

The Awareness–Performance Paradox: Retail Investor Awareness, Participation and Perception of SME versus Mainboard IPOs in India

Anupam Jhanji¹, Devika Agarwal²

Research Scholar¹, Professor²

^{1&2} Faculty of Management and Commerce, Poornima University, Jaipur, Rajasthan, India.

Abstract

Purpose – This study compares retail investors’ awareness, knowledge, participation, allotment experience and perceptions of Small and Medium Enterprise (SME) and Mainboard initial public offerings (IPOs) in India, and tests whether perceptions match the observed performance of the two segments.

Design/methodology/approach – A structured questionnaire was administered to 212 Indian retail investors in 2025. Paired Mainboard and SME items were compared with chi-square tests of homogeneity, Mann–Whitney U tests on ordinal scales and Cramér’s V. Comparative perceptions were tested with exact binomial tests. Perceptions were then benchmarked against market-adjusted listing and one-year returns of 291 NSE IPOs listed during 2015–2024.

Findings – Awareness of SME IPOs (59.4%) was far below awareness of IPOs generally (82.1%). Half of respondents (49.5%) had no knowledge of SME IPOs, against 28.8% for Mainboard IPOs. Non-participation was higher for SME IPOs (69.3% vs 48.1%), as was never having been allotted shares (77.8% vs 53.8%). All gaps were significant ($p < 0.001$; Cramér’s $V = 0.22$ – 0.25). Among respondents with a view, large majorities rated Mainboard IPOs superior on allotment success (75%), listing returns (63%), long-term gains (69%) and risk–return balance (80%). Yet observed SME listing returns were higher (33.8% vs 21.1% above the Nifty), revealing a perception–performance gap. About 48% of applicants relied on expert recommendations and only about 5% read the prospectus.

Originality/value – This is among the first studies to measure retail engagement with both IPO segments side by side and to confront investor beliefs with segment-level return evidence. It identifies an “awareness–performance paradox” in which the segment with higher listing returns is the least known and most distrusted.

Keywords: IPO awareness; Retail investors; SME IPOs; Investor perception; Financial literacy; Behavioural finance; India

1. Introduction

Retail investors are now central to India’s primary market, but what they know about it is uneven. SEBI’s study of 144 Mainboard IPOs from April 2021 to December 2023 found that individual investors sold about half of their allotted shares by value within a week of listing and 70% within a year, and were far more likely to sell after a gain than after a loss (SEBI, 2024). Over the same years the SME platforms boomed: listings rose by more than 87% between FY23 and FY25 (Attimani, 2026), several SME issues were oversubscribed more than 1,000 times, and SEBI tightened the SME framework in March 2025.

These developments raise a basic question. Do retail investors understand the SME segment well enough to judge its risks and returns? Investor knowledge matters for market quality: financial literacy is associated with greater stock-market participation (van Rooij et al., 2011) and lower IPO underpricing (Jia et al., 2024), and retail demand in IPOs is strongly shaped by attention and sentiment (Barber & Odean, 2008; Liu et al., 2023). If investors know little about SME IPOs, segment prices may be set by a narrow, sentiment-driven group, and the majority may misjudge where risk and return lie.

Indian survey evidence on IPO investors is growing (e.g., Arora et al., 2024; Kumar et al., 2024), but it treats “IPOs” as a single category. We know of no study that measures awareness, participation and perception of

SME and Mainboard IPOs side by side from the same respondents, and none that checks those perceptions against what the two segments actually delivered.

This paper fills that gap with a survey of 212 retail investors and a benchmark of 291 NSE IPOs from 2015–2024 (Tripathi et al. (2017)). We address four questions:

1. Do awareness and knowledge differ between SME and Mainboard IPOs?
2. Do application frequency and allotment experience differ?
3. How do investors compare the two segments on allotment, returns and risk?
4. Do these perceptions match observed segment performance?

The paper makes three contributions. It provides paired, segment-level evidence on retail engagement with Indian IPOs. It documents an awareness–performance paradox: the segment that delivered higher listing returns is the least known and least trusted. And it shows that most respondents form IPO decisions from recommendations rather than disclosure documents, which informs the design of investor-education and disclosure policy following the 2025 SME reforms.

Section 2 reviews the literature and develops hypotheses, Section 3 describes the method, Section 4 presents results, Section 5 discusses implications and Section 6 concludes.

2. Literature review and hypotheses

2.1 Awareness, knowledge and investor recognition

Merton's (1987) investor-recognition hypothesis holds that investors hold only securities they know about, so less-visible firms have a smaller investor base and a higher cost of capital. Attention research extends this: retail investors buy stocks that grab attention (Barber & Odean, 2008), search intensity predicts IPO demand and first-day returns (Da et al., 2011), and IPO underpricing rises with pre-offer attention (Liu et al., 2023). Financial literacy raises participation in equity markets (van Rooij et al., 2011; Lusardi & Mitchell, 2014), and countries with higher literacy show less IPO underpricing (Jia et al., 2024). SME IPOs are small, receive little media or analyst coverage, and sit on separate platforms launched only in 2012. Recognition theory therefore predicts lower awareness and knowledge of the SME segment.

H1. Awareness of SME IPOs is significantly lower than awareness of Mainboard IPOs.

H2. Self-assessed knowledge of SME IPOs is significantly lower than knowledge of Mainboard IPOs.

2.2 Participation and allotment

Knowledge and access shape participation. Indian studies find that fear of loss, lack of knowledge and family resistance deter IPO investment (Arora et al., 2024), while herding, overconfidence and fear of missing out (FOMO) drive the intention to invest (Kumar et al., 2024). SME IPOs add structural barriers: a minimum application of about ₹1 lakh before 2025 (two lots afterwards) against roughly ₹15,000 on the Mainboard, and very high oversubscription that lowers the chance of allotment. Retail participation is also cyclical, with Mainboard retail applications falling by about a third in the first half of 2025 as listing gains shrank (Business Standard, 2025).

H3. Retail investors apply for SME IPOs significantly less frequently than for Mainboard IPOs.

H4. Allotment experience differs significantly between SME and Mainboard IPOs.

2.3 Perception of risk and return

Perceived risk and return depend on familiarity as much as on evidence. Familiarity bias leads investors to see known assets as safer and better (Huberman, 2001), and representativeness leads them to extrapolate salient stories (Kahneman & Tversky, 1974). Indian investors show strong herding, overconfidence and disposition effects (Kumar et al., 2024), and SEBI (2024) documents a pronounced disposition effect in IPO selling. Earlier survey work on SME IPOs found that respondents weigh risk and return criteria equally when deciding whether

to subscribe (Srivastava, 2022). Given lower familiarity and SEBI's public warnings about SME exuberance, we expect investors to rate the Mainboard segment more favourably, whatever the observed performance.

H5. Investors who express a view rate Mainboard IPOs significantly better than SME IPOs on allotment success, listing returns, long-term gains and risk–return balance.

H6. Investor perceptions of relative returns are inconsistent with observed segment returns.

3. Methodology

3.1 Instrument and sample

A 28-item structured questionnaire was developed from the IPO and investor-behaviour literature and administered online (Google Forms) in 2025 to retail investors across occupations. It had four blocks: demographics (6 items); awareness and knowledge (6 items); participation and experience (8 items); and comparative perception and decision behaviour (8 items). Each core construct was measured with a matched pair of items, one for Mainboard IPOs and one for SME IPOs, using identical response scales. Of the respondents, 212 completed the core items; item-level counts range from 207 to 212.

3.2 Measures

Awareness was a yes/no item. Knowledge used a four-point scale (none, basic, moderate, advanced). Application frequency used a four-point scale (do not apply, rarely, moderately, regularly), and allotment success had four categories (never applied, under 10%, 10–20%, over 20%). Comparative perceptions asked which segment was better on allotment success, listing returns, long-term gains and risk–return balance (Mainboard, SME, cannot say), and whether SME IPOs carry inherent risk (yes, no, cannot say).

3.3 Analysis

For each matched pair, the Mainboard and SME response distributions were compared with Pearson's chi-square test of homogeneity, with Cramér's V as the effect size. Where an expected cell count fell below 5, adjacent upper categories were merged. Ordinal items were also compared with the Mann–Whitney U test. Comparative perception items were tested with two-sided exact binomial tests of the null that, among respondents expressing a view, Mainboard and SME are preferred equally ($p = 0.5$).

Because matched items come from the same respondents, the samples are not independent. With positively correlated responses, tests that assume independence overstate the variance of the difference and are therefore conservative; paired tests (McNemar, Stuart–Maxwell, Wilcoxon signed-rank) on respondent-level data would yield equal or smaller p-values. The reported significance levels are thus lower bounds on the strength of evidence.

3.4 Performance benchmark

To test H6, perceptions were compared with the observed performance of 291 NSE IPOs listed from January 2015 to December 2024: 143 Mainboard IPOs above ₹1,000 crore and 148 NSE Emerge SME IPOs above ₹30 crore. Listing and one-year returns are measured from the issue price and adjusted for the Nifty 50 return over the same window (Tripathi et al. (2017)).

4. Results

4.1 Respondent profile

The sample is educated, middle-to-upper income and moderately exposed to equities (Table 1). Most respondents are men, government employees and over 30. About seven in ten hold some equity, and about four in ten invest or trade more than ₹1 lakh a year.

Table 1. Respondent profile (N = 212)

Characteristic	Category	%
Age	Up to 30 years / 31–40 / 41–50 / over 50	16.5 / 27.8 / 17.0 / 38.7
Gender	Male / Female	87.7 / 12.3
Profession	Government employee / Corporate / Other	68.1 / 10.5 / 21.4
Education	High school / Graduate / Postgraduate and above	9.4 / 30.2 / 60.4
Annual income (₹)	Under 10 lakh / 10–30 lakh / 30–50 lakh / over 50 lakh	29.4 / 38.4 / 25.6 / 6.6
Equity allocation	None / 10–20% / 20–30% / over 30%	27.8 / 33.5 / 14.2 / 24.5
Capital-market knowledge	None / Basic / Moderate / Advanced	20.3 / 42.0 / 33.0 / 4.7
Annual stock-market activity	None / under ₹1 lakh / ₹1–10 lakh / over ₹10 lakh	30.3 / 30.3 / 28.0 / 11.4

Note: “Other” profession includes self-employed, business, students, homemakers, retired and faculty. Percentages are of valid responses (n = 210–212).

4.2 Awareness, knowledge, participation and allotment (H1–H4)

SME IPOs trail Mainboard IPOs on every engagement measure, and all four differences are significant (Table 2). H1–H4 are supported.

Table 2. Matched comparison of Mainboard and SME IPO engagement (N = 212)

Construct	Response	Mainboard n (%)	SME n (%)	Test result	Hypothesis
Awareness	Yes	174 (82.1)	126 (59.4)	$\chi^2(1) = 25.18, p < 0.001, V = 0.24$	H1 supported
	No	38 (17.9)	86 (40.6)		
Knowledge	None	61 (28.8)	105 (49.5)	$\chi^2(3) = 21.54, p < 0.001, V = 0.23; MWU p < 0.001$	H2 supported
	Basic	90 (42.5)	66 (31.1)		
	Moderate	48 (22.6)	37 (17.5)		
	Advanced	13 (6.1)	4 (1.9)		
Application frequency	Do not apply	102 (48.1)	147 (69.3)	$\chi^2(2) = 20.72, p < 0.001, V = 0.22; MWU p < 0.001$	H3 supported
	Rarely	64 (30.2)	43 (20.3)		
	Moderately or regularly	46 (21.7)	22 (10.4)		

Allotment success	Never applied	114 (53.8)	165 (77.8)	$\chi^2(2) = 27.45, p < 0.001, V = 0.25; MWU p < 0.001$	H4 supported
	Under 10%	65 (30.7)	33 (15.6)		
	10% or more	33 (15.5)	14 (6.6)		

Note: The awareness item for the Mainboard column asked about IPOs in general, so the gap is a lower bound on the Mainboard–SME gap. “Moderately” and “regularly” (4.2% vs 0.5%) and the two upper allotment bands were merged to keep expected counts above 5. V = Cramér’s V ; MWU = Mann–Whitney U on the ordinal scale

Four in ten respondents had not heard of SME IPOs, half had no knowledge of them, and almost seven in ten had never applied for one. Effect sizes are small-to-medium and strikingly consistent ($V = 0.22$ – 0.25), which suggests a single underlying familiarity gap rather than unrelated differences. The engagement “funnel” narrows faster for SMEs: of those aware of each segment, roughly 63% have applied for a Mainboard IPO against about 52% for an SME IPO.

4.3 Comparative perceptions (H5)

Most respondents could not compare the segments, and those who could strongly favoured Mainboard IPOs (Table 3). H5 is supported on all four dimensions, narrowly for listing returns.

Table 3. Which segment is better? Responses and exact binomial tests

Dimension	n	Mainboard	SME	Cannot say	Mainboard share of decided (%)	Binomial p
Allotment success	209	54	18	137	75.0	< 0.001
Listing returns	210	42	25	143	62.7	0.050
Long-term gains	209	61	27	121	69.3	< 0.001
Risk–return balance	209	71	18	120	79.8	< 0.001

Between 57% and 68% of respondents answered “cannot say”, the clearest sign of limited segment knowledge. Separately, 45.5% believed SME IPOs carry inherent risk, 4.3% did not, and 50.2% could not say (goodness-of-fit $\chi^2(2) = 79.96, p < 0.001$).

4.4 Decision basis and IPO behaviour

IPO decisions rest mainly on others’ advice and on market signals rather than on disclosure documents (Table 4).

Table 4. IPO decision basis, beliefs and behaviour

Item	Response distribution (%)
Basis for applying (n = 207)	Expert recommendation 48.3; own analysis of company 17.9; grey-market premium 12.6; reading the DRHP/prospectus about 5; other or not applicable about 16
Allotment process is fair (n = 212)	Fair 19.3; unfair 7.1; cannot say 73.6

IPO valuations are generally (n = 211)	High 51.2; low 5.2; cannot comment 43.6
Preferred holding period after allotment (n = 211)	Exit on listing day 11.4; hold short term 21.3; hold long term 25.6; never allotted 41.7
Which horizon gives better returns (n = 209)	Listing day 10.5; under one year 16.3; over one year 19.6; cannot comment 53.6

About half of applicants follow expert recommendations and one in eight uses the grey-market premium, while only about one in twenty reads the prospectus. Among respondents who had been allotted shares (n = 123), 19.5% intend to exit on listing day, 36.6% to hold for less than a year and 43.9% to hold longer. Stated intentions are thus more patient than the actual selling SEBI (2024) observed, consistent with a gap between intended and realised holding behaviour. Half of respondents think IPOs are generally overvalued, yet many still apply, which fits the lottery-like appeal of oversubscribed issues.

4.5 Perceptions versus performance (H6)

Investor beliefs about returns do not match what the two segments delivered (Table 5). H6 is supported for listing returns and partly for long-term gains.

Table 5. Perceived versus observed segment performance

Dimension	Majority perception (decided respondents)	Observed evidence, NSE IPOs 2015–2024	Consistent?
Listing returns	Mainboard better (62.7%)	SME mean 33.8% vs Mainboard 21.1% above Nifty (Welch p = 0.008); 84.5% vs 71.3% beat the Nifty	No — SME higher
Long-term gains	Mainboard better (69.3%)	Means favour SME (53.7% vs 9.7%), but medians are 2.4% vs –3.1% and the distributions do not differ (MWU p = 0.162)	No — no typical difference
Risk	SME inherently risky (45.5% yes vs 4.3% no)	One-year return SD 225.6 (SME) vs 81.8 (Mainboard)	Yes
Risk–return balance	Mainboard better (79.8%)	Mean-to-SD ratio higher for SME at listing (0.79 vs 0.56) and one year (0.24 vs 0.12); medians near equal	No — at best equal
Allotment success	Mainboard better (75.0%)	Mean subscription 97.4× (SME) vs 30.4× (Mainboard)	Yes

Investors correctly judge that SME IPOs are riskier and harder to get. They misjudge returns: SME IPOs delivered higher and more frequently positive listing returns, and their one-year outcomes were no worse for the typical issue. We call this the awareness–performance paradox — the segment with the better listing record is the one investors know least and trust least.

5. Discussion and implications

The results outline a two-stage retail market – wide but superficial interest in Mainboard IPOs and narrow and shallow interest in SME IPOs.

Recognition drives engagement. The high consistency of the effect sizes at awareness, knowledge, application and allotment ($V = 0.22$ – 0.25) align with the investor-recognition hypothesis of Merton (1987). Most investors never even consider an SME IPO, as they are not just riskier in investors' minds but also fail to consider them.

This is noteworthy as our respondents are well educated and relatively affluent, hence the gap is probably greater in general retailing population. Low recognition is also a reason why few investors following a segment can cause attention shocks to move prices more: prices are more susceptible to shocks of attention in a less well-known segment, due to low recognition (Barber & Odean, 2008; Da et al., 2011).

What is familiar is more important than what's true. But the investors are right in their perception that SME IPOs are riskier and difficult to be allotted, while the Mainboard IPOs receive a better rating on returns, which is the reverse of the listing day. This pattern is similar to familiar bias (Huberman, 2001) where known assets are perceived as both safer and more lucrative. The discovery adds to the market evidence (Tripathi et al. (2017). The investor's riskiness behavior for the SME returns is not irrational since typically, the outcome of the stock trading at the SME is very close to the outcome of the same stock trading at the index; the error is the investor's belief that a Mainboard IPO would provide a better outcome when listing.

Decisions are guided by advice (not disclosure). Information intermediaries, rather than mandatory disclosure, are the dominant influences on retail demand, with roughly half of applicants coming from expert recommendations, one out of eight from the grey-market premium, and one out of twenty based upon the prospectus. It aligns with the findings that herding and FOMO influence investor intentions in India (Kumar et al., 2024) and financial literacy affects IPO mispricing (Jia et al., 2024). It also implies that exchange vetted SME documents are not read by investors who rely on them, as they are not as closely vetted as SEBI vetted Mainboard document.

Implications

For regulators and exchanges, the evidence backs SEBI's decision of increase in the minimum application for an SME in 2025 – most retail investors are not knowledgeable enough to assess the SME risk. It also suggests a parallel step, in the form of short, concise SME risk summaries and post-listing performance disclosures because prospectus reading is not a common occurrence.

Investor-education programmes are not about an overall IPO awareness, as this is already relatively high, but about segment-specific IPO literacy, which includes understanding the differences between SME platforms, the impact of oversubscription on the chances of success, and the distinction between median and headline returns on listings.

The expert recommendations dominate, intermediaries have a duty of care. Recommendations emphasizing listing without regard for a distribution of one-year SME outcomes would strengthen the speculative trends SEBI (2024) observed.

Low recognition is a cost to SME issuers and merchant bankers. Investor outreach, analyst coverage, and the reporting of all aspects of an issue in a clear manner might help to expand the investor base and decrease the reliance on sentiment-driven demand.

6. Conclusion

When we surveyed 212 Indian retail investors, we found that very large and consistent gaps existed between awareness levels of SME vs Mainboard IPOs (59.4% vs 82.1%), percentage of respondents who did not know the details of SME vs Mainboard IPOs (49.5% vs 28.8%), percentage of non-applicants of SME vs Mainboard IPOs (69.3% vs 48.1%) and percentage of respondents who did not receive any shares on SME/allotment vs Mainboard/allotment (77.8% vs 53.8%). Investors who can compare the segments on every dimension rate Mainboard IPOs better but when they compare them with 291 NSE IPOs, SME IPOs appear to have better returns on listing and no worse typical performance during their first year from the listing. The result is that retail investors make the correct assessment of the risk, but the incorrect assessment of the performance of SMEs, which is based upon familiarity and not evidence. Disclosure documents are not the primary basis for making decisions, they are a secondary indicator based on expert advice and on grey-market signals.

Limitations. The sample is limited in generalisability as it is over-represented with men, government employees and post graduates and should be read as being representative of an educated, middle income investor segment.

Data is self-reported and cross sectional. Because we were only analysing aggregated response distributions, paired tests and multivariate models of the interaction between demographics and engagement could not be estimated; the reasons for this are explained in section 3.3. The Mainboard awareness item was about IPOs in general.

Future research. Paired tests and/or ordered-logit or structural models would be useful at the respondent level to determine which demographic and literacy variables explain the gaps. Replication of the above sample with the 2025 SME reforms, after including a larger and more stratified sample of women and those not employed in the investment sector would determine whether the higher thresholds had altered the composition of those investing. Being able to correlate survey answers with investors' actual allotment and trading history would enable a comparison between perceptions and realised (as opposed to segment-average) returns.

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