Research Article

Investment Through IPO in Cuttack City of Odisha: Trends & Perception Analysis

Rupsa Mahapatra[1], Kishore Kumar Das[2]

1. School of Management, Centurion University of Technology and Management, Khurda, India; 2. Ravenshaw University, Cuttack, India

The present research is undertaken to understand the investor's behaviour and acceptability of initial public offer from the industrial houses. Research also considers the growth aspects in equity fund investment through IPO over the period. The study is based on the descriptive statistics as well as other statistical tools to analyse the demographic and perception profiles of the respondents. In case of IPO, the past performance of such equity shares is not known and future of such shares depends upon the success of the project. When the new issues are from the existing corporate houses, rate of premium is very high, the listing price is very uncertain and the issue is oversubscribed by many times hence the chances of getting allotment of the small investors is very less. Similarly, the IPO for the new project from the new or less known business houses are undersubscribed. Further initial public offer involves lot of formalities and legal compliances. IPO is a risky investment portfolio therefore individual faces lot of difficulties in predicting future of such new issues. The present study aimed at understanding the perceptions of the prospecting investors in IPO of Cuttack city is undertaken.

Corresponding authors: Rupsa Mahapatra, rupsa.mahapatra@cutm.ac.in; Kishore Kumar Das, drkkdas@ravenshawuniversity.ac.in

1. Introduction

Investing in stocks is one of many options for investing money. Those who have adequate knowledge of stock markets and have the ability and also appetite to take risk for them, investment in equity fund is treated as a reward for them. Sometimes retail investors lack the knowledge and even the time to research and educate themselves about the up and down effects of stock markets and its movements. While investing in equities, we have a lot of factors to consider such as industry, sector, size, and structure of the company and also the management track records. Equity may acquire either through the secondary market that is from the brokers or by subscribing equity shares from initial public offer. In case of IPO, the past performance of such equity shares is not known and future of such shares depends upon the success of the project.

The present study is undertaken to study the investor's perception towards IPO in the city of Cuttack, Odisha. Over the period economic condition of the people changed to a great extent, but western India is far away in comparison to eastern India. The major concern of the investors is listing price, rate of return, uncertainty in allotment and flexibility

in resale of shares etc. There are a lot of issues are associated with issue of IPO and such factors are taken into consideration to understand the perceptions of the investors in IPO. Public Perception towards Investment in IPOs is considered as riskier than other investment option portfolio. Rules and regulation of SEBI and other statutory body is very complex. Above all awareness towards investment through IPO is very low in the society. The present study is based on both primary and secondary data. The perception of investors in Cuttack city towards IPO is evaluated with a structure questionnaire to collect primary data by considering stratified random sampling. The secondary data is collected from various journals, library, and books. The period of study covers from 1st April 2021 to 31st March 2022.

2. Development of Literature

In the year **2010, Anand Adhikari** highlighted the unique business models of 2009-10 and found its contribution in a highly effective way. Similarly, **Mahesh Nayak** pointed out IPOs by their size and existence in the booming economy & found it more sustainable for maintaining good bonding with the ultimate investors. **P. Parmashivivaiah, Puttaswamy and Ramya in 2013** conducted a study in the city of Mysore for understanding the factors that influences investment decisions. The result of the study found similar to the findings of **Geetha N and Ramesh M (2012). Jignesh B. Shahet et al.** researched about IPO scam, and suggests some steps and actions to be taken by SEBI for the safety of the investors in **2013**. In **2015 Wang Xiaovan** explored some important factors responsible for IPO under-pricing. Some economic issues were there with the under-pricing system of IPO and in the year 2017 Chen Yibiao et al. tried to solve it through their research. Similarly, in the year **2018 Shukla Avdhesh Kumar and Shaw Tara Shankar** highlighted the operating performance of Indian Firms after the initial public offerings. **Babu T Ramesh Chandra and Dsouza Aaron Ethan Charles in 2021** conducted a research on the abnormal returns arising from IPO investment. They noted down factors like profit after tax, over-subscription, issue price along with return potential for short term IPO**. Matharu Jasbir Singh in 2021** explored the determinants of under-pricing IPOs in India before the Financial crisis. **Loughran Tim, Ritter Jay R, Rydqvist Kristianin 2022** analysed the average annual return from IPOs.

A number of researches are undertaken to address the issues relating to initial public offer. The present sample for the current period is a unique one and needs to understand the issue. Thus, present study undertaken to find the perceptions of investors for the current period restricted to the sample location. To address these issues it needs to study the Perception of investors towards investment in IPO and the expectation of return from the investment in IPO. The research is assuming the no changes taking place over the period for the present issues.

3. Result and Discussion: (Demographic Profile)

3.1. Age Profile

The sample profile is 96 with different backgrounds. They are belonging to different age group and their age profile as follows:

Age Group	No. of Respondents	Proportion to total sample
Below 25	04	4.17
25–35	38	39.58
35–45	27	28.13
45 –55	15	15.62
55 and above	12	12.50
total	96	100.00

Table 1. Age Profile of the Sample
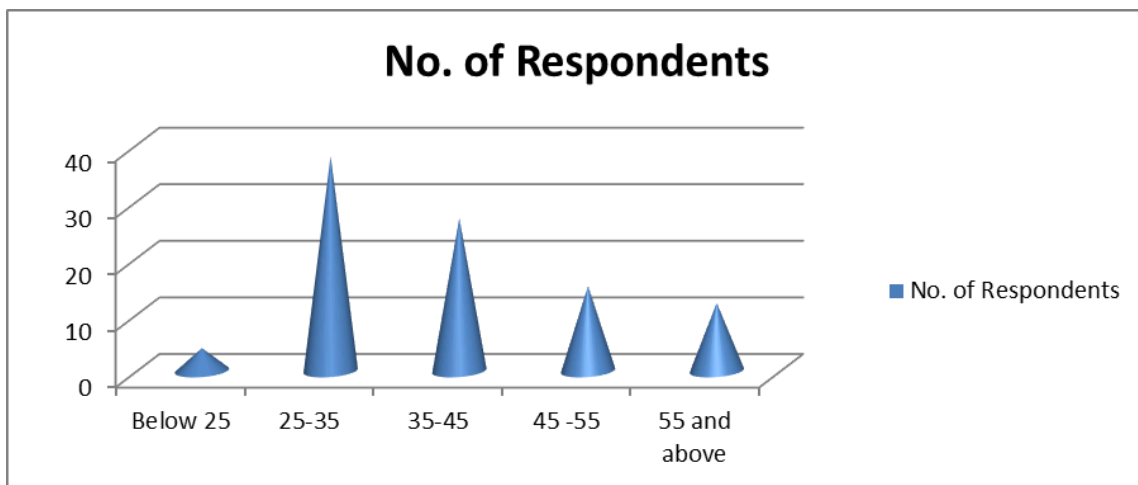
Sources: compiled from the collected data

Figure 1. Age Profile of the Sample

Sources: compiled from the collected data

The above Table-1 and Figure-1 shows that the maximum respondents belong to the age group of 25–35 (39.58%) followed by the age group of 35–45 (28.13%). The lowest respondents belong to the age group of below 25. And this shows the perception towards investment is at the pick in the age group of 25–35 but it slows down with increase in the age.

3.2. Gender Profile

The gender profiles of the total samples are as follows:

Gender	No. of respondents	Proportion to total sample
Male	75	78
Female	21	22
Total	96	100

Table 2. Gender Profile of the sample

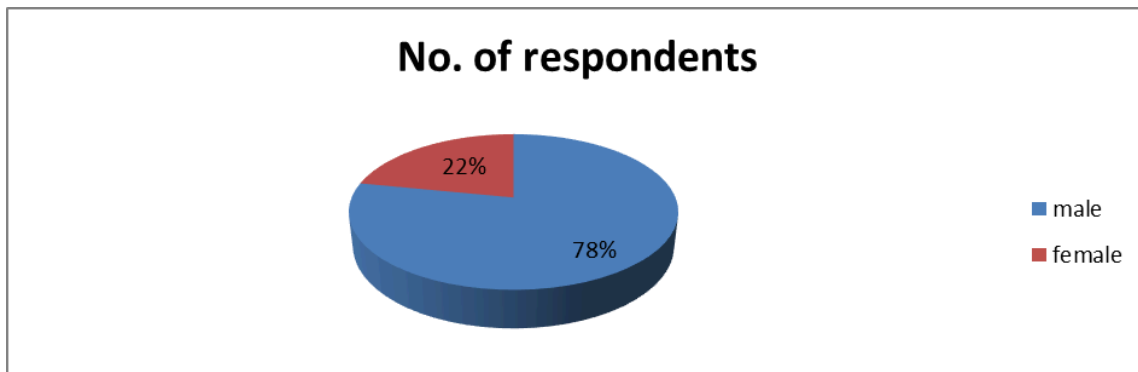*Sources: compiled from the collected data*

Figure 2. Gender Profile of the sample

Sources: compiled from the collected data

From the Table-2 and Figure-2, it is clear that the total respondents 78% are belongs to male and 22% are belongs to female.

3.3. Occupation Profile

The respondents of the total sample have different occupations like employed, unemployed, retired and others. Their compositions are as follows.

Occupation	No. of respondents	Proportion to total sample
Employed	72	75
Unemployed	16	17
Retired	03	03
Others	05	05
Total	96	100

Table 3. Occupation Profile of the Sample
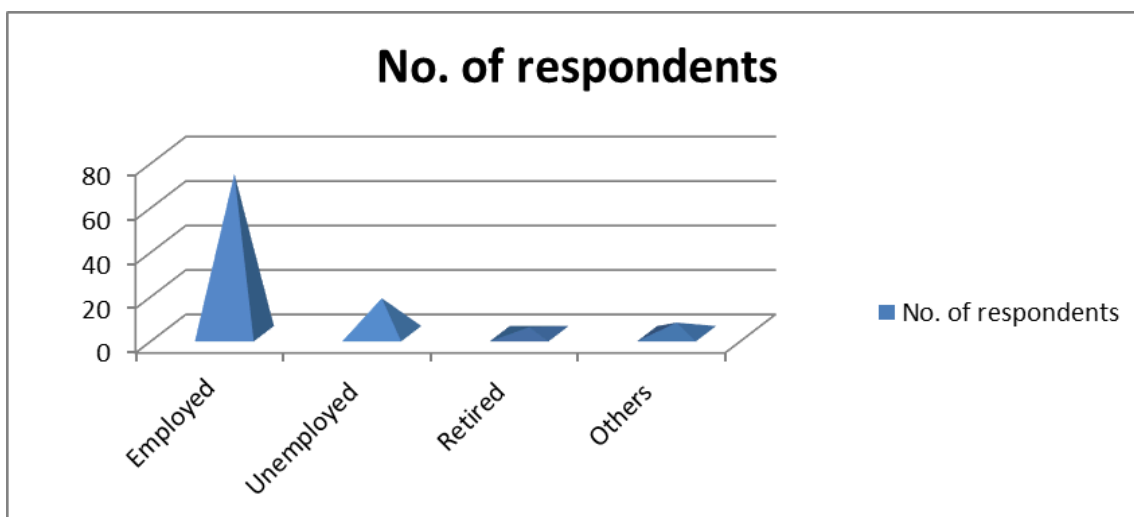
Sources: compiled from the collected data

Figure 3. Occupation Profile of the Sample

Sources: compiled from the collected data

The above Table –3 and Figure–3 shows the majority of the respondents belong to employed category which is 75% whereas unemployed are 17% and 3% are belongs to retired persons.

3.4. Income Profile

Income	No. of respondents	Proportion to total sample
Up to 300000	19	19.9
300000 to 500000	40	41.67
500000 to 1000000	15	15.62
1000000 and above	06	6.25
No earnings (Unemployed)	16	16.67
Total	96	100

Table 4. Income Profile of the Sample

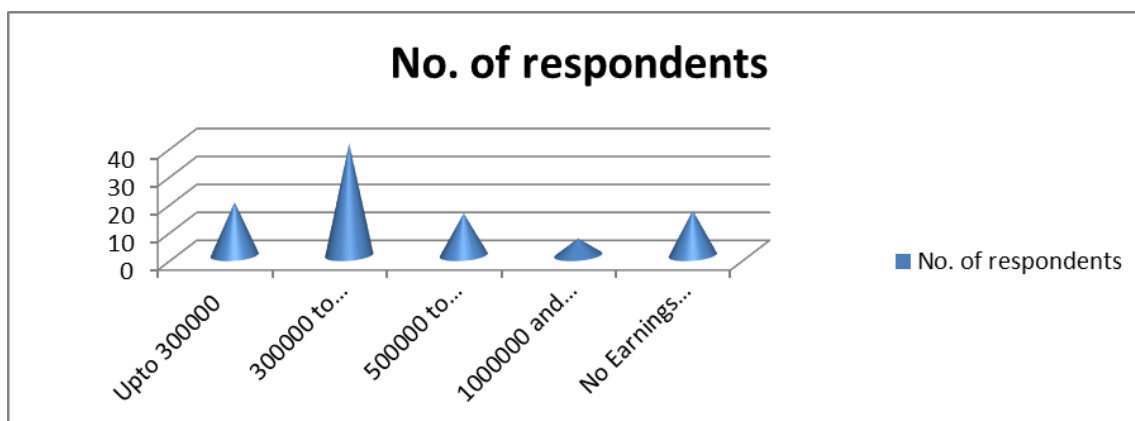*Sources: compiled from the collected data*

Figure 4. Income Profile of the Sample

Sources: compiled from the collected data

The income profile of the respondents (Table-4 and Figure-4) shows that maximum respondents are from Rs 300000 to Rs 500000 income group which is 41.67% and minimum are from Rs 1000000 and above group which is 6.25%. Up to Rs 300000 group people are 19.9% and Rs 500000 to Rs 1000000 group is comparatively less interested in investing through IPO as it is 15.62% only. No personal earning or unemployed are there in the strata who were 16.67% of the

total sample. But they are also showing interest on investment however they manage to arrange the fund from other sources and invest in IPOs.

Case Processing Summary							
	Cases						
	Valid		Missing		Total		
	N	Percent	N	Percent	N	Percent	
gender profile * Age profile	96	100.0%	0	0.0%	96	100.0%	
gender profile * Occupation Profile	96	100.0%	0	0.0%	96	100.0%	
gender profile * Income profile	96	100.0%	0	0.0%	96	100.0%	

gender profile * Age profile Cross tabulation						
Count						
		Age profile					Total
		Below 25	25–35	35–45	45–55	55 and above	
gender profile	Male	2	26	22	13	12	75
	Female	2	12	5	2	0	21
Total		4	38	27	15	12	96

gender profile * Occupation Profile Cross tabulation						
Count						
		Occupation Profile				Total	
		employed	Unemployed	Retired	Others		
gender profile	Male	55	12	3	5	75	
	Female	17	4	0	0	21	
Total		72	16	3	5	96	

gender profile * Income profile Cross tabulation						
Count						
		Income profile					Total
		No earnings	Up to 300000	300000–500000	500000–1000000	1000000 and above	
gender profile	Male	12	17	31	12	3	75
	Female	4	2	9	3	3	21

	Total	16	19	40	15	6	96

Table 5. Crosstabs Gender profile with Age, Occupation and Income

Sources: compiled from the collected data

The above Table-5 shows that, the gender profile is being constant and here other demographic variables are moved around and it is found that maximum respondents are from the age group of 25-35, from the occupation and gender profile maximum respondents are found employed and 300000-500000 slab rate of income are the most among all the samples taken into consideration for the study.

4. Analysis of Variables

From the present study the primary data collected are analysed according to different variables, which includes perception, factors responsible for non-investment, annual investment, experience, decisional factors, modes of communication, motive for investment, ROI, documentation, process barriers etc. The result of different variables relating to the perception of investors in Cuttack city towards IPO is as follows:

4.1. Analysis of Perception

The potential investors asked about the knowledge to invest in Initial Public Offer, out of the 96 respondents only 18 people are investing in IPOs which is about 19% whereas majority of the people are having no idea/interest to invest in IPOs which is 81%(Table-6 and Figure-5). This reflects the awareness level regarding investment opportunity in IPO lacking in this part of the country. Even the Cuttack city is considering as commercial capital of the state but people have less interest or knowledge to invest in stock market. The above data may present in figure as below:

Perception	Frequency
No. of investors investing in IPO	18
No. of investors not investing in IPO	78
Total	96

Table 6. Investing in IPO

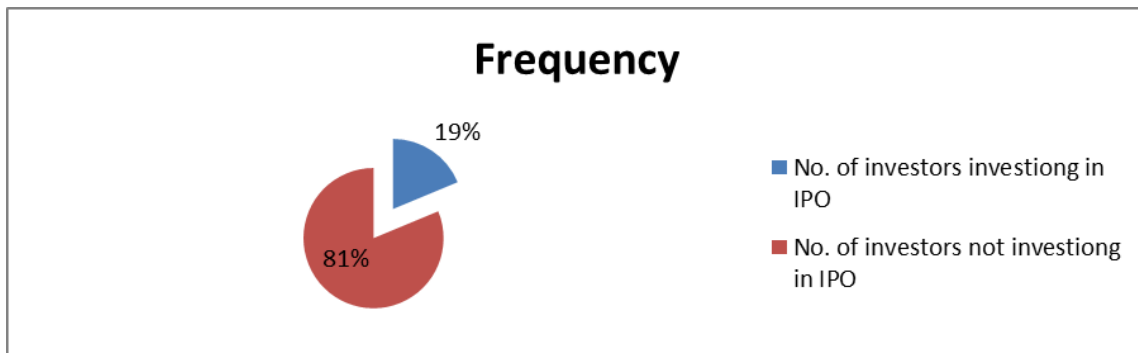*Sources: compiled from the collected data*

Figure 5. Perception of investors to invest in IPO

Sources: compiled from the collected data

4.2. Factors responsible for non-investment

The Table-7 & figure-6 show about the respondents not interested in investing IPO. Out of the 96 respondents 81% found IPO is not a profitable portfolio for them and it is not a good option for investment. The factors responsible for non-investment include awareness, risk factor and period for return. From the survey it is found that 8% of the respondents not consider IPO as good option of investment due to uncertainty and delay in the return from return from investment. Similarly, risk factor is about 31% which influence in not-investing in IPO but the most important factor responsible for not investing in IPO is absence of awareness which is 61%.

Factors	Frequency	Percentage
Absence of awareness	58	60.41
Risk Factor	30	31.25
Delay in return	8	8.34
Total	96	100

Table 7. Factors responsible for non-investment

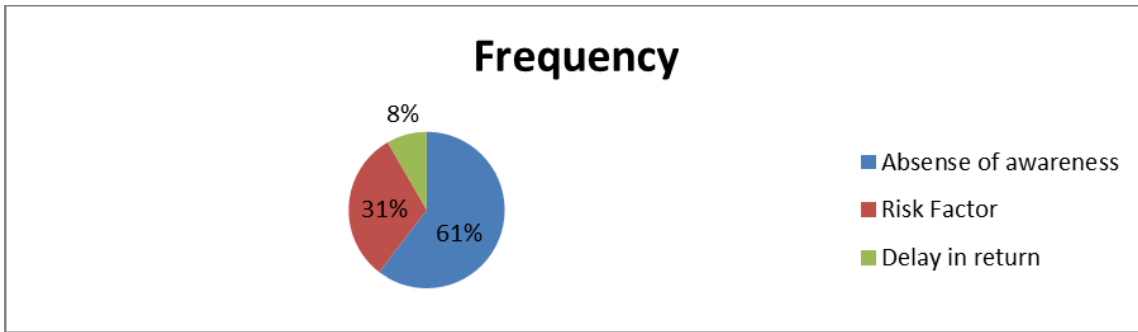*Sources: compiled from the collected data*

Figure 6. Factors responsible for non-investment

Sources: compiled from the collected data

4.3. Analysis of Annual Investment Size

Table-8 & Figure – 7 show that about 44% are having low investment in equity which is (Rs 10000- Rs50000) followed by 28% people preferred investment below Rs 10000. This shows that the risk taking ability in this region is very low. The investment above Rs 50000 is about 28%.

Per year Investment	frequency	Percentage
below Rs. 10000	5	28
Rs10000 – Rs 50000	8	44
Rs 50000 – Rs. 100000	3	17
Rs. 100000 and above	2	11
Total No. of investors investing in IPO	18	100

Table 8. Annual Investment Size
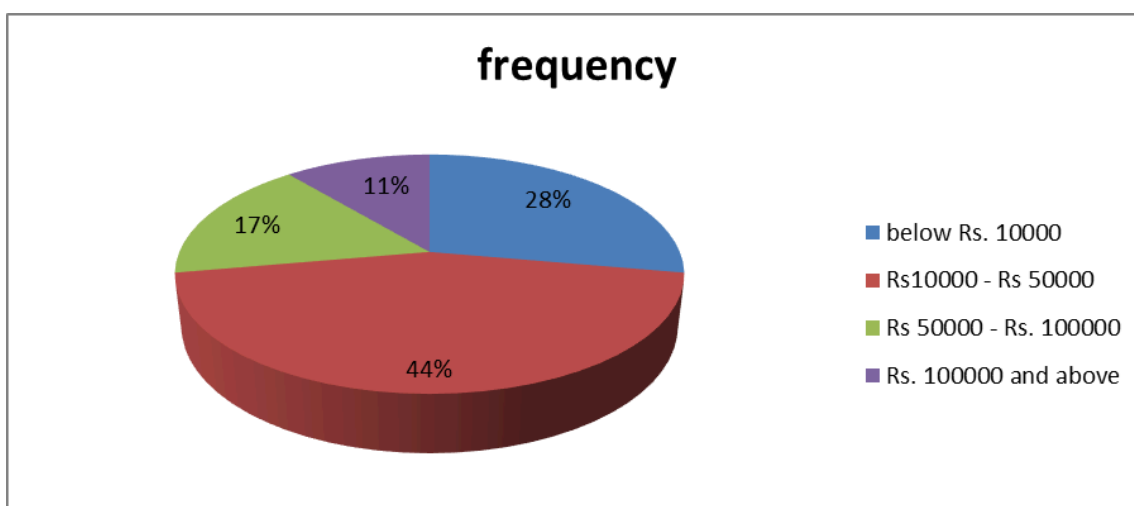
Sources: compiled from the collected data

Figure 7. Analysis of Annual Investment Size

Sources: compiled from the collected data

4.4. Experience in IPO investment

The Table-9 & Figure-8 shows that majority of the respondents having less than 2 years of experience which is about 50% of the sample. 28% respondents are having experience of 2-5 years and 22% are having more than 5 years. This shows the experience in equity market. Thus the majority of the respondents are new players in the primary stock market.

Years	Frequency	Percentage
since 2 years	9	50
2-5 years	5	28
more than 5 years	4	22
Total	18	100

Table 9. Experience in IPO

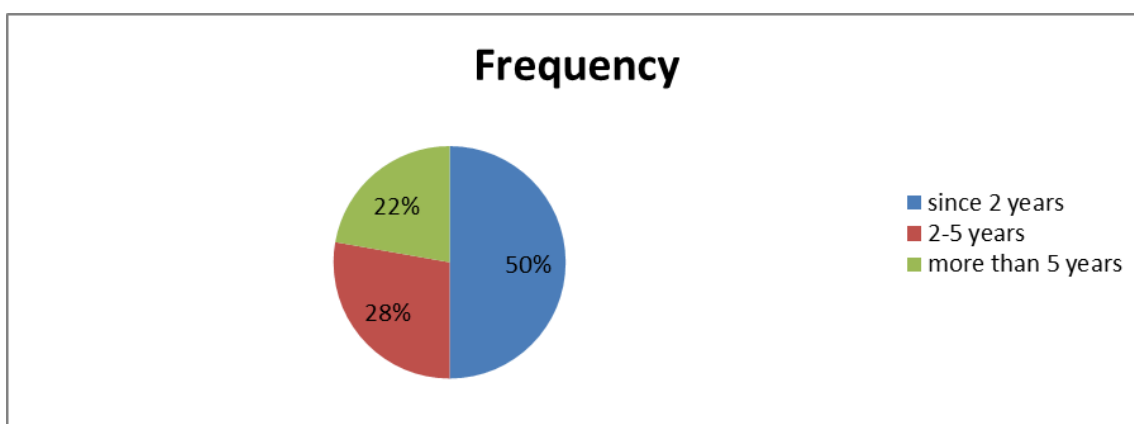*Sources: compiled from the collected data*

Figure 8. Experience in IPO investment

Sources: compiled from the collected data

4.5. Factors deciding the investment decision in IPO

Table-10 & Figure–9 show that,50% of the respondents decide their investment in IPO on the basis of the trends of profitability of the existing organisations. Industry track record is the second important factor for investment decision. The premium factor is not important for investment decision out of the four selected factors.

Factors	Frequency	Percentage
Corporate Affiliation	3	17
Industry Track Records	4	22
Profitability of the existing Organisation	9	50
Premium Factor	2	11
Total	18	100

Table 10. Investment Decision in IPO

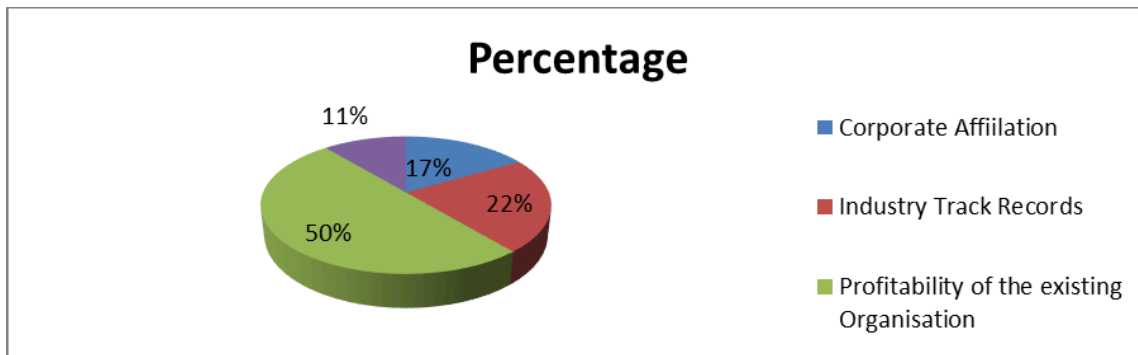*Sources: compiled from the collected data*

Figure 9. Factors deciding the investment decision

Sources: compiled from the collected data

4.6. The channels of information about IPO listing

Table11 & Figure–10 show that majority of the respondents get their information about IPO from banks and financial institutions which is about 31% and second highest channel for information is newspaper and magazines which is 28%. Rest of the three factors in total is about 40%.

Channels	Frequency	Percentage
Broker	13	14
TV	15	16
Friends	11	11
Newspaper & Magazines	27	28
Banks and Financial Institutions	30	31
Total	96	100

Table 11. Channel of Information

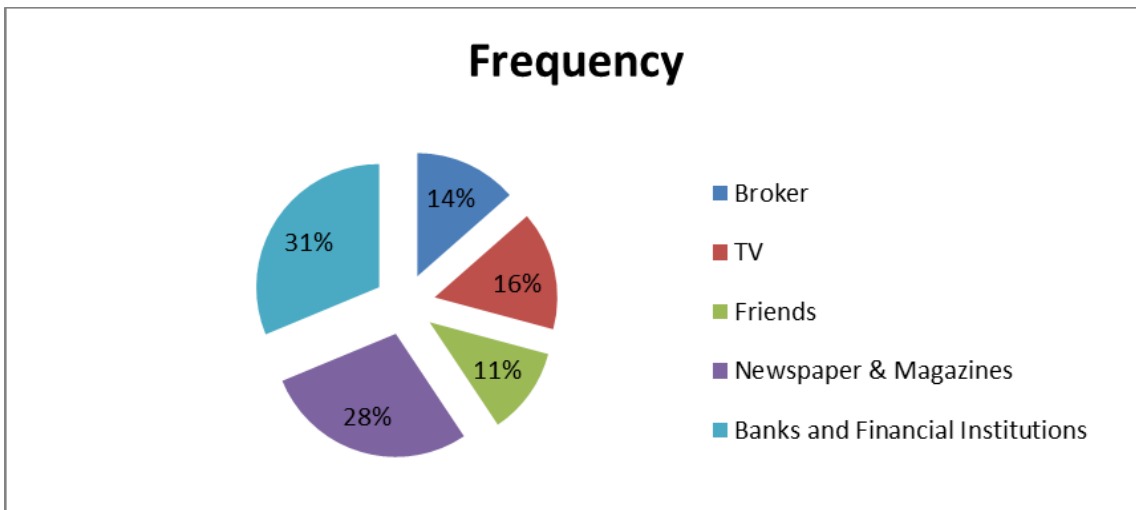*Sources: compiled from the collected data*

Figure 10. Channels of information

Sources: compiled from the collected data

4.7. Rate of return from investment in IPO

Figure–11 shows the rate of return derived from the investment in IPO by the respondents. The majority of them which is 67% of the total respondents fletch a return up to 10%. Similarly, at highest rate of return which is above 20% is about 5%. Thus the average rate of return is within 10% of the investment.

Rate of Return	Frequency	Percentage
No gain	2	11
Up to 10%	12	67
10%–20 %	3	17
20% and above	1	5
Total	18	100

Table 12. Rate of Return

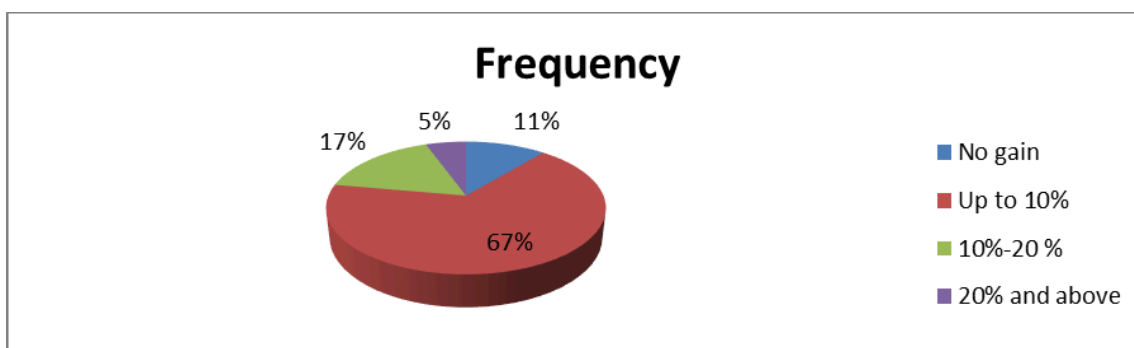*Sources: compiled from the collected data*

Figure 11. Rate of Return from investment

Sources: compiled from the collected data

4.8. Barriers in issue of IPO

Table-13 & Figure-12 shows that the majority of the respondents facing the problem of delay in allotment of shares which is about 50%. Other problems include delay in refund in case of non-allotment of shares, prevailing uncertainty in allotment of shares and difficulties in opening Demat account and other bank formalities.

Barriers	Frequency	Percentage
Delay in Allotment	9	50
Delay in Refund	4	22
Confusion in Allotment Procedure	3	17
Difficulties in Bank Formalities	2	11
Total	18	100

Table 13. Barriers in Issue of IPO

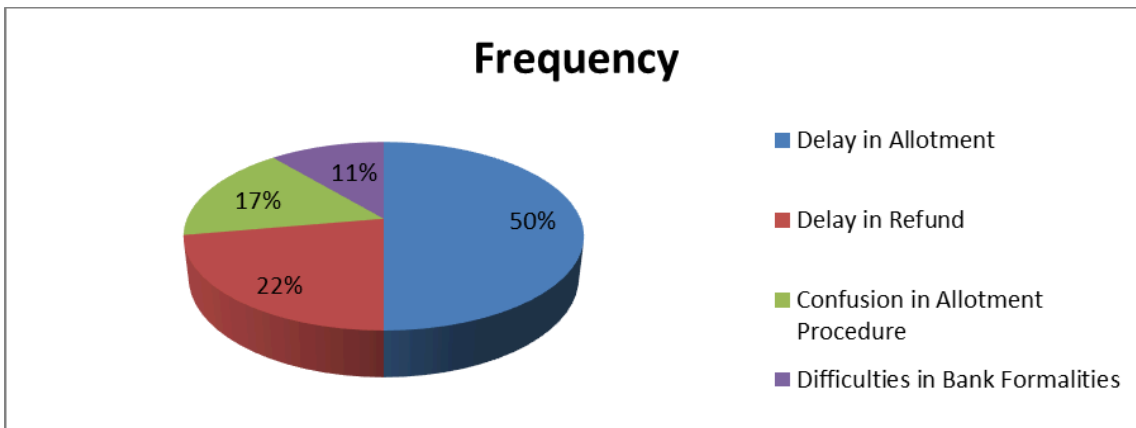*Sources: compiled from the collected data*

Figure 12. Barriers in issue of IPO

Sources: compiled from the collected data

5. Regression Analysis

In Table-14 the R-value is 0.295, which is very poor and the R^2 is 0.087. It means there is not so much of differences in Investment in IPO and the taken set of independent variables. There is 1% level of significance shows that difference between the dependent and independent variables. Here the p-value of 0.004 is less than the α level of 0.05, this signifies statistically significant difference. The results of residuals with the F value of 8.940 with 0.004 error of significance value with the dependent factor.

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
.295	.087	.077	.377		
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.270	1	1.270	8.940	.004
Residual	13.355	94	.142		
Total	14.625	95			

Table 14. LINEAR MODEL SUMMARY & ANOVA

In Table-15 as per the compound analysis, R-value is also 0.295, which is very poor and the R^2 is 0.087. The results of residuals with the F value of 8.940 with 0.004 error of significance value with the dependent factor. Here the Regression, Residual sum of squares and mean square are different from the Linear.

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
.295	.087	.077	.261		
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	.610	1	.610	8.940	.004
Residual	6.416	94	.068		
Total	7.027	95			

Table 15. COMPOUND MODEL SUMMARY & ANOVA

In Table-16 as per the Linear and compound analysis, R-value is also 0.295, which is very poor and the R^2 is 0.087. The results of residuals with the F value of 8.940 with 0.004 error of significance value with the dependent factor. Here the Regression, Residual sum of squares and mean square are different from the Linear but same with compound. The Figure-13 contains the graphical representation of linear, compound, growth of investment in IPO.

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate		
.295	.087	.077	.261		
ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Regression	.610	1	.610	8.940	.004
Residual	6.416	94	.068		
Total	7.027	95			

Table 16. GROWTH MODEL SUMMARY & ANOVA

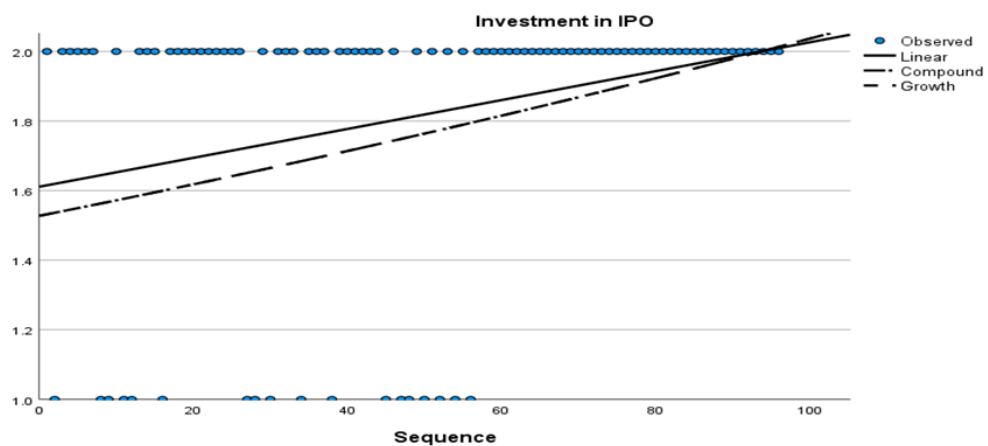*Sources: compiled from the collected data*

Figure 13. Linear, Compound and Growth Trend of Investment in IPO

Sources: compiled from the collected data

	N	Range	Minimum	Maximum	Mean		Std. Deviation	Variance	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Investment in IPO	96	1	1	2	1.81	.040	.392	.154	–1.627	.246	.660	.488
Annual Investment Size	96	4	0	4	.40	.094	.923	.852	2.404	.246	5.101	.488
Experience in IPO Investment	96	3	0	3	.32	.078	.761	.579	2.453	.246	5.194	.488
Rate of Return on Investment	96	4	0	4	.41	.092	.901	.812	2.093	.246	3.403	.488
Valid N (listwise)	96											

Table 17. Descriptive Statistics

Sources: compiled from the collected data

The following Table:18 shows the IPO success rate over the years from 2007 to 2022(Up to March). The trend represents that in the beginning Large number of IPOs are introduced with a high success rate. But later on it started decreasing. Overall, if we see the trend here the failed IPO rate is diminishing over the year. Specially in the year 2017, 2019, 2021 and 2022(up to March) all the IPOs are successful having no failure.

YEAR	No. of IPOs	Amount Raised (Rs. Crore)	Successful IPOs	Failed IPOs
2007	108	33946	104	4
2008	39	18340	36	3
2009	22	19307	21	1
2010	66	36362	64	2
2011	40	5977	37	3
2012	13	6834	11	2
2013	5	1284	3	2
2014	7	1201	5	2
2015	21	13513	21	0
2016	27	26501	26	1
2017	38	75279	38	0
2018	25	31731	24	1
2019	16	12687	16	0
2020	16	26628	15	1
2021	63	119882	63	0
2022*	16	40943	16	0

Table 18. IPO Success Report

2022*: Partial data of 2022 is taken up to March 2022

Source: https://www.chittorgarh.com/report/list-of-ipo-by-year-fund-raised-success-mainboard/85/

6. Conclusion

The study shows that the awareness towards investment in IPO is very less. Majority of the respondents are lacking knowledge in IPO portfolio. The people investing in IPO in the present sample are around 19%. Different factors are responsible for non-investment in IPO. The profitability is one of the important aspects where 81% of the respondents consider IPO is not a profitable portfolio. Other factors such as risk and awareness are also adversely affecting in the decision of investing in IPO. Most of the respondents are new player since last two years. The major consideration for investment in IPO is profitability over other factors such as premium, corporate affiliation, and industry performance

etc. The medium of information regarding IPO is very poor. Most of the people get their information either from the broker or from newspaper. The rate of return is another consideration. The present study shows average return on investment which is up to 10% and it is not encouraging the investors to invest in IPO. The formalities regarding subscribing IPO are cumbersome. The respondents have more concerns regarding uncertainty in allotment of shares. The other problems associated in issue of IPO are delay in crediting allotted shares, refund from non-allotment etc. Therefore, the perceptions of investors towards investment in IPO are not significantly changed over the period.

7. Recommendation

The present study shows that the investor's perception in this coastal city of eastern India are not much encouraging, it reflects only 19% of the total sample are investing in IPO. Thus we recommend more financial literacy and investment awareness program should organise to encourage the prospects to invest more and more in this portfolio. As regards the rate of return, study shows around 10% on investment are resulted for the respondents. Thus more judicious portfolio decision may optimise their return. Regarding procedural difficulties SEBI

May intervene in this matter and provide a strict guideline for a simplified subscription of IPO. The company brings new IPO, taking a lot of time on final allotment of shares to the investors. This creates uncertainty in getting allotment and also discourages the investors to invest in this portfolio. This problem may overcome on strict action from the SEBI for non-adherence of SEBI guidelines.

References

- Anand Adhikar (2010) "New Listings" Business Today, Vol.19, No.23, Page 94–95.
- Mahesh Nayak (2010) „Of Primary Concerns" Businessworld, Vol. 30, No. 25, 2–8, Page 30–36.
- Jagannadham Thunuguntla (2011) "IPOs: More Misses Than Hits", Dalal Street Investment Journal, Vol.26. No. 9, Page. 69.
- Geetha N, Ramesh M(2012) '' Demographic factors investment decisions", 'AgEcon search (Research in Agricultural and Applied Economics), Vol–10,Issue–1, pp.14-27, 2012
- Jignesh B. Shah and Smita Varodkar, November (2013) "Capital Market: Trends in India and abroad – impact of IPO Scam an Indian Capital Market", published in the Souvenir, All India Accounting Conference, November (2013)
- http://www.investopedia.com/
- http://investor.sebi.gov.in/
- Wang Xiaoyan (2015), "An Empirical study on IPO under–pricing of the Shanghai A share market", 3rd International Conference on Management Education, Information and Control (MEICI 2015)
- Chen Yibiao, Wang Steven S, Tong Wilson H. S, Zhu Hui (2017), "Economic freedom and IPO Under–pricing", Frontiers of Business Research in China, page (1–22), 11:20

- Shukla Avdhesh Kumar, Shaw Tara Shankar (2018), "Operating Performance of Initial Public Offering (IPO) firms after issue in India: A Revisit", Reserve Bank of India occasional papers, vol.39, No. 1&2, 2018

- Babu T Ramesh Chandra and Dsouza Aaron Ethan Charles (2021), "Post listing IPO returns and Performance in India: An Empirical Investigation", Journal of Financial studies & Research, Vol. 2021(2021), Article Id 418441, 20 pages, ISSN: 2166-000X

- Matharu Jasbir Singh (2021), "Initial Performance of Indian IPO's before the Financial Crisis", BIMTECH Business Prospective (BSP), Page (1-10), Birla Institute of Management & Tachnology.

- Loughran Tim, Ritter Jay R, Rydqvist (2022), "Initial Public Offerings: International Insights", Pacific –Basin Financial Journal, Vol. 2, pp 165-199, updated july 22, 2022

Declarations