

## **DIVIDEND POLICY AND FIRM'S FINANCIAL PERFORMANCE: SPECIAL STUDY ON STANDARD AND POOR (S & P) INDEX IN SRI LANKA**

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### **ABSTRACT**

*The issue of dividend policy is a very important one in the current business environment and also one of the most complex aspects in finance. This Present study is an attempt to investigate the relationship between dividend policy and financial performance of 20 companies listed on S & P index in Sri Lanka. This study considered dividend policy as the independent variable which measured by dividend payout. Return on Assets (ROA), Return on Equity (ROE) which is criterion of financial performance accounting is used in this research. In this research study used for Firm size as control Variables. This research focused on secondary data collection method which information drawn from 20 listed companies on S & P index during the period of 5years from 2011 to 2015. The descriptive statistics are used and Pearson's correlation coefficient is used to identify the relationship between dividend policy and financial performance. The regression analysis is used to identify the impact of dividend policy on financial performance. The results of this study reveal that DP has significant positively correlated( $r=562$ ,  $p<0.01$ ) with ROA and insignificant positively correlated with ROE ( $r=165$ ,  $p>0.05$ ). Further the DP has a significant impact (39.1%) on ROA and insignificantly impact (13%) on ROE of 20 companies listed on S & P index in Sri Lanka. It can be conclude that dividend policy is very important one in the fast growing business world and the manager should carefully design the dividend policy that will enhance firm's overall financial health over a given period of time.*

**Keywords:** *Dividend policy, Financial performance, Dividend payout, Return on assets, Return on equity, S & P Index*