RELATIONSHIP BETWEEN FLIPPING ACTIVITY AND THE LONG RUN PERFORMANCE OF INITIAL PUBLIC OFFERING AT THE NAIROBI STOCK EXCHANGE

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A RESEARCH PROJECT PROPOSAL SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, AT THE UNIVERSITY OF NAIROBI,

2018

DECLARATION

This research work is in original form and hasn't been forwarded to any other higher learning institution for an award of a degree.

D61/84648/2016 SIGNATURE……

The research project has been submitted for the examination with approval as the University supervisor

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DEDICATION

This project of research is for my lovely family who sacrificed their time, patience and advise to see me through it. God Bless you all.

ACKNOWLEDGEMENT

My first gratification is to Almighty God for the gift of life and health. The research work has been success due to dedication and guidance of the supervisor. To my classmates, it's through your interaction and invaluable advice that saw me through the course of the project. I also acknowledge the respondents who availed themselves for their support during the data collection period. To all of you, may the good Lord bless you.

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LIST OF ABBREVIATIONS AND ACRONYMS

CDS	Central Depository System
CMA	Capital Markets Authority
HEX	Helsinki Stock Exchange
IPO	Initial Public Offer
NSE	Nairobi Stock Exchange
ROE	Return on Equity
SDC	Securities Data Company
ROA	Return on Assets

ABSTRACT

This study assesses the relationship between flipping activity and the long run performance of initial public offering at the Nairobi Stock Exchange. A flipping activity is a phenomenon that occurs when there is a liquidation of shares at the bourse. An IPO can be deduced as being letting a company stock to be traded publicly after the listing. The study is themed on flipping activity and long run IPO performance. The Agency and Prospect theory were used in the study. The study identified the determinant of post issue long run performance of IPOs as: IPO underpricing, IPO under performance and information asymmetry. The research design entailed the use of the descriptive time series. The target population was the all the NSE listed companies. The sampling entailed choosing IPO listed companies from the years 1994 to 2013 which were 14 in number. The study entailed use of secondary data obtained from the NSE information desk. The findings show that the IPO share price is pegged upon information of the insiders of company in question and those intending to purchase the IPO. The findings also show that the over subscription of IPOs is attributed to the fact that some IPO are underpriced by external investors. The findings show that subscription level and market return had strong positive correlation. There is need for the NSE and the Capital Markets Authority to continuously market and publicize the usefulness of companies joining the bourse and actively trading so as to minimize risk of losses and also expanding the capital base. There is need to revamp the corporate governance rules and regulations. There should be an inclusive team from the stakeholders participating in the securities market so as to meet an all-round needs of the sector. The electioneering period in Kenya usually has an effect on the performance of the NSE bourse. The key players of the NSE and CMA should harness the way IPO are listed on the bourse so that they may be successful and encourage other would be companies to participate.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The major source of funding for businesses in Kenya has been equity capital. This is followed by bank borrowings majorly due to the fact that the bonds market in Kenya remains rather limited. It is thus clear that the first issuance of stocks by the firms are treated constantly by the corporations as a major event (Rahim, Sapian, Yong & Auzairy, 2003; Aggerwal, 2003; Bayley et al., 2006). The after-market price and offer price of the IPO at the point of assignment are both fundamentally linked to the market value Rahim et al., 2003). An Initial public offer occurs when an organization or company floats its shares publicly, it only occurs when the aforementioned shares are floated for the first time. These IPOs can be done by big firms owned privately intending to become traded publicly but are usually issued by younger, smaller firms intending to expand their capital base (Ritter, 1991).

The study is based on two theories: prospect theory and Agency theory. Prospect theory indicates that those who are more prone to selling stock that has witnessed an upsurge in valuation are the individuals who fear risks over gains. Moreover, those more prone to holding onto stocks trading at losses hoping for a future upsurge in stock valuation are individuals who find risk acceptable over any loss (Odean, 1998; Barberis & Xiong, 2009). According to the agency theory, the risk bearers are also the principals while the management are the agents. The responsibility of accepting of uncertainty and providing capital in relation to the firm's operations is carried by the risk bearer. The monitoring and ratification decisions (control decisions) are also the responsibility of the risk bearer (Fama, 1980).

This research study is based on a fundamental principle (efficient market hypothesis) that backs the view that asset prices or security are a true reflection of all information available and thus reasonable (Malkiel, 2003). The overarching convictions indicates that securities markets reflects all news regarding security markets that are distinct together with the stock market as a whole and that the securities markets are also effective (Malkiel, 2003). The spreading of Information that influences securities markets occurs rather quickly. The information or news is assimilated in

security prices without any delays. The other likely reason why abnormalities happen in the stock markets is behavioral finance especially the disposition effect (Statman & Shefrin, 2011; Ackert & Deaves, 2009). The effect of disposition is one mental element that causes securities market stock abnormalities (Barberies & Xiong, 2006; Odean, 1998).

The conundrum of portfolio balancing is deduced to be the effect of disposition effect whereby investors tend to hang on for less time on stocks that have increased in price than stocks which are losers i.e. losers are sold off less than gainers. Mental biases and fear of losses drives people to hold on to stocks which are losers for a long duration with the hope that the stocks will rise again in the future. According to Odean (1998) who deduced through a study utilizing elen thousand accounts from brokerage firms. Evidence of disposition was discovered to the effect that the holders of stocks are less swift in losers than gainers.

As is depicted by Tversky's and Kahneman's prospect theory, the individual who is more inclined to sell off a stock who's value has increased from the acquisition date is one who fears risk over gains. It can also be deduced that the individuals who are more disposed to hold shares trading at losses hoping for future price rises are people who find risks acceptable over loss (Odean, 1998, Barberies & Xiong, 2009). Fear of losses emanating from bias psychological in nature propels individuals to hold onto depreciated shares hoping for an upturn in fortune whereby their value rises. The research study emanates more through the agency theory that posits that it is the bearers of the risk who is responsible for capital provision and bears the acceptance risks related to the organization's operations and are thus involved in monitoring and ratification decisions known as control decisions (Fama, 1980). Shares yielding maximum returns are thus desired for fund investment by the risk bearers. Flipping activities is involved more with individual investors than institutional investors thus the need to flip is left to the managers so as to increase shareholders initial returns (Aggerwal, 2003; Islam & Munira, 2004).

Over the last ten years in Kenya, there have been a number of IPOs of stocks by organizations or firms to the public. It can be revealed that most of the IPOs at the NSE remain underpriced. This is if there exist an instance whereby the checking of offer price is done against the day's trading share price. (Njuguna, Wabwire, Owuor & Onyuma, 2013; Ochenge, 2011; Thuo, 2009); Wamari, 2014). Safaricom shares rose by 50% on the initial trading day after being issued at 5 Ksh. The inherent need to carry out further investigations or researches regarding share performance in the

long-run, medium-term plus short-term in relation to flipping activities is still a requirement and this is emphasized by the fact that IPO shares are generally underpriced as exhibited by the two examples.

1.1.1 Flipping Activity

Ellis (2006) conjectured that flipping activity is a situation that occurs when there is the liquidation of shares. This phenomenon occurs immediately in the after-market. It is generally believed that the high trading volumes in shares (a vast/big proportion of it) is achieved because of the presence of the flippers. The activity through which investors acquire shares through IPOs and immediately liquidate the aforementioned shares in the initial days the shares begin trading is flipping and the one partaking in the said activity is a flipper (Aggerwal, 2003; Ellis, 2006). Ellis (2006) posits that in the quest to have advantage of high tags in hot IPOs and the stabilizing effect on their holdings in cold IPOs, the flippers have the propensity or tendency to sell their shares (Rahim *et al*., 2013).

Underpricing is an essential occurrence commonly related with the issuance of IPOs. This is an instance whereby prices of Initial public offerings are significantly discounted (in terms of overall prices) from the prevailing aftermarket values (Ritter, 2003). IPOs also do tend to exhibit high aftermarket trading volumes apart from the positive abnormal initial returns. The volumes of trade falls of rapidly but is usually very high in the initial few days (Aggerwal, 2003). The study deduced that the median of voluminous trade in the initial days was 74.10% while the general trading volume average was 81.97%.

Flipping activities and underwriter's profits are generally related to underpricing (Boehmer & Fishe, 2000). In an effort to make gains from a liquid and active secondary market, flipping activities to develop aftermarket liquidity for the IPOs is encouraged by the underwriters. A theoretical model highlighting how stock flippers impact the price of an issue was developed by (Fishe, 2000). Underwriters choose offer price so as to maximize syndicate profits totally under a firm-commitment contract. Fishe posits that stabilization of IPOs with the aim of penalizing flippers and profit maximization is a fundamental aim of the underwriters.

1.1.2 Initial Public Offering (IPOs)

According to Brigham & Ehrhadt, (2005) An IPOs is deduced as being letting a company's stock to be traded publicly after their first selling (stocks). An instance whereby a proportion of equity

of a company that is private is sold to the public with liquid market development expectations is indicative of an IPO. Companies are faced with difficult decisions regarding their share price determination when going public. This continues to be an essential theoretical and practical importance for academicians and investors. However, IPO valuations are still mysterious despite considerable research efforts (Giordano *et al.*, 2008).

According to Grigham & Ehrhardt (2005), organizations see IPOs as a source of finances that is key to their diversification and expansionary desires, development of new products and technologies, and building of new facilities. The IPO market has other attractions for investors since the IPOs creates opportunity to investors with growth aspects even though they are generally a risky venture (IPOs) (Peristiani & Hong, 2004). According to Mbui (2001), the essentiality of the inherent need to raise finances for growth and expansion without lending institution's interest burdens of borrowed funds, to increase public awareness about the organization and its products and improvement of their security's liquidity is what explains the decision to list.

It is because of the aforementioned occurrence that the organization changes to one that is publicly owned from one that is privately owned. There are a vast array of advantages gained by an organization that goes public but the primary one is that it assists an organization in raising funds that it may eventually utilize to finance development and research, pay off expensive debts that may still exist in the financial books or even in the capital expenditure activities (Ernst & Young, 2012).

1.1.3 Flipping Activity and Long Run Performance of IPOs

This research integrates studies on aftermarket events and IPO underpricing (Aggerwal, 2003). The initial stock performance (price) is related to what investors do with acquired shares, how they are allocated the shares and how these shares are priced. Although the investors have the option to sell acquired shares immediately in the after-market, it is in the description of the investment banks on how they allocate the shares. Existing flippers do not just contribute to the smoothening up of liquidity in the secondary market for the IPO, conversely, they are generally creating impediments and problems in the market (Wei, 2015).

For the reason that flipping activities exert downward pressure on stock prices, investment banks have initiated and implemented measures or schemes aimed at discouraging flipping activities.

When the selling of shares to the aftermarket by investors who are the recipients of an initial offers and doesn't contain aftermarket purchases is the definition used to describe the term flipping. There is no disclosure of shares proportions by the lead underwriter to specified people, and the identity of who has flipped the shares is not revealed to the public. Each customer's flipping activity plus offers is maintained by syndicated member and also the lead underwriter (Rahim, 2013; Ellis, 2006).

There has been wide consideration amongst researchers world-wide about initial public offerings. Explaining the unusual returns and revealing the size of abnormal IPO returns has always been the fundamental and essential emphasis of the aforementioned research works. There has been some attention to aftermarket activities regarding advanced market underwriter stabilization and IPO flipping activities in the recent years. The main focus of the aforementioned researches has been on the elements that explain the flipping, relation to the aftermarket support price and on the extent of IPO flipping (Aggerwal, 2003).

The timing of the offering is a key and fundamental explanation for the decline of the operational performance of the after-issue. Although not sustainable in the future, remarkably good operational performance has been deduced to being aligned to coincide with those who issue shares. In an instance whereby investors gain an excessively optimistic expectation about the future prospects of the firm, there is a general propensity or tendency for the issuers to take temporary advantage of performance so as to ensure new shares are issued. According to Loughran & Ritter, (1995) and Ritter, (1991), a "window of opportunity" is the term given to the aforementioned. The conclusion that issuers generally utilize thus taking advantage of windows of opportunity was the main deduction the above researchers eventually concurred on (Benning et al., 2005).

According to the Wall Street Jounal (2000), it was once reported by an article in the Wall Street Journal that between 10% and 20% is the valuation that individuals eventually derive from IPO shares at offer price traditionally. It was also divulged by another article that 40% of IPO of AT & T was allocated to retail consumers (that included a significant employee share allocation percentage) and 60% of the IPO was allocated to institutional investors. More than 137.4 million shares were traded thus ensuring it was the stock that was most active on the exchange or big board eventually confirming heightened trading activities (trading volume was high). Trust was placed by Goldman Sachs during the 1999 IPO on wealthy individuals and a multitude of institutional

investor with the belief that they would not flip the stocks after offering, remain loyal and long-term holders of the stocks (Aggerwal, 2002). Although there was the occurrence of flipping activities, trading was observed to be high on the initial day. This made the financial press to come to the conclusion that this heightened trading volumes and activity was caused by individual investors or traders.

In an instance whereby individuals intend to buy IPOs with the eventual intention of stock liquidation within a short time duration, flipping activities in this instance becomes more obvious. The initial performance of the Initial Public Offering becomes is thus influenced by the flipping activity of investors, share allocation and share pricing (Aggerwal, 2003). In the quest to develop after-market IPOs liquidity, there has arisen an inherent need for the underwriters to encourage flipping activities (Tran, Talev & Westerhom, 2007). The relationship of IPOs initial performance is thus eventually researched on and studied when related to flipping activities and also in the long-run.

1.1.4 Nairobi Securities Exchange

The NSE as a bourse can be chronologically sequenced by tracing it back to the 1920s when it commenced share trading with the nation (Kenya) still being colonized by Britain (IFC/CBK, 1984). There was a surge in desire to commence a more formalized market structure leading to accessibility to capital that was long-term in its trait and also permit the beginning of floating of government loans that were locally registered, all the aforementioned occurred while share trading was conducted initially in a market that was informal. The Nairobi Securities Exchange under the Societies Act was thus created as a voluntary association of stock brokers in 1954 (NSE, 1997).

The Nairobi Securities Exchange constitutes of a total market capitalization of approximately USD 15 billion and approximately 55 listed companies with a daily trading volume of over 5 million USD (CMA, 2017). The alternative investment segment and the main market segments are the main categories of which companies are at NSE (NSE, 2015). The 55 companies listed are classified into ten sectors as constituted by the NSE, those sectors include: Energy and petroleum, construction and allied, investment, insurance, banking, accessories and automobiles, telecommunication and technology, commercial and services and the Agricultural sector.

1.2 Research Problem

Researchers world-wide have accorded the irregularities associated with IPOs the attention it deserves. Explaining the unusual returns or revealing the size of abnormal IPO returns has been the main emphasis of these research works. There has been an upsurge in attention on aftermarket activities and flipping in recent years. The aforementioned upsurge in attention is directly related to advanced markets underwriters facing increased stability. The association of IPO flipping with aftermarket support, the elements that explain the flipping and extent of IPO flipping has been the fundamental emphasis of the past studies. What is generally largely associated to flippers is the trading volumes that are substantial in an IPO. (Bayley et al., 2006; Aggarwal, 2003).

It can be revealed that most of the IPOs at the NSE remain underpriced for the last ten years. This is if there exist an instance whereby the checking of offer price is done against initial day trading (Njuguna, Wabwire, Owuor &, 2013; Ochenge, 2011; Thuo, 2009); Wamari, 2014). The KenGen shares closed at nearly 4 times the issue price of Ksh 11.90 in their first market debut after listing. Safaricom shares rose by 50% on the initial trading day after being issued at Ksh. 5. The inherent need to carry out further investigations or researches regarding share performance in the long-run, medium-term plus short-term in relation to flipping activities is emphasized by the fact that IPO shares are generally underpriced as exhibited by the two examples.

According to Bayley et al., (2006) and Aggerwal (2003), conjectured that volumes that are enormous in the immediate aftermarket because only an insignificant proportion of the ATV is because of the flippers. The factors rendering the aforementioned possibilities include the offering traits of the IPOs and the degree of initial returns (Rahim et al., 2013). Size does have a negative impact on the volume while the hot issues and underpricing have a positive impact (Bayley et al., 2006). IPOs that aren't supported by prestigious underwriters and venture capitalists are deduced to enjoy higher liquidity while simultaneously suffer short sale constraints and higher idiosyncratic risk. Except for those involved in interdealer selling, relationships between composition of trading volume and initial returns are significantly positive (Ellis, 2006).

The results have been inconclusive as has been exhibited by the above studies. It is also observable that most studies on flipping activities and IPOs have tended to lay emphasis on stock markets that are developed. Very little has been devoted to the analysis of this issue in emergent markets initial public offerings within the scope of our literature review. The study currently being undertaken is

different from previous studies because it analyzes Initial Public Offerings anomalies from both the returns (price) perspective and volume (quantity) perspective. The present study lays emphasis on flipping activities through associating it with IPO aftermarket trading volumes (both subsequent and immediate) through answering the question; how does flipping activities impact the long-run performance of IPOs at NSE?

1.3 Research Objective

The main objective of this study is to investigate the relationship between flipping activity and the long run performance of Initial public offerings.

1.4 The Study Value

In the short-run aftermarket, it is observed that there is an inherent and significant effect on policy regarding the investors to lay emphasis on the liquidity and IPO price. There is also policy implications for regulatory authorities regarding the extent of IPO flipping activities because it may require to limit or convince the issuers to make placements that are institutional in the new issue in the quest to gain stability in the commencing market of the Initial Public offering. The research study focused and laid emphasis on the understanding and analysis of the how flipping activities relating to the long-run performance of IPOs. Flipping activities general indicators to be used by the companies intending to partake in the IPOs and the researcher was aided in this instance by empirical results.

The study had significance in enhancing the emergence of fundamental financial and economic emphasis of the individual company enlisting an IPO. There will be a general improvement in aspects financial relating to eventual performances and market value. The Kenyan Government will attain from this study an understanding and realization on all facts regarding flipping activities in the mentioned companies therefore the banking and IPO trading sub-sectors will eventually witness improvements. This was through the implementation of tendencies and procedures regarding flipping activities regulation.

The study is an invaluable tool to individuals, institutions and academicians who want to comprehend the flipping activities. It also supplements the existing literature. Future practitioners, researchers and scholars will be assisted in essence in investment sectors related to shares. This is so because they will be enabled in the quest to acquire materials besides subject matter areas

(research study areas). Aside from the high regard being held by academicians and students on all aspects regarding flipping activities, the study will also become a conveyor and indicator of inhibiting factors and advantages of flipping activities in the IPOs long-term interests. To further discourage or encourage them in the quest to partake in the aforementioned tendency (Practice), the body of knowledge regarding the subject matter will be utilized by the practitioners.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section examines the theories in study followed by a section on flipping activity and long run performance of IPOs. The chapter also looks at the empirical review, research gap and finally summary of literature. Thus, the chapter carries out synthesis of past literature in relation to research objectives and discusses several key empirical studies with other supporting researches on the subject under study.

2.2 Theoretical Review

There are different theories in this area of study each identifying own paradigm and concept about IPOs and flipping activity. The study is greatly interested in theories that identify the relationship between flipping activity and IPO performance. Highlighted below are such theories.

2.2.1 Prospect Theory

Developed by Tversky & Kahneman (1979), in its simplicity, prospect theory indicates that those who are more prone to selling stock that has witnessed an upsurge in valuation are the individuals who fear risks over gains. Moreover, those more prone to holding onto stocks trading at losses hoping for a future upsurge in stock valuation are individuals who find risk acceptable over any loss (Odean, 1998; Barberis & Xiong, 2009). The aforementioned theory exhibits a connection to disposition effect which is an impediment when balancing the portfolio. This is in instances whereby the stakeholders tend to hold onto gainers for a shorter time duration than gainers. A psychological bias created by the ear of losing leads individuals hoping for a share bounce back, to hold onto losing shares. Although a raging debate regarding the effect of disposition in both the academic and corporate world has always existed, the most likely explanation has always been deduced to be Tversly's and Kahneman's (1979) theory of prospect.

According to Odean (1998), Ackert & Deaves (2009), regarding the aforementioned research study, unreasonably and reasonably, or as per clarification from behavioral finance, the conviction that current failures will perform better than present gainers is entrenched in people's minds at one

point in time and that balancing of portfolios is the main aim of selling gainers. The tendency of engaging in flipping activities by investors is thus explained by the aforementioned as under-pricing tends to have a causal effect of creating an upwards surge in share prices in the short-term. The presence of high costs regarding involved transactions creates a tendency by individuals to desist from disposing off losers (Odean, 1998).

One of the criticisms of this theory is that it assumes investors will hold onto loosing stock indeterminately with the hope of price increase in the future. Moreover, the theory also assumes that investors will definitely sell off gainers. Both scenarios may not be true especially since most investors are more often than not irrational decision makers affected by information asymmetry (Statman, 2011; Barberis & Xiong, 2009).

2.2.2 Agency Theory

This was postulated by Fama (1980) and Jensen & Mecklin (1976) and it is usually utilized as a study framework for research studies on corporate governance structures and company (firm) performance. Investments like share purchases that enhance shareholder's value eventually are often guided by corporate governance Heenetigala & Armstrong, 2011; Kiel & Nicholson, 2003; Bhagat & Black, 2002). Emanating from the aspect stating that the intertwining (coming together) into a contract of production factors with two functions that are separate in nature which include management and risk bearing is the eventual point of view from which the agency aspect of corporation emanated from. (Fama, 1980; Fama & Jensen 1983). The responsibility of accepting of uncertainty and providing capital in relation to the firm's operations is carried by the risk bearer. The monitoring and ratification decisions (control decisions) are also the responsibility of the risk bearer (Fama, 1980). The owners of the firm are the risk bearers. According to the agency theory, the risk bearers are also the principals while the management are the agents.

The theory postulates that the most effective mechanism for governance in aligning the manager's interests to be with the owners and general monitoring of manager's behavior is the board (Jensen & Mecklin, 1976). Fama (1980) posits that such monitoring role must be the sole prerogative of the board of directors. The theory posits therefore that the board composition must be dominated by non-executive directors and effective oversight role on manager's behavior and enhanced firm performance is a pre-requisite for a separate leadership structure (Davis et al., 1997; Jensen & Mecklin, 1976).

The role of the management is the coordination of the company and through this, performs management decisions as stated by (Fama, 1980). Hence, the risk bearers require that their funds are invested in shares that yield maximum returns. Studies such as Aggarwal (2003) and Islam and Munira (2004) show that flipping activity is associated more with institutional investors than individual investors as such managers are tasked to flip if necessary in order to increase shareholders initial returns. In critiquing this theory, the assumption is that auditors will protect the interests of shareholders i.e. protect shareholders from rogue managers. This may not be the case always as evidenced by the recent corporate scandals associated with collusion between managers and auditors (Institute of Chartered Accountants, 2005; CNN Money, 2015).

2.3 Determinants of Post-Issue Long Term IPO performance

Predictions through utilization of variables may arrive at results that are incorrect because share prices are influenced by numerous factors. There has been hard work by researchers to create models which inculcate an array of variables that are diverse so as to predict the stock prices although there is no mentioned success in the completion of one such model. According to Pettway & Bhabra (2003), prospectus information ie. Quality of risk element recorded in the offer document, size of the organization, comparative size of offer, (R & D) research and development spending and pre-IPO profitability assist in the long-term IPO prediction. It is also deduced that poor performance is less extreme for large-sized mature organization than infant and smaller organizations.

2.3.1 IPO Under-Pricing

Under-pricing is an essential and fundamental event related to the issuance of initial public offerings and is generally a situation whereby initial public offerings are priced (at a discount and considerably low price) from the aftermarket prevailing valuation thus giving leeway to flipping activities (Rahim et al., 2013; Ritter et al., 2003). In the instant aftermarket, initial public offerings exhibit a trading volume that is exceptionally high apart from the abnormal initial returns that are positive. It is deduced that the flippers are the main cause of al large proportion of the high initial trading size as Ellis (2006) & Aggerwal 2003) classify investors with stocks allocated during the offering and dispose them immediately after the commencement of initial public offering trading. Ellis (2006) posits that the urge to dispose of shares by the flippers is so as to take advantage of hot initial public offerings with prices that are higher and ensure in dealing with cold initial IPOs,

their holding remain rather stable. Bozzolan & Ipino (2007) posit that based on the aspect of prediction in comparison to results, the underpricing of shares is usually utilized as a substitution of uncertainty.

2.3.2 IPO under Performance

Previous literature on IPO looks at the long run as usually being in the region of three years and above (Coakley, Hadass & Wood, 2007; Ritter & Welch 2002; Ritter, 1991). Studies have revealed that most IPOs underperformance in the long run as measured by their respective successive market prices in advanced economies is as an outcome of a time-varying phenomenon. This extreme under performance has resulted in a considerable uncertainty to academicians and researchers bearing in mind that for IPOs firms make use of their prospectus to invest heavily in their companies.

Kini & Jain (1994) were the pioneers to research on operating performance of IPOs in America in the first three years after public listing (Kinyua et al., 2013). Post issue operating performance deteriorations were detected regarding pre-initial public offering American market level (Kini & Jain, 1994). They posit that the performance reduction of organizations going public can partly be highlighted by manager's incentives that are weakened. They furthermore discovered an association that was positive between the proportion of stocks retained by pre-offering owners and changes in performance. Opportunity windows plus market hypothesis were utilized to explain offering reductions besides the agency cost theory (Kini & Jain, 1994).

2.3.3 Information Asymmetry

Performance of IPOs can be linked to information asymmetry between the public who purchase the shares and insiders (Bozzolan & Ipino, 2007). The need for window dressing is made necessary due to the fact that firm financing relating literature concurs that information opaqueness hardens the possibility for external finance acquisition for the aforementioned businesses (Berger & Udell, 1998; Bozzolan & Ipino, 2007). Information distortion impediments between organizations and financiers shape contracts between them and impact strongly their relationships. This is especially when equity and debt becomes the main modus operandi of backing, whether debt remittance in-terms of collateral is fulfilled, maturity of any loans and covenants. Agency conundrums (problems) can be created by this form of backing. Measured by the difference between opening

valuation and closing valuation on the initial trading day is the under-pricing phenomenon which represents cost incurred by the issuer subsequent of event uncertainty. These event uncertainty in this instance are perceived by external investors (Bozzolan & Ipino, 2007; Hoque, 2014).

According to Ritter (1991), there was acknowledgement of results indicating that initial public offerings were in the long-term rather over-priced between the year 1975 and 1984. 1526 initial public offerings as a sample were utilized whereby a buy and hold three year old returns for the initial public offerings were calculated in the sample. For a set of firms which were identical, harmonized by size and industry by American exchanges and New York Stock, earnings from three year buy and hold were also computed. IPOs were deduced to have considerably underperformed the similar organizations set as per results derived from the 3 year listing. In the three years after listing, the sample of IPOs mean holding was 34.47% while over the same period, the average holding yield period of the same organization was 61.86%.

2.4 Empirical Studies

According to Rahim et al. (2013) the after-market volume trading after an IPO in a 243 initial public offering sample listed on Bursa Malaysia from June 2003 and June 2008 was studied. This research or study specifically delved into the flipping activity degree and its relation to six variables including the initial returns of initial public offerings. The cross-sectional multiple regression results indicated a relation between flipping activities and initial returns which was strong, positive and significant. There was a tendency to indicate that the successive volume of trade in the week was affected by the initial returns. Flipping activities were also deduced in the research to be affected by size of offer and institutional investor participation.

Aggarwal (2003) carried out a study on flipping activity and initial public offerings allocation. The study made use of Securities Data Company (SDC) database on fresh issues to pinpoint all IPOs that happened during the period 1997 to 1998. The population comprised of 617 IPOs and the sample was collected from nine small and large investment banks. The study concluded that huge trading capacity in original public offerings is usually associated with ‘‘flippers’’ who resell allocated shares immediately after the offering. The study found out that flipping activities accounts for a paltry 19% of trading volume the first two days of trading. Moreover, institutions

tend to undertake in more flipping than retail customers. In a study of the same market, between 1997 and 1998, Aggarwal (2003) finds contradictory results.

Tran et al., (2007) carried out an analysis on aftermarket trading flipping activities in Helsinki Stock Exchange (HEX) 1995 to 2000. The objective of the paper was to investigate who between institutional and retail investors is an aggressive seller ('flipper') of the initially allocated shares in the new issue market. The study found out that institutional investors are favored more than retail investors in the process of allocation. Additionally, the study found out that institutional investors engage in flipping activity more than retail investors. Also, large issues are flipped more than smaller issues.

Wei (2015) carried out a study on flipping activity and staging where the objective was to investigate if performance of IPOs moderates flipping activity. Data was collected from 344 IPOs. The findings revealed that cold IPOs encourage flipping activities on trading volume and hot IPOs assisted in stimulating flipping activities for both share offered and trading volume and. The conclusion is that from an investor's viewpoint, risk of liquidity reduces in regard to the IPOs performance through flipping activities.

Krigman et al. (1999) postulated that flipping activity is aggressive on the less concerned and overpriced IPOs in the US capital market. The prominence of flipping activity was studied by and the conclusion was that flippers were smart to exit the market quickly because higher IPOs flipping activity performed the lowest initial performance in the long run. The culprit is the error in pricing which causes poor performance initially with the flipping activity on this negative relationship. Also, institutional investors flip more on poor IPOs initial performance than individual investors.

2.5 Summary of Literature Review and Research Gap

There has been a deliberate attempt to lay emphasis on developed market stock markets by most studies on IPOs long-run performance and flipping activities as previously noted. Little attention has been directed towards studying the aforementioned issue in the IPOs found in emerging markets which the aforementioned research tries to address (emerging market IPOs like Kenya). This research paper lays forward literature of initial flipping of IPOs as follows. Initially, retail versus institutional investors flipping activities are subject to daily analysis (the first three years). From the aforementioned research, it is observable that Baylee, Lee and Walter (2005) emphasizes

flipping in the initial three days, Ellis (2006) and Aggerwal (2003) focus on the inherent need or urge to have the dynamics of flipping in the initial two days investigated and Krigman et al (1999) observes the essentiality of having flipping activities analyzed on the first day. Through the aforementioned, the dynamics of flipping activities in the country (Kenya) will be more closely and efficiently monitored.

There is also a deliberate attempt by the study to have the industry basis encompassing the issue size and IPO analyzed more efficiently. The purpose of initial trading activity being conditioned on size and industry, besides the traditional filling range and initial return is to comprehend further the flipping dynamics, mostly of retail investors versus institutional investors during the initial trading days. There is an emphasis by the study and also a deliberate effort to enlighten us if there is a major role played by flipping activities in trading activities subsequent forecasting.

2.6 Conceptual Framework

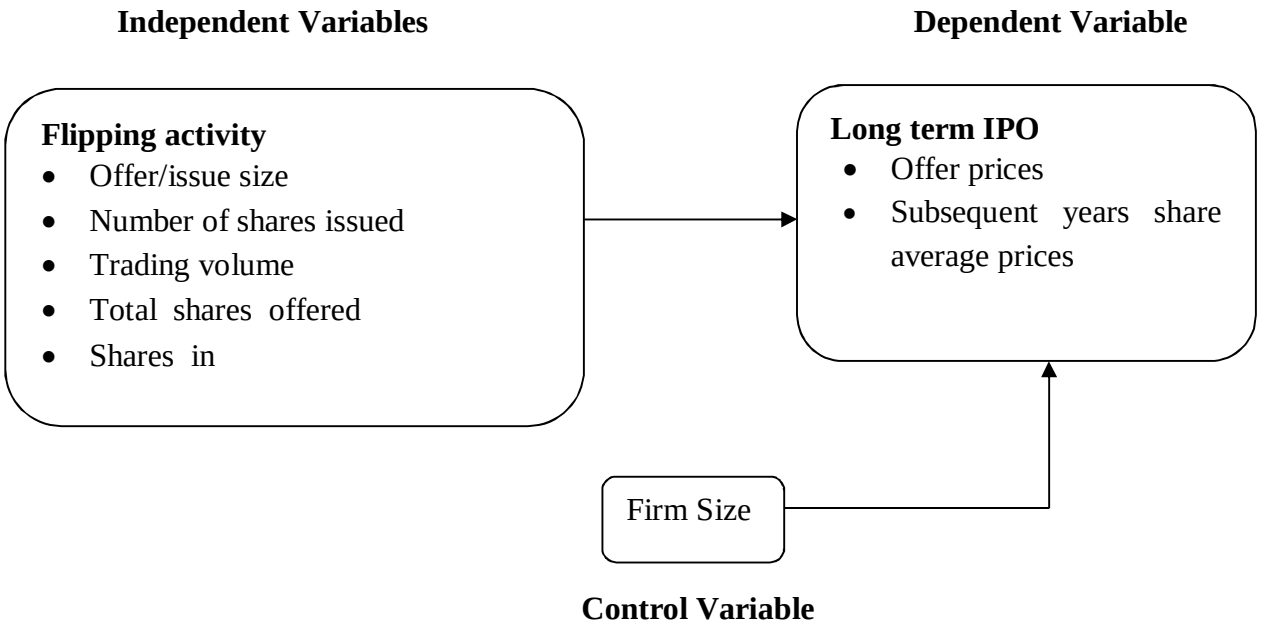

Figure 2.1: Conceptual Framework (Source: Author, 2018)

The indicators of the study variables above are supported by past studies such as such as (Rahim et al., 2013; Kalev &Westerholm, 2007; Aggarwal, 2003). This study hypothesize that a negative

relationship exists between long run performance of initial public offering and flipping activity. Investors who are assigned shares in the IPOs are more likely than not to sell or flip their shares in the short-term if they realize that the price will tend to go up when the IPOs are opened for trading. The study examine trading volume and flipping activity during the first two days, then extending the time period to identify any change. The study will check if trading volume in the first few days after an IPO starts is extremely high but drops off quickly.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The main aim of this chapter was to show the basis for the research method that was used to explore the topic under study. The chapter provides details of all information relating to the methods that were used to advance the research, the type of research design to be used, the data collection procedure, data collection instrument and data analysis.

3.2 Research Design

This study was based on a descriptive time series study where flipping activity was the independent variable while the dependent variable was the IPO share price and share price on the first day of trading. Webb, Campbell, Schwartz & Sechrest (1966) observe that a time series study is descriptive in nature. This descriptive nature is mainly imperative when a variable being studied extends over an extensive time period. It is the only research design that considers a continuous record of variations in study variables over an entire period in which the variables are being studied (Hanke, Wichern, & Reitsch, 2001).

3.3 Target Population

Target population should have some observable features, to which the researcher plans to generalize the outcomes of the study (Mugenda & Mugenda, 2003). This definition guarantees that population of interest is homogeneous. This study employed the use of NSE records to recognize all IPOs undertaken between 1994 and June 2013. The target population of this study was all firms listed at the NSE in Kenya that issued an IPO.

Table 3.1: Listed IPO Firms

Company	IPO Year
British American Investment	2011
Cooperative bank	2008
Safaricom	2008
Kenya Re	2007
Access Kenya	2006
Eveready	2006
Scan Group	2006
Ken Gen	2006
Mumias Sugar	2001
Athi River Mining	1997
Kenya Airways	1996
Rea Vipingo	1996
National Bank	1994
Firestone E. A.	1994

Source: NSE

3.4 Sampling and Sampling Techniques

The sample was the number of firms that have issued IPOs in the period under study which are twelve as shown in table 1.1 and of which one was delisted (CMA, 2015; NSE, 2015). The diversification of the issues assists the test of flipping activity on the basis of Sector. Hence, from the listed companies in NSE, the researcher studied all the firms that have issued IPO in the last 19 years from 1994-2013. The sampling procedure applied was the convenience and purposeful sampling method that involve selection based on availability (ease of access) of the population units.

Convenience sampling was applied in the study. It is preferred for this study as it is made up of units which are easy to access and is relatively fast and inexpensive in terms of cost and time required (Cresswell & Plano Clark, 2011).

Therefore convenience and purposeful sampling method were chosen to provide samples for data collection. The researcher purposefully and conveniently sample out 12 firms for analysis.

3.5 Data Collection Methods

The period put into consideration for the research study was from the year 1994 to the year 2013. Total of 12 firms went public for the first time during this period. Panel data (also known as longitudinal or cross-sectional time-series data) which is dataset in which the behavior of entities are observed across time will be used (Torres-Reyna, 2007). The data used in this study was obtained from the various publications prepared by NSE and individual firm's audited financial statements. The daily share prices were collected from the NSE information desk for all the stocks. The price data was collected for IPO prices and prices on first day of trading.

3.6 Data Analysis

Editing, coding, classifying and tabulating are the steps to be used to process the collected data for a better and efficient analysis. The statistical package for social sciences (SPSS) was used for further analysis. Data was analyzed using descriptive statistics whereby frequencies, percentages, mean and standard deviations generated from the various data categories was computed and presented in graphs and tables. The data collected was analyzed in accordance with the study objectives.

After descriptive statistics and correlation coefficients had been computed, regression analysis was carried out since time series data was used. The SPSS (version 23) computer software was used in the analysis. A multiple regression analysis was applied to establish independent variables influence on the dependent variable.

$$\mathbf{Y=\alpha + \beta_1 X_1 + \beta_2 X_2 + \mathcal{E}}$$

Where;

Y is Under pricicng

α is regression constant

β is regression coefficients (parameters to be estimated)

$\mathbf{X_1}$ is First day closing price, P_1

$\mathbf{X_2}$ is IPO share price P_0

$\mathbf{\varepsilon}$ is the error term

3.7 Diagnostic Tests

In this study, a test was performed to show that there was no problem of autocorrelation. The study investigated whether predictor variables had serial correlation that could influence the results of regression by providing spurious results and erroneous estimates. The study applied the Shapiro-Wilk Test for normality test and autocorrelation (Montgomery, Peck & Vining, 2001).

CHAPTER FOUR
DATA ANALYSIS AND PRESENTATION

4.1 Introduction

This section of study examines the descriptive analysis of IPO in the NSE and the respective flipping activity in the long run performance. Non parametric analysis in form of correlation analysis and regression analysis was carried out.

4.2 Descriptive Statistics

The researcher sought to establish the descriptive statistics of factor related to flipping activity at the NSE during the IPO listing at the bourse. This is shown in table 4.1 below.

Company	IPO Share Price, P_0	First day closing price, P_1	Underpricing $((P_1-P_0)/P_0*100)$
Cooperative bank	9.5	10.45	10
Safaricom	5	7.35	47
Kenya Re	9.5	16	68.42
Access Kenya	10	13.45	34.5
Eveready	9.5	11	15.79
Scan Group	10.45	15	43.54
Ken Gen	11.9	40	236.13
Mumias Sugar	6.25	6.25	0
Athi River Mining	12.25	12.6	2.86
Kenya Airways	11.25	12.6	11.56
Rea Vipingo	10.5	12	14.29
National Bank	10	26	160
Firestone E. A.	35	35	-1.41
British American Inv.	9	8.45	-6.11
Min	5	6.25	-6.11
Max	35	40	286
Mean	11.44	16.25	65.69
Std. Dev.	7.06	10.25	93.41

Table 4.1 above shows that the highest IPO price at the NSE bourse fromthe year 1994 tp the year 2013 was Ksh. 35 while the lowest was that of Ksh. 5. The first day closing price had the value of Ksh. 40 as the highest observed while Ksh. 6.25 was the minimum price. It was also observed that the highest Underpricing that took place during the study period was Ksh. 286 while the minimum was Ksh. (6.25).

4.3 Diagnostic test

The diagnostic test involved for the study is Normality Test. There was need to establish the aspect of Normality of the data by use of Shapiro-Wilk test. This is shown below:

Table 4.2: Test for Normality

Tests of Normality

	Shapiro-Wilk		
	Statistic	**Df**	**Sig.**
IPO Share Price, P_0	.924	12	.325
First day closing price, P_1	.902	12	.167
Under-Pricing ((P_1-P_0)/P_0*100)	.910	12	.216
Total Assets	.880	12	.087
Shares Floated	892	12	.115
Subscription level	.930	12	.380

Source: Research findings

In table 4.2 above, test for normality was done by use of the Shapiro-Wilk Test. All the variables: both dependent and independent were used for the study. The significant column which is equivalent to the p values shows that, they were more than 0.05 values. We can therefore conclude that, all the data used in the study, is approximately normally distributed .

4.4 Subscription Levels

There was need by the researcher to determine the subscription level of the IPOs offered at the NSE bourse. This is depicted in table 4.3 below.

Table 4.3: IPO Subscription Levels

Source: NSE

Company	No of shares on issue	Sum Raised	Subscription Level
Mumias Sugar Company Limited	3,000,000,000	1,125,000,000	60%
Kengen	658,900,000	7,840,910,000	333%
Scan group Limited	69,000,000	721,050,000	620%
Eveready Limited	63,000,000	598,500,000	830%
Kenya Re	240,000,000	2,280,000,000	334%
Safaricom	10,000,000,000	50,000,000,000	532%
Co-operative Bank of Kenya ltd	701,000,000	5,400,000,000	81%
British American Investment Ltd	660,000,000	3,515,103,000	60%
Athi River Mining	25,000,000	62,500,000	250%
Kenya Airways	235,423,896	458,134,901	194.6%
Rea Vipingo	37,000,000	8,000,000	216%
National Bank	40,000,000	120,000,000	300%

The table 4.3 above depicts that the least subscribed shares at the IPO was that of the Mumias Sugar company ltd and that of the British American investment limited with 60%. The second least subscription was that of the Co-operative Bank of Kenya ltd with 81%. It is worth noting that the highest subscribed IPO during the study period was that of Eveready company ltd with 830% level. The second highest subscribed value was that of Scan Group with 620%.

There was need to examine the value of the sum raised during the IPO process. It can be examined that Safaricom ltd raised the highest value with up to Ksh. 50 Billion being raised for capital. The second raised amount was by KenGen ltd with Ksh. 7.8 Billion.

4.5 Correlation Analysis of Subscription Level and Market Return

There was need by the researcher to establish the relationship between subscription level of the listed IPOs and the Market returns by carrying out a correlation analysis using the Pearson's formula.

Table 4.4: Correlations of subscription level and Market return

		Subscription level	Market Return
Subscription level	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	12	
Market Return	Pearson Correlation	.706*	1
	Sig. (2-tailed)	.026	
	N	12	12

*. Correlation is significant at the 0.05 level (2-tailed).

From table 4.4 above and the correlation show that the market return level of the IPO under issue is also determined by the subscription level. There is a strong positive correlation between subscription level and the market return of the IPO under issue at the NSE bourse. An increase in the subscription rate translates to an increase in the market return value. This is because the correlation value is 0.706. The two value correlation is statistically significant because the p value is less than 0.05.

4.6 Correlation Analysis of the Underpricing model

There was need to establish if there existed a correlation between the initial price offer (P_o), Price after first day of trading (P_1) and the Underpricing (($P_1 - P_0$)/P_0*100). This is depicted in the model below, table 4.5.

Table 4.5: Correlations of the Underpricing value

		IPO Share Price, P_0	First day closing price, P_1	UnderPricing ((P_1-P_0)/P_0*100)
IPO Share Price, P0	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	12		
First day closing price, P_1	Pearson Correlation	.711*	1	
	Sig. (2-tailed)	.044		
	N	12	12	
UnderPricing ((P_0-P_1)/P_0*100)	Pearson Correlation	.642	.944**	1
	Sig. (2-tailed)	.174	.000	
	N	12	12	12

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

From table 4.5 it can be deduced that, initial public offer share price P_o has a strong positive correlation with the first day closing price P_1 with a value of 0.711. This mean the higher the P_o value the higher the P_1 value is likely to be. Since the significance value is 0.044 and less than 0.05, we can state that the two variables are significant and positively correlated.

IPO share price and the underpricing value are positively correlated with a p-value of 0.642. However, the two variables are not statistically significant since the significance level is 0.144 and greater than 0.05.

Lastly, the first day closing price, $P_{o,}$ and the underpricing value have a strong positive correlation of 0.944. This means an increase in the P_o value leads to an increase in value of underpricing. Since the level of significance is 0.000 we can categorically state that, the two variables have a significant association since the P values are less than 0.05.

4.7 Regression Analysis

There was need to carry out regression analysis for various components affecting the flipping activities of the IPO long term performance. The regression analysis is in three sections: model summary, ANOVA and Regression coefficients.

4.7.1 Model Summary

There was need to establish the model summary for the study. This is depicted in table 4.6 below.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688[a]	.474	.357	79.16589

a. Predictors: (Constant), First day closing price, P_1, IPO Share Price, P_o

The model summary in table 4.6 shows that the predictor variables (First day closing price, P_1, IPO Share Price, P_o) have an R value of 0.688. This means that, the performance of Underpricing in the NSE bourse during the IPO process correlate positively with the predictors up to 68.8%.

The adjusted R^2 of 0.357 means that 35.7% of variation in the dependent variable is explained by the independent variable, meaning that, 64.3 % of the variation is explained by other variables/factors not included in the study. The standard error of estimate is 79.165. This value means that the average distance of the data points to the fitted line is about 79.165% units.

4.7.2 The ANOVA

The analysis of variance for the regression model is shown below, table 4.7.

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	50750.836	2	25375.418	4.049	.046[b]
	Residual	56405.144	9	6267.238		
	Total	107155.980	11			

a. Dependent Variable: UnderPricing $((P_1 - P_0)/ P_o * 100)$

b. Predictors: (Constant), First day closing price, P_1, IPO Share Price, P_o

An examination of the regression and residual values depicts that the model is statistically significant in predicting how the independent variables (First day closing price, P_1, IPO Share Price, P_o) impact on the dependent variable of the research, the flipping activity of the IPO share. This is because the p value was less than 0.05.

4.7.3 Regression Coefficients

The researcher sought the regression coefficients for the study and this is depicted in the table below, table 4.8.

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	118.529	112.929		1.050	.321
IPO Share Price, P_0	11.664	13.324	.251	.875	.404
First day closing price, P_1	5.439	2.992	.521	1.818	.102

a. Dependent Variable: UnderPricing $((P_1 – P_0)/ P_o *100)$

The regression model above shows the derivation of Beta values of independent variables and the subsequent t values and the p values.

The examination of the Beta column, from table 4.14 above yields the regression equation stated below;

$$\mathbf{Y= 118.529+11.664X_1 + 5.439X_2}$$

The equation is relevant because all the two aspects considered (First day closing price, P_1, $\mathbf{X_1}$, and IPO Share Price, P_0, $\mathbf{X_2}$) in determination of flipping activity were found to be significant because the p value was below 0.05.

The regression model above means that if all the factors affecting the performance of flipping activity at the issuance of IPO are held constant, then the companies at the NSE bourse performance will increase by 118.529 units of scale.

4.8 Discussion of Findings

The findings show that, the average listing of IPO share price was Ksh. 11.45 with a lowest value being Ksh. 5 for Safaricom Ltd. The highest IPO price listed in the period of study was Ksh. 12.25. The Variance in the IPO share price is attributed to the information asymmetry. Bozzolan and Ipino (2007) conjectured that, the initial public offering price at launch in a bourse is pegged upon information of the insiders of the company in question and those intending to purchase the IPO as the external investors. Another factor contributing to the differences in the IPO prices can be Agency Conundrums due to Open valuation and closing valuation (Hoque, 2014).

Second, there was a variance in the subscription level of the various IPOs. The highest level was at 830% for Eveready Limited followed by Scan group Ltd with 620%. The lowest levels of subscriptions was for British American Investment Ltd and Mumias Sugar Ltd. The Most probable reason for the over-subscription is attributed to the fact that some IPO are underpriced by external investors, due to prevailing market valuation that gives leeway for flipping activity (Rahim et al, 2013).

Third, there is a strong positive correlation between subscription level and market return. This means that the subscription level will go higher if the external investors anticipate a good market return. The other underlying reason for high subscription during an IPO is due to flippers who go for large proportions of subscriptions and anticipate to dispose them at the commencement of IPO trading (Wamari, 2014).

Last but not least, there is a strong positive correlation between IPO share price, first day closing price and underpricing. The reason for the positive correlation lies under the IPO underpricing activity. When the IPO are priced at considerably lower prices than that of the market, the aftermath prevailing valuation gives a leeway to flipping activities (Ritter et al, 2003).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This last section of study has presentation of the findings in summary, conclusion and recommendation for further study. The study was geared towards examining the determinants of flipping activity towards the long term performance of shares at the NSE bourse. The factored independent study variables were: First day closing price, P_1, IPO Share Price, P_0

5.2 Summary of the Findings

The study findings show that, the flipping activities are compounded in the initial offer share price, first day closing price of shares and the underpricing aspect, asset value of shares in question, shares floated and the subscription level of the shares.

The study findings also show that, at least there was 50% subscription for the IPO in the period 2000 to 2013. The lowest subscribed share level was for Mumias Sugar and British American Investment Ltd at 60%. The highest subscription level was that of Eveready limited with 830% followed by Scan Group with 620% subscription level. The findings also depict a strong positive correlation between subscription level and market return. The findings from the study show that the flipping activity at the NSE bourse is determined by first day closing price, IPO share price and underpricing aspect. It can be deduced that the P_o and the P_1 have strong positive correlation and determine the flipping activity of the shares and long term performance.

5.3 Conclusion

The study findings depict that, there is always a cycle followed by high net worth companies in course of listing the IPO in the NSE bourse. It can be examined that, in the year 2006 numerous companies enrolled for IPO listing. This means that, the election period plays a role in the timing of the IPO at the NSE bourse. The period after an election can be stated to create an avenue for the launching of IPOs in Kenya. Some companies' subscription level was lowly achieved. This means that the public was not fully sensitized or poor communication and marketing tools were used in the cause of launching an IPO at the bourse.

5.4 Recommendations

There is need for the NSE and the Capital Markets Authority to continuously market and publicize the usefulness of companies joining the bourse and actively trading so as to minimize risk of losses and also expanding the capital base of the firms in question.

The study recommends for more regulation measures to be put in place to prevent the occurrence of the delisting and hence making the bourse weaker and affecting the indexing. This can be through the revision of the corporate governance rules. The parameters of indexing are: market capitalization, shares traded, number of deals closed and the turnover. It's through the indexing that the investors can have a benchmark for measuring performance of Kenya securities market. The Capital markets authority should endevour to have due diligence measure checks t prevent the occurrence of companies falling out of the bourse.

There is need to revamp the corporate governance rules and regulations. There should be an inclusive team from the stakeholders participating in the securities market so as to meet an all round needs of the sector. It's through the corporate governance that the investors can increase their confidence in operations and active participation in the NSE bourse.

The electioneering period in Kenya usually has an effect on the performance of the NSE bourse. The key players of the NSE bourse should harness the way IPO are listed on the bourse so that they may be successful and encourage other would be companies to participate.

5.5 Limitations of the Study

Research entailed using secondary data which was more quantitative. Investing in the securities market involves the human interface hence the need to incorporate the qualitative aspect of human thinking which was not incorporated in the study. Secondly, the researcher used aggregated values which had been compiled hence reducing the accuracy of data.

5.6 Suggestions for Further Research

Future studies should be carried out using this research model for countries that have the same e conomic rating as Kenya. This will create a newer source of knowledge and viable conclusion to be made. There is need to carry out study on functional and innovative tools that impact on the fli pping aspect of the shares of not only Kenya but of peer countries in the same economic bracket

. This will create room for better application of the tools to the Kenyan Economy. The study furt her suggests that the government to have a profound continued collaboration from the private sec tor players who are directly or indirectly involved with IPO launching and long term sustainabilit y at the NSE.

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APPENDIX I: LIST OF IPO COMPANIES

Source: http://live.mystocks.co.ke/

Company	No of shares on issue	Year/Month	Issue Price per share	Sum Raised	Subscription Level
African Lakes Limited (Delisted in 2003)	4,000,000	2000 March	94.5	378,000,000	150%
Mumias Sugar Company Limited	3,000,000,000	2001 November	6.25	1,125,000,000	60%
Kengen	658,900,000	2006 April	11.9	7,840,910,000	333%
Scan group Limited	69,000,000	2006 June	10.45	721,050,000	620%
Eveready Limited	63,000,000	2006 Aug	9.5	598,500,000	830%
Access Kenya Limited	80,000,000	2007 March	10	800,000,000	363%
Kenya Re	240,000,000	2007 July	9.5	2,280,000,000	334%
Safaricom	10,000,000,000	2008 June	5	50,000,000,000	532%
Co-operative Bank of Kenya Limited	701,000,000	2008 October	9.5	5,400,000,000	81%
British American Tobacco Limited	660,000,000	2011 September	9	3,515,103,000	60%