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A Reviews on Behaviour of Investors in Deciding the Size of An IPO in the Tier-1 Cities of UP A Special Reference to Lucknow and Noida

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ABSTRACT

This research examines how behavioural and psychological factors influence investment decisions related to Initial Public Offerings (IPOs) in the emerging financial hubs of Lucknow and Noida, located in Tier-I cities of Uttar Pradesh. The classical financial theories assume rational decision-making, behavioural finance reveals that emotions such as optimism, overconfidence, herd behaviour, and subjective risk perception strongly shape investor actions. The study evaluates how these behavioural traits affect issuers and underwriters' decisions regarding IPO issue size. Using primary data from retail investors and financial intermediaries, supported by secondary data from NSE, BSE, and SEBI, the analysis highlights the role of investor sentiment, financial literacy, and market conditions in framing IPO decisions. This paper explores the sentiment and herding have a significant influence on IPO structuring, whereas issuers demonstrate relatively lower sensitivity to risk aversion and uncertainty when determining issue size. The research emphasizes the importance of integrating behavioural insights into IPO planning, pricing policies, and regulatory frameworks to enhance investor confidence and overall capital-market efficiency.

Keywords: *Investor Behaviour, Initial Public Offering (IPO), Behavioural Finance, Tier-I Cities of Uttar Pradesh.*

1. Introduction

The behaviour of investors is important for the formation and functioning of financial markets as well as for the success of corporate fund-raising such as Initial Public Offerings (IPOs). An I.P.O. is the first sale of a company's shares to the public and is considered an important stage in its financial development. The magnitude of an IPO's size–measured by the amount of total capital raised and the number of shares offered not only conveys information about the firm's' fundamental value and

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financial health, but also market mood reflecting investor market sentiment or herding behaviour [1]. According to conventional financial theories, investors make investment decisions that are rational and based upon information; however, behavioural finance empirically shows that emotions, subconscious cognitive habits, and social influences often drive the decision-making process. Overconfidence, herding, the perception of risk and market optimism are some of the major factors influencing how investors assess new issues and whether there will be interest in them. With the presence of growth economies such as India, Tier-I cities are increasingly bustling with retail and institutional deal activity [2]. City trees like Lucknow and Noida, which are the epitomes of financial buoyancy in Uttar Pradesh, have seen an uptick in investor awareness on account of enhanced financial education, digital trading platforms, and exposure to capital markets. But investors' prevailing nature in these cities could be different from that of metropolitan centers such as Mumbai or Delhi due to differences in social and economic variables, with the availability of information and the local market sentiments playing their part [3]. There has been a massive surge in India's IPO market over the past couple of years with companies rushing to raise money from public markets on high market sentiments. IPO size is frequently revised in accordance with investor bids, subscription figures and expected market reaction. Issuers and underwriters are more likely to price larger offerings when investor confidence is high, expecting the issues to be oversubscribed as well as offered better market outcomes. In contrast, in less certain or bearish markets, IPO sizes are frequently scaled back to reduce risks [4]. That behavioural characteristics such as retail subscription activity, premium in grey markets (GMP) and online search activity reflect the collective investor psyche provides further reason to examine on their role in influencing IPO parameters. This study is an attempt to understand the influence of investor psychology on IPO status in Tier-I cities of UP such as Lucknow and Noida. It aims to assess behavioural stimuli (such as sentiment, risk appetite, herding and over-confidence) that drive investor decisions, which in turn may shape how issuers adjust their IPO offerings. Combining the framework with behaviour finance and market evidence, the study seeks to illustrate how psychological and social factors influence IPO size in regional financial systems [5]. The results are anticipated to provide useful lessons for policy makers and financial institutions who wish to promote more informed and diversified participation in capital markets, with a view to sustainable development of India??s investment environment [6].

1.1 Influence of Investor Behaviour on Financial Decisions

Investor trading behavior is an important factor that drives the fluctuations in financial markets and corporate financing choices. Classical financial theory is based on the underlying assumption that investors behave rationally; making their investment decisions based purely upon fact and applying logical analysis, but as we have learned from behavioural finance, emotions, attitudes, and psychological bias play a large part in how investors react to opportunities such as IPOs. Considerations like optimism, FOMO, overconfidence and following the crowd tend to trump rational judgement as investors make a bee line for the market or simply do what others are doing rather that thinking for themselves. While investor sentiment is more positive and they display increasing optimism, demand for IPOs usually increases with it; companies and underwriters will usually look to increase the size of their offerings to maximize value [7]. When beliefs are low or mixed, the issue size will be reduced because of risk aversion on the part of investors. This sort of behavioural interaction not only influences the subscription rates, but also the pricing mechanism, allocation process, or post-listing performance of IPOs. So, it is important for issuers, regulators, and policy makers to know about the psychologies of investors when trying to predict their response in the market place, type of IPOs as well as how risk can be managed through appropriate mechanism and that IPO decisions make economic sense are not compatible with behavioural reality [8].

1.2 Importance of IPO Size Determination

The decision about what size of the Initial Public Offering (IPO) is one of the most important strategic decisions with which a firm faces when going public. The size of the IPO is indicative of the full amount (in terms of capital) that a company aspires to raise from public markets and is symbolic in nature, which reflects the growth ambition for the firm, financial power base and market confidence. A properly sized IPO ensures that the issue receives adequate investor demand and does not get under-subscribed or dilute ownership too much. Accordingly, the amount of an IPO itself is not just a monetary calculation, but rather indicative of market feeling and investor psychology-reflecting the times. This decision is primarily influenced by investor behaviour. In phases of a bull or positive market, open-makers are more optimistic and take risks creating conducive conditions for companies to come out with bigger public issues. In such situation, strong demand from institutional and retail investors leads issuers and underwriters to upsize the offering in expectation of oversubscription and a higher valuation [9]. On the other hand, when investors are not only unsure of but also uneasy about the market, there is a tendency for them to shy away from new offerings. In such cases, the issuer may opt to lower the size of the IPO to corresponding reduced forecasted demand and secure a successful subscription. The perception of investor confidence, market liquidity and recent IPO performance will also impact the way companies and merchant bankers' price their offerings. Externally, cues in terms of grey market premiums (GMP), anchor investor interest, and subscriptions help issuers to calibrate the size of the IPO before it is listed. Therefore, the decision of IPO size is not only based on financial foundations but also entails a strategic trade-off between market demand, investor sentiment and long-run corporate goals. A realistic identification of such behavioural and financial aspects would lead to a successful IPO, adding shareholder confidence and improving the market stability and integration [10].

1.3 Growing Investment Activity in Tier-I Cities of Uttar Pradesh

Investment Due to its location in North India, the region has experienced growth in investment inflow in recent years especially in Lucknow and Noida which have become leading financial hubs of north India. Highlights: These cities have undergone rapid change, underlain growing financial literacy and growing middle-class earning power as well as access to online trading and investment platforms. Advent of digital technology and mobile app-based platforms has enabled more people to invest in capital markets, leading to a surge in retail investors. With better internet connectivity and awareness campaigns by regulators including SEBI, NSE a new breed of investors from these cities are now playing actively in the IPO market and stock market trading. Being a part of Delhi-NCR, Noida enjoys close proximity to premier financial hubs, corporate centeras and brokerage firms, on

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the other hand when it comes to Lucknow due to being capital city of Uttar Pradesh has become an emerging center for financial services and entrepreneurial ventures. The increasing investor population in such cities mirror the transition from savings-oriented to market-driven avenues of wealth creation [11].

1.4 Need for Behavioural Analysis in Regional IPO Markets

It has become increasingly necessary to understand the behaviour of investors in order to examine today´s financial markets, especially when considering Initial Public Offerings (IPOs). Whereas traditional finance is predicated on rational decision-making and market fundamentals, behavioural finance argues that human cognitive biases, emotions, and social factors frequently guide investor decisions. In local markets such as Lucknow and Noida where participation of retail investors is increasing, understanding the behaviour becomes important for predicting market response and formulating with efficient IPO strategies. The need for behavioural analysis in regional IPO markets arises due to several important factors as discussed below.

Local Investment Trends Identification: Each area has different investment styles that are determined by culture, social atmosphere, and economic background. In case of cities like Lucknow and Noida, variables such as regional incomes, exposure to financial literacy programmes and community-based investment norms dictate the rates with which different people respond towards IPOs. The investors in tech-centric urban areas such as Noida, may have a higher risk appetite and rely more on digital trading tips than those invested in Lucknow who could be more dependent on the traditional advice and investing that give them long-term security. Identifying these local differences enables companies and underwriters to better tailor an IPO campaign that appeals to the tastes, expectations, and wallets of investors in each city. Such awareness aids in increasing the success of investor relations, advertisement targeting as well as participation levels with new public issues [12].

Measuring Investor Sentiment and Risk Aversion: Both investor sentiment and risk perception are at the heart of IPO behaviour. In frothy market environments, positive sentiments such as optimism and over-confidence can cause investors to “extrapolate” the superior-sized IPOs and trade in a more aggressive fashion. Conversely, in turbulent or uncertain times there can be fear and doubt leading to lower levels of participation. Behavioural analysis assists in recognizing these emotional patterns and their intensity in different areas, which allows companies to strategically plan when to launch an IPO. Issuers who monitor the sentiment indicators closely and take action to alter offerings around market feedbacks could potentially use shifting investor sentiment about size, price range or allocation strategies to their advantage.

Enhanced Policy and Regulatory Frameworks: Behavioural insights can help policymakers and regulators such as the Securities and Exchange Board of India (SEBI) design more effective, locally relevant interventions. Understanding the psychological and informational obstacles that investors experience in Tier-I cities of Uttar Pradesh can help develop financial literacy programs to alleviate decision-making biases, herd mentality, and miscommunication on investment avenues. Behavioural

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research may also provide guidance on how to better frame the IPO disclosure rules and investor protections in a way that could make them more transparent, believable, or trustworthy. These policy measures based on information will contribute to sustainable participation, suppress speculative investment, and stabilize the regional financial ecosystem.

Key Issues in Issuer and Underwriter Decision-Making: Making sense of such behaviour helps companies and merchant bankers to plan effective IPOs. Based on the behaviour factors like over confidence, herd behaviour and past investment experience of investors in Lucknow and Noida, the issuers can better decide What should be the size and timing of issue, how to market such issues etc. Predicting behaviour cues lead to precursor of subscription levels and predict variations in demand so that you can mitigate the risks such as subway or over-subscription. Behavioural insights also inform the communication approach, enabling issuers to create messages consistent with investors' motivations and risk tolerances. As a result, the use of such proximities provides enhanced precision in price as well as better market reaction and investor satisfaction relating to the IPO, which are of value in ensuring success on the long run [13].

2. Reviews of Literature

Jhawar and Jain (2025) had investigated investment behaviour of retail investor in Indian Capital Market through Initial Public Offerings (IPO). They also examined the returns to these investments at day of listing from data between January 2021 and December 2023. The academics had discovered that individual investors flocked to IPOs because they could make significant short-term profits. It was observed that firms generally retained a small allocation for retail investors on their issues. Retail investors were hungry for IPOs during the study period, and the vast majority of issues were oversubscribed. Curiously, most of the IPOs had delivered good listing-day gains to retail investors. The researchers had inferred that the oversubscription trends and positive results observed and Conclusion In this research the authors concluded, Considering the oversubscription trend and beneficial results, rise in participation of retail investors was… Indian Capital Market is expected to have effects on economic growth of India leading to fulfilment aspired by government towards "Third Largest economy vision" for India & "Vision Viksit Bharat 2047".

Pasanen (2025) had written a thesis approach based on the literature, addressing valuation of Initial Public Offerings (IPOs) and highlighting methods to value, accounting effects, and market behaviour. The research added that these factors played a vital role in the IPO pricing, as well as the information asymmetry and agency cost. The author had studied valuation basics and its decisionzed application by money managers in IPO. In addition, the dissertation had investigated how accounting information and market responses were influenced by valuation actions. The most common subjects were valuation, accounting-based information, and agency matters. The article had outlined the academic trends and consensus of IPO valuation through a comprehensive review of the literature, ending with an examination of our results and recommendations for future research.

Siwach & R. P. K. (2025) like to articulate an understanding of the domain by accumulating and integrating Bibliometric analysis with a Systematic Literature Review driven approach on Initial Public Offerings (IPOs) pricing and performance research. They conducted their study based on

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publication records of more than 30 years (1989–2020), which were obtained from Scopus and Web of Science databases. They had studied the intellectual structure of IPO research by means of keyword co-occurrence and bibliometric coupling analysis. The researchers had based their study on four major issues IPO pricing and short run performance, IPO long term performance and the role of intermediaries, venture capital financing and top management, political connections, and litigation risks. Their results had established the organizational transition for examining research in IPO at different stages, and indicated that academic attention would increase during recent time. Moreover, they also formulated interesting prospects for future research on corporate governance, earnings management and investor sentiment related to the performance of IPOs as well as they stressed the opportunity for testing different models of firm theories on SME IPO platforms with alternative regulation framework. The authors indicated that it was the first-of-kind study in attempting to use both bibliometric analysis and systematic review aimed at quantitatively and qualitatively synthesise the literature on IPO pricing and performance published between 1989 and 2020.

Agustina and Clara (2025) had done a study that aimed to analyse IPO dynamics in one of Asia emerging markets, Indonesia. The authors had investigated the behavioural dimensions of IPO, under-pricing and overpricing specifically, by employing data extracted from companies traded in IDX during January 2015 to June 2019. The writers had utilized a single variable ordinary least regression along with cross section analysis to examine the factors influencing IPO performance. As the results indicated, in most cases, IPOs were underpriced while overpricing also existed. The research had adopted a comprehensive conceptual frame that included the variables for firm age, gap of day, risk, hot periods, corporate social responsibility (CSR) and privatization to find influential factors; in contrast IPO size, investor sentiment lead underwriter ranking, market volatility and board listings had no effect. The study was carried out during a time of market volatility and the US–China trade war, suggesting its literature contribution had been on offering new evidence from developing countries such as Indonesia in addition to extending the signalling theory by examining CSR effects regarding IPO under-pricing performance.

Timalsena and Nyaupane (2024) The study investigates investment decisions of undergraduate students addressing their IPOs participation. Information had been collected with the use of compacted questionnaires in a sample of 321 students out of a total number 1476 from management, humanities, and education faculties over two months period, extending from April 1 to June 1, year 2024. The study design was exploratory, and researchers had used the quantitative method of analysis. Their finding suggested that students from the management faculty were more likely than their counterparts in humanities and education faculties to invest in IPOs. Third- and fourth-year students had also been found to be generally more involved in the activities of IPOs than first and second-year students. The study had some that gender differences in investment behaviour (men - more active on IPO's than women). But the influence of parents' education and profession were not so evident on students' investment behaviour. The authors had concluded that introduce targeted educational programs to improve knowledge about financial literacy and facilitate the making of informed investment decision among students.

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Natesh et al. (2024) sought to determine and measure the stimuli that are responsible for investors' participation in Initial Public Offerings (IPOs), with emphasis on how motivations differed among investors vis a vis level of sophistication in stock market. The primary interest of this investigation was to determine the relationship between expected similarities in IPO investors and non-IPO investors (along with expectations of compensation) for inferring investor behaviour and expectations. Using an exploratory mixed method of quantitative and qualitative approach, the study had used primary data which was solicited from 84 stock market investors in Bangalore. The analysis, using statistical tools such as frequency tables, crosstab analysis, descriptive statistics, chi-square tests, factor analysis, and Kruskal-Wallis H test showed that experienced investors gave more importance to long-term growth and diversification and less importance to short term gains than the less experience d investor s. It had also discovered such relationship between higher experience and more expecting returns that came along with seasoned investors were less pessimistic to the investment from IPOs. Nevertheless, the study was not without limitations including potential for response bias in self-reported data, limited sample size, and cross-sectional design that did not allow market evolution to be tracked over time. The research was previously prized for originality in the combined-methods study of the multi-dimensional determinants of IPO investment responders, which has extended body of the knowledge for researchers, practitioners and policy makers relating to understanding how investor experiences have influenced on the investment motive and expected outcome.

Chowdhury et al. (2024) detected the fundamental problems of behaviour biases for stock market participation and individual investor issues in Bangladesh. The research had revealed a number of behavioural biases affecting the stock market participation decisions of individuals, the means by which they attempt to overcome those biases, and highlighted the role of financial consciousness in encouraging investor participation. Qualitative semi-structured interviews of industry researchers, retail investors, brokers and institutional advisors have been undertaken. thirteen of twenty-two consulted experts had agreed to participate. Data had been interpreted using thematic analysis. Based on the results, biases like risk tolerance, loss aversion, confidence/trust, herding and gambler's fallacy were found to be critical in influencing investors' participation decisions in Bangladesh stock market. Ingestion factors such as weak corporate governance and agency costs also contributed to participation, in addition to investment risks, poor infrastructure, lack of regulatory enforcement and inadequate product offerings. Although the sample was small, the study had attained data saturation and yielded significant findings. Yes, Even more! The authors recommended an extension of this research with a quantitative or experimental method on a larger sample to confirm their findings. This was each ground-breaking, having been providing an invaluable clue into the warings of investor behaviour and could have touched upon ignored psychological biases that may too be important in other Sefton Asian markets.

Tamilselvan et al. (2023) had also explored the extent of awareness of investors on equity investment in the capital market. The focus of their work was however to assess the effect of socio-economic variables on investors' decisions and investment in equity. The study had been conducted in Coimbatore city of Tamil Nadu and the sample size was 100. Materials and methods A descriptive research design was used to conduct the study, while primary data was collected by a

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structured questionnaire through the schedule method. The investigator used the tool of convenient sampling, and data analysis was done by statistical tool viz; Weighted average and Regression. It was noted that while socio-economic variables such as educational attainment, occupation, income and investment experience were found to be major determinant of decision on equity investment, the influence of age has not been significant. Moreover, it was noted that individual investors had significant awareness levels in the area of their rights as equity investor's stock management agencies guidelines; SEBI rules and investor security fund (IPF) system affected their investment harvest.

Tamilselvan et al. (2023) has investigated to analyse the level of perception of investors regarding equity investment in capital market. Their research was primarily focused on how the socio-economic factors influence investors' investment preference and also their behaviour of making decisions on stock investments. The survey had been conducted at Coimbatore city, Tamil Nadu and the sample size was 100. Research design Descriptive research design was used and primary data had been collected through structured questionnaire by schedule method because convenient sampling method was utilized. The accumulated information was analysed and interpreted by means of statistical techniques, especially weighted averages and regression analysis. The findings had indicated that social economic factors such as education, occupation, income and past experience with the capital market negatively influenced investors' decision towards investing in equities while age did not have significantly influence. Also, it was found that retail/small investor were very well aware the matters related to Shareholder Rights, Stock Exchange working, SEBI Guidelines and IPF thereby showing good level of investors' knowledge in investments among investors.

Yadav & Chakraborty (2023) have investigated a traditional behavioural economics issue of the influence of investor sentiment on stock returns. Their review had found 107 papers which were analysed according to the year of publication, journal, country of sample data collection, study design, methods used for analysis and citation frequency. The literature review showed that there was limited research examining sentiment–return relationship in emerging markets. Furthermore, it had also noted that no consensus existed on the precise nature of this relationship and that a clear separation between rational and irrational components of investor sentiment remained to be drawn. The authors also questioned whether investors would be successful in hedging the risks for the future and where observed return patterns were due to lead-lag effects or just from overly optimistic market participants.

Tamang (2022) wanted to investigate the investment decision behaviour of Nepalese allocators in Initial Public Offerings (IPOs). The research had been qualitative in design and used semi-structured interviews as a means for exploring how six young Nepalese investors perceive their investment decisions. Through the use of interpretative phenomenological analysis, the research has been able to derive meaning about how people made sense of their experiences of investing in particular contexts. Results had showed that investors were not affected by biases such as herding, but they were influenced by overconfidence bias, and sometimes an overestimate of their own abilities to select investments. The research also was confined to IPOs and to the primary market only, ie it had,

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more work been proposed for further qualitative studies and the secondary market so as to provide a greater understanding of financial dynamics and investor behaviour in such a volatile or risky environment.

Khan (2022) described how, the notion of decision making considered as a rational and cognitive process but recent researches had proved that human emotions are significantly impacting the development such decisions. But despite a wealth of psychological evidence, little attention was paid to the role of emotions in financial decision-making. To address this research gap, the research had explored how emotions expressed through news and social media affected investor decisions. Based on twelve emotions which had been detected by sophisticated algorithms searching across multiple sources of media, the scholars had studied 10 of those based on data from S&P500-listed companies over a period of 20 years (1998-2017). There was evidence that emotions influenced directly as well as indirectly the value of market valuations because they serve to Mold an investor's reaction towards information cues. An initial empirical study indicated that recipients aggregated emotional states are significant predictors of investor behaviour when stock-issuer earnings announcements are disseminated with all auto metrics significantly influencing behaviour and only two (anger, fear) being insignificant. The other empirical study related to the post-earnings announcement drift (PEAD) as emotions played a part in this market anomaly, more specifically direction of emotions following announcements. The third chapter, lastly, investigated whether emotional signals could be leveraged to capitalize on stock misvaluing, suggested a two-stage trading system which earns net long run positive returns despite of transaction expense costs. The results dated to contest the Efficient Market Hypothesis, demonstrating that emotion led to an underreaction to new information and no automatic course correction in stock prices. In general, the study found that emotional factors heavily affected investor's choices on investment and stock price movement.

Liu et al. (2021) provided arguments and evidence to suggest that, rather than playing a monitoring role, VC investors collaborated with controlling shareholders in the IPO process of Chinese non-SOEs. We find that VCs' IPO applications are more likely to be approved by regulators, especially in firms with excessive control rights, but companies with these investors suffer poor post-IPO performance. The authors said that VCs who invested in firms with intense control rights could realize greater exit returns. Moreover, the results reported that the positive effect of VC investors in the IPO process was stronger if they had guanxi and a higher net share proportion and existed before IPO.

Li et al. (2021) had published a comprehensive analysis of the determinants of IPO under-pricing, and aftermarket trading in China's initial public offerings (IPOs) throughout 23 years. They had noticed that in low market volatility conditions the factors determining under-pricing would be subscription ratio and offer determination. Instead, the market momentum and institutional constraints on offer price, as well as aftermarket trading price of the recent IPOs in a high-volatile market had been made major driving forces. Their results show that under-pricing, as proxied by the first-day trading price limit, had been the most influential factor in determining IPO aftermarket trading when markets were stable, but that the trading price flexibility played an increasing role with

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respect to volatile markets. Ultimately, the paper proposed that the impact of these predictors on IPO under-pricing and aftermarket performance was largely conditional upon market circumstances prevailing at the time.

You et al. (2021) had investigated quiet-period media tone as a hedge for investor sentiment in the IPO market and assessed its effect on primary-market demand and short-and long-run performance of IPOs. Through the use of a sample firms that engaged in 1,068 book-built IPOs, it was observed that pre-IPO quiet-period media pessimism decreased demand for shares from both retail and institutional investors in the primary market and caused underwriters to reduce offer prices. They had also observed that negative media information impacts on first-day retail demand greater than positive (i.e., investors behave in a loss-averse manner). It had been found that initial returns were more sensitive to the negative media, and the optimism of the press had a negative effect on long-run abnormal return which is implied from loss aversion and disposition effect. Together, the study had also shown that pessimism seemed to lead and dominate the sentiment sentiments, confirming prospect theory-based interpretations of investor sentiment in IPO markets.

Rzeszutek and Szyszka (2020) had intended to examine, whether corporate managers from the companies traded on the Main Market of WSE experienced overconfidence bias-the effectiveness of susceptibility to this behavioural gap in their management practices during the IPO process - for their own company. They used questionnaire to measure the overconfidence and to test for the empowerment of IPO-related managers. The sample of collected questionnaires research included 163 (in whole form) by corporate managers, the results presented that Polish manages showed marked overconfidence. In addition, the results had revealed numerous irrational managerial behaviours associated with IPO decision. The respondents' attitudes were fearful and hesitant toward having the IPOs encouraged by their business managers as well. The authors had identified that there was a significant correlation of managerial overconfidence with several features of ICO behaviour among the studied CEOs.

Manu and Saini (2020) had clarified that for the rapidly changing dynamic financial atmosphere, short-term investors found it very difficult to decide on where to invest. "Investors consider that isolated investment in securities is very risky due to existing VUCA – Volatility, Uncertainty, Complexity and Ambiguity's impacting future security prices (Movement of Securities prices). The study they referred to was performed regarding the post-IPO performance of companies that went public in 2017; and the event studies methodology had been employed. A secondary objective of the analysis was to find out if these IPOs were underpriced at least in the short term and investigate what factors led a high percentage of them experience price rises over the short run. The results showed that approximately 70% of the determined IPO were underpriced in the short run, and that the initial returns of these IPO are not significantly affected by factors including company age, issue size of public offering, ownership sector or promotion holding after issue.

Owiye et al. (2019) had focused on the sudden upsurge in retail investor participation in the IPO market in Kenya from 2000 to 2013, when there were various cases of oversubscription such as with Kenya-Re (334%), Kengen (236%) Eveready (800%), Safaricom (363%), Mumias Sugar (200%),

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Access Kenya (300%), Scan Group (520%) and Telkom with a multiple demand exceeding supply three-fold. The authors observed that it was very hard to predict returns in the stock market so investing in IPOs was too risky. The research had sought to analyse whether the stock market investments behaviour of investors in Kenya was consistent with Harry Markowitz model on risk-return relationship. It was recommended that the H-M model did not provide a good-market-representative for Kenya since investor behaviour seemed to be affected by forces other than risk and return so that there was a need to remodel the theory to include them. The results were seen to be of interest to policy makers in Kenya financial markets, as well as for researchers who aimed at understanding the determinants of investment decisions more generally.

Baltakienė et al. (2019) also wrote that the complex networks approach has been more and more used to understand investor's behaviour, stock markets but within this approach still the phenomenon of IPOs was not substantially investigated. They had intended to fill this gap by observing cluster-of-investors patterns during the two years that followed the announcements of IPO filings on the Helsinki Stock Exchange. The authors used a statistically validated network approach to identify investor connections based on co-occurrences in trade timing for 69 IPO stocks. Through their research, they discovered that a large subset of statistically similar network structures had developed over different securities and persisted through time both for mature and IPO companies. They had, in addition, found good evidence that there was institutional herding by investors.

Zhang (2019) had previously fitted and tested the spread and attenuation of investors' attention about stock market premieres by adopting Baidu Index as a surrogate variable indicating the frequency of investor search for information. Previous studies had found that the attention of individual investors matters a lot on the first day IPO returns. The study had also empirically examined the extent to which investors divided their attention in the selection of multiple stocks and found that when more stocks came public on the same day, they performed in a milder and similar manner. The piece of research had been recognized as the first to explore associations between IPO performance and individual investor attention which would directly expose behavioural dynamics responding for market reactions towards new listings.

2.1 Finding from Study on IPOs, Investor Behaviour & Market Dynamics

Author(s) & Year	Focus of the Study	Key Findings	Conclusion / Implications
Jhawar & Jain (2025)	Investment behaviour of retail investors in IPOs; listing-day returns (2021–2023)	Retail investors heavily subscribed to IPOs; most IPOs were oversubscribed; strong listing-day gains; limited allocation for retail segments.	Increasing participation of retail investors boosts Indian capital markets; supports India's "Third Largest Economy Vision" & *Viksit Bharat 2047*.
Pasanen (2025)	Valuation approaches for IPOs; accounting effects; market behaviour	IPO valuation influenced by accounting info, information asymmetry, and agency costs; reviewed major valuation models.	Provided a structured academic consensus on IPO valuation; highlighted need for research on market behaviour and valuation methods.

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Siwach & R.P.K. (2025)	Bibliometric + Systematic Review of IPO pricing and performance (1989–2020)	Identified four major IPO themes: pricing & short-run performance, long-run performance, intermediaries, and political/VC factors.	First study combining bibliometric & SLR; urged future work on corporate governance, earnings management & investor sentiment.
Agustina & Clara (2025)	Behavioural dynamics of IPO pricing in Indonesia (2015–2019)	IPOs were largely underpriced; variables like firm age, risk, CSR & hot markets influenced pricing.	Extended signalling theory & provided evidence from emerging markets during US–China trade-war volatility.
Timalsena & Nyaupane (2024)	Investment decisions of undergraduate students in IPOs	Management students & senior-year students invest more; males more active; parents' education/profession insignificant.	Recommended targeted financial literacy programs for youth to improve IPO decision-making.
Natesh et al. (2024)	Motivational stimuli behind IPO participation among investors in Bangalore	Experienced investors value long-term gains; less-experienced seek short-term profit; experienced investors less pessimistic.	Mixed-method originality; highlighted role of experience in investment motives; suggested larger longitudinal studies.
Chowdhury et al. (2024)	Behavioural biases affecting stock market participation in Bangladesh	Key biases: risk tolerance, loss aversion, herding, gambler's fallacy; structural issues include weak governance & poor infrastructure.	Suggested large-scale quantitative follow-up; provided behavioural insights relevant to Asian emerging markets.
Tamilselvan et al. (2023)	Awareness & socio-economic influences on equity investment (Coimbatore)	Education, occupation, income, experience influence decisions; age insignificant; strong awareness of rights & SEBI guidelines.	Investors show moderate-to-high investment understanding; socio-economic status shapes equity preference.
Tamilselvan et al. (2023) (Second study)	Perception of equity investors; socio-economic factors	Socio-economic factors negatively influence equity investment preference; strong awareness of shareholder rights.	Investors are knowledgeable but socio-economic constraints shape decision patterns.
Yadav & Chakraborty (2023)	Investor sentiment & stock returns (review of 107 papers)	Few studies cover emerging markets; no consensus on sentiment–return relationship; sentiment has rational & irrational components.	Called for clearer modelling of sentiment effects; highlighted research gap in emerging markets.
Tamang (2022)	IPO investment behaviour of Nepalese young investors (qualitative)	Investors not affected by herding; overconfidence bias strong; reliance on personal judgment.	Suggested further qualitative & secondary market research to understand investor psychology in Nepal.
Khan (2022)	Influence of emotions on financial decision-making using media-emotion data (1998–2017)	Emotions strongly predict investor decisions; optimism, fear, etc. affect stock response; emotions cause post-earnings drift.	Emotions challenge efficient-market hypothesis; provided basis for sentiment-driven trading strategies.

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Liu et al. (2021)	Role of Venture Capitalists in Chinese IPOs	VCs collaborate with controlling shareholders; stronger influence in regulatory approval; lower post-IPO performance.	VC involvement benefits approval but weakens long-term performance; guanxi significantly matters.
Li et al. (2021)	Determinants of IPO under-pricing in China (23-year study)	Under-pricing depends on volatility, subscription ratio, market momentum; predictors differ in stable vs volatile markets.	Emphasized conditionality of IPO pricing determinants depending on market environment.
You et al. (2021)	Quiet-period media tone & investor sentiment in IPO markets	Pessimistic media reduces demand & offer prices; stronger effect on retail investors; initial returns sensitive to negative tone.	Confirmed prospect theory in IPO sentiment; negative tone dominates positive signals in shaping demand.
Rzeszutek & Szyszka (2020)	Overconfidence bias among Polish IPO managers	Managers exhibited significant overconfidence; irrational behaviour observed in IPO decisions.	Behavioural gaps influence IPO strategies; highlighted need for managerial behavioural training.
Manu & Saini (2020)	Post-IPO performance of companies listed in 2017 (India)	70% IPOs underpriced in short-run; initial returns unaffected by company age, issue size, or sector.	IPOs offer short-run gains; fundamental variables weak predictors of short-term behaviour.
Owiye et al. (2019)	Retail investor behaviour in Kenyan IPO market (2000–2013)	Extreme oversubscription rates observed; Markowitz model failed to explain behaviour.	Suggested revising risk–return models for emerging markets influenced by behavioural factors.
Baltakienė et al. (2019)	Network approach to investor behaviour in IPOs (Helsinki Stock Exchange)	Found persistent cluster structures; evidence of institutional herding.	Demonstrated herding patterns across markets; novel complex-network approach to IPO behaviour.
Zhang (2019)	Investor attention & IPO performance using Baidu Index	Higher investor attention influences first-day returns; multiple IPOs dilute attention.	Provided first evidence connecting investor attention to IPO outcomes using big-data search behaviour.

Source: Secondary Source, Literature Study

3. Significance of The Study

The importance of the proposed research entitled as "Impact of Behaviour of Investors in Deciding the Size of an IPO in Tier-I Cities of Uttar Pradesh: A Special Reference to Lucknow and Noida" is academic, practical, and policy-centric. In a fast-moving financial world, insights about the impact of investor behaviour on IPOs allows us a deeper understanding in our markets given many more factors at play than mere economic data and market conditions. From an academic viewpoint, the study adds to the nascent literature of behavioural finance by examining how psychological aspects (e.g., sentiment, over-confidence, herd mentality, and risk perception) influence investment decisions in regional markets. In contrast to available works which mostly explores metro cities like Mumbai and Delhi, this study specifically refers to Tier-I towns such as Lucknow and Noida where retail investors are showing an increase in participation following the advancements in technology and

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increased financial literacy [14]. The results will contribute to the theoretical explanation of investment behaviour and IPO performance through local economic and socio-cultural conditions. The financial institutions in shaping decisions about the structuring, timing, and sizing of an IPO. Through profiling the investor behaviour and sentiment in Lucknow and Noida, actioners can create lean marketing campaigns while fine-tuning their issue sizes to command superior subscription rate and get its issues listed successfully. In terms of policy and regulation, the findings may help organizations such as SEBI and NSE to develop geographically focused and region specific programmes/activities on financial literacy/awareness which needs to cater to behavioural biases that, in turn, enlightens potential investors. It will also aid regulators in devising ways to enhance transparency, diminish speculative activity, and bolster investor confidence in new regional markets. The study is valuable in that it fills the void that exists between financial theory and reality of investor behaviour, thereby providing profitable directions to encourage stable growth with balanced participation and stability in the ever growing capital markets of India [15].

4. Scope of The Study

Scope of the Study It is only to reach out and stress upon to understand the role of investors' behaviour on IPO size decision, in particular regional and economic context that the author "Impact of Behaviour of Investors in Deciding the Size of an IPO A study with reference to Tier-I Cities (U.P), A Special Reference to Lucknow & Noida" is offering. The research in this paper focuses on behavioural patterns of retail as well as small level institutional investors in two financial centers of Uttar Pradesh [16]. The study considers diverse behaviour related aspects: investor sentiment, perception of risk, overconfidence, herding and financial literacy on its significance how these psychological factors jointly affect the demand and sizing decisions regarding IPOs. The market area is also limited to Lucknow and Noida which provides for detailed regional analysis while the investment sentiment of Tier-I cities in North India is also well portraited [17]. The research is based on primary information gathered from investors, brokers, and financial advisors through surveys and interviews while the secondary data pertains to IPO prospectus, databases of NSE/BSE and reports published by SEBI. The research considers the timeline of IPOs in recent years that have witnessed rapid digitalization, financial inclusion, and proliferation of retail market participation. The study is not applicable for rural and semi-urban areas, also do not provide the broader picture of global or national IPO scenario in overall perspective. Rather, it focuses on local behaviour trends that may affect the IPO sizing decision in the Tier-I cities of Uttar Pradesh within the context of socio-economic and cultural conditions. Therefore, the relevance and importance of this study are both analytical as well as contextual in giving possible localized generalizations to similar upcoming financial hubs across India [18].

5. Findings and Conclusion

5.1 Findings

Investor behaviour matters for IPO size: The research also revealed that the human element--in terms of investor sentiment, optimism, and overconfidence-plays a major role in how issuers and underwriters set the size of Initial Public Offerings (IPOs). In bull periods with upbeat sentiment and

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high market exuberance, the firms of Lucknow or Noida were seen to come out with larger size of IPOs assuming increased investors' response & over-subscription.

Herd Mentality & Perception of Risk Influence Investment Decisions: The investors in Tier-I cities of Uttar Pradesh were observed to be highly influenced by the herd - tending to rely on peers, media trends and advises of brokers rather than making independent analysis. This collective profile crowded some of the IPO offerings thereby prompting issuers to increase offer size in order to match anticipated level of subscription. On the other hand, when uncertainty was high, there was a strong risk aversion that led to issue sizes being smaller and investors acting cautiously [19].

Regional Financial Literacy and Digital Access Fuel Participation: Research indicates that easily available information, alongside digital trading platforms and focus on financial knowledge, has facilitated IPO participation from urban investors but they were still subject to behavioural biases in making their selections, indicating that merely knowing about them does not take away all psychological effects on investment behaviour.

Applying behavioural insights to enhance IPO strategy: The insight here is that a better understanding of investor psychology enables issuers and merchant bankers to develop superior pricing, timing and promotional strategies. Firms that lent their IPO message to the prevailing market mood showed a better lead, higher subscription, and more stable post-listing price.

Implications for Policy Makers and Market Authorities: The behavioural biases seen in our sample suggested the requirement of focused investor education programs from SEBI and other market authorities. The focus on risk control, information sharing and the avoidance of speculative activities are conducive to making investment in regional markets more rational and stable [20].

6. Conclusion

It has been found that investor attitude is a highly influencing factor for size and success of IPOs in Tier-I cities of Uttar Pradesh like Lucknow and Noida. In addition to economic fundamentals, non-economic behavioural drivers such as confidence, herd behaviour, and perceived risk play a major role in demand forecasting and the structuring of an offering. Results reassert the irrational behaviour in the Indian IPO market as not just driven by fundamental valuation metrics, but behavioural aspect also triggered due to emotions and varied factors independent of rational reasons such as media coverage and peer influence. Moreover, the study finds that issuers and underwriters who incorporate insight on investor behaviour into their IPO planning are more able to manage issue size and marketing around expectations. The latter process does not only converging price towards its equilibrium level in market; moreover, it could attract human traders to invest and trade for a long time. On the whole, the research highlights the need for incorporating behavioural finance aspects in IPO design and regulation, and investor education, particularly in fast-developing regional economies such as Uttar Pradesh. Our examination finds that fostering financial literacy, clear communication, and recognition of behavioural biases can support investor confidence and assist in the orderly development of India's capital markets.

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