



Research Paper

## “A Study on Preference and Satisfaction for IPO Investors in Ahmedabad City”

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**ABSTRACT:** IPO is a milestone in a Corporation financial strategy it is gaining important worldwide as an importance source of funds for the company to accelerate their growth by using the mobilized funds to innovation strategy as well as considered as an important tool for investment since it offer huge profit on listing day. In this study we analysis investor's preference and satisfaction for investment in IPO in Ahmedabad city. The period of study the is from August 2022 - January 2023 The sample for study includes 150 respondents . the results of their study will throw light on the preference and satisfaction of the IPO's which are majority considered as speculative tool and hence support the respondents for better decision making for investment. The finding will also help to conclude if IPO can be long term investment tool or speculative opportunity to earn booming profit.

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### I. INTRODUCTION:

The stock market has an important role in the allocation of resources, both directly as a source of funds and as a determinant of firm's value and borrowing capacity. Initial public offerings (IPOs) play an important role in providing firms with access to the financial resources that are crucial to growth and the achievement of a long-term sustainable competitive advantage over competitors. An understanding of the IPO market is important for investors, financial managers and underwriters. Initial Public Offering (IPO) refers to the issue of shares by the company directly to the public for the first time. The subsequent issue of shares by the company directly to the public is referred to as Follow on Public Offer (FPO). The under-writers and investment bankers assess the quality of management, future cash flows and returns before arriving at the final offer price and the comparative valuation is done based on the listed peer company. The usual anomaly which an investor finds in an IPO issue are underpricing or overpricing, information asymmetry, agency problem between the investment bank and the issuing firm.

### OBJECTIVE:

- To know the preference of investor for IPO
- To study satisfaction level of investor for IPO
- To analysis performance evaluation of last 5 years IPO of selected sector.
- To study the impact of over-subscription, profit after tax, issue price & market returns on IPO.
- To examine gain & loss to the investor based on above study.
- To know whether investor invest in IPO considering image of the company or not.

### II. LITERATURE REVIEW :-

Author	Year	Objective	Findings
Saha, S. M.	(2021)	To study whether the covid19 affect the performance of the IPO or not.	The findings indicate that, compared to the performance of comparable existing enterprises, IPO firms' performance is more vulnerable to pandemic anxiety.

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Dsouza, T. R.	(2021)	To analyse the performance of Indian IPOs in the short term.	The average IPO return on the first trading day is 13.52 percent, with a standard deviation of 26.7 percent and a range of -23.15% to 82.16%.
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Author	Year	Objective	Findings
Khan, M. Z.	(2021)	To study whether the selected IPO are for long term or short term	The study found that return on IPO fluctuated during the study period. Among the select sample, twenty IPOs have provided returns on the listing day. The IPOs traded on the stock exchange are found to be promising in long term when compared to short term period.
Dr. A. S. Ambily, G.K	(2016)	To study the last trading price of the IPOs under the NSE	Investors invest in securities mostly based on the company's reputation rather than on the findings of basic analysis. When the issue price and the most recent transaction price are compared, the majority of investors always choose to buy at a cheaper price.

### III. RESEARCH METHODOLOGY :

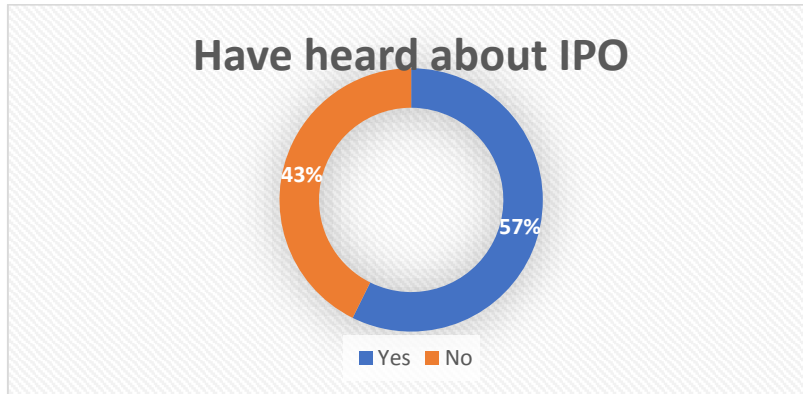
• Research design	• Descriptive And Quantitative.
• Sample size	• 150 Respondents
• Sample size method	• Non Probability convenience Sampling.
• Data collection method	• Primary and secondary method
• Data collection instrument	• Through Google forms
• Data analysis	• Analysis is done through spss software

#### DATA ANALYSIS:

##### Demographic variables:

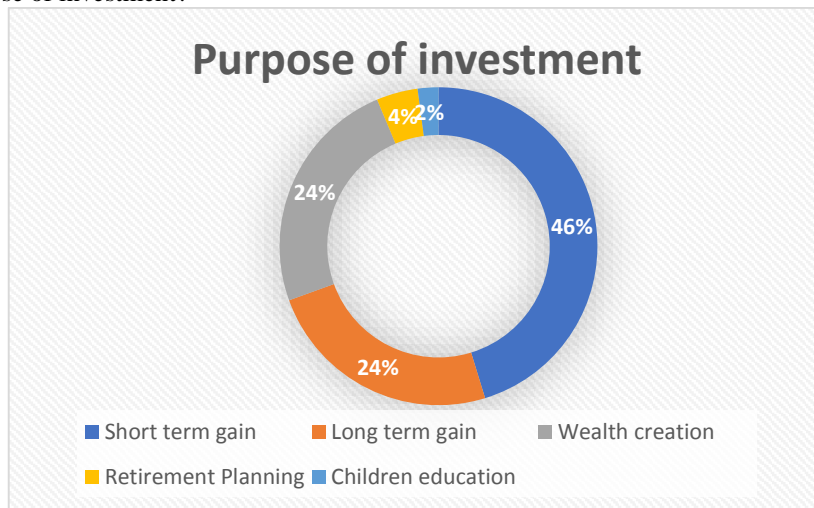
Gender	
Male	85
Female	65
Age	
18-25	58
26-33	23
34-41	24
42-49	21
50+	24
Occupation	
Student	45
House maker	31
Professional	15
Employee	43
Business Plan	16

4). Have you have heard about IPO?



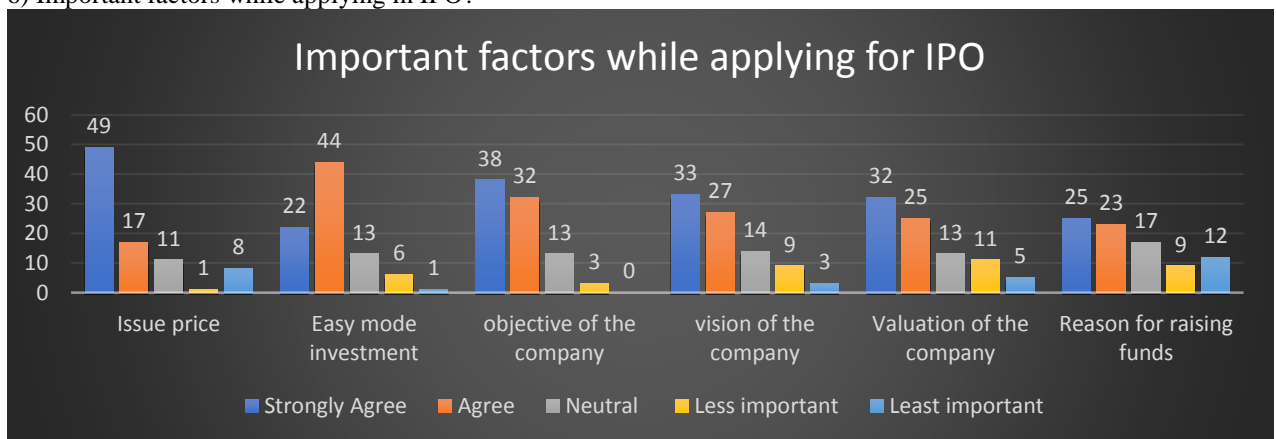
Interpretation:- From the above 150 responses 57.33%(86) respondents has heard about the IPO and 42.67%(64) respondents has not heard about the IPO. Thus people have heard about the IPO and are investing in them while other people are investing in other sources.

5). What is purpose of investment?



Interpretation:- From the above 86 responses 39.53%(34) Investors purpose of investment was for short term gain, 26.74%(23) Investors of investment was for Long term gain, 26.7%(23) Investors purpose of investment was for wealth creation, 4.65%(4) Investors purpose of investment was for retirement planning and 2.33%(2) Investors purpose of investment was for children education. Thus as per the above graph we can say that 39.53% invest only for short term while 26.74% invest for long term gain.

6) Important factors while applying in IPO?



Interpretation:-

**Issue price:-** From the above 86 responses 56.98%(49) Investors consider Issue price as most important factor, 19.77%(17) Investors consider Issue price as Important, 12.79%(11) Investors consider Issue price as Neutral factor, 9.30%(8) Investors Consider Issue price as Less important, 1.16%(1) Investors consider Issue price as least important Thus from the above graph we can say that Issue price does affect the investing behavior of a investor.

**Easy mode of investment:-** From the above 86 responses 51.16%(44) Investors Consider IPO as an easy mode of investment Most Important, 25.58%(22) Investors Consider IPO as an easy mode of investment Neutral, 15.12%(13) Investors Consider IPO as an easy mode of investment Less important, 1.16%(1) Investors Consider IPO as an easy mode of investment least important Thus from the above graph we can say that majority of the people consider IPO as an easy mode of investment.

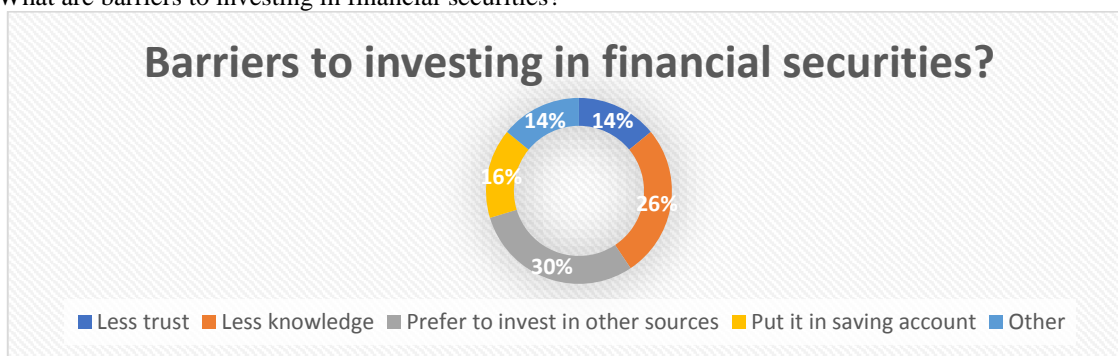
**Objective of the company:-** From the above 86 responses 44.19%(38) Investors Consider objective of the company is most important while applying for IPO, 37.21%(32) Investors Consider objective of the company is important while applying for IPO, 15.12%(13) Investors Consider objective of the company is Neutral while applying for IPO, 3.49%(3) Investors Consider objective of the company is most important while applying for IPO Thus from the above graph we can say that 44.19% people consider objective of the company is more important.

**Vision of the company:-** From the above 86 responses 38.37%(33) Investors Consider vision of the company is most important while applying for IPO, 31.40%(27) Investors Consider vision of the company is important while applying for IPO, 16.28%(14) Investors Consider vision of the company is Neutral while applying for IPO, 10.47%(9) Investors Consider vision of the company is less important while applying for IPO, 3.49%(3) Investors Consider vision of the company is least important while applying for IPO Thus from the above graph we can say that 38.37% of the investor thinks that vision of the company is most important.

**Valuation of the company :-** From the above 86 responses 37.21%(32) Investors Consider valuation of the company is most important while applying for IPO, 29.07%(25) Investors Consider valuation of the company is important while applying for IPO, 15.12%(13) Investors Consider valuation of the company is neutral while applying for IPO, 12.79%(11) Investors Consider Valuation of the company is less important while applying for IPO, 5.81%(5) Investors Consider valuation of the company is least important while applying for IPO.

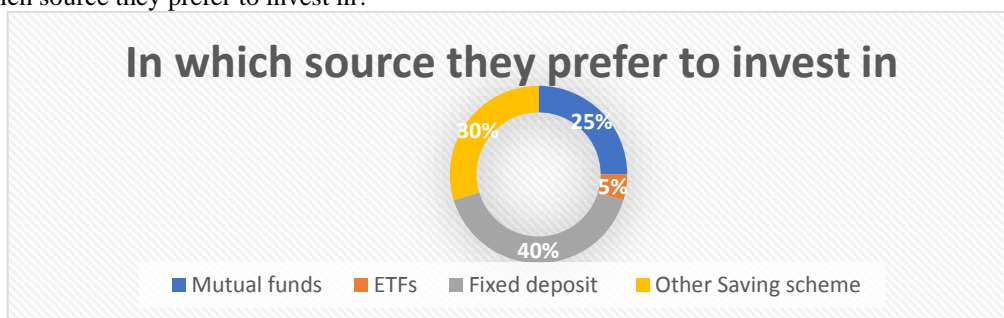
**Reason of raising funds:-** From the above 86 responses 29.07%(25) Investors consider reason for raising funds by company is most important while applying for IPO, 26.74%(23) Investors Consider reason for raising funds is important while applying for IPO, 19.77%(17) Investors Consider reason for raising funds is Neutral while applying for IPO, 13.95%(12) Investors Consider reason for raising funds is least important while applying for IPO, 10.47%(9) Investors Consider reason for raising funds is less important while applying for IPO

7) What are barriers to investing in financial securities?



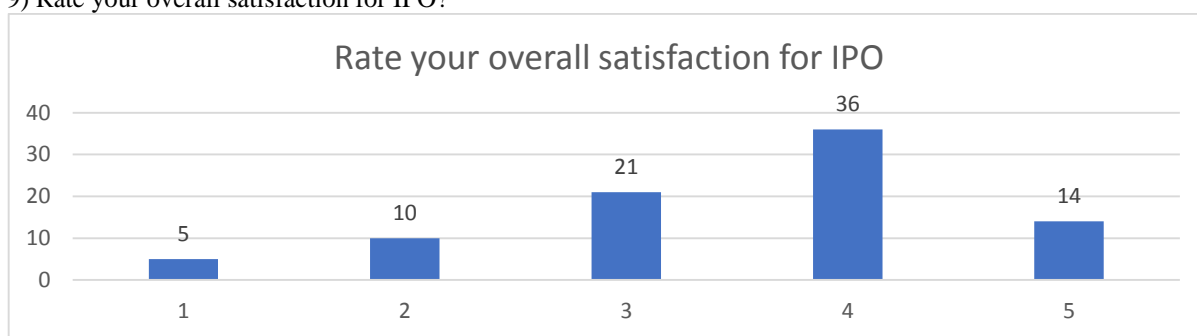
Interpretation:- From the above 64 responses 29.69%(19) investors prefer to invest in other sources rather than IPO, 26.56%(17) investors has knowledge about the IPO, 15.63%(10) investors invests their money in saving account, 14.06%(9) investors invests their money in other sources, 14.06%(9) investors has less trust in IPO.

8) In which source they prefer to invest in?



Interpretation:- From the above 64 responses 40.63%(26) people still believes that Fixed deposit as there source of investment, 29.69%(19) People is preferring to invest in other saving schemes, 25.00%(16) People prefer to invest in Mutual funds, 4.69%(3) People refer to invest in Exchange traded fund's.

9) Rate your overall satisfaction for IPO?



Interpretation:- From the above 86 responses 41.86% investors rates that they are having a 4 level of satisfaction, 24.42% investors rates that they are having a 3 level of satisfaction, 16.28% investors rates that they are having a 5 level of satisfaction, 11.63% investors rates that they are having a 2 level of satisfaction, 5.81% investors rates that they are having a 1 level of satisfaction.

**Hypothesis Testing: Chi-square test**

SR NO.	HYPOTHESIS	PEARSON CHI SQUARE VALUE	RESULT
1.	<b>H0:</b> There is no significant association between age & years of trading.	0.000	H0 is Rejected
2.	<b>H0:</b> There is no significant association between gender & years of trading.	0.403	H0 is Accepted
3.	<b>H0:</b> There is no significant association between occupation & years of trading.	0.000	H0 is Rejected
4.	<b>H0:</b> There is no significant difference of gender & purpose of investment.	0.400	H0 is Accepted
5.	<b>H0:</b> There is no significant difference of age & purpose of investment	0.367	H0 is Accepted
6.	<b>H0:</b> There is no significant difference of occupation & purpose of investment.	0.919	H0 is Accepted
7.	<b>H0:</b> There is no significant difference of annual income & purpose of investment.	0.795	H0 is Accepted

**Hypothesis Testing :ANOVA**

SR NO.	HYPOTHESIS	SIGNIFICANT VALUE	RESULT
1.	<b>H<sub>0</sub></b> : There is no significant difference in the Issue price of the IPO and different age group.	0.572	H <sub>0</sub> is Accepted
2.	<b>H<sub>0</sub></b> : There is no significant difference between the easy mode of the investment of IPO and different age group.	0.093	H <sub>0</sub> is Accepted
3.	<b>H<sub>0</sub></b> : There is no significant difference between the objective of the IPO and different age group.	0.012	H <sub>0</sub> is Rejected
4.	<b>H<sub>0</sub></b> : There is no significant difference between reason for raising funds of IPO and different age group.	0.013	H <sub>0</sub> is Rejected
5.	<b>H<sub>0</sub></b> : There is no significant difference in the Issue price of the IPO and Annual income group.	0.235	H <sub>0</sub> is Accepted
6.	<b>H<sub>0</sub></b> : There is no significant difference in the easy mode of the investment in IPO and Annual income group.	0.111	H <sub>0</sub> is Accepted
7.	<b>H<sub>0</sub></b> : There is no significant difference in the vision of the company and Annual income group.	0.000	H <sub>0</sub> is Rejected
8.	<b>H<sub>0</sub></b> : There is no significant difference in the valuation of the company and Annual income group.	0.004	H <sub>0</sub> is Rejected
9.	<b>H<sub>0</sub></b> : There is no significant difference in the reason for raising funds and Annual income group.	0.010	H <sub>0</sub> is Rejected
10.	<b>H<sub>0</sub></b> : There is no significant difference long term funds and annual income	0.001	H <sub>0</sub> is Rejected
11.	<b>H<sub>0</sub></b> : There is no significant difference between price transparency and annual income	0.006	H <sub>0</sub> is Rejected
12.	<b>H<sub>0</sub></b> : There is no significant difference between Earn big returns and annual income	0.286	H <sub>0</sub> is Accepted
13.	<b>H<sub>0</sub></b> : There is no significant difference between satisfied IPO investor and Annual income.	0.533	H <sub>0</sub> is Accepted
14.	<b>H<sub>0</sub></b> : There is no significant difference between cheapest mode of investment and Annual income.	0.670	H <sub>0</sub> is Accepted

**IV. FINDINGS:**

- ✓ It was found that people are aware about the IPO.
- ✓ The 86 investors who have heard about the IPO we asked them a question from where they have heard about the IPO from the data we analyze that 44 came to know about IPO from family and friends 16 have heard from newspaper and 12 have heard from the Social media and remaining have heard from various different sources. So we can find that most of the people are investing by getting influence from family and friends.
- ✓ About the duration of investment we found that we came to know that 49 people have investing in IPO since 0-2 years and 20 people have investing since 2-5 years and 9 have been investing since more than 10 years. So we can find that IPO has been trending recently and people from the young age group are preferring to invest in IPO.
- ✓ It was found that investors see before investing in an IPO and from the data we analysed that 38 people see the performance of an existing company, 20 people see sectoral performance and 17 people see the promoters background and remaining see the premium amount. So we can find that investor see the performance of an existing company before investing.
- ✓ About the procedure of the IPO in which 65 people have felt that procedure of the IPO is easy, 10 people have felt that procedure of the IPO is complicated and 7 people have felt that procedure is lengthy. So we can find that people are feeling the procedure of the IPO very easy
- ✓ About the purpose of investment in IPO and from the data it was found that 34 invest in the IPO for gaining return in Short term and 23 invest in IPO for both Long term and wealth creation and remaining invest for retirement and children education.
- ✓ It was found that 39 people have not face any type of difficulties, 20 people have problem of allotting the share in the demat account, 16 people have faced no clarity in allotment.
- ✓ It is found that investors prefer to take help from broker and consider their advise for IPO investment.
- ✓ It was found that the amount the amount prefer to invest in IPO is that 37 people prefer to invest 10,000-20,000, 19 prefer to invest upto 10,000, 17 prefer to invest 20,000 to 30,000.
- ✓ It is found from the data analysed that 49 people willing to take moderate risk, 30 people willing to take low risk and 7 people willing to take high risk.
- ✓ About the vision of the company while investing it was found that 44 Investors Consider IPO as an easy mode of investment important, 22 Investors Consider IPO as an easy mode of investment Most Important, 13 Investors Consider IPO as an easy mode of investment Neutral, 6 Investors Consider IPO as an easy mode of investment Less important, 1 Investors Consider IPO as an easy mode of investment least important
- ✓ For the overall satisfaction for IPO the study finds that 36 investors rates that they are having a 4 level of satisfaction, 21 investors rates that they are having a 3 level of satisfaction, 14 investors rates that they are



having a 5 level of satisfaction, 10 investors rates that they are having a 2 level of satisfaction, 5 investors rates that they are having a 1 level of satisfaction.

✓ It is found that 19 investor prefer to invest in other sources rather than IPO, 17 investors has knowledge about the IPO, 10 investors invests their money in saving account, 9 investors invests their money in other sources, 9 investors has less trust in IPO.

✓ It is found that 26 people prefer to invest in Fixed deposit, 19 People prefer to invest in other saving schemes, 16 People prefer to invest in Mutual funds, 3 People prefer to invest in Exchange traded fund's.

## **V. CONCLUSION:-**

From the study we can conclude that an original public immolation is a great occasion for investors to earn good gains in the short run. The investors also use this as an academic occasion and vend off their shares on the listing day. The abnormal returns are also loftiest on the listing day after which the gradationally drop. One of the major factors an investor should consider while applying for an IPO is the issue price as it has a significant impact on the performance of the IPO. The original public is an occasion for the company to land capital from the primary request. Procurement of large capital is only possible by issuing shares through IPO. threat of undersubscription has been reduced by intervention of backers by furnishing assurance to the companies issuing IPO and making it more successful. The study set up that IPO which are underpricing are yielding advanced returns. It's inferred that the ending price of the listing day is advanced than the issue price on the listing day. It helps to boost demand and maintain price stability in the secondary request. Hence, underpricing helps to boost demand and maintain price stability in the secondary request. Eventually, the study suggests the investors to vend the shares that are overpriced by the end of the listing day to minimize the losses and further the investors can hold investment for further than one time for better returns that are underpriced. The longterm returns are more promising when compared with the short term. However, there's a high possibility of making good return, If the investors buy the shares of the companies on the listing day and hold them for long term.

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