



**DETERMINANTS OF INITIAL PUBLIC OFFERINGS (IPO)  
RETURN IN MALAYSIA**

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**2014377001**

**Submitted in Partial Fulfilment of the Requirement for Bachelor  
of Business Administration (Hons) Investment Management**

**BACHELOR OF BUSINESS ADMINISTRATION (HONS)**

**INVESTMENT MANAGEMENT**

**FACULTY OF BUSINESS MANAGEMENT**

**UNIVERSITI TEKNOLOGI MARA**

**JOHOR**

**DECEMBER 2016**

## **ACKNOWLEDGEMENT**

First and for most, thank you to Allah S.W.T, the Most Merciful and Most Powerful for making the research project become successful besides a few obstacles which had been encountered during the research period.

The special gratitude dedicated to the research advisor, Encik Kamal Fakrulrazi Rahim for giving the guidance and helping for making the research interesting. Not to forget, Dr Ahmad Razi, the Research Methodology lecturer for teaching the basic techniques of research.

Besides, the researcher would like to thank the friends who had together helped in obtaining and retrieving the data for the research. Last but not least, the researcher also would like to thank the parents which had given the moral supports although the researcher had been confronting with few problems during the research period.

Thank you.

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## **ABSTRACT**

The study is conducted to determine the relationship between Initial Public Offerings (IPO) return at the first trading day and its determinants. The observation is based on 41 newly-listed IPOs in Main Market Bursa Malaysia in between the year 2012 until 2014 and the data were gained from Bloomberg, Bursa Malaysia and Yahoo Finance. In order to study the relationship between initial return and its determinants, the researcher will gain the initial return data, which is the difference of issuance and the price of first day trading and run the data together with the independent variables such as size of issuance, age of the firm, offer price, listing delays and underwriter's reputation. Several tests will be conducted including the multi regression analysis. Lastly, all the independent variables had found insignificant with initial return except the offer price.

## CHAPTER ONE: INTRODUCTION

### 1.1 BACKGROUND OF THE STUDY

Bursa Malaysia is the stock exchange of Malaysia which had become the centralised trading place for the listed shares of the companies since its establishment. Up till 2016, there are about 904 companies had been listed on the Bursa Malaysia. There are two categories of market in Bursa Malaysia, namely the Main Market which is for high capital listed companies and ACE Market which majority for the companies with high growth and technology -based companies.

In this research, the researcher will elaborate more on the “Determinants of Initial Public Offerings (IPO) Return at the first trading day in Malaysia”, mainly for the Main Market. There are few factors on the performance of IPO return in Malaysia whether internal or external factors. Initial public offering (IPO) is the shares which are newly issued and listed on the stock exchange by the firms to be offered to the public. This act has been done by the firms which are seeking to be listed ‘publicly’ on the exchange. Usually, the firms will seek to be listed as a part of the strategy to expand and to obtain funding in terms of capital for its business operations. Furthermore, IPOs are becoming the essential part of the capital market in Malaysia as the companies seek to expand for more capital to run the business as well as to meet the desired objectives, as according to Ahmad-Zaluki and Kect (2012).

Before issuing any offerings of IPO to the public, the issuer which is the company had to seek help to issue the shares from the underwriting firm. The underwriting firm which is primarily an investment bank will help in the procedures of issuing the IPOs to the public. The process of issuing IPO will involve the underwriter, Securities Commission and other relevant parties. The Security Commission of Malaysia (SC) will regulate the listing procedures and Bursa Malaysia will provide the centralised place and trading platform to trade the IPOs. First, the underwriter must obtain the financial reports to evaluate the