THE RELATIONSHIP BETWEEN DIVIDEND PAYOUT AND COMPANY PERFORMANCES: A STUDY OF LISTED AUTOMOBILE COMPANIES IN SRI LANKA

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Abstract

The issue of dividend payout is very important one in current business environment. Dividend policy is the regulation and guidelines that a company uses to decide to make dividend payment to shareholders (Ajanthan 2013). The dividend policy decisions of firms are the primary element of corporate policy. Dividend represents a distribution of earnings to the shareholder of a company and it is usually declared at Annual General Meeting (AGM) and paid to shareholders. Payment of dividend is usually met by the company from its earnings and cash flow. What proportion of the earnings should be invested and what proportion should be distributed to shareholders as dividends remains the decision of the management. Dividend, which is basically the benefit of shareholders in return for their risk and investment, is determined by different factors or decisions in an organization. These factors or decisions are finance decision, investment decision, financing decision and liquidity management decision (Azeez & Latifat 2015).

The objective of this research is to determine the relationship between Dividend Payout and Company Performances among listed Automobile Companies in Sri Lanka. The study sought to examine the relationship between dividend payout and firm's performance of selected listed automobile companies during 2010 to 2014. Secondary data will be collected from the annual reports of the automobile companies. These data will be analyzed to test hypothesis by using SPSS software through descriptive and inferential statistics such as Correlation analysis and Regression analysis. The findings expect that a significant relationship between dividend payout and firm's performance exists. The study therefore, will be concluded that dividend payout is an important factor affecting companies' performances.

Key words: Dividend Policy, Dividend Payout, Company Performance, shareholders