

## **Relationship between Dividend Policy and Shareholders' Wealth: Evidence from Listed Food, Beverage and Tobacco Companies in Sri Lanka**

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### **Abstract**

The study aimed to identify the relationship between dividend policy and shareholders' wealth. The current study focused on the food, beverage, and tobacco companies listed in Colombo Stock Exchange, and data was collected from annual reports of 27 selected companies for the five years from 2017 to 2021. Dividend per Share, Dividend Payout Ratio and Dividend Yield were used as explanatory variables while Market Price per Share was used as a proxy for shareholders' wealth. Firm size and financial leverage were control variables on the relationship between dividend policy and shareholders' wealth. Correlation and panel data regression analysis were employed to identify the relationship between the variables. The Variance Inflation Factor (VIF) test found no multi-co linearity problems among explanatory variables-the panel data regression employed with pooled OLS, fixed-effect, and random-effect models. Based on the analysis, the fixed-effect model was chosen to explain the relationship between dividend policy and shareholders' wealth. As per the results of the fixed-effect model, Dividend per Share and Firm size were positively related to shareholders' wealth, and dividend yield was negatively related to shareholders' wealth. However, no significant relationship was found between the dividend payout ratio, financial leverage, and shareholders' wealth. The study's findings can help the company's management, shareholders, and investors when they make decisions about dividends and values. Further, future research can be extended by choosing different sample sectors and periods with other variables to enhance their empirical findings.

**Keywords:** *Colombo Stock Exchange, dividend per share, dividend policy, shareholders' wealth*