

# A Systematic Review of Investor Perception toward Initial Public Offerings (IPOS) In India

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**Abstract** - Initial Public Offerings (IPOs) play a vital role in capital markets by enabling companies to raise funds while offering investors opportunities to participate in early-stage growth. In recent years, the Indian IPO market has witnessed significant expansion due to increased retail participation and advancements in digital investment platforms. This study presents a systematic review of literature from 2010 to 2025 to analyze investor perception toward IPOs. The findings indicate that investor decisions are influenced by financial performance, market sentiment, behavioral biases, and regulatory frameworks [1][5]. While strong subscription levels and grey market premiums often attract investors, they may also lead to speculative behavior [3][8]. The study highlights key challenges such as information asymmetry and irrational decision-making and provides directions for future research.

**Key Words:** IPO, Investor Perception, Market Sentiment, Behavioural Finance, SEBI

## 1. INTRODUCTION

Initial Public Offerings (IPOs) represent a major milestone in a company's lifecycle, allowing firms to raise funds from the public. For investors, IPOs provide an opportunity to invest in companies during their early growth stage. The Indian IPO market has grown significantly in the past decade due to regulatory improvements and digital advancements such as UPI-based applications [10].

Traditionally, investment decisions were considered rational and based on financial fundamentals. However, recent studies show that investor perception is influenced by behavioral factors, market sentiment, and external indicators such as subscription levels and grey market trends [5][8].

The increasing number of IPO listings in India reflects the growing confidence of companies and investors in the capital market. Strong listing gains and oversubscription trends have attracted significant attention from retail investors in recent years. However,

investor decisions are not always based on financial analysis alone, as market sentiment and external influences also play an important role in shaping investment behavior.

In addition, the rapid growth of digital investment platforms and increased financial literacy among retail investors have further boosted participation in IPOs. The ease of online applications has simplified the investment process and attracted new investors.

Moreover, the increasing popularity of IPOs among young investors has changed the dynamics of the Indian primary market. Investors are now more actively participating in IPOs due to easy access to financial information, online investment platforms, and growing awareness about wealth creation opportunities. This increasing participation has also intensified the importance of understanding investor perception and decision-making behavior in IPO investments.

**Table 1** — IPO Growth Trend In India (2020-2024)

Year	Number of IPOs
2020	15
2021	63
2022	40
2023	57
2024	76

Source: NSE and SEBI Reports

## 2. METHODOLOGY

This study adopts a systematic literature review approach to analyze existing research on IPO investor perception.

## 2.1 Data Sources and Search Strategy

Relevant studies were collected from academic platforms such as Google Scholar, ResearchGate, and peer-reviewed journals using keywords like “IPO investor perception,” “IPO underpricing,” and “market sentiment”.

## 2.2 Selection Process

The selection process included identification, screening, and evaluation of relevant studies based on research objectives.

## 2.3 Inclusion and Exclusion Criteria

Studies between 2010–2025 focusing on IPOs and investor behavior were included, while irrelevant and non-academic sources were excluded.

## 2.4 Limitations of Study

This study is limited to secondary data and may not capture real-time investor behavior. The findings depend on the quality of selected literature.

## 3. LITERATURE REVIEW

Bharathi (2024) analyzed investor perception in the Indian IPO market and found that financial performance significantly influences investment decisions [1].

Neupane (2012) studied retail investor participation and concluded that investor behavior is often influenced by market trends rather than fundamentals [2].

Krishnamurti et al. (2011) highlighted the importance of grey market premium in predicting IPO performance [3].

Acharya (2023) reviewed IPO underpricing trends and identified investor sentiment and information asymmetry as key determinants [4].

Yadav (2024) focused on behavioral biases and found that herding and overconfidence significantly impact investor decisions [5].

Sonu (2022) emphasized the role of regulatory frameworks in improving investor confidence [6]. Nafid (2014) explained the impact of information asymmetry on IPO pricing [7].

Shetty (2023) analyzed market sentiment and

subscription trends in the Indian IPO market [8].

Das (2021) concluded that market conditions and demand significantly influence IPO success [9].

Additional studies highlight the role of investor awareness, financial literacy, and institutional participation in shaping IPO outcomes [11][12][13].

Research on SME IPOs and emerging markets indicates that investor perception varies based on risk tolerance and market conditions [14][15].

Studies also emphasize the growing importance of market sentiment and investor psychology in IPO investment decisions [16].

## 4. FACTORS INFLUENCING INVESTOR PERCEPTION

**Table 2** -Factors Influencing Investor Perception

Factor	Percentage
Financial Factors	35%
Market Sentiment	30%
Behavioral Factors	20%
Regulatory Factors	15%

**Source: Compiled from Reviewed Literature**

The above table indicates that financial factors and market sentiment have the greatest influence on investor perception toward IPOs. Behavioral and regulatory factors also play an important role in shaping investment decisions and investor confidence in the primary market.

### 4.1 Financial Factors

Financial performance, valuation, and company fundamentals play a major role in investor decision-making [1][7]. Company reputation and management quality also influence trust.

### 4.2 Market Sentiment

Market trends, subscription levels, and grey market premium influence investor interest [3][8]. Media coverage and expert opinions also affect sentiment.

### 4.3 Behavioral Factors

Behavioral biases such as herding, overconfidence, and fear of missing out (FOMO) affect decision-making [5][11].

### 4.4 Regulatory Factors

Regulatory policies improve transparency and investor confidence [6][10][17].

## 5. ROLE OF DIGITAL AND FINTECH PLATFORMS

Digital platforms have transformed IPO investment. Online applications and UPI systems have simplified the process. Social media and influencers influence investor decisions but may lead to herd behavior and speculative investments. Reports indicate increasing retail participation due to technological advancements [17][18].

**Table 3 - Digital Platform Usage Among Ipo Investors**

Platform	Usage
Mobile Trading Apps	50%
UPI Applications	30%
Traditional Brokers	20%

**Source: NSE Investor Participation Reports**

The above table shows that mobile trading applications are the most preferred platform among IPO investors due to their convenience and easy accessibility. The increasing use of UPI applications also reflects the growing impact of digitalization and fintech advancements in the Indian IPO market.

## 6. IPO PERFORMANCE AND UNDERPRICING

IPO Underpricing is influenced by investor sentiment and information asymmetry [4][7]. While it provides short-term gains, long-term performance varies significantly, and not all IPOs guarantee sustained returns [19]. IPO underpricing is commonly observed in emerging markets where companies intentionally price shares lower to attract investors and ensure successful subscriptions. High investor demand during the listing period often results in significant listing gains, encouraging more

retail participation in future IPOs. However, excessive underpricing may also create speculative investment behavior and short-term market volatility.

Several studies suggest that information asymmetry between companies and investors is one of the major reasons behind IPO underpricing. Investors with limited financial knowledge may rely heavily on grey market premiums, subscription trends, and media opinions while making investment decisions. In some cases, IPOs that perform strongly during listing may fail to deliver sustainable long-term returns due to weak financial fundamentals or changing market conditions.

**Table 4 - Average Ipo Underpricing Trend**

Year	Average Underpricing
2020	12%
2021	18%
2022	15%
2023	22%

**Source: Secondary Financial Market Reports**

The above table indicates fluctuations in IPO underpricing trends over different years. The increase in underpricing during recent years reflects higher investor demand, market optimism, and growing retail participation in the IPO market.

## 7. DISCUSSION AND CHALLENGES

### 7.1 Information Asymmetry

Information asymmetry refers to a situation where investors do not have complete or equal information about a company before investing in its IPO. Many retail investors find it difficult to interpret financial disclosures and rely on limited indicators such as subscription data or market trends. This may lead to incorrect investment decisions [7][4].

### 7.3 Behavioral Biases

Investor decisions are influenced by psychological factors such as herd behavior, overconfidence, and fear of missing out (FOMO). These biases often result in irrational investment behavior [5][11].

## 7.4 Market Volatility

IPO performance is highly dependent on market conditions. Bullish markets attract higher participation, while uncertain markets reduce investor confidence [8][9].

## 7.5 Investor Awareness

Limited financial literacy among retail investors leads to poor evaluation of IPOs. Improving awareness can enhance investment decisions [12].

## 8. FUTURE SCOPE

Future research can explore the impact of fintech platforms, digital investment applications, and artificial intelligence on IPO investment behavior. The growing influence of social media, financial influencers, and online investment communities on retail investor perception can also be examined in greater detail.

Further studies may focus on comparative analysis between SME IPOs and mainboard IPOs to understand differences in investor behavior, risk perception, and investment outcomes. Researchers can also analyze the role of demographic factors such as age, income, education, and investment experience in shaping IPO investment decisions.

In addition, future research can investigate the long-term performance of IPOs and the effectiveness of regulatory reforms introduced by SEBI in improving market transparency and investor confidence. Comparative studies across different investor groups and emerging markets may provide deeper insights into IPO participation trends and behavioral patterns.

## 9. CONCLUSION

Investor perception toward IPOs is influenced by financial, behavioral, and market-related factors. While IPOs offer attractive opportunities, many investors rely on short-term trends rather than fundamental analysis. Improving financial literacy and regulatory transparency can enhance market efficiency and investment outcomes [20].

## 10. SUGGESTIONS AND RECOMMENDATIONS

Investors should conduct proper financial analysis before investing in IPOs rather than relying solely on market sentiment or grey market premium. Regulatory

authorities should continue improving transparency and investor education programs to protect retail investors. Companies launching IPOs should provide clear and accessible financial disclosures to reduce information asymmetry and improve investor confidence. In addition, digital investment platforms should focus on spreading accurate financial information and minimizing misleading investment trends on social media

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