A REVIEW OF THE FLIPPING ACTIVITY OF IPO: EVIDENCES FROM DEVELOPED AND EMERGING MARKETS

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OPEN ACCESS

How to cite this paper: Anwar, A., Mohd-Rashid, R., & Che-Yahya, N. (2022). A review of the flipping activity of IPO: Evidences from developed and emerging markets. *Corporate Governance and Organizational Behavior Review, 6*(1), 56–63.
https://doi.org/10.22495/cgobrv6i1p4

ISSN Online: 2521-1889
ISSN Print: 2521-1870

Received: 01.09.2021
Accepted: 31.01.2022

JEL Classification: G12, G14, G18, G38
DOI: 10.22495/cgobrv6i1p4

Abstract

This paper reviews the literature on the flipping activity of initial public offerings (IPOs). To achieve the objective of this study, the papers indexed in the Scopus data repository and Google Scholar were employed. Based on the review, it was discovered that the extent of flipping varies significantly across countries. The emerging markets have a higher rate of IPO flipping than developed markets, which captures the high information asymmetry prevalence in the emerging markets. In addition, some significant variables were found to influence filliping activity. This includes underwriters, institutional investors, initial return, market conditions, lock-up provision, and issue size. Despite the identified variables that were found to influence flipping activity, there remain some variables that have not been considered. Some of these variables include institutional settings, listing regulations, political factors, and pre-IPO information in the prospectus that could give the research a promising field. The investigation of these variables will be assisting prospective investors in making informed decisions when investing in IPOs in order to maximise their profits.

Keywords: Initial Public Offerings, Flipping Activity, Demand and Supply, Information Asymmetry

Authors' individual contribution: Validation — R.M.-R.; Resources — R.M.-R.; Writing — Original Draft — A.A.; Writing — Review & Editing — N.C.-Y.; Supervision — R.M.-R.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

Initial public offering (IPO) is the first time sale of securities by a company to the public (Brealey & Myers, 2003). It is obvious that through this mode funds are raised by the corporations to meet their financial needs. An IPO offers a firm to raise capital that is important to the growth of the company and provides the company's existing shareholders an exit route (Jenkinson & Ljungqvist, 2001). As proposed by Jenkinson and Ljungqvist (2001), the main purpose of an initial public offering is of expanding business projects and repay debt. Initial public offerings (IPOs) or new listing may be undertaken in the form of public listing, offer for sale, or a combination of both.

Previous literature had shown that are two main anomalies prevailing in IPO markets around the globe. This includes that is, the return (short- and long-term return) and the abnormal trading volume of IPOs. However, the recent shift is towards to abnormal trading volume of IPOs, particularly, high trading volume during the first few days of an IPO being listed (Che-Yahya, Abdul-Rahim, & Rashid, 2018; Kooli & Zhou, 2020; Neupane, Marshall, Paudyal, & Thapa, 2017). This high abnormal trading volume after listing for the first few days is known as the flipping activity of IPOs. Islam and Munira (2004) defined flipping as the practice of immediately liquidating shares in the initial aftermarket. No doubt, these activities will not only

provide investors with a quick gain out from the market but will also enhance liquidity in the early market by pulling back new shares for subsequent trading activities. Nevertheless, the flipping activity could also destroy a firm's value and shareholders' wealth because it creates a sudden and substantial flow of new shares that could drag the price of IPOs down to below its fair value (Gounopoulos, 2006).

Additionally, the high level of flipping activity suggests that new shares are being allocated to short-term investors rather than long-term investors. Consequently, to prevent flipping, the lead underwriter might impose penalty bids on flippers or prohibit them from participating in future initial public offerings. Numerous studies have looked at the factors that influence flipping activity in developed (Krigman, Shaw, & Womack, 1999; Aggarwal, 2003; Bayley, Lee, & Walter, 2006) and emerging economies (Islam & Munira, 2004; Neupane et al., 2017; Che-Yahya et al., 2018; Kooli & Zhou, 2020; Anwar, Mohd-Rashid, Che Yahya, & Ong, 2021). However, the comprehensive study around the globe on the flipping activity of IPO has received scant attention. Thus, this study addresses two main research questions:

RQ1: Which IPO markets (developed and emerging) have the highest intensity of flipping activity of all IPOs?

RQ2: What are the essential determinants of the flipping activity of IPOs in developed and emerging markets?

This study examines the literature available on the flipping activity of the IPO with endeavours to achieve the following objectives:

1. To identify the intensity of flipping activity of IPOs in developed and emerging markets.

2. To indicate essential determinants of flipping activity of IPOs in developed and emerging markets.

This paper analyses flipping activity phenomena using a plethora of different explanations, as well as human perspectives from developed and emerging markets. We argue that there is a need to place a major focus on the ongoing issue of flipping, based on theories and empirical facts. The previous literature on developed and developing markets has highlighted several variables that explain a flipping activity, acknowledging that flipping behaviour changes according to various market settings, research duration, and methodological issues. The most common predictors found to have a significant influence on flipping activity were initial return (Aggarwal, 2003; Kooli & Zhou, 2020; Mohd-Rashid, Abdul-Rahim, & Che-Yahya, 2016; Neupane et al., 2017), investors' sentiment (Aggarwal, 2003; Che-Yayha et al., 2018), heuristic representation (Che-Yahya, Abdul-Rahim, & Mohd-Rashid, 2015), company's age (Bayley et al., 2006; Kooli & Zhou, 2020), over-subscription ratio (Yong, 2010), type of industry (Tran, Kalev, & Westerholm, 2007; Neupane et al., 2017), lock-up provision (Islam & Munira, 2004; Che-Yahya et al., 2015), and shareholder retention (Mohd-Rashid et al., 2016). Furthermore, we argued that the demand and supply forces of the market are one of the key causes of changes in the flipping activity of IPO. Instead, we predict that signaling explanation will play a critical role in future studies based on quality signals on how rational investors behave and influence flipping activity. Hence, pre-IPO information in the prospectus is the most attractive issue in today's IPO research.

Addressing the flipping activity of IPO, intriguing empirical studies inspired scholars to construct several theoretical models to understand the most puzzling flipping activity of IPO; researchers put out new hypotheses to explain further causes for such events. As a result, more empirical research has been driven to evaluate the new implications connected with diverse theoretical studies. As a result, several empirical investigations were driven to test the novel implications connected with numerous theoretical studies and research findings indicating that the flipping activity of IPO is critical for rational investors, issuing firms and, underwriters. Briefly, these researches describe the flipping activity problem and highlight the trends that have previously been studied empirically and conceptually.

The remainder of this study is organized as follows. Section 2 presents measurement of flipping activity. Section 3 reviews the literature by introducing the main and recent studies related to this study. Section 4 includes determinants of flipping activity from developed and emerging markets. Section 5 provides the conclusion of the study.

2. MEASUREMENTS OF IPO'S FLIPPING ACTIVITY

Based on the traditional definition proposed by past researchers, the flipping activity of an IPO is the prompt reselling of offers by the pre-IPO shareholders/investors, who have been allotted the new shares at the offer price, immediately after the listing of the IPO (Bash, 2001; Bayley et al., 2006; Che-Yahya, Abdul-Rahim, & Yong, 2014; Chong, 2009; Chong, Ali, & Ahmad, 2009; Chong, Ahmad, & Ali, 2011; Kooli & Zhou, 2020; Krigman et al., 1999; Mohd-Rashid et al., 2016; Neupane et al., 2017; Tran et al., 2007; Yong, 2010; Anwar & Mohd-Rashid, 2021). A flipping activity generally involves the flipping of a proportion of shares against the total number of share issues. The detailed information such as the flipping activity of investor's share ownership and trade, especially in the aftermarket, are normally made accessible in some developed markets, for example, the United States (US), the United Kingdom (UK), Australia, and Finland (Krigman et al., 1999; Bash, 2001; Bayley et al., 2006; Tran et al., 2007). This accessibility to information permits the up-to-date and accurate tracking of flipping behaviour. Consequently, it permits the identification of real flippers (institutional investors) and a definite measurement of their flipping activity. Since these markets readily share the data on flippers, the flipping behaviour can be tracked more precisely, thus studies conducted in the US, the UK, Australia, and Finland stand to gain from this advantage. For studies on US IPO markets, the term "flip" is particularly attributed to trading initiated by real flippers, whereas "trade" refers to all trading activities.

Unlike the IPO markets in the US, other IPO markets, for example, Bangladesh (Islam & Munira, 2004), Malaysia (Che-Yahya et al., 2015), and India (Neupane et al., 2017) do not willingly share data on

the fraction of shares disposed of by real flippers. Because data on actual flipping activity are usually not disclosed, the ability of future research to replicate and test similar flipping methodology is limited. More importantly, the unavailability of data could limit a study from capturing the actual level of flipping activity. Hence, research works in these markets have opted to use proxies for flipping activity. In line with Che-Yahya and Abdul-Rahim (2015), Chong et al. (2009), Islam and Munira (2004), Kooli and Zhou (2020), Krigman et al. (1999), and Yong (2010), the present study adopts the most used proxy for flipping activities, which is the total trading volume divided by the total amount of shares issued. This proxy has been widely used in previous studies because the excessive trading volume in an initial couple of trading days could likely be attributed to flippers (Aggarwal, 2003; Ellis, 2006; Kooli & Zhou, 2020). Flipping activity is calculated using equation (1):

$$FLIP_i = \frac{VOL_{i,t}}{NOSHI_i} \quad (1)$$

where,
$FLIP_i$ = flipping activity of IPO_i;
$VOL_{i,t}$ = trading volume of IPO_i for the first trading day;
$NOSHI_i$ = number of shares issued for the IPO_i.

For this research, the papers indexed in the Scopus data repository and Google Scholar were employed as references. In this study, twenty-one papers were chosen as sources of information. Out of these twenty-one papers, six are indexed in Scopus, and the remaining articles are retrieved from the Google Scholar database. Moreover, these two databases were used because they were considered the more authentic sources. In addition to that, this is an emerging area in the IPO and the number of articles is low on flipping activity. Therefore, the sample of this study included all papers from 1999 to 2020.

3. LITERATURE REVIEW

The IPO trading activities in the immediate aftermarket, as per the contemporary view, are thought to be due to flipping activities. From the US market, Krigman et al. (1999) defined flipping activity as the quick resale of IPO allocation to underwriters or to the market; it does not include the transfer of shares obtained via purchase in the aftermarket. In contrast, Bash (2001) posited that flipping was a determinant of the institutional investors' selling pressure on the IPO. Aggarwal (2003) added that the original investors who first get an allocation at the offer price would be more prone to flipping. In Australia, flipping is more commonly known as "staging" (Bayley et al., 2006). On the other hand, Gounopoulos (2006) defined flipping as the selling of IPOs in the first couple of days to earn a quick profit.

Chong et al. (2009), Chong (2009), and Yong (2010) studied the Malaysian IPO market and found that flipping happened as early as the start of trading of the issue. Meanwhile, Abdul-Rahim, Sapian, Yong, and Auzairy (2013) and Mohd-Rashid et al. (2016) adopted a more adjustable methodology in which they associated flipping with the liquidation of an IPO allocation for the period of the first three to five days of initial trading. Moreover, in a more recent study from China, Kooli and Zhou (2020) documented flipping activity as a good tool to predict the long-term performance of an IPO, as it decreases the time of anticipation of an IPO company obtaining a delisting warning. Additionally, the study revealed that the information embedded in a flipping activity provides an indication not only about the post-operational performance of the IPO company, but also its financial health. On the whole, flipping activity is an activity where the initial investors give up their allocated shares within a short period of time following the listing of the IPOs to earn quick profits. It is also a tool for measuring the financial and operational health of a company after listing.

According to the above definitions, the IPO flipping activity is the most straightforward avenue through which original investors (subscribers who are allotted the IPOs) make a quick profit at the earliest possible opportunity afforded to them (Gounopoulos, 2006). Chong (2009) also agreed with this view, stating that original investors would probably flip their IPOs when they perceived positive benefits at the opening of trading. The benefits of flipping will additionally affect issuers. Boehmer and Fishe (2000) and Gounopoulos (2006) proposed that flipping serves as a system for enhancing the IPO secondary market selling liquidity. Since flipping involves the prompt sale of allocated shares, the activity quickly renews the supply of IPOs in the immediate aftermarket, permitting subsequent trading of the newly listed shares in the secondary market. Thus, flipping enhances market liquidity. As per Zheng, Ogden, and Jen (2005), the second motive for a company to go public is to create a liquid market in which the flipping activity could ultimately raise its capacity to accomplish its target. However, Sapian, Abdul Rahim, and Yong (2012) asserted that highly liquid shares would also ensure a higher possibility that the IPOs survive in the secondary market.

The increased market liquidity caused by flipping activity is equally useful to the investor. Once a high volume of offers is flipped or traded, the spread among the bid and ask price is predicted to be at a minimum. This is because largely illiquid offers will normally have a bigger bid-ask spread than that of highly liquid offers in order to repay potentially adverse movements in the offer price. Purposeful flipping activity boosts market liquidity; therefore, the general trading cost ought to reduce since one type of trading cost — the bid-ask spread — is at a minimum. Another view posits that flipping should be used as a value disclosure instrument (Islam & Munira, 2004). This is because the flipping activity is commonly considered an active trading activity. This active trading of new shares somehow assumes huge accessibility of and/or a high collaboration between buyer and seller at a given price and time of the IPOs. Therefore, dynamic trading, especially immediately after listing, will help uncover the movement of IPO price from its offer value (Boehmer & Fishe, 2000) towards a more reasonable price. Thus, it can assist investors to execute a better trading decision because of the more transparent price disclosure.

Flipping is rooted in an important objective, so it is a required activity in the IPO market. However, Aggarwal (2003), Fishe (2002), and Mohd-Rashid et al. (2016) argued that flipping activity is a detrimental activity. They contended that flipping activity could trigger an unfavourable impact on the performance of IPOs when the IPO sale turns excessive. An excessive IPO sale amid its early periods of listing could trigger a sudden upward sloping of the supply curve and therefore induce artificial downward pressure on the IPO price. Generally, investors who have knowledge regarding the abnormal return of IPOs will endeavour to subscribe to the IPOs simply for speculative reasons, giving careful consideration of all the key essential values of the issuing organisation. They will take the nearest exit to cash in a load of money, leaving the real investors with less cash on the table, trusting that the organisation will generate additional value that will be imitated in the market. If demand for the new offers is not strong enough to offset the excess supply, the performance of newly listed companies in the first few days and the long-term shareholder's wealth will be affected (Arthurs, Busenitz, Hoskisson, & Johnson, 2009; Gounopoulos, 2006). On the whole, the flipping activity could discourage IPO performance, especially over a long time period. Hence, in the US, underwriters do not encourage excessive flipping activity (Gounopoulos, 2006; Krigman et al., 1999).

In the US and the UK, for example, the limitation on flipping activity is not enforced legitimately. On the other hand, if an extreme flipping activity were noticed, the underwriters or the alleged market maker would execute a few price stabilisation activities in order to decrease the selling pressure and to re-adjust the IPO price in the aftermarket. Initially, as a precautionary measure, underwriters usually allot a larger portion of the IPOs to institutional investors or the "strong hands" (Aggarwal, Krigman, & Womack, 2002; Benveniste & Spindt, 1989; Ljungqvist & Wilhelm, 2002). This is because institutional investors are a group of investors who will, in general, be faithful to their organisation, holding the obtained shares longer and, conceivably, reducing instant sales only for a quick profit (Aggarwal & Rivoli, 1990). The "strong hands" are additionally less inclined to flip the shares that they hold in light of the fact that the underwriters will probably reject those very shares in future initial offerings.

Furthermore, underwriters could perform price stabilisation activities through the over-allotment option. A greenshoe option or over-allotment option allows the underwriters to sell extra shares at the offer price. The underwriters are normally provided one month to exercise this option. The option will probably be exercised to balance out the share price when the demand for shares surpasses the offer amount provided. A considerable over-allotment option is evidently expected to offset the outrageous case of profoundly demanded IPOs. According to Ritter and Welch (2002), all IPOs include over-allotment options of up to 35 percent of the new shares offered. Except for the two stabilisation activities, the underwriters would likewise have more confidence in the dynamic buying of the IPO in the aftermarket if forceful prompt selling activity was noticed (Ellis, Michaely, & O'Hara, 2000). On the whole, stabilisation activity shows that the underwriter's role in the UK and the US is significantly more extensive than underwriting; even extending to the secondary market. Despite this being the norm in these markets, in some other markets, including Malaysia and Bangladesh, such underwriter stabilisation activities are actually non-normal (Islam & Munira, 2004; Yong, 2010). Therefore, underwriters present just a little obstruction in constraining the flipping activity of IPOs in developing markets. Evidently, the level of flipping ratio changes across different markets and across studies, but it still is as anomalous as underpricing or initial return. The variations in flipping activity could be considered the main factor affecting the IPO performance during the listing. The descriptive evidence from previous studies (Table 1) shows that the degree of flipping activity in the IPO market has varied for the same market over many years and for different markets.

Table 1. Flipping activity across different counties

Author and year	*Country and period*	*No. of IPOs*	*Flipping day*	*Results*
Krigman et al. (1999)	Unites States (1988–1995)	1232	1	45.40%
Bash (2001)	Unites States (1988–1995)	3891	3 to 25	48.10%
Aggarwal (2003)	Unites States (1997–1998)	617	1 to 2	15.00%
Gounopouls (2006)	Unites States (2003–2004)	521	1 to 2	24.30%
Islam and Munira (2004)	Bangladesh (1994–2001)	96	1 to 7	29.60%
Bayley et al. (2006)	Australia (1995–2000)	419	1 to 3	22.07%
Tran et al. (2007)	Finland (1995–2000)	50	1	22.00%
Chong (2009)	Malaysia (1991–2003)	132	1	7.66%
Chong et al. (2009)	Malaysia (1991–2003)	132	1	7.66%
Yong (2010)	Malaysia (2004–2007)	219	1	33.89%
Chong et al. (2011)	Malaysia (1991–2008)	177	1	18.78%
Sapian et al. (2012)	Malaysia (2003–2008)	187	1 to 5	24.60%
Abdul-Rahim et al. (2013)	Malaysia (2003–2008)	243	1	33.86%
Che-Yahya et al. (2014)	Malaysia (2000–2012)	247	1	10.43%
Che-Yahya et al. (2014)	Malaysia (2000–2012)	248	1	38.33%
Wei (2015)	Malaysia (2001–2011)	344	1	60.13%
Che-Yahya and Abdul-Rahim (2015)	Malaysia (2000-2012)	370	1	58.84%
Mohd-Rashid et al. (2016)	Malaysia (2000–2012)	368	1, 3, & 5	47.6, 68.1, & 81.7%
Neupane et al. (2017)	India (2004–2010)	252	1	44.20%
Che-Yahya et al. (2018)	Malaysia (2000–2013)	383	1	58.53%
Kooli and Zhou (2020)	China (1995–2012)	2003	1	65.42%

Source: The published articles compiled by the authors.

4. DETERMINANTS OF THE FLIPPING ACTIVITY

The IPO flipping anomaly has been studied from both developed and developing countries' perspectives. For instance, in the US market, the studies on flipping activity put the responsibility on underwriters to stabilize IPO prices, most likely because underwriters are a decisive factor in the US market (Ellis et al., 2000). Ellis et al. (2000) and Fishe (2002) are some of the studies that investigated underwriters' activities with regard to flipping. Underwriters play a crucial role in stabilizing the flipping activity in the US IPO market, for instance, through overallotment options, short coverings, penalty bids, and larger allocation to institutional investors, all of which aim to restrict the supply of IPO shares in the immediate aftermarket. Institutional financial investors give the impression of being informed, as their choice of flipping poor-performing IPOs demonstrates their capacity to execute a profitable trading policy (Krigman et al., 1999).

In the US market, underwriters tend to support institutional investors, which are viewed as a "solid hand" due to their tendency to be long-term investors (Aggarwal, 2003). Consequently, institutional investors are often allocated with larger portions of IPO shares, as research has found that institutional investors play an essential role in limiting the flipping activity. However, Gounopoulos (2006) demonstrated that institutional investors flipped a greater number of hot IPOs, which contradicted the findings of prior studies due to the different estimations used for measuring flipping. However, Gounopoulos (2006) focused only on fixed price IPOs. The study reported similar results to Krigman et al. (1999) and Bash (2001), which found that institutional investors flipped more when the IPOs were overpriced.

In the Australian market, Bayley et al. (2006) reported a negative relationship between flipping and the issue size during the first three days of trading. They also found higher levels of flipping for underpriced IPOs in comparison to overpriced IPOs, which is in line with the findings of Aggarwal (2003). Tran et al. (2007) studied Finland's IPO market and reported that hot IPO issues flipped more extensively and institutional investors were more heavily involved in flipping. Their results are similar to the findings of earlier studies by Aggrawal (2003), Bayley et al. (2006), and Gounopoulos (2006). Tran et al. (2007) also found a positive relationship between initial return and flipping. However, the study revealed that the levels of flipping differed significantly across industries, rejecting the prior assumption that some industries were more privileged during a certain period.

Overall, prior studies examined various determinants of the flipping activity in different markets; however, little attention has been given to government ownership, that is, state-owned IPOs. Therefore, this paper extends the previous studies by including the effect of state-owned IPOs on flipping. This paper also proposes that the government will offer only a small portion of the shares during the listing and retains a large portion, thus sending a signal of firms' good quality which will result in increased investor confidence and higher flipping. Table 2 presents the determinants of IPO flipping activity from the developed market, which is shown as follows:

Table 2. Determinants of IPO flipping activity (Developed market)

Author and year	*Country and period*	*Factors studied*	*Results*
Krigman et al. (1999)	United States (1988–1995)	Ranking of underwriter, IPO initial returns, market capitalization (size) and institutional investors.	*Significant factors:* Initial return (-), market capitalization (size), institutional investors (-)
Bash (2001)	United States (1988-1995)	Market capitalization (size), initial return, market condition (hot market), institutional investors.	*Significant factors:* Initial return (-), institutional investors (-)
Aggarwal (2003)	United States (1997–1998)	Institutional investors, retail investors, initial return, stabilization activity (greenshoe %), offer size, underwriter type, market classification.	*Significant factors:* Initial return (+), institutional investors (+), underwriter type (-)
Bayley et al. (2006)	Australia (1995–2000)	Initial return, market condition (hot market), underwriter reputation, ex-ante risk (offer size standard deviation of market return, and company age).	*Significant factors:* Initial return (+), hot market (+), issue size (-)
Gounopoulos (2006)	United States (2003–2004)	Institutional investors, initial return, underwriter reputation, offer size, market classification, and retail investors.	*Significant factors:* Initial return (-), offer size (+), market classification (-)
Tran et al. (2007)	Finland (1995–2000)	Initial return, offer size, sector, institutional investors, retail investors and market condition.	*Significant factors:* Initial return (+) issue size (-)

Source: The published articles compiled by the authors.

The first investigation into the developing market was done by Islam and Munira (2004), who examined the flipping behaviour and especially the determinants of flipping in the IPO market of Bangladesh. They found that initial return has no significant impact but institutional participation has a significant positive influence on flipping in the Bangladeshi IPO market. In addition, the statistical result of the study showed a significant negative relationship between flipping and issue size.

In the Malaysian market, IPO investors tend to flip to make quick profits (Chong, 2009; Chong et al., 2009). Further, an indirect positive correlation has been found between flipping and initial return (Yong, 2010). Chong et al. (2011) provide new evidence of the dependence of aftermarket dynamics on heuristic representation, which is another behavioural finance theory. Their statistical result demonstrated a significant negative relationship between heuristic representation and flipping.

In another study on the Malaysian market, Abdul-Rahim et al. (2013) examined the predictors of flipping based on pre-listing and ex-ante factors. They found that the flipping activity is positively related to the participation of institutional investors and initial return, supporting the results of some previous studies (Aggarwal, 2003; Bayley et al., 2006; Chong et al., 2009, 2011; Tran et al., 2007). They also found a negative relationship between offer size and flipping.

Che-Yahya and Abdul Rahim (2015) used a sample of 248 IPO firms listed on Bursa Malaysia throughout 2000–2012 to investigate the moderating role of investor demand on the relationship between institutional investors' participation and the flipping activity. They found that investors' demand weakens the significantly negative relationship between institutional investors' participation and flipping. Recently, Mohd-Rashid et al. (2016) extended the examination of flipping activity in the Malaysian IPO market by focusing on the impact of shareholder retention on flipping. They found that higher levels of shareholder retention signal higher qualities of the IPOs issued. Their findings support the argument of signalling theory by Leland and Pyle (1977), which holds that the proportion of shareholder retention shows the quality of IPOs and influences the flipping activity.

In a study on the Indian market, Neupane et al. (2017) introduced new determinants of investors' flipping behaviour across two main IPO allocation mechanisms, which are book building and auction. They found that the flexibility of underwriters in allocating shares not only helped them prevent the allocation to flippers but also facilitated building long-term relationships with IPO investors. In China, Kooli and Zhou (2020) investigated the possible determinants of flipping and studied the impact of flippers on the long-term performance of IPOs as well as the disposition effect. They revealed that investors flipped a larger proportion of their allocated shares in the case of hot and very hot issues in comparison to cold issues. Despite the limited role of underwriters in the allocation of IPO shares, the study reported less flipping when prestigious underwriters were involved and posited that there is a negative association between flipping activity and aftermarket performance. Summing up the above studies, the very high flipping activity in developing countries like Malaysia, India, and China could possibly be due to asymmetric information. Therefore, the anomalous flipping activity in these markets highlights the need to delve deeper into their underlying behaviour. Furthermore, efforts to understand flipping activity are as important as understanding initial returns. Besides, Table 3 displays the determinants of IPO flipping activity from the emerging market, which is illustrated as follows:

Table 3. Determinants of IPO flipping activity (Emerging market) (Part 1)

Author and year	*Country and period*	*Factors studied*	*Results*
Islam and Munira (2004)	Bangladesh (1994–2001)	Stock market condition, initial return, offer size, institutional investors, lock-up period.	*Significant factors:* Institutional investors (+), offer size (-)
Chong (2009)	Malaysia (1991–2003)	Winning IPOs (positive initial return), losing IPOs (negative initial return).	*Significant factors:* Initial return (+)
Chong et al. (2009)	Malaysia (1991–2003)	Noise signal (initial return), offer size, company age, over-subscription ratio (OSR), underwriter reputation, and market condition.	*Significant factors:* Offer size (-), initial return (+)
Yong (2010)	Malaysia (2004–2007)	Initial return, listing board, over-subscription ratio (OSR), offer size, and offer type.	*Correlated factors:* Initial return (+) issue size (-)
Chong et al. (2011)	Malaysia (1991–2008)	Market condition, offer size, investor sentiment (heuristic representation), pre- and post-crisis dummy, and underwriter reputation.	*Significant factors:* Market condition (+), investor sentiment (-)
Sapian et al. (2012)	Malaysia (2003–2008)	Offer size, offer price, institutional investors, IPO demand, and initial return.	*Significant factors:* Offer price (-) institutional investors (+), initial return (+)
Abdul-Rahim et al. (2013)	Malaysia (2003–2008)	Offer size, offer price, institutional investors, IPO demand dummy listing board, and initial return.	*Significant factors:* Offer price (-), institutional investors (+), initial return (+)
Che-Yahya et al. (2014)	Malaysia (2000–2012)	Institutional investor participation, initial return, lockup period, supply of IPOs, hot issue market underwriter's reputation, investor demand.	*Significant factors:* Initial return (+), lockup period (-), institutional investor participation (-), and supply of IPOs (-)
Che-Yahya et al. (2014)	Malaysia (2000–2012)	Initial return, lockup period, supply of IPOs, company's sector, institutional investor participation, investor demand, underwriter's reputation, and market condition.	*Significant factors:* Initial return (+), lockup period (-), institutional investor participation (-), and supply of IPOs (-)
Wei (2015)	Malaysia (2001–2011)	Cold IPOs, very cold IPOs, warm IPOs, hot IPOs, and initial return.	*Significant factors:* Hot IPOs (+)
Che-Yahya and Abdul-Rahim (2015)	Malaysia (2000–2012)	Lockup ratio, lockup period, supply of IPOs institutional investors' participation, IPO market condition initial return, company age, heuristics representation, and overall stock market condition.	*Significant factors:* Lockup ratio (-), lockup period (-), initial return (+), supply of IPOs (-)

Source: The published articles compiled by the authors.

Table 3. Determinants of IPO flipping activity (Emerging market) (Part 2)

Author and year	*Country and period*	*Factors studied*	*Results*
Mohd-Rashid et al. (2016)	Malaysia (2000-2012)	Shareholder retention excess equity capacity, initial return opening, risk, market capitalization, investor demand, market condition, underpricing, and institutional investor's involvement.	*Significant factors:* shareholder retention (+), excess equity capacity (-), initial return (+), risk (-), market capitalization (-), market condition (-) and underpricing (+)
Neupane et al. (2017)	India (2004–2010)	Liquidity, stock price, stock price volatility, price support.	*Significant factors:* Liquidity (+), stock price (-) stock price volatility (+)
Che-Yahya et al. (2018)	Malaysia (2000–2013)	Demand of IPO, stock market condition, underwriter reputation, lock-up ratio, offer for sale, supply of IPO, investors sentiment, and institutional investors' involvement.	*Significant factors:* Offer for sale (-), supply of IPO (-), underwriter reputation (+), institutional investors' involvement (-), and investors sentiment (+)
Kooli and Zhou (2020)	China (1995–2012)	Company age, first-day return, lotto rate, waiting time (days), online lotto rate, offline lotto rate, offline allocation.	*Significant factors:* Company age (+), first-day return (+), waiting time (days) (-), offline lotto rate (+), underwriter reputation (-)

Source: The published articles compiled by the authors.

5. CONCLUSION

In this paper, prior literature from two markets places, such as developed and emerging, has been reviewed. The result of this study shows that there is high flipping activity reported in emerging markets (i.e., China 65.42%, Malaysia 60.13%, and India 44.20%) as compared to the developed market (i.e., the US 48.10%, Australia 20.07%, and Finland 20.00%). The main reason for the high level of flipping activity in emerging markets is that these markets are not as sophisticated in terms of settings and structure as developed markets. In addition to that, common determinants of flipping in developed markets are underwriters, institutional investors, initial return, market conditions, and issue size. However, the significant determinants of flipping in emerging markets are: offer for sale, supply of IPO, underwriter reputation, institutional investors' involvement, investor sentiment, lock-up provision, shareholder retention, and pricing mechanism, respectively. This study enables us to compare and offer more in-depth knowledge about flipping activity around the globe, which has not been provided through prior literature, as those studies pertain to a certain market.

The limitation of this study is that the number of articles on flipping activity is low; therefore, it included all articles from 1990 to 2020. Moreover, this study used a manual literature review. As a result, we recommend that future research include forthcoming studies on flipping activity and the use of a more complex form of literature review, such as bibliometric or an atlas, to ensure that the findings are reliable. Besides this, we argue that several elements might be explored as significant drivers of IPO flipping activity in the foreseeable future. These aspects include the listing requirements, political issues, and pre-IPO material in the prospectus, to name a few examples. Prospective investors will be able to make informed decisions when investing in IPOs in order to maximise their profits.

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