

Dividend Policy and Firm Performance of Banking and Finance Companies in Sri Lanka

K.I.L. Samarasinghe¹ and R.P.C. Ranjani²

Department of Finance, University of Kelaniya, Sri Lanka^{1,2}

kilakmini@gmail.com¹, chitra@kln.ac.lk²

ABSTRACT

Introduction: Companies' dividends are considered significant because of the information value of dividends. This study focuses on relationship between dividend policy and firm performance of banking and finance sector companies listed in Colombo Stock Exchange.

Design/Methodology/Approach: The Sample of 20 banking and finance sector companies was selected based on Market Capitalization, Dividend Declaration and Availability of Annual Reports for 10-year time period. Regression, Correlation Analysis and Descriptive Statistic were used to analyse the data. Econometrics Views (E-Views) Statistical package was used to analyse the data.

Findings: The findings indicate that. there is no significant relationship between EPS and Firm Performance and there is a significant relationship between DPO, DPS and Firm Performance.

Conclusion: As per the results of the analysis it can be concluded that dividend payout ratio and dividend per share have significant impact on performance and there is no significant relationship between earning per share and performance of Banking and Finance sector companies in Colombo Stock Exchange in Sri Lanka.

Keywords: *Dividend Policy, Firm Performance, Earning Per Shares, Dividend Payout, Dividend Per Share.*