

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 plays 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 to the shareholders 'wealth and the business performance of listed manufacturing companies in Sri Lanka. Dividend per share (DPS) and Dividend payout (DPO) were used as Dividend policy indicators while Return on Equity (ROE) used as business performance indicator and earning per share (EPS) and Market share price (MSP) used as shareholders' wealth indicator. The study used secondary data of 41 manufacturing companies covering the period of 2012 to 2017. Data were analyzed using regression analysis and EViews package. The result reveals that dividend policy has positively significance impact on shareholders' wealth and the business performance of listed manufacturing companies in Sri Lanka.

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