

**THE RELATIONSHIP BETWEEN SHARE REPURCHASE FREQUENCY  
AND FIRMS FINANCIAL CHARACTERISTICS: A STUDY IN MALAYSIA**

**IZZATUL AMAL BINTI SABARANI**

**College of Business**

**Universiti Utara Malaysia**

**2014**

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AND FIRMS FINANCIAL CHARACTERISTICS: A STUDY IN MALAYSIA**

**By**

**IZZATUL AMAL BINTI SABARANI**

**813313**

**A Dissertation Submitted to the Fulfillment of the Requirement for**

**The Degree Master of Science (Finance)**

**Universiti Utara Malaysia**

**2014**

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IZZATUL AMAL BINTI SABARANI 813313

College of Business

Universiti Utara Malaysia

06010, Sintok, Kedah.

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## **ABSTRACT**

The purpose of this study is to examine the relationship between different frequency of share repurchase program and firm financial characteristic in Malaysia. The number of Malaysia firms buying back their own shares on the open market has been increasing since 1997 subsequent to the Asian Financial crisis. This study fills the gap by examining the relevant determinants of the firm financial characteristics that may lead to the different frequency of share buyback of a company. Infrequency share buyback firms engage in between (1-3 programs) while frequent buyback firms are categorized as having engaged in between (4-5 programs). The findings of this study showed that market to book value and earnings per share are the variables that affect share repurchase frequently significantly. This study contributed to the understanding of the scant literature of frequency on share buyback in Malaysia. This study also contributes to the explanation of the signalling hypothesis regarding the buyback frequency program explained by the findings.

## **ABSTRAK**

Tujuan kajian ini dijalankan adalah untuk mengkaji hubungan antara perbezaan frekuensi pembelian balik saham dengan ciri-ciri kewangan syarikat di Malaysia. Bilangan syarikat di Malaysia yang membeli balik saham mereka di pasaran terbuka telah meningkat sejak tahun 1997 selepas krisis kewangan Asia. Kajian ini mengisi penentu ciri-ciri kewangan syarikat yang boleh menjadi penyebab kepada perbezaan frekuensi pembelian balik saham. Kajian ini mempunyai dua kategori iaitu syarikat yang kerap membuat pembelian saham (1-3 program) dan syarikat yang tidak kerap membuat pembelian balik saham (4-5 program). Hasil kajian ini menunjukkan bahawa pasaran kepada nilai buku dan pendapatan sesaham adalah pembolehubah yang memberi kesan kepada perbezaan frekuensi pembelian semula saham. Kajian ini menyumbang kepada pemahaman literatur tentang kekerapan pembelian balik saham di Malaysia. Kajian ini juga menyumbang kepada penjelasan hipotesis isyarat mengenai program tentang kekerapan pembelian balik saham. .

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*In the name of Allah the most benevolent and most merciful. All praise to Allah, God of the universe and Peace be upon his messengers*

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## **LIST OF ABBREVIATION**

BM = Bursa Malaysia

CCM = Companies Commission of Malaysia (CCM)

DY = Dividend yield

EBITDA = Earnings before interest, tax and amortization

EPS = Earnings per share

MASB = Malaysia Accounting Standard Board

MTBV = Market to book value

ROA = Return on asset

SC = Securities commission

SR = Share repurchase

## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter starts with the introduction of stock repurchase by firms in the context of corporate strategies and trend of buying back the share. It proceeds with the purpose of the study by explaining the problem statement, formulating research questions, research objectives, significance and contribution of the study.

#### **1.1 Background of the Study**

Payout policy is a crucial thing that may involve a large amount of money and is much related to and interact with other corporate financial policies such as investment and capital structure. Based on corporate perspective, payout policy is important because it determines the amount of funds paid to shareholders and also the amount of fund that is retained for reinvestment. The role of deciding this policy rests with the manager. He or she needs to decide whether to have a payout policy or not, which type of payout to implement and how much should be distributed.

Findings from previous studies indicate that financial policies related to event studies, such as investment policy and payout policy, have information content that may greatly affect firm value. Events such as the announcement of merger and acquisition (Jensen &Ruback, 1983), the decision to carry out bonus issues, rights issue and equity offerings (Asquith and Mullins, 1986), the choice to carry out



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## **APPENDIX 1**

## Listed of firm were selected in Main Board of Bursa Malaysia

### Construction

Number	Firm
1	ARK RESOURCES BHD
2	AHMAD ZAKI RESOURCES BHD
3	BENALEC HOLDINGS BERHAD
4	BINA GOODYEAR BHD
5	BINA PURI HOLDINGS BHD
6	BREM HOLDINGS BHD
7	CREST BUILDER HOLDINGS BHD
8	DKLS INDUSTRIES BHD
9	EKOVEST BHD
10	FAJARBARU BUILDER GRP BHD
11	GADANG HOLDINGS BHD
12	GAMUDA BHD
13	GABUNGAN AQRS BERHAD
14	HO HUP CONSTRUCTION COMPANY
15	HOCK SENG LEE BHD
16	IJM CORPORATION BHD
17	IREKA CORPORATION BHD
18	JAKS RESOURCES BERHAD
19	KUMPULAN JETSON BHD
20	KEN HOLDINGS BHD
21	KUMPULAN EUROPLUS BHD
22	KIMLUN CORPORATION BERHAD
23	LEBTECH BERHAD
24	MELATI EHSAN HOLDINGS BHD
25	MERGE ENERGY BHD
26	MITRAJAYA HOLDINGS BHD
27	MALAYSIAN RESOURCES CORP
28	MTD ACPI ENGINEERING BHD
29	MUDAJAYA GROUP BHD
30	MUHIBBAH ENGINEERING (M) BHD
31	PLB ENGINEERING BHD
32	PROTASCO BHD
33	PRINSIPTEK CORPORATION BHD
34	PINTARAS JAYA BHD
35	EVERSENDAL CORPORATION BERHAD
36	SYCAL VENTURES BHD
37	TRC SYNERGY BHD
38	TRIPLC BHD
39	TSR CAPITAL BHD
40	WCT BHD

## Consumer Product

1	ACOUSTECH BHD
2	APEX HEALTHCARE BHD
3	AJINOMOTO (M) BHD
4	APOLLO FOOD HOLDINGS BHD
5	ASIA BRANDS BERHAD
6	ASIA FILE CORPORATION BHD
7	BIOSIS GROUP BHD
8	CAB CAKARAN CORPORATION BHD
9	CAELY HOLDINGS BHD
10	CAM RESOURCES BHD
11	CARLSBERG BREWERY MALAYSIA BHD
12	CCK CONSOLIDATED HOLDINGS BHD
13	CHEE WAH CORPORATION BHD
14	C.I. HOLDINGS BHD
15	CHINA OUHUA WINERY HLDGS LTD
16	COCOALAND HOLDINGS BHD
17	CLASSIC SCENIC BHD
18	D.B.E. GURNEY RESOURCES BHD
19	DEGEM BHD
20	DUTCH LADY MILK INDUSTRIES BHD
21	EKA NOODLES BERHAD
22	EKOWOOD INTERNATIONAL BHD
23	EMICO HOLDINGS BHD
24	EURO HOLDINGS BHD
25	EUROSPAN HOLDINGS BHD
26	FRASER & NEAVE HOLDINGS BHD
27	FCW HOLDINGS BHD
28	FORMOSA PROSONIC INDUSTRIES
29	GUINNESS ANCHOR BHD
30	GOLDIS BHD
31	HB GLOBAL LIMITED
32	HUP SENG INDUSTRIES BHD
33	HYTEX INTEGRATED BHD
34	IQ GROUP HOLDINGS BHD
35	JT INTERNATIONAL BHD
36	KAREX BERHAD
37	LION FOREST INDUSTRIES BHD
38	MAXWELL INT HOLDINGS BERHAD
39	MSM MALAYSIA HOLDINGS BERHAD
40	PELIKAN INT.CORPORATION BHD

## Property Development

1	A & M REALTY BHD
2	BCB BHD
3	BINA DARULAMAN BHD
4	BERJAYA ASSETS BERHAD
5	COUNTRY HEIGHTS HOLDINGS BHD
6	CRESCENDO CORPORATION BHD
7	DAIMAN DEVELOPMENT BHD
8	DAMANSARA REALTY BHD
9	ECO WORLD DEVELOPMENT GROUP BERHAD
10	EUPE CORPORATION BHD
11	FARLIM GROUP (M) BHD
12	GOLDEN PLUS HOLDINGS BHD
13	GUOCOLAND (MALAYSIA) BHD
14	HUA YANG BH
15	IGB CORPORATION BHD
16	IJM LAND BERHAD
17	IOI PROPERTIES GROUP BERHAD
18	KSL HOLDINGS BHD
19	LAND & GENERAL BHD
20	LBI CAPITAL BHD
21	LBS BINA GROUP BHD
22	MAGNA PRIMA BHD
23	MAH SING GROUP BHD
24	MALTON BHD
25	MENANG CORPORATION (M) BHD
26	MAJUPERAK HOLDINGS BHD
27	MK LAND HOLDINGS BHD
28	MALAYSIA PACIFIC CORP BHD
29	NAIM HOLDINGS BHD
30	ORIENTAL INTEREST BHD
32	PARAMOUNT CORPORATION BHD
33	PJ DEVELOPMENT HOLDINGS BHD
34	PAN MALAYSIAN INDUSTRIES BHD
35	PETALING TIN BHD
36	SAPURA RESOURCES BHD
37	SBC CORPORATION BHD
38	SP SETIA BHD
39	TA GLOBAL BHD
40	TITIJAYA LAND BERHAD

## Plantation

1	ASTRAL ASIA BHD
2	BATU KAWAN BHD
3	BLD PLANTATION BHD
4	BOUSTEAD HOLDINGS BHD
5	CEPATWAWASAN GROUP BHD
6	CHIN TECK PLANTATIONS BHD
7	DUTALAND BHD
8	FAR EAST HOLDINGS BHD
9	FELDA GLOBAL VENTURES HLDG BHD
10	GENTING PLANTATIONS BERHAD
11	GOLDEN LAND BERHAD
12	GOPENG BHD
13	GREENYIELD BERHAD
14	HARN LEN CORPORATION BHD
15	HAP SENG PLANTATIONS HOLDINGS
16	IJM PLANTATIONS BHD
17	INCH KENNETH KAJANG RUBBER PLC
18	IOI CORPORATION BHD
19	KUALA LUMPUR KEPONG BHD
20	KLUANG RUBBER CO (M) BHD
21	KIM LOONG RESOURCES BHD
22	KRETAM HOLDINGS BHD
23	KULIM (M) BHD
24	KWANTAS CORPORATION BHD
25	MALPAC HOLDINGS BHD
26	MHC PLANTATIONS BHD
27	NPC RESOURCES BHD
28	NEGRI SEMBILAN OIL PALMS BHD
29	PINEHILL PACIFIC BERHAD
30	PLS PLANTATIONS BERHAD
31	RIMBUNAN SAWIT BHD
32	RIVERVIEW RUBBER ESTATES BHD
33	SUNGEI BAGAN RUBBER CO (M) BHD
34	SARAWAK OIL PALMS BHD
35	SARAWAK PLANTATION BHD
36	TDM BHD
37	TH PLANTATIONS BHD
38	TSH RESOURCES BHD
39	UNITED MALACCA BHD
40	UNITED PLANTATIONS BHD



**Industrial Product**

1	ABLEGROUP BERHAD
2	ABRIC BHD
3	ACME HOLDINGS BERHAD
4	ADVANCED PACKAGING TECHNOLOGY
5	AE MULTI HOLDINGS BHD
6	ABM FUJIYA BERHAD
7	AMALGAMATED INDUSTRIAL STEEL
8	AJIYA BHD
9	ASIA KNIGHT BERHAD
10	ALUMINIUM COMPANY OF MALAYSIA
11	ANCOM BHD
12	ANN JOO RESOURCES BHD
13	ASIA POLY HOLDINGS BHD
14	BOUSTEAD HEAVY INDUSTRIES CORP
15	B.I.G. INDUSTRIES BHD
16	BP PLASTICS HOLDING BHD
17	BRIGHT PACKAGING INDUSTRY BHD
18	BSL CORPORATION BERHAD
19	CB INDUSTRIAL PRODUCT HOLDING
20	CHEMICAL COMPANY OF MALAYSIA
21	CAHYA MATA SARAWAK BHD
22	COASTAL CONTRACTS BHD
23	CSC STEEL HOLDINGS BERHAD
24	CYL CORPORATION BHD
25	DOMINANT ENTERPRISE BHD
26	EG INDUSTRIES BHD
27	EMAS KIARA INDUSTRIES BHD
28	EP MANUFACTURING BHD
29	EVERGREEN FIBREBOARD BHD
30	FACB INDUSTRIES INCORPORATED
31	FIMA CORPORATION BHD
32	FOCUS LUMBER BERHAD
33	FURNIWEB INDUSTRIAL PRODUCTS
34	GE-SHEN CORPORATION BHD
35	GSB GROUP BHD
36	HIAP HUAT HOLDINGS BHD
37	JADI IMAGING HOLDINGS BHD
38	JASA KITA BHD
39	JAYA TIASA HOLDINGS BHD
40	KNM GROUP BHD

## **APPENDIX 2**

## Regression Analysis Table

### Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
SR	1000	0	1	.50	.500
MTBV	1000	-1.8400	121.0900	2.142370	6.8950494
ROA	1000	-48.7100	79.1600	5.944520	10.7288413
DY	1000	-8.3100	1010.0000	20.485800	395.4809822
EBIT	1000	-206.6220	3050.6000	237.814788	790.1476122
EPS	1000	.0000	13.1100	21.7670	.6962813
Valid N (listwise)	999				

## Pearson Correction test

**Table 4.2: Result on the Pearson Correlations Test**

		SR	MTBV	ROA	DY	EBIT	EPS
SR	Pearson Correlation	1	-.089**	-.063*	-.044	.022	.061
	Sig. (2-tailed)		.005	.046	.169	.488	.053
	N	1000	1000	1000	1000	999	1000
MTBV	Pearson Correlation	-.089**	1	.116**	-.005	-.005	.020
	Sig. (2-tailed)	.005		.000	.874	.874	.532
	N	1000	1000	1000	1000	999	1000
ROA	Pearson Correlation	-.063*	.116**	1	.086**	.002	.022
	Sig. (2-tailed)	.046	.000		.007	.950	.481
	N	1000	1000	1000	1000	999	1000
DY	Pearson Correlation	-.044	-.005	.086**	1	-.013	-.011
	Sig. (2-tailed)	.169	.874	.007		.688	.728
	N	1000	1000	1000	1000	999	1000
EBIT	Pearson Correlation	.022	-.005	.002	-.013	1	.232**
	Sig. (2-tailed)	.488	.874	.950	.688		.000
	N	999	999	999	999	999	999
EPS	Pearson Correlation	.061	.020	.022	-.011	.232**	1
	Sig. (2-tailed)	.053	.532	.481	.728	.000	
	N	1000	1000	1000	1000	999	1000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

## Autocorrelation Test

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.128 <sup>a</sup>	.016	.012	.497	0.034

a. Predictors: (Constant), EPS, DY, MTBV, ROA, EBIT

b. Dependent Variable: SR

## F-test

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.116	5	.823	3.328	.005 <sup>a</sup>
	Residual	245.633	993	.247		
	Total	249.750	998			

a. Predictors: (Constant), EPS, DY, MTBV, ROA, EBIT

b. Dependent Variable: SR

## Coefficient

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.518	.019		26.765	.000		
	MTBV	-.006	.002	-.084	-2.663	.008	.986	1.014
	ROA	-.002	.001	-.052	-1.644	.100	.979	1.022
	DY	-4.903E-5	.000	-.039	-1.228	.220	.992	1.008
	EBIT	4.324E-6	.000	.007	.211	.833	.946	1.057
	EPS	.044	.023	.062	1.911	.056	.945	1.058

a. Dependent Variable: SR

## Model Summary

Model Summary			
Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	1365.708 <sup>a</sup>	.19	.25

a. Estimation terminated at iteration number 4 because parameter estimates changed by less than .001.

## Binary Logistic Regression

Variables in the Equation									
		B	S.E.	Wald	df	Sig.	Exp(B)	95% C.I. for EXP(B)	
								Lower	Upper
Step 1 <sup>a</sup>	MTBV	-.035	.015	5.290	1	.021	.966	.937	.995
	ROA	-.009	.006	2.289	1	.130	.991	.979	1.003
	DY	-.001	.001	.391	1	.532	.999	.998	1.001
	EBIT	.000	.000	.029	1	.866	1.000	1.000	1.000
	EPS	.253	.148	2.932	1	.087	1.288	.964	1.720
	Constant	.077	.081	.902	1	.342	1.080		

a. Variable(s) entered on step 1: MTBV, ROA, DY, EBIT, EPS.