INVESTMENT DECISIONS IN INITIAL PUBLIC OFFERINGS AND OVER-SUBSCRIPTION PERCEPTIONS AMONG INVESTORS

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OPEN ACCESS

How to cite this paper: Karki, D., Bhattarai, G., Dahal, R. K., & Sanjel, N. (2024). Investment decisions in initial public offerings and over-subscription perceptions among investors. *Corporate Governance and Organizational Behavior Review, 8*(1), 105–114. https://doi.org/10.22495/cgobrv8i1p9

ISSN Online: 2521-1889
ISSN Print: 2521-1870

Received: 26.08.2023
Accepted: 26.01.2024

JEL Classification: G10, G11, G24, G41
DOI: 10.22495/cgobrv8i1p9

Abstract

This study aims to address the critical issue of inadequate research policies in the context of growing interest in initial public offerings (IPOs). Its primary objective is to explore the complex dynamics governing IPO investment decisions and the over-subscription perceptions among Nepalese investors. It employs a quantitative research design and a questionnaire administered to 150 respondents. It adopts a theoretical framework that includes firm-specific and general factors, aligning with Velmurugan et al.'s (2015) perspective. The findings demonstrate that factors, including the corporate profile, financial position, IPO size, short-term returns, market rumors, goodwill, and sector performance, significantly influence IPO investment decisions among Nepalese investors. These findings emphasize the pivotal role of a company's financial health for both short-term and long-term investment gains (Ferdous et al., 2021). Investors prioritize corporate profile, financial position, and short-term returns when making IPO investment decisions. This research contributes to better-informed decision-making for investors, assists IPO-issuing companies in increasing their attractiveness, and offers guidance to regulatory bodies in ensuring transparency in financial information. This study's relevance lies in its contribution to improving IPO investment decisions, thereby benefiting investors, companies, and regulatory bodies in the context of the Nepalese stock market.

Keywords: Initial Public Offerings, IPO Decision Factors, Over-Subscription, Investment Behavior, Investment Decision-Making, Stock Market

Authors' individual contribution: Conceptualization — D.K.; Methodology — D.K. and G.B.; Software — D.K. and R.K.D.; Validation — D.K., G.B., and R.K.D.; Formal Analysis — G.B. and N.S.; Investigation — D.K. and R.K.D.; Resources — G.B. and R.K.D.; Data Curation — R.K.D. and N.S.; Writing — Original Draft — D.K.; Writing — Review & Editing — D.K., G.B., and R.K.D.; Visualization — D.K., G.B., and N.S.; Supervision — G.B., R.K.D., and N.S.; Project Administration — G.B.; Funding Acquisition — D.K., G.B., R.K.D., and N.S.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

There has been an increasing level of investor interest in the equities market of Nepal, namely in the shares offered through initial public offerings (IPOs) (Upadhyay & Tripathi, 2016). The current increase in interest has been characterized by a phenomenon referred to as over-subscription, wherein the demand for recently issued securities exceeds the available supply. Nevertheless, the enthusiasm surrounding IPO occurs amidst unforeseen and abrupt economic instability, directly and indirectly impacting stock return fluctuations.

Understanding the factors influencing stock investment and returns is complex and challenging for financial economists and scholars. The study of investment management and portfolio theories has undergone development in response to the intricacies associated with these phenomena (Bandgar, 2000). These theories explore the complex interaction of multiple factors that impact investment decision-making. The elements mentioned above comprise a range of features that are distinct to each company, as well as broader market dynamics. These aspects jointly influence the decision-making processes of investors and analysts (Panda & Tripathy, 2001).

Investment decisions, particularly those related to IPO, are influenced by factors such as cognitive biases and market perceptions (Panda & Tripathy, 2001). The classic finance model operates under the assumption of rationality, but behavioral economists contest this perspective by highlighting the prevalence of cognitive and emotional biases among investors. These flaws contribute to what is commonly referred to as "irrational behavior". Therefore, it is crucial to comprehend the behavioral aspects of investment decision-making and the significance of market information to analyze the complex dynamics of stock return fluctuations.

The significant challenges to the growth of small businesses in Nepal lie in securing initial funding and overreliance on credit (Dahal et al., 2023; Karki et al., 2021). Hence, the issue of new securities, carried out through the primary market, holds a crucial position in capital markets (Karki et al., 2023; Upadhyay & Tripathi, 2016). In this context, IPOs play a pivotal role as they facilitate the process via which corporations can generate cash by introducing new stocks to the general public for the first time. Nevertheless, the IPO market in Nepal possesses unique characteristics, as evidenced by the prevalence of speculative behaviors among retail investors who engage in investments without thorough analysis (Velmurugan et al., 2015). The observed behavior may be ascribed to the concentrated structure of the market, which is primarily controlled by equities originating from the banking and financial sectors (Bandgar, 2000). There is tough competition between private and public banks toward satisfying their customers and catching the stockholders' attention (Bhandari et al., 2021; Ghimire et al., 2023).

Recent comprehensive surveys of the IPO literature have focused considerable attention on several crucial topics. These include the pervasive concern of IPO underpricing, the intricate exploration of short-term performance dynamics in IPOs, the profound influence of top-level decision-makers on the IPO process, and the intriguing phenomenon of IPO underpricing in the Asian context (Albada & Yong, 2019; Jamaani & Alidarous, 2019; Helbing, 2019; Ferdous et al., 2021). Understanding the multifaceted dynamics of underpricing in IPOs has been the primary focus of scholarly inquiry, which continues to captivate scholars. While the research on IPO underpricing remains a vibrant domain, emerging lines of inquiry have begun to shape the IPO research landscape. These include the compelling exploration of IPOs in the contexts of undersubscription and oversubscription. This has inspired our research initiative, propelling us to embark on a unique exploration of IPO activity within the distinctive Nepalese market.

This study aims to shed light on the factors that influence investors' decisions in the context of IPO, considering the unique characteristics of the Nepalese IPO market. The primary objective of this study is to analyze the various elements, both specific to individual companies and of a more general nature, that influence investment decisions in IPO. Additionally, the research examines the viewpoints of the general public regarding the problem of over-subscription in IPOs. This investigation is supported by the works of Upadhyay and Tripathi (2016) and Velmurugan et al. (2015). The research seeks to enhance our comprehension of investor behavior and decision-making dynamics by analyzing these variables, specifically within IPO.

The study extensively examines the complex aspects of IPO investment decisions and investigates the intricate connections among company-specific characteristics, broader influences, and investment preferences (Karki, 2018). Moreover, the study aims to assess the attitudes of investors regarding the occurrence of over-subscription in the IPO market. By examining existing literature, this study aims to elucidate the intricacies of investor behavior and decision-making by exploring the perceptions, attitudes, and preferences of investors from Nepal (Dahal, 2022; Velmurugan et al., 2015). This research seeks to contribute value to academic literature and practical investment strategies. Furthermore, this study is driven by the imperative to comprehend the barriers encountered by the IPO market in Nepal, encompassing hindrances stemming from macroeconomic circumstances, political volatility, investor apprehension, deficiencies in the tax system, and sluggishness in privatization processes. Through a thorough analysis of these challenges, the research aims to provide suggestions for resolving the current problems and cultivating a more effective and resilient IPO market in Nepal.

The rest of this study is structured as follows. The literature review in Section 2 introduces pertinent prior research, providing context for the study. Section 3 explains the research methodology and empirical approach. In Section 4, the study reveals its findings and discusses their implications. Finally, Section 5 concludes the paper.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Literature review

This research comprehensively explores public perceptions and the factors influencing investment decisions in IPO. An in-depth review of the existing literature has been conducted to establish a strong foundation for this study, spanning various dimensions of IPO, investor behavior, market dynamics, and related determinants.

Upadhyay and Tripathi (2016) contributed by highlighting the pivotal role of the primary market within a country's capital market growth and development. They underscored investors' high expectations from IPOs, often regarding them as avenues for potential high returns. Their examination of trends and returns within the Indian New Issue Market (NIM) highlighted the intricate patterns and variations in short- and long-term returns associated with IPO. Karki (2018) also observed that investor sentiment has the most significant impact on stock prices; when investor sentiment is more stable and optimistic, stock prices will relatively be better. Velmurugan et al. (2015) added valuable insights into the changing preferences of investors, driven by economic liberalization and globalization, as economic variables are cointegrated in the long run (Karki, 2018). They emphasized the emergence of a dynamic environment for small and ordinary investors characterized by diverse investment opportunities in India. The study highlighted a preference among aged and high-income investors for safer investment options like post office and bank deposits.

Bandgar (2000) offered a window into investor behavior, revealing a paradox where highly educated middle-class investors needed more requisite skills and knowledge for effective investment decisions. Interestingly, female investors tended to lean towards riskier securities than their male counterparts. The study also brought attention to the transitioning investment landscape, with shifts from bank deposits towards shares, debentures, and traditional financial instruments such as life insurance policies and government securities. Panda and Tripathy (2001) examined investor awareness and attitudes toward public issuances. Their investigation unveiled challenges investors face in accessing timely company information and navigating problems during security selling. Factors like "Safety and regular return" emerged as significant influencers in investment decisions, with a preference for equity shares attributed to their potential for higher returns. Desigan et al. (2006) centered on women investors in Erode town, dissecting their investment patterns, preferences, influential factors, and encountered challenges. The findings highlighted women's inclination towards investments in bank deposits and jewelry, motivated by concerns of safety and liquidity. Cumbersome procedures, formalities, commissions, and brokerage emerged as the primary challenges faced by women investors.

Michaely and Shaw (1994) enriched the discourse by examining underpricing models and the role of underwriter quality in addressing information asymmetry between informed and uninformed investors. The research established a significant link between underwriter quality and IPO performance, affirming that IPOs led by prestigious underwriters displayed more robust post-IPO performance trends. Statman et al. (2006) contributed insights into investor overconfidence and its interplay with trading volume. Their research showcased a connection between biased self-attribution, varying levels of investor overconfidence, and associated trading volume fluctuations tied closely to past performance. Rashid and Nishat (2009) underscored the pivotal role of satisfied investors in driving rapid expansion in developing country stock markets. The study highlighted the importance of effective regulation, disclosure requirements, investor education, and technology-driven trading to ensure an environment conducive to investor satisfaction.

Ranganathan (2006) ventured into fund selection behaviors among individual investors, particularly toward mutual funds within Mumbai city. The study resonated with behavioral finance concepts, amalgamating consumer behavior and financial economics insights. Maharjan et al. (2022) echoed the rising demand for information availability and sufficiency, while Prasanna and Bansal (2014) dissected the investment trends and patterns of foreign institutional investors, probing their influence on stock market liquidity and volatility. Young and Zaima (1988) cast light on IPO initial returns through the lens of IPO firm age, offering type, and industry characteristics. The research posited that IPOs for less established firms displayed higher underpricing as compensation for investors' information costs.

IPO investment and performance research reveals a dynamic landscape influenced by firm-specific and general factors. In India, where IPO underpricing dominates overpricing, studies reveal consistent growth in IPO capital while the number of IPO issues declines. For instance, Singh et al. (2020) found that from 1991 onwards, the amount of IPO capital grew at a rate of 11.54% compounded annually, while the number of IPO issues declined at a rate of 9.91% compounded annually. Jain et al. (2020) noted the average size of IPOs has been increasing by 21.46% annually. Turning to Australia, Ferdous et al. (2021) explored the short-run performance of IPOs. Analyzing a dataset spanning 2011 to 2015, the study identifies IPO underpricing in the total market return and overpricing in the secondary market. Notably, the research underscores the role of listing year and industry settings in these performance fluctuations.

Krug and Herberger's (2022) systematic review emphasized regional differences in underpricing and overpricing factors within Chinese and United States capital markets. Notably, stock market-specific factors significantly impact these variations. Furthermore, underpricing is associated with site-specific and site-independent factors, while overpricing is primarily influenced by site-independent factors. Chowdhury et al. (2023) investigated the influence of retaining original insiders in Australian post-IPO firms on financial performance, highlighting the significance of safeguarding pre-IPO management teams and firm-specific investments. This approach, aimed at enhancing post-IPO financial outcomes, offers a fresh perspective within the context of IPO investment decisions. Giri et al. (2018) and Yadav and Goel (2019) provided a crucial context for the Indian IPO landscape, where underpricing prevails, shedding light on market-specific IPO behaviors.

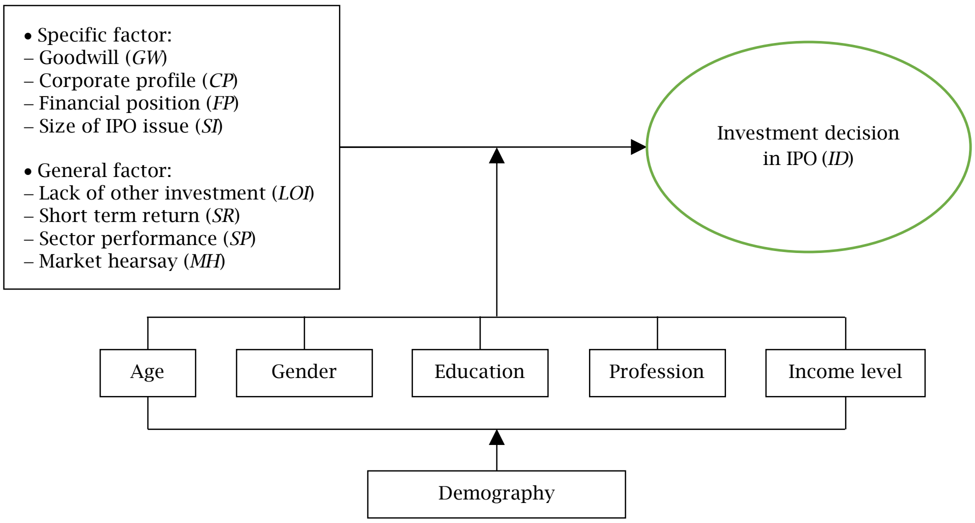
These diverse insights collectively contribute to the comprehensive understanding of IPO investment dynamics, underlining the relevance of specific factors, regional variations, and investor sentiment for informed investment decisions and post-IPO performance. The reviewed literature highlights a significant research gap in Nepal's context concerning IPOs. While global studies have dissected various aspects, such as investor decision-making factors and IPO oversubscription, an integrated exploration is noticeably absent. This research aims to bridge this gap by thoroughly analyzing the relationships between investment decisions and influencing factors while exploring the determinants underpinning IPO oversubscription.

2.2. Theoretical framework

The theoretical framework underpinning this research draws on crucial literature and concepts relevant to IPO within the context of Nepal. Within this framework, individuals' concerns surrounding IPO investments center on factors such as company goodwill, financial stability, performance, individual knowledge, market rumors, information sufficiency, and potential returns. This investigation delves into the market dynamics while incorporating information and public opinion, forming a comprehensive perspective.

The theoretical framework serves as the foundational structure upon which the entire research rests, elucidating the intricate relationships between various variables and outlining the theories that underpin these relationships. Specifically, this study views the decision-making process for IPO investments as the dependent variable. This framework is rooted in the insights proposed by Velmurugan et al. (2015), who conducted a study analyzing investors' perceptions of investment avenues, focusing on the significant presence of small investors in the share market. Their survey-based approach investigated investors' perspectives on various investment options from multiple angles, which resonates with the present research.

Figure 1. Theoretical framework of the study



This study analyzes the factors influencing investment decisions toward IPO, categorizing them into specific elements, general aspects, and demographic variables. Demographic variables play a supportive role in summarizing people's perceptions and decision-making toward IPOs. Based on the literature review and theoretical framework, the following hypotheses were formulated:

H1: There is a significant relationship between the goodwill of the IPO issuing company and investment decisions.

H2: There is a significant relationship between the corporate profile of the IPO issuing company and investment decisions.

H3: There is a significant relationship between the current financial position of the IPO issuing company and investment decisions.

H4: There is a significant relationship between the size of the IPO issued by the company and investment decisions.

H5: There is a significant relationship exists between lack of investment opportunity and investment decisions.

H6: There is a significant relationship between potential short-term returns and investment decisions.

H7: There is a significant relationship between the sector performance of IPO issuing companies and investment decisions.

H8: There is a significant relationship exists between market hearsay regarding IPO and investment decisions.

3. RESEARCH METHODOLOGY

This study adopts a research design that combines descriptive and causal-comparative approaches, aiming to comprehensively explore the IPO and investment decisions. Quantitative data were collected as the primary data source using a survey method. Additionally, informal interactions with relevant stakeholders, including public investors and concerned individuals in the IPO market, were conducted to enrich the research insights further.

3.1. Sampling and data collection

The research selected a sample size of 150 participants, consisting of various investors engaged in IPO investments. The study is geographically confined to the Kathmandu Valley to streamline research logistics. The sample encompassed diverse demographics such as gender, age, occupation, education, and average monthly income, enhancing the study's representativeness. Data collection was facilitated through a structured questionnaire distributed among investors from the capital market, various banks, and personal networks. From 163 correspondences, 150 meaningful responses were obtained, establishing the research's foundation. Convenience sampling was chosen as the methodology, given its efficiency and ease of implementation.

3.2. Questionnaire design and validation

The questionnaire was carefully developed, encompassing single-response, multiple-response, ranking, yes/no, and Likert scale questions to capture a broad spectrum of investor perspectives. The research objectives were precisely reviewed to ensure content validity, and extensive literature was surveyed. The self-administered questionnaire format was chosen to minimize blank spaces and intentional misreporting. Expert consultations and pilot testing were conducted to ascertain questionnaire validity while including negative questions added an element of reliability testing. Pilot surveys, Cronbach's alpha, and cross-checking exercises were employed to assess the instrument's reliability.

3.3. Data analysis techniques

The collected data underwent a comprehensive analysis to fulfill the research objectives. Descriptive and inferential data analysis techniques were applied to derive meaningful insights. Through descriptive analysis, public responses concerning IPO investment decisions were explored, shedding light on their considerations of both general and company-specific factors. This analysis effectively captured the sentiments and perceptions of the participants regarding IPO investments. The study could have considered alternative research methods. For instance, a qualitative approach similar to Chakraborty and Bhattacharjee (2020), employing bibliometric and content analysis, could provide a more comprehensive understanding of the research topic. While the current study relies on quantitative methods, exploring these qualitative approaches could offer a complementary perspective. Devkota et al. (2023) have also suggested applying cognitive behavioral theory to scrutinize the impact of sector-related beliefs, values, and perceptions on individuals' behaviors and choices. This could have been a valuable addition to this research.

3.4. Hypothesis testing and validity

The study employed Pearson's correlation coefficient to gauge the validity of questionnaire items by measuring their relationship with the total score of relevant constructs. Correlation analysis techniques were used to determine the nature and extent of relationships. Additionally, the one-sample t-test technique was utilized to ascertain potential cause-and-effect relationships between IPO investment decisions and selected variables.

4. RESULTS AND DISCUSSION

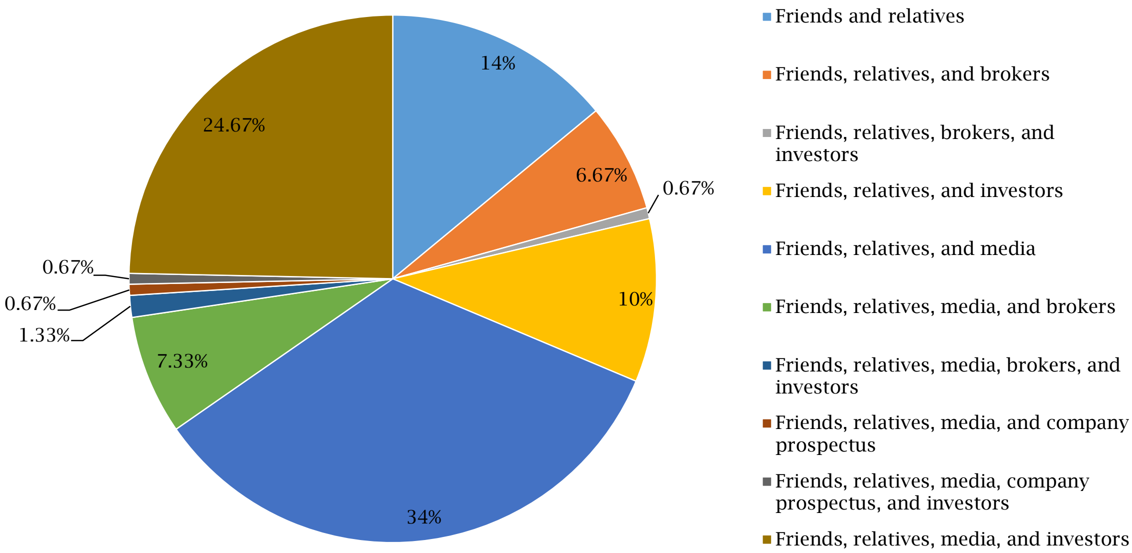
This study analyzed the collected data from a public perspective by administering a questionnaire. The data has been presented in tabular and diagrammatic forms, and various analytical tools such as the coefficient of correlation, regression analysis, one sample t-test, and analysis of variance (ANOVA) have been employed for comprehensive analysis.

The results showed that out of the 150 participants, 64% were male respondents, while 36% were female. The sample was diverse in age distribution, with 8% falling below 21 years old, 47.33% between 21 and 34 years old, 33.33% between 35 and 44 years old, 8% between 45 and 60 years old, and 3.33% above 60 years old. Regarding education, respondents varied, with 6% having education levels of School Leaving Certificate or below, 12.67% at the intermediate level, 61.33% holding Bachelor's degrees, and 20% having Master's degrees and above. Regarding occupation, the sample reflected a diverse range, with 71.33% employed in government and private sector services, 12% involved in business activities, 7.33% being students, 4.67% retired, and 4.67% self-employed. Income levels also varied, with 0.67% having an income below 10,000 NPR, 10% between 10,001 NPR and 30,000 NPR, 52% between 30,001 NPR and 50,000 NPR, and 37.33% having an income above 50,000 NPR. The sample exhibited diversity in terms of investment experience, with 15.33% having invested in shares for less than two years, 36.67% for 2 to 5 years, 38.67% for 6 to 10years, and 9.33% for more than ten years. Interestingly, 13.33% of respondents did not read the company prospectus before investment, while 86.67% did read it.

4.1. Source of information for IPO

As represented in Figure 2, the sources of IPO information were varied. Around 14% of respondents obtained information from friends and relatives, 6.67% from friends, relatives, and brokers, 0.67% from friends, relatives, brokers, and investors, 10% from friends, relatives, and investors, 34% from friends, relatives, and media, 7.33% from friends, relatives, media, and brokers, 1.33% from friends, relatives, media, brokers, and investors, 0.67% from friends, relatives, media, and company prospectus, 0.67% from friends, relatives, media, company prospectus, and investors, and 24.67% from friends, relatives, media, and investors.

Figure 2. Percentage distribution of source of information of IPO



Source: Authors' estimation.

4.2. Investment portfolio

Regarding investment portfolios, 0.67% of respondents invested in a single company, 6.00% invested in up to 5 companies, 28.67% invested in 5 to 8 companies, and 64.67% invested in more than 10 companies through IPOs.

4.3. Investment approach

Among the participants, 64.67% directly invested in IPOs, 30.67% partially invested in IPOs and picked stocks upon listing, and 4.67% opted to select the same stock upon its listing in the secondary market.

These findings provide a comprehensive snapshot of the respondents' demographics, investment patterns, information sources, and investment approaches. This analysis forms the foundation for further examination of the relationships between these variables and investment decisions in IPOs.

4.4. Descriptive statistics

Descriptive statistics represent a vital aspect of data analysis, providing a means to summarize and present data patterns meaningfully. This study employs descriptive statistics, utilizing measures such as mean, minimum, maximum, and standard deviation to gain insights into the collected data.

4.4.1. The rank of best investment choice

Table 1 offers a glimpse into the descriptive statistics of the ranking of respondents' preferred investment choices.

Table 1. Descriptive statistics for rank of best investment choice

Investment choice	*Minimum*	*Maximum*	*Mean*	*Std. deviation*
The rank of own business/Entrepreneurship	1	5	2.84	1.378
The rank of investment in primary securities	1	4	1.83	0.853
The rank of investment in secondary securities	1	3	2.43	0.876
The rank of investment in precious metal/Bullion	1	5	4.88	0.477
The rank of property and land/Real estate	1	5	3.00	1.092

The order, ranging from 1 to 5, designates one as the most selected and five as the least preferred. Among the presented investment choices, the data reveals that respondents favored primary securities as their best investment choice, with the lowest mean score of 1.83. Conversely, investment in precious metal/bullion emerged as the least preferred option, indicating the highest mean score of 4.88. This table examines the spectrum of preferences among respondents, shedding light on the variance in their inclinations toward different investment avenues.

4.4.2. Variables under study

Table 2 provides descriptive statistics for the variables used in the study. Respondents were asked to give rankings from 1 to 5 for each variable, reflecting the extent to which they perceive factors such as goodwill, corporate profile, financial position, IPO size, lack of other investment opportunities, short-term return, sector performance, and market hearsay to influence their investment decisions. The data illustrates that there is a range of opinions among respondents. Some respondents do not consider certain variables, while others strongly agree about their influence on investment decisions. A significant proportion of respondents concur that these variables impact their investment choices regarding IPO. This variance in responses underlines respondents' diverse perspectives and attitudes, some of whom exhibit a pronounced inclination to invest in every IPO. In contrast, others display more reserved investment behavior. These descriptive statistics provide valuable insights into the degrees of respondent preferences and perceptions, which serve as the foundation for further in-depth analyses and insights into the factors influencing investment decisions in IPO.

Table 2. Descriptive statistics of the variables under study

Factors	*Mean*	*Std. deviation*
I like to invest in an IPO.	2.15	1.442
Goodwill of IPO issuing company.	2.00	1.577
Corporate profile of IPO issuing company.	1.99	1.520
The current financial position of the IPO issuing company.	1.92	1.537
Size of IPO issued by the company.	2.21	1.705
Lack of other investment opportunities other than IPO.	2.90	1.509
Potential short-term return from IPO.	2.90	1.337
Sector performance of IPO issuing company.	2.07	0.923
Market hearsay regarding IPO.	3.45	1.675

4.5. Correlation analysis

Correlation analysis was employed to determine the extent of association between two variables without necessarily implying a cause-and-effect relationship. It explores whether changes in one variable are connected to changes in another, shedding light on potential relationships, directions, and strengths of associations.

Table 3. Correlation matrix of independent variables with investment decision in IPO

Variable	*ID*	*GW*	*CP*	*FP*	*SI*	*LOI*	*SR*	*SP*	*MH*
ID	1								
GW	0.804**	1							
CP	0.782**	0.946**	1						
FP	0.772**	0.898**	0.951**	1					
SI	0.657**	0.619**	0.716**	0.726**	1				
LOI	0.202	0.248*	0.253*	0.247*	0.244*	1			
SR	-0.191	-0.21	-0.218	-0.219	-0.225	0.132	1		
SP	0.165	0.269*	0.322**	0.356**	0.253*	0.109	0.026	1	
MH	-0.439	-0.462**	-0.485**	-0.423**	-0.527**	-0.19	0.22	-0.1	1

*Note: *, ** Correlation is significant at the 0.05 and 0.01 level (2-tailed).*

In Table 3, the correlation coefficient for goodwill stands at 0.804, suggesting a robust positive relationship. The significant p-value of 0.00, less than the 0.05 significance level, confirms a statistically significant correlation. This signifies that changes in goodwill are strongly associated with changes in investment decisions in IPO, indicating that as goodwill increases, the propensity for investment decisions also increases. A correlation coefficient of 0.782 reveals a strong positive association between corporate profile and investment decisions in IPO. The p-value of 0.00, below the 0.05 significance threshold, underscores the statistical significance. This implies that variations in corporate profile are significantly linked with changes in investment decisions in IPO, signifying that a higher corporate profile tends to correspond with more excellent investment intentions. With a correlation coefficient of 0.772, financial position displays a substantial positive correlation with investment decisions in IPO. The p-value of 0.00 attests to its statistical significance. Consequently, alterations in financial position are significantly tied to fluctuations in investment decisions in IPO, indicating that a robust financial position influences investment inclination. The correlation coefficient of 0.657 demonstrates a notable positive correlation between the size of IPO and investment decisions. A p-value of 0.00 reiterates the statistical significance. This underscores that changes in IPO size are meaningfully linked to shifts in investment decisions in IPO, emphasizing that larger IPO sizes can influence greater investment interest.

The correlation coefficient of 0.202 signifies a weaker relationship between the lack of other investment opportunities and investment decisions. Further, this coefficient is not statistically significant. This suggests that the availability of alternative investment options does influence IPO investment decisions. A correlation coefficient of -0.191 indicates a very weak negative correlation between short-term return and investment decisions. However, the insignificant p-value suggests that this correlation lacks statistical significance. While there may be a faint negative connection between short-term returns and investment decisions, it is not strong enough to be considered statistically meaningful. This implies that investors might not rely heavily on short-term returns when deciding on IPO investments. The correlation coefficient of 0.165 illustrates a positive relationship between sector performance and investment decisions. However, the p-value of 0.01 signifies a lack of statistical significance. This suggests that changes in the sector's performance can influence shifts in investment decisions, but this relationship might not be strong enough to be considered a statistically reliable pattern. Investors may look at the overall sector performance as one of many factors when considering IPO investments. A correlation coefficient of -0.439 implies a fragile negative relationship between market hearsay and investment decisions. However, like in the previous case, the insignificant p-value indicates a lack of statistical significance. This suggests that while changes in market hearsay might be faintly connected to shifts in investment decisions, this connection lacks the robustness to be statistically reliable. This implies that although investors might consider market gossip, it might not determine their IPO investment choices.

These correlation analyses provide valuable insights into the interplay between the independent variables and investment decisions in IPO. They emphasize the multifaceted nature of investor decision-making, where factors, from intangible qualities like corporate profile to more tangible aspects like financial position, shape investor intentions, and choices.

4.6. Analysis of variance (ANOVA)

In this study, ANOVA was employed to determine whether a meaningful distinction exists in the means of the selected defining variables concerning investment decisions in IPO.

Table 4. ANOVA analysis of independent variables with investment decision

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	164.479	8	20.56	36.875	0.00
	Residual	61.888	141	0.558		
	Total	226.367	149			

The ANOVA output in Table 4 demonstrates that the F-value, which is 36.875, is highly significant with a p-value of 0.00, below the 0.05 significance threshold. This indicates a statistically significant difference in the mean dimensions of the selected determining variables concerning investment decisions in IPO. This outcome highlights that the variations in the factors chosen — goodwill, corporate profile, financial position, IPO size, lack of other investment opportunities, short-term return, sector performance, and market hearsay — collectively contribute to substantial distinctions in investment decisions in IPO.

Hence, this signifies that the factors considered in this study are not independent when influencing investment decisions in IPO. Instead, they interact and collectively play a role in shaping investor preferences. The statistically significant difference in means suggests that these factors, individually or in combination, influence investors' decisions to invest or not in IPOs.

4.7. Regression analysis

Regression analysis was used to understand the relationship between predictor and response variables. In this study, regression analysis was conducted to develop an equation that describes the statistical link between the selected predictor variables and the investment decision in IPO.

Table 5. Estimated regression results of investment decision on study variables

Model	R	R-square	Adjusted R-square	Std. error of the estimate	Durbin-Watson
1	0.837	0.7	0.659	0.802	2.102

The summary statistics in Table 5 offer valuable insights into the predictive power of the regression model used to analyze investment decisions based on the chosen variables. The R-square value (0.7) indicates that the selected predictor variables collectively explain about 70% of the variability observed in the investment decision in IPOs. This suggests that while the model helps explain a significant portion of the variation, other factors beyond the ones considered in this study also influence investment decisions.

The Durbin-Watson statistic (2.102) was used to detect autocorrelation, which is the presence of correlation between the residuals of the regression model. A value close to 2 suggests no significant autocorrelation. In this case, the Durbin-Watson value of 2.102 confirms no substantial autocorrelation among the variables, signifying that the residuals are relatively independent.

4.8. Sample t-test

The results of the one-sample t-test conducted on the Likert scale variables in Table 6 provide valuable insights into the relationships between the study variables and investment decisions in IPOs. The analysis indicated that the examined variables significantly influenced investors' decisions regarding IPO investments.

Table 6. One-sample t-test of the Likert scale

Variable	t	df	Test value = 0			
			Sig. (2-tailed)	Mean difference	95% confidence interval of the difference	
					Lower	Upper
GW	13.891	149	0	2	1.71	2.29
CP	14.352	149	0	1.992	1.72	2.27
FP	13.659	149	0	1.917	1.64	2.19
SI	14.191	149	0	2.208	1.9	2.52
LOI	21.059	149	0	2.9	2.63	3.17
SR	23.756	149	0	2.9	2.66	3.14
SP	24.517	149	0	2.067	1.9	2.23
MH	22.569	149	0	3.45	3.15	3.75

The comprehensive analysis of the study's variables about investment decisions in IPOs revealed significant findings. The variables *GW, CP, FP, SI, LOI, SR, SP*, and *MH* all demonstrated substantial influence on investment choices. The statistically significant correlations and p-values below the 0.05 threshold indicated strong connections between these variables and investors' decisions. The Nepalese investors' propensity to consider a company's reputation, corporate profile, financial strength, IPO size, investment alternatives, short-term returns, sector performance, and market information all played significant roles in shaping their decisions regarding IPO investments. These findings underscore the multifaceted nature of investment decision-making, driven by various factors ranging from financial metrics to market perceptions.

Table 7. One-sample t-test for oversubscription of IPO

Variables	*Test value = 0*			
	t	*df*	*Sig. (2-tailed)*	*Mean difference*
Lack of other investment opportunities	17.77	149	0.00	2.442
Immediate short-term return from the sale	19.597	149	0.00	1.675
High dividend	30.829	149	0.00	3.167
Prior performance	25.793	149	0.00	2.158
Excess liquidity	18.681	149	0.00	1.775
High liquidity of shares	18.276	149	0.00	1.608

The results from the one-sample t-test on oversubscription factors of IPOs in Table 7 reveal the significance of several variables. Six distinct statements were evaluated in assessing the impact of different factors on investment decisions. Notably, the test value was set at 0 to underscore the relevance of these variables in the context of investment decisions in IPOs. The results indicated vital significance across all six factors. These findings collectively emphasize the importance of these variables in shaping investors' decisions and underscore their role in the investment landscape.

Table 8. Summary of hypothesis testing

Hypothesis	*Findings*
H1	Accepted
H2	Accepted
H3	Accepted
H4	Accepted
H5	Accepted
H6	Accepted
H7	Accepted
H8	Accepted

5. CONCLUSION

This study has revealed significant relationships between various factors and individuals' investment decisions in IPO. The significance observed in both company-specific factors, such as goodwill, corporate profile, current financial position, and size of the IPO, along with general factors like lack of other investment opportunities, potential short-term returns, sector performance, and market hearsay, emphasizes the critical role these variables play in shaping investor decisions. The findings align logically with investors' behavior and expectations. The Nepalese investors' inclination towards considering the goodwill of a company for their investment decisions indicates their cautious approach to IPOs. Similarly, the importance of corporate profiles and financial positions reflects investors' focus on long-term profitability. The positive correlation between IPO size and investment decisions reinforces the perception of a more significant IPO, leading to higher share percentages. The study also highlights the influence of external factors, such as market hearsay, on investors' choices. These findings collectively point to the multifaceted considerations underlying investment decisions in IPO. The results of this study, which are supported by a thorough literature review that includes Prasanna and Bansal (2014), Ranganathan (2006), and many others, demonstrate the complex interaction of factors influencing investment decisions in IPO, reflecting both company-specific and general characteristics, as well as an external market dynamic. These findings carry implications for various stakeholders. Investors are advised to supplement market hearsay with thorough analysis and rely on company disclosures and financial data for informed decisions. Regulatory bodies and policymakers are urged to ensure comprehensive oversight of IPO issuing companies, enforcing proper disclosure practices and monitoring grading reports to safeguard the interests of shareholders. The research primarily focused on a limited geographic area, namely the respondents within the Kathmandu Valley. This regional restriction may only partially represent the diversity of investor perspectives and behaviors across the country. Expanding the study to include additional variables and a broader geographic scope could yield further insights for future researchers.

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