

Impact between Dividend Policy & Share Price Volatility; Evidence from Manufacturing Firms Listed in Sri Lanka

Jayamanna, K.D.A.P.¹ and Wijesinghe, K.D.G.N.²

¹ayeshaprimali9412@gmail.com, ² nayomi@kln.ac.lk

Abstract

Dividend policy is one of the main indicators of any organization and especially all investors are concerning about the dividend policy. This study aims to identify how dividend policy affects to the share price. Research is focused on manufacturing sectors as it a fast growing industry sector. Data collected on 20 listed manufacturing companies for the period of 8 years from 2011-2018. Dividend policy measured through Dividend yield, Earnings volatility, Dividend Payout ratio. Growth in asset, Firm size were used as control variables. In order to measure relationship between dividend policy and stock prices, data were analyzed using regression analysis.

The result reveals that Dividend payout has significant positive impact on share price volatility and dividend yield has negative impact on share price volatility and Firm size, earning volatility, asset growth explain the stock price volatility.

Keywords: Dividend Policy, Share Price Volatility, Colombo Stock Exchange (CSE)