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DETERMINANTS OF DIVIDEND POLICY IN SRI LANKA

**AN EMPIRICAL STUDY OF SELECTED LISTED
COMPANIES IN COLOMBO STOCK EXCHANGE**

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ABSTRACT

This study seeks to examine the determinants of dividend payout of selected listed companies in Colombo Stock Exchange

The analyses are performed using data derived from the financial statements of 51 firms listed on the Colombo Stock Exchange and from the Hand Book of the Colombo Stock Exchange during a five-year period. Simple linear Regression model is used to estimate the regression equation. Seven variables been selected for the study in par with some theoretical and empirical research results. Investment, collataralizable assets, size, growth, risk, profits, leverage are the variables used for the study. Beta value is used as a proxy to the Business risk. Growth in net assets is used as a proxy to the investment opportunity. Other proxies are Collateral assets, financial leverage and size.

The results show positive relationships between dividend payout, size and collataralizable assets. The results also show negative associations between dividend payout and profit, risk, growth, leverage and investment. However, the significant variables in the results are profitability, risk, growth and size. Further Dividend signaling, agency cost explanations, Transaction Cost, Residual Theory, and Pecking Order Theory of Dividend were also been discussed. Most of the proxies been selected to cover the above theories. Finally, the empirical results document clear evidence that there is no strong influence of the selected variables on the dividend policy of the listed companies in the Colombo Exchange.

The objective of this study is to identify the factors that influence the dividend payout policy decisions of listed firms in Colombo Stock exchange. Further to explore the possibility of establishing a relationship between the payout and variables.