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IMPACT OF BUY BACK OF SHARES ON THE SHARE PRICE BAHAVIOUR- AN EVIDENCE FROM INDIAN STOCK MARKET

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ABSTRACT
Buy back is one of the important corporate actions through which company buys back its shares either from open market. Companies go for buy back of shares in two conditions generally, one is negative situation of continuous drop in share price due to negative rumors in markets, and on the other condition is effective utilization of idle cash by reducing number of owners. In both cases, share price behavior analysis very crucial for investors for taking investment decisions such as hold, buy or sold. However, there is very few studies have done on measuring the effect of buy back of shares on share price behavior particularly in Indian context. Therefore, present study focused on this by taking two companies went to buy back of shares during the period of 2020. The study analysis the share price behavior in share price returns during pre and post buy back event, including very short period, short period and long period. The study used the T-test to measure the pre and post event stock price returns from Indian stock market context. The outcome of the study proved that buy back of share is good indicator that company will generated good wealth in long period.

Key words: Buy back of shares, corporate actions, stock market, share price behavior etc.

1. INTRODUCTION: Buyback refers to a process in which a company purchases its own shares from the market. In buy back of share company can cancel its shares and ultimately reduce the share capital. It is also referred as purchases shares of stock on the secondary market from any and all investors that want to sell. Shareholders are under no obligation to sell their stock back to the company

Buy of shares is one of the corporate actions considered as buy back of shares by the company from its existing shareholders by paying pre-specified amount and specific date in future. In general, companies buy their shares back from the investors at premium rate. The intention before the buy of shares is to reduce the number of equity shareholders of the company and effective use of existing huge cash reserves. In some cases, companies buy their shares back when share price is substantially falling due to market rumors. The buyback of shares will result in reduction of existing equity shares, increases EPS, signals company confidence in future growth of the company. The modes of buy back of shares included tender offer, book building process, stock exchange and odd lot holders. Companies use its funds for buy back from the sources of free reserves and security premium amount. The buyback of shares is common and regular corporate actions in Indian stock market. Present study has focused on the analysis of pre and post buyback stock price behavior of selected NSE listed companies in India.

2. REVIEW OF LITERATURE

SARGAM GUPTA (2025)[1] study analysed how shareholders value affect as result of buy back regulations in the context of Indian stock market The study opined that buy back of shares defence strategic tool against the hostile takeovers, sign for undervaluation of stock, distribution of additional cash and increased the future earnings available to shareholders. The regulation started considering buyback proceeds as dividend income taxable on shareholders, potentially deterring participation while encouraging reinvestment in growth opportunities.

Sivashanmugam, Sowmya (2019)[2] stated that companies market route or open market purchases for repurchasing of their shares. The study also explains the analysed and revealed that average abnormal return and cumulative abnormal return i.e. positive AAR in pre and post on open market offer excepting on the event date and in tender offer pre positive than post period

Sivashanmugam, Sowmya (2019)[3] explored the factors influence the buyback of shares such as shareholders pattern and wealth, movement of EPS, the effect on share price, status of operating performance, capital restructuring, the effect on promoters, etc

Hiral Vyas, Dr. R. K. Patel, (2018)[4] explored that structural changes take place in the company after buyback like rearranging and redeployment of the resources with the aims of survival, profit, and growth of the shareholders.

Walter I. Boudry, et al (2013)[5] found indirect association between the share repurchase announcement and investment opportunities. The study also revealed that announcement returns are adversely related to investment opportunities which assist the companies to determine where the free cash should be invested

3. NEED OF THE STUDY: Buy back is one of the corporate events through which company buys its shares from the existing shareholders with an intension of reducing number of shares, increase in EPS and expected rise in future share price. In this context, the studies on how shares generated wealth during pre and post buy back period is need of the hour. Present study fulfils the present research gap and helps the investors to take long run investment decisions.

4. OBJECTIVES OF THE STUDY: Present study is aimed to examine the impact of buy back on the post buy back very short period, short period and long period in selected companies in India.

5. HYPOTHESIS: The study formulated and examined null hypothesis as follows.

H_{01}: There is insignificant impact buy back on very short period during post buy period

H_{02}: There is insignificant impact buy back on short period during post buy period

H_{03}: There is insignificant impact buy back on long period during post buy period

6. RESEARCH METHODLOGY: Present study is an analytical in nature. The study used purely secondary data collected from NSE historical reports. The research variable is share price of the selected companies during pre and post buy back period. The study period analysed impact of buy back corporate event and how it has created wealth in very short period(5,10 and 30 days), short period(quarterly, half yearly, semi-annual and annual) and long period(five years returns). In the study, companies selected which went bought their shares back from the shareholders in the year of 2020. The study used the research tools such as percentage, average, and t-assuming equal variance. The company selected four companies randomly out of total 15 companies went for buy back event in the year, the companies included. Coforge Limited, Coral India Finance and Housing Limited (CIFHL), NMDC and Mayur Uniquoters Ltd

7. DATA ANALYSIS AND INTERPRETATION

TABLE 01: PRE AND POST BUY BACK RETURNS OF COFORGE LIMITED IN INDIA

Company Name: Coforge Limited					Buy Back Date: 12-03-2020		
		Closing Price before buy back Rs 325.18			Closing price after buy back 287.93		Event Day gain/ loss =-11.46
	Period	Period	Closing price	Price variance	Period	**Closing price**	**Price variance**
Very Short Period	5-Days	07-03-2020	357.61	-9.07	17-03-2020	236.38	-17.90

(One Month)	10-days	02-03-2020	358.13	-9.20	22-03-2020	172.84	-39.97
	1-Month	11-02-2020	366.08	-11.17	11-04-2020	215.05	-25.31
		Total		**-29.44**	**Total**		**-83.19**
		Mean	360.60	**-9.81**	**Mean**	208.09	**-27.73**
Short Period (one year)	3-Months	13-12-2019	298.12	9.08	10-06-2020	280.91	-2.44
	6-Months	12-09-2019	282.09	15.28	10-09-2020	382.35	32.79
	9-Months	16-06-2019	263.65	23.34	07-12-2020	491.14	70.58
	One year	13-03-2019	266.59	21.98	12-03-2021	544.45	89.09
		Total		**69.67**	**Total**		**190.02**
		Mean	301.11	**17.42**	**Mean**	340.62	**47.51**
Long period (1-5 years)	One year	13-03-2019	266.59	21.98	12-03-2021	544.00	88.93
	2nd year	13-03-2018	180.71	79.95	12-03-2022	875.04	203.91
	3rd Year	13-03-2017	84.60	284.37	12-03-2023	816.00	183.40
	4th Year	13-03-2016	94.12	245.50	11-03-2024	1249.53	333.97
	5th Year	13-03-2015	84.95	282.79	11-03-2025	1526.00	429.99
		Total		**914.58**	**Total**		**1151.27**
		Mean	142.19	**56.56**	**Mean**	1002.114	**86**
Source: Computed by the Author on the data of NSE							

TABLE 02: PRE AND POST BUY BACK RETURNS OF CIFHL LIMITED IN INDIA

Company Name: Coral Indian finance and housing limited					Buy Back Date: 17-04-2020		
		Closing Price before buy back Rs 14			Closing price after buy back 13.50 Rs		Event Day gain/ loss =-3.57
	Period	Period	Closing price	Price variance	Period	**Closing price**	**Price variance**
Very Short Period (One Month)	5-Days	12-04-2020	15.11	-7.35	22-04-2020	13.34	-1.19
	10-days	07-04-2020	14.19	-1.34	27-04-2020	12.39	-8.22
	1-Month	18-03-2020	11.06	26.58	17-05-2020	12.06	-10.67
		Total		**17.90**	**Total**		**-20.07**
		Mean		**5.97**	**Mean**		**-6.69**
Short Period (one year)	3-Months	18-01-2020	11.32	23.67	16-07-2020	19.95	47.78
	6-Months	18-10-2019	11.99	16.76	16-10-2020	19.05	41.11
	9-Months	22-07-2019	13.64	2.64	12-01-2021	23	70.37

	One year	18-04-2019	16.8	-16.67	17-04-2021	20.6	52.59
		Total		**26.41**	**Total**		**211.85**
		Mean		**5.00**	**Mean**		**13.15**
Long period (1-5 years)	One year	18-04-2019	16.8	-16.67	17-04-2021	20.6	52.59
	2nd year	18-04-2018	31.08	-54.95	17-04-2022	34	151.85
	3rd Year	18-04-2017	46.21	-69.70	17-04-2023	37.68	179.11
	4th Year	18-04-2016	11.7	19.66	16-04-2024	42	211.11
	5th Year	18-04-2015	59.5	-76.47	16-04-2025	40.7	201.48
		Total		**-198.14**	**Total**		**6973.48**
		Mean		**-15.29**	**Mean**		**40.30**
Source: Computed by the Author on the data of NSE							

TABLE 03: PRE AND POST BUY BACK RETURNS OF NMDC LIMITED IN INDIA

Company Name: NMDC LIMITED					Buy Back Date: 12-03-2020		
		Closing Price before buy back Rs 21.98			Closing price after buy back 22 Rs		Event Day gain / loss=0.09
	Period	Period	Closing price	Price variance	Period	**Closing price**	**Price variance**
Very Short Period (One Month)	5-Days	18-11-2020	22.95	-4.23	28-11-2020	22.67	3.05
	10-days	13-11-2020	21.71	1.24	03-12-2020	24.87	13.05
	1-Month	24-10-2020	19.6	12.14	23-12-2020	26.26	19.36
		Total		**9.16**	**Total**		**35.45**
		Mean		**3.05**	**Mean**		**11.82**
Short Period (one year)	3-Months	25-08-2020	22.19	-0.95	21-02-2021	28.22	28.27
	6-Months	25-05-2020	17.83	23.28	24-05-2021	43	95.45
	9-Months	27-02-2020	22.6	-2.74	20-08-2021	35.51	61.41
	One year	24-11-2019	24.29	-9.51	23-11-2021	33.45	52.05
		Total		**10.08**	**Total**		**237.18**
		Mean		**-2.38**	**Mean**		**13.01**
Long period (1-5 years)	One year	24-11-2019	24.29	-9.51	23-11-2021	33.45	52.05
	2nd year	24-11-2018	25.86	-15.00	23-11-2022	38.45	74.77
	3rd Year	24-11-2017	29.84	-26.34	23-11-2023	57.45	161.14
	4th Year	24-11-2016	28.14	-21.89	22-11-2024	73.59	234.50
	5th Year	24-11-2015	21.6	1.76	22-11-2025	73.51	234.14
		Total		**-70.99**	**Total**		**704.55**
		Mean		**0.35**	**Mean**		**46.83**
Source: Computed by the Author on the data of NSE							

TABLE 04: PRE AND POST BUY BACK RETURNS OF MAYUR UNIQUOTERS LIMITED IN INDIA

Company Name: Mayur Uniquoters Ltd	Buy Back Date: 25-11-2020

		Closing Price before buy back Rs 277.75			Closing price after buy back 267.50 Rs		Event Day gain/ loss =-3.69
	Days	Period	Closing price	Price variance	Period	**Closing price**	**Price variance**
Very Short Period (One Month)	5-Days	20-11-2020	271.90	2.15	30-11-2020	273.25	2.15
	10-days	15-11-2020	268.25	3.54	05-12-2020	293.8	9.83
	1-Month	26-10-2020	238.80	16.31	25-12-2020	287.2	7.36
		Total		**22.00**	**Total**		**19.35**
		Mean		**7.33**	**Mean**		**6.45**
Short Period (one year)	3-Months	27-08-2020	294.20	-5.59	23-02-2021	418.70	56.52
	6-Months	27-05-2020	149.60	85.66	26-05-2021	435.55	62.82
	9-Months	29-02-2020	254.25	9.24	22-08-2021	453.30	69.46
	One year	26-11-2019	210.70	31.82	25-11-2021	485.95	81.66
		Total		**121.14**	**Total**		**270.47**
		Mean		**30.28**	**Mean**		**67.62**
Long period (1-5 years)	One year	26-11-2019	218.15	27.32	25-11-2021	485.95	81.66
	2nd year	26-11-2018	386.05	-28.05	25-11-2022	439.95	64.47
	3rd Year	26-11-2017	298.40	-6.92	25-11-2023	537.05	100.77
	4th Year	26-11-2016	281.40	-1.30	24-11-2024	529.85	98.07
	5th Year	26-11-2015	216.10	28.53	24-11-2025	493.45	84.47
		Total		**19.58**	**Total**		**347.78**
		Mean		**5.71**	**Mean**		**16.89**
Source: Computed by the Author on the data of NSE							

8. INTERPRETATION

- The study observed analysed the very short period, short period and long period effect of buy back on share price return of Coforge limited (Table 01). The study found that, The Coforge share price has reported substantial negative average returns of -11.46 % over closing price on pre-buy back day. The very short period, i.e.one month, the study observed down trend in share price during both pre and post buy back period however, post buy back period share price drop substantially by -27.73 as compared to pre-buy period of -9.81%. In short period (one year) share price has reported 47.51 return over the event day closing price which is substantially

higher returns than average returns of 17.42% on the closing price on pre-buy back period. However, in the long run (five years) company share priced reached highest of Rs 1526 at end of 5th years which 429 % higher than the closing price on the buyback event period .The study observed that post buy back average returns are substantial (86 %) than average returns of pre buy back period which is substantially higher than the average pre-buy back five years average returns i.e. 56.56

- Similarly(Table 02), CIFHL share price has reported substantial negative returns of -3-57 % over closing price on pre -buy back day. The very short period, i.e.one month, the study observed company share was reported price drop of average -6.69 % during post buy back period but, during pre-buy back it was positive average returns of 5.97%. In short period (one year) share price has reported average return of 13.15% return over the event day closing price which is substantially higher returns than average returns of 5.0% on the closing price on pre-buy back period. However, in the long run (five years) company share priced reached highest of Rs 40.7 at end of 5th years which 201.48 % higher than the closing price on the buyback event period .The study observed that post buy back average returns are substantial (201.48%) than average returns of pre buy back period (-15.29).
- Similarly(Table 03), NMDC share price has reported meagre positive returns of 0.09 % over closing price on pre -buy back day. The very short period, i.e.one month, the study observed that company share was reported price up of average 11.82 % during post buy back period but, during pre-buy back it was average returns of 3.05 %. In short period (one year) share price has reported average positive return of 13.01 % return over the event day closing price which is substantially higher returns than average returns of -2.38% on the closing price on pre-buy back period. However, in the long run (five years) company share priced reached highest of Rs 73.51 at end of 5th years which 234.15 % higher than the closing price on the buyback event period .The study observed that post buy back average returns are substantial (46.83 than average returns of pre buy back period (-0.35).
- Similarly (Table 04), Mayur Uniquoters Ltd share price has reported negative returns of -3.69 % over closing price on pre -buy back day. The very short period, i.e.one month, the study observed that company share was reported price up of average 6.45 % during post buy back period but, during pre-buy back it was average returns of 7.33 %. In short period (one year) share price has reported average positive return of 67.62 % return over the event day closing price which is substantially higher returns than average returns of 30.28% on the closing price on pre-buy back period. However, in the long run (five years) company share priced reached highest of Rs 493.45 at end of 5th years which 84.47 % higher than the closing price on the buyback event period .The study observed that post buy back average returns are substantial (16.89) than average returns of pre buy back period (5.71).

9. T- TEST RESULT

Company name	Period	t Stat	P(T<=t) one-tail	t-Critical one-tail	P(T<=t) two-tail	t-Critical two-tail	Reject/Accept of Null Hypothesis
Coforge Limited	Very short period	8.08261	0.00064	2.13185	0.00127	2.77645	Reject
	Short period	-2.48702	0.02368	1.94318	0.04735	2.44691	Reject

	Long period	-4.87542	0.00062	1.85955	0.00123	2.30600	Reject
CICHL	Very short period	6.50846	0.00144	2.13185	0.00288	2.77645	Reject
	Short period	-4.85335	0.00142	1.94318	0.00284	2.44691	Reject
	Long period	-5.88487	0.00018	1.85955	0.00037	2.30600	Reject
NMDC	Very short period	-2.22184	0.04521	2.13185	0.04043	2.77645	Reject
	Short period	-3.96530	0.00370	1.94318	0.00741	2.44691	Reject
	Long period	-4.26842	0.00137	1.85955	0.00273	2.30600	Reject
Mayur Uniquoters Ltd	Very short period	0.17569	0.43454	2.13185	0.86908	2.77645	Accept
	Short period	-6.47665	0.00032	1.94318	0.00064	2.44691	Reject
	Long period	-6.51231	0.00009	1.85955	0.00019	2.30600	Reject
	Source: Compiled By Author						

10. **CONCLUSION:** The study observed from above analysis that, in three out of four selected companies shares have generated good returns in very short period, short period and substantial returns in very long period during post buy back period as compared pre buy back period. But, only in Coforge companies case, it experience significant drop in very short period (around 27.73%),but substantial returns observed in short period and long period. The t-test result are in support with analysis as p value is less than standard value of 0.05 in all cases (except Mayur company, very short period) and rejected null hypothesis and accepted alternative hypothesis. This is proved that all companies have created good wealth during post buy period particularly in long run.

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