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“A Study on Retail Investors’ Attitude towards Initial Public Offerings: Evidence from Belagavi”

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Abstract:

This study examined the Attitude of retail investor towards IPOs in Belagavi, considering several important factors such as return expectations, financial literacy, investor’s confidence, and investment behavior that influence their investment decisions. Return expectation, financial literacy, investor confidence, and investment behavior. With an R-square of 0.698, the results of an analysis of primary data from 110 respondents using SPSS revealed a strong positive correlation between all variables, meaning that these factors represent 69.8% of the variation in investment decisions. The most significant variable was return expectation, which was followed by investment behavior, investor confidence, and financial literacy. The study emphasizes that knowledge, confidence, and expected returns all have a significant impact on investors' decisions. It highlights how important it is to raise investor awareness, increase transparency, and improve financial literacy in order to encourage informed participation and establish trust, all of which will help to make India's capital market more open and effective.

Keywords: Retail Investors, IPO, Attitude, Financial Literacy, Return Expectation, Investment Decision.

Introduction:

Initial public offering is a process by which a business first makes its shares available to the general public in order to raise money by selling ownership stakes in the business. Traditionally, companies begin their journey of generating capital through personal loans, equity, or contributions from friends and family. The stock market functions as a venue for the exchange of assets between both sellers and buyers, with supply and demand dictating prices. The primary market and the stock market are the major general divisions of the financial market. Both the secondary and primary markets

are further divisions of the capital market. Companies issue new securities on the primary market, and they trade existing securities on the secondary market.

Any private business can go public by making its shares available to the public by an initial public offering. These equity shares represent ownership in the company, and investors who purchase them become partial owners. As the company performs well, the value of the stock increases, benefiting investors. However, if the company underperforms, the stock value may fall, posing a risk to investors.

Making an investment in an IPO requires weighing risk and profit. Market trends, and company fundamentals. Saravanan and Satish (2018) found that investors perceive IPOs as high-risk, high-return opportunities, with decisions shaped by risk tolerance and expected returns. Similarly, Saravanan and Satish (2017) observed that retail investors' decisions are influenced by media coverage, market sentiment, and peer recommendations, highlighting the importance of transparency and financial literacy.

The IPO process is crucial for both small and large companies seeking to raise capital, but it also represents a significant commitment. Sarin & Sidana (2018) emphasize that the IPO process influences the way a company operates and is perceived in the market. As the IPO process continues to evolve, understanding investor perceptions and behavior becomes increasingly important in ensuring that IPOs contribute to both company growth and market efficiency.

This research study aim is to investigate the variables that affect the attitudes of retail investors. And decisions regarding IPOs, with a particular focus on return expectation, financial literacy, investor confidence, and investment behavior. Understanding these factors is critical for improving investor education and ensuring that IPOs function as efficient mechanisms for capital rising in the financial market.

Review of literature:

The study looked at the sustainability of IPO returns in India and found significant short-term profits but long-term reliance. on market fundamentals and sentiment, highlighting the importance of investor education and transparent practices. (Arya, Tiwari, and Jain 2025). The study analyzed factors influencing IPO decisions, showing reliance on media and peers over analysis, stressing financial literacy and awareness to promote informed retail investor participation (Verma and Yadav (2024) The study explored retail investors' IPO attitudes, finding perceptions shaped by risk, returns, and media influence, highlighting financial literacy's role in fostering informed and rational investment behavior (Arora, Kumar, and Kansal (2024). The study assessed the impact of earnings management on IPO behavior, finding that institutional investors are more effective at detecting manipulation than retail investors, and urging greater literacy, transparency, and stronger regulations to promote market fairness (Priyesh and Lukose, 2024). The study analyzed IPO oversubscription's impact on investor

behavior, finding it boosts investor interest but encourages speculation. It emphasized financial literacy and transparency to foster informed decision-making in IPO markets (Karki, Bhattarai, et al., 2024). The study explored governance oversight in China's IPOs, revealing that strong regulatory frameworks, audits, and board independence enhance transparency, reduce manipulation, and build investor trust, stressing robust governance for sustainable IPO growth (Liu 2024). The study examined small firms' preference for private funding over IPOs, citing high costs and regulatory complexity. It recommended simplifying IPO processes and offering flexible financial solutions to support small business financing (Gaikwad and Kulkarni 2024). The study investigated post-pandemic investor perceptions of IPOs, finding cautious behavior, greater focus on financial stability, and preference for resilient sectors, highlighting the pandemic's influence on IPO strategies and investor confidence (Bhuvanewari and Varghese 2022). The study analyzed IPO perceptions in Chitwan, finding investors were attracted yet cautious due to risks. Company reputation, market trends, and peer influence shaped decisions, emphasizing financial literacy and transparency to boost investor confidence (Kandel 2022). The study examined legal perception on IPO valuation, revealing that stronger governance and regulatory systems enhance investor trust and firm value, highlighting institutional quality's role in IPO success and market confidence (Schnyder et al. 2022). The study found that local investor bias increases IPO underpricing in Europe but stabilizes post-listing performance, emphasizing the need to consider investor composition in optimizing IPO pricing and outcomes (Baschieri, Carosi, et al. 2021). The study explored investors' perceptions toward IPOs in Nepal using data from 290 respondents across five brokerage firms. Their analysis revealed that various factors influencing investors' decisions and confidence in IPO investments within the Nepalese financial market (Gnawali and Niroula 2021). The study identified low literacy, information asymmetry, and risk as barriers to retail IPO participation, urging stronger regulations, transparency, and investor education to enhance fairness and market integrity (Veluvali and Veluvali 2019). The study found that IPOs are viewed as high-risk, high-return investments, with risk tolerance and return expectations shaping investor choices, emphasizing investor education to promote informed participation (Saravanan and Satish 2018). The study analyzed IPO grading perceptions, finding it useful but inconsistently trusted due to limited awareness and transparency, urging better education and system integration with other evaluation methods (Sarin and Sidana 2017). The study revealed that retail investors' IPO decisions are influenced by market sentiment, media, and peers, stressing transparency and financial literacy to encourage rational and wise financial practices (Saravanan et.al 2017). The study found investors perceive IPOs as high-risk, high-return ventures, often guided by peers or advisors, emphasizing education and transparency to reduce speculation and improve market efficiency (Nagtilak and Kulkarni, 2015).

Objectives of the research study:

- To assess retail investors' awareness and attitude of initial public offerings in Belagavi.

- To study the impact of return expectations on retail investors' IPO investing decisions.
- To evaluate how investor confidence influences the involvement of retail investors in IPO
- To investigate how financial literacy affects retail investors' decision-making.

Research Methodology:

Research study analyses how retail investors view initial public offerings (IPOs). Descriptive and explanatory study designs were employed by the investigator. Retail investors in Belagavi who have taken part in initial public offerings (IPOs) make up the target population. Convenience sampling was used to choose a sample of 110 retail investors.

Data was collected via structured questionnaires distributed through Google Forms in Belagavi. 110 responses were received. The questionnaire used a 5-point Likert scale, with 30 statements covering independent variables like return expectation, financial literacy, investor confidence, and investment behavior, and a dependent variable, investment decision.

Using SPSS version 25, data analysis was carried out to guarantee data reliability. Descriptive statistics, regression analysis, correlation, and hypothesis testing were used to look at the relationships between the variables.

The primary data used in this study was gathered from June to September 2025, providing timely and relevant insights into the factors influencing retail investors' decisions on IPOs, which could improve investment strategies and policies in the Indian financial market.

Variables of the Study.

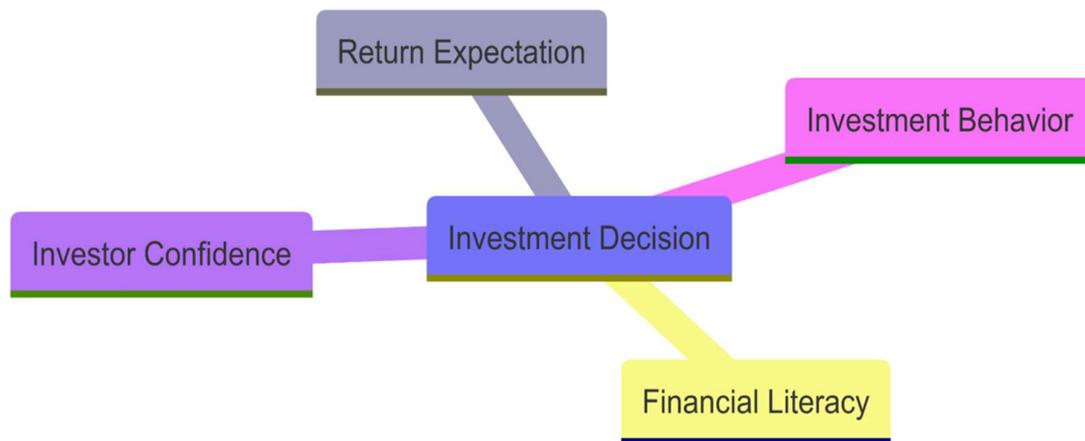


Fig. 1 study variable

This research includes 4 independent variables: return expectation, financial literacy, investor confidence, and investment behavior. And the dependent variable is used as investment decision.

This variable was taken from previous studies by Khatri (2017), Sarin & Sidana (2018), and Achut Gnawali (2021).

Hypotheses of the study:

- H1: Investment decisions and return expectations are positively correlated.
- H2: Financial literacy and investing choices are positively correlated.
- H3: Investment decisions and investor confidence are positively correlated.
- H4: investing decisions and investing behavior are positively correlated

Results and Discussion of the Study:

Investors Profile	Frequency	Percentage (%)
Age Group		
Age Group Below 25	15	13.60
Age Group 25-40	50	45.50
Age Group 41-55	30	27.30
Age group Above 55	15	13.60
Total Responses	110	100
Gender		
Male	62	56.36
Female	42	38.18
Total Responses	110	100
Qualification		
SSLC	5	4.50
Intermediate	10	9.10
Bachelor Degree	50	45.50
Master's level or above	45	40.90
Total Responses	110	100
Occupation		
Investor	50	45.50
Business	50	9.10
Agriculture Sector	10	9.10
Other services	30	27.30
Student	20	18.20
Total Responses	110	100

Investment amount in IPO		
1000 – 15,000	60	54.50
15,001 -50,000	30	27.30
50,001 -1,00,000	15	13.60
1,00,001 and above	5	4.50
Total Responses	110	100

Sources: Field Survey, 2025

From the above data Table 1 indicates that 13.60 % of respondents are under the age group of 25, 45.5% are between 25 and 40, and 27.3% are between 41 and 55. 13.6% of the population is over 55. This suggests that the youth group is represented by the most of retail investor respondents are between the age group of 25 and 40. 45.5% of the respondents are investors, 27.3% are in the service industry, 18.2% are students, 9.1% are entrepreneurs, and 9.1% work in agriculture. This indicates that a sizable percentage of respondents are investors by occupation, with service workers and students coming in second and third. 54.5% of respondents said they had invested between Rs.1 and Rs.15,000 in initial public offerings (IPOs). Furthermore, 13.6% have invested between Rs.50,000 and Rs.100,000, 4.5% have invested one lakh or more, and 27.3% have invested between Rs.15 and Rs.50,000 in initial public offerings. This indicates that while fewer respondents are investing larger sums in IPOs, the majority of respondents are investing smaller sums.

Table No 2. Correlation analysis Results

Significant at the level of 0.01 (2-tailed).

Source: Variables	Investment Decision	Return Expectation	Financial Literacy	Investor Confidence	Investment Behavior
Investment Decision	1	0.582	0.467	0.693	0.451
Return Expectation	0.582	1	0.524	0.662	0.512
Financial Literacy	0.467	0.524	1	0.643	0.478
Investor Confidence	0.693	0.662	0.643	1	0.532
Investment Behavior	0.451	0.512	0.478	0.532	1

Source: Field Survey, 2025

There is a considerable positive connection between investor confidence and investment decisions (r value =.693, p < 0.01), indicating that more investor confidence is associated with better

investment selections. Furthermore, a significantly positive correlation has been found between return expectations and investment decisions ($r = .582, p < 0.01$), suggesting that investment decisions are generally positively impacted by higher return expectations. Furthermore, there is a moderate association ($r = .467, p < 0.01$) between financial literacy and investing decision-making, indicating that more financially literate investors generally make better decisions. The moderately positive correlation between investing Behavior and Investment Decision ($r = .451, p < 0.01$) shows that active investing behavior is linked to a higher chance of making initial public offerings (IPO) investments.

Table No 3: Outline Summary of the Result

Outline	R	R Square	Adj R-Square	Standard Error of the Estimate
1	.836	.698	.687	.48407

Source: Field Survey, 2025

Predictors: (Constant), Return Expectation, Financial Literacy, Investor Confidence, Investment Behavior.

The Table 3 R value of 0.836 shows a strong positive association between the both independent and dependent variables. The R Square value of 0.698 indicates that the independent variables (return expectation, financial literacy, investor confidence, and investment behavior) account for 69.8% of the variation in the investment decision. The Adjusted R Square score of 0.687, which adjusts the R Square value for the number of predictors in the model, indicates that the model is not overfitted. The Standard Error of the Estimate, which is 0.48407, shows the average difference between the values predicted by the model and the observed values.

This regression design suggests that the independent variables (Return Expectation, Financial Literacy, Investor Confidence, and Investment Behavior) have a significant influence on individual investors' investment decisions in initial public offerings.

ANOVA Test Results:

ANOVA test determines if the independent factors in this instance significantly predict the investment decision.

Table No 4: ANOVA Result

Source of Variation	Sum of Squares	Degree of freedom	Mean Square	F	Sig.
Regression	45.231	4	11.308	47.238	0
Residual Error	19.63	105	0.187		
Total	64.861	109			

Sources: Field Survey, 2025

Regression The amount of variance that independent variables may account for is known as the

sum of squares (SS) (45.231). Mistake Remaining Sum of Squares: The inexplicable error or variation (19.630). df: The total sample size minus the number of independent variables (4) and the number of dependent variables (105). Mean Square: The average variance of regression and residuals. It is 11.308 for regression (found by dividing the regression sum of squares by the df). The mean square of the regression divided by the mean square of the residuals yields the F-statistic. The F-value of 47.238 indicates a substantial connection between the two variables. Importance (Sig.): The p-value (0.000), which is below the significance level of 0.05, indicates that the independent factors taken together have a significant impact on the dependent variable.

Table No 5: Analysis of Regression Coefficient Results

Variables	Unreliable Coefficients	Reliable Coefficients	t-value	Sig.
	B	Std. Error	Beta	
Constant	2.348	0.567		4.14
Return Expectation	0.453	0.112	0.302	4.054
Financial Literacy	0.412	0.095	0.287	4.34
Investor Confidence	0.382	0.098	0.275	3.896
Investment Behavior	0.289	0.085	0.21	3.404

Sources: Field Survey, 2025

Return expectation ($\beta_1 = 0.453$, $p = 0.000$), financial literacy ($\beta_2 = 0.412$, $p = 0.000$), investor confidence ($\beta_3 = 0.382$, $p = 0.000$), and investment behavior ($\beta_4 = 0.289$, $p = 0.001$) are the characteristics that have the biggest influence on investment decisions, according to Table 5.

This implies that an increase of 1 unit in Return Expectation will reflect in an increase of 0.453 units in Investment Decision when all other variables stay unchanged. For every unit improvement in Financial Literacy, Investor Confidence, and Investment Behavior, Investment Decision will increase by 0.412, 0.382, and 0.289 units, respectively.

To sum up, a number of important factors impact investment decisions, including return expectation, financial literacy, investor confidence, and investment behavior. The alternative hypotheses are supported by the regression analysis, which shows a positive correlation between the independent and dependent variable—investment decision

Table No.6

the Outcome of the Hypothesis Test

S.No	Alternative Hypothesis	Result
H1	Investment decisions and return expectations are related.	H1 is allowed if $0.000 < 0.01$.
H2	Financial literacy and investment choices are related.	H2 is allowed if $0.000 < 0.01$.
H3	Investment decisions and investor confidence are related.	H3 is allowed if $0.000 < 0.01$.
H4	Investing decisions and investing behavior are related.	H4 is allowed if $0.001 < 0.01$.

Source: *Field Survey, 2025*

Table 6 shows a substantial association between each independent and dependent variable. The correlation is significant at the 1% significance level because of each p-value is less than alpha ($0.000 < 0.01$ for H1, H2, and H3, and $0.001 < 0.01$ for H4). Hence, all hypotheses are accepted.

Suggestions and Conclusion:

To enhance retail investors' participation in IPOs, several measures are proposed. Financial literacy should be promoted through regular awareness programs, workshops, and digital sessions to improve understanding of IPO processes and risk evaluation. Transparency must be strengthened by ensuring regulatory bodies like SEBI provide easy access to verified company data and IPO grading, fostering investor confidence. Establishing investor support systems via financial institutions and fintech platforms can assist small and new investors with professional guidance. Academic-industry collaboration should be encouraged to integrate investment education and practical exposure among students and young professionals. Future research may explore psychological and socio-economic factors such as risk aversion, peer influence, and media exposure to address remaining gaps. Overall, improving literacy, transparency, and confidence will foster informed and rational IPO investment decisions in India.

In additionally examining how return expectations, financial literacy, investor confidence, and investment behavior impact investment decisions, the study looked at how retail investors in Belagavi perceived initial public offerings (IPOs). At the 1% significance level, the analysis demonstrated a positive correlation between all four factors and investment choices. With an R^2 of 0.698, these variables accounted for 69.8% of the variation in decisions, with external factors like policy changes, peer pressure, and market volatility accounting for 30.2%. The most significant variable was return expectation, which was followed by investment behavior, investor confidence, and financial literacy.

The findings show that expectations for returns and investors' level of financial literacy have the biggest effects on their attitudes. More financially literate investors are better able to assess risk, market trends, and business performance, leading to wiser choices.

Involvement in IPO's is also influenced by investor confidence and behavioral patterns, which represent the informational and psychological aspects of investment choices. Consistent with previous research by Saravanan and Satish (2018) and Gnawali and Niroula (2021), these results validate that investor perception and decision-making are significantly influenced by return expectations, company performance, and market information.

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