International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A Study on Investors Perception towards Initial Public Offering After Covid 19

Dr.M.Bhuvaneswari (MBA,M.PHIL,P.HD)[1], Ms Josna Varghese[2]

[1]Assistant Professor, Department of Management Sciences, Hindusthan College of Engineering and technology, Coimbatore, Tamilnadu, India .e-mail id: bhuvaneswari.mba@hicet.ac.in

[2]Final year MBA student ,Department of Management Sciences, Hindusthan College of Engineering and Technology Coimbatore, Tamilnadu, India.e-mail id: josnanv@gmail.com

ABSTRACT

An initial public offering is a process by which a private company can go public by saleof its stocks to the general public. It could be a new, young company or an old company that decides to be listed on an exchange and hence goes public. Companies can raise equity capital with the help of an IPO by issuing new shares to the public or the existing shareholders can selltheir shares to the public without raising any fresh capital. An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance. Public share issuance allows a company to raise capital from public investors. The objective of the study is to analyze the perception of Investors towards Initial public offering after Covid 19 Crisis. The sample of the study is 120. Descriptive research design andconvenience sampling method is used. Questionnaire is used as a primary data. Percentage analysis, chi-square analysis statistical tools have been applied. It is found that the respondentsare strongly agree towards the name of the company influence the investment of investors at pandemic. It is suggested that there must be high growth potential in the investment of IPO. Hence the investors must analyze the factors before invest into IPO.

Keywords: IPO, Investor, Performance

I INTRODUCTION

The outbreak of the highly infectious COVID-19 significantly disrupted human life. Measures to fight the pandemic included social distancing, self-isolation, shutting down of institutions and establishments, restricting modes of transport, and nation-wide lockdowns. While such steps seemed necessary considering the fact that this was a novel disease with no known cure, the impact on economic activity around the globe was significant. The first COVID-19 positive case in India was registered on 30th January 2020 (India Today). Cases have increased regularly and substantially ever since. With effect from 25th March 2020, the Government of India declared a three weeklong country-wide lockdown to restrict the numberof cases due to the fast spread of the virus.

During this period, all educational institutions, offices, public and tourist places, public utilities, religious places, and non-essential businesses and services (including retail establishments) were shut down. Modes of transport were also restricted. The lockdown was further extended from 15th April 2020 to 3rd May 2020, and then from 4th May2020 to 17thMay 2020. Indeed, the lockdown continued till 31st May after which services were restored in a phased manner. With the protracted lockdown and restricted economic activity, the economy witnessed an extended period of slowdown; millions of jobs were lost, and businesses severely hit.

The impact of the COVID-19 outbreak has been repeatedly compared with the financial crisis of2008, which has been extensively studied in inter relation and overabundance effect literature (e.g. Kenourgios et al. 2011; Bekiros, 2014; Luchtenberg & Vu, 2015; Yarovaya etal., 2016). The COVID-19 pandemic has been considered a cause ofsystematic risk, hence, itsimpact on financial transactions must be examined. Orlweski (2008)identified five unique stages of the 2008 global financial crisis: the beginning of the subprime mortgage disaster, theexpansion of credit risk with mounting losses of financial institutions, liquidity crunch, thecommodity price bubble; and the ultimate freeze of credit markets. Extant literature has comprehensively examined the reasons and results of the financial crisis on housing and securities markets, corporate investment decisions, financial institutions, bank lending, financial regulations and institutional investors. Significant research attention has also been paid to the effects of the COVID-19 pandemic on gold prices, crude oil prices, crypto currencies and market indices. However, the influence of the COVID-19 on individual investor behaviour is an area that remains relatively under-examined. At the time of crisis, investors are susceptible to sensational and surprising news (Dzielinski, 2011). An information overload may hinder intelligent decision-making and curb individual investor trading activity during a crisis (Agnewand Szykman, 2005).

Statement of the problem

The purpose of this research is to examine the level of awareness and knowledge towards Initial Public Offering. Many factors affect the investment decision of investors towards investing in IPOs. This study tries to study the various difficulties faced by investors while investing in IPO's after covid 19. The COVID-19 outbreak has significantly impacted the economy. Given the huge population and problematic circumstances of the economy, especially the financial sector and lockdown and social distancing have proven to be unsettling. Due to measures taken by the government to control the spread of COVID-19 such as lockdown and the stock market crash, individual investor's willingness to invest in mutual funds and the stock market has beenimpacted negatively. In present times, investors seem to have become more risk averse, and prefer relatively secure investment options offering moderate return with low risk. Investors also need to be educated about Gold ETFs, time to enter and exit the stock market, and mutual fund schemes. It also throws some light on the fact that mutual fund associations and policymakers should conduct campaigns in smaller towns to enhance financial literacy of people After covid people got confused faith in investment patterns. Already Initial public offering set to be risky investment, so the research to find out what is there are stand related toIPO after pandemic.

Objectives of the study

- To find out the perception of Investors towards Initial public offering after Covid19Crisis
- To understand whether investors are willing to invest money in IPO considering the pandemic effect.
- To analyze the changes in returns given by investment in IPO based on the effectofCovid-19.
- To identify the IPO preferences of investors in post Covid-19 and their causativefactors.

- **Research methodology**

Research methodology is a way to systematically solve a research problem. It may be understood as a science of studying how research is done scientifically. In research it is the responsibility of the researchers to expose the research decisions and to evaluate them before they are implemented. The researcher has specified very clearly and precisely, what decisions is and why the selection is made, so that others can evaluate it.

- **Research Design**

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Theresearcher has undertaken a descriptive type of research, It describes the characteristics of population or presentation of answer for the questions like where, when and how relating to a particular field. The study will present the state of affairs as it exists. This type of study mainlyhelps to know the past and to predict the future.

- **Sample size**

The researcher has chosen the 120 investors in IPO.

- **Sampling method**

The sample units are chosen primarily on the basis of the convenience to the investigator. The units selected may be each person who comes across the investigator.

- **Method of data collection**

This study is conducted based on both primary and secondary data.

- **Primary data**

These are fresh data which are collected for the first time. The primary data was collected with 120 samples with the help of a self- prepared questionnaire(Google forms) and observations collected from Investors and traders, Kottayam District in Kerala. Questionnaires: The Questionnaire is based on the Investors perception towards IPO after Covid 19.

- **Secondary data**

Secondary data consist of information that already exists somewhere and have been collected for specific purpose in the study. The secondary data for this study are newspapers, journals, magazines, internet etc.

- **Statistical tools used for analysis**

The following tools are used for analysis

- Percentage analysis
- Chi-square test

- **Scope of the study**

The study is confined to investors perception towards IPO. It analysis only regarding IPO after Covid 19. The study will be useful to other investors to have knowledge and awareness regarding IPO. The study highlights the investors preferences in IPO in post Covid 19. The sample of the study is 120.

- **Limitations of the study**

- The sample size taken for the study is limited only to 120.
- Some of the respondents are not open in giving their opinions.
- Time of the disposal for the research was limited.
- There may be personal bias of the respondent, which affects the result of the study.

II REVIEW OF LITERATURE

(Velmurugan, 2015), There are large number of small investors, who have the ability to save and make an investment in share market, gold, real estate, insurance and post office. In recent years, numerous researches have been conducted on investors' perception towards various investment from various perspectives. From a survey on investment literatures of equity, insurance, and mutual fund perspective, there are some studies based on the investment on various avenues made by researchers. However, the investors' perception towards various investment avenues in Vellore city, Tamil Nadu and India is yet to be explored. This article is therefore timely and fills the gap in investment avenues literature.

(Nagtilak, 2015), Initial Public Offering is the most phenomenal event for an organization. For any company, "being public" is just as important as "going public." IPOs are normally issued by small and new companies who are in need of capital to expand their business, but sometimes large companies also issue them for public trading. Going public is a very big decision for any company. It permanently changes the way company does business. A public company has moresources of capital than a private company.

(Rajagopalan, 2015), Indian investor portfolio constitutes Bank Fixed Deposit, risk-freegovernment securities, tax- favoured assets, low-yielding instruments and non- financial asset (e.g. gold) but do not participate in stock markets. The researcher measures the collective influence of demographic variables, financial Knowledge, investment objectives, appraisal techniques and strategies, portfolio composition pattern, personality traits on the psychological biases using Structural Equation Modelling. The study uses structural equation model (SEM) to simultaneously estimate and test how latent variables and their measurementsare related.

(Kulkarni, 2015), Initial Public Offering is the most phenomenal event for an organization. For any company, "being public" is just as important as "going public." IPOs arenormally issued by small and new companies who are in need of capital to expand their business, but sometimes large companies also issue them for public trading. Going public is a very big decision for any company. It permanently changes the way company does business. A public company has more sources of capital than a private company. But going public or offering an IPO is very tedious and time consuming process for any company. Whenever a firmneeds money, the first thing it does is, it goes to the bank.

(Sarin, 2017), Initial Public Offering is considered to be the most outstanding matter for afirm. If a company, "being public" is just as foremost as "going public." Small and new companies normally issues IPOs when they are in need of capital, but occasionally large companies also issue them for public trading. Company considered it a big commitment to be going public. Company way of doing business is going to be affected by this process of IPOs'.

(Singh, 2019), Role of corporate governance indicators in IPO (Initial Public Offering) pricing is moderately researched area, however, a majority of these researches are found to be incontext of other than Asian economies. Particularly, in context of Indian IPO market, only a fewstudies have been conducted in the past. Hence, the present study aspires to bridge this gap by examining the statistical significance of board-related corporate governance mechanisms in predicting the likelihood of IPO underpricing. This study is unique as it incorporates a new dimension of "board leadership" and examines the impact of having an independent director asthe chairman of the board on IPO underpricing.

(Rehan, 2018), In today's volatile financial world Mutual Funds provide professionally managed, safe and less risky option for investment to the investors, that's why throughout the world Mutual Funds are an attractive and most invested option of investment. But in Pakistan Mutual Funds are a relatively new market, less research and less known option by the investors.Therefore, the main purpose of this research project is to analyze different demographic factors that impact an investor's awareness level towards mutual funds and to analyze different factors that shape the investor's perception and their inclination of investment in mutual funds.

(Shukla, 2018), This paper makes an assessment of how the operating performance of Indian firms change after their initial public offerings (IPOs). It finds that there is no deterioration in the operating performance post IPO, if a performance indicator like 'profit' is normalised by sales volumes (i.e., return on sales) rather than assets (i.e., return on assets). Unlike a distinct decline in return on assets reported in similar other studies, this paper finds a stable return on sales. The paper highlights the importance of choice of right variables for matching and normalisation purposes.

(Rawal, 2018), This paper investigates about the perpetual experiences' of retail investors in Indian Stock market. Indian Stock market is wide spread across the world. The data were gathered from 300 retail investors of Faridabad district situated in Haryana. In this study, the researcher has taken the cross sectional study.

III FINDINGS OF THE STUDY

- 61.7% of the respondents are male.
- 33.3% of the respondents are in the age group of below 25-45.
- 38.3% of the respondents have completed graduation
- 35.8% of the respondents are doing business.
- 75.8% of the respondents said that they investing in IPO.
- 35.8% of the respondents said that risk towards the reason allows to not investing inIPO.
- 38.3% of the respondents said that Rs.10,000- Rs.50,000 towards the amount investperyear.

- 40.8% of the respondents said that electronic advertising towards sources ofinformationusing before investing in IPO.
- 37.5% of the respondents said that 2-5 years towards the years been trading in stockandIPO.
- 35.0% of the respondents said that television towards the sources to known about newIPO listing.
- 70.0% of the respondents said that they gone by grading before investing in IPO aftercovid19.
- 37.5% of the respondents said that 5%-10% towards the percentage gained on an IPOafter covid19.
- 35.0% of the respondents said that complicated towards they feel about IPOinvestmentprocedures.
- 70.8% of the respondents have loss experience at the time of pandemic.
- The factors return problem ranks the top with an average of 3.67 followed by lack of enough information with weighing an average of 3.48. The factors like no guarantee oflisting gain, others and actual gain may be low rank less than the general average of 3.48.
- 22.5% of the respondents are strongly disagree towards difficulties faced by investors while investing IPO.
- 40.8% of the respondents said that external market condition influences investment decision during covid19.

- 43.3% of the respondents are strongly disagree towards the IPO mislead to takeproperinvestment decision after covid19.
- 34.2% of the respondents said that promoter's background towards they see beforeinvesting in IPO.
- 37.5% of the respondents are strongly agree towards the name of the companyinfluencethe investment of investors at pandemic.
- 42.5% of the respondents are agree towards there is high growth potential in investingIPO.
- 55.8% of the respondents are strongly agree towards there is long term benefits in IPOinvestment.
- 35.0% of the respondents said that excellent towards the price transparency in IPO.
- 30.0% of the respondents said that good towards perception that there is buy cheapandearn big towards IPO.
- There is no significant between the gender of the respondents and perception towardsprice transparency in IPO

IV SUGESTIONS

- The investors must have the awareness and knowledge about the IPO through varioussourcessuch as experts, media and newspaper.
- They should have the awareness in risk towards the IPO. They must invest in IPObased ontheir attitude towards the risk level.
- They should collect information regarding IPO through print advertising, electronicadvertising, expert opinion and friends' advice before they invest.
- The investors must invest in IPO in the long term in order to obtain good return.
- The investors must interact to with brokers to have awareness regarding new IPO isting.
- They must keep monitoring the rate of return after invest into IPO.
- The IPO procedures to apply and invest must be an easy one to all sort of investors inorder toinduce them in investment.
- The investors must look into index in the stock exchange in order to avoid returnproblemsafter investment in IPO.

- The investors must collect all the enough information regarding IPO investment andits rate of return.
- The investors should analyse the internal and external market of the industry before theyinvest in to IPO.
- The investors must go through the promoter's background, industry performance,Performance of existing company and premium amount.
- There must be high growth potential in the investment of IPO. Hence the investorsmust analyse the factors before invest into IPO.
- There must be price transparency in IPO and it must be regulated by SEBI.

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V CONCLUSION

The initial public is an opportunity for the company to procure capital from the primary market. Procurement of large capital is only possible by issuing shares through IPO. Risk of under subscription has been reduced by intervention of underwriters by providing assurance to the companies issuing IPO and making it more successful. The success of IPO depends on variousfactors such as day of issue, price of share to be used, projected earnings, and cash flow, IPO grading, the goodwill of the underwriters etc.

It is concluded that that IPO is no more risky investment as SEBI is playing very important role in regulating the risk and financial aspects of the investors. Hence IPO can be consider good option for investment. IPO is not a risky investment with the help of careful research and study and with the help of broker advice the individual investor can predict what the stock or shares will do on its initial day of trading up to some extent. Also this project report has proventhat large no of investors have shown confidence in IPO and prefer to invest in IPO and according to them IPO is one of the good option for Investment. And also it is concluded that the analysis, despite of too much price volatility, price manipulation and corporate fraud, investors still have confidence in this investment tools.