

## **EFFECT OF SHARE BUYBACK ON DIVIDEND PER SHARE (DPS): EMPIRICAL EVIDENCE FROM INDIA**

**YASHBA HUMRA**

Research Scholar, Faculty of Commerce, B.H.U., Varanasi, Uttar Pradesh, India

### **ABSTRACT**

Share Buybacks are the alternative payout mechanism apart from dividend that has received attention from world over since 1960s. Due to its timing flexibility and non-consistent nature, it is an easy way to pay cash to the investors. Companies and Investors in India have a pro-attitude towards dividend payment on regular basis. In such a scenario, it is imperative to know whether this policy is influenced by the announcement of share buyback by the companies. This paper is focused upon whether corporate entities in India utilize share buyback for the purpose of making payment to the shareholders as a substitute of dividend. A sample of companies listed at the National Stock Exchange of India Ltd. and making an announcement of share buyback during the period 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2014 is selected and analyzed by applying Paired t-test. The findings suffice the fact that share buybacks are standalone actions and are not influencing the dividend policy of the companies. The t-statistic value of t-test is not statistically significant at 5 % level of significance. The evidence of substitution of dividend to buybacks as found in U.S. corporations was not found in Indian Stock market. It is therefore evident that share buybacks are utilized for disbursing temporal and non-sustainable cash-flows

**KEYWORDS:** Share Buybacks, National Stock Exchange of India Ltd., Substitution Effect, Dividend