AN INVESTIGATION ON THE FACTORS INFLUENCING DIVIDEND POLICY DECISIONS OF COMPANIES LISTED ON THE ZIMBABWE STOCK EXCHANGE (ZSE) DURING THE PERIOD FROM 2009 TO 2012

BY

NGONIDZASHE BASIL GAWAZA

B0923859

DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE BACHELOR OF BUSINESS STUDIES HONORS DEGREE IN BANKING AND FINANCE

OCTOBER 2012
ABSTRACT

The study set out to investigate the factors that influence the dividend policy decisions of companies listed on the Zimbabwe Stock Exchange (ZSE) during the period 2009 to 2012. A descriptive research design was used since it encompasses a large number of people, the researcher targeted a population of companies listed on the ZSE. 30 companies were selected using stratified random sampling from all the companies listed on the ZSE. Primary data was collected through questionnaires and interviews. The main findings support the existing literature in several instances. The study found the most influencing factors of dividends policies of Zimbabwe listed firms to be the level of current earnings, the projection about the future state of the economy, the stockholders characteristics, concerns about the stock prices and the need of current stockholders. The results also show that there is no difference between the responses made by both the CEOs and CFOs concerning the factors influencing dividend policy, thus managerial level does not have a bearing on the factors influencing dividend policy. The study also documents other insignificant factors such as signalling to investors and cost of capital. Moreover, this study provides a more support to firm life cycle in explaining the dividends policy than to other theories like the bird in the hand theory, agency theory, tax preference theory, and the dividend irrelevancy theory. As a recommendation, firms should consider all the factors that affect dividend policy when formulating one, in order to have an optimal policy that satisfies its shareholders and other interested third parties.