Impact of Ownership Structure on Dividend Policy: Evidence from Beverage Food and Tobacco Companies Listed in CSE Sri Lanka

S. Gowsalya
Dept. of Finance and Accountancy, University of Vavuniya, Sri Lanka
sinnayagowsi@gmail.com

Abstract

This study aims to investigate the impact of ownership structure and dividend policy of listed Beverage Food and Tobacco companies in the Colombo Stock Exchange. The study includes three independent variables namely Individual Ownership, Institutional Ownership, and Foreign Ownership. The dependent variable was Dividend policy, and Firm size was the control variable. Twenty sample companies' annual data for five years from 2018 to 2022 were used for this study. Descriptive statistics, Correlation analysis, Multiple Regression analysis, and the Hausman test were applied to analyze the data. Correlation analysis reveals a significant negative relationship between Institutional Ownership and Dividend policy and a significant positive relationship between foreign ownership and Dividend policy. As per the multiple regression analysis, institutional ownership is negatively associated with dividend payouts. The institutions have considerable shareholdings and adequate knowledge and expertise, mitigating the agency cost and the need for high dividend payouts. Moreover, the findings reveal that Individual Ownership, Foreign Ownership, and Firm Size do not impact the Dividend policy. The study's findings help investors and companies to make effective investment decisions. Similarly, the study is expected to offer some insights into investors and the company's corporate governance. For future research, it suggests using different types of modeling, other than linear regression models, to test the various relationships between dividend policy and ownership structure. This would allow an improvement of research methodologies adapted to the complex economic realities of listed companies.

***Keywords**: dividend policy, foreign ownership, individual ownership, institutional ownership*

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