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IPOs Performance in the Global Market – Researcher's Insight

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Abstract*:* *An Initial Public Offering (IPO) refers to the process through which a corporation offers its shares to the general public for the first time. Initial Public Offerings (IPOs) are often regarded as a pivotal platform for facilitating the expansion and development of a firm. The presence of a robust and thriving initial public offering (IPO) market has significant importance for economic expansion, as it has the potential to invigorate the infusion of capital into emerging enterprises. The basic aim of the Initial Public Offering (IPO) market is to enable companies to get financing at an equitable valuation. The global COVID-19 epidemic has had a profound impact on the social and economic aspects of individuals worldwide. The COVID-19 pandemic has had a significant impact on several sectors, including the capital market, which has not been exempt from its effects. The COVID-19 pandemic resulted in a significant halt to economic activity, particularly impacting the Small and Medium Enterprises (SME) sector, which saw the most severe consequences during this period. Despite the implementation of government stimulus packages aimed at assisting corporations, several businesses nonetheless experienced significant financial losses. This paper examines the Initial Public Offerings (IPOs) that were issued throughout the preceding two fiscal years, namely spanning from April 1, 2020, to March 31, 2022. The research period encompasses both initial public offerings (IPOs) of small and medium-sized enterprises (SMEs) as well as IPOs on the Mainboard. This study seeks to examine the success of initial public offerings (IPOs) on their listing day and assess their reception by the general public within a time characterized by uncertainty*

Keywords: IPO, SME, Mainboard, Market Performance, COVID-19

I. INTRODUCTION

The COVID-19 epidemic has been regarded as one of the most severe global crises in modern history. The global community has witnessed several unique circumstances in which numerous enterprises were effectively closed for extended periods, the economy of various nations experienced significant declines, and individuals remained confined to their residences for prolonged durations.

On March 24th, 2020, the Prime Minister of India implemented a comprehensive nationwide lockdown. The global community has seen several transformations in various aspects of life, economics, and the fortunes of diverse enterprises as a result of the COVID-19 epidemic. The impact of the situation has been felt across all industries, including the stock market. The global stock market had a significant decline due to prevailing conditions of uncertainty. On March 24th, 2020, the BSE Sensex, an index that monitors the 30 largest and most actively traded equities in India, saw a significant decline, reaching its lowest point. Following the government's announcement of stimulus packages on May 17th, 2020, the stock markets exhibited a notable improvement and successfully recuperated a significant portion of their previous losses.

Small and Medium Enterprises (SMEs) are of significant importance in driving the socio-economic development of a nation. Nevertheless, the industry has encountered several obstacles pertaining to the accessibility of necessary financial resources. In order to address this issue, the Bombay Stock Exchange and National Stock Exchange introduced dedicated SME Platforms for Small and Medium Enterprises, known as the BSE SME Platform and NSE Emerge, respectively, in the year 2012. These platforms have successfully attracted promoters from the small and medium-sized enterprise (SME) market, resulting in several firms being listed on these platforms. However, this Small and Medium

Enterprises was badly affected due to COVID 19 pandemic largely because of its scale of operation and availability of financial resources. One of the primary challenges encountered by micro, small, and medium enterprises (MSMEs) is to the acquisition of additional financial resources. The preceding two periods have posed significant challenges for small enterprises as a consequence of the pandemic. Moreover, the Initial Public Offerings (IPOs) initiated by small and medium-sized enterprises (SMEs) have also seen a decline, after a previously observed upward trajectory.

The objective of this current study is to examine the initial public offerings (IPOs) of small and medium-sized enterprises (SMEs) and main board IPOs that occurred during the COVID-19 pandemic subsequent to the implementation of a countrywide lockdown, namely from April 1st, 2020 to March 31st, 2022. This study examines the performance of initial public offerings (IPOs) listed during the COVID-19 era on their listing day. This study also examines the extent of underpricing in initial public offerings (IPOs) of both small and medium-sized enterprises (SMEs) and companies listed on the Mainboard. This paper provides a detailed analysis of the factors that determine the underpricing seen among the selected subjects of the study.

II. LITERATURE REVIEW

Adanan, S.A., Bustamam, K.S., Abd Samad, K., Abdullah Sani, A., Saidin, A., and Mamat (2021) conducted a study on the performance of initial public offerings (IPOs) in Malaysia during the implementation of movement control order. The findings of their research revealed a significant level of underpricing seen during the aforementioned time. Arora and Singh (2021) conducted a research examining the long-term performance of initial public offerings (IPOs) by small and medium-sized enterprises (SMEs). The findings of the study indicated that these IPOs exhibited a higher level of performance compared to other markets. In their 2012 study, Bansal and Khanna examined the notable disparity in the extent of underpricing observed in initial public offerings (IPOs) conducted via the fixed price method versus the book building method. Their findings indicate a discernible distinction in the degree of underpricing exhibited by IPOs issued under each of these approaches.

In their study, Giannopoulos, Degiannakis, Holt, and Pongpoonsuksri (2018) examined the effects of the global economic crisis of 2001 on the performance of initial public offerings (IPOs) in certain countries within the Asia Pacific region. Their findings revealed that the level of underpricing observed in this market exceeded that observed in developed nations. In their study, Gillian van Heerden and Paul Alagidede (2012) examined the performance of initial public offerings (IPOs) on the Johannesburg Stock Exchange between 2006 and 2010. Their findings revealed that the banking sector had the highest level of IPO underpricing. Guntur is a city located in the state of Andhra Pradesh, India.In their study, Anjana Raju and Rudresh R. Kunde (2009) conducted an analysis of the performance of initial public offerings (IPOs) across different sectors. The IPOs under investigation were made between the years 2005 and 2007. The authors discovered that the returns generated by these IPOs were notably substantial. In their paper, Roopa.P and Nishitha.P (2021) conductedIn their scholarly article, Jamaani and Alidarous (2019) elucidated the concept of underwriting, attributing it to the presence of knowledge asymmetry among three key entities: the issuing firm, the underwriter, and the investor.

In their study, Manu and Saini (2020) employed event methodology to examine the determinants of the short-term movement of initial public offerings (IPOs). In a study conducted by Randy Kuswanto (2021), an analysis was conducted on the phenomenon of underpricing in initial public offerings (IPOs) of companies registered on the Indonesia Stock Exchange during the COVID-19 pandemic. The findings of the study indicated that underpricing exhibited statistical significance just on the day of listing, with a subsequent drop in the degree of underpricing seen thereafter. In their study, Mazumder and Saha (2021) conducted an analysis to examine the correlation between the panic surrounding the COVID-19 pandemic and the short-term performance of Initial Public Offerings (IPOs). The study revealed a negative correlation between the dread of the epidemic and the first return.

In a study conducted by P. Ishwara (2009), a sample of 107 firms that underwent public issue between 2007 and 2008 was examined. The findings of the study indicated that the stock market exhibited the influence of market forces and the individual performance of the companies. In their study, Phadke and Kamat (2018) conducted an analysis on the Market Adjusted Abnormal Returns (MAARO) of 239 underpriced Initial Public Offerings (IPOs) that were seen on the National Stock Exchange (NSE) between the years 2000 and 2014. The investigation elucidated the correlation among subscription rate, repo rate, exchange rate, and underpricing level. The investigation revealed that all variables, with the

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exception of the exchange rate, were subjected to regression analysis in relation to the underpricing level. In their 2018 study, Sharma and Gupta primarily examined the efficacy of small and medium-sized enterprise (SME) funding through initial public offerings (IPOs). The research was carried out on a sample of 169 firms. The investigation unveiled that the primary aim of a public issue is to obtain advantageous treatment from financial institutions throughout the borrowing process.

In a study conducted by Dr. Makarand S. Wazal (2020), the author examined the comparative efficiency of small and medium-sized enterprise (SME) initial public offerings (IPOs) and main board IPOs in terms of price discovery. The study focused on the period from 2000 to 2019 and found that SME IPOs exhibited higher levels of underpricing compared to main board IPOs. Additionally, the demand for SME IPOs was observed to be lower in comparison to main board IPOs. In their 2011 study, Banerjee, Dai, and Shrestha examined the influence of country-level variables, such as information asymmetry, enforcement mechanisms, and investor prejudice, on the underpricing of initial public offerings (IPOs) across 36 countries globally. In their article, Gupta and Saini (2016) examined the market-adjusted performance of initial public offerings (IPOs) on the BSE SME Platform from its establishment till the conclusion of 2015. It is apparent that a majority of initial public offerings (IPOs) have demonstrated strong performance and yielded favorable returns in their first stages, however have struggled to sustain this pace over an extended period of time. In their working paper series, Rajvanshi and Sanjeev (2020) conducted a study at IIM Calcutta to analyze the influence of profits on ownership dilution in relation to the underpricing and long-term performance of initial public offerings (IPOs) of small and medium enterprises (SMEs) between 2016 and 2018. The study elucidates that the underpricing observed in initial public offerings (IPOs) might be attributed to changes in ownership.

2.1 Need for the Study

Securing funding is a crucial and intricate task, which holds significance not just for huge corporations but also for small and medium-sized organizations (SMEs). Small and medium-sized enterprises (SMEs) have encountered several difficulties pertaining to the acquisition of sufficient and punctual finance, a situation that has been exacerbated during the ongoing pandemic. The preceding two years have presented significant challenges for all corporations as a result of the COVID-19 epidemic. While several studies have been completed on small and medium-sized enterprise (SME) financing via the capital market, there is a scarcity of research examining their ability to seek funds through public offerings within the ongoing pandemic, as well as the performance of initial public offerings (IPOs) during this period. Several studies have been conducted to demonstrate that numerous prominent corporations successfully obtained funding from the capital market throughout this time period, and a significant number of initial public offerings (IPOs) have exhibited favorable performance. However, there is a scarcity of research undertaken on the initial public offerings (IPOs) of small and medium-sized enterprises (SMEs) that occurred during the era of the pandemic. The objective of this study is to examine the success of initial public offerings (IPOs) issued by small and medium-sized enterprises (SMEs) and compare them with IPOs issued by companies listed on the Mainboard. The study period spans from April 1, 2020, to March 31, 2022. In order to achieve the intended objective, the study encompassed all initial public offerings (IPOs) from both the Mainboard and SME category.

2.2 Objectives of the Study

In order to conduct a comparative analysis of the performance of initial public offerings (IPOs) issued by small and medium enterprises (SMEs) and those issued by companies listed on the mainboard, this study focuses on the period spanning from April 1st, 2020 to March 31st, 2022.

The purpose of this study is to examine if there exists a statistically significant association between the dependent variable of underpricing and the independent factors of subscription times, age of the business, and market return in the context of both SME IPOs and Mainboard IPOs.

III. RESEARCH METHODOLOGY

The research is predominantly reliant on secondary data sources. The data was obtained from many sources, including chittorgarh.com, bseindia.com, moneycontrol.com, and financial express.com. This study examines the success of initial public offerings (IPOs) from small and medium-sized enterprises (SMEs) and those from the Main Board that

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were launched during the COVID-19 epidemic. The study encompasses the time frame spanning from April 1st, 2020 to March 31st, 2022. This study included a sample of 100 initial public offerings (IPOs) from small and medium-sized enterprises (SMEs) and 88 IPOs from companies listed on the Main Board. These IPOs were issued during a certain time period.

Two metrics were utilized to determine the returns from initial public offerings (IPOs), specifically raw returns and market adjusted returns. The calculation of raw returns included determining the percentage difference between the initial share price and the closing price on the day of listing.

Listing day returns = [(Closing price on listing day –Issue Price) / Issue price] * 100

The market-adjusted return refers to the discrepancy between the aforementioned raw returns and the market index return, which is calculated by comparing the closing index value on the IPO's closure date to its listing date. The market index return for SME IPOs is calculated using the S&P BSE SME IPO, whereas the market index return for Main Board IPOs is calculated using the S&P BSE IPO Index.

BSE Sensex Return = [(Closing price of S&P BSE SME IPO Index on listing day –Closing price of S&P BSE SME IPO Index on closing issue date) / Closing price of S&P BSE SME IPO Index on closing issue date] * 100

Market adjusted listing day return = Listing Day return –S&P BSE SME IPO Index

The data was analyzed using statistical methods such as basic averages, percentages, multiple correlation, and multiple regression analysis in order to get meaningful conclusions.

IV. ANALYSIS AND INTERPRETATION

4.1 Comparison of SME IPOs and Mainboard IPOs

Equity financing imposes no further financial obligations on the firm. Therefore, it is often seen as a very advantageous means of securing funding, particularly in times of unpredictability. Mainboard initial public offerings (IPOs) have had significant popularity in India for an extended period and have experienced successful evolution. In contrast, the small and medium enterprise (SME) IPO platform is relatively young, having been established in 2012. Nevertheless, initial public offerings (IPOs) by small and medium-sized enterprises (SMEs) have exhibited commendable performance up until recent times. Table I presents a comparative analysis of the performance of SME IPOs and Mainboard IPOs.

Table I *Comparison of SME IPOs and Main Board IPOs*

Particulars	SME IPOs	Main Board IPOs
Number of Public Issues	Total – 100	Total – 88
Total amount raised (Rs.)	Rs. 1320.18 crore	Rs. 1,79,309.33 crore
Method of Issue	Fixed – 90 Book Built – 10	Fixed – 0 Book Built – 88
Exchange Listed	BSE SME Platform – 59 NSE Emerge – 41	BSE – 88 NSE – 88
Raw Returns	Under Pricing – 71 Over Pricing – 27 No Change – 2	Under Pricing – 64 Over Pricing – 24 No Change – 0
Market Adjusted Returns	Under Pricing – 65 Over Pricing – 35	Under Pricing – 66 Over Pricing – 22
Average Returns	Average Raw Return – 14.64 % Average Market Adjusted Return – 12.69%	Average Raw Return – 31.71% Average Market Adjusted Return -31.75%

Source: *Self computed*

The data shown in Table I indicates that small enterprises made a total of 100 public issues throughout the research period. Among these, 90 issues were conducted using the fixed price mode, whereas only 10 issues were conducted using the book building approach. In contrast, it is noteworthy that out of the 88 public issues conducted by major corporations, all of them were executed using the book building method, with none of the firms opting for fixed pricing option. The utilization of book building method in Mainboard IPOs demonstrates the company's confidence in its ability to attract a larger number of investors and get a higher price range. Indeed, it is accurate to state that the issue price for the majority of initial public offerings (IPOs) was established at the upper end of the price range. However,

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this does not apply to small and medium-sized enterprises (SMEs), as they exhibit confidence just when they establish a fixed pricing and present it to potential investors.

The aggregate funds raised by small and medium-sized enterprises (SMEs) through initial public offerings (IPOs) amounted to Rs. 1320.18 crore, whereas the total funds raised by large corporations through IPOs amounted to Rs. 1,79,309.33 crore. Nevertheless, it is evident from the research that a greater number of small and medium-sized enterprises (SMEs) opted for initial public offerings (IPOs) during the duration of the study.

The data reveals that there are about 59 initial public offerings (IPOs) listed on the BSE SME Platform, while the NSE Emerge Platform has listed 41 IPOs. The data indicates a preference among small enterprises using the BSE SME Platform over the NSE Emerge. In contrast, when it comes to Mainboard Initial Public Offerings (IPOs), all businesses are listed on both the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE).The measurement of underpricing involves assessing the positive return that is created by initial public offerings (IPOs) from the issue price to the closing price on the day of listing. The data indicates that a majority of 71% out of 100 initial public offerings (IPOs) issued by small and medium-sized enterprises (SMEs) are seen to be underpriced. Additionally, 27 IPOs are observed to be overpriced, while 2 IPOs demonstrate no change in their pricing. In contrast, it is seen that 64 out of 88 Mainboard IPOs, accounting for 72.73% of the total, exhibit underpricing, while the remaining 24 IPOs are characterized by overpricing. The findings suggest that a significant proportion of initial public offerings (IPOs) had underpricing over the observed timeframe. This indicates that the closing price on the day of listing exceeded the issue price, resulting in profitable outcomes for investors.

However, when adjusting the raw returns of these issues to the market index, it is shown that 65 out of 100 SME IPOs (65%) were underpriced, whereas 66 out of 88 main board IPOs (75%) were underpriced during the same time.

The table presented above illustrates that, during the pandemic, the quantity of initial public offerings (IPOs) conducted via small and medium-sized enterprise (SME) platforms exceeded the number of IPOs issued through the Mainboard platform of the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Nevertheless, a significant proportion of the initial public offerings (IPOs) managed to yield favorable returns for the investors. Upon analyzing the returns generated by the initial public offerings (IPOs) during the designated research period, it becomes evident that Mainboard IPOs have consistently yielded superior returns in comparison to SME IPOs. The mean unadjusted returns produced by initial public offerings (IPOs) of small and medium-sized enterprises (SMEs) were found to be 14.64%, while the mean returns adjusted for market conditions were calculated to be 12.69%. In contrast, it is seen that Mainboard IPOs had an average raw return of around 31.71% and an average market-adjusted return of 31.75%.

4.2 Multiple Regression Analysis

Numerous regression analysis is a statistical technique employed to examine the association between a single dependent variable and numerous independent variables. This research examines underpricing as the dependent variable. An underpriced share is characterized by a listing day price that exceeds the initial public offering (IPO) issue price.

The independent factors in this study include market return, age of the company, and subscription times. The measurement of market return involves the computation of the market index return, specifically on the closing date of initial public offerings (IPOs) and the listing date of the IPO. The market index return for SME IPOs is calculated using the S&P BSE SME IPO, whereas the market index return for Main Board IPOs is calculated using the S&P BSE IPO Index. The age of a business refers to the duration, measured in years, between its inception and the current period. Subscription timings refers to the frequency with which an Initial Public Offering (IPO) is subscribed during the IPO period. An initial public offering (IPO) is considered oversubscribed when the quantity of shares that an investor desires to purchase exceeds the quantity of shares that are available for allocation.

Regression Model for this particular case is:

Underpricing = b0+ b1+ b2+ b3

b1= Market Return

b2= Age of the Firm

b3= Subscription times

An analysis is conducted to compare and contrast the actions that have been previously undertaken or are presently being pursued in relation to the specific subject matter of the article and the overarching theme of the journal.

SME IPOs: Multiple Regression Analysis

Table: II *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.842	.709	.696	25.123

Source: *Self Computed*

This model elucidates the magnitude of the correlation between the dependent variable and independent variable. The multiple correlation coefficient, denoted as R, is equal to 0.842. This suggests that there exists a strong positive association between the dependent variable of underpricing and the independent factors of market return, age, and subscription times. The coefficient of determination, commonly referred to as R square, has been determined to be 0.709. This implies that the regression model accounts for 70.9% of the variability seen in the data. The analysis suggests that about 70.9% of the observed variability in the dependent variable, underpricing, can be accounted for by the independent factors, namely market return, age, and subscription times.

Table: III *ANOVA*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	103075.503	3	34358.501	54.437	.000
	Residual	42287.941	67	631.163		
	Total	145363.444	70			

Source: *Self Computed*

Based on the information shown in the table, it can be inferred that the p-value is below the predetermined significance level of 0.05, indicating statistical significance of the model.

Table: IV *Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	11.208	5.006		2.239	.028
	Market Return	.083	.287	.020	.290	.773
	Age of the Firm	-.298	.336	-.060	-.888	.378
	Subscription Times	.936	.076	.848	12.328	.000

Source: *Self Computed*

The p-value for the market return is 0.773, which exceeds the predetermined significance level of 0.05. Consequently, there is insufficient evidence to establish a meaningful association between underpricing and market return. The p-value for age is 0.378, indicating that it above the predetermined significance level of 0.05. This study suggests that there is no statistically significant correlation between the age of a corporation and the level of underpricing. The p-value associated with the association between subscription times and underpricing is found to be less than the predetermined significance level of 0.05. Therefore, it can be concluded that there exists a statistically significant relationship between subscription times and underpricing.

Therefore, it is apparent from the regression model that there exists a substantial correlation between the dependent variable, underpricing, and the independent variable, subscription times. However, it is observed that there is no statistically significant correlation between the dependent variable of underpricing and the independent variables of market return and age of the business in the context of small and medium-sized enterprise initial public offerings (SME IPOs).

Mainboard IPOs: Multiple Regression Analysis

Table: V *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694[a]	.481	.455	36.79649

Source: *Self Computed*

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This model quantifies the degree of association between the dependent variable and independent factors. The measure of the multiple correlation coefficient, denoted as R, is seen to be 0.694 in the present model. This indicates the presence of a positive correlation between the dependent variable and the independent factors. The coefficient of determination, denoted as R square, indicates that about 48.1% of the data can be accounted for by the regression model under consideration. This implies that 48.1% of the variability seen in the dependent variable, underpricing, can be accounted for by the independent factors, namely subscription times, age of the company, and market return.

Table: IV *ANOVA*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	75296.414	3	25098.805	18.537	.000b
	Residual	81238.906	60	1353.982		
	Total	156535.320	63			

Source: *Self Computed*

Based on the information shown in the aforementioned table, it is evident that the p-value is smaller than the predetermined significance level of 0.05. This implies that the model exhibits statistical significance.

Table: VII *Coefficients*

	Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	20.833	10.801		1.929	.058
	Market Return	3.934	1.463	.260	2.689	.009
	Age of the Firm	-.491	.355	-.129	-1.382	.172
	Subscription Times	.457	.064	.695	7.194	.000

Source: *Self Computed*

The p-value for the market return is 0.009, which is lower than the alpha level of 0.05. This indicates a statistically significant association between market return and underpricing. The p-value for the age of the firm is 0.172, exceeding the predetermined significance level of 0.05. This suggests that there is no meaningful association between the age of the firm and underpricing. The p-value for the link between underpricing and subscription times is found to be smaller than the predetermined alpha level, indicating a statistically significant association between these variables.

Therefore, it can be inferred from the regression model that there exists a statistically significant association between the dependent variable, underpricing, and the independent variables, namely subscription times and market return, in the context of Mainboard IPOs. Nevertheless, the correlation between the dependent variable of underpricing and the independent variable of company age does not exhibit statistical significance.

V. DISCUSSION

The study findings indicate that the initial public offerings (IPOs) raised through both the SME platform and Mainboard platforms were deemed satisfactory during the duration of the study. This phenomenon occurred in the presence of significant uncertainty and the cautious approach adopted by companies in response to the COVID-19 epidemic. The funds generated via Initial Public Offerings (IPOs) on the Mainboard were much more than those raised through IPOs on the Small and Medium Enterprises (SME) board throughout the duration of the research. This phenomenon is inherent as small and medium-sized enterprises (SMEs) often have lower financial requirements compared to larger corporations, resulting in smaller issue sizes. All of the Initial Public Offerings (IPOs) for Mainboard were conducted using the Book building method.

However, for Small and Medium Enterprises (SME) IPOs, the traditional fixed price method was employed. It is noteworthy that during the study period, all ten companies that opted for IPO through the book building method were able to set their price at the upper price band. All of the initial public offerings (IPOs) for mainboards are posted on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). However, when it comes to small and medium enterprise (SME) IPOs, 59 out of 100 IPOs are placed on the BSE SME platform, while the remaining 41 IPOs are published on the NSE Emerge platform. The data indicates a growing preference among small enterprises for the BSE SME platform.

In the event of Mainboard Initial Public Offerings (IPOs), all the firms were entitled to establish the issue price at the top price range. However, it was observed that the disparity between the upper and lower price bands of most firms was little, typically less than Rs. 5. Nevertheless, starting from March 2021, some companies began offering investors the option to select price bands with a more substantial difference between the higher and lower prices. This is a positive indication as the primary purpose of implementing the book building process for public offerings is to achieve price discovery. This objective can only be realized if investors are provided with the opportunity to select the price. The observed trend also signifies the regained assurance of firms, commencing from March 2021, in their ability to get favorable pricing while offering a wider price range. This confidence was substantiated by the subsequent issuance of initial public offerings (IPOs), all of which were priced at the upper limit of the designated price band.Nevertheless, a notable decline was observed in the initial public offerings (IPOs) on the Mainboard during the first quarter of 2022. This phenomenon may be ascribed to several factors, such as the uncertainty stemming from the third wave of the COVID-19 epidemic, the ongoing conflict between Russia and Ukraine, and the escalating inflation rates.

However, another significant aspect that influenced the primary market was the revisions implemented by the Securities and Exchange Board of India (SEBI) pertaining to the disclosure of the objectives of the offer, changed regulations for credit rating agencies, and amended regulations for price bands. The Securities and Exchange Board of India (SEBI) has implemented a requirement for a 5% limit between the lower and higher price bands.

The analysis reveals that a significant proportion of initial public offerings (IPOs) by small and medium-sized enterprises (SMEs), around 65%, are undervalued on the day of listing, whereas this figure stands at 75% for IPOs on the Mainboard. This suggests that an increased number of Mainboard IPOs are yielding greater returns for investors on the day of their initial listing.

The analysis also reveals that the average returns of Mainboard IPOs are much greater than those of SME IPOs over the observed timeframe. Despite the provision of market making for a duration of three years, it is important to note that SME IPOs still face some challenges. In the context of multiple regression analysis, it was determined that a positive correlation exists between the dependent variable and the independent variables. It is also recognized that in the case of SME IPOs, the independent factors of market return, age, and subscription periods explain 70.9% of the variance in the dependent variable of underpricing. In contrast, this proportion was 48.1% for Mainboard IPOs. The regression model reveals a statistically significant association between the dependent variable of underpricing and the independent variable of subscription times for both SME IPOs and Mainboard IPOs.

However, there is limited evidence of a meaningful association between the dependent variable of underpricing and the independent factors of market return and age of the business in the context of initial public offerings (IPOs) for small and medium-sized enterprises (SMEs). Although there is a notable correlation between underpricing in Mainboard IPOs and market return, no substantial correlation has been observed between underpricing and the age of the business.The analysis demonstrates that subscription periods significantly influence underpricing in both SME and Mainboard IPOs.

When initial public offerings (IPOs) experience oversubscription, investors are unable to obtain the full number of shares they have requested, resulting in unmet demand from investors. Consequently, upon the listing of shares in the market, there is a desire to procure shares on the day of listing, leading to an escalation in share prices and subsequently causing underpricing.

VI. CONCLUSION

During the global economic crisis caused by the COVID-19 pandemic, India too experienced a recession in its economy. However, within these challenging circumstances, the success of Initial Public Offerings (IPOs) emerged as a positive aspect. The success of both Mainstream IPOs and SME IPOs exceeded expectations and demonstrated stronger performance compared to prior years. The returns earned by initial public offerings (IPOs) are deemed to be satisfactory. Nevertheless, it has been observed that Mainboard initial public offerings (IPOs) have exhibited superior returns for investors in comparison to IPOs of small and medium-sized enterprises (SMEs). The frequency of issuances by SME IPOs exceeded that of Mainboard IPOs, suggesting that promoters of small and medium firms are inclined to use the stock market as a means of fulfilling their financial requirements. Despite the relative novelty of the SME platforms on both the BSE and NSE, the founders of SME enterprises recognize that the availability of equity financing options inside the SME sector is advantageous to them, particularly in times of uncertainty. There is an expectation that the performance of Mainboard IPOs would improve in the near future, since an analysis has revealed a reduction in Mainboard IPOs during the first quarter of 2022.

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