Factors Affecting Post-Initial Public Offer of Listed Companies at the Nairobi Securities Exchange

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Abstract: *Initial Public Offerings (IPOs) have recently become popular as way of sourcing for funds by organizations and to the investors by buying shares in those companies. However, IPO can be a risky investment avenue because of uncertainty regarding the future prices of post IPO shares. The purpose of this study was to establish the factors affecting post-initial public offer share price in Kenya. The study was guided by the following specific objectives: to establish the effect of company information on the post IPO share prices in the securities market; to examine how inflation rate, influence post IPO share prices in the market; to evaluate how dividend policy influence post IPO share prices; and to determine how the number of shares issued affect the post-IPO share prices. The study was guided by five hypotheses namely the Winner's Curse Hypothesis, Signaling Hypothesis, The Market Feedback Hypothesis, The Lawsuit Avoidance Hypothesis and the Fads Hypothesis. The study was based on a correlational research design. The study population consisted of 64 listed companies at the NSE. The study targeted 23 companies listed during the study period. Nassiuma's (2006) formula and simple random sampling was used to obtain 9 companies. Purposive sampling was employed to select 86 senior finance officers as the study respondents. Data was collected using questionnaires. Descriptive and inferential statistics were used to analyze data with the aid of Statistical Package for Social Sciences (SPSS). Descriptive statistics included frequencies, percentages, mean and standard deviations. Correlation analysis and regression analysis were used to establish the relationship between study variables. The findings indicated that post IPO share prices were influenced company information, inflation rate, dividend policy and the number of share issued among companies listed in the NSE. From the findings, the study concluded that 27.4% of post IPO share price of listed companies influenced by company information; 30.3% by inflation rate, 21.5% by dividend policy and 20.1% by the number of shares issued. In general, the study concluded that the number of shares issued, inflation rate, dividend policy and company information accounted for 61.3% of the total variance in post-initial public offer share price. The study recommended that listed companies should become more proactive in adapting to changing dynamics of post IPO share prices.*

Key Words: *Company Information, Inflation rate, Post IPO Share Prices, Dividend Policy, Number of shares issued, Nairobi Securities Exchange*

I. Introduction

Firms go through a transformation in their quest for capital structure depending on their stage in the lifecycle of the firm (Loughran, Ritter &Rydqvist, 2014). From the incubator stage to where firms initially begin with individual or family seed money, they grow on to acquire bridge and mezzanine capital from venture capitalists and bank loans to finance their next phases. After acquiring critical mass ascertained by market ratios, the firm is ready to expand its ownership to have a steady source from which to tap future funds for growth and reduce encumbrances usually in the form of bank debts (Tiniç, 2017). This transition is facilitated by selling common Securities to the public for the very first time known as IPO by way of listing the shares in recognized shares. Listing in the Securities market is significant to investors, regulators, creditors, suppliers and the general public. It increases public awareness and public interest in the company and its products. It also enhances the status and financial standing of the firm. The firm will have to determine what proportion it wishes to extend to the investing public based on various incentives given by the law (Kaaria, 2009).

According to Kaaria (2009) IPO is where shares of securities in a company are sold to the general public, on a securities exchange, for the first time. Through this process, a private company transforms into a public company (Edmonston, 2009). Most studies in literature are generally focused on the reasons of the abnormal returns and performances of IPOs after trading. Findings, which had been found in different markets, sometimes conflict each other. This makes public offerings "a kind of puzzle" in the finance arena. In literature,

finding of empirical studies declare that IPOs provide abnormal returns in the short term. In other words, it is concluded that the securities which will be offered in the market have been underpriced. On the other hand, it is difficult to determine the exact price of the Securities which is not trading in securities exchanges yet. The agencies which ensure the sales of securities want IPOs underpriced. Investors who buy IPO in determined lower price have the chance to obtain abnormal returns (Andersen, 2003). However, the price of the valued securities is expected to be balanced immediately in an efficient market (Porta, 2014). IPO's are also used to give liquidity to existing shareholders who wish to cash some of their equity through the securities markets. Because private firms don't have a liquid market, founder members opt for the IPO as a way to cash their gains and expand the shareholder base so as to diversify risk. IPOs can be utilized to gain a tax reduction, for instance under the Finance Bill of 2005-2006, firms ceding 25% or more through an IPO, enjoy preferential corporate tax at the rate of 25% compared to 30% for non-public firms. In the wake of this law in 2006, there has been an increase of private and state owned organizations making their voyage into the IPO market. I&M Holdings, AtlasAfrican Industries, Deacons (EA), Longhorn Publishers, Safaricom Limited, Britam and Co-operative Bank are some of the notable entrants in the last ten years that have benefited from this law (Kaaria, 2009).

1.1.1 International perspective ofPost IPO Share Prices and Securities Performance

Research available mainly in developed countries has documented the extent of post IPO pricing without identifying the main factors involved in setting the post IPO price. Many researchers have presented evidence that post IPOs are usually under-priced (Purnanandan&Swaminathan, 2003). Corwin (2003) identifies uncertainty and asymmetric information as a strong influence on a firm's equity pricing and, as a matter of fact, leads to under-pricing. Easley, Hridkjaer and O'Hara (2001) agree that market is information sensitive at least to the extent that insider information affects equity returns and advised that it should not be ignored for efficient asset pricing. According to Kang (2008) the factors affecting the price of an equity share can be viewed from the macro and micro economic perspectives. The pricing of public offerings is one of those contentious issues that incessantly attract the attention of many researchers in finance. There is extensive empirical evidence on the abnormal initial returns provided by IPOs and the long-term underperformance of post IPO shares. However, the listed company's quest to uncover the reasons for post IPO under-pricing has generated various hypotheses such as the Winner's curse hypothesis, the market feedback hypothesis, the certification hypothesis, the market feedback hypothesis, the lawsuit avoidance hypothesis and the Fads hypothesis (Kaaria, 2009).

Ibbotson and Ritter (2014) have provided evidence on long-run underperformance of post-IPO market. According to Miller (1997) those most optimistic of an IPO as the buyers sell their shares in the post-IPO market and thus they bear the brunt of long run under performance. Schindler (2016) proposed that the IPO market is subject to fads by underwriters who under-price to create an artificial shortage of the new shares. Other studies have confirmed under performance after one year, three years and five years (Aggarwal&Rivoli, 2016). The fads theory forwarded by Aggarwal and Rivoli (2016) advances the theory that IPOs are generally overvalued at the offering date and that optimism fades over time and the value of the new share eventually corrects downwards to the IPO price and below. Underpricing of IPOs was determined as the cause of abnormal positive returns in the first days of IPO trading in the 2013 study (Loughran, Ritter &Rydqvist, 2013).

Levis (1993) reported an average first day return of 14.3% for 172 UK IPOs from 1980 to 2017. In 1996, Lee, Taylor and Walter studied initial and long-run returns for Singaporean IPOs for the period 1973 to 1993 and reported the short run returns of 30% where this return went in tandem with retention of ownership and over-subscription. Ritter (1997), Welch (2015) and Rajan and Servaes (2003) suggest that an average initial return of 16% in the USA. Various studies have attempted to explain why under-pricing is widely practiced in IPOs pricing.The study notes that the size of an issue will command the degree to which information is disseminated to the public. In the case of the Safaricom IPO advertising and public relations budget was Kshs.7.1 million for a Kshs 50 billion issue. It attracted over 800,000 participants in a market with 1.3 million active investors as measured by the number of central depository shares accounts opened then. This therefore, reduced the level of under-pricing resulting in a quick convergence of the first day's prices to the IPO price, closing the period for short run super profits.

1.1.2 Regional Perspective of Post IPO Share Prices and Securities Performance

There is a considerable amount of literature on the subject of IPOs performance in African countries. Therefore, IPO underpricing is a recurring phenomenon and African stock markets have not escaped it. Indeed, in Africa inefficiencies and information gaps on the markets could accentuate information asymmetry problems attributed to underpricing of IPOs. However, stock market activity in Africa has been growing steadily in the past decade. Plausible reasons for the growing development in stock markets in Africa are the potential contributions that stock markets make to firm financing, and to economic growth in general. Empirical literature on African stock markets shows that stock markets are important in financing firm growth. Mutenheri and Green (2003) found interesting differences among the various components of long-term finance. Equity financing was

the most important source of long-term finance, at 7.8%. Long-term bank loans and bonds were each a very small component of total external financing. In South Africa, liabilities accounted for 61% of total financing and retained earnings, while external equity financed 21% and 18%, respectively, of total assets growth (Yartey, 2006). Furthermore, Yartey and Adjasi (2007) show that stock markets contribute to the financing of corporate investments, especially long-term external finance and, consequently, the growth of listed firms in Africa.

African governments own the majority equity in over 80% of the enterprises in the respective African economies. Largely due to poor performance, most state-owned enterprises have been privatized. In Ghana, as many as 250 state enterprises have been privatized. In NigeriaJerome (2008) indicates that 35 firms have been privatized through public offers on the stock exchange. Senbet and Otchere (2009) have observed that the importance of stock markets in Africa concerning the potential retention of domestic capital, which is important in the midst of capital flight problems and volatility of external capital flows in Africa. Hence, the subject of IPO has gained considerable interest among investors.

In Tanzania, shares are listed on and traded at Dar es Salaam Stock Exchange (DSE). Both local and foreign investors are allowed to participate in DSE. Foreign investors were not allowed until recently when the Tanzania government issue the capital markets and securities regulation 2014. According to recently market reports from DSE, foreign investors are major buyers of shares traded at DSE as about seventy percent of all shares purchases at DSE during the period from July 2014 to August 15 were done by foreign investors.

1.1.3 Kenyan perspectives of Post IPO Share Prices and Securities Performance

In Kenya, the Capital Markets Authority (CMA) was set up in 2015 through an Act of Parliament (Cap 485A Laws of Kenya). The CMA, which is a body corporate with perpetual succession and a common seal, was constituted and inaugurated in 2016. The CMA is a statutory agency charged with the prime responsibility of regulating the development of orderly, fair and efficient capital markets in Kenya. Capital markets are financial markets for buying and selling of long-term debt or equity-backed securities. These markets channel the wealth of savers to those who can put it to long term productive use such as companies or governments making long term investments. It licenses and supervises market intermediaries, conducts on-site and off-site market surveillance and enforces compliance, and promotes market integrity and investor confidence (Andersen, 2003). The CMA has on several occasions suspended the operating licenses of securities brokerage firms that failed to follow set regulations, uphold their responsibility and thereby cast doubt on the integrity of the capital markets.

The dealing in securities and shares started in the 1920s when the country was still under British colony. There was however no formal market, no rules and no regulations to govern Securities brokerage activities. Trading took place on gentlemen's agreement in which standard commissions were charged with clients being obligated to honour their contractual agreements of making good delivery and settling relevant costs. In 1951 an Estate Agent by the name of Francis Drummond established the first professional Securities broker firm and other Securities brokerage firms were later established. The NSE came into being in 1954 when trading used to take place over a cup of tea at the New Stanley Hotel (Muga, 2015). The NSE was constituted as a voluntary association of securities brokers registered under the societies Act in 1954 and in 2011 the NSE was incorporated under the companies Act of Kenya as a company limited by guarantee and without a share capital. Subsequent development of the market has seen an increase in the number of securities brokers, introduction of investment banks, establishment of custodial institutions and credit rating agencies and the number of listed companies have increased over time. Securities traded include equities, bonds and preference shares (Lee, 1992).

The NSE market promotes a culture of investing, where savers can invest their money to earn returns, and the returns act as incentives to consume less and save more. The securities exchange market brings providers of capital and organizations that require capital. Providers of capital should earn returns on their investments through dividends and or capital growth, thereby increasing the wealth of the nation; while the organizations in which they invest do provide jobs and drive the economic development of the country (Nyangwara, 2006). The NSE tests the value of securities, stabilizes security prices through the efficient, relatively inexpensive and continuous transactions and aids the digestion of new security issues and facilitates their successful floatation. The NSE also publishes useful information about the various companies for guidance of both the investors and the relevant companies.

Before independence, the Securities market experienced tremendous growth in the number of firms listed. For example, NSE had 46 listed companies by end of 1954, increasing to 50 in 1956. By 1959, the market had a total of 13 new listings and four delistings, but there was no listing of firms from the financial sector. In the 1960s, the number of new listings increased to 19 while the number of delistings rose to 11, such that the total number of listed companies increased from 56 in 1960 to 63 in 1969. During the period, the first firm from the financial sector was listed and locally controlled companies made a significant entry. As noted in the 1967 Economic Survey, the new issues helped to increase availability of sound equity investments in which local people were able to invest their savings, increasing both their activity in the market and holding shares in these

companies to provide credit facilities to those wishing to purchase shares both in the primary and secondary markets (Ngugi&Njiru, 2005).

The period following the establishment of Capital Issue Committee (CIC) saw a high number of delisting (11) compared to new listings (7), such that the total number of firms listed declined from 64 in 1970 to 57 in 1979; two of the delisted firms followed the breakup of the East African Community (EAC). Two companies were taken over (Benbros was taken over by CMC and Buret Tea by Brooke Bond), two voluntarily wound up, and one reduced capital. Data on the amount of capital raised with new issues is not systematically available. For example, data from IFC/CBK (1984) indicate that for the period 1971-1980, eleven issues worth Kshs 243.6 million were made. However, it is not clear which among these were new issues. The total value of public issues was Kshs 182.952 million in 1971, with the industrial sector sharing 53% and banking sector 39%. During the period 1980-2015, only three IPOs were made. The three IPOs were mainly made by financial institutions and one of them was a divestiture of government shares.

Among the hailed successful stories in the privatization process is Kenya Airways, which saw the structure of shareholding change with KLM Royal Dutch Airlines holding 25%, the government 23%, the Airways staff 3%, the Kenyan public 34% and foreign investors 14%. For Uchumi, it was expected that with the offer in 1992, the public, companies, trusts, pension funds, and cooperatives would hold effectively slightly more than 53% of the enlarged ordinary share capital of the company. The issues made during the period were over-subscribed while seasoned offers recorded a lower subscription rate. By 2006, the market had 58 companies and 69 securities listed on the securities exchange; the last IPO was offered in 1997. 78% of the listed securities were ordinary shares, 17% were preference shares, and 4% were loan securities. Of the total listed companies, 72% were locally controlled while the industrial and allied sector took the highest percentage (30%) of the total listed companies. Only 35% of the total listed firms were included in the calculation of the NSE index. The minimal number of new listings indicates that the implemented reforms did not achieve much in attracting listing of private companies. The period from the year 2014-2001 witnessed listing of the first information technology firm and sugar firm. The two issues fetched about Kshs 1,500 million but unlike the previous offers they were under-subscribed, signaling a growing listing risk. Under-subscription was attributed to the depressed market and declining individual disposable income following the economic downturn, coupled with an investment mood that seemed to favour secure high yielding government securities. In addition, three companies were delisted from the year 2014, two of them for failure to comply with the listing requirements-especially failure to comply with the continuing reporting obligations-while one wound up following group re-organization (KIPPRA). The Kenyan capital market recorded a remarkable milestone on 8th May 2001 when the CMA launched the reform strategy for the fundamental reorganization of the NSE. The reform was aimed at responding to the changing needs of the market and the economy, as well as furthering measures towards deepening of the capital markets in Kenya (NSE, 2005). Although the period 2013-2005 was quiet as far as IPOs are concerned, the period 2006-2008 recorded a high number IPOs with seven companies issuing their shares in this period.

1.2 Statement of the Problem

Security markets often react differently to various factors ranging from economic, political to socio-cultural factors. In Kenya, the prices of securities of quoted companies are affected either positivity or negatively by a number of factors (Kaaria, 2009). Therefore, by studying the performance of IPOs, investors are better informed on the expected returns after IPOs. When firms issue shares to the public for the first time, the after listing performance and share prices follow different patterns, which can be explained by various theories and factors. Over the last few years there has been an upsurge of IPO activity at the NSE. The reason for this popularity is because of the worldwide trend towards privatization. The IPOs at the NSE have been successful and have been characterized by massive oversubscriptions. Most studies have analyzed the performance of companies around IPOs. Studies conducted in different countries have shown that share prices normally react to the arrival of news in the market such as announcement of earnings and dividends. Other researchers have found that both political and economic events usually have an impact on the share prices of companies listed in the securities exchange markets.

In Kenya, most studies have focused on under-pricing and performance of IPOs such as Ngahu (2006) on book value per share issue price and first trading day prices of IPOs at NSE, Cheluget (2008) on investors demand for IPOs and first day performance, Ndatimama (2008) on performance of IPOs, Simiyu (2008) on pricing and performance of initial public offering, Thuo (2009) on the short-run performance of IPOs, Karitie (2010) on long-run performance of IPOs and Wachira (2010) on the determinants of the success of IPOs among listed companies in Kenya. Analysis of these studies revealed that the effect of IPOs on return of securities at the NSE remains largely unexplained. Moreover, the behavior of share prices to announcement of operating results has not been studied. Therefore, there is no empirical evidence that IPOs affect the return on securities of listed companies at the NSE. Apparently, an IPO announcement is likely to influence investors in disposing off

the shares in other listed companies in order to participate in the current IPO. This destabilizes the market leading to possible fluctuation in securities prices. However, investors may lack information concerning the market response. The factors affecting post-IPO share prices are therefore important to the issuers, regulators and the investing public since price fluctuations have serious implications on portfolio strategies employed by individual and institutional investors. The study therefore sought to establish the factors that affect post-IPO share prices.

1.3 Objectives of the study
i. To establish the effect of company information on the post initial public offer share prices at the Nairobi securities market, Kenya.
ii. To determine the effect of inflation rate on the post initial public offer share prices at the Nairobi securities market, Kenya.
iii. To establish the effect of dividend policy on the post initial public offer share prices at the Nairobi securities market, Kenya.
iv. To determine the effect of the number of shares issued on the post initial public offer share prices at the Nairobi Securities market, Kenya.

1.4 Research Hypotheses
H01: There is no statistically significant effect of company information on post initial public offer share price of listed at the Nairobi Securities market, Kenya
H02: There is no statistically significant effect of inflation rate on post initial public offer share price in listed companies at the Nairobi Securities market, Kenya
H03: Dividend policy has no effect on post initial public offer share price of listed companies at the Nairobi Securities market, Kenya
H04: There is no statistically significant effect of the number of shares issued on post initial public offer share price at the Nairobi Securities market, Kenya

II. Literature Review
2.1 Theoretical Review
Securities markets play a critical role in world economies. They provide an avenue for raising funds. The performance of securities market is influenced by a number of factors, the main ones being the activities of governments and the general performance of the economy (Lee, 2006). The pricing and performance of initial public offerings is one of those contentious issues that incessantly attract the attention of many researchers in finance. There is extensive empirical evidence on the abnormal initial returns provided by IPOs and underperformance of post IPO shares. However, the listed company quest to uncover the reasons for post IPO underpricing has generated various hypotheses.

2.1.1 Signaling Hypothesis
The concept of signaling was first developed by Spence (1973). The signaling hypothesis says that a good firm can distinguish itself from a bad firm by sending a credible signal about its quality to capital markets. The signal will be credible only if the bad firm is unable to mimic the good firm by sending the same signal. If the cost of the signal is higher for the bad type than that of the good type firm, the bad type may not find it worthwhile to mimic, and so the signal could be credible. This is guided by the idea that many actions taken by economic agents are motivated chiefly by the wish to send a positive 'signal' to other agents, rather than by their ostensible purpose. This can be a means of overcoming the problem of asymmetric information between transactors.

According to Allen and Faulhaber (2015) and Grinblatt and Hwang (2015), Welch (2015) and Chemmanur (1993), the framework of asymmetric information and the underpriced new issues leave a good taste to investors, allowing the firms and insiders to sell future offerings at a higher price than otherwise would be the case. It is well documented that IPOs of common securities are undervalued. Various explanations have been offered to account for the phenomenon, one of them being the signaling hypothesis. Managers use the offering price as a signal given a situation of asymmetric information. The initial owners of the issuing firm are supposed to be informed than other investors. They signal positive information through the under-pricing of the securities in the IPO.

Signaling is costly because it results in a wealth transfer from initial owners to new investors. The signaling cost is compensated for by the fact that the subsequent capital issue will be made at a higher share price. The companies could issue an IPO by proposing to investors a smaller fraction of their capital initially, with a subsequent issue completely satisfying their total capital needs. In this context lesser quality firms would not be able to compete with higher quality firms. The signaling paradigm is multivariate for financial

instruments. Poitevin (1989) demonstrates that debt could be used as a signal to differentiate the potential competition of new entrant firms. Low cost entrants signal this fact by issuing debt while the incumbent or high cost entrants issue only equity; Harris and Raviv (1985) argue that calling firm's convertibles can be a kind of signal and Bhattacharya and Dittmar (1991) show stock repurchase is another kind of signal to represent the value of the firm.

2.1.2 The Market Feedback Hypothesis

The Market Feedback Hypothesis was developed by Louis Bachelier in 1990. It was initially first proposed by Fama in 1970. The Efficient Market Hypothesis states that securities should be traded at their fair value on markets, which means it is impossible for investors to either buy undervalued stocks or short overvalued stocks. The asset prices should fully reflect all available information. A direct implication is that it is impossible to beat the market consistently on a risk-adjusted basis since market prices should only react to new information. According to this theory, IPOs are underpriced in order to induce investors to reveal information during the book building period.

According to Benviste and Spindt (2015) and Jegadeesh (1993) under the condition of asymmetric information between underwriters and investors, underwriters underprice the IPOs to induce regular investors to reveal information during the pre-selling period and through the book building process underwriters obtain valuable information. The market feedback hypothesis, as suggested by Jegadeesh (1993) and modelled by Bommel (2013), market participants are better informed about the true value of the firm than the initial shareholders. This information would be revealed to them by the evolution of the prices of the securities after the IPO. If this information were of a positive nature, the managers would be encouraged to invest in the firm and issue more securities subsequently (Brau& Fawcett, 2004).

2.1.3 The Lawsuit Avoidance Hypothesis

The law suit avoidance hypothesis was developed by Tiniç   (1998). However, the notion that underpricing may reduce legal liabilities was initially suggested by Logue (1973). Formal models of this hypothesis include Hensler (2017) and Hughes and Thakor (1992). According to the lawsuit avoidance hypothesis, large positive initial IPO returns reduce the probability of a lawsuit, the conditional probability of an adverse judgment if a lawsuit is filed, and the amount of damages in the event of an adverse judgment. While the lawsuit avoidance hypothesis seems reasonable, it has attracted only limited empirical scrutiny. Tinic (1988) believed that the underwriters and the issuers can reduce their legal liability using post IPO underpricing. Generally, if the issuer and the underwriter hide some operating accounts related to post IPO, they will face huge legal risk from the investors who lost profit in the IPO and they also face huge amount fine from the court. Therefore, the issuer and underwriter would like to offer low price for investors to avoid the lawsuit and make investors obtain large abnormal return from post IPO.

2.1.4 Fads Hypothesis

This hypothesis was pioneered by Miller, Shiller and Aggarwal and Rivoli in 1990. The fads hypothesis states that the process of IPO issuance does not instantly determine the value of new stocks. The overvaluation of shares, therefore, implies abnormal excess returns earned by investors at the start of market trading (Aggarwal&Rivoli, 1990). When investors earn excess returns on the listing day, this consequently corrects the overpricing and results in lower returns over the longer term. According to Shiller (1990) fads can lead to overvaluation of the equity market, which leads to under-performance in the long-run. Shiller (1990) postulates that post IPOs shares are underpriced to create an appearance of excess demand. Fad's hypothesis anticipates that the long run performance of IPOs should be negatively related to the short run underpricing.

Miller's (1997) Fads hypothesis is consistent with Aggarwal and Rivoli (1990) who established that the possibility that the aftermarket is not immediately efficient in valuing newly issued securities and the abnormal returns that ensue to post IPO investors are the result of a temporary overvaluation by investors in the early trading. This is consistent with Lewis (1993), Aggarwal, Leal and Hernandez (1993) and Paudyal, Saadouni and Briston (1998) who postulated that post IPOs have the worst initial returns. Paudyal (1998) also found that the long run performance of IPOs is positively related to underwriter reputationAggarwal and Rivoli (2016) and Ritter (2011), based on the evidence that post IPOs underperform the market over the long-term, argue that the abnormal initial returns of IPOs are not due to systematic under-pricing but over-valuation of IPOs by investors or the presence of fads in the previous market trading. In other words, the fads hypothesis argues that IPOs may be correctly priced but investors overvalue the new issues in the early market. Therefore, under the assumptions of efficient markets, the post IPOs price should reach their equilibrium price leading to a negative correlation between initial returns and long-term post IPO performance.

2.2 Empirical Review
2.2.1 Company Information Releaseand Post IPO share Prices

The impact of business related information on the securities market has been researched in previous literature around the world. These studies have focused on information releases specific to companies listed on the Securities exchange and the macroeconomic environment in which they operate (Laidroo, 2008). Researchers have focused on the effects of company specific financial data released by the companies and the impact they have on the Securities market, with minimal attention being paid to non-financial data releases, and even less to system related information releases. In these studies the impact of the company information releases has been measured to determine the extent of economically significant changes it introduced in the securities market returns and volumes traded. The magnitude of price volatility and volume movements prompted by the release of particular information into the market, enabled classification of the relative economic importance the different information categories were valued by the market.

Laidroo (2008) observed slight variances in return and volume reactions to business financial news than company and management specific related news. This is quite surprising considering the consensus of both theorists and researchers that financial information should be more highly valued thereby creating greater volatility in the market around the announcement date. A study by Oyugi (2007) on the market reaction to financial disclosure at the NSE also revealed a weak relationship between the disclosure and trade volume. It was revealed shown that the frequency of financial disclosure had a higher impact on the volume traded but not on the company's performance.

In comparison to non-financial data, Laidroo (2008) observed greater impact on returns and volume with regards to financial information release as opposed to other business related or management news. The market was more sensitive to financial information from the company as opposed to the information release of other company related news. The assumption to this anomaly is that the share price would already incorporate any non-financial data as it is expected to be widely available in the market. Empirical evidence indicates that there is a relationship between information release into the market and the market performance (Andersen, 2003). The capital market is driven by positive and negative information releases that investors use to determine the positions they are to take in the capital markets. The investors and investment analysts examine the information released, assigning importance to every news item and invest accordingly. Poterba (2014) found out that price drops at issue announcement and increases with time from the last information release. Michael and Robert (2017) used the intraday price data to determine announcement effects on new equity issues. They found out that the issue size, intended use of proceeds and estimated profitability of new investment are uncorrelated with the announcement effect.

According to Babich and Sobel (2004) the prospect of a future IPO affects the daily operational and financial decisions made by many owners of privately growing companies. Based on this notion, the behavior of shareholders in making decisions to maximize the expected present value of IPO proceeds will depend on post IPO prospects (Robert, Deborah& MacDonald, 1992). Delong (2016) has suggested that noise traders can affect Securities prices because the risk aversion of irrational speculators keeps them away from taking large arbitrage positions. Brealey and Myers (2005) noted that going public marks a watershed in the life cycle of a firm, while increased equity can support the firm's future plans of growth, the tradeoff for the firm is that of increased public scrutiny.

2.2.2 The Effect of Inflation Rate

The interaction between the securities market and aggregate economic activity has been the subject of considerable interest in the past decade. The relationship has traditionally been one in which the economy affects the Securities market, usually based on the common text-book model of share prices as the discounted present value of expected future dividends (Mullins &Wadhwani, 2015). In this framework share prices are influenced both by output and interest rates (Barros, 2016). Recently, attention has also been focused on effects in the opposite direction. The extant literature has identified two principal channels of influence, the first from Securities prices to consumption via a wealth effect and the second from Securities prices to investment via cost of capital and other influences (Starr-McClure, 2013). The Vector Auto-Regressive (VAR) model has been a popular one for the analysis of the inter-temporal relationships between macro variables and Securities prices; it requires little by way of prior theoretical structure and the tools for the estimation and analysis of the dynamic behaviour of such models are widely available (Lee, 1992; Cheung & Ng, 2006).

Gallagher and Taylor (2014) have focused largely on the decomposition of securities prices into temporary and permanent components using the Blanchard-Quah identification scheme although the identification procedures using inflation rather than financial variables as the additional identifying variable. According to Gallagher (1999) the Blanchard and Quah procedure is applied to a VAR in two variables to

identify temporary and permanent components in security prices for 16 European countries while in Taylor and Gallagher (2014) a similar technique is applied to US data, using nominal interest rates as the second identifying variable in the place of inflation and applying estimation techniques which are robust to the usual departures from iid-normality common in financial data. In Gallagher and Taylor (2014), the focus is on the security price-inflation puzzle which is analyzed in a model containing only these two variables.

In Gallagher and Taylor (2014) the model is again a two-variable VAR in inflation and securities returns which is used to decompose securities prices into temporary and permanent parts using the Blanchard and Quah procedure. In the latter writings, however, the restrictions used for identification are based on a simple macroeconomic model which allows the distinction between demand- and supply-driven components of inflation. Nitta (2006) carried out a study on the influence of inflation rate, money supply, treasury bills rate and exchange rate on the NSE index. The study established that these variables had an impact on the performance of the Securities exchange. The treasury bills and the exchange rates were generally more significant than either the inflation or money supply.

2.2.3 Dividend Policyand Post IPO Share Price

Dividend policy refers to management's long-term decision on how to deploy cash flows from business activities, that is, how much to invest in the business, and how much to return to shareholders (Nitta, 2006). Healy and Palepu (2017) examined if changes in dividend policy convey information about future earnings of firms. They observe the impact of dividend initiation on shareholder value and also on earnings per share five years before and after dividend initiation announcements. They also studied if earnings changes subsequent to dividend initiation or omission were related to information released at the time of the initiation announcement. They found that firms that initiate dividends have significant increases in their earnings for at least one year before, the year of, and the year following dividend initiation. More recently, this notion has been supported by Aharony and Swary (1980) in which it was found that there is significantly positive association between dividend changes and Securities returns. These results were attributed to the information content of dividends. In many cases, companies choose to explicitly state the provisions within the dividend policy. This is to the advantage of the shareholder, as a well-defined policy makes it much easier to project the amount of payout profits generated for the period under consideration and thus be able to determine the size of the dividends that will be issued.

When the dividend policy is well defined and documented, it is easy for the shareholder to obtain a written copy and thus be fully informed as to how the policy works. In the cases where the dividend policy is not specifically defined, investors often look at the history to spot any trends that emerged from the past. If the dividend payments have been more or less constant for the last several years, and there has been no loss in business volume, it is reasonable to assume the payments will still be in the same general range as before. However, if the dividend history is more volatile, the shareholder may attempt to identify what factors led to the up and down movement of the dividends and determine if any of those factors are relevant to the current dividend period.

In both expressed and implied dividend policy procedures, it is less common for the dividends to be increased. Part of the reason for that is companies tend to look closely at retained earnings and want to make sure the increased level of earnings will be sustained over the long term. Once this upward trend is deemed to be more or less permanent, the company may choose to increase dividends. Masum (2014) assessed the dividend policy and its impact on Securities price in listed commercial banks in Dhaka Securities exchange for the period of 2007 to 2011. The study used panel data approach in explaining relationship between dividends and Securities prices after controlling the variables like Earnings per Share, Return on Equity, and Retention Ratio and established that Securities Prices significantly explained the variations in the market prices of shares, while the Dividend Yield and Profit after Tax had negative, insignificant relation with securities prices. Overall the study revealed that dividend policy has significant positive effect on Securities prices.

Mutwiri (2011) investigated the effect of dividend payout ratio on share prices of non-financial firms quoted on the Nairobi securities exchange. The study adopted a descriptive research design targeting secondary data collected from NSE for all the nonfinancial trading companies listed in NSE. The study found that that dividend payout ratio affects the share prices of non-financial firms quoted in NSE. This study therefore recommends diligence in the handling of dividend payout information among the sector players in a bid to ensure that there is inclusivity of the Securities market stakeholders. Ahmed (2011) conducted a study on the relationship between dividend per share and firm value on companies listed on the NSE. The target population was all the 55 companies listed on the NSE for the period from 2005 to 2009 and only companies that had continuously paid dividends and met researcher requirements were sampled. Secondary data was used for the study and data sourced from NSE hand book and data base. Multiple regression statistical method was used to analyze the data. The study concluded that there was a positive relationship between dividend payout and value of companies. Ratib (2013) also conducted a study on the effect of bonus share issue policies on securities

returns of firms listed at the NSE. The study employed event study methodology where the impact of bonus shares on Securities prices was measured over the five-year period from 2008 to 2012. From the findings the study showed that bonus issue announcements led to statistically significant positive average abnormal returns around the announcement dates. This means the Kenyan market reacted positively to bonus issue announcements.

2.2.4 Number of Shares and Post IPO Share Price

The number of shares issued in the Securities market affects the share price depending on the market forces of demand and supply. When the supply exceeds demand share prices fall and when demand exceeds supply then share prices will rise, of cause holding all other factors constant (Fedorov, 2007). A corporate charter sets the maximum number of shares a company is authorized to issue. Companies rarely issue all the authorized shares, reserving some for Securities options, secondary Securities offerings and corporate acquisitions. The total number of shares issued and outstanding typically remains constant for extended periods of time, increasing periodically as new shares are issued. But the numbers of shares issued and outstanding can also decrease under certain circumstances (Fedorov, 2007). The number of shares issued can be increased through securities splits, warrants exercise, and rights issues among other methods. Reducing the number of shares in circulation may have a beneficial effect on the securities price: the securities become harder to get, with the same number of investors chasing it, which pushes up the share prices. Robert (2002) found out that price drops at issue announcement and increases with time from the last information release. Michael and Robert (2017) used the intraday price data to determine announcement effects on new equity issues. They found out that the issue size, intended use of proceeds and estimated profitability of new investment are uncorrelated with the announcement effect.

Lowry and Schwert (2002) noted that IPO volume tends to be higher following periods of high initial returns, and their findings suggest that this relation is driven by information learned by the investors during the registration period. Rajan and Servaes (2003), Lee and Thaler (2011), Lerner (2014), and Pagano, Panetta, and Zingales (2006) suggested that IPO volume is related to various forms of market irrationality. Consistent with this finding, Lerner, Shane and Tsai (2003) suggested that periods of low post IPO volumes represent times when private firms cannot have access to the equity markets on favorable terms.

2.3 The Conceptual Framework

The conceptual framework explains the relationship between the independent variables and the dependent variable.The conceptual framework for this study is presented in figure 2.1.

Independent Variables
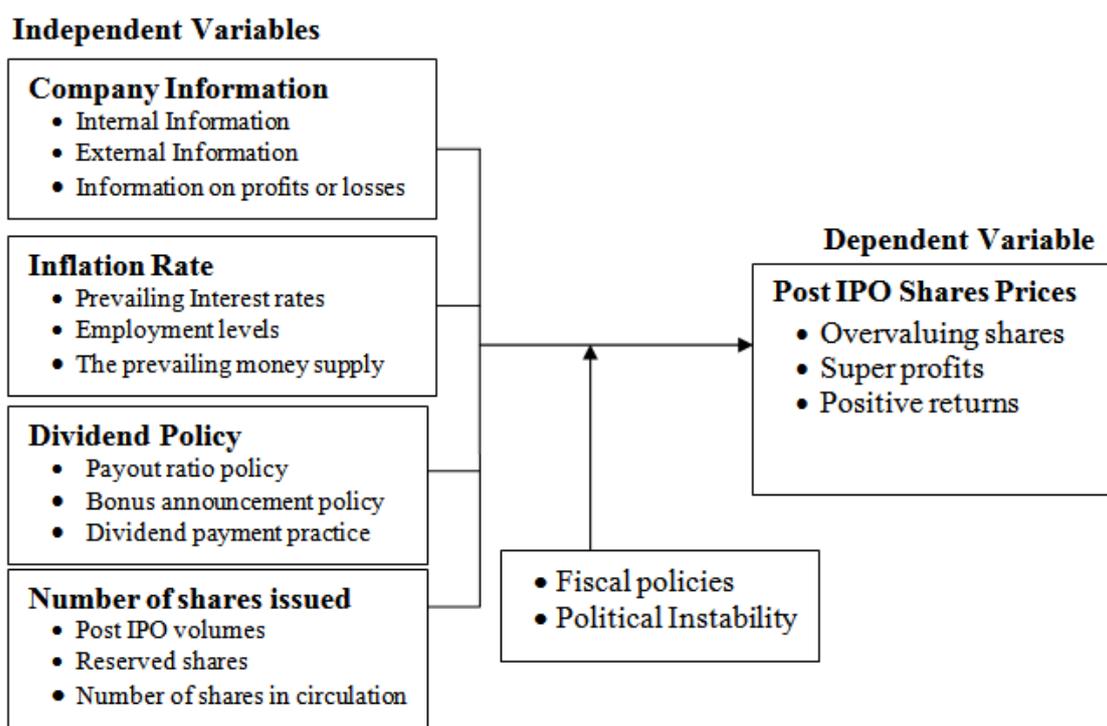
Figure 2.1: Conceptual Framework

Source: Researcher: 2018

Within this framework, the researcher argued that post-IPO share price was dependent on the information and news about the listed company. Positive news about the company would cause the post-IPO price to rise while negative information may cause the post IPO share price to fall. The post IPO share prices also may also be influenced by the inflation rate, the number of shares issued by the company and the company's dividend policy.

2.5 Research gap

Several studies have been conducted to determine the factors that affect share prices after IPO. Islam, Khan and Adnan (2014) sought to assess how EPS affects prices of Securities and the value of the firm. Pushpa and Sumangala (2012) investigated how EPS impacts on market value of Equity share. The study was done in India and therefore need a similar study in Kenyan context. Robbetze and Harmse (2016) assessed the effect of earnings per share categories on share price behavior and established that basic EPS correlated best with the changing behavior of share prices. However, this study was done in South Africa. In a study to determine the how dividend policy impacts on prices of Securities, the study was conducted in the banking sector in Dhaka Securities exchange and therefore there is need for a similar study in Kenya among listed firms. Mwitwiri (2011) on the other hand sought to assess the effect of dividend payout ratio on share prices of nonfinancial firms quoted on the Nairobi securities exchange; the study concentrated on non-financial firms and therefore need a similar study among the listed firms.

Khidmat and Rehman (2014) studied the impact of liquidity and solvency on profitability of chemical sector of Pakistan. Vithessonthi (2015) surveyed the effect of firm size on leverage- performance relationship during the financial crisis of 2007-2009 in Thailand. The studies in this paragraph however were not carried out in Kenyan context and therefore need similar studies in Kenya. From the reviewed literature, it is justified that the upward or downward movement of share prices after the IPO is influenced by the dividend policy of the company, information about the company, inflation rate and the number of shares issued.

III. Research Methodology

3.1 Research Design

Research design can be defined as the plan according to which research participants are chosen, data is collected and analyzed (Kothari, 2004). This study was based on a correlational research design. This is a type of non-experimental research where the researcher employs the data derived from pre-existing variables thus there is no manipulation of the variables. The whole purpose of using correlations in research is to figure out the connection between variables. The most useful application of correlation is to assess the relationship among two or more variables in a single group of subjects and the degree of the relationship(Orodho, 2009). This design was appropriate because it enabled the researcher too describe a relationship between number of shares issued, inflation rate, dividend policy and company information and post IPO share price.

3.2 The Population of the Study

The population of the study is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. Target population is the specific population from which information is desired (Mugenda&Mugenda 2003). The population of interest of this study was 64 listed companies while the target population was 23 companies that were listed during the period of consideration in the study (2003-2017).

3.3 Sampling Procedure and Sample Size

To obtain the study sample size of listed companies, Nassiuma's (2006) formula for estimating a sample size n from a known population, N was used:

$$n = \frac{NC2}{C2+ (N-1)\, e2}$$

Where   n = Sample size

N=Population, 23in this case

C=co-efficient of variation (30% for survey research)

e = standard error, assumed to be 0.08 in this study

Substituting these values in the equation estimated sample size was:

$$n = \frac{23 \times 0.32}{0.32 + (23-1)\,0.082} = 9$$

This resulted into 9 listed companies. Simple random sampling was then applied to select the 9 listed companies namely Access Kenya group, Safaricom, Scan group, Kengen, Kenya Reinsurance Corporation, Co-operative bank, Umeme LTD, British-American Investment and Nairobi Business Ventures. From each company senior finance officers were purposively selected. This constituted 86 senior finance officers as the study participants. The required sample size was then proportionately distributed to all the nine companies

3.3 Research Instrument
Primary data was collected using questionnaires. The questionnaire consisted of a list of specific questions soliciting data on the study variables. The questionnaires were used because of its confidentiality, efficiency and saves on cost. The study relied on primary data gathered in relation to research objectives.

3.6 Data Collection Procedure
A questionnaire was prepared for both the pilot (pre-test) and the main study to assist in gathering information for the study. The questionnaires were distributed to the senior finance officers of the targeted companies, supported by an authority letter. The respondents were given one week to fill the questionnaire after which the researcher collected the questionnaires. This allowed the respondents reasonable time to respond to the instruments well by giving appropriate information required for the study. The respondents were assured of strict confidentiality in handling their response.

3.7 Pilot Test
The researcher carried out a pilot study among senior finance officers in five non listed companies within Nairobi. It is usually used on small groups to test if the questionnaire being developed is going to function properly. It was done to improve and enhance the efficiency of the research instrument.

3.8 Data Analysis Techniques
Data was coded and edited according to the study variables. The questionnaires were scrutinized to ensure that the responses were correct and accurate. Descriptive and inferential statistics were used in data analysis, with the aid of Statistical Package for Social Sciences (SPSS). Descriptive statistics included mean, standard deviations, frequencies and percentages. Correlation analysis and regression analysis were used to establish the influence of number of shares issued, inflation rate, dividend policy and company information on post IPO share prices in selected listed companies in NSE. Regression analysis and correlation analysis were used to establish the association between the independent and dependent variables. The regression model is as follows: $Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + e$

Where: Y = Post IPO share price

α = Constant Term

β_1 to β_4 = Regression Coefficients

x_1 = company information

x_2 = inflation rate

x_3 = dividend policy

x_4 = number of shares issued

e = Error

IV. Results And Discussion

4.1 Descriptive Statistics
Thus, the respondents' views were sought in regard to the influence of company information, inflation rate, dividend policy, number of shares and post IPO share price.

4.2 Company Information
The researcher computed the means and standard deviation values of the responses to explore the respondents' views in regard to company information as a determinant of post IPO share price. The findings are presented in table 1.

Table 1: Perception on Company Information

Statements	Mean	Std. Dev	χ^2	P-value
Information from the company affects post-IPO share prices	3.79	1.03	63.58	0.041

Information about the company from outside the company influences post-IPO share prices	3.51	1.15	46.54	0.021
Information about profits or losses by the company has an impact on post-IPO share prices	3.63	1.13	37.58	0.033
Release of company information prompts price volatility	2.59	0.83	40.06	0.051
Information disclosure at NSE affects trade volume of my company's shares	3.32	0.78	34.85	0.039
The frequency of financial disclosure impacts on the volume of shares traded in the NSE	3.40	0.94	46.17	0.006
The market is sensitive to financial information from the company	4.09	1.014	38.58	0.001
Investors' behaviour is driven by positive and negative information releases	2.09	1.01	60.06	0.021

From the findings it was evident that majority of the respondents strongly agreed that information from within the company affected post-IPO share prices in the NSE as revealed by a mean response rate of 3.79 with a standard deviation of 1.03. Similarly, majority of the respondents agreed that information about the company from outside the company also influenced post-IPO share prices as shown by a mean response of 3.51 with a standard deviation of 1.15. The results also reveal that the respondents agreed that information about profits or losses by the company had an impact on post-IPO share prices. This was shown by a mean response of 3.63 with a standard deviation of 1.13. Similarly, the respondents agreed that release of particular information prompted price volatility in their company as shown by a mean response of 2.59 and a standard deviation of 0.83.

In addition, the respondents agreed that information disclosure at NSE affected trade volume of their company's shares as revealed by a mean response of 3.32 with a standard deviation of 0.78. Moreover, the frequency of financial disclosure impacted on the volume of shares traded in the NSE as revealed by a mean response of 3.40 and a standard deviation of 0.94. The results further revealed that majority of the respondents agreed that share market was sensitive to financial information from the company as revealed by a mean response of 4.09 with a mean with a standard deviation of 1.014. These results are supported by Laidroo (2008) who revealed that the impact of the company information releases has been measured to determine the extent of economically significant changes it introduced in the Securities market returns and volumes traded. The findings also concur with Oyugi (2007) who noted that financial disclosure had a higher impact on the volume traded but not on the company's performance.

4.3 Inflation rate
The study also sought to establish the respondents' views in regard to inflation rate. The means and standard deviations were computed for all the responses and the findings are presented in table 2.

Table 2: Influence of Inflation Rate in Listed companies in NSE

Statements	Mean	Std. Dev	χ2	P-value
The prevailing inflation rate influences the share prices in the Securities market after IPO	3.39	0.73	33.59	0.021
Change in inflation rate causes Post-IPO share prices to change in my company	3.42	1.15	46.54	0.021
Inflation levels have an effect on the share prices after listing in the Securities market	3.22	0.88	41.58	0.000
Employment rate in the country are an important factor affecting post-IPO share prices	3.09	1.02	50.06	0.011
Interest rates prevailing in the market have an impact on the share prices after listing in the Securities market	3.12	1.03	51.85	0.012
The prevailing money supply in the economy affect the Securities market of my company	3.07	1.06	32.17	0.016
Treasury bills and exchange rates have an impact on performance of Securities exchange of my company	3.01	0.12	43.58	0.019
The prospect of a future IPO affects daily operational and financial decisions made by investors	2.97	1.14	39.06	0.031

The findings demonstrated that majority of the respondents agreed that the prevailing inflation rate influenced the share prices in the Securities market after initial public offer as revealed by a mean response of 3.39 with a standard deviation of 0.73. The results also showed that change in inflation rate caused post-IPO share prices to change as revealed by a mean response of 3.42 with a standard deviation of 1.15. With regard to whether inflation levels had an effect on the share prices after listing in the Securities market majority of the respondents agreed as shown by a mean response of 3.22 and standard deviation of 0.88. The respondents also agreed that employment rate in the country was an important factor affecting post-IPO share prices as revealed

by a mean response of 3.09 and a standard deviation of 1.02. It was also evident that interest rates prevailing in the market have an impact on the share prices after listing in the securities market. This was revealed by a mean response of 3.12 with a standard deviation of 1.03.

Moreover, majority of the respondents observed that the prevailing money supply in the economy affected the Securities market of their company as revealed by a mean score of 3.07 and a standard deviation of 1.06. The results further revealed that treasury bills rate and exchange rate had an impact on the performance of the Securities exchange and the prospect of a future IPO affected the daily operational and financial decisions made by investors as revealed by mean response rates of 3.01 and 2.97 with standard deviations of 0.12 and 1.14 respectively. The results concurred with Lerner (2014) who established temporary and permanent components of demand- and supply-driven as determinants of inflation. Similarly, Nitta (2006) also established that inflation rate, money supply, treasury bills rate and exchange rate affected the performance of the Securities exchange.

4.4 Dividend policy

The researcher further sought to establish the views of the respondents regarding dividend policy in the listed companies in NSE. The means and standard deviation values were established to assist the researcher in making pertinent inferences. The findings are presented in table 3.

Table 3: Dividend policy in Listed companies in NSE

Statements	Mean	Std. Dev	χ^2	P-value
Dividend policy conveys information about future earnings of my company	3.89	1.01	43.57	0.009
My company usually initiates dividends and this has had a significant increase in earnings	3.57	0.94	29.53	0.033
When the dividend policy is documented, it is easy for the shareholder to buy my company's shares after IPO	3.68	1.03	36.74	0.000
There is a relationship between dividend payout policy and value of companies	3.62	0.83	53.51	0.049
Bonus issue policy leads to a positive average returns around the announcement dates	2.50	1.021	40.06	0.032
Dividend payout ratio affects the share prices of my company	3.41	0.73	54.85	0.021
A positive dividend payout policy often leads to increased value of my company's shares	3.12	0.89	37.17	0.007
Clear dividend policy and practice influences share prices in my company after Initial public offering	2.67	1.03	41.98	0.040

The results showed that the respondents agreed that dividend policy conveyed information about future earnings of their company as revealed by a mean response of 3.89 with a standard deviation of 1.01. Also the respondents agreed that their company usually initiated dividends which significantly increased earnings as shown by a mean response of 3.57 with a standard deviation of 0.94. The study also revealed that when the dividend policy was well defined and documented, it was easy for the shareholders to buy their company's shares after IPO as shown by a mean response rate of 3.68 with a standard deviation of 1.03. Similarly, the respondents agreed that there was a positive relationship between dividend payout policy and value of companies as revealed by a mean response of 3.62 and a standard deviation of 0.83. However, the respondents were undecided on whether bonus issue announcements lead to a positive average returns around the announcement dates as revealed by a mean response of 2.50 with a standard deviation of 1.021. There was a relatively high response rate in regard to whether dividend payout ratio affected the share prices of companies as revealed by a mean response of 3.41 with a standard deviation of 0.73. Further results revealed that majority of the respondents agreed that positive dividend payout policy often leads to increased value of their company's shares and clear dividend policy and practice influenced share prices in their companies after Initial public offering as revealed by mean scores of 3.12 and 2.67 with standard deviation of 0.89 and 1.03 respectively. The findings also concurred with Healy and Palepu (2017) who reported that dividend policy convey information about future earnings of firms. Masum (2014) also concurred that dividend policy has significant positive effect on Securities prices.

4.5 Influence of Number of shares issued

The researcher further sought the respondents' views regarding number of shares issued by the listed companies. The means and standard deviation values were used to show the respondents views. The findings from the analysis are shown in table 4.

Table 4: Number of shares issued in Listed companies

Statements	Mean	Std. Dev	χ2	P-value
The number of shares issued in the market affects the share price	4.01	0.32	43.58	0.039
Our company has maximum number of shares authorized to issue	3.89	0.77	46.54	0.023
My company reserves some shares after IPO	3.69	0.97	43.58	0.035
The amount of shares issued in my company typically remains constant for extended periods after IPO	3.67	0.83	40.06	0.041
Number of shares issued can be increased through Securities splits, warrants exercise, and rights issues after IPO	3.79	1.15	34.85	0.032
Reducing the number of shares in circulation may have a beneficial effect on the Securities price	2.59	1.019	52.17	0.036
The post IPO volume in my company is related to various forms of market irrationality	3.19	1.11	23.58	0.023
During periods of low IPO volume my company cannot access equity markets on favorable terms.	3.61	1.07	60.06	0.022

As shown in table 4 the respondents agreed that the number of shares issued in the Securities market affected the share price as revealed by a mean response of 4.01 with a standard deviation of 0.32. Similarly, majority of the respondents agreed that their companies had a maximum number of shares authorized to issue as indicated by a mean response of 3.89 and a standard deviation of 0.77. Moreover, the respondents agreed that their companies usually reserved some shares for Securities after IPO. This was revealed by a mean response of 3.69 with a standard deviation of 0.97.

Similarly, the respondents agreed that the amount of shares issued typically remained constant for extended periods of time after IPO as revealed by a mean response of 3.67 with a standard deviation of 0.83. Moreover, there was a higher response in regard to whether the number of shares issued could be increased through Securities splits, warrants exercise, and rights issues after IPO and whether reducing the number of shares in circulation might have had a beneficial effect on the Securities price as indicated by mean responses of 3.79 and 2.59 with standard deviations of 1.15 and 1.019 respectively. Moreover, the respondents agreed that the post IPO share volume was related to various forms of market irrationality and that during periods of low post IPO volume their companies could not access equity markets on favorable terms as revealed by mean response of 3.19 and 3.61 with corresponding standard deviations of 1.11 and 1.07. These results concur with Michael and Robert (2017) who found out that the issue size, intended use of proceeds and estimated profitability of new investment are uncorrelated with the announcement effect. Similar findings were established by Lowry and Schwert (2002) who noted that post IPO volume tended to be higher following periods of high initial returns.

4.6 Post IPO Share price

The researcher established respondents' views regarding post IPO share price of the listed companies. The results are presented in table 5.

Table 5: Post initial public offer share prices of Listed companies

Statements on Post IPO Share price	Mean	Std. Dev	χ2	P-value
In my company share price usually drops after issue announcement	4.01	0.91	43.52	0.011
When the supply exceeds demand share prices fall and when demand exceed supply then share prices will rise	3.70	0.92	36.01	0.013
The share prices of IPO increases as the buyers sell their shares in the post-IPO market	3.65	1.001	33.29	0.001
IPO market is subject to fads by underwriters who under-price to create an artificial shortage of the new shares	3.49	0.73	50.01	0.041
IPOs are generally overvalued at the offering date and that optimism fades over time	3.68	0.70	44.02	0.039
Underpricing of IPOs is the cause of positive returns in the first days of IPO trading	3.88	1.03	42.99	0.006
Reduced the level of under-pricing results in short run super profits	2.50	0.14	33.32	0.011
The value of the new share eventually corrects downwards to the IPO price	2.14	1.15	50.57	0.047

The findings demonstrated that the respondents agreed that share price usually dropped after issue announcement as reflected by a mean response of 4.01 and a standard deviation of 0.91. Also when the supply exceeded demand share prices fell and when demand exceeded supply then share prices rose (M=3.70, SD=0.92) and that the share prices of shares increased as the buyers sold their shares in the post-IPO market (M=3.65, SD=1.001). The respondents further agreed that IPO market was subject to fads by underwriters who

under-price to create an artificial shortage of the new shares (M=3.49; SD=0.73), that post IPOs were generally overvalued at the offering date and that optimism fades over time (M=3.68, SD=0.70) and underpricing of IPOs was the cause of positive returns in the first days of IPO trading (M=3.88, SD=1.03). However, the respondents disagreed that reducing the level of under-pricing resulted in short run super profits (M=2.50, SD=0.14). Moreover, low responses were reported in regard to whether the value of the new share eventually corrected downwards to the post IPO price as indicated by mean of 2.14 with standard deviation of 1.15.

4.7 Inferential Statistics
The study sought to establish the relationships between the study variables and the extent to which the independent variables influenced the post IPO share price. Correlation analysis and regression analysis were used to establish the association between these variables. The results on the relationships between the independent variables and the dependent variable are presented in table 6.

Table 6: Relationship between independent variables and dependent variable

		Company information	Inflation rate	Dividend Policy	Number of shares issued
IPO Share price	Pearson Correlation	0.274	0.303	0.215	0.201
	Sig. (2-tailed)	0.001	0.002	0.0012	0.000
	N	81	81	81	81

4.7.1 Relationship between Company information and post IPO Share price
The results presented in table 6 indicated the presence of a positive relationship (r=0.274, p=0.001) between company information and the post initial public offer share price of listed companies. In addition, the relationship was found to be statistically significant at p<0.05 level of significance. Therefore, the researcher observed that company information influenced companies' post IPO share price. Hence, the first hypothesis H01 which stated that there was no statistically significant influence of company information on post initial public offer share price of listed companies in NSE was rejected.

4.7.2 Inflation rate and post IPO Share price
The second hypothesis of the study was to test whether there was any statistically significant influence of inflation rate on post initial public offer share price in listed companies in NSE. As shown in table 4.10 the researcher established that there was a positive relationship (r=0.303, p=0.002) between inflation rate and post IPO Share price. The relationship was statistically significant at p<0.05 level of significance. Therefore the null hypothesis H02 that there was no statistically significant influence of inflation rate on post initial public offer share price in listed companies in NSE was rejected. The researcher observed that post IPO share price of the listed companies in NSE depended to a large extent on inflation rate.

4.7.3 Dividend policy and Post initial public offer share price in Listed companies
The researcher sought to establish the influence of dividend policy on post initial public offer share price in listed companies in NSE. The analysis revealed the presence of a positive relationship (r=0.215; p=0.0012) between dividend policy and post initial public offer share price. The relationship was found to be statistically significant at p<0.05 level of significance. Therefore, the null hypothesis H03 that dividend policy had no influence on post initial public offer share price of listed companies was rejected. Thus, the researcher observed that dividend policy influenced the post IPO share price of the listed companies in NSE.

4.7.4 Number of shares issued and IPO Share price
The study further sought to assess the influence of number of shares issued on post initial public offer share price of listed companies in NSE. The findings indicated the existence of a positive relationship (r=0.201; p=0.000) between number of shares issued and post initial public offer share price of listed companies in NSE. The relationship was also found to be statistically significant at p<0.05 level of significance. Therefore, the null hypothesis H04which statedthat there was no statistically significant influence of number of shares issued on post initial public offer share price in NSE was rejected. Therefore, the researcher concluded that post initial public offer share price of listed companies also depended on the number of shares issued.

4.7.5 Regression Model
The researcher attempted to fit a regression model for this study to show the mathematical relationship between the independent variables and the dependent variable. Multiple regression analysis was performed and the results presented in table 7.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.813a	0.660	0.613	0.004
a. Predictors: (Constant), Number of shares issued, Inflation rate, Dividend policy, Company information				

The model summary indicated the presence of a positive multiple correlation (R=0.813) between the independent variables and the dependent variable. Further, the adjusted R-squared value of 0.613 indicated that the independent variables accounted for 61.3% of the total variance in post initial public offer share price. Therefore, the researcher observed that the number of shares issued, inflation rate, dividend policy and company information were statistically related to post IPO share price. The analysis of variances yielded the results in table 8.

Table 8: Regression Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	3.405	4	1.039	5.709	0.001b
1	Residual	19.416	77	0.182		
	Total	22.821	81			
a. Dependent Variable: Post IPO Share price						
b. Predictors: (Constant), Number of shares issued, Inflation rate, Dividend policy, Company information						

The study established that the F-ratio $(F_{(4, 77)} = 5.709, p=0.001)$ was statistically significant at $p<0.05$ level of significance. This showed that the independent variables taken together significantly influenced post initial public offer share price of listed companies in NSE. The model coefficient values from the regression are presented in table 9.

Table 9: Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	1.095	0.463		3.537	0.000
	Company information	0.274	0.133	0.061	0.432	0.001
1	Inflation rate	0.303	0.771	1.0274	2.518	0.002
	Dividend policy	0.215	1.0201	0.087	0.746	0.001
	Number of shares issued	0.201	0.037	0.371	1.289	0.000
a. Dependent Variable: Post IPO Share price						

From the model coefficients table, the following mathematical model was fitted $Y = 1.095 + 0.274X1 + 0.303X2 + 0.215X3 + 0.201X4 + 0.007$. It is evident that with all the other factors remaining constant, post initial public offer share price of listed companies revealed a constant value of 1.095. However, the influence of company information when all other factors remained constant was a multiple of 0.274. Further, the influence of inflation rate was a multiple of 0.303 units, for dividend policy was a multiple of 0.215 while the influence of the number of shares issued was a multiple of 0.201 units. This suggests that all the independent variables influenced linked to post IPO Share price. Hence, holding other factors constants, information about the company, inflation rate, dividend policy and the number of shares issued influenced 99.3% of post initial public offer share price of listed companies. Based on previous studies it can be assumed that the findings of this study concur that post initial public offer share price is positively affected by the independent variables post IPO share prices. This implies that post IPO price changed as a result of several factors among them information about the company, inflation rate, dividend policy and the number of shares issued. In other words the post IPO share prices in the sample tended to provide roughly the same returns as reflected in as the Securities index over the relevant period. Hence, if an investor had been able to buy each IPO at the offer price rather than the first trading day's closing price, the post IPOs in the sample would have proved superior investments. However, due to fluctuations in returns, most of the trading days often remain positive. Ideally, the premise is that IPOs are underpriced by firm owners and/or their advisers compared to post IPO offers.

V. Conclusions and Recommendations

5.1 Conclusions

The purpose of this study was to investigate the factors influencing post IPO share prices in NSE. From the findings, the study concludes that company information influenced post initial public offer share price of listed companies. Based on the analysis, 27.4% of post initial public offer share price of NSE was influenced by company information. It is also concluded that 30.3% of post initial public offer share price of NSE was influenced by inflation rate.

The study also concluded that dividend policy influenced post initial public offer share price of NSE. The analysis revealed an association of 21.5% between dividend policy and post initial public offer share price

of listed companies. It is also concluded that number of shares issued influenced post initial public offer share price of NSE by 20.1%. In general, the study concluded that inflation rate, dividend policy, company information and number of shares issued positively influenced post initial public offer share price of NSE. The highest influence was explained by inflation rate, followed by company information, dividend policy and finally number of shares issued. The study concludes that the number of shares issued, inflation rate, dividend policy and company information accounted for 61.3% of the total variance in post initial public offer share price.

5.2 Recommendations
Based on the findings and conclusions drawn from the study, several recommendations are made. The listed companies should become more proactive in adapting to changing dynamics of post IPO share prices. Hence, listed companies should consider inflation rate when determining post IPO share price. The study also recommends steady issuance of shares issued in NSE to maximize returns from initial public offer.

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