping capital through the floatation of shares to the general public. The positive response of the investors to the companies was a direct manifestation of the growing public confidence in the primary market. The general public simply taps everything that came on their way, regardless of the promoter's background and company feasibility. Each company came into the market was successful in tapping the capital from the market and the issue closed within the minimum stipulated time of seven days with huge over subscriptions.

The study further added that the public response varied from one business sector to another business sector. The mismanagement that follows when the subscription list was opened and the subsequent deal in the allotment of shares tended to undermine the confidence of the investors thereby hindering the future growth of the primary market. Primary market was affected by the projected dividend, ROI through prospectus and issue managers, etc. On the contrary; there exist other uncontrollable forces, which hinder the smoothed functioning of the primary market. Economic policy, capital formation, investor's attitude, alternative investment opportunities, legal provisions and foreign investment policy belong to this category.

The conceptual framework has been formulated with reference to the previous empirical study on the performance of initial public offerings in different countries.

The dependent variable public response of initial public offerings is affected by independent variables; Quality management,company goodwill,company performance ,company sectors and market information.The public response of initial public offerings is positively affected by quality management of company. Higher the quality of management higher will be the public responses and subscription rate will be high. Similarly the public response of initial public offerings is positively affected by company goodwill. Higher the company goodwill higher will be the public responses and subscription rate will be high while offering IPO to general public. The company performance like percentage price premium, earning per share, return on investment, return on equity, dividend declaration, and capital gain is good higher will be the public responses to IPO. Similarly public responses of IPO are affected by company sectors like hydropower, manufacturing, insurance, banking microfinance. The sectors like banking and insurance have high responses to IPO than other sectors. Similarly public response is affected by market information like comments on media, past trend of IPO, market share, future prediction and forecast, new project risk and prospects.

2.4 Research gap

A Review of literature on initial public offering in Nepalese market shows that most of the investors are attracted towards insurance companies rather than commercial bank and development banks. However, though investing in IPOs often guarantees return, there are also are risks in such investments. The investors should be aware of these risks and returns.

However there are many researches related to public response to IPOs in Nepalese market, but no one has given focus on pricing of IPO with premium or face value, objective of investors as long term investment or quick way to make money, and the role of whim and rumor to investing decision of investing decision of investors while investing which effects the share market significantly. Furthermore previous studies had not tested the hypothesis on investor's response.

Thus with this several of research gap found in previous studies, the research has been conducted to analyze the investor's response, performance of issue managers in the process of IPOs preference over investment sector, investor's preference on the performance of the company or market information, and response for the margin landing restriction.

For the primary data analysis this research has tried to involve more and more people from bank, university, colleges and employees. In this study, independent variables were classified into 5 types namely quality management, company goodwill, company performance, company sectors and market information shows that which are similar to Paudel (2012) and Shrestha (2016). So this study will be fruitful to these interested person, investors, university, banks and brokerage firm for academically as well as policy perspectives. As in Nepal most of the investors are risk averters, this thesis also analyze whether people prefer personal fund or loan for investment. Today's practice is that most investors apply with many names so that they could get more and more shares in IPO, so this research also takes individual investors response whether they would prefer pro-rata basis for distribution or lucky draw.

CHAPTER III
RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with research methodology aspect to be used in this study. Different types of methodology is used in various types of research depending up on purposes nature of problem and data. The study uses quantitative methods in the analysis of the data gathered. This section captures the research design, population and sample, sources of data, data collection procedure, data processing procedure and data analysis tools and techniques. In this study the following methodologies are adopted.

3.2 Research design

This research explains descriptive and casual comparative research design. The research used the quantitative approach where the questionnaire was administered to the respondents to find the fact regarding organizational commitment of employees. The descriptive research design is selected for the study to learn the profile of the respondents, presentation and description of the data collection, and to describe the characteristics of the respondents. Descriptive methodology is accepted methodology to be used because it is non-experimental in that it deals with the relationship existed between non-manipulated variables. The collected information is presented and analyzed using SPSS. The study has covered a wide range of factual questions about public response to initial public offering in Nepalese market.

This research study attempts to analyze the public response to IPO, performance of investment bankers (issue managers) in IPO, source of relating information on the public response to IPO. This study attempts to analyze the relation between different variables relating to IPO and public responses. It also tries to analyze what factors actually motivate the investors to invest, what is their goal behind investment, their response sector wise.

3.3 Population and sample

Sampling design is the blue print of the data collection and dissemination of data for the research. Since, the study is about the organizational commitment of employees. The population for the study comprises all the individuals employees of commercial bank of Nepal. The census of the population is not desirable for this nature of this study that is why a sample for the population has been selected. The sample size for this study includes 150 respondents. Population for this research is the total number of listed companies up to fiscal year 2018/19. There are 207 listed companies as on February 1, 2019.

Out of listed companies, 6 commercial banks, 4 development banks, 8 finance companies, 5 insurance companies from financial sector and 4 from manufacturing and production companies, 2 trading companies, 2 hotels and 1 others from non-financial sectors are selected for study purpose. For the primary data collection 150 respondents from banks, business, university, and brokerage firm have been taken as sample. Among the 150 respondents for the primary data collection, 20%(30) are students, 40%(60) are businessman, 16.67%(25) are bankers, 3.33%(5) are brokers and rest 20%(30) are employers. For the purpose of data collection non- probability sampling method is used. The convenient sampling method has been used to fill up the questions.

3.4 Sources of data

The study is based on primary data as well as secondary data. Questionnaire was used for the primary data collection. Annual reports of sampled companies, report of Nepal Stock Exchange and Security Board of Nepal were used for secondary data.

As per the requirement of the research a questionnaire was designed for the primary data collection. And then that was distributed to 150 respondents (students, businessman, bankers, brokers, and others) for their responses. For the secondary data collection data from Merchant Bank & Finance Company Ltd. NIDC Capital Market, Citizen Investment Trust, have been approached. At the same time data from Annual report of Security Board has also been taken.

3.5 Data collection procedure

The study was conducted through the respondents by directly in their working place. Questionnaire were distributed to each and every individual. All the questions included in the survey set was close ended i.e. it restricts the respondents within the given alternatives. The questionnaire was self-administered in nature where following method is used as per the situation. Questionnaire was printed and was given to the employees of banks of Kathmandu valley. For filling up the questions different commercial banks were visited.

3.6 Data analysis tools and techniques

It indicates the sources of data and how they collected. The data for this study was collected through the closed ended structured questionnaire. They were collected from the respondent of different institution in Kathmandu valley. After collecting data as necessarily required, they were separated and analyzed by presentation and analysis of the collected data is the main theme of research the work. Liker factors with 5 points scale will be included in questionnaire. Respondent will asked to mark appropriate number on the factors from VH(very high consider) to VL(very low consider) which indicate to what extent their investment decisions are affected by these factors, hence the questionnaire was prepared to measure the perception of the respondent with the view to measure either positive or negative response. This study uses the summary of descriptive statistics associated with the primary data analysis which is carried out on the basis of respondents derived from questionnaire survey. Descriptive statistical tools like regression analysis through the Statistical package for social science (SPSS) software package and Microsoft Excel. SPSS is analytical and scientific software helps to organize the data, determine significant relationships and identify differences, similarities with and between different categories of respondents. For this research purpose, descriptive statistics, reliability analysis, regression, correlation test was performed in order to accomplish the objective of the study. Qualitative data analysis method is used with the significance level set to 0.05.

3.7 Reliability and validity of data

Reliability is the degree to which measures are free from error and therefore yield consistent results. Validity is the extent to which a test measure that we actually wish to measure. During the study, time to time visit with the expert instructor was done in order to ensure reliability and validity of the study. Thus, the questionnaire preparation and distribution for data collection is ensure high reliability and validity because it was prepared in guidance of an expert, who oversaw the entire thesis development with pouring the set of standard in each step.

Regression analysis

The general purpose of multiple regression is to learn more about the relationship between several independent or dependent variables or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modelling and analyzing several variables, when the focus is on the relationship between a dependent variable and more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables cannot be determined. In this case, regression analysis provides more information about the slope of the relationship. It is used to describe the nature of a relationship and to make predictions. Multiple regression were used to explore the impact of independent variables (Quality management,company goodwill, company performance, company sectors, market information) on dependent variable.(Public response).

Where,

$$y = \beta0 + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 ++ \beta5X5 + e$$

Where: y = Perception of the investment decision of General investor

$\beta0$ = Constant Term

$\beta1$= Beta coefficients

X1= Performance of the company

X2= Company Sectors

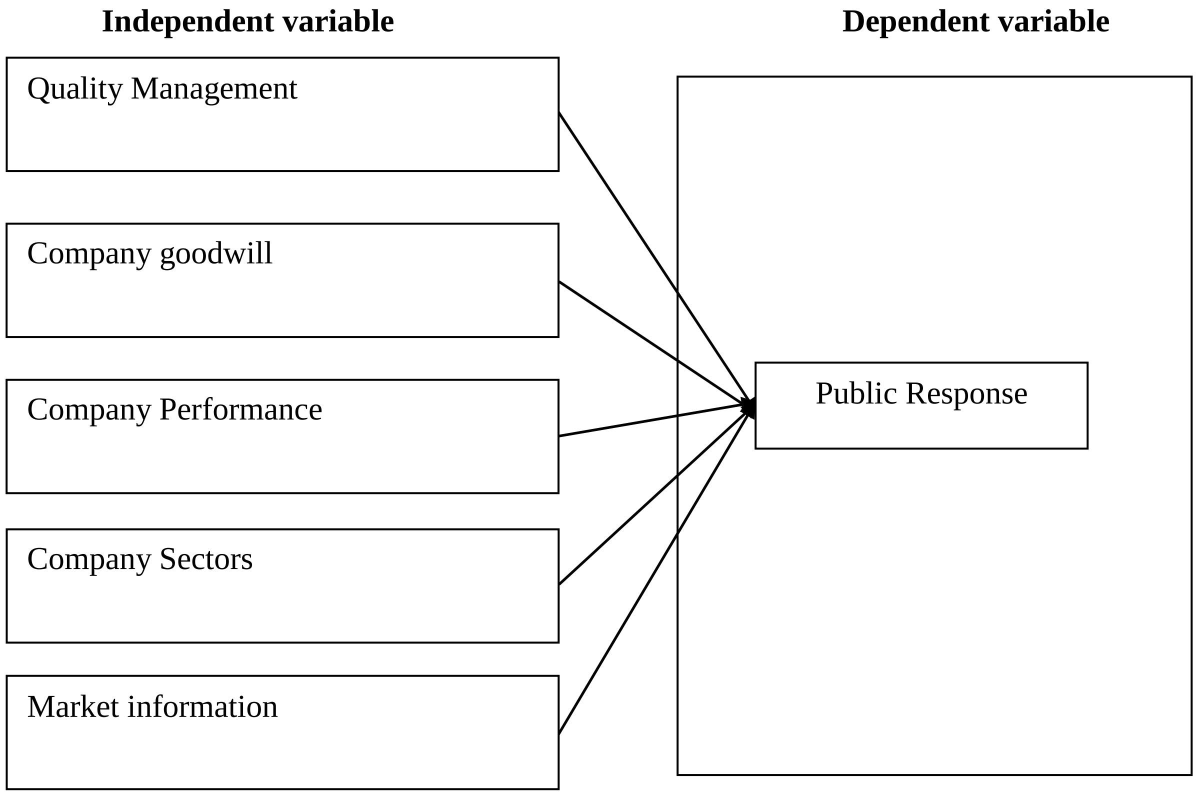
X3= Quality of Management

X4= company goodwill

X5= Market Information

e= the standard error

3.8 Research framework and definition of variables



Source: Horace, 2014

3.8.1 Defining variables

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

Independent variables: Also called predictor, independent variables are those which the researcher changes deliberately in order to observe the relationship with order variables. It is also called controlled variables. The independent variables in this research are:

Quality management: The public response of initial public offerings is positively affected by quality management of management, higher the quality of management higher will be the public responses and subscription rate will be high.

Company goodwill: The public response of initial public offering is positively affected by company goodwill higher the company goodwill higher will be the public responses and subscription rate will be high.

Company performance: The public response of initial public offering is positively affected by company performance, higher the company performance higher percentage price premium, earning per share, return on investment, return on equity, dividend declaration and capital gain is good higher will be the public response to IPO.

Company sectors: The public response of initial public offering is positively affected by company sectors higher the company sectors higher will be the hydropower, manufacturing, Insurance, banking, microfinance. The sectors like banking and insurance have high responses to IPO than others sectors.

Market information: The public response of initial public offering is positively affected by market information higher the market information higher will be comments on media, past trends of IPO, market share, future prediction and forecast, new project risk and prospects.

CHAPTER IV
RESULTS AND DISCUSS

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 150 respondents and secondary data are collected from bank and financial institutions. The primary data are used to analyze the public awareness response and their expectation from public of issues. The secondary data are used to analyze the public response to the primary offering along with data related to under and over subscription of shares in the issue market number and amount of issue approved, paid up values of issuing companies, pace of public offering and the behavior of general investors etc.

Collected data have been analyzed as in regression coefficient of two variables. The main purpose of this research study will be fulfilled with the outcomes derived from the analysis of the data.

4.1 Secondary data analysis

4.1.1 Growth of initial public offering

4.1.1.1 Amount of issue approved

Securities Exchange Act, 1983 has made mandatory that the issuing company should register the securities in SEBON and get approval before going to public. From the fiscal year 2005/06 to 2018/19 SEBON has approved 196 issues of securities amounting to Rs. 11892.98 million. The details are as follows:

Table 1

Amount of issue approved

(NRS. in million)

Year	Amount of Issue Approved	% of Issue Approved
2005/06	244.40	2.05
2006/07	173.96	1.46
2007/08	293.74	2.47
2008/09	332.20	2.8
2009/10	462.36	3.88
2010/11	258.00	2.17
2011/12	326.86	2.74
2012/13	410.49	3.45
2013/14	1441.33	12.12
2014/15	556.54	4.68
2015/16	1027.50	8.64
2016/17	1626.82	13.7
2017/18	2443.28	20.54
2018/19	2295.5	19.30
Total	11892.98	100.00

Source: SEBON Annual Report (2018/19)

Table 4.1 shows the variation of issue amount approved during 2005/06 to 2018/19 period. The highest amount approved is Rs. 2443.26 million (204%) in the fiscal year 2017/18 and the lowest amount approved is Rs.173.96 million (1.46) in the fiscal year 2006/07. During the period issue amount approved reaches at a high point in 2013/14 then declines and again started rising then after.

In the Table 4.1 the pick point is in the year 2017/18 which shows that the highest amount of issued approved is in that year which is 20.54%. And the lowest point is in the year 2016/1 in which 1.46% is issued only.

4.1.1.2 Number of issue approved

Table 4.2 shows the number of issue approved during the period 2005/06 to 2018/19.

Table 4.2

Number of issue approved

Year	Number of Issue Approved	% of Issue Approved
2005/06	16	8.16
2006/07	10	5.10
2007/08	12	6.12
2008/09	5	2.55
2009/10	12	6.12
2010/11	5	2.55
2011/12	6	3.06
2012/13	9	4.6
2013/14	12	6.12
2014/15	18	9.2
2015/16	14	7.14
2016/17	14	7.14
2017/18	29	14.8
2018/19	34	17.34
Total	196	100.00

Source: SEBON Annual Report (2018/19)

Table 4.2 shows that from 2005/06 to 2018/19 SEBON has approved 196 issues in total. Among which highest number of issue approved was in the year 2018/19 and the lowest issue approved was on the year 2008/09 and 2010/11. Simultaneously 16 (8.16%) issues were approved in 2005/06, 10 issues (5.10%) in 2006/07, 12 issues (6.12%) in 2007/08 and in 2008/09, 6 issues (3.06%) in 2011/12, 9 issues (4.6%) in 2012/13, 12 issues (6.12%) in 2013/14, 18 issues (9.2%) in 2014/15, 14 issues (7.14%) in 2015/16 and 2016/17, 29 issues (14.8%) in 2017/18.

In the Table 4.2 highest number of issue approved is 34 number of issues in the year 2018/19 and the lowest number of issue approved is only 5 issues in the year 2010/11 and 2008/09 and 2010/11.

4.1.2 Over and under subscription of securities

The demand for securities may be greater or lesser than the issuing amount. When the demand is greater that is over subscription and when lesser that is under subscription.

Table 4.3

Over and under subscription of securities

Year	No. of Issue	Over Subscribed		Under Subscribed		Constant	
		No.	%	No.	%	No.	%
2005/06	16	16	100	0	0	0	0
2006/07	10	7	70	1	10	2	20
2007/08	12	6	50	6	50	0	0
2008/09	5	2	40	0	0	3	60
2009/10	12	5	41.67	5	41.67	2	16.67
2010/11	5	3	60	1	20	1	20
2011/12	6	4	66.67	1	16.67	1	16.67
2012/13	9	8	88.89	1	11.11	0	0
2013/14	12	5	41.67	4	33.33	3	25
2014/15	18	14	77.78	3	16.67	1	5.55
2015/16	14	12	85.71	2	14.29	0	0
2016/17	14	6	42.86	7	50	1	7.14
2017/18	29	17	58.62	10	34.48	2	6.90
2018/19	17	17	100	0	0	0	0
Total	179	122		41		16	

Source: SEBON Annual Report (2018/19)

Table 4.3 shows that from the 179 issues between 2005/06 to 2018/19, most of the issues are oversubscribed. And only 41 times it is under subscribed. In the year 2005/06 & 2018/19, it is over subscribed all the 16 and 17 times (i.e.100%) over subscription.

4.1.3 Performance of the issue managers

Table 4.4

Number and amount of issue managed by issue managers

S.N	Issue Managers	Issue Management (2018/19)			
		No. of Issue Managed	%	Amount of Issue Management (Rs. In million)	%
1	NMBL	10	20.0%	338	9.55%
2	NFCL	2	4.0%	55	1.55%
3	AFCL	4	8.0%	530	14.97%
4	NFSCL	4	8.0%	72.5	2.05%
5	NSMCL	3	6.0%	155	4.38%
6	UFL	7	14.0%	332	9.38%
7	NSMBL	5	10.0%	145	4.10%
8	CIT	4	8.0%	1184	33.44%
9	NCML	11	22.0%	729.3	20.60%
	Total	50	100%	3540.8	100%

Source: Annual Report of SEBON (2018/19)

In the year 2018/19, among the nine issue managers only five have managed the issue. And even among them, highest number of issue managed is by NCML i.e.11 issues (22%) and second highest is by NMBL i.e.10 issues (20%).In terms of amount of issue managed highest Issued by CIT (33.44%) and then NCML (20.60%) respectively. Number wise lowest issue is managed by CIT i.e.3 issues (8%) while amount wise NFSCL has the lowest amount of issue managed (2.05%).

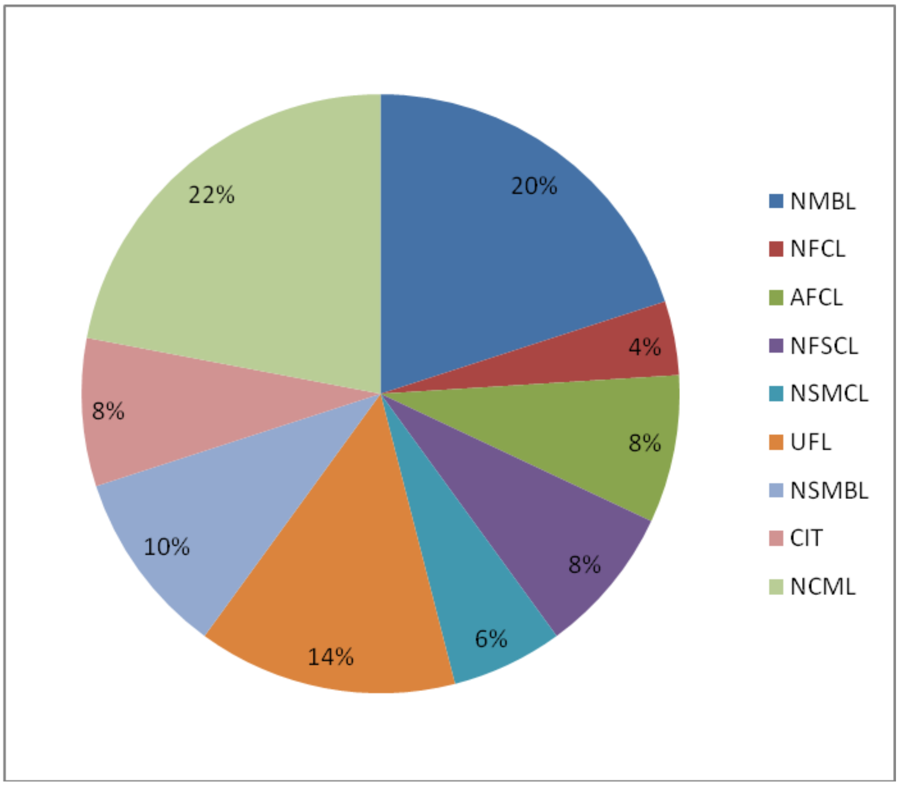


Figure 4.1: Number of issue managed

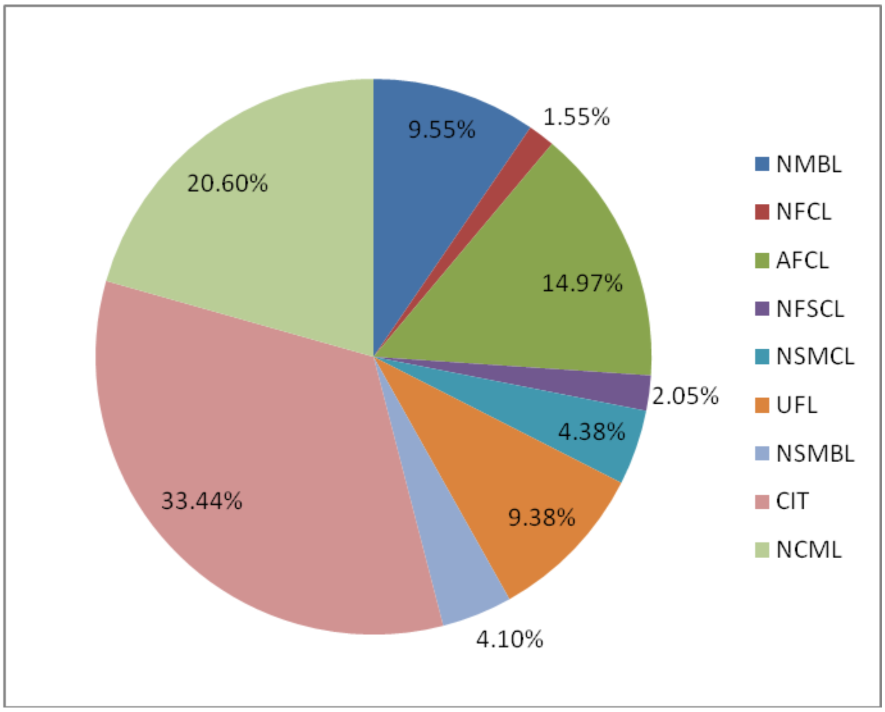


Figure 4.2: Amount of issue managed

In the Figures 4.1 and 4.2 highest numbers of issues & amount is managed by NCML & CIT. At the same time lowest number of issue managed is shown by the smallest part covered in the pie by CIT and lowest amount of issue managed by NFSCL.

4.1.4 Investor response to initial public offering

4.1.4.1 Financial sector

Financial Sector includes commercial bank, development banks, finance companies & insurance companies.

4.1.4.1.1 Investor response to commercial banks

There are 27 commercial banks listed in the stock exchange. From the population of all total of 27 only 6 are taken as sample.

Table 4.5

Investor response to commercial banks

S.N.	Name of Company	Share Issued ('000)	Applied	Year	Subscription times	Result
1.	SBL	1500	27979950	2014	18.65	Over Subs.
2.	GBL	3000	99000000	2016	33	Over Subs.
3.	NICBL	1750	14278600	2009	8.16	Over Subs.
4.	MBL	1650	3272775	2013	1.98	Over Subs.
5.	LBL	1925	4838488	2013	2.51	Over Subs.
6.	KBL	1500	10818600	2014	7.21	Over Subs.

Source: NCML, CIT, NMB

Table 4.5 shows the issued shares of commercial bank along with applied shares. In all the six cases we have found applied number of shares is higher than the issued one, i.e. all the issues are over subscribed. Over subscription ranges between 33 to 1.98 times. For the 3000000 shares issued by Global Bank Ltd. 99000000 shares have been applied that means it was over subscribed 33 times. Similarly 18.65 times subscription in the case Siddhartha Bank Ltd., 8.16 times in Industrial and Commercial Bank Ltd., 1.98 times in Machhapuchhre Bank Ltd. 2.51 in Laxmi Bank Ltd.7.21 times in Kumari Bank Ltd. case.

From above it is clear that commercial banks share issues are getting good response from Investor. Investor found to be interested in shares of Commercial Banks.

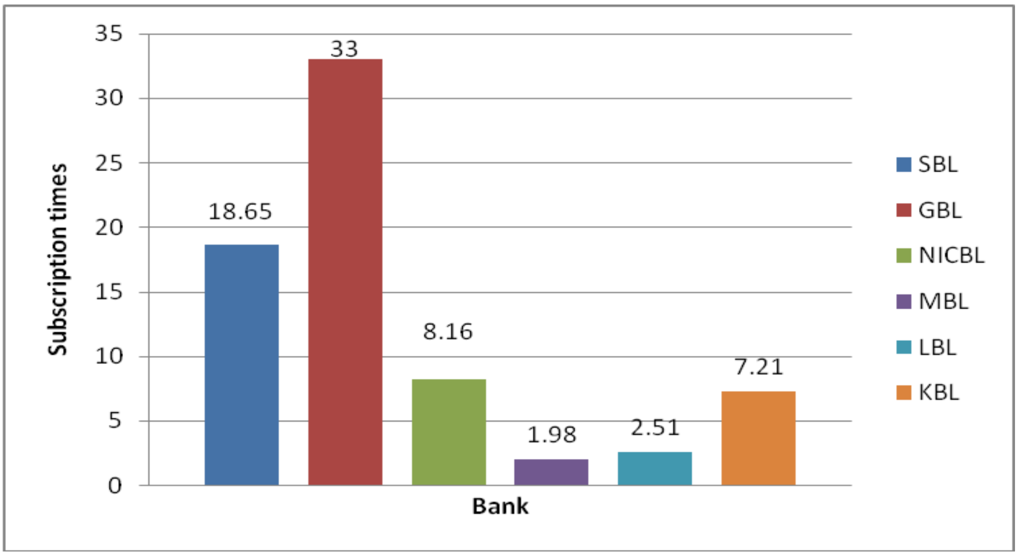


Figure 4.3: Investor response to commercial banks

In the Figure 4.3 it is clear that highest subscription was in the case of GBL with highest bar which is 33 times and while the lowest bar shows that MBL was least subscription which is 1.98 times.Similarly,SBL bank has subscription times was 18.65 times likewise, NICBL bank has subscription was 8.16 times. Furthermore, LBL bank has subscription was 2.51 times and Finally, KBL bank has subscription was 7.21 times.

4.1.4.1.2 Investor response to development bank

Among the 16 development banks, only 6 are taken as sample.

Table 4.6

Investor response to development bank

S.N.	Name of Bank	Shares Issued	Shares Applied	Issued Year	Subscription times	Result
1.	NBB	60000	5773800	2016	96.23	Oversubs.
2.	GDBL	960000	103987200	2016	108.32	Oversubs.
3.	EDBL	120000	16034400	2016	133.62	Oversubs.
4.	DBBL	294000	10307640	2016	35.06	Oversubs.
5.	TBBL	960000	38697600	2015	40.31	Oversubs.
6.	SBBL	60000	1150200	2015	19.17	Oversubs.

Source: NCML, NMB, CIT, SEBON

In all the investor issue of development banks we found over Subscription all the time. That means Investor is also interested in development banks shares. Among them Excel Development Bank Ltd (EDBL) was highly subscribed in 2016, the Subscription time was 133.62. For the share issued 120,000, there was application for 16034400 shares. Similarly Tinau Bikas Bank Ltd (TBBL) was over-subscribed by 40.31 times, Gorkha Development Bank Ltd (GDBL) by 108.32 times, Narayani Bikas Bank(NBB) by 96.23 times, Deva Bikas Bank Ltd (DBBL) Ltd. by 35.06 times and the least subscribed but still over-subscribed was in the case of Sahayogi Bikas Bank Ltd (SBBL) Ltd. by 19.17 times. The average subscription time is 72.12 times.

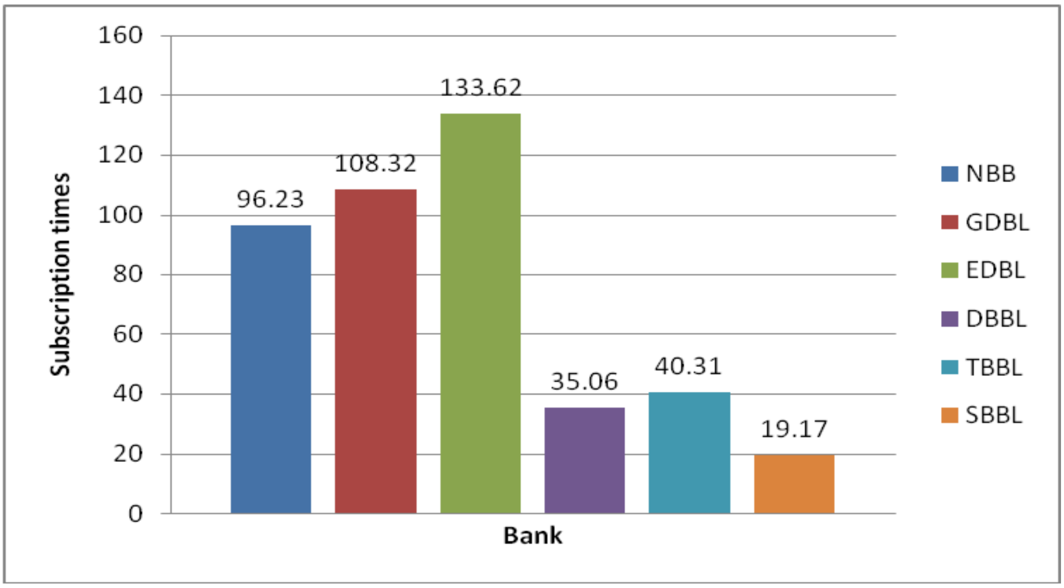


Figure 4.4: Investor response to development bank

The Figure 4.4 shows that among development banks highest Subscription was in the case of EDBL with highest bar which is 133.62 times and lowest in the case of SBBL with 19.17 times. Similarly, NBB bank subscription rate was 96.23 times. Likewise GDBL bank has subscription rate was 108.32 times. Furthermore, DBBL subscription was 35.06 times. Finally TBBL bank subscription was 40.31 times.

4.1.4.1.3 Investor response to finance companies

There are altogether 53 listed finance companies from which 6 are taken for research investor response.

Table 4.7

Investor response to finance companies

S.N.	Name of Company	Shares Issued	Shares Applied	Issued Year	Subscription times	Result
1.	ICFC-FI	244000	8554640	2016	35.06	Oversubs.
2.	CMFI	200000	3000000	2016	15	Oversubs.
3.	NEFL	150000	1173000	2016	7.82	Oversubs.
4.	EFI	195000	5007600	2016	25.68	Oversubs.
5.	RMBFL	175000	495775	2015	2.83	Oversubs.
6.	PFL	200000	232120	2015	1.16	Oversubs.

Source: NCML, NMB, CIT, SEBON

In all the investor Response to Finance Companies we found over Subscription all the time. That means Investor is also interested in Finance Companies shares. Highest over Subscription of 35.06 times is in the case of ICFC Financial Institution (ICFC-FI). Where 8554640 shares are applied for only 244000 shares. There is 15 times Subscription in case of Civil Merchant Financial Institution (CMFI), 7.82 times in case of Express Finance Ltd (NEFL), 25.68 times in Emporial Financial Institution (EFI), 2.83 times in Royal Merchant Banking & Finance Ltd (RMBFL), the least subscribed but still over-subscribed was in the case of Patan Finance Ltd (PFL) by 1.16 times. The average subscription time is 14.60 times. This all shows those investors are interested in shares of finance companies.

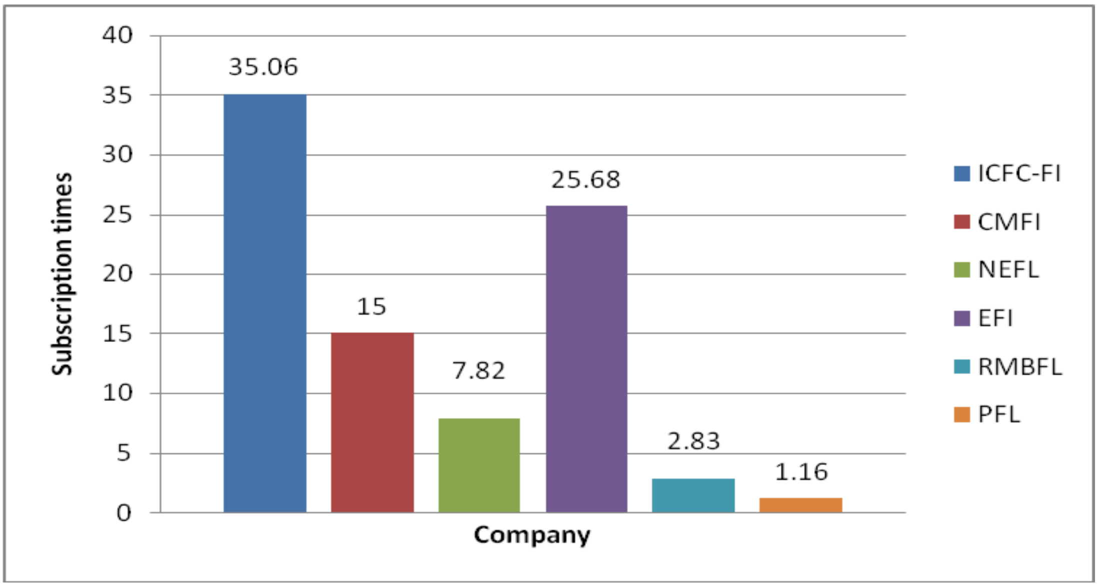


Figure 4.5: Investor response to finance companies

Figure 4.5 clearly shows that ICFC-FL was highly subscribed which is 35.06 times. While PFL was least subscribed which was 1.16 times.Similarly,CMFI finance company subscription was 15 times.Likewise,NEFL finance company subscription was 7.82 times. EFI finance company subscription was 25.68 times. Finally, RMBFL finance company subscription was 2.83 times.

4.1.4.1.4 Investor Response to Insurance Companies

For the research only 5 companies are taken from the population of 16.

Table 4.8

Investor response to insurance companies

S.N.	Name of Company	Shares Issued	Shares Applied	Issued Year	Subscription times	Result
1.	EICL	120000	1301570	2004	10.85	Oversubs.
2.	NLIC	500000	3780400	2012	7.56	Oversubs.
3.	NBICL	200000	265380	2013	1.33	Oversubs.
4.	PICL	200000	1913620	2014	9.57	Oversubs.
5.	SICL	250000	10939650	2015	43.76	Oversubs.

Source: NCML, NMB, CIT

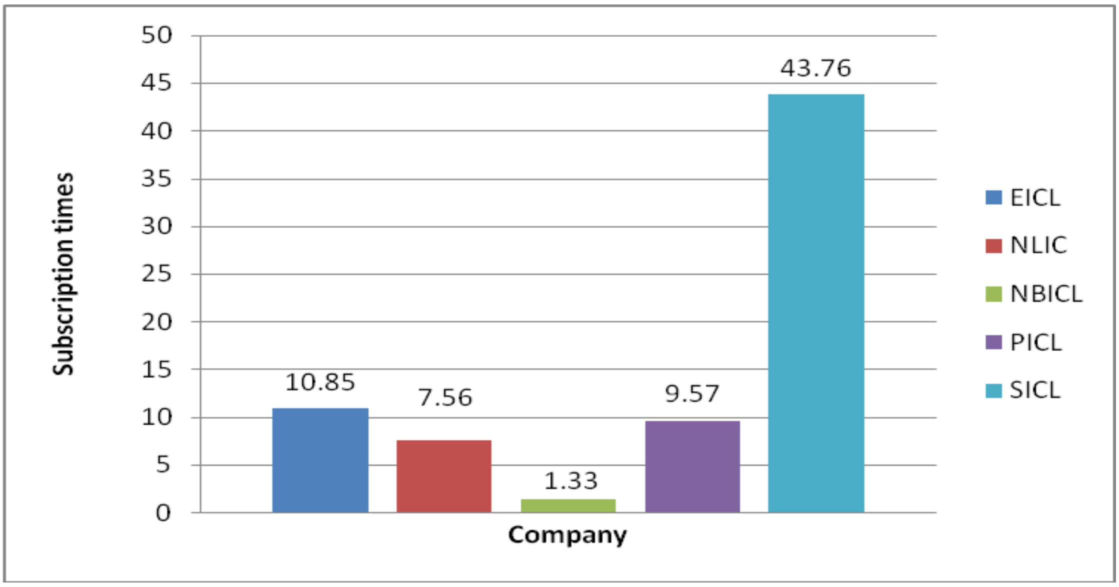


Figure 4.6: Investor response to insurance companies

Table and Figure 4.6 shows the investor response to insurance companies ranges from 7.33 Subscription times to 43.76 times. For 120000 shows issued 1301570 shares are applied in the case of Everest Insurance Co.Ltd.(EICL),which means 10.85 times over Subscription. Same in case of Life Insurance Co. Ltd (NLICL) with 7.56 times over Subscription.In NBICLInsurance Co.Ltd(NBICL) with1.33timesover subscription; in Prudential Insurance Co.Ltd.(PICL) 9.57 times oversubscription. Here highest Subscription of 43.76 times is in the case of Shikar Insurance (SICL) where 10939650 shares have been applied for 250000 shares.

All this shows that people are highly interested to invest in Insurance Companies and they are also a good option to invest.

4.1.4.2 Non-Financial Sector

Non-Financial Sector includes Manufacturing & Processing Companies, Trading Companies, Hotels and others. Up to the fiscal year 2018/19 end, there are 47 non-financial sector companies listed. From those here 9 are taken as sample.

Table 4.9

Investor response to non-financial sector

S.N.	Name of Company	Issued Shares	Applied Shares	Issued Year	Subscription times	Investor Response
1.	BSL	50000	197150	2004	3.94	Over subs.
2.	HTIL	192000	301152	2004	1.57	Over subs.
3.	BPPNL	1050000	1101135	2006	1.05	Over subs.
4.	SSML	465000	245985	2007	0.53	Under subs.
5.	TRHL	1200000	2965440	2009	2.47	Over subs.
6.	OHL	1500000	9429000	2010	6.29	Over subs.
7.	HDL	17344600	183347	2011	0.11	Under subs.
8.	NHCL	1400000	301700	2014	0.22	Under subs.
9.	CHCL	2374100	12104112	2015	5.10	Over subs.

Source: NCML, NMB, CIT

From Table 4.9 it found the Subscription of three companies to be under-subscribed and rest 6 companies to be over-subscribed. And at the same time over-Subscription ranges from 1.05 to 6.29 only which is seen to be lower than other financial sectors response. Investor is use of Shreeram Sugar Mills Ltd, Himalayan Distillery Ltd. & National Hydropower Co.Ltd have the Subscription of 0.53, 0.11 and 0.22 times respectively. Oriental Hotels has high Subscription of 6.29 times. Birat Shoe Ltd., Himgiri Textile Industries Ltd. Brikuti Pulp & Paper Ltd. Taragaon Regency Hotels Ltd. and Chilime Hydro Power Co. Ltd. have Subscription of 3.94, 1.57, 1.05, 0.53, 2.47, 6.29, 0.11, 0.22 & 5.10 times respectively.

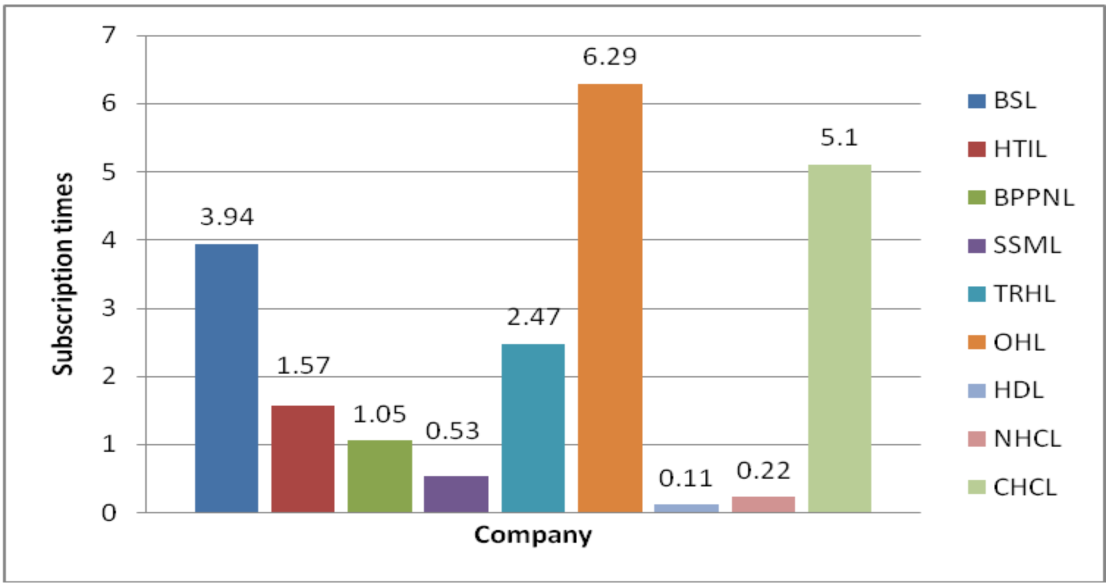


Figure 4.7: Investor response to non-financial companies

From Figure 4.7 it is clear that OHL was highly subscribed with 6.29 times Subscription while Himalayan Distillery Ltd was least subscribed with 0.11 times. Similarly, BSL subscription rate was 3.94 times. Likewise, HTIL subscription rate was 1.57 times. Furthermore, BPPNL subscription rate was 1.05 times. Afterall, SSML subscription rate was 0.53 times. Thereafter TRHL subscription was 2.47 times. And NHCL subscription rate was less than 0.22 times. Finally, CHCL subscription rate was 5.1 times.

4.2 Primary data analysis

Primary data are also taken to give more reliable outlook to the research. Questionnaire method is used to get the primary data, the result of which area as below. Only 150 respondents are taken for the data collection.

4.2.1 Knowledge about initial public offering

While getting information about if people had heard about IPO from 150 respondents 3.33% said they have never heard about initial public offering, 21.33% said seen in papers & books, 23.33% said that they have heard a little about it and rest 52% said that they are well-known about initial public offering.

Table 4.10

Knowledge about initial public offering

a.	Never heard	5	3.33%
b.	Seen in paper & books	32	21.33%
c.	A little heard	35	23.33%
d.	Yes, of course	78	52%
	Total	150	100%

Source: Opinion survey, 2020

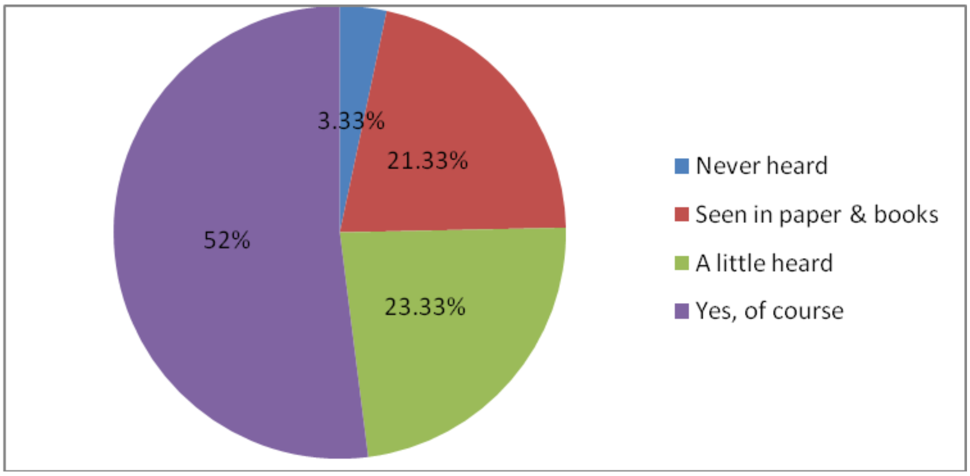


Figure 4.8: *Knowledge about initial public offering*

Figure 4.8, shows that most of the people i.e.52% is knowledge about IPO while least 3.33% are unknown about the IPO that means they never had heard about this. 21.33% have seen about in papers and books while 23.33% have heard very little about IPO.

4.2.2 Interest (willingness) to Invest in initial public offering

Only 10 respondents (i.e.6.67%) are found to be risk averter, they do not want to take risk at all from investing in IPO. 18% stated they want to invest if had money (hard cash). 52 respondents (34.67%) stated that there interest to invest depends upon the sector. Rest 40.66% stated that they are willing to invest in IPO even with the loan if not the hard cast.

Table 4.11

Interest (willingness) to invest in initial public offering

S.N.	Alternatives	No. of Respondents	Percentage (%)
a.	No risk at all	10	6.67%
b.	If had money	27	18%
c.	Depends in the sector	52	34.67%
d.	Yes, even with the loan as well	61	40.66%
	Total	150	100%

Source: Opinion survey, 2020

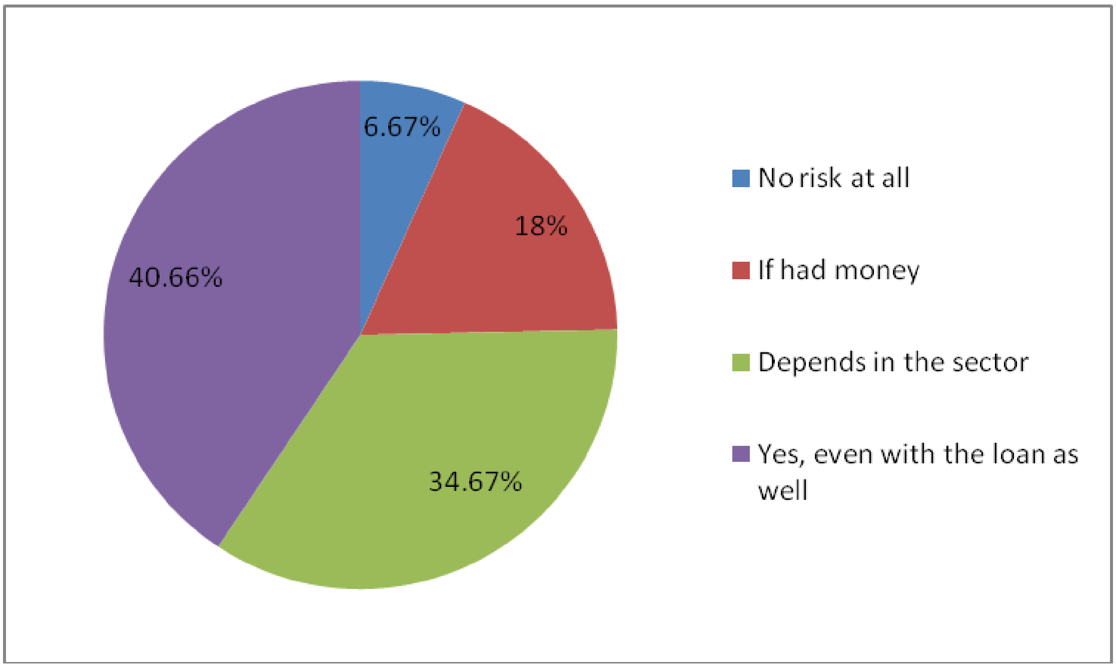


Figure 4.9: Interest (willingness) to invest in initial public offering

Figure 4.9, shows that more than 40.66% people are interested to invest in IPO even with the loan and the least 6.67% do not want to take risk. Interest of 34.67% lies on the related sector of IPO. While 18% want to make only cash investment.

4.2.3 Source of Information about initial public offering

Out of 150 respondents, 41.33% said that they get information about IPO from Advertisements,31.33% people said from personal relations or from market. Similarly

18% respondents said that they get information from. There are 9.33% people who find other way of getting information.

Table 4.12

*Source of Information about initial public offer*ing

	Alternatives	No. of Respondents	Percentage (%)
a.	Advertisements	62	41.33%
b.	Personal relations (Market Information)	47	31.33%
c.	Brokers	27	18%
d.	Others	14	9.33%
	Total	150	100%

Source: Opinion survey, 2020

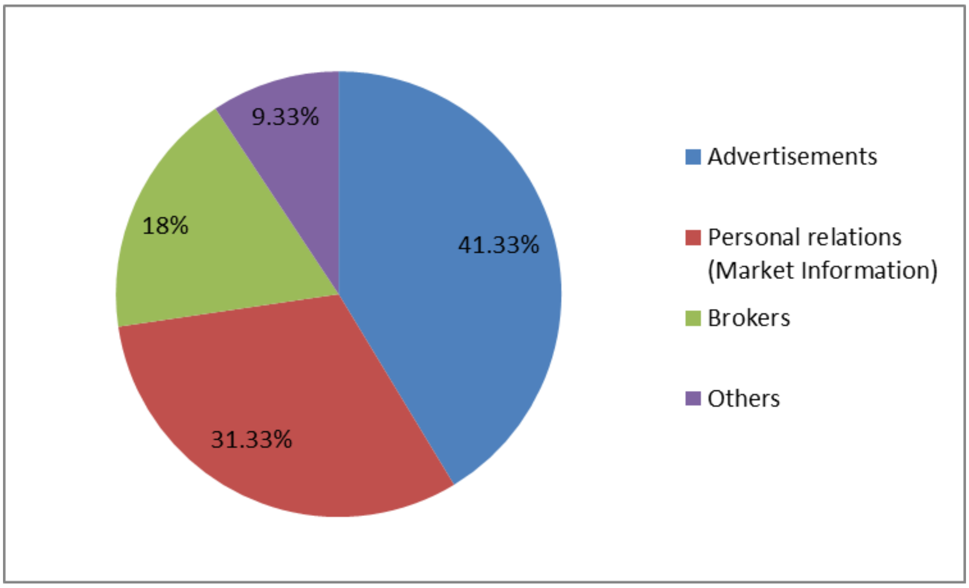


Figure 4.10: Source of information about initial public offering

Figure 4.10, shows that highest percent is covered by advertisements regarding the response on source of information i.e. 41.33% and least 9.33% by others only 18% are informed by the brokers, finally 31.33% get information from market information.

4.2.4 Investors preference while investing

While asking about the things that come first in their mind, their preferences were totally different from each other. 14.67% people said they are interested to know promoters name first, 46.67% people give preference to the relative company's performance. 5.33% are sensitive about the brokerage commission whether it avails or not. Rest 33.33% first wants to know what the market says.

Table 4.13

Investors preference while investing

	Alternatives	No. of Respondents	Percentage (%)
a.	Promoters	22	14.67%
b.	Company's Performance	70	46.67%
c.	Brokerage Commission (avails or not)	118	5.33%
d.	Market Information	50	33.33%
	Total	150	100%

Source: Opinion survey, 2020

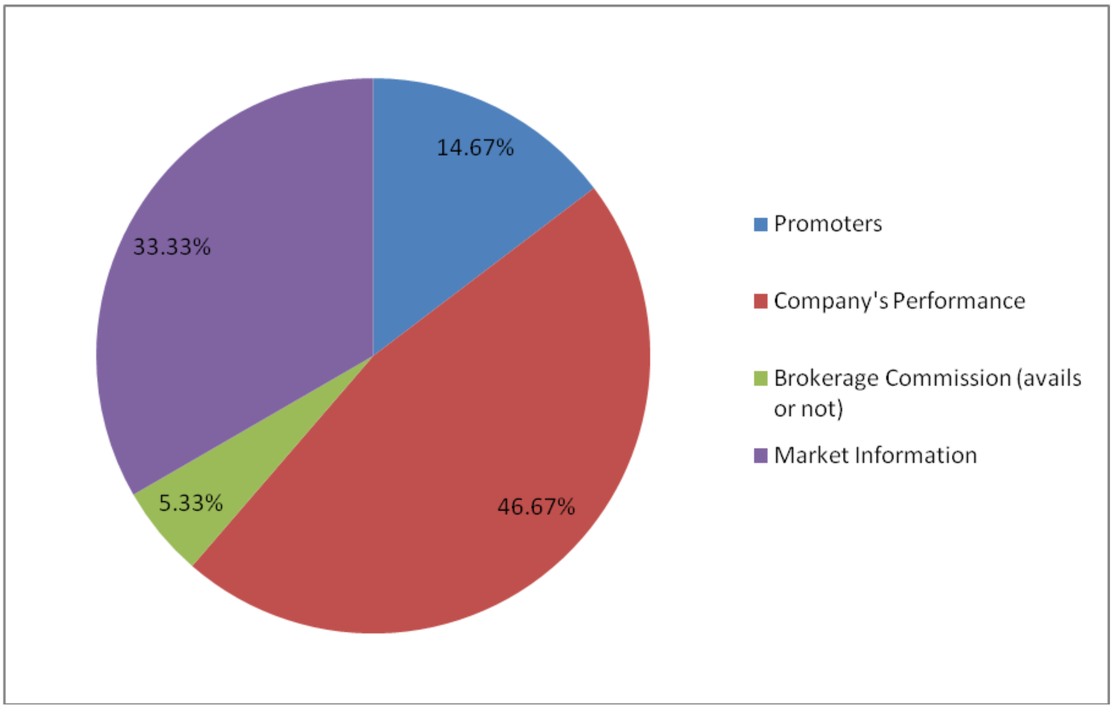


Figure 4.11: Investors preference while investing

Figure 4.11, shows that most of the investors (46.67%) prefer to know about the company's performance rather than any other thing before investing and least (5.33%) concern about the brokerage commission, similarly 33.33% are market information and 14.67% are promoters.

4.2.5 Number of companies invested

Out of 150 respondents 41.33% said that they have invested in only one company, 36.67% said two to three company, and 7.33 said that they have invested in more than three companies and 14.67% were found to invest in none of the organization.

Table 4.14

Number of companies invested

	Alternatives	No. of Respondents	Percentage%
a.	One	62	41.33%
b.	Two to three	55	36.67%
c.	More than three	11	7.33%
d.	None	22	14.67%
	Total	150	100%

Source: Opinion survey, 2020

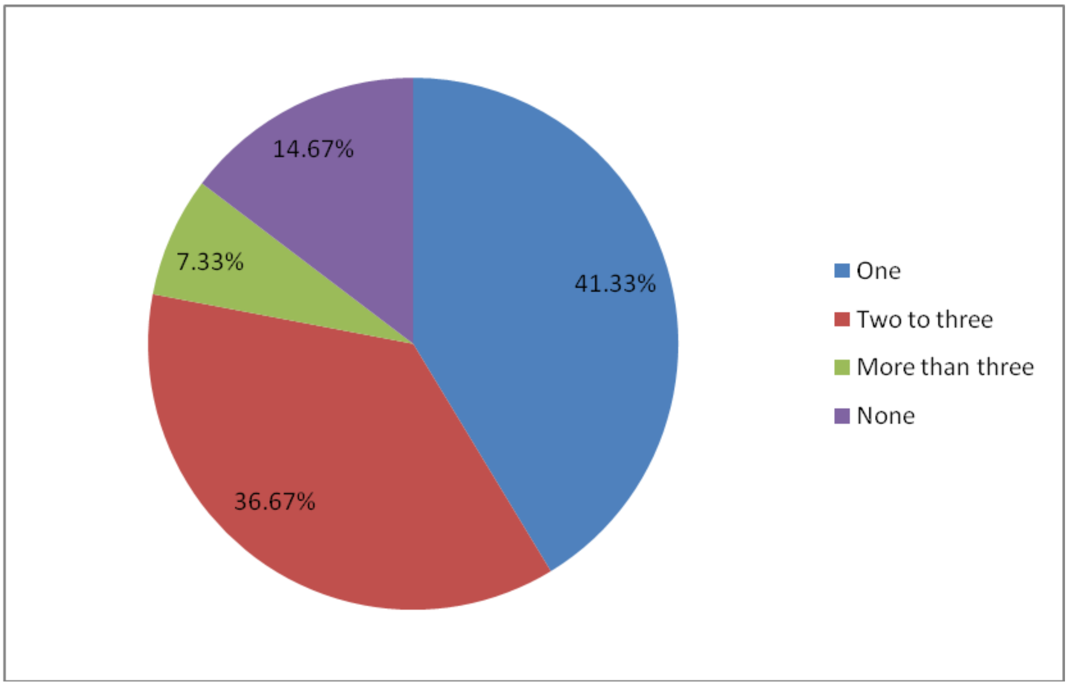


Figure 4.12: Number of companies invested

Figure 4.12, shows that 41.33% respondents were invested in one company which is more and least in more than three companies was 7.33%.Similarly,36.67% respondents were invested in two or three, finally 14.67% respondents were invested in none of above.

4.2.6 Fund used for the investment

In the question of fund used in IPO investment, 92 respondents i.e. 61.33% answer personal fund while rest 38.67% answer loan/credit fund.

Table 4.15

Fund used for the investment

	Alternatives	No. of Respondents	Percentage (%)
a.	Personal Fund	92	61.33%
b.	Loan/Credit	58	38.67%
	Total	150	100%

Source: Opinion survey, 2020

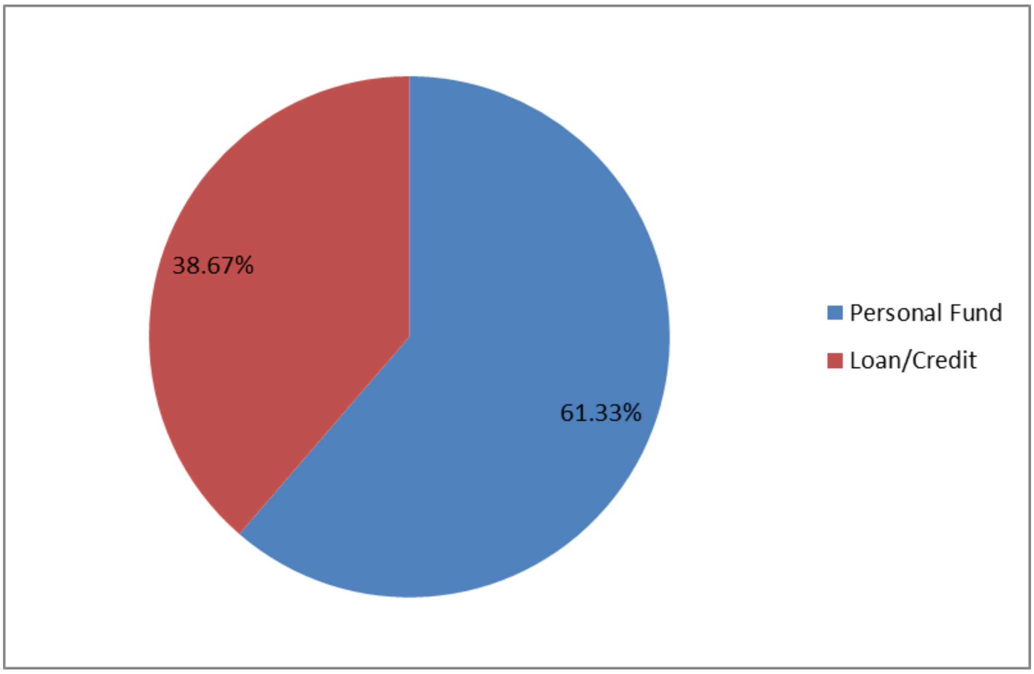


Figure 4.13: Fund used for the investment

Figure 4.13, shows that 61.33% are personal fund and 38.67% are loan/credit.

4.2.7 Funding via financial institution regulation

In the question whether IPO funding via financial institution should be regulated or not, 102 respondents i.e. 68% found to be in favor and rest 32% in against of it, they said it should not be regulated by NRB as middle class also can invest in it.

Table 4.16

Funding via financial institution regulation

	Alternatives	No. of Respondents	Percentage (%)
a.	Yes	102	68%
b.	No	48	32%
	Total	150	100%

Source: Opinion survey, 2020

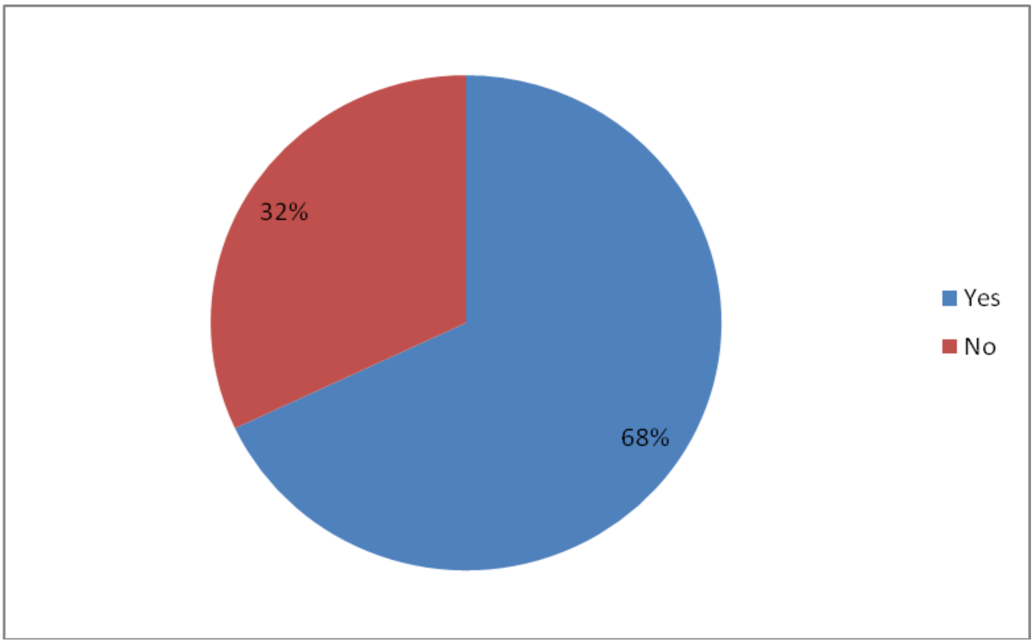


Figure 4.14: Funding via financial institution regulation

4.2.8 Expectation behind investment in initial public offering

Different people have different expectation behind investing in IPO. For the question regarding these responses where as follows:

Table 4.17

Expectation behind investment in initial public offering

	Alternatives	No. of Respondents	Percentage (%)
a.	Cash dividend	48	32%
b.	Bonus share/stock dividend	39	26%
c.	Right share	56	37.33%
d.	Others (please specify if any)	7	4.67%
	Total	150	100%

Source: Opinion survey, 2020

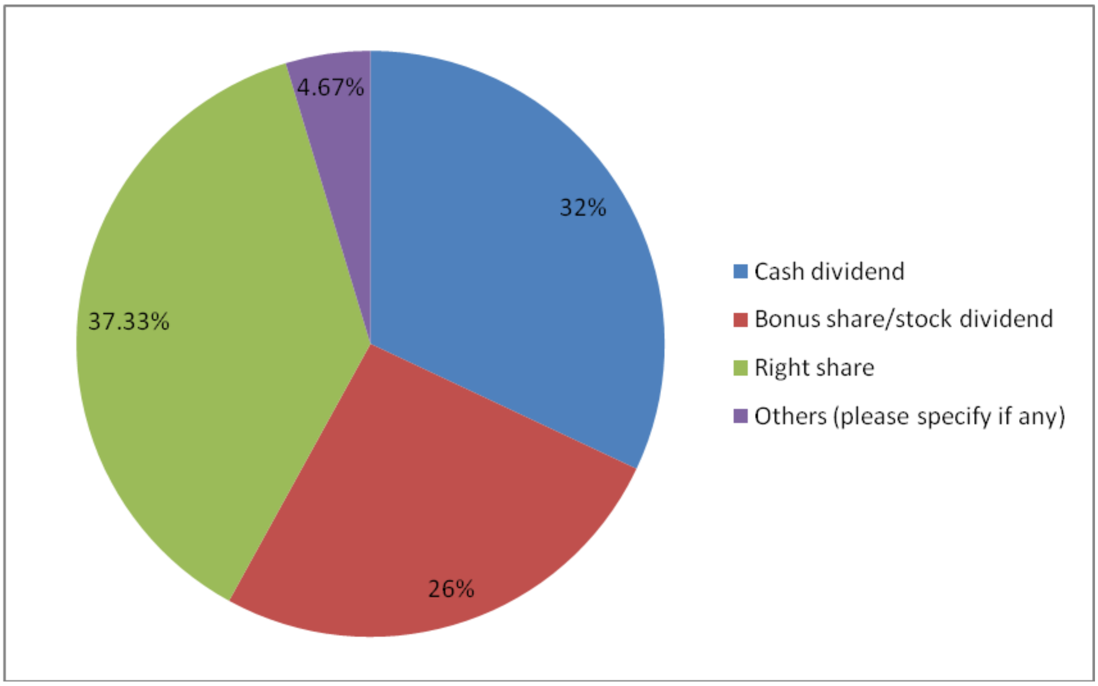


Figure 4.15: Expectation behind investment in initial public offering

Figure 4.15, shows that 32% expects cash dividend, 26% expects bonus share, 37.33% states to be favor or right share while rest 4.67% seen to be interested in other than these matters.

4.2.9 Sector preference for investment

For the question whether to choose financial sector to invest or non-financial sector, 88% choose financial sector and rest 12% choose non-financial sector which have been clearly shown in the below chart.

Table 4.18

Sector preference for investment

	Alternatives	No. of Respondents	Percentage (%)
a.	Financial Sector	132	88%
b.	Non-Financial Sector	18	12%
	Total	150	100%

Source: Opinion survey, 2020

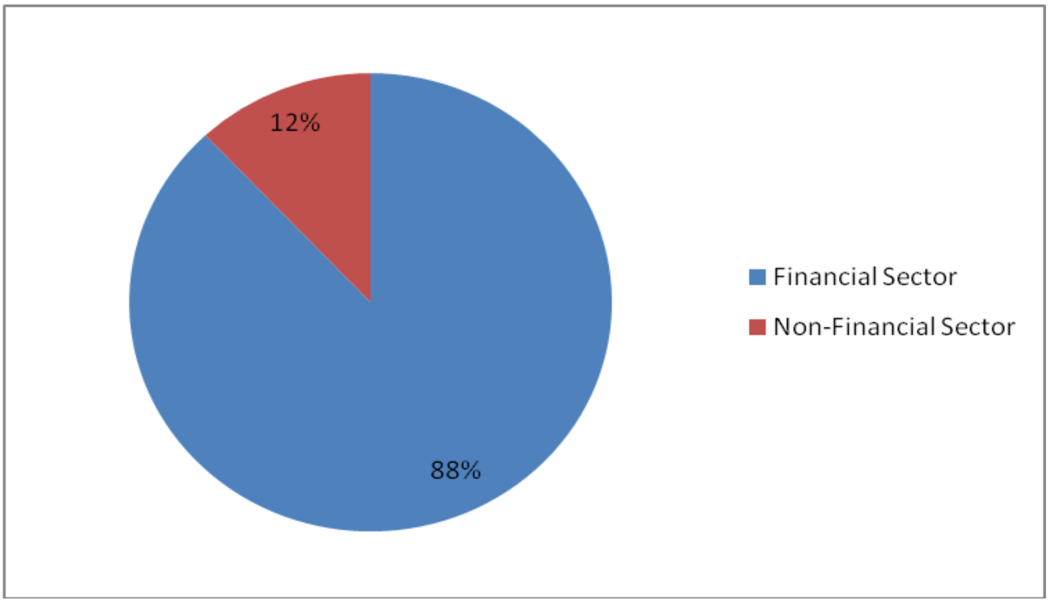


Figure 4.16: Sector preference for investment

4.2.10 Preference of financial sector

From among the 150 respondents 52 prefer commercial bank, 48 prefer development bank, 29 prefer finance company and only 21 prefer Insurance Company for investment in financial sector.

Table 4.19

Preferred financial sector

	Alternatives	No. of Respondents	Percentage (%)
a.	Commercial Bank	52	34.67%
b.	Development Bank	48	32%
c.	Finance Company	29	19.33%
d.	Insurance Company.	21	14%
	Total	150	100%

Source: Opinion survey, 2020

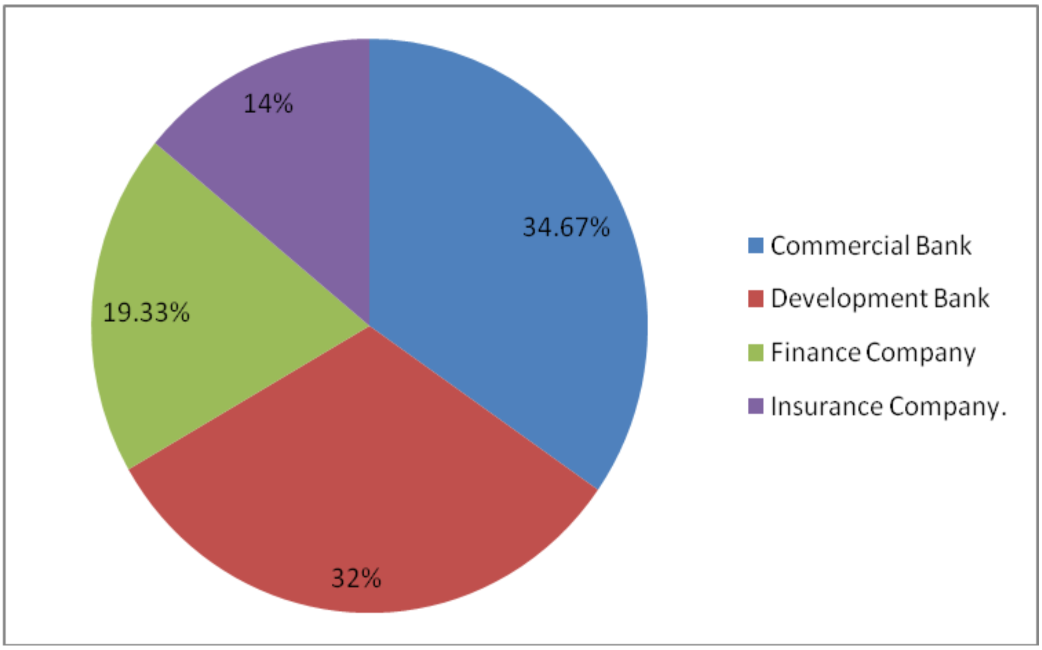


Figure 4.17: Preferred financial sector

Figure 4.17, shows that 34.67% or most of the investors give preference to Commercial Bank for IPO investment. 32% give to Development Bank, 19.33% are found to be in favor of Finance Company and remaining 14% are in favor of Insurance Company. Among the investors least are in favor of insurance company.

4.2.11 Preference of non-financial sector

From among the 150 respondents for the question which non- financial would you prefer to invest the responses were as follows:

Table 4.20

Preferred non-financial sector

	Alternatives	No. of Respondents	Percentage (%)
a.	Manufacturing & Processing Company	67	44.67%
b.	Hotels	28	18.67%
c.	Trading Company	49	32.66%
d.	Other Company	6	4%
	Total	150	100%

Source: Opinion survey, 2020

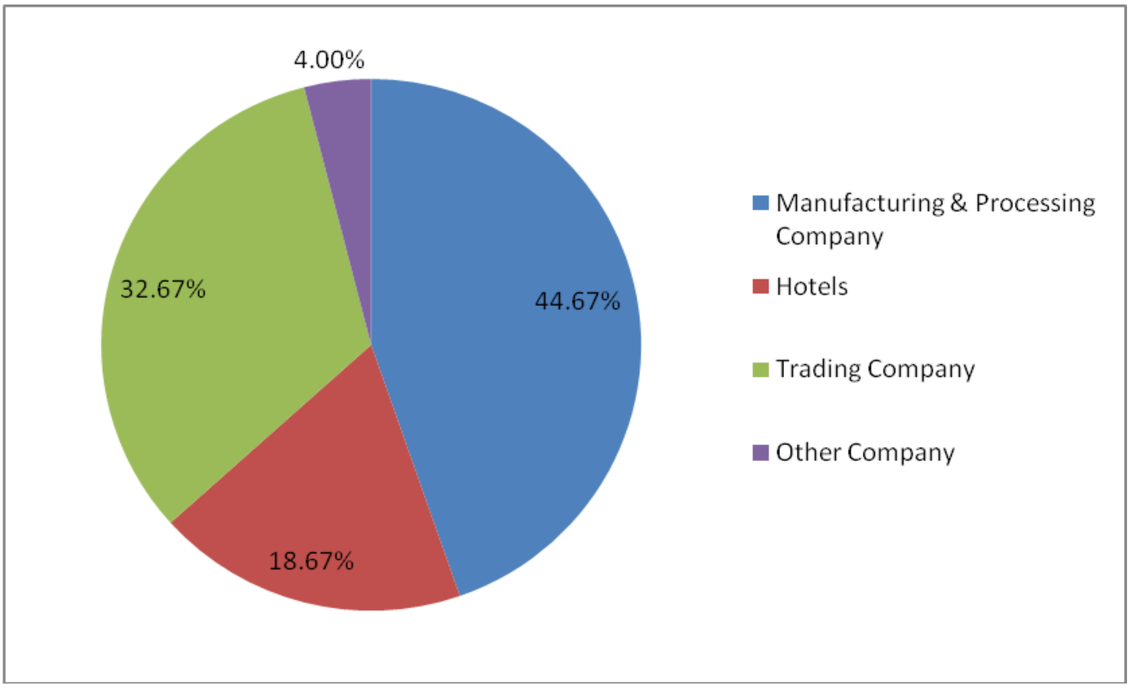


Figure 4.18: Preferred Financial- sector

Figure 4.18, shows that for non-financial sector, 44.67% seems to be interested in Manufacturing & Processing Company, 18.67% are interested in Hotels while 32.66% interested in Trading Companies. And the least i.e. 4% only are interested in other sector.

4.2.12 Ultimate goal for investment in initial public offering

Different people have different goal for investment. 22.67% have goal of support for old-age, 3.33% want to invest for children education, 68% want to invest for fulfilling the goal of getting annual return and rest 6% have other than these goals.

Table 4.21: *Ultimate goal for investment*

	Alternatives	Number of Respondents	Percentage (%)
a.	Support for old-age	34	22.67%
b.	Children education	5	3.33%
c.	Annual return	102	68%
d.	Other	9	6%
	Total	150	100%

Source: Opinion survey, 2020

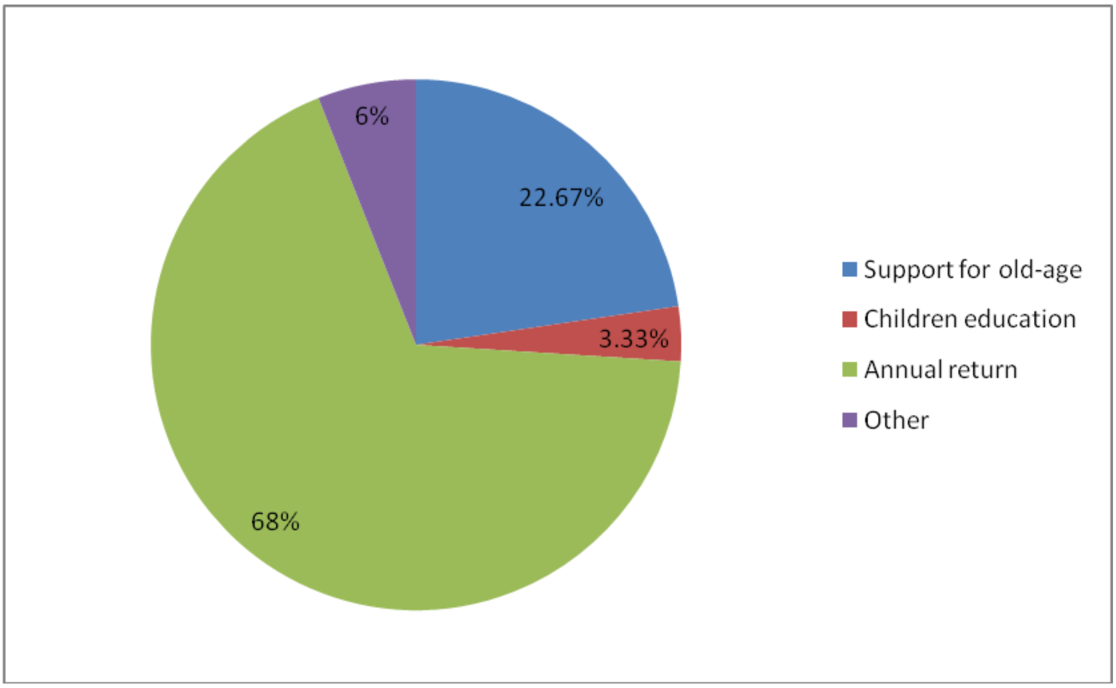


Figure 4.19: Ultimate goal for investment

Figure 4.19, shows that 68% think the ultimate goal behind invest in IPO is the annual return from that, 22.67% want to invest for the support for old-age, only 3.33% want to invest for children education and then left 6% think other reasons to invest in IPO.

4.2.13 Basis for distribution of Shares

While questioning about the basis for distribution of shares to investor 76% (114 respondents) were found to be in favor of pro-rate basis and the rest 24% (36 respondents) were in favor of lucky draw.

Table 4.22

Basis for distribution of shares

	Alternatives	No. of Respondents	Percentage (%)
a.	Pro-rata basis	114	76%
b.	Lucky draw	36	24%
	Total	150	100%

Source: Opinion survey, 2020

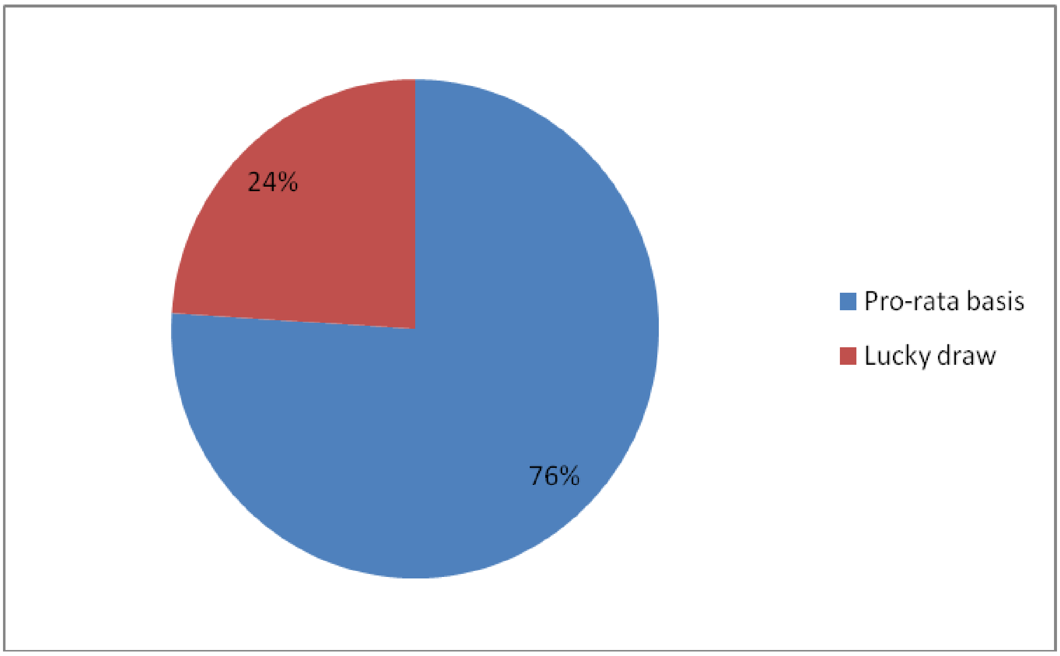


Figure 4.20: Basis for distribution of shares

In the Figure 4.20, it is clear that 76% people prefer pro-rata basis while only 24% prefer lucky draw basis for share distribution.

4.2.14 Reason for not going public

All companies do not want to go Public. 28.67% think control is the only reason for it. Companies do not want to lose the control by going Public. 35% think they do not want to share profit, 5.33% think they do not want to bear the obligation to mass shareholders and remaining 30.67% think they do not want to make the management complex by going Public.

Table 4.23

Reason for not going public

	Alternatives	No. of Respondents	Percentage (%)
a.	To keep control	43	28.67%
b.	Sharing of profit	53	35.33%
c.	Obligation to mass shareholders	8	5.33%
d.	Complexity in management	46	30.67%
	Total	150	100%

Source: Opinion survey, 2020

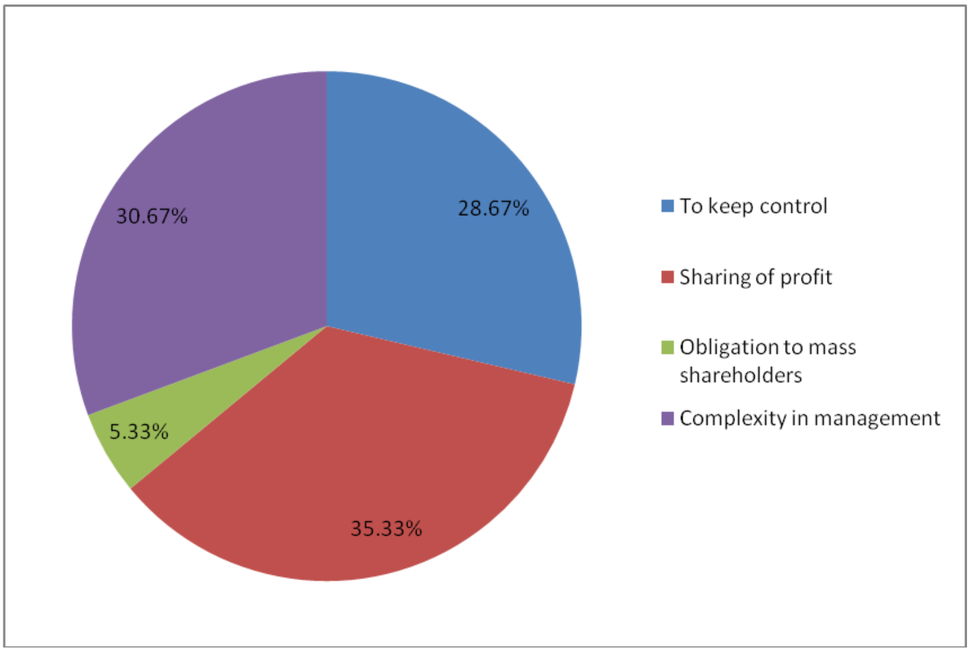


Figure 4.21: Reason for not going public

Figure 4.23, shows that the reason behind most of the companies not going Public is they do not want to share profit (35.33%), 30.67% believe company fears complexity in management, 28.67% believes it simply because companies want to keep full control, only 5.33% believes that companies do not want to increase obligation to mass shareholders.

4.2.15 Reason for limited people investing in primary market

Only limited people invest in the primary market. For the reason asked 21.33% stated this is due to lack of money, 8.67% stated due to lack of knowledge, 67.33% said people lacks information and only 2.67% stated other reasons.

Table 4.24

Reason for limited people investment

S.N	Alternatives	Respondents	Percentage (%)
a.	Lack of money	32	21.33%
b.	Lack of knowledge	13	8.67%
c.	Lack of information	101	67.33%
d.	Others	4	2.67%
	Total	150	100%

Source: Opinion survey, 2020

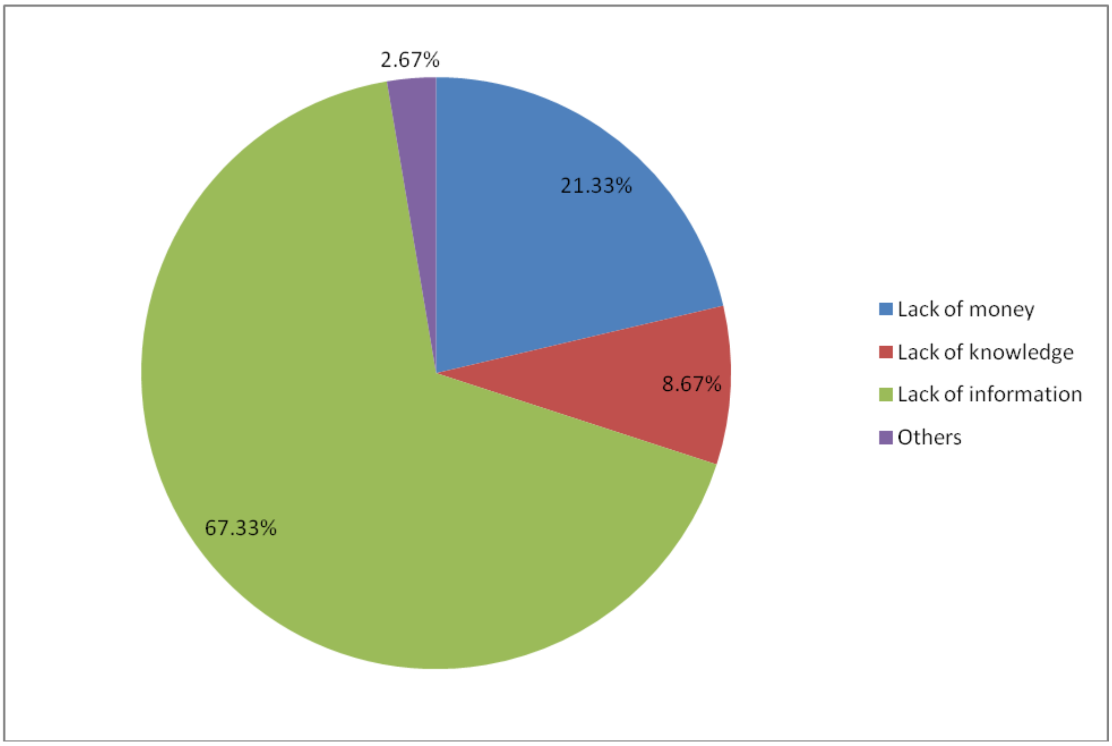


Figure 4.22: Reason for limited people investment

Figure 4.22, shows that highest parts is covered by lack of information i.e. 67.33%, which means most people do not invest in primary market due to lack of information. 21.33% shows the reason of lack of money, 8.67% shows lack of knowledge and least 2.67% do not invest due to other reasons than these.

4.3 Multiple regression

The table 4.25 shows that all independent variable viz. Performance of the company, Company Sectors, Quality of Management, company goodwill, Market Information have correlation(r=.463) with the perception of the investment decision of General investor. 21.4 percent of the variance in the perception of the investment decision of General investor can be explained by the predictor variable: all independent variable. The standard error of the estimate of the regression line is 0.74.

Multiple Regression of the independent variable with perception in investment decision making by general investors

R	R Square	Adjusted R Square	Standard Error of the Estimate
.463[a]	.214	.204	.743

a. Predictors: (Constant), performance of Company, Company Sectors, Quality Management, company Goodwill, Market information

The Table 4.25 ANOVA shows that all the independent variable can predict the perception in investment decision of the investor. Because p-value=0.000 $<\alpha=0.01$ The value of multiple coefficient of determination (R^2) is 0.998 in regression model indicated that 99.8% of total variation in perception of the investment decision is explained by independent variables and only 0.02 is explained by other variables. The t value of coefficient of all variables are statistically significant given model at 5% level of significance; therefore the regression equation could provide statistically significance explanation of variation in the perception of the investment decision due to quality management, company goodwill ,company sectors, market information and company performance.

Table 4.25

Multiple regression of the all independent variable with perception in investment decision making by general investors

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	57.14	5	11.43	20.704	.000[b]
Residual	209.74	380	.552		
Total	266.88	385			

a. Dependent Variable: Perception in Investment decision of general investors

Table 4.26

Coefficient of all independent variable with Perception in Investment decision of general investors

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.04	.236		8.641	.000
Quality Management	.505	.079	.371	6.382	.000
Company Goodwill	.274	.083	.196	3.309	.001
Company Sectors	.839	.105	.469	7.959	.000
Market information	.125	.096	.088	1.300	.195
Performance of Company	.214	.100	.127	2.137	.033

a Dependent Variable: Perception in Investment decision of general investors

The table 4.26 regression ANOVA model is:

Y=2.04+0.371X1+0.196X2+0.469X3+0.088X4+0.127X5.

The reported results also include the values of F-statistics (F) and coefficient of determinants (R^2).The regression of dependent variable of profit shows that beta coefficient for Quality Management (X1), Company Goodwill (X2), company sectors (X3), Market Information(X4) and Company Performance (X5) are positive as indicated in table. The result shows that perception of the investment decision of general investors with quality management would have positive perception of the investment decision keeping company goodwill, company sectors market information, and company performance constant. Similarly, increase in perception of quality management by 1 percent leads to increase in positive perception of the investment decision by 0.371 percent. Similarly increase in perception of company goodwill by 1 percent leads to increase in positive perception of the investment decision by 0.196 percent. Likewise increase in perception of company sectors by 1 percent by 1 percent leads to increase in positive perception of investment decision by 0.469 percent. Afterall, increase in perception of market information by 1 percent leads to increase in positive perception of the investment decision by 0.088 percent, Finally increase in perception of company performance by 1 percent leads to increase in positive perception of the investment decision by 0.127 percent.

Table 4.27

Summary of hypothesis testing

Hypothesis	P value	Level of significance	Results
H1: There is significance relationship between quality management and perception in investment decision of general investors.	0.00	0.05	Accepted
H2: There is significance relationship between company goodwill and perception in investment decision of general investors.	0.001	0.05	Accepted
H3: There is significance relationship between company sectors and perception in investment decision of general investors.	0.00	0.05	Accepted
H4: There is significance relationship between market information and perception in investment decision of general investors.	.195	0.05	Rejected
H5: There is significance relationship between company performance and perception in investment decision of general investors.	.033	0.05	Accepted

4.4 Findings

The study has been concerned on initial public offering in Nepalese market among different Banks, employers, students, investors and brokers. The major findings of the study are as follows:

i. In the present circumstance, a single investor or a group of investor can adversely affect the market scenario. This is an underprivileged signal to the development of capital market.

ii. Public response to the financial institutions and insurance sectors is higher than non -financial sectors.

iii. The primary source of data shows that the major source of information of initial public offering is media. Majority investors are seemed to read the prospects of the company before investment as now people are well-educated.

iv. People are getting aware to primary market to choose the right sector for investment. Investors are making portfolio of their investment, more than 80% investors invest their money in two to four companies.

v. People use personal fund as they have money rather than talking loan for investment in the primary market.

vi. Future return is the encouragement factor for investment. The investors think that those companies who are performing well in the market will give better return in the future. People are more conscious about future.

vii. People think that the present environment is not suitable for investment.90% people prefer to invest their money in the financial institutions and insurance sector. 60% people think due to the lack of knowledge, limited number of people invests in primary market.

viii. Investor response to the financial institutions and insurance sectors is higher than non-financial sector. In case of financial sector among the 23 sample all are oversubscribed i.e. 100 % only whereas in non-financial sector 3 are undersubscribed i.e. 33.33% among the 9 samples. Among the financial sector people about 34.67% chooses commercial banks and in non-financial sector 44.67% choose manufacturing and processing company.

ix. Among the 9 issues managers in the year 2018/19 only 5 have managed the issue. And even among them NCML and NMBL are seems to be the dominant one as they both rank first and second respectively in terms of highest number of issue managed.

x. Still most of the people (67.33%) lack information regarding stock so limited number of people are investing in primary market. 21.33% do not invest as they lacks money.

xi. Most of the investors (68%) expect annual return from the investment in IPO, 22.67% wants to invest as they think it will be support for old-age, 3.33% invest for children education. Nepalese investors are risk averter so of the do not like to invest from credit/loan. Only 32% like to invest from the financial institution loan. Pace of public offering is also increasing as amount of in approved continuously increase from 2005/06 (244.4 million) to 2013/14 (1441.33 million) then decreased one time and again started increasing and reached at 2443.28 million in 2017/18 and again decreased at 2295.5 million in 2018/19.

xii. In general, a company goes to the public when it is more favourable to the company than to the investors, like when it is venturing into areas, expanding the existing facility or reducing the debt. So an investor must be cautious about the vested interested of a company going to the public.

xiii. By analyzing the overall aspect of stock market, it is found that the stock market is suffering from various problems. The growth of Nepalese stock market is satisfactory and the prospect of stock market, is equally strong if the government has taken the transparent credible and investor friendly policy.

xiv. The reliability of the findings depends upon the accuracy of the information provided by the respondents/ investors.

xv. From the analysis of response to questionnaire, it comes to know that if any reputed company tries to promote and provide aware about IPO market, concerned body should give support to encourage to the investors.

4.4 Discussion

Investment is regarded as the sacrifice of certain present value for uncertain future reward. IPO investor, thus require to consider various indicators before investing. Initial public offering is the selling of securities to the general public for the first time. Primary market which avails fund to the issuer provides opportunity to invest to the small investors as well.

This study is consistent with (Poudel) which public response in primary market was high due to lack of opportunities for investment in other field. No proper investment analysis was made. Despite this public, were attracted towards shares than other sectors, basically to increased their value of investment, was it's dividend capital gain or bonus shares.

From this study we can highlight that people are attracted in financial sector than non-financial sector, according to company sectors and market information majority of people are interested in this sector. most people have heard about IPO, majority of people are interested to invest by loans, similarly most people are prefer from company performance and market information about IPO. We find that overall lower knowledge about IPO.

This result is consistent with (Pradhan & Shrestha), focus on the performance and determining variables of IPOs of Nepalese stock market. Subscription rate, issue size, firm size, reputation of issue manager and market condition were selected as IPO factors and these were the independent variables. Initial return was dependent variable. The secondary source of data was used to assess the performance of the initial public offerings in the Nepalese market. The multiple regression models were estimated to the test of significance and importance of initial return in Nepalese stock market.

This Study is not consistent with khadka (2014) suggests that investors perception in initial public offering has a major impact in Nepalese stock market such results are particularly important in the light of the observed relationships between company sectors, company goodwill and market information where they have less risk. The present study finds that most of investors consider projected return followed by company goodwill, quality management and rest considered the company sectors in IPOs.

IPO is a fund raised by issue manager to raise capital to invest in different sector. It will increase the reputation and goodwill of the company. Despite the different rumors the study in Nepalese context are very limited. Investors will watch the headlines but the main source for information should be the prospectus which provides lots of information. This study focus on willingness of investors towards different sectors where they want to invest and this study has utilized both primary and secondary sources of data. The secondary sources of data also has been introduced on public response to initial public offering in Nepalese market. The primary sources of data has been used to examine the opinion of respondents with respect to IPO in Nepal. For the purpose of primary data collection, asset of pre-specified questions have been mainly as the instrument. Thus perception in IPO is determined by above factors.

CHAPTER - V
SUMMARY AND CONCLUSIONS

5.1 Summary

In this study the main purpose of the study is to examine the public response to initial public offering in Nepalese market. The first time issue to the public is known as IPO. The primary market allows issuance of new securities in order to help the issuing companies to raise fund for investment and securities market development in Nepal is in early stage of growth. The statement of problem towards which is directed is to identify the investor's response towards the IPO of financial as well as non-financial sector.

The objective of this study is to analyze public awareness on IPO to assess the growth of primary market and the factor that affect public response to IPO. This study seems to be crucial to analyze the impact of IPO for sale on key parameter return in equity and return on assets of banks and non-banking finance companies for the study and the legal provision, possibilities, problem and prospects of IPO in Nepal .Both primary and secondary data are taken to analyze of the objective. Primary data are taken as a questionnaire and secondary data are taken similarly, secondary data are taken from NEPSE, SEBON and various merchant banks. The conceptual framework of the study was developed based on dependent and independent variables identified through literature review. The overall plan of a research study was presented in third chapter. The data was collected with the help of questionnaire through 150 respondents. This was done to check the validity of research and questionnaire.

The research is descriptive and casual comparative in nature. The overall research is done through primary and secondary data. It includes Quality management, company goodwill, company performance, company sectors and market information. Data are described by multiple regression.

About 88% are interest to invest in financial sector and only 12% are in non- financial sector. From among the financial sector 34.67% are interested in commercial bank, 32% in development bank, 19.33% in finance companies and only 14% in insurance companies. In the case of non- financial sector highest 44.67% are interested in manufacturing and processing company, 18.67% in hotels & 32.66% in trading company. For 68% people annual return is the ultimate goal for investing, 22.67% thinks supports for old-age. 76% prefer pro-rata basis for share allotment rather than lucky draw. 35.33% people think that most companies do not go public as they do not want to share profit with public, whereas 28.67% think it's because they want to keep control with themselves, 30.67% thinks as it may bring complexity in management. Most of the people (67.33%) show the reason of lack of money for limited people investing in primary market and only 21.33% think it's due to lack of money.

5.2 Conclusions

The study employed to empirically analyses whether the Nepalese IPO'S are underpriced in short-run or not to determine whether various independent factors such as quality management, company goodwill, company performance ,company sectors and market information. The results showed that majority of IPOS were underpriced. Also the study highlights that there is significant impact of various independent variables on the total returns of selected Nepalese IPO'S. The regression results suggest that there is significant relationship exists between the selected independent variables and returns respectively.

In spite of the long period of securities prevailing in the Nepalese market, most of the public do not know about IPO. Even in the knowledge most are interested in financial sector than non- financial sector. Even among the financial sector most are interested in Commercial Bank. But among the financial sector Development Bank has the highest subscribed one. While 28.31 times Subscription for financial sector, only 2.36 times for non- financial sector. Vast deviation is found in the primary market of during 2005/06 to 2018/19 period, number of issue approved ranges from 34 at highest in 2018/19 to 5 at lowest in 2008/09 and 2010/11.

Most people are in favor of regulation by NRB for IPO funding via financial institutions as it lessens the equal chance of getting allotment. Most of the shares go in part of big investors. This kind of mismanagement in allotment discourages the investors. Contract between the issue manager and the issuing company highly affects the whole IPO process, so make this as the people need, it should also be regulated.

People are eager to know the promoter, company's performance before investment. IPO's handled by bigger brokerages are found to be more successful.

The study objective was to examine the investor's response to the Initial offering or primary issue of shares in perspective of IPO. It all the factors with its sub factors have analysis critically and it was found that all factors. Among the factor company performance was found to be highly considered before investing by the investor, whose mean value was 1.93±.49 followed by company goodwill and market information. The consideration of the general investor toward the quality of management of the company other factors as mention above while investing was found to be high to moderate. A Pearson's data analysis of consideration company performance over revealed a positive correlation, r= 0.63 p=0.002, while making investment decision. General investor who invest in primary market highly consider while investing in IPO.

IPOs market are always fruitful or companies to raise capital from the market. However, companies should make a good choice regarding the type of issues and understand the market sentiment to make their IPOs successful markets. Similarly the regulatory body should inform and educate the market about IPOs, and advise the investors to base their decision not only the information. With the capital market continuing to grow, the investors can expect more IPOs in the future. An IPO company is difficult to analyze since there isn't a lot of historical data. Also the regulations and processes will evolve and become better.

5.3 Implications

After the research following implications are made for better IPO:

i As investment bankers play a vital role in the IPO process, they should try to give more transparent, fast, hassles free service so that more public involve in the IPO.

ii Before investing in any company, alls the investors must go through that company's financial details, prospectus, or they will be in difficulty if only go with the market rumors.

iii Small investors are also the part of primary market, so IPO funding through financial institution should be strictly regulated to discourage the big investors who apply in names of relatives, friends etc.

iv For getting IPO "hot", more and more advertisements need to be promoted, and true picture should be showed to the public. So that price does not fall after issue at the time of trading.

v Most underwriters target institutional or wealthy investors in IPO distribution, which is ethically as well as logically very wrong. The allotment process must be pro-rata basis rather than lucky-draw, so that all investors may get shares.

vi Investors are becoming speculators rather than rational investors due to asymmetric information. They should know the whole stock valuation process and only then initiate to invest.

vii While choosing the issue Manager Company should choose that are in which general investors could believe freely.

viii Application from each corner of the country should be asked so that all interested candidates could apply. As it is found that most of the IPO’s are concentrated in the valley only.

5.4 Recommendation for future research

i. New research can be increase sample size, area number of respondents affected factors of perception of IPO'S in Nepalese market.

ii. The future studies can analyze not only the short run performance but also the long-run performance of the IPO'S over period of time to give more comprehensive results.

iii. Another area of study can be identify if the total and abnormal return of the IPO'S are affected by the allocation pattern between the institutional and retail investors.

iv. The future studies can also examines if the IPO'S performance in short run and in long run is associated with the fixed price offerings or look building method of allocation in Nepal and which helps in giving better return to the variation participants.

v. The study may also try to examine if there exists any relationship between the various factors affecting the IPO'S underpricing and future offers in Nepal.

vi. Also the future studies can identify if the factors such as necessary disclosure at the time of IPO'S, process followed for the IPO allotment, NEPSE guidelines etc. affect the pricing and performance of the IPO'S in Nepal.

vii. Another area of the study for future could be the performance of the IPO'S in NEPSE to give a wider perspective on the IPO performance in Nepal.

viii Further the study recommends the academicians researchers and market analyzers to focus on conducting a comparative study on performance of Nepalese IPO'S with global marker IPO'S.

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APPENDIX-I

QUESTIONNAIRE

Dear respondents I will be very grateful if you kindly fill-up this questionnaire which is the requirement of our Master level thesis.

Name:

Occupation:

Address:

1) Have you ever heard about IPO?

   a) Never heard　　c) A little

   b) Seen in papers and books　　d) Yes, of course

2) Would you like to invest in IPO?

   a) No risk at all　　c) Depends on the sector

   b) If had money　　d) yes, even with the loans

3) How do you come to know about IPO of any company?

   a) Advertisements　　c) Brokers

   b) Personal relations (market info) d) others

4) What comes first in your mind while investing?

   a) Promoters　　c) Brokerage Commission (avails or not)

   b) Company's performance　　d) market information

5) In how much company do you have invested?

   a) One　　c) More than three

   b) Two to three　　d) none

6) Which fund would you like to invest in IPO?

   a) Personal Fund

   b) Loan/ Credit

7) Do you think it is good that NRB has prohibited IPO funding via financial institutions loans?

   a) yes

   b) no

8) What expectation led you to invest?

   a) Cash dividend　　c) Right share

   b) Bonus share/ stock dividend　　d) others (please specify if any)…………

9) Would you prefer financial sector or non-financial sector for investment?

a) Financial sector

b) Non-financial sector

10) If you like to invest in financial sector than in which type?

a) Commercial Bank c) Finance company

b) Development bank d) Insurance company

11) If you are interested in non-financial sector than in which type?

a) Manufacturing and Processing Company c) Trading Company

b) Hotels d) Other Company (Please specify)……..

12) What ultimate goal led you to invest in IPO?

a) Support for Old-age c) Annual Return

b) Children Education d) others (please specify if any)……………..

13) Would you prefer pro-rata basis or lucky draw for the distribution of shares?

a) Pro-rata basis

b) Lucky draw

14) Why most of the companies do not like going in public?

a) To keep control c) Obligation to mass shareholders

b) Sharing of Profit d) Complexity in management

15) What do you think the reason that the limited number of people invest in the primary market?

a) Lack of money c) Lack of Information

b) Lack of Knowledge d) others (please specify if any)……………..

16. Which factors do you consider more in the IPO'S Investment?

VH: Very High Consider H: High Consider M: Moderate Consider

L: low Consider VL: Very Low Consider

S.N.	FACTORS	VH	H	M	L	VL
A.	Quality Management					
1.	To what extent do you consider that Legitimacy of Company affects in your investment in IPO?					
2.	To what extent do you consider that Corporate Governance affects in your investment in IPO?					
3.	To what extent do you consider that Human Resources Value that affects in your investment in IPO?					

5.	To what extent do you consider that Founder CEO affects in your investment of IPO?					
6.	To what extent do you consider that Key Shareholder /Promoter affects in your investment in IPO?					
7.	To what extent do you consider that prestige of Board Member will affect while investing in the IPO?					
B.	Company goodwill					
1.	To what extent do you consider that Corporate Profile will affect, when investing in the IPO?					
2.	To what extent do you consider that Historical Background will affect, while investing in the IPO?					
3.	To what extent do you consider that Age of Company affects in your investment in IPO?					
4.	To what extent do you consider that Prestige of Board Member will affect while investing in the IPO?					
5.	To what extent do you consider that Current Financial Position affects in your investment in IPO?					
C.	Company Performance					
1.	To what extent do you agree that ROI make investor to invest in IPO?					
2.	To what extent do you consider that ROE make investor to invest in IPO?					
3.	To what extent do you consider the Percentage Price Premium make investor to invest in IPO/FPO?					
4.	To what extent do you consider that Earning Per Share make investor to invest in IPO?					
5.	To what extent do you consider that Dividend Premium matter more for your investment in IPO?					
6.	To what extend do you consider that Capital Gain while investing in IPO?					

D.	Company Sectors					
1.	To what extent do you consider that investment in the Hydropower Company of IPO is better?					
2.	To what extent do you consider that investment in the Manufacturing Company of IPO is better?					
3.	To what extent do you consider that investment in finance or Micro-Finance					
4.	To what extent do you consider that investment in Banking Sector of IPO is Better?					
5.	To what extent do you consider that investment in Insurance Company of IPO is better?					
E.	Market information					
1.	To what extent do you consider that Comments on Media affects in your investment in IPO?					
2.	To what extent do you consider that Future Prediction and Forecast affects your investment in IPO?					
3.	To what extent do you consider that New project Risk and prospects affects in your investment in IPO?					
4.	To what extent do you consider that Market share will affect, while investing in the IPO?					
5.	To what extend do you consider the past trend of IPO, while investing in the IPO					
F.	Perception in Investment Decision					
1.	To what extent do you consider buying/selling of IPO ?					
2.	To what extent do you consider that Individual Investor have more risk in IPO investment?					

Thank you!