

CHAPTER I

INTRODUCTION

1.1 Background of the study

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

A company can raise fund through two sources – internal source and external source. Internal source refers to retained earning which is the most popular mode of financing for a company because the capital can be generated by the business internally. The company saves a lot on the interest cost by not opting for debt financing. Also, taking loan from bank is long and tedious process and can make impact on liquidity of the firm too. But it cannot always fulfill the financing need of the company. At such, external sources of financing is used which generally involves raising fund from the public issuing securities (i.e. stocks, bonds, derivatives, etc.). Hence, raising fund by issuing securities has become an important and popular source for business firms.

Initial public offering (IPO) is the process by which a private company can go public by sale of its stocks to general public. It could be a new, young company or an old

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

In Nepal, the first public issue of ordinary shares took place with the public issue of Biratnagar Jute Mills and Nepal Bank Limited in 1973 A.D. But the development of the capital market started in 1976 A.D. after the establishment of Security Exchange Center with the objective of facilitating and promoting the capital market in Nepal. It was the only capital market institution which undertook the job of brokering, underwriting and managing public issue, market making for government bond and other financial services. Security Exchange center dealt in the securities as a broker as well as a regulatory body (Roka, 2011).

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 Nepal 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.

The primary impetus for an IPO is generally either to raise capital or to offer an exit strategy. In fact the firm in most incipient stage of development generally relies entirely on personal loans, saving, family and friends for their initial financing. Khatri. (2017) explains the reason for IPO issues are - Funding Needs and Non-

funding Needs. Funding Capital Requirements for Organic Growth, Expansion through Projects, Diversification, Funding Global Requirements, Funding Joint Venture and Collaborations needs, Funding Infrastructure Requirements, Marketing Initiatives and Distribution Channels, Financing Working Capital Requirements, Funding General Corporate Purposes, Investing in businesses through other companies, Repaying debt to strengthen the Balance Sheet and Meeting Issue. And in non-funding needs Enhancing Corporate Stature, Retention and incentive for Employees through stock options, Provide liquidity to the shareholders.

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

The IPO application process in Nepal is now digital and so everything is done online. No more visiting the banks. Apply for the IPOs of Nepal through laptop or even a smartphone or tablet. The sale goes usually for 4 working days and it is within those 4 days one must go to the meroshare website, access and fill up the ASBA (Application Supported by Blocked Amount) with all the details and submit it. Make sure that bank account has the necessary rupees amount that is to be blocked for ASBA. Then within a week for the allotment to be concluded. After that, depending upon the number of shares issued, the number of total applications received and amount of investment, investors are allotted a certain number of shares. Since Shrawan 2074, every accurate application/applicant gets at least 10 units of IPO

shares. However, depending on the number of applications, investor might receive additional shares if there are more to be allotted or no shares if there aren't enough for everyone. After allocation, the financial organization will release the blocked amount while debiting the allotted share amount from investor's bank account. After some time, the share quantity that investor were allotted will show up in your Demat account statement, (unicodnepali.com).

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

1.2 Problem statement and research questions

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

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

The Structural changes in the primary market have occurred. The need to queue for hours by the investors to make the application in primary issue has been replaced by the online application system. Furthermore, a significant decrease in time for the allotment and listing of securities has increased the liquidity in the market and has decreased the issuance cost of the securities. (SEBON, Annual Report 2017/18). Most of the retail investors in the market are speculative: they bet their money without proper information and analysis. They sell their stocks immediately after listed in NEPSE. They are short term investor, who look for quick way of earning of money. So how is the investor take their investment in new offering and identification of the proportion of such investor is another major issue.

The study has tried to address the following research questions:

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

1.3 Purpose of the study

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

1. To examine the perception of investors towards IPO in Nepal.
2. To analyze the relationship between different factors (Quality management, Company goodwill, Company performance, Company sector and Market information) and investment decision of investor.
3. To examine the impact of factors (Quality management, Company goodwill, Company performance, Company sector and Market information) on investment decision.

1.4 Research hypothesis

Following hypothesis were formulated for the study “perception of investors towards Initial Public Offering (IPO) in Nepal.”

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

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

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

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

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

1.5 Significance of the study

Investment in stock market in different sector is all about the psychology of investors where the price of the company fluctuates much frequently, psychology of the investors plays major role in making investment decision. Psychology in finance is included in behavioral finance. The study of behavioral finance in Nepal is very rare. This study adds a very important literature in the field of behavioral finance in Nepal. Various studies have been conducted in the international context related to this concept but only few researchers seem to have been done in the context of Nepal. No comprehensive studies relating to perceptions have been conducted yet. In Nepal more than 90% people are still not aware or literate regarding public offering. So, this study will be useful for those who are seeking some knowledge regarding IPO and expected to be helpful for the general investor and the organizations that are directly or indirectly related in Public Offering. This research paper will make a contribution to academia as it extends current research on the subject. The researcher and academicians will find this study useful for further discussion and research. So that they can explore and further develop their studies on perception of general investors

on IPO. This study will also assist the issuing companies to know the perception and preferences of investor towards IPO in Nepal and it will be helpful for all the student and researcher who want to undergo a research in IPO.

1.6 Limitations of the study

The scope and limitations of this study include:

1. Many factors affect the subject of initial public offering though it is not possible to study all factors, this study has limited to the study of some factors such as quality management, company goodwill, company performance, company sector and market information.
2. Resource constraints due to lack of internationally published research articles and literature in Nepalese context about Initial Public Offering (IPO).
3. Only Kathmandu valley is considered for the study which may not represent the whole demographic territory of Nepal.
4. The finding of this research may not be representing the scenario of secondary market.
5. Sample size of 160 has been used in collecting primary data may not represent the population.
6. Basically, data are taken only from primary sources through questionnaire. Therefore, reliability of data depends on the respondent.

1.7 Definition of Terms

Financial market

Financial market is a platform where buyers and sellers are involved in sale and purchase of financial products like shares, mutual funds, bonds and so on. It is a mechanism designed to facilitate lender and savers of money. Financial market plays an active role in strengthening the economy of any country by creating capital needed for investment in business.

Capital market

It is the market where securities are traded having a more than one-year maturities period. A capital market is a financial market in which long-term debt or equity-backed securities are bought and sold. The backbone of capital market is formed by

the various securities exchanges that provide a form of debt and equity transactions. Capital markets consist of the primary market, where new securities are issued and sold, and the secondary market, where already-issued securities are traded between investors.

Money market

The money market is where financial instruments with high liquidity and very short maturities are traded. It is used by participants as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year. These securities include treasury bills, government bonds, certificate of deposits, banker's acceptance, commercial paper and so on. Short term financial need is fulfilled through money market instruments. Money market securities are short-term, low risk, high volume of transaction and highly liquid.

Secondary market

The secondary market is where investors buy and sell securities, they already own. A secondary market, also called the aftermarket, is the financial market in which previously issued financial instrument such as stock, bonds, options, and futures are bought and sold. Securities brokers and dealers are crucial to a well-functioning secondary market. Nepal Stock Exchange (NEPSE), New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automated Quotation System (NASDAQ), are the secondary markets.

Primary market

The primary market is the financial market where new securities are issued and become available for trading by individuals and institutions. It is where companies issue a new security, not previously traded on any exchange. A company offers securities to the general public to raise funds to finance its long-term goals. The primary market may also be called the New Issue Market (NIM). In the primary market, securities are directly issued by companies to investors. Securities are issued either by an Initial Public Offer (IPO) or a Further Public Offer (FPO). This is often done through an investment bank of securities dealers.

Common stock

Share bought by investors at face value in order to participate in the earning and loss of the company is known as common stock. It is a security that represents ownership in a corporation. Holders of common stock exercise control by electing a board of directors and voting on corporate policy. Common stockholders are at the bottom of the priority ladder in terms of ownership structure; in the event of liquidation, common shareholders have rights to a company's assets only after bondholders, preferred shareholders and other debt holders are paid in full.

Preference share

Preference shares, more commonly referred to as preferred stock, are shares of a company's stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, preferred stockholders are entitled to be paid from company assets before common stockholders. Most preference shares have a fixed dividend, while common stocks generally do not. Preferred stock shareholders also typically do not hold any voting rights, but common shareholders usually do.

Bond and debenture

The bond is the most common type of debt instrument used by private corporations and by governments. It serves as an IOU between the issuer and an investor. An investor loans a sum of money in return for the promise of repayment at a specified maturity date. Usually, the investor also receives periodic interest payments over the duration of the bond's term. A debenture is a type of debt instrument that is not secured by collateral. Debentures are backed only by the general creditworthiness and reputation of the issuer. Both corporations and governments frequently issue debentures to raise capital. Bond buyer generally purchase debentures based on the belief that the bond issuer is unlikely to default on the repayment.

Option

Options are financial instruments that are derivatives based on the value of underlying securities such as stocks. An options contract offers the buyer the opportunity to buy or sell depending on the type of contract they hold the underlying asset. Unlike futures, the holder is not required to buy or sell the asset if they choose not to. Each option contract will have a specific expiration date by which the holder must exercise

their option. The stated price on an option is known as the strike price. Options are typically bought and sold through online or retail brokers.

Swap

A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. Most swaps involve cash flows based on a notional principal amount such as a loan or bond, although the instrument can be almost anything. Usually, the principal does not change hands. Each cash flow comprises one leg of the swap. One cash flow is generally fixed, while the other is variable and based on a benchmark interest rate, floating currency exchange rate or index price. The most common kind of swap is an interest rate swap. Swaps do not trade on exchanges, and retail investors do not generally engage in swaps. Rather, swaps are over-the-counter contracts primarily between businesses or financial institutions that are customized to the needs of both parties.

Initial public offering

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

Further public offering

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

Dematerialization

Dematerialization (DMAT) is a process through which physical securities such as share certificates and other documents are converted into electronic format and credited to the investors account with his Depository Participant. As per the central depository service regulation, 2010 every share needs to be dematerialized.

CDS and clearing limited

CDS and Clearing Limited, is a company established under the company act is a company promoted by Nepal Stock Exchange Limited (NEPSE) in 2010 to provide centralized depository, clearing and settlement services in Nepal. The company is inaugurated on 31st March 2011. The main objective of the company is to act as a central depository for various instruments (Equity, Bonds, and Warrants etc.) specially to handle securities in dematerialized form. This organization is entrusted

with the safekeeping, deposit, and withdrawal of securities certificates and transfer of ownership/rights of the said instruments. The depository functions will be performed by the company under the securities regulations of Securities Board of Nepal (SEBON).

Depository participants (DP)

Depository Participant (DP) is described as an Agent of the depository or securities business body corporate having membership of Central Depository Company. They help investors to dematerialize the paper-form share in to electronic format.

Beneficiary owner (BO)

A beneficial owner is a person who have opened their beneficiary owner Account/DEMAT Account/DP Account with the CDSC through the registered DP for depositing their securities or the instrument. Person who opened A/C at a DP will get one BOID (Beneficiary owner identity number) which is like a Bank A/C and it should be mentioned in all the future transaction. It is a unique 16-digit number where 1st 8 digits is DP number (which is provided by CDS and is constant) and Last 8 digit is Clint ID which is provided by DP. It cannot be duplicate, means two BOs cannot have the same BOID.

ASBA and C-ASBA

Application Supported by Blocked Amount (ASBA) is a process for applying to public/rights issues submitted by investors by blocking the application money in their bank account while subscribing to the issue. C-ASBA (Centralized Application for ASBA based issuance) is an advanced form of the existing ASBA interface which facilitate apply shares through online. It will ensure centralized posting and verification of bank account numbers and DMAT account numbers ease monitoring of double application for issue managers and share registrars, cancellation of application upon double applications and prepare a final report for securities allocation. C-ASBA has become mandatory to implement for all IPO (initial public offering), FPO, and Rights/bonus share application. Apart from applying, investor can also check/view the IPO result in their Mero share login accounts. Mero share application is the on-line system developed by CDSC through which the shareholders can apply application for IPO/FPO/Rights issues once they are registered through C-ASBA.

Merchant banker

They usually refer to firms or organizations involved in all aspects of issue management where they work as mediator in the fund mobilization from general public to the companies. They help companies in issuing the shares to raise needed capital. The role of merchant bankers is to providing consultancy or advisory services to corporate organizations for issue management, making arrangements for buying, selling or subscribing to shares in an issue or any other consultancy or services such as underwriting, analysis and advice related to mergers and acquisitions, credit syndication and portfolio management.

Issue manager

An issue manager is a person solely responsible for managing the activities of merchant banking. They are licensed from Nepal Stock Exchange to manage public offering issues (Security Exchange Act, 2063). Issue manager receive commission from issuing company for the services rendered.

Security board of Nepal (SEBON)

SEBON is the apex regulator of the security market of Nepal established in June 7, 1993, under the provision of securities exchange act, 1983. The main objective of SEBON is to protect investor's interests by regulating the securities markets and regulates the issue and trading of securities, market intermediaries and promote market development.

1.8 Organization of the study

This study has been organized in to five chapter:

Chapter I: Introduction

This chapter deals with the major issues related to the Initial Public Offering (IPO) in Nepal, background of the study, problem statement and research questions, objective, significance, limitations of the study and organization of the study.

Chapter-II: Review of literature

This chapter includes the review of relevant and pertinent research conduct till date by other researcher and make an attempt to relate this research with them. Different research work related to IPO has been discussed in order to prepare a base for the

study. It includes a discussion on the conceptual framework and review of major studies.

Chapter-III: Methodology

This chapter explains about research methodology to be used for the study. It has covered research design, population and sample, sources of data, data analysis and software used.

Chapter IV: Results

This chapter presents all collected data in systematic manner and analysis of such data by using various tools. This chapter is divided into three divisions: demographics profile, descriptive analysis and inferential analysis. Correlation and regression have been conducted to test hypothesis. Cronbach's alpha has been applied on the data collected through questions to check its reliability.

Chapter-5: Conclusion

This chapter finally summarizes the study in few paragraphs and tries to conclude the whole study; that is the result of the research. And finally depending upon the summary and conclusion, implications have been given. References and appendix have also been incorporated at the end of the study.

CHAPTER II

REVIEW OF LITERATURE

This chapter will provide a brief review of literature based on various research works carried out on different aspects of IPOs throughout the globe. However, only those works which are relevant and assessable are included here. This present research intends to find the perception of investors towards IPO in Nepal. Similarly, it also tries to analyze the relationship and examine the impact of different factors considering investment decision on IPOs. For this purpose, this study has been taken which gives researcher clear ideas, opinion and other clear concepts. On this note it helps to find the gap and present them effectively.

2.1 Review of literature

Rajrajan (2010) studied about investor's lifestyle and their investment characteristics to identify and analyze the relationship between investor's lifestyle and their investment pattern. Data were collected from 405 investors in madras using questionnaire method. The investors were classified in to 3 groups' viz active investors and passive investors. Cluster analysis, correspondence analysis and Kruskal-Wallis test was used to study the association between lifestyle groups and the various investment related characteristics. The study revealed that the level of expense earnings and investment were associated with the size of household. Active investors group by professional. The expected rate of return from investments varied between investment styles.

Bennet, et al. (2011) studied the Investors' Attitude on Stock Selection Decision to analyze the investors' perception of the various factors that influence the Equity Stock Selection Decision. The study was depended heavily on primary data. The required data were collected from the retail investors living in Tamil Nadu during the period between May and September 2010 through a Structured Questionnaire. The study was descriptive in nature. The sample size covered 400 retail investors who were spread through ten different Investment Centers. The analysis of this study reveals the fact that the average value of the five factors, namely, Return on Equity, Quality of Management, Return on Investment, Price to Earnings Ratio and various ratios of the company influenced the decision makers. Further, other five factors, namely,

Recommendation by Analyst, Broker and Research Report, Recommended by Friend, Family and Peer, Geographical Location of the Company and Social Responsibility were given the lowest priority.

Neupane & Poshakwale (2012) conducted a study on transparency in IPO mechanism: Retail investors' participation, IPO pricing and returns with the basic objective to examine the retail investors' participation, their influence on IPO pricing and the returns they make on IPO investment. The sample size of the research was 306 book building and auction IPOs listed on the Bombay Stock Exchange (BSE) and/or the National Stock Exchange (NSE) of India over a 10year period from January 2001 to December 2010. The researcher has used the descriptive statistics to analyze the data. The study shows that the participation of retail investors is significantly influenced by the participation of institutional investors. It also finds that favorable demand by retail investors is positively associated with a high IPO price even after controlling for demand by institutional investors. Further, the study reveals that due to aggressive bidding by overconfident investors, retail investors are, on average, unlikely to make positive allocation weighted initial returns even in a setting where they do not have to compete with institutional investors.

Singh (2012) carried a study intended to determine the perception of investors towards IPO. The study explains that investing in IPOs, investors consider five main factors i.e. the corporate image, size, performance of previous IPOs, price and present market conditions. Males generally have a tendency to invest in smaller amounts whereas females are likely to be more speculative. Further, he found that the investors investing the highest amount of money usually base their decisions on the growth and profits, while those in lowest investment bracket base their decisions on growth and do not give major emphasis on the number of years, the company has been in business with, while it beings a major parameter for middle investment bracket.

Rakesh & Srinivas (2013) studied the investor's attitude towards insurance with evidence from Visakhapatnam to examine the investor's socio-economic status, its impact on their attitude towards insurance products and important parameters that investors think about before investing in insurance products. They also try to suggest the company in adopting the methods to improve the customer's attitude towards the insurance products. The primary data was collected from 150 respondent by applying

chi-square test. The study revealed that investor attitude towards insurance product totally depends on the reasons which are considered as factor for forming of risk. The factors are political situation, attitude of Government towards FDI, overall investment climate, schemes portfolio of investment, minimum investment and most importantly investor guidance where null hypothesis is accepted. Therefore, when investors are guided properly towards their financial goal with suitable schemes and plans, they can be persuaded to invest in insurance. The study recommend that the company should publish their financial profile transparently and timely and lunch product as per the peoples comfort zone. Advertising should be more creative and product oriented that gives sense of belongingness towards customers.

Chawla and joshi (2014) studied the retail investor's perception for factors affecting primary market and effect of demographic profile of investors on the perception and the problem faced by retail investors during investment in IPOs. Primary data was collected through questionnaire from 175 retail investors from Surat city during 20130-2014. The study was descriptive and convenience sampling technique was used. The study revealed that the most important factors investors consider while investing in primary market are company goodwill, current financial position of company, whereas demographic factors did not influence the investment decision. The study also revealed the major difficulties faced by the investor in IPOs: refund related problems, delay in allotment of share and lack of transparency while applying in primary market.

Leila & Farshid (2014) studied the Factors Affecting the Initial Public Offering (IPO) Price of the Shares on the Tehran Stock Exchange. The main objective of the researcher was to examine whether pricing the initial offering exchange in Tehran Stock Exchange is less than actual and to study the factors that affect pricing of initial share on stock exchange. The researcher for the purpose of the study included 115 stock exchange companies from 2006 to 2012. The researcher concluded that P/E variable has significant relation with price changes on initial offerings and had highest impact on price of initial offerings.

Jacob & Agarwalla (2015) conducted research on the topic of Mandatory IPO Grading: Does It Help Pricing Efficiency? The study involves cross-sectional regressions of the measures of underpricing and demand as dependent variables with a

set of dependent variables to represent various firm, issue and market characteristics. The sample of graded IPOs used in the study has 182 issues during the 6-year period between October 2005 and September 2011. The study does not find any significant impact of grading on IPO pricing or demand. Grading, which is expected to guide the retail investors, does not appear to influence their demand. While the grades appear to have an impact on the demand of the institutional investors, it has no influence on the IPO pricing efficiency. The graded issues, which are expected to have lower information asymmetry, do not have a relatively lower underpricing compared to the ungraded issues. Further, the study finds that the differences in the grading do not significantly explain the cross-sectional differences in market-adjusted underpricing.

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

Kunwar (2016) studied about the awareness, perception and investment decision of individual investors towards initial public offering (IPO) to identify the investor's perception and level of awareness about IPO in Nepal and to investigate the factors that affects investment decision on IPO. The study used descriptive and inferential analysis. Convenient sampling was used to collect the primary data from 116 respondents. The study found that there was positive perception of investor towards IPO in Nepal. The study also revealed that awareness level of investor was well above the needed level and the perception of investor towards IPO and awareness level of investor is indifferent based on their gender, age, occupation and monthly income.

Sarwar & Darwin (2016) conducted the study on investor's attitude towards the stock market: A study in Dhaka city, Bangladesh to find out investors' attitude towards

stock market. The study found that there was an association between educational qualification of investors and their attitudes. But in case of other selected demographic and socioeconomic variables (age, gender, income level and investment level) there was no association between these variables and investors' attitude. Furthermore, investors have used different sources for their investment decisions, where study reveals that investors give most importance to FM radio and least importance to television talk show as source of information. In this study six demographic and socio-economic variables have been used to find out the association with investors' attitude.

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

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

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

Bajo & Raimondo (2017) studied about the media sentiment and IPO underpricing. This study was analyzed 2814 U.S IPOs in the period of 1995 – 2013 by using textual analysis

to compute the sentiment (tone) from almost thirty thousand articles (from approximately five hundred newspapers). The study document that positive newspaper tones are indeed positively associated with first-day returns. This effect is highly significant and economically meaningful, as one standard deviation in the tone is associated with a roughly 2.5% increase in the level of underpricing. Based on 2814 US IPOs and almost 30,000 newspaper articles it shows that the positive tones are positively associated with IPO underpricing which effect is stronger when news is reported close to the IPO date or by more reputable newspapers.

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

Srinivas & Rao (2017) tried to find out the factors influencing investment decision in IPO among retail individual investors. The study shows that capital appreciation and safety in investment are the driving forces of the investment. Higher annual returns are also motivating investors towards investment in IPO. Most of the respondents are investing their funds for very short period of time i.e. less than 3 months. They are subscribing shares in primary market through IPO and are selling in secondary market for higher return. Long term investment reduces risk and increase return so investors should invest for long time. Furthermore, fundamentals of the organization is another important factor considering while investment in IPO. More than half of the respondents are looking at fundamentals of the organization. Investment in companies those are fundamentally strong gives more and assured return. Investors are selling their shares when market reaches new high. Investors prefer to purchase stock when there are expectations of rise in market. As mentioned earlier investors are staying invested for short period of time and are selling shares when they get desired rate of return.

Pokharel (2018) tried to survey of investor's preference on stock market: A case of Nepal stock exchange. This study used survey research design and structured questionnaire that made attempts to collect data from randomly selected respondents by asking individuals about their opinion, attitudes, behavior. The target population of this study was all the investors drawn from NEPSE which are approximately 1 million. The results demonstrated that investors were found to have investment interest in secondary market. The reasons for selecting shares are mostly liquidity and high rate of earning. The investors' perception regarding the influencing factors for the investment decision in secondary market of NEPSE is the advice of brokers and then movement of indices. The news in daily newspaper and market sentiments are viewed as least influencing factors for investment decision. Most motivating factors prioritized by respondents were capital gains, then liquidity and then dividend, safety and bonus shares. The motivating factors like tax benefits and rights shares were under least preference by the respondents.

Vakil (2018) conducted a study on investor's perception about IPO and IPOs performance in stock market to examine the investors' perception towards risk-return of investment, satisfaction level after investment in Indian capital market. And to

evaluate the post issue performance of IPOs and its success rate. The study also tries to find out the factors which affects investors while selecting any company's IPOs. Total sample size of the project was 150 and data were analyzed through descriptive and analytical research design. The study found that the fundamentals of the company are available for investors to know about the history of any company and that can decide about their investment as investors are keener to evaluate IPO on the basis of risk and return relationship. Most of them invest due to higher returns, company profile and its future expected growth in the form of dividend, earning per share, prices whether increasing or not. Investors like to invest for long term as IPO will give u better return in future rather than in short period of time. Speculators do invest for intra-day but investors should invest for longer period as it will give time the companies to grow well. Mostly the objective is growth of funds which is possible in long term and not in short term.

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

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

aggressive. Conservative investors avoid risk, moderate investors take medium risk tolerance and aggressive investors take high risk in their investment

Singh, et al. (2019) made an attempt to find out the IPO underpricing and predictive power of board related corporate governance mechanisms: A study of Indian IPO market. The study used descriptive sample statistics and logistic regression to examine the objectives. It reveals that the presence of woman director on board increases the likelihood (or probability) of IPO underpricing. Contrary to this, presence of independent director as the chairperson of the board reduces the likelihood (or probability) of IPO underpricing. However, the number of non-executive directors as a measure of board independence has an insignificantly negative impact on likelihood of occurrence of IPO underpricing. To conclude, although the present study conveys that, board-related corporate governance mechanisms viz. gender diversity and nature of board leadership may be statistically significant predictors of IPO underpricing.

Table 2.1 *Summary of literature review*

Source	Objective	Methodology	Findings
Rajrajan (2010)	To examine the investor's lifestyle and their investment characteristics	Descriptive and Inferential analysis	The study revealed that the level of expense earnings and investment were associated with the size of household. The expected rate of return from investments varied between investment styles.
Bennet, et al. (2011)	To analyze the investors' perception of the various factors that influence the Equity Stock Selection Decision.	Descriptive research design and using T Test, One way ANOVA and Factor analysis.	The researcher found that ROE, P/E ratio, Quality of Management, Return on Investment, and various ratios of the company influenced the decision makers.
Neupane & Poshakwal e (2012)	To examines retail investors' participation, their influence on IPO pricing and the returns	Descriptive statistics using multivariate regression analysis	The study revealed that the demand by retail investors play positive role in a high IPO price. Further, the study found that due to aggressive bidding, retail investors unlikely to make positive initial returns where they do not have to compete with

	they make on IPO Investment.		institutional investors.
Rakesh & Srinivas (2013)	To examine Investors attitude towards insurance with evidence from Visakhapatnam	Descriptive and analytical research design used with chi-square test.	The study showed that there was positive attitude towards insurance. When investors were guided properly towards their financial goal with suitable schemes and plans they can be persuaded to invest in insurance
Chawla and joshi (2014)	To Study the Perception of Retail Investors of Surat City About Factors Affecting Primary Market Mechanism in India.	Descriptive and cross-sectional research design.	The study revealed that the company goodwill, current financial status are the important factors while investing in primary market. Refund related problems, delay in allotment of share and lack of transparency are the major issue.
Leila & Farshid (2014)	To study on Factors Affecting the Initial Public Offering Price of the Shares on the Tehran Stock Exchange.	Comparative research design by using correlation, multi regression and Pierson statistical torque.	The researcher concluded that P/E variable has significant relation with price changes on initial offerings and had highest impact on price of initial offerings.
Jacob & Agarwalla (2015)	To examines whether the introduction of grading has influenced the demand and pricing efficiency of IPOs.	Cross sectional regression model	The finding revealed that there was no any significant impact of grading on IPO pricing or demand.
Nagtilak & Kulkarni (2015)	To identify the investor's perception towards initial public offering	Analytical research design by using primary source of data.	The study revealed that IPO is not a risky investment. Investors highly considered factors such as goodwill, market share, and current financial position of the company,

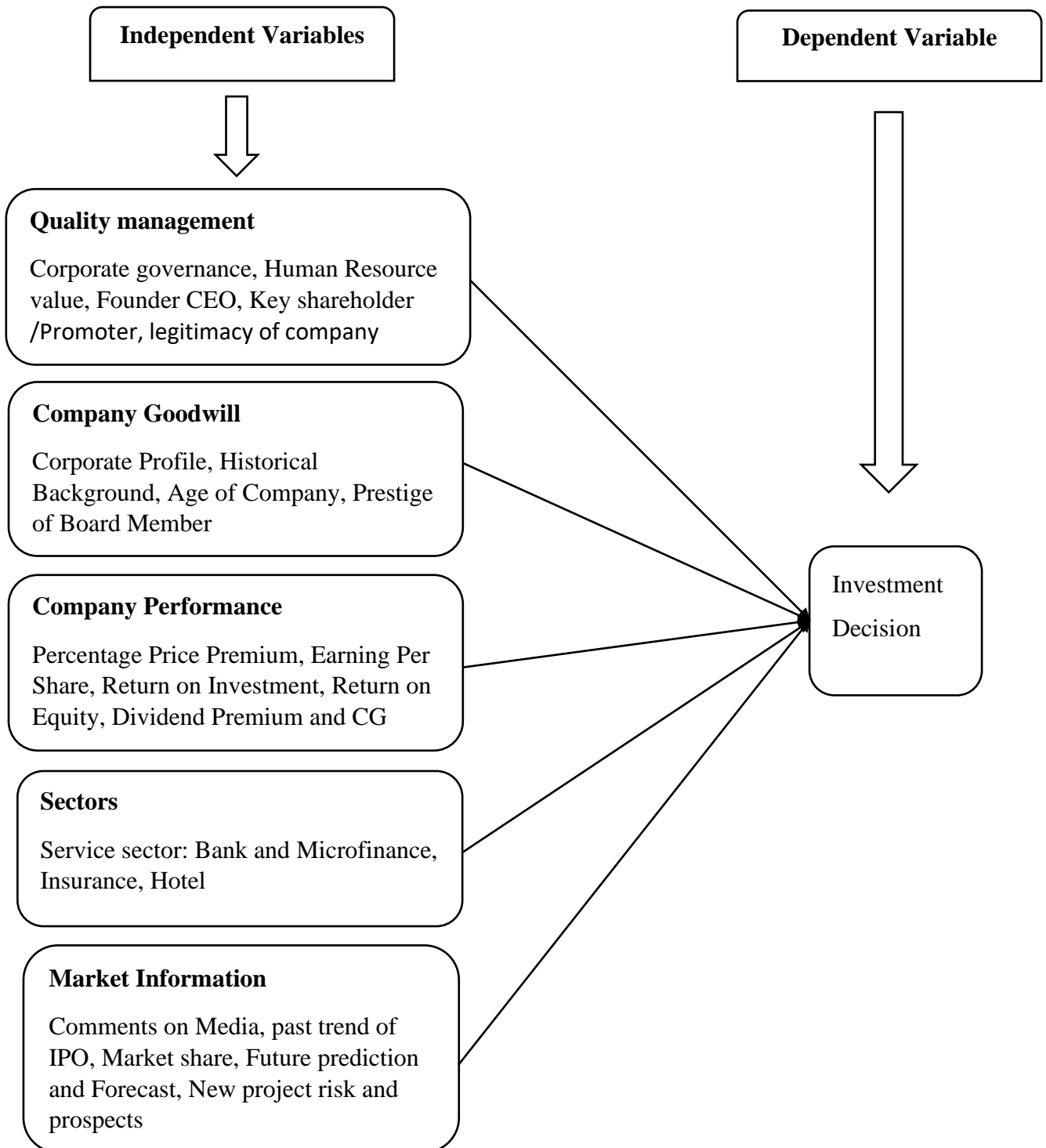
	in Mumbai.		broker advice and news in the media before investing in IPO.
Kunwar (2016)	To identify the awareness, perception and investment decision of individual investors towards initial public offering (IPO)	Descriptive and Inferential analysis	The study found that there was positive perception and awareness level was well above towards IPO in Nepal. It was clearly said that the perception and awareness level of investor towards IPO is indifferent based on their gender, age, occupation and monthly income.
Sarwar & Darwin (2016)	To find out investors' attitude towards the stock market in Dhaka city, Bangladesh.	Descriptive statistics	The study found that age, gender, income level (yearly), investment level have no association with the attitude of investors towards stock market. But educational qualification has an association with the investors' attitude towards stock market.
Singh & Yadav (2016)	To identify factors influencing the investor while investing in equity market.	Empirical survey research design was adopted.	The paper concluded that fundamental, technical and financial analysis are the main factors before investing in the shares. Company profile, BOD members, day to day news, performance of company are also considered.
Adhikari (2017)	To examine the Factors influencing individual investor's behavior during initial public offering (IPO) in Nepal.	Descriptive and inferential research design	Study found that capital appreciation, demographics trends, preferred source of information are the most important factor before making investment decision in IPO.
(Bajo & Raimondo (2017)	To identify the media sentiment and its impact on IPO underpricing.	Analytical research design by using textual analysis.	The result of the analysis stated that positive tones are positively associated with IPO underpricing which effect is stronger when news is reported close to the IPO date or by more reputable newspapers.

Pokharel (2018)	To examine the investors preference on stock market of Nepal Stock Exchange (NEPSE)	Descriptive statistics using simple frequency and percentage with the help of SPSS software.	Result showed that investor's preference for investment in listed companies of shares were the liquidity and high rate of return and the influencing factors of investment decision was broker's advice rather than the investors sole decision.
Vijayan & K R(2018)	A Study on the Factors Influencing IPO Overpricing and Underpricing in the Global Stock Market	Secondary data survey and paper analysis	The result of the analysis stated that IPO underpricing predominates overpricing in most of the articles. Large number of articles dealing with IPO pricing are analyzed and factors affecting IPO pricing are identified.
Vakil (2018)	A study of investor's perception towards risk return of investment in IPOs and its performance in stock market.	Descriptive and Analytical research design by using SPSS software.	The study found that investor evaluate IPO on the basis of risk and return relationship. They invest due to higher return, company profile, future expected growth and price. Furthermore, IPO generate better return in future rather than in short period of time.
D.M & S (2019)	To identify the Investors' Attitude towards Investment Decisions in Equity Market	Analytical research design	The study concluded by classifying investors as conservative, moderate and aggressive. Conservative investors avoid risk, moderate investors take medium risk tolerance and aggressive investors take high risk in their investment.
Singh, et al. (2019)	To study the gender diversity on board, IPO underpricing and the Predictive Power of Board Related Corporate Governance Mechanisms in Indian market.	Descriptive sample statistics and logistic regression model	The study reported that presence of woman director on board increases the likelihood of IPO underpricing in Contrary to independent director. Furthermore, board-related corporate governance mechanisms viz. gender diversity may be statistically significant predictors of IPO underpricing.

2.2 Research gap

Through various studies have been carried out related to IPO in different parts of the world, we find such studies lack in Nepal. This research is completely based on primary study analyzing the behavioral aspect of the investors. This research in this way explores the behavioral aspect of investors adding literature to the behavioral finance which has been ignored greatly by the Nepalese researcher till now. Few studies have analyzed the existing state of IPO in Nepal. However, none of the studies have been able to portray the complete picture of IPOs and its practices in Nepal. Furthermore, various changes have taken place and new policies have been developed regard to IPO. This research aims to fill the gap. Furthermore, this study tries to understand the pace of initial public offering. Investor's perception, procedures, rules, regulations, amendments as well as impact and relationship of different factors affecting to investment decision. This study will be helpful to public companies, issue manager, underwriters, investors, government organizations, general public, researcher and other parties related IPO. Research, related to stock market, are abundant in the literature, but the one which focus on IPO is very difficult to find. This research fills the gap and studies the perception of general investors towards IPO in Nepal. So, this study will be fruitful to those interested person, scholars, students, teachers, civil society, other stakeholders, businessmen and government for academically as well as policy perspectives.

2.3 Conceptual framework



Independent variables

The variable that is stable and unaffected by the other variables that the researcher trying to measure. These are the variables which influence the dependent variable. In this research there are five independent variable: Quality management, Company goodwill, Company performance, Company sector and Market information.

i. Quality management

Quality management is the act of overseeing all activities and tasks needed to maintain a desired level of excellence. This includes legitimacy of the company, corporate governance, human resource value, founder CEO, shareholder / promoter and prestige of board member.

ii. Company goodwill

Company goodwill relates an intangible value of the company which includes corporate profile, historical background of the company, and age of the company and current financial position of the company. It reflects the charming of the company.

iii. Company performance

It indicates the financial indicators of the company where company's return on investment, return on equity, earning per share, dividend capacity, net worth, loan and advances, position of assets and liabilities considered.

iv. Company sector

It represents the different sector of the company which are listed in the Nepal Stock Exchange. These sectors are banking, insurance, manufacturing, hydropower and hotel.

v. Market information

It is an information about the market and company that investor take through different sources. It includes comment on media, prospects of the company, past trend about IPO.

Dependent variable

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

CHAPTER III

METHODOLOGY

In this section an attempt has been made to describe the steps that are adopted by the researcher to collect and analyze the data collected from the field in the study. This chapter includes research design, target population, sampling method used, data collection instrument and procedure and analysis, interpretation and presentation.

3.1 Research design

The research study attempts to analyze the attitude of investors towards IPO in Nepal. To conduct the study two types of approach were adopted – descriptive and explanatory research design. These methods were found appropriate because the research intended to explore the cause-and- effect relationship between the different variables.

3.2 Population and sample

There are millions of investors involving in Nepal stock exchange. For the purpose of examining the attitude of investors towards IPO in Nepal, it was not practical to study the entire population of the individual investors owing to a number of constraints which include: time shortage, huge cost involved, human effort required to collect information among others. So, the target population for this study includes all the investors who invested in Initial Public Offering (IPO) in Kathmandu District. As a result, researcher selected 160 investors to represent the population. Although questionnaires were distributed to total of 160 sample respondents, only 145 of them responded. Kunwar (2016) in his study on the awareness, perception and investment decision of individual investor towards initial public offering (IPO) selected a sample of 116 investors to represent all the individual investors in the country.

3.3 Sample design

This study adopted convenience sampling to collect data from the respondents. It is because the researcher has convenient accessibility of data and proximity where 5 major brokerage firms located in Kathmandu were visited to find the respondents

which would represent the investor of the country. Furthermore, convenience sampling is ideal to deal with too large population.

3.4 Sources of data

This study was used only primary data to meet the specific objective of the study. There are many different types of primary data sources, such as interviews, questionnaire, observation or experiments so in this study questionnaire survey is taken to examine the perception of investors towards IPOs in Nepal.

The data for research was collected with the help of a questionnaire based on a 5-point rating scale ranging from 1-very high consider to 5-very low consider. The rating scale ranges from 1 to 5 as follows:

1 – Very high consider

2 – High consider

3 – Moderate consider

4 – Low consider

5 – Very low consider

32 opinion statements were set to measure 6 different variables among which 5 are independent variables, 1 is dependent variable. 28 different opinion statements were used to describe independent variables namely “Quality management”, “Company Goodwill”, “Company Performance”, “Company Sector” and “Market Information”. 4 different opinion statements described dependent variable which is “Investment decision”.

3.4 Data collection procedure

The study used primary data since it provides relevant and current data in the subject of study. The data was acquired by using questionnaires. Questionnaires were handed out through delivery and collection method. Delivery and collection of questionnaires allow researcher to confirm that the questionnaires were filled up completely and reduce the occurrence of missing data. It facilitates the researcher to explain

respondents about any queries they may have regarding the questionnaire. This, in turn, would increase the accuracy of the data being collected.

Questionnaires for this study were handed out to investors of 5 brokerage firms inside Kathmandu valley. The data collection phase was estimated to be spanned over a total of 3 days. Responses on the questionnaire were received within a period of 5 days.

3.5 Data analysis tools and techniques

The data collected from the questionnaire were analyzed using statistical tools and the results are presented. The analysis starts with the analysis of primary data through SPSS. Data collected from the respondent were coded and tabulated into SPSS worksheet. Cronbach's alpha coefficient was used for scaled items to test the reliability. MS- Excel is used for quantitative data entry and analysis. Mean and standard deviation has been presented for the descriptive study for variables to analyze the factors that influencing in investment decision on IPO in Nepal. Regression, correlation and hypothesis has been used for inferential analysis. Test of significance has been conducted to make the results more effective. The conclusions and recommendations are completely based on the findings of the study.

3.6 Reliability test of data

In order to understand whether the question in this questionnaire all reliably measure the variables under study a Cronbach's Alpha(α) was run on a sample of 145 items. Quality and consistency of survey was assessed with Cronbach's Alpha.

Table: 3.1 Reliability test of dependent and independent variables

S.N.	Variables	Cronbach's Alpha	No of item (N)
1.	Quality management	.765	6
2.	Company goodwill	.656	5
3.	Company performance	.692	6
4.	Company sector	.724	6
5.	Market information	.628	5
6.	Investment decision	.742	4

Sources: Field Survey, 2019

Table 3.1 shows the Cronbach's alpha coefficients of independent variables- Quality management, Company goodwill, Company performance, Company sector and Market information. It is typically associated with internal consistency with values ranging from 0 to 1. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good' Sekaran (2000). Here, Cronbach's Alpha of all variable is between 0.6 to 0.8 & above. So, they are acceptable. Therefore, the instruments used in this research are considered to be reliable.

Mean

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

Standard deviation

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

Correlation analysis

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

one variable are strongly correlated with change in second variable. When correlation(r) is close to zero then there is weak relationship between two variables.

Regression analysis

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regression is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables. It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Regression model

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_i$$

Where,

\hat{Y}	=	Investment decision (dependent variable)
X_1	=	Quality management
X_2	=	Company goodwill
X_3	=	Company performance
X_4	=	Company sectors
X_5	=	Market information
α	=	Constant
$\beta_1, \beta_2 \dots \beta_5$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term.

CHAPTER IV

RESULTS

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 145 respondents. Data were analyzed with reference to the objectives of this research as mentioned in the earlier chapter. The primary purpose of this chapter is to analyze and interpret the collected data and present the results derived from the analysis of the data.

4.1 Respondent profile

Respondents profile has been shown in the following table;

Table 4.1 Distribution of respondents profile

	Profile	Frequency	Percent
Age	Below 25	20	13.8
	25-40	79	54.5
	41-55	41	28.3
	Above 55	5	3.4
	Total	145	100
Gender	Male	80	55.2
	Female	65	44.8
	Total	145	100
Educational Level	SLC	9	6.2
	Intermediate	21	14.5
	Bachelor	64	44.1
	Master level or above	51	35.2
	Total	145	100
Occupation	Business	4	2.8
	Investor	68	46.9
	Farmer	4	2.8
	Service	32	22.1
	Student	37	25.4
	Total	145	100
Investment amount in IPO	1-10 thousand	85	58.62
	10-50 thousand	35	24.14
	50-100 thousand	19	13.10
	1 lakh and above	6	4.14
	Total	145	100

Sources: Field Survey, 2019

According to Table 4.1, 13.8% of the respondents were of the age group of below 25 years, while those between 25-40 years were 54.5% of the respondents. Similarly, out

of the total respondents, 28.3% and 3.4% of the respondents were aged between 41-55 years and above 55 years respectively. This shows that most of the retail investor respondents were in their prime ages between 25-40 years old which falls in the category of the youth.

Out of total respondents, 55.2% of the respondents were male and 44.8% were female. This concluded that male respondents were more than female.

Majority (44.1%) of the respondents had completed bachelor, 35.2% and 14.5% respondents had completed master level and above and intermediate respectively. While, only few (6.2%) respondent had completed S.L.C. This implies that most of the respondents were literate and this forms a good foundation for investor's awareness.

More than one-third (46.9%) of the respondents had stock investment as their main occupation, 25.5% respondents were student and 22.1% respondents had service. Among the total respondents 2.8% had business as their main occupation and also 2.8% were farmers.

Majority (58.62%) of the respondents had amount 1-10 thousand invested in IPOs. Among the respondents, those who have invested amount Rs. 10-50 thousand and 50-100 thousand are 24.14% and 13.10% respectively whereas, only 4.14% had investment amount Rs. 1lakh and above in IPO.

4.2 Descriptive statistics

Descriptive statistics is used to analyze the data collected from the respondents during the research process. In this part we present frequency distribution for each service dimensions which they create our dependent variables and show other information such as minimum, maximum, mean and standard deviation for each of them. The rating of the factors was scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

4.2.1 Quality management

Quality management is one of the independent variables of the research. Six factors related to quality management were analyzed to find its relationship with investment decision. The six factors are QM1= Legitimacy of the company, QM2= corporate governance, QM3= Human resource value, QM4= Founder CEO, QM5= key

shareholder/ promoter and QM6 = Prestige of board member. The rating of the factors was scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

Table 4.2 Descriptive statistics of quality management

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
QM1	Do you consider that legitimacy of company affects your investment in IPO	145	3	1.6621	.7474
QM2	Do you consider that corporate governance affects your investment in IPO	145	3	2.0828	.92424
QM3	Do you consider that human resource value affects your investment in IPO	145	3	1.9724	.84117
QM4	Do you consider that founder CEO affects your investment in IPO	145	3	2.4000	.91591
QM5	Do you consider that key shareholder / promoter affects your investment in IPO	145	3	1.9517	0.94524
QM6	Do you consider that prestige of board member affects your investment in IPO	145	3	2.0138	1.06710
	Quality management	145	3	2.1379	.78723

Sources: Field Survey, 2019

Table 4.2 shows descriptive statistics of the quality management that investor considers while making investment decision on IPO. All means value is less than 3 which means that investor highly consider quality management while investing in IPO. QM1 has the lowest mean of 1.6621 and standard deviation .7474 which means that investors very highly consider legitimacy of the company before investing in IPO. Similarly mean value of QM2, QM3, QM5 and QM6 are almost similar to each other which indicates that investors give highly consideration on these factors. Similarly, QM4 is also highly consider factor where mean is 2.40. The standard deviation of all the factors range between 0.74 to 1.0 which indicates that all the investors have nearly almost same opinion. Similarly, the overall mean value for quality management is 2.1379 with standard deviation of .78723. This indicate that the quality management is highly considerable factor while investing in the IPO.

4.2.2 Company goodwill

Company goodwill is one of the independent variable of the research. Five factors related to Company goodwill were analyzed to find its relationship with investment decision. The five factors are CG1= Corporate profile, CG2= Historical background, CG3= Age of the company, CG4= Prestige of board member and CG5= Current financial position. The rating of the factors were scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

Table 4.3 Descriptive Statistics of Company Goodwill

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
CG1	Do you consider that Corporate profile will affects, when investing in the IPO	145	3	1.6414	0.7788
CG2	Do you consider that Historical background will affects, while investing in the IPO	145	3	1.8828	1.017
CG3	Do you consider that age of the company affects your investment in IPO	145	3	1.7862	1.008
CG4	Do you consider that prestige of board member will affects while investing in the IPO	145	3	1.889	.9288
CG5	Do you consider that current financial position affects your investment in IPO	145	3	1.6690	1.1429
	Company goodwill	145	3	1.5655	.70528

Sources: Field Survey, 2019

Above Table 4.3 shows descriptive statistics of the company goodwill that investor consider while making investment decision on IPO. All the mean values are near about 2 which means that investor highly consider company goodwill while investing in IPO. The mean value of every indicator between 1.64 to 1.88 which shows that investor give high consideration to each indicator of company goodwill before investing in IPO. The standard deviation of all the factors range between 0.77 to 1.1 which indicates that all the investors have nearly almost same opinion. Finally the overall mean value for Company goodwill is 1.5655 with standard deviation of .705.

This indicate that the Company goodwill is highly considerable factor while investing in the IPO.

4.2.3 Company performance

Company performance is also one of the independent variable of the research. Six factors related to Company performance were analyzed to find its relationship with investment decision. The six factors are CP1= ROI, CP2= ROE, CP3= Price premium, CP4= Earnings per share, CP5= Dividend premium and CP6= Capital gain. The rating of the factors were scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

Table 4.4 Descriptive Statistics of company performance

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
CP1	Do you agree that ROI make investor to invest in IPO.	145	3	1.8138	.9573
CP2	Do you agree that ROE make investor to invest in IPO.	145	3	1.8069	.6486
CP3	Do you consider that percentage price premium make investor to invest in IPO/FPO.	145	3	1.5241	0.9058
CP4	Do you consider that earning per share make investor to invest in IPO.	145	3	1.7448	1.0526
CP5	Do you consider that dividend premium matter more for your investment in IPO.	145	3	1.9448	1.091
CP6	Do you consider that capital gain while investing in IPO.	145	3	1.9862	1.034
	Company performance	145	3	1.7379	.60116

Sources: Field Survey, 2019

Above Table 4.4 shows descriptive statistics of the company performance that investor consider while making investment decision on IPO. All the mean values are less than 2 which means that investor highly consider company performance while investing in IPO. CP3 has a lowest mean of 1.5241 which means that investors more consider Price premium then other dimension before investing in IPO. Similarly, mean value of CP1,

CP2, CP4 and CP5 have almost similar mean values between the range 1.74 to 1.98 which mean that investor give highly consideration to each of four factors. The standard deviation of all the factors range between 0.64 to 1.0 which indicates that all the investors have nearly almost same opinion. The overall mean value for Company performance is 1.7379 with standard deviation of 0.60116. This indicate that the Company performance is highly considerable factor while investing in the IPO.

4.2.4 Company sector

The company sector is one of the five independent variable, which relates with investment decision, dependent variable. Six factors related to Company Sector were analyzed to find its relationship with investment decision. The six factors are CS1= Investment in the banking sector, CS2= Investment in Microfinance, CS3= Investment in insurance company, CS4= Investment in manufacturing company, CS5= Investment in hydropower sector and CS6= Investment in hotel. The rating of the factors were scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

Table 4.5 Descriptive statistics of company sector

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
CS1	Do you consider that investment in the banking sector of IPO is better.	145	3	1.593	.8374
CS2	Do you consider that investment in microfinance.	145	3	1.469	.7934
CS3	Do you consider that investment in insurance company of IPO is better.	145	3	1.745	.8562
CS4	Do you consider that investment in manufacturing company.	145	3	1.821	0.7328
CS5	Do you consider that investment in hydropower company of IPO is better.	145	3	2.496	1.028
CS6	Do you consider that investment in IPO of Hotel.	145	3	1.931	1.171
	Company sector	145	3	1.979	.7309

Sources: Field Survey, 2019

Above Table 4.5 shows descriptive statistics of the company sector that investor consider while making investment decision on IPO. The mean of each question are less than 2 (>2) except hydropower sector (CS5). Which means that investors highly consider all the sector before making investment decision except CS5. The mean value of CS5 is 2.496 with standard deviation of 1.028 for the statement “Do you consider that investment in Hydropower Company of IPO is better”, shows that investors have moderate consideration with this sector. Investors very highly consider on microfinance sector where 1.469 is the lowest mean value with 0.7934 standard deviation. The overall mean value for company sector is 1.979 with the standard deviation of 0.7309, which means that investors highly consider company sector while investing in IPO in Nepal.

4.2.5 Market information

Market information is one of the independent variable of the research. five factors related to market information were analyzed to find its relationship with investment decision. The five factors are MI1= Comment on media, MI2= Future prediction and forecast, MI3= New project and prospects, MI4= market share and MI5= past trends of IPO. The rating of the factors were scaled from 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider). Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4.6 Descriptive statistics of market information

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
MI1	Do you consider that comment on media affects your investment in IPO.	145	3	1.800	1.000
MI2	Do you consider that future prediction and forecast affects your investment in IPO.	145	3	1.910	.9495
MI3	Do you consider that new project risk and prospects affects your investment in IPO.	145	3	1.648	.7864
MI4	Do you consider that market share will affect, while investing in the IPO.	145	3	2.321	.8514
MI5	Do you consider that the past trend of IPO, while investing in the IPO.	145	3	1.979	.777
	Market information	145	3	1.752	.7503

Sources: Field Survey, 2019

Above Table 4.5 shows that the mean of each question are less than 3 (>3), which means that investors highly consider the market information before making investment decision. The standard deviation of all the factors range between 0.77 to 1.00 which indicates that all the investors have almost same opinion. The overall mean value for market information is 1.752 with the standard deviation of 0.7503 which means that investors have high level of consideration with market information.

4.2.6 Investment decision

Investment decision of investor in this research is considered to be the dependent variable and various other concepts have been considered as independent variables. The relationship between such independent variable is explained above separately with the dependent variable. Respondents were asked four questions in order to examine their perception in making investment decision. The questions are PID1= Do you consider buying / selling of IPO, PID2 = Do you consider that individual investor have more risk in IPO investment, PID3 = Do you consider that IPOs are risk free form of investment and PID4 = Do you consider that IPOs are guaranteed way of making money. The rating for the questions scaled form 1(Very High Consider), 2(High Consider), 3(Moderate Consider), 4(Low Consider), 5(Very Low Consider).

Table 4.7 Descriptive statistics of investment decision of respondent in IPO

Code	Opinion statement	N	Test Value	Mean	Std. Deviation
PID1	Do you consider buying / selling of IPO.	145	3	1.483	.8827
PID2	Do you consider that individual investor have more risk in IPO investment.	145	3	2.758	1.209
PID3	Do you consider that IPOs are risk free form of investment.	145	3	1.765	1.054
PID4	Do you consider that IPOs are guaranteed way of making money.	145	3	2.173	.861
	Investment decision	145	3	1.8138	.8659

Sources: Field Survey, 2019

Table 4.7 shows descriptive statistics of the investment decision of respondent in IPO. All the mean values are less than 3(>3), except PID2 which means that respondents are highly consider all the dimensions of investment in IPO except PDI2. The mean value of PDI2 is 2.758 with standard deviation of 1.209 for the statement “Do you consider that individual investor have more risk in IPO investment.”, shows that investors have moderate level of consideration with this dimension. The overall mean value is 1.8138 with the standard deviation of 0.8659 which means that respondents have high level of consideration with above four dimensions while making investment decision in IPO.

4.3 Inferential analysis

The purpose of this section is to present the method for analyzing the empirical results, test the hypothesis set, built in previous chapter. Inferential statistics are procedures used that allow researchers to infer or generalize observations made with samples to the larger population from which they were selected. It enables use of one or more samples of observations to infer values of a population. Inferential analysis test hypotheses to determine if observed differences between groups or variables are real or occur simply by chance. It produces new information by making predictions and generalizations based on samples. This section consists of two analysis tools which are:

4.3.1 Correlation analysis

Pearson Correlation analysis is used to determine the relation between various independent and dependent variables associated with the research. It measures the linear correlation between any two variables. This analysis was carried out for variables having simple multi option answers. Correlation matrix was computed to assess the extent or degree of relationship in between the research variables. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Meanwhile, a negative correlation reveals an inverse of the above; an increase in one when the other decreases. Correlation between Independent and Dependent variables is shown in Table 4.10:

Table 4.8 Correlation analysis

Variables	Investment decision
Quality management: Pearson Correlation Sig. (2-tailed) N	.466** .000 145
Company goodwill: Pearson Correlation Sig. (2-tailed) N	.719** .000 145
Company performance: Pearson Correlation Sig. (2-tailed) N	.573** .000 145
Company sector: Pearson Correlation Sig. (2-tailed) N	.751** .000 145
Market information: Pearson correlation Sig.(2-tailed) N	.441** .000 145
Investment Decision: Pearson Correlation Sig. (2-tailed) N	1 145

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

Sources: Field Survey, 2019

4.3.1.1 Relationship between quality management and investment decision

The Pearson Correlation coefficient between the independent variable Quality Management and dependent variable Investment Decision is .466, which implies that the two variables are positively correlated and there is correlation between Quality Management and perception in investment decision. The positive coefficient of correlation is .466 at 1% significant level.

4.3.1.2 Relationship between company goodwill and investment decision

The Pearson Correlation coefficient between the independent variable company goodwill and dependent variable investment decision is .719, which implies that the two variables are positively correlated and there is correlation between company goodwill and investment decision. The positive coefficient of correlation is .719 at 1% significant level.

4.3.1.3 Relationship between company performance and investment decision

The Pearson Correlation coefficient between the independent variable Company performance and dependent variable investment decision is .573. Which implies that the two variables are positively correlated. The positive coefficient of correlation is .573 at 1% significant level.

4.3.1.4 Relationship between company sector and investment decision

The Pearson Correlation coefficient between the independent variable Company sector and dependent variable investment decision is .751, which implies that the two variables are positively correlated. The positive coefficient of correlation is .751 at 1% significant level.

4.3.1.5 Relationship between market information and investment decision

The Pearson Correlation coefficient between the independent variable Market information and dependent variable investment decision is .441, which implies that the two variables are positively correlated. The positive coefficient of correlation is .441 at 1% significant level.

4.3.2 Hypothesis testing

Hypothesis testing is the use of statistics to determine the probability that a given hypothesis is true. Hypothesis testing is done by using inferential analysis. Inferential analysis test hypothesis to determine if observed differences between groups or variable are real or occur simply by chance. If sample data are not consistent with the statistical hypothesis, the hypothesis is rejected. Each hypothesis is tested and analyzed individually and the analysis is done with a system designed for statistical analysis (SPSS). Each hypothesis is tested on the basis of the Pearson's correlation coefficient presented in table 4.8.

The results of each of these hypotheses are presented below.

Table 4.9 hypothesis testing

S. N	Alternative hypothesis	Result/ Finding
H1	There is relationship between Quality management and investment decision.	0.000<0.01, H1 is accepted.
H2	There is relation between Company goodwill and investment decision.	0.000<0.01, H2 is accepted.
H3	There is relationship between Company performance and investment decision.	0.000<0.01, H3 is accepted.
H4	There is relationship between Company sector and investment decision	0.000<0.01, H4 is accepted
H5	There is relationship between Market information and investment decision.	0.000<0.01, H5 is accepted.

Sources: Field Survey, 2019

Above table 4.9 shows that there exist relationship between each independent variable with dependent variable (Investment decision). The correlation is significant at 1% significant level, as each p-value is less than alpha i.e. $0.000 < 0.01$. Hence, all hypothesis are accepted.

4.3.3 Regression analysis

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables. But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the 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 regressions were used to explore the impact of independent variables (Quality management, Company goodwill, Company performance, Company sector, Market information) on dependent variable perception in investment decision.

Statistically regression equation can be written as:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_i$$

Where,

\hat{Y}	=	Investment decision (dependent variable)
X_1	=	Quality Management
X_2	=	Company Goodwill
X_3	=	Company performance
X_4	=	Company Sector
X_5	=	Market Information
α	=	Constant
$\beta_1, \beta_2 \dots \beta_5$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term

Table 4.10 Model summary

Model	R	R Square	Adjusted R	Std. Error of the Estimate
1	.836 ^a	.698	.687	.48407

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

Model summary indicates that the R- square also known as coefficient of determination which can help in explaining variance. The R² value of 0.698 in table 4.10 indicates that the model explains that 69.8% of independent variables are responsible for investment decision in IPO. However, the remaining 30.2 % is still unexplained in this research. Model summary also indicates the standard error of the estimate of 0.48407 which shows the variability of the observed value of investment decision from regression line is 0.48407 units.

Table 4.11 ANOVA test**ANOVA^a**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.402	5	15.080	64.357	.000 ^b
	Residual	32.571	139	.234		
	Total	107.972	144			

a. Dependent variable: Investment decision

b. Predictor: (constant), market information, company sector, company performance, quality management, company goodwill.

The ANOVA test shows that the calculated p-value, 0.000, which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (quality management, company goodwill, company performance, and company sector and market information) are significant in explaining the variance in investment decision in IPO.

Table 4.12 Coefficient analysis

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-0.571	.155		-3.675	.000
Quality Management	.148	.059	.135	2.530	.013
Company Goodwill	.337	.085	.274	3.957	.000
Company Performance	.205	.084	.142	2.427	.017
Company Sector	.487	.078	.411	6.238	.000
Market Information	.126	.062	.109	2.031	.044

Dependent variable: Investment Decision

On the basis of above findings, the following model has been developed.

$$\hat{Y} = -0.671 + 0.148X_1 + 0.337X_2 + 0.205X_3 + 0.487X_4 + 0.126X_5$$

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable. The results presented in Table 4.12, shows that company sector ($\beta_4=0.487$, $p=0.000$) carries the heaviest weight for investment decision, followed by Quality management ($\beta_1=0.148$, $p=0.013$), Company goodwill ($\beta_2=0.337$, $p=0.000$), Company performance ($\beta_3=0.205$, $p=0.017$), Market information ($\beta_5=0.126$, $p=0.044$). The results showed that a one-unit increase in company performance would lead to a 0.205 unit increase in investment decision keeping other variables constant. Similarly, one unit increase in Quality management factor would lead to a 0.148 unit increase in investment decision, one unit increase in Company goodwill factor lead to a 0.337 unit increase in investment decision and so on. In conclusion, quality management,

company goodwill, company performance, company sector and market information dimensions are significant. Thus, the result of multiple regression analysis accepts alternative hypotheses that there is positive relationship between independent variables and dependent variable in investment decision.

4.4 Major findings of study

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

- i. The overall average mean value of Quality management is 2.1379, which shows that respondents highly consider it while making investment decision in IPO.
- ii. The overall average mean value of Company goodwill is 1.5655, which shows that respondents agree to highly consider Company goodwill is an important factor before investing in IPO.
- iii. The overall mean of Company performance is 1.7379 which shows that respondents highly consider that company performance is an important factor which affects in investment decision.
- iv. The overall mean of Company sector is 1.9793 which show that the general investor give more importance to company sector while making investment decision in IPO.
- v. The aggregate mean of investment decision is 1.8138, which reveals that there is highly positive perception among investor towards Initial Public Offering (IPO) in Nepal.
- vi. The objective of this research is to examine the perception of investor towards initial public offering (IPO) in Nepal. Five research hypotheses were formulated and tested to test the impact of five dimensions (quality management, company goodwill, company performance, and company sector and market information) considering investment decision.
- vii. The significance of the hypothesis between the variable are also analyzed from the significant value drawn from the sample. All five alternatives are accepted.

- viii. The correlation results were used to answer the five research hypotheses. The Pearson Correlation coefficient between all five independent variables and dependent variable (investment decision) was done, which implies that five variables (quality management, company goodwill, company performance, company sector and market information) are positively correlated at 1% significant level.
- ix. The value of R-square value is 0.698 which means 69.8 % variation in investment decision is explained by the independent variables. However, the remaining 30.2 % is still unexplained in this research.

4.5 Discussion

In IPO, there have been many researches entitled around the world. Many researches were contributed in different dimensions of IPO. D.M & S (2019) studied the investors attitude towards investment decision in equity market showed that stock market have different attitude towards risk and return, where some investors are risk bearer and some are risk avoider. The risk bearer attitude will be based on personal, economical, environment and situational factors such as income, family size expenditure pattern and age. Similarly, Nagtilak & Kulkarni (2015) conducted the study on investor's perception towards initial public offering in Mumbai revealed that IPO is risk free form of investment where careful research and study needed. Likewise, vakil (2018) study of investor's perception about IPO and IPOs performance in stock market found that there exists risk return relationship on the behalf of investing in IPO. Investors invest in IPO due to expected higher return, company profile i.e. history of company, future expected growth in the form of dividend, earning per share and price. So above studies have same level of contribution and findings as like the study "perception of general investor towards IPO in Nepal. This research clearly indicates that company goodwill, company performance and market information are major factors which largely affect in perception in investment decision in IPO. company sector and quality management also are the highly considered factors. This study contributes 69.8% on the perception in investment decision on IPO. This research is completely consistent with the above studies

CHAPTER V

CONCLUSIONS

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

5.1 Summary

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

In order to meet the objectives, primary data were collected from the IPO investors, who were contacted personally at 5 different brokerage houses in Kathmandu district. There were 5 hypotheses set to reach the valid conclusion on the objectives of the study. The questionnaire with 32 questions was adapted to answer research hypotheses. 160 questionnaires were distributed among investors of IPO in different brokerage houses. Finally, 145 valid questionnaires were selected and data analysis was applied to them. Finally, the researcher came to know that all the tested variables have impact on investment decision.

In order to determine the survey result, different statistical tests have been performed. At first, descriptive analysis was done to determine the average value and standard deviation of each variable under each hypothesis. There were at least 4 to 6 questions or variables to measure each hypothesis. Respondents answered on a five-point Likert scale ranging from 'Very high consider' to 'Very low consider'. The responses were collected and the data was arranged and analyzed using Microsoft Excel and SPSS software packages.

5.2 Conclusions

The main purpose of the research study was to examine the perception of investor towards initial public offering (IPO) in Nepal. All the factors with its sub factors have analysis critically and it was found that all factors such as Quality management, Company Goodwill, Company performance, Company sector and Market Information have the correlation with each other and also have a significant impact over the perception of general investor while making investment decision. Among the factor company goodwill was found to be highly considered before investing by the investor, whose mean value was $1.5655 \pm .18$ followed by company performance and market information.

The study revealed that majority of the investors in IPO are male which means that male are more interested in investing in IPO. Male have dominant involvement in share market of Nepal. Similarly, most of the investors belongs to the age group of 25 to 40 because people of this age group are active and much risk taker then other age group. Most of the investors have educational qualification of bachelor degree and accordingly master or above. Similarly, it was found that most of the investors have invested less than 10 thousand amount investment in IPO.

Investors are found to have required awareness level on order to invest in IPO. Investor also consider IPO as risk free form of investment. A person's data analysis of consideration company goodwill revealed a positive correlation, $r = 0.719$ $p = 0.000$, while making investment decision. General investors who invest in primary market highly considered while investing money.

5.3 Implication and recommendations

This research examines the perception of investors towards IPO market of Nepal. It analyzes the relationship and examines the impact of different factors (quality management, company goodwill, company performance, and company sector and market information) considering investment decision on IPO. This study found that there was positive relationship between the variables which clearly indicates that investors highly consider all the factors before making investment decision on IPO. Investors much more consider company goodwill, company performance and market information and accordingly company sector and quality management while investing

in IPO. Therefore, this study contributes to all who tries to entrance in this sector.it helps to concerned companies, issue managers, regulatory bodies (NRB, NEPSE, SEBON), students and researcher to acknowledge about the current psychology of the primary investors.

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

Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature, apart from improving on the aspect of Perception of Investor towards Initial Public Offering (IPO) in Nepal.

According to the interpretations of the study to success in the Nepalese stock market investors should always be clear to their strength, weakness, requirement, risk taking capabilities and how to react on different and ever-changing market conditions. They should not buy the shares of a company until they know details about it. Before investing in any company all the investor must go through the company's financial details, prospects and other relevant information about the company rather than market whim and rumors. Investment bankers and issues play vital role in the IPO process, they should try to give more transparent, fast, hassle free service so that more public involve in the IPO. Issuing companies should make a good choice regarding the type of issues and understand the market sentiment to make their IPOs successful. Most IPO subscriber in Nepal are short term investors who are interested to sell their stocks as soon as they are listed in stock exchange. Also, they are not aware about the process of IPO. They are investing on IPO as a quick way to make money rather than a long-term investment.

- i. This research only focused on the five factors. However, future research regarding the relationship may provide insight about other variables that may have an effect on investment decision apart from the variables mentioned in this study.

- ii. This study is purely an academic research, so sample size is small. For the professional research purpose, in order to reduce the error and to make the result more pervasive sample size should be increased.
- iii. This research was confined within Kathmandu district. Research can be conducted in overall country to make the research more effective and genuine.
- iv. The concerned authority should conduct various research studies and disseminate the information relating the shares trading activities to increase the understanding of the investors in using financial tools to estimate the intrinsic value of the shares of a company before making investment decision.
- v. A recommendation for future researcher is to use a larger sample of participants comprised of the entire stock market as a whole so exact scenario of stock market in Nepal can be identified.
- vi. The data were collected only through questionnaire, survey form and feedback. Future researcher can collect the response through conducting detailed interview techniques to understand the perception of investors towards IPO in Nepal.

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Appendix-I

Research Questionnaire “Perception of general investors towards Initial Public Offering (IPO) In Nepal”

Dear investors,

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

Respondents Profile

1. Name:2. Age:3. Gender: Male Female
4. Education: SLC Intermediate Bachelor Master level or above
5. Occupation: Business Investor Farmer Service
 Student
6. Investment amount in IPOs: 1 - 10 thousand 10 – 50 thousand 50 – 100 thousand 1 lakh and above

Which factor do you consider more in the IPOs Investment?

1. Very High Consider 2. High Consider 3. Moderate Consider
4. Low Consider 5. Very Low Consider

S.N	FACTORS	1	2	3	4	5
A.	Quality Management					
1.	Do you consider that legitimacy of company affects in your investment in IPO.					
2.	Do you consider that Corporate Governance affects in your investment in IPO.					
3.	Do you consider that Human Resource Value that					

	affects in your investment in IPO.						
4.	Do you consider that founder CEO affects in your investment of IPO.						
5.	Do you consider that key shareholder/promoter affects in your investment in IPO.						
6.	Do you consider that prestige of Board Member will affect while investing in the IPO.						
	B. Company Goodwill						
1.	Do you consider that corporate profile will affect, when investing in the IPO.						
2.	Do you consider that Historical Background will affect, while investing in the IPO.						
3.	Do you consider that age of company affects in your investment in IPO.						
4.	Do you consider that prestige of Board member will affect while Investing in the IPO.						
5.	Do you consider that current Financial position affects in your Investment in IPO.						
	C. Company Performance						
1.	Do you agree that ROI make investor to invest in IPO.						
2.	Do you consider that ROE make investor to invest in IPO.						
3.	Do you consider that percentage price premium make investor to invest in IPO/FPO.						
4.	Do you consider that Earning Per Share make investor to invest in IPO.						
5.	Do you consider that Dividend Premium matter more for your investment in IPO.						
6.	Do you consider that capital gain while investing in IPO.						
	D. Company Sectors						
1.	Do you consider that investment in the banking sector of IPO is better.						
2.	Do you consider that investment in Microfinance.						
3.	Do you consider that investment in Insurance Company of IPO is						

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

Thanks for your time and consideration.

Appendix-II

Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	80	55.1724	55.2	55.2
Female	65	44.8276	44.8	100.0
Total	145	100.0000	100.0	

Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 16.00	3	2.0690	2.1	2.1
18.00	4	2.7586	2.8	4.8
21.00	3	2.0690	2.1	6.9
22.00	3	2.0690	2.1	9.0
24.00	7	4.8276	4.8	13.8
25.00	15	10.3448	10.3	24.1
26.00	7	4.8276	4.8	29.0
28.00	5	3.4483	3.4	32.4
29.00	4	2.7586	2.8	35.2
30.00	1	.6897	.7	35.9
31.00	9	6.2069	6.2	42.1
32.00	3	2.0690	2.1	44.1
33.00	7	4.8276	4.8	49.0
34.00	4	2.7586	2.8	51.7
35.00	7	4.8276	4.8	56.6
36.00	4	2.7586	2.8	59.3
37.00	5	3.4483	3.4	62.8
38.00	2	1.3793	1.4	64.1
39.00	6	4.1379	4.1	68.3
41.00	3	2.0690	2.1	70.3
42.00	1	.6897	.7	71.0
43.00	4	2.7586	2.8	73.8
45.00	9	6.2069	6.2	80.0
46.00	3	2.0690	2.1	82.1
47.00	1	.6897	.7	82.8
48.00	1	.6897	.7	83.4
49.00	3	2.0690	2.1	85.5
50.00	4	2.7586	2.8	88.3
51.00	4	2.7586	2.8	91.0
53.00	3	2.0690	2.1	93.1
55.00	5	3.4483	3.4	96.6
56.00	1	.6897	.7	97.2
70.00	4	2.7586	2.8	100.0
Total	145	100.0000	100.0	

Age group

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 25	20	13.7931	13.8	13.8
25-40	79	54.4828	54.5	68.3
41-55	41	28.2759	28.3	96.6
55 above	5	3.4483	3.4	100.0
Total	145	100.0000	100.0	

Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid SLC	9	6.2069	6.2	6.2
Intermediate	21	14.4828	14.5	20.7
Bachelor	64	44.1379	44.1	64.8
Masters and above	51	35.1724	35.2	100.0
Total	145	100.0000	100.0	

Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Business	4	2.7586	2.8	2.8
Investor	68	46.8966	46.9	49.7
Farmer	4	2.7586	2.8	52.4
Service	32	22.0690	22.1	74.5
Student	37	25.5172	25.5	100.0
Total	145	100.0000	100.0	

Investment amount in IPOs

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1-10 thousand	85	58.6207	58.6	58.6
10-50 thousand	35	24.1379	24.1	82.8
50-100 thousand	19	13.1034	13.1	95.9
1 lakh and above	6	4.1379	4.1	100.0
Total	145	100.0000	100.0	

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.765	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.656	5

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.692	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.724	6

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.628	5

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.742	4

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.867	32

Reliability

Scale: ALL VARIABLES

Case Processing Summary

		N	%
Cases	Valid	145	100.0
	Excluded ^a	0	.0
	Total	145	100.0

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

Reliability Statistics

Cronbach's Alpha	N of Items
.843	6

Appendix-III

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Do you consider that legitimacy of company affects in your investment in IPO.	145	1.00	4.00	1.6621	.74741
Do you consider that Corporate Governance affects in your investment in IPO.	145	1.00	5.00	2.0828	.92424
Do you consider that Human Resource Value that affects in your investment in IPO.	145	1.00	5.00	1.9724	.84117
Do you consider that founder CEO affects in your investment of IPO.	145	1.00	5.00	2.4000	.91591
Do you consider that key shareholder/promoter affects in your investment in IPO.	145	1.00	5.00	1.9517	.94524
Do you consider that prestige of Board Member will affect while investing in the IPO.	145	1.00	5.00	2.0138	1.06710
Do you consider that corporate profile will affect, when investing in the IPO.	145	1.00	4.00	1.6414	.77885
Do you consider that Historical Background will affect, while investing in the IPO.	145	1.00	4.00	1.8828	1.01724
Do you consider that age of company affects in your investment in IPO.	145	1.00	5.00	1.7862	1.00820
Do you consider that prestige of Board member will affect while Investing in the IPO.	145	1.00	4.00	1.8897	.92884
Do you consider that current Financial position affects in your Investment in IPO.	145	1.00	5.00	1.6690	1.14294
Do you agree that ROI make investor to invest in IPO.	145	1.00	4.00	1.8138	.95733
Do you consider that ROE make investor to invest in IPO.	145	1.00	4.00	1.8069	.64868
Do you consider that percentage price premium make investor to invest in IPO/FPO.	145	1.00	4.00	1.5241	.90587
Do you consider that Earning Per Share make investor to invest in IPO.	145	1.00	4.00	1.7448	1.05264
Do you consider that Dividend Premium matter more for your investment in IPO.	145	1.00	5.00	1.9448	1.09150
Do you consider that capital gain while investing in IPO.	145	1.00	4.00	1.9862	1.03405
Do you consider that investment in the banking sector of IPO is better.	145	1.00	4.00	1.5931	.83746
Do you consider that investment in Microfinance.	145	1.00	4.00	2.0690	1.11589
Do you consider that investment in Insurance Company of IPO is better.	145	1.00	4.00	1.7448	.85618
Do you consider that investment in manufacturing company.	145	1.00	4.00	1.8207	.73285
Do you consider the investment in Hydropower company of IPO is better.	145	1.00	5.00	2.4966	1.02824
Do you consider that investment in IPO of Hotels?	145	1.00	5.00	1.9310	1.17056
Do you consider that Comment on Media affects in your investment in IPO.	145	1.00	4.00	1.8000	1.00416
Do you consider that Future Prediction and Forecast affects your investment in IPO.	145	1.00	5.00	1.9103	.94954
Do you consider that New project risk and prospects affects in your investment in IPO.	145	1.00	4.00	1.6483	.78644
Do you consider that market share will affect, while investing in the IPO.	145	1.00	4.00	2.2138	.85136
Do you consider that the past trend of IPO, while investing in the IPO.	145	1.00	5.00	1.9793	.77700
Do you consider buying/ selling of IPO.	145	1.00	5.00	1.4828	.88273
Do you consider that individual investor have more risk in IPO Investment.	145	1.00	4.00	1.7586	1.20920
Do you consider that IPOs are risk free form of investment.	145	1.00	5.00	1.7655	1.05418
Do you consider that IPOs are guaranteed way of making money.	145	1.00	4.00	2.1724	.86076
Valid N (listwise)	145				

Descriptives

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality Management	145	1.00	5.00	2.1379	.78723
Company Goodwill	145	1.00	4.00	1.5655	.70528
Company Performance	145	1.00	3.00	1.7379	.60116
Company Sectors	145	1.00	4.00	1.9793	.73095
Market Information	145	1.00	4.00	1.7517	.75029
Perception in Investment Decision	145	1.00	4.00	1.8138	.86591
Valid N (listwise)	145				

Regression

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Market Information , Company Sectors , Quality Management , Company Performance , Company Goodwill ^b	.	Enter

a. Dependent Variable: Perception in Investment Decision

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.836 ^a	.698	.687	.48407	.698	64.357	5	139	.000

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

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75.402	5	15.080	64.357	.000 ^b
	Residual	32.571	139	.234		
	Total	107.972	144			

a. Dependent Variable: Perception in Investment Decision

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

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.571	.155		-3.675	.000
Quality Management	.148	.059	.135	2.530	.013
Company Goodwill	.337	.085	.274	3.957	.000
Company Performance	.205	.084	.142	2.427	.017
Company Sectors	.487	.078	.411	6.238	.000
Market Information	.126	.062	.109	2.031	.044

a. Dependent Variable: Perception in Investment Decision

Correlations

Correlations

		Perception in Investment Decision	Quality Management	Company Goodwill	Company Performance	Company Sectors	Market Information
Perception in Investment Decision	Pearson Correlation	1	.466**	.719**	.573**	.751**	.441**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	145	145	145	145	145	145
Quality Management	Pearson Correlation	.466**	1	.334**	.282**	.379**	.399**
	Sig. (2-tailed)	.000		.000	.001	.000	.000
	N	145	145	145	145	145	145
Company Goodwill	Pearson Correlation	.719**	.334**	1	.565**	.683**	.359**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	145	145	145	145	145	145
Company Performance	Pearson Correlation	.573**	.282**	.565**	1	.477**	.378**
	Sig. (2-tailed)	.000	.001	.000		.000	.000
	N	145	145	145	145	145	145
Company Sectors	Pearson Correlation	.751**	.379**	.683**	.477**	1	.307**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	145	145	145	145	145	145
Market Information	Pearson Correlation	.441**	.399**	.359**	.378**	.307**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	145	145	145	145	145	145

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