An Investigation into the Ease of Investing in Upcoming Small and Medium Sized Companies through LEAP market listing: A Malaysian Case

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Abstract: The research is to derive a better understanding of the optical or objective of the existing listed Leap Market counters been through before the initial public offer, hence whether it has derived their objective in the capital market after listing. Ideally, the Leap Market being the creation of the new capital market is to assist Small and Medium Entrepreneurs Corporation (“SME corporations”) to think about the bigger skill for funds raising by diluting their equity shares rather than depending on the borrowings. With this finding, it could provide as guidelines for any SMEs Corporation who wish to go for listing hence also analyze on the feedback from the existing listed SMEs Corporation on their success journey and provide a recommendation that could encourage more SMEs Corporation in various industry to go for listing, which would be able to create more opportunities to the potential investors participation and setting as a reference to help the market in the under developing country.

Keywords: Leap Market, Bursa Malaysia (Stock Exchange), Small and Medium Entrepreneurs Corporation, Capital Market, platform for fund raising.

1. Introduction

Ideally, the Leap Market should serve as a tool in broadening the options for funding to the corporation in size of SME, as this group of SMEs Corporation is considered too small to list in the ACE Market and Main Market of Bursa Malaysia. Through Leap Market, it could provide the SMEs corporation a platform for the companies to enjoy benefits to raise capital funds by issuing equity shares to the public from time to time, such as rights issue, private placement, warrant shares and so on, without much depending on the borrowings from financial institutions and banks [1].

For the time being the Leap Market counters has some restrictions for the foreign investors. Since implementing Leap Market in 2017, the number of counters listed in Leap Market to-date was far below the initial target by having at least 100 counters listing within a year, despite the initial promotion of listing fees and tax incentives, as such, its need to analyze the reasons causes slow movement for listing in the Leap Market.

1.1 Problem Statement

SMEs needs to undergo for a tedious restructuring to cater for listing requirement and complexity in the process of due diligence, as the business operations may need for some housekeeping to focus on the core business rather than involving in few businesses concurrently which involve time and costs [2].

Most of the SMEs need to obtain knowledge and training to involving into latest technology in the new era,
especially the administration part to communicate with public and Bursa Malaysia, as it will require to be more transparent in their managerial control of the company [3].

The organization structure would have change as the shareholding will be diluted to another party, in this case would refer to Sophisticated Investors (“SI”) upon initial public offer (“IPO”), at this moment, the ruling could be rigid on the mobility in allowing the investor to participate in the open market (Securities Commissioner of Malaysia, 2021).

SMEs will need to have a solid finance status in their cashflow to cater for IPO, as it also needs to have the proper financial reporting standards in accordance with the latest ruling, as Bursa Malaysia will only approve upon adopting (Malaysian Financial Reporting Standards (MFRSs) format in financial reporting, furthermore, the validation of the submission is usually valid for a duration of six months from the financial reporting date.

1.2 Research Objectives

The research objectives are to analyze the factors that attract investors and potential growth in the Leap Market. The success of the organization in efficient and effective depends on their business models and process [4].

I. To identify what are the factors that attract those who decide to list their business in the Leap Market;
II. To identify reason whether the promoter is willing to venture in technology and be transparent to the public;
III. To identify barriers for non-niche investors (non-sophisticated investors) to participate;
IV. To find out any alternative solution to improve funding in compliance to the rigid ruling of Leap Market.

1.3 Research Questions

With the current limitation stated in the problem statements, the research questions would analyze further from the practical point of view on the shortfall of Leap Market and recommendations for improvement [5].

I. What are the factors causing the company to decide to list their business in Leap Market?
II. How does the promoter able to benefits from new technology communication in the Leap Market?
III. Should the regulatory set new structure to allows the non-sophisticated investor to invest in the Leap Market?
IV. Who can authorize to linear the regulatory for listing in Leap Market?

2. Literature Review

There is limited literature review of the study; the idea imposing SMEs Corporation into the capital market was not popular worldwide. There are certain countries in the World have similar capital market functions like Leap Market in Malaysia. Historically, Over-the-Counter (“OTC”) started in United States and United Kingdom with the objective in helping the SMEs in terms of funds raised through the trade of their securities, OTC is activating in the close market, the process of the securities are traded via a broker and through a dealer network, it could involve in any form of instrument of equities, debts instruments, bonds and derivatives with financial contracts to derive their value from any underlying assets on commodity [6].

Whereby most countries in the World have put in the effort to assist SMEs to enter the capital markets such as United Kingdom’s Alternative Investment Market (AIM), Canada TSX Venture Exchange (TSXV), Australian Securities Exchange (ASX), USA NASDAQ Capital Market (Finance and Markets Global Practice Group, 2015), and those in the emerging market economies include GreTai Securities in Taipei, Shenzhen Stock Exchange (SZSE), Hong Kong Grow Enterprises Market (GEMS), Market for Alternative Investment (MAI) Thailand, Warsaw Stock Exchange (WSE) New Connect in Poland, Bombay Stock Exchange (BSE) and Korea Stock Exchange for SME (KONEX), all these with the sole objective to create funding for SME [4].

2.1 Theoretical Framework

The promoter of SME has their own vision and mission for listing in Leap Market, each of them depends on the variable factors to be successfully listed in the open market. There are many variables factors that lead to the success of the listing, the matter of nature of business in terms of sizing, the advisor that can detect the loophole or the restructuring, financial status, organization structure, authority, and new technology, whereby some may face with obstruction that causes delay in the journey of listing.

The hypothesis is the success for listing that will link the independent variable and dependent variable.
H1: Systematic business operations will result in a success of listing.
H2: Adoption of technology will result in the success of listing
H3: Ideal organization structure will result in the success of listing
H4: Solid financial status will result in the success of listing.

2.2 Gaps in the Literature

The missing in research literature, whereby the area of SMEs explores in the open market or any emerging market whether it is sustainable, such as, the population or sample on research method, data collection or other research variables has yet to make any conclusion, furthermore, it is a
continuation in the development of the idea to explore for the smaller firms expansion and trade in the open market. So far there is no continuation on literature review study made, as all published documents were on ad hoc basis.

Overall, it must be able to update based on the supportive environment, perhaps due to change in government policy, different criteria require by different stock exchange, the parties that involved in the exchange include the issuer, intermediaries, investors, authorised advisors and market markers. There was no study on the due diligent and related matters that undertake by the company prior to listing.

3. Methodology

In review of the method of data collection, the qualitative methods will be used. The qualitative through the interview with the Promoters or founder of the of Leap Market’s companies will be those unmeasurable factors such as thinking and behaviour.

3.1 Research Design

The research design will be taken part to study the inner part of the objective of pre-listing and those works required by the companies in compliance to the listing requirement of Bursa Malaysia, of which, the factors will be inter-related on the post-listing [7].

3.2 Sampling Design

The results will be an empirical part of the research report after the data collection from the respective components or population through a qualitative approach via interview with the selected Promoters who shall represent the listed company to view on the aspect that cover their objective of listing in the Leap Market and their experience in journey for listing which is much relate to the independent factors of the hypothesis that works towards the outcome of obtain approval for listing [8].

4. Results and Discussion

With the data collection which will be able to analyze the standard deviation on the mean, median, and mode, the curve represents. To obtain from the population preferring choice and their feedback either via phycological, emotional, logical thinking, determination, or personal vision. The choice of the variables must be related and logical to the research design. As such, the choosing of independent variables as well as a dependent variable will show the effects of the independent variable. Thereafter, it shall determine the correlation between the factors on an independent variable to the dependent variable, on the other hand, the results could be uncorrelated with each other due to the measurement in different aspects that influence on the independent variable.

5. Conclusion

The survey through statistics on the significant test that are pervasive in social sciences, as it may or may not answer most of the research questions. Whereby the research design quality, validity of measures, and reliability are very much dependent on the ultimate objective of the research study. The various results of data analysis sometimes might be due to external factors, or the competitor influencing the mentality, including the thinking and change of decision of the Promoter. There could be internal factors that cause the change of decision, such as during the pre-listing or post-listing due to the complexity of the compliance issues and additional costs incurred. The entire research study is to provide an idea to the SMEs Corporation on the journey of listing.

REFERENCES