

1495



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# RESEARCH INSIGHTS

## A MINIMUM BUYBACK REQUIREMENT IN OPEN MARKET REPURCHASES: IMPACT ON THE SIGNALING ROLE

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### EXECUTIVE SUMMARY

The paper investigates the impact of the imposition of a minimum buyback requirement on open market repurchases (OMRs) in India. We extend the signaling model of Oded (2005) by including a minimum buyback requirement and show that it increases the stock price during the repurchase period, relative to a no minimum buyback regime. Accordingly, we find that the regulatory change has led to a significant increase in the abnormal stock returns earned around buyback announcements. Also, insiders increase their purchase of firms' stock during the buyback execution period relative to the pre-reform period. These findings are consistent with a higher information value of OMR announcements in the minimum buyback regime. We further observe lower market timing through buyback execution, accompanied by a change in the execution-style, implying a weaker instinct for opportunistic buybacks. Our findings suggest that the regulatory change has lowered the "cheap-talk" motives associated with the announcement of open market buybacks.



### KEYWORDS

- Open market buyback
- India
- Tender offers
- Signaling
- Repurchases

### RESEARCH RELEVANCE

- Open Market Buybacks are the dominant form of payout but typically have no execution requirement.
- It is shown both theoretically and empirically, that a minimum execution requirement improves an OMR program's information signalling power.
- However, the signal itself carries a more positive discount rate news rather than a positive cashflow news.
- In other words, the mix of firms shifts towards those employing Open Market Buybacks as a cash distribution tool.

### BIBLIOGRAPHIC INFORMATION

Srivastava, P., Jacob, J., & Pandey, A. (2026). A minimum buyback requirement in open market repurchases: Impact on the signaling role. *Journal of Corporate Finance*, 98, Article 102941. Advance online publication.  
<https://doi.org/10.1016/j.jcorpfin.2025.102941>

*“When execution is made mandatory, the information signal given out by an Open Market Buyback announcement changes in two ways. First, it becomes more informative and second, it indicates a stronger intent to distribute cash rather than a more positive cashflow news.”*

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