

## **AN EMPIRICAL STUDY OF THE RELATIONSHIP BETWEEN DIVIDEND POLICIES ADOPTED BY SRI LANKAN COMPANIES AND MACRO ECONOMIC VARIABLES**

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### **ABSTRACT**

*This study examines the relationship between the dividend policies of firms and selected macroeconomic variables, using a sample of companies quoted in the Colombo Stock Exchange. The dividend policy variables are defined as dividend per share, dividend rate, dividend payout, and dividend yield, while GDP growth, money supply growth, inflation, and interest rates are employed as explanatory variables. The relationship is examined by a cross-sectional, time-series regression method.*

*The results show that GDP growth, particularly the current and future growth, is significantly positively related to dividends. Past, current, and future money supply growth as well as interest rates are reliably positively related to dividends. Current and future inflation is reliably related to dividends. Most of these reliable relationships remain significant even in multiple regressions.*