UNIVERSITI TEKNOLOGI MARA

FACTORS AFFECTING STOCK RETURNS IN BURSA MALAYSIA: A STUDY OF IPO STOCKS LISTED IN 2023

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ABSTRACT

IPO shares have attracted the interest of investors as one of the instruments that have the potential to provide lucrative returns. However, retail investors' behaviors, such as following the herd, and making decisions based on emotions, lack of financial literacy and understanding of investment strategies increases can lead to losses. Therefore, this study was conducted to give an overview about matters that can be observed to make a better decision and help investor determine factors that have the potential to impact the performance of IPO shares on the first day of listing. This study is a quantitative study and the data used is secondary data obtained from company prospectuses that have been provided in the Bursa Malaysia website. A total of 31 samples were selected for analysis. To obtain the results of the study, a descriptive comparative analysis was used using SPSS. The results of the study will show whether factors such as business background, share issuance and utilization of the fund gained from IPO provide a significant return on the company's share price during first listing in the stock market. This study found that companies from the technology sectors, listed on the Ace Market and priced below RM 0.40, provided the highest estimated returns in 2023. Other characteristics that can observes include small-cap stocks, minimal or no private placement allocations to Bumiputera investors, and companies with R&D plans and a focus on branding and digitalization. The findings of this study provide valuable input to retail investors to consider the characteristics that need to be paid attention to before making a decision to invest in the company's shares.

Keyword: IPO Stocks, Bursa Malaysia, Retail Investor.

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CHAPTER ONE

INTRODUCTION

1.1 Research Background

An Initial Public Offering (IPO) does play a vital role in raising capital for firms by issuing new stock to a diversified pool of investors, offering access to liquid markets, and potentially lowering the cost of capital. (Seepani & Murthy, 2023). This financial instrument is utilized globally, aiding in the growth and development of companies by attracting investments and supporting strategic objectives (Nichkasova, Shmarlouskaya and Sadvokassova, 2019). IPOs are often facilitated by investment banks, which assist in determining share prices and providing professional services to ensure the success of the offering (Vladimirović, 2022).

Initially, to list on Bursa Malaysia, a company must adhere to the listing requirements set by the exchange, which underwent significant reforms post-financial crises to enhance corporate governance practices and financial reporting quality (Anuwar and Jaffar, 2018). Companies seeking listing should also consider the implications of financial distress prediction methodologies like Discriminant Analysis, which can help assess their financial health and risk of distress (Sahlan, 2010). Additionally, for Shariah-Compliant stocks, it is crucial to understand the screening criteria of various indices to ensure compliance, as differences in criteria can impact a stock's Shariah-Compliant status across different indices. Furthermore, companies considering listing should be aware of the trend of publicly traded companies going private in Bursa Malaysia, which can shed light on why companies may choose to delist and go private instead (Thai et al., 2014).

One of the items observed in the company is the intended use of the proceeds from the IPO. According to research, Malaysian IPO issuers typically use IPO proceeds to fund expansion possibilities, debt reduction, and operating capital. Notably, companies that allocate less than 50% of their IPO revenues, regardless of the aim, tend to achieve improved survival rates post-IPO (Badru and Ahmad, 2021). However, there is evidence suggesting that some issuers deviate from their