

The Impact of Dividend Policy on Firm Performance of Finance Companies in Sri Lanka

De silva, W.S.D.¹ and Perera, K.H.²

¹sanjuladilshan05@gmail.com ; ²hasinip@kln.ac.lk

Abstract

Dividend Policy is one of significant issues in corporate finance. The ultimate objective of an organization is to maximize the shareholders wealth. Shareholders wealth and Profitability of organization can maximize through maintaining proper dividend policy. Therefore this study was conducted to analyze relationship between dividend policy on Firm Performance of the Financing Companies, listed in the Colombo Stock Exchange, Sri Lanka. Related prior studies were limited to manufacturing sector, Hotel and Restaurant sector companies listed in Colombo Stock exchange. Therefore, this study was conducted on the finance sector companies listed in Colombo Stock Exchange as the finance sector plays an important role in economic growth by mobilising savings and allocating credit across in the economy.

Data was collected for the period from 2011 to 2019 for twenty two (22) finance sector companies using random sampling technique and analyzed using Descriptive Statistics, regression and correlation analysis. Ordinary Least Square method was used to estimate Regression equation. The findings of this study offers a better understanding on the finance sector companies listed in Colombo Stock Exchange. Further, this research will help policy makers, Decision makers and future researchers making decisions with related to the dividend policy and there by can decide the optimal dividend policy in order to maximize both performance of the company and the shareholder's wealth. The study helps managers to make a benchmark to value where the firm can gain high profit by using dividend policy.

Keywords: Return on Assets, Return on Equity, Dividend Policy, Firm Performance