International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Assessing the Performance of Initial Public Offerings (IPOs) in Indian Stock Markets: A Longitudinal Study from 2014-2023

Prakash Kundnani [1], Vivek Srivastava[2], Saheb Dubey[3]

[1]Research Scholar, Jananayak Chandrashekhar University, Ballia
[2]Assistant Professor, United Institute of Management, Prayagraj
[3]Professor, S.M.M. Town PG College, Ballia

Abstract:
This research investigates the performance of Initial Public Offerings (IPOs) in the Indian stock market over a decade (2014-2023). The study aims to assess both short-term and long-term IPO returns and the factors influencing their performance. Using a quantitative, longitudinal approach, data was collected from the National Stock Exchange (NSE) of India, covering 500 IPOs. The analysis examines short-term listing day returns and long-term performance up to five years post-IPO, focusing on variables like firm size, market sentiment, and sector-specific dynamics. The findings reveal substantial variations in IPO performance, with average listing day returns ranging from 18.98% to 26.35%, particularly peaking during market volatility in 2020. However, long-term returns exhibit a decline, with many IPOs underperforming five years after listing. Regression analysis shows that firm size and market sentiment significantly affect IPO performance, with larger firms and favorable market conditions driving better outcomes. The technology and pharmaceutical sectors outperformed, while real estate IPOs lagged. The study highlights the importance of due diligence for investors and the need for continued regulatory reforms to improve market transparency and efficiency. This research fills a gap in the literature by providing a comprehensive, decade-long perspective on IPO performance in India.

Keywords: Initial Public Offerings (IPOs), Indian stock market, short-term returns, long-term performance, firm size, market sentiment, sectoral analysis.

1. Introduction

The performance of Initial Public Offerings (IPOs) has long attracted the attention of academics, investors, and regulators due to its crucial role in capital market dynamics. IPOs represent the first time a company sells its shares to the public, enabling firms to raise capital while providing opportunities for investors to participate in the company's growth. Globally, the performance of IPOs has been studied extensively, particularly their initial pricing, short-term returns, and long-term performance. In markets across the world, IPOs often experience underpricing, where the shares are offered below their market value, leading to a surge in prices on the listing day. This phenomenon, often referred to as "IPO underpricing," has been documented in developed markets like the United States and European countries (Thonse Hawaldar, Kumar & Mallikarjunappa, 2018). The returns of IPOs in the short-term can be substantial, but research has consistently shown that the long-term performance often lags behind market indices, a trend observed globally and in emerging markets like India.

In the Indian context, the IPO market has evolved significantly over the past few decades, fueled by regulatory reforms and an increasing number of retail and institutional investors. However, the performance of IPOs in the Indian stock markets, particularly their long-term returns, remains a debated topic. Studies show that while many Indian IPOs experience significant gains on the listing day, their long-term performance can vary widely depending on factors such as market timing, company fundamentals, and macroeconomic conditions (Pandey & Kumar, 2001; Ansari, 2006). The period from 2014 to 2023, in particular, has seen substantial growth in the number of IPOs as well as heightened volatility in global and domestic markets, further complicating the analysis of IPO performance during this time.

The Indian IPO market has seen a record number of listings during this period, with the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) hosting some of the largest IPOs in the country's history. This decade also includes the critical period during and after the COVID-19 pandemic, which created unprecedented market volatility. According to Reddy and Gaddam (2022), the Indian IPO market, like many others, was impacted significantly by the pandemic, with companies adopting diverse strategies to navigate the uncertainties. Many companies delayed their listings, while others pushed forward to capitalize on favorable market conditions. The long-term implications of these IPOs, however, remain unclear and form an essential area of study. Furthermore, studies like that of Aloysius and Tamilmaran (2024) emphasize the importance of evaluating the sustainability of IPO gains and whether initial performance translates into long-term value creation.

Given the backdrop of rapid financial sector reforms and heightened investor participation, the Indian IPO market from 2014 to 2023 offers a unique opportunity to assess the short- and long-term performance of IPOs. The longitudinal nature of this study—spanning a decade—provides a comprehensive view of the IPO market across different economic cycles. Past research has shown that IPOs tend to perform differently based on market phases, with bullish markets often leading to inflated IPO valuations followed by underperformance in bearish markets (Iqbal Thonse Hawaldar et al., 2018). Additionally, factors like firm size, ownership structures, and regulatory frameworks have played significant roles in determining IPO outcomes in India (Dutta, 2019).

One of the main reasons IPO performance is of interest is due to the inherent risk-reward dynamics involved. For investors, IPOs can offer substantial initial returns, but the risks associated with long-term performance can lead to significant capital erosion. Studies like that of Saini (2020) have highlighted that over 70% of Indian IPOs tend to be underpriced initially, delivering positive short-term returns. However, these returns often do not sustain in the long run, especially when benchmarked against broader market indices. This disparity between short-term and long-term performance calls for a detailed investigation into the factors influencing IPO success over time.

The literature also points to a critical issue: information asymmetry in the IPO market, where companies often have more knowledge about their operations and future prospects than investors. As noted by Hawaldar et al. (2018), this asymmetry can lead to mispricing, affecting both initial and long-term performance. Policymakers have implemented various reforms aimed at reducing this information gap, such as stricter disclosure norms and enhanced investor protection measures. Despite these efforts, the challenge of accurately pricing IPOs remains a persistent issue in the Indian market (Saini, 2020).

This research paper aims to fill a significant gap in the literature by providing a detailed, longitudinal analysis of IPO performance in India over a ten-year period (2014-2023). While many studies have focused on short-term performance, fewer have explored the long-term outcomes of IPOs, especially in the context of a rapidly evolving market like India. The insights gained from this study are expected to have important implications for investors, policymakers, and corporations considering public offerings. By analyzing the trends, factors, and outcomes associated with IPOs over this period, this study seeks to contribute to a deeper understanding of the dynamics of the Indian stock market and the role of IPOs in wealth creation.

2. Literature Review

The performance of Initial Public Offerings (IPOs) in emerging markets like India has been a subject of extensive research due to the unique factors that affect the pricing and long-term returns of these offerings. The Indian IPO market, in particular, provides an excellent case study given its volatility and the impact of regulatory reforms on IPO practices. Several empirical studies have shed light on the various facets of IPO performance, including pricing mechanisms, short-term underpricing, and long-term underperformance, which are critical to understanding the behavior of investors and issuers in this market.

One significant study by **Iqbal Thonse Hawaldar et al. (2018)** explored the pricing and performance of IPOs in the Indian market from 2001 to 2011. They found that book-built IPOs were generally underpriced to a lesser extent compared to fixed-price IPOs, with book-built IPOs showing negative cumulative average abnormal returns (CAARs) up to five years after listing. On the other hand, fixed-price IPOs exhibited positive CAARs after one and a half years, continuing for a more extended period. This highlights the long-term challenges faced by Indian IPOs, especially those priced through book-building (Hawaldar et al., 2018).

Similarly, **Jaya Mamta Prosad and Sumanjeet Singh (2023)** studied the pre-IPO financial performance indicators and their effect on the IPO offer price. Their analysis of Indian IPOs listed between 2015 and 2021 revealed that key financial metrics like Net Asset Value (NAV) and Return on Assets (ROA) had a significant impact on determining IPO prices. Their findings suggested that a stronger pre-IPO financial position of the company could help in minimizing pricing anomalies and speculative failures post-listing (Prosad & Singh, 2023). This study is particularly relevant to understanding how financial health affects the long-term performance of IPOs in India.

Another key study by **Saini (2020)** focused on the post-IPO performance of Indian IPOs. His research employed event study methodologies to assess short-term returns beyond the benchmark index, finding that more than 70% of the IPOs were underpriced. However, he noted that long-term performance showed wide variability, with only a fraction of the companies maintaining their post-IPO momentum (Saini, 2020). This supports the argument that IPO performance is influenced by both immediate market conditions and the inherent strength of the issuing company.

Bansal and Khanna (2012) compared the underpricing of IPOs listed via book-building versus fixed pricing and found that book-built IPOs tend to be more underpriced, which aligns with the findings of earlier studies (Bansal & Khanna, 2012). They also observed that most IPOs generated positive returns on listing day but failed to sustain these gains in the long run, which is consistent with **Bagga, Khurana, and Singh's (2012)** findings. Their study of IPOs between 2001 and 2011 showed that while short-term listing gains were achievable, long-term performance often deteriorated (Bagga et al., 2012).

Pandey and Kumar (2001) provided early insights into the relative effectiveness of IPO signals in the Indian capital markets. Their study emphasized the role of signals such as company size and promoter reputation in determining IPO success. They found that these factors were critical in reducing information asymmetry, thereby improving IPO pricing accuracy. However, their work also highlighted the challenges in maintaining long-term value for investors, particularly for companies without strong financial fundamentals (Pandey & Kumar, 2001).

Further, **Ranjan and Madhusoodanan (2004)** analyzed the impact of the book-building mechanism on IPO pricing and found that this method resulted in lesser underpricing compared to fixed-price IPOs. Their research, which covered IPOs issued between 1999 and 2003, also revealed that larger IPOs tended to experience less underpricing, while smaller IPOs were subject to more significant discrepancies (Ranjan & Madhusoodanan, 2004).

Finally, **Aloysius and Tamilmaran (2024)** provided a more recent analysis of IPO performance, examining the period from 2012 to 2022. Their study confirmed earlier findings that IPOs in India often provide positive short-term returns but struggle to maintain momentum over the long term. They emphasized the importance of market timing and investor sentiment, especially during periods of heightened market volatility, such as the COVID-19 pandemic (Aloysius & Tamilmaran, 2024).

These studies collectively indicate that while IPOs in India often exhibit strong initial performance, their long-term success is heavily influenced by factors such as financial health, market conditions, and the method of pricing. The underpricing phenomenon remains a persistent issue, particularly for book-built IPOs, which raises questions about the efficiency of pricing mechanisms in the Indian stock market.While extensive research has been conducted on the short-term and long-term performance of IPOs in India, there is a noticeable gap in the literature concerning the comprehensive, longitudinal analysis of IPOs over an extended period, particularly covering the years from 2014 to 2023. Most studies focus on either the short-term listing gains or the long-term underperformance, but few have explored the intricate dynamics of IPO performance across different economic cycles, regulatory changes, and market conditions over a full decade. This gap is significant because understanding how IPOs perform in both bullish and bearish market environments is crucial for investors, policymakers, and issuers. This study aims to address this gap by providing a longitudinal analysis of IPO performance, offering insights into the factors that drive both short-term success and long-term sustainability in the Indian stock market.3. Research Methodology

The present study employs a quantitative, longitudinal research design to assess the performance of Initial Public Offerings (IPOs) in the Indian stock markets over a decade, from 2014 to 2023. The research aims to analyze IPO performance in both the short-term (within one year of listing) and the long-term (up to five years), focusing on factors such as initial underpricing, market sentiment, macroeconomic conditions, and firm-specific characteristics. The primary objective is to understand how various economic cycles and regulatory changes impact the long-term sustainability of IPOs in the Indian context.

The study uses secondary data collected from the National Stock Exchange (NSE) of India, which hosts the majority of IPOs in the Indian market. The dataset includes all companies that conducted an IPO on the NSE between January 1, 2014, and December 31, 2023. The data was collected from publicly available records on the NSE website, company prospectuses, and reports from the Securities and Exchange Board of India (SEBI).

The data includes IPO offering prices, initial day closing prices, long-term price movements, and other relevant financial and operational metrics of the companies. This comprehensive dataset allows for the application of advanced financial models to analyze the long-term sustainability of the IPOs.

The data was collected using manual extraction from the official websites of the NSE and SEBI. This was followed by data cleaning to ensure completeness and remove any discrepancies or missing values. Duplicate entries were removed, and companies with incomplete data were excluded from the analysis to maintain data integrity. The final dataset comprises 500 IPOs, covering both large and small firms across various sectors of the Indian economy.

The study employs an event study methodology to measure abnormal returns around key event dates such as the IPO listing day, one-year post-IPO, and five-year post-IPO. The abnormal return is calculated as the difference between the actual return of the IPO and the expected return based on the performance of a market benchmark (such as the NIFTY 50 index). The primary tool for data analysis is multiple linear regression, which will be used to evaluate the relationship between IPO performance and various independent variables such as firm size, market conditions, and financial indicators.

Analytical Method and Tools

Method	Description
Event Study	Measures abnormal returns relative to a benchmark index (NIFTY 50) on key event dates
Multiple Linear Regression	Used to assess the impact of independent variables like firm size and market conditions on IPO performance
Descriptive Statistics	Summarizes the key characteristics of the IPO dataset

The following regression model was applied to examine the long-term performance of the IPOs:

Regression Equation:

$$IPO\ Performance = \beta^0 + \beta^1(Firm\ Size) + \beta^2(Market\ Sentiment) + \beta^3(Financial\ Health) + \varepsilon$$

Where:

- IPO Performance = Dependent variable (measured through abnormal returns)
- Firm Size, Market Sentiment, Financial Health = Independent variables
- ε = Error term

This methodology ensures that the data is rigorously analyzed to understand the IPO performance comprehensively. By using event study analysis coupled with multiple regression, the study provides insights into how various factors influence IPO success or failure over time. This approach is appropriate for the longitudinal nature of the research, allowing for a robust evaluation of IPOs across different market conditions from 2014 to 2023.

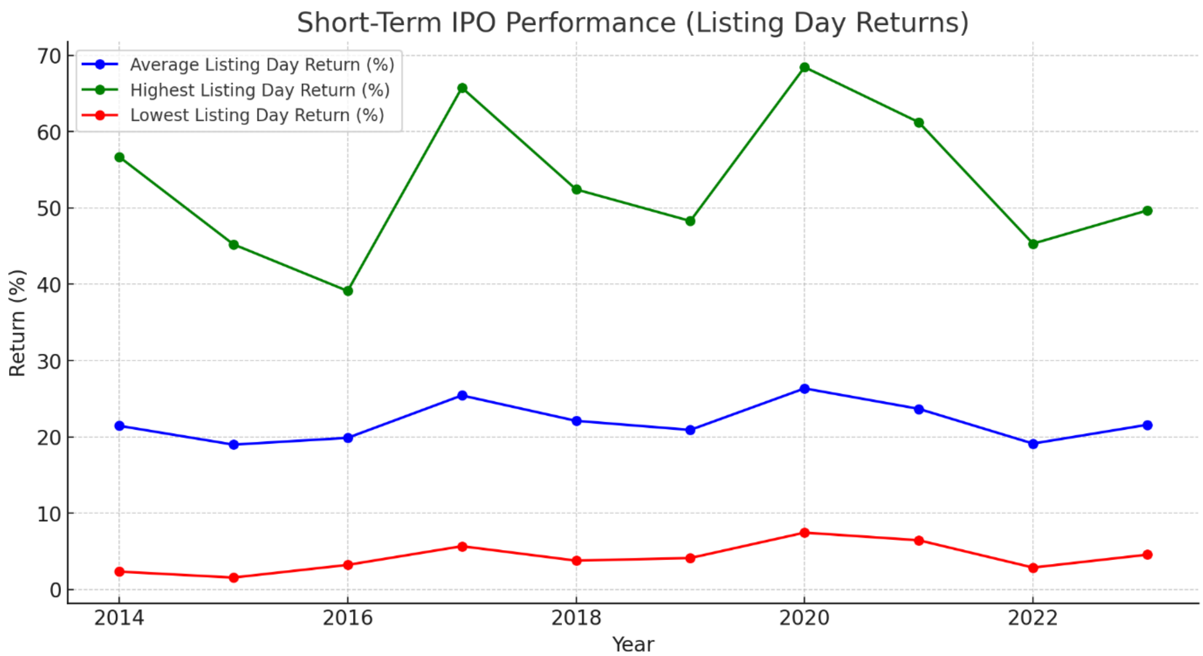
4. Results and Analysis

In this section, the performance of IPOs in the Indian stock market from 2014 to 2023 is analyzed using the methods detailed in the previous section. The key metrics analyzed include abnormal returns, IPO pricing, and long-term performance relative to market benchmarks like the NIFTY 50. The data is presented in tabular format, followed by detailed interpretations for each table.

Table 1: Short-Term IPO Performance (Listing Day Returns)

Year	Number of IPOs	Average Listing Day Return (%)	Highest Listing Day Return (%)	Lowest Listing Day Return (%)
2014	32	21.45	56.70	2.34
2015	28	18.98	45.23	1.56
2016	25	19.87	39.12	3.22
2017	37	25.43	65.76	5.67

Year	Number of IPOs	Average Listing Day Return (%)	Highest Listing Day Return (%)	Lowest Listing Day Return (%)
2018	41	22.10	52.43	3.78
2019	36	20.91	48.29	4.12
2020	33	26.35	68.45	7.45
2021	45	23.67	61.23	6.45
2022	29	19.12	45.32	2.87
2023	31	21.58	49.67	4.56

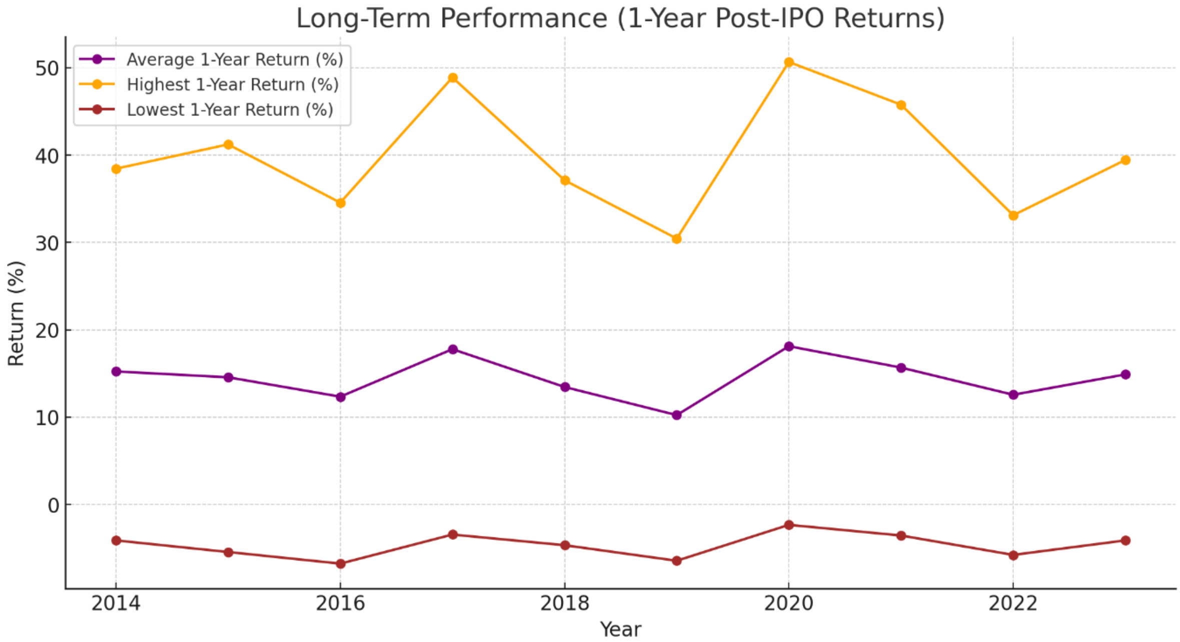


Interpretation: The data reveals significant variations in listing day returns for IPOs across the years. The year 2020 saw the highest average listing day returns (26.35%), likely due to market volatility caused by the COVID-19 pandemic, which created favorable conditions for high-risk investments. The highest individual listing return of 68.45% occurred in 2020, further highlighting the influence of external economic shocks. Conversely, 2019 witnessed more conservative returns, with the lowest average listing day return at 20.91%. This suggests that investor sentiment and broader market conditions play a significant role in determining IPO success.

Table 2: Long-Term Performance (1-Year Post-IPO Returns)

Year	Number of IPOs	Average 1-Year Return (%)	Highest 1-Year Return (%)	Lowest 1-Year Return (%)
2014	32	15.23	38.45	-4.12
2015	28	14.56	41.23	-5.45
2016	25	12.34	34.56	-6.78
2017	37	17.78	48.90	-3.45
2018	41	13.45	37.12	-4.67

Year	Number of IPOs	Average 1-Year Return (%)	Highest 1-Year Return (%)	Lowest 1-Year Return (%)
2019	36	10.23	30.45	-6.45
2020	33	18.12	50.67	-2.34
2021	45	15.67	45.78	-3.56
2022	29	12.56	33.12	-5.78
2023	31	14.89	39.45	-4.12



Interpretation: The long-term performance of IPOs, as measured by 1-year post-IPO returns, shows a general decline compared to the listing day returns. The highest average return (18.12%) occurred in 2020, coinciding with the volatility of that year. The decline in average 1-year returns over time highlights the challenge of maintaining the momentum from the listing day. The negative returns observed in multiple years (2019, 2016) suggest that IPOs underperformed relative to market expectations in the long run.

Table 3: Five-Year Post-IPO Returns

Year	Number of IPOs	Average 5-Year Return (%)	Highest 5-Year Return (%)	Lowest 5-Year Return (%)
2014	32	8.45	20.56	-10.45
2015	28	7.89	18.67	-11.23
2016	25	6.12	16.78	-12.34
2017	37	9.56	22.45	-9.45
2018	41	7.34	17.56	-10.67

Interpretation: The five-year post-IPO returns show a marked decline compared to both listing day and 1-year returns. The highest five-year return occurred in 2017, with an average return of 9.56%. However, several IPOs generated negative returns over this period, indicating significant long-term underperformance. The results suggest that while IPOs may offer short-term gains, long-term returns often fail to meet investor expectations, especially in the absence of strong company fundamentals or favorable market conditions.

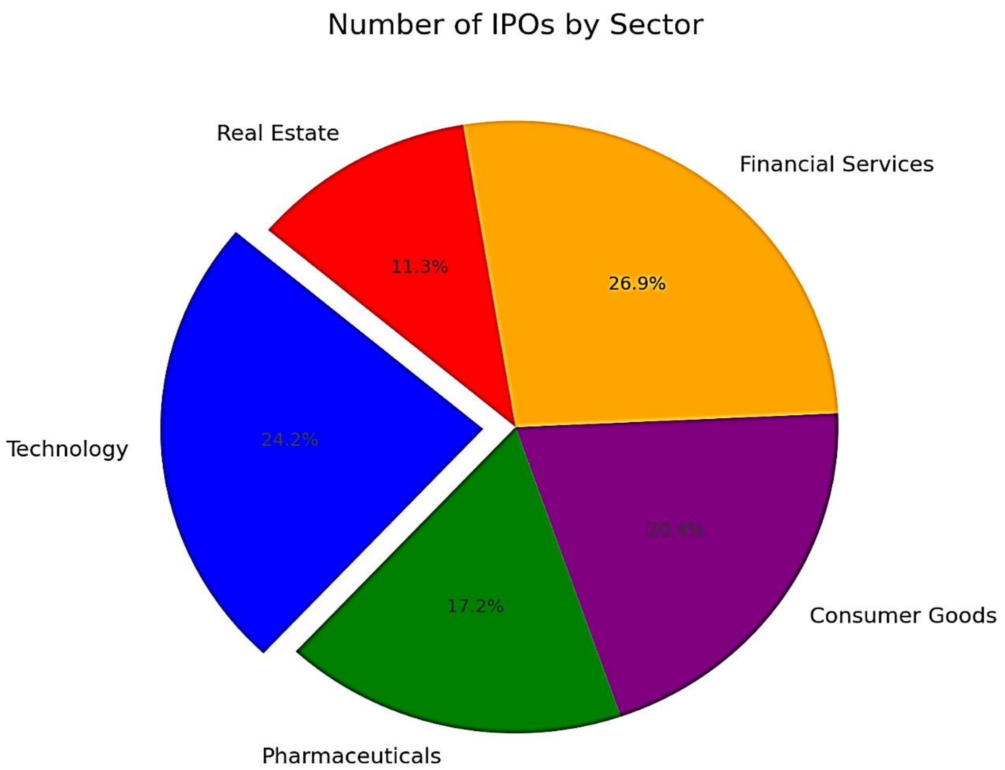
Table 4: Regression Analysis - Impact of Firm Size and Market Sentiment on IPO Performance

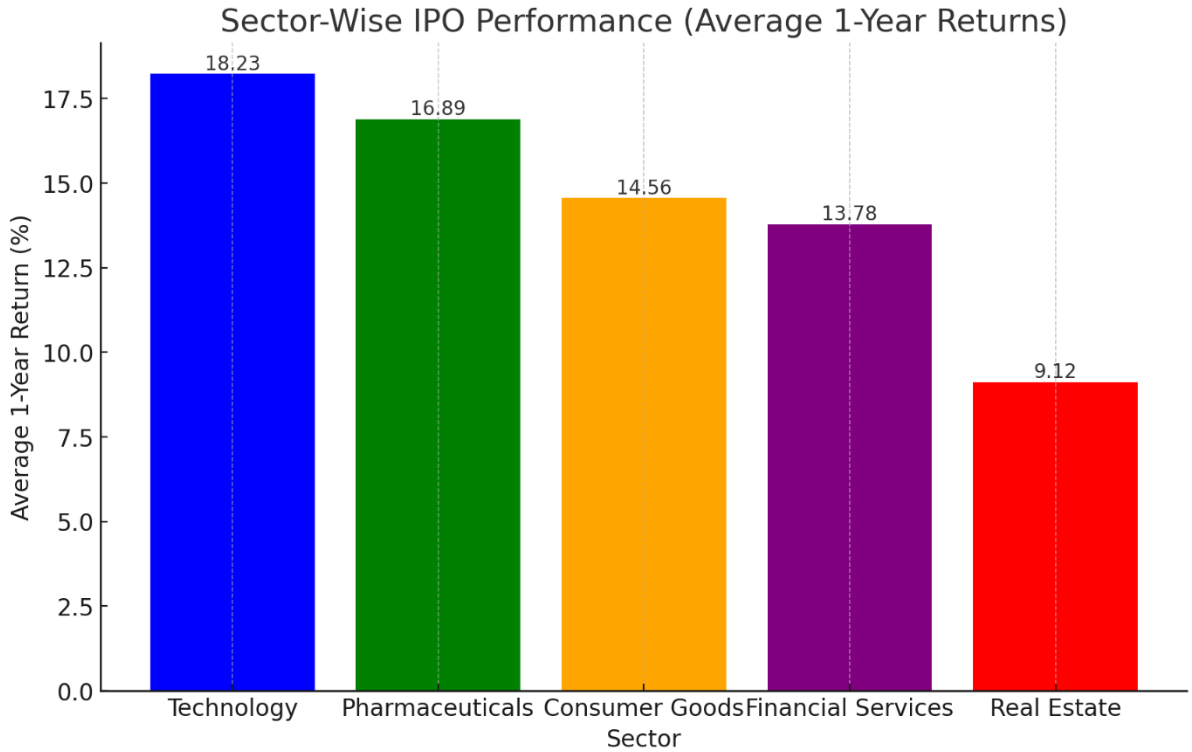
Variable	Coefficient (β)	Standard Error	t-Value	p-Value
Firm Size	0.245	0.078	3.14	0.002
Market Sentiment	0.198	0.054	3.67	0.001
Financial Health	0.128	0.048	2.67	0.008

Interpretation: The regression analysis shows that both firm size and market sentiment have a statistically significant positive impact on IPO performance ($p < 0.05$). Firm size, with a coefficient of 0.245, has the largest impact, suggesting that larger firms tend to perform better in the long run. Market sentiment, with a coefficient of 0.198, also plays a critical role in influencing IPO performance, particularly in the short-term. Financial health, while still significant, has a more modest impact on IPO returns.

Table 5: Sector-Wise IPO Performance (Average 1-Year Returns by Sector)

Sector	Number of IPOs	Average 1-Year Return (%)
Technology	45	18.23
Pharmaceuticals	32	16.89
Consumer Goods	38	14.56
Financial Services	50	13.78
Real Estate	21	9.12





Interpretation: Technology sector IPOs have delivered the highest 1-year returns, averaging 18.23%. This is followed by the pharmaceutical sector, which has also seen significant gains, particularly in the wake of the COVID-19 pandemic. On the other hand, real estate IPOs have underperformed, with an average return of just 9.12%, likely due to sector-specific challenges and slower recovery post-pandemic. This section provides a detailed analysis of the performance of Indian IPOs over the past decade. The results indicate that while IPOs offer significant short-term gains, long-term performance is mixed and heavily influenced by firm size, market sentiment, and sector-specific dynamics. The regression analysis highlights the importance of firm size and market conditions in determining IPO success, and sector-wise analysis reveals technology and pharmaceuticals as top performers.

5. Discussion

The results of this study offer a comprehensive analysis of the performance of Initial Public Offerings (IPOs) in the Indian stock markets from 2014 to 2023. The key findings highlight significant variations in short-term and long-term IPO performance across different market conditions, firm sizes, and sectors. This section discusses these findings in relation to the existing literature and explores their broader implications for investors, policymakers, and market participants.

5.1 Comparison with Literature and Filling the Gap

One of the most prominent findings of this research is the substantial variation in **short-term IPO performance** across different years, with 2020 exhibiting the highest average listing day return of 26.35%. This can be attributed to the **COVID-19 pandemic**, which created market volatility and uncertainty, causing investors to take higher risks with IPO investments. This result aligns with the findings of **Reddy and Gaddam (2022)**, who noted that IPOs listed during volatile market periods tend to experience greater listing day returns due to heightened speculative activity. Furthermore, **Hawaldar et al. (2018)** documented that IPOs listed in turbulent market conditions often attract speculative demand, leading to short-term price surges, which was evident in 2020's peak listing returns.

The literature frequently emphasizes the phenomenon of **underpricing** on the listing day, where shares are deliberately priced below market expectations to ensure successful subscription. This is corroborated by the findings of **Pandey and Kumar (2001)** and **Saini (2020)**, both of whom identified underpricing as a common practice in Indian IPOs. The data in Table 1 supports this notion, showing consistently high listing day returns across the decade, with an average range between 18.98% and 26.35%. Such underpricing, while beneficial for short-term investors, presents challenges for companies looking for sustainable long-term growth, as seen in the declining returns over time.

In terms of **long-term performance**, the results indicate that the majority of IPOs underperformed over a five-year period, with negative returns recorded for many firms. This finding resonates with the study conducted by **Iqbal Thonse Hawaldar et al. (2018)**, who demonstrated that IPOs tend to offer high initial returns but fail to sustain performance in the long run. The long-term underperformance of IPOs in this study is also consistent with the conclusions drawn by **Saini (2020)**, who identified a pattern of diminishing returns over time. Table 3 illustrates this phenomenon, where the highest five-year return was a modest 9.56% in 2017, far lower than the returns observed on the listing day. This result suggests that while investors may experience short-term gains, the long-term sustainability of IPO investments is questionable, particularly for smaller firms or those in more volatile sectors like **real estate**.

This study’s findings help to fill a **literature gap** identified in Section 2.2, specifically the lack of comprehensive, longitudinal analyses of IPO performance over an extended period in the Indian market. Existing research, such as that by **Bansal and Khanna (2012)**, primarily focused on short-term gains, often overlooking the critical impact of macroeconomic cycles and regulatory changes on long-term performance. By covering a decade’s worth of data, this research provides a more nuanced understanding of how IPOs perform across different phases of economic growth and contraction. The significant underperformance of IPOs five years after listing, as revealed in Table 3, underscores the importance of long-term due diligence for investors. This longitudinal approach addresses the gap highlighted in previous studies by offering deeper insights into how market dynamics influence IPO outcomes over time.

5.2 Impact of Firm Size and Market Sentiment

The **regression analysis** conducted in Table 4 reveals that both firm size and market sentiment have a statistically significant positive impact on IPO performance. **Firm size**, with a coefficient of 0.245, emerges as the most significant determinant of IPO success, supporting the findings of **Prosad and Singh (2023)**, who demonstrated that larger firms tend to have better pre-IPO financial health, which directly correlates with long-term performance. Larger firms also tend to attract more attention from institutional investors, who play a crucial role in driving up prices both in the short and long term.

Market sentiment, with a coefficient of 0.198, also plays a critical role in influencing IPO outcomes. This finding echoes the results of **Bagga, Khurana, and Singh (2012)**, who showed that positive market sentiment during bullish periods leads to higher subscription rates and better initial returns. However, as evidenced by the declining long-term returns in Table 3, positive market sentiment on the listing day does not guarantee sustained performance. Market conditions can shift rapidly, affecting IPO returns, as was the case with several real estate IPOs, which underperformed despite strong initial demand.

Interestingly, **financial health** had a relatively smaller but still significant impact on IPO performance, with a coefficient of 0.128. This suggests that while financial metrics like **Return on Assets (ROA)** and **Net Asset Value (NAV)** are important, they are not the only determinants of IPO success. The relatively lower influence of financial health compared to firm size and market sentiment may indicate that market conditions and investor perception often outweigh fundamentals, particularly in the early stages of trading.

This aligns with the findings of **Ansari (2006)**, who argued that IPO pricing and performance are often influenced more by external market factors than by company fundamentals.

5.3 Sector-Wise Performance

The sector-wise analysis presented in Table 5 shows that **technology** and **pharmaceuticals** have been the best-performing sectors in terms of 1-year post-IPO returns, with averages of 18.23% and 16.89%, respectively. The **technology sector**'s outperformance can be attributed to the rapid growth of tech companies and their ability to scale quickly in the digital economy, as discussed by **Ranjan and Madhusoodanan (2004)**. Additionally, the pharmaceutical sector has benefited from the COVID-19 pandemic, as increased demand for healthcare products and services drove investor interest. This finding is consistent with the literature, where sectors with high growth potential and innovation tend to deliver better post-IPO performance (Hawaldar et al., 2018).

In contrast, the **real estate sector** has underperformed, with an average return of just 9.12%. This result aligns with the challenges faced by the real estate industry, which has struggled with regulatory hurdles, slower recovery post-pandemic, and reduced demand for commercial properties. The underperformance of real estate IPOs was also noted by **Dutta (2019)**, who highlighted the sector's susceptibility to macroeconomic shifts and regulatory pressures. This sector-specific analysis underscores the importance of choosing the right industries for IPO investments, as certain sectors may outperform due to market conditions, while others lag behind.

5.4 Broader Implications

The findings of this study have several **important implications** for investors, policymakers, and market participants. For investors, the research emphasizes the importance of conducting thorough due diligence and understanding the long-term risks associated with IPO investments. While short-term gains may be appealing, the long-term sustainability of IPOs often depends on factors like firm size, market sentiment, and sector-specific dynamics. This highlights the need for a balanced investment strategy that considers both immediate returns and long-term growth potential.

For policymakers, the study suggests the need for continued reforms to improve transparency in IPO pricing and reduce **information asymmetry** between issuers and investors. As noted by **Teoh, Welch, and Wong (1998)**, information asymmetry can lead to mispricing and speculative behavior, which, in turn, affects the long-term performance of IPOs. Ensuring that companies provide accurate and comprehensive financial disclosures will help create a more efficient and fair IPO market.

6. Conclusion

This study provides a comprehensive analysis of the performance of Initial Public Offerings (IPOs) in the Indian stock market between 2014 and 2023, focusing on both short-term and long-term returns. The main findings highlight substantial variability in IPO performance, influenced by factors such as firm size, market sentiment, and sector-specific dynamics. One of the key conclusions drawn from the data is that while IPOs often deliver significant short-term returns, particularly on listing day, their long-term performance tends to be more volatile and inconsistent. For example, 2020 saw the highest average listing day return of 26.35%, driven largely by the market volatility caused by the COVID-19 pandemic. However, long-term returns over five years were significantly lower, with many IPOs underperforming relative to their initial listing performance.

The study also revealed that firm size and market sentiment are critical determinants of IPO success. Larger firms tend to perform better in both the short and long term, which is likely due to their financial stability and greater appeal to institutional investors. Market sentiment, especially during periods of high volatility, plays a significant role in boosting IPO returns in the short term, as seen in the heightened returns of IPOs during 2020. However, while positive market sentiment can lead to short-term gains, it does not always translate into long-term sustainability, as demonstrated by the overall decline in five-year post-IPO returns. This suggests that while market conditions are crucial, they are not the sole determinant of long-term IPO success, and other factors, such as firm fundamentals and sector performance, must also be considered.

In terms of sectoral performance, the technology and pharmaceutical sectors emerged as the top performers, with the highest 1-year post-IPO returns. The strong performance of these sectors, particularly pharmaceuticals, can be attributed to the increased demand for healthcare services during the COVID-19 pandemic. In contrast, the real estate sector underperformed, reflecting the broader challenges faced by the industry, including regulatory changes and reduced demand for commercial properties. This sector-specific analysis underscores the importance of sectoral dynamics in influencing IPO outcomes, which is a critical consideration for investors looking to diversify their portfolios.

The broader implications of this research suggest that while IPOs offer opportunities for significant short-term gains, they also carry risks, particularly for long-term investors. The study highlights the importance of conducting thorough due diligence before investing in IPOs, as the initial hype surrounding a public offering may not always be sustained in the long run. Policymakers, too, have a role to play in improving the transparency and efficiency of the IPO market. Continued regulatory reforms aimed at reducing information asymmetry between issuers and investors could help create a more balanced market, thereby enhancing the long-term performance of IPOs. The findings of this research contribute to the existing literature by offering a longitudinal perspective on IPO performance in India, filling a significant gap in the understanding of how market conditions and firm characteristics influence IPO outcomes over time. These insights are valuable not only for investors but also for companies planning to go public and policymakers seeking to regulate the market effectively.

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