CHAPTER 6 : CONCLUSION

Share repurchases are important corporate events and have been announced with increasing frequency in recent years in the USA. Earlier research reports the evidence of short-term and long-term abnormal returns following open market share repurchases programmes announcements made by the US companies. The Canadian's experience is similar to the research evidence obtained for US repurchases. Therefore, in the short-term, share repurchases can be used to return surplus capital to the shareholders, which is preferred by them. Consequently, boosting up the price of its shares even though in amidst of a depressed share market and lack of immediate investment opportunities. Furthermore, share repurchases are also a useful mechanism for companies to manage their capital structure efficiently and avoid becoming takeover targets in hostile bids. Last but not least, a share repurchases programme is usually regarded as a sign of confidence in the company's future, thereby effectively creating a market and boosting its share prices. However, this will have to be evaluated on a case-by-case basis as the contrary market reaction is reported for Malaysian market. Finally, the impact of share repurchases programmes announcements on share prices behaviour vary from share to share depending on the following:

- The degree of under-performance prior to the share repurchases programmes announcements;
- The target percentage of shares sought;
- The stated reason of the repurchases;
- The company size, and
- The book-to-market ratio of the repurchasing company.

The next interesting question would be "If a company decides to purchase its own shares, should you buy some too?" There is no law that required a company to carry out the share repurchases programme after it has been announced. A company can easily announce a share repurchase programme simply to inflate the price of its shares and then turnaround and sell its shares;

the classic pump and dump. Hence, the solution to the above question depends on the answers given to the following questions:

- Has the company implemented a share repurchases programme in the past? If so, how did the share perform after the program was announced and implemented?

- How will the share repurchases programme be financed? If a company has significant long-term debt, chances are that more debt will be issued to finance the repurchase. Beware of this, excessive debt financing can make your investment much more risky.

- Are insiders also repurchasing shares? It would be rather strange if the company as a whole wanted to repurchase shares but the individual managers and executives do not want to hold more shares in their private accounts.

LIMITATIONS

The research data is subjected to other announcements effects such as quarterly earnings, dividends, right issues, bonus issues, debt restructuring and so on which may influence the share price behaviour during the period of study. This is especially true when Malaysia is facing an economy recovery period. In addition, the sample of this study might not be large enough and the period of study might be too short relative to those empirical studies presented in the literature review as, in Malaysia, share repurchases are introduced since 1 September 1997. Nevertheless, this study could serve as an exploratory research.

RECOMMENDATIONS

This study can be extended by expanding the coverage of the periods in order to get more robust results. In addition, this will also investigate the full impact of corporate announcements, which can extend over several years. This will add to a growing body of literature that finds the market reaction to news is not always completed over short time periods, an assumption made in many event studies. Finally, research can also be carried out on the effect of actual share repurchases activities on corporate performance.