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# The long-term share price reaction to Black Economic Empowerment announcements on the JSE

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## ABSTRACT

Black Economic Empowerment has been one of the South African government's primary mechanisms for addressing the economic imbalances of the apartheid era. Voluntary sector "charters", and more recently legislation, have required largely white owned business enterprises to become more inclusive across key areas of economic empowerment, including the provision of minimum levels of ownership for black shareholders.

This research employs event study methodology to examine the long-term impact on the share prices of listed companies after announcements are made relating to black empowerment deals which impact equity ownership. The research examines 118 announcements and finds a positive cumulative abnormal return of around 10% after the first year. The positive result is confined to smaller companies, with market

capitalisation of less than R3, 5bn, whilst large companies experience a marginally negative cumulative abnormal return. The results also show that those companies which made BEE announcements prior to May 2005 ('first-movers') did somewhat worse than those who followed. Finally, the results were found to be consistent for companies making further BEE related announcements, although the cumulative abnormal returns were lower at around 6%.

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