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Measuring the Status of IPO Knowledge among University Teachers

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ABSTRACT
This study surveys 118 university teachers to assess their initial public offering (IPO) knowledge. Percentage, mean, standard deviation, chi-square test and one way ANOVA have been used in carrying out analysis of the data. Results show that most of the university teachers have moderate level of IPO knowledge but they lack in attending formal courses or trainings in IPO activities. A one way ANOVA result indicates that there is insignificant effect of types of academic institutions viz. private, public and constituent on IPO knowledge among university teachers at 5 percent level of significance. Furthermore, the study reveals that university teachers are highly influenced and guided towards IPO activities by their self-awareness followed by media, publications, friends and their job experiences.

KEYWORDS: Capital market, IPO knowledge, primary market, university teachers

BACKGROUND

Capital market is one of the major areas of financial market as it facilitates in mobilizing long term capital from individual and institutional savings either directly and indirectly into productive sectors. It mobilizes the savings using financial securities like shares, debentures, bonds, mutual funds, and other financial instruments. If there is any single factor that makes a huge impact in improving the GDP of a country, it is because of the effective mobilization of capital to the Industry and Government. Capital market is the best channel to route the savings into long-term productive use. As such, a developed and vibrant capital market will immensely contribute towards speedy economic growth and development of a country (Nandyala, 2013).

Capital market is divided into primary and secondary markets. The former market deals with originally issued securities mainly initial public offerings where all proceeds from the issue goes to issuing company. Funds mobilized through the primary market constitute investment (Machiraju, 1998). Thus, the primary market allows for the formation of capital in the country and accelerates industrial and economic development (Guruswamy, 2009). The latter market trades secondhand securities that are already traded in the primary market. In such market trading takes place only among investors which does not constitute the real investment at the most.

Initial public offering (IPO) that takes place in the primary market is the focus of this paper where companies and even sometimes government issue their securities cheaply at a fixed rate to the public at large. Potential investors seeking investment in IPOs apply

with due process. While investing in IPOs, investors should be aware of full information about the company and macro environmental variables which influence the return on investment in the long run. But the fact is that IPO investments have been mostly based on a good word of mouth or rumors, hearsay and media frenzy, especially in case of Nepal. The current trend seems that university teachers especially from Pokhara valley are quite attracted to IPO investment of corporate houses. They also, in one way or the other, have access to financial news and publications and even teach several courses of finance and economics and the like, in their respective campus/colleges under different programs. Thus, whether university teachers really keep good knowledge of IPO and play accordingly in the market is the major quest of this paper.

The remainder of this study is organized as review of literature, research methods, results and discussions and summary and conclusions.

REVIEW OF LITERATURE

Economics gives rise to finance and thereby financial literacy, education, knowledge and skill. Financial literacy is the ability to make informed judgments and effective decisions making in money management (Chaulagain, 2017). It means, financial literacy is both about understanding and using money productively. The relationship between literacy or knowledge and management of money or finance is inseparable issues to each other. Thapa and Nepal (2012) state that spending habit, maintaining records, use of saving, managing money in problem, financial services taken and use of additional income are major aspects of financial behavior. As such, various studies of financial literacy or knowledge and financial behavior have been carried out in their different dimensions so far as it is a normal phenomenon that is close to human being.

Thapa and Nepal (2012) carried a survey study of 436 college students on financial literacy in Nepal and found that most of the students have basic level of financial knowledge but they lack in understanding of credit, taxes, share market, financial statement and insurance. They also found that students do not like to use their money in buying jewelry, lending friends and investing in share markets. Both more knowledgeable and less knowledgeable students implement regular savings, but they do not like to invest in IPOs.

Rooij, Lusardi, and Alessie (2007) conducted a household survey to measure numeracy and basic knowledge related to advanced financial knowledge of financial market instruments like stocks, bonds and mutual funds. The study concluded that many households display knowledge of a few financial concepts and basic financial literacy. Moreover, stock market participation is much lower among women than men.

Guiso and Jappelli (2003) carried a survey based on the data on awareness of financial assets for the period 1995 and 1998 and found that the amount of information disseminated and the probability of individuals becoming aware of financial assets are correlated with the probability that, once informed, they will invest in the assets. The public is mostly aware about the capital market and their investment, but they does not have that much of knowledge about capital market investment (Nilayam, 2011). Kadariya, Subedi, Joshi and Nyaupane (2012) found that the equity investors are aware and their level of awareness is high compared to needed level, aware equity investors have more chances of holding high volume of equity investment and there is the problem of access to information for equity investors in the secondary market.

Monticone (2011) found that financial literacy is important in explaining the demand for financial advice, and the relationship between private investors and financial intermediaries providing advice. There is positive association between financial literacy and a preference for financial advisors over informal sources. Moreover, financial

literacy increases the probability of consulting the bank or financial advisor, as opposed to investing without consulting any professional.

Sam and Salami (2013) concluded that the majority of respondents have little knowledge about capital market activities, and that the level of knowledge about capital market activities significantly and directly relates to capital market participation. Schooling, media publications, social interactions, and occupation or profession are all major factors that appear to promote knowledge about capital market activities.

Chaulagain (2017) found that the relationship of financial literacy of small borrowers was significant with their financial attitude and behavior. Kavitha (2015) found that there is a significant relationship between the investors' attitudes and stock market investments. The more positive attitude enhancement strategies are introduced, the more it is easy for local investors to invest in the stock market. Furthermore, there is a significant relationship between the local investor's perception of stock market regulations and their intention to participate in the NSE.

Spaseska, Risteska, Vitanova, Odzaklieska and Riskeska (2016) carried a study on analysis of knowledge about capital market activities in Republic of Macedonia with the sample respondents of 109 including teachers, administrators, student-workers, pretty traders and professionals in various sectors of the economy. They found that public awareness for the existence and effective functioning of the capital market in the Republic of Macedonia is on a very low level.

The above discussion reveals that there is no consistency in the findings of various studies concerning IPO and/or stock market knowledge. Therefore, this study has been conducted to analyse the status of IPO knowledge among university teachers in Pokhara. More specifically, it examines the level of IPO knowledge, attending formal courses/trainings about IPO activities, reading habits of stock market related publications and influence in involving IPO activities.

RESEARCH METHODS

This study is entirely based on survey data. It uses primary data obtained through questionnaires for analysis. So the nature of the study is completely quantitative. Both descriptive cum analytical research design have been followed in the study. This study is based on university teachers from Pokhara Valley.

All the teachers teaching in different campuses or colleges selected from Pokhara Valley (830) are the population of the study. In order to draw samples, first of all, university teachers from various campuses or colleges were stratified into three categories – two constituents (559), two public (159) and three private colleges (112). Then the samples that are stated in parenthesis, were drawn from all the strata using simple random sampling techniques out of defined sampling frame. The sample size has been of 118 teachers from different campuses and colleges. Of these, 41 respondents each were from constituent campuses and private colleges and rest were from public colleges. All the respondents were investors of stock market securities.

After the pilot testing of questionnaire with eight prospective respondents, they were finalized and paid three phases visit to distribute and collect the questionnaires. Altogether 203 questionnaires have been distributed and only 123 filled up questionnaires received back out of which five questionnaires have been rejected due to incomplete and missing answers. Thus, the response rate is only 60.59 percent. The first part of the questionnaire includes demographic variables like sex, faculty, university affiliation and type of academic institutions whereas second part consists of three dichotomous and nine multiple choice questions for measuring IPO knowledge. The third part of the questionnaire is related to influencing factors of IPO investments that consists nine items

of Likert type scaling ranging from "Strongly Disagree, SD", "Disagree, D", "Agree, A" and "Strongly Agree, SA".

The collected responses were coded and analyzed using Statistical Package for Social Sciences (SPSS) software, version 20. The results have been presented in table to generate ideas explicitly on IPO knowledge on the issues as stated among the university teachers. Statistical tools like frequency, percentage, mean and standard deviation were used to describe the characteristics of the data. Chi-square test, and one way ANOVA test were used to measure the significance regarding knowledge of IPO activities.

RESULTS AND DISCUSSIONS

Demographic Characteristics of Respondents

This part mainly describes the detailed profile of the respondents of the study. Of the total respondents, 78 percent are male (92 teachers) while the rest female (26 teachers) respondents. Similarly, most of the respondents are from the faculty of management while non management respondents were very less. Respondents from constituent and private campuses/colleges are 34.7 percent (41 teachers) and the rest are from the public colleges. However, 70.3 percent (83 teachers) respondents participated from Tribhuvan University and the rest from Pokhara University in the study.

Knowledge of IPO Activities

This section deals with the level of knowledge on initial public offering of university teachers using chi-square test and one-way ANOVA.

Table 1. Level of IPO knowledge

		How do you level your knowledge on IPO activities?						
Variable	**Attribute**	**Little knowledge**	**Moderate knowledge**	**Much knowledge**	**Total**	X^2	**df**	**p-value**
Sex	Male	22	60	10	92	3.061	2	0.216
		23.9%	65.2%	10.9%	100%			
	Female	7	13	6	26			
		26.9%	50.0%	23.1%	100%			
Faculty	Management	18	61	10	89	6.840	2	0.033
		20.2%	68.5%	11.2%	100%			
	Non-management	11	12	6	29			
		37.9%	41.4%	20.7%	100%			
University	Tribhuvan University	18	57	8	83	6.221	2	0.045
		21.7%	68.7%	9.6%	100%			
	Pokhara University	11	16	8	35			
		31.4%	45.7%	22.9%	100%			

Source: Field survey, 2018

Table 1 shows that chi-square test of independence to determine an association between male and female teachers is insignificant at 5 percent level. It indicates that the level of IPO knowledge between male and female teachers is not significantly different. However, there is a significant association between management and non-management teachers in their level of IPO knowledge. It implies that management teachers do have higher level of IPO knowledge than that of non-management ones. Similarly, there is a significant association between teachers from Tribhuvan University and Pokhara

University in their level of IPO knowledge. On the whole, university teachers do have moderate level knowledge on IPO activities in Pokhara. This finding contradicts to the finding of Sam and Salami (2013) and Spaseska et. al. (2016) in which they found poor knowledge about capital market activities while Thapa and Nepal (2012) found basic level of financial knowledge.

Table 2. Formal courses/trainings undertaken in IPO activities

		Have you ever taken any formal course/training in IPO activities?					
Variable	**Attribute**	**Yes**	**No**	**Total**	X^2	**df**	**p-value**
Sex	Male	14	78	92	4.861	1	0.027
		15.2%	84.8%	100%			
	Female	9	17	26			
		34.6%	65.4%	100%			
Faculty	Management	12	77	89	8.331	1	0.004
		13.5%	86.5%	100%			
	Non-management	11	18	29			
		37.9%	62.1%	100%			
University	Tribhuvan University	10	73	83	9.88	1	0.002
		12.0%	88.0%	100%			
	Pokhara University	13	22	35			
		37.1%	62.9%	100%			

Source: Field survey, 2018

Table 2 reveals a chi-square test of independence is significant between male and female teachers in undertaking formal courses/trainings about IPO activities. Contingency table shows that female teachers have taken more formal courses/trainings than that of male ones. Similarly, there is a significant association between management and non-management teachers in undertaking formal courses/trainings about IPO activities. Non-management teachers have taken more formal courses/trainings than management teachers. Likewise, a significant association is found between teachers from Tribhuvan Unviersity and Pokhara University. This indicates that Pokhara University teachers do undertake more formal courses/trainings than Tribhuvan University teachers. On the whole, majority of the university teachers do not have undertaken any formal courses/trainings about the IPO activities in Pokhara.

Table 3. Reading habits about stock market publications

		Have you read any publications about sto					
Variable	**Attribute**	**Yes**	**No**	**Total**	X^2	**df**	**p-value**
Sex	Male	76	16	92	3.602	1	0.058
		82.6%	17.4%	100%			
	Female	17	9	26			
		65.4%	34.6%	100%			
Faculty	Management	74	15	89	4.071	1	0.044
		83.1%	16.9%	100%			

	Non-management	19	10	29			
		65.5%	34.5%	100%			
University	Tribhuvan University	65	18	83	0.042	1	0.834
		78.3%	21.7%	100%			
	Pokhara University	28	7	35			
		80.0%	20.0%	100%			

Source: Field survey, 2018

Table 3 indicates that a chi-square test of independence is not significant between male and female teachers about their reading habits of stock market publications at 5 percent level of significance. It implies that both male and female university teachers do not have association in reading habits about stock market publications. Similarly, there is also an insignificant association between Tribhuvan University teachers with that of Pokhara University teachers about their reading habits of stock market publications. However, there is a significant association between management and non-management teachers about their reading habits of stock market publications. It implies that management teachers do have more reading habits than that of non-management ones about the stock market publications. On the whole, majority of the university teachers do have relatively a high degree of reading habits about the stock market publications in Pokhara.

Table 4. One way ANOVA test for testing equality of mean IPO Knowledge across types academic institutions

Type of academic institution	Mean	Std. Deviation	N
Private	6.44	1.66	41
Public	6.75	1.18	36
Constituent	6.90	1.64	41
Total	**6.69**	**1.52**	**118**

F-value = 0.984, df = 2, 115 and p-value = 0.377

Source: Field survey, 2018

Table 4 indicates that a one way ANOVA to compare the effect of types of academic institution - private, public and constituent is insignificant on IPO knowledge at 5 percent level of significance. Post hoc comparisons using the LSD test also indicated that the mean IPO knowledge across different types of academic institutions of universities is found insignificant at all pairs. These results suggest that types of academic institutions do not have an effect on IPO knowledge among university teachers.

Table 5. Influence in IPO knowledge

Score	Parents	Self-awareness	Friends/ neighbors	Books/ publications	Job experience	Media	Stock brokers	Bankers	Word-of-mouth
Mean	1.5	3.15	2.77	2.88	2.5	2.98	1.95	2.12	2.39

Theoretical mean = 2.50

Source: Field survey, 2018

There are several influential factors that guide in IPO knowledge of the university teachers as stated in Table 5. Self-awareness followed by media, publications, friends and job experience mainly guide and influence university teachers, as their mean score is above the theoretical mean value. However, parents, stock brokers, bankers, word-of-mouth are least influential factors in gaining knowledge of IPO activities. This is consistent with the findings of Kadariya et al. (2012) in which they found equity investors are aware of stock market information including publication of economic issues, company disclosure requirements and broker firm trading and also found that their level of awareness is high compared to needed level. Similarly, it is consistent with the study findings of Sam and Salami (2013) in which they found media, publications and occupation are the major factors to promote knowledge about capital market activities. These facts suggests that university teachers are not explicitly guided by their parents and also do not depend on word-of-mouth, but they are self-aware and educated.

SUMMARY AND CONCLUSIONS

This study analyzed the university teachers' knowledge on IPO activities. From different campuses and colleges in two universities viz. Tribhvan University and Pokhara University located at Pokhara Valley, 118 teachers were selected and a questionnaire was surveyed among them. The collected data have been described by percentage; mean and standard deviation and statistical significance tested using chi-square test, and one way ANOVA.

The study found that university teachers are of moderate knowledge in IPO activities. In particular, they have good reading habits about capital market publications to gain knowledge though they do not attend formal courses and trainings programs. They mainly learn about IPO activities through their self-awareness, media, publications and friends. However, parents, stock brokers, bankers, word-of-mouth are least influential factors in gaining knowledge of IPO activities.

Due to poor knowledge of stock market, most of the teachers have been failed to fill up and return the questionnaire which is one of the serious limitations of the study. Analysis of IPO knowledge using only quantitative data, confining study only with the university teachers within Pokhara Valley and sample respondents of only 118 teachers from different campuses or colleges are the major delimitations of the study.

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