Determinants of Corporate Share Buybacks: The Malaysian Experience

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This paper seeks to examine the impact of identified financial variables on the decision of the firm to repurchase. Both repurchase and non-repurchase firms are considered in this study. Thus, the determinants of corporate share buybacks is the result from the real motives of share buybacks itself together with additional comparison in terms of financial characteristics of repurchase and non-repurchase firms. The study investigate the determinants of share buybacks based on developed hypothesis of information signalling hypothesis, optimal leverage ratio hypothesis, free cash flow hypothesis and take-over deterrence hypothesis. The most important explanation comes from variables associated with optimal ratio hypothesis. The second most important explanation comes from variables associated with anti-takeover deterrence hypothesis. The third and final most important explanation comes from variable associated with free-cash flow hypothesis and information signalling hypothesis accordingly. In addition, the study concludes that the repurchase firms are indebtedness, undervalued and more profitable than non-repurchasing firms.
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