

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

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

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

Since, this is the era of globalization; rapid development in information technology and the advancement in transportation facilities have made the world as narrow as a village. The present world economy has been more competitive and complicated due to globalization of economies and market. Every sort of change occurring in one sector of the world affects the other. Healthy economy is dependent on efficient transfer of funds

from people who are net savers to firms and individuals who need capital. Without efficient transfer the economy simply cannot function. Economic efficiency is simply impossible without a good system for allocating capital within the economy. Nepal has predominantly a subsistent agricultural economy, which contributes about 40 percent of GDP and provides employment to more than 80 percent of the economically active population.

Investment means the sacrifice of current rupees for the future rupees in which two different attributes are generally involved i.e. time and risk. The sacrifice takes place in the present and is certain. The reward comes later, if any and the magnitude it's generally uncertain. In some cases the element of time predominates (for example government bonds). In other cases risk is the dominant attribute (for example call options on common stocks). In yet others, both time and risk are important (for example shares of common stock).

Initial Public Offering (IPO), also referred to simply as a “public offering”, is when a company issues common stock or shares to the public for the first time. They are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded.

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

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

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

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

The people or institutions responsible for finding out investors for the IPO of the securities sold in the primary market are called the investment bankers or issue managers. Investment bankers are also called underwriters; they purchase new issues from security issuers and arrange for their resale to the investing public. IPO generally involve one or more investment banks as "Underwriters". The company offering its shares

called the "issuer" enters a contract with an underwriter to sell its shares to the public. The underwriter then approaches investors with offers to sell these shares.

In Nepal, the first public issue of ordinary shares took place with the public issue of Biratnagar Jute Mills and Nepal Bank Limited in 1973 A.D. But the development of the capital market started in 1976 A.D. after the establishment of Security Exchange Center with the objective of facilitating and promoting the capital market in Nepal. It was the only capital market institution which undertook the job of brokering, underwriting and managing public issue, market making for government bond and other financial services. Security Exchange center dealt in the securities as a broker as well as a regulatory body. The center used to take, buy and sale only on orders from interested investors and confirm them if a price and quantity matched. There was no time limit within which a deal took place. It normally took one day to three weeks. Due to this, general public faced problems while buying-selling shares. Although the secondary market was non-functional and public were not fully aware of on the working of the capital market. The public response to the new issues of the shares of selected companies like bank and finance companies were overwhelming.

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.

Prior to the establishment of Securities Ordinance 2005, companies were required to get approval of their prospectus from Company Registrar's Office and then to receive approval from the SEBON in accordance with Securities Exchange Act, 1983 and the Companies Ordinance, 2005. This new ordinance which came into effect since September 23, 2005, has incorporated a provision that requires the public companies to register with the SEBON all securities before their issuance. The ordinance also made mandatory for issuing companies to prepare prospectus, and publish it for the public after getting SEBON's approval.

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

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

1.2 Focus of the Study

The study mainly focuses on the responses towards Initial Public Offering by individual investors. It also focuses on what they actually want in IPO before they actually invest their sector preference, their knowledge level,

and performance of issue managers. It also focuses in the distribution process of IPO, restriction on margin lending as IPO funding via financial institutional loans is not a healthy practice as it does not reveal the true picture of the company. Single investors apply hundreds of application showing dummy names. As a result they can capture large number of shares and can influence the company management and stock price too.

1.3 Statement of the Problem

The problem towards which this study is directed is to identify the investor's responses towards the IPO of financial as well as non-financial sector in Nepalese market, how is primary market growing in Nepal, how are the issue managers performing in IPO, generally what an investor expects from his or her investment, etc.

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

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

Today many company issue share. Only some fixed people are investing in share. Many people didn't know about IPO. Due to lack of fund people didn't invest in IPO. Many people didn't know financial institution provide loan for IPO. This research help them how to invest in IPO and how to manage fund for IPO. They also know about issue manager.

Due to the instable political situation of the country people generally hesitate to invest in the stocks.

1.4 Objectives of the Study

This study focuses on the investor's response to the Initial offering or primary issue of shares in perspective of Nepal. The specific objectives of the study are as follows:-

- ❖ Analyzing the growth of primary share issue market in Nepal.
- ❖ Evaluating the investors response to IPO.
- ❖ Identifying the performance of the investment bankers (issue managers) in the process of IPO.
- ❖ Identifying the impact of the financial institutions loans for Primary issue of share funding.
- ❖ Identifying the information effect on the investors response to IPO.

1.5 Significance of the Study

This study seems to be helpful to the prospective investors and the organization in the field of public Offering as there is still lack of study regarding IPO in Nepal. This study will assist in the formulation of policy and will assist the policy makers to get the practical knowledge of existing rules and regulations.

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

This study will be significant to analyze the legal provision, possibilities, problems and prospects of IPO in Nepal. It will also be helpful to know the investors response to IPO of different industries. The prospective offering company may also get significant knowledge from this study.

1.6 Limitations of the Study

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

-) This study is mainly based on secondary data also, so the accuracy of research depends upon the reliability of the data.
-) Data's upto 2007 are included in this study.

1.7 Organization of the Study

Chapter I-Introduction

This chapter contains introductory part. It describes the general background of the study, statement of the problem, objective of the study, significance of the study, limitation of the Study and organization of the study.

Chapter II- Review of Literature

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

Chapter III- Research Methodology

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

Chapter IV- Data Presentation and Analysis

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

Chapter V- Summary, Conclusion and Recommendations

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, recommendations have been given.

CHAPTER - II

INTRODUCTION

Review of literature is made by researcher after the selection of topic to develop concepts and ideas about the selected topic by reviewing all the relevant materials. It deals with a literature survey of the existing volumes of similar or related subjects. Generally, review of literature means reviewing research studies or other relevant propositions in the related area of the study so that all the past studies, their conclusions and deficiencies may be known and further research can be conducted. It is an integral and mandatory process in research works.

A review of literature is a classification and evaluation of what accredited scholars and researchers have written on a topic, organized according to a guiding concept such as a research objective, thesis or the issue to be addressed. Scholarly journals always cite their sources in the form of footnotes or bibliographies. Authors are scholars in the field or someone who has done research in the field. Scholarly language is that of the discipline covered and assumes some scholarly background on the part of the reader. The main purpose of the review of literature is to report on original research or experimentation in order to make such information available to the rest of the scholarly world. In another word, a literature review is an account of what has been published on a topic by accredited scholars and researchers. Literature review thoroughly summarizes the recognized facts and information in academic literature about a given subject.

Review of literature is basically stocktaking of available literature in the field of research. The textual contains would help the researcher to support the area of research in order to explore the relevant and true facts

for the reporting purpose. While conducting the research, previous studies cannot be ignored, as that information would help to check the chance of duplication in the present study. Thus, one can find what research studies have been conducted and what remains to go with.

This part has been divided into conceptual framework and past research works review.

2.1 Conceptual Framework

2.1.1 Financial Market

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

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

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

2.1.2 Money Market

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

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

2.1.3 Capital Market

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

Capital market includes:

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

The capital market is a financial relationship created by a number of institutions and arrangements that allows the supplier and demanders of long term funds (funds with maturities of more than one year) to make transactions. Included among long term funds are securities issue of business and government. The backbone of the capital market is formed by the various securities exchanges that provide a forum of debt and equity transactions. The smooth functioning of the capital market, which is enhanced through the activities of investment bankers, is important to the long-run growth of business (Gitman, 1992:456). The capital market is the trading center for the financial instrument. In capital market different types of financial securities such as ordinary share, preference share, treasury bills, and debenture are traded. This market can be further divided into two parts:

- i) Non-securities market
- ii) Securities market

2.1.4 Non-Securities Market

Non-securities market is a market where financial needs of the borrower (demanders) are fulfilled for a longer period of time without issuance of any securities like shares, bonds and debenture. Financial transactions

between the lending institutions such as banks, business houses, saving institutions or individuals come under this non-securities market.

2.1.5 Securities Market

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

Security market sets a price for the securities it trades and makes it easy for people to trade them. Securities market facilitates the sale and resale of transferable securities. The security market can be defined as the mechanism for bringing together buyer and seller of financial assets to facilitate trading. Securities market is classified into two, the market in new securities are sold is called primary market and the market in which existing securities are resold is called the secondary market. Secondary markets are created by brokers, dealers and market makers. Brokers bring buyer and seller together with themselves actually buying and selling; dealers set price at which they themselves are ready to buy and sell (bid and ask price respectively). Broker and dealer come together in organized market or in stock exchange (Gitman, 1992: 457).

The securities market may also be divided into two parts:

- Primary Market
- Secondary Market

2.1.6 Primary Market

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

Features of Primary market:

-) Market for new long term capital.
-) The securities are sold for the first time.
-) The securities are issued by the company directly to investors.
-) Used by the companies for the purpose of setting up new business or for expanding or modernizing the existing business.
-) Facilitates capital formation in the economy.

2.1.7 Secondary Market

In the secondary market the share once issued in the primary market are traded. So, the secondary market liquidates the shares and provides the opportunity between the investor and seller of the securities. The company must list the securities in the security market for the transaction purpose. Secondary market provides no capital to the original issuer.

In the secondary market existing securities are traded and thus enabling disposal of these securities whenever the owners wish. An active secondary market is therefore a necessary condition for an effective primary market, as no investor wants to feel 'locked in' to an investment.

2.1.8 Investment consideration to the potential investors in the Primary Market

Rules and regulations alone would not be able to protect the interest of investors. They should be able to analyze and evaluate following aspects of the company before taking their investment decision.

Investors should select those companies share which are regarded as well operating and good future prospects, reliable management, beneficial sectors or higher growth. Investing in the shares of these companies is less risky than others. The investors who invest in stock, they must compare the price and the value or the share in the market and should select the share which has lower market price in comparison to its value.

The investors should take information regarding company's promoters, size, growth, environment, board of directors, past statements and as well as budgeted statements, which can be obtained from memorandum, prospectus, articles of the concerned company.

2.1.9 Investment consideration to the potential investors in the Secondary Market

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

-) Keep information of the companies return to the shareholders in the form of cash dividends, stock dividends, bonus shares etc. they should also be informed about Earning per share (EPS), book value of share (BVS), price earning ratio (P/E Ratio), future plan, growth expectancy of the company through the annual, quarterly and half-yearly performance reports, profit and loss account (P/L a/c), balance sheet (B/S) and annual reports.

-) Analyze the price related information provided by SEBON and NEPSE about the listed companies.
-) Study the trading statements and financial analysis of the listed companies published by NEPSE.
-) Study articles related to the trading of shares and economic matters published in different newspapers and magazines.
-) Study the annual report of SEBON.
-) Study the act and regulation concerning to the shareholder's right.

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

2.2 Pricing Differences

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

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

2.2.1 IPO by Private Company to the Public

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

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

2.2.2 Risky Investment

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

Pricing

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

The danger of over pricing is also an important consideration. If a stock is offered to the public at a higher price than what the market will pay, the underwriters may have trouble meeting their commitments to sell shares.

Even if they sell all of the issued shares, if the stock falls in value on the first day of trading, it may lose its marketability and hence even more of its value.

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

Why Go Public?

Going public raises cash and usually a lot of it. Being publicly traded also opens many financial doors. Because of the increased scrutiny; public companies can usually get better rates when they issue debt. S long as there is market demand, a public company can always issue more stock. Thus mergers and acquisitions are easier to do because stock can be issued as part of the deal.

Trading in the open markets means liquidity. This makes possible to implement things like employee stock ownership plans, which helps to attract top talent.

How does an IPO get valued?

The price of a financial asset traded on the market is set by the force of supply and demand. Newly issued stocks are no exception to this rule- they sell for whatever price a person is willing to pay for them. The best analysts are experts at evaluating stocks. They figure out what a stock is worth, and if the stock is trading at a discount from what they believe it is

worth, they will buy the stock and hold it until they can sell it for a price that is close to or above, what they believe is a fair price for the stock. Conversely, if a goal analyst finds a stock trading for more than he or she believes it is worth, he or she moves on to analyzing another company, or short sells the overpriced stock, anticipating market correction in the share price.

What are some good methods for analyzing IPO's?

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

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

Here are some points that should be evaluated when looking at a new issue:

1. Why has the company elected to go public?
2. What will be the company doing with the money raised in the IPO?
3. What is the competitive landscape in the market for the business's products or services? What is the company's position in this landscape?
4. What are the company's growth prospects?
5. What level of profitability does the company expect to achieve?
6. What is the management like? Do the people involved have previous experience running a public-trading company? Do they have a history of success in business ventures? Do they have sufficient business experience and qualifications to run the company? Does the management itself own any shares in the business?
7. What is the business or company's operating history, if any?

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

The process of underwriting involves raising money from investors by issuing new securities. Companies hire investment banks to underwrite an IPO.

It's hard enough to analyze the stock of an established company. An IPO company is even trickier to analyze since there will not be a lot of

historical information. Look for the usual information, and at the same time pay special attention to the management team and how they plan to use the funds generated from the IPO. At the same time we should analyze the underwriters as well. Successful IPO's are typically supported by the brokerages that have the ability to promote a new issue well. Be more wary of smaller investment banks because they may be willing to underwrite any company.

2.2.3 The Underwriting Process

Underwriting is an agreement between the issuing company and financial institution like bank, merchant banks, broker or other person, providing for their taking up the shares or debentures to the extent specified in the agreement. Getting a piece of hot IPO is very difficult, if not impossible. To understand why, we need to know how an IPO is done, a process known as underwriting.

When a company wants to go public, the first thing it does is hire an Investment Bank. A company could theoretically sell its shares on its own, but realistically, an investing bank is required. Underwriting is the process of raising money by either debt or equity. We can think of underwriters as middlemen between companies and the investing public. The biggest underwriters in our Nepal are Nepal Merchant Banking & Finance Ltd. Co.(NMBL), Citizen Investment Trust (CIT), NIDC Capital Market Ltd. (NCML), etc.

The company and the investment bank will first meet to negotiate the deal. Items usually discussed include the amount of money a company will raise, the type of securities to be issued and all the details in the underwriting agreement. The deal can be structured in a variety of ways.

For example, in a firm commitment, the underwriter guarantees that a certain amount will be raised by buying the entire offer and then reselling to the public. In a best efforts agreement, however, the underwriter sells securities for the company but does not guarantee the amount raised. Also, investment bank does not bear all the risk of offering. Instead, they form a syndicate of underwriters. One underwriter leads the syndicate and the others sell a part of the issue. Only a limited number of broker-dealers are invited into the syndicates as underwriters and some of them not have individual investors as clients. Moreover, syndicate members themselves do not receive equal allocation of securities for sale to their clients.

The underwriters in consultation with the company decide on the basic terms and structure of offering well before trading starts, including the percentage of shares going to institutions and to individual investors. Most underwriters target institutional investors as wealthy investors in IPO distributions. Underwriters believe that institutional and wealthy investors are better able to buy large blocks of IPO shares, assume the financial risk, and hold the investment for the long term.

Once all sides agree to a deal, the investment bank puts together a registration statement to be filed with the SEC. The document contains information about the offering as well as company info such as financial statements, management background, any legal problems, where the money is to be used and insider holdings. The SEC then requires a cooling off period, in which they investigate and make sure all material information has been disclosed. Once the SEC approves the offering, a date (the effective date) is set when the stock will be offered to the public.

During the cooling off period the underwriter puts together what is known as the Red-herring. This is an initial prospectus containing all the information about the company except for the offer-price and the effective date, which are not known at the time. The company act has made mandatory that any institution going into public offering must issue the prospectus before issuing the securities to the public. With the Red-herring in hand, the underwriter and company attempt to hype and build up interest for the issue. They go on a road-show, also known as the "dog and pony show"- where the big institutional investors are courted.

As the effective date approaches, the underwriter and the company sit down and decide on the price. This is not an easy decision: it depends on the company, the success of the road-show and, most importantly, current market conditions. Of course, it's in both parties interest to get as much as possible. Finally, the securities are sold on the stock market and the money is collected from investors.

2.2.4 Review of Past Research Work

The investment consideration begins from the selection of the broker to assist the trading in the securities market. Most investors have access to investment information in the form of oral and written from their brokers. Brokers subscribe to well-known investment information sources that can be used by the customers. Brokers are most active trading agents of capital market. Stockholders are backbone of stock market growth and its smooth functioning.

Paudel (2006), who has done research on "Public Response to IPO in Nepal", with the objective of: identify the dealing process of IPO, analyze the pace of IPO and analyze the public response to the IPO.

He has concluded that general investors in Nepal do not have sufficient information regarding the primary market and in spite of this they are interested in investing money in the primary market. They are more interested in financial sector than non-financial sector.

He has also summarized that pace of initial public offering in Nepal seems to be irregular. Even though the organization's process of public offering is quite long, the service provided to the investors seems to be satisfactory. Public response in stock market is high due to lack of opportunities for investment in other sector. Despite this, public are attracted towards shares to increase their value of investment.

Pandey (2001), who has done research on "Public Response to Primary Issuer of Shares in Nepal", with the objective of: identifying the problems of primary share issue market, assess the growth of primary issue market, analyze the pattern of public response to shares and find the reasons for variation. He has the following findings from his research:

- i) Public response in primary market is high due to lack of opportunities for investment in other fields.
- ii) No public are attracted towards shares than other securities basically to increase their value of investments, be it dividend gain or bonus shares.
- iii) It can be seen that public response to primary issues on Banking and financial Sectors is normally higher than that of the manufacturing and services sector. There was poor response in the period 1995-1998 because interest rates were higher as compared to dividend yield, the public companies were not performing well, and people were unaware about the

importance of investing in securities. Now the response is highly positive because people are aware, money flow in the market is higher, people have seen that most companies are distributing dividends, share prices are increasing for most companies and a lack of better alternatives for investment. Now that the average interest rates have gone down, more can be obtained from investment in stock.

Shrestha (1996), "Public response to Primary issue of Shares in Nepal". His study reveals the fact that the scope of primary market is recent days in booming. Even the general investors heavily invest their saving in the new issue of shares causing over subscription to a great deal. Shrestha here asserts that the growth of the primary market is encouraging since many public limited companies including joint venture banks have been successful in tapping capital through the floatation of shares to the general public. The positive response of the investors to the companies is a direct manifestation of the growing public confidence in the primary market. The general public simply taps everything that comes on their way, regardless of the promoter's background and company feasibility. Each company come into the market has been successful in tapping the capital from the market and the issue closed within the minimum stipulated time of seven days with huge over subscriptions.

He further adds that the public response varies from one business sector to another business sector. The mismanagement that follows when the subscription list is open and the subsequent deal in the allotment of shares tend to undermine the confidence of the investors thereby hindering the future growth of the primary market. Primary market is affected by the projected dividend, ROI through prospectus and issue managers, etc. on

the contrary; there exist other uncontrollable forces, which hinder the smooth functioning of the primary market. Economic policy, capital formation, investor's attitude, alternative investment opportunities, legal provisions and foreign investment policy belong to this category.

Well informed and speculating investors, when they know that the shares being floated are highly under-priced, approach various financial institutions for loans to place their share applications. Banks tend to be reluctant to offer small size loans for IPO's; especially when they have bigger players can avail of loans from such financial institutions and apply for a large number of shares. So it is also possible that the big players may avail of loans from financial institutions in the name of their relatives, friends and families and make more than one application thus increasing the possibility of allotment for more shares to enjoy the short run over performance of IPO's. Uniformed investors and small players, who also want to enjoy some benefits of the IPO's rarely, approach the financial institutions for funding and even if they do so, the possibility of these players being funded is low mainly due to their lack of relationship with such financial institutions and their not-to-big funding requirements. As a consequence, most shares are allotted to the handful of big investors though in different names and lesser shares are allotted to smaller investors. In this way, bigger players tend to enjoy more from IPO's than small players, which go against the principles of stock market where investors need to have a level playing field.

IPO's are also supposed to signal the health of companies making the IPO's. There are two ways in which IPO's, after being announced, provide important signals about the company; one when they are announced and the other at the start of trading. Oversubscription of

IPO's after announcement signals a reasonably good health of the company and under-pricing of shares as more and more investors try and take benefit of IPO. However, due to availability of loans from financial institutions, the true picture of the company may no longer prevail. This could be due to asymmetric information as even those who know little about stock valuation(primarily speculators rather than rational investors) may approach financial institutions fro loans so that they could enjoy more from a short run performance of IPO's. Besides, more shares being allotted to bigger players in the market, informal buy sell deals happen even before the start of trading (because they could not win allotment during IPO), the price generally paid by the investors is more and the start of the trading day, we could well observe that the share prices are more than the normally expected and unrealistic (New Business Age, March 2006:49).

2.2.5 Research Gap

However there are many researches related to public response to IPO in Nepal, they do not have analyze the basis for distribution of shares, performance analysis of Issue Managers in the process of IPO and response for the margin lending restriction. For the primary data analysis this research has tried to involve more and more people from various sectors like bank, university, business. As in Nepal maximum investors are risk averters, this thesis also analyze whether people prefer personal fund or loan for investment. Today's practice is that most investors apply with many names so that they could get more and more shares in IPO, so this research also takes individual investors responses whether they would prefer pro-rata basis for distribution or lucky-draw, which is also missing in other related researches to IPO.

CHAPTER – III

Research means to search or study about a phenomenon. The word research is composed by 're' and 'search' where re means repeatedly or again and again, and search means to investigate or find. Thus to search again and again is research. Generally, research is an effort to search new fact, knowledge, and principle in scientific manner. Any systematic research study requires a proper methodology to achieve the set objectives. Research is a careful investigates or inquiry into any subject matter, which is an attempt to discover to find out proposed information or relationship that would be useful for further application. Research methodology is a systematic way of finding solution to a research problem i.e. systematic collection, recollection, recording, analysis, interpretation, and reporting of information. This chapter deals with the research methodology by which the collected data are analyzed to get the results. In other words it describes the methods and processes applied in the entire aspect of the study. This chapter provides the methodology followed to achieve the objectives stated in this research work. Detail research methods are described in the following headings. It refers to the various sequential steps to be adopted by a researcher in studying a problem with certain objectives in view. In other words, research methodology describes the method and process to be followed during the research work (Kothari C.R., 1990:10).

Certain methods and processes are applied in the entire study of this research. The study follows sequential steps. A focus is given to research design, sample selection and size, data collection procedure, data processing, definition of variables, meaning and definition of statistical tools used.

3.1 Research Design

Research design is the conceptual structure, plan or strategy of investigation within which research is conducted. Before making a research, the researcher needs to plan which help as a path in order to achieving goal. Research design helps researcher to enable him to keep track of his action and to know whether he was moving in the right direction to achieve his goal. This study covers quantitative methodology in a greater extent and also uses the descriptive part based on both technical aspect and logical aspect. This research study attempts to analyze the public response to IPO, performance of investment bankers (issue managers) in IPO, source of relating information on the public response to IPO. Thus descriptive as well as analytical research design has been used. This study attempts to analyze the relation between different variables relating to IPO and public responses. It also tries to analyze what factors actually motivate the investors to invest, what is their goal behind investment, their response sector wise.

3.2 Population and Sample

The large group about which the generalization is made is called the population under study. Because of the large group size, it is fairly difficult to collect detail information from each member of population. Rather than collecting detail information from each number, the small portion is chosen as representation of the population is called the sample. Population for this research is the total number of listed companies up to fiscal year 2005/2006. There are 135 listed companies as per below table:-

Table 3.1
Population and Sample of the Study

Sector	Population of the study	Sample of the study	Percentage (%)
Financial Sector			
Commercial Bank	15	6	40%
Development bank	8	4	50%
Finance companies	50	8	16%
Insurance companies	15	5	33.33%
Total	88	23	
Non-financial Sector			
Mfg. & Pro. Co.	29	4	13.79%
Trading co.	8	2	25%
Hotel	4	2	50%
Others	6	1	16.67%
Total	47	9	

Above table 3.1 Shows that from among the 15 listed commercial bank, only 6 (i.e. 40%) are taken as sample. In the case of development bank and finance companies 4 (i.e.50%) and 8 (i.e.16%) samples are taken from population of 8 and 50 respectively. From 15 Insurance companies 5 (i.e.33.33%) are taken as sample. From non-financial sector altogether 9 companies are taken as sample from 47 companies (i.e. 19.15%).

For the primary data collection 150 respondents from bank, business, university, and brokerage firm have been taken as sample.

3.3 Sample Characteristics

Among the 150 respondents for the primary data collection, 20%(30) are students, 40%(60) are businessman, 16.67%(25) are bankers, 3.33%(5) are brokers and rest 20%(30) are others.

3.4 Data Collection Procedure

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

3.5 Analysis of Data

After the collection of data, an analysis of the data and the interpretation of the results are necessary because data collected from various sources might be in raw form. So, they cannot be used directly. Further, they need to be verified and simplified for the purpose of analysis. The obtained data should be classified and tabulated in the required format according to the nature of data and requirement of the study. As both data primary as well as secondary has been used, analysis techniques for the both have been used. Data analysis helps to make the reader more clear about the research and helps to draw conclusions. This part contains several statistical tools.

3.6 Pretesting

The pretesting of the questionnaire was done on a sample of 10 respondents. Different difficulties were faced during that and depending on the difficulties encountered by them in giving responses; its initial format was suitably modified.

3.7 Statistical Tools

Different statistical tools like Bar Diagrams, line charts, and pie-charts have been used to analyze the data. These tools are used to show the relation between different variables and public response. For pie charts given data are shown in terms of degree, in which total is 360°.

CHAPTER - IV

DATA PRESENTATION & ANALYSIS

This chapter deals with data presentation, analysis and interpretation following the research methodology presented in the third chapter. Data presentation and analysis are the central steps of the study. The main purpose of this chapter is to analyze and elucidate the collected data to achieve the objective of the study following the conversion of unprocessed data to an understandable presentation. The chapter deals with the main body of the study.

Data presentation is the interpretation of the study. Data analysis summarizes the collected data and its interpretation presents the major findings of the study. Analysis is not complete without interpretation and interpretation cannot proceed without analysis. In this course of analysis, data gathered from various sources have been inserted in the tabular form and shown in diagram form. The data have been analyzed by using financial and statistical tools. The results of the computation have also been summarized in appropriated tables. The samples of computation of each model have been included in annexes. This chapter includes presentation of data and analysis of that data to reach at a conclusion. The primary data are used to analyze the investor awareness, response, expectation, choice for investment etc. The secondary data are use to analyze the investor response to the initial investor offering per year and sector wise along with under subscription and oversubscription, growth of public offering and the behavior of general investors.

Collected data have been analyzed in percentage, simple average.

4.1 Trend of Initial Public offering in Nepal

4.1.1 The trend of IPO has been analyzed in terms of amount of issue approved, number of issues approve over and under subscription.

Securities Exchange Act, 1983 has made mandatory that the issuing company should register the securities in SEBON and get approval before going to public. From the fiscal year 1993/94 to 2006/07 SEBON has approved 196 issues of securities amounting to Rs. 11892.98 million as follows:

Table 4.1

Amount of Issue Approved

(Rs. in million)

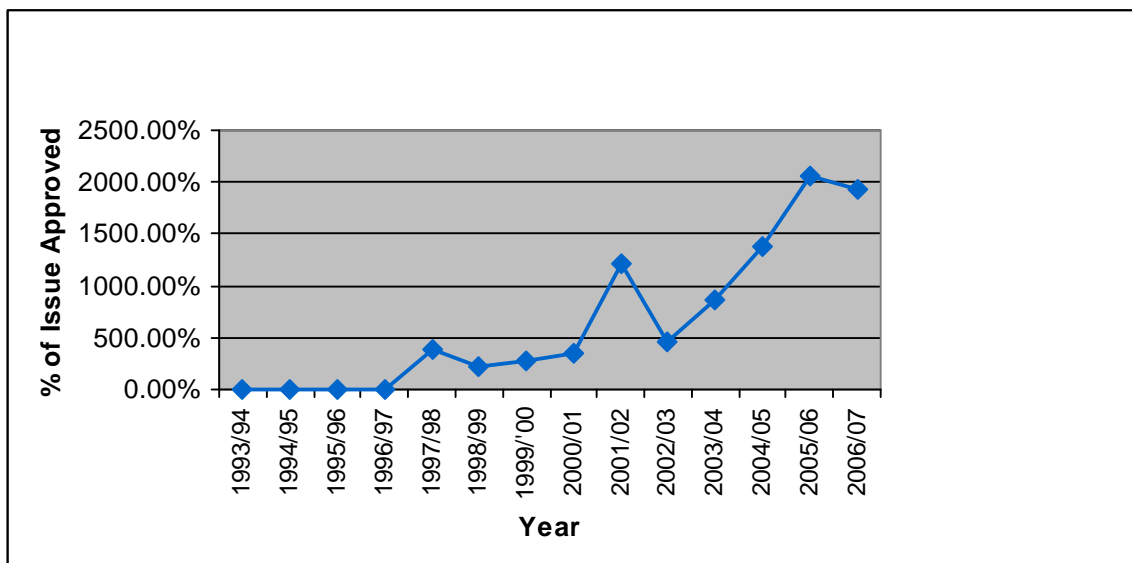
Year	Amount of Issue Approved	% of Issue Approved
1993/94	244.40	2.05
1994/95	173.96	1.46
1995/96	293.74	2.47
1996/97	332.20	2.8
1997/98	462.36	3.88
1998/99	258.00	2.17
1999/'00	326.86	2.74
2000/01	410.49	3.45
2001/02	1441.33	12.12
2002/03	556.54	4.68
2003/04	1027.50	8.64
2004/05	1626.82	13.7
2005/06	2443.28	20.54
2006/07	2295.5	19.30
Total	11892.98	100.00

Source: SEBON Annual Report (2006/2007)

About table 4.1 shows the variation of issue amount approved during 1993/94 to 2006/07 period. The highest amount approved is Rs. 2443.26 million (25.4%) in the fiscal year 2005/06 and the lowest amount approved is Rs.173.96 million (1.18) in the fiscal year 1994/95. During the period issue amount approved reaches at a high point in 2001/02 then declines and again started rising then after.

Figure 4.1

Amount of Issue Approved



In above figure 4.1 the pick point is in the year 2005/06 which shows that the highest amount of issued approved is in that year which is 20.54%. And the lowest point is in the year 1994/95 in which 1.46% is issued only.

4.1.2 Number of Issue Approved

Below table 4.2 shows the number of issue approved during the period 1993 to 2006/07.

Table 4.2

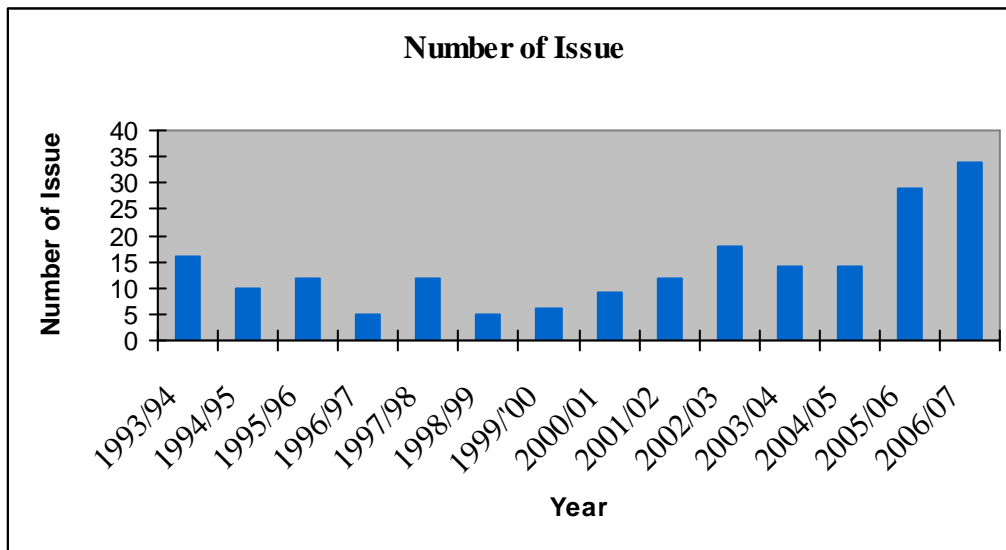
Number of Issue Approved

Year	Number of Issue Approved	% of Issue Approved
1993/94	16	8.16
1994/95	10	5.10
1995/96	12	6.12
1996/97	5	2.55
1997/98	12	6.12
1998/99	5	2.55
1999/'00	6	3.06
2000/01	9	4.6
2001/02	12	6.12
2002/03	18	9.2
2003/04	14	7.14
2004/05	14	7.14
2005/06	29	14.8
2006/07	34	17.34
Total	196	100.00

Source: SEBON Annual Report (2006/2007)

Above table 4.2 shows that from 1993/94 to 2006/07 SEBON has approved 196 issues in total. Among which highest number of issue approved was in the year 2006/07 and the lowest issue approved was on the year 1996/97 and 1998/1999. Simultaneously 16 (8.16%) issues were approved in 1993/94, 10 issues (5.10%) in 1994/95, 12 issues (6.12%) in 1995/96 and in 1997/98, 6 issues (3.06%) in 1999/2000, 9 issues (4.6%) in 200/01, 12 issues (6.12%) in 2001.02, 18 issues (9.2%) in 2002/03, 14 issues (7.14%) in 2003/2004 and in 2004/05, 29 issues (14.8%) in 2005/06.

Figure 4.2
Number of Issue Approved



In the above figure 4.2 highest number of issue approved is 34 number of issues in the year 2006/07 and the lowest number of issue approved is only 5 issues in the year 1996/97 and 1998/99.

4.1.3 over and Under Subscription of Securities

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

Table 4.3
Over And Under Subscription of Securities

Year	No. of Issue	Over Subscribed		Under Subscribed		Constant	
		No.	%	No.	%	No.	%
1993/94	16	16	100	0	0	0	0
1994/95	10	7	70	1	10	2	20
1995/96	12	6	50	6	50	0	0
1996/97	5	2	40	0	0	3	60
1997/98	12	5	41.67	5	41.67	2	16.67
1998/99	5	3	60	1	20	1	20
1999/00	6	4	66.67	1	16.67	1	16.67
2000/01	9	8	88.89	1	11.11	0	0
2001/02	12	5	41.67	4	33.33	3	25
2002/03	18	14	77.78	3	16.67	1	5.55
2003/04	14	12	85.71	2	14.29	0	0
2004/05	14	6	42.86	7	50	1	7.14
2005/06	29	17	58.62	10	34.48	2	6.90
2006/07	17	17	100	0	0	0	0
Total	179	122		41		16	

Source: SEBON Annual Report (2006/2007)

Table 4.3 shows that from the 179 issues between 1993/94 to 2006/07, most of the issues are over subscribed. And only 41 times it is under subscribed. In the year 1993/94 & 2006/07, it is over subscribed all the 16&17 times (i.e.100%) over subscription.

4.2. The performance of issue managers has been presented in table 4.4

Table 4.4
Number and amount of Issue Managed by Issue Managers

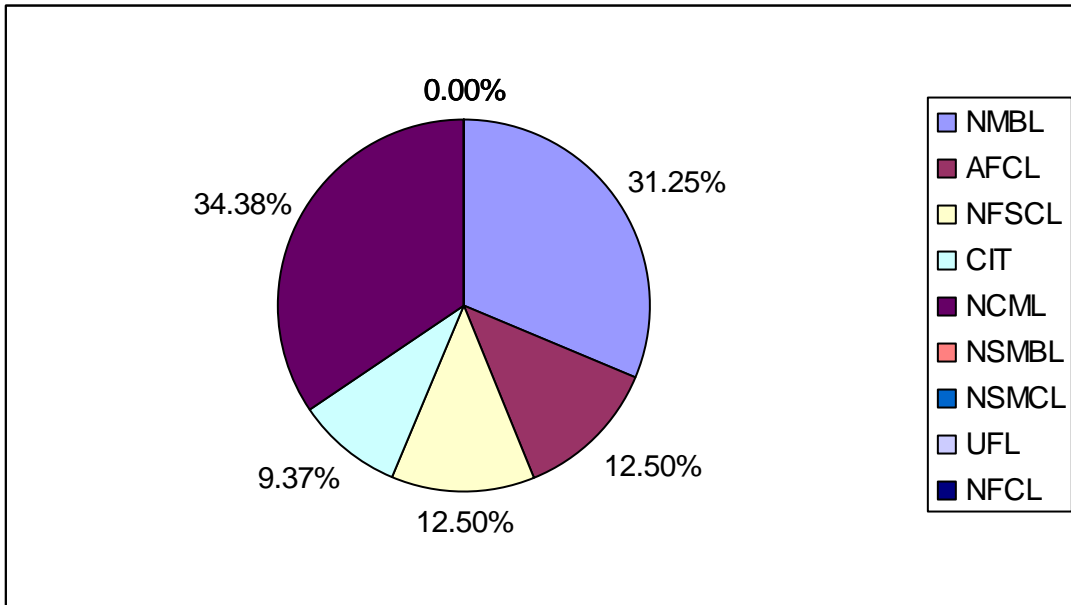
S.N	Issue Managers	Issue Management (2006/07)			
		No. of Issue Managed	%	Amount of Issue Management (Rs. In million)	%
1	NMBL	10	31.25	338	11.84
2	NFCL	0	0.00	0	0.00
3	AFCL	4	12.5	530	18.57
4	NFSCL	4	12.5	72.5	2.54
5	NSMCL	0	0.00	0	0.00
6	UFL	0	0.00	0	0.00
7	NSMBL	0	0.00	0	0.00
8	CIT	3	9.37	1184	41.50
9	NCML	11	34.38	729.3*	25.55
TOTAL		32	100	2853.8	100

Annual Report of SEBON (2006/07)

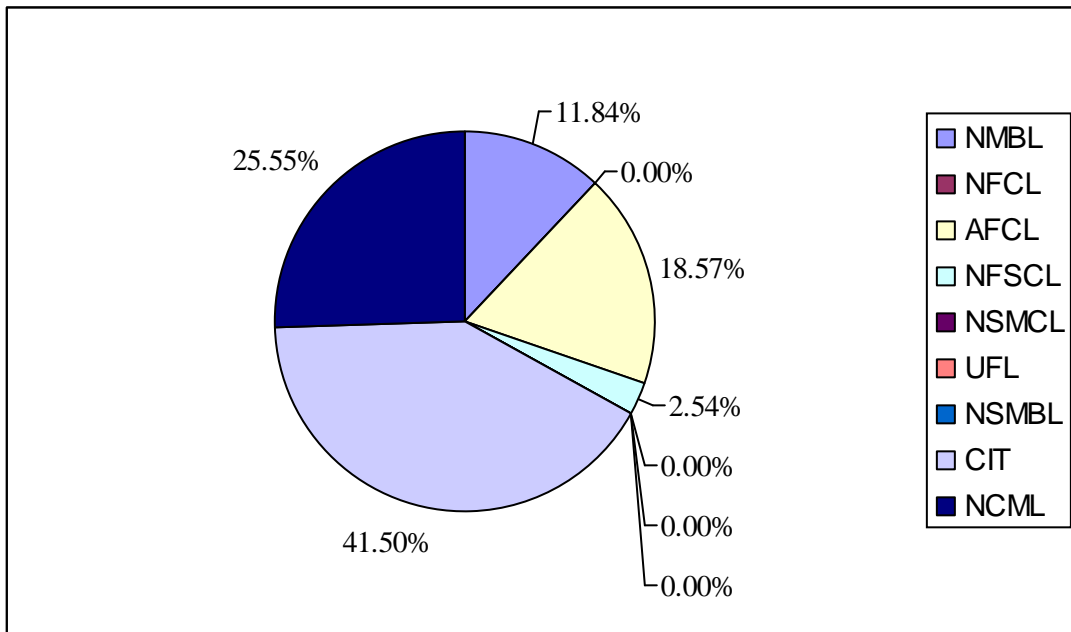
**Including two issue amounting to Rs 96 Million jointly managed by Nepal merchant banking & finance Ltd & NCML*

In the year 2006/07, among the nine issue managers only five have managed the issue. And even among them, highest number of issue managed is by NCML i.e. 11 issues (34.38%) and second highest is by NMBL i.e. 10 issues (31.25%). In terms of amount of issue managed highest Issued by CIT (41.5%) and then NCML (25.55%) respectively. Number wise lowest issue is managed by CIT i.e.3 issues (9.37%) while amount wise NFSCL has the lowest amount of issue managed (2.54%).

**Figure 4.3
Number of Issue Managed**



**Figure 4.4
Amount of Issue Managed**



In the above figures 4.3 and 4.4 highest number of issues & amount is managed by NCML & CIT. At the same time lowest number of issue managed is shown by the smallest part covered in the pie by CIT and lowest amount of issue managed by NFSCCL.

4.3 Analysis of Investors Response to IPO

4.3.1 Investor Response to Commercial Banks

There are 24 commercial banks among which only 15 are listed in the stock exchange. From the population of all total of 17 only 6 are taken as sample.

Table 4.5

Investor Response to Commercial Banks

S. No.	Name of Company	Share Issued ('000)	Applied	Year	Subscription times	Result
1.	SBL	1500	27979950	2005	18.65	Over Subs.
2.	GBL	3000	99000000	2007	33	Over Subs.
3.	NICBL	1750	14278600	1999	8.16	Over Subs.
4.	MBL	1650	3272775	2003	1.98	Over Subs.
5.	LBL	1925	4838488	2003	2.51	Over Subs.
6.	LUBL	1500	10818600	2004	7.21	Over Subs.

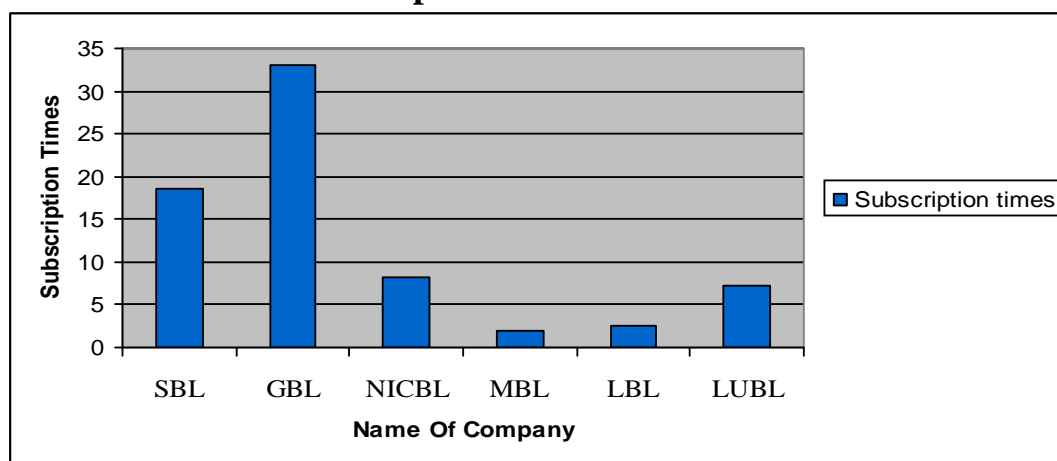
Source: NCML, CIT, NMB

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

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

Figure 4.5

Investor response to Commercial Banks



In the above figure 4.5 it is clear that highest subscription was in the case of GBL with highest bar while the lowest bar shows that MBL was least subscribed.

4.3.2. Investor Response to Development Bank

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

Table 4.6

Investor Response to Development Bank

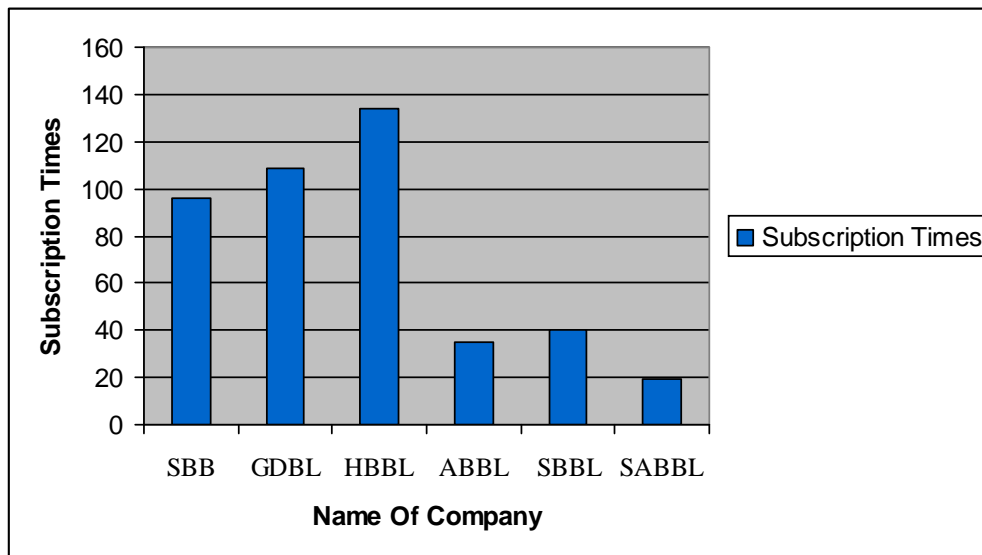
S. No.	Name of Bank	Shares Issued	Shares Applied	Issued Year	Subscription times	Result
1.	SBB	60000	5773800	2007	96.23	Oversubs.
2.	GDBL	960000	103987200	2007	108.32	Oversubs.
3.	HBBL	120000	16034400	2007	133.62	Oversubs.
4.	ABBL	294000	10307640	2007	35.06	Oversubs.
5.	SBBL	960000	38697600	2006	40.31	Oversubs.
6.	SABBL	60000	1150200	2006	19.17	Oversubs.

Source NCML, NMB, CIT, SABON

In all the investor issue of development banks we found over Subscription all the time. That means Investor is also interested in development banks shares. Among them Himchuli Bikas Bank Ltd (HBBL) was highly subscribed in 2007, the Subscription time was 133.62. For the share issued 120,000, there was application for 16034400

shares. Similarly Sanima Bikas Bank Ltd (SBBL) was over-subscribed by 40.31 times, Gorkha Development Bank Ltd (GDBL) by 108.32 times, Swabalamban Bikas Bank(SBB) by 96.23 times, Annapurna Bikas Bank Ltd (ABBL) Ltd. by 35.06 times and the least subscribed but still over-subscribed was in the case of Sahayogi Bikas Bank Ltd (SABBL) Ltd. by 19.17 times. The average subscription time is 72.12 times.

Figure 4.6
Investor Response to Development Bank



The above figure 4.6 shows that among development banks highest Subscription was in the case of HBBL with highest bar and lowest in the case of SABBL with lowest bar.

4.3.3 Investor Response to Finance Companies

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

Table 4.7

Investor Response to Finance Companies

S.	Name of	Shares	Shares	Issue	Subscriptio	Result
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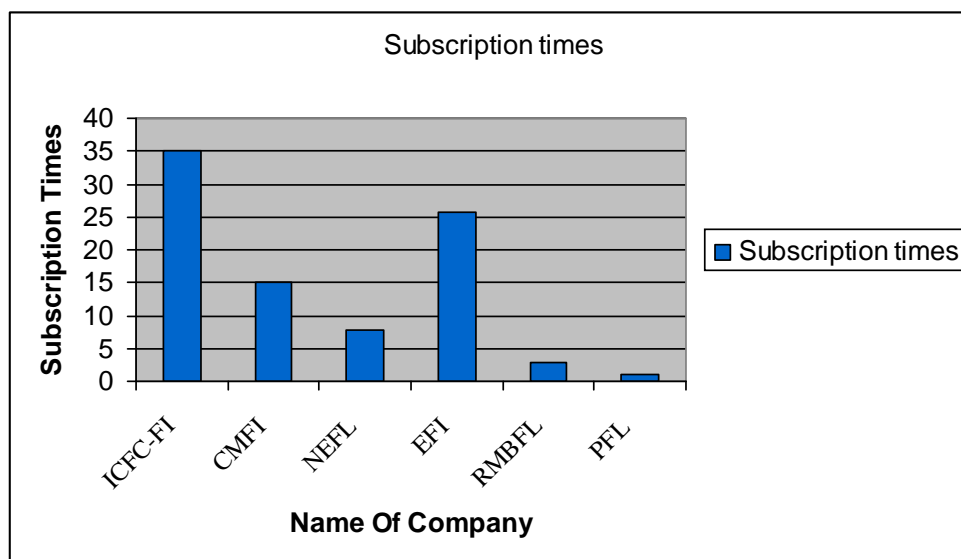
No.	Company	Issued	Applied	d Year	n times	
1.	ICFC-FI	244000	8554640	2007	35.06	Oversubs.
2.	CMFI	200000	3000000	2007	15	Oversubs.
3.	NEFL	150000	1173000	2007	7.82	Oversubs.
4.	EFI	195000	5007600	2007	25.68	Oversubs.
5.	RMBFL	175000	495775	2006	2.83	Oversubs.
6.	PFL	200000	232120	2006	1.16	Oversubs.

Source NCML, NMB, CIT, SABON

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

Figure 4.7

Investor Response to Finance Companies



Above fig 4.7 clearly shows that ICFC-FL was highly subscribed while PFL was least subscribed. However no company was under subscribed.

4.3.4. Investor Response to Insurance Companies

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

Table 4.8

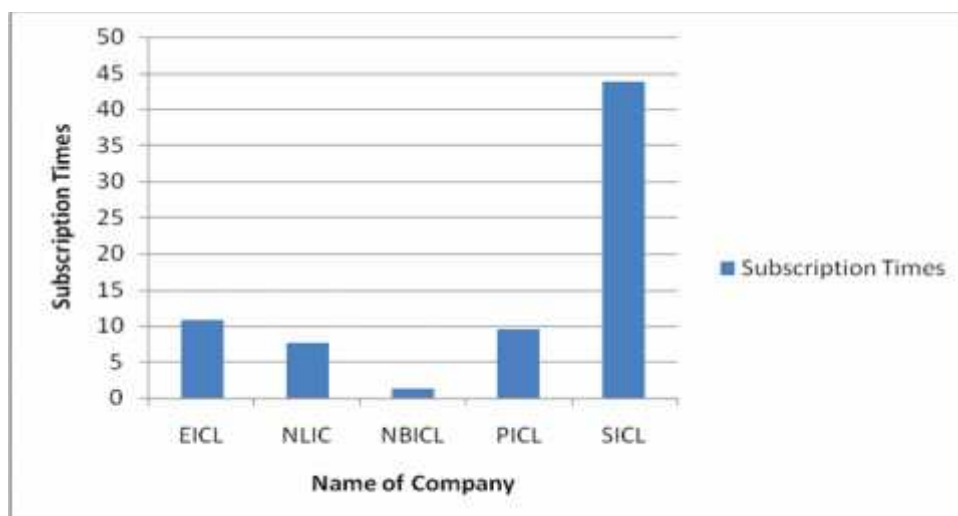
Investor Response to Insurance Companies

S. No.	Name of Company	Shares Issued	Shares Applied	Issued Year	Subscription times	Result
1.	EICL	120000	1301570	1994	10.85	Oversubs.
2.	NLIC	500000	3780400	2002	7.56	Oversubs.
3.	NBICL	200000	265380	2003	1.33	Oversubs.
4.	PICL	200000	1913620	2004	9.57	Oversubs.
5.	SICL	250000	10939650	2006	43.76	Oversubs.

Source NCML, NMB, CIT

Figure 4.8

Investor Response to Insurance Companies



Above table and figure 4.8 shows the investor response to insurance companies ranges from 7.33 Subscription times to 43.76 times. For 120000 shows issued 1301570 shares are applied in the case of Everest Insurance Co.Ltd. (EICL), which means 10.85 times over Subscription. Same in case of Nepal Life Insurance Co. Ltd(NLICL) with 7.56 times over Subscription, in NB Insurance Co. Ltd (NBICL) with 1.33 times oversubscription; in Prudential Insurance Co. Ltd.(PICL) 9.57 times oversubscription. Here highest Subscription of 43.76 times is in the case of Shikar Insurance (SICL) where 10939650 shares have been applied for 250000 shares.

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

4.3.5. Responses to Non Financial Sector

Non-Financial Sector includes Manufacturing & Processing Companies, Trading Companies, Hotels and others. Up to the fiscal year

2006/07 end, there are 47 non-financial sector companies listed. From those here 9 are taken as sample.

Table 4.9
Investor Response to Non-financial Sector

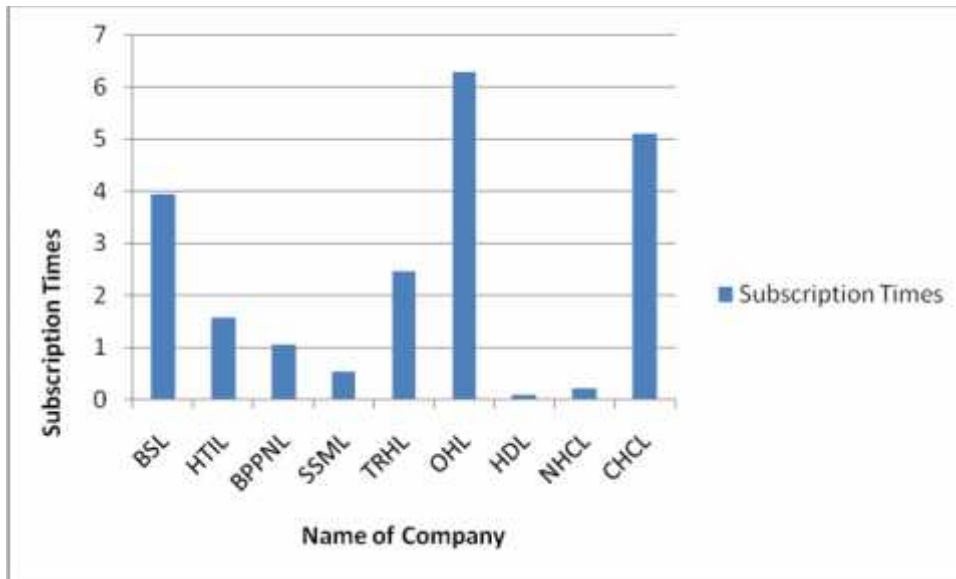
S. No.	Name of Company	Issued Shares	Applied Shares	Issued Year	Subscripti on times	Investor Response
1.	BSL	50000	197150	1994	3.94	Over subs.
2.	HTIL	192000	301152	1994	1.57	Over subs.
3.	BPPNL	1050000	1101135	1996	1.05	Over subs.
4.	SSML	465000	245985	1997	0.53	Under subs.
5.	TRHL	1200000	2965440	1999	2.47	Over subs.
6.	OHL	1500000	9429000	2000	6.29	Over subs.
7.	HDL	17344600	183347	2001	0.11	Under subs.
8.	NHCL	1400000	301700	2004	0.22	Under subs.
9.	CHCL	2374100	12104112	2005	5.10	Over subs.

Source: NCML, NMB, CIT

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

Figure 4.9

Investor Response to Non-financial Companies



From above figure 4.9 it is clear that OHL was highly subscribed with 6.29 times Subscription while Himalayan Distillery Ltd was least subscribed with 0.11 times among the non financial companies.

4.4 Analysis of Investors Opinion

For the purpose of obtaining investors opinion, primary datas are collected. Questionnaire method is used to get the primary data, the result of which area as below. Only 150 respondents are taken for the data collection.

4.4.1 Knowledge about IPO

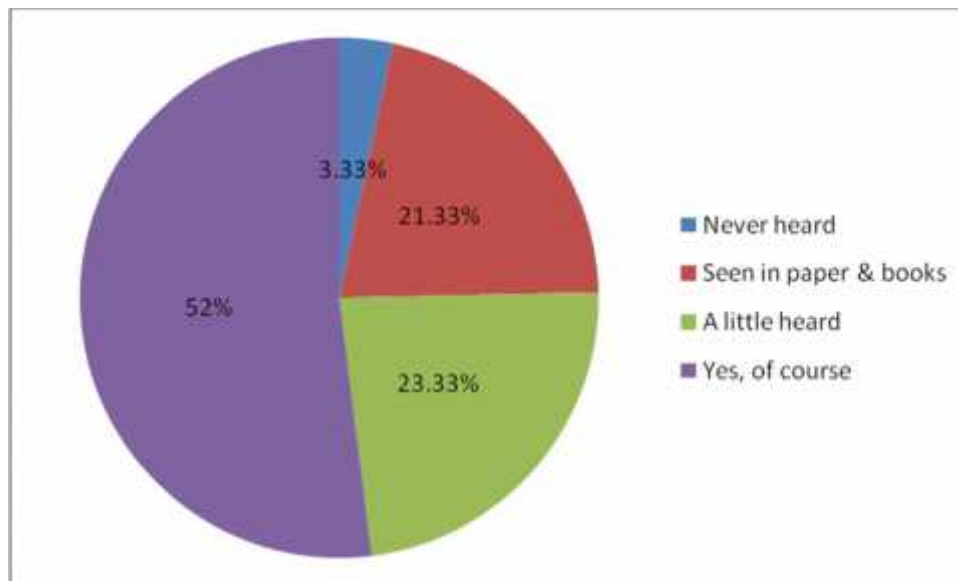
While getting information about if people had heard about IPO from 150 respondents 3.33% said they have never heard about IPO, 21.33% said seen in papers & books, 23.33% said that they have heard a little about it and rest 52% said that they are well-known about IPO.

Table 4.10
Knowledge about IPO

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

Figure 4.10

Knowledge about IPO



Above fig.4.10 shows that most of the people i.e.52% are knowledgeable about IPO while least 3.33% are unknown about the IPO that means they never had heard about this.21.33% have seen about in papers and books while 23.33% have heard very little about IPO.

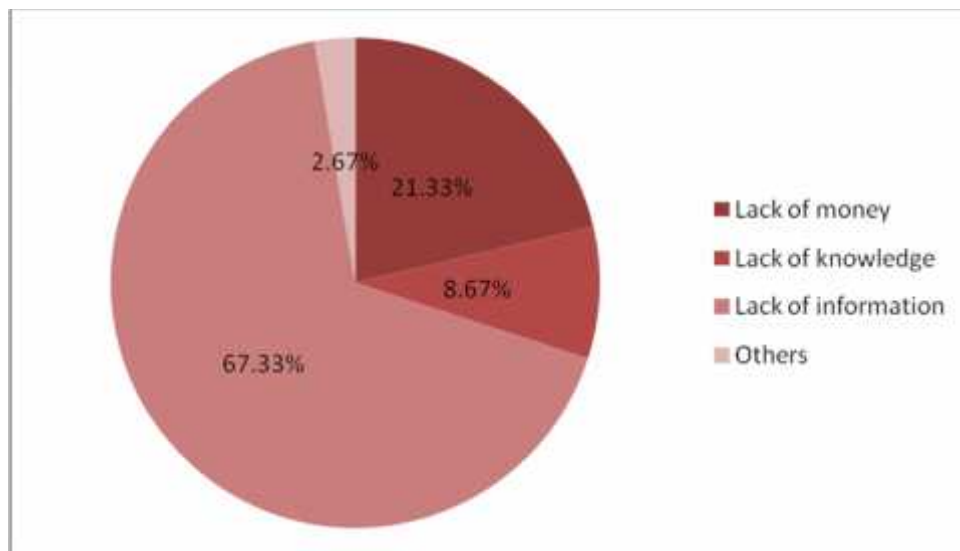
4.4.2 Interest (Willingness) to invest in IPO

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

Table 4.11
Interest (Willingness) to invest in IPO

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

Figure 4.11
Interest (Willingness) to invest in IPO



From fig 4.11 it is clear more than 40% people are interested to invest in IPO even with the loan and the least 6.67% do not want to take risk. Interest of 34.67% lies on the related sector of IPO. While 18% want to make only cash investment.

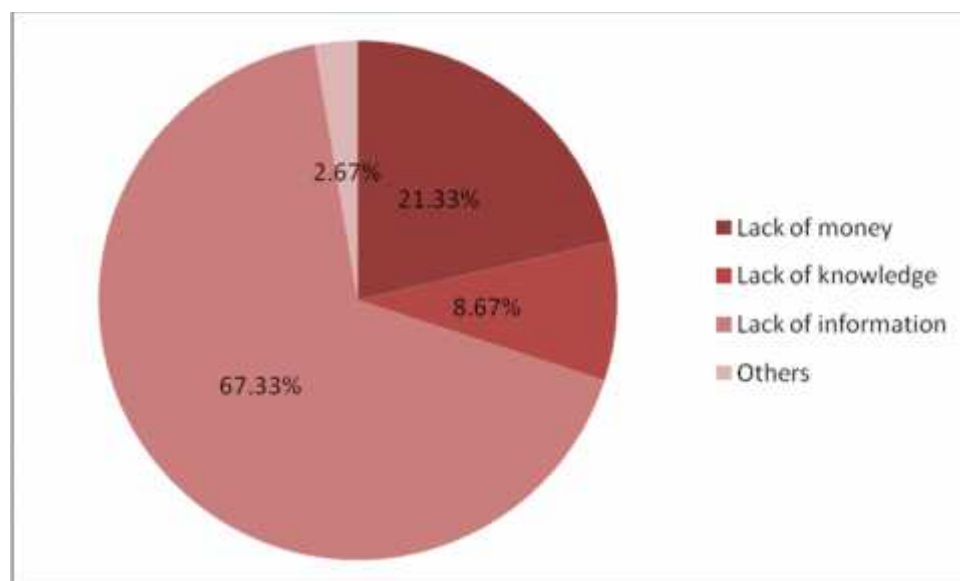
4.4.3 Source of Information about IPO

Out of 150 respondents, 41.33% said that they get information about IPO from Advertisements, 31.33% people said from personal relations or from market. Similarly 18% respondents said that they get information from. There are 9.33% people who find other way of getting information.

Table 4.12
Source of Information about IPO

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

Figure 4.12
Source of Information about IPO



In the above fig 4.12 highest pie is covered by advertisements regarding the response on source of information i.e.41.33% and only 18% are informed by the brokers and 31.33% get information from their relatives.

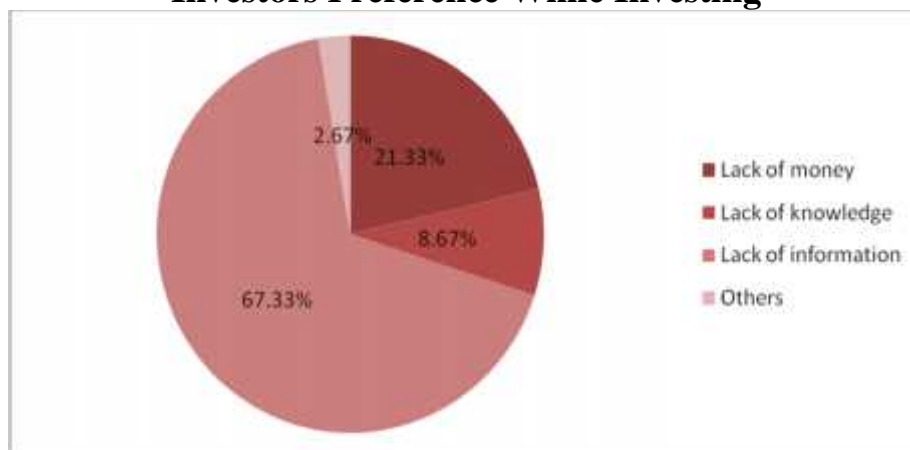
4.4.4 Investors Preference While Investing

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

Table 4.13
Investors Preference While Investing

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

Figure 4.13
Investors Preference While Investing



Above fig 4.13 makes clear that most of the investors (46.67%) prefer to know about the company's performance rather than any other thing before investing and least (5.33%) concern about the brokerage commission.

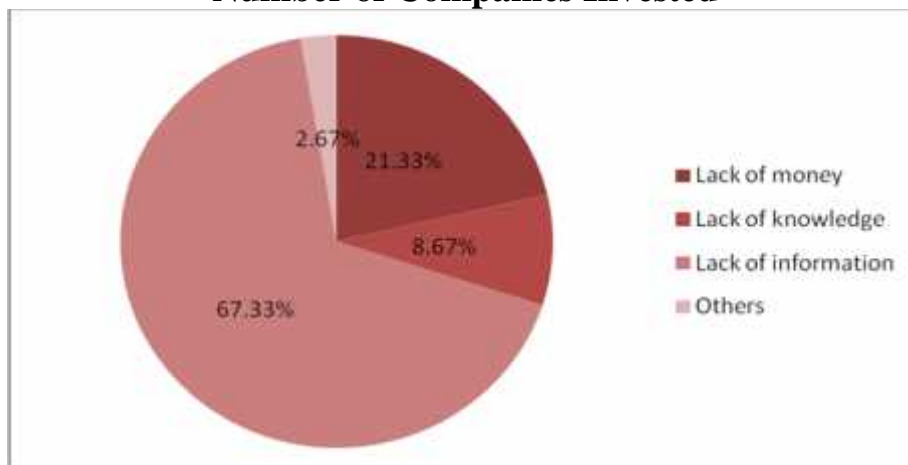
4.4.5. Number of Companies Invested

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

Table 4.14
Number of Companies Invested

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

Fig 4.14
Number of Companies Invested



Being back in share investment in Nepal 7.33% has been found to have invested in more than three companies. Most (41.33%) have invested in only one company and 14.67% have invested in none.

4.4.6. Fund Used for the Investment

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

Table 4.15
Fund Used for the Investment

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

Figure 4.15
Fund Used for the Investment

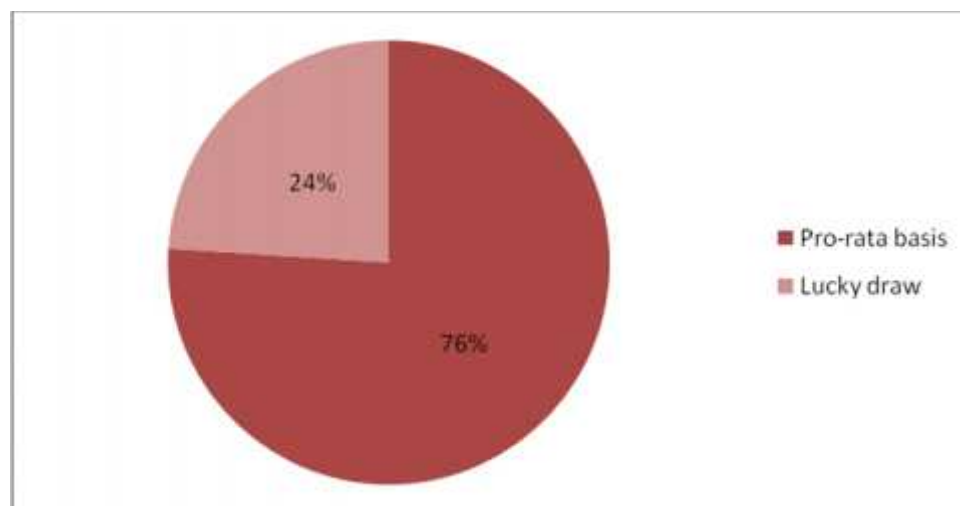


Fig 4.15 shows that more than half wants to use their own fund rather than credit.

4.4.7. Funding Via Financial Institution Regulation

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

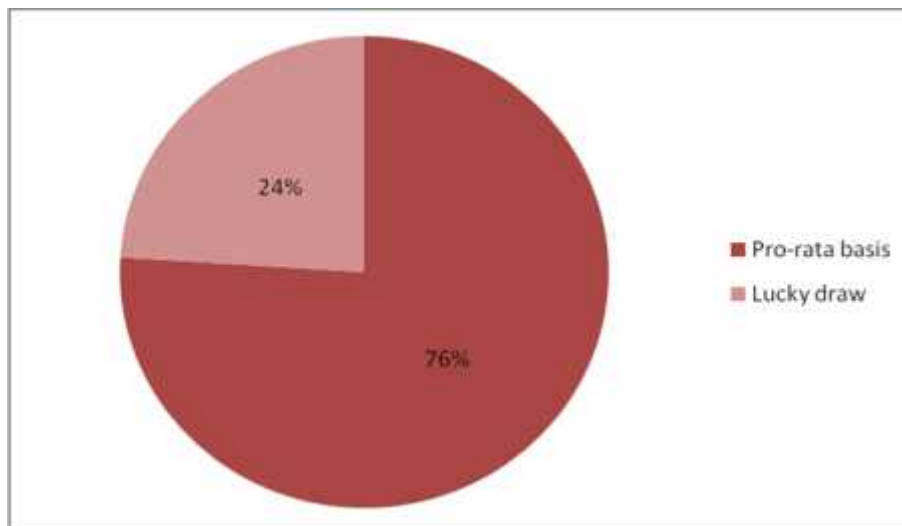
Table 4.16

Funding Via Financial Institution Regulation

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

Figure 4.16

Funding Via Financial Institution Regulation



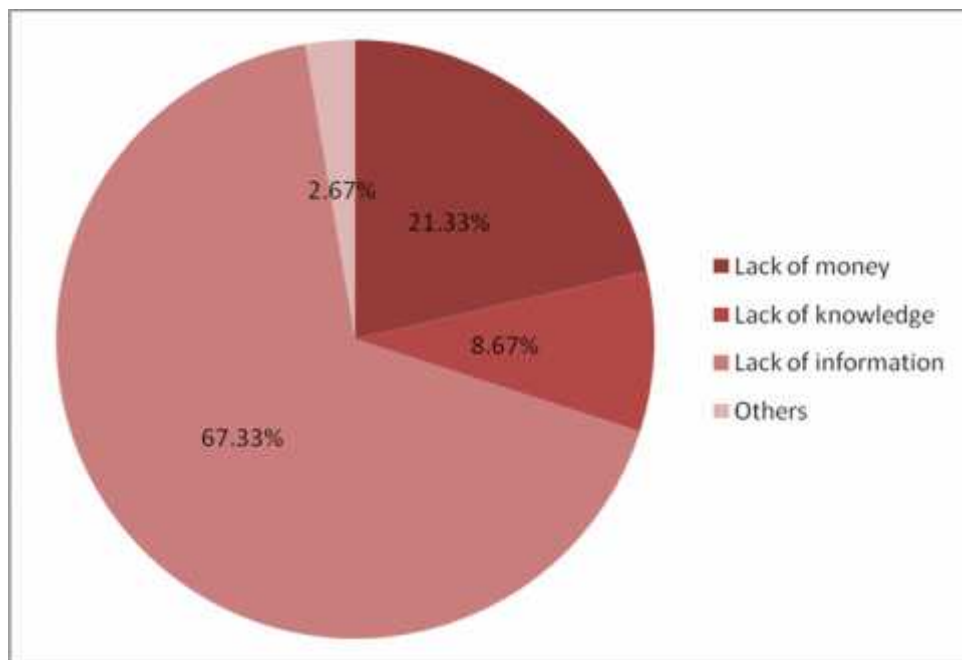
4.4.8. Expectation behind Investment in IPO

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

Table 4.17
Expectation behind Investment in IPO

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

Fig 4.17
Expectation behind Investment in IPO



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

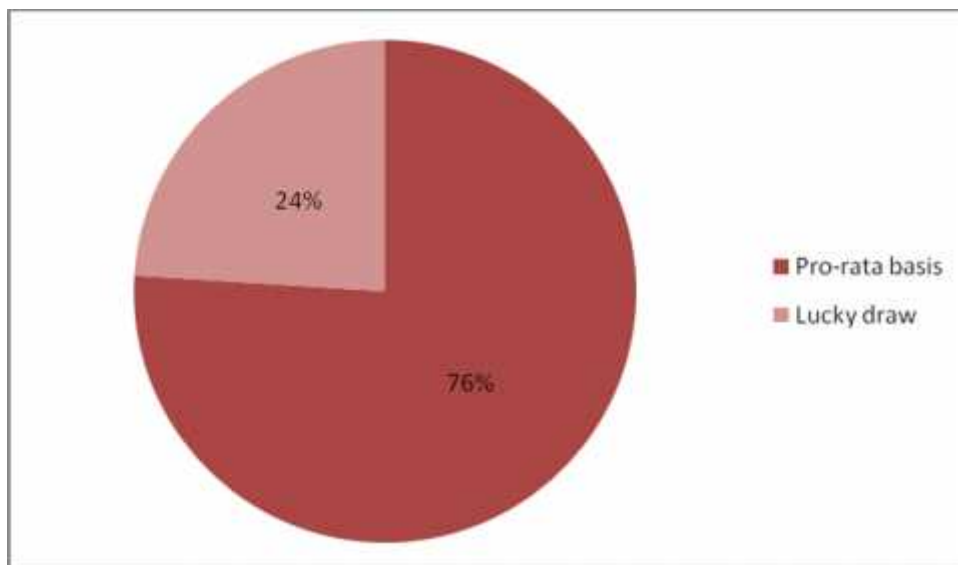
4.4.9. Sector Preference for Investment

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

Table 4.18
Sector Preference for Investment

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

Figure 4.18
Sector Preference for Investment



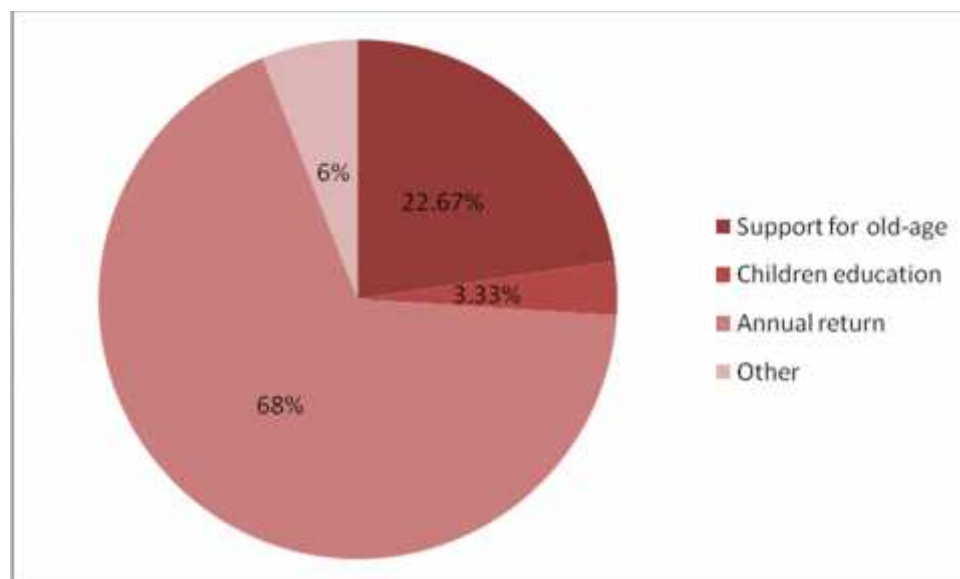
4.4.10. Preferred Financial Sector

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

Table 4.19
Preferred Financial Sector

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

Figure 4.19
Preferred Financial Sector



In the figure4.19, 34.67% or most of the investors give preference to Commercial Bank for IPO investment. 32% give to Development Bank, 19.33% are found to be in favor of Finance Company and remaining 14% are in favor of Insurance Company. Among the investors least are in favor of insurance company.

4.4.11 Preferred Non-Financial Sector

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

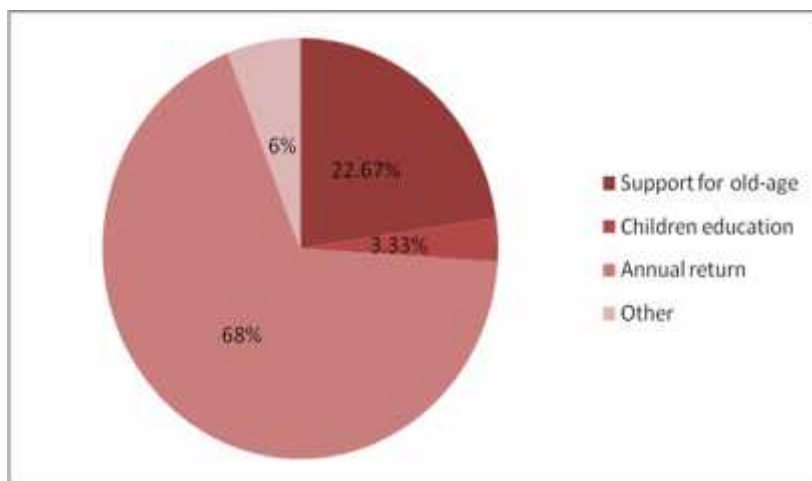
Table 4.20

Preferred Financial- Sector

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

Figure 4.20

Preferred Financial- Sector



Above table and fig 4.20 show that for non-financial sector, 44.67% seems to be interested in Manufacturing & Processing Company, 18.67% are interested in Hotels while 32.66% interested in Trading Companies. And the least i.e. 4% only are interested in other sector.

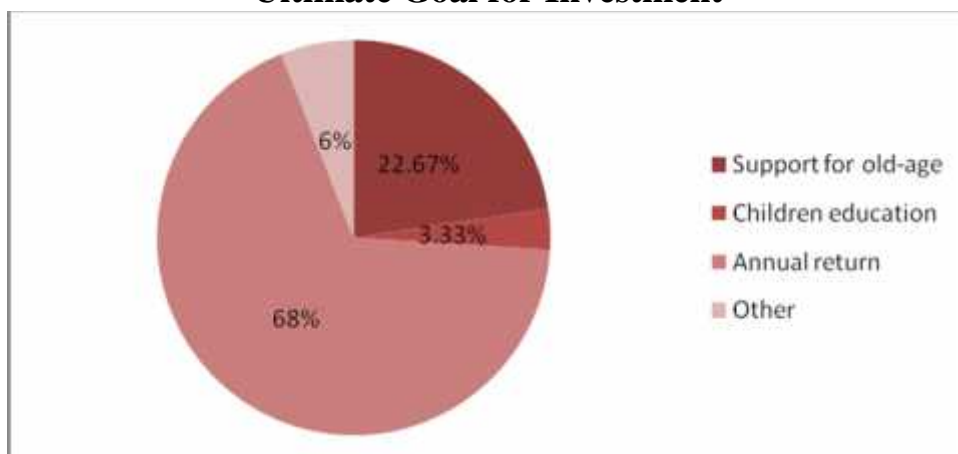
4.4.12. Ultimate Goal for Investment in IPO

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

Table 4.21
Ultimate Goal for Investment

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

Figure 4.21
Ultimate Goal for Investment



In the above fig 4.2168% think the ultimate goal behind invest in IPO is the annual return from that , 22.67% want to invest for the support for old-age, only .33% want to invest for children education and than left 6% think other reasons to invest in IPO.

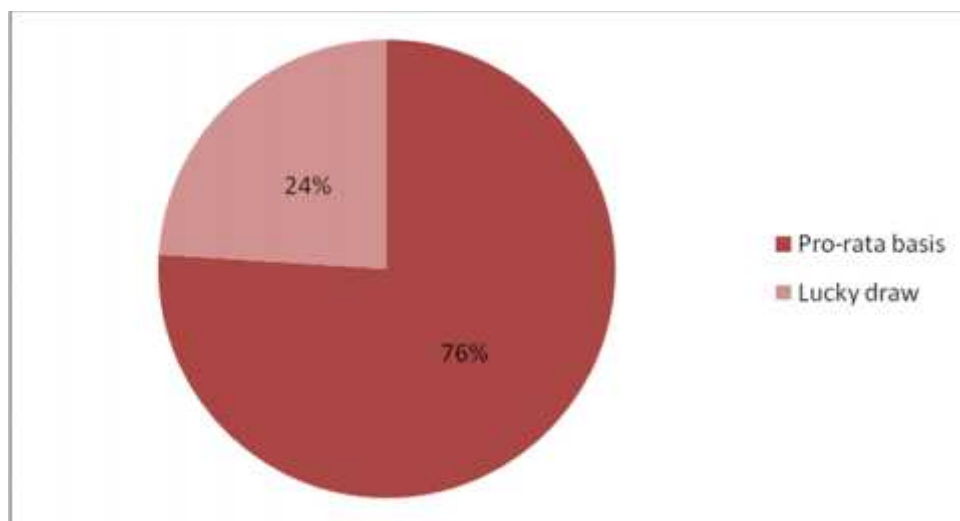
4.4.13 Basis for distribution of Shares

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

Table 4.22
Basis for Distribution of Shares

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

Figure 4.22
Basis for distribution of Shares



In the fig 4.22 it is clear that 76% people prefer pro-rata basis while only 24% prefer lucky draw basis for share distribution.

4.4.14. Reason for not going Public

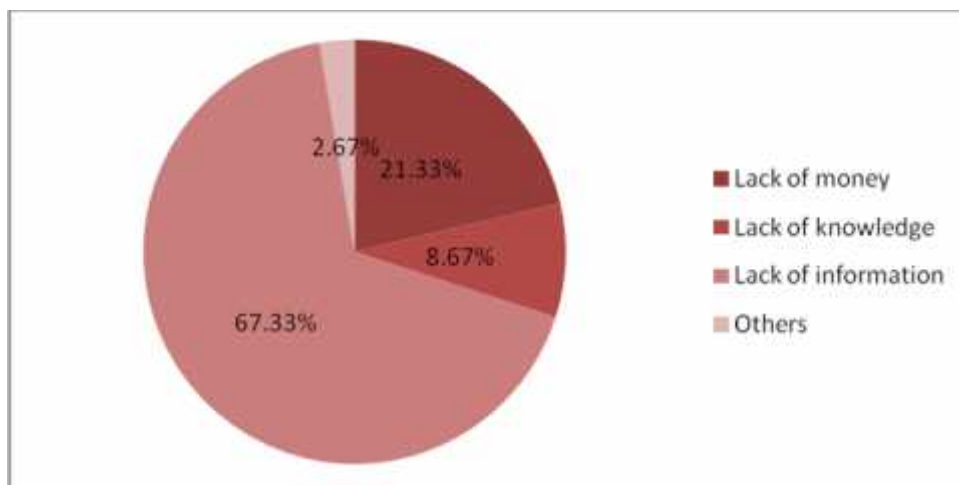
All companies do not want to go Public. 28.67% think control is the only reason for it. Companies do not want to loose the control by going Public. 35% think they do not want to share profit, 5.33% think they do not want to bear the obligation to mass shareholders and remaining 30.67% think they do not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

Table 4.23
Reason for not going Public

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

Figure 4.23

Reason for not going Public



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

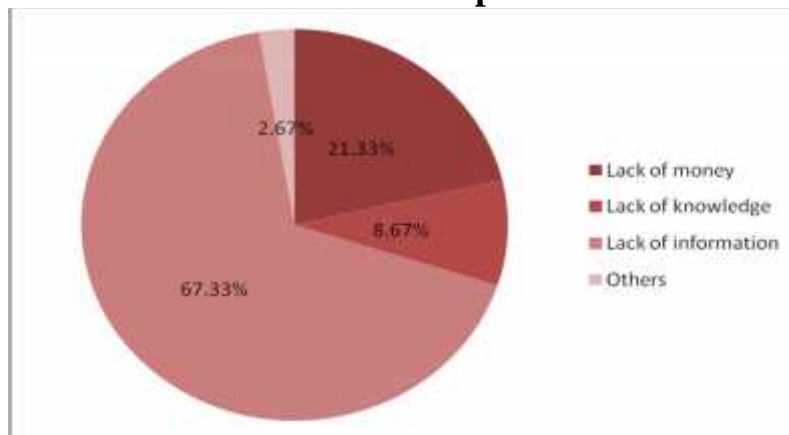
4.4.15. Reason for limited people investing in primary market

Only limited people invest in the primary market. For the reason asked 21.33% stated this is due to lack of money, 3.67% stated due to lack of knowledge, 67.33% said people lacks information and only 2.67% stated other reasons.

Table 4.24
Reason for limited people investment

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

Figure 4.24
Reason for Limited People Investment



In the above fig 4.24 highest parts is covered by lack of information i.e. 67.33%, which means most people do not invest in primary market due to lack of information. 21.33% shows the reason of lack of money, 8.67% shows lack of knowledge and least 2.67% do not invest due to other reasons than these.

4.5 Major Findings of the study

The major findings of this study are as follows:

-) Investor response to the financial institutions and insurance sectors is higher than non-financial sector. In case of financial sector among the 23 sample only one is undersubscribed i.e. 4.35 % only whereas in non-financial sector 3 are undersubscribed i.e. 33.33% among the 9 samples.
-) Among the financial sector people about 34.67% chooses commercial banks and in non-financial sector 44.67% choose manufacturing and processing company.
-) Among the 9 issues managers in the year 2006/07 only 5 have managed the issue. And even among them NCML and NMBL are seems to be the dominant one as they both rank first and second respectively in terms of highest number of issue managed (34.38% and 31.25%) and highest amount of issue is managed by CIT and NCML (41.5% and 25.55%).
-) Most of the people (76%) prefer pro-rata basis for allotment not the lucky-draw (24%) as pro-rata basis assure the investor about getting the share.
-) 46.67% are interested in company's performance while 14.67% are eager about reputed promoters. Most are seen to invest in company

if performing well. And less give preference to the company's promoters.

-) As most of the companies do not want to share the profit with investor they do not go publicly. 35.33% believes that most of the companies do not want to go public as they do not want to share profit. 30.67% believes companies do not want complexion in the management. 28.67% thinks companies do not want to loose control, as 5.33% thinks they do not want to bear obligation towards shareholders.
-) Still most of the people (67.33%) lack information regarding stock so limited number of people are investing in primary market. 21.33% do not invest as they lacks money.
-) Most of the investors (68%) expect annual return from the investment in IPO, 22.67% wants to invest as they think it will be support for old-age, 3.33% invest for children education.
-) Nepalese investors are risk averter so of the do not like to invest from credit/loan. Only 32% like to invest from the financial institution loan.
-) Pace of public offering is also increasing as amount of in approved continuously increase from 1993/94 (244.4 million) to 2001/2002 (1441.33 million) then decreased one time and again started increasing and reached at 2443.28 million in 2005/2006 and again decreased at 2295.5 million in 2006/07.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

IPO is the selling of securities to the general public for the first time. Primary market which avails fund to the issuer provides opportunity to invest to the small investors as well. This kind of public offering includes different kind of cost like legal fee, auditing fee, underwriting fee & time cost.

Companies going public involve one or more investment banks or issue managers as "underwriters". They enter into a contract for primary issue. As the underwriters and the company that issues control the IPO process solely, we find problems in this underwriting.

This study focuses on public response to IPO, problems and growth of primary market in Nepal, role of investment bankers, the pace of IPO, impact of loans from financial institutions for IPO funding.

Even first public issue was in 1973 A.D., secondary market come into existence only in 1993, after the conversion of Security Exchange Center in Nepal Stock Exchange Ltd. With the enactment of Securities Ordinance 2005, all companies going public must be registered at the SEBON before issuance of securities and must publish prospectus after getting SEBON's approval.

Most of the investors in Nepal lack the knowledge about IPO and if even they know, they do not want to take risk at all. For this prevailing

situation of the country can be another reason. Loans from financial institution for IPO funding is breaking the healthy practice as single man applies from different names and captures large number of shares which ultimately influence company management and stock price too.

IPO can be a risky investment as historical data of the issuing company affects it. As IPO's are generally under priced which attracts more investors. And if IPO's are overpriced, this may create problems to underwriters as they may not meet their commitment to issuing company.

From 1993/94 to 2005/2006 SEBON has approved 162 issues amounting Rs. 9597.48 million. The highest number of issues is in the year 2005.2006 which is 29 and the lowest is in 1996/1997 and in 1998/1999 which is 5 only. In the 162 issues 105 were oversubscribed, 41 were undersubscribed and 16 were constant.

While analyzing the public response in financial sector, in average 6.55 times Subscription found in Commercial Bank. For the development books Subscription time of 12 in average is found, for the finance companies average Subscription is 6.91 times. For the Insurance Companies average Subscription is 14.61 times. From all this it is clear that most desirable financial sector is insurance sector, 10.02% Subscription for the whole financial sector.

Similarly, only 2.36 times Subscription was found in case of non-financial sector. It gives the clue that public are more attracted toward financial sector than non-financial sector.

NCML and NMBL are seems to be the dominant one as they both rank first and second respectively in terms of highest number of issue managed

(41.67% and 33.33%) and highest amount of issue managed (42.19% and 30.06%).

From the primary data analyzes it is clear that most of the public are aware about the IPO, only 3.33% do not have heard about IPO. 6.67% people do not want to take risk while 40.66% want to invest in IPO even with the loan. Most of the respondents (41.33%) seen to be informed about IPO from advertisements. Among the investors 46.67% people give preference to company's performance before investment while only 5.33% give preference to brokerage commission if that avails or not. 14.67% are interested in the promoter's recognition.

Most of the respondents (41.33%) have invested in only one company; only 7.33% have invested in more than three company. 14.67% have not invested in any organization. More than 50% respondents prefer personal fund than credit/loan. 68% of the respondents are in favor that IPO funding through financial intuitions should be regulated by NRB. About 37.33% expects right share from the investment, 32% expects cash dividend at the year end.

About 88% are interest to invest in financial sector and only 12% are in non- financial sector. From among the financial sector 34.67% are interested in commercial bank, 32% in development bank, 19.33% in finance companies and only 14% in insurance companies. In the case of non- financial sector highest 44.67% are interested in manufacturing and processing company, 18.67% in hotels & 32.66% in trading company. For 68% people annual return is the ultimate goal for investing, 22.67% thinks supports for old-age. 76% prefer pro-rata basis for share allotment rather than lucky draw. 35.33% people think that most companies do not

go public as they do not want to share profit with public, whereas 28.67% think it's because they want to keep control with themselves, 30.67% thinks as it may bring complexity in management. Most of the people (67.33%) show the reason of lack of money for limited people investing in primary market and only 21.33% think its due to lack of money.

From the study, it is clear that if get opportunity maximum are eager to invest in IPO as in Nepal there lacks alternate for investment.

5.2 Conclusion

In spite of the long period of securities prevailing in the Nepalese market, most of the public do not know about IPO. Even in the knowledge one most are interested in financial sector than non- financial sector. Even among the financial sector most are interested in Commercial Bank. But among the financial sector Insurance companies are the highest subscribed one. While 10.02 times Subscription for financial sector, only 2.36 times for non- financial sector.

Vast deviation is found in the primary market of Nepal during 1993/1994 to 2005/2006 period, number of issue approved ranges from 29 at highest in 2005/2006 to 5 at lowest in 1996/97 and 1998/1999.

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

investment. IPO's handled by bigger brokerages are found to be more successful.

Even though the whole IPO process is very long, Nepalese investors are interested to invest in this sector.

5.3 Recommendations

After the research following recommendations are made for better IPO:

-) As investment bankers play a vital role in the IPO process, they should try to give more transparent, fast, hassle-free service so that more public can involve in the IPO.
-) Before investing in any company, all the investors must go through that company's financial details, prospectus, or they will be in difficulty if only go with the market rumors.
-) Small investors are also the part of primary market, so IPO funding through financial institution should be strictly regulated to discourage the big investors who apply in names of relatives, friends etc.
-) For getting IPO "hot", more and more advertisements need to be promoted, and true picture should be showed to the public. So that price does not fall after issue at the time of trading.
-) Most underwriters target institutional or wealthy investors in IPO distribution, which is ethically as well as logically very wrong. The allotment process must be pro-rata basis rather than lucky-draw, so that all investors may get shares.
-) Investors are becoming speculators rather than rational investors due to asymmetric information. They should know the whole stock valuation process and only then initiate to invest.

-) While choosing the issue Manager Company should choose that are in which general investors could believe freely.
-) Application from each corner of the country should be asked so that all interested candidates could apply. As it is found that most of the IPO's are concentrated in the valley only.

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APPENDIX-I

Knowledge about IPO	No	%
Never Heard	5	3.33
Seen in Books & Paper	32	21.33
Little Heard	35	23.33
Yes, Of course	78	52
Total	150	100

Preferred Financial Sector	NO	%
Commercial Bank	52	34.67
Development Bank	48	32
Finance Company	29	19.33
Insurance Company	21	14
Total	150	100

Interest (willingness) to invest in IPO	No	%
No risk at all	10	6.67
If had money	27	18
Depends in the sector	52	34.67
Yes, Even with the loan	61	40.66
Total	150	100

Preferred Non-Financial Sector	No	%
Manufacturing & Processing Company	67	44.67
Hotels	28	18.67
Trading Company	49	32.66
Other Company	6	4
Total	150	100

Source of information	No	%
Advertisements	62	41.33
Personal Relations(market information)	47	31.33
Broker	27	18
Others	14	9.33
Total	150	100

Ultimate Goal For investment	No	%
Support fro Old-age	34	22.67
Children Education	5	3.33
Annual Return	102	68
Other	9	6
Total	150	100

Investors Preference while investing	No	%
promoters	22	14.67
Company's Performance	70	46.67
Brokerage Commission (Avails or not)	118	78.67
Market Information	50	33.33
Total	150	100

Basis for Distribution of Shares	No	%
Pro-rata Basis	114	76
Lucky Draw	36	24
Total	150	100

Number of Companies invested	No	%
One	62	41.33
Two to Three	55	36.67
More than three	11	7.33
None	22	14.67
Total	150	100

Reason For Not Going Public	No	%
To keep Control	43	28.67
Sharing for profit	53	35.33
Obligation to Mass Shareholders	8	5.33
Complexity in Management	46	30.67
Total	150	100

Fund Used for the Investment	No	%
Personal Fund	92	61.33
Loan/Credit	58	38.67
Total	150	100

Funding Via Financial Institution Regulation	No	%
Yes	102	68
No	48	32
Total	150	100

Expectation Behind Investment	No	%
Cash Dividend	48	32
Bonus Share/ Stock Dividend	39	26
Right Share	56	37.33
Others	7	4.67
Total	150	100

Reasons For Limited People Investing	No	%
Lack of Money	32	21.33
Lack of Knowledge	13	8.67
Lack of Information	101	67.33
Others	4	2.67
Total	150	100

Sector Preference for Investment	No	%
Financial Sector	132	88
Non-Financial Sector	18	12
Total	150	100

APPENDIX-II

Questionnaire

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

Name:

Occupation:

Address:

- 1) Have you ever heard about IPO?
 - a) Never heard
 - b) Seen in papers and books
 - c) A little
 - d) Yes, of course

- 2) Would you like to invest in IPO?
 - a) No risk at all
 - b) If had money
 - c) Depends on the sector
 - d) yes, even with the loans

- 3) How do you come to know about IPO of any company?
 - a) Advertisements
 - b) Personal relations (market info)
 - c) Brokers
 - d) others

- 4) What comes first in your mind while investing?
 - a) Promoters
 - b) Company's performance
 - c) Brokerage Commission (avails or not)
 - d) market information

- 5) In how much company do you have invested?
 - a) One
 - b) Two to three
 - c) More than three
 - d) none

- 6) Which fund would you like to invest in IPO?
 - a) Personal Fund
 - b) Loan/ Credit

- 7) Do you think it is good that NRB has prohibited IPO funding via financial institutions loans?
 - a) yes
 - b) no

- 8) What expectation led you to invest?
 - a) Cash dividend
 - b) Bonus share/ stock dividend
 - c) Right share
 - d) others (please specify if any).....

- 9) Would you prefer financial sector or non-financial sector for investment?
 - a) Financial sector
 - b) Non-financial sector

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

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

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

- a) Manufacturing and Processing Company
- b) Hotels
- c) Trading Company
- d) Other Company (Please specify).....

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

- a) Support for Old-age
- b) Children Education
- c) Annual Return
- d) others (please specify if any).....

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

- a) Pro-rata basis
- b) Lucky draw

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

- a) To keep control
- b) Sharing of Profit
- c) Obligation to mass shareholders
- d) Complexity in management

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

- a) Lack of money
- b) Lack of Knowledge
- c) Lack of Information
- d) others (please specify if any).....