

Study on Public Perception towards Initial Public Offerings

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Abstract

Initial Public Offerings (IPOs) play a significant role in financial markets as they permit firms to expand their business and obtain the capital needed to do so while simultaneously providing investment opportunities to investors and the public. The Indian IPO market has closely observed strong growth over the past few years in the general interest from retail investors but outside of the increasing interest, there has not been any credible insight into how the general public thinks about an IPO or their different perspectives when they make investment decisions.

The purpose of this piece of research to measure the public attitude toward IPOs and leverage that to help develop qualitative insights, by gathering and analysing primary data through appropriate questionnaires with a structured questionnaire via Google forms. It measures several dimensions such as investor awareness, perception of risk, types of information sources, prior investment experience, and determinants such as reputation, financial performance, and market trend when investing in IPOs.

Data was gathered from 55 respondents from a diverse population purposely selected to examine the importance of examining differences across a number of demographic categories to see the effects of other variables, such as age, education, income, and investment experience on perception and decision-making. More broadly, using some statistical means to observe trends and relationships between the responses, is a factor that we use to gain insights into investor behaviour and their mind-set.

The finding indicates that while IPOs are recognized by investors, they are at the mercy of the company's reputation, potential of the industry, peer recommendation and market sentiment by the retail investment community. It also indicates an immediate need for investor education and more disclosure for companies in order to instil confidence in public offers.

The results provide operational implications for companies, financial planners and policy-makers in facilitating good IPOs and encouraging informed investment decisions. The study also bridges the gap between theoretical models and actual investor behaviour in the Indian capital market in the literature.

Keywords

IPOs, public perception, retail investors, financial literacy, investor sentiment, investment behavior.

1. Introduction

An Initial Public Offering (IPO) is a watershed moment in a private company's life cycle. An IPO means that a private company is offering shares of the company on a public exchange to a wider range of investors, and thus has become a publicly traded company. In emerging markets such as India, IPOs serve as a vehicle for raising capital, as well as indicators of market sentiment, innovation, and the direction of the broader economy.

There are several reasons why companies pursue an IPO including raising capital to grow, getting out of debt, improving visibility, or providing returns to early investors. In addition to raising financial capital, an IPO can create strategic advantages to the business including improved corporate reputation (due to being public), and the ability to issue stock options when attracting new talent. The journey towards an IPO is complex as it involves compliance, loss of some control, market volatility, and scrutiny from investors.

In the past several months, there has been a flurry of IPO activity in India as several IPOs have been described as being oversubscribed. For instance, Scoda Tubes Limited was oversubscribed by 57x, Prostarm Info Systems Limited (96x), and Borana Weaves Limited (147x). The upward momentum and interest in these issues underscores the appetite of ownership from a broad range of investors, while also bring the importance of understanding the psychological and information aspects of retail investor participation.

While there is growing enthusiasm around IPOs, there is still a significant gap in comprehending public perception. This study fills that gap by exploring the ways in which the general public— especially retail investors—perceive and approach IPOs.

2. Objectives and Research Questions

The main goal of this research is to understand perceived attitudes towards IPOs. It will look into the determining factors that comprise the process of decision making such as financial literacy, media portrayals/ influences, reputation of the company, and previous experiences.

General Questions

1. What are the main factors influencing public perception toward IPOs in India?
2. How informed are retail investors about IPOs?
3. What role do media, social networks, and influencers play?
4. How does past IPO experience affect future participation?

Hypotheses

H1: Increased financial literacy relates to lower media dependency.

H2: Positive past experiences lead to higher potential of future IPO subscriptions. H3: Company brand reputation drives majority of decisions.

H4: Social media discussions relate to higher level of retail subscriptions. H5: IPO documents comprehension relates to rational decision making.

Expected Relationships

- Financial literacy leads to informed investing.
- Media hype undermines rationality.
- Previous success boosts reinvestment.
- Social media drives youth participation.

3. Literature Review

Past studies contribute to our understanding of behavioral and informational variables associated with IPO investment decisions:

Sahoo and Rajib (2010): Emphasized underpricing and asymmetric information in Indian IPOs. Ritter (1991) : IPOs underperform in the long run; investors are over-optimistic.

Chaturvedi and Pandey (2014): Identified that emotional and social influence outweighs goodwill analysis in India.

Kumar & Sehgal (2019): Most investors never read the IPO prospectus.

Mishra and Mohanty (2022): Emphasized the role of YouTube and Telegram in shaping investor sentiment.

Sharma and Dhingra (2016): Behavioral biases like herd mentality and regret aversion are frequently observable in IPO investing decisions.

The evidence presented in these studies suggests that IPO investing is as much psychological as it is financial.

4. Research Methodology

4.1 Design

This research employs both exploratory and descriptive research types. The study's exploratory phase included a review of literature and knowledge gained from informal digital communities. The descriptive phase employed a Google Forms questionnaire to produce standardized data.

4.2 Data Collection

Mode: Google Forms (online) Duration: 4 weeks

Platform: WhatsApp, LinkedIn, Email

Structure: Demographics, awareness, experience, perception, risk, confidence Types: Multiple choice

4.3 Sampling

Method: Convenience sampling Sample size: 55

Demographics: Mostly aged 18–24, urban, tech-savvy Limitations: Underrepresentation of older adults and females

5. Data Analysis and Interpretation

1. Age:

53 responses

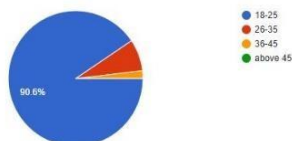


Chart 1 – Age Distribution

90.6% of participants were aged 18–24, indicating digital reach and youth-oriented interest.

2. Gender:

53 responses

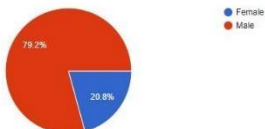
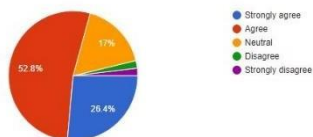


Chart 2 – Gender Distribution

79.2% male and 20.8% female; reflects gender imbalance in participation.

3. Do you believe IPOs are a good opportunity for investment?

53 responses



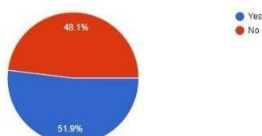
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Chart 3 – Opinion on IPO Investment

79.2% agreed/strongly agreed that IPOs are good investment opportunities.

4. Have you ever applied for shares in an IPO?

52 responses



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Chart 4 – IPO Participation

51.9% had applied for IPOs. Shows awareness but only moderate actual investment behavior.

5. What is the primary reason you would consider investing in an IPO?

53 responses



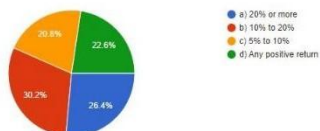
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5 – Reason for IPO Investment

37.7% aimed for quick capital gains; 35.8% targeted early-stage high-growth investment.

7. What level of initial return (appreciation in stock price shortly after listing) do you typically expect from an IPO investment to consider it successful?

53 responses



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Chart 6 – Expected Return**

Most expected 10–20% return (30.2%); 26.4% hoped for over 20%.

10. If an IPO investment performs poorly in the initial few months after listing, what is your most likely course of action?

52 responses

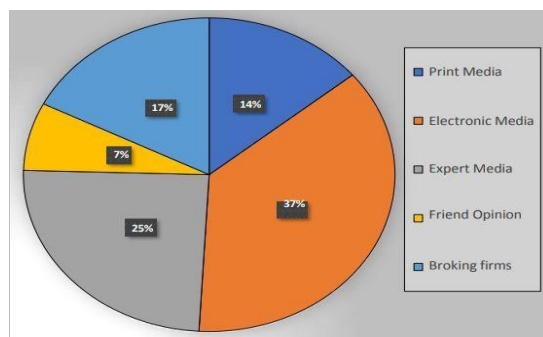


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Chart 7 – Reaction to IPO Losses

44.2% would hold long term, 28.8% would exit, and 19.2% would buy more shares.

Chart 8 – Sources of Information**



> 37% depend on electronic media; expert advice (25%), brokers (17%), print media (14%).

6. Key Findings and Discussion

Age & Tech Bias: The survey is dominated by youth (18–24), showing tech influence but reducing generalizability.

Awareness vs. Action: While most respondents are aware of IPOs, only half have actually applied.

Media Influence: A majority depend on digital and expert content, revealing trust in online sources over traditional media.

Motivation to Profit: The majority of investors are looking for short-term capital gain, although some do value long-term equity growth.

Risk Attitudes: The fact that many are willing to hold even after losing indicates some maturity or faith in the fundamentals.

Information Sources: Most investors rely on social media and social media financial influencers, which raises questions about any potential bias or promotional aspect, etc.

7. Limitations of the Study

Sampling Bias: Youthful and male-heavy sample (age range 18–24, 79.2% Male).

Sampling Bias: Goal-oriented purposive self-selected survey participants via Google Forms by social networks, however participants represent a negligible portion of the Canadian financial market (representing a potential missed opportunity in sampling).

Self-reported data: Responses were limited to the honesty and self-awareness of the participants. No pilot test: The survey instrument and questions were not statistically tested for reliability with

pilot testing. No older demographic represents the lack of insight into behaviours of experienced investors and long-term investors.

8. Recommendations

8.1 Financial Literacy Programs

Institutionalize formalized investment education at college and community levels, and focus on investment education around IPO mechanics and valuation (risk-reward) framework.

8.2 Expand Access & Participation

Simplify IPO application processes and create meaningful engagement for rural and semi-urban area demographic outreach.

8.3 Promote Women Investors

Tackle the investment gender gap using women-focused investor education campaigns and connecting mechanisms for women investors.

8.4 Encourage Long-Term Mindset

Use long-term wealth creation stories to contrast the difference between short-term speculation and successful long-term investors.

8.5 Regulate Influencer Content

Digital influencers/disseminators should always abide by disclosures, and educational platforms should always be verifiable and neutral.

8.6 Improve Sampling in Future Research

Leverage stratified sampling and mixed-methods (qual/quant) for large-scale representation of larger investor demographic segments.

8.7 Digital Tools for Awareness

Use reels, infographics, short explainers or video introductions for platforms like You Tube and Instagram to reach new investor segments.

9. Conclusion

The perception of IPOs Young Indian investors largely have a positive outlook of IPOs, but a gap in understanding, or access due to insufficient information, appears to keep them from accessing IPOs. Even with positive perceptions of IPOs as opportunities to invest, many participants will rely on peer group recommendations, or digital media rather than assessments of fundamentals to make their decision.

The findings suggest that while policy-makers, financial institutions, and market regulators can develop support for investor education, funding access, and rational long term investment behavior, even more inclusive research needs to take place in a more expansive manner to truly reflect the Indian investing public.

10. References

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