## A STUDY ON INVESTOR SATISFACTION IN INITIAL PUBLIC OFFERINGS (IPOS): AN ANALYSIS OF KEY INFLUENCING FACTORS

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## ABSTRACT

*Initial Public Offerings (IPOs) serve as an important entry point for retail investors into the stock market. Over time, participation in public issues has increased; however, many investors continue to face dissatisfaction due to issues such as allotment uncertainty, inconsistent returns, limited transparency, and gaps in information disclosure. These concerns often reduce investor confidence and create hesitation toward future participation in IPOs. Despite growing interest in primary market investments, there remains limited understanding of the factors that influence investor satisfaction and how satisfaction affects reinvestment decisions. Investor dissatisfaction may arise from multiple aspects, including unmet return expectations, perceived risk, complex investment and allotment procedures, delayed processing, and inadequate customer support. For retail investors, particularly those from young and middle-income groups, these challenges can weaken trust in the IPO mechanism. While regulators and issuing companies increasingly focus on improving market access through digital platforms, investor experience and satisfaction are often overlooked. The present study addresses this concern by examining investor satisfaction in IPOs through key influencing factors and analysing its relationship with the likelihood of reinvesting in future public issues using primary data and model fit analysis. The study aims to provide useful understanding that may help strengthen investor confidence and encourage sustained participation in the primary market.*

***Keywords***: *Investor Satisfaction, Initial Public Offerings (IPOs), Public Issues, Retail Investors, Reinvestment Intention, Investment Behaviour, Primary Market*

## INTRODUCTION

Initial Public Offerings (IPOs) play an important role in capital markets by enabling companies to raise funds from the public and offering investors an opportunity to enter the equity market. For many retail investors, IPOs act as an initial step into stock market investment, making their satisfaction an important factor for sustained participation in public issues. In recent years, IPO participation has increased due to easier online application processes and better access to market information. However, increased participation does not always indicate positive investor experience. Investors often face challenges such as uncertainty in allotment, inconsistent post-listing performance, limited transparency, and difficulty in understanding issue-related details. These issues may reduce investor confidence and affect their willingness to invest again. Investor satisfaction in IPOs is influenced by several factors, including returns, information availability, risk perception, liquidity, and the efficiency of investment and allotment processes. When these factors fail to meet expectations, dissatisfaction may arise, particularly among young and middle-income investors. Therefore, understanding the factors affecting investor satisfaction is essential. In this context, the present study examines investor satisfaction in IPOs and analyses its relationship with the likelihood of reinvesting in future public issues.

## REVIEW OF LITERATURE

**Dr. Smruti Vakil, Divya Lakhiara and Vidhi Soni (2023)**, examined investor preference and satisfaction toward IPOs in Ahmedabad city. Their study highlighted that investor satisfaction is influenced by factors such as expected returns, issue pricing, and ease of participation in public issues. The findings also showed that investors often view IPOs as short-term investment opportunities rather than long-term commitments. This study supports the relevance of analyzing satisfaction factors, as investor experience may influence future participation in IPOs.[1]

## OBJECTIVE OF THE STUDY

1. To examine the demographic profile of investors participating in Initial Public Offerings (IPOs).

2. To identify the key factors influencing investor satisfaction with IPOs.

3. To assess the relationship between investor satisfaction and the likelihood of reinvesting in future IPOs.

## HYPOTHESIS OF THE STUDY

H0: There is no significant relationship between Investor's satisfaction level and investment in public issues.

H1: There is significant relationship between Investor's satisfaction level and investment in public issues.

## RESEARCH METHODOLOGY OF THE STUDY

a. **Sources of Data Collection:** The study is based on primary data collected through a structured questionnaire and secondary data obtained from journals, research papers, and financial reports.

b. **Data Analysis:** The collected data was analysed using frequency and percentage analysis to study demographic details and response patterns. Model fit analysis was also used to examine the relationship between investor satisfaction and likelihood of reinvestment.

c. **Sampling Method:** Convenience sampling was adopted based on ease of access to respondents.

d. **Sample Size:** The sample size of the study comprises 100 respondents.

e. **Scope of the Study:** The study focuses on analysing investor satisfaction in IPOs and its impact on reinvestment behaviour.

f. **Limitation of the Study:** The findings are limited due to a small sample size and the use of convenience sampling.

## DATA INTERPRETATION AND ANALYSIS

**Table No. 1:** Demographic Profile of the Respondents

| Demographic Variable | Category | Frequency | Percentage |
|---|---|---|---|
| Age (Years) | 18 – 21 | 20 | 20 |
| | 22 – 30 | 43 | 43 |
| | 31 – 40 | 20 | 20 |
| | 41 – 50 | 8 | 8 |
| | 51 – 60 | 6 | 6 |
| | Above 60 | 3 | 3 |
| | **Total** | **100** | **100** |
| Gender | Male | 51 | 51 |
| | Female | 49 | 49 |
| | **Total** | **100** | **100** |
| Marital Status | Single | 66 | 66 |
| | Married | 33 | 33 |
| | Divorcee | 1 | 1 |
| | **Total** | **100** | **100** |
| Educational Qualification | Up to Standard XII | 11 | 11 |
| | Graduate | 44 | 44 |
| | Post Graduate | 33 | 33 |
| | Doctoral | 1 | 1 |
| | Professional Degree | 11 | 11 |
| | **Total** | **100** | **100** |
| Occupation | Business | 8 | 8 |
| | Employee | 18 | 18 |
| | Working Professionals | 46 | 46 |
| | Home Maker | 4 | 4 |
| | Student | 24 | 24 |
| | **Total** | **100** | **100** |
| Annual Income | Up to Rs. 5,00,000 | 60 | 60 |

| | | | |
|---|---|---|---|
| | Rs. 5,00,001 – Rs. 10,00,000 | 26 | 26 |
| | Rs. 10,00,001 – Rs. 50,00,000 | 12 | 12 |
| | Above Rs. 50,00,000 | 2 | 2 |
| | **Total** | **100** | **100** |

*Source:* Primary Data

1. The age-wise analysis shows that most respondents (43%) fall in the 22–30 years age group, indicating a strong presence of young and early-career investors.

2. About 20% each belong to the 18–21 years and 31–40 years age groups, reflecting participation from both students and mid-career professionals. Very few respondents are above 40 years, making the sample largely youth-centric.

3. The gender composition of respondents is well balanced, suggesting that both male and female investors actively participate in IPO investments without major dominance by any one group.

4. In terms of marital status, 66% of respondents are single, while 33% are married. This highlights the dominance of younger individuals who may have fewer financial responsibilities.

5. The educational profile indicates a highly qualified sample. Most respondents are graduates (44%) and postgraduates (33%), showing a good level of financial awareness. Only a small proportion have education up to Standard XII or doctoral level.

6. Occupational data shows that working professionals form the largest group (46%), followed by students (24%) and employees (18%). This suggests that most respondents are economically active and belong to the working-age population.

7. Income-wise analysis reveals that a majority of respondents (60%) earn up to Rs. 5,00,000 annually, followed by 26% in the Rs. 5,00,001–10,00,000 range. Very few respondents fall in the high-income category, indicating a dominance of low- to middle-income investors.

**Findings**: The research study reveals that the demographic profile of respondents is dominated by young, educated, and economically active investors, indicating that IPO participation is more common among early-career individuals who may have higher exposure to market information and willingness to invest.

**Table No. 2:** Satisfaction Factors- Wise Distribution of the Respondents

| Satisfaction Factors | Very Dissatisfied | | Somewhat Dissatisfied | | Neutral | | Somewhat Satisfied | | Very Satisfied | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | F | % | F | % | F | % | F | % | F | % | F | % |
| Performance Satisfaction | 6 | 6 | 1 | 1 | 21 | 21 | 38 | 38 | 34 | 34 | 100 | 100 |
| Returns Satisfaction | 5 | 5 | 3 | 3 | 20 | 20 | 38 | 38 | 34 | 34 | 100 | 100 |
| Information | 4 | 4 | 3 | 3 | 27 | 27 | 36 | 36 | 30 | 30 | 100 | 100 |
| Goal Achievement | 4 | 4 | 1 | 1 | 26 | 26 | 45 | 45 | 24 | 24 | 100 | 100 |
| Liquidity | 5 | 5 | 2 | 2 | 29 | 29 | 38 | 38 | 26 | 26 | 100 | 100 |
| Risk Satisfaction | 5 | 5 | 2 | 2 | 34 | 34 | 37 | 37 | 22 | 22 | 100 | 100 |
| Customer Support | 5 | 5 | 2 | 2 | 30 | 30 | 31 | 31 | 32 | 32 | 100 | 100 |
| Process of Investment | 4 | 4 | 1 | 1 | 25 | 25 | 35 | 35 | 35 | 35 | 100 | 100 |
| Process of Allotment | 16 | 16 | 6 | 6 | 25 | 25 | 33 | 33 | 20 | 20 | 100 | 100 |
| Transparency | 7 | 7 | 3 | 3 | 27 | 27 | 31 | 31 | 32 | 32 | 100 | 100 |

*Source:* Primary Data

Table No. 2, shows that "Goal Achievement" and "Returns" received the highest levels of satisfaction, with a combined 69% and 72% of respondents being "Somewhat Satisfied" or "Very Satisfied," indicating strong investor confidence in these areas. On the other hand, "Process of Allotment" stands out as the weakest area,

with 22% of respondents expressing dissatisfaction and only 53% showing satisfaction, suggesting room for improvement in transparency and fairness during the allotment process.

**Findings:** It has been found that investors show high levels of satisfaction with Goal Achievement and Returns, as a majority reported being satisfied, which may be because IPO investments helped them meet expected financial objectives. The research reveals that the Process of Allotment is the weakest satisfaction factor, with a noticeable level of dissatisfaction, which may be due to repeated non-allotment, lack of transparency, and limited clarity regarding allotment procedures. It has been observed that dissatisfaction with the allotment process may reduce overall investor satisfaction even when other factors such as returns perform well, highlighting the importance of fairness and transparency in allotment.

**Table No. 3:** Likelihood of Reinvesting -Wise Distribution of Respondents

| Likelihood Level | Frequency | Percentage |
|---|---|---|
| Very Unlikely | 3 | 3 |
| Somewhat Unlikely | 3 | 3 |
| Neutral | 26 | 26 |
| Somewhat Likely | 31 | 31 |
| Very Likely | 37 | 37 |
| **Total** | 100 | 100 |

*Source:* Primary Data

Table No. 3 presents the distribution of respondents based on their likelihood to reinvest in public issues. A majority of respondents expressed a positive outlook, with 37% being very likely and 31% somewhat likely to invest again. About one-quarter of the participants remained neutral 26%, while a small portion indicated they were somewhat unlikely 3% or very unlikely 3% to reinvest. This indicates a generally favorable attitude toward future investments in public issues.

**Findings**: The researcher found that a majority of respondents show a positive intention to reinvest in future public issues, which may be influenced by generally satisfactory investment experiences. It has been observed that a significant portion of respondents remain neutral about reinvestment, which may be due to uncertainty arising from inconsistent allotment outcomes.

**Model Fit Assessment for Satisfaction**

The model fit assessment uses several key indices to determine how well the proposed model represents investor satisfaction. These indices help confirm whether the data supports the model structure and its suitability for further analysis. The table below presents the detailed fit statistics supporting the model's adequacy.

**Table No. 4:** Model Fit Indices for Satisfaction

| Fit Index | Value | Threshold for Good Fit* | Result |
|---|---|---|---|
| CMIN/DF ($\chi^2$/df) | 1.308 | $\leq 3$ = good, $\leq 5$ = acceptable | Good fit |
| GFI | 0.915 | $\geq 0.90$ = good | Good fit |
| AGFI | 0.865 | $\geq 0.90$ = good | Marginal fit |
| CFI | 0.986 | $\geq 0.90$ = good | Excellent fit |
| TLI | 0.981 | $\geq 0.90$ = good | Excellent fit |
| RMSEA | 0.056 | $\leq 0.05$ = close fit, $\leq 0.08$ = acceptable fit | Acceptable fit |
| RMR | 0.05 | $\leq 0.08$ desirable | Good fit |

*Source:* Primary Data

1. The CMIN/DF value of 1.308 shows an excellent fit, well within the recommended range.

2. GFI at 0.915 indicates a good fit, meeting the minimum threshold.

3. AGFI is slightly below the ideal cutoff at 0.865 but still considered acceptable.

4. CFI at 0.986 reflects an excellent fit, well above the required level.

5. TLI score of 0.981 shows strong model performance and excellent fit.

6. RMSEA value of 0.056 is within the acceptable range, indicating a reasonable error margin.

7. RMR at 0.05 suggests good model accuracy with low residual.

**Findings**: The study reveals that the model fit indices indicate a good model fit, confirming that the selected factors adequately explain investor satisfaction and reinvestment behaviour.

## Coefficient Estimates for Satisfaction

The coefficient estimates show how different factors relate to investor satisfaction and the extent of their impact. These numbers help us understand which aspects play a bigger role in shaping how satisfied investors feel. The table below lists these coefficients to give a clearer picture of the influences on satisfaction.

**Table No. 5:** Coefficient Estimates for Satisfaction

| Dependent Variable | Independent Variable | Unstandardized Estimate | Standardized Estimate | p-value |
|---|---|---|---|---|
| Table No. 3 ( Likely to invest in public issue) | Satisfaction | 0.584 | 0.322 | 0.007 |

*Source:* Primary Data

Above table reveals a significant positive relationship between investor satisfaction and the likelihood of reinvesting in public issues. The results show that satisfaction has a moderate impact on investment behavior, with a standardized coefficient of 0.322, indicating that higher satisfaction levels are associated with a greater tendency to reinvest. The unstandardized estimate (0.584) further suggests that for every one-unit increase in satisfaction, the likelihood of reinvestment increases by 0.584 units. Since the p-value (0.007) is less than 0.05, the null hypothesis is rejected, confirming that investor satisfaction significantly influences reinvestment decisions in public issues.

**Findings**: It has been found that investor satisfaction has a positive and statistically significant impact on the likelihood of reinvesting in public issues, suggesting that improving satisfaction especially with the allotment process may encourage continued participation.

## CONCLUSION

The study concludes that investor satisfaction plays a crucial role in shaping participation in Initial Public Offerings. The findings show that IPO investments are largely driven by young, educated, and economically active investors who actively seek growth opportunities. Satisfaction levels were found to be high with respect to returns and achievement of investment goals, indicating that IPOs are generally able to meet investors' financial expectations. However, the study clearly highlights that the allotment process remains a major area of concern. Despite satisfactory returns and performance, dissatisfaction related to allotment fairness and transparency was evident among investors. Repeated non-allotment and lack of clear communication may reduce overall satisfaction and weaken investor confidence in the IPO process.

The analysis further confirms a significant positive relationship between investor satisfaction and the likelihood of reinvesting in future public issues. This indicates that improving investor experience especially by strengthening the transparency and efficiency of the allotment process may encourage continued participation in IPOs. The study emphasizes that while financial outcomes are important, procedural fairness and clear communication are equally critical for sustaining long-term investor interest in the primary market.

## RECOMMENDATION

1. Improve transparency and fairness in the allotment process, as repeated non-allotment was the main area of concern affecting overall investor satisfaction.

2. Strengthen communication and information disclosure, so that investors clearly understand IPO details, risks, and procedures before investing.

3. Simplify the IPO application and investment process, as ease of use can enhance investor experience, especially for first-time participants.

4. Enhance customer support during the IPO period, particularly at the allotment and refund stages, to reduce confusion and dissatisfaction.

5. Promote investor education and awareness programmes, focusing on realistic expectations regarding allotment outcomes and returns, which may help improve long-term investor confidence.

## REFERENCES

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