



A STUDY ON INDIVIDUAL INVESTORS' AWARENESS ON PRE-IPO OF LIFE INSURANCE CORPORATION

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ABSTRACT

India is pushing ahead with the nation's largest initial public offering. Initial public offer plays the vital role for the growth of any country. IPO referred to the first time a company offers its shares of capital stock to the general public. It facilitates transfer of resources from savers to the users. This study concentrates on the awareness of individual retail investors regarding Pre IPO of LIC India. The paper tries to analyse

the factors which will be used by investors while investing in IPO. This research used primary data. This study is based on questionnaire survey results of Gujarat State. The inferential analysis has been preferred in SPSS by using statistical tools to analyse the relationship between variables and its impact on investment decision for upcoming IPO. The result reveals that brand name, market information, advice from analyst and financial intermediaries, external market condition are highly considerable factors before making investment decision in upcoming IPO.

KEYWORDS: Investors, Initial Public Offering, Life Insurance Corporation.

INTRODUCTION

The IPO market in India has been developing since declaration of LPG policy in 1991 for the Indian economy. One of the major reforms was the disassembling of the controller of Capital Issue (CCI) and the introduction of the free pricing mechanism. It helped companies for raising funds from primary market at competition price. Primary market facilitates transfer of resources from savers to the users. It is also known as new issue market. IPO refers as a "Public

offering” when a company issues common stock or shares to the public for the first time. It can be a new, young company or an old company which decides to be listed on an exchange and goes public. The company which offers its shares known as an ‘issuer’, does so with the help of investment banks. After IPO, the company’s shares are traded in an open market. These shares can be further sold by investors through secondary market trading.

The application process of IPO in India is digitalised and everything is done online. Investors do not need to require bank visits. They can easily apply through laptop or even a smartphone or tablet. Investors only make sure that the bank account has the sum of rupees required for ASBA to be blocked. Investors easily see their allotted share quantity in their DEMAT account statement. As per CRISIL Report, LIC is the world’s largest insurance giant when it comes to home market share with over 64.1% of the total gross written premium as of 2020. It is also the only insurance player in the world that offers the highest return on equity at 82% apart from being the third largest in terms of Life Insurance Premium.

LIC is the largest insurance provider in India. LIC offers participating insurance products and non-participating products like unit-linked insurance products, saving insurance products, term insurance products and pension products. PM Modi’s government plans to sell a 5% stake in Life Insurance Corporation of India and will raise about 600 billion rupees (Rs. 7.96 billion) to help fill a gaping budget deficit. Currently company in India whose market capitalisation is 12.78 lakh crore (Feb.2021), then comes to TCS whose market capitalisation is 11.89 lakh crore. After IPO of LIC would become India’s biggest company.

REVIEW OF LITERATURE

- Reena Aggarwal, Prabhala, Manju Puri (2002) analyzed institutional allocation in initial public offerings using a new data set of U.S. offering between 1997 and 1998. They documented a positive relationship between institutional allocation and day one IPO returns. Their evidence supported book building theories of IPO underpricing but suggested that institutional allocation in underpriced issues is in excess of that explained by book building alone.
- Aussenegg, Pichler and stomper (2003) also study the German grey market, but the focus of their paper is IPO underpricing. They also asked whether pricing relevant information was obtaining only during book building or whether it obtained more cheaply from grey market.

- Andreas Oehler, Macro Rummer, Peter N. Smith (2004), analyzed IPO pricing and the relative importance of investors sentiment. They focused on German IPOs during the 1997 to 2001 period and covered a sample of 40 firms. With the use of time series regression, the cyclical behavior of issue activity was examined. The result of cross-sectional regression analysis has shown that initial returns were mainly influenced by investors sentiment and demand, especially during the dot com boom period. Therefore, to researcher's point of view the change in investor sentiment was influencing the fluctuations of initial returns and also explained the impact of highly optimistic or even greedy investors on high initial returns.
- Francesca Cornelli, David Goldrich and Alexander Ljungquist (2006) examined whether irregular behavior among small investors drives post IPO prices. Researchers used prices from grey market to proxy for small investor's valuation. They also found long run prices reversal only following high grey market prices. In their research they concluded that investors can choose between keeping the shares they are allocated in the IPO and reselling them when small investors are overoptimistic.
- Jampala, R.C.Lakshmi, P.A & Dokku, S.R. (2016), examined the IPO performance in India from 2007 to 2013. The major finding of the study was that underpricing exists in the 1st day of trading. Researchers observed that the degree of underpricing has significantly decreased compared to the previous research work. They also found that issue variables influenced the IPO. Apart from that it was observed that the face value of shares and level of oversubscription influence the listing day performance of IPOs in major way. Researchers also found that the factors affecting IPO performance in long run are the market capitalization, share premium, face value of the shares, issue price of the IPO. 146 companies were taken as a sample from BSE.
- Gaofeng Zou, Oiyuon Cheng, Zhewai LC, John Edmunds, Xiaopeng Zhai (2017) investigated abnormal performance of IPOs by incorporating investors sentiment. Researchers used Agent-based computational Finance (ACF) to analyze the effect from different kinds of investor sentiment on IPO first day underpricing and long-term performance. Two kinds of emotional parameters were used for institutional investors and individual investors in China. The study concluded that the institutional investors sentiment has a positive influence on the IPO price in the primary market. Moreover, they found that there is no relationship between the institutional investors' sentiment in long term market and IPO long run performance. But the sentiment of institutional investors in

long run may leads to IPOs long run under performance.

- Jing bin he (2020), in his paper mainly investigated the effect of investor sentiment in the book building and the role of investor sentiment in the hybrid auction. Researcher selected 783 Chinese IPOs listed on Shenzhen Stock Exchange from July 2009 to Nov. 2012. Stock code, IPO daily return in the secondary market, demand and allocated shares in the bidding process, price range expected proceeds offer price and all financial data obtained from the China Stock Exchange and Accounting Research Database. The study concluded that because of the lack of IPOs in hybrid auction, the effect of sentiment in hybrid auction mechanism remains unclear. The higher sentiment is associated with higher IPO valuation of underwriters, higher offer price adjustment and lower first day return. The study suggests that underwriters will anticipate overprices offer prices when recent investor sentiment is high.
- Vikas Gupta, Shveta Singh, Surendra S. Yadav (2021) analyzed the impact of media sentiment on IPO underpricing. The study aimed to disaggregate the traditional IPO underpricing into three categories, voluntary, pre market and post market and provided a comparative analysis of the media sentiments impact on the traditional and disaggregated IP underpricing. Researchers used Robust regression technique to analyze sentiment score is positively related to the traditional underpricing. The sentiment score is positively associated with the pre market under pricing and does not have any significant relationship with the post market underpricing. The findings highlighted the presence of semi strong form of efficiency in the Indian IPO market.
- T. Ramesh Chandra Babu and Aaron Ethan Charles Dsouza (2021), analyzed the performance of Indian IPOs in short term. They also studied the impact of over subscription, profit after tax, promoters' holding, issue price on IPO performance. Researchers have taken all 52 IPOs listed in BSE during the year 2018 to 2020 for the study. Their findings reveal that the average IPO return on the first trading day was 13.52%, third trading day it was 14.25%. The analysis proved that the over subscription impacts the IPO performance and the other factors namely issue price, PAT, promoters holding do not influence IPO returns.

RESEARCH OBJECTIVES

- To identify the level of awareness among individual investors regarding Pre-IPO of LIC of India.
- To determine investors' confidence level and their preference keeping in mind while

investing money.

HYPOTHESIS

The objective of the study is to whether Indian individual investors are aware about PRE-IPO of LIC. To achieve this objective, it is appropriate to test the level of awareness of investors towards PRE IPO. Following hypothesis has been framed to test accordingly.

H0: Individual Investors are not aware about Pre IPO of LIC.

RESEARCH METHODOLOGY

Research Design

Descriptive research design is used to measure awareness of individual investors regarding LIC's upcoming IPO. According to report of internal index Gujarat is the state in India to emerge Investor Friendly even in World Economy Downturn. Large scale capital market activities have been undertaken in Gujarat.

Data Source

Primary data has been collected through online survey with the help of questionnaire during the time period Jan.2022 to Feb.2022. A well-structured set of questionnaires has been used to obtain the responses of investors. The questionnaire includes two major parts-Respondent profile and basic awareness regarding upcoming LIC IPO.

Sampling Procedure

The responses were received from individual investors who were willing to spend their time and wished contribute to research willingly only. The population of the study was all the individual Investors who actively invest their savings in different options in investment in the state of Gujarat. Altogether 140 set of questionnaires have been sent to individual investors using judgmental sampling but only 125 usable responses were collected for the study.

Statistical Techniques

The data have been analyzed in different way. Cross tabulation has been used to record number of responses under each category. Chi-square statistics has been employed to test the association between attribute of personal characteristics with respect to the responses on upcoming IPO.

Limitation of the study

- Some investors have not interested in giving responses.
- The study is limited to 125 investors only.
- True answers may not be given by investors as there could be possibility of error in datacollection.

Analysis and Interpretations

Awareness of the people regarding Pre IPO of LIC is obtained from the survey and data analysis techniques have been used for evaluated the data. This study examines awareness level of individual investors towards IPO.

Table 1.1: Relationship of Gender with Income of Investors.

Income	Female	Male	Grand Total
200000-500000	12	31	43
500000-1000000	7	20	27
Above 1000000	2	21	23
Less than Rs. 200000	17	15	32
Grand Total	38	87	125
Critical value	3.841458821		
P value	0.004006398		
Statistics	8.28091294		

Source: Primary Data Calculation

A question was asked from individual investors to know their income level. Above table shows that majority 43 respondents (12 females and 31 males) are in the group of Income of Rs. 2 Lakhs to Rs. 5 Lakhs. Below 2.5 Lakh the number is respondent is 32. Only 23 respondents lie in the category above Rs. 10 Lakh which includes only 2 females. Again, an effort is made to check whether there is any relationship between gender and income level. The p value is $0.004 < 0.05$, so we reject null hypothesis (at 5% level of significance) and concluded significant difference between gender and level of income regarding their awareness relating to upcoming IPO of LIC.

Table 1.2: Relationship of Educational Qualification with Income of Investors.

Income	Graduate	Ph.D	Post Graduate	Under graduate	Grand Total
200000-500000	18	9	14	2	43
500000-1000000	10	6	11	0	27
Above 1000000	2	9	12	0	23
Less than Rs. 200000	9	4	18	1	32
Grand Total	39	28	55	3	125
Critical value	16.9189776				
P value	0.001841766				
Statistics	26.27480729				

Source: Primary Data Calculation

Researchers again examined that whether there is any relationship ship between income level of investors and their educational qualification. Maximum 55 respondents are postgraduate but their income varies at different level. 18 respondents having income level Rs. 2-5 lakhs are graduate and same numbers of respondents are post graduate whose income lied below 2 Lakh. 43 respondents are in majority group of income Rs.2-5 Lakh. The value of P in chi square is 0.00184 which is less than 5% level of significance, we reject the null hypothesis which means that there is significant difference between educational qualification and income of investors which influence their level of awareness regarding the upcoming IPO of LIC.

Table 1.3: Relationship of age with Income of Investors.

Income	20-40	40-60	Above 60	Less than 20	Grand Total
200000-500000	25	14	4	0	43
500000-1000000	14	12	1	0	27
Above 1000000	2	16	5	0	23
Less than Rs. 200000	23	7	1	1	32
Grand Total	64	49	11	1	125
Critical value	16.9189776				
P value	0.030566884				
Statistics	42.89811738				

Source: Primary Data Calculation

Again, question was asked to individual investors to know their age according to their different income level. It has found that there is maximum 64 investors whose age was in between 20-40 years, out of these 25 investors lie in the income group Rs.2-5 lakhs. Moreover 49 investors fall in the age group 40 to 60 years, 16 investors from this age group having income above Rs. 10 lakhs. There is only 1 respondent represents age group below 20 having income below 2

lakhs. As the p-value of chi square is 0.03 which is less than 0.05, shows significance difference between age and income of investors regarding to investment in IPO.

Table 1.4: Relationship of savings with the income of investors.

Variable	200000-500000	500000-1000000	Above 1000000	Less than Rs.200000	Grand Total
No	7	8	3	12	30
Yes	36	19	20	20	95
Grand Total	43	27	23	32	125
Critical value	7.814727903				
P value	0.086347897				
Statistics	6.585578958				

Source: Primary Data Calculation

From above table it is observed that the investors having income Rs.2-5 Lakhs invested more in primary market so far. It is clearly seen that almost 95 respondents have already invested their savings in IPOs so far. 30 Respondents have not yet made any investment in IPOs. Here the value of p is 0.08 which is greater than 0.05, so we fail to reject the null hypothesis which means that the investors always keen to invest their savings in primary market as they fully aware of the company, its business and its prospectus.

Table 1.5: Relationship of potential investment in LIC IPO regarding their Income Level.

Income	15001-75000	300001 and above	75001-300000	Up to 15000	Grand Total
200000-500000	11	1	3	28	43
500000-1000000	9	0	1	17	27
Above 1000000	7	4	6	6	23
Less than Rs. 200000	6	0	1	25	32
Grand Total	33	5	11	76	125
Critical value	16.9189776				
P value	0.00101647				
Statistics	44.689352				

Source: Primary Data Calculation

Researchers also have tried to explore whether there is any linkage between amount of their potential investment in LIC IPO and their level of income. It is found that maximum investors want to invest up to Rs. 15000 in upcoming LIC IPO. They do not want to take more risk due to their level of income and risk bearing capacity. After those 33 investors want to invest Rs. 15000-75000 in IPO. Only 5 respondents want to invest more than 300001 in LIC IPO. It is

clearly perceived that majority of investors want to take low risk to moderate risk. As the p-value is 0.00102 which is less than 5% level of significance, we reject null hypothesis which indicates that there is significant difference in investment and income level. LIC's upcoming IPO will shake up the markets, the risk to small investors is higher. Investors are fully aware the golden rule of finance that never put all the eggs in one basket. They will take the low degree of risk say to investment up to Rs. 15,000.

Table 1.6: Relationship of Income with concept of IPO grading.

Variable	200000-500000	500000-1000000	Above 1000000	Less than Rs.200000	Grand Total
No	8	4	4	5	21
Prefer not to say	12	7	7	13	39
Yes	23	16	12	14	65
Grand Total	43	27	23	32	125
Critical value	12.59158724				
P value	0.533079422				
Statistics	5.084048445				

Source: Primary Data Calculation

To know about awareness of IPO grading given by credit rating agencies among investors, the question was asked to them whether they will go with grading while making investment in upcoming LIC IPO. It is detected that there are 65 investors who think that IPO grading influences their investment, means they will definitely see the grading before making investment. 21 investors do not think that grading affects their investment. 39 investors select not to prefer anything to say about grading. The value of p is 0.53308 which is greater than 0.05, so we fail to reject null hypothesis. It means that there is no association of knowledge of grading with investment decision. IPO grading and income of respondents are independent to each other. IPO grading is an unbiased option of rating which helps investors to take decision regarding investment in IPO. Here most of the investors are aware about the IPO grading and even some of them were considering the grading before investment in IPO of LIC.

Table 1.7: Relationship of area belong to investors in accordance with received information of upcoming IPO.

Variable	Through broker	Through Friend	Through Newspaper	Through Television	Grand Total
Rural	13	2	7	6	28
Urban	25	24	36	12	97
Grand Total	38	26	43	18	125
Critical value	7.814727903				
P value	0.037578051				
Statistics	8.4496356				

Source: Primary Data Calculation

The area of the respondents is categorized into two groups. Maximum 43 investors have come to know about upcoming IPO of LIC through newspaper. Out of these majority belongs to urban area. Investors who belong to rural area got the information through their stock brokers. The p value is $0.03 < 0.05$, researchers reject null hypothesis which means there is significance difference in investors belonging area with means of communication but they fully aware about upcoming IPO of LIC due to efforts taken by Government also.

Table 1.8: Relationship of decision regarding sold share on listing day.

Variable	10% to 15%	5% to 10%	Above 15%	Below 5%	Grand Total
No	14	4	18	5	41
Prefer not to say	14	16	19	5	54
Yes	6	8	7	9	30
Grand Total	34	28	44	19	125
Critical value	12.59158724				
P value	0.00339994				
Statistics	19.49822932				

Source: Primary Data Calculation

Above table shows that maximum 54 investors do not want to take decision in advance regarding selling shares on listing day. 41 respondents want to make long term investment in LIC. 30 respondents will sell their allotment for booking profit perception on listing day. P value is 0.003 which is less than the level of significance so we reject null hypothesis and concludes that there is significant difference with the purpose of investment and selling share after allotment on listing day. There are two possible scenario that can be emerge after listing. Either the shares start getting traded at higher price than the allotment or vice versa. In spite of awareness there is no guarantee that a stock of LIC will open at a gain.

Table 1.9: Awareness of investors towards influence of external market condition on IPO.

Response	Size	Frequency
Strongly Disagree	56	44.80%
Disagree	9	7.20%
Neutral	34	27.20%
Agree	21	16.80%
Strongly Agree	5	4%

Source: Primary Data Calculation

40.58 % respondents don't believe that external market conditions influence market conditions influence on their decision making in investment. Only 4% respondents believe that external factors also affect primary market which leads to influence their decision making. 27.2% are neutral means they are not willing to answer a particular question.

Table 1.10: Decision of Investment based on the advice received with influencing awareness of Upcoming IPO of LIC.

Response	Size	Frequency
Analyst Recommendation	26	20.80%
Financial Intermediaries	34	27.20%
Friends/Family	29	23.20%
Self-Evolution	36	28.80%

Source: Primary Data Calculation

20.8% respondents invest their money through recommendation of analysis and 27.2% respondents invest on the advice of financial intermediaries. It means remaining investors wants to invest their money in IPO through advice of family, friends or self-evolution.

CONCLUSION & SUGGESTION

The government is diluting its stake in LIC through upcoming IPO. It is an invitation for the public to participate in its ownership. Post listing the company will come under the regulation of SEBI. Liquidity of the shares and regulatory bodies are the most effecting factors to attract the investors to invest in capital market. Grading of equity shares sometime not given the right picture to the investors especially when the pricing is not known. The objective of the research paper is to examine the awareness of investors towards LIC upcoming IPO. Research hypotheses are framed and tested to identify the impact of awareness on their investment decision. It can be concluded that Government of India is taking all possible steps including newspaper to people, to dram up awareness and support for the LIC IPO so that maximum

respondents already get to know about the IPO and invest in it. This IPO is expected to be the biggest IPO in India's market history although the government has not announced the exact date of the issue. It can be observed that most of investors have shown their interest in LIC upcoming IPO and they will invest in LIC. Despite of volatility, price manipulation and corporate scams, investors still have confidence in this investment tools. Investing in LIC could favor investors significantly. LIC's strong fiscal standing, robust fund size and association with the government make LIC a lucrative investment opportunity for many. Many of investors wants to invest in an IPO that may not necessarily make listing gains as they are more focused on LIC's long term growth prospectus. Here investors should as far as possible try to make fundamental, technical and financial analysis before investing in upcoming IPO of LIC. There are some investments which are risky and few are not, so depending upon the age and level of income along with the risk bearing capacity the investors should decide the degree of risk to be taken.

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