

UNIVERSITI TEKNOLOGI MARA

**THE ROLE OF IPO PROCEEDS
DISCLOSURE ON SURVIVAL OF
PUBLIC LISTED COMPANIES IN
MALAYSIA**

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Thesis submitted in fulfillment
of the requirements for the degree of
Master of Science
(Business Management)

Faculty of Business and Management

June 2022

AUTHOR'S DECLARATION

I declare that the work in this thesis was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of my study and research.

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ABSTRACT

This study examines the relationship between the role of IPO proceeds and survival period of companies in the Malaysian market. Studies on the survival period of companies are crucial, particularly in Malaysia, as it goes consistent with Bursa Malaysia's initiatives in establishing frameworks (Practice Notes and Guidance Notes) to elongate companies' survival post-IPO. While the performance of the Main market is referred to as the benchmark index of the Malaysian stock market performance, the observation on the declining number of total listed companies in the Malaysian market, especially among the Main Market participants portrays the Malaysian stock market's underperformance. This study also observes that the shortest survival period for inactive companies listed from 2000 to 2020 in the Malaysian market is less than 12 months. Consequently, this may discourage investors from making potential investments in the market. Responding to the urge of companies facing difficulties to survive longer post-IPO, this study examines the determinants of companies' survival period focusing on each category (growth opportunities, debt repayment and working capital) of the proportion of IPO proceeds and the time frame of proceeds utilization. Despite the information of IPO proceeds to be disclosed at the earliest stage of an IPO, it has a great potential to act as a predictive role to reflect the companies' commitment in their future directions and signal their survival period. Therefore, this study attempts to achieve the following objectives: 1) to investigate the relationship between the proportion of IPO proceeds for growth opportunities and companies' survival period; 2) to investigate the relationship between the proportion of IPO proceeds for debt repayment and companies' survival period; 3) to investigate the relationship between the proportion of IPO proceeds for working capital and companies' survival period; 4) to investigate the relationship between the time frame to utilize growth opportunities and companies' survival period; 5) to investigate the relationship between the time frame to utilize debt repayment and companies' survival period and; 6) to investigate the relationship between the time frame to utilize working capital and companies' survival period. This study examines 423 IPO companies in Malaysia from 2000 to 2014 and employs the Accelerated Failure Time (AFT) model. This study finds evidence that the proportion of IPO proceeds and the time frame to utilize the IPO proceeds fully can reflect the commitment of management in achieving their objectives and signal the longevity of companies' survival post-IPO. This study found debt repayment as the critical driver of companies' survival period. A higher IPO proceeds utilized for growth opportunities and debt repayment will lead to a shorter survival period post-IPO. In contrast, a longer time frame utilizing the debt repayment leads to a longer survival period. The results support that the information disclosure requirements taken by the Securities Commission Malaysia (SCM) have led to an efficient conduit for mobilizing IPO proceeds in promoting a more transparent stock market and, therefore, protecting investors' interests and improve the survival period of companies. The results provide empirical evidence that Malaysian listed companies' survival period is explainable by the IPO proceeds information, extending the limited literature of studies on companies' survival period, specifically in the Malaysian market.

ACKNOWLEDGEMENT

In the name of Allah, Most Gracious, Most Merciful. Firstly, I wish to thank Allah S.W.T for giving me the opportunity to embark on the MSc program and able to complete this challenging yet fruitful journey. My absolute appreciation and gratitude go to my main supervisor, Dr. Norliza Che Yahya, who has given my thesis valuable comments and constructive feedback. Her valuable advice and continuous support throughout the MSc journey is something irreplaceable. My appreciation extends to my co-supervisor, Dr. Nur Zahidah Bahrudin, for the additional guidance and assistance on my thesis.

I wish to express my special thanks to my parents, Mr. Alyasa Gan Abdullah and Mrs. Kamariah Mohamed, for their continuous encouragement and financial support for me to complete this thoughtful journey. I would not have the capability to be where I am without the prayers of my parents. My appreciation also goes to my family members and my fiancé for the emotional, spiritual and financial support they have dedicated to me in this journey.

I humbly express my gratitude to the research project by Universiti Teknologi MARA (UiTM) that has funded the articles titled “Intended Use of IPO Proceeds and Survival of Listed Companies in Malaysia” and “Survivability of IPO Companies in the Malaysian Market. Evidence from the Kaplan-Meier Survival Analysis” I have published in the Journal of Risk and Financial Management and the International Journal of Academic Research in Economics and Management Sciences.

I wish to acknowledge the peer support I received from Siti Shahirah Saleh, Sharifah Nadhira Syed Sallehuddin and Siti Suhaila Abdul Rahman from the countless sharing sessions we had, conducted for valuable research knowledge throughout this journey.

Finally, I humbly express my gratitude to my internal and external examiners, Dr. Imani Mokhtar and Dr. Ahmad Hakimi Tajuddin for the constructive feedbacks during my viva session to improve the quality of this thesis.

Alhamdulillah.

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