

Dividend Determinants of Manufacturing Companies of Sri Lanka: Empirical Evidence from Colombo Stock Exchange

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Abstract

Dividend distribution decision is one of the key areas of decision making, it follows up with the questions as of “Are we going to declare dividends”, if so “how much to declare”. These questions should be addressed by the finance manager so that it would not affect any interested stakeholder party adversely. This research is conducted to identify what are the key determinants of dividend payments of manufacturing companies in Sri Lanka. Various researches have being conducted in the similar scope including researches in south Asian region, yet within the Sri Lankan stock market the above said scope has not being addressed. I have made an attempt to cover this gap through this research. The research is conducted on fifteen selected manufacturing companies that often pays dividends which are listed in Colombo stock exchange. I have selected five independent variables supported by previously done researches. Namely - profitability, firm size, liquidity, leverage and growth. These variables are observed to its performance with dividend pay-out ratio, which is my dependent variable. I was able to conclude that there is a significant effect of the profitability determinant when paying dividends in manufacturing companies in Sri Lanka.

Key words: *Dividend, Profitability, Growth, Dividend pay-out, leverage.*