

ABSTRACT

The board structure and ownership structure are the basic components of corporate governance system describing the characteristics of board of directors and shareholders respectively due to that they are the decision makers of a corporation. However, they are more involved in dividend decisions making than other corporate decisions since shareholders are interested to receive sufficient level of dividends for theirs' investment while directors use the company money for theirs' personal benefits throughout minimizing the dividend payment. Thus, the main aim of the study was to investigate the impact of board structure and ownership structure on corporate dividend policies in Sri Lanka. The study was obtained data of listed seventy non-financial companies over the period of 2011 to 2015. The board structure was represented by board size, board independence, CEO duality and board meeting while institutional ownership, managerial ownership, foreign ownership and ownership concentration were represented the ownership structure. In addition to that, firm size, profitability (ROE) and previous year's dividend per share were selected as moderating variables. The dividend per share was used as proxy of dividend policy.

The fixed effect panel regression model was selected for all six regression equations formulated to assess the objectives of the study. The findings revealed that board structure had significant impact on dividend policies while ownership structure had insignificant impact on dividend policies of non-financial companies in Sri Lanka. The study was concluded that when the board has independent directors at least two or one third of total directors and separation of the role of CEO and Chairman, non-financial companies in Sri Lanka increase dividend payments with increase of net earnings and previous year's dividend payments and vice versa. The findings are useful to policy makers and regulators to reassess and revise corporate governance's legislations, management body to understand the corporate governance quality status and investors to select the best suit stocks in building their portfolio.

Keywords: Board Structure; Ownership Structure; Corporate Governance; Independent Directors; Dividend Policies.