

**ABNORMAL RETURN IN THE IMMEDIATE AFTERMARKET OF
MALAYSIA IPO FROM 2005-2015**

**BY:
CHYA NAJMULDEEN FATHULLAH**



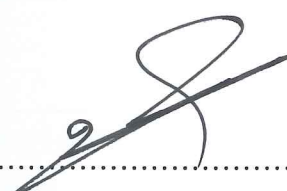
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KUALA LUMPUR**

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IUKL**

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DECLARATION

I, hereby, declare that this thesis is my own work and effort and that it has not been submitted anywhere for any award. Where other sources of information have been used, they have been acknowledged.

Signature: 

Date: 02/08/2016

Name: Chya Najmuldeen Fathullah

APPROVAL PAGE

We have examined this manuscript and verify that it meets the programme and University requirement for the degree of Master of Business Administration.

Name of Supervisor: Raja Rizal Iskandar Bin Raja Hisham
Faculty of Business and Accounting
IUKL

Name of Co-Supervisor: Rafidah Othman
Faculty of Business and Accounting
IUKL

Name of Internal Examiner: Mr. Anasir Mohamad
Faculty of Business and Accounting
IUKL

Name of Internal Examiners: Sia Beng Yen
Faculty of Business and Accounting
IUKL

Director of CPS: Kamaljeet Kaur
Centre for Postgraduate Studies
IUKL

Date: 02/08/2016


KAMALJEET KAUR
Director
Centre for Postgraduate Studies
Infrastructure University Kuala Lumpur

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ABSTRACT

Initial Public Offering (IPO) is the sale of the shares to public for the purpose of raising capital. But due to the asymmetric of information, some well informed investors (Private Placement) make abnormal return while other non-informed investors (Non-Private Placement) make less return. In Malaysia, the fixed price IPO is followed for issuing new shares. This also has contributed to the differences in abnormal return. Thus, this study aims to differentiate the abnormal return related to the private and non-private placement IPO in Malaysia. A total of 178 IPO companies in Malaysia between 2005 and 2015 were extracted from Bursa Malaysia. The IPO are listed under four main sectors: Consumer sector, Trading and Services sector, Industrial sector, and Technology sector. These companies distributed between private placement (95 companies) and non-private placement (83 companies). The data were secondary and collected from Bursa Malaysia. The data analysis was conducted using descriptive analysis and an independent sample t-test. The findings of this study showed that the mean score value of non-private placement is greater than the private placement. It showed also that there is an abnormal return in private placement but not in non-private placement. In addition, the abnormal return is found in the all sectors in private and non-private placement. Among the sector, the highest abnormal return is found in the technology. Recommendation and direction for future researches were discussed.

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GLOSSARY

Abnormal return: is the difference between the actual return of a security and the expected return. It refers to the gain made by investors when they buy and sell the newly released IPO.

Initial public offering (IPO): the first time a company sells stock to the public. An IPO is a type of a primary offering, which occurs whenever a company sells new stock, and differs from a secondary offering, which is the public sale of previously issued securities, usually held by insiders.

Offer for sale: are shares that have already been issued to the original stockholders, who in turn offer their shares for sales to the public.

Public issue: refers to new shares of stocks offered to the public for the first time; accordingly, it results in an increase in the paid up capital of the company.

Private Placement: is the sale of IPOs directly to institutional investors. The word institutional investors refers to organizations that are well-informed about the IPO.

Non-Private Placement: is the sale of IPOs to individual investors. Those are characterized by having less information compared with private placement.

Underpricing is defined underpricing as a positive difference in the first day between offer price and the market price of IPOs.

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Malaysian experience with stock market dates back to 1930s. Generally, the purpose of selling shares to public is to increase the liquidity of the company and to generate funds for future projects. This action of selling shares to public is called Initial Public Offering (IPO). It occurs when private companies sell their shares for the first time to public aiming to become public listed companies. Prior literature motivated by two anomalies in the IPO market, the initial underpricing and the long term under-performance. Extensive reviews about the mentioned anomalies reported by Ritter (2003) and more recently by Yong (2007) for Asian markets.

In term of Malaysian IPO market, several previous studies related the unique or the specific features of Malaysian IPO market to underpricing anomaly. Among these are firm size (Yong, 1996; Yong & Isa, 2003; Yong, 2011a; Yong, 2014b), underwriter's reputation (Jelic et al., 2001; Yazdani & Aris, 2015), oversubscription rate (Yong, 1996; Yong & Isa, 2003), offering size (Yong et al., 2002), main shareholders ownership (Abdullah & Taufil Mohd, 2004), firm's age (Abdullah & Taufil Mohd, 2004), owners' participation and lockup provision (Wan-Hussin, 2005; Rashid et al., 2014), government public policy and regulatory intervention (Prasad et al., 2006), regulation (Taufil Mohd, 2007), proportion of IPO shares allocated to Bumiputra investors (How et al., 2007), disposition effect and flippers (Chong,

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