

**DETERMINANTS OF DIVIDEND PAYOUT RATIO:
A STUDY OF THE MANUFACTURING COMPANIES
TRADING IN THE COLOMBO STOCK MARKET**

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Registration No.: SEU/IS/06/MG/001

Index No.: MG0476

*A Dissertation Submitted to the Faculty of Management and
Commerce of the South Eastern University of Sri Lanka in
Partial Fulfillment of the Requirements of the Degree of
Bachelor of Business Administration
(Specialization in Accounting)*

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Oluvil

2012

ABSTRACT

The present study investigates the determinants of dividend payout ratio in the manufacturing companies trading in the Colombo stock market. Twenty five listed manufacturing companies are examined for a period of five years from 2006 to 2010. The relationship between the dividend payout ratio and the firm specific factors is examined with the help of a panel regression model in the Ordinary Least Squares method. The firm specific factors are profitability, cash flow, tax, firm size, leverage, growth, and market to book value. Seven hypotheses relating to the firm specific factors are developed and tested. The results reveal that only profitability has a significant positive relationship with dividend payout ratio while all other variables have insignificant relationships. Dividend payout ratio is positively related to cash flow, firm size, and leverage but negatively related to tax, growth, and market to book value. The findings imply that among the firm specific factors examined, profitability is the sole determinant of the dividend payout ratios of the listed manufacturing companies in Sri Lanka.