AN IMPACT OF DIVIDEND PAYMENTS ON SHARE PRICE EARNINGS IN AN INFLATIONARY ENVIRONMENT (2007-2009): A CASE STUDY OF ECONET WIRELESS ZIMBABWE LIMITED

BY

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ABSTRACT
The purpose of this study was to study the impact of dividend payments on share prices in an inflationary environment (2007-2009). 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 behavior after the announcement date is consistent with the Signaling Hypothesis. However the stock price's responsiveness to the dividend announcement tended to be short-lived and that inflation had a positive effect on the dividend declared as it magnified the nominal value of the dividend in an inflationary environment. The practical implications of this study were that managers should analyze the macro economic factors such as inflation in coming up with an appropriate dividend policy for their firm.