

**IMPACT OF DIVIDEND POLICY ON STOCK PRICE WITH
SPECIAL REFERENCE TO COMPANIES IN HOTELS AND
TRAVELS SECTOR LISTED IN COLOMBO STOCK
EXCHANGE**

UTHPALA SANJEEWANI JUWAN HETTIARACHCHI



Project Report
Library - EUSL

**DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA**

Abstract

Dividend Policy is one of the most important factors that affects the stock price. Dividend policy is measured by dividend per share, dividend yield and dividend payout ratio. The purpose of this paper is to identify the impact of dividend policy and stock price in the hotels and travels sector companies listed in the Colombo Stock Exchange. 34 companies listed in the hotels and travels sector were analyzed for a period of five years from the year 2012 to 2016. Annual reports were used to collect the data and Statistical Package for Social Science (SPSS 19.0) was used to present, analyze and evaluate data. Multiple regression and correlation analyses are used to explore the association between dividend per share, dividend yield, dividend payout ratio and stock price changes. A positive impact is found between dividend per share, dividend presence in a firm and stock price changes, and a negative impact between dividend yield and stock price changes also identified. The impact of dividend payout ratio deemed to be insignificant. In addition, it is shown that assets growth rate and firm size explain stock price changes. The paper supports the fact that dividend policy is relevant in determining the stock price for the hotels and travels sector firms listed in the Colombo Stock Exchange.

- **Key words:** Dividend Policy, Stock Price, Dividend per share, Dividend Yield, Dividend Payout Ratio.

Table of Contents



Acknowledgement	I
Abstract	II
Table of Contents	III
List of Tables	VII
List of Figures	VIII
Abbreviations	IX

Chapter -1: Introduction

1.1. Background of the Study	1
1.2. Problem Statement	3
1.3. Research Questions	4
1.4. Objective of the Study	4
1.5. Scope of the Study	5
1.6. Significance of the Study	5
1.7. Summary	6

Chapter -2: Literature Review

2.1. Introduction	7
2.2. Dividend Policy	7
2.2.1. Types of Dividend Policy	9
2.2.2. Importance of Dividend Policy	10
2.2.3. Factors affecting Dividend Policy	12
2.2.4. Theories relating to Dividend Policy	14
2.3. Stock Price	19
2.3.1. Definition	19
2.3.2. Determinants	19
2.4. Dividend Policy and Stock Price	20
2.5 Summary	22

Chapter -3: Conceptualization and Operationalization

3.1. Introduction	23
3.2. Conceptualization	23
3.2.1 Conceptual framework	23
3.3. Formulation of Hypotheses.....	26
3.3.1 Dividend Yield.....	26
3.3.2 Dividend Payout Ratio.....	27
3.3.3 Dividend per share	27
3.3.4 Presence or absence of Dividends in a firm.....	28
3.4. Operationalization.....	29
3.5. Summary.....	30

Chapter -4: Methodology

4.1. Introduction	31
4.2. Research Design	31
4.3. Population	31
4.4. Data Collection	31
4.5. Method of Data Presentation and Analysis.....	32
4.5.1. Univariate Analysis	32
4.5.2. Bivariate Analysis.....	33
4.5.3. Multivariate Analysis	33
4.5. Summary.....	34

Chapter -5: Data Presentation and Analysis

5.1. Introduction	35
5.2. Data Presentation	35
5.3. Univariate Analysis.....	37
5.3.1. Descriptive Analysis of Dividend per Share.....	38
5.3.2. Descriptive Analysis of Dividend Yield.....	40
5.3.3. Descriptive Analysis of Dividend Payout Ratio	42
5.3.4. Descriptive Analysis of Assets Growth	44
5.3.5. Descriptive Analysis of Firm Size	45
5.3.6. Descriptive Analysis of Share Price	46

5.4. Bivariate Analysis.....	47
5.4.1. Correlation Analysis	47
5.4.2. Partial Correlation Analysis.....	50
5.5. Multivariate Analysis.....	51
5.5.1 Multi co linearity.....	52
5.5.2. Multiple Regression Analysis	53
5.6. Hypothesis Testing.....	56
5.7. Summary	57

Chapter -6: Discussion

6.1.Introduction.....	58
6.2.Discussion on Descriptive Statistics	58
6.2.1. Descriptive statistics analysis of Dividend per Share	58
6.2.2. Descriptive statistics analysis of Dividend Yield	59
6.2.3. Descriptive statistics analysis of Dividend Payout Ratio	59
6.2.4. Descriptive statistics analysis of Assets Growth	59
6.2.5. Descriptive statistics analysis of Firm Size	60
6.3. Discussion on relationship between Dividend Policy and Stock Price.....	60
6.3.1. Relationship between Dividend per Share and Stock Price.....	60
6.3.2. Relationship between Dividend Payout and Stock Price	61
6.3.3. Relationship between Assets Growth and Stock Price	62
6.3.4. Relationship between Firm Size and Stock Price	61
6.4. Discussion on Partial Correlation	62
6.5 Discussion on impact of Dividend Policy on Stock Price	63
6.6 Hypothesis Testing.....	64
6.7 Summary	65

Chapter -7: Conclusion and Recommendation

7.1. Introduction.....	66
7.2. Conclusion and Recommendations.....	66
7.2.1. Conclusion	65
7.2.2. Recommendation	66
7.3. Managerial Implications Suggestion for Future Researchers	67

7.4. Suggestion for Future Researchers	68
7.5. Limitations	68
7.6. Summary	69
References:.....	70
Appendix	
Appendix - I: Data used for the study	72