

Impact of Dividend Policy on Financial Performance: With Special Reference to the Listed Hotels and Travelling Companies in Sri Lanka

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The primary purpose of the study is to examine the impact of dividend policy on financial performance of companies in Sri Lanka. This study has selected twenty listed hotel and travelling companies in the Colombo Stock Exchange (CSE) to the sample from the listed hotel and travelling companies in the CSE on random basis. Secondary data were used to the study and the dividend and performance related data were gathered through annual reports of hotels and travel companies for the period of 2010 to 2015. Net Operating Cash Flow (NOCF), Book Value of Equity (BVE), Price Earnings Ratio (PER) and Dividend Payout Ratio (DPR) were selected as independent variables. Dependent variable of the study is Financial Performance, which measures by using Return on Assets (ROA). Descriptive statistics, Correlation analysis and Regression analysis were applied for analyzing data. The results reviewed that dividend payout is significantly correlate with the ROA. However, NOCF, BVOE and PER is correlated with ROA. The regression results show that all the independent variables have a significant impact on ROA. Study found that regular dividend policy and irregular dividend policy affect to the financial performance. Finally, the study represented, that dividend policy affects to the financial performance of hotel and travelling companies listed on CSE in Sri Lanka.

Keywords: Regular dividend policy, Irregular dividend policy, Financial performance, Return on Assets