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MISLEADING OR BENEFICIAL? ASSESSING THE EXPLOITATION POTENTIAL OF STOCK BUYBACK ANNOUNCEMENTS IN THE MALAYSIAN STOCK MARKET

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Abstract: In the traditional sense, stock buyback announcements are generally perceived as advantageous news. However, with the evolution of the capital market, some scholars argue that such declarations possess the potential for exploitation as a means to artificially inflate stock prices, thereby deceiving investors. Consequently, within the framework of the Efficient Market Hypothesis and the Theory of Asymmetric Information, we employed an event study approach to empirically investigate 30 listed companies in Malaysia that announced stock buybacks in the before June 2022. To fortify the robustness of our research findings, we employed Market Model and the Fama-French Three-Factor Model to estimate Average Abnormal Returns and Cumulative Average Abnormal Returns. The outcomes indicate that stock buyback announcements are still regarded as favorable news in the Malaysian stock market, bestowing investors with significant positive average cumulative abnormal returns. Nevertheless, the Malaysian capital market may witness premature leakage of stock buyback information, thereby accentuating the existence of information asymmetry. We contend that corporate leadership can harness stock buyback announcements as a mechanism to stabilize stock prices and infuse confidence in investors. Concurrently, market regulators should augment transparency and regulatory measures to ensure fairness among all market participants.

Keywords: Buyback Announcement; Event Study Method; Average Abnormal Returns; Cumulative Average Abnormal Returns; Malaysian Capital Market

JET classification: G14; G32; G38

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INTRODUCTION

Share repurchase, also known as stock buyback, pertains to a capital maneuver wherein a company procures funds to repurchase its own shares from the secondary stock market utilizing cash or debt issuance. Otchere & Ross (2002) contended that stock buybacks have progressively emerged as the most prevalent mechanism for stock management among market investors. Certain scholars posit that share buybacks possess the capacity to refine a company's financial leverage and optimize its capital structure by manipulating the supply of shares (PeiZhi & Ramzan, 2020; Zhu et al., 2014). In recent years, the practice of listed companies engaging in self-directed repurchases of their corporate stock within the market has become a customary financial undertaking.

In the Malaysian context, the practice of share buybacks by companies in the market gained official endorsement from the regulatory authorities overseeing the financial landscape subsequent to the Asian financial crisis in 1997. The oversight of buyback activities was established under Section 67A of the revised Companies Act 1965 and Section 112(2) of the Companies Act 2016. Since then, the disclosure of share buyback announcements has gradually garnered significance within the market's considerations. Khin et al. (2011) noted that the Malaysian stock market, while not fully mature, witnesses investors bestowing heightened attention upon share buyback announcements as a means to accrue profits. Tan (2010) posited that Malaysian firms exhibit a proclivity towards engaging in share buybacks during bear markets, thereby bolstering market confidence.

Within the realm of the capital market, certain scholars posit that stock buybacks convey a positive message regarding future earnings prospects, subsequently triggering a wealth effect that typically uplifts the company's share price (Aït-Sahalia et al., 2012; Raad & Wu, 1995; Vermaelen, 1981). I In the Malaysian context, Isa and Ghani (2011) observed that the primary objective behind stock buybacks is to stabilize the company's share price during periods of market turbulence. However, a degree of skepticism persists among scholars. Stonham (2002) scrutinized stock buyback practices in the U.S. market and contended that there exists flexibility in terms of buyback methodologies, with buybacks conducted in the open market exerting less control over the share price. Similarly, Fried (2005) and Chan et al. (2010) highlighted the potential for managers to announce buybacks merely to convey a misleading signal. Through empirical analysis, they discovered instances wherein companies experienced underperformance in terms of earnings subsequent to announcing a repurchase. Our comprehensive review of the existing literature revealed a dearth of scholarly focus on this phenomenon within the Malaysian context.

Henceforth, the objective of this study resides in the exploration of whether share buyback announcements retain a noteworthy positive influence on a company's stock returns during the post-epidemic era. Drawing upon the tenets of the Efficient Market Hypothesis Theory, we undertake an empirical investigation encompassing 30 publicly listed companies that proclaimed buyback announcements in Bursa Malaysia before June 2022. Employing the Event Study Method, our analysis aims to ascertain whether buyback announcements by listed companies continue to engender substantial cumulative abnormal returns within the post-epidemic era. Additionally, we endeavor to unravel the duration of the impact exerted by buyback announcements on the share price of listed companies.

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The structure of this study is delineated as follows: The subsequent section entails a comprehensive review of pertinent event literature and theory. Section 3 elucidates the Methodology and Data sources employed in this study. In Section 4, we present the empirical findings and furnish a concise elucidation thereof. Finally, Section 5 encapsulates the conclusions derived from this study.

LITERATURE REVIEW
Shares Buyback Announcement

Stock buyback operations have witnessed an increasing prevalence within the market, emerging as a pivotal tool for optimizing a company's capital structure by adjusting its financial leverage through the manipulation of share supply (PeiZhi & Ramzan, 2020; Zhu et al., 2014). Following the aftermath of the Asian financial crisis, Malaysia introduced amendments to Section 67A of the Companies Act, enabling listed companies to engage in the repurchase of their own shares. The underlying objective was to utilize share buybacks as a means of fostering stability in stock prices and instilling confidence within the capital market (Isa & Ghani, 2011; Tan, 2010). Consequently, corporate share buyback endeavors have proliferated in Malaysia, with Hwa & Bacha (2002) surveying 131 prominent Malaysian corporations, out of which 88 had formulated share buyback plans. Grullon & Ikenberry (2000) observed an inverse correlation between share prices of numerous companies and market volatility subsequent to the announcement of a share buyback. This phenomenon engendered substantial interest among investors seeking to capitalize on market news and generate profits within the then-developing Malaysian stock market (Khin et al., 2011).

Prior research has commonly asserted that stock buyback announcements in the open market yield abnormal stock returns over an extended time frame during the buyback period (Baker & Wurgler, 2002; Comment & Jarrell, 1991; Vermaelen, 1980). Nevertheless, through a longitudinal analysis of stock prices of 450 firms spanning from 1984 to 1990, Stephens & Weisbach (1998) discovered the persistence of Abnormal Returns even in the absence of actual stock buybacks following the announcements. In the Malaysian context, Hwa & Bacha (2002) posited that the act of announcing a share buyback program holds greater significance than the actual execution of share repurchases, as more than 65% of the companies in their sample solely made announcements without carrying out the buybacks. Such findings have raised suspicions among academics that company managers may have utilized stock buyback announcements as a means to facilitate improper gains by disposing of their holdings (Chan et al., 2010; Fried, 2005). Through empirical analysis of repurchase transactions within the United States spanning from 2004 to 2006, Bozanic (2010) concluded that firms operating in competitive industries display a tendency to curtail buybacks, with the volume of stock buybacks exhibiting a negative correlation with subsequent stock returns. Similarly, evidence from Malaysia suggested that managers' motivations exert a significant impact on the post-buyback share price movements of firms (Latif & Mohd, 2013).

Event Study Method

The event study methodology, initially introduced by Ball & Brown, (1968),entails selecting a specific event for research purposes and examining the changes in

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stock returns before and after the event. This approach enables the exploration of the event's impact on price fluctuations and the returns of the sample stocks.

In the Malaysian capital market, Kwan, J. H., & Kwan, S. S (2011) employed the event study method to analyze a sample of 41 distressed companies. The empirical findings indicated that poor corporate governance is associated with lower share price performance of the company. Ismail & Rahman (2012) conducted an empirical analysis using the event study method on 76 companies with the highest market capitalization in Malaysia. Their research revealed that there is no significant positive relationship between the level of publication and disclosure of the company's quarterly reports and the company's share price performance.

However, when it comes to company stock buyback announcements, research in Malaysia is relatively limited. Isa & Ghani (2011) conducted a study on buybacks of listed companies in Malaysia using the event study method, but their focus was primarily on comparing share prices between large and small firms. In a notable study, data from 21 Malaysian companies that had conducted share buybacks were analyzed using the event study method. Due to the market's immaturity, the researcher concluded that it was challenging for investors to achieve Abnormal Returns (Abdullah, 2007).

Asymmetric Information Theory

The Theory of Information Asymmetry, developed by Akerlof (1978), Spence (1978) and Stiglitz & Weiss (1981), and formalized in 2001, posits that in a market economy, the two parties involved in a transaction possess differing levels of knowledge regarding the relevant information. The party possessing more comprehensive knowledge holds a relatively advantageous position, while the other party, with limited information, is at a disadvantage. Bester (1987) argued that sellers typically possess more extensive knowledge of the product, while buyers have limited knowledge, creating an opportunity for the party with superior information to mislead the other party and pursue their own interests at the expense of the less-informed party.

Hence, corporate stakeholders who possess privileged information may exploit stock buyback announcements by selling their own shares or refraining from taking actual action. This behavior allows them to generate unjustified profits and can result in the share price failing to rise or even declining, contrary to investors' expectations (Bozanic, 2010; Chan et al., 2010; Fried, 2005; Latif & Mohd, 2013). Asymmetric information theory serves as the underlying theoretical framework for this study, providing a foundation to explore and analyze these dynamics.

Efficient Market Hypothesis Theory

Fama (1970) introduced and formulated the Efficient Market Hypothesis (EMH), also known as the Theory of Efficient Market Hypothesis. According to this theory, in an efficient market, rational investors possess timely access to all available market information, which is swiftly incorporated into stock prices. Simultaneously, fluctuations in stock prices reflect changes in market information (Fama, 1976), Consequently, investors' psychological expectations regarding the future performance of listed companies can be inferred from daily closing prices over time (Bromiley et al., 1988).

Numerous scholars have examined the efficiency of the Malaysian Stock Market, generally categorizing it as a Semi-strong Form Market (Dua et al., 2010; Erdaş,

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2020; Hussin et al., 2010, Malek & Saidin, 2014; Shaharuddin et al., 2018; Tee et al., 2018). As per the definition of a semi-strong market, stock prices adequately reflect historical market information and publicly available information about listed companies. The semi-strong efficient market hypothesis provides a relevant theoretical foundation for conducting research analysis using the event study method to investigate the impact of stock buyback announcements on stock prices.

DATA SOURCES AND RESEARCH METHODOLOGY
Data Sources
The data collection methodology employed in this study draws inspiration from Karoushi (2014) and Fisal et al. (2016). Data was collected from Bloomberg Finance Web, focusing on listed companies on the Bursa Malaysia (KLSE) that made share buyback announcements in the market before June 2022. To ensure the empirical results accurately reflect the Malaysian stock market returns, the studied companies were screened based on the following criteria:

1. The company must be in a healthy financial position without any losses for more than three years.
2. The company should not have any history of securities scandals, such as stock price manipulation.
3. No other confusing events should have been reported before and within one month after the date of the buyback announcement.
4. Daily earnings data should be available during the estimation and review periods.

After the screening process, the study obtained the daily closing prices of 30 companies during the event period and observation period, as well as the corresponding KLSE Composite Index. Additionally, daily data on the market risk-free rate of return, the market capitalization factor simulated portfolio return, and the book-to-market ratio simulated portfolio return before June 2022 were downloaded from Bloomberg Finance Web for further analysis.

RESEARCH METHODOLOGY
The Event Study Method is employed in this research to analyze the market reaction to stock buyback announcements. This method involves observing and calculating changes in stock prices over a specified period before and after the announcement of a stock buyback, aiming to understand the impact of the event on the listed company's value. In the context of this study, a stock buyback announcement can be perceived by the market as either positive or negative news. If the market views the announcement positively, it is anticipated that the stock price of the announcing company will increase, resulting in a positive extraordinary return. Conversely, if the market perceives the announcement as negative, the stock price may decrease, leading to a negative Average Abnormal Returns.

To assess whether the stock buyback announcement has a positive signaling effect, the study employs Average Abnormal Returns and Cumulative Average Abnormal Returns as measures. These metrics help evaluate the extraordinary return by comparing it to expected returns, allowing for an assessment of the market effect of stock buyback implementation by listed companies in Malaysia. A positive signaling

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effect would be indicated by a positive extraordinary return, reflecting a favorable market response to the announcement. Conversely, a negative Average Abnormal Returns would suggest a less favorable or negative market reaction.

To ensure the robustness of the findings, the study employs the Market Model and the Fama-French Three-Factor Model to estimate the Abnormal Returns of the sample companies. These models provide different approaches to account for market factors and potential confounding variables, enhancing the reliability of the analysis.

OBSERVATION WINDOWS

The event day of the announcement of the stock buyback by the listed company is taken as t= 0. If the announcement day coincides with the stock market closure or the suspension of the stock, the first trading day after the announcement of the stock buyback plan is chosen as the event day. The time axis of this study is shown in Figure 1.

Figure 1: Timeline Diagram of the Study
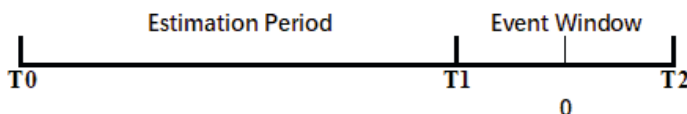
Source: Prepared by the authors

Referring to Madichie (2009), Sheppard (2014) and He et al. (2023) for the choice of event window period, we take the previous 160 days of the event as the estimation period of the event i.e., T0 = -180 and set the event period as 10 days before and after the announcement of stock buyback by the listed company i.e., T1 = -10 and T2 = 10.

Market Model

In this study, we adopt a regression model to analyze the relationship between stock returns and the overall portfolio returns of the market. The model is based on the work of Sharpe (1963), who argued for a stable linear relationship between these variables.

$$E(R_{it}) = \alpha_i + \beta_i \times R_{mt} + \varepsilon_{it} \tag{1}$$

In equation (1), $E(R_{it})$ represents the expected return of listed company i at day t, and R_{mt} represents the investment return of the KLSE Composite Index at day t. The model aims to estimate the expected return of the listed company based on its exposure to the market return.

The parameters in the model are α_i, which represents the intercept or constant term specific to company i, β_i, which represents the coefficient or sensitivity of company i to the market return, and ε_{it}, which represents the error term.

Fama-French Three-Factor Model

Fama & French (1992) proposed the Fama-French three-factor model by combining size risk and value risk factors. Thus, we build Equation 3 based on this model.

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$$E(R_{it}) = \alpha_i + \beta_1 \times (R_{mt} - R_{ft}) + \beta_2 \times SMB_t + \beta_3 \times HML_t + R_{ft} + \varepsilon_{it} \tag{2}$$

In this study, Rf denotes the risk-free rate of return at day t, HMLt is the difference between the stock returns of small and large firms at day t, and SMBt is the difference between the stock returns of firms with high and low book-to-bill ratios at day t.

Abnormal Returns and Average Abnormal Returns

Daily Abnormal Returns are calculated as follows:

$$AR_{it} = R_{it} - E(R_{it}) \tag{3}$$

The Average Abnormal Returns can be obtained by averaging the ARs of all the sample companies

$$AAR_{i,t} = \frac{1}{N} \sum_i^N AR_{it} \tag{4}$$

Cumulative Abnormal Returns and Cumulative Average Abnormal Returns

The Cumulative Abnormal Returns are cumulatively summing the ARs of all companies in the [t1, t2] periods:

$$CAR_i[t1, t2] = \sum_{t=t1}^{t2} AR_{it} \tag{5}$$

The Cumulative Abnormal Returns were averaged over all companies in the [t1, t2] periods:

$$CAAR_i[t1, t2] = \sum_{t=t1}^{t2} AAR_{it} \tag{6}$$

Student's T-test

To test whether the results are statistically generalizable, we introduced the T-Test to test whether the estimated results of AARs and CAARs are significantly non-zero, which principle show in the Equation 8 and 9:

$$T_{AAR_t} = \frac{AAR_t}{\sqrt{\frac{\sum_{t=1}^N (AR_{it} - AAR_t)^2}{N-1}}/\sqrt{N}} \tag{7}$$

$$T_{CAAR(t1,t2)} = \frac{CAAR(t1,t2)}{\sqrt{\frac{1}{N(N-1)}\sum_{i=1}^N \left(CAAR_{it} - CAAR(t1,t2)\right)^2}} \tag{8}$$

Boehmer-test

In order to test the robustness of the statistical test, this study introduced the test method of Boehmer et al. (1991) to test the results, the Boehmer test uses a standardized cross-sectional approach to make the variance of events robust. The test methodology is as follows:

$$SAR_{it} = AR_{it}/\left[\widehat{SAR}_t\sqrt{1 + \frac{1}{N} + \frac{(R_{mt}-\bar{R_m})^2}{\sum_{t=1}^N (R_{mt}-\bar{R_m})^2}}\right] \tag{9}$$

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Where:

$$\widehat{SAR_{it}} = \frac{AR_{it}}{\sigma(AR_{it})}$$

Boehmer-test of average abnormal return ($AARt$), to test whether the average abnormal return at day t during the event window is significantly non-zero

$$Z_{AAR_t} = \frac{\frac{1}{N}\sum_{i=1}^{N} SAAR_t}{\frac{1}{N(N-1)}\sqrt{\sum_{i=1}^{N}\left(SAAR_t - \sum_{i=1}^{N}\frac{SAAR_t}{N}\right)^2}} \tag{10}$$

Where:

$$SAAR_t = \frac{1}{N}\sum_{i=1}^{N} SAR_{i,t} = \frac{1}{N}\sum_{i=1}^{N}\frac{AR_{i,t}}{\widehat{SAR_{it}}}$$

Similarly, $CAAR$'s Boehmer test method is as follows:

$$Z_{CAAR_t} = \frac{\frac{1}{N}\sum_{i=1}^{N} SCAAR(t1,t2)}{\frac{1}{N(N-1)}\sqrt{\sum_{i=1}^{N}\left(\frac{1}{N}\sum_{i=1}^{N}\frac{CAR_{i,t}}{\widehat{SCAR}_{i,t}} - \sum_{i=1}^{N}\frac{SCAAR(t1,t2))}{N}\right)^2}} \tag{11}$$

EMPIRICAL RESULTS AND DISCUSSION

Utilizing the statistical software Stata 17, we employ a comprehensive analysis to derive the Average Abnormal Returns and Cumulative Average Abnormal Returns during the event period pertaining to the selected 30 sample companies. Initially, our investigation revolves around evaluating the normality of the cumulative abnormal returns computed via both models, employing Skewness and kurtosis tests as our assessment measures. The ensuing outcomes of these tests are meticulously documented in Table 1.

Table 1: Skewness and kurtosis tests for Normality

Model	Variable	Pr(skewness)	Pr(kurtosis)	Adj chi2(2)	Prob>chi2
Market Model	AAR	0.8627	0.4012	0.78	0.6757
	CAAR	0.7413	0.5612	0.45	0.7985
Fama-French Three-Factor Model	AAR	0.2643	0.3651	2.31	0.3146
	CAAR	0.7226	0.6263	0.35	0.8374

Source: Author's calculations

According to the results, the skewness and kurtosis tests are conducted to assess the normality of the distributions of AAR and CAAR calculated using the Market Model and the Fama-French Three-Factor Model. The skewness test measures the symmetry of the distribution, while the kurtosis test examines the shape of the distribution (whether it has heavy tails or is more peaked than a normal distribution). The p-values associated with these tests indicate the probability of observing the given skewness and kurtosis values if the data followed a normal distribution.

For the AAR and CAAR estimates of both the Market Model and the Fama-French Three-Factor Model, the p-values for both the skewness and kurtosis tests are relatively

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high. This suggests that the calculated AAR and CAAR values conform to or closely approximate a normal distribution. Based on the normality assumption of the distributions, the significance of the AAR and CAAR estimates can be tested using the t-test.

Presented in Table 2 are the computed Average Abnormal Returns encompassing a ten-day period preceding and following the event. Notably, there is a noteworthy decline in the occurrence of negative AARs subsequent to the event. Specifically, within the Market Model, negative AARs were observed on only two days between the 0 and 10-day timeframe. Conversely, within the Fama-French Three-Factor Model, although negative AARs were recorded on two days within the same interval, they failed to meet the criteria for statistical significance. In contrast, during the interval spanning from -10 to -1 days prior to the event, the Market Model exhibited a negative AAR for a duration of five days, representing 50% of the total analyzed period. Moreover, the Fama-French Three-Factor Model reported a negative AAR for six days during the same interval, with two days successfully surpassing both the T-test and Boehmer-test.

Upon comparing the two estimated models, it is discernible that the AARs derived from both models exhibit a consistent trend, thereby affirming the robustness of the study's findings. Notably, on the first day of the event, the Market Model exhibits an AAR of 0.0185, accompanied by a T-Test outcome that indicates statistical significance at the 1% level. Similarly, the Fama-French Three-Factor Model presents an AAR of 0.0137 on the same day, signifying statistical significance at the 5% level. Hence, we contend that the event in question possesses the potential to generate significant positive Average Abnormal Returns.

Table 2: Average Abnormal Returns in Event Window Periods

t	Market Model					Fama-French Three-Factor Model				
	AAR	T-Test	Sig	Boehmer	Sig	AAR	T-Test	Sig	Boehmer	Sig
-10	-0.0109	-2.0319	**	-2.8202	***	-0.0060	-1.1086		-1.2858	
-9	-0.0029	-0.5289		-0.3119		-0.0004	-0.0765		0.4739	
-8	-0.0095	-1.7649	*	-1.0296		-0.0122	-2.2216	**	-2.0275	**
-7	0.0153	2.8448	***	3.5564	***	0.0138	2.5365	**	3.3205	***
-6	0.0026	0.4905		0.3672		0.0040	0.7358		0.4735	
-5	0.0050	0.9186		0.7176		0.0059	1.0913		0.7318	
-4	-0.0022	-0.4054		0.1198		-0.0010	-0.1895		0.4080	
-3	-0.0089	-1.6416		-1.4838		-0.0107	-1.9497	*	-1.7891	*
-2	0.0000	0.0055		0.6775		-0.0033	-0.5994		-0.1358	
-1	0.0096	1.7742	*	1.1744		0.0079	1.4393		1.5967	
0	0.0040	0.7415		0.9238		0.0100	1.8285	*	1.4852	
1	0.0185	3.4454	***	2.0378	**	0.0137	2.5149	**	1.5620	
2	0.0025	0.4633		0.8703		0.0075	1.3825		1.1228	
3	-0.0040	-0.7388		-0.6371		-0.0055	-0.9937		-0.7650	
4	0.0062	1.1492		0.8195		0.0049	0.8928		0.9378	
5	0.0106	1.9771	**	2.2818	**	0.0109	2.0016	**	2.1878	**
6	-0.0031	-0.5859		-1.2183		-0.0025	-0.4517		-1.2689	

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Period	CAAR	T-Test	Sig	Boehmer	Sig	CAAR	T-Test	Sig	Boehmer	Sig
7	0.0132	2.4547	**	3.0678	***	0.0136	2.4790	**	4.2150	***
8	0.0066	1.2259		1.5625		0.0093	1.7125	*	1.7035	*
9	0.0163	3.0394	***	1.7814	*	0.0108	1.9922	**	1.3059	
10	0.0020	0.3795		0.6851		0.0064	1.1673		1.0243	

Note: ***, **, and * are significant at 1%, 5%, and 10% significance levels, respectively

Source: Authors' calculations

The results from Table 3 indicate that the Cumulative Average Abnormal Returns (CAAR) for the full event period (CAAR [-10,10]) exceed 0.07 in both models, and they pass the significance tests, demonstrating statistical significance. This suggests that stock buyback announcements have a positive and significant impact on abnormal returns throughout the event period.

It is worth noting that the CAAR [-10, -1] period shows negative values, implying that the increase in CAAR is primarily driven by the abnormal returns observed after the event. This observation is further supported by the positive value of CAAR [0,10], indicating that abnormal returns continue to increase over time. For the periods after the event, namely CAAR [0,1], CAAR [0,5], CAAR [0,7], and CAAR [0,10], both models show positive and statistically significant values. The increasing trend of these CAARs suggests that stock buyback announcements have a consistently positive and significant impact on sample returns during the event window.

However, it is interesting to note that CAAR [-1,0] exhibits positive values in both models. While most of the significance tests confirm statistical significance, the Boehmer test in the market model does not show significance. This finding suggests that the market may have obtained information regarding the stock buybacks in advance, potentially leading to the positive CAAR values during that period.

Table 3: Cumulative Average Abnormal Returns in Event Window Periods

Period	Market Model					Fama-French Three-Factor Model				
	CAAR	T-Test	Sig	Boehmer	Sig	CAAR	T-Test	Sig	Boehmer	Sig
[-10;10]	0.0710	2.7872	***	1.7292	*	0.0770	3.0219	***	1.7157	*
[-5;5]	0.0413	2.2772	**	1.2536		0.0404	2.2175	**	1.2135	
[-1;1]	0.0321	3.3927	***	2.0477	**	0.0316	3.3368	***	2.3774	**
[-10; -1]	-0.0019	-0.1090		-0.0311		-0.0020	-0.1177		0.2826	
[-5; -1]	0.0035	0.2840	**	0.5698		-0.0012	-0.0947		0.4793	
[-1;0]	0.0136	1.7462	*	1.3408		0.0179	2.3035	**	2.0258	**
[0;1]	0.0225	2.9223	***	2.1103	**	0.0237	3.0627	***	2.3069	**
[0;5]	0.0379	2.8331	***	2.5847	**	0.0415	3.1002	***	2.8319	***
[0;7]	0.0479	3.1033	***	2.6332	***	0.0526	3.3979	***	3.0177	***
[0;10]	0.0729	4.0191	***	3.2084	***	0.0791	4.3504	***	3.5262	***

Note: ***, **, and * are significant at 1%, 5%, and 10% significance levels, respectively

Source: Authors' calculations

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According to Figure 2, a remarkable similarity in the AAR and CAAR trends is observed between the Market Model and the Fama-French Three-Factor Model. This signifies the accuracy and reliability of the calculation process used to estimate Abnormal Returns and Cumulative Abnormal Returns for the sample companies in this study.

Notably, starting from -1 to 3 days prior to the event, there is a steep upward surge in the AAR, which subsequently propels the growth of CAAR. On the day -1, CAAR surpasses the baseline of 0. The CAAR exhibits a consistent upward trajectory since the occurrence of the event. Additionally, there is a reduction in the number of days with AAR values below the 0 baseline following the event. Hence, it can be inferred that the event has a positive influence on both Cumulative Average Abnormal Return and Average Abnormal Return for the sample companies.

Figure 2: The Trend of CAARs and AARs in Event Window Periods

The Trend of CAARs and AARs in Event Window Periods
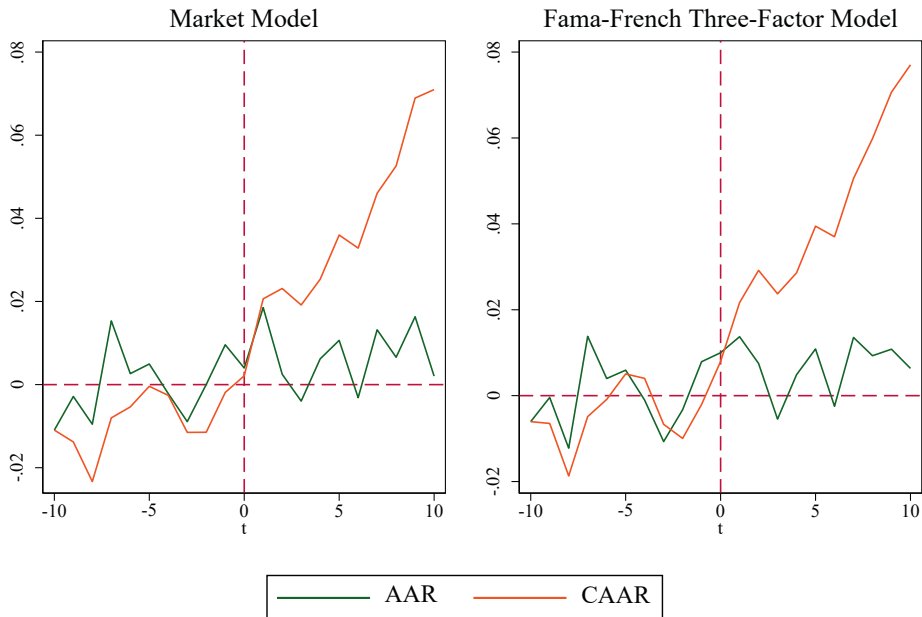
Source: Prepared by the authors

Based on our analysis of Malaysian trading data before June 2022, our findings align with existing research indicating that stock buyback announcements result in positive cumulative abnormal returns in the long term (Baker & Wurgler, 2002; Comment & Jarrell, 1991; Vermaelen, 1980). Additionally, our findings support the prevailing view among scholars that Bursa Malaysia operates as a semi-strong market (Dua et al., 2010; Erdaş, 2020; Hussin et al., 2010, Malek & Saidin, 2014; Shaharuddin et al., 2018; Tee et al., 2018). Furthermore, our study reveals that although investors were able to achieve positive cumulative abnormal returns from the share buyback an-

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nouncement, these positive returns were already evident before investors received the news. This suggests that the company management may have leaked the news early, which is consistent with Bester (1987) assertion that market news mismatch can be detrimental to investors.

However, our findings diverge from the perspectives presented by Abdullah (2007) and Ismail & Rahman (2012), who asserted that investors would not achieve abnormal returns due to the immaturity of the market. We posit several potential explanations for this discrepancy. The first rationale could be associated with the global financial market downturn, as discussed by Petrusheva (2016), Dias et al. (2020) and Victor et al. (2021), They contend that the Covid-19 pandemic has profoundly impacted financial markets, creating significant uncertainty about the future and posing substantial risks of enduring market recession. In light of this, as Tan (2010) and mentioned, certain listed companies in the Malaysian stock market have opted to engage in share buybacks as a means to bolster investor confidence. Another plausible factor is the deliberate manipulation of share prices by the management of listed companies through buyback announcements, as highlighted by Chan et al. (2010), Fried, (2005), and Latif & Mohd (2013). This strategic approach can lead to a sharp upsurge in the cumulative abnormal return of the stock subsequent to the buyback announcement. Substantiating evidence for this explanation can be derived from the Average Abnormal Return on the day before the event (-1 day) and the Cumulative Average Abnormal Return during the [-1,0] period.

CONCLUSION

To examine the impact of share buyback announcements on Average Abnormal Returns and Cumulative Average Abnormal Returns received by investors in the post-epidemic era in Malaysia, we employ the Event Study Method within the framework of Asymmetric Information Theory and Efficient Market Hypothesis Theory. Our empirical analysis encompasses 30 Malaysian listed companies that publicly disclosed share buyback announcements before June 2022, utilizing available data. To ensure the robustness of our findings, we calculate Abnormal Returns and Cumulative Abnormal Returns for the sample stocks using both the Market Model and the Fama-French Three-Factor Model.

Our findings indicate the following:
1. Stock buyback announcements exert a positive influence on the returns of stocks. Investors perceive these announcements as favorable tidings and are inclined to offer a premium for the shares of companies disclosing their intent to repurchase.
2. Empirical evidence gleaned from a sample of publicly listed firms that have declared buyback reveals a Cumulative Abnormal Average Return that progressively ascends from the day preceding the announcement. Consequently, investors stand poised to derive benefits from these buyback declarations within the market.
3. It is plausible that premature leakage of stock buyback information in the Malaysian capital market occurs, thereby resulting in the positive CAAR for stocks even before the official release of buyback announcements.

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Our findings hold significant implications for various stakeholders in the Malaysian capital market. Firstly, the positive influence of stock buyback announcements on stock returns suggests that investors perceive these announcements as favorable signals. This implies that share buybacks are considered value-enhancing actions that can generate confidence and attract a premium for the shares of companies engaged in these repurchase activities. This finding has practical implications for company management and investors who can utilize share buybacks as a strategic tool to enhance shareholder value.

Furthermore, our study makes a valuable contribution to the existing body of knowledge concerning the efficient market hypothesis and asymmetric information theory in the Malaysian context. The observed progressive augmentation in the Cumulative Abnormal Average Return (CAAR) commencing from the day preceding the announcement signifies investors' foresight of future price appreciation and their willingness to retain the stock throughout the buyback duration. This discovery lends support to the proposition that the Malaysian capital market may not exhibit complete efficiency, given the apparent leakage of information preceding the official disclosure of buyback announcements. Consequently, this paves the way for further investigations aimed at unraveling the mechanisms underlying such leakage and its implications for market efficiency and equity within Malaysia. Moreover, our study provides valuable insights into the theory of asymmetric information. The potential occurrence of premature information leakage regarding stock buybacks in the Malaysian capital market, leading to positive CAAR even before the official dissemination of buyback announcements, highlights the presence of information asymmetry. This leakage raises concerns pertaining to equitable market practices and emphasizes the necessity for enhanced transparency and regulatory measures to ensure equitable access to information for all participants in the market.

This study can inform future scholarly discussions on the benefits of stock buyback announcements for investors. However, due to the limitations of the sample, our findings may not fully reflect the market results, and as the buyback events of the sample companies selected for this study are concentrated before June 2022, this may result in the findings being influenced by the market environment. Hence, in future studies, scholars can utilise a richer sample of companies and an event-date sample with a larger period span to validate the results of this study in order to obtain more robust results.

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