

# **Fundamental Determinants of Dividend Decision in Manufacturing Firms: Evidence from Colombo Stock Exchange (CSE).**

R.S.M. Lenora \* and D.A.I. Dayaratne

*Department of Accountancy and Finance Sabaragamuwa University of Sri Lanka, Belihuloya*

\*Correspondence: lenorarsm@yahoo.com.

**ARS 2016**

**20**

---

This study mainly analyses the determinants of dividend decisions of firms listed in Colombo Stock Exchange (CSE) Sri Lanka. The research involved sixteen companies listed in Colombo Stock Exchange (CSE) and selected data for the period of ten years from 2006 to 2015 for the purpose. The Panel Data regression model is used to test the theoretical relationship between the dividend pay-out and selected fundamental factors. The research found that the profitability, liquidity, leverage, growth and size are some key determinants of the dividend decisions in manufacturing companies in Sri Lanka. The results suggested that more profitable and high liquid manufacturing companies pay more dividends while manufacturing companies with high growth opportunities tend to pay lower dividends. Also, the study clearly showed that profitability, liquidity and size were the three most important factors affecting dividend policy of manufacturing companies in Sri Lanka.

**Keywords:** Dividend, Fundamental factors, CSE, Manufacturing.