

**Do Firms Smooth Their Dividends Over Time?
Evidence from the *Johannesburg Stock Exchange***

Mabutho Sibanda

*University of KwaZulu-Natal, College of Law and Management Studies, School of Accounting,
Economics and Finance Private Bag X54001, Durban, 4000 South Africa
Telephone: +27 31 260 2160, Fax: +2731 260 7871, E-mail: sibandam@ukzn.ac.za*

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ABSTRACT This study examines dividend payout policies and the appropriateness of Lintner's dividend smoothing model on the Johannesburg Stock Exchange (JSE) listed firms. The ordinary least squares method is used to analyze the data using annual data from 1995 to 2011. The study found that the dividend smoothing model slightly overstates the payout ratio by two percent. The median long-run target payout ratio was found to be 40.76 percent compared to the actual payout ratio of 38.73 percent. The median speed of adjustment coefficient was 72.61 percent suggesting that firms partially adjust their dividends over time. The study concludes that despite the reduction in the number of dividend-paying firms in South Africa, the dividend smoothing model can be used to predict firms' target payout ratios. This has implications for equity investors who rely on dividends for achieving their investment objectives.