

Market Reaction of Share Buyback Programs: A Study of Select Indian IT Firms

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ABSTRACT

This study investigates the market reaction to buyback in India. For this purpose, a sample of 13 buyback offers from 04 Indian IT Companies was selected from 2016 to 2022. A standard event study methodology analyses the data to reach logical findings and conclusions. Using event research techniques to calculate the AAR and CAAR, the paper examines the company and year-wise performance of 13 buyback offers made by Indian IT companies between 2016 and 2022. The findings show inconsistent average abnormal returns for all sample IT enterprises. The study found that one of the main reasons for buying back shares is to distribute excess cash, not to signal under valuation. The little announcement effect of buyback on select IT companies concludes that the frequency of buyback announcement(s) only sometimes positively impacts share price returns. The results of the event study methodology have found no significant impact of repurchase announcements on shareholders' wealth. The study concludes that the Indian stock market maintains efficiency; repurchase announcement(s) could swiftly absorb share(s) prices. The study targeted the top four Indian IT companies that have repeated share repurchase programs for the last six years. AAR's mixed result shows no significant

impact on investors' minds after the announcement. The study suggests that investors are willing to invest in growth-oriented companies rather than withdraw investment from them. Since our research is limited to IT, the result may differ for other sectors. Thus a comprehensive analysis of different sectors is required for comparison.

Keywords: Buyback of shares, Event study, Indian IT Companies, Share price performance, shareholders' wealth.

1. INTRODUCTION

In recent years, Indian corporations witnessed a restructuring revolution. Corporate restructuring is the management action that denotes significant reorientation of the company's capital structure to alter the quality and quantity of future cash flows. Companies earn a considerable profit and use their income more profitably. Without optimal project or positive NPV opportunities, companies return some of their profit to shareholders instead of building a cash stockpile.

Corporations use cash dividends and/or buyback of shares as two primary pay-out methods of cash distribution to shareholders, which influence not only stock price return but also the company's financial ratios. There was a significant shift

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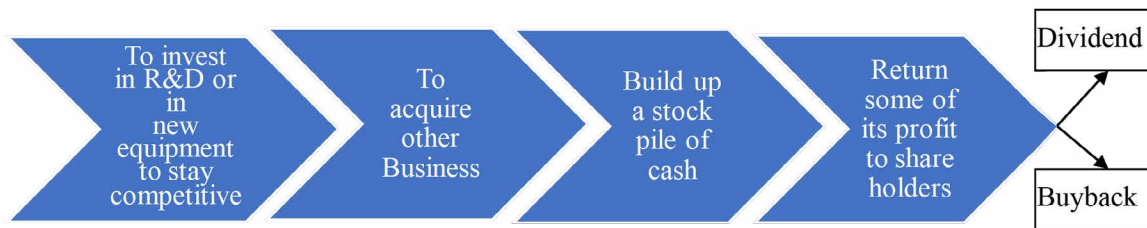


Figure 1: Flow Chart representing use of Company's Profit

in the behaviour of Indian companies in making cash generation/distribution in FY 2016-21. The number of firms announcing buyback of shares programs has increased steadily since 2016. The number of outstanding shares was reduced through buybacks, thus enhancing earnings per Share and investor sentiments. Generally, the market interprets a buyback of Shares as a positive signal. The relationship between corporate action (buyback of shares) and share prices has been a part of finance literature and empirical research. The present study identifies the recent pay shift in the Indian capital market.

The literature review revealed a significant change in buyback announcements in India, especially in the IT sector. This study investigates the impact of buyback announcements by Indian IT companies on the share price.

2. REVIEW OF LITERATURE

A broader understanding of historical research and events on buybacks of shares in Indian and foreign countries is provided in this paper to assist in analyzing and interpreting the results.

Buyback has a favourable effect on the market, (Kumar, 2017) (Farooq, 2016) (Gupta, 2016) (Kaur & Danda, 2014) (Harikrishna & Ramana, 2014)

(Nohel&Tarhan, 1998) Dann, 1981) and (Jenson, 1986). Studies by (Chatterjee & Mukherjee, 2015), (Arora 2012), (Jariwala,2011) and (Ishwar and Chrippa, 2016) showed a negligible influence on the market's response to buyback announcements.

Hyderabad (2009) reveals a higher market response in India compared to the US and UK, indicating increased information asymmetry, using a 41-day event window for 1999–2007. On the other hand, (Ishwar & Crippra, 2010) looked at how the market responded to buyback announcements in India from 1996 to 2006 and discovered that the announcement added no new information to the market. As a result, the AR during the event is negative and inconsequential. Following share buybacks (Kumar, 2017) noted an increase in the financial performance of the firms as well as the value of equity shareholders.

The value of equity stockholders is increased via share buybacks. They momentarily raise prices, but investing in the future is the best method to grow value (Edmans, 2017). (Dave, 2018) discovered a generally favourable abnormal return in the shortterm. Still, examining the long-term impacts, he found that events produced negative returns for the first two years and then showed positive returns

afterwards. According to (Ong & Ng, 2018), perception of market valuation is not one of the firm characteristics influencing share repurchase announcements in Malaysia, as investors are more likely to invest in a growth opportunities company.

A study by (Bukalska et al., 2018) did not support any of the hypothesis that might help explain market reaction patterns. According to the study, the market's reaction to a share repurchase announcement is only temporary. (Tasdemir & Alsul, 2019) concluded that share repurchase announcements produced statistically significant cumulative abnormal returns before and after the announcement date. (Dayanandan et al., 2020) found that companies with significant promoters' interests tend to experience stronger market reactions and improved liquidity following the announcement. Unlike tender offers, open market buybacks increase market liquidity. Liquidity improves much more for companies with many promoters. Short-term repurchase agreements boost liquidity more than longer-term ones. (Guo, 2020) found an excellent demand for buyback shares to reward shareholders and rejuvenate the stock market.

(Anolick et al., 2021) examined uncertainty as a predictor of positive average anomalous announcement returns governance, liquidity, and control factors. They discovered that both economic policy and financial uncertainty, separately and in combination, had a beneficial impact on abnormal returns. Dwivedi and Nandan studied the effect of repeated buyback announcements on share price returns by an Indian IT company in 2021. They found that it needs to be clarified if the buyback announcement will positively affect stock prices due to inconsistent returns around

the event date. They further interpreted that Indian stock markets have not responded as the corporation had anticipated, suggesting buyback announcements did not significantly impact during event times.

(Clarke, 2022) examines abnormal returns after firms stop buying back shares. He finds that firms are experiencing positive abnormal returns after stopping the buyback of shares. They also concluded that major companies and those frequent repurchases do so only after measuring prior post-buy-back anomalous returns. (Yadav, 2022) examines the impact of share buyback on Indian IT firms. She discovered that every IT company in the sample had negative average abnormal returns, indicating that the Indian stock market is particularly effective in assimilating all available information on IT enterprises. (Dwivedi et al., 2022) examined the share market behaviour of two significant Indian IT companies around a buyback event over four periods. The market reacted similarly to TCS and Infosys' post-buyback share pricing behaviour, and investors who chose to sell their shares may now be satisfied with their decision. TCS's price fluctuation and increased risk exceeded Infosys's throughout the four periods.

2.1 Share Buyback in the Indian Market

Share buyback by Indian companies started in 1998 with the amendment of the Indian Companies Act, 1956, and the SEBI (Buyback of Securities) Regulations in 1998. In India, the New Companies Act 201 regulates the buyback of shares under sections 68, 69, and 70 with SEBI (Buyback of Securities) Regulations, 2018.

The buyback of shares is preferred to reward shareholders, and it has gained

momentum in India since FY 2016-17. Indian companies listed in the Indian stock market have been paying out excess cash to investors. Their growth has been strategically driven to eat away the shares' domestic float, adding earnings per share

and surging market price. FY 2016-17 to FY 2021-22 recorded increasing buyback offers 49, 59, 63, 52, 61, and 40 from cash-rich Indian companies. Refer to Table 1.

Table 1: Trend of Buyback of Shares in India

Financial Year	Buyback Amount (Rs. crore)	No. of An- nouncements
1998-99	1	1
1999-00	300	12
2000-01	1,297	14
2001-02	2,154	27
2002-03	1,011	31
2003-04	52	8
2004-05	3,600	11
2005-06	363	10
2006-07	295	7
2007-08	2,004	10
2008-09	4,218	46
2009-10	824	20
2010-11	4,295	20
2011-12	13,765	31
2012-13	1,694	21
2013-14	11,380	32
2014-15	605	10
2015-16	1,834	16
2016-17	34,468	49
2017-18	53,307	59
2018-19	55,587	63
2019-20	19,972	52
2020-21	39,295	61
2021-22	31,316	40

Source: <http://www.primedatabase.com> accessed on 3/07/2022

3. DATA SOURCE, SAMPLE, AND ANALYTICAL PROCESSING

Secondary data drawn from BSE historical share prices are more homogeneous in formats and reliable. The first Indian IT company to announce buyback in 2016-17. Thus, the sample data consists of BSE-listed Indian IT companies from 2016-2022. The sample is 13 buyback announcements by 4 top Indian IT companies. A standard event study methodology analyzes the data to reach logical findings and conclusions. We apply the market model through which Abnormal Return (AR) is calculated for each company individually, and the average of these returns gives the Average Abnormal Return (AAR). The first step is to identify the event date on which the announcement was made.

This date is designated as 0 days. Subsequently, we make the window for 41 days as -20 to +20, where -1 to -20 is the pre-announcement period, and 1 to 20 is the post-announcement period. For each selected company, the daily return is calculated for this window. The return for security is calculated as

$$R_{it} = \ln(P_{it}) - \ln(P_{it-1}),$$

where P refers to the closing price of the security i and for the market

$$R_{mt} = \ln(I_t) - \ln(I_{t-1}),$$

where I is the index return for security i at period t.

Market Model: The market model shows the linear relationship between individual stock returns and market returns. The extent of the security's responsiveness as measured by the beta. This model is most potent in detecting AR.

$$ER_{it} = \alpha_i + \beta_i (R_{mt}) + e_{it}$$

Abnormal Return (AR): AR is the difference between the actual and expected return. In the event study, we usually take AAR rather than AR for each company separately. To compute AAR, we take the average of abnormal returns.

$$AR = R_{it} - ER_{it}$$

The average of daily abnormal returns calculates the average abnormal return.

$$AAR = 1/N \sum_{t=-a}^a AR$$

Calculate cumulative average abnormal returns (CAAR) by cumulating daily average abnormal returns over the window period.

$$(CAAR_d) = \sum AAR_t$$

4. DATA ANALYSIS AND DISCUSSION

A sample of 13 buyback offers from four IT companies for 2016-17 to 2021-22 has been selected. The sample includes 2 Open market Offers and 11 Tender offers. These are broken down into company-wise and year-wise announcements.

4.1 Impact of Buyback Announcement(s): Year-wise Analysis

The significance levels of average abnormal return (AAR) and cumulative average abnormal return (CAAR) have been tested at 10%, 5%, and 1%. Table 2 reflects year-wise information relating to AAR and CAAR for the complete sample. It is observed that on announcement day, AAR for 2016-17 to 2021-22 is -0.87 per cent, 0.46 per cent, -0.21 per cent, 0.00 per cent, -1.30 per cent, and -0.40 per cent, respectively. AAR with t-statistics for a 41-day window span shows relatively little

difference in AAR values before and after the announcement. On announcement day, the AAR for sample buyback was positive only in 2017–18, whereas other years reported negative returns. AAR is negative for most days before the announcement date, indicating that companies might use buyback to signal undervaluation. Post-announcement companies get more positive and significant responses in their respective years. The analysis found that AAR was positive around the prior days to the announcement, similar to post-dates for all years. It indicates that the market

had some idea regarding the event’s announcement.

Analysis shows that AAR is mainly positive the next day of the announcement for all years (except FY 2017-18, which found little negative result), indicating that the market reacts positively to the event’s announcement. After that, it shows the mixed result of AAR, the same as the pre-announcement event window period. This reflects the concise announcement effect, and the market stabilized based on the previous trend.

Table 2: Year-wise movement of AAR and CAR for frequent buyback announced by four IT Companies

Year	2016-17			2017-18			2018-19			2019-20			2020-21			2021-22		
No. of Offers	1			4			3			1			2			2		
Day	AR	t-stat	CAR	AAR	t-stat	CAAR	AAR	t-stat	CAAR	AR	t-stat	CAR	AAR	t-stat	CAAR	AAR	t-stat	CAAR
-20	-1.01	-0.81	-1.01	-0.75	-1.28	-0.75	0.16	0.15	0.16	-0.29	-0.13	-0.29	-1.70	-1.70***	-1.70	0.49	0.66	0.49
-19	0.36	0.29	-0.65	0.50	0.85	-0.25	1.45	1.33	1.61	-0.68	-0.32	-0.96	0.46	0.46	-1.24	0.99	1.32	1.48
-18	-0.18	-0.15	-0.83	0.12	0.20	-0.13	0.26	0.24	1.87	-0.10	-0.05	0.91	-0.16	-0.16	-1.40	0.85	1.13	2.34
-17	0.03	0.02	-0.80	0.03	0.04	-0.11	-1.37	-1.26	0.50	-0.55	-0.26	0.36	1.74	1.74***	0.34	-0.51	-0.68	1.82
-16	-0.66	-0.53	-1.46	-0.09	-0.15	-0.19	-0.50	-0.46	0.00	2.33	1.09	0.36	-2.41	-2.42	-2.07	-1.11	-1.47	0.72
-15	-1.80	-1.44	-3.26	-0.89	-1.53	-1.08	1.42	1.31	1.42	-0.32	-0.15	0.04	-0.20	-0.20	-2.28	-0.54	-0.72	0.18
-14	0.86	0.69	-2.40	0.31	0.54	-0.77	-1.49	-1.37	-0.07	-0.01	0.00	-0.03	-0.30	-0.30	-2.58	-0.34	-0.45	-0.16
-13	-0.27	-0.22	-2.67	-0.25	-0.43	-1.02	0.09	0.09	0.02	1.10	0.52	1.08	1.68	1.68***	-0.90	-0.55	-0.73	-0.72
-12	-0.49	-0.39	-3.16	0.49	0.84	-0.53	0.73	0.67	0.76	2.60	1.21	1.84	-0.81	-0.81	-1.71	-1.29	-1.72***	-2.01
-11	-1.07	-0.86	-4.23	0.38	0.66	-0.15	0.10	0.09	0.86	0.13	0.06	1.97	-0.62	-0.62	-2.33	0.41	0.55	-1.60
-10	0.80	0.64	-3.42	-0.50	-0.87	-0.65	-0.70	-0.64	0.16	1.63	0.76	2.13	0.52	0.52	-1.81	0.09	0.12	-1.51
-9	-0.84	-0.67	-4.27	0.32	0.54	-0.34	-0.91	-0.83	-0.75	-0.39	-0.18	1.73	0.48	0.48	-1.34	1.14	1.52	-0.36
-8	-0.03	-0.03	-4.30	0.17	0.30	-0.17	-0.44	-0.41	-1.19	1.25	0.59	0.55	-0.15	-0.15	-1.49	0.54	0.72	0.17
-7	0.69	0.55	-3.61	0.31	0.54	0.15	-1.01	-0.93	-2.19	1.58	0.74	2.13	1.81	1.81***	0.32	-0.01	-0.02	0.16
-6	-0.46	-0.36	-4.07	0.04	0.08	0.19	-0.28	-0.26	-2.47	-1.21	-0.56	-0.34	-2.37	-2.37**	-2.05	0.49	0.65	0.65
-5	-0.24	-0.19	-4.31	-0.05	-0.08	0.15	-0.17	-0.16	-2.65	-1.19	-0.55	-1.53	0.31	0.31	-1.74	0.42	0.56	1.07
-4	0.44	0.35	-3.87	-0.11	-0.18	0.04	1.00	0.92	-1.65	0.00	0.00	-3.18	0.12	0.12	-1.63	-0.45	-0.60	0.62
-3	-0.11	-0.09	-3.98	-0.67	-1.15	-0.63	-0.29	-0.27	-1.94	0.31	0.15	-2.86	-0.38	-0.38	-2.01	0.21	0.28	0.83
-2	0.89	0.71	-3.09	0.28	0.49	-0.34	1.04	0.95	-0.90	-0.26	-0.12	-3.77	-0.08	-0.08	-2.09	0.45	0.60	1.29
-1	1.16	0.92	-1.94	-0.43	-0.73	-0.77	-0.45	-0.41	-1.35	-1.35	-0.63	-5.12	0.37	0.37	-1.72	-0.47	-0.62	0.82
0	-0.87	-0.70	-2.81	0.46	0.79	-0.32	-0.21	-0.19	-1.56	0.00	0.00	-6.67	-1.30	-1.30	-3.02	-0.40	-0.54	0.41
1	0.50	0.40	-2.31	-0.08	-0.15	-0.40	1.19	1.10	-0.36	1.11	0.52	-5.57	0.41	0.42	-2.61	1.72	2.29**	2.13

2	0.75	0.60	-1.57	-0.02	-0.03	-0.42	0.81	0.74	0.44	-1.50	-0.70	-5.13	-1.02	-1.02	-3.62	-0.07	-0.09	2.06
3	-0.24	-0.19	-1.81	0.23	0.39	-0.19	0.08	0.07	0.52	-2.11	-0.99	-7.24	1.53	1.53	-2.09	1.52	2.03**	3.59
4	0.46	0.37	-1.35	-0.64	-1.10	-0.83	0.15	0.13	0.67	-0.02	-0.01	-6.57	-0.47	-0.47	-2.57	-0.10	-0.13	3.49
5	0.38	0.30	-0.97	-0.44	-0.76	-1.27	-0.10	-0.10	0.56	0.39	0.18	-6.18	-0.10	-0.10	-2.67	0.09	0.12	3.58
6	-0.15	-0.12	-1.12	-0.21	-0.36	-1.48	0.35	0.32	0.91	0.15	0.07	-5.27	0.46	0.46	-2.21	-1.18	-1.57	2.40
7	0.50	0.40	-0.61	0.49	0.85	-0.99	0.09	0.08	1.00	-0.54	-0.25	-5.80	-0.51	-0.51	-2.72	-1.06	-1.41	1.34
8	0.09	0.07	-0.52	0.81	1.39	-0.19	0.99	0.91	1.99	-0.14	-0.07	-3.82	-0.50	-0.50	-3.22	-0.92	-1.23	0.41
9	0.29	0.23	-0.24	1.17	2.01**	0.98	-0.06	-0.05	1.93	-0.24	-0.11	-4.06	0.23	0.23	-2.99	-0.80	-1.07	-0.39
10	-1.07	-0.85	-1.30	-0.45	-0.78	0.53	0.92	0.84	2.85	0.05	0.02	-1.21	-0.40	-0.40	-3.39	0.96	1.28	0.57
11	-0.96	-0.77	-2.27	0.02	0.04	0.55	0.56	0.51	3.40	2.64	1.23	1.42	0.58	0.58	-2.81	-0.35	-0.47	0.22
12	2.51	2.00**	0.24	0.19	0.33	0.74	1.01	0.92	4.41	0.54	0.25	5.83	-0.68	-0.68	-3.48	0.09	0.12	0.31
13	0.23	0.18	0.47	0.71	1.22	1.45	-0.61	-0.56	3.80	1.92	0.90	7.75	1.99	1.99**	-1.50	0.31	0.41	0.62
14	1.73	1.38	2.20	-1.23	-2.12**	0.22	0.40	0.37	4.20	-1.54	-0.72	11.95	0.13	0.13	-1.37	0.25	0.33	0.86
15	0.34	0.27	2.54	-0.77	-1.32	-0.55	-0.46	-0.43	3.74	-0.48	-0.22	11.47	0.11	0.11	-1.27	-0.28	-0.38	0.58
16	2.01	1.61	4.55	-0.15	-0.26	-0.70	0.28	0.25	4.01	2.21	1.03	15.48	0.57	0.57	-0.70	0.83	1.10	1.40
17	-7.09	-5.66**	-2.54	0.35	0.59	-0.36	-2.01	-1.85***	2.00	1.02	0.48	16.50	-0.47	-0.47	-1.17	0.58	0.77	1.98
18	-0.16	-0.13	-2.71	-0.10	-0.17	-0.46	4.73	4.35*	6.73	-0.55	-0.26	23.23	-1.02	-1.03	-2.19	-0.83	-1.10	1.16
19	-0.57	-0.46	-3.28	1.62	2.79*	1.16	-1.11	-1.02	5.63	-1.27	-0.59	21.97	1.01	1.01	-1.18	-1.22	-1.62	-0.06
20	-0.35	-0.28	-3.63	1.22	2.10**	2.38	-0.15	-0.13	5.48	1.18	0.55	27.45	-0.67	-0.68	-1.85	-0.10	-0.14	-0.17

Note: AAR & CAR in percent*, ** and *** indicate significant at 1%, 5% and 10% levels

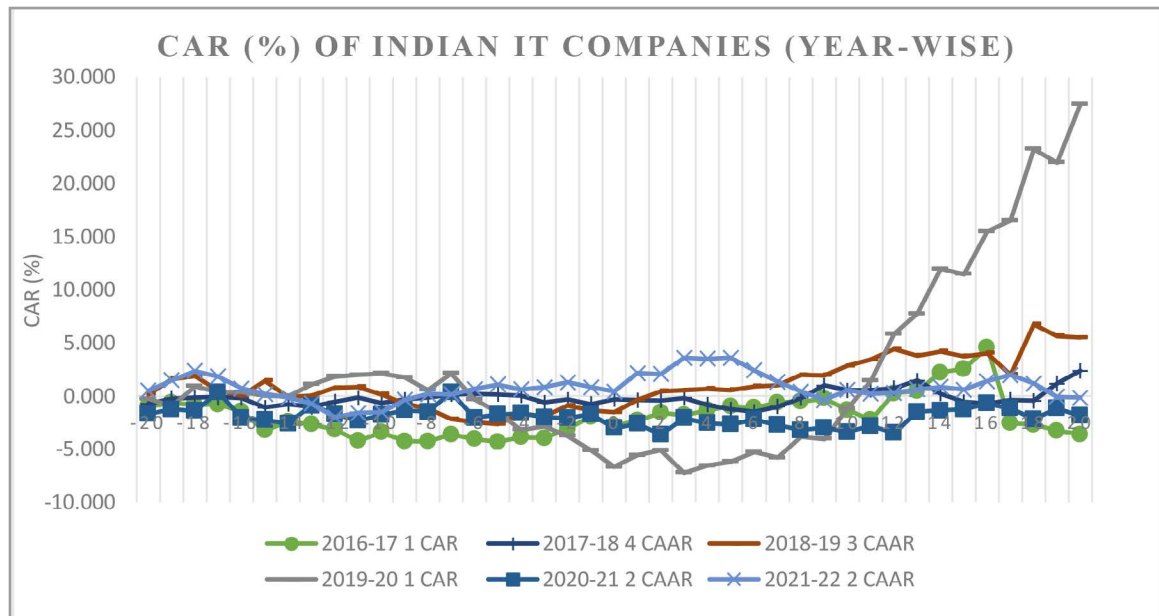


Figure 2: CAR (%) of four IT companies (year-wise)

On analysis of the CAR announcement date, FY2019-20 reported a more positive and high response than other years. In the pre-COVID and post-COVID period(s), companies had mixed

reactions, which were reflected in share prices. Post-COVID, FY2019-20 received a substantially high response from the market after the announcement, but in FY2020-21 and FY2021-22, market

response to buyback announcements was found to be indifferent(refer to figure 2).

4.2 Impact of Buy-Back Announcement(s): Company-wise Analysis

company-wise movement of AAR and CAAR for sample companies. The analysis of Table 3 found that on announcement day, AAR for TCS was -0.70 per cent, Infosys 0.63 per cent, Wipro -0.05 per cent, and HCL 0.99 per cent.

Table 3 provides information on the

Table 3: Company-wise Movement of AAR and CAR for frequent buyback Announced select IT Companies

Compa-ny Name	TCS			INFOSYS			Wipro			HCL Tech		
No of Offers	4			3			4			2		
Event day	AAR	t-stat	CAAR	AAR	t-test	CAAR	AAR	t-test	CAAR	AAR	t-test	CAAR
-20	-0.70	-1.01	-0.70	-0.69	-0.82	-0.69	-0.58	-0.92	-0.58	0.48	0.36	0.48
-19	1.73	2.48**	1.03	-0.23	-0.27	-0.91	0.37	0.59	-0.21	0.59	0.44	1.07
-18	0.04	0.06	1.07	1.37	1.64***	0.46	-0.11	-0.17	-0.31	-0.75	-0.56	0.32
-17	-0.23	-0.33	0.85	-0.19	-0.22	0.28	0.54	0.87	0.23	-1.39	-1.04	-1.07
-16	-1.43	-2.06**	-0.59	0.31	0.37	0.58	-0.17	-0.28	0.06	-0.86	-0.64	-1.92
-15	0.40	0.57	-0.19	0.31	0.38	0.89	-0.89	-1.43	-0.83	-0.93	-0.70	-2.86
-14	0.23	0.33	0.04	-0.87	-1.05	0.02	-0.42	-0.67	-1.25	-0.14	-0.11	-3.00
-13	0.10	0.14	0.14	-0.36	-0.43	-0.33	0.30	0.49	-0.95	0.91	0.68	-2.09
-12	-1.16	-1.66***	-1.02	-0.06	-0.07	-0.39	1.06	1.69***	0.11	1.31	0.98	-0.78
-11	0.34	0.49	-0.68	0.17	0.21	-0.22	-0.39	-0.62	-0.28	0.08	0.06	-0.70
-10	-0.31	-0.45	-0.99	-0.37	-0.45	-0.59	0.99	1.59	0.72	-1.03	-0.77	-1.73
-9	-0.20	-0.29	-1.19	0.67	0.80	0.08	-0.19	-0.31	0.53	0.06	0.04	-1.67
-8	-0.09	-0.13	-1.29	-0.33	-0.39	-0.25	0.09	0.14	0.62	1.17	0.88	-0.50
-7	0.01	0.01	-1.28	-0.74	-0.89	-0.99	1.51	2.42**	2.13	0.12	0.09	-0.38
-6	-1.00	-1.44	-2.28	0.48	0.58	-0.51	-0.41	-0.65	1.72	-0.95	-0.71	-1.33
-5	0.10	0.14	-2.18	-0.18	-0.22	-0.69	-0.27	-0.43	1.46	0.27	0.20	-1.06
-4	-0.17	-0.24	-2.35	-0.36	-0.43	-1.05	0.27	0.44	1.73	1.49	1.12	0.44
-3	-1.21	-1.74***	-3.57	0.25	0.30	-0.80	-0.24	-0.38	1.49	0.68	0.51	1.12
-2	0.31	0.44	-3.26	1.31	1.58	0.52	0.25	0.40	1.74	-0.28	-0.21	0.84
-1	-0.58	-0.83	-3.84	-0.35	-0.42	0.17	-0.23	-0.36	1.52	0.41	0.30	1.25
0	-0.70	-1.00	-4.53	0.63	0.75	0.79	-0.05	-0.08	1.47	-0.99	-0.74	0.25
1	1.42	2.03**	-3.11	0.72	0.86	1.51	0.09	0.15	1.56	0.47	0.35	0.72
2	0.00	0.00	-3.11	-0.38	-0.46	1.13	-0.66	-1.06	0.90	1.60	1.20	2.32
3	0.77	1.11	-2.34	0.82	0.99	1.95	-0.43	-0.69	0.47	0.52	0.39	2.84
4	-0.68	-0.98	-3.02	0.06	0.07	2.01	-0.04	-0.06	0.44	-0.06	-0.04	2.78
5	0.09	0.13	-2.93	-0.43	-0.52	1.58	-0.02	-0.04	0.41	-0.16	-0.12	2.62
6	-0.46	-0.66	-3.39	0.09	0.10	1.67	0.34	0.55	0.75	-0.50	-0.38	2.12

7	-1.34	-1.93***	-4.73	1.16	1.39	2.82	0.57	0.92	1.33	-0.67	-0.50	1.45
8	0.32	0.47	-4.41	-0.07	-0.09	2.75	-0.26	-0.42	1.07	1.63	1.21	3.07
9	0.34	0.49	-4.07	-0.77	-0.92	1.99	1.01	1.62	2.07	0.15	0.11	3.23
10	0.13	0.19	-3.94	-0.37	-0.44	1.62	-0.19	-0.30	1.89	1.19	0.89	4.41
11	0.21	0.30	-3.74	0.40	0.48	2.02	0.63	1.01	2.52	-0.33	-0.24	4.09
12	0.45	0.65	-3.29	0.46	0.55	2.47	0.46	0.74	2.98	0.31	0.23	4.40
13	0.86	1.24	-2.42	-0.52	-0.62	1.96	0.83	1.34	3.82	1.24	0.93	5.64
14	-0.42	-0.61	-2.84	-0.87	-1.04	1.09	0.25	0.40	4.07	0.24	0.18	5.88
15	0.31	0.44	-2.54	-1.12	-1.34	-0.03	-0.38	-0.60	3.69	-0.67	-0.50	5.21
16	0.65	0.94	-1.88	0.00	0.00	-0.03	1.41	2.26**	5.10	-0.51	-0.38	4.71
17	-0.45	-0.64	-2.33	-0.34	-0.40	-0.36	-1.68	-2.69*	3.42	-0.50	-0.37	4.21
18	0.31	0.44	-2.02	3.71	4.45*	3.34	-0.55	-0.87	2.88	-0.39	-0.29	3.82
19	0.13	0.19	-1.89	-0.36	-0.44	2.98	0.11	0.17	2.98	0.52	0.39	4.35
20	1.08	1.56	-0.81	-0.43	-0.52	2.54	0.20	0.32	3.18	-0.07	-0.05	4.28

*, ** and *** indicate significant at 1%, 5% and 10% levels

On analyzing the table, four select companies (TCS, Infosys, Wipro and HCL) reported negative and small AAR on the announcement day. AAR is found to be upbeat the next day after the news. Results show that the buyback announcement only affects anomalous returns for some IT businesses in the sample; consequently, it is deemed unimportant. Immediately

after(post-announcement), TCS found positive and significant AAR;the other three companies also got a positive response(s) on the buyback announcement(s). AAR is mainly positive after the announcement date for all four companies, indicating that the market reacts positively to the event announcement.

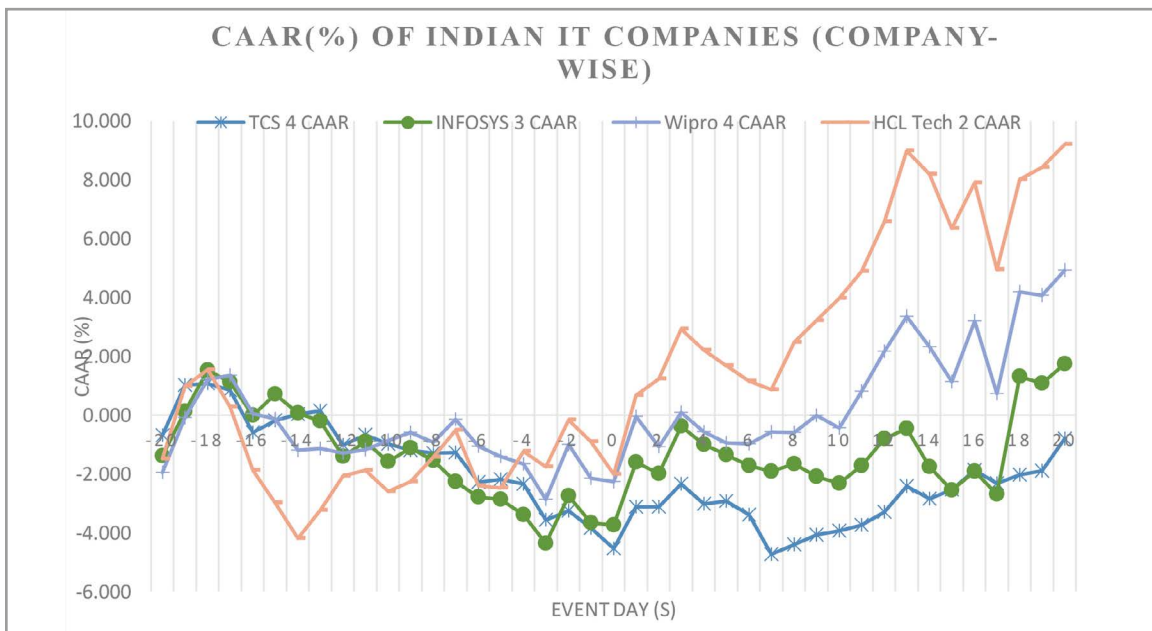


Figure 3: CAR (%) of Indian IT Companies (Company-wise)

The study found cheerful CAAR for Infosys, Wipro, and HCL during the post-announcement period, which supported the signalling hypothesis. The event helps to correct the negative trend in the price of the shares before the announcement. TCS does not support the signalling hypothesis as the market cannot boost the price further. There might be a significant reason for the buyback of TCS, out of excess cashflow and constrained environment for IT firms elsewhere. The mixed effect of buy back in the study shows that buyback announcement(s) failed to impact companies' share prices significantly. AAR is a temporary phenomenon, indicating that the Indian stock market maintains efficiency; repurchase announcement(s) could swiftly absorb share(s) prices. Select IT firms have little announcement effect.

The mixed effect of buyback in the Event Study showed that buyback announcement(s) failed to significantly impact companies' share prices. Select 4 IT companies: TCS, Infosys, Wipro, and HCL have little announcement(s) effect of the buyback event. Based on the mixed results of all 13 buyback Offer(s) announced, the Event Study indicates that buyback announcement(s) did not substantially affect event periods. Year-wise analysis revealed that select companies responded positively to the event in the pre-COVID period (FY 2016-17 to FY 2018-19). Still, immediately after post-COVID, FY 2019-20 got a substantially higher positive response(s) from the market than other financial years, as this year was abnormal due to the confounding event shadow of COVID-19 around the world. During FY 2020-21 and FY 2021-22, responses are found to be indifferent.

The company-wise study found that one of the primary reasons for buying back

shares is to distribute excess cash, not to any signal of under-valuation. The frequency of buyback announcement(s) only sometimes positively impacts share price returns. The study shows that AAR is temporary, indicating that the Indian stock market maintains efficiency; repurchase announcement(s) could swiftly absorb share(s) prices.

5. CONCLUSION

All four companies periodically utilized accumulated profit as a payout mechanism. Based on the mixed results of all 13 buyback announcements, this study suggests that the buyback announcement(s) did not substantially affect event periods. Moreover, the year-wise analysis highlights that companies in pre-COVID (FY2016-17 to FY2018-19) showed positive signals and mixed reactions to the event in some cases. Still, immediately after post-COVID, FY2019-20 got high-level positive signals from the market. Further, during FY2020-21 and FY2021-22, responses are found to be indifferent. A company-wide study found that one of the main reasons for buying back shares is to distribute excess cash and not to signal undervaluation. The little announcement effect of buyback on select IT companies indicates that investors are willing to invest in growth-oriented companies rather than withdraw investment from them. Thus, the study concludes that the frequency of buyback announcement(s) only sometimes positively impacts share price returns.

6. SCOPE OF THE STUDY

In recent years, Indian companies have seen an increase in share buybacks—every recent announcement of a buyback by select IT companies is included in this research. According to the previous study,

investors prefer to invest in companies that offer growth potential, and Indian IT is a growth-oriented sector, especially during pandemics. As a result, the results may vary

for other sectors. Our research is limited to only the IT sector, so a comprehensive analysis of different sectors is necessary to compare.

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