



UNIVERSITI TEKNOLOGI MARA

**THE INFLUENCE OF MACROECONOMICS
TOWARDS THE NUMBER OF IPOs IN THE
MALAYSIAN STOCK MARKET**

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ABSTRACT

This research is aiming to determine the amount of influence does various macroeconomic variables could influence the amount of companies going public and through IPO in Bursa Malaysia each year, analysing data from 1980 to 2020. The research was performed by taking data produced by Bursa Malaysia as well as other secondary data which are the Gross Domestic Product (GDP), Interest Rate (IR), Stock Market Performance (KLCI), and Inflation Rate (IFR). The data will be run through and analysed using multiple tests such as descriptive statistics, correlation, multiple regression tests, and more. The researcher may conclude from this research that there are correlation between the macroeconomic variables and the number of companies going public in Malaysia.

Keywords: IPO, Malaysia, Stock Market, Interest Rate. Economic Variables, Gross Domestic Product (GDP), Inflation rate

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CHAPTER ONE: INTRODUCTION

1.1 Introduction

This research is undertaken to investigate the influence of macroeconomics towards the number of IPOs in the Malaysian stock market. This chapter will briefly discuss the background of study, problem statement of the study, research objective, significance of study, study scope, and summary in chapter one. Entirely, this research contains five chapters. Chapter 1 discusses the introduction of the research, Chapter 2 discusses the literature reviews from previous journal and studies on the influence of macroeconomics towards the in number of IPOs in the Malaysian stock market, and Chapter 3 discusses the research methodology. On the other hand, Chapter 4 will explain the findings and results of the research. Finally, Chapter 5 describes the conclusion and recommendation of the research.

1.2 Research Background

Companies go public in order to have access to pools of investor cash to fuel their expansion. Existing shareholders can sell their shares at a profit using this method. Initial public offerings (IPOs) have been extensively studied in the financial literature, and it is generally known that they display three forms of anomalous behavior: initial underpricing, clustering, and long-term underperformance. (RITTER, 1991). Studies have indicated that macroeconomic conditions influence IPOs, based on research undertaken by Chen, Roll, and Ross (1986) on the relationship between macroeconomic factors and stock returns. (Chen et al., 1986). Macroeconomic variables, according to research, are great candidates for analysing the factors that determine the number of IPOs since they affect the cash flow of numerous enterprises at the same time and influence risk-adjusted discount rates. Despite disagreements about the factors' reliability and consistency in predicting future stock returns, it has been suggested that the magnitude of the time-varying response of stock prices to expected (or unexpected) changes in macroeconomic policies has economic implications for market participants. (Tran & Jeon, 2011). According to a researchers thought process, devoted to the idea that companies going through the IPO process will convert their private equities into securities and issue them for the first time to sell on the open market (Brau, 2012).

Macroeconomic variables such as interest rates, from a theoretical standpoint, provide useful information to stock market investors.(Chen et al., 1986). The central bank of a