

Determinants of equity prices after initial public offer (IPO) of quoted companies in Nairobi Securities Exchange (NSE)

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Abstract:

Market reacts differently to various factors ranging from economic political, and socio-cultural. The stock prices of quoted companies in Kenya are affected either positively or negatively by a number of factors occurring within or without the economic system. The paper intended to examine the impact of Dividend per share, foreign exchange rate, Earnings per share, Gross Domestic Product (GDP), Lending/Interest Rate (INT) and Inflation Rate (INF) on stock prices of quoted companies in NSE. IPOs are often issued by smaller, younger companies seeking the capital to expand, but can also be done by large privately owned companies looking to become publicly traded. The initial public offering (IPO) is a vital step for young entrepreneurial firms, providing them access to the public equity market for the first time.

Previous literature had focused primarily on IPO under pricing phenomenon to measure the performance of companies. However, researchers argued that IPO pricing, which was a key factor in under pricing had remained relatively unexplored in literature. The study employed descriptive research design. The study targeted a total population of quoted companies in Nairobi security market which had gone public for the last 10 years. The study depended on secondary data collected from the Nairobi Securities Exchange. In addition, questionnaires were used to get further information from company executives. Data was analyzed by the use of SPSS. Data was presented in frequency tables and percentages, graphs and charts. The findings of this research would be beneficial to various stakeholders such as investors, companies, policy makers, underwriters.