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The Disruptive Effect of COVID-19 on the Informativeness of Dividend Increases: Some Evidence from Johannesburg Stock Exchange-Listed Companies

Authors : Faustina Masocha

Abstract : This study sought to determine if the Covid-19 pandemic played a disruptive role in the signalling effect of dividend increases for the Top 40 companies listed on the Johannesburg Stock Exchange. With the use of Event Study Methodologies, it was found that dividend increases that were announced in the 2018 and 2019 financial years resulted in Cumulative Abnormal Returns (CARs) that were significantly different from zero, as confirmed by a p-value of 0,0300. This resulted in the conclusion that, under normal circumstances, dividend increases follow the precepts outlined in signalling theories which indicate that the announcement of dividend increases sent positive signals about the expected financial performance of a company. To prove the notion that Covid-19 plays a disruptive role on the signalling hypothesis, it was found from both parametric and non-parametric tests of significance that CARs related to dividend increases that were announced during the 2020 and 2021 financial years, when the Covid-19 pandemic was at its peak, were not significantly different from zero. Therefore, although the dividend increases still resulted in some CARs, such CARs were not statistically different from zero to confirm the signalling hypothesis. A p-value of 0.9830 from parametric t-tests and a p-value of 0.8971 from the Wilcoxon signed-rank test were used as a gauge that led to the conclusion that Covid-19 plays a disruptive effect on the signalling process of dividend increases.

Keywords : cumulative abnormal returns, dividend increases, event study methodology, signalling
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