

## **IMPACT OF DIVIDEND POLICY ON FINANCIAL PERFORMANCE OF LISTED COMPANIES**

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### **Abstract**

Dividends are payments made by a company to its shareholders from the profit made from operations. It represents the compensation for the shareholders delayed consumption. A firm's dividend basically indicates the stability of the firm's future cash flows. The dividend policy of a firm is determined by the firm's financial leverage, the proportion of the total shares held by the insiders and the age of the firm (Nnadi, *et al*, 2011). Dividend decisions are important because they determine what funds flow to investors and what funds are retained by the firm for investment.

The objective of this research is to assess whether there is an impact of dividend policy, to the financial performance. The sample of this research is the manufacturing firms in the Colombo Stock Exchange (CSE). For the research purpose the financial performance is measured based on Profit After Tax (PAT) and the dividend policy is measured by Dividend payout ratio, Return on Assets (RoA) Return on Equity (RoE). For the purpose of analysis of the sample secondary evidence is to be used which are obtained by the annual reports of past three consecutive years. These data is to be analyzed by using regression analysis. The expected conclusion of the research is that, the dividend policy and the financial performance has a positive relationship.

**Key words:** Dividend policy, Financial performance