

The Impact of Dividend Policy on Stock Price: An Empirical Evidence from Hotels and Travels Companies Listed in Colombo Stock Exchange

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Dividend Policy is one of the important factors that affect the stock price. Dividend policy is measured by dividend per share, dividend yield and dividend payout ratio. The purpose of this paper is to identify the impact of dividend policy on stock price in the hotels and travels sector companies listed in the Colombo Stock Exchange. Thirty-four companies listed in the hotels and travels sector were analyzed for a period of five years from the year 2012 to 2016. Data were collected from the annual reports of the companies. Statistical Package (SPSS 19.0) was applied to analyze and evaluate the collected data. Correlation analyses and multiple regression are used to explore the association between study variables. A positive impact is found between dividend per share, dividend presence in a firm with stock price changes, while a negative impact between dividend yield and stock price changes is also identified. The impact of dividend pay-out ratio deemed to be insignificant. In addition, it is shown that assets growth rate and firm size explain stock price changes. The study supports the fact that dividend policy is relevant in determining the stock price for the hotels and travels sector companies listed in the Colombo Stock Exchange.

Keywords: Dividend policy, Stock price, Dividend per share, Dividend yield, Dividend payout ratio

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