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Motivations and Determinants for Share Repurchases Activity according to the Opinion of Managers and Academics: the Case of Saudi Arabia

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Abstract:

This study aims to identify the motivations and determinants for share repurchase practices in Saudi Arabia. The data were collected through a questionnaire survey, covering two groups–financial managers and academic staff, and the 122 responses received were analysed using the Mann-Whitney Test. The findings reveal that the five main incentives for repurchases, in Saudi Arabia, are "to improve the company's earnings per share", "to increase share price", "to signal management's confidence in the future level of earnings and share prices", "to remove a specific shareholder", and "to reduce the administrative cost of small shareholdings by removing minority shareholders". Additionally, four potential determinants are proposed as follows: "good corporate governance", "company size", "ownership structure", and "management's experience". This paper is probably the first to study share repurchase activity in Saudi Arabia. Thus, it adds new evidence from a developing country to the growing literature, thereby contributing to the knowledge of the practice of share repurchases. Previous findings have interesting implications which could be helpful to investors, management, regulators and legislators in their attempts to comprehend the incidence of share repurchase practices and resolve agency problems. The specific economic and cultural conditions in Saudi Arabia may restrict the generalisability of this study.

Keywords: share repurchase, motivations, determinants, Saudi Arabia.

1. Introduction:

Share repurchase programs have become an important pay-out policy in developed countries over the past twenty years, especially the US (Hamouda and Ben Arab, 2011). Globally, a share buy-back, as a popular instrument for firms to distribute money, is a program by which a firm utilizes excess cash to repurchase its own shares. Repurchasing is deemed helpful in reducing the number of shares outstanding, leading to an increase in the earnings and dividends on a per share basis (Grullon and Michaely, 2002; Ridder and Råsbrant, 2014). The rationale behind firms announcing share buybacks has been thoroughly investigated in the existing literature and the outcomes generate several hypotheses. Studies by Dixon et al. (2008) and Liang et al. (2013) divided research into share repurchases into two types of study: the first attempts to reveal the initial motivations of management when deciding to buy back shares and looks as the appropriate methods for share repurchases while the second concentrates on the analysis of capital markets' reactions and actual effects on companies regarding share repurchases.

In Saudi Arabia prior to 2015, shares repurchases were unique among Saudi firms because of certain structures imposed by regulatory bodies upon the industry and the restrictions these regulators maintained. Such legal restrictions meant that share repurchases were relatively uncommon in Saudi Arabia. At the end of 2015, the Ministry of Commerce and Industry (MCI) adopted a rule (Article 112) under Companies Law which allows Saudi firms to repurchase shares without giving more details regarding regulations.

As a result, the literature offers many explanations for the motivations for repurchase. These arguments are developed, with various hypotheses, mainly as follows: information signalling, investment, leverage, wealth transfer and other hypotheses (Tabtieng, 2013; Liang et al. 2013; Dixon et al., 2008; Dittmar, 2000; Grullon and Ikenberry, 2000). Among the hypotheses, the most widely accepted theory for share repurchases is the information signalling hypothesis (Liang et al., 2013), which most of the literature to date favours, however some suggest that motives for share repurchases may differ depending on the firm's life cycle stage studies (Liang et al., 2013).

Moreover, the assumptions present potential determinants for repurchase shares activity as identified by previous studies. For example, Chen and Wang (2012) argue that leverage, cash flow, and managerial experience are intrinsic determinants of a share repurchase program. Additionally, ownership structure,

corporate governance, and Big4 accounting were found to be effective factors in share repurchase programs (Golbe and Nyman, 2013; Wu, 2012; Harris and Glegg, 2009).

This research attempts to explore the motivations for Saudi firms repurchasing shares and potential determinants of share repurchase activity after Saudi Companies Law was updated to allow Saudi firms to buy back their share in the market. To the best of my knowledge, Saudi Arabia has not yet been the focus of a study on the perception of shares repurchase activity. A different perspective could be obtained from developing countries such as Saudi Arabia, which are unique in numerous respects; therefore, the current study could provide interesting, new, primary evidence from a country that has an atypical business environment, regulations and different culture. In order to identify the motivations and determinants of share repurchase activity in Saudi Arabia for the present study, it is necessary to raise the following two main questions:

1) What are the motivations for share repurchase activity in Saudi Arabia?

2) What are the potential determinants for share repurchase activity in Saudi Arabia?

The methodology used to conduct this study and the rationale behind the method chosen is outlined. The results are derived from a questionnaire completed by 200 Saudi respondents, including financial managers and academic staff. The findings of the questionnaire are analysed to provide an indication of the motivations for Saudi firms repurchasing and the determinants of share repurchase activity. These findings are compared and contrasted with a review of the relevant literature.

The paper is organized as follows: Section 2 provides a background of share buy-back, Sections 3 and 4 highlight the existing literature, paying attention to the motivations and determinants for repurchases, Section 5 describes the data and methodology, Section 6 presents the results analysis, and finally, Section 7 offers the summary and conclusions.

2. Share Repurchases in Saudi Arabia:

Share repurchases have become a common way of returning cash to shareholders and were first regulated in the US in 1968, in the UK in 1981, in Australia in 1991, and in France in 1998 (Tabtieng, 2013). Share repurchases were virtually illegal

until the end of 2015 in Saudi Arabia, when a change in regulations allowed firms to conduct open market share repurchases. As open market buy-back announcements are not firm commitments, managers may make such announcements in order to mislead markets and "artificially" increase their firm's share price (Andriosopoulos and Hoque, 2013).

Previous regulations relating to Companies Law allowed Saudi firms to repurchase their own shares under three circumstances: (1) if the purpose of purchase was redemption of the shares: (2) if the purpose of purchase was capital structure: (3) if the shares were within a range of funds that the company purchased by its assets and liabilities. Recently, the Saudi government has presented a comprehensive update of its Companies Law revealing a significant overhaul and modernization of the regulations. One of these, the new Companies Law issued at end of 2015, permits Saudi firms to buy back their own shares. However, any such shares purchased by firms will be considered non-voting shares (Saudi Companies Law, 2015). Accordingly, listed companies on the Saudi Stock Exchange (Tadawul) were first allowed to repurchase their own shares (referred to as treasury stock, share repurchase, and share buyback). The implication of the new companies' regulations gave Saudi firms their initial opportunity to buy their own shares, other than redeemable preference shares. Moreover, this action might help companies to improve the liquidity and price stability of their stock.

As a result, a Saudi firm is now expected to repurchase its own shares in one of two ways, either "on market" via a recognised stock exchange (Tadawul) or "off market" usually under specific conditions to purchase. Since share repurchase is a modern activity in Saudi Arabia, there has been no research into share buy-backs explaining which methods are commonly used by Saudi companies to repurchase their own shares. However, most studies into share repurchase confirm that the majority of repurchases are conducted "on market" (Dixon et al., 2008).

3. Literature Review:

3.1 The Motivation for Share Repurchases

Most studies of share repurchase activity merely present several theories employed in investigating repurchase shares motivations, as well as methods including, for example, agency theory, capital structure theory, and signalling theory; however, using theory to explain motivation and method of repurchase shares depends

upon how the repurchase is financed (Dixon et al., 2008). According to agency theory, the popular theme is that listed companies may justify repurchasing their own shares for different purposes such as financial management and shareholder conflict mitigation (Tabtieng, 2013).

Other theories, such as Modigliani-Miller Theory, focus on the effect of share repurchase announcements on the capital structure of a firm, followed by the Efficient Market Hypothesis which describes share price reaction after the announcement of a share repurchase program (Mille and Modigliani, 1988). Finally, the Principal-Agent Hypothesis discusses the information asymmetry between shareholders and managers (Voss, 2012).

As mentioned above, prior studies have investigated various hypotheses explaining the rationale and motivations behind companies repurchasing their own shares. These investigations presented a number of hypotheses, including information signalling hypothesis, investment hypothesis, leverage hypothesis, and wealth transfer hypothesis (Tabtieng, 2013; Liang et al., 2013; Dixon et al., 2008).

A study presented by Andriosopoulos and Hoque (2013) employed a sample of 970 buy-back announcements in the UK, France, and Germany, and found that the most important motivation in France and Germany for repurchasing shares was to increase stock price, while in the UK it was to provide excess cash. Fairchild (2006) argues that a possible motivation identified by academic researchers for repurchasing shares was to enhance firm value. By using a sample period of 1990–2004, Leng and Zhao (2012) argue that that firms buy back their shares to exploit the long-run abnormal stock returns related to the events. Liang et al. (2014) conclude that a change in a firm's value and average weighted capital costs, with the optimal ratio for share repurchase existing, stem from the implementation of share repurchase policy. Employing a sample of 700 US firm, Bhargava (2013) suggests that share repurchases are unlikely to have beneficial effects for raising future productivity. A study employing a questionnaire survey undertaken in Malaysia, by Peng and Isa (2015) found that the motivations for Malaysian firms to engage in share repurchases is to protect their share prices from market undervaluation.

Also, using international data, including firm-year observations from seven developed countries (Australia, Canada, France, Germany, Japan, the U.K., and the U.S.) over the period 1998–2006, a study by Lee and Suh (2013) concludes that firms use repurchases to distribute temporary cash flow. During the sample period, 1997–2004, using data consisting of 386 Italian companies, Cesari et al.

(2011) provide evidence from Italian companies showing that trades in own shares may support successful short-term price reduction, and increase liquidity. On the other hand, Hillert et al. (2016) claim that information content of repurchases is not associated with a deterioration in liquidity.

Using US data, Liang et al. (2013) propose that incentives for repurchases differ depending on a firm's life cycle stage. This study explicitly concludes that a firm in the growth stage tends to announce a repurchase program to signal its undervalued stock, whereas a firm in the mature stage is prone to buying back shares to dispense excess free cash flow. Di and Marciukaityte (2015) suggest that repurchasing firms use earnings management to increase smoothness and predictability of reported earnings rather than to mislead investors.

A study by Tabtieng (2013) using data collected from companies in Thailand from July 2001 to December 2009, involved a survey of 64 firms and indicated that the most often cited reasons for repurchasing was that their shares were undervalued, priced below their fundamental basis, and they wished to enhance earnings per share. In the same vein, a study by Tabtieng (2010) highlights that companies in Thailand, repurchased shares for the purpose of financial management. Presenting evidence from Korean firms, Jin et al. (2013) suggest that share repurchase is used to control voting rights and not to support operating performance. From an emerging market, Jung and Choi (2013) demonstrate that stock compensation ratio for management has a positive association with good news disclosure following the completion of share repurchase. Including a sample of some 950 firms and almost 3000 observations, Golbe and Nyman (2013) confirm that share repurchase programs may be used to decrease outside shareholders' influence over firms' decision-making.

By examining the association between share repurchases and prior forecast errors, Liu and Chen (2015) observe that managers prefer share repurchases over other signalling devices when trying to relieve information asymmetry. Rau and Vermaelen (2002) found that debt financed share repurchases can lower corporate taxes and therefore lower the company's cost of capital. However, this is less relevant for open market repurchases which are often financed with excess cash.

In an analysis of a sample of non-financial firms which aimed to shed light on factors influencing decisions to repurchase shares on-market in Australia, Yarram (2014) reveals that the undervaluation and signalling hypotheses support the reasons and motivations for companies repurchasing their own shares.

In an investigation into whether there is a tax incentive for firms to engage in stock buybacks, Guffey and Schisler (2002) demonstrate that firms with high marginal tax rates are more likely to announce stock buybacks than firms with low marginal tax rates. From the New Zealand stock market, Koerniadi et al. (2007 observe that the market reacts positively and significantly to share repurchase announcements. Also, they found that signalling undervaluation is one of the most important purposes of the share repurchase program.

Studying managerial behaviour, Shu et al. (2012) confirm that overconfident firms are less likely to pay dividends and more likely to repurchase shares than other firms. Voss (2012) states that managerial motivations and increasing share price are key factors behind the decision to repurchase shares. Cudd et al. (2016) and Wu (2012) found that signalling undervaluation is one of the most important purposes of a share repurchase program.

To sum up, prior research found different motivations for shares repurchases, as summarized in Table 1. The overwhelming majority of the findings reported in the existing literature into the topic of share repurchases has, in the main, been confined to developed countries such as the US and UK. Thus, Saudi Arabia is of interest for several reasons; first, a survey of the existing literature on repurchase shares reveals that, with the exception of a few studies, the existing research is predominantly US based and relatively little is known on this issue with regard to developing and emerging economies. Moreover, differences in the regime and corporate legislation among countries results in dissimilarities of motivations adopted by management toward share repurchases programs. Second, Saudi Arabia has some distinguishing characteristics that reject the generalization of other study findings, and is a country where public equity markets are not well developed.

Table 1: Motivations for shares repurchases according to numerous hypotheses provided by prior studies (Table derived from prior studies especially Tabtieng (2013) and Dixon et al. (2008)

Information Signalling	1-To increase share price. 2- To improve the company's earnings per share. 3- To signal management's confidence in the future level of earnings and share prices. 4- To bring the firm to the attention of the market.

Investment	5- To return excess cash to shareholders. 6-To enhance investment opportunities by using available cash.
Leverage	7- To obtain the optimal leverage ratio. 8- To accomplish an optimal capital structure.
Wealth Transfer	9- To remove a specific shareholder. 10- To avoid a takeover as a defensive tool or defensive strategy. 11-To reduce the administrative cost of small shareholdings by removing minority shareholders.
Other	12- To respond to economic conditions. 13- To substitute cash dividends.

3.2 Methods of share repurchases and potential determinants

Globally, companies can repurchase their shares in four principle ways: open market purchases, issuer tender offers, privately-negotiated repurchases, and structural programs, including accelerated share repurchase programs (Voss, 2012; Kenter et al., 2013). A study in three developed countries undertaken by Andriosopoulos and Hoque (2013) found that large and widely held firms are more likely to announce their intention to repurchase their shares on the open market.

In addition, prior studies have striven to identify the main factors (determinants) influencing managers' decisions to make a share repurchase. For example, using unique archive data from Taiwan, Wu (2012) provides many potential determinants for share repurchase programs such as Big4 accounting, regulatory pre-set buy-back price ranges, and listing requirement. In a study using a sample of 267 UK listed companies, Zoubeida and Robert (2010) conclude that the most important determinant of share repurchase appears to be corporate earnings, particularly expected earnings.

A study by Andriosopoulos and Hoque (2013) which collected data from European countries, points out that size, cash dividends, and ownership concentration are important determinants of share repurchase programs. Using a sample of common stock repurchases from the Securities Data Company (SDC) US Mergers and Acquisitions database, Chen and Wang (2012) suggest that leverage, cash flow, and managerial experience are important determinants of a share repurchase program.

With evidence from Australia, Yarram (2014) shows that firm size and board independence are influencing factors in repurchase decisions. Additionally, Wu (2012) and Harris and Glegg (2009) argue that the quality of corporate governance has a significant positive impact on the reaction of investors in share repurchase announcements by corporate firms. Likewise, Webb (2008) found corporate governance mechanisms have an impact on the size of the repurchase offer.

Using data from firms listed on Forbes 500 between 1998 and 2004, Hamouda and Ben Arab (2011) assume that information disparity between insiders and shareholders from share repurchase announcements provides opportunities for insiders to time their trading. In addition to their assumtion, they found little evidence on whether board characteristics reduce the probability of insider trading with repurchase announcements.

According to the above review, the existing literature shows many determinants of share repurchase programs which may differ from country to country as a result of regulations and culture. This study contributes to the previous research by providing new evidence from a developing country that has less investor protection and weak legal enforcement.

4. Research Methodology

4.1 Participants and Study Sample

The sample population was drawn from financial managers in the Saudi Market and academic university staff. Full company names and addresses were obtained from the Saudi Market or company websites, and accounting/finance academics were taken from the university website and the researcher. Financial managers were selected from companies based on the assumption that they would be aware of their reasons for repurchasing and would disclose them accurately, as well as providing direct evidence of managerial attitudes towards share repurchase and their roles and decisions in share repurchase (Dixon et al., 2008; Dharmawan et al., 1998). In addition, accounting and finance academics were chosen as they have a genuine interest in this topic. In order to obtain useful understanding rather than a generalization, and because of the large population, judgment sampling was used by the researcher to select respondents on the strength of their experience of the phenomenon under study. Judgment sampling was employed because of limited resources and the difficulty of identifying the whole population. This is

because the study population was limited due a number of obstacles, including: (1) repurchase shares in Saudi Arabia are at a preliminary phase, therefore participants who are interested in this area are limited; (2) repurchase shares is considered to be a complicated topic, hence the participants need to be well-educated; (3) there is a difficulty in specifying the whole population of this research

4.2 Data Analysis and Research Method

The research method used in this study refers to the questionnaire employed by Tabtieng (2013) and Dixon et al. (2008). The questionnaire was designed in three parts as follows: demographic information (function, experience, and qualification); questions regarding the motivations of share repurchases; and questions regarding the determinants of a share repurchase program. It is worthwhile noting that open-ended questions were used in order to compensate for the inability to investigate, in order to obtain more information (Neuman, 2000). The questionnaire was approximately distributed over three months to participants, and its objective was explained and then the participants were left to complete the questionnaire subject to further control to ensure there were no ambiguous questions.

The questionnaire asked the respondents to rate each of thirteen motivations and ten determinants on a 5-point Likert Scale. Questions on motivations and determinants containing semantic differential belief statements were based on hypotheses and the arguments of previous studies which examined numerous hypotheses that justified managerial reasons and motivations of companies for repurchasing their own shares (such as Tabtieng, 2013 and Dixon et al., 2008). In addition, determinants of share repurchases program were derived from prior empirical studies such as Andriosopoulos and Hoque, (2013) and Yarram (2014), and the feedback of academics and practitioners when the researcher applied a pilot study that was undertaken to provide relevant questions and to enhance specific areas that may not be explicit. A pilot of the questionnaire was posted initially to local financial managers and academics who were asked to complete it and provide feedback as to whether it was understandable and sufficiently straightforward to complete. The aim of the pilot was to highlight any potential misunderstandings in the questionnaire. Their feedback was very positive and beneficial and allowed small changes to be made to the questionnaires in order to make it clearer and more "user friendly".

As mentioned, the preferred method of data collection was a questionnaire which was selected to ensure that the population surveyed was sufficiently high to enable

appropriate analysis to be drawn from the responses. All questions were also translated back-to-back into Arabic and then back into English, to overcome any translation issues and to confirm that all questions carried the same meaning for all respondents.

In total, 200 questionnaires were equally distributed in two batches, by email and by hand, to all financial managers and accounting/finance academics taking about three months during the period from 28 August to 25 November. Of these, 122 (61%) were returned, which was satisfactory. This is not surprising, considering the difficulties faced by previous researchers in obtaining a high response to questionnaire surveys in emerging markets. It can be seen from Table 2 that 69 financial managers (56.5%) and 53 accounting/finance academics (43.4%) returned the questionnaires.

Table 2: Questionnaires distributed and returned, and response rate

Groups	Questionnaire Distributed		Questionnaire Returned	
	No	%	No	%
Financial Managers	100	50	69	56.5
Acc/Fin Academics	100	50	53	43.4
Total	200	100	122	**61**

The basic result shown in Table 2, illustrates that the financial managers group represents the highest percentage of questionnaires answered, constituting 56.5% of usable responses, and the academic staff group, in second place, make up approximately 43% of responses. This may indicate that financial managers have more experience than academic staff due to their practical experience in the market.

Unreported findings show that almost all respondents who participated in the questionnaire survey had at least a fair knowledge of this topic and a reasonably high level of education. Regarding experience, less than a third of respondents (28%) had more than 15 years' work experience in the field which was the highest percentage for length of working experience. In addition, 22% of respondents had work experience of between 10 to 15 years. Those with work experience of between 5-10 years made up 39%, while the respondents with work experience of between 1-5 years and less than a year represented the lowest percentage of respondents at

12% and 8%, respectively. Furthermore, the majority of respondents (46%) held a PhD, 35% held a BA, 17% held a Master's degree and 1% held other qualifications such as a diploma.

The results of reliability using Cronbach's Alpha was over 0.77 for all tests indicating that all data is reliable. Nunnally and Bernstein (1994) suggest that the Alpha coefficient should be 0.7 or above, which is now the standard. The analysis of normality for all questions using the Kolmogorov-Smirnov and Shapiro-Wilk test reveal that the p-value was less than 5% and the test of homogeneity of variance using the Levene test was also less than 5%. Non-parametric testing was used in this study to analyse the data. Accordingly, because our data did not meet the conditions required by parametric testing, Mann-Whitney testing was employed for data analysis

5. Analysis of Results

This study presents the descriptive statistics for its sample and the mean responses to all statements in the questionnaire were calculated. The analysis of the survey results is reported in two tables and sections. Table 3 presents descriptive statistics for the motivations for shares repurchases while Table 4 shows descriptive statistics for determinants of share repurchase activity in Saudi Arabia. In Tables 3 and 4, the motivations and determinants statements were placed in the left-hand side in the same order that they appeared in the questionnaire. Both tables show the level of each group, total mean score, rank, corrected items - total correlation, standard distribution, and Mann-Whitney Test. Moreover, both tables disclose the statements in order of total mean ranking from the most popular (more supported) down to least popular (less supported).

5.1 Share Repurchases Motivations

Table 3 presents numerous statements derived from the review of prior studies, particularly those of Tabtieng (2013) and Dixon et al. (2008). According to the result shown in Table 3, this study found that the most highly cited motivations were: (1) To improve the company's earnings per share; (2) to increase share price; (3) to signal management's confidence in the future level of earnings and share prices; (4) to remove a specific shareholder; (5) to reduce the administrative cost of small shareholdings by removing minority shareholders. More than three-quarters (80%) of the questionnaire respondents agreed or strongly agreed with

the five motivations for share repurchases in the Saudi market. This was reflected in total means for each motivation (4.5, 4.5, 4.4, 4.1, and 4.0 respectively). On the other hand, the remaining motivations were not considered as influencing share repurchases since the total mean for each motivation was less (4.0). The results favoured the information-signalling hypothesis and wealth transfer hypothesis. Leverage hypothesis and investment hypothesis were strongly dismissed. In general, Saudi firms want to maintain their stock price at the present high level, keep reasonable earnings, and obtain specific ownership structure. These findings are consistent with prior studies such as Dixon et al. (2008) and Tabtieng (2013).

The results of the Mann-Whitney Test, carried out to determine whether there were statistically significant differences between the two groups in respect of the statements listed in the questionnaire, revealed that their perceptions varied significantly in relation to three of the thirteen motivations listed in the questionnaire. As shown in Table 3, there are significant differences in perceptions with regard to "bring the firm to the attention of the market'', "accomplish an optimal capital structure'', and "reduce the administrative cost of small shareholdings by removing minority shareholders". Statistically, there are significant differences in perceptions between the two groups with respect to "bring the firm to the attention of the market''. As shown in Table 3, the total mean for the financial managers was 3.3 whilst, that of the academics was 3.9. Although most studies, such as Tsetsekos et al. (1991), argue that motivations must change over time as a result of the changing economic and market conditions, academics are more willing to agree with this statement than financial managers. Financial managers may expect this statement has not existed. Moreover, more academic staff than financial managers believe that accomplishing an optimal capital structure is a motivation. A study conducted by Dixon et al. (2008) found that one of the motivations of share repurchases in the UK is to accomplish an optimal capital structure.

As can be observed from Table 3, the Mann-Whitney Test indicates that academics' responses differ from those of financial managers and this is reflected in the total mean for each group (4.3 and 3.7 respectively). This result can be interpreted as indicative of a study provided by Rau and Vermaelen (2002) who argue that share repurchases can lower corporate taxes and thus lower the company's capital cost.

In general, differences in perceptions can be interpreted by three factors: (1) academics' perceptions are generally different from those of practitioners in the Saudi market, particularly in cases regarding accounting or financial practices, since academics have limited features compared to the other groups in terms of

access or practices; (2) share repurchases is a new regulation and quite a modern topic in accounting or finance research in Saudi Arabia, therefore the practices need more time to be understood; (3) academic staff are usually more affected by previous studies' findings than actual practices in the market.

5.2 Share Repurchase Program Determinants

This study provides a number of repurchase determinants derived from previous studies conducted by Yarram (2014); Andriosopoulos and Hoque (2013). As presented in Table 4, respondents strongly agreed or agreed with four potential determinants of share repurchase programs in Saudi Arabia. As shown, the most potential determinants of share repurchase programs are: (1) "a good corporate governance"; (2) "company size"; (3) "ownership structure"; and (4) "management's experiences". More than three-quarters (80%) of the questionnaire respondents agreed or strongly agreed with these four potential determinants of share repurchase programs while other possible determinants were not perceived as strong by respondents. These findings are somewhat consistent with previous studies such as Yarram (2014); Andriosopoulos and Hoque (2013); and Golbe and Nyman (2013). The results of the Mann-Whitney Test display significant differences between the groups in respect of the determinants listed in the questionnaire, which reveal that the groups' perceptions varied significantly in relation to two determinants: (1) Big4 accounting and (2) cash flow, which can be reflected in total means for each group. Big4 accounting as a determinant has more support from academic staff than financial managers since prior studies such as Wu (2012) found in Taiwan that it is a potential determinant for share repurchase programs. In terms of cash flow, more financial managers tend to consider it to be a potential determinant for share repurchase programs than academic staff. Previous studies, such as Chen and Wang (2012) and Yarram (2014), reinforce this view by concluding that firms may repurchase shares when they are faced with excess free cash flow.

Table 3: Perceptions of Potential Motivation for Share Repurchase in Saudi Arabia

Motivation of Share Repurchase	Level of mean for each group		Total mean score	Rank	Corrected Item-Total Correlation	Standard distribution	Mann-whitney Test
	Financial Managers	Acc/Fin Academics					
1- To increase share price	4.4	4.5	4.5	2	0.486	0.402	
2- To improve the company's earnings per share	4.5	4.5	4.5	1	0.590	0.358	
3- To signal management's confidence in the future level of earnings and share prices	4.2	4.4	4.3	3	0.455	0.611	
4- To bring the firm to the attention of the market	3.3	3.9	3.7	8	0.350	1.070	**
5- To return excess cash to shareholders	3.8	3.7	3.7	9	0.409	0.913	
6- To enhance investment opportunities by using available cash.	3.8	4.0	3.9	6	0.482	0.601	
7- To obtain the optimal leverage ratio	2.5	2.7	2.6	12	0.317	0.598	

8- To accomplish an optimal capital structure.	3.1	3.5	3.3	10	0.479	0.811	*
9- To remove a specific shareholder	4.0	4.2	4.1	4	0.417	0.488	
10-To avoid a takeover as a defensive tool or defensive strategy	3.8	3.6	3.7	7	0.565	0.501	
11-To reduce the administrative cost of small shareholdings by removing minority shareholders	3.7	4.3	4.0	5	0.324	1.003	**
12- To respond to the economic condition.	3.5	3.2	3.3	11	0.560	0.725	
13- To substitute cash dividend.	2.8	2.6	2.7	13	0.498	0.533	

Notes: Distribution among three groups of participants is statistically significantly different at level 0.05 (*p < 0.05, **P < 0.01, *** P < 0.001) using the Kruscal-Wallis test; level of agreement on a scale of: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. The mean level is shown under the mean level for each group, financial managers and academics. Moreover, total mean score, standard deviation, and degree of significance are reported.

Table 4: Perceptions of potential determinants of share repurchase in Saudi Arabia

Motivation of Share Repurchase	Level of mean for each group		Total mean score	Rank	Corrected Item-Total Correlation	Standard distribution	Mann-whitney Test
	Financial Managers	Acc/Fin Academics					
1- Good corporate governance	4.1	4.2	4.1	3	0.582	0.412	
2- Big4 accounting	3.2	3.8	3.3	9	0.398	1.022	**
3- Company size	4.0	4.2	4.1	4	0.473	0.545	
4- Ownership structure	4.2	4.4	4.3	2	0.592	0.495	
5- Management's experience	4.3	4.5	4.4	1	0.516	0.502	
6- Cash flow	4.1	3.4	3.9	5	0.401	1.020	**
7- Leverage	2.5	2.7	2.6	7	0.311	0.744	
8- Dividends policy	3.1	3.3	3.2	10	0.434	0.630	
9- Regulations	3.1	2.9	3.0	6	0.411	0.711	
10- Debits	2.7	2.6	2.5	8	0.363	0.516	
Notes:	Distribution of participants among three groups of participants is statistically significantly different at level 0.05 (*p < 0.05, **P < 0.01, *** P < 0.001) using the Kruscal-Wallis test; level of agreement on scale of: 1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5-strongly agree. The mean level is shown under the mean level for each group, financial managers, and academics. Moreover, total mean score, standard deviation, .and degree of significance are reported							

6. Summary, Conclusions, and Implications

This study primarily aims to illustrate a general picture of share repurchase activity in Saudi Arabia by surveying the opinions of financial managers in Saudi companies and specialized academic staff. The data reported in this study were collected through a questionnaire survey, and analysed by Mann-Whitney Test because the data did not meet the conditions required by parametric testing.

Before summarizing the findings and presenting the conclusion, it must be mentioned here that, firstly, share repurchase activity is still at a very preliminary stage in the Kingdom, and secondly, data collection in Saudi Arabia, especially with a questionnaire involving such a sensitive topic, is extremely difficult. Ultimately, the distinct economic and cultural conditions in Saudi Arabia may restrict the generalisability of this study.

The following conclusions are drawn from the results of this research. The findings from statistical tests presented in Tables 3 and 4 are consistent with prior studies. The overriding motives for Saudi firms in share repurchases are: "to improve the company's earnings per share", "to increase share price", "to signal management's confidence in the future level of earnings and share prices", "to remove a specific shareholder" and "to reduce the administrative cost of small shareholdings by removing minority shareholders. This is consistent with Jensen (1986) who states that the use of share repurchases may help to reduce agency problems.

Moreover, it would appear that respondents agreed on four determinants of share repurchases as follows: (1) "good corporate governance"; (2) "company size"; (3) "ownership structure"; and (4) "management's experiences". Therefore share repurchase programs are influenced by these factors.

To the best of the author's knowledge, this research is the first to study share repurchase practices in Saudi Arabia. It adds a vital explanation of the motivations and determinants of share repurchases to the growing literature by considering new evidence from a developing country, and therefore contributes to the existing literature on the practice of share repurchase.

Last but not least, these findings are consistent with expectations and have interesting implications which could undoubtedly be helpful, especially for investors, management, regulators, and legislators in their attempts to understand the incidence of share repurchase practices and resolve agency problems. The policy of share repurchases is an influential mechanism in the overall strategy

of a company, particularly in earnings management. Therefore, the Ministry of Commerce and Industry (MCI) and The Saudi Capital Market Authority (CMA) should be aware of the incidence of share repurchase announcements and consider any potential influence linked to earnings management. In future, Saudi Company law should provide more details regarding share repurchase regulation as guidance for practices and a mechanism for control.

Going forward, there are some potential extensions to this study; one possible avenue for future research is to investigate the perceptions of others groups such as shareholders and auditors. Moreover, future research has the opportunity to employ a regression analysis that would empirically analyse the key factors and determinants behind repurchase decisions or motivations. Previous suggestions would enhance understanding of the practices involved in share repurchasing, and reinforce the role of government in monitoring the market regarding share repurchase announcements.

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الدوافع والمحددات لأنشطة إعادة شراء الأسهم: وفقاً لآراء المدراء والأكاديميين : حالة المملكة العربية السعودية

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ملخص البحث:

تهدف هذه الدراسة إلى التعرف على الدوافع والمحددات لممارسة إعادة شراء الاسهم في الملكة العربية السعودية. جمعت الدراسة البيانات من خلال دراسة استقصائية استخدمت فيها استبيانة تمّ توجيهها إلى المدراء الماليين والأكاديميين. وتوصلت الدراسة الى خمسة دوافع للشركات لإعادة شراء اسهمها وهي : لتحسين ربحية السهم ، لزيادة سعر السهم ، لزيادة الثقة في أداء الإدارة ، لإزاحة بعض ملاك الاسهم ، لتخفيض بعض التكاليف الادارية من خلال إزاحة صغار الملاك. كما توصلت الدراسة الى اربع محددات محتملة وهي : حوكمة الشركات ، وحجم الشركة ، وهيكل الملكية ، وخبرة الإدارة. تعتبر هذه الدراسة إلى حد علم الباحث أول دراسة سعودية تتناول الدوافع والمحددات لأنشطة إعادة شراء الاسهم بالمملكة العربية لسعودية ، لذا يعتقد أن تكون هذه الدراسة مفيدة للمستثمرين والشركات وهيئة سوق المال من حلال تنظيم مثل هذه الممارسات بالمملكة. هذه الدراسة لا يمكن تعميمها بسبب بعض المحددات الاقتصادية والثقافية التي تتصف بها المملكة العربية لسعودية.

الكلمات الدالة: إعادة شراء الاسهم ، الدوافع ، المحددات ، المملكة العربية السعودية.