

The Impact of Corporate Governance on Firms' Dividend Policy: Evidence from the Listed S&P SL20 Companies in the Colombo Stock Exchange

Ekanayake, H. L.¹ and Paranthaman, T.²

The concept of corporate governance is one of the issues that have attracted the attention of researchers and organization around the world. Corporate governance is measured by board size, ownership structure, board independence and CEO duality. The purpose of this study is to identify the impact of corporate governance on firms' dividend policy for the listed S&P SL20 companies in the Colombo Stock Exchange. Twenty listed S&P SL20 companies were analyzed for a period of six years from 2010 to 2015. Data is collected from the annual reports of the companies. Statistical Package for Social Science (SPSS 19.0) is used to analyze and evaluate the collected data. Univariate, Multiple regression and correlation analyses are used to explore the association between board size, ownership structure, board independence and CEO duality and firm dividend policy. A positive impact is found between CEO duality and firm dividend policy and negative impact is found between ownership structure and firm dividend policy. The impact of board size and board independence deemed to be insignificant. In addition, it is shown that firm size and profitability explain firm dividend policy. The paper supports the fact that corporate governance is relevant in determining the dividend policy for listed S&P SL20 companies in the Colombo Stock Exchange.

Keywords: Board size, Ownership structure, Board independence, CEO duality, Dividend payout

¹Department of Commerce, Faculty of Commerce and Management, Eastern University, Sri Lanka. (harshikaekanyake@gmail.com)

²Department of Commerce, Faculty of Commerce and Management, Eastern University, Sri Lanka. (paramcommerce@gmail.com)