



A STUDY ON IPO UNDERPRICING OF THE LISTED
COMPANIES IN BURSA MALAYSIA

SUNIM BINTI KOMOI
2013799099

BACHELOR OF BUSINESS ADMINISTRATION
(HONOURS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
CAMPUS SABAH

JANUARY 2016

ACKNOWLEDGEMENT

I am grateful to god for the strength, knowledge and blessing granted to me in the effort of putting these ideas for this thesis. First at all, I would like to express my appreciation and gratitude to my supportive and dedicated advisor, Dr. Rozita @ Uji Mohammed for her guidance and knowledge to help in order doing my thesis. I believed without comment and guidance from her, I would stray from this path of researcher.

Next, my appreciation goes to my beloved parents and also my siblings that help me in this thesis by contributing money and advice and support me to further my study in Degree level.

Not to forget my appreciation to my classmate those assist me in difficult situation and encountered in making this thesis a success. It is my please to mention some of them which Nurfarina Alias, Asriani Salang, Jaccielia Robinsin, Azlina Celestinus and the rest of BM2426A1.

Lastly, special thanks to staffs of Sabah Credit Corporation for the Cooperation by letting me to do my thesis and give me leave from practical especially to Administration and Property Department and Credit Control Department. Special thanks to Mdm. Vicky Ng and Miss. Melinda Louis for assist us during Internship Program. Not forgetting to UiTM because letting me to use facility at UiTM. The experience to work with these great people will not be forgotten.

TABLE OF CONTENTS

List	Page
TITLE PAGE	i
DECLARATION OF ORIGINAL WORK	ii
LETTER OF SUBMISSION	iii
USE OF THESIS	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENT	vi
LIST OF TABLES	viii
LIST OF ABBREVIATION	ix
ABSTRACT	x
CHAPTER	
1 INTRODUCTION	
1.1 Background of the Study	1
1.2 Problem Statement	3
1.3 Research Objectives	5
1.4 Significance of Study	6
1.5 Scope and Limitation of Study	8
2 LITERATURE REVIEW	
2.1 Introduction	9
2.2 Theory used in the Study	
2.2.1 Asymmetric Information	10
2.3 Literature Review	
2.3.1 IPO Underpricing	11
2.3.2 IPO Size	14
2.3.3 Market Volatility	14
2.4 Theoretical Framework	16

3	DATA AND METHODOLOGY	
	3.1 Introduction	17
	3.2 Data	18
	3.3 Sample	19
	3.4 Empirical Model	21
	3.5 Measurement of Variable	22
	3.6 Data Analysis	
	3.6.1 Linear Regression (OLS Regression)	24
	3.7 Estimate Procedure	
	3.7.1 Panel Data	25
	3.8 Hypotheses	27
	3.9 Software	28
4	FINDINGS AND ANALYSIS	
	4.1 Analysis	29
	4.2 Findings	38
5	CONCLUSION AND RECOMMENDATION	
	5.1 Introduction	39
	5.2 Conclusion	39
	5.3 Recommendation	40
	BIBLIOGRAPHY	41
	APPENDICES	46

A STUDY ON IPO UNDERPRICING OF THE LISTED COMPANIES IN BURSA MALAYSIA

1.0 CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF STUDY

ABSTRACT

This study determines the IPO Underpricing of the listed companies in Bursa Malaysia. It is based on the asymmetric information theory which the investment bank finds that the IPO is underpriced when it is less costly to market whereby the model is used by the issuers by leave the pricing decision to the underwriter (Baron, 1982). The reason about the IPO underpricing comes from the behavioural finance. This paper will determine whether IPO Underpricing has relationship between IPO Size and Market volatility. A sample of 30 companies listed in Bursa Malaysia is taken from the period of January 2009 to December 2014. Fixed Effects and Random Effects have been applied on panel data to determine the relationship between IPO Size and market volatility. It finds that IPO Underpricing has significant relationship between IPO Size.