THE POST-ISSUE PERFORMANCE OF RIGHTS ISSUES IN MALAYSIA

by

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree of

Master of Science in Finance at the Graduate School of Management,

Universiti Utara Malaysia
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This study focuses on the performance of rights issues in Malaysia from December 1999 to 2008. This study finds that after the announcement of rights issues, positive abnormal returns are observed using both CAR and BHAR approaches. However, the results are not significant. This finding is contradictory from findings in US and UK where underperformance is observed after rights issues. This study also demonstrates that the companies prefer to issues rights when the share price is increasing.

Keywords: Right issues; long-run performance; CAR; BHAR
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LIST OF ABBREVIATIONS

AR: Abnormal return

AAR: Average abnormal return

BHAR: Buy-and-hold average return

CAR: Cumulates average return

CAAR: Cumulative average abnormal return

CIC: Capital Issues Committee

IPO: Initial Public Offerings

SC: Securities Commissions

SEO: Seasoned Equity Offering

US: United States

UK: United Kingdom
CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

An organization may employ a variety of methods for the purpose of financing its business. These can be categorized into equity financing, debt financing or even a combination of both. For equity sales the most popular method in Malaysian is through rights issues.

In Europe, Canada, Australia, New Zealand and Asia, a large part of equity issues are sold through rights issues\(^1\). Many studies have been done in U.S on rights issues even though according to Kothare (1997) less that 10% of U.S. firms issue equity through rights offerings. This study will focus on Malaysia and will be concerned with the long-run performance stock price of the rights issues in an emerging share market.

1.1.1 Definition of rights issue

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REFERENCES


