THE IMPACT OF DIVIDEND ANNOUNCEMENT TO STOCK PRICE: A CASE STUDY OF THE ZIMBABWE STOCK EXCHANGE. (2009-2014)

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ABSTRACT

The purpose of this study was to uncover the impact of dividend announcements on share price (2009-2014). A case study was selected and dividend announcements and share price data was considered. The study examined the effects of dividend announcements and stock prices. Simple tracking of the actual stock price movements over a period before and after dividend announcement and the concept of cumulative risk-adjusted abnormal returns earned by investors over the same period of days before and after dividend announcement date were used. Findings show that the initial stock price behaviour after the announcement date is consistent with the Signalling Hypothesis. However the stock price's responsiveness to the dividend announcement tended to be short-lived. The practical implications of this study were that managers should analyse the benefit of dividend announcement to both the company and the shareholders of the company.