Supply Chain Strategy in Initial Public Offering in Malaysia: A Review of Long-Run Share Price Performance

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***Abstract*- The paper examined the current status of research regarding the long-run share price performance of initial public offerings (IPO) in Malaysia. The review on previous *studies*was divided into the followings: underwriter reputation, earnings management, and board variables .The paper found that *there*was a noticeable poor long-run performance, and Malaysian IPOs were lesser than others from developed nations. The evidences of the long-run performance were inconsistent. This paper pinpointed significant factors that could *influence the* long-run share price performance in the Malaysian IPO market. New areas for future research were also suggested.**

***Keywords*-** *IPOs, supply chain strategy, Long-Run Share Price Performance, Determinants.*

1. Introduction

The performance of new equity issues is an interesting research area that has been discussed by academic scholars. The empirical evidences, which are obtained outside of Malaysia, agreed that initial public offerings (IPOs) could generate positive initial returns. There are other fascinating areas that are not clear and generate controversy among the researchers, including the long-run share price performance of IPO companies. This study to addresses the controversy for a better insight on the phenomenon of long-run performance. The long-run share price performance of IPOs has received attention from researchers in several countries, such as Thailand, Singapore, Malaysia, Korea, Japan, China, the United States, the United Kingdom, and Germany [1-6]. This issue was examined in various financial markets through several studies. For instance, its application can be seen in developed financial markets such as the United States, and there are also studies on the long-run share price performance of IPOs in multiple countries[7, 8]. The present study highlights the previous studies of long-run share price performance for Malaysian IPOs. The IPOs in Malaysia are relatively small as compared to the IPOs in developed markets. Most of the studies on long-run share price performance were conducted in developed countries, which include the United States and the United Kingdom; however, there are a limited number of studies that have investigated the long-run share price performance in Malaysia [9, 1, 10,11, 12]. The existing studies on the long-run share price performance of Malaysian IPOs are inconclusive. In view of the studies on IPOs in a different context over a different period, there is a summary of the average long-run performance of IPOs. The evidence revealed a negative long-run performance of IPOs in several developed countries such as the United States, France, Germany, the United Kingdom, Brazil, and Sweden[13, 14,3,15, 4, 16]. It is noted thatthere were also cases of positive long-run performance in developing countries such as Thailand, Singapore, Malaysia, Korea, Japan, and China [9, 1, 17, 6, 18]. The positive long-run performance report of IPOs is based on the studies from Asia such as the countries mentioned above. It is reported that the results are sensitive to the benchmarks and methods to measure the performances [1, 6]. Previous studies [1] on the long-run share price performance of Malaysian IPOs adopted the event-time and calendar-time approaches in measuring the performance. Ref. [1] investigated the long-run share price performance of 454 Malaysian IPOs during the period of 1990 to 2000. The findings showed that over performance from equal-weighted event-time cumulative abnormal returns (CARs) and buy-and-hold abnormal returns (BHARs) utilized similar company benchmarks. The

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calendar-time approach utilised the Fama-French (1993) three-factor model, and the abnormal performance disappeared. There was no distinction between the long-run performance of Main and Second Board IPOs, although initial returns, issue proceeds, and the year of listing are performance-related. Nevertheless, the result found [1] is in line with the other studies that long-run performance relies on the methodology and benchmarks used. Generally, the Malaysian environment has observed different long-run IPO performances than what was found in developed markets. The subsequent sections are organised as follows: 1) Section 2 provides a brief history of the regulatory developments in the Malaysian IPO market; 2) Section 3 presents a brief review of the literature concerning the long-run share price performance of IPOs; 3) Section 4 explains the significant variables in determining the long-run share price performance in Malaysia; 4) Section 5 presents the suggestions for future research; and 5) Section 6 concludes this paper.

2. The IPO market in Malaysia

The first introduction of the Malaysian stock market was in 1960, which was known as the Malayan Stock Exchange (MYX). Up until the establishment of Kuala Lumpur Stock Exchange Berhad (KLSEB) and Singapore Stock Exchange (SES) in 1973, the Malaysian stock exchange was known as the Stock Exchange of Malaysia and Singapore (SEMS). It was later established as KLSEB in 1973 with a total of 262 listed companies and this number has increased to 909 by 2018 [19]. KLSEB was recognised as Bursa Malaysia with the demutualisation exercise that came into force in 2004. The Main and the Second Boards are the two main markets of securities in Malaysia. They merged in August 2009 and are known as the Main Market. The Malaysian Exchange of Securities Dealing and Automated Quotation (MESDAQ) board is currently known as ACE Market, which stands for "Access, Certainty, and Efficiency". The primary goal of the ACE Market is to offer efficiency and certainty that pertain to the listing process while helping the issuers to access the capital market. The market, which is a sponsor-driven market, is open for companies of all sectors in accordance with size. The applicants' suitability is usually evaluated by the sponsors who are investment bankers that manage the companies' documents and keep in touch with the companies on a regular basis for at least three years after the listing is done. An IPO company offers the public new issues that are under the purview of prospectus provisions of the Securities Commission (SC) Act 1993.It is mandatory for IPO companies to disclose accurate and timely information in respect to their corporate performance to existing and potential investors for transparency. The companies that are willing to apply for IPO must provide detailed prospectuses such as prolonged documents to Bursa Malaysia and SC. They are both auditing companies and well-known investment banks that can underwrite the offerings. A prospectus usually has information related to the future anticipations of market growth and profits, aims and management, strategic trends, and board composition. Additional regulation through the SC prospectus guidelines (SC,1995) for the IPO companies was introduced and took effect on 1st January 1996, which involved industries that are related to trading or services, specialised, and construction industries. The Malaysian IPO market is quite different when compared to other markets. The most important distinction is that the IPOs in Malaysia act as instruments of the official government policy so that the national wealth can be redistributed among different ethnic groups. The three common mechanisms of IPO around the world are auctions, book-building, and fixed-price offers. Fixed price is one of the pricing mechanisms of the IPOs in Malaysia. It has the function to differentiate the circumstance where the price of an IPO is fixed even before it is offered to possible buyers. There is also the opportunity to understand the possibility of attracting more potential buyers by acheaply priced IPO even though there may be various speculative trading activities with higher initial returns and high price spread gained. The assessment of the relationship between the IPOs' initial returns and cheaply priced IPOs with their price spreads during the initial day of trading could provide a unique scenario to the Malaysian IPOs, which are mostly fixed-price mechanisms [20]. In view of the arguments raised by earlier researchers, there is the need to conduct more studies on fixed-price IPO due to the fact that it assists during difficult scenarios where the price of IPO is stable prior to it being offered to prospective investors, and provides ample opportunity in testing whether cheaply priced IPOs will attract prospective investors such as retail investors, which could lead to huge speculative trading activities. It is believed that the increase in speculative trading activities would result in higher prices and higher initial returns as well as high price spreads [20]. In Malaysia, there are two major categories of IPO: 1) the new issue of shares, which is also called "public offer"; and 2) "offer for sale" of the existing shares that are not previously traded by a shareholder [21, 22]. The listings in Bursa Malaysia have provided the current study with two selections for the Malaysian context such as the Main Market or the ACE Market (with effect from 3rd August 2009). The establishment of the ACE market was to provide the companies with a high-quality platform to raise investments, as well provide while the provision of another market is an improved platform for companies in different sectors. Malaysian listed companies need to stick to the listing necessities as commanded by Bursa Malaysia for both qualitative and quantitative requirements. The Main and ACE markets are subjected to the requirements for the primary listing of local and foreign companies. Any foreign companies that are categorised under the secondary listing and listing of special purpose acquisition companies are required to abide by the companies' requirements before being listed in Bursa Malaysia [23]. Figure 1 shows the listing requirements for both local and foreign companies.

Figure1.A Summary of Listing Criteria
Source: Bursa Malaysia Berhad website

Quantitative standards for the Main Market, both foreign and domestic companies have three options. First option is the income test. To become listed on the Main Market. The following alternative method is to test the market capitalization when the total market capitalization must not be less than RM500 million at the time of listing. The last alternative is to test the infrastructure project company. In this category, corporations can establish and control an infrastructure project, internal or external to the country. Qualitative Criteria each of the domestic and foreign corporations that list the ACE Market and Main Market must meet six aspects. First criteria is sponsorship. Although sponsorship is not appropriate in the Main Market, for the ACE market. Second criteria is the essential business, which must not be the investment holding of other listed corporations for both the ACE and Main Markets. Third criteria is that the management must be characterized by continuity of substantiality. Before applying, for the main markets and ACE. Fourth criteria related to the financial situation and liquidity. The fifth criteria is the moratorium of shares for the ACE Market and Main Market . The lastcriteria is the transaction with the parties involved. Listing in ACE markets and Main Market requires a report on the treatment of the parties concerned with the appropriate terms and conditions. The secondary listing of foreign corporations on the Main Market applies this requirement only to foreign corporations in the state, which are limited to the Main Market. Incorporation of Special Purpose Acquisition Companies (SPAC) in the Main Market. This is only allowed on the Main Market. Companies must comply with the Companies Act of 1965. The SC may also allow SPAC to incorporate them out of Malaysia through jurisdiction if the corporations meet all the additional requirements for the registrationof foreign companies.

3. Literature review

Ref. [1] provided a detailed review of IPOs and summarised the findings on long-run share price performance. The findings revealed that investors who purchased shares at the offering date and sold them on the first day of trading were able to gain high positive returns, whereas investors who hold their IPO shares for a longer period were not able to obtain any gain. Recently, the long-run share price performance of IPOs has received more attention. The research on this area found some conflicting results on the behaviour and determinants of the long-run share price performance. For instance, [24] discovered that the UK IPOs exhibited severe underperformance in the long-run that persisted for 36 and 60 months. Their results are similar to[5] and [2] mentioned that the US IPO companies experienced a negative return during the first five years after the IPO listing. Besides that, a study [3] on the German market investigated 286 IPOs from 2000 to 2013 for the holding periods of over three years after the listing. The studies showed some evidence of significant underperformance. Previous studies on the long-run performance of IPOs in non-Asian countries revealed the degree of underperformance is measured by Fama-French (1993) three-factor model (FF3F), wealth relative (WR), cumulative abnormal returns (CARs), and buy-and-hold abnormal returns (BHARs). The following are the results: the United States with 45.02% [4], followed by France with 9% [25], Germany with 29% [3], Greece with 15.35% [26], the United Kingdom with 47.6% [24], Poland with 50% [27], Brazil with 38% [15], Sweden with 3% [16], and Australia with 8% [28]. The results of the IPOs' long-run share price performance considered the benchmarks and methods to measure the performances [1,2,6]. For example, [29] in their empirical study included credence in the sensitivity of long-run performance by generating data from 588 IPOs that were obtained from companies that operated between 1985 to 1992. The study compared the abnormal performance using calendar-time and event-time techniques. The findings revealed that there were substantial negative abnormal returns after three years irrespective of the benchmark employed in the event-time approach. After the five-year period, the underperformance was less dramatic and depended on the benchmark; there is little evidence of underperformance when the returns were measured in calendar-time. [24] explored the IPO market in the UK with a sample of 2,499 in 1975 and 2004, which revealed underperformance. The three- and five-year BHARs meet, there were the estimations of -16.4% and -47.6% against the equal-weighted size-matched portfolios and they were considerably higher as compared to companies filling as a benchmark (-30.1% and -69%). The underperformance is fundamentally controlled by the poor performance of IPO sun listed companies in the securities markets. In comparison to the previous literature on the IPOs' long-run performance in Asian countries, the empirical studies reported a positive long-run performance or over performance of IPOs from Asian markets such as Thailand, Singapore, Malaysia, India, Korea, Japan, and China. The companies experienced underperformance within three to five years after IPO listing. The following are the results of positive long-run performance of IPOs from the Asian markets: Malaysia with 32% and 17% [1], China with 2% [18], and Korea with 43% [6]. The Asian companies experienced underperformance as shown by the following results: Malaysia with 3% [9], India with 57% [30], Singapore with 3% [6], and Thailand with 25%. A summary of related previous studies on the long-run share price performance in Malaysian IPOsis shown in Table 1. For the studies in Malaysia, [1] indicated that the CARs and BHARs for the sample of 454 Malaysian IPOs have significant over performance at +32.63% and +17.86% for equal-weighted event-time by utilising a matched company benchmark as compared to other developed markets. The calendar-time approach of the Fama-French (1993) three-factor model could reduce the important abnormal performance, stated that there is an underperformance, investigated the long-run share price performance of 176 Malaysian IPOs from 1999 to 2007. The result revealed that the market index was used as a benchmark for the equity underperformance of private placements in Malaysia. When the companies were coordinated to companies with similar size and market-to-book, they did not over perform or underperform. The matching companies over the three-year period under the equal-weighting scheme used similar methods to measure long-run performance. However, there was a considerable difference between CARs and BHARs under the value-weighting scheme. Previous studies revealed that small companies experience underperformance more often than large companies. Nevertheless, the findings of the study revealed conflicting results and suggested that large companies experienced underperformance as compared to smaller companies. In a more recent study on the Malaysian IPOs, [9] investigated a one- to three-year performance of IPOs for sharia-compliant companies that were listed in the Malaysian stock exchange from 2006 to 2010. The Kuala Lumpur Composite Index (KLCI) is used as a benchmark to evaluate the long-run performance of IPOs for sharia-compliant companies. The observed results revealed that the long-term performance for sharia-compliant companies has a better performance of 16.81% as compared to their benchmark for CAR equal weight and the outcome for CAR value weight showed little underperformance of -0.07%. The findings revealed that the CAR for equal weight and value weight of IPOs for sharia-compliant companies had significantly higher over performance of 14.58% and 4.11%, respectively, in 2006. The findings in 2007 showed -1.34% and 3.43% in 2008 for value weight of over performance. The offer size, offer price, underpricing, real estate investment trust (REIT) industry, property industry, consumer product industry, trading or service industry, and market type were significant in the study [9].

Table1. summary of prior studies on the long-run share price performance in Malaysian IPOs

Country	**Study publication Sample size Sample period**	**Horizon year**	**Approach**	**Benchmark**	**Methodology**	**Mean abnormal performance**
Malaysia	[1] 454 IPOs 1990-2000	3	Event- time Calendar-time	Market index Industry and size-matched company	BHAR CAR	+17.86% +32.63%
Malaysia	[11] 182 IPOs 1980-1995	3	Event-time	Market index Industry and size-matched company	CAR	+24.8%
Malaysia	[9] 115 IPOs 2006-2010	3	Event-time	Market-Index	CAR	+16.81%
Malaysia	[6] 708 IPOs 1991-2004	5	Event-time Calendar-time	Market index Size and book-to-market Reference portfolio	BHAR	+27.55%
Malaysia	(Nordin et al., 2011) 176 IPOs 1999-2007	3	Event-time	Market index	BHAR CAR	-41.88 -39.78%
Malaysia	[10] 258 IPOs 1992-1996	3	Event-time	Market-index	CAR	+41.7 %
Malaysia	65 IPOs 1975-1990	3	Event-time	Market-index	CAR	+21%
Malaysia	70 IPOs 1974-1989	3	Event-time	Market-index	CAR	+3.68%

Notes: 1. A summary of selected prior studies from Malaysian IPO long run share price performance.
2. The study focuses on the long run share price performance. The source from published articles is collected by the scholars.

4. Significant variables in determining the lond-run share price performance in Malaysia

The previous studies on Malaysian stock market showed mixed results regarding the factors in determining the IPOs' performances. This section classifies the previous studies into three types: underwriter reputation, earnings management, and board variables. [12] revealed that there were no significant variations in the long-run adjusted market performance of privatisation initial initial public offerings (PIPOs) and IPOs. Moreover, the study revealed the two main factors that could determine the long-run performance, namelyinitial return and underwriter reputation. It was discovered that the total value of shares sold did not influence the companies' long-run performance. The effect of the initial returns was confirmed [11]. Contradictory to the previous study, [11] stated that the reputation of the underwriters did not influence the companies' performance in the long run. The study confirmed that the factors, such as positive value of total shares sold, and company size, have weak associations with poor performances in the long run. conducted a research on the association between earnings management and the performance of IPOs. It was found that there were a positive relationship between earning management and post-IPO performance. Moreover, [10]explained that the value of IPO is significantly higher than the growth of IPO. The value of IPO refers to the higher book-to-market ratio. The study found that the bigger IPO performance is lower than the smaller ones. recommended that the corporate governance subjects such as board compensation, board size, and ownership structure, which influence the performance, should be extended. Besides that, the study could be further improved by focusing on the qualitative aspects of the board that could contribute to a company's performance; for instance, the board decision-making process.

4.1. Underwriter Reputation

The underwriter reputation is an important variable that may influence on the IPO performance. Previous studies revealed that the IPOs that were administered and handled by reputable underwriters had lower initial revenues and subsequent returns; they were less likely to be negative in the long-run return as compared to the less reputable ones [12]. On the other hand, there were studies that found no significant difference in the long-run performances of IPOs that were handled by credible underwriters or less credible ones [11] . Several studies focused on the influence of underwriter reputation towards the price value of IPOs in the capital markets of developed economies. The impact of the underwriters' activities is noticeable besides the IPO's market value. It can be said that the influence of the underwriters is evident in the performance of IPOs after initial issuance such as the after-market and after-purchase activities. examined a sample of 947 IPOs that were issued from 1984 to 1988. The study revealed that IPOs that were managed by highly reputable underwriters, which included some popular investments, could perform in a highly positive way in the long runas compared to the IPOs that were handled by less reputable underwriters. Besides that, a study examined 2,292 IPOs that were issued from 1979 and 1991. It was discovered that the IPOs that were managed by highly credible underwriters who were popular and from reputable banks had lower long-run underperformance. It can be said that their performance in the long run was higher than those managed by underwriters with low reputation. Although these studies were conducted in developed economies, the results cannot be used to generalise the emerging economies due to instability in the economic situations, information inefficiency, and high level of information asymmetry. The studies conducted on the emerging economies described that information inefficiency could cause slower changes in the assets prices after releasing the information. As a result, the impact of the underwriters could not be felt in the developing economies as compared to the developed countries. Several previous studies stated that the impact of underwriters in the developed countries is considerably different from the emerging economies. stated that the quality of underwriters such as the number of underwriters, the reputation of the underwriters, and their absolute price adjustment are great predictors for the higher long-run performances of IPOs. The study of described the influencing factors of performance and it is argued that underwriter reputation, discretionary accruals, and venture capital are one of the determinants of performance. Referring to the IPO samples from 1980 to 2000, the study found that the results were different when the three variables were examined together or separately. The IPOs with high discretionary accruals had no venture capital backing when they were managed by low reputable underwriters who were below the standard performance benchmark in the long run. Hence, good IPOs that were poorly managed could result in underperformance. In contrast, affirmed that the underwriter reputation did not influence the IPOs' performances and the IPOs that were managed by prestigious and highly influential underwriters could perform better than others. For Malaysia, ref. [12] revealed that the long-run market-adjusted performance of PIPOs and other IPOs were similar. Initial return and underwriter reputation are important determinants of long-run returns; IPOs withhigher initial returns IPOs experienced underperformanceas compared to those with lower underwriter reputation. The percentage of shares sold has no impact on the long-run performance. Ref. [12]confirmed that the IPOs underwritten by reputed underwriters hadsignificantly better long-term investments as compared to the IPOs underwritten by less reputable underwriters. Ref, [11] affirmed the importance of initial return as they disagreed that underwriter reputation is a determinant of long-run performance.

4.2. Earnings Management

One of the basic motivation of earnings management in the capital market is to increase the bid price of shares sold and the value of companies through increasing earnings. This will increase the value of the shares owned by the owners, who will receive more money on the issue of secondary shares at the expense of new investors. Managers can also increase earnings before the IPO to gain investor confidence. Through earnings management, the IPOs may look better than they already are. In the case of high earnings announced prior to IPO, investors can expect continued good performance in the future. The previous studies that focus on the association between earnings management and long run performance of IPO companies in developed countries started to appear in 1990. Several studies examined earnings management, and it is believed that this type of informationaffects the direction of the long-run performance of IPO. A study examines the magnitude of accruals during the IPO year and after several years. During the IPO year, they found that companies offering IPOs have, on average, positive earnings performance and abnormal accruals. Nevertheless, they found that the earnings performance and stock returns performance are weak in the long run. They reported that the post-IPO earnings performance was significantly lower than the industry average, predicted by high abnormal current accruals during the first year of IPO. They also argued that the earnings management could influence the investors' decisions by influencing the investors' confidence and besides causing arguments among the investors before they are released to the general public indicated to the negative association between present year accrual-based earnings management and post-IPO long-run stock returns, which proposes that IPO companies with present year accrual-based earnings management is overpriced., conducted research on the relationship between earnings management and the performance of IPOs. The study was conducted on 171 samples of IPOs that were issued from 1982 to 1987. It was found that there were a positive relationship between abnormal accruals and post-IPO performance. Nevertheless, they did not find a negative relationship between abnormal accruals and post-IPO accounting performance. Indicated that the mixed findings observed and the study proposes that the findings may not be due to earnings management. note a negative relation between earnings management and post-IPO performance increases serious questions relating to market efficiency with respect to extensively obtainable accounting information. Discuss that if the stock market were completely efficient, on average post-IPO share price underperformance would not observed. Stated that there was a negative relation between earnings management and performance of IPOs that were managed by underwriters with lower reputation in the long found that the level of earnings management is associated with poor post-IPO performance in China. In Malaysia, investigated the relation between earnings management by companies involved in IPOs and IPO long run performance. The result found there is no association between earnings management and post IPO long run performance. Additionally, a study on Malaysia [1] conducted research on the relation between operating performance and earnings management. The study was conducted on 254 IPOs during the period 1990-2000.Using accrual based measure of operating performance, the study revealed decreasing performance in the IPO year and up to three years following IPOs relative to the pre-IPO period. The results are consistent with the findings of earlier studies recording the long run underperformance of IPOs.

4.3. Board Variables

The argument, which is based on the agency and signalling theories, posited that agency and informational asymmetry problems could be reduced by a higher level of board independence. However, no conclusive agreement has been reached on the available literature and research in determining whether board independence could add any value to the company. Prior studies found that there was a significant impact of board independence on the companies' performance in developed economies. Prior studies on the US companies, and UK companies showed a positive relationship between board independence and long-run performance. Other studies on New Zealand companies, on South Africa, UK companies, and Korean markets also expressed the same findings. On the contrary, several studies revealed that there was a negative influence of board independence on the companies' performance. A study on China's developing market showed a positive relationship between board independence and company performance, showed that there is a positive association between of board independence and organizational performance in the Indonesian economy. The study focused on Indonesian companies between 2010 and 2014. These companies consisted of all the 26 Indonesian regional development banks (BDPs). The performance of these BDPs was positively associated with board independence. In the context of emerging economies, there are studies that showed a negative relationship between board independence and company performance. For instance, investigated Bangladesh companies and found that there was a negative relationship between board independence and company performance. For Malaysia, provided a detailed review of the relation between board independence, CEO, and company performance from 1994 to 1996. The findings revealed the companies' performance was not affected by board independence and CEO duality. However, the use of financial ratios could not capture the board and leadership roles in establishing a company's value. On the other hand, the used of long-run measures such as company growth and share price could capture the roles of both board independence and CEO duality. A study by confirmed that there was no significant association between duality and board independence on a company's performance. It is assumed there was a positive relationship between board independence and IPO'slong-run share price performance. According to the Malaysian Code on Corporate Governance (MCCG) (revised, 2011), each company is expected to revise the composition of its board members to improve the effectiveness and efficiency of the board. Hence, there is the need to strike a balance between the executive directors and the non-executive directors as well as the independent non-executive board members. This strategy is introduced to reduce any dominance by any group or person in the board and provide fairness in addressing issues related to the company's sustenance. The existing literature as well as empirical evidence revealed that board size is one of the most impactful structures for the variables that can affect organisational performance. A study showed a positive association between the board members' composition and the companies' performance in the UK. Other studies on the US companies revealed a positive relationship between board size composition and company performance. On the contrary, found a negative relationship between board composition and company performance for the small and medium enterprises. Studies on developing and emerging economies revealed a positive relationship between the size of the board and companies' performance. More specifically, there is a debate regarding the considerations of reasonable board size for discovering the equilibrium in the cost and benefits while maximizing the financial performance. Reported there was a prominent relationship between the size of the board and performance of the regional development banks (BPD) in Indonesia. In another study, they discovered that the board size and companies' performance in Asian countries, such as South Korea, Malaysia, Indonesia, and Thailand, had a negative relationship. For Malaysia, confirmed that there was no significant association between the corporate governance structures (e.g., board size, board compensation, and ownership structure) and company performance. The studies showed the negative influence of board size on organisational performance based on Tobin's Q ratio. The study suggested a positive relationship between board size and long-run share price performance of IPOs. According to, board size refers to the total number of directors in the board.

5. Suggestions for future research

Throughout this paper, several areas were identified so that the future research can bridge the Malaysian literature in understanding the factors that could influence the share price performance in the long run.

Several studies conducted in developed markets can be further examined in the Malaysian economy. It is recommended that the future research should examine the factors that could influence the long-run share price performance such as the initial returns, the percentage of shares sold, and the size [11,12]. Moreover, other researchers should investigate the book-to-market ratio [10] and how these issues could influence the performance of shares in the long run. Additionally, it is suggested that more research can be conducted using other factors that have been tested in the developed countries, namely the following board variables: size, independence, and management ownership. Besides that, more studies can be conducted to examine company-specific characteristics such as size, age, leverage, industry, and profitability [5] and how these factors could affect the long-run share price performance. suggested that future studies should use adaptations and different models that can accurately depict the Malaysian economy and the nature of business ownership. In order to better understand the long-run performance of IPOs, larger IPOs can be examined with a wider time period under consideration. There are a few studies that investigated the long-run performance of the Malaysian IPO market such as [9,1], [10], [11], and [12]. Malaysia is one of the leading countries in Islamic finance. However, there are only a few studies that focused on Islamic finance; for example, [9]who examined the influence of the sharia-compliant status on the long run performance of share price in the Malaysian IPO market. Future research should identify more predictive variables that could explain the long-run share price performance in the Malaysian IPO market by focusing on the implications of sharia-compliant status. Finally, it was found that there are only a limited number of studies that focused on the predictions of the market performance of IPOs, although the importance of forecast is significant to the investors, potentials investors, and market analysts due to its impact on the investment analysis and decision-making process [31,32].

6. Conclusion

This paper aimed to review the issues related to the long-run share price performance of Malaysian IPOs. This paper managed to pinpoint some significant factors that could influence the long-run share price performance in the Malaysian stock market. This study included are view of the past studies as follows: underwriter reputation, earnings management, and board variables. The segmentation is to make the discussions more focused. The review of past literature revealed that the long-run share price performance should be investigated for the Malaysian IPO market. It was discovered that the different studies used various methods in explaining the factors that could influence the long-run share price performance. However, there was a debate on the definitive explanation for the anomaly of long-run share price performance, specifically on the Malaysian IPOs and research IPOs. The result of the long-run underperformance or over-performance could be considered as inconsistent evidence. The reasons for the inconsistency in the results were due to several factors as follows: the methods to measure the performances; the benchmarks; the sample size; the selection of the IPO market; and the sample period. The measure of the performance of IPOsis still considered as an unacceptable issue and it needs further clarification and research. Therefore, the IPO literature is still lacking in providing a definite conclusion concerning the main theoretical cause for the long-run share price performance and only a few literature explained the importance of the different views regarding the long-run share price performance [6]. Future studies should also examine the relation between IPO performance and IPO under pricing of managerial over-optimism or overconfidence, as well as the relationship between IPO decision and top management team features. This paper reviewed several studies in order to present the historical overview of IPO research in Malaysia. Future research could provide more innovative and refined empirical studies for the benefit of this field of study.

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