Macroeconomic Variables & Dividend Policy: Evidence from Colombo Stock Exchange

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ABSTRACT

Introduction: This research study determines the Macroeconomic variables and dividend policy; Evidence from Colombo Stock Exchange.

Design/Methodology/Approach: The study based on a quantitative approach used secondary data for the descriptive statistics and the multiple regression techniques Radiance factors that influence dividend pay-out and dividend per share has been one of the most difficult experiments facing financial economists. The study sought to understand and test the relationship between dividend pay-out and dividend per share of firms listed at the Colombo Stock Exchange and macroeconomic variables that included; inflation, exchange rates, money supply, GDP Growth. The objective of this study was to identify the effects of these macroeconomic variables and their influence the dividend policy and to estimation relationship between them. The data was analysed using a regression on the dividend paid out as the dependent variable against independent variables which were inflation rates, GDP Growth rates, exchange rates and money supply.

Findings: The results indicate that there are both short and long-run fundamental relationships between dividend policy and macroeconomic variables. These findings contest the validity of the semi-strong version of the efficient market hypothesis for the Sri Lankan share market and have ideas for investors, both domestic and international.

Conclusion: The study objective was to establish effects of macroeconomic variables on the dividend policy of firms listed at the Colombo Stock exchange. Accordingly, the study analysed 10-year variations of the macroeconomic variables in the listed companies on the CSE and made several conclusions.

Keywords: *CSE, Dividend policy, Macroeconomic, Dividend per share, Dividend pay out*