The Impact of Dividend Policy on Shareholders’ Wealth and Business Performance of Listed Manufacturing Companies in Sri Lanka

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Abstract

The Dividend policy play a major role in current business as most important financial policy not only from the viewpoint of the company, but also from that of the shareholders, the consumers, employees, regulatory bodies and the government.

The study aims to identify how the dividend policy influences the shareholders’ wealth and the business performance of listed manufacturing companies in Sri Lanka. Dividend per share (DPS) and Dividend yield (DY) use as Dividend policy indicators while Return on Equity (ROE) use as business performance indicator and earning per share (EPS) and Market share price (MSP) use as shareholders’ wealth indicator. The study use secondary data of 30 manufacturing companies covering the period of 2012 to 2017. Data analyze using regression analysis.

The result reveals that dividend policy has significant positive impact on shareholders’ wealth and the business performance of listed manufacturing companies in Sri Lanka. The previous empirical studies provide evidences that dividend policy has significant positive impact on shareholders’ wealth and the business performance.

Keywords: Dividend Policy, Earning per share (EPS), Market share price (MSP), Return on equity (ROE) and Manufacturing companies in Sri Lanka.