

## **Board Financial Expertise and Dividend Paying Behavior of Sri Lankan Firms**

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### **Abstract**

Dividend behavior is most debatable and inconclusive issue in the corporate finance. Various theories and studies have been developed based on the dividend behavior issues but still the dividend is an unresolved corporate finance problem. Therefore this study aims to use a new dimension called financial expertise on corporate board to explain the dividend policy behavior. Further, this research focus on investigating the relationship between board financial expertise and dividend paying behavior of firms in Sri Lanka.

In this study, Lagged Dividend Yield, Proportion of Financial Experts on Board, Firm Size, Companies' Profitability, Tax Efficiency, Retained Earnings and Leverage are considered as independent variables and Dividend Yield which is measuring the dividend paying behavior of firms is considered as the dependent variable. This study uses correlation and regression analysis to investigate and analyze secondary data of 60 non – financial listed firms which are registered in the Colombo Stock Exchange (CSE) and 420 firm year observations from 2014 to 2020.

The findings of this study reveals that financial expertise on corporate board is positively related to dividend payments. Further, the results reveal that Sri Lankan firms use dividends as a control mechanism to mitigate the agency conflict to protect shareholders' interests. Less attention has been given by the researchers on the board financial expertise as a dividend policy determinant in Sri Lankan context and findings of this study will useful for corporate decision makers, academic students, financial analysts as well as future researchers.

**Key words:** *Dividend policy, Financial expertise, Colombo Stock Exchange (CSE).*