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Jugesh Chander

Research Scholar, Department of Management, Maharaja Agrasen Himalayan Garhwal University, Pokhra, Pauri Garhwal, Uttarakhand, India

Dr. Manisha Goel

Professor, Department of Management, Maharaja Agrasen Himalayan Garhwal University, Pokhra, Pauri Garhwal, Uttarakhand, India

Corresponding Author:

Jugesh Chander

Research Scholar, Department of Management, Maharaja Agrasen Himalayan Garhwal University, Pokhra, Pauri Garhwal, Uttarakhand, India

Strategic information disclosure by the companies going public and their impact on listing performance

Jugesh Chander and Dr. Manisha Goel

Abstract

This paper aims at examining the relationship between information disclosed by the companies going public with market rating, subscription behaviour, listing and post listing performance. The paper embraced the thematic analysis investigation to deal with recognize the data contents for the 140 firms from their Initial public offering outline for the period from January 2012 to December 2020 downloaded from SEBI website. The paper identified 29 themes with identification of sub- themes against each main theme representing the information categories and described in the paper. To quantify the secondary data collected, content analysis technique is used. For analysis and interpretation of such data, correlation and multiple regression model and analysis of variance (ANOVA) are used. The results of regression analysis acknowledge that of all the independent variables studied namely risk, asset, income, and financial ratios information influence the market rating. Independent variables namely customer and loans/ advances information influence total subscription, independent variables namely bank, employee, and corporate information influence high net worth category subscription. Retail category subscription is not influenced by any of the independent variables under study. Further, independent variables namely bank, interest, management, risk, system, tax, credit, debt, employee, finance/financing, income, financial ratios, statement/s, and value information influence the listing performance.

Keywords: Initial public offering, information disclosure, risk, performance, correlation and multiple regression analysis, India

Introduction

Before making the investment in any company, the investors are eager to know about the companies past financial performance, age of the company, composition of the board of directors, performance of the specific industry to which the company belongs and the viability of the project for which the IPO is being floated. As the main source of information, prospectus contains a variety of the company's latest operative and positional information that investors can use to take investment decision. Regulatory frame- work in this context has enhanced the confidence level of the potential investors in relying upon the information while taking investment decision. Through proper assessment of the strength of the company to their interest, investors estimate the risk associated with the IPO. One type of investment that empirically able to provide high returns is stock in an in an Initial Public IPO (Ozdemir and Kizildag, 2017). Past studies have shown that disclosure of information lowers information asymmetry resulting in bringing down underpricing (Schrand C., Verrecchia R. E., 2004). More specific disclosure of the use of IPO proceeds leads to lowering of underpricing (A. J. Leone *et al.* 2003). The description of these events indicates the cause of many factors like information asymmetry (Chhabra, *et al.*, 2017), governance (Auliya&Januarti, 2015; Gunawan & Darmadi, 2013), information disclosure (Murugesu and Santhapparaj, 2010; Wasiuzzaman and others, 2018) and other applicable variables. Factors like technological advancements, globalization and increasing competition have resulted in a shift towards knowledge- based economy. This has culminated in increasing demand for narrative reporting (voluntary disclosure) and decreasing significance of financial reporting (Lev and Zarowin, 1999). Furthermore, the Accounting Standards Board (2007) has expressed increasing anxiety with conventional financial reporting and called for upgraded IC (Intellectual Capital) disclosure. In consistently growing competitive environment, IC disclosures are beneficial source to keep investors well informed (Abeysekera, 2008., Gomez-Bezares, *et al.*, 2015).

Thus, firms can try to reduce the extensive cost of underpricing. Detailed information about voluntary disclosure of management forecasts in prospectus results in lower under price (V. Jog, B. J. McConomy, 2003). More specific disclosure of the use of IPO proceeds leads to reduction in under-pricing (Leone. A. J *et al.*, 2003). For example, information related to the characteristics of the board of directors to the aspect of under pricing (Xu, Wang, & Long, 2017), there is study that examines audit quality on the sustainability of IPO companies (Jain, 2005). Moreover, analysis of the other information disclosure must be considered in investment decision making to judge the risk in investment decision making (Gupta Khushboo *et al.*, 2021) Both, qualitative and quantitative judgement of risk have a direct influence on the initial returns and must be examined in investment decision making (Randy Kuswanto, 2020). The present study examines the impact of IPO information disclosed on market rating, subscription behavior and listing and post listing performance by Indian company going public.

Disclosures of IC information can complement traditional financial disclosures, thus enhancing a company's level of transparency and can give them sustainable competitive advantage. The literature relating to impact of IPO disclosure on the firm performance is scattered across diverse set of factors and requires systematic and in-depth analysis to study the impact in an integrated manner. In contrast to the traditional literature review, the study has captured the richness of literature and aims to systematically find out the key determinants of IPO prospectus impacting the IPO performance in case of Indian companies going public.

The paper makes a significant contribution in finding the determinants of IPO disclosure impacting the firm subscription. The study discusses about the type of information disclosure impacting the IPO subscription identified from the systematic review of IPO prospectus in an integrated manner, namely voluntary and non-voluntary. The present study focuses on the effect of disclosure practices in IPO prospectus on IPO performance by Indian companies going public as not much research work has been done before in the Indian context, which is unique to IPO performance and quantitative and qualitative disclosure practices.

Although there are several studies on information disclosure, the present study attempts to answer the following question:

How the information disclosure practices adopted by the Indian companies influence the IPO subscription?

Literature review

According to regulations in India, companies going public are required to disclose primary information relating to listing of shares, number and percentage of shares issued, offering price, underwriter, and the company's main risk information. One rudimentary contemplation while investing in a particular asset is return and risk. Both constituents are highly correlated and often supported by the definite assertion "high risk, high returns" (Jogiyanto, 2017). A significant relationship between prospectus disclosures of risk and initial returns, long run return and return volatility was observed in the study on US IPO from 1999 to 2004 (T. Arnold *et al.* 2006). One type of investment that is accomplished factually to provide high return is stock

in an Initial Public Offering (Ozdemir&Kizildag, 2017). Past studies have shown that disclosure of information lowers information asymmetry resulting in bringing down under-pricing (Schrand C., Verrecchia R. E., 2004). More specific disclosure of the use of IPO proceeds leads to lowering of under-pricing (. A. J. Leone *et al.* 2003). The description of these events indicates the cause of many factors like information asymmetry (Chhabra, *et al.*, 2017), governance (Auliya&Januarti, 2015; Gunawan & Darmadi, 2013), information disclosure (Murugesu and Santhapparaj 2010, Wasiuzzaman, *et al.*, 2018) and other significant elements. (Murugesu

&Santhapparaj, 2010; Wasiuzzaman, *et al.*, 2018) and other relevant factors. Several studies had been undertaken by researchers to investigate and understand IPO stock performance characteristics (Brobert, 2016; Chen&Wang, 2016; Colak, 2012; Wasiuzzaman *et al.*, 2018). In addition, information related to the characteristics of the board of directors to the phenomenon of under-pricing (Xu, Wang, & Long, 2017), other information related to intellectual capital in the prospectus and IPO performance (Gomez-Bezares, *et al.*, 2015) and study that examined audit quality on the performance of IPO of companies (Jain, 2005). By looking at qualities of scholarly capital divulgences, a particular stream of examination has concentrated on what the instruction of the initial public offering plan means for evaluating of the initial public offerings (e.g., Bukh, Nielsen, Mouritsen, & Gormsen, 2005; Cordazzo Singh and Van der Zahn, 2007) found a positive association between under-pricing and the extent of intellectual capital disclosures in prospectus in case of a Singapore IPO. Intellectual capital disclosure and initial returns showed a positive relationship between the two (J.L.M. Van Der Zahn *et al.*, 2003). There exists significant association between cost of capital and the level of disclosure in the three intellectual capital categories -human, structural and relational and association is more significant for the group of companies steadily being followed by financial analysts (Ali, Mohammad. *et al.*, 2013)

As the company prospectus is a source of useful information for investors, the problem that management faces are to decide whether to disclose information on earnings forecasts in prospectus or not (Mak, 1994; McGuinness, 2016). The forecasts on future earnings help the investors in evaluating the company and the information appears to serve the useful purpose for them to decide whether to invest or not (Chen *et al.*, 2001). Hartnett and Romcke, (2000) in their study concluded that the disclosures on earnings forecast accuracy improved the understanding of the IPO underpricing facts. A similar result was obtained between underpricing and voluntary disclosures of management forecast (V. Jog, B. J. McConom., 2003)). Particularly, information disclosure is relatively more important for institutional investors as compared to the individual investors due to their lower capability to access and rely upon such information and more dependance on public information. (Lonkani& Firth, 2005). In the wake of this specific stream of literature, the present study focuses on the performance-related effects of disclosure practices in IPO prospectus by Indian companies as not much research work has been done before in the Indian context which is specific to disclosure practices (quantitative and qualitative) and IPO performance in an integrated manner. The following hypothesis is proposed and examined in this paper:

Hypothesis: “There is no significant relationship between information disclosure by the companies in the IPO prospectus, market rating, subscription behavior, listing and post listing performance”

The rest of the paper is organised in the following manner.

Section 3: provides details of the data, methodology, and models.

Section 4: Explains about analysis and findings

Section 5: Presents concluding remarks and limitations

Section 6: Concludes about significance for investors, researchers, and other stakeholders.

Research methodology

The study is an exploratory and descriptive study of the companies which went public during the period January 2012 to December 2020. Data is extracted from the prospectus downloaded from the SEBI web-site. The paper adopted the thematic analysis qualitative approach to identify the information contents for the 140 firms from their IPO prospectus for the period from January 2012 to December 2020. The paper identified 29 themes with identification of sub themes against each main theme representing the information categories and described in the paper. To quantify the secondary data collected, content analysis technique is used involving selecting and classifying the available information into categories and sub-categories and then analysing them. For analysis and interpretation of such data, correlation and multiple regression model and analysis of variance (ANOVA) are used.

Data analysis and interpretation

This section discusses the relationship between information disclosure by the companies in the IPO prospectus with different performance measures namely *market rating, subscription behaviour, listing and post listing performance*. The correlation and regression analysis are used to achieve the objective of the paper where the different type of information disclosed is assumed to be independent variables and influences the other variables.

Market Rating and Information disclosure

Table 1 reported the correlation between the market rating of the IPO and the information disclosure. The different stakeholders analyse the potential of the IPO w.r.t its future performance and provide rating to the IPO of the companies going public. The ratings are based on the information available about the company and their expectations about its future expected performance. The information disclosed in the prospectus may be playing an important role in deciding about the market perception about the rating of the IPO. In the study, the score of the different type of information is estimated. The correlation analysis is used to examine the relationship between the market rating and the information disclosure in the IPOs prospectus of the different companies. The figure shown below represents the correlation coefficients between market rating and different information disclosure in the IPO prospectus in table 1:

Table 1: Correlation analysis b/w Market Rating and Information Disclosure

Correlation Between market rating and different types of information disclosed in IPO prospectus	Pearson Correlation	P value
Risk information	0.28**	0.001
Asset/s Information	0.26**	0.003
Credit Information	0.25**	0.004
Employee Information	0.25**	0.004
Customer Information	0.24**	0.005
Interest Information	0.23**	0.008
Debt Information	0.23**	0.01
Borrowings Information	0.22**	0.012
Management Information	0.22**	0.014
Liabilities Information	0.21**	0.016
Statutory Information	0.20**	0.019
Equity Information	0.19**	0.029
Year Information	0.19**	0.029
Cost Information	0.18**	0.036
Value Information	0.17**	0.047
Expenses Information	0.15	0.079
Bank Information	0.15	0.095
Income Information	0.14	0.1
Tax Information	0.12	0.174
System Information	0.12	0.174
Finance/Financing Information	0.12	0.183
Statement/s Information	0.12	0.188
Capital Information	0.11	0.203
Corporate Information	0.10	0.251
Audit Information	0.10	0.264
Loan/Advances Information	0.10	0.269
Accounting Information	0.08	0.376
Ratio/s Information	0.08	0.389
Board of Directors Information	-0.02	0.821

The result reported that the market rating has maximum correlation with risk disclosure of the firm (*Pearson correlation coefficient = 0.28***). This indicates that market rating is highly sensitive to the risk disclosure of the firm. The information about the risk exposure of the company influences the market rating as it has effects on the future profitability of the firm. This is followed by assets information (*Pearson correlation coefficient = 0.26***). The market rating is also found to have significant relation with the firm assets. The firm with high worth assets may have better ratings. The market rating is also found to be correlated with Credit information (*Pearson correlation coefficient = 0.25***), employee information (*Pearson correlation coefficient = 0.25***), information about customer (*Pearson correlation coefficient = 0.24***), interest information (*Pearson correlation coefficient = 0.23***), debt information (*Pearson correlation coefficient = 0.23***), information about borrowings (*Pearson correlation coefficient = 0.22***), management information (*Pearson correlation coefficient = 0.22***), liabilities information (*Pearson correlation coefficient = 0.21***), statutory information (*Pearson correlation coefficient = 0.20***), equity information (*Pearson correlation coefficient = 0.19***), year information (*Pearson correlation coefficient = 0.19***), cost information (*Pearson correlation coefficient = 0.18***) and value information (*Pearson correlation coefficient = 0.17*).

The multiple regression method (with market rating as dependent variable) is applied to examine the impact of different types of information disclosed in the IPO prospectus on the rating assigned to the IPO. The market rating of the IPO is assumed to be dependent variable however the different information type score is assumed to the independent variable. The multivariate regression analysis is shown below

$$\text{Market Rating of IPO (Y)} = \alpha + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \dots \dots \dots 4.1$$

Where Y is the dependent variable and indicates the market rating of the IPO, α is intercept, β indicates the slope

coefficient and X_i is the independent variable and represents the different information type disclosed in the IPO selected in the study. The hypothesis “The information disclosed in IPO prospectus significantly influences the market rating of the IPO” is examined with the help of regression analysis. The result of multiple regression model indicates the presence of multicollinearity problem in the regression model, due to which, all the independent variables are found to be insignificant, i.e., have no effect on market ratings. This problem is removed with the help of applying the stepwise regression model which find out the most influencing variable in first step and continue to add the influencing variables in the regression model. The results of the modified regression model are reported in table2:

Table 2: Regression Model

Dependent variable	Independent Variables	Regression Coefficients	Standard error	T stats	F stats R square
Market Rating of IPO	(Constant)	3.692	.064	57.855	6.455** 17%
	Risk	.002	.000	3.748**	
	Asset/s	.0001	.000	2.368**	
	Income	-.001	.000	-2.292**	
	Ratio/s	-.002	.001	-2.627**	

The results reported that the four variables significantly influence the market rating of the IPO namely Risk related information (regression coefficient =.002, t-stats=3.748), Asset/s related information (regression coefficient =.0001, t-stats=2.368), information about the Income (regression coefficient =-.001, t-stats=-2.292) and financial ratios (regression coefficient =-.002, t-stats=-2.627). The regression coefficient of risk information and asset information is found positive, however found negative for the income and financial ratios. This indicates that the clarity about the risk information enhances the market rating of the company. The asset related information also provides confidence of the investors towards the company and helps in improving the market rating of the IPO. However, the results also reported the negative impact of income and financial ratios. This may be because the companies issuing IPO are new and may not have sound history of income and attractive financial ratios thereby having the inverse impact on the IPO market rating. The R square of the regression model is found to be 17% indicating that 17 percent of the variations of the market rating can be explained with the help of information disclosure in IPO prospectus. The F stats (6.455) indicates the statistical significance of the regression model.

IPO Subscription and Information disclosure

Table 2 reported the correlation between the subscription of the IPO (total, QIB, HNI & Retail) and the different types of information disclosure. Total subscription represents the

demand of the issued stocks and is supposed to be related with the information disclosure in the IPO prospectus and comprises the sum of subscriptions of various classes of investors namely QIB, HNI and retail investors. Institutional investors are informed investors as they are engaged full time with the investment activities. The institutional investors analyse the worth of IPO based on the information they have about the company and its future expected performance. The information disclosed in the prospectus may be playing an important role in deciding about the market perception about the proposed investment. HNI continuously searches for the potential returns and IPO investment is one of the lucrative alternatives for the purpose. The information disclosed in the IPO prospectus influences HNI subscribers to estimate about the future worth of their investment based upon the anticipated growth and profitability of the company. Retail investors due to lack of resources found to take decisions on the basis of herd behaviour. The retail investors are least expected to be influenced by the information disclosure in IPO prospectus. Each class of investors has its own perception based upon the information disclosure and draw conclusions accordingly about the future prospectus of the company. The information disclosed in the prospectus is expected to play an important role in deciding about the market perception of the total subscription of the IPO by the market participants. The figure shown below in table 3 represents the correlation coefficients between market rating and different information disclosure in the IPO prospectus:

Table 3: Correlation analysis b/w Total Subscription and Information Disclosure

Types of information disclosed in IPO prospectus	Correlation with total subscription	Correlation with QIB subscription	Correlation with HNI subscription	Correlation with Retail subscription
Board of Directors Information	-0.127** (0.013)	-0.002 (0.980)	-0.057 (0.506)	0.086 (0.310)
Audit Information	-0.133 (0.118)	0.050 (0.559)	-0.023 (0.787)	-0.055 (0.516)
Capital Information	-0.120 (0.158)	0.171** (0.044)	0.004 (0.959)	-0.050 (0.560)
Statutory Information	-0.112 (0.189)	0.122 (0.153)	0.039 (0.649)	0.046 (0.586)
Corporate Information	-0.110 (0.196)	0.148 (0.081)	-0.062 (0.468)	-0.103 (0.228)
Tax Information	-0.100 (0.239)	0.074 (0.384)	-0.076 (0.374)	-0.115 (0.177)

Expenses Information	-0.091 (0.284)	0.072 (0.398)	-0.057 (0.507)	-0.032 (0.711)
Loan/Advances Information	-0.068 (0.424)	0.055 (0.519)	-0.011 (0.895)	-0.032 (0.709)
Cost Information	-0.067 (0.431)	0.096 (0.261)	0.019 (0.823)	0.019 (0.820)
Customer Information	0.065 (0.444)	0.267** (0.001)	0.153 (0.071)	0.112 (0.189)
Accounting Information	-0.062 (0.467)	-0.033 (0.700)	-0.058 (0.493)	-0.063 (0.457)
Ratio/s Information	-0.058 (0.492)	0.055 (0.518)	-0.026(0.760)	-0.023 (0.788)
Borrowings Information	-0.056 (0.512)	0.107 (0.208)	0.025 (0.769)	-0.035 (0.682)
Interest Information	-0.053 (0.532)	0.162 (0.056)	0.019 (0.823)	-0.017 (0.841)
Year Information	-0.053 (0.535)	0.111(0.190)	-0.077 (0.368)	-0.094 (0.272)
Equity Information	-0.045 (0.595)	0.222** (0.008)	-0.019 (0.823)	-0.061(0.475)
Management Information	-0.042 (0.619)	0.275** (0.001)	0.011 (0.902)	-0.027(.0749)
Employee Information	0.042 (0.625)	0.331** (0.000)	0.151 (0.075)	0.075(0.379)
Value Information	-0.042 (0.626)	0.114(0.178)	-0.026 (0.759)	-0.038(0.656)
Finance/Financing Information	-0.041 (0.633)	0.113(0.183)	0.023 (0.790)	-0.043(0.614)
Debt Information	-0.035 (0.677)	0.186** (0.028)	-0.012 (0.885)	-0.048(0.570)
Credit Information	-0.034 (0.686)	0.170** (0.044)	0.009 (0.915)	-0.017(0.846)
Asset/s Information	-0.021 (0.803 .431)	0.166(0.051)	0.018 (0.833)	0.003(0.973)
Statement/s Information	-0.021 (0.809)	0.039(0.647)	-0.035 (0.682)	-0.050(0.558)
Liabilities Information	-0.020 (0.814)	0.085(0.320)	-0.001 (0.992)	0.007(0.934)
Risk Information	-0.018 (0.830)	0.187** (0.027)	0.034 (0.687)	0.001(0.989)
Income Information	-0.007 (0.931)	0.086(0.311)	-0.067 (0.431)	-0.088(0.301)
Bank Information	0.007 (0.934)	0.139 (0.102)	0.079 (0.352)	0.097(0.256)
System Information	0.004 (0.967)	0.030 (0.726)	0.074 (0.384)	0.017(0.843)

The result reported that the total subscription is correlated with board of directors' information of the firm (Pearson correlation coefficient = -0.127**). This negative correlation indicates that total subscription is sensitive to the board of directors' disclosure of the firm in opposite direction. The result further reported that the total subscription has insignificant correlation with other information disclosure like audit, capital, statutory, corporate, tax, expenses, loans/advances, cost, customer, accounting, ratio/s, borrowings, interest, year, equity, management, employee, value, finance/financing, debt, credit, asset/s, statement/s, liabilities, risk, income, bank, and system information. QIB is found to have maximum correlation with employee (Human Resources) disclosure of the firm (Pearson correlation coefficient = 0.331**). This indicates that institutional subscription is highly sensitive to the human resources of the firm. The information about the human resources of the company influences the institutional subscription as it has effects on the future growth and profitability of the firm. This is followed by customer information (Pearson correlation coefficient = 0.267**). The institutional subscription is also found to have significant relation with the firm customer base (Pearson correlation coefficient = 0.267**), The firm with sound customer base may have better institutional subscription. The institutional subscription is also found to be correlated with management information (Pearson correlation coefficient = 0.275**), Equity information (Pearson correlation coefficient = 0.222**), information about Risk (Pearson correlation coefficient = 0.187**), Debt information (Pearson correlation coefficient = 0.186**), Credit information

(Pearson correlation coefficient = 0.170**), information about Capital (Pearson correlation coefficient = 0.171**). However, no significant correlation found between HNI subscription as well as Retail investor subscription with the information disclosure in the IPO prospectus. In other words, HNI subscribers and retail investors are not influenced by the information content provided in IPO prospectus.

The multiple regression method is applied to examine the impact of different types of information disclosed in the IPO prospectus on the different subscription comprising all classes of investors to the IPO. The subscription of the IPO is assumed to be dependent variable. However, the different information type score is assumed to be the independent variable. The multivariate regression analysis is shown below

$$\text{Subscription of IPO (Y)} = \alpha + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \dots \dots \dots 4.2$$

Where Y is the dependent variable and indicates the subscription of the IPO, α is intercept coefficient, β indicates the slope coefficient and X_i is the independent variable and represents the different information type disclosed in the IPO selected in the study. The hypothesis "The information disclosed in IPO prospectus significantly influences the Total Subscription of the IPO" s is examined with the help of regression analysis.

For total subscription, the results of the regression model are reported in table4.

Table 4: Regression Model

Dependent variable	Independent Variables	Regression Coefficients	Standard error	T stats	F stats R square
Market Rating of IPO	Constant	14.723	4.732	3.111**	10.076** 14.9%
	Customer	.252	.060	4.229**	
	Loan/ Advances	-.077	.026	-2.943**	

The results reported that the two variables significantly influence the total subscription of the IPO namely customer related information (regression coefficient = .252, t-stats=4.229**), Loans/Advances related information (regression coefficient =-.077, t-stats=-2.943**). The regression coefficient of customer information is found positive, however found negative for the loan/advances. This indicates that the clarity about the customer information enhances the total subscription of IPO of the company. However, the results also reported the negative impact of loans/advances. Loan/Advances raised by the companies indicate their obligations by way of liabilities

which companies are to discharge by way of repayment of interest and principal on due dates as per terms. Moreover, dividend is paid after the payment of the interest. High liability position makes the investors to perceive higher risk. The R square of the regression model is found to be 14.9% indicating that 14.9 percent of the variations of the total subscription can be explained with the help of information disclosure in IPO prospectus. The F stats (10.076) indicates the statistical significance of the regression model. In case of Institutional Subscription as dependent variable, the result of multiple regression analysis is shown below in table 5:

Table 5: Regression Model

Dependent variable	Independent Variables	Regression Coefficients	Standard error	T stats	F stats R square
Institutional Investors Subscription of IPO	(Constant)	-2.325	3.798	-.612	4.638** 39.6%
	Accounting/Account	-.023	.009	-2.461	
	Asset/s	.040	.013	3.179	
	Borrowings	-.137	.038	-3.598	
	Credit	.050	.017	3.009	
	Customer	.095	.043	2.183	
	Debt	.121	.063	1.916	
	Employee	.093	.036	2.578	
	Income	-.046	.018	-2.573	
	Management	.049	.023	2.140	
	Risk	-.159	.040	-4.007	
	Ratio/s	.101	.056	1.794	
	Statement/s	-.034	.015	-2.208	
	System	-.076	.030	-2.522	
Year	.026	.010	2.492		

The results reported that the 14 variables significantly influence the total subscription of the IPO namely accounting/account related information (regression coefficient =-.023, t-stats=-2.461), asset/s related information (regression coefficient =-.040, t-stats=3.179), borrowings related information (regression coefficient=-.137, t-stat=-3.598), credit related information (regression coefficient=.050, t-stat=3.009), customer related information (regression coefficient=.095, t-stat=2.183), debt related information (regression coefficient=.121, t-stat=1.916), employee related information (regression coefficient=.093, t-stat=2.5780), income related information (regression coefficient=-.046, t-stat=-2.573), management related information (regression coefficient=.049, t-stat=2.140), risk related information (regression coefficient=-.159, t-stat=-4.007), ratio/s related information (regression coefficient=.101, t-stat=1.794), statement/s related information (regression coefficient=-.034, t-stat=-2.208), system related information (regression coefficient=-.076, t-stat=-2.522), year related information (regression coefficient=.026, t-stat=2.492). The regression coefficients of assets/s information, credit information, customer information, debt information, employee information,

management information, ratio/s information and year information are found positive, however found negative for account/accounting, borrowings, income, risk, statement/s and system. This indicates that the clarity about the asset/s information, credit information, customer information, debt information, employee information, management information, ratio/s information and year information enhance the institutional subscription of IPO of the company. This shows that the institutional subscribers are sensitive to the information disclosure in IPO prospectus. Institutional subscribers go through the IPO prospectus to make proper analysis of the company based upon the information disclosure to arrive at the investment decision. However, the results also reported the negative impact of account/accounting, borrowings, income, risk, statement/s and system The R square of the regression model is found to be 39.6% indicating that 39.6 percent of the variations of the total subscription can be explained with the help of information disclosure in IPO prospectus. The F stats (4.638) indicates the statistical significance of the regression model. For HNI Subscription as dependent variable, the result of multiple regression analysis is shown below in table 6:

Table 6: Regression Model

Dependent variable	Independent Variables	Regression Coefficients	Standard error	T stats	F stats R square
HNI Subscription of IPO	Constant	70.708	24.632	2.871**	4.055** 8.6%
	Bank	0.059	.023	2.507**	
	Corporate	-0.530	.208	-2.548**	
	Employees	0.307	.134	2.281	

The results reported that the three variables significantly influence the HNI subscription of the IPO namely bank (regression coefficient = .059, t-stats=2.507), corporate (regression coefficient = -.530, t-stats=-2.548) and employees (regression coefficient = 0.307, t-stats=2.281). The regression coefficient of bank information and employee information is found positive, however found negative for the corporate information. This indicates that the clarity about the bank and employee information enhances the HNI subscription of IPO of the company. However, the results also reported the negative impact of corporate information. The corporate information consists of different information and disclosures which are corporate deposits, corporate governance, corporate debt, corporate affairs, corporate identification number, corporate guarantee etc. influences negative impact on HNI subscription. The R square of the regression model is found to be 8.6% indicating that 8.6 percent of the variations of the HNI subscription can be explained with the help of information disclosure in IPO prospectus. The F stats (5.055) indicates the statistical significance of the regression model.

In case of Retail Subscription as dependent variable, the result of regression analysis reported that all the independent variables i.e., different types of information in IPO prospectus do not influence the retail subscription

towards IPO offers. In India, it is observed that most of the retail investors do not read the prospectus rather apply for the IPO based on market sentiments towards the IPOs. The regression coefficients of all the independent variables are found insignificant. These findings are in consistency with the findings that particularly, information disclosure is relatively more important for institutional investors as compared to the individual investors due to their lower capability to access and rely upon such information and more dependence on public information. (Lonkani & Firth, 2005).

Listing Performance and Information Disclosure

The market participants anticipate the listing performance of the company based upon the information they have about the company as well as its future expected performance. The information disclosed in the prospectus plays an important role in deciding about the market perception about the listing performance of the IPO. In the study the correlation coefficients between listing performance and different type of information disclosure are estimated. The correlation analysis is used to examine the relationship between the listing performance and the information disclosure in the IPOs prospectus of the different companies. The result of the correlation analysis is shown below in table 7:

Table 7: Correlation analysis b/w Listing Performance and Information disclosure

Correlation Between Listing Performance and different types of information disclosed in IPO prospectus	Pearson Correlation	P value
Bank Information	0.459**	0.000
Risk Information	0.345**	0.000
Interest Information	0.274**	0.001
Customer Information	0.272**	0.002
Credit Information	0.258**	0.003
Management Information	0.194**	0.025
Ratio/s Information	0.188**	0.031
Capital Information	0.179**	0.039
System Information	0.125	0.150
Corporate Information	0.104	0.233
Audit Information	0.095	0.279
Asset/s Information	0.088	0.316
Debt Information	0.077	0.375
Income Information	0.077	0.380
Year Information	.076	0.383
Employee Information	0.057	0.512
Loan/Advances Information	0.053	0.543
Tax Information	-0.051	0.559
Statement/s Information	-0.050	0.568
Expenses Information	-0.046	0.601
Borrowings Information	0.044	0.612
Finance/Financing Information	0.032	0.713
Value Information	0.032	0.715
Equity Information	.025	0.779
Board of Directors Information	-0.017	0.845
Accounting Information	-0.017	0.849
Liabilities Information	0.010	0.906
Cost Information	0.007	0.937
Statutory Information	-.006	0.946

The result reported that the listing performance has maximum correlation with bank information disclosure of the firm (Pearson correlation coefficient = 0.459**). This indicates that listing performance is highly sensitive to the

bank information disclosure of the firm as it has effects on the future profitability of the firm. This is followed by risk information (Pearson correlation coefficient = 0.345**). The listing performance is also found to have significant relation

with the firm risk exposure. The firm with high-risk exposure may have better listing performance. The listing performance is also found to be correlated with interest information (Pearson correlation coefficient = 0.274**), customer information (Pearson correlation coefficient = 0.272**), information about credit (Pearson correlation coefficient = 0.258**), management information (Pearson correlation coefficient = 0.194**), ratio/s information (Pearson correlation coefficient = 0.188**), information about capital (Pearson correlation coefficient = 0.179**). The multiple regression method is used in the study in order to examine the impact of different types of information disclosed in the IPO prospectus on the listing performance of the IPO. The listing performance of the IPO is assumed to be dependent variable. However, the different information type score is assumed to the independent variable. The multivariate regression analysis is shown

below:

$$\text{Listing Performance of IPO (Y)} = \alpha + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 \dots$$

Where Y is the dependent variable and indicates the listing performance of the IPO, α is intercept coefficient, β indicates the slope coefficient and X_i is the independent variable and represents the different information type disclosed in the IPO selected in the study. The hypothesis "The information disclosed in IPO prospectus significantly influences the Listing Performance of the IPO" is examined with the help of regression analysis. The result of the regression analysis is reported below in table 8: The results of the modified regression model are shown below:

Table 8: Regression Model

Dependent variable	Independent Variables	Regression Coefficients	Standard error	T stats	F stats R square
Listing Performance of IPO	Constant	40.87	57.887	.706	8.929** 53.28%
	Bank	.236	0.062	3.832**	
	Credit	-.390	.218	-1.795	
	Debt	-2.351	.627	-3.750**	
	Employee	-.894	.325	-2.750**	
	Finance/Financing	-.842	.282	-2.991**	
	Income	-.642	.284	-2.265**	
	Interest	.655	.262	2.502**	
	Management	.591	.216	2.737**	
	Risk	2.843	.457	6.222**	
	Ratio/s	-3.564	.691	-5.159**	
	Statutory	-2.682	1.068	-2.511**	
	Statement/s	-.382	.180	-2.125**	
	System	.715	.392	1.823	
	Tax	.486	.227	2.143**	
Value	-.276	.158	-1.754		

The results reported that the fifteen variables significantly *i* The regression coefficients of bank information, interest information, management information, risk information, system information and tax information are found positive, however found negative for the credit information, debt information, employee information, finance/financing information, income information, ratio/s information, statutory information, statement/s information and value information. This indicates that the clarity about the bank, interest, management, risk, system, and tax information enhances the listing performance of IPO of the company. Investors who invest for the purpose of listing gains, make proper analysis of the company to arrive at the background of the company, market conditions, industry analysis about sustainability aspects along with other issues like size of issue, offer for sale i.e., IPO v/s offer for sale to multiply their return effectively. Selection of stocks by immediate opportunity investors depends upon their analysis of companies having sustainable business and fundamental strength and IPO listed gain tax. Immediate opportunity investors try to grab while going for IPO. So, information disclosure in IPO prospectus is of greater significance for them. However, the results also reported the negative impact of credit information, debt information, employee information, finance/financing information, income information, ratio/s information, statutory information, statement/s information and value information. It means

credit, debt, employee, finance/financing, income, ratio/s, statutory, statement/s and value information consist of different information and disclosures influence negative impact on listing performance. The R square of the regression model is found to be 53.28% indicating that 53.28 percent of the variations of the listing performance can be explained with the help of information disclosure in IPO prospectus. The F stats (8.929) indicates the statistical significance of the regression model.

Conclusions and Discussion

This study provides us with beneficial understanding about the influence of information disclosure in IPO prospectuses of Indian companies on IPO performance as under:

The result indicated maximum correlation between market rating and risk information. This is followed by assets information, indicating a significant relationship between market rating and assets information. The market rating is also found to be correlated with credit information, employee information, information about customer, interest information, debt information, information about borrowings, management information, liabilities information, statutory information, equity information, year information, cost information and value information The results of regression analysis expressed that the four variables namely risk related information, asset/s related information, information about the income and financial

ratios have significant impact on the market rating of the IPO. The regression coefficient of risk information and asset information is found positive, however found negative for the income and financial ratios.

The result affirmed a significant relationship between the total subscription and board of directors' information of the firm. The result further reported that there is no significant association of total subscription with other information disclosure like audit, capital, statutory, corporate, tax, expenses, loans/advances, cost, customer, accounting, ratio/s, borrowings, interest, year, equity, management, employee, value, finance/financing, debt, credit, asset/s, statement/s, liabilities, risk, income, bank, and system information. The results indicated maximum correlation between QIB and employee (Human Resources) disclosure. This is followed by customer information. The institutional subscription is also found to have significant relation with the firm customer base. The institutional subscription is also found to have significant correlation with management information, equity information, information about risk, debt information, credit information, information about capital. However, no significant correlation found between HNI subscription as well as retail investor subscription with the information disclosure in the IPO prospectus. The results of regression analysis reported that the two variables namely customer related information and loans/advances related information significantly influence the total subscription of the IPO. The regression coefficient of customer information is found positive, however found negative for the loan/advances. The results of regression analysis reported that the 14 variables such as accounting/account related information, asset/s related information, borrowings related information, credit related information, customer related information, debt related information, employee related information, income related information, management related information, risk related information, ratio/s related information, statement/s related information, system related information and year related information significantly influence the total subscription of the IPO. The regression coefficients of assets/s information, credit information, customer information, debt information, employee information, management information, ratio/s information and year information are found positive, however found negative for account/accounting, borrowings, income, risk, statement/s and system. The results reported that the three variables namely bank, corporate and employees significantly influence the HNI subscription of the IPO. The regression coefficient of bank information and employee information is found positive, however found negative for the corporate information. In case of Retail Subscription as dependent variable, the result of regression analysis reported that all the independent variables i.e., different types of information in IPO prospectus do not influence the retail subscription towards IPO offers. The regression coefficients of all the independent variables are found insignificant.

The result indicated the maximum correlation between listing performance and bank information disclosure of the firm and this is followed by risk information disclosure of the firm indicating a significant correlation with listing performance and bank information. The listing performance is also found to have significant relation with the firm risk exposure. The listing performance is also found to be correlated with interest information, customer information, information about credit, management information, ratio/s

information and information about capital. The results of regression analysis reported that the fifteen variables namely bank, credit, debt, employees, finance/financing, income, interest, ratio/s, statutory, statement/s, system, tax, and value information disclosure significantly influence the listing performance of the IPO. The regression coefficients of bank information, interest information, management information, risk information, system information and tax information are found positive, however found negative for the credit information, debt information, employee information, finance/financing information, income information, ratio/s information, statutory information, statement/s information and value information.

Implications for investors, researchers, and other stakeholders

This paper puts forward significant suggestions in the following ways.

- First, the findings of the study aids to extend the previous research on IPO disclosures recognising the growing importance and its impact on IPO performance.
- Second, for the investors as based on the results, they can make decisions about investing in Indian IPOs. They may find the results informative in getting an idea about performance of the IPOs and the factors that can influence the performance.
- Third, the managers of issuing companies and lead managers of issues can use the results of this study to improve the pricing of issues.

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