Abstract:

Corporations in some countries such as the U.S. and the UK can repurchase their own stock by distributing cash to existing shareholders in exchange for a fraction of the company's outstanding equity. However, due to the legal restrictions in Kenya, share repurchase programmes are rarely adopted by Kenyan corporations. This study therefore seeks to establish the perceptions of Financial Managers on the need for share repurchases by listed companies in Kenya. Theories such as the signaling theory, the agency theory and the capital structure and investment decisions theory forms the theoretical framework as well as the empirical literature of share repurchases have been discussed. A questionnaire survey was used to obtain the views of the Financial Managers of listed companies in Kenya. The target population consisted of 59 Financial Managers from the 59 listed companies in Kenya. However, only 46 filled and returned the questionnaires hence forming the sample size. Adequate and relevant statistical tools such as frequencies, percentages, tabulations and pie-charts were successfully used to bring out the statistical validity of the findings. It was on the basis of these findings, that the researcher concluded that share repurchase increases share prices to improve shareholders value, influences the reported EPS levels, signals undervaluation of shares on the stock markets among others. It is the view of financial managers that share repurchases by listed companies should be legalized in Kenya. The Kenyan Government should consider amending Chapter 482 of the Companies Act to allow share repurchase by listed companies. A set of propositions are suggested which may form the basis for further research