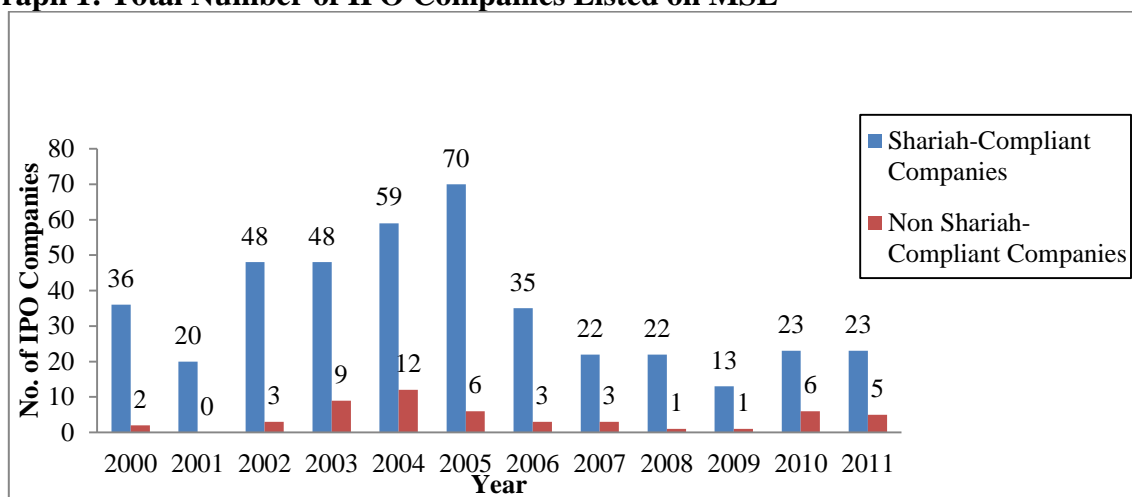


## CHAPTER 1: INTRODUCTION TO THE STUDY

From the beginning of the first Islamic banking in Malaysia in 1982<sup>1</sup>, the concept of Islamic finance has been raised<sup>2</sup>. On May 2013, the market capitalization of *shariah*-compliant securities was valued at MYR<sup>3</sup>1.017tn or 63% of total market capitalization of MYR1.6tn<sup>4</sup>. Collectively, 89% of Initial Public Offerings (IPOs) are listed on the *shariah* board of the Malaysian Stock Exchange (MSE) (Graph 1). The growth of Islamic finance has obviously outperformed the growth found in conventional banks.

**Graph 1: Total Number of IPO Companies Listed on MSE**



Sources: Malaysian Stock Exchange (MSE) and Securities Commission of Malaysia

The main contribution of this study is the use of *shariah*-compliant companies, which is limited in the literature. Hence, this study fills the gap by providing underpricing (short-term) and long-term performance of IPOs for *shariah*-compliant and non *shariah*-compliant companies. This dissertation also contributes and to understand that some information is relevant for short-term performance and some information is relevant for long-term performance of IPOs for *shariah*-compliant and non *shariah*-compliant companies.

<sup>1</sup> Bank Islam Malaysia Berhad (BIMB) is the first Islamic Bank in Malaysia, established in 1982.

<sup>2</sup> Other developments of Islamic finance included: Takaful (Insurance), Islamic Capital Market, and Sukuk (bond), among others.

<sup>3</sup> MYR is Malaysian Currency

<sup>4</sup> Shariah Screening Methodology: Adopting Two-tier Quantitative Approach by Malaysian International Islamic Financial Centre (MIFC), 31 October 2013

While many empirical studies present IPO underpricing in Malaysia, no prior academic work has investigated the long-term performance of IPO underpricing for *shariah*-compliant companies and compares them with non *shariah*-compliant companies. Therefore, this dissertation provides new insights into *shariah*-compliant companies. Lastly, this dissertation provides additional evidence of the factors affecting IPOs (short-term and long-term performance) for *shariah*-compliant companies and non *shariah*-compliant companies.

## CHAPTER 2: LITERATURE REVIEW

This chapter reviews the significant IPO literature. This study observes the IPO underpricing phenomenon (Table 1) and reviewed some studies for the long-term performance of IPO companies (Table 2).

**Table 1: Summarizing of IPO underpricing over the world**

<b>Countries</b>	<b>Period of Study</b>	<b>IPO underpricing</b>	<b>Authors</b>
<b>China</b>	1996–2000	129.16%	Chi and Padgett (2005)
<b>Japan</b>	2001–2006	60.21%	Uzaki (2009)
<b>Switzerland</b>	1983–2000	34.97%	Drobetz, Kammermann, and Walchli (2005)
<b>Thailand</b>	1990–2007	22.99%	Ekkayokkaya and Pengniti (2011)
<b>Indonesia</b>	2003–2011	22.2%	Darmadi and Gunawan (2012)
<b>Singapore</b>	1993–2005	16.5%	Zhang, C. and King, T.H.D. (2008)

**Table 2: Summarizing of long term performance of IPO over the world**

<b>Countries</b>	<b>Period of Study</b>	<b>Long term performance of IPO</b>	<b>Authors</b>
<b>United Kingdom</b>	1991–1995	Underperformed	Goergen, et Al. (2007)
<b>China</b>	1993–1998	<ul style="list-style-type: none"> <li>• A-shares: underperformed</li> <li>• B-Shares: outperformed</li> </ul>	Chan, et Al. (2004)
<b>Japan</b>	1998–2001	Underperformed	Kirkulak (2008)

<b>Taiwan</b>	1991–2002	Outperformed	Chen, et Al. (2010)
<b>Turkey</b>	1990–1997	Outperformed	Durukan (2002)

### **CHAPTER 3: RESEARCH METHODOLOGY**

This chapter explains the methodology applied to this study. The research can be grouped into four groups: 1. average degree of IPO underpricing for *shariah*-compliant and non *shariah*-compliant companies; 2. the impact of determinant factors on the average degree of IPO underpricing for *shariah*-compliant and non *shariah*-compliant companies; 3. the impact of shareholder analysis on the average degree of IPO underpricing for *shariah*-compliant-companies and non *shariah*-compliant companies; and 4. the long-term performance of IPO for *shariah*-compliant and non *shariah*-compliant companies. The equation used in this study is presented in the thesis.

### **CHAPTER 4: RESULTS**

The results are divided into 2 parts. Part 1 discusses underpricing (short-term) performance of IPO and Part 2 discusses long-term performance of IPO.

#### **1. IPO underpricing (short-term) for *shariah*-compliant and non *shariah*-compliant companies**

The preliminary results show that the average degree of IPO underpricing for *shariah*-compliant companies is 28.94% and 27.18% for non *shariah*-compliant companies. The average degree of IPO underpricing reported in this study is more similar to mature markets when compared to the average degree of IPO underpricing of 166.7% (Dowson, 1987), 99% (Jelic et al., 2001), 94.91% (Yong and Isa, 2003), and 81% (Murugesu and Santhanapparaj, 2009). A possible reason to explain the decline in percentages of IPO underpricing is due to the decision of Securities Commission of Malaysian regarding the IPO pricing mechanism.

This finding similar with findings reported in Japan. Pettway and Kaneko (1996) found that removed price limits and introduced public auctions reduced the average degree of IPO underpricing significantly.

Next, this study found that the times of oversubscription, risks, and economic condition variables are statistically significant for *shariah*-compliant companies. The results from the non *shariah*-compliant companies show that the times of oversubscription, underwriter reputation, market type, and technology industry variables are also statistically significant. It is important to highlight that the information asymmetrical gains by companies and investors during the initial trading on the stock exchange provide an impact on IPO performance with underpricing in the Malaysian market. Information regarding the background of the company doing the IPO during the initial process for listing it on the board can attract investors to buy IPO shares. Additionally, the roles of the underwriter to advertise IPO shares are affected by the demand of investors to subscribe to IPO shares. While the results for shareholder analysis were found to be insignificant on the average degree of IPO underpricing for *shariah*-compliant and non *shariah*-compliant companies, the indication is that shareholder analysis has insignificant factors in determining the average degree of IPO underpricing.

## **2. Long-term performance of an IPO for *shariah*-compliant and non *shariah*-compliant companies**

Using the FTSE Bursa Malaysia market index as a benchmark, this study found that for IPOs for *shariah*-compliant companies outperformed when the CAR equal-weight was used to measure long-term performance of an IPO for *shariah*-compliant companies. This result is in parallel with a previous study regarding long-term performance of an IPO in the Malaysian market (e.g. How, et Al., 2007; Ahmad-Zaluki and Goodacre, 2007; Paudyal, et Al., 1998). The results for non *shariah*-compliant companies also outperformed for CAR equal-weight

and CAR value-weight. The results of this paper suggest that the use of equal-weight and value-weight returns typically lead to different conclusions. In addition, the results for CAR equal-weight are statistically significant while for value-weight are statistically insignificant.

An IPO for *shariah*-compliant companies performed at least as good as their best match. It is important to highlight that underpricing, oversubscription, type of market, consumer product industry, and ROE are statistically significant for CAR equal-weight. While, the results for CAR value-weight indicated that underpricing, offer price, offer size, type of market, trading/service industry, consumer product industry, property industry, and REIT industry are statistically significant. The overconfidence of investors during the initial IPO trading affects the long-term performance of the IPO for *shariah*-compliant companies. Therefore, investor loyalty to the IPO company is important to determine good performance in the earliest three-year trading on the stock exchange. The results for non *shariah*-compliant companies cannot be discussed because the numbers of non *shariah*-compliant companies are low. Only four IPOs for non *shariah*-complaint companies are available.

IPOs in Malaysia are associated with high underpricing during the initial trading on the stock exchange (i.e.: Dowson, 1987). However, this study found that high underpricing in the initial trading is not a determination of poor performance in the first 3 years after the IPO shares were issued. This study found that IPOs for *shariah*-compliant companies are comparable to or possibly performed better than the benchmarks. The results also show that in 2008, when the sub-prime crisis occurred, the long-term performance of IPOs did not differ from the performance of the benchmark. Therefore, it seems that even the average degree of IPO underpricing is high, is not determined poor long-term performance of the IPO for *shariah*-compliant companies.

Mixed results are found on the relationship between the determinant factors and IPO performance for *shariah*-compliant and non *shariah*-compliant companies (short-term and long-term). In the short-term, the impact of the determinant factors generated little evidence to support our working hypothesis. Nevertheless, the impact becomes more important in the long-term anyways. As shown, the results for R-square in the short-term with *shariah*-compliant companies at 15% and non *shariah*-compliant companies at 74.9%. While the results for R-square for long-term *shariah*-compliant companies, the CAR equal-weight was 59.4% and CAR value-weight was 84.2%.

In summary, this chapter provides a number of explanations as to the research questions presented in the introduction section. The information gained by investors during the initial trading of an IPO indicates a significant impact on the short-term and long-term performance of the IPO on the Malaysian market.

## **CHAPTER 5: CONCLUSION**

This thesis provides a number of contributions to academic research in this field. The first contribution is to provide empirical evidence for the use of the IPO for *shariah*-compliant companies. The IPO companies are widely used in the IPO literature. This study tries to fill this gap. Next, to some extent, the short-term and long-term performances of the IPO for *shariah*-compliant companies are evaluated. It is important to predict the short-term return as others are more appropriate for longer period returns.

While many IPO studies present multiple linear regression analysis of IPO underpricing, few have been done for the IPO underpricing for *shariah*-compliant companies and no prior academic work investigated the long-term performance of IPOs for *shariah*-compliant companies. Therefore, this study provides a new explanation of the factors affecting the long-term performance of an IPO for *shariah*-compliant companies.

# 博士学位論文審査報告書

1. 氏名 NASHIRAH BINTI ABU BAKAR

2. 学位請求論文の題目

An Empirical Investigation of Initial Public Offerings: Evidence from Shariah-compliant Companies and Non Shariah-compliant Companies Listed on the Malaysian Stock Exchange

3. 論文の要旨及び論文審査の結果

本論文は、世界中で認められている新規株式公開 (Initial Public Offerings : IPOs) の短期・長期の2つのパフォーマンス、すなわち①アンダープライシング (初値が公開価格を大きく上回ることにより、短期間に高い収益率が生じるため、公開価格が過小評価されていること) と②株価の長期低迷 (公開初日に高い初値で引けた後、株価が長期にわたり低迷すること) について、マレーシア証券取引所 (Malaysian Stock Exchange : MSE) に上場している IPO 企業を分析し、この2つの事象を検証するとともに、その発生要因を明らかにしたものである。

第1章のイントロダクションでは、マレーシアにおける証券市場の現状を述べ、そこにはイスラム法に準拠した企業 (イスラム法準拠企業) とイスラム教に準拠していない企業 (非イスラム法準拠企業) が混在しており、その証券市場で IPO 関連の法律の推移を述べるとともに、IPO 企業数の推移を概略している。第2章では、世界のアンダープライシングとアンダーパフォーマンスとの先行研究を丹念に調べ、現象の発生だけではなく、その原因も整理している。第3章では第2章で議論された先行研究をもとに、本研究で用いられる変数の定義とデータの説明を行っている。第4章では、実証分析期間 2000 年から 2011 年におけるマレーシア証券取引所で IPO を行った企業をイスラム法適用企業 (419 社) と非イスラム法適用企業 (51 社) とに分け、①アンダープライシングについて検討を行い、イスラム法適用企業と非イスラム法適用企業がそれぞれ 28.94% と 27.18% と高いことを明らかにした。産業別では、重工業、物流、機械、そして農業で非イスラム法準拠企業が高いアンダープライシング生じていることが分かった。その要因の1つが、アンダーライター (証券会社) の名声と考えたが、優位な分析結果を導き出すことはできなかった。次に②株価の長期低迷については、2006 年から 2010 年に IPO を行った企業の3年間の株価を分析し、累積異常収益率の推移を検討したが、アメリカや日本と異なり、発生を確認できなかった。これは、検証期間が 2006 年から 2010 年と比較的短期間であり、データも少ないことから、十分に分析できなかったためと考えられる。第5章での結論では、2000 年-2011 年のマレーシア証券市場において IPO を行った企業のアンダープライシングの現象が確認された。しかしながら、2006 年から 2010 年に IPO を行った企業の3年間のアンダーパフォーマンスは、アメリカや日本と異なり、発生を確認できなかった。

以上が本論文の要旨である。こうした本論文に対して審査委員一同は以下のような評価を下した。本研究は研究視点においても研究方法においてもきわめて独創性の高い論文であり、高く評価される。すなわち長年世界中の研究者が行っている IPO における短期・長期の2つのパフォーマンスをマレーシア証券取引所で IPO を行った企業を分析検討し、マレーシアにおいてもアンダープライシングの現象の存在を確認した点で独創的であり、重要な研究である。多くの先行研究は、日米欧のような非イスラム経済国の証券市場での IPO の分析であり、マレーシアのようなイスラム法に則った証券市場での IPO を研究したものは数少ない。本論文は、確かに株価の長期低迷の分析において、検証期間が 2006 年から 2010 年と比較的短期間であり、データも少ないことから若干の難点があるものの、これが本論文の価値を下げるものではない。本論文は、マレーシア証券市場におけるこの分野での独創性が高く、当該研究分野の発展に大きく貢献していると高

く評価できる。

以上のような評価により，審査委員一同は，本論文は博士論文の水準に十分達しており，博士（経済学）の学位を授与することが適当であると判断する。

審査委員	主査	<u>鵜崎 清貴</u>
	副査	<u>小笠原 悟</u>
	副査	<u>金 珍奎</u>
	副査（学外委員）	<u>坂本 恒夫（明治大学）</u>