

Impact of Dividend Policy on Stock Return; Evidence from Manufacturing Companies Listed in Colombo Stock Exchange

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Abstract

The objective of this study was the impact of dividend policy on stock return of manufacturing companies listed in Colombo Stock Exchange. This research relies on secondary data which was collected from annual reports of listed companies in Colombo Stock Exchange. Data was collected from a sample of 20 companies under material sector over consecutive five financial years from 2015 to 2019. The independent variable was dividend policy which is measured by dividend payout ratio and dividend yield ratio while depended variable was stock return. Descriptive analysis and correlation analysis were used to perform the data analysis while regression model was expanded by adding three control variables named earnings per share, book value per share and size of the firm. While confirming the empirical results; findings of this study showed a negative insignificant relationship between dividend payout ratios with stock return and showed positive insignificant relationship with dividend yield ratio with stock return. Moreover, stock return has negative correlation with firm size and book value of firm while positive correlation with earnings per share. Based on the findings of this study, dividend payout ratio and dividend yield have negative impact on stock return. Findings of this study revealed that there is an insignificant relationship between dividend policy and stock return.

Key words: *Colombo stock Exchange, Dividend Policy, Multiple Regression model, Stock Return*