

The Influence of Determinants on Corporate Dividend Policy: An Empirical Study of Food, Beverage, and Tobacco Companies Listed on The Colombo Stock Exchange in Sri Lanka

Wijayawardhana, P.M¹

¹Department of Business Economics, Faculty of Management and Finance, University of Colombo,
Sri Lanka

pasan@dbe.cmb.ac.lk

Abstract

The formulation of corporate dividend policy is a critical decision in corporate finance, yet the determinants influencing these policies remain inconclusive, particularly within specific industries. This study aims to examine the key factors that influence the dividend policies of companies within the food, beverage, and tobacco sectors listed on the Colombo Stock Exchange (CSE) in Sri Lanka. By including tobacco companies alongside food and beverage firms, the research captures a broader spectrum of the industry, recognizing the interconnected nature of these sectors in the Sri Lankan market. Adopting a quantitative approach, the study analyzes data from 15 selected companies over a ten-year period (2011-2020), using secondary data sources. The impact of profitability, leverage, firm risk, and firm size on dividend policy was assessed through multiple regression analysis. The findings reveal that both profitability and leverage have a significant positive relationship with dividend per share, while firm size exhibits a significant negative relationship. Conversely, firm risk shows a negative but statistically insignificant relationship with dividend per share. These results provide valuable insights for financial managers in developing dividend policies and assist investors in making informed investment decisions. The inclusion of tobacco companies ensures that the findings are relevant to the entire spectrum of the food and beverage industry, reflecting the unique dynamics of these sectors in Sri Lanka.

Keywords: Dividend policy determinants, Firm risk, Firm size, Leverage, Profitability

1. Introduction

1.1. Introduction

The expectation of Shareholders for investment in a firm is to receive regular income in the form of a dividend that may be cash or another valuable monetary value. Shareholders consider that the income of the firm is one of the factors considered for shareholders' return rather than price changes, but there are some other determinants which influence the dividend policy. Therefore, it is important to consider consistent dividend patterns. Dividend policy is principally concerned with the decisions related to dividend payout and the retention of the firm. (Lease, Lewellen, & Schlarbaum, 1974) stated that the practice is adopted by managers in organizing dividend payout decisions. It describes the amount of cash to be distributed to the shareholders and what is to be retained by the firm for further investment. A policy of firms considers the number of profits to be retained and that to be distributed among shareholders. The firms mainly focus on the maximization of the wealth of shareholders since every investor aims to get a return from the shareholder's investment. Therefore, it depends on the dividend policy of the firm and related decisions.

Table 4: Dividend Value in CSE Company

Company name	DY value
Aitken spence plantations	17.6
Grain elevators	14.5
C.W.Mackie & CO	13.0
Vallibel power	12.2
Frist capital	11.2
Watawala plantations	11.1
LB Finance	10.6
Three Acre farms	10.3
People insurance	9.4
Alliance Finance	9.2

Source: Softlogic Stockbrokers

High Dividend Yield Stocks (As of September 3rd):

This table lists companies with high dividend yields, along with their share price, PER, PBV, and ROE. Aitken Spence Plantations stands out with the highest dividend yield of 17.6%, which is exceptionally high compared to the market average of 2.6%. This suggests that the company is distributing a substantial portion of its earnings as dividends, making it attractive to income-focused

investors. Grain Elevators and C.W. Mackie & Co also show strong dividend yields (14.5% and 13.0%, respectively), indicating robust dividend payments relative to their share prices. Vallibel Power has a notable ROE of 26.0%, indicating efficient use of equity capital to generate profits, while Watawala Plantations has the highest ROE of 35.8%, reflecting strong profitability relative to shareholder equity. LB Finance and Three Acre Farms also exhibit strong performance with double-digit ROE values, making them potentially attractive to investors seeking both dividend income and capital appreciation. Companies with high dividend yields, such as Aitken Spence Plantations and Grain Elevators, might be appealing for investors looking for consistent income. However, it is crucial to consider the sustainability of these dividends, as very high yields could sometimes signal underlying risks or a lack of growth opportunities.

Table 5: Dividend Value S & P Company

Company	Dividend per share value
Expolanka holdings plc	8.19
Chevron lubbricants	7
Melstacorp plc	5.4
Hayleys plc	5.34
Hatton national bank	4.5
Sampath bank	4.6
Commercial bank	4.5
Dipped products	3
Royal ceramic lanka	2.9
Softlogic life insurance	2.8
CIC holdings	2.35
Hemas holdings	2.25
Lanka IOC	2
John keels holdings	8.19
Richard pieris company	0.6
Sri lanka telecom	0.25
Browns investment	0
LOLC holdings	0
Vallibel one plc	0

Source: www.redd.it.com

This table lists the DPS of S&P 20 companies, showing how much dividend income you would earn by owning one share from each company. **Expolanka Holdings PLC** and **John Keells Holdings**

PLC have the highest DPS at 8.19, suggesting strong dividend payouts compared to others in the S&P 20 list. **Chevron Lubricants Lanka PLC** also has a solid DPS of 7, followed by **Melstacorp PLC** (5.4) and **Hayleys PLC** (5.35). These companies are likely maintaining a consistent dividend policy, rewarding shareholders with a steady income stream. On the lower end, companies like **Sri Lanka Telecom PLC** and **Richard Pieris and Company PLC** offer minimal DPS (0.25 and 0.6, respectively), which might indicate lower profitability or a more conservative approach to dividend distribution. Some companies, such as **Browns Investments PLC** and **LOLC Finance PLC**, do not offer a clear DPS, either due to insufficient data or a decision to retain earnings rather than distribute them.

Business operations have evolved significantly due to globalization and market capitalism, leading to diverse approaches in business functions, policies, and procedures across different regions. Emerging markets, like Sri Lanka, differ from developed markets in the factors that influence dividend policy. Identifying the determinants of dividend policy and their effects on shareholders in such contexts is challenging, especially as market conditions and investor expectations differ from those in developed economies.

This study specifically examines the determinants of dividend policy in the food, beverage, and tobacco sectors listed on the Colombo Stock Exchange (CSE) in Sri Lanka. The sector exhibits varying dividend per share (DPS) rates across different companies, with some firms showing high DPS rates while others report lower or fluctuating rates. These variations can be attributed to factors such as profitability, leverage, firm size, and firm risk. However, the current research lacks a comprehensive statistical analysis that clearly presents these determinants and their impact on dividend policy, which this study aims to address.

The existing literature on dividend policy predominantly focuses on developed markets, with limited empirical research conducted in developing countries like Sri Lanka. As a result, there is insufficient understanding of how dividend policy determinants operate in the Sri Lankan context. This study seeks to fill this gap by providing a detailed analysis of the impact of profitability, leverage, firm size, and firm risk on the dividend policies of companies in the food, beverage, and tobacco sectors in Sri Lanka.

1.2. Problem Statement

Business operations and their functions were drastically developed with globalization and market capitalism. Different companies adopt diversified approaches in their business functions, policies, and procedures. It is noticed that emerging markets differ from developed markets, and the determinants of dividend policy in business entities can be different from developed markets to developing markets. Hence, it is difficult to identify the determinants of the dividend policy and its

influence on the shareholders as situations in different contexts have changed. It is important to enhance our knowledge of this debatable issue from an emerging market perspective. When analyzing the empirical study papers, the researcher highlighted the various kinds of ideas about the determinants of the dividend policy ((Periyathamby, 2012), (Al-Kuwari, 2009)).

According to the Colombo Stock Exchange (CSE, 2020), the dividend policies of companies in the Sri Lanka Food, Beverage & Tobacco sector have different rates. Some companies have higher DPS rates for the financial year (Ceylon Tobacco Company PLC, Nestlé Lanka PLC). But some companies have lower dividend per share (DPS) rates (Distilleries Company of Sri Lanka PLC, Browns Investment PLC), and some companies use the dividend per share (DPS) at a middle rate (Lion Brewery Ceylon PLC, Ceylon Cold Stores PLC).

According to the Global Industry Classification Standard (GICS) industry groups as of May 31, 2021, under the Colombo Stock Exchange, annual reports have stated that the dividend per share (DPS) of the food, beverage, and tobacco sector has changed the over years. Sometimes dividend per share (DPS) decreases each year. For example, Carson Cumberbatch PLC company. And dividend per share (DPS) of some companies has increased over the years, like Tobacco Company PLC, and Three Acre Farms PLC. When the profitability of listed companies increases, dividend per share (DPS) also increases (Ceylon Tobacco Company PLC, Three Acre Farms PLC). The dividend per share (DPS) also reduces with decreasing profitability according to research (Nestle Lanka PLC). On the other hand, the dividend per share (DPS) decreases when the leverage level increases (Nestle Lanka PLC). When the leverage level of this listed company decreases, the dividend per share (DPS) increases (Lanka Milk Food (CWE) PLC). Furthermore, the dividend per share (DPS) increases when the firm size (total asset of the company) increases (Carson Cumberbatch PLC). The researcher shows that when the total asset of the company which means the size of the firm decreases, the dividend per share (DPS) also decreases (Distilleries Company of Sri Lanka PLC). Therefore, it is important to identify the impact of significant determinants on the dividend per share (DPS) rates to understand the different impacts mentioned above without confusion and misunderstanding.

The issue that the researcher has identified is whether people expect and are willing to invest their money in a corporation, they don't have the proper knowledge and a clear idea about dividend policy and its determinants. Therefore, shareholders are losing their dividend capability in many situations. Previous researchers have disclosed different results about the effect of shareholders' DPS and its determinants ((Miller & Modigliani, 1961), (Al-Malkawi, 2007)). Shareholders were not able to make their investment decisions effectively and accurately due to this confusion.

Investment decisions made by shareholders can be challenging due to conflicting research and a lack of knowledge in this area. Understanding the issues related to dividend policy and its determinants can encourage investment, leading to increased development and investment in Sri Lanka.

Determinants of Dividend policy remain debatable among researchers. Choosing an appropriate dividend policy can be identified as an important decision for business enterprises as the investment policy is affected by the dividend decisions. Although some researchers prove dividend irrelevance theory, (Miller & Modigliani, 1961). Some are saying dividend policy affects the firm value (Baker, Veit, & Powell, Factors Influencing Dividend Policy Decisions of Nasdaq Firms, 2005). Most of the researchers proved the impact of profitability, company risk, and company leverage on dividend per share ((Saputri & Bahri, 2021), (Lintner, 1956)). Moreover, the cause for dividend policy or the factors that affect dividend policy have been documented well and researched in many developed countries ((Miller & Modigliani, 1961), (Lintner, 1956), (Pettit, 1977)). A few empirical examinations have been attempted in developing markets or creating nations, and a very limited number of research work is available on this issue (Mehta, 2012).

Most literature and research are based on developed countries, and few are conducted regarding developing nations. Determinants of dividend policy vary from developed to developing countries. It is difficult to find out the dividend policy determinants and their influence because the condition of developed countries varies from developing countries.

Moreover, this study collaborated on various kinds of conclusions about the relationship between dividend policy and determinants of dividend policy. Some researchers point out that business size and profitability hold a significant positive influence on its dividend policy and a firm's financial leverage is negatively related to the dividend policy of the entity significantly ((Al-Malkawi, 2007), (Kowalewski, Stetsyuk, & Talavera, 2007)). The researcher also argued that investment opportunities, lagged dividends, and large shareholders have a positive impact on dividend policy and a negative impact on dividend policy cash flow, debt, growth opportunities, firm size, and firm risk (Lestari, 2018). Further, the Leverage ratio, size of the company, profitability are significantly affecting to the dividend policy (Labhane & Mahakud, 2016). Profitability, liquidity, size of the firm, and inflation were found to have a significant negative impact on dividend policy (Brahmaiah & Srinivasan, 2021).

It is noticed that a limited number of empirical studies have been researched in developing countries and very limited research have been conducted on the issue and different view about this relationship which dividend policy and its determinants (Al-Malkawi, 2007). Sri Lanka is a developing country and there is a requirement to review the determinants which impact the dividend policy. Furthermore, there is no sufficient idea about the dividend policy and its determinants of listed companies in the

Colombo Stock Exchange in the Sri Lankan context ((Nirujah & Ludsana, 2014), (Baker, Dewasiri, Banda, & Azeez, 2019)). According to the above reasons, the research problem of this study is to explore “what is the impact of determinants on corporate dividend policy?” A special reference to listed food beverage and tobacco companies on Colombo Stock Exchange (CSE) in Sri Lanka?”.

1.3. Research Questions

The study aims to answer the following research questions:

1. Is there an impact from the profitability of the company on its dividend policy?
2. Is there an impact from the leverage of the company on its dividend policy?
3. Is there an impact from the firm risk of the company on its dividend policy?
4. Is there an impact from the size of the company on its dividend policy?

1.4. Research Objectives

The study is designed to achieve the following general and specific objectives:

General Objective:

To identify whether there is an impact from the determinants on the corporate dividend policy of food, beverage, and tobacco companies listed on the Colombo Stock Exchange.

Specific Objectives:

- To identify whether there is an impact from the profitability of the company on its dividend policy.
- To identify whether there is an impact from the leverage of the company on its dividend policy.
- To identify whether there is an impact from the firm risk of the company on its dividend policy.
- To identify whether there is an impact from the size of the company on its dividend policy.

2. Methodology

2.1. Research Design

The research design is the plan used to find answers to a research problem. It involves collecting and analyzing numerical data from selected food, beverage, and tobacco companies listed in the Colombo Stock Exchange of Sri Lanka. The purpose of this study is to determine the impact of determinants

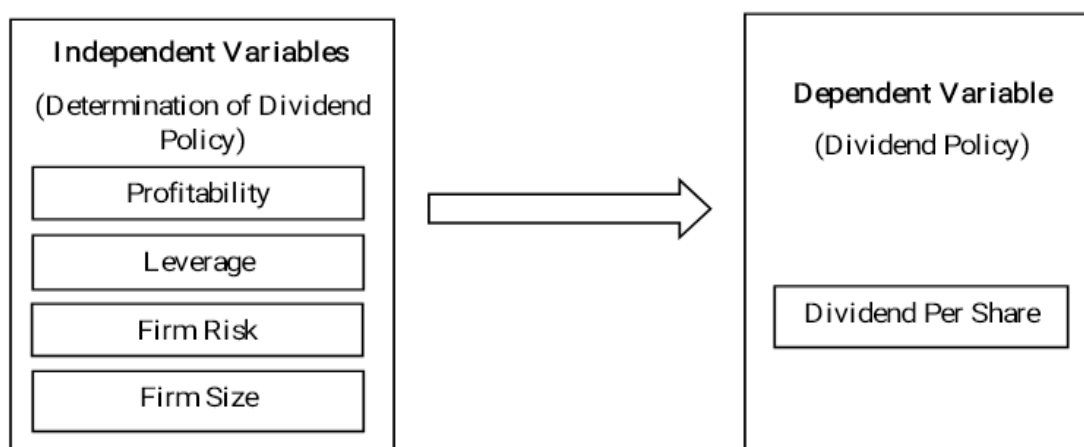
on the corporate dividend policy of these companies. The data will be collected from annual reports and will be in numerical form.

2.2. Conceptual Framework

The framework of this study is constructed based on previous literature reviews. The following conceptual diagram presents the conceptual framework of this study and shows the independent variables and dependent variables of this study.

The study examines the determinants affecting the dividend policy of food, beverage & tobacco companies listed in the Colombo Stock Exchange of Sri Lanka. The conceptual framework is used to explain the basic concepts and their impact.

Figure 1: Conceptual Framework



Source: ((Saputri & Bahri, 2021), (Nirujah & Ludsana, 2014))

2.3. Variables and Measurements

This study uses four independent variables profitability, firm risk, leverage, and firm size. The dependent variable in this study is dividend policy. It will be measured by using dividend yield and calculated as the dividend per share by the market price per share (Lestari, 2018). In this study, profitability will be measured by the return on equity (ROE) and calculated as the net income by the market total equity (Brahmaiah & Srinivasan, 2021). Firm risk (PE) will be measured by the price-earnings ratio and calculated as the price of a share by the earnings per share (Brahmaiah & Srinivasan, 2021), Leverage ratio (DE) will be measured by the debt-equity ratio and calculated as the ratio of total debt to total equity (Ahmed & Javid, 2009). Firm Size (MCAP) will be measured as the natural log of market capitalization (Al-Malkawi, 2007).

- **Profitability**

Measured by Return on Equity (ROE), calculated as net income divided by total shareholders' equity (Brahmaiah & Srinivasan, 2021). Empirical research has shown that profitability is a significant factor in determining dividend payout policy. However, results have been mixed. According to the pecking order theory, firms prefer to rely on internal reserves or retained earnings, resulting in lower dividend payments and higher retained earnings. As a result, profitable firms tend to pay out fewer dividends. (Abor & Amidu, 2006) have concluded that the profitability is extremely negative and significantly related to the dividend payout. Similarly, (Kania, 2005) have found that the higher the return on equity, the larger is the firm's retained earnings for reinvestment or the lesser is the dividend payout. (Al-Malkawi, 2007), (Al-Twajiry, 2007) and (Li & Lie, 2006) have continued that firms are more possible to raise their dividends if they are large and profitable. Profitability can be calculated as follow,

$$\text{Return on Equity (ROE)} = \frac{\text{Profit After tax (Net Income)}}{\text{Shareholders' Equity}}$$

- **Leverage**

Leverage, Measured by the Debt-to-Equity Ratio (D/E), calculated as total liabilities divided by shareholders' equity (Bogna, 2015). The empirical evidence about the influence of leverage on dividend payout policy is denied. (Al-Malkawi, 2007) established that the business's financial leverage is strongly and inversely related to its dividend policy, while (Kania, WHAT FACTORS MOTIVATE THE CORPORATE DIVIDEND DECISION?, 2005) have found a significant positive association, bringing out the fact that the firms have higher debt funds to pay off dividends. Leverage can be calculated as follow,

$$\text{Debt to Equity Ratio (D/E)} = \frac{\text{Total Liabilities}}{\text{Shareholders' Equity}}$$

- **Firm Risk**

The price-earnings ratio (P/E) indirectly integrates the supposed risk of a given company's future earnings. A high price-earnings ratio (P/E) proposes that stockholders are expectant greater earnings growth in the future related to companies with a lower price earnings ratio (Fama & French, 2001). High price-earnings may be associated with lower risk and high payout ratios, whereas low price earnings can be attributed to high risk and lower payout ratios. (Abor & Amidu, 2006) originate that there is a significant negative impact on dividend payout policy. Firm Risk can be calculated as follow,

$$\text{Price Earnings Ratio (P/E)} = \frac{\text{Market Price per Share}}{\text{Earning per Share}}$$

- **Firm Size**

Firm size, measured by the natural logarithm of total assets (Ln Total Assets) to normalize the scale differences among companies (Al-Malkawi, 2007). (Aivazian, Booth, & Cleary, 2003), (Al-Twaijry, 2007) and (Al-Kuwari, 2009) show that large size business enterprises may declare higher dividends and smaller size companies declare fewer dividends. Firm Size can be calculated as follow,

$$\text{Firm Size} = \text{Ln (Total Assets)}$$

2.4. Operationalization

Even though there are so many determinants of dividend policy in firms listed in Sri Lanka, this study mainly focuses on measuring the impact on dividend policy determinants. In this study dividend policy as dependent variable and four independent variables which are the dividend policy determinants. Variable operationalization is as follows.

Table 3: Operationalization of Variables

Variables	Indicators	Measurement	Source
Dependent Variable: Dividend Policy	Dividend Per Share (DPS)	$\frac{\text{Cash dividend}}{\text{Outstanding Common Stock}}$	(Lestari, 2018)
Independent Variable: Profitability	Return on Equity (ROE)	$\frac{\text{Profit after Tax (Net Income)}}{\text{Total Shareholders' Equity}}$	(Brahmaiah & Srinivasan, 2021)
Leverage	Debt to Equity Ratio (D/E)	$\frac{\text{Total Liabilities}}{\text{Total shareholders' Equity}}$	(Bogna, 2015)
Firm risk	Price Earnings Ratio (P/E)	$\frac{\text{MPS}}{\text{EPS}}$	(Brahmaiah & Srinivasan, 2021)
Firm size	Total Assets (MCAP)	$\text{Firm Size} = \text{Ln (Total Assets)}$ (Natural log of total assets)	(Bogna, 2015)

Source: ((Bogna, 2015) , (Nirujah & Ludsana, 2014))

2.5. Formulation of Hypotheses

Hypothesis testing refers to confirming theories based on sample evidence. This branch of data is also known as statistical extrapolation (towardsdatascience.com, 2019). According to the literature review, there should be an impact of determinates of dividend policy. There will be four hypotheses. That is the null hypothesis (H_0) and the alternative hypothesis (H_1). In this study following hypotheses are derived grounded on the research questions and objectives. The researcher predictable to following hypotheses is tested.

The statement of the predicted impact of two or more variables. Hypotheses may be null hypothesis and research hypotheses. The hypotheses are guidelines for the research to deliver its activities. Based on hypotheses research will build up or growing.

H_{01} - There is no impact of Profitability on Dividend Per Share

H_{a1} - There is an impact of Profitability on Dividend Per Share

H_{02} - There is no impact of Leverage on Dividend Per Share

H_{a2} - There is an impact of Leverage on Dividend Per Share

H_{03} - There is no impact of Firm Risk on Dividend Per Share

H_{a3} - There is an impact of Firm Risk on Dividend Per Share

H_{04} - There is no impact of Firm Size on Dividend Per Share

H_{a4} - There is an impact of Firm Size on Dividend Per Share

2.6. Population and Sample Selection

According to Janowicz (1994) generalization about the population from data collected using any sample is based on probability. To be able to generalize the research findings to the population, it is necessary to select samples of sufficient size. A large sample size will in general improve the quality of the research. A large sample size is always better than a small one. Saunders, Lewis, and Thornhill (1996) also point out that the larger the sample size, the lower the likely error in generalizing the population.

Generally, the population of a research study refers to all the individual elements that the researcher can gather data upon. This study would be based on financial data of listed companies in the Sri Lankan context. Thus, the population of this study includes all the 283 companies listed in Colombo Stock Exchange, representing 20 business sectors (CSE, 2021). As the sample of the study, 15 companies from the Food, Beverage & Tobacco sector that have recorded the of the larger market capitalizations have been selected, from the Food, Beverage & Tobacco sector again that have

recorded the larger capitalization have better access to capital markets ((Nirujah & Ludsana, 2014); (Holder, Langrehr, & Hexter, 1998)). Relevant data would be analyzed for 10 years from 2011 to 2020. This period was selected because it represents the most recent data available on the CSE website available as of date. As per the 50 companies listed under the sector in Food Beverage & Tobacco. The planned sample includes 15 companies out of this total 50 and it is representing the percentage of total listed companies is 6%.

2.7. Data Collection

Generally, Primary data and secondary data collection methods are used by researchers to conduct their study about a particular area. To achieve this purpose in this study, secondary data will be gathered through company records namely, annual reports of the selected companies from the year 2010/11 to 2019/20. Data gathered include, Net Profit, Total Assets, Preference Dividends, Shareholder's Equity, Number of Equities Share outstanding, Market Price Per Share, Earning Per Share and Cash Dividend, etc.

2.8. Correlation Analysis

Correlation analysis is employed to examine the relationship between the dependent variable (Dividend Payout Ratio) and independent variables (Profitability, Leverage, Firm Risk, and Firm Size). Pearson's coefficient of correlation is used to measure the strength and direction of the linear relationship between these variables. The coefficient can range from -1 to 1, where values closer to 1 indicate a strong positive relationship, values closer to -1 indicate a strong negative relationship, and values around 0 suggest no linear relationship.

2.9. Regression Analysis

Multiple regression analysis is a statistical method that helps understand the relationship between dependent and independent variables. By measuring the impact of independent variables on the dependent variable while holding other independent variables constant, it determines if there is a mathematical relationship between two or more variables. This study employs multiple regression analysis to measure the combined impact of dependent on the independent variables.

$$DPS = \beta_0 + \beta_1 PR + \beta_2 LEV + \beta_3 FR + \beta_4 FS + \varepsilon$$

Where,

DPS = Dividend Per Share

β_0 = Coefficients

β_1 = Profitability

β_2 = Leverage

β_3 = Firm Risk

β_4 = Firm Size

ε = Error Term

3. Analysis and Discussion

3.1. Correlation Analysis

Correlation analysis is a statistical technique used to measure the relationship between two variables. This study focused on independent variables such as Profitability, Leverage, Firm Risk, and Firm Size to describe the correlation. Correlation models were used to measure the degree of association between different variables. Correlation can indicate a predictive relationship that can be exploited in practice. Correlation analysis can be used as a tool to analyze the relationship between independent variables and one dependent variable. In this research to find out the relationship between variables, Pearson's co-efficient of correlation has been used. The Coefficient of correlation takes the values from + 1 to – 1 (including plus one to minus one). The correlation coefficient ranges from -1 to 1. A value of 1 means that there is a perfect positive relationship. A value of -1 means that there is a perfect negative relationship. This study consists of four independent variables and one dependent variable. Whether there is a positive or negative correlation between the variables and the significance level is identified here.

In this study, the correlation coefficient analysis has been taken under to find out the relationship between the following two variables.

- Independent variable – Profitability, Leverage, Firm Risk, Firm Size
- Dependent variable – Dividend Policy

The Correlation analysis that implies what kind of relationship between each of these dependent and independent variables.

Table 4: Correlation

		Dividend Per Share	Profitability	Leverage	Firm Risk	Firm Size
Dividend Per Share	Pearson Correlation	1	.251**	.393**	-.066	-.274**
	Sig. (2-tailed)		.002	.000	.422	.001
	N	150	150	150	150	150
Profitability	Pearson Correlation	.251**	1	-.323**	-.003	-.013
	Sig. (2-tailed)	.002		.000	.974	.873

N		150	150	150	150	150
Leverage	Pearson Correlation	.393**	-.323**	1	-.085	-.108
	Sig. (2-tailed)	.000	.000		.301	.187
	N	150	150	150	150	150
Firm Risk	Pearson Correlation	-.066	-.003	-.085	1	.096
	Sig. (2-tailed)	.422	.974	.301		.244
	N	150	150	150	150	150
Firm Size	Pearson Correlation	-.274**	-.013	-.108	.096	1
	Sig. (2-tailed)	.001	.873	.187	.244	
	N	150	150	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

(Source: Annual Report 2011-2020 with SPSS Analysis)

The correlation coefficient explains the relationship between two variables. It shows changes in one variable because of any change in another variable. Table 3.1 shows the Pearson's correlation coefficient of the relationship between dividend policy and its determinants. The table observes each determinant's relationship. First, there is a positive significant relationship between profitability and leverage and dividend payout at the level of 0.01. Also, Firm size has a significant negative relationship with dividend payout, but the firm risk has an insignificant negative relationship.

The correlation results indicate the following relationships:

Profitability: There is a statistically significant positive correlation between Profitability and Dividend Payout Ratio ($r = 0.251$, $p = 0.002$). This suggests that higher profitability is associated with higher dividend payouts, which aligns with previous findings by Al-Malkawi (2007) and Nirujah & Ludsana (2014). Profitable firms are more likely to distribute higher dividends as they have more available earnings. **Leverage:** A statistically significant positive correlation exists between Leverage and Dividend Payout Ratio ($r = 0.393$, $p = 0.000$). This finding supports the notion that companies with higher leverage may distribute more dividends to signal confidence to investors, as suggested by Marfo-Yiadom & Agyei (2011).

Firm Size: The correlation analysis shows a significant negative relationship between Firm Size and Dividend Payout Ratio ($r = -0.274$, $p = 0.001$). Larger firms tend to pay lower dividends, possibly due to increased agency costs, as discussed by Lestari (2018). **Firm Risk:** The analysis indicates a statistically insignificant and weak negative correlation between Firm Risk and Dividend Payout

Ratio ($r = -0.066$, $p = 0.422$). This suggests that firm risk does not significantly influence dividend payout, consistent with findings by Abor & Amidu (2006).

3.2. Regression Analysis

Regression analysis is the statistical method used in this investigation that helps to confidentially examine to determine the impact of the independent variables on the dependent variable. This study utilized multiple linear regression analysis and panel data estimation to control individual-specific effects that may be correlated with other explanatory variables in the relationship between dependent and explanatory variables. Simple linear regression is used when there is only one independent variable, while multiple linear regression is used when there are more independent variables.

This regression analysis was used to investigate the impact of determinants on corporate dividend policy: A special reference to listed food beverage and tobacco companies on the Colombo Stock Exchange (CSE) in Sri Lanka. This analysis describes the impact of the independent variables on the dependent variable. The independent variables will be measured by using Return on Equity (ROE), Price-earnings ratio (P/E), Debt to Equity Ratio and Natural Log of Total Assets also, the dependent variable will be measured by using Dividend Per Share.

The regression equation was,

$$\text{DPS} = \beta_0 + \beta_1 \text{PR} + \beta_2 \text{LEV} + \beta_3 \text{FR} + \beta_4 \text{FS} + \varepsilon$$

3.3. Model Summary

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.600 ^a	.360	.342	17.25305

a. Predictors: (Constant), Firm size, Profitability, Firm risk, Leverage

Source: Annual Report 2011-2020 with SPSS Analysis

A model summary is an important one, as it gives the measures of how well the overall model fits and how well the predictors predict. The first measure of Table 3.2 is the correlation coefficient (R). This is a measure of how well the predictors predict. Regression analysis of coefficient (R) 0.600 indicates a positive relationship between independent variables and dependent variables (Positive Correlation). The specification of the profitability, firm size, leverage, and firm risk in the model revealed the ability to predict Dividend Per Share.

The proportion of the dependent variable explained by the regression model is called the coefficient of determination denoted by R². R square is the measure is the goodness of model fit. It is called the

unadjusted multiple regression coefficients. The value is expected to lie between zero and one. The R squared increases as the number of explanatory variables increases. The higher the R squared, the greater the percentage of the variation of the endogenous variable that is explained by changes in the independent variables. The closer the R squared is to one, the better the fit. The determination of coefficient (R²) is 0.360 indicating that for the sample 36% of the variation of the dependent variable can be explained by the independent variables. Therefore, about 36% of the Variation in the Dividend Per Share is explained by Profitability, Leverage, Firm risk, and Firm Size. In R² value of 0.36 which is in the table denotes that 36% of the observed variability in DPS can be explained by the differences in the independent variables. The remaining variance in the DPS is attributed to other variables. The R² value of 36% indicates that there may be several variables that can have an impact on dividend policy that need to be studied. Hence, this area is indicated as a scope for future research.

Adjusted R squared is the modified R square that adjusts for the number of terms in a model. When there are more independent variables in the regression model, the R square will go up. To adjust that problem, an adjusted R square is applied. Table 3.2 shows the adjusted R square value is 0.342 of variation for DPS in this model table.

The Standard Error of Estimate is a measure used to verify prediction accuracy in regression analysis. It is dependent on sample size. This study's model is well-fitted due to the low standard error value, indicating minimal deviation from actual values. According to the table, the standard error value for DPS is 17.25.

3.4. ANOVA Model

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24254.740	4	6063.685	20.371	.000 ^b
	Residual	43161.838	145	297.668		
	Total	67416.577	149			

a. Dependent Variable: DPS

b. Predictors: (Constant), Firm size, Profitability, Firm risk, Leverage

Source: Annual Report 2011-2020 with SPSS Analysis

Analysis of variance (ANOVA) is an analysis tool used in statistics that splits an observed aggregate variability found inside a data set into two parts: systematic factors and random factors. The

systematic factors have a statistical influence on the given data set, while the random factors do not. Analysts use the ANOVA test to determine the influence that independent variables have on the dependent variable in a regression study.

The ANOVA analysis in Table 3.3 presents the influence of all the independent variables on the dividend policy of the Listed Food, Beverage, and tobacco sector in CSE. The results presented a p-value of 0.000 which was less than 0.05. This indicated that the model was statistically significant in explaining the impact of the independent variables on the dividend policy of the Listed Food, Beverage, and tobacco sector in CSE.

The F ratio in the ANOVA Table 3.3 tests whether the overall regression model is a good fit for the data. If significant is less than 0.05 the regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(4,145) = 20.371$, $p=0.000$. That is the regression model is a good fit for the data.

3.5. Coefficient of Determination

Table 7: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	40.064	12.436		3.222	.002	15.485	64.644
Profitability	3.250	.556	.411	5.845	.000	2.151	4.349
Leverage	8.460	1.194	.503	7.083	.000	6.099	10.820
Firm_risk	-.000	.005	-.002	-.026	.980	-.010	.010
Firm_size	-5.003	1.568	-.214	-3.191	.002	-8.101	-1.904

a. Dependent Variable: DPS

Source: Annual Report 2011-2020 with SPSS Analysis

The study conducted a multiple regression analysis and from the above regression model, holding (profitability, leverage, firm size, firm risk) constant at zero, dividend policy will be 40.064.

Unstandardized coefficients indicate how much the dependent variable varies with an individual variable when all other independent variables are held constant. Using the "B" values, the

interpretation and reporting can be done considering the + or - sign before the "B" as; "for each one-unit increase in "independent variable", there is an increase/decrease in "dependent variable" of "B" times.

Table 4.5 shows that the impact of Profitability on DPS. The Beta value represents each independent variable's contribution to determine the dependent variable. Significant value discloses that the impact of the independent variable on the dependent variable. A 1% profitability will lead to a 3.25 increase in DPS. Profitability had a significant relationship with DPS ($p < 0.05$) at 0.000. And also, it is suggested that there is a positive impact between Profitability and DPS. There is an impact to DPS from Profitability and when Profitability increases DPS also increases. This means that for each one-unit increase in Profitability, there is an increase in DPS of 3.25 times units.

The findings in Table 3.4, show that the impact of Leverage on DPS. A 1% Leverage will lead to an 8.46 increase in DPS. Leverage had a significant relationship with DPS ($p < 0.05$) at 0.000. And also, it is suggested that there is a positive impact between Leverage and DPS. There is an impact to DPS from Leverage and when Leverage increases DPS also increases. This means that for each one-unit increase in Leverage, there is an increase in DPS of 8.46 times units.

Table 3.4 shows that the impact of Firm Risk on DPS. A 1% Firm Risk will lead to a -0.000 decrease in DPS. Firm Risk had no significant relationship with DPS ($p > 0.05$) at 0.98. And also, it is suggested that there is a negative impact between Firm Risk and DPS. There is an impact to DPS from Firm Risk and also when Firm Risk increases DPS also decreases. This means that for each one-unit increase in Firm Risk, there is a decrease in DPS of -0.000 times units.

Table 3.4 shows that the impact of Firm Size on DPS. A 1% Firm Size will lead to a -5.003 decrease in DPS. Firm Size had a significant impact with DPS ($p < 0.05$) at 0.002. And it is suggested that there is a negative impact between Firm Size and DPS. There is an impact to DPS from Firm Size and when Firm Size increases DPS also decreases. This means that for each one-unit increase in Firm Size, there is a decrease in DPS of -5.003 times units.

From the findings in Table 3.4, Profitability, Leverage, Firm Size had a significant relationship with DPS ($p < 0.05$) at a 95% level of confidence. And Firm Risk is not significant.

For the Standardized Beta values, the significance value p must be $p < 0.05$, that is the variable is making a significant unique contribution to the prediction of the dependent variable. If $p > 0.05$, it concludes that the variable is not making a significant unique contribution to the prediction of the dependent variable.

The coefficient indicates the direction of the relationship between independent and dependent variables and explains how each predictor affects the outcome when the effect of all other predictors

is held constant. Coefficients describe the mathematical relationship between each independent variable and the dependent variable. From the above results, it is evident that the Profitability, Leverage, Firm Risk, Firm Size have unstandardized coefficients of 3.25, 8.46, -0.000, and -5.003 respectively and the following regression equation can be derived from the available data for predicting the DPS from determinants of Dividend policy. Based on the table and above data, the equation for the regression model is as follows,

$$DPS = \beta_0 + \beta_1 PR + \beta_2 LEV + \beta_4 FR + \beta_3 FZ + \varepsilon$$

$$DPS = 40.06 + 3.25PR + 8.46LEV - 0.000FR - 5.003FZ + 12.436$$

The study conducted a multiple regression analysis and from the above regression model, holding (profitability, leverage, firm risk, firm size) constant at zero, impact on dividend per share will be 40.06. A 1% profitability will lead to a 3.25 increase in dividend per share, 1% increase in leverage will lead to an 8.46 increase in dividend per share, 1% firm risk will lead to a -0.000 decrease in dividend per share, and 1% firm size will lead to -5.003 decrease in dividend per share. From the findings in Table 4.5, Profitability, leverage, firm size had a significant impact with dividend per share ($p < 0.05$) at a 95% level of confidence. Firm risk had an insignificant impact with dividend per share ($p > 0.05$) at a 95% level of confidence.

Dividend policy of listed Food Beverage & Tobacco sector in CSE, which are measured by the dividend per share (DPS) of firms. Profitability (PR), leverage (LEV), firm risk (FR) and firm size (FS) of the firms are the variables found to be significantly and insignificantly associated with the dividend policy of the listed firms.

3.6. Testing Hypotheses and Results

This study constructed four main hypotheses to identify the impact of determinants of corporate dividend policy; A study on selected food beverage & tobacco listed companies in Colombo Stock Exchange.

Hypothesis 01

H_{01} - There is no impact of Profitability on Dividend per Share

H_{a1} - There is an impact of Profitability on Dividend per Share

From Table 3.4 regression significant value is 0.000 and it is less than 0.05 ($p < 0.05$). Therefore, the null hypothesis is rejected and H_{a1} is supported (Accepted). Profitability has an impact on Dividend Per Share.

Hypothesis 02

H₀₂ - There is no impact of Leverage on Dividend per Share

H_{a2} - There is an impact of Leverage on Dividend per Share

From Table 3.4 Regression significant value is 0.000 and it is less than 0.05 ($p < 0.05$). Therefore, the null hypothesis is rejected and H_{a2} is supported (Accepted). Leverage has an impact on Dividend Per Share.

Hypothesis 03

H₀₃ - There is no impact of Firm Risk on Dividend per Share

H_{a3} - There is an impact of Firm Risk on Dividend per Share

From Table 3.4 Regression significant value is 0.980 and it is higher than 0.05 ($p > 0.05$). Therefore, the null hypothesis is accepted and H_{a3} is rejected. There is no impact of Firm Risk on Dividend Per Share.

Hypothesis 04

H₀₄ - There is no impact of Firm Size on Dividend per Share

H_{a4} - There is an impact of Firm Size on Dividend per Share

From Table 3.4 Regression significant value is 0.002 and it is less than 0.05 ($p < 0.05$). Therefore, the null hypothesis is rejected and H_{a4} is (Accepted). Firm Size has an impact on Dividend Per Share.

3.7. Summary of Hypotheses Results

Table 8: Summary of Hypotheses Results

Hypothesis	Result	Decision
H _{a1} - There is an impact of Profitability on Dividend Per Share	Sig = 0.000	supported.
H _{a2} - There is an impact of Leverage on Dividend Per Share	Sig = 0.000	supported.
H ₀₃ - There is no impact of Firm Risk on Dividend Per Share	Sig = 0.980	Rejected.
H _{a4} - There is an impact of Firm Size on Dividend Per Share	Sig = 0.002	supported.

3.8. Discussion

The analysis reveals significant relationships between Dividend Per Share (DPS) and several key financial variables: Profitability: The positive and significant relationship between profitability and DPS ($\beta = 0.411$, $p < 0.001$) suggests that more profitable companies tend to pay higher dividends. This supports the hypothesis that profitability positively impacts dividend policy, consistent with the signaling theory, where firms with higher profits distribute more dividends to signal financial health. Leverage: The strong positive correlation between leverage and DPS ($\beta = 0.503$, $p < 0.001$) indicates that companies with higher debt levels also tend to pay higher dividends. This could be explained by the agency cost theory, where firms with high leverage might use dividends to mitigate potential agency problems by reducing the cash available for management to misuse. Firm Size: The negative association between firm size and DPS ($\beta = -0.214$, $p = 0.002$) is somewhat counterintuitive. Larger firms may prefer to reinvest earnings rather than distribute them as dividends, perhaps due to their access to various growth opportunities or a more conservative dividend policy aimed at long-term stability. Firm Risk: The lack of a significant relationship between firm risk and DPS ($\beta = -0.002$, $p = 0.980$) suggests that firm-specific risk does not play a crucial role in determining dividend payouts.

Previous studies have consistently found that profitability is a significant determinant of dividend payouts. According to Lintner (1956), firms with higher profitability tend to distribute a portion of their earnings as dividends, adhering to the signaling theory, which posits that dividends signal a firm's strong financial position to investors. Fama and French (2001) also supported this view, finding that profitable firms are more likely to pay dividends, as they have surplus cash after covering operational expenses and investment opportunities. These findings align with the current study, where profitability positively impacts Dividend Per Share (DPS) ($\beta = 0.411$, $p < 0.001$).

The relationship between leverage and dividend policy is complex and has been explored in various contexts. Jensen's (1986) agency theory suggests that highly leveraged firms might use dividend payments to reduce free cash flow and mitigate agency conflicts between shareholders and management. Studies like those by Rozeff (1982) and Agrawal and Jayaraman (1994) have found that firms with higher leverage often maintain higher dividend payouts to signal their commitment to reducing agency costs. This is consistent with the current study, which shows a positive and significant relationship between leverage and DPS ($\beta = 0.503$, $p < 0.001$).

The relationship between firm size and dividend policy is less straightforward. Some studies, such as those by Baker and Powell (1999) and La Porta et al. (2000), suggest that larger firms, due to their stable earnings and diversified operations, are more likely to pay dividends. However, other research, including a study by Redding (1997), indicates that larger firms might retain earnings to finance growth opportunities, leading to lower dividend payouts. The current study's finding of a negative

relationship between firm size and DPS ($\beta = -0.214$, $p = 0.002$) aligns with the latter perspective, suggesting that larger firms may prioritize reinvestment over dividend distribution.

The impact of firm risk on dividend policy has been debated, with mixed results across different studies. For instance, Holder, Langrehr, and Hexter (1998) found that higher firm risk leads to lower dividend payouts, as riskier firms may prefer to conserve cash. Conversely, findings by Ahmed and Javid (2009) suggest that firm risk does not significantly influence dividend decisions, as firms might focus more on profitability and leverage when determining dividend policies. The current study's result, indicating an insignificant relationship between firm risk and DPS ($\beta = -0.002$, $p = 0.980$), supports this latter view, reinforcing the idea that risk is not a primary driver of dividend decisions. dividend decisions are more influenced by profitability and leverage rather than the inherent risks a firm faces.

(Marfo-Yiadom & Agyei, 2011) have stated that Profitability positively impacts the dividends paid by banks in Ghana. Profitable banks are more likely to pay a dividend as compared to banks that are not profitable. Also, the level of dividends paid by banks is largely impacted by that study's level of profitability. According to (Marfo-Yiadom & Agyei, 2011), A 1% profitability will lead to a 3.26 increase in DPS. Profitability had a significant relationship with DPS ($p < 0.05$) at 0.025. This previous research is supportive of this study. In the empirical research, Kester (1986) originates the negative association between leverage and profitability in the USA and Japan. Hence research findings are inconsistent with these things.

(Marfo-Yiadom & Agyei, 2011) studied the positive impact on leverage and dividend payout policy of the bank. According to recent findings, it is understandable that higher debt can indirectly allow banks to pay more dividends due to increased profitability and reduced agency cost. This contradicts earlier studies which suggested that highly leveraged firms tend to pay lower dividends to pay off future debt obligations. According to (Marfo-Yiadom & Agyei, 2011), supportive of this research, a 1% leverage will lead to a 1.27 increase in DPS. leverage had a significant impact on DPS ($p < 0.05$) at 0.000.

(Lestari, 2018) has stated that the result of this study shows firm risk has no significant impact on dividend policy. This supported by literature, they discovered firm risk has no impact on dividend policy. This means that the amount of dividend payment does not depend on the risk had by the firm. A study also stated no impact on firm risk and dividend policy. A literature study found that firm risk has no significant impact on dividend policy. The result of the p-value is $0.08 > 0.05$ therefore it can be said it is insignificant. The result of this study show firm risk has no significant impact on dividend policy.

According to the prior research findings, there is a significant negative relationship between business risk and payout policy. (Jensen, Solberg, & Zorn, 1992) and (Aivazian, Booth, & Cleary, 2003) have stated that firm risk has a significant negative impact on dividend policy. However, research findings were contradicted with these reviews.

However, research conducted by (Lestari, 2018) on the impact of firm size negative impact on the dividend policy manufacture companies listed in Indonesia Stock Exchange (IDX). The result of this study reported firm size has a negative impact on dividend policy. In contrast, a significant positive association between firm size and dividend policy. Large firms generally have various ownership. This increases the agency cost. Then to mitigate the agency problem between principal and agent, the firm needs to pay dividends. This result consistent with the literature found a negative impact on firm size and dividend policy. The result of the coefficient showed the impact of firm size on dividend policy is -1.62. Statistical test showed the p-value is $0.01 < 0.05$.

Also, firm size has a central positive result on dividend policy. In line with the agency cost theory, the larger firms, the higher the dividend statement. The results are consistent with (Al-Malkawi, 2007), (Kowalewski, Stetsyuk, & Talavera, 2007) and (Al-Kuwari, 2009). Hence, these answers are inconsistent with the listed food, beverage, and tobacco sector in the Sri Lankan context.

3.8.1. Regression Analysis

The multiple regression analysis is used to determine the impact of the dependent variable and independent variables on predictions and make other inferences. Multiple regressions are a logical extension of the principles to situations in which there are several predictors the model summary shows the percent of the variability in the dependent variable that can be accounted for by all the predictors together (the interpretation of R-square). R square value of 36%. The independent variables explain only 36% of the variability in DPS. Therefore, the model does not fit the data well. R is the correlation coefficient which showed a positive correlation between the study variables with a magnitude of 0.600. The results of multiple regression analysis indicated that profitability, leverage, and firm size have a significant impact on DPS. The results of multiple regression analysis indicated that firm risk has no impact on DPS.

(Marfo-Yiadom & Agyei, 2011) have stated that Profitability positively impacts the dividends paid by banks in Ghana. Profitable banks are more likely to pay a dividend as compared to banks that are not profitable. Also, the level of dividends paid by banks is largely impacted by that study's level of profitability. According to (Marfo-Yiadom & Agyei, 2011), A 1% profitability will lead to a 3.26 increase in DPS. Profitability had a significant relationship with DPS ($p < 0.05$) at 0.025. This previous research is supportive of this study. In the empirical research, Kester (1986) originates the

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4. Conclusion and Recommendations

The researcher in the study successfully answered the research question, with the discussion always connecting back to the introduction and literature review. The outcome of the study satisfies the research questions developed at the beginning.

4.1. Key Findings

A study was conducted on 15 listed food, beverage, and tobacco companies in the Colombo Stock Exchange to analyze their dividend policy. The study used regression analysis to determine the impact of profitability, leverage, firm risk, and firm size on said policy. Results of the analysis are available. The determination of the coefficient (R^2) is 0.36 indicating that for the sample 36% of the variation of the dependent variable can be explained by the independent variables. Therefore, about 36% of the variation in the dividend per share is explained by profitability, leverage, firm risk, and firm size. In this study, the R square is 0.36 which indicates if there is a 100% change in profitability, leverage, firm risk, and firm size, there will be a 36% change in dividend per share of listed food, beverage & tobacco companies.

Therefore, the study found that profitability, leverage, firm risk, and firm size are significantly affected by dividends per share. If the significance is less than 0.05 the regression model is a good fit for the data. The independent variables statistically significantly predict the dependent variable, $F(4,145) = 20.371$, $p = 0.000$. That is the regression model is a good fit for the data.

According to the coefficient value of regression analysis, beta showed the impact of profitability, leverage, firm risk, firm size, and dividend per share as an unstandardized coefficient. The beta coefficient of Profitability ($\beta = 3.25$) and p-value ($p < 0.05$) showed a significant positive impact on the dividend per share. At the same time, the p-value for the beta coefficient of Leverage is 0.000 which is significant. Also, the beta coefficient of dividend per share is 8.46 ($\beta = 8.46$). Therefore, leverage has a significant positive impact on dividends per share. The beta coefficient of firm risk ($\beta = -0.000$). Firm risk had an insignificant relationship with dividend per share ($p > 0.05$) at 0.98. Also, it is suggested that there is a negative impact between firm risk and dividend per share. And the beta coefficient of firm size is -5.003 ($\beta = -5.003$). Therefore, firm size has a significant negative impact on the dividend per share of listed food, beverage, and tobacco companies.

According to the research, profitability and leverage have a positive and significant impact on dividends per share, while firm risk has an insignificant negative impact. Firm size has a significant and negative impact on dividend per share for listed food, beverage, and tobacco companies in the Colombo Stock Exchange during the study period.

The findings of this study highlight the significant impact of profitability, leverage, and firm size on dividend policies, while firm risk appears to have no substantial effect. These results contribute to the ongoing debate on the determinants of dividend policy and suggest that companies prioritize financial stability and profitability when deciding on dividend payouts. Future research could explore these relationships in different contexts or consider additional variables such as market conditions or governance factors to provide a more comprehensive understanding.

According to the research, profitability and leverage have a positive and significant impact on dividends per share, while firm risk has an insignificant negative impact. Firm size has a significant and negative impact on dividend per share for listed food, beverage, and tobacco companies in the Colombo Stock Exchange during the study period.

4.2. Recommendations and Suggestions for Future Researchers

In this study recommended R-squared values of the present research are not strong. The R-squared values in this study are not strong, so future researchers should investigate other variables. The sample only included 6% of the total population and used secondary data from food, beverage, and tobacco companies in the Colombo Stock Exchange. Future research could test the reproducibility of these results in other sectors of the Colombo Stock Exchange and expand the sample to make it more representative.

According to a formal study, firm risk was found to have an insignificant relationship with dividend per share ($p > 0.05$) at 0.98, although it was suggested that there is a negative impact between the two. The study recommends that the food, beverage & tobacco sectors could attract premium interest that boosts their returns even when they enter high-risk ventures. This suggests that these variables do not have a direct impact on dividend payments. In other words, the listed food beverage & tobacco sectors consider the firm size, profitability, and leverage more than the firm risk, when they are making decisions to pay dividends. This suggests that the price-earnings ratio (P/E) ratio implicitly incorporates the risk of a company's future earnings. This suggests that the high price-earnings ratio (P/E) suggests that investors are expecting higher earnings growth in the future compared to companies with a lower price-earnings ratio (P/E). A high price-earnings ratio (P/E) may be associated with low risk and higher payout ratios, whereas a low price-earnings ratio (P/E) with a high risk and lower payout ratio. This result is in line with the agency's theory of dividend policy.

Companies take risks to improve returns on their strategies. These risks, such as credit risk in lending or research and development activities, are different from preventable risks because they are not necessarily negative. Managing strategic risks is crucial to reaping potential rewards. Unlike preventable risks, strategy risks cannot be managed through a rules-based control model. A risk-management system is necessary to reduce the likelihood of risks materializing and improve

companies' ability to manage risk events. This system does not stop companies from taking on risky ventures.

The Colombo Stock Exchange is a semi-strong efficient market that incorporates all publicly available information. Future research should consider qualitative and quantitative variables, such as management's intentions for dividend policy. The study only focused on listed companies and used published annual reports for data collection. However, future researchers can use secretarial reports to expand their research. To ensure reliable outcomes, variables other than profitability, leverage, firm size, and firm risk should be used.

This study offers valuable insights for financial decision-makers, shareholders, investors, and lenders regarding dividend policies. By analyzing key determinants of dividends, financial managers can make better decisions that incorporate factors that significantly impact dividend policy. The findings can help Colombo Stock Exchange-listed firms' board of directors consider profitability and firm size when making dividend policy decisions. Investors can also benefit from these findings by using them to understand signals sent to the market by firms. Future research could examine determinants of dividend policy across different industries and the impact of corporate governance on dividend policy using additional control variables.

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