

CHAPTER 5 : RESEARCH RESULTS AND DISCUSSION ON RESULTS

5.1 Research Results

5.1.1. Comparison of 30-day mean

Before-Before Share Repurchases Programmes Announcements
(market-adjusted abnormal returns)

Table 1 : Before-Before Announcements (Market-adjusted abnormal returns)

<i>Comparison of 30-day mean</i>			
Scenario	Abnormal Returns	t-stat	Remarks
Before-Before Announcements (Market-adjusted abnormal returns)	+ve : 26 shares -ve : 22 shares	Non-sig. : 48 shares Sig. : 0 shares	H ₀ : Accept H ₁ : Reject

The results, as tabulated in Table 1, are mixed with 26 shares show positive abnormal returns and 22 shares indicate negative abnormal returns. However, the t-statistics for all the 48 shares are not significant at 5% level. In this connection, the null hypothesis that states that "the average return of a period of 30 days before the 30 days prior to share repurchases programmes announcements is not significantly different from the average return for the 30 days prior to share repurchases programmes announcements" is accepted. This means abnormal share returns do not exist in each of the 48 shares during the period 30 days prior to share repurchases programmes announcements by companies. Finally, the average market-adjusted abnormal return for the population before share repurchases programmes announcements has a t-statistic not significant at 5% level. Please refer to Appendix 2 for details. Appendix 2 compares the mean of 1st 30 days before

with the average 2nd 30 days before. In addition, it also tabulates the mean paired t-test for all 48 shares in the sample.

After-After Share Repurchases Programmes Announcements (market-adjusted abnormal returns)

Table 2 : After-After Announcements (Market-adjusted abnormal returns)

<i>Comparison of 30-day mean</i>			
Scenario	Abnormal Returns	t-stat	Remarks
After-After Announcements (Market-adjusted abnormal returns)	+ve : 28 shares	Non-sig. : 46 shares	H ₀ : Accept
	-ve : 20 shares	Sig. : 2 shares	H ₁ : Reject
			H ₀ : Reject
			H ₁ : Accept

The results, as tabulated in Table 2, are mixed with 28 shares show positive abnormal returns and 20 shares indicate negative abnormal returns. The t-statistics for 2 shares namely Berjaya Group and Hong Leong Properties Berhad are significant at 5% level. Thus, the null hypothesis that states that "the average returns of the 30 days following the 30 days after the share repurchases programmes announcement are not significantly different from the average returns of the 30 days after the share repurchases programmes announcements" is rejected. The alternative hypothesis that states that "the average returns of the 30 days following the 30 days after the share repurchases programmes announcements are different from the average returns of the 30 days after the share repurchases programmes announcements" is accepted. This means abnormal share returns exist in each of the 2 shares during the period of 30 days after the share repurchases programmes announcements. However, the t-statistics for the rest of the 46

shares are not significant at 5% level. In this connection, the null hypothesis that states that "the average return of the 30 days following the 30 days after the share repurchases programmes announcements is not significantly different from the average return for the 30 days after the share repurchases programmes announcements" is accepted. This means abnormal share returns do not exist in each of the rest of the 46 shares during the period of 30 days after the share repurchases programmes announcements by companies. Finally, the average market-adjusted abnormal return for the population after announcements has a t-statistic not significant at 5% level. Please refer to Appendix 3 for details. Appendix 3 tabulates the mean of 1st 30 days after with the average 2nd 30 days after. In addition, it also tabulates the mean paired t-test for all 48 shares in the sample.

Before-After Share Repurchases Programmes Announcements (market-adjusted abnormal returns)

Table 3 : Before-After Announcements (Market-adjusted abnormal returns)

<i>Comparison of 30-day mean</i>			
Scenario	Abnormal Returns	t-stat	Remarks
Before-After Announcements (Market-adjusted abnormal returns)	+ve : 25 shares	Non-sig. : 46 shares	H ₀ : Accept
	-ve : 23 shares	Sig. : 2 shares	H ₁ : Reject H ₀ : Reject H ₁ : Accept

The results, as tabulated in Table 3, are mixed with 25 shares show positive abnormal returns and 23 shares indicate negative abnormal returns. The t-statistics for 2 shares namely United Malayan Land and OYL Industries Berhad are significant at 5% level. Thus, the null hypothesis that states that "the average returns of the 30 days following the share repurchases

programmes announcement are not significantly different from the average returns of the 30 days before the share repurchases programmes announcements" is rejected. The alternative hypothesis that states that "the average returns of the 30 days following the share repurchases programmes announcements are different from the average returns of the 30 days before the share repurchases programmes announcements" is accepted. This means abnormal share returns exist in each of the 2 shares during the period of 30 days after the share repurchases programmes announcements. However, the t-statistics for the rest of the 46 shares are not significant at 5% level. In this connection, the null hypothesis that states that "the average return of the 30 days following the share repurchases programmes announcements is not significantly different from the average return for the 30 days before the share repurchases programmes announcements" is accepted. This means abnormal share returns do not exist in each of the rest of the 46 shares during the period of 30 days after the share repurchases programmes announcements by companies. Finally, the average market-adjusted abnormal return for the population after announcements has a t-statistic not significant at 5% level. Please refer to Appendix 4 for details. Appendix 4 tabulates the mean of 1st 30 days after with the average 1st 30 days before. In addition, it also tabulates the mean paired t-test for all 48 shares in the sample.

Before-After Share Repurchases Programmes Announcements (share returns)

Table 4 : Before-After Announcements (share returns)

<i>Comparison of 30-day mean</i>			
Scenario	Abnormal Returns	t-stat	Remarks
Before-After Announcements (share returns)	+ve : 24 shares	Non-sig. : 47 shares	H ₀ : Accept
	-ve : 24 shares	Sig. : 1 shares	H ₁ : Reject H ₀ : Reject H ₁ : Accept

The results, as tabulated in Table 4, are mixed with 24 shares show positive abnormal returns and 24 shares indicate negative abnormal returns. The t-statistics for 1 share namely OYL Industries Berhad are significant at 5% level. Thus, the null hypothesis that states that “the average returns of the 30 days following the share repurchases programmes announcement are not significantly different from the average returns of the 30 days before the share repurchases programmes announcements” is rejected. The alternative hypothesis that states that “the average returns of the 30 days following the share repurchases programmes announcements are different from the average returns of the 30 days before the share repurchases programmes announcements” is accepted. This means abnormal share returns exist in this share during the period of 30 days after the share repurchases programmes announcements. However, the t-statistics for the rest of the 47 shares are not significant at 5% level. In this connection, the null hypothesis that states that “the average return of the 30 days following the share repurchases programmes announcements is not significantly different from the average return for the 30 days before the share repurchases programmes announcements” is accepted. This means abnormal share returns do not exist in each of the rest of the 47 shares during the period of 30 days after the share repurchases programmes announcements by companies. Finally, the

average market-adjusted abnormal return for the population after announcements has a t-statistic not significant at 5% level. Please refer to Appendix 5 for details. Appendix 5 tabulates the mean of 1st 30 days after with the average 1st 30 days before. In addition, it also tabulates the mean paired t-test for all 48 shares in the sample.

5.1.2. Average Abnormal Returns and Cumulative Abnormal Returns

Table 5 : Average Abnormal Returns and Cumulative Abnormal Returns

Average Abnormal Returns
<ul style="list-style-type: none"> Statistically non-significant for each of the average abnormal returns for period t=-30 to t=30 except t=-17, t=-14 and t=26
Cumulative Abnormal Returns
<ul style="list-style-type: none"> Statistically non-significant for each of the cumulative abnormal returns for period t=-30 to t=30 except t=-23

Table 5 summarised the overall results for average abnormal returns and cumulative abnormal returns. The t-statistic for each of the average abnormal returns is statistically non-significant except for t= -17, t= -14 and t= 26. Likewise, the t-statistic for each of the cumulative abnormal returns is also statistically non-significant except for t= -23. Overall, the results indicate a non-significant market reaction to open market share repurchases programmes announcements around the announcement day. Please refer to Appendix 6 and 7 for details. Appendix 6 and 7 summarise the average abnormal returns and cumulative abnormal returns for the sample for a period from t=-30 to t=30 around the announcement day respectively.

5.2 Discussion on Results

5.2.1 Comparison with USA Results

This empirical study documents a majority non-significant positive or negative market reaction to open market share repurchases programmes announcements around the announcement day, and 30-day before and after the announcement day. Firstly, the findings are inconsistent with those studies conducted in the USA : Vermaelen (1981) computes a two-day (day -1 and day 0) average abnormal return of 3.37%, Comment and Jarrell (1991) report a 2.3% average three-day excess return. Secondly, the magnitude and directions of the market reaction are relatively inconsistent when compared to that presented in the literature review. Both Vermaelen, and Comment and Jarrell document that the positive announcement affect reverses the under performance preceding the repurchases announcements and stabilises the market price at a higher level. In addition, Ikenberry, Lakonishok and Vermaelen (1995) report that a -3.07% of abnormal returns prior to announcement measured from days $t=-20$ to $t=-3$ and a 3.5% of abnormal returns measuring from day $t=-2$ to day $t=2$. Finally, Ikenberry, Lakonishok and Vermaelen (2000) document a less than 1% of abnormal return in the announcement month for their study in Toronto Stock Exchange.

5.2.2 Summary

In a nutshell, the positive information about the company's future performance ie the signalling effect, Jensen's free cash flow hypothesis and Ikenberry and Vermaelen's insider-trading hypothesis contradict to the Malaysian market's views on the open market share repurchases programmes announcements. The overall non-significant empirical results could be caused by the lack of confidence with the local capital market, and the regional political and financial uncertainties. Besides that, the uncertainty with the rules and regulations governing this share repurchases in Malaysia has also contributed heavily to the non-significance of the above empirical results. As mentioned

earlier, it is undeniable that the amendments on provision 67A brought about by the Companies (Amendment) (No.2) Act 1998 has significantly changed the nature of share repurchases in Malaysia. Therefore, both the local and foreign investors would prefer take a wait-and-see approach on these share repurchases programmes announcements rather than react positively or negatively towards the announcements.