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## **An Effective Study on Challenge in Initial public offering at Indian Banking Industries**

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### Abstract

Three empirical patterns are documented and analyzed short run underpricing hot issue market and long run under performance. IPO is a public offering issued by a private company to raise capital from public to become a public company. This form of capital to the investor in its lifetime. The details of the proposed offering are made available to potential investors in the form of a prospectus. A lot of money in the turns of crores of rupees is invested by the retail investors in the form of a prospectus performance of these IPO. Additionally, the overall conviction of the putting masses is that putting resources into any initial public offering will give preferable returns over putting resources into any of the optional market protections.

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### INTRODUCTION:

Initial public offering (IPO), also referred to simply as a "public offering", is when a company issues common stock or shares to the public for the first time. They are regularly given by more modest, more youthful organizations looking for funding to extend, however should likewise be possible by enormous exclusive organizations hoping to turn out to be public. In IPO, the issuer may obtain the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market. Initial Public Offering (IPO) in India means the selling of the shares of a company, for the first time, to the public in the country's capital markets during the companies. First sale of stock (IPO) in India, an electronic book is opened for somewhere around five days. During this period, bidding takes place which means that people who are interested in buying the shares.

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### OBJECTIVES OF THE STUDY:

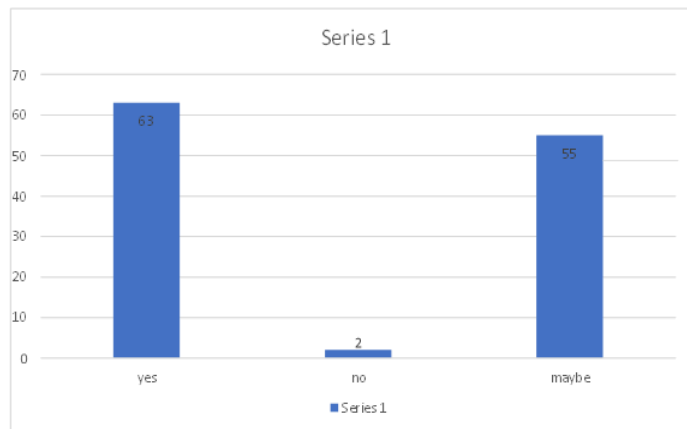
- The primary objective of an IPO is to raise capital for a business. It can also come with other advantages.
- The organization gains admittance to speculation from the whole contributing public to raise capital. IPOs can give an organization a lower cost of capital for both value and obligation.

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### REVIEW OF LITERATURE:

**Omran, 2005; Reber and Fong, 2006;** Khurshed, Pande and Singh, 2008 with the assistance of empirical evidences have suggested that IPOs .

**Chaturvedi, Pandey, and Ghosh (2006)** observed that the extent of oversubscription of IPO determines the first day gain; signals that lead to oversubscription are market index during the period of. Initial public offering, type and nature of business, unfamiliar coordinated effort, or the history of advertisers/organization.



**Kumar (2007)** analyzed the short-run and long-run performance of IPOs issued through book building method. For the analysis, offer to close return, open to close return, buy and hold market adjusted return and monthly market adjusted returns were computed for 156 IPOs listed from 1999 to 2007.

**Garg, Arora, and Singla (2008)** also documented that Indian IPOs are substantially underpriced and observed that the level of underpricing does not vary significantly in the hot and cold IPO market. Satyendra K. Singh (2008) have explained the underpricing scenario of the common stock for initial public offerings (IPO).

The overall result indicated that the issue price was more than listed price for the Indian IPOs during 2001 to 2010. Even though the AAR on the first trading day was more than one per cent, in the subsequent days the price was adjusted by the market. CAAR toward the finish of the occasion window (75th day) remained at - 10.7 percent. The negative CAAR of 68 days out of 75 days were viewed as significant, which strongly indicate the underperformance of Indian IPOs during the period.

## RESULT:

### Kindly mention the duration of trading account

PARTICULAR	FREQUENCY	PERCENTAGE
0-2	20	20.0
2-5	18	18.0
5-10	15	15.0
More than 10	67	67.0
TOTAL	120	120.0

## INFERENCE

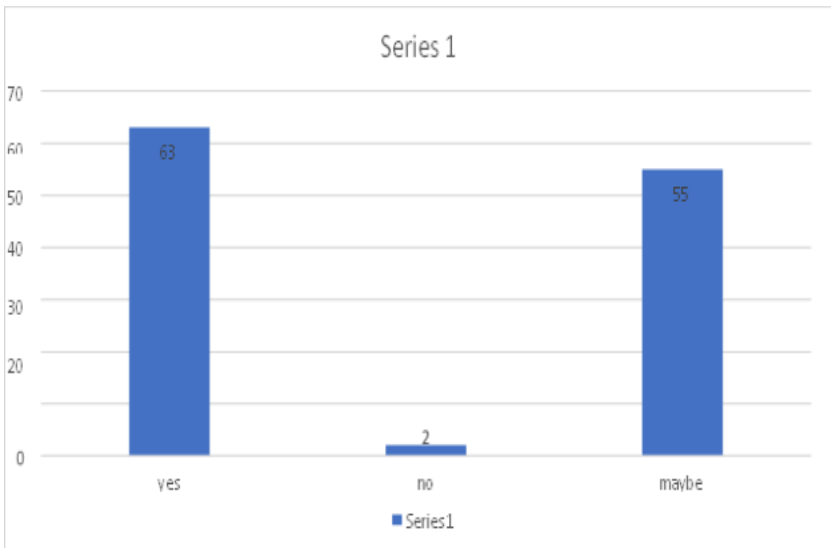
According to the survey and from the above table people are investing in the IPO more than ten years 67%.

### Do you go by the grading before investing

PARTICULAR	FREQUENCY	PERCENT
Yes	63	63.0
no	2	2.0
maybe	55	55.0
TOTAL	120	120.0

**INFERENCE**

From the survey and from the above table 63% of the people are grading before investing in the ipo



Case Processing Summary						
	Cases					
	Valid				Total	
	N				N	Percent
recommend before investing IPO X gain on listing IPO in %	120	100.0%	0	0.0%	120	100.0%

recommend before investing IPO * gain on listing in IPO in % Crosstabulation									
% of gain on listing in IPO									Total
Recommend before investing IPO		0.1	10% more than 15	10% upto 10 %	4227 8	more than 15	upto 10 %	upto 10%,10-15	
	Count	7	0.2	0	5	9	3	0	26
	Expected Count	6.8	0.5	0.3	5.8	6.8	5.6	0.3	26.0
performance of existing	Count	5	0	0	6	5	4	1	21
	Expected Count	5.5	0.4	0.2	4.7	5.5	4.5	0.2	21.0
pre mium account	Count	4	0	0	5	7	4	0	20
	Expected Count	5.2	0.4	0.2	4.5	5.2	4.3	0.2	20.0
promoters backgr ound	Count	7	0	0	2	4	5	0	18
	Expected Count	4.7	0.3	0.2	4.0	4.7	3.8	0.2	18.0
sector performance	Count	4	0	1	5	2	6	0	18
	Expected Count	4.7	0.3	0.2	4.0	4.7	3.8	0.2	18.0
T ot al	Count	27	2	1	23	27	22	1	120
	Expect ed Count	27.0	2.0	1.0	23.0	27.0	22.0	1.0	120.0

### Findings

- From the above table only 65 respondents are males, and 55 peoples are females who are investing in IPO. It means 65 per are male and 15per are females those who are investing in IPO.
- From the survey we got the result that 64% business people are more investing in the and 22% are the service people investing in IPO.
- From the above table 65% peoples are not investing in IPO. And 55% peoples are investing in IPO. It means 65% peoples know about IPO and they are investing in IPO.
- According to the survey and from the above table 33%peoples are investing in IPO according to the sector performance.
- According to the survey and from the above table peoples are investing in the IPO from the last 2-5 yearsonly.
- From the survey and from the above table 63% peoples are grading before the investing in the IPO.

- From the survey and from the above table  
10-15 have gained on IPO listing by 18% and  
upto 10% have gained on IPO listing

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## SUGGESTIONS

This research is conducted for 1 month, if any further research is done, it could be done for a long tenure. This research is conducted with 120 samples but research is advised to increase the samples ownership and productivity growth in the banking industry: evidences size if further research is done. This research is conducted with sample located in Chennai only using random sampling technique. it may be conducted samples located in different countries/states. This study is about initial public offering.

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## CONCLUSION

IPO is used by a company to raise its funds. The extra amount obtained from public may be invested in the development of the company, although it costs a little to a company, but it gives a way to get more money for long term investments. This exercise didn't any conclusive evidence of underperformance for the bank IPOs based on buy and hold return. the analyses on the basis of the operating performance suggest that there was no significant underperformance. Rather some of the key accounting indicators showed signs of improvement in the post listing years. The analyses also documented that performance didn't differ significantly across the ownership groups.

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