

“A Quantitative Analysis on Investors Behavior in SME and Main Board IPOs”

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Abstract: From the point of incorporation to the point of liquidation, money plays a vital role in every business organization. Even for the growth, enhancement of any function, making further investment, etc., capital is much necessary. Such fund either be an internal or external one. If it is internally generated fund means company or proprietor need not to worry about any risk in the market as the capital is from his treasury, except the opportunity cost. The point is, what if he doesn't have sufficient capital or an internal fund, but he is in much need of such fund. In that scenario question arises as 'from where to generate money?' to solve and answer to this problem at the company's end. And on the other part, there are so many people earning and saving their money who are eager to earn more money from such savings. So they are in the thinking that, how to make more money from such savings within short or long term, without or without risk? This is the problem from savers end. Hence to create a way to generate required funds to the firms and to protect investors fund and help them to make more money, stock exchange has established the opportunity of IPO scheme through which savings mobilizes from savers to ultimate needy firms. However, prior to this transaction savers of money acts as arbiters. They want to earn a more quantum of profit with less risk. Hence while at the time of taking decisions there are numerous factors affecting the investors to decide whether to invest in small or large firms which offers securities to open public in capital market. Therefore, this study is conducted to know and analyze what are the factors that are highly influencing on investors behavior towards SME and Main Board IPOs investments.

Keywords: SME & Main board IPO, Investors Investment decision, Factors persuading investment decision, GMP, GMT & OFS.

1. Introduction:

As a human being to lead a healthy life, there is a greater need of proper vitamins, proteins, blood etc...likewise to run a smoother and stronger business, firm needs a wealth. Finance is the blood of business organization. Firm needs money to make more money. Such money in the business world called by an attractive term as

“capital”. To establish and then for effective management of either small or large firm, capital is very much necessary. Hence, such capital is needed for both short- and long-term period. To operate day-to-day function there is a capital requirement named as ‘working capital’ and to make long-term investment there is also a capital requirement named as ‘capital budgeting’. Such capital can be either an owned or gathered one. So, to raise needy capital, global market has established a separate market where companies can fetch their required capital through trading of securities is called as “capital market” by listing their names in stock exchange. There are various ways and techniques are available to the company to pool its capital in stock market. However, the only one way that provided to the company to generate its capital directly from the general public is by the way of IPOs. Small and medium firms assemble their capital in capital market through SME IPO whereas, large firms through Main Board IPO. The main intension behind the IPOs by the company is to fetch huge amount directly from general public and to make them a real owner of the company in the name of “Shareholders”. However, as the word looks simple IPO, the functioning is not an easy process to the firm. Offering shares is like cake walk to the company but acquisition of funds through such offer is like stone walk to the firm. Because there are numerous factors affects the prospective investor in the capital market to make investment decisions on company’s IPOs. The present study will be conducting and trying to collect information about the factors that are highly influencing the investor’s behavior both positively and negatively on SME and Main Board IPOs investment decision.

2. Theoretical background:

SME IPOs:

SME IPO’s means allowing the small and medium-sized enterprises to raise their capital from the general public by issuing their shares for the first time by inviting them in the name of IPO.

Main Board IPOs:

Where, a well-established large private company makes a first-time invitation to the public to subscribe its share in the open market, the system is referred as main board IPO.

Objectives of SME IPOs:

The ostensible purpose of SME IPO’s is to provide a main platform to small and medium enterprises to raise their required capital directly from the public, communicating proper utilization of raised funds by the firms, maintaining relevant and detailed records and creating transparency to potential investors about the company performance.

Plat form for SME IPOs:

In India companies can raise their funds directly from the public by listing their securities in recognized stock exchange. Hence, stock exchanges are the strongest

platforms to the companies to fetch their needed capital in the financial market. In the same manner, following are the two platforms where SME IPOs can issue and listing:

1. Bombay Stock Exchange (BSE):

BSE supports the SMEs to issue their shares and accumulate the funds from the public and followed by providing structured market ideas to the entities.

2. National Stock Exchange (NSE):

NSE also helps the SMEs to pool the required fund from the public along with creating transparency and increased credibility.

Eligibility criteria/standards for SMEs to list in the stock exchanges:

To list the securities in the BSE or NSE SMEs need to satisfy a separate set of legal and statutory requirements of respective platform. The criteria are as follows:

Standards	BSE	NSE
Establishment/ incorporation	Incorporated under company's act 1956	Incorporated under either company act 1956 or 2013
Operational records	Minimum 3 years companies' record.	Minimum 3 years record of company or promoter
Financial position	Positive cash inflows in any of past 3 years.	Positive net profit in at least 2 out of 2 financial years.
Re-application	Minimum to wait 6 months after rejection for reapply.	Once company is rejected, wait should be at least 6 months for reapplying.
Trading lot size	Minimum trading lot can be range from 100-1000 shares.	Minimum trading lot can be range from 1000-10000 shares.
Application size	Minimum application size is Rs. 1,00,000	Minimum application size is Rs. 1,00,000

How SME IPOs are different from Main Board IPOs?

- **Statutory Boundaries:**

SMEs generally work on tailor made regulatory framework as compared to Main Board IPOs. Hence, they have more flexibility in their procedure.

- **Capital Requirements:**

Mainly SME IPOs issue at Paid up Share Capital limit of Rs. 25 Crores. Hence, it is most suitable for Small and Medium sized enterprises.

- **Trading Platforms:**

Usually both, SMEs and large-scale businesses are trade in both BSE and NSE. However, both the stock exchanges provide a special dedication to SME IPOs.

- **Disclosure Requirements:**

As compared to main board IPOs and with the intension to support the small entities, the authority has setup a limited disclosure requirements to the SME IPOs.

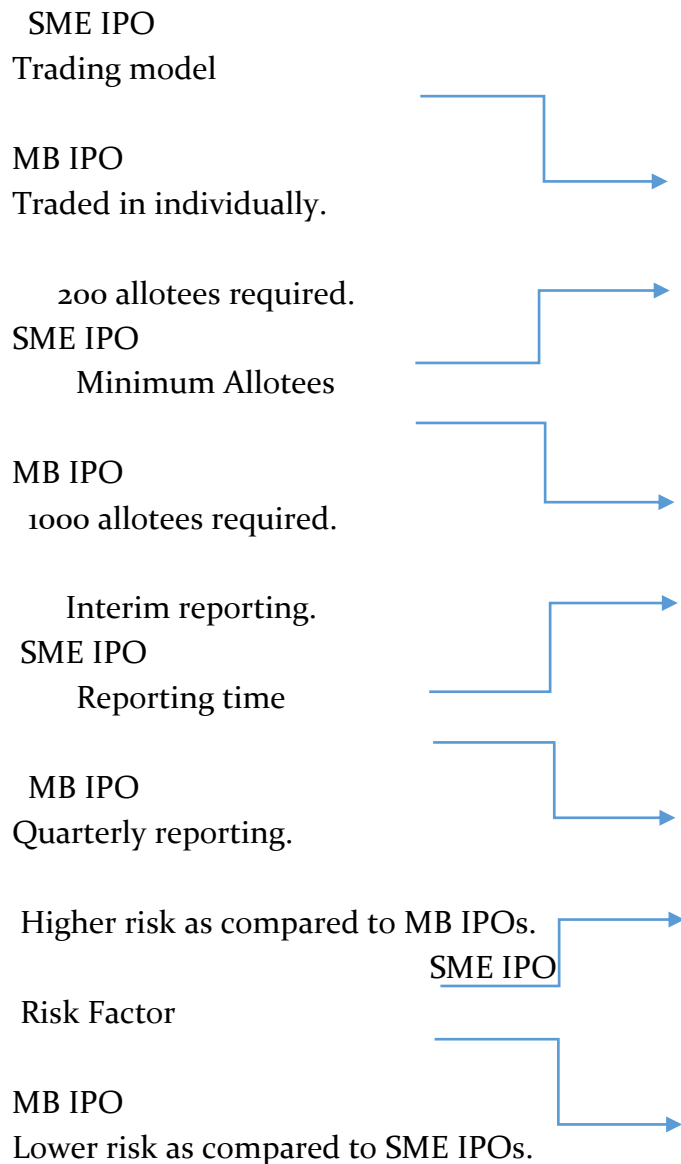
- **Risk factor:**

Normally, SME IPOs holds a higher risk in comparison with main board IPOs.

Key differences between SME & Main Board IPOs:

Points in difference PUSC Ranges from Rs. 1 cr to Rs. 25 crs.

SME IPO	
Capital	
MB IPO	
PUSC should be Minimum Rs. 10 crs.	
Rs. 1 lk per lot.(minimum 2 lots)	
SME IPO	
Application Lot size	
MB IPO	
Rs. 10000 – 15000 per lot.	
100% underwriting.	
SME IPO	
Underwriting	
MB IPO	
Depends on entity.	
By Stock Exchange.	
SME IPO	
Documents reviewer	
MB IPO	
By SEBI.	
Between 3-4 months.	
SME IPO	
Processing time line	
MB IPO	
Around 6 months.	
Traded in lots.	



3. History of IPO:

The concept of IPO, its introduction and implementation have a history of century back in the world. It is not a word has taken a birth simply all of sudden. It has created and played its own role in the different era, as year rolled.

Romans, during the Roman Empire firstly mooted the concept of IPO, which was totally earliest and oldest form. In their republic, company put its shares to the public for trading which was popularly termed as “publican”.

However, Dutch colonial empire has been polished to a modern look to such fund pooling policy called as “IPOs”. In March 1602, Dutch East India company (VOC) 1st time invited the general public for investment in its company by offering its shares. Therefore, it becomes the 1st company to issued its and securities to public and also listed as a 1st public company in official/recognized stock exchange.

During 1792, in US already the concept of IPO treated as oldest route to raise the capital fund from public by the companies. By that era, New York Stock Exchange (NYSE) was initiated and it recorded the 1st IPOs of US such as bank of NY and bank of US.

In 19th century, IPO entered into the field of even constructing companies which will raise a funds for infrastructural projects such as railroads.

During 20th century, totally IPO acquired the major area called Telecommunication and Technology, which was witnessed by the company IBM. In 1911, when company manufacturing a machine i.e. scales, typewriters...required by business it offers its shares to public.

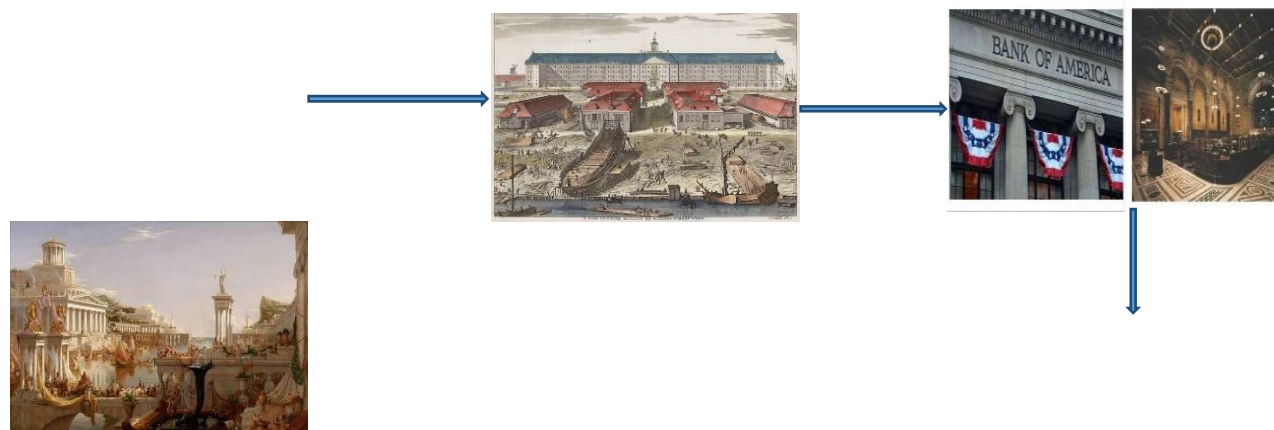
Later in 1977, in India Reliance was the 1st company to adopt and offered its shares to general public even before the establishment of SEBI.

Era of 1980s-1990s proved as best period for the field of technology for IPOs. Because in 1986 March, two big software companies namely, Microsoft and Oracle came up with their IPOs to the public with the initial price of \$ 21 and \$ 15 respectively. As it continued, later in 1997 May, Amazon and in September e-bay with initial offer price of \$ 18 invited the public to subscribe their securities in the name of IPOs.

As the result of New Economic Policy 1991, during 1990s India opened and enlarged its offer for capital even to the foreigners which is because of implementation of liberalization and globalization concept.

Overall, from 19th century and till present scenario, IPOs has created its own significant place and playing its vital role in the secondary sector in the world capital market.

Graphical Representation of IPOs History:



Roman Empire started IPO in the name “publican”.1st company to list in SE-“Dutch east India Company” in 1602.

Bank of NY and US offers IPO.



In 1911, IBM invited public to invest in its IPO.20th century paved era as IPOs for telecommunication

19th century Construction Company's started to offer IPOs



In 1997 & 1998 Amazon & ebay entered to

India

An author Manpreet Kaur in 2017 December, conducted her study on “Factors affecting IPOs and FPOs: An analytical study for short run and long run”, through her research she concluded that, IPOs and FPOs performance will be analyzed by adopting various methods i.e. for long run BHAR (Buy-and-Hold Abnormal Return) and for short run MAAR (Market Adjusted Abnormal Return) is used. IPOs and FPOs behave differently in different stages such as from listing after 1 month to listing after 3 years. To analyze the performance of IPOs and FPOs in both short and long run linear relationship need to be establish between dependent and independent variable. In short run, after the 1 month of listing the shares, 28% of variation will be explained by independent variable, after 3 months 37% of variation will be explained by independent variable, after 6 months of listing only 24% of variation will be explained by independent variable, after 2nd year of listing 99% variations will be explained. However, after 3 years of listing only 70% of variations is explained by independent variable as it affected on dependent variable. Later, in 2020, author Dr. Makarand. S. Wazal and prof. Sudeshkumar Sharma concluded their view towards SME and MB IPOs as, on pre and on listing day performance of SME IPOs appears to be more effective in comparison with main board IPOs. However, subscription criteria of SME IPOs is too lower than main board IPOs and SME IPOs need to create an interest of the investor. They also revealed that, average under pricing criteria of SME IPOs are far lower than main board IPOs. Researcher Dr. K.B. Nalina and Dr. Rakesh H.M. in November 2021, come up with their opinion through the study towards the performance of IPOs that, IPOs are playing important role in the development of the

capital market by the way of introduction of tools such as ASBA(Application Supported by Blocked Amount), Launching of IPOs index, implementation of safety net for IPOs derivatives and investors, IPOs grading and introduction of SEBI guidelines to detect the price manipulation through price volume tracking mechanism.....and also they found that, there is a greater need for guidelines towards the protection of investors fund, because company's IPOs are initially offering a positive return but later on long run they will underpriced. Later, on 7th July 2022, Prof. Sachin Prakash Srivastava, Sunita Kumara Malhotra and K. Santi Swarup analysed the perception of retail investors decision making in SME IPOs in Indian capital market and they concluded that, SME IPOs are providing best opportunity to the start-ups firms to list their stocks in the stock exchanges. Hence to get a success in this activity there is a need of continuous engagement of all variety of investors as their investment decision is always dynamic in nature & cognitive behavior. Researchers are also observed that, totally 1.48% of world contribution is contributed by investors, experts of capital market most of the time predicts that, IPOs will provide positive return in long run and hence on totally, success of SME IPOs is based on how investors will ready to take risk and return criteria. During October 2023, research scholar Maria Vijaya M and K.T. Vijay Karthigeyan has conducted comparative survey on mainboard and SME IPOs performance in market for the period from 2019-2022 and they revealed that, Indian capital market also negatively affected by global pandemic covid-19 initially but, later it experienced the positive effect too. Both main board and SME IPOs reached extremely over the expectations of investors as compared to past period, it also observed that, main board IPOs are playing superior role than SME IPOs. However, the issue frequency of SME IPOs also increasing very speedily as the result of opportunities created for small and medium enterprises to raise their fund in capital market. Further, study also reveals that, during the 1st quarter of 2022 performance of main board IPOs took a declining trend. Later, a detailed comprehensive study on investor behavior on IPOs conducted by Shivam Malik and Dr. Swati John in November 2023 and by their study they concluded that, there are various factors affect the investor investment decision. According to the factor and its effectiveness some investors are driven by short term profit and many other choose the long-term investment methods. On 31st March 2025, as per the report of NSE New Delhi, totally during the FY 2024-25 242 IPOs were launched, out of those 163 IPOs were SME IPOs only. On an average SMEs fetched their capital through IPOs nearly Rs.7111 crs. The highest capital pooled firm through IPO is Danish Power Ltd. with Rs. 19 crs and lowest capital raised firm is Hoac Foods India Ltd. with capital of Rs. 6 crs in the year 2024-25. As compared to 2019, in 2024 totally from 2% to 74% there is an increasing trend taken by SME IPOs in listing process.

5. Factors Responsible for investor investing behavior:

In the global as well Indian capital market, there are various elements that are playing important role of influencing buying behavior of investor towards the investments on SME and main board IPOs. However, such factors effect will vary upon the nature and

size of the firm that are offering IPOs. In the present scenario of the capital market we can observe some factors that are commonly persuading the buying behavior of investors on the IPOs namely, Companies financial performance, prospectus details, issue price, trading price, risk in the company, guidelines by financial advisors, stock market expectations, market conditions, intermediate instructions, information from news platforms, subscription time and weightage, market segmentation, con call guarantee, grey market premium(GMP), grey market trading(GMT), perception of investor, goodwill and growth of the firm, financial institution reports, managements effectiveness and efficiency, registrar of issue, anchor list, price to earnings ratio(P/E), fresh issue or offer for sale(OFS), objects of issue and many more.....Some of them are explained as under:

i. Grey Market Premium (GMP):

It is a price that investors are ready to pay for the shares of the issuing company exceeding the issue price. It also understood as, the premium amount at which price of the shares are traded in the capital market before the shares list on the stock exchange. Higher GMP indicates performance of IPO will be good after the listing meanwhile, lower the GMP reflects poor performance of the company's IPO.

Hence, GMP operates as a tool to influence the potential investors in the market without any statutory regulations. Positive GMP shows that there is a higher demand for the company's shares by investor in the market and influenced in a positive way on the investor to subscribe for the IPO. On the other hand, negative GMP influence not to invest on the firms IPO as it indicates weak demand for shares.

ii. Grey Market Trading(GMT):

It is a deal between 3 participants of the capital market namely, buyer, seller and dealer of IPO. This system of dealing in the stock market also named as unofficial stock or application market. Under this system, firstly investor who wants to buy a share finds the IPO dealer, who can contact the seller, the applicant of IPO and ask him to sell his IPO shares at a GMP before the allotment. Once applicant sell his stocks of IPO, then dealer will intimate the same to ultimate buyer. Later when shares allotted to seller through IPO, then it is the decision upon the seller whether to transfer his shares to the buyers Demat account or not. If shares are not allotted to the seller, then, automatically entire deal will be cancelled. Hence, GMT is totally a risk taken by the buyer of the shares through IPO dealer.

iii. Registrar of Issue:

These are those entities or independent financial institutions registered with SEBI and recognized stock exchanges which are responsible for smooth handling of entire IPO process in capital market. They can operate the activities from the processing of application till to the allotment and transferring of shares to the investors account. In totally these financial institutions acts as a bridge between company which is offering IPO and ultimate investors.

In capital market there are various registrar are playing this role. However, on the basis of their performance and smooth functioning of the activities, investors buying behavior will be influenced.

iv. Anchor list:

This is a list of large and well-established institutions who will invest their large quantum of amount on companies IPO even before the IPO offering to general public in stock market. These institutions are generally termed as “Qualified Institutional Buyers (QIB)”. When these institutions invest their significant amount on the company’s IPO, it will create a confidence in the minds of the potential investors. Hence, anchor list will given investment signal to the potential buyers about the company’s performance in future.

Therefore, in capital market, there are various investor who will decide whether to subscribe for IPO or not on the basis of anchor list.

v. Fresh issue or Offer for Sale:

IPOs can be offer in 2 forms i.e. fresh issue or offer for sale. The nature of offering also affects the investors’ subscription behavior. Because these two forms have its own objects behind the issue. IPOs in the form of fresh issue means, company offering as hares to general public to subscribe new shares which are not existing in order to raise a fresh capital. On the other hand, IPOs in the form of offer for sale means, existing shareholders or promoters of the company selling their subscribed shares in the market. Company will not get an additional/new capital from this issue, instead when the existing shareholders did not pay their shares amount, then company come up with OFS scheme.

Hence in practical, fresh issue is positively influence the investor to apply for IPO. Meanwhile, OFS negatively influence the investor not to apply for IPO by creating less confidence towards the financial performance of the company.

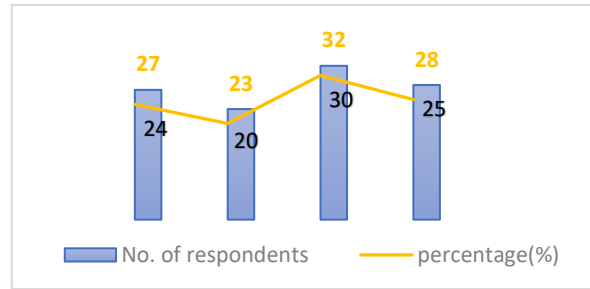
6. Data collection method:

Current study covered both primary and secondary data. However, majorly study based on primary data which was collected through questionnaires from the participants of capital market as a respondent. Further study also included secondary data which was already existing in published research articles, paper, newspapers, journals and other related statutory bodies websites....

7. Quantitative Analysis towards study:

Survey was conducted with 110 respondents and their quantitative details towards SME and main board IPOs are analyzed as under.

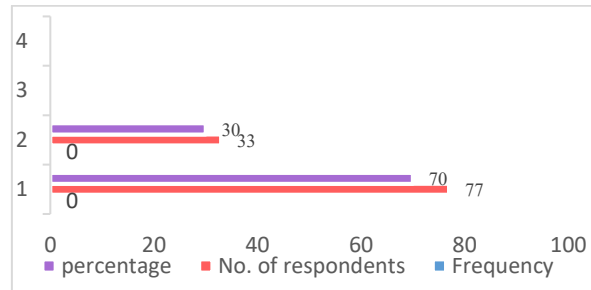
A. Investors profile:



Analysis:

From the above graph it is clear that, out of 110 respondents, 27 persons are Traders, 23 are professionals, 32 are employees and remaining 28 are belongs to other category workers who are investing in the IPOs in the capital market.

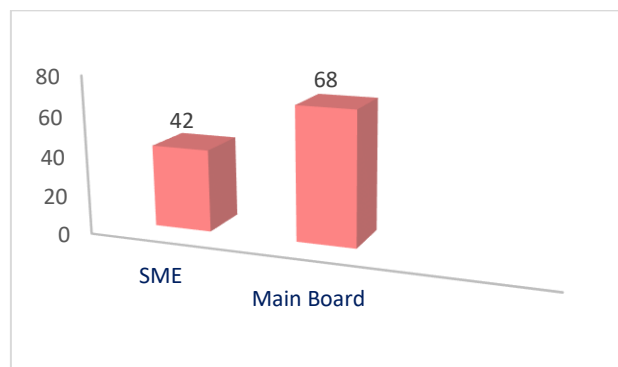
B. Frequency in investment:



Analysis:

From the above data it is concluding that, among 110 investors, 77 investors are investing regularly on IPOs and 33 investors are not regularly investing on IPOs in the market.

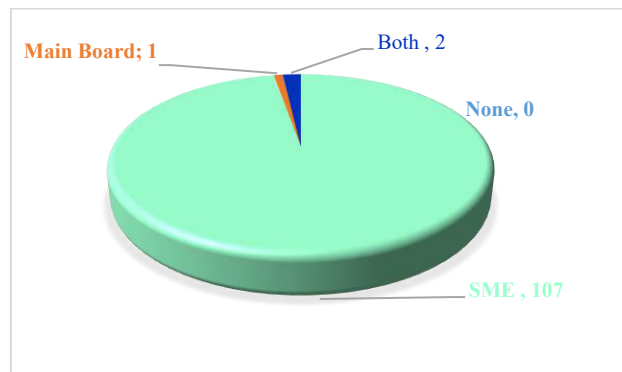
C. Preference of IPO:



Analysis:

The above data reveals that, among 110 investors, 42 investors are preferring to invest on SME IPOs and 68 investors are preferring main board IPOs for their investments.

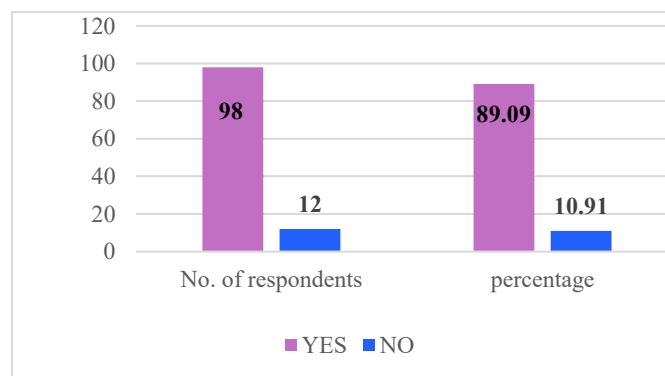
D. Risky IPO:



Analysis:

The above chart is representing the Risky IPO in the capital market. Out of 110 investors, 107 investors revealed that SME IPOs are very risky. As per 1 investor, main board IPOs & other 2 investors both SME & Main board IPOs are risky and none of the respondent revealed IPOs as non-risky.

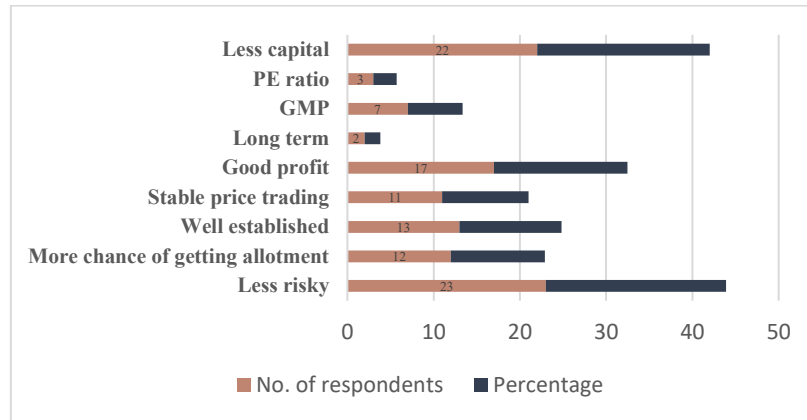
E. Role of Registrar of issue:



Analysis:

Above mentioned data clears that whether Registrar of issue in IPOs affects the perception of potential investors in stock market or not in their IPOs investment decision making. After the survey it is concluded that, 89.09% of the investors are getting affected by registrar of issue and 10.90% investors are not.

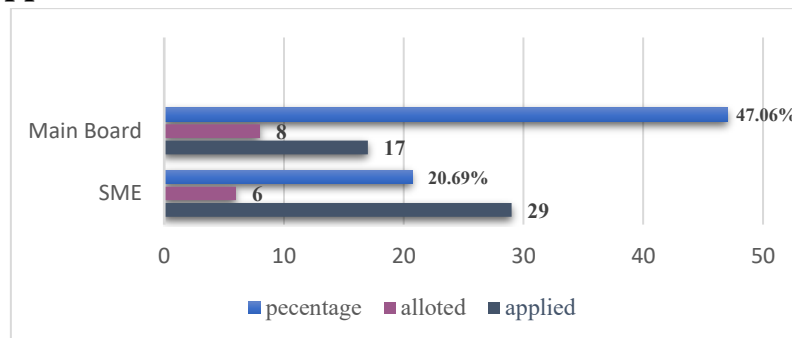
F. Reason for preferring Main Board IPOs:



Analysis:

The above chart depicts the reasons for investment in Main Board IPOs in the capital market by the investors. As per the study, the main reasons for selecting the main board IPOs by the investors are: less capital requirement, good profit, low risk, well established firms, stable price of trading, high chance of allotment and many more.

G. IPOs applied and allotted:



Analysis:

From the mentioned graph we can conclude that, on an average investor applied for 17 Main IPOs but only 47% allotment of shares they got and in case of SME IPOs, totally investors applied 29 but 21% allotment they got in the year 2025.

8. Conclusion:

By the entire study and after undergone with the survey, researcher is concluding their opinion towards the SME and Main Board IPOs as, capital market is providing the immersed opportunity to the both small- and large-scale entities to conduct their business activities with enough money by creating the way to fetch the capital from general public through the concept of IPO. This opportunity also viewed as advantage to the public who saved their money and eager to make more money through investment. However, during the investment decision towards IPOs, there are so many factors that are influencing the investors mind both positively and negatively. It is experienced that, in capital market Main Board IPOs are playing superior position as compared to SME IPOs in the investors mind because of respective IPOs pros and

cons. Hence, this study will give an idea about such all the factors how those are influencing the investors investing behavior in SME and Main Board IPOs.

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