



**AN EMPIRICAL STUDY ON THE IMPACT OF  
DIVIDEND DECISION ON FIRM PERFORMANCE**  
(EVIDENCE FROM BANK, FINANCE AND INSURANCE SECTOR IN  
SRI LANKA)

This dissertation is submitted as a partial fulfillment of the degree of  
Bachelor of Business Management in Entrepreneurship and Management

November, 2017

J.L.V. Rasintha

UWU/EX/13/0250

Management sciences department

## ABSTRACT

Dividend is considered as one of the most important factor of stimulating investor's behavior towards investments. Dividend policy of a corporation is an important decision for the company itself as well as other stakeholders. Many authors continue to come up with different findings on the impact of dividend policy on firm performance through their empirical studies. Hence this research is an attempt to examine the relationship between dividend decision and firm performance of Bank, Finance and Insurance sector companies in Sri Lanka to bridge the gap. The study used 100 firm year observations collected from 20 companies listed in the Bank, Finance and Insurance sector in Colombo Stock Exchange. The sample period consists of 5 years and the 20 companies were selected based highest market capitalization. The dividend payout ratio was used as the proxy for dividend decision while Return on Equity and Return on Assets were used to measure the firm performance. Pearson correlation coefficient analysis and random effect regression model of panel data analysis were used for the statistical analysis. The study found that the dividend payout ratio has a weak negative relationship with both Return on Equity and Return on Assets. According to the result of this research dividend decision negatively impact on firm performance. The findings of this research would be vital important to the policy makers in Banks, Finance and Insurance sector in deciding their dividend policy towards ensuring efficient and effective firm performance.

**Key words:** Dividend Payout, Dividend policy, Firm performance, Return on Assets, Return on Equity