Factors Affecting Investor Decisions on Initial Public Offering in Nepal

Bharat Ram Dhungana
Pokhara University, Pokhara, Nepal

Subash Kunwar
Machhapuchchhre Bank Limited, Pokhara, Nepal

Deepak Ojha
Pokhara University, Pokhara, Nepal

Keshav Lamichane
Pokhara University, Pokhara, Nepal

Sujana Acharya
Pokhara University, Pokhara, Nepal

Abstract

The paper examines the factors affecting investors' decisions on initial public offerings with reference to Pokhara, Nepal. The five predictive variables—management quality, company goodwill, company performance, firm's industry, and market information— have been included in the study. The primary data was collected from a field survey using a structured questionnaire from 223 respondents. Descriptive (demographic and perception-related information) and inferential statistics (correlation) were used for analysis. We find that company goodwill, company performance, firm's industry, management quality, and market information affect investors' IPO decisions. The legitimacy of the company, key shareholders profile, founder and CEO of the company, prestige of the board members, company's financial position and historical background, return on equity, earnings per share, capital gains, and existing market share affect investors' IPO decisions. Most investors select IPOs of finance, microfinance, and insurance companies as primary investment areas. These findings provide important information for companies and regulators in their assessment of investor demand and disclosure of information.

JEL Classification: G11, G24, G28

Keywords: Initial public offerings, investor, regulatory authority, Nepalese stock market

*Corresponding author. We thank the Editorial Board and anonymous referees for their insightful comments.
Email addresses: dhunganabharat.pu@gmail.com (Bharat Ram Dhungana), kunwarsubash25@gmail.com (Subash Kunwar), pokhara236@gmail.com (Deepak Ojha), keshavlamichhane699@gmail.com (Keshav Lamichane), acharyasuzana@gmail.com (Sujana Acharya).

1. Introduction

Risk and returns are primary factors that influence investments. The primary element influencing excess returns in the stock market is overall risk (Campbell, 1996; Lee et al., 2002). Traditional theory based on asset-pricing models supports an investor's requirement for more significant returns in exchange for increased market risk (Umutlu et al., 2021; Wen et al., 2022). Investments in the primary market in initial public offerings (IPOs) have significantly increased compared to the secondary market due to their subsequent market trading prices (Fjesme, 2016; Mauer & Senbet, 1992). Investment in an IPO is perceived as a less risky and attractive investment for the majority of investors (Dunbar, 2000; Saravanan & Satish, 2018). However, the Nepalese stock market still has many challenges, such as low investment awareness, stock market manipulation, lack of confidence among investors, high volatility, limited investment opportunities, and poor regulatory capacity and governance (Dhungana, 2013; Koirala & Bajracharya, 2004). There is a growing concern about the governance of new public firms.

The paper examines the factors affecting investors' decisions on initial public offerings with reference to Pokhara, Nepal. The five predictive variables—management quality, company goodwill, firm performance, firm's industry, and market information— are examined as important factors. Investors follow the efficient market hypothesis (EMH), which guides their complex investment decision-making process. Weak forms of EMH and limited study on the above characteristics are prevalent in developing nations such as Nepal. This study attempts to fill the research gap concerning the factors influencing investors' decisions on initial public offerings.

Financial constraints and gaps arise from imperfections in the capital markets. Many new public firms are financially constrained, and enterprises are increasingly turning to new public issues to raise capital because they need funds for investment (Draho, 2004; Lowry et al., 2017). Long-term connections between businesses and banks enhance the benefits of external finance (Uzzi, 1999). Public equity funding has become more affordable than venture capital funding (Iliev & Lowry, 2020). Businesses are more likely to use the public equity market if their industry has more investment opportunities and, consequently, greater investment needs (Lowry et al., 2017). Small high-tech businesses tend to have limited access to loans due to highly fluctuating profits, asymmetric information, and a lack of collateral. Although new equity funding can be more expensive than internal finance, it offers several advantages over debt (Carpenter & Petersen, 2002).

There are various reasons why a firm is motivated to go public through an IPO. The key reasons are funding needs for investments, overvaluation (market timing), capital structure adjustment, stock liquidity, owners' diversification, and compensation to investors. In addition, a company might have the chance to use a marketing tool, receive market input, and be certified by analysts, regulators, and the industry. Going public could be a smart marketing move since it positions the company prominently in the eyes of investors and, more crucially, customers. Going public can boost a company's customer base and loyalty, especially as customers can now become shareholders. This can potentially lower capital costs and raise revenue (Lowry et al., 2017).

Further, equity financing does not raise the likelihood of financial difficulty, and equity finance does not require the company to post collateral or limit investors' upside gains (Carpenter & Petersen, 2002). IPOs of small companies are prone to incur losses and yield inadequate profits (Carpenter & Petersen, 2002; Gao et al., 2013). IPOs are more common among larger and more rapidly growing companies (Aggarwal et al., 2022; Gao et al., 2013; Ritter, 2015). New equity financing is critical to the quick expansion of high-technology firms (Carpenter & Petersen, 2002). Many public policies have focused

on addressing financial barriers to entrepreneurship and the expansion of the high-tech industry (Brown & Mason, 2014; Mason & Brown, 2013; Quas et al., 2022). Since debt is not a good replacement for equity, policymakers have appropriately highlighted the growth of public equity finance markets (Carpenter & Petersen, 2002; Ghalke et al., 2022).

Conventional finance has consistently assumed that stock market investors are normal and sensitive when making investment decisions (Myers & Majluf, 1984). While evaluating securities and selecting profitable equities, they must consider all relevant information per the efficient market hypothesis (EMH) (Bakar & Yi, 2016). The performance of investments is significantly impacted by market, heuristic, and herding variables (Chapagain et al., 2022; Karmacharya et al., 2022). Investment decisions are affected by behavioral factors such as heuristics, prospect, herding, and market variables (Cao et al., 2021; Dhungana et al., 2023). To eliminate cognitive biases in investment decision-making, investors must concentrate on identifying these biases and developing de-biasing techniques (Dhungana et al., 2022; Scherm et al., 2022).

Using a standardized questionnaire, a field survey was used to gather the primary data. Using a purposive sample approach, we chose a sample of 223 respondents from the Kaski area of Nepal who had applied for at least ten units of IPOs. The data were analyzed using both inferential (correlation and regression) and descriptive (demographic and perception-related) statistics. The rest of the paper is organized as follows. Section 2 discusses the relevant literature. Section 3 presents the research methods. Section 4 provides the results and their discussion, and Section 5 presents the conclusions and suggestions.

2. Review of Literature

Most theoretical models of funding limitations assume that obtaining money through new share issuance is either impractical or highly costly. On the other hand, the rapid expansion of equity markets in emerging countries and the rapidly increasing number of publicly traded companies in industrialized economies indicate that models of imperfect capital markets should take new equity funding into account (Carpenter & Petersen, 2002; Hu & Schiantarelli, 1998).

Investment theory adopts various principles and strategies that guide investors in rational financial decisions (Clemons & Weber, 1990; Damodaran, 2003). One of the main issues while investing is the relationship between risk and return. Based on finance theory, researchers initially believed that risk and return were positively correlated (Baucus et al., 1993; McNamara & Bromiley, 1999). In a risk-return study, "efficient portfolios" are defined as those that, on average, yield the highest return for a given amount of portfolio risk (Markowitz & Dijk, 2008). This risk-return tradeoff curve is used to help investors select combinations of risk and return based on their willingness to assume greater risk in exchange for a higher predicted return (Blume & Friend, 1973; Markowitz & Dijk, 2008; Sun et al., 2012).

The problem of portfolio selection is articulated and solved for the first time in Markowitz's [1952] foundational work of modern portfolio theory. Keynes [1936], Marschak [1938], and other earlier works only briefly examine the analysis of investment choices. Markowitz explains portfolio diversification (Blume, 1970; Constantinides & Malliaris, 1995; Markowitz, 1991). The efficient market hypothesis and behavioral finance theory have provided the foundation of contemporary asset pricing. While both theories are essential in understanding contemporary asset

pricing, they represent different points of view. The behavioral finance theory states that the price is determined by how market players respond to the information, contrary to the efficient market hypothesis, which states that the price of any asset is dependent on the information (Fakhry, 2016; Fama, 1970; Shleifer, 2000).

The conventional financial theories were designed to help people make rational financial decisions (Baker & Nofsinger, 2010; Simon, 1979). They were unable to explain the stock market disturbances. Periodically, these disturbances or abnormalities surfaced as stock market bubbles, excessive or insufficient market reaction, momentum, and reversals (Cunningham, 2002). As a result of this paradigm, behavioral finance began to develop to explain these anomalies through behavioral means (Burton & Shah, 2013; Schönhart, 2005). The psychology of investors and its influence on financial decision-making is related to behavioral finance (Muradoglu & Harvey, 2012; Sharma et al., 2021). Availability bias, representativeness bias, overconfidence bias, market factors, herding, anchoring, mental accounting, regret aversion, gamblers' fallacy, and loss aversion are some of the dimensions of behavioral biases that have a substantial impact on investors' decisions (Abdin et al., 2017; Jain et al., 2021). The relationship between behavioral finance and investing decisions is beneficial (Ogunlusi & Obademi, 2021; Zahera & Bansal, 2018).

Dunbar (2000) found a significant effect on market share changes in low-volume IPO markets. These factors have a less significant effect on market share, statistically and economically, for less established banks, consistent with the notion that less reputation is at risk. Similarly, Gnawali (2020) revealed that quality management, company goodwill, company performance, company sector, and market information are highly important factors to consider before making an investment decision in an IPO. Likewise, Basha et al. (2021) found the influence of financial factors like ownership retention, size of the issue, age of the firm, debt-equity ratio, net assets value (NAV), and non-financial factors like underwriter’s reputation, and venture capital funding. Similarly, Renneboog et al. (2008) found that credit rating, leadership quality of the top management, institutional investment, and the company's corporate governance are the most influential factors influencing the investment decisions of retail investors.

Jenkinson and Jones (2009) revealed that retail investors’ opinions are similar in most aspects relevant to IPOs. The savings ratio of investors affects their perception of the primary market. Rao and Babu (2023) found that investment decisions differ by demographic characteristics such as age, gender, occupation, computer literacy, internet use, and trading activity. Investment preferences may also be affected by a person's familiarity with computers, degree of internet usage, and level of engagement in online trading. Saemi et al. (2023) found that the type of job, education level, and financial literacy impact investments. Likewise, Utami and Nugroho (2017) found that an investor’s education, experience, information accessibility, time horizon, frequency of trading activity, and perception affect the investment decision in a firm.

Blasco et al. (2012) found that herding intensity depends on past returns and sentiment or subjective assessments and confirms the presence of both rational and emotional factors. Likewise, Patil and Bagodi (2021) found that financial statements, current economic indicators, and the result of technical analysis and ‘insider information’ are key attributes that affect investors' decisions. Investors choose low risk over high risk for a given level of return because they are logical and risk-averse. However, irrational investor behaviors can be seen in the real market; these include excessive trading, buying stocks without looking at the fundamental value, making decisions based on past performance, purchasing stocks that their friends are purchasing, and holding onto losing

stocks while selling bullish stocks. Investor decision-making and performance are influenced mainly by behavioral factors (Bakar & Yi, 2016; Dhungana, 2018; Khawaja & Alharbi, 2021).

Behavioral heuristics and oversimplification processes of investors can result in systematic errors, and investment decisions may not optimize utility (Gigerenzer & Gaissmaier, 2011). Behavioral finance focuses on the psychological behaviors of investors for rational financial decisions (Bhattacharya, 2012). Political developments frequently influence investing decisions while being the most unpredictable of numerous factors that could affect market performance (Awais et al., 2016; Zaimovic et al., 2021). Investment decision-making is a complex phenomenon affected by macroeconomic and other factors (Shikuku, 2012). Moreover, investor behavior is greatly influenced by financial statements, industry standing, business reputation, past stock performance, and projected corporate earnings (Khawaja & Alharbi, 2021).

Based on the above literature, we identify management quality (MQ), company performance (CP), company goodwill (CG), firm industry (IN), and market information (MI) as key factors that may affect investors' decision to invest in initial public offerings.

3. Data and Methods

The primary data was collected from a field survey using a structured questionnaire (see the Appendix). We selected a sample of 223 respondents from the Kaski district in Nepal who have applied for at least ten units of IPOs. The online response forms were distributed among the sample respondents. The questionnaires were divided into three parts: the first includes the demographic information, the second includes the general perceptions toward investing in IPOs, and the third includes the responses on factors affecting IPO investment decisions. Descriptive (demographic and perception-related information) and inferential statistics (correlation) were used to analyze the data.

4. Results and Discussion

4.1 Demographic profile

The demographic profile of respondents includes gender, age, education, monthly income, and profession. The demographic profile of the respondents is shown in Table 1.

Accordingly, most respondents are male (65.5%). 9.9% of the respondents are in the age group below 20 years, while those between 20 and 29 years are 66.4% of the respondents. Similarly, 21.5%, 1.8%, and 0.4% of the total respondents are aged between 30-39 years, 40-49 years, and above 50 years, respectively. The majority of respondents hold bachelor's degrees and are well-educated. More than one-third (45.3%) of the respondents have a private job as their primary occupation; 31.4% are students; 6.3% have a government job; 12.1% are self-employed; and others (4.9%). Most (38.6%) respondents have a monthly income below Rs 25,000. Among the respondents, those with a monthly income of Rs. 25–50 thousand and 50–100 thousand are 30.5% and 18.4%, respectively, whereas only 12.5% have a monthly income of Rs. 100,000 and above.

Table 1

Demographic Profile of Respondents

Factors	Demographic variables	Frequency	Percentage
Gender	Female	77	34.5
	Male	146	65.5
Age	Below 20 years	22	9.9
	20-29 years	148	66.4
	30 -39 years	48	21.5
	40-49 years	4	1.8
	50 years above	1	0.4
Education	Up to 10 class	12	5.4
	Intermediate	38	17.0
	Bachelor	111	49.8
	Master and above	62	27.8
Monthly Income	Below Rs 25,000	86	38.6
	Rs 25,001 to Rs 50,000	68	30.5
	Rs 50,001 to Rs 100,000	41	18.4
	More than Rs 100,000 above	28	12.5
Profession	Student	70	31.4
	Private job	101	45.3
	Government job	14	6.3
	Self-employed	27	12.1
	Others	11	4.9
	Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2 Perception of investors toward initial public offerings

4.2.1 Familiarity with IPOs

The survey asked respondents about their perceived knowledge and familiarity with IPOs. Table 2 shows the summary of responses. Out of 223 respondents, 58.3% knew something about IPO. Similarly, 27.4% of the respondents knew everything about IPO. 9.4% of the respondents had read about IPOs in books and news. Finally, only 4.9% of the respondents knew nothing about the IPO.

Table 2

Familiarity with IPOs

Options	Frequency	Percentage
I know something about IPOs.	130	58.3
I know everything about IPOs.	61	27.4
I have read about IPOs in books and the news.	21	9.4
I do not know anything about the IPO.	11	4.9
Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2.2 Source of information on IPOs

In the survey, the respondents were asked about their source of information regarding the IPO news. Table 3 shows the sources of information on IPO. The majority of the respondents learned about the IPO for any company via market information. 32.7% of them claim market information to be the source of information for an IPO. Similarly, 29.1% claim that they got the information from their relatives. 26.1% relied on advertisements for the IPO. Additionally, 9.9% selected other options, while 2.2% got the information from brokers.

Table 3

Source of Information on IPOs

Options	Frequency	Percentage
Advertisements	58	26.1
Market information	73	32.7
Brokers	5	2.2
Relatives	65	29.1
Others	22	9.9
Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2.3 Expectations from the investment

Investors have a certain expectation from the investment because they sacrifice consumption and bear the risk. Table 4 shows the expectations from the investment. Table 4 indicates that most respondents considered a bonus share or stock dividend to be the key expectation. 39.5% of them expected a bonus share or stock dividend from an investment. Similarly, 27.3% of them expected a cash dividend from an investment. While 22.9% of the respondents expected rights issues, only 10.3% selected the other option.

Table 4

Expectations from the Investment

Options	Frequency	Percentage
Cash Dividend	61	27.3
Bonus Share / Stock Dividend	88	39.5
Right Share	51	22.9
Others	23	10.3
Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2.4 Preferred industry

The preferred industry of the company has been presented in Table 5. Accordingly, it can be concluded that most respondents preferred banks and microfinance as the preferred sectors for investment. Out of 223 respondents, 42.2% preferred banks and the microfinance sector. Similarly, 23.3% of the respondents preferred the hydroelectricity sector, 14.8% preferred the service sector, 11.7% preferred the insurance sector, 3.1% preferred the hotel sector, and finally only 4.9% of the selected other sectors.

Table 5

Preferred Industry

Options	Frequency	Percentage
Bank and Microfinance	94	42.2
Hydroelectricity	52	23.3
Service Sector	33	14.8
Insurance	26	11.7
Hotel	7	3.1
Others	11	4.9
Total	**223**	**100**

Source: Calculations based on the survey, 2023

4.2.5 Preference for financial and non-financial sectors

The preference for financial and non-financial sectors for the IPO has been presented in Table 6. Most respondents prefer financial sectors over non-financial sectors. Of 223 respondents, 191 (85.7%) preferred financial sectors, while only 32 (14.3%) chose non-financial sectors.

Table 6

Preference for Financial and Non-financial Sectors

Options	**Frequency**	**Percentage**
Financial Sector	191	85.7
Non-financial Sector	32	14.3
Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2.6 Causes for attraction toward investment in the primary market

There are various reasons behind the investment in the primary market. Table 7 shows the causes for attraction toward investment in the primary market. Most respondents believe that many people invest in the primary market because of the trend. Of 223 respondents, 48.4% believe that following the trend led people to invest in the primary market. Similarly, 26.9% believed access to information was the primary cause. 19.3% believed that excess liquidity was a cause of investment in the primary market. Finally, only 5.4% pointed to other reasons for people's investment in the primary market.

Table 7

Causes for Attraction Toward Investment in the Primary Market

Options	**Frequency**	**Percentage**
Excess Liquidity	43	19.3
Access to Information	60	26.9
Following the trend	108	48.4
Others	12	5.4
Total	**223**	**100**

Source: Calculations based on the survey, 2023.

4.2.7 Management quality factors for investors' IPO decisions

Investors' IPO decisions are affected by management quality. Table 8 shows that most respondents felt the company's legitimacy affects investors' IPO decisions. Likewise, most participants say that key shareholders/promoters, founder and CEO, and the prestige of the board members influence their IPO decisions. Corporate governance and human resource value are not perceived highly as important management quality factors. Higher management quality is linked to bigger IPO offer sizes and greater post-IPO operating performance. Better managers are likely to choose projects with a larger net present value or any given scale and implement them more skillfully (Bell et al., 2014; Chemmanur & Paeglis, 2005).

Table 8

Management Quality Factors for Investors' IPO Decisions

Management Quality Factors	**Descriptive Statistics**		
	Mean	**SD**	**Decision**
I consider the legitimacy of the company before investing in an IPO.	3.49	1.34	High perception
I consider the corporate governance of a company before investing in an IPO.	3.30	1.25	Low perception
I consider the human resources value of a company before investing in an IPO.	3.24	1.20	Low perception
I care about the founder and CEO before investing in an IPO.	3.43	1.28	High perception
I consider myself the key shareholder/promoter of a company before investing in an IPO.	3.48	1.26	High perception
I consider the prestige of the board members before investing in the IPO.	3.43	1.27	High perception
Overall Average	**3.39**	**1.27**	

Note: Field survey 2023 and authors' calculations. The number of observations is 223. The rating scale is from 1 (strongly disagree) to 5 (strongly agree). The perception is ranked low or high relative to the overall average score.

4.2.8 Company goodwill factors for investors' IPO decisions

The goodwill of the company influences investors' decisions on first public offerings. The company goodwill factors are presented in Table 9. Accordingly, most respondents highly perceived the company's current financial position and historical background as important factors

affecting their IPO decisions. Corporate profile, company age, governance, and prestige of a founder member were ranked lower. This result is consistent with the quality and quantity of sustainability reporting and its dimensions—society, environment, employee, and product—having a favorable correlation with a company's position. This finding implies that IPO companies can enhance their corporate reputations through sustainability reporting procedures (Abbas et al., 2022; Gnawali & Niroula, 2021; Mohamed & Mbogo, 2022).

Table 9

Company Goodwill Factors for Investors' IPO Decisions

Company Goodwill Factors	Descriptive Statistics		
	Mean	**SD**	**Decision**
I consider the corporate profile of a company before investing in the IPO.	3.69	1.26	Low perception
I consider the historical background of a company while investing in the IPO.	3.88	1.18	High perception
I consider the age of the company before investing in an IPO.	3.74	1.15	Low perception
I consider the prestige of a founder member of the company before investing in the IPO.	3.47	1.25	Low perception
I consider the current financial position of the company before investing in an IPO.	4.00	1.18	High perception
Overall Average	**3.76**	**0.97**	

Note: Field survey 2023 and authors' calculations. The number of observations is 223. The rating scale is from 1 (strongly disagree) to 5 (strongly agree). The perception is ranked low or high relative to the overall average score.

4.2.9 Company performance factors for investors' IPO decisions

The performance of the company influences the IPO decisions made by investors. The company performance factors are shown in Table 10. It shows that most respondents felt that the company's return on equity, earnings per share, and capital gains were important company performance factors when investing in an IPO. Stock prices and dividends rank lower in terms of company performance factors. Investors may be drawn in by various configurations of incentive-based corporate governance mechanisms in the form of company performance and monitoring (Bell et al., 2014; Gnawali, 2020; Jain et al., 2021). The choice of an IPO is positively correlated with a company's debt levels (Latham & Braun, 2010). Compared to market-based performance, accounting-based performance more significantly impacts investment decisions (Saif et al., 2022).

Table 10

Company Performance Factors for Investors' IPO Decisions

Company Performance Factors	Descriptive Statistics		
	Mean	**SD**	**Decision**
I consider the return on equity of the company before investing in an IPO.	3.85	1.10	High perception
I consider the percentage price premium before investing in an IPO.	3.65	1.17	Low perception
I consider earning per share before investing in an IPO.	3.85	1.14	High perception
I consider dividend premiums before investing in an IPO.	3.78	1.15	Average perception
I consider capital gains before investing in an IPO.	3.81	1.13	High perception
Overall Average	**3.78**	**0.94**	

Note: Field survey 2023 and authors' calculations. The number of observations is 223. The rating scale is from 1 (strongly disagree) to 5 (strongly agree). The perception is ranked low or high relative to the overall average score.

4.2.10 Firms' industry factors for Investors' IPO decisions

Firms' industry may affect investors' choices on IPOs. The results reported in Table 11 show that most respondents highly perceived IPOs in finance, microfinance, and insurance companies as better investments. IPOs in manufacturing and energy sectors rank lower in terms of investor preference. Investor decisions are influenced by the degree to which a company's senior management team is employed by well-known downstream companies (such as pharmaceutical companies) with a variety of organizations (Alimov & Mikkelson, 2012; Higgins & Gulati, 2006; Jain et al., 2021). The company sector and investment decisions are related (Evans, 1967; Gnawali, 2020).

Table 11

Firm's Industry Factors for Investors' IPO Decisions

Firm's Industry Factors	Descriptive Statistics		
	Mean	**SD**	**Decision**
I think investing in the IPO of a hydropower company is better compared to IPOs of other sectors.	3.64	1.26	Average perception
I think investing in the IPO of a manufacturing company is better compared to the IPO of other sectors.	3.48	1.20	Low perception
I think investing in the IPO of finance or microfinance is better compared to the IPO of other sectors.	3.83	1.16	High perception
I believe that investing in the IPO of the energy sector is better.	3.50	1.21	Low perception
I believe that investing in the IPO of an insurance company is better.	3.74	1.12	High perception
Overall Average	**3.64**	**0.87**	

Note: Field survey 2023 and authors' calculations. The number of observations is 223. The rating scale is from 1 (strongly disagree) to 5 (strongly agree). The perception is ranked low or high relative to the overall average score.

4.2.11 Market information factors for Investors' IPO decisions

Investor judgments about initial public offerings are also influenced by market information. Table 12 displays the factors related to market information. The majority of the respondents appeared to feel that the existing market share of a company and past IPO trends are important factors affecting their IPO decisions. Media exposure and new project risks and prospects are considered less important. The top management team's credibility may be a valuable indicator to potential investors in the context of the information asymmetry between present owners and potential IPO investors (Cohen & Dean, 2005). Coverage of an IPO company in reputable financial media significantly impacts that company's stock price (Guldiken et al., 2017).

Table 12

Market Information Factors for Investors' IPO Decisions

Market Information Factors	Descriptive Statistics		
	Mean	**SD**	**Decision**
The comments in the media affect my decision to invest in an IPO.	3.57	1.25	Low perception
The future prediction and forecast of a company's performance affect my decision to invest in an IPO.	3.72	1.12	Average perception
The new project risk and prospects affect my decision to invest in an IPO.	3.66	1.09	Low perception
The existing market share of a company affects my decision to invest in the IPO.	3.83	1.05	High perception
I consider the past trends of IPO while investing in the IPO.	3.80	1.11	High perception
Overall Average	**3.72**	**0.90**	

Note: Field survey 2023 and authors' calculations. The number of observations is 223. The rating scale is from 1 (strongly disagree) to 5 (strongly agree). The perception is ranked low or high relative to the overall average score.

4.3 Correlation analysis among the main factors

Table 13 shows the correlations among the major factors surveyed—management quality (MQ), company performance (CP), company goodwill (CG), firm's industry (IN), and market information (MI). The four factors are significantly positively correlated. The correlation between market information and company performance is the largest (0.77), and market information and management quality is the smallest (0.51). There is a moderate positive correlation between the different variables related to the factors affecting investors' decisions on IPO.

In summary, the empirical results discussed above show that the demographic characteristics of the respondents show that the majority of the respondents are male. Most respondents have a bachelor's or above degree and are employed in the private sector. More than half of the respondents are familiar with IPOs. The majority of the respondents learned about IPOs from advertisements and market information. Most respondents considered bonus shares or stock dividends as the key expectation. Banks and microfinance is the most preferred industry for investment, and the financial sector is the most preferred sector. Most respondents believe that many people invest in the primary market following the trend. However, access to information and excess liquidity also attract investors to the primary market.

Table 13

Correlations among Main Factors

Variables	MQ	CG	CP	IN
CG	0.732**			
CP	0.588**	0.756**		
IN	0.568**	0.674**	0.666**	
MI	0.507**	0.699**	0.766**	0.701**

Source: Calculations based on the survey, 2023. The number of observations is 223.

Investors' decisions on initial public offerings are influenced by the company's goodwill, company performance, firm's industry, management quality, and market information. The legitimacy of the company, key shareholders profile, the company's founder and CEO, and the board members' prestige affect investors' IPO decisions under the management quality factors. Likewise, the financial position and historical background of the company under the company's goodwill factors affect investors' IPO decisions. The return on equity, earnings per share, and capital gains of the company under the company performance factors affect investors' IPO decisions. Under the firm's industry, the IPO of finance, microfinance, and insurance companies are the key investment areas for IPO choices. Finally, the existing market share of a company and past IPO trends under the market information factors affect investors' IPO decisions.

5. Conclusions and Suggestions

An initial public offering is one of the extensively used primary markets that attracts many investors. This study finds that company goodwill, company performance, firm's industry, management quality, and market information affect investors' IPO decisions. The legitimacy of the company, key shareholders profile, the founder and CEO of the company, prestige of the board members, financial position, historical background of the company, return on equity, earnings per share, capital gain, and existing market share affect investors' IPO decisions. Most investors select IPOs of finance, microfinance, and insurance companies as primary investment areas.

The regulatory authority can promote the primary market by building and maintaining a trustworthy investment environment. At the same time, firms can encourage investments in IPOs by diversifying investment opportunities in a wide area of the company's portfolio, enlisting investment options that have higher company goodwill, and selecting for the issue of IPOs that have better firm performance. This study has been limited to examining investors in Pokhara, Nepal, who were involved in the primary market for the last three or more years.

References

Abbas, Y. A., Mehmood, W., Lazim, Y. Y., & Aman-Ullah, A. (2022). Sustainability reporting and corporate reputation of Malaysian IPO companies. *Environmental Science and Pollution Research*, *29*(52), 78726–78738. https://doi.org/10.1007/s11356-022-21320-9

Abdin, S. Z. ul, Farooq, O., Sultana, N., & Farooq, M. (2017). The impact of heuristics on investment decision and performance: Exploring multiple mediation mechanisms. *Research in International Business and Finance*, pp. *42*, 674–688. https://doi.org/10.1016/j.ribaf.2017.07.010

Aggarwal, D., Eldar, O., Hochberg, Y. V., & Litov, L. P. (2022). The rise of dual-class stock IPOs. *Journal of Financial Economics*, *144*(1), 122–153. https://doi.org/10.1016/j.jfineco.2021.12.012

Alimov, A., & Mikkelson, W. (2012). Does favorable investor sentiment lead to costly decisions to go public? *Journal of Corporate Finance*, *18*(3), 519–540. https://doi.org/10.1016/j.jcorpfin.2012.02.004

Awais, M., Laber, M. F., Rasheed, N., & Khursheed, A. (2016). Impact of financial literacy and investment experience on risk tolerance and investment decisions: Empirical evidence from Pakistan. *International Journal of Economics and Financial Issues*, *6*(1), 73–79.

Bakar, S., & Yi, A. N. C. (2016). The impact of psychological factors on investors' decision making in Malaysian stock market: A case of Klang Valley and Pahang. *Procedia Economics and Finance*, *35*, 319–328. https://doi.org/10.1016/S2212-5671(16)00040-X

Baker, H. K., & Nofsinger, J. R. (2010). Behavioral finance: An overview. In *Behavioral Finance* (pp. 1–21). John Wiley & Sons, Ltd. https://doi.org/10.1002/9781118258415.ch1

Basha, J., Haralayya, B., & Vibhute, N. S. (2021). A study on performance evaluation of initial public offering (IPO). *Journal of Advanced Research in Public Policy and Administration*, *3*(2), 12-36.

Baucus, D. A., Golec, J. H., & Cooper, J. R. (1993). Estimating risk-return relationships: An analysis of measures. *Strategic Management Journal*, *14*(5), 387–396. https://doi.org/10.1002/smj.4250140506

Bell, R. G., Filatotchev, I., & Aguilera, R. V. (2014). Corporate governance and investors' perceptions of foreign IPO value: An institutional perspective. *Academy of Management Journal*, *57*(1), 301–320. https://doi.org/10.5465/amj.2011.0146

Bhattacharya, R. (2012). Behavioral finance: An insight into the psychological and sociological biases affecting financial decisions of investors. *ZENITH International Journal of Business Economics & Management Research*, *2*(7), 147–157.

Blasco, N., Corredor, P., & Ferreruela, S. (2012). Market sentiment: A key factor of investors' imitative behaviour. *Accounting & Finance*, *52*(3), 663-689.

Blume, M. E. (1970). Portfolio theory: A step toward its practical application. *The Journal of Business*, *43*(2), 152–173.

Blume, M. E., & Friend, I. (1973). A new look at the capital asset pricing model. *The Journal of Finance*, *28*(1), 19–33. https://doi.org/10.2307/2978165

Brown, R., & Mason, C. (2014). Inside the high-tech black box: A critique of technology entrepreneurship policy. *Technovation*, *34*(12), 773–784. https://doi.org/10.1016/j.technovation.2014.07.013

Burton, E. T., & Shah, S. N. (2013). *Behavioral finance: Understanding the social, cognitive, and economic debates*. John Wiley & Sons.

Campbell, J. Y. (1996). Understanding risk and return. *Journal of Political Economy, 104*(2), 298–345. https://doi.org/10.1086/262026

Cao, M. M., Nguyen, N. T., & Tran, T. T. (2021). Behavioral factors on individual investors' decision making and investment performance: A survey from the Vietnam Stock Market. *The Journal of Asian Finance, Economics and Business, 8*(3), 845–853.

Carpenter, R. E., & Petersen, B. C. (2002). Capital market imperfections, high-tech investment, and new equity financing. *The Economic Journal, 112*(477), F54–F72. https://doi.org/10.1111/1468-0297.00683

Chapagain, R., Dhungana, B. R., & Karmacharya, B. (2022). Factors affecting investment decisions of employees working on financial and non-financial sectors: A case of Pokhara metropolitan city, Nepal. *Journal of Nepalese Business Studies, 15*(1), Article 1. https://doi.org/10.3126/jnbs.v15i1.50376

Chemmanur, T. J., & Paeglis, I. (2005). Management quality, certification, and initial public offerings. *Journal of Financial Economics, 76*(2), 331–368. https://doi.org/10.1016/j.jfineco.2004.10.001

Clemons, E. K., & Weber, B. W. (1990). Strategic information technology investments: Guidelines for decision making. *Journal of Management Information Systems, 7*(2), 9–28. https://doi.org/10.1080/07421222.1990.11517887

Cohen, B. D., & Dean, T. J. (2005). Information asymmetry and investor valuation of IPOs: Top management team legitimacy as a capital market signal. *Strategic Management Journal, 26*(7), 683–690. https://doi.org/10.1002/smj.463

Constantinides, G. M., & Malliaris, A. G. (1995). Chapter 1 Portfolio theory. In *Handbooks in Operations Research and Management Science* (Vol. 9, pp. 1–30). Elsevier. https://doi.org/10.1016/S0927-0507(05)80045-3

Cunningham, L. A. (2002). Behavioral finance and investor governance. *Washington and Lee Law Review, 59,* 767.

Damodaran, A. (2003). *Investment philosophies: Successful strategies and the investors who made them work* (Vol. 185). John Wiley & Sons. https://books.google.com/books?hl=en&lr=&id=__2Fjz3GnqAC&oi=fnd&pg=PA1&dq=Investment+theory+adopts+various+principles+and+strategies+that+guides+investors+for+rational+financial+decision.&ots=iFfhIoX2ad&sig=7Ta-a-Cb0RC7e787c_sWgDlOBuU

Dhungana, B. (2013). *Performance of stock market and reforms in Nepal*. *6,* 43–53.

Dhungana, B. (2018). Behavioral factors influencing individual investor's decision making and performance: A survey at Nepal Stock Exchange. *Journal of Management and Development Economics, 7(1), 21–32.*

Dhungana, B. R., Bhandari, S., Ojha, D., & Sharma, L. K. (2022). Effect of cognitive biases on investment decision making: A case of Pokhara valley, Nepal. *Quest Journal of Management and Social Sciences, 4*(1), 71–84. https://doi.org/10.3126/qjmss.v4i1.45868

Dhungana, B. R., Khatri, N., Ojha, D., & Acharya, S. (2023). Effect of market variables and investment decisions in financial market: A case of Pokhara, Nepal. *Quest Journal of Management and Social Sciences, 5*(1), 94–106.

Draho, J. (2004). *The IPO decision: Why and how companies go public*. Edward Elgar Publishing. https://books.google.com/books?hl=en&lr=&id=Uil5fLFVl3IC&oi=fnd&pg=PR6&dq=Enterprises+are+increasingly+turning+to+new+public+issues+as+an+IPO+as+a+means+of+raising+capital.&ots=11IU7_Y0I2&sig=3IEDBYGKcSj0BLyRiaTK1haWWxA

Dunbar, C. G. (2000). Factors affecting investment bank initial public offering market share. *Journal of Financial Economics*, *55*(1), 3–41. https://doi.org/10.1016/S0304-405X(99)00043-4

Evans, M. K. (1967). A study of industry investment decisions. *The Review of Economics and Statistics*, *49*(2), 151–164. https://doi.org/10.2307/1928223

Fakhry, B. (2016). A literature review of the efficient market hypothesis. *Turkish Economic Review*, *3*(3), Article 3. https://doi.org/10.1453/ter.v3i3.928

Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance*, *25*(2), 383–417. https://doi.org/10.2307/2325486

Fjesme, S. L. (2016). Initial public offering allocations, Price support, and secondary investors. *Journal of Financial and Quantitative Analysis*, *51*(5), 1663–1688. https://doi.org/10.1017/S0022109016000661

Gao, X., Ritter, J. R., & Zhu, Z. (2013). Where have all the IPOs gone? *Journal of Financial and Quantitative Analysis*, *48*(6), 1663–1692. https://doi.org/10.1017/S0022109014000015

Ghalke, A., Kumar, S., & Rao, S. V. D. N. (2022). SME financing through public equity: Review of the Indian SME exchanges. *Indian Growth and Development Review*, *15*(1), 85–97. https://doi.org/10.1108/IGDR-10-2021-0138

Gigerenzer, G., & Gaissmaier, W. (2011). Heuristic decision-making. *Annual review of psychology*, *62*, 451-482.

Gnawali, A. (2020). Perception of investors towards initial public offering (IPO) in Nepal: With reference to Kathmandu district. *International Journal of Innovation Scientific Research and Review*, *2*(6), 244–249.

Gnawali, A., & Niroula, B. (2021). The perception of investors towards initial public offering: Evidence of Nepal. *Jurnal Manajemen Terapan Dan Keuangan*, *10*(01), Article 01. https://doi.org/10.22437/jmk.v10i01.12191

Guldiken, O., Tupper, C., Nair, A., & Yu, H. (2017). The impact of media coverage on IPO stock performance. *Journal of Business Research*, *72*, 24–32. https://doi.org/10.1016/j.jbusres.2016.11.007

Higgins, M. C., & Gulati, R. (2006). Stacking the deck: The effects of top management backgrounds on investor decisions. *Strategic Management Journal*, *27*(1), 1–25. https://doi.org/10.1002/smj.495

Hu, X., & Schiantarelli, F. (1998). Investment and capital market imperfections: A switching regression approach using U.S. firm panel data. *The Review of Economics and Statistics*, *80*(3), 466–479. https://doi.org/10.1162/003465398557564

Iliev, P., & Lowry, M. (2020). Venturing beyond the IPO: Financing of Newly Public Firms by Venture Capitalists. *The Journal of Finance*, *75*(3), 1527–1577. https://doi.org/10.1111/jofi.12879

Jain, J., Walia, N., Kaur, M., & Singh, S. (2021). Behavioural biases affecting investors' decision-making process: A scale development approach. *Management Research Review*, *45*(8), 1079–1098. https://doi.org/10.1108/MRR-02-2021-0139

Jenkinson, T., & Jones, H. (2009). IPO pricing and allocation: a survey of the views of institutional investors. *The Review of Financial Studies*, *22*(4), 1477–1504.

Karmacharya, B., Chapagain, R., Dhungana, B. R., & Singh, K. (2022). Effect of perceived behavioral factors on investors' investment decisions in stocks: Evidence from Nepal Stock Market. *Journal of Business and Management Research, 4*(01), 17–33.

Khawaja, M. J., & Alharbi, Z. N. (2021). Factors influencing investor behavior: An empirical study of Saudi Stock Market. *International Journal of Social Economics*, *48*(4), 587–601. https://doi.org/10.1108/IJSE-07-2020-0496

Koirala, P., & Bajracharya, P. (2004). Nepalese capital market: Issues and challenges. *NRB Economic Review*, 4–19. https://doi.org/10.3126/nrber.v16i1.54739

Latham, S., & Braun, M. R. (2010). To IPO or not to IPO: Risks, uncertainty and the decision to go public. *British Journal of Management, 21*(3), 666–683. https://doi.org/10.1111/j.1467-8551.2010.00707.x

Lee, W. Y., Jiang, C. X., & Indro, D. C. (2002). Stock market volatility, excess returns, and the role of investor sentiment. *Journal of Banking & Finance*, *26*(12), 2277–2299. https://doi.org/10.1016/S0378-4266(01)00202-3

Lowry, M., Michaely, R., & Volkova, E. (2017). Initial public offerings: A synthesis of the literature and directions for future research. *Foundations and Trends® in Finance*, *11*(3–4), 154–320.

Markowitz, H. M. (1991). Foundations of portfolio theory. *The Journal of Finance*, *46*(2), 469–477. https://doi.org/10.2307/2328831

Markowitz, H. M., & Dijk, E. V. (2008). Chapter 4—Risk-return analysis. In S. A. Zenios & W. T. Ziemba (Eds.), *Handbook of Asset and Liability Management* (pp. 139–197). North-Holland. https://doi.org/10.1016/B978-044453248-0.50010-1

Mason, C., & Brown, R. (2013). Creating good public policy to support high-growth firms. *Small Business Economics*, *40*(2), 211–225. https://doi.org/10.1007/s11187-011-9369-9

Mauer, D. C., & Senbet, L. W. (1992). The effect of the secondary market on the pricing of initial public offerings: Theory and evidence. *Journal of Financial and Quantitative Analysis, 27*(1), 55–79. https://doi.org/10.2307/2331298

McNamara, G., & Bromiley, P. (1999). Risk and return in organizational decision making. *Academy of Management Journal*, *42*(3), 330–339. https://doi.org/10.5465/256923

Mohamed, O., & Mbogo, C. J. (2022). Effects of initial public offering on the value of a company: A case study of Tanzania Breweries Limited Company, Dar es Salaam. *International Journal of Engineering, Business and Management*, *6*(3), Article 3. https://journal-repository.theshillonga.com/index.php/ijebm/article/view/5099

Muradoglu, G., & Harvey, N. (2012). Behavioural finance: The role of psychological factors in financial decisions. *Review of Behavioural Finance*, *4*(2), 68–80. https://doi.org/10.1108/19405971211284862

Myers, S. C., & Majluf, N. S. (1984). Corporate financing and investment decisions when firms have information that investors do not have. *Journal of Financial Economics*, *13*(2), 187–221. https://doi.org/10.1016/0304-405X(84)90023-0

Ogunlusi, O. E., & Obademi, O. (2021). The impact of behavioural finance on investment decision-making: A study of selected investment banks in Nigeria. *Global Business Review*, *22*(6), 1345–1361. https://doi.org/10.1177/0972150919851388

Patil, S., & Bagodi, V. (2021). A study of factors affecting investment decisions in India: The KANO way. *Asia Pacific Management Review*, *26*(4), 197-214.

Quas, A., Mason, C., Compañó, R., Testa, G., & Gavigan, J. P. (2022). The scale-up finance gap in the EU: Causes, consequences, and policy solutions. *European Management Journal*, *40*(5), 645–652. https://doi.org/10.1016/j.emj.2022.08.003

Rao, K. S., & Babu, S. K.(2023). Factors influencing investment decisions of retail investors. *Juni Khyat Journal*, 13(03), 99-107.

Renneboog, L., Ter Horst, J., & Zhang, C. (2008). Socially responsible investments: Institutional aspects, performance, and investor behavior. *Journal of banking & finance*, *32*(9), 1723-1742.

Ritter, J. R. (2015). Growth capital-backed IPOs. *Financial Review*, *50*(4), 481–515. https://doi.org/10.1111/fire.12075

Saemi, M., Fazeli, N., & Faghani, K. (2023). Investigating the effect of individual and psychological factors affecting investors' decision making except for investing in the stock exchange using the Dematel method. *International Journal of Nonlinear Analysis and Applications*, *14*(1), 109–119.

Saif Ul Islam, M., Meo, M. S., & Usman, M. (2022). The relationship between corporate investment decision and firm performance: The moderating role of cash flows. *Journal of Public Affairs*, *22*(2), e2445. https://doi.org/10.1002/pa.2445

Saravanan, S., & Satish, R. (2018). Impact of risk and return considerations in the perception of retail investors about an IPO. *Indian Journal of Public Health Research & Development*, *9*(8). https://search.ebscohost.com/login.aspx?direct=true&profile=ehost&scope=site&authtype=crawler&jrnl=09760245&AN=135222593&h=z2yqedjcpXwcBeyrP9Dc88XSyk7P4aAkjtwfX5o%2BOGD%2BNZBFSIc0RhHtNonQjfxDmDdZ1hSY%2F0aHsXSrOIhAxg%3D%3D&crl=c

Scherm, A., Hirsch, B., Sohn, M., & Maske, M. (2022). How to de-bias investment judgments–unpacking bias and possible remedies in a capital investment context. *Journal of Applied Accounting Research*, *23*(5), 1005–1023. https://doi.org/10.1108/JAAR-01-2021-0005

Schönhart, M. (2005). *Behavioral finance and market anomalies: An agent-based computational economics model*. https://smartcube.at/docs/2005Diss-Behavioral_Finance_ACE-Michael_Schoenhart_final.pdf

Sharma, D., Misra, V., & Pathak, J. P. (2021). Emergence of behavioural finance: A study on behavioural biases during investment decision-making. *International Journal of Economics and Business Research*, *21*(2), 223–234. https://doi.org/10.1504/IJEBR.2021.113140

Shikuku, R. M. (2012). *The effects of behavioural factors on investment decision-making by unit trust companies in Kenya* [Thesis]. http://erepository.uonbi.ac.ke/handle/11295/13553

Shleifer, A. (2000). *Inefficient markets: An introduction to behavioural finance*. OUP Oxford.

Simon, H. A. (1979). Rational decision-making in business organizations. *The American Economic Review*, *69*(4), 493–513.

Sun, X., Li, J., Tang, L., & Wu, D. (2012). Identifying the risk-return tradeoff and exploring the dynamic risk exposure of the country portfolio of the FSU's oil economies. *Economic Modelling*, *29*(6), 2494–2503. https://doi.org/10.1016/j.econmod.2012.07.002

Umutlu, M., Bengitöz, P., & Zaremba, A. (2021). Decomposing the earnings-to-price ratio and the cross-section of international equity-index returns. *Applied Economics*, *53*(54), 6213–6230. https://doi.org/10.1080/00036846.2021.1937499

Utami, W., & Nugroho, L. (2017). Fundamental versus technical analysis of investment:

Case study of investors' decision in Indonesia stock exchange. *The Journal of Internet Banking and Commerce*, *22*, 1-18.

Uzzi, B. (1999). Embeddedness in the making of financial capital: How social relations and networks benefit firms seeking financing. *American Sociological Review, 64*(4), 481–505. https://doi.org/10.2307/2657252

Wen, F., Zhang, M., Xiao, J., & Yue, W. (2022). The impact of oil price shocks on the risk-return relation in the Chinese stock market. *Finance Research Letters*, p. *47*, 102788. https://doi.org/10.1016/j.frl.2022.102788

Zahera, S. A., & Bansal, R. (2018). Do investors exhibit behavioral biases in investment decision-making? A systematic review. *Qualitative Research in Financial Markets*, *10*(2), 210–251. https://doi.org/10.1108/QRFM-04-2017-0028

Zaimovic, A., Omanovic, A., & Arnaut-Berilo, A. (2021). How many stocks are sufficient for equity portfolio diversification? A review of the literature. *Journal of Risk and Financial Management*, *14*(11), 551.

Appendix

The Survey Questionnaire

Section A: Demographic Information

1. **Name** (Optional): ……	2. **Gender**: ( ) Male ( ) Female
3. **Education**: a) Up to 10 class b) 10+2 c) Bachelor level d) Master's and above	4. **Monthly Income**: a) NRs. 10,000 to NRs. 25,000 b) NRs. 25,001 to NRs. 50,000 c) NRs. 50,001 to NRs. 100,000 d) NRs. 100,001 to NRs. 300,000
5. Profession: a) Student b) Employee c) Businessman d) Unemployed	**6. Age (In years):** a) Below 20 b) 20-30 c) 30-40 d) 40-50 e) 50 and above

Section B: Perceptions Toward Initial Public Offering

1) Have you heard about IPO?
   a) I do not know anything about it.
   b) I read about IPOs in books and news.
   c) I know something about IPO.
   d) I know everything about IPO.

2) How do you come to know about the IPO of any company?
   a) Advertisements
   b) Market information
   c) Brokers
   d) Relatives
   e) Others

3) What expectation led you to invest?
   a) Cash dividend
   b) Bonus share/stock dividend
   c) Right share
   d) Others (please specify if any).....

4) What company sector would you prefer to invest in for IPO?
   a) Service sector
   b) Bank and microfinance
   c) Insurance
   d) Hotel
   e) Hydroelectricity
   e) Others (please specify if any).....

5) Would you prefer the financial sector or non-financial sector for investment?
   a) Financial sector
   b) Non-financial sector

6) What do you think is the reason that a large number of people invest in the primary market?
   a) Excess liquidity
   b) Access to information
   c) Following the trend
   d) Others (please specify if any).....

Section C: Opinion Rating of Factors Affecting IPO Investment Decisions

Perception of Respondents	1	2	3	4	5
A. QUALITY OF MANAGEMENT					
I consider the legitimacy of the company before investing in an IPO.					
I consider the corporate governance of a company before investing in an IPO.					
I consider the human resources value of a company before investing in an IPO.					
I care about the founder and CEO before investing in an IPO.					
I consider myself the key shareholder/promoter of a company before investing in an IPO.					
I consider the prestige of the board member before investing in the IPO.					
B. COMPANY GOODWILL					
I consider the corporate profile of a company before investing in the IPO.					
I consider the historical background of a company while investing in the IPO.					
I consider the age of the company before investing in an IPO.					
I consider the prestige of founder members of a company before investing in the IPO					

Perception of Respondents	1	2	3	4	5
I consider the current financial position of the company before investing in an IPO.					
C. COMPANY PERFORMANCE					
I consider the return on equity of the company before investing in an IPO.					
I consider the percentage price premium before investing in an IPO.					
I consider earning per share before investing in an IPO.					
I consider a dividend premium before investing in an IPO.					
I consider capital gain before investing in an IPO.					
D. FIRM'S INDUSTRY					
I think investing in the IPO of a hydropower company is better compared to IPOs of other sectors.					
I think investing in the IPO of a manufacturing company is better compared to the IPO of other sectors.					
I think investing in the IPO of finance and microfinance is better compared to the IPO of other sectors.					
I believe that investing in the IPO of the energy sector is better.					
I believe that investing in the IPO of an insurance company is better.					
E. MARKET INFORMATION					
The comments in the media affect my decision to invest in an IPO.					
The future prediction and forecast of a company's performance affect my decision to invest in an IPO.					
The new project risks and prospects affect my decision to invest in an IPO.					
The existing market share of a company affects my decision to invest in the IPO.					
I consider the past trend of IPO while investing in the IPO.					

Note: Rating scale is from 1 (strongly disagree) to 5 (strongly agree).