


# Chapter 5

## Post–Listing Performance of IPOs in India’s Financial Services Sector (2021–2024): An Industry–Specific Empirical Study

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### **ABSTRACT**

*The number of initial public offerings (IPOs) made in the Indian financial services sector between 2021-2024 has increased, due to heightened investor activity. Although the volume of IPO issues has increased, there is limited research on their short-term performance, particularly in the context of industry-specific analysis. This paper will evaluate the performance of IPOs that issue financial services companies in India during the listing period of 20 days using the event study methodology. The daily returns of IPOs and the index (NIFTY 50) are taken to compute market-adjusted short-run performance (MASRP), wealth relative (WR), abnormal returns (AR), and cumulative abnormal returns (CAR). The regression analysis shows that only oversubscription can have a significant effect on the revenue of an IPO in terms of returns. This research has added value by using sector-specific evidence, which may be useful to investors, issuers, and regulators when evaluating short-run IPO efficiencies.*

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## INTRODUCTION

An Initial Public Offering (IPO) refers to the process by which privately owned entities are converted into publicly owned ones, with securities initially offered to outsiders. It is believed that this was one of the most intricate and probably one of the most dramatic developments in the financial markets, a process that has been considered the most interesting and yet complicated phenomenon in financial markets (Ritter, 1991; Loughran and Ritter, 2004a). The occurrence of the phenomenon of IPO underpricing is consistently reported in research of many countries, where the market ending price on the first day of trading is usually higher than the price of the issue, thus yielding immediate listing profit to investors, giving immediate listing-day profits to investors (Rock, 1986; Allen & Faulhaber, 1989). The pathways through which this anomaly has been explained theoretically include the winner-takes-all hypothesis, signaling theories, and book-building mechanisms, which all explain why investors often experience excess first-day returns (Aggarwal, 2000; Ljungqvist, 2007).

According to the empirical research in various markets, not only do initial public offerings show underestimation of prices in the short term, but also a significant underperformance of this type of offering in terms of its appearance in the long term, in opposition to benchmark indices (Ibbotson et al., 1975; Ritter & Welch, 2002). This long-run performance has been seen and explained with investor behavior, market timing, and regulatory structures. In emerging economies, and especially in India, the scale of underpricing is often optional to a greater degree than can be explained by high levels of information asymmetry and frequent short-selling behavior (Deb & Marisetty, 2010; Sahoo & Rajib, 2010).

In India, the IPO marketplace has evolved at a fast rate. Smaller studies by Krishnamurti and Kumar (2002) have revealed very high returns on the initial day. These IPOs, as determined by Sehgal and Singh (2008), do not perform well in the long run. Experimental studies showed the importance of the over-subscription ratio, firm age, issue size, promoter shareholding, and underwriter reputation.

Although IPOs have been the subject of a rich literature, most Indian research looks at IPOs in any industry. Performance studies are also still scarce, sector-wise. In particular, the financial services industry, which includes banks, NBFCs, insurers, fintech, and asset management businesses, has shown a spiking IPO activity in the period between 2021 and 2024 due to the post-pandemic recovery, fintech adaptation, regulatory reform, and financial inclusion agendas (EY, 2024; Newman et al, 2024). Listings on the bourses during this time, including PB Fintech, Paytm (One97), LIC, and Star Health, represent the increase in investor interest and volatility as well.

Although sectoral factors may contribute to IPO performance, the literature does not provide any evidence that focuses on financial services IPOs in the Indian

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