



# IMPACT OF DIVIDEND POLICY ON SHARE PRICES

## OF LISTED COMPANIES IN SRI LANKA

(Special reference to Banks Finance and Insurance sector)

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## ABSTRACT

It is felt strongly that payment of dividends influence investors to the value of stock and also dividends decision is the most important decision in a company's point of view. Therefore payments of dividends decrease the internal financing required for investments. So this will avoid the growth of the firm, which in turn affects to the value of the stock. This study has been undertaken to identify the impact of Dividend policy on share prices of listed companies in Sri Lanka and to identify the relationships between the Earning per Share, Net Assets per Share and Share market Price. In the methodology the secondary data was collected from the annual reports of those companies of Bank finance & Insurance sector which have been registered in CSE as at March,31 2010 and 28 companies have been taken into the consideration for the analysis purpose. The research reveals that low negative relationship between the dividend payout ratio and share market price while low positive relationship between the dividend plowback ratio and share market price. This research identified High positive relationship between Earning per Share (EPS) and Net Asset per Share (NAPS) towards the share market price. It is also found that the Earning per Share (EPS) has been highly affected to the share prices than the Net Asset per Share (NAPS) in Colombo Stock Exchange.

***Key Words: Dividend payout ratio (DPO) Dividend plowback ratio (PLWB) Earnings Per Share (EPS), Net Assets Per Share (NAPS), Market Share Price (MSP)***