

Delisting Wave: Corporate Financial Distress, Institutional Investors Perception and Performance of South African Listed Firms

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Abstract : In the past three decades, there has been a notable increase in the number of firms delisting from the Johannesburg Stock Exchange (JSE) in South Africa. The recent increasing rate of delisting waves of corporate listed firms motivated this study. This study aims to explore the influence of institutional investor perceptions on the financial distress experienced by delisted firms within the South African market. The study further examined the impact of financial distress on the corporate performance of delisted firms. Using the data of delisted firms spanning from 2000 to 2023 and the FGLS (Feasible Generalized Least Squares) for the short run and PCSE (Panel-Corrected Standard Errors) for the long run effects of the relationship. The finding indicated that a decline in institutional investors' perceptions was associated with the corporate financial distress of the delisted firms, particularly during the delisting year and the few years preceding the announcement of the delisting. This study addressed the importance of investor recognition in corporate financial distress and the delisting wave among listed firms- a finding supporting the stakeholder theory. This study is an insight for companies' managements, investors, governments, policymakers, stockbrokers, lending institutions, bankers, the stock market, and other stakeholders in their various decision-making endeavours. Based on the above findings, it was recommended that corporate managements should improve their governance strategies that can help companies' financial performances. Accountability and transparency through governance must also be improved upon with government support through the introduction of policies and strategies and enabling an easy environment that can help companies perform better.

Keywords : delisting wave, institutional investors, financial distress, corporate performance, investors' perceptions

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