

Impact of Dividend Policy on Market Share Price, Evidence from Financial Industries in Sri Lanka

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This study examines the impact of dividend policy indicators, dividend payout ratio and dividend yield, on the market price of a share of the companies operating in the banking, financing, insurance, and leasing industries in Sri Lanka. The study was carried out using 5 year data from 2010 to 2014 obtained from the annual reports of sample of 20 listed companies in the financial sector. From the data analysis, it is found that the dividend payouts ratios have weakly and positively correlated with share price indices, and dividend yields have weakly and negatively associated. The dividend payout ratio and dividend yield have an insignificant impact on the market price of shares of the companies in the industries. Hence, it is concluded that the dividend policy has no significant influence on determining the market value of shares of companies in the banking, financing, insurance, and leasing industries in Sri Lanka.

Keywords: Dividend payout, Dividend yield, Market price of share

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