JAMG
Journal of Accounting, Management and Governance
Revista Contabilidade, Gestão e Governança
E-ISSN 1984-3925

OPEN ACCESS
Responsible Editor: Rafael Barreiros Porto
Associate Editor: Pedro Guilherme Ribeiro Piccoli
Evaluation Process: Double Blind Review pelo SEER/OJS

Effect of Corporate Governance on the Returns of the Shares Due to the Share Buyback Announcement

ABSTRACT

Objective: The objective of this study is to analyze whether or not the stock prices of companies respond to the announcement of the share buyback and what are the possible influences that the adoption of stricter corporate governance practices may have on the results.
Method: A quantitative research was carried out on 329 public share buyback announcements, carried out by 99 companies, from 2003 to 2014. The quantitative part of this study used the ex-post-facto research technique, with data secondary and event study work methods.
Originality/Relevance: The increase in cash distribution by companies through the repurchase of shares, the evidence of an abnormal return on shares as a result of the repurchase and whether or not the adoption of better corporate governance practices reduce information asymmetry in the market, has led researchers to analyze whether or not there is a relationship between the level of governance and the return on shares as a result of the announcement of the share buyback event.
Results: The results indicate that there is evidence of an abnormal return in the Brazilian market before, during and after the announcement of the share buyback event. Regarding the adoption of corporate governance practices used by companies, no evidence was found that the adoption of stricter corporate governance practices reduces asymmetry.
Theoretical/Methodological contributions: The research contributes to the discussion of the theme in the Brazilian stock market and to broaden the discussion in the literature if the adoption of best corporate governance practices reduces the asymmetry.

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Keywords: Stock Repurchases; Corporate Governance; Information Asymmetry; Efficient Market; Event Study.

Received: February 15, 2019
Revised: December 18, 2019
Accepted: April 10, 2020
Published: November 16, 2020

How to Cite (APA)
Alberto, J. G. C. & Martins, H. C. (2020). Effect of Corporate Governance on the Returns of the Shares Due to the Share Buyback Announcement. *Journal of Accounting, Management and Governance*, *23* (3), 294-308. http://dx.doi.org/10.51341/1984-3925_2020v23n3a1

1 INTRODUCTION

The relationship between abnormal returns and certain corporate events, and how investors can take advantage of them to obtain gains or advantages, is a recurrent subject of research. Among the most studied corporate events, stands out the share buyback and its influence on the return on assets as a result of the announcement of the event. Authors such as Masulis (1980), Dann (1981), Vermaelen (1981), Comment and Jarrell (1991), Lee, Mikkelson, and Partch (1992), Howe, He, and Kao (1992), Grullon and Ikenberry (2000) , Isagawa (2002), Kahle (2002), Grullon and Michaely (2002), Jagannathan and Stephens (2003), Zhang (2005), Brown (2007), Wang, Strong, Tung, and Lin, (2009), Nittayagasetwat and Nittayagasetwat (2013), and Gunn (2017) showed the relationship between abnormal returns and the share buyback process.

Among the theses proposed by scholars of the subject to understand the phenomenon, the approaches of informational asymmetry between managers and investors, agency conflict and signaling, were extensively explored by the academy (Vermaelen, 1981; Comment & Jarrel, 1991; Jagannathan, Stephens, & Weisbach, 2000; Grullon & Michaely, 2004; Li & Mcnally, 2007; Nossa, Lopes, & Teixeira, 2010).

In Brazil, there are a smaller number of studies that have analyzed the stock repurchase phenomenon. It's worthwhile mentioning the studies by Moreira (2000), Gordon (2002), Castro and Yoshinaga (2013), and Micheloud (2013), who also emphasized the signaling hypothesis as one of the justifications for the abnormal returns of companies in the repurchase period.

Given that information asymmetry is frequently mentioned in international and national works (Vermaelen, 1981; Stephens & Weisbach, 1998; Comment & Jarrel, 1991; Singh, Zaman, & Krishnamurti, 1994; Persons, 1997; Gordon, 2002), it is expected that companies with a higher level of corporate governance have a lower level of asymmetry (Barbedo, Silva, & Leal, 2009; Holm & Scholer, 2010), thus lesser occurrence of abnormal returns, since one of the principles of good governance practices is transparency, resulting in less information asymmetry.

In the Brazilian market, the increase in the discussion of corporate governance practices came mainly from the privatization processes and the opening of the national market in the 1990s. Almeida, Santos, Ferreira, and Torres (2010) add that, in addition to the processes privatization, the growth of pension funds contributed to the concern with studies related to corporate governance in Brazil. Carvalho (2002) highlights the efforts made by companies to adopt better corporate governance practices, such as the reformulation of the Brazilian Corporate Law.

In the private sector, the need for the development of governance in publicly traded companies and greater protection for minority investors led Bovespa to create levels of governance, an agreement in which companies voluntarily adhere, committing themselves to adopt best practices of corporate governance.

These new levels of governance are the following: (1) New Market, (2) Level I of Corporate Governance and (3) Level II of Corporate Governance. Each one of these levels has different degrees of requirements in relation to the level of governance adopted by the company.

Therefore, this research aims at discussing the behavior of asset prices as a result of the announcement of a repurchase of shares. Furthermore, it intends to understand the effects of the different corporate governance practices adopted by companies in the asset prices behavior.

Thus, this paper aims at answering the following question: What is the influence of the adoption of best corporate governance practices on share returns, as a result of the announcement of the share buyback event?

This research seeks to contribute to the analysis of how corporate governance practices influence the variation in stock prices due to the announcement of share buybacks. Another contribution of our work is to point out the implications of the event for investment management, checking whether it is possible to obtain abnormal returns by negotiating around the repurchase period. Thus, it is analyzed whether the adoption of governance practices related to the adoption of greater transparency makes the pricing assets more efficient.

The study is justified due to the increase in the number of repurchases as a means of distributing cash to shareholders, as shown by Ofer and Thakor (1987). The authors have pointed out that in 1984 alone 26 billion dollars were spent on share buyback programs for 600 companies. Grullon and Ikenberry (2000) also showed that the repurchase process in the American market started to intensify in 1980. It is worth noting that between 1995 and 1999 share repurchases totaled around US $ 750 billion and that, in 1998, for the first time in history, the cash distribution by repurchase exceeded the payment of dividends. Mota (2007) explained that in the Brazilian market, between 1999 and 2005, repurchases went from R$ 540 million to R$ 2,46 billion. Furthermore, Castro Júnior and Yoshinaga (2013) pointed out that in Brazil, between July 2002 and March 2013, there were 474 buyback announcements in the open market. According to the authors, if all repurchases were executed, it would result in a financial volume of R $ 74,8 billion.

In addition to this introduction, the article is divided into five more sections. The next section addresses the theoretical framework and hypotheses. Next, the applied methodology and the presentation of the results are presented. Finally, the results are analyzed and the conclusions presented.

2 THEORETICAL FRAMEWORK AND HYPOTHESES

The works of Stephens and Weisbach (1998), Comment and Jarrel (1991), Grullon and Ikenberry (2000), Jagannathan, Stephens, and Weisbach (2000), Grullon and Michaely (2002) highlight the increasing importance of the distribution of cash to shareholders through the repurchase of shares in the international market.

In the Brazilian market Mota (2007) explains that, between 1999 and 2005, repurchases went from R$ 540 million to R$ 2,46 billion. Castro and Yoshinaga (2013) highlight that in Brazil, between July 2002 and March 2013, there were 474 buyback announcements in the open market.

It is notorious the importance of stock repurchases for companies. This has stimulated the development of a large number of studies aiming at understanding the effects of this event (share buyback), especially on the price of the stock around the time of the announcement. Lakonishok and Vermaelen (1990) studied the abnormal behavior of asset prices during the repurchase period, finding evidence of abnormal returns as a result of that. Studies carried out by Masulis (1980) and Vermaelen (1981) and more recently those by Moreira (2000), Zhang (2005), Brown (2007), Wang et al. (2009), Nittayagasetwat and Nittayagasetwat (2013) and Micheloud (2013) also analyzed the relationship between abnormal returns and the stock buyback process.

Several hypotheses were raised to understand the phenomenon of abnormal returns and the share buyback process. However, no other hypotheses has been so extensively studied and supported by results, in different markets and periods, such as the signaling hypothesis.

According to this hypothesis, due to the split between ownership and management, investors believe that managers and insiders have better information about the company, the announcement of the share buyback being interpreted as a sign that the holders of better information believe that the company is underestimated (Nittayagasetwat & Nittayagasetwat, 2013). Brown (2007) also states that, according to the signaling hypothesis, managers are better informed and, if they believe that the shares are undervalued, they will use the repurchase to signal this mismatch. The author argues that it is to be expected that there was a fall in the price of the assets before the announcement and an increase afterwards. Castro and Yoshinaga (2013) point out that signaling is a mechanism used by companies to minimize information asymmetry between managers and investors. According to the authors: "the announcement or the occurrence of a fact such as (intention to) buy back shares, characterizes a signal." (Castro & Yoshinaga, 2013, p. 2).

Among the several studies that were based on the signaling hypothesis to understand the abnormal returns as a result of the share buyback events, stand out Vermaelen (1981), Dann (1981), Dann, Masulis, and Mayers (1991), Stephens and Weisbach (1998), Jagannathan, Stephens, and Weisbach (2000), Zhang (2005), Li and McNally (2007), Nossa, Lopes, and Teixeira (2010), Micheloud (2013), Nittayagasetwat and Nittayagasetwat (2013), Castro and Yoshinaga (2013).

2.1 Corporate governance and reduction of informational asymmetry

The importance of information and how information asymmetry can be detrimental to companies and investors has been addressed by several surveys. Rocha and Procianoy (2004) highlight the importance of the quality and quantity of information disclosed to the market to assist investors, both current and potential, in allocating capital. In the same direction, Correia, Amaral, and Louvet (2011) highlight that the quality of financial information published by companies is an essential mechanism for reducing information asymmetry between internal actors and external investors. Salehi, Rezaie, and Ansari (2014) emphasize the importance of an appropriate and current information for decision making and how its asymmetrically distribution among people can lead to different results.

Lopes and Martins (2007) clarify that the study of informational asymmetry emerged as a result of the birth of large corporations and the appearance of a conflict of interest between their different members (managers, investors and so on). Furthermore, Nascimento and Reginato (2008) show that the split between ownership and control led agents to make decisions taking into account not only the interests of the firm, but also of their own.

In this context, in which it is emphasized how informational asymmetry can be harmful to companies and investors, researches such as Holm and Scholer (2010), Salehi, Rezaie, and Ansari (2014) point out how the adoption of corporate governance practices increases transparency and quality of information provided by companies.

Carvalho (2002) and Nascimento and Reginato (2008) highlight that one of the methods of reducing information asymmetry and agency problems is the adoption of a corporate governance system.

Vieira and Mendes (2004) argue that good corporate governance practices reduce the information asymmetry between the principal and the agent, due to a set of mechanisms that provide greater transparency. Kanagaretnam, Lobo, and Whalen (2007) show that during the earnings announcement event companies with strong corporate governance have less information asymmetry.

Moreiras (2010) explains that in order to encourage companies to adopt stricter governance practices the then Bovespa created listings differentiating companies that voluntarily accepted corporate governance practices in addition to those required by the Securities and Exchange Commission of Brazil, thus reducing information asymmetry and providing greater protection to investors. Silva, Nardi, and Pimenta (2012) reinforce the importance of different levels of governance to reduce information asymmetry and offer greater security to shareholders. Carvalho and Pennacchi (2012) also highlight that the migration of companies to different levels of governance, with a greater commitment to transparency of information, should minimize the information asymmetry between controllers and minority shareholders. This reduction is justified as it is expected that greater transparency will make less likely that small investors will suffer losses in the sale of assets due to agents with superior information.

Therefore, the then Bovespa divided the market, according to the Corporate Governance practices adopted, into three levels: New Market, Level 2 of Corporate Governance and Level 1 of Corporate Governance. The difference between the levels is found in the governance practice adopted (Aguiar, Corrar, & Batistella, 2004). Level 1 of Corporate Governance aims at increasing the transparency of companies. Level 2 of Corporate Governance, in addition to offering greater transparency of information, also seeks to offer corporate rights such as tag along, a public offer for the acquisition of shares at least for their economic value, in the case of delisting and adoption of the Arbitration Chamber of the Market. The Novo Mercado differs from Level 2 of Corporate Governance in that it is mandatory for companies to trade exclusively common shares (B3, 2019).

Thus, it is clear the importance of the informational asymmetry and the adoption of differentiated corporate governance practices to mitigate its occurrence.

2.2 Hypotheses

Based on the theoretical framework, we sought to assess the following research hypotheses:

Hypothesis 1: There are no abnormal returns on the stock prices before the announcement of the share buyback, characterizing an adequate pricing of the assets by the market.

Hypothesis 2: There is an instant price adjustment to the announcement of the share buyback event, characterizing an efficient market in the semi-strong form.

Hypothesis 3: There are no abnormal returns after the announcement of the share buyback event, characterizing an efficient market in the semi-strong form.

Hypothesis 4: Companies listed in stricter governance levels do not have their assets priced more efficiently, with no abnormal returns occurring in the period preceding the announcement of the repurchase event for shares other than those listed in less rigid governance levels.

Hypothesis 5: Companies listed under stricter levels of governance do not have their assets priced more efficiently, and there are no abnormal returns in the period of the announcement of the repurchase event for shares other than those listed at less rigid levels of governance.

Hypothesis 6: Companies listed under stricter levels of governance do not have their assets priced more efficiently, and there are no abnormal returns in the period after the announcement of the repurchase event for shares other than those listed at less rigid levels of governance.

3 METHODOLOGY

The method of approach of this research is the deductive one, characterized by the use of laws and theories for empirical findings. According to its objectives, the research is framed as being of a descriptive nature. The research technique used is ex-post-facto, since the analyzed facts have already occurred and the author's interference on the analyzed variables is not possible. The data used are secondary data, as they are already existing information.

The units of analysis were publicly traded companies that held the share buyback event, registered in the Bloomberg system by the open market method, whose shares are, or were, traded on the BM & FBovespa from January 1, 2003 to June 30, 2014.

It is important to note that the study focuses on the repurchase announcement and not on the repurchase itself. This is due to the characteristic of the open market repurchase method; in other words, it is due to the fact that companies do not necessarily repurchase the announced shares. Thus, according to a study by Castro and Yoshinaga (2013), all advertisements will be included in the sample, regardless of whether the company has made the announced repurchase or not. Another characteristic in the building of the sample is the inclusion of companies classified as financial, as it was done in the works of Grullon and Michaely (2004) and Babenko, Tserlukevich, and Vedrashko (2012).

The data related to the level of corporate governance in which the company is listed in were collected manually from the information base of the Brazilian Securities and Exchange Commission, the data being taken from the disclosures of the relevant facts. The companies were classified according to the listed market - Traditional Market, Differentiated Governance Level I, Differentiated Governance Level II, and New Market.

The prices were collected from the system "with cash", on a daily basis, at the closing price, adjusted by earnings, and in nominal currency. In the case of those companies that have common and preferred shares, the research was carried out exclusively with the most circulating shares in the market. This is due to possible problems generated when more than one type of share of the same company is used, because, as explained by Campbell, Lo, and Mackinlay (1997), could damage the independence of the events, as the returns of these actions tend to be correlated.

The following exclusion criteria for the sample companies were used:

• Companies that are not listed within the event window and, or, estimation, were discarded.

• When the window period of the event is the same period in which the company adhered to any differentiated level of governance, the event was excluded. This restriction was imposed, since the inclusion of the company at a different level of governance can generate abnormal returns on assets and it is not possible to separate the effects of these different events.

Thus, in a preliminary survey, 579 buyback announcements were collected using the open market method for 153 companies. From that it was extracted a sample of 329 advertisements. Ninety nine companies were discarded after applying the exclusion criteria.

The method used in the research, to estimate the effect of the share buyback event on the return of assets, was the event study.

The date of occurrence of the event (date zero - t0) was defined as the date of the meeting of the board of directors (RCA) that authorized the repurchase and the next trading day, to capture the effect of the event that occurred after the market closed, according to a study by Dann (1981).

The window period of the event was based on the work of Gabrielli and Saito (2004) and Moreiras (2010). The 10-day trading period before the event was used in order to capture abnormal movements in asset prices before the announcements.

As the first day after the announcement of the event was included on the date of the event, and with the adoption of CVM Instruction 390/2003, which defines the maximum period for companies to repurchase their shares in one year - approximately 252 business days -, a period of 251 working days was adopted after the event. Thus, the event window was composed of 263 trading days - 10 days before, 2 days during and 251 days after the event.

According to Gabrielle and Saito (2004), the estimation window is formed by 504 trading days, which corresponds to a period of approximately 2 years of negotiation.

The return on assets was calculated using the simple method, as suggested by Hudson and Gregoriou (2010). The method used to measure normal returns was the constant average return model. Mackinlay (1997) argues that this model, despite being the simplest, found results similar to more sophisticated models, as demonstrated in studies by Brown and Warner (1980 and 1985).

In this study, the technique “accumulated average abnormal return” ((AAAR) was used, as presented by Campbell, Lo, and Mackinlay (1997), for aggregating returns, with returns being accumulated over time and via bonds, to check for statistically significant evidence of average abnormal returns accumulated during, before and after the event.

In order to check if there are differences due to the market in which the companies are listed (Traditional Market, Differentiated Governance Level I, Differentiated Governance Level II or New Market) on the returns as a result of the announcement of the event, four groups were created, namely:

• Group I - control group - formed by companies that are listed in the Traditional Market.

• Group II - NI group - formed by companies listed in Governance Level I.

• Group III - NII group - formed by companies listed in Governance Level II.

• Group IV - NM group - formed by companies listed in the New Market.

The comparison between the groups was carried out as follows:

• All groups were compared with the control group (Group I), in order to verify whether or not there were significant differences in abnormal returns between companies listed under differentiated corporate governance level and in the traditional market, due to the announcement of the share buyback.

• Comparison between the groups listed in the different corporate governance levels, checking whether or not there are differences according to the corporate governance practices adopted by companies in abnormal returns as a result of the announcement of the event.

In all periods around the event, the statistical method used to verify whether or not the average abnormal accumulated return was statistically different from zero was the “t test”.

In the comparisons between the various groups it was used the methodology "analysis of variance – ANOVA", as proposed by Fávero, Belfiore, Takamatsu, and Suzart (2014). According to the authors, in comparisons between multiple samples, the t test greatly increases the probability of type I error not being the appropriate method for comparing different samples.

If the null hypothesis is rejected, the comparison method proposed by Fisher, known as the Bonferroni test or procedure, was used to determine which comparison, or comparisons, has evidence of being different.

4 RESULTS PRESENTATION

The research results are presented in this section. Table 1 presents the tests to check for evidence of abnormal returns in the periods surrounding the event - before, during and after the announcement of the share buyback event - for the complete sample and for the samples separated according to the corporate governance segment that companies is listed.

Table 1

Result of the comparison of the averages of the average accumulated abnormal return - complete sample and separated by segments of the BM & FBovespa

Panel a	Complete Sample		
Period	Accumulated average abnormal return %	Value – Test	P-value
Before the announcement of the event	-2.3702	-5.5148	0.0000***
During the announcement of the event	0.5931	3.0857	0.0020***
After the announcement of the event	-9.2776	-4.3086	0.0000***
Panel b	**Companies listed in the Traditional Market**		
Period	Accumulated average abnormal return %	Value – Test	P-value
Before the announcement of the event	-3.8282	-2.8912	0.0038***
During the announcement of the event	-0.0060	-0.0101	0.9920
After the announcement of the event	-1.0212	-1.9629	0.0497**
Panel c	**Companies listed in the GC I level**		
Period	Accumulated average abnormal return %	Value – Test	P-value
Before the announcement of the event	-1.2463	-1.7376	0.0823*
During the announcement of the event	1.0422	3.2493	0.0012***
After the announcement of the event	-5.4585	-1.5191	0.1287
Panel d	**Companies listed in the GC II level**		
Period	Accumulated average abnormal return %	Value - Test	P-value
Before the announcement of the event	-4.2168	-3.4717	0.0005***
During the announcement of the event	0.2474	0.4555	0.6488
After the announcement of the event	-11.3404	-1.8636	0.0624*
Panel e	**Companies listed in the New Market**		
Period	Accumulated average abnormal return %	Value - Test	P-value
Before the announcement of the event	-2.4146	-3.7776	0.0002***
During the announcement of the event	0.4797	1.6782	0.0933*
After the announcement of the event	-10.8297	-3.3818	0.0007***

Note: Levels of Significance: * 10% , ** 5% and *** 1%.

Table 2 presents the Anova tests to check if there is evidence of differences in the averages between at least one comparison across the event window. The rejection of H0 indicates that there is at least one difference between the returns according to the segment in which the company is listed around the announcement of the event.

Table 2
Results of the ANOVA tests between the averages of the accumulated average abnormal return - sample separated by period around the event announcement

Anova Test		
Period	Value - Test	P-value
Before the announcement of the event	1.3100	0.2699
During the announcement of the event	0.7500	0.5221
After the announcement of the event	0.4400	0.7219

Note: Levels of Significance: * 10% , ** 5% and *** 1%.

5 DISCUSSION OF RESULTS

Initially, as shown in Table 1, it appears that in the Complete Sample the null hypothesis was rejected in all periods analyzed (before, during and after) the announcement of the repurchase of shares at 1% significance; that is, there is evidence of accumulated average abnormal return in all periods analyzed, results that rejected hypotheses 1, 2 and 3.

A more detailed examination of the average movement of assets in the periods surrounding the announcement of the event in the Complete Sample shows that the average fall in prices before the announcement of the event and the average increase in prices during the period of the event are results that support the Theory Signaling, showing the existence of informational asymmetry in the market and inadequate price pricing.

However, the average drop in prices after the announcement of the event is not expected in light of the Theory of Signaling, which advocates a high average price. A possible explanation for the phenomenon is the disadvantage of taxing stock trading operations in relation to the receipt of dividends, which may lead investors to have a preference for receiving cash through dividends, as explained by Gabrielli and Saito (2004).

In the separate analysis by segment of BM & FBovespa, the accumulated average abnormal return for the Traditional Market sample is statistically different from zero before and after the announcement of the event. During the event, unexpectedly, an accumulated negative average abnormal return (-0.0060%) occurred, although not statistically different from zero. The result is not supported by the Signaling Theory, which advocates an abnormal positive and higher return in companies with less transparency.

Continuing the analysis of the samples during the event, there is a positive average abnormal accumulated return in the other series: Level of Corporate Governance I, Level of Corporate Governance II and New Market. However, the rejection of the null hypothesis in the samples Level of Corporate Governance I and New Market points out that greater rigidity in governance levels does not indicate that prices are priced efficiently.

Before the announcement of the share buyback, all series had a negative average abnormal return statistically different from zero, as predicted by the Signaling Theory. Nevertheless, the biggest correction occurred in the Corporate Governance Level II series and not in the Traditional Market series, which theoretically has the its assets priced less efficiently, due to the lower number of mandatory transparency rules than in companies listed in the Corporate Governance Level II.

After the announcement of the event, with the exception of the Corporate Governance Level I, all rejected the null hypothesis of an average abnormal accumulated return being equal to zero. The biggest price fluctuation was in the Traditional Market sample. However, a fall is not expected after the announcement of the share buyback.

Through the data presented in Table 2, it appears that in the ANOVA test the null hypothesis was not rejected in any period of the event – before, during and after the announcement. That is, there are signs that there are no significant differences between the averages samples, according to the level of governance at which the company is listed.

Thus, there is evidence that companies classified under more rigid levels of governance do not have their assets priced more efficiently, at any time around the event. These results did not reject hypotheses 4, 5 and 6.

6 FINAL CONSIDERATIONS

The share buyback activity has become increasingly relevant, both in the international and in the Brazilian markets. Managers use repurchase as a method of distributing cash, often replacing the payment of dividends, which generates changes in companies, mainly in their capital structure due to the reduction in the number of shares in circulation.

The increase in the relevance of share buybacks as a cash distribution method has led researchers to analyze how companies' share prices behave during the event announcement. Much evidence was found of abnormal returns occurring throughout the event, often contradicting the results expected in the light of the Efficient Market Theory, which argues that prices are the best indicators of a company's value.

Several hypotheses were developed trying to understand the phenomenon, but, as highlighted in this work, the signaling hypothesis is widely addressed by scholars on the subject. Supported by the Signaling Theory, this hypothesis argues in favor of the existence of informational asymmetry in the market, the event being a signal sent to the market that, in the view of managers, the companies' shares are being traded at a value below what is considered reasonable , therefore, a good investment.

Still, according to the Signaling Theory, it is expected that the movement of shares due to the announcement of the event will be different, depending on the period under analysis. Before the announcement, assets are expected to depreciate; otherwise, during and after the announcement an appreciation is expected.

The existence of informational asymmetry is based on the low transparency of companies. In this sense, corporate governance comes with a set of rules that seeks, among other objectives, to provide greater transparency to companies so that investors can make their capital allocation decisions more efficiently. In order to encourage the implementation of stricter corporate governance rules, in 2000 the then Bovespa created the New Market and the Differentiated Levels of Governance, in which companies can voluntarily adhere to and adopt better corporate governance practices with the adoption of rules that imply greater transparency of information.

Thus, it is expected that companies listed in the Corporate Governance Level II and on the New Market will have their shares priced more efficiently than on companies listed in the Corporate Governance Level I. And it is also expected that companies listed in the New Market, Corporate Governance Level I and II have their shares priced more efficiently than companies listed in the Traditional Market.

The first point to emphasize was the evidence of abnormal return in all periods analyzed - before, during and after the announcement of the share buyback event - the abnormal return before the announcement, in the complete sample, was - 2.3702%, during 0.5931% and after - 9.2776%, all significant at 1%.

Regarding the main objective of this study, it appears that there is no evidence of a relationship between the levels of governance in which the company is listed in and the movement of assets as a result of the announcement of the event at any periodicity examined - before, during and after.

The average equality hypothesis test did not reject any comparison made, indicating that the difference in the averages is not statistically different from zero due to the announcement of the event.

In conclusion, there is no evidence that companies listed in more rigid levels of governance have their assets priced more efficiently, with lower abnormal returns resulting from the announcement of the share buyback.

Besides expanding further the Brazilian case, which is still little explored, future works could enrich the theme by (1) replicating the study considering as the day of the event the date on which the company starts repurchasing its shares and not the date of the announcement of the event, (2) replicating the study separating the companies by the KM practices adopted and not by the BM & FBovespa segment in which the company is listed in and (3) analyzing whether or not variables such as the participation of managers in the company before the announcement of the event may have any relationship with the returns as a result of the share buyback event and its relationship with the levels of governance adopted by the companies.

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Efeito da Governança Corporativa nos Retornos das Ações em Decorrência do Anúncio da Recompra

RESUMO

***Objetivo**: O objetivo deste estudo é analisar se as cotações das ações das empresas respondem ao anúncio da recompra de ações e quais as possíveis influências que a adoção de práticas de governança corporativa mais rígidas podem ter sobre os resultados.*

***Método:** Foi realizada uma pesquisa de natureza quantitativa em 329 anúncios de recompra de ações pelo mercado aberto, realizado por 99 empresas, no período de 2003 a 2014. A parte quantitativa deste estudo utilizou a técnica de pesquisa ex-post-facto, com dados secundários e métodos de trabalho estudo de evento.*

***Originalidade/Relevância**: O aumento da distribuição de caixa pelas empresas por meio da recompra de ações, as evidências de retorno anormal nas ações em decorrência do evento e se a adoção de melhores práticas de governança corporativa reduz a assimetria informacional no mercado levaram os pesquisadores a analisarem se há relação entre o nível de governança e o retorno das ações em decorrência do anúncio do evento recompra de ações.*

***Resultados:** Os resultados apontam que há evidências de retorno anormal no mercado brasileiro antes, durante e após o anúncio do evento recompra de ações. Em relação à adoção das práticas de governança corporativa utilizadas pelas empresas, não foi encontrada nenhuma evidência de que a adoção de práticas de governança corporativa mais rígidas reduza a assimetria.*

***Contribuições teóricas/metodológicas**: A pesquisa contribui para a discussão sobre o tema no mercado brasileiro de ações e para ampliar a discussão na literatura se a adoção de melhores práticas de governança corporativa reduz a assimetria.*

***Palavras-chave**: Recompra de Ações; Governança Corporativa; Assimetria Informacional; Mercado Eficiente; Estudo de Evento.*

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Recebido: Fevereiro 15, 2019
Revisado: Dezembro 18, 2019
Aceito: Abril 10, 2020
Publicado: Novembro 16, 2020