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## **DIVIDEND POLICY AND SHAREHOLDERS' WEALTH: A STUDY OF SELECTED LISTED HOTEL AND TRAVEL COMPANIES IN SRI LANKA**

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### **Abstract**

The main objective of any organization is to maximize its share holders' wealth as exposed in the market value of the firm's stocks. The Dividend policy of an organization plays a crucial role in determining the value created for an organization's stockholders. Therefore, it is imperative to understand the nature of the relationship between dividend and shareholders' wealth. Tourism remains the fastest growing service industry in most of the emerging countries. Sri Lanka is also no exception to it. Since then, the hotel and travel sector has been growing steadily as a promising sector. In particular, the contribution of the hotel and travel sector to Gross Domestic Product (GDP) was 2% in Sri Lankan economy as of 2016. The present study was initiated to find out the impact of dividend policy on shareholders' wealth of top fifteen listed companies under the hotel and travel sector in Sri Lanka during the period from 2012 to 2016.

Dividend policy was considered as the explanatory variable proxied by Dividend Per Share (DPS), Dividend Payout Ratio (DPR) and Dividend Yield Ratio (DYR) while shareholders' wealth was considered as the outcome variable proxied by Market Value Added (MVA). Data was sourced from company annual reports. Pooled Ordinary Least Square (OLS) has been employed as a form of panel data analysis to arrive at the findings of the study. Findings have revealed that Dividend policy has a significant impact on shareholders' wealth, Significant positive relationship was observed between the predictors named DPS, DPR and the outcome variable named MVA. Further, it was found that there is a negative significant relationship between DVR and MVA.

**Keywords:** Dividend Per Share (DPS), Dividend Payout Ratio (DPR), Dividend Yield Ratio (DYR), Market Value Added (MVA).

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