Corporate Governance and Share Buybacks in Australia

Subba Reddy Yarram

***Abstract*—This** study examines the factors influencing decision to buyback shares in Australia. Analysis of a sample of non-financial firms included in the All Ordinaries Index for the period 2004 to 2010 show that size has significant positive influence on the decision to buyback shares. There is limited support for the view that firms buyback shares in order to reach their target optimal capital structure. The present study finds no evidence of undervaluation influencing buyback decisions of Australian firms.

***Keywords*—**Corporate Governance, Payout Policy, Share buybacks, Tax Imputation System

I. INTRODUCTION

PAYOUTO policy has gained considerable significance since the 1950s with the seminal work of Modigliani and Miller [1] and Lintner [2]. From the practitioners' viewpoint, payout policy of a firm has implications for investors, managers and lenders and other stakeholders. For investors, dividends or share buybacks are not only a means of regular income, but also an important input in valuation of a firm. Similarly, managers' flexibility to invest in projects is also dependent on the amount of payout that they can offer to shareholders as more payout may mean fewer funds available for investment. Lenders may also have an interest in the amount of payout a firm declares, as greater the amount paid the lesser would be the amount available for servicing and redemption of their claims.

Over the last 30 years, corporate firms in many countries have started repurchasing shares. Firms repurchase shares for many reasons. Firms may repurchase shares instead of paying dividends and this is often referred to as substitution hypothesis. Firms substitute dividend payments with share repurchases. In both instances there is a payout to investors. While dividend payout involves all investors, buybacks are at the discretion of investors. Investors may or may not sell their shares back to the company. Firms may also buyback shares when their shares are undervalued thus help support prices. Firms may also repurchase shares as a way to increase leverage ratio of reduce the equity component of capital. Australian buyback programs are considered to be highly transparent and structured as firms are required to report significant information to the public on the buyback plans and implementation.

Firms may repurchase shares in either of two ways – on market or open market repurchases and off-market or tender offer repurchases.

Firms may use buybacks as a substitute to paying dividends. Many studies from the US find evidence of increased repurchase of shares by firms. Australian firms continue to pay dividends while using buyback of shares instead of increasing dividend payouts when faced with increased earnings [3].

Firms may use buyback or share repurchases as a way to convey signals to the market that they are undervalued. Mitchell et al. [4] find evidence of Australian firms signaling undervaluation of share values through on market buybacks.

Buybacks or repurchases in Australia are unique given the tax imputation system. Buybacks in Australia have been permitted from 1989 [5]. Under the provisions of Corporations Law five types of buybacks are permitted namely: open market buybacks or on-market buybacks, selective or private buybacks, equal access or tender-offer buybacks, employee share buybacks and odd-lot buybacks. Given the tax imputations system in Australia, firms may declare dividends with attached franking credits. Investors could use these franking credits to offset their tax liability on other income if their marginal tax rate is lower than that of the corporate firms. Similarly, firms buying back shares can designate part of the buyback price as fully-franked dividends and the remaining portion as capital subject to 'approval' from Australian Taxation Office. In the last few years, companies in Australia have bought back shares to the tune of around $ 13 billion. A striking feature of the equal access buybacks in Australia is that firms buying back shares offer to buy shares at a discount as opposed to firms paying a premium in all other countries. Brown and Efthim [6] find that the discount charged by buying back firms in Australia is influenced by amount of franking credits associated with the buyback price.

It is therefore interesting to examine under what conditions firms buyback shares in Australia and what role corporate governance plays in this process.

The innovative feature of this study is that it investigates the intersection of dividend and buyback policies in the context of the Australian tax imputation system. This intersection has received relatively little attention in the academic literature because the imputation tax system is not used in the USA which has a "classical" tax system. The full assessment of changes in dividend policy, and the increase in buybacks, needs to take into account the special Australian situation.

The study will develop insights into corporate financial decision making specifically with respect to payout policy decision of Corporate Australia. Inferences from the study

Subba Reddy Yarram is with the UNE Business School, University of New England, Armidale, NSW 2351 Australia (phone: +612 6773 2965; fax: +612 6773 3148; e-mail:subbareddy.yarram@une.edu.au).

will provide inputs for innovative and creative capital management by corporate firms. The study will also provide regulators and policy makers bases for formulating regulations concerning capital restructuring and payout policies. Better informed corporate firms and investors strengthen the capital market infrastructure in Australia paving the way for emergence of an innovative economy.

II. Literature Review

Information asymmetry between agents (managers) and principals (outside shareholders) may also lead to agency cost [7]. One of the mechanisms of reducing expropriation of outside shareholders by agents is high payout. High payout will result in reduction of free cash flow available to managers and this restricts the empire building efforts of managers.

The presence of information asymmetry may also mean that managers need to signal their ability to generate higher earnings in future with the help of high payouts [8], [9], and [10]. However, the credibility of signals depends on the cost of signaling – the cost being loss of financial flexibility. High payout results in reduction of free cash flow when in fact the firm may need more funds to pursue high growth opportunities. Rozeff [11] models payout ratios as a function of three factors: flotation costs of external funding, agency cost of outside ownership and financing constraints as a result of higher operating and financial leverage.

Fama and French [12] analyze the issue of lower dividends paid by corporate firms over the period 1973-1999 and the factors responsible for the decline. In particular they analyze whether the lower dividends were the effect of changing firm characteristics or lower propensity to pay on the part of firms. They observe that proportion of companies paying dividend has dropped from a peak of 66.5 percent in 1978 to 20.8 percent in 1999. They attribute this decline to the changing characteristics of firms.

Another important aspect that has been highlighted by Fama and French [12] and Grullon and Michaely [13], is the increase in buybacks in the US. For the first time in 1998, amount of money spent on share buybacks by corporate America exceeded the amount of dividends paid. The number of firms resorting to share buybacks has gone up substantially over the last few decades.

Prior research finds five major motivations for share buybacks [14]. Firms with excess free cash flow may distribute it in the form of repurchases. Firms that are undervalued and have excess cash flow are more likely to repurchase stock. Management in this instance may be trying to signal to the market the better prospects that are available to the firm. In other words, share buybacks may resolve information asymmetry between insiders and outsiders. Since share repurchases are costly to imitate, they may serve as effective signals in a market place. Apart from these two reasons, firms may also repurchase stock when managers want to target an optimal capital structure by increasing leverage [15]. Share repurchases by reducing the amount of equity, achieve increase in leverage. Firms may also want to buyback share when they want to fend off takeovers by targeting shareholders who value the firm lower [16]. In addition, firms may also want to counter the dilution effects of employee stock options by repurchasing stock [17].

Controlling shareholders also may influence share repurchase bevahiour of firms. Jansson and Larsson-Olaison [18] find evidence of Swedish firms buying back shares to increase leverage when no dominant controlling shareholder exists.

Mitchell et al. [5] survey the motivations of managers regarding buyback of shares in Australia. Their 112 respondents included 27 companies that bought back shares. They find two major motivations for buyback of shares. Improving financial performance or increase in earnings per share is a major motive for firms to buyback shares. The second important motive is to signal to investors that their shares are undervalued in the marketplace. They find that the sample of companies that bought back shares and firms that have not undertaken any buybacks have similar views with regard to motivations for buyback. They also find that the legal hurdles and unfavorable perception of stock market as the reasons for relatively low buyback activity in Australia during the first half of 1990s.

Australian on-market buyback mechanism is highly structured and transparent and this is expected to contribute to the signaling ability of buyback activities. Mitchell and Dharmawan [19] find evidence of undervaluation hypothesis and target capital structure hypothesis as a motivation for on-market buyback by Australian firms.

The tax imputation system in Australia allows firms to designate buyback price into dividend and capital components. Brown [20] finds that the discount at which shares are bought back through off-market share repurchases affects the announcement returns in Australia. This study finds that on an average the abnormal returns on announcement amount to 1.2 per cent in Australia and also reports high turnover following buyback announcements.

The tax imputation system also determines the choice of buyback of Australian firms. Brown and Norman [21] find that Australian firms buyback shares using off-market buybacks when they accumulate large franking credits and when they have excess cash. On the other hand, Australian firms buyback shares on the market when undervalued [21].

The tax imputation system also affects the redistribution of wealth between participating and non-participating shareholders in buyback activities. Alpert, Lawler and Tutticci [22] find that for higher levels of institutional ownership, participating shareholders tend to gain from off-market buyback activities and corporate governance helps to mitigate this wealth transfer and thereby protects the interests of non-participating investors. Brown and Davis [23] develop a model that captures the wealth transfer from non-participating to participating shareholders in off-market buybacks in Australia and strongly recommend that the earlier tax reforms suggested by the Australian Tax Board be implemented.

Takeover threat also motivates firms to buyback their shares. In the Australian context, Doan, Yap and Gannon [24] find that the ex-ante takeover probability is significantly positively associated with on-market buybacks. They also find that share buybacks are employed by

Australian firms to redistribute non-permanent increases in cash flows.

In summary, the proposed research addresses the important problem of assessing the consequences of changes in dividend and buyback policies of Australia listed companies. It will add to the knowledge base of the discipline by extending previous work that has been done on the capital structure, dividend and buyback policies of listed and unlisted firms by considering the heterogeneous nature of listed companies with regard to information asymmetry and access to equity within an imputation regime.

III. DATABASE AND METHODOLOGY

The sample for the present study is derived from the constituents of All Ordinaries Index (AOI). Share buyback announcements for both on-market and off-market are collected from the Australian Company Announcements database of the SIRCA for the period 2004 to 2010. In all 255 firms announced share buybacks during this period. Of these 155 firms announced buybacks only in one year where as 59 firms announced buybacks in 2 years and 26 firms announced buybacks in 3 years (Table 1). These buybacks include financial companies and the present study excludes all financial companies given the regulation associated with their capital structure and other financial policies. The final sample included 62 firms that bought back shares during the 2004 to 2010 period. In all 104 buybacks were undertaken by these 62 AOI firms and these 104 on market buybacks constitute the buyback sample for the present study.

Table 1
Buyback Statistics

Frequency	Number of firms	Numbe of Buybacks	Year	Number of Firms
All Buybacks				
1	155	155	2004	27
2	59	118	2005	44
3	26	78	2006	61
4	7	28	2007	58
5	6	30	2008	89
6	1	6	2009	73
7	1	7	2010	70
Total	255	422		422
Non-financial buybacks				
1.00	37	37	2004	3
2.00	15	30	2005	7
3.00	5	15	2006	13
4.00	4	16	2007	17
6.00	1	6	2008	23
			2009	20
			2010	21
Total	62	104		104

The variable buyback takes a value of 1 if a firm has undertaken a buyback during any year and value of 0 if the firm has not undertaken any buyback. All non-financial firms from the ASX AOI are included for the present study.

Information on explanatory variables is collected from Datastream for the period 2003 to 2010. Sample firms have an average total asset size of $3.14 billion (Table 2). Average total assets have increased from $2.13 billion in 2004 to $4.15 billion in 2008 and fell to $2.7 billion in 2009 before recovering to an average level of $4.03 billion in 2010 (Table 3). Leverage as measured by debt to equity shows that debt is roughly half of equity for the sample firms for the study period. Leverage has shown fluctuation during the sample period with the highest level of 58% of equity in 2008 and a low level of 32.5% in 2010.

Liquidity position of sample firms is comfortable given that the current assets are approximately 3.55 times more than current liabilities. Current ratio is consistently around 3 times except for 2005 when current assets were more than 6 times that of current liabilities.

Market to book value has shown steady grown from 2004 to 2008 increasing from 2.44 to 3.23 before falling to a low of 1.43 in 2009. Subsequently in 2010 it recovered to 2.25.

Sample firms have paid out 40 per cent of their profits as dividends during the sample period. Dividend payout has fallen from approximately 42 per cent in 2004 to 32 per cent in 2009 before recovering to approximately 40 per cent in 2010.

Average Earnings yield or earnings to price is 11.67 per cent during the sample period. It rose to a high of 22.3 per cent in 2009 coinciding with global financial crisis when stock markets experienced a meltdown.

The present study includes three variables relating to board structure namely independence, board size and duality for the period 2004 to 2010. This information is hand collected from the annual reports. Independence measured as proportion of independent directors to total number of directors shows that approximately 73 per cent of board members are independent and do not have any executive roles with in the organizations. Average board size of sample firms is 6.65 implying that Australian boards are neither too small nor too big. Only 7 per cent of Australian firms have the same person performing the roles of CEO and Chairperson and this has fallen to 4.5 per cent in 2010.

In sum, the global financial crisis has some impact on the explanatory variables this impact has been negative on variables such as total assets, leverage, MTBV and payout while it is positive on earnings to price. Independence has shown improvements over the study period while duality declined marginally from the already low levels.

Table 2
Descriptive statistics for variables employed

variable	mean	sd	min	p25	p50	p75	max	skewness	kurtosis
Total Assets	3.1399	9.8578	0.0049	0.1631	0.5905	2.3185	128.2258	7.6873	77.2545
Leverage	0.4820	0.8629	0	0.024	0.3197	0.6441	13.9289	8.6430	107.4707
Currrent Ratio	3.5451	16.7890	0.04	1.17	1.64	2.66	569.78	28.5331	942.4504
MTBV	2.5877	2.9447	0.11	1.11	1.83	3.11	54.54	7.0564	91.9245
Payout	0.3993	0.3184	0	0	0.4474	0.6682	1	0.0298	1.6594
EP	0.1166	0.2536	0.0112	0.0439	0.0662	0.1053	5	11.1981	165.9141
Independence	0.7265	0.1610	0	0.625	0.75	0.8571	0.9375	-1.0144	3.9669
BoardSize	6.6283	2.4784	3	5	6	8	14	0.8760	3.4879
Duality	0.0703	0.2557	0	0	0	0	1	3.3619	12.3024

Total Assets is in billion $s. Leverage is measured as debt to equity. Current ratio is current assets to current liabilities. MTBV is market value to book value. Payout is dividend payout percentage. EP is earnigns to price. Independence is measured as the proportion of independent directors to total directors. Board size is measured as the number of directors. Duality is measured as 1 when Chairperson and CEO position is held by the same person.

Table 3
Trends in the variables used over the period 2004 to 2010

Year	Total Assets	Leverage	Current Ratio	MTBV	Payout	EP	Independence	BoardSize	Duality
2004	2.1317	0.4499	3.3301	2.4413	0.4173	0.0854	0.7105	6.6684	0.0714
2005	2.5783	0.4993	6.6397	2.5529	0.4313	0.1179	0.7123	6.7198	0.0918
2006	2.8907	0.5260	2.7055	2.9751	0.4373	0.0905	0.7209	6.7190	0.0762
2007	3.6519	0.4781	2.9436	3.0604	0.3967	0.0875	0.7192	6.6400	0.0622
2008	4.1574	0.5836	2.9072	3.2387	0.3887	0.0919	0.7311	6.5628	0.0605
2009	2.6961	0.4436	3.3680	1.4338	0.3242	0.2228	0.7443	6.4583	0.0741
2010	4.0293	0.3252	2.6851	2.2523	0.4047	0.1167	0.7635	6.6486	0.0450
Total	3.1399	0.4820	3.5451	2.5877	0.3993	0.1166	0.7265	6.6283	0.0703

Total Assets is in billion $s. Leverage is measured as debt to equity. Current ratio is current assets to current liabilities. MTBV is market value to book value. Payout is dividend payout percentage. EP is earnigns to price. Independence is measured as the proportion of independent directors to total directors. Board size is measured as the number of directors. Duality is measured as 1 when Chairperson and CEO position is held by the same person.

Given that firms may repurchase shares for more than one

reason, we probit regression models to analyze the influence of total assets, leverage, liquidity, growth, dividend payout, earnings to price and governance variables on the decision to buyback or not to buyback shares. To examine the undervaluation hypothesis the influence of market to book ratio – which is a proxy for information asymmetry – on the decision to buyback shares is examined. To examine whether firms buyback shares in order to reach their optimal capital structure, the influence of leverage on the decision to buyback shares is examined. A negative and significant coefficient for leverage indicates that the firm is targeting an optimal capital structure. The present study employs the panel probit model to address the issue of unobserved heterogeneity.

First pairwise bonferroni-adjusted correlations are computed. Correlations show that total assets and independence and board size are significantly correlated (Table 4). However, all the correlations calculated are of low magnitude and therefore all variables are considered for further analysis. Some of the variables such as total assets, MTBV and current ratio are transformed using natural logarithm.

Table 4
Correlations

	Buyback	Total Assets	Leverage	Current Ratio	MTBV	Payout	EP	Independence	BoardSize
Total Assets	0.2030*								
Leverage									
Current Ratio									
MTBV			0.2451*						
Payout				-0.1300*	0.1393*				
EP				0.089		-0.1931*			
Independence		0.1455*				0.1462*			
BoardSize		0.4149*	0.1616*	-0.1055*	0.1058*	0.3050*	-0.1155*	0.3036*	
Duality								-0.1859*	-0.1475*

Note: Only correlations significant at 10 per cent are reported. *signficant at 1 per cent.

Total Assets is in billion $s. Leverage is measured as debt to equity. Current ratio is current assets to current liabilities. MTBV is market value to book value. Payout is dividend payout percentage. EP is earnigns to price. Independence is measured as the proportion of independent directors to total directors. Board size is measured as the number of directors. Duality is measured as 1 when Chairperson and CEO position is held by the same person.

IV. Results and Discussion

First probit model is employed to examine the factors influencing the decision to buyback shares. Four models are employed to assess the influence of company-specific factors as well as to understand the influence of governance variables on the decision to buyback or not buyback shares. Model (1) incorporates company specific factors with Model (2) additionally including control variables for time and industry. Model (3) introduces governance variables in addition to company specific financial variables and finally Model (4) incorporates control variables for time and industry.

Results show that total assets have significant positive influence on the decision to undertake buyback of shares (Table 5). The influence of size on the decision to buyback shares persist even after controlled for unobserved heterogeneity as shown from the results of panel probit regressions (Table 6). From the analyses, it can be concluded that large firms are more likely to buyback shares compared to small firms.

Leverage on the other hand has a negative influence on the decision to buyback shares. This implies that firms are targeting optimal capital structure and buybacks are undertaken to reduce the proportion of equity. However, the influence of leverage on the decision to buyback shares is not statistically significant except for Model (4). Panel probit regression models also show the negative influence of leverage on the decision to buyback shares albeit the impact is not statistically significant. Thus it can be concluded that there is only a limited evidence of the leverage hypothesis in the context of buyback decisions of Australian firms.

Current ratio has no influence on the decision to buyback shares in the Australian context though the coefficient is positive as predicted by the excess cash hypothesis. All the models show positive sign of the influence but it is not statistically significant in any model. Findings also suggest that market value to book value as well as earnings to price have significant positive influence on the decision to buyback shares. This result contradicts undervaluation or signaling hypothesis that firms buyback shares when they are undervalued.

Firms may at times buyback shares as a way to substitute dividend payments. Results show that payout has no significant influence on the buyback decisions of Australian firms. Board characteristics such as board size, independence and duality also show no significant influence on the buyback decisions of Australian firms. Buybacks are undertaken in the Australian context by large firms and that there is only limited evidence of optimal capital structure hypothesis of buybacks.

Table 5
Probit Regression Model of Buyback Decision

Model	(1)	(2)	(3)	(4)
Total Assets	0.1933***	0.2308***	0.2571***	0.3102***
	(4.47)	(4.30)	(3.76)	(3.74)
Leverage	-0.2935	-0.3099	-0.4024	-0.5087*
	(-1.50)	(-1.44)	(-1.89)	(-2.17)
Ln Current Ratio	0.1409	0.1566	0.1373	0.1346
	(0.98)	(1.01)	(0.94)	(0.87)
Ln MTBV	0.2897*	0.2026	0.3077*	0.1848
	(2.54)	(1.64)	(2.44)	(1.34)
Payout	0.0794	-0.0851	0.0693	-0.1242
	(0.33)	(-0.26)	(0.26)	(-0.35)
EP	0.8219	0.8285*	0.9952*	1.0572*
	(1.96)	(2.05)	(2.38)	(2.50)
Independence			1.3792*	1.0272
			(2.08)	(1.73)
BoardSize			-0.0768	-0.0655
			(-1.82)	(-1.43)
Duality			Omitted	Omitted
Year		Yes		Yes
Industry Dummy		Yes		Yes
Intercept	-4.3465***	-5.6294***	-5.7301***	-6.8955***
	(-6.62)	(-6.69)	(-6.65)	(-5.98)
Firm Years	720	720	666	666
Log Pseudo Likelihood	-185.6541	-167.8023	-159.7397	-144.3139
Chi2	26.0026	75.8170	33.6159	69.3863
p	0.0002	0.0000	0.0000	0.0000
z statistics in parentheses				

* p<0.05, ** p<0.01, *** p<0.001

Total Assets is in billion $s. Leverage is measured as debt to equity. Current ratio is current assets to current liabilities. MTBV is market value to book value. Payout is dividend payout percentage. EP is earnigns to price. Independence is measured as the proportion of independent directors to total directors. Board size is measured as the number of directors. Duality is measured as 1 when Chairperson and CEO position is held by the same person.

Table 6
Panel Random Effects Probit Model of Buyback Decision

Model	(1)	(2)	(3)	(4)
Ln Total Assets	0.2765***	0.2975***	0.3220**	0.3428***
	(3.47)	(3.51)	(3.26)	(3.33)
Leverage	-0.4935	-0.4257	-0.5502	-0.4965
	(-1.59)	(-1.40)	(-1.67)	(-1.55)
Ln Current Ratio	0.1484	0.1704	0.1339	0.1450
	(0.89)	(1.05)	(0.82)	(0.92)
Ln MVBV	0.4036*	0.3557*	0.3576*	0.3020
	(2.35)	(2.16)	(2.09)	(1.86)
EP	1.1413	1.2094*	1.2313*	1.2568*
	(1.80)	(1.98)	(2.03)	(2.19)
Payout	0.0025	-0.0004	0.0022	-0.0006
	(0.61)	(-0.08)	(0.53)	(-0.13)
Independence			1.1671	0.9207
			(1.23)	(1.04)
BoardSize			-0.0788	-0.0772
			(-1.35)	(-1.36)
Duality			-5.9000	-5.2148
			(-0.00)	(-0.01)
Industry Dummy		Yes		Yes
Intercept	-6.0737***	-6.5285***	-6.8783***	-7.0716***
	(-5.03)	(-4.82)	(-5.12)	(-4.88)
Insig2u	-0.2387	-0.5738	-0.5424	-1.0466
	(-0.56)	(-1.17)	(-1.11)	(-1.65)
Firm years	720	720	712	712
Log Pseudolikelihood	-173.9427	-167.5116	-152.5732	-146.2455
Chi2	16.2305	24.4529	17.9470	28.4123
p	0.0126	0.0404	0.0358	0.0403
Z statistics in parentheses				

* p<0.05, ** p<0.01, *** p<0.001

Total Assets is in billion $s. Leverage is measured as debt to equity. Current ratio is current assets to current liabilities. MTBV is market value to book value. Payout is dividend payout percentage. EP is earnigns to price. Independence is measured as the proportion of independent directors to total directors. Board size is measured as the number of directors. Duality is measured as 1 when Chairperson and CEO position is held by the same person.

V. Summary and Conclusion

This study examines the factors influencing decision to buyback shares in Australia. Analysis of a sample of non-financial firms included in the All Ordinaries Index for the period 2004 to 2010 show that size has significant positive influence on the decision to buyback shares. There is only a limited evidence in support of the view that firms buyback shares in order to reach their target optimal capital structure. The present study finds that excess undervaluation is not the motive for firms undertaking buyback.

References

[1]. Miller, H. M., & Modigliani, F. (1961). Dividend Policy, Growth, and the Valuation of Shares. The Journal of Business, 34(4), 411-433.

[2]. Lintner, J. (1956). Distribution of Incomes of Corporations Among Dividends, Retained Earnings, and Taxes. The American Economic Review, 46(2), 97-113.

[3]. Aharoni, G., Brown, C., & Wang, G. J. (2011). The Payout Policy of Australian Firms: Dividends, Repurchases and Soft Substitution. [Unpublished Manuscript].

[4]. Mitchell, J., Izan, H. Y., & Lim, R. (2006). Australian On-Market Buy-backs: An Examination of Valuation Issues. Multinational Finance Journal, 10(1/2), 43-47,50-59,62-63,67-71,75-79.

[5]. Mitchell, J. D., Dharmawan, G. V., & Clarke, A. W. (2001). Managements' views on share buy-backs: an Australian survey. Accounting & Finance, 41(1-2), 93-129.

[6]. Brown, C., & Efthim, K. (2005). Effect of Taxation on Equal Access Share Buybacks in Australia. International Review of Finance, 5(3-4), 199-218.

[7]. Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics, 3(4), 305-360.

[8]. Bhattacharya, S. (1979). Imperfect Information, Dividend Policy, and "The Bird in the Hand" Fallacy. The Bell Journal of Economics, 10(1), 259-270.

[9]. John, K., & Williams, J. (1985). Dividends, Dilution, and Taxes: A Signalling Equilibrium. The Journal of Finance, 40(4), 1053-1070.

[10]. Miller, H. M., & Rock, K. (1985). Dividend Policy under Asymmetric Information. The Journal of Finance, 40(4), 1031-1051.

[11]. Rozeff, M. S. (1982). Growth, Beta and Agency Costs as Determinants of Dividend Payout Ratios. Journal of Financial Research, 5(3), 249-259.

[12]. Fama, E. F., & French, K. R. (2001). Disappearing dividends: Changing firm characteristics or lower propensity to pay? Journal of Financial Economics, 60(1), 3-43.

[13]. Grullon, G., & Michaely, R. (2002). Dividends, Share Repurchases, and the Substitution Hypothesis. The Journal of Finance, 57(4), 1649-1684.

[14]. Dittmar, Amy K. (2000). Why Do Firms Repurchase Stock? The Journal of Business, 73(3), 331-355.

[15]. Ofer, A. R., & Thakor, A. V. (1987). A Theory of Stock Price Responses to Alternative Corporate Cash Disbursement Methods: Stock Repurchases and Dividends. The Journal of Finance, 42(2), 365-394.

[16]. Bagwell, L. S. (1991). Share Repurchase and Takeover Deterrence. The RAND Journal of Economics, 22(1), 72-88.

[17]. Fenn, G. W., & Liang, N. (2001). Corporate payout policy and managerial stock incentives. Journal of Financial Economics, 60(1), 45-72.

[18]. Jansson, A., & Larsson-Olaison, U. (2010). The effect of corporate governance on stock repurchases: Evidence from Sweden. Corporate Governance, 18(5), 457-472.

[19]. Mitchell, J. D., & Dharmawan, G. V. (2007). Incentives for on-market buy-backs: Evidence from a transparent buy-back regime. Journal of Corporate Finance, 13(1), 146-169.

[20]. Brown, C. (2007). The Announcement Effects of Off-Market Share Repurchases in Australia. Australian Journal of Management, 32(2), 369-385.

[21]. Brown, C., & Norman, D. (2010). Management choice of buyback method: Australian evidence. Accounting & Finance, 50(4), 767-782.

[22]. Alpert, K., Lawler, T., & Tutticci, I. (2011). Wealth Transfers in Off-Market Share Buybacks: The Effects of Corporate Governance and Institutional Ownership. Available at SSRN 1914131.

[23]. Brown, C., & Davis, K. (2012). Taxes, tenders and the design of Australian off-market share repurchases. Accounting & Finance, 52, 109-135.

[24]. Doan, D. H. T., Yap, C. J., & Gannon, G. (2011). Takeover Deterrent Effect of On-market Share Buyback in Australia. Australasian Accounting Business and Finance Journal, 5(4), 65-84.