IPO UNDERPRICING: EVIDENCE FROM MALAYSIA

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ABSTRAK

IPO UNDERPRICING: EVIDENCE FROM MALAYSIA

ABSTRACT

The underpricing of initial public offerings (IPOs) are anomalies well documented by numerous empirical studies. The aim of this thesis is to examine whether or not a variety of different proxies employed under the asymmetric information theory particularly the Winner's Curse and Signaling models influence underpricing in the Malaysian market. The study used a sample of 125 the Malaysian IPOs in the period between 2005 to 2009. The result shows that gross proceeds, underwriter, insider retention and market capitalization are significant in explaining the degree of underpricing in IPOs. However on other hand, the findings show that age of company and the gap between prospectus and listing dates could not explain the extent of underpricing in Malaysia for the studied period.
I would like to express my sincere gratitude to all those who have rendered their assistance and encouragement to me in my endeavour to finish this thesis.

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CHAPTER ONE

1.1 Background of the Study

Several studies were conducted to explore the phenomenon of IPOs in many major stock exchanges internationally since a few decades ago. Research provides a variety of opinions on and implications of IPO initial return, either overpriced or underpriced, that varies by the market and economic conditions of each country. It may not be surprising to find that IPOs in Malaysia have provided different impacts according to the local economic and market factors at different periods when a few surveys were conducted.

Initial Public Offering is known as IPO which means a company issues shares for the first time on the stock exchange to the public. A unique feature is, when the company does the IPO, the company does not only issue shares on the board of exchange, but also for the first time in its history, the company lists its shares at the bourse (Derrien and Kecskes., 2007).

There are number of factors which have prompted the companies list at the board of the exchange. Firstly, the company can reduce the cost of funding for operations and investment. Furthermore, the exchange bourse creates a special place for investment through IPO to raise capital and to diversify the investment of the existing shareholders of companies in order to increase their capital gains respectively. Indirectly, the situation helps to reduce the company's amount of borrowing from banks (known as a debt), which usually becomes a burden. Next, IPO
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REFERENCES


