



**KEY DETERMINANTS OF IPO UNDERPRICING IN THE
LISTED COMPANIES IN BURSA MALAYSIA**

HERLINA BINTI MOHD HATTA

2014831354

BACHELOR OF BUSINESS ADMINISTRATION

WITH HONOURS (FINANCE)

FACULTY OF BUSINESS MANAGEMENT

UNIVERSITI TEKNOLOGI MARA

KOTA KINABALU, SABAH

JUNE 2016

ACKNOWLEDGEMENT

First and foremost, I would like to express my highest gratitude to Allah S.W.T for His guidance, bless and for giving me strength to complete this Final Year Project Paper within the stipulated time.

I would sincerely like to thank to my advisor, Madam Sarmila Binti Udin for the knowledge and guidance to complete this final year project paper since the early days. Thank you for the continuous supports, supervision and motivations. You always gave us views and perspective through advices and making correction where we have gone wrong. You encouragement helps us through this project.

Secondly, I would like to give appreciation to my family. Thank you to my greatest mother, who always give support in my study and willing to provide money for me to accomplish my study. I would like to dedicate this study for her with hope that she will feel proud with the result of my study. Not forgotten, my partner Adeq Salfarehan that helping me to finish this study accomplish. We always exchange our knowledge and opinion so that our thesis can be as perfect as it can. Without her, it will be hard for me to finish this thesis.

Next, i would like to thank to Prof. Madya Dr. Imbarine Bujang for teaching us the Research Methodology subject and also to all lecturers of UiTM Sabah. Without their knowledge and guidance, i would not be able to finish this project paper. Last but not least, thanks to my friends who always supporting and showing their willingness to help in realizing this project paper. Thank you to all of you that involved direct or indirectly to make sure this paper completed smoothly.

TABLE OF CONTENTS

	Page
TITLE PAGE.....	i
DECLARATION OF ORIGINAL WORK.....	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENT	v
LIST OF FIGURES	vii
LIST OF TABLES	ix
LIST OF ABBREVIATIONS	x
ABSTRACT	xii
CHAPTER 1 INTRODUCTION	
1.0 Introduction	1
1.1 Background of Study	1-3
1.2 Problem Statement	3-4
1.3 Research Objective	4
1.4 Significant of Study	4
1.4.1 Researcher	5
1.4.2 The company	5
1.4.3 Future Researcher	6
1.5 Scope of Study	6-7
1.6 Limitation of Study	
1.6.1 Adequacy & Accuracy of Information and data	8
1.7 Summary	8

CHAPTER 2	LITERATURE REVIEW	PAGE
	2.1 Introduction	9
	2.2 Method of Measuring of IPO	9-12
	2.3 Literature Review	
	2.3.1 Firm Size	13
	2.3.2 Issue Size	14
	2.3.3 Leverage	15
	2.3.4 Price Earning	16
	2.4 Theoretical Framework	17
	2.5 Summary of chapter	17
CHAPTER 3	DATA AND METHODOLOGY	
	3.0 Introduction	18
	3.1 Research Design	18
	3.2 Data Collection	19
	3.3 Sampling Techniques	
	3.3.1 Population	20
	3.3.2 Sample	20
	3.3.3 Sampling Techniques	21
	3.4 Equation	21
	3.5 Hypothesis	22
	3.6 Data Estimation Procedure	
	3.6.1 Panel Data Analysis	23
	3.6.1.1 Unit Root Test	24
	3.6.1.2 Poolability test	24
	3.6.1.3 Hausman Specification Test	25
	3.6.1.4 Pooled OLS Test	25
	3.6.2 Diagnostic Checking	
	3.6.2.1 Multicollinearity test	26
	3.6.2.2 Autocorrelation	27
	3.6.2.3 Heteroskedasticity	28

ABSTRACT

This study aims to give evidence of the key determinants of IPO underprice in listed company in Bursa Malaysia. Four variables are used as the key factor that influencing the underpriced of IPO which are the Firm Size, Issue Size, Leverage and Price Earning Ratio. This study covers the period of 2011 until 2015 using yearly data of listed company under IPO in Bursa Malaysia from 5 different industries which are Construction sector, Properties sector, Trading sector, Consumer Product sector and Technology sector. Result from the multiple regression showed that the only variables that significant is BV that indicate the firm size, while, NOSO, LEV and PER are insignificant relationship with the IPO underprice.