

Analysis of Retail Investors' Attitudes Toward IPO Investments

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Abstract

Purpose : This research paper examined the investment behavior of retail investors in initial public offerings (IPOs) in India. IPOs served as an avenue for companies to raise capital by offering shares to the public for the first time. Retail investors, as crucial participants in the IPO market, played a significant role in shaping the overall investment landscape. The study aimed to analyze the factors influencing retail investors' investment decisions and IPO investment outcomes.

Methodology : The cross-sectional survey was carried out in April–July of 2023. A convenient sampling technique was applied. The data were analyzed using chi-square, regression analysis, *t*-test, and descriptive analysis.

Findings : The study discovered that important considerations for selecting IPOs included goodwill, the company's history, its present financial situation, management profile, promoter's background, IPO grade, market participant disclosures, and the grey market premium. On the other hand, the promoter's stake, IPO price band, current position in the secondary market, and competitive position were not found to be significant factors. The study also found that fear of loss of money, lack of proper knowledge, and the fact that family does not allow are the reasons for not investing in the IPOs.

Practical Implications : The results clarified the primary factors influencing the behavior of retail investors in IPOs and offered valuable perspectives on how to improve investor protection and market efficiency through regulatory interventions and effective investor education.

Originality : This study was different from previous IPO studies in that it concentrated on retail investors. When it comes to comprehending the distinct attitudes, perspectives, and decision-making processes of retail investors in IPOs, there is a clear vacuum in the literature. The present study also analyzed those respondents who were not willing to invest in IPOs to determine the reason for the same.

Keywords : initial public offerings (IPOs), retail investor, investment behavior, IPOs in India

JEL Classification Codes : G11, G12, G14

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Initial public offerings (IPOs) play a significant role in the Indian financial market. IPOs are critical for capital formation, economic growth, investor participation, market development, and establishing valuation benchmarks. They provide opportunities for companies to raise funds, enable investors to participate in the

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growth of promising firms and contribute to the overall development of the Indian financial market. In the IPO market, retail investors play a crucial role since they increase the number of investors, offer signs of market sentiment, add liquidity, diversify risk, encourage stability, provide feedback, and encourage investor education and inclusivity. Their participation improves the overall vibrancy and efficiency of the IPO market and creates a more varied investor environment.

The Indian IPO market has witnessed substantial growth and activity in recent years. As the Indian economy has grown and entrepreneurial endeavors have become more common, IPOs have become more well-known as a way for businesses to obtain public funding. The interest of retail investors, who make up a sizable fraction of IPO participants, in these offerings has grown. An in-depth study of the Indian capital market must, therefore, take into account an examination of retail investors' investing behavior in IPOs since their choices affect not only their portfolios but also market dynamics and price discovery. Retail investors are essential to the success of IPOs and the general efficiency of the market because of their distinct traits and investment preferences.

Several academic studies have examined the trends and determinants of IPO market activity in India. A research paper by Lerner and Schoar (2005) observed that the Indian IPO market had experienced significant growth in the early 2000s, attributing it to factors such as economic liberalization and regulatory changes. This study serves as an essential reference to understand the historical context of IPO market growth in India. Understanding investor sentiment is critical for comprehending the growth of IPO activity. Academic work has explored the link between investor sentiment and IPO market trends. The Indian government's initiatives to promote entrepreneurship and investment have played a pivotal role in driving IPO market growth. The “Make in India” and “Startup India” campaigns have been extensively researched and analyzed.

This study will explore the behavior of retail investors during IPO subscriptions, examining the factors that influence their decision-making, the extent to which they rely on the information and the role of sentiment in their decision-making process. The findings of this study can be beneficial for investors, underwriters, and regulators alike, as they can help to understand how to improve the IPO process, increase investor participation, and mitigate risks associated with IPO investments. This study would help market participants by offering insights into the behavior of retail investors in IPOs, which in turn would help regulators create efficient plans for safeguarding investors and promoting market efficiency.

Literature Review

The literature review highlights the importance of understanding retail investors' investment behavior in IPOs. Investment decisions are heavily influenced by a number of factors, including behavioral biases, underpricing, financial knowledge, and investor mood. Research conducted in the Indian setting shows that social media has an impact, the herding tendency exists, and regulatory actions are necessary to safeguard retail investors. The results of these studies lay the groundwork for more research on the behavior of retail investors in Indian IPOs.

Singh et al. (2023) examined the performance of IPOs on listing day as well as in the short term (secondary market), and they found that one important factor influencing the return on the listing day of IPOs was the subscription rate, which is based on the company's past performance and the reputation of promoters, while in the secondary market, a reversal pattern of underpricing was observed in this research. Srivastava et al. (2022) made an effort to figure out what factors were causing the oversubscription of SME IPOs. This study discovered that some characteristics, such as listing delays, issue sizes, and issue prices, had a negative impact on IPO subscriptions, while others, such as underpricing and business size, had a positive effect. Singh et al. (2021) investigated many variables that were helpful in figuring out post-IPO pricing and found that the significance of fundamental factors rose with the length of the investment horizon. Within a year of listing, listing gains began to decline. Singh and Anand (2020) examined the return behavior of SME IPOs on listing day at the Bombay Stock

Exchange and found that on listing day, SME IPOs gave average return to investors. It was also discovered that the size of the subscription affected the return. A high subscription rate resulted in a large return, and vice versa.

Several factors influence retail investors' investment decisions in IPOs. Gnawali and Niroula (2021) highlighted that quality management, company goodwill, company performance, company sector, and market information are highly significant factors before making investment decisions in IPOs. Additionally, the company's performance and the sector's performance were the major factors that influenced investors' perceptions. Further, the majority of the investors would like to hold stocks allotted in the IPO for a longer period of more than one year (Kandel, 2022). It has been discovered that the young are more risk-seeking than the old, wealthier people exhibit a stronger readiness to invest in equities, and the poor are risk-averse. Women are also more risk-averse than men. The importance of the Internet is growing because it allows for a greater and more unfettered exchange of information (Ndirangu et al., 2014).

Several studies have examined the investment behavior of retail investors in IPOs. Bandyopadhyay and Das (2019) investigated the role of investor sentiment in IPO subscriptions and found evidence of sentiment-driven investment patterns. When making an investment decision, the mature age group (20–40), gender, educational background, occupation, and income level were determined to be the key determinants (Bhat, 2018). Lower promoter holdings increased control by aiming for lower IPO offer prices, which in turn distributed larger ownership among ordinary shareholders. The study also established a link between IPO offer price ranges and pre-listing demand among various categories of investors (Sandhu & Guhathakurta, 2020). Investors who go for IPOs demand more useful and trustworthy disclosures in the advertisements and brochures brought out by the firms (Ganesh et al., 2021). Gnawali (2020) investigated how investors in Nepal's Kathmandu district felt about IPOs. The main objective of this study was to find out how investors felt about IPOs. The study found that firm reputation and performance, together with market information, were significant influences on IPO investment decisions using descriptive and explanatory approaches. Srinivas and Rao (2017) made an effort to identify the variables affecting retail individual investors' IPO investment decisions. They found that capital growth and investment safety are what motivated people to make investments. The majority of respondents only invested their money for a very short time (i.e., less than three months). Investors felt that the most important factors for investing in the main market were the firm's goodwill, present financial status, corporate profile, government ownership, and promoters' portion of the company. The size of the issued IPO, disclosure by market participants, and minimum investment amount were the least significant determinants (Joshi & Chawla, 2015).

An analysis of retail investors' IPO investing criteria was carried out in Secunderabad and Hyderabad. The research found that investors' decisions were based on the quota of equity shares, equity participation by financial institutions and foreign institutional investors, and price band. The study also discovered significant differences in investor means depending on the IPO's industry, sector, and terms of issue. The findings suggested that further research was needed to measure investor perception and behavior toward IPO participation and factors affecting investment decisions (Kumar & Balamurugan, 2022). Investment in the stock market aids economic development by mobilizing capital. Investors buy and sell shares in primary and secondary markets with the aim of capital appreciation and returns. They can control buying and selling or be managed by fund managers. The study examined investors' attitudes toward equity market investments and their risk-taking based on factors like gender, age, income, education, and occupation, classifying them as conservative, moderate, and aggressive (Rekha & Yashaswini, 2019). A private firm can generate equity money by going public with its stocks through an IPO. This study analyzed investor perceptions of IPOs after the COVID-19 crisis. The 120 sample size used a descriptive research design and convenience sampling method, with questionnaires as primary data. The company's name was found to have a significant impact on investor investment, according to the results, indicating that IPO investments have a great potential for growth. Therefore, investors should analyze factors before investing in IPOs (Bhuvanewari & Varghese, 2022).

Vijaya (2016) investigated how behavioral factors affected the success of Indian retail equity investors and their decision-making process. Overconfidence, representation, anchoring, mental accounting, disposition effect, herd behavior, loss aversion, regret aversion, and market factors were among the factors it uncovered. A structural equation model (SEM) was employed in the study to verify the existence of these elements and their influence on investment success. The findings could help investors understand common mistakes, identify behaviors leading to better returns, and help financial planners and advisors create suitable asset allocation policies. Nadeem et al.'s (2020) investigation focused on how investors' views toward money affected their choices to participate in the stock market. Responses were gathered through the use of the notion of planned behavior in a survey. The correlations were examined using SEM and confirmatory factor analysis. The findings demonstrated that decisions to participate in the stock market were highly influenced by attitudes toward money, with risk attitudes serving as a partly mediating factor. Financial knowledge and self-efficacy positively moderated the relationship. Future research could expand the sample size and explore other variables like personal value. An IPO is a process where private corporations sell their shares to public investors, allowing for easy capital exchange. However, the stock market is volatile and subject to change. Although AI-based methods for forecasting IPO performance have been proposed, their accuracy and data size are limited. An analytical strategy using regression-based AI models was presented to address these problems, and the XGBoost Regressor demonstrated the highest forecast accuracy of 91.95% for current IPO gains (Munshi et al., 2022).

Gap Analysis

Bibliometric analysis is used to examine current research trends and future research fields. Bibliometric analysis facilitates researchers in generating ideas for future research. The following search criteria were used, taking the SCOPUS data on the initial public offer.

Search Criteria Used

- ↪ The initial round of searching tactics: TITLE-ABS-KEY (“Initial public offer”). Initially, when we searched for an initial public offer in the Scopus database, we found that the total number of articles stood at 90.
- ↪ The second round of searching tactics: AND (LIMIT- PUBYEAR > 1999 AND PUBYEAR < 2024). When we applied the filter using the years 2000 to 2023, we found that the total number of articles stood at 78.
- ↪ The third round of searching tactics: “AND (LIMIT-TO (SUBJAREA, “BUSI”)) OR (LIMIT-TO (SUBJAREA, “ECON”)). When we applied the filter using the subject areas of business, management and accounting, economics, econometrics and finance, we found a total of 61 articles.
- ↪ The fourth round of searching tactics: AND (LIMIT-TO (DOCTYPE, “ar”)) AND (LIMIT-TO (PUBSTAGE, “final”)). When we applied the filter using publication type to articles and publication stage as final, we found that the total number of articles stood at only 47.
- ↪ The fifth round of searching tactics: AND (LIMIT-TO (AFFILCOUNTRY, “India”)). When we applied the filter using the affiliation country of India, we found the total number of articles stood at only 11.

According to the Scopus database, we were only able to locate 11 studies that have been conducted in India thus far using the bibliometric analysis above. We were unable to locate any studies that have been conducted in the Delhi-NCR region. However, in the current study, we have also examined those respondents who were unwilling to participate in IPOs in order to ascertain the explanation for the same. The majority of previous research has

focused on investors' behavior with regard to IPO investments and there is a noticeable gap in the literature when it comes to understanding the unique attitudes, perceptions, and decision-making processes of retail investors in IPO investments. More research on this particular group is necessary because retail investors comprise a sizable portion of IPO participants.

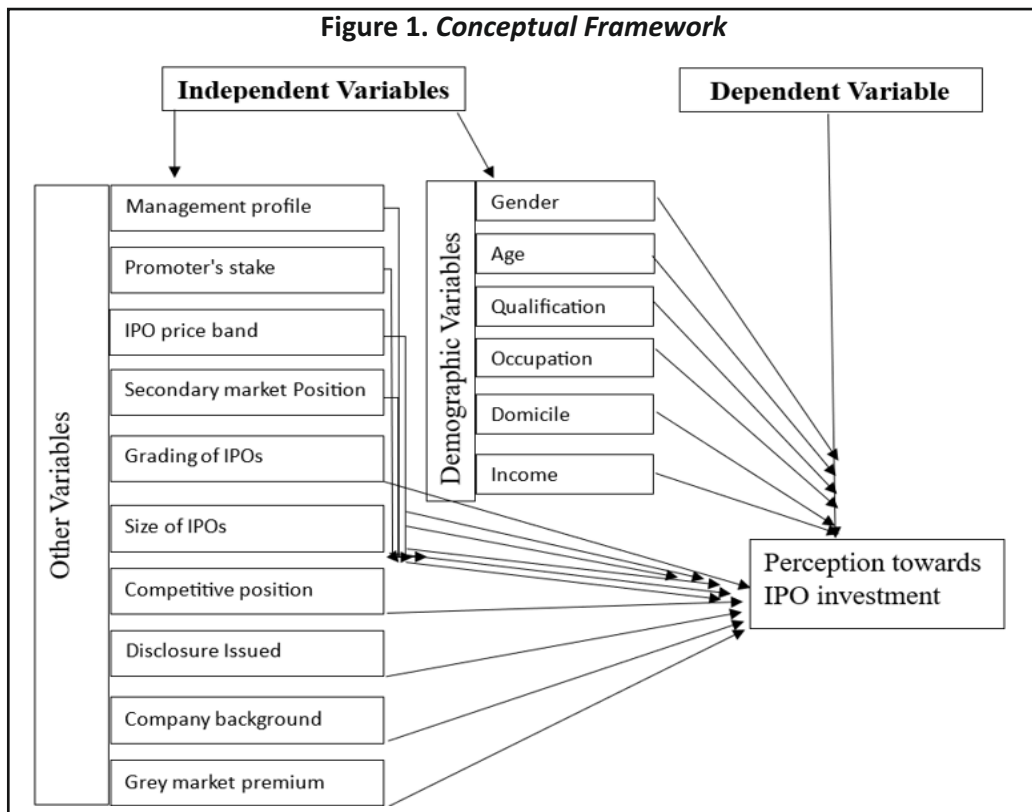
Objectives of the Study

The primary objective of this study is to investigate the investment behavior of retail investors in IPOs in India. The following are the secondary objectives of the study:

- ↻ To determine the factors (demographic and other) that influence retail investors' decision-making processes.
- ↻ To determine the factors that are significant for the listing of IPOs at a profit.
- ↻ To determine the reasons for not investing in IPOs.
- ↻ To know the motives behind investing in IPOs.

Research Methodology

A thorough research approach is used to accomplish the aforementioned goals. Data were gathered through surveys given to a sample of retail investors in the Delhi-NCR region who were either participating or not. This cross-sectional survey was carried out in April–July 2023. A convenient sampling technique was applied. The data were analyzed using chi-square, regression analysis, *t*-test, and descriptive analysis.



Conceptual Framework

Based on research by Gnawali (2020), Gurung (2020), Khatri (2017), Srinivas and Rao (2017), and Thapa (2021), this conceptual framework has been developed by adding demographic variables and some other variables that were important determinants for making investment decisions in IPOs.

IPO investment is the dependent variable in the conceptual framework diagram (Figure 1), which is influenced by a number of independent variables. The demographic variables (gender, age, qualification, occupation, domicile, and annual income) are considered independent variables as they may impact an individual's decision to invest in IPOs. Additionally, other dependent variables were identified by the various researchers and can have an impact on investment decisions. These variables include management profile, promoter's stake in the company, IPO price band, the current position of the secondary market, grading of IPOs, size of IPOs issued, competitive position, disclosure by market participants, company background, and grey market premium.

Data Analysis and Results

Demographic Profile of the Respondents

Based on Table 1, it is evident that of the 330 respondents, around 58% were men, and 42% were women. Most of the respondents were in the age bracket of 25–35, followed by the 35–45 age category. Approximately 47% of respondents were postgraduates, and 31% were professionals. Most of the respondents were from the salaried class, and the maximum number of respondents were from metropolitan areas. About 36% of the responders fell into the income category of 5–10 lakhs, and 24% fell into each of the categories of above 10 lakhs and between 2.5–5 lakhs.

Table 1. Demographic Profile of the Respondents

	Frequency	Percent
Gender		
Female	138	41.8
Male	192	58.2
Total	330	100
Age Group		
> 25	60	18.2
25–35	132	40
35–45	78	23.6
< 45	60	18.2
Total	330	100
Qualifications		
Higher Secondary	12	3.6
Intermediate	6	1.8
UG	54	16.4
PG	156	47.3
Professional	102	30.9
Total	330	100

Occupation		
Student	36	10.9
Business	42	12.7
Professional	66	20
Salaried	174	52.7
Retired	12	3.6
Total	330	100
Domicile		
Metropolitan	156	47.3
Urban	138	41.8
Semi-Urban	36	10.9
Total	330	100
Annual Income		
> 2.5 lakhs	54	16.4
2.5–5.0 lakhs	78	23.6
5–10 lakhs	120	36.4
< 10 lakhs	78	23.6
Total	330	100

Recently Listed IPOs in 2023

The following are the details of 92 companies' IPOs listed from January 1, 2023, to July 14, 2023. Table 2 displays the issue size, subscribed times, issue price, listed price, and gain/loss.

Table 2 shows that 20 of the 92 IPOs that were launched during the period were listed at a loss, one at no profit, and the remaining 71 were listed at a gain. All of the IPOs have an average return of 23.44%. As seen above, investors are driven to fund IPOs.

Table 2. IPOs Listed from January 1, 2023 to July 14, 2023

S. No.	Issuer Company	Listing Date	Issue Size (in Cr.)	Subscribed (times)	Issue Price (₹)	Listing Price (₹)	Profit/Loss (%)
1	Senco Gold Limited	Jul 14, 2023	405	77.25	317	404.95	27.74
2	Alphalogic Industries Limited	Jul 14, 2023	12.88	5.34	96	96.29	0.3
3	Tridhya Tech Limited	Jul 13, 2023	26.41	72.38	42	44.1	5
4	Synoptics Technologies Limited	Jul 13, 2023	54.03	2.66	237	226.1	-4.6
5	Global Pet Industries Limited	Jul 10, 2023	13.23	4.3	49	52.8	7.76
6	Cyient DLM Limited	Jul 10, 2023	592	71.35	265	420.75	58.77
7	Pentagon Rubber Limited	Jul 07, 2023	16.17	106.2	70	123.5	76.43
8	ideaForge Technology Limited	Jul 07, 2023	567.29	106.06	672	1,295.50	92.78
9	Essen Speciality Films Limited	Jul 06, 2023	66.33	71.03	107	147	37.38
10	Magson Retail and Distribution Limited	Jul 06, 2023	13.74	6.74	65	95.7	47.23
11	Greenchef Appliances Limited	Jul 06, 2023	53.62	44.89	87	109.2	25.52
12	Veefin Solutions Limited	Jul 05, 2023	46.73	2.46	82	90.22	10.02

13	HMA Agro Industries Limited	Jul 04, 2023	480	1.62	585	584.75	-0.04
14	Cosmic CRF Limited	Jun 30, 2023	57.21	1.16	314	238.65	-24
15	Aatmaj Healthcare Limited	Jun 30, 2023	38.4	33.6	60	53.2	-11.33
16	Vilin Bio Med Limited	Jun 30, 2023	12	2.8	30	28.5	-5
17	Cell Point (India) Limited	Jun 28, 2023	50.34	6.03	100	95	-5
18	Bizotic Commercial Limited	Jun 23, 2023	42.21	1.87	175	171	-2.29
19	Urban Enviro Waste Management Limited	Jun 22, 2023	11.42	255.49	100	148.05	48.05
20	Spectrum Talent Management Limited	Jun 22, 2023	105.14	12.27	173	147.25	-14.88
21	Sonalis Consumer Products Limited	Jun 19, 2023	2.83	43.48	30	39.9	33
22	IKIO Lighting Limited	Jun 16, 2023	606.5	67.75	285	403.75	41.67
23	Kore Digital Limited	Jun 14, 2023	18	41.56	180	190.95	6.08
24	Comrade Appliances Limited	Jun 13, 2023	12.3	77.25	54	91.35	69.17
25	CFF Fluid Control Limited	Jun 12, 2023	85.8	2.21	165	183.75	11.36
26	Sahana System Limited	Jun 12, 2023	32.74	9.99	135	171.15	26.78
27	Infollion Research Services Limited	Jun 08, 2023	21.45	279.24	82	198.55	142.13
28	Proventus Agrocom Limited	Jun 05, 2023	69.54	2.7	771	862.05	11.81
29	Hemant Surgical Industries Limited	Jun 05, 2023	24.84	150.59	90	179.55	99.5
30	Crayons Advertising Limited	Jun 02, 2023	41.8	147.54	65	94.5	45.38
31	Vasa Denticity Limited	Jun 02, 2023	54.07	73.14	128	221.55	73.09
32	Remus Pharmaceuticals Limited	May 29, 2023	47.69	57.21	1,229	1,796.80	46.2
33	Krishca Strapping Solutions Limited	May 26, 2023	17.93	336.57	54	112.9	109.07
34	Auro Impex & Chemicals Limited	May 23, 2023	27.07	66.94	78	75.7	-2.95
35	Nexus Select Trust	May 19, 2023	3200	5.45	100	104.26	4.26
36	De Nee Tools Limited	May 11, 2023	22.99	15.04	101	180.5	78.71
37	Innokaiz India Limited	May 11, 2023	21.17	95.08	78	155.61	99.5
38	Mankind Pharma Limited	May 09, 2023	4326.36	15.32	1,080	1,424.05	31.86
39	Retina Paints Limited	May 03, 2023	11.1	8.29	30	30.5	1.67
40	Quick Touch Technologies Limited	May 02, 2023	9.33	107.26	61	61	0
41	A G Universal Limited	Apr 24, 2023	8.72	3.36	60	60.1	0.17
42	Pattech Fitwell Tube Components Limited	Apr 21, 2023	12	1.97	50	57.6	15.2
43	MOS Utility Limited	Apr 18, 2023	49.97	21.14	76	94.5	24.34
44	Sancode Technologies Limited	Apr 18, 2023	5.15	3.68	47	60.8	29.36
45	Avalon Technologies Limited	Apr 18, 2023	865	2.34	436	397.45	-8.84
46	Exhicon Events Media Solutions Limited	Apr 17, 2023	21.12	1.95	64	67.2	5
47	Infinium Pharmachem Limited	Apr 17, 2023	25.26	1.84	135	147.8	9.48
48	Sotac Pharmaceuticals Limited	Apr 13, 2023	33.3	1.6	111	120.75	8.78
49	Maiden Forgings Limited	Apr 06, 2023	23.84	1.2	63	59.86	-4.98
50	Udayshivakumar Infra Limited	Apr 03, 2023	66	32.49	35	31.5	-10
51	Dev Labtech Venture Limited	Mar 29, 2023	11.22	5.47	51	50.21	-1.55
52	Command Polymers Limited	Mar 29, 2023	7.09	1.39	28	26.5	-5.36
53	Nirman Agri Genetics Limited	Mar 28, 2023	20.3	1.71	99	101.3	2.32

54	Bright Outdoor Media Limited	Mar 24, 2023	55.48	1.27	146	157.5	7.88
55	Quality Foils (India) Limited	Mar 24, 2023	4.52	364.38	60	97.7	62.83
56	Labelkraft Technologies Limited	Mar 23, 2023	4.75	53.42	55	55.79	1.44
57	Global Surfaces Limited	Mar 23, 2023	154.98	12.21	140	170.9	22.07
58	Sudahan Pharma Industries Ltd.	Mar 22, 2023	50.1	1.06	73	69.35	-5
59	VELS Film International Limited	Mar 22, 2023	33.74	1.1	99	103.4	4.44
60	MCON Rasayan India Limited	Mar 20, 2023	6.84	384.64	40	50.4	26
61	Prospect Commodities Limited	Mar 20, 2023	7.48	5.31	61	61.45	0.74
62	Vertexplus Technologies Limited	Mar 15, 2023	14.2	11.01	96	106.05	10.47
63	Systango Technologies Limited	Mar 15, 2023	34.82	64.99	90	102.9	14.33
64	Divgi TorqTransfer Systems Limited	Mar 14, 2023	412.12	5.44	590	605.15	2.57
65	ITCONS E-Solutions Limited	Mar 13, 2023	8.67	16.79	51	49.33	-3.27
66	ResGen Limited	Mar 13, 2023	28.2	2.5	47	46.57	-0.91
67	SVJ Enterprises Limited	Mar 09, 2023	6.12	1.49	36	36.1	0.28
68	Amanaya Ventures Limited	Mar 09, 2023	2.76	1.75	23	19.1	-16.96
69	Srivasavi Adhesive Tapes Limited	Mar 09, 2023	15.5	7.75	41	42	2.44
70	Patron Exim Limited	Mar 06, 2023	16.69	1.07	27	26.98	-0.07
71	Macfos Limited	Mar 01, 2023	23.74	193.87	102	174.8	71.37
72	Viaz Tyres Limited	Mar 01, 2023	20	5.79	62	68.05	9.76
73	Sealmatic India Limited	Mar 01, 2023	56.24	16.61	225	236.25	5
74	Agarwal Float Glass India Limited	Feb 23, 2023	9.2	5.16	42	44.05	4.88
75	Indong Tea Company Limited	Feb 21, 2023	13.01	4.97	26	21.8	-16.15
76	Lead Reclaim and Rubber Products Limited	Feb 21, 2023	4.88	75.98	25	27.65	10.6
77	Shera Energy Limited	Feb 17, 2023	35.2	47.36	57	67.3	18.07
78	Earthstahl & Alloys Limited	Feb 08, 2023	12.96	235.18	40	57.75	44.38
79	Gayatri Rubber and Chemicals Limited	Feb 07, 2023	4.58	37.94	30	36.75	22.5
80	Transvoy Logistics India Limited	Feb 02, 2023	5.11	184.34	71	74.55	5
81	DHARNI Capital Services Limited	Jan 31, 2023	10.74	6.57	20	20.25	1.25
82	Aristo Bio-Tech and Lifescience Limited	Jan 30, 2023	13.05	217.72	72	84	16.67
83	Ducol Organics and Colours Limited	Jan 19, 2023	31.51	44.63	78	117.5	50.64
84	Eastern Logica Infoway Limited	Jan 17, 2023	16.94	1.74	225	283.5	26
85	Chaman Metallics Limited	Jan 16, 2023	24.21	207.88	38	64.6	70
86	SVS Ventures Limited	Jan 12, 2023	11.24	1.27	20	21.5	7.5
87	Sah Polymers Limited	Jan 12, 2023	66.3	17.46	65	89.25	37.31
88	Rex Sealing and Packing Industries Limited	Jan 12, 2023	8.09	2.65	135	143.85	6.56
89	Anlon Technology Solutions Limited	Jan 10, 2023	15	428.62	100	263.65	163.65
90	Radiant Cash Management Services Limited	Jan 04, 2023	256.64	0.53	94	104.7	11.38
91	RBM Infracon Limited	Jan 04, 2023	8.37	40.32	36	55.1	53.06
92	Homesfy Realty Limited	Jan 02, 2023	15.86	21.69	197	287.95	46.17
	Average						23.44

Source : Chittorgarh. (2023).

Impact of Issue Size, Subscribed Times, and Issue Price on the Listing Gain

The effect of the issue size, subscription times, and issue price on the listing gain are ascertained by regression analysis. The test's results are depicted in Table 3.

Table 3 indicates that the independent factors account for 45% of the variation. There are no problems with autocorrelation, as the Durbin–Watson value is approximately 1.5. Because the significance value is less than 0.05 and the F -value is 25.825, we can also conclude that the model is significant.

Table 4 indicates that the number of times an IPO is subscribed is crucial for the listing profit, but issue size and issue price are not significant variables for the listing profit. It suggests that the higher subscribed IPOs are listed at a premium on the day of listing.

As a prerequisite to performing regression analysis, we can infer from the normal P-P graph (Figure 2) that the variables are linear.

Table 3. Regression Analysis

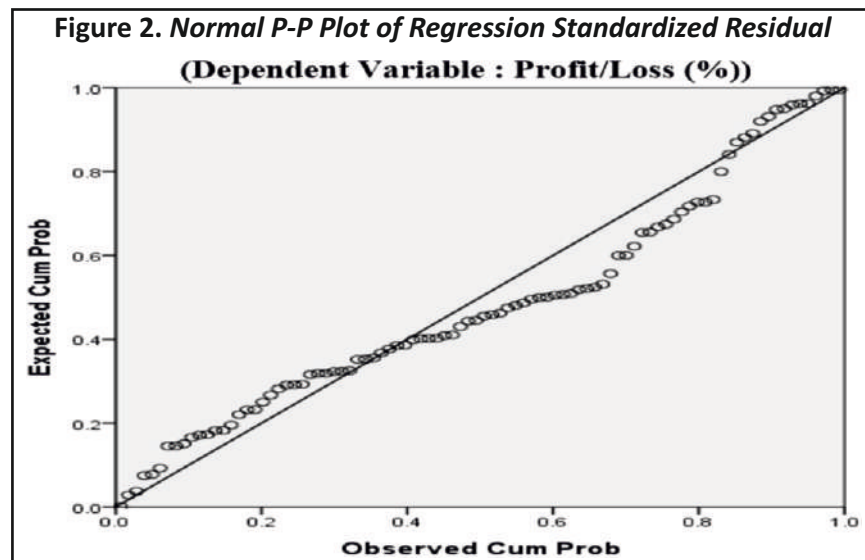
Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate	Durbin–Watson	F-Value	Sig.
1	0.684 ^a	0.468	0.450	25.94133	1.475	25.825	0.000

Note. ^a Predictors: (Constant), Issue Price (₹), Subscribed (times), Issue Size (in Cr.).

^b Dependent Variable: Profit/Loss (%)

Table 4. Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.533	3.799		1.456	0.149
	Issue Size (in Cr.)	0.000	0.005	-0.006	-0.069	0.945
	Subscribed (times)	0.256	0.029	0.685	8.755	0.000
	Issue Price (₹)	0.023	0.015	0.132	1.482	0.142



Association Between Demographic Variables and Investment in IPOs

To determine the association between demographic variables and investment in IPOs, a chi-square test has been used. The outcome of the test is summarized in Table 5.

From Table 5, we can interpret that gender, occupation, domicile, and annual income are significant factors in making investment decisions in IPOs. The male respondents were more involved in the investment in IPOs as compared to the female respondents. The study found that professionals and salaried respondents are more likely to invest in IPOs as compared to businessmen, retired people, and students. The respondents who are more involved in IPO investing are those who live in metropolitan and urban areas. It was discovered that respondents with annual incomes over 5 lakhs were more invested in IPOs than respondents with incomes under that threshold. On the other hand, age and qualification were not found to be significant factors. This implies that all age respondents are investing in IPOs, and the respondents, whether they are students, businessmen, professionals, or salaried, are all investing in IPOs.

Factors Influencing Retail Investors' Decision-Making Processes

Thirteen elements were discovered from the prior art, and a question was posed to the respondents in order to ascertain the aspects that impact the retail investor's decision-making process. The respondents were asked to rate all these on a Likert scale of 1 to 5 parameters, i.e., *strongly disagree* to *strongly agree*. The grand mean of all 13 factors is considered the test value to apply the *t*-test, which is 4.07. The outcome of the test is presented in Table 6.

From Table 6, we can interpret that goodwill, the current financial position of the company, the management profile, the promoter's history, the grading of IPOs, disclosures by market participants, the company background, and the grey market premium are found to be the significant factors for deciding on the IPOs. On the other hand, the promoter's stake, IPO price band, current position in the secondary market, and competitive position are not found to be significant factors.

Table 5. Chi-Square Tests: Demographic Variable and IPO Investment

Pearson Chi-Square Between:	Value	df	Asymp. Sig. (2-sided)
Investment in IPO and Gender	18.31	1	0.000
Investment in IPO and Age	5.582	3	0.134
Invest in IPO and Qualifications	8.22	4	0.084
Investment in IPO and Occupation	27.843	4	0.000
Investment in IPO and Domicile	25.496	3	0.000
Investment in IPO and Annual Income	7.989	2	0.018
N of Valid Cases	330		

Table 6. T-Test : Factors Influencing Retail Investors' Decision-Making Processes

	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Goodwill	16.442	149	0.000	0.690	0.61	0.77
Current Financial Position of the Company	4.458	149	0.000	0.290	0.16	0.42
Management Profile	2.509	149	0.013	0.130	0.03	0.23

Promoter's Stake in Company	-1.142	149	0.255	-0.070	-0.19	0.05
Promoter's History	-3.262	149	0.001	-0.190	-0.31	-0.07
IPO Price Band-Issue Price	-0.445	149	0.657	-0.030	-0.16	0.10
Current Position of Secondary Market	0.131	149	0.896	0.010	-0.14	0.16
Grading of IPOs	-4.271	149	0.000	-0.430	-0.63	-0.23
Size of IPOs Issued	-4.719	149	0.000	-0.390	-0.55	-0.23
Competitive Position	0.641	149	0.522	0.050	-0.10	0.20
Disclosure by Market Participants	-9.144	149	0.000	-0.670	-0.81	-0.53
Company Background	7.121	149	0.000	0.330	0.24	0.42
Grey Market Premium	5.383	149	0.000	0.330	0.21	0.45

Table 7. Reasons for Not Investing in IPOs

Question	Do Not Have Technology Devices		I am Not Interested		The Family is Not Allowed to do the Same		Do Not Have Proper Knowledge		Due to Fear of Loss of Money		Lack of Money	
Response Option	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
<i>Strongly Disagree</i>	114	63.3	18	10.0	36	20.0	12	6.7	6	3.3	84	46.7
<i>Disagree</i>	30	16.7	18	10.0	36	20.0	24	13.3	18	10.0	30	16.7
<i>Neutral</i>	12	6.7	78	43.3	6	3.3	30	16.7	30	16.7	30	16.7
<i>Agree</i>	12	6.7	30	16.7	36	20.0	24	13.3	72	40.0	18	10.0
<i>Strongly Agree</i>	12	6.7	36	20.0	66	36.7	90	50.0	54	30.0	18	10.0
Total	180	100	180	100	180	100	180	100	180	100	180	100

Reasons for Not Investing in IPOs

Six criteria are discovered from the prior art and a question was posed to the respondents to find out why they are not participating in IPOs. All of them were rated by the respondents on a Likert scale with 1 to 5 parameters, or from *strongly disagree* to *strongly agree*. The outcome of the question is presented in Table 7.

Table 7 indicates that the primary deterrents to participating in IPOs are fear of financial loss, inadequate expertise, and familial prohibitions, with the majority of the respondents strongly agreeing.

Findings and Conclusion of the Study

The study discovers that the number of times an IPO is subscribed has a substantial impact on the listing profit, however, issue size and issue price are not major factors for the listing profit. It implies that the more times the IPO is subscribed, the better the chances are of getting listed at a profit. Gender, occupation, residence, and annual income are important factors when deciding whether to invest in IPOs. In comparison to the female respondents, the male respondents are more engaged in investing in IPOs. This finding is consistent with those of Ndirangu et al. (2014). Professionals and respondents in the salaried category invest more in IPOs than businessmen, retirees, and students. Urban and metropolitan respondents are more likely to make IPO investments. However, it was not demonstrated that age or education were significant predictors.

Significant factors for IPO decisions include company goodwill, financial position, management profile,

promoter history, grading, market disclosures, background, and grey market premium, while promoter stake, price band, secondary market position, and competitive position are not found to be the significant factors. This finding is consistent with the findings of Gnawali and Niroula (2021) and Joshi and Chawla (2015).

The major reasons why people refrain from investing in IPOs are fear of financial loss, a lack of understanding, and restrictions from their families. The primary goal of investing in IPOs was determined to be capital growth, and the investment is for the long term rather than the short term. The same coincides with the findings of Kandel (2022), but it contradicts the findings of Srinivas and Rao (2017). Social media has been identified as the primary information source for IPO investment. The Groww app is considered to be the second most popular after Zerodha for online trading. Most investors make IPO investments after considering the QIB subscription, and if the QIB subscription is higher, retail investors are also encouraged to invest. Most of the respondents said they did not invest in initial public offerings on their first day of issuance.

Implications

The findings of this research hold implications for various stakeholders, including retail investors themselves, regulators, and market participants. Regulators can improve investor protection and market efficiency by developing methods that effectively address the factors that influence the behavior of retail investors in IPOs. Understanding retail investors' inclinations and decision-making processes can help market participants—such as issuers and underwriters—create and promote IPOs more skillfully. The implications of this study suggest that understanding the specific factors that influence retail investors' decisions in Indian IPOs is crucial for market participants, regulators, and investors themselves, as it can inform strategies for investor education regulatory improvements and ultimately contribute to enhancing investor protection and market efficiency.

Limitations of the Study and Scope for Further Research

The limitations of the research study include a comparatively small sample size of 330 participants, a restricted focus on the Delhi-NCR region, and the possible impact of response bias, all of which may affect how broadly the findings may be applied. Additionally, the study's lack of diversity, failure to account for confounding variables, and possible cross-cultural limitations further constrain the robustness of its conclusions. Our recommendation is to carry out the research in several areas with a substantial sample size. The remaining facets of investments that this study did not address can be discovered through more investigation.

Authors' Contribution

CMA (Dr.) Amit Kumar Arora conceived the idea and developed a quantitative design to undertake the empirical study. Dr. Santosh Kumar extracted research papers with a high reputation and filtered them based on keywords. Dr. Amit Kumar Arora did the numerical computations using SPSS 22. Dr. Amit Kumar Arora conducted the analysis, reported the study results, and wrote the study's discussion, implications, and conclusion sections in consultation with Dr. Amit Kansal.

Conflict of Interest

The authors certify that they have no affiliations with or involvement in any organization or entity with any financial or non-financial interest in the subject matter or materials discussed in this manuscript.

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