

**IMPACT OF DIVIDEND POLICY ON SHARE PRICES
OF LISTED COMPANIES IN SRI LANKA**

(Special reference to Banks Finance and Insurance sector)

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ABSTRACT

It is felt strongly that payment of dividends influence investors to the value of stock and also dividends decision is the most important decision in the company's point of view. Therefore payments of dividends decrease the internal financing required for investment opportunities. So this will avoid the growth of the firm, which in turn affects to the value of the stock. This study has been undertaken to identify the impact of Dividend policy on share prices of listed companies in Sri Lanka and to identify the relationships between the Earning per Share, Net Assets per Share and Share market Price. In the methodology the secondary data was collected from the annual reports of those companies of Bank finance & Insurance sector have registered in CSE as at March,31 2012 and 08 companies have been taken into the consideration for the analysis purpose. The analysis shows that low negative relationship between the dividend payout ratio and share market price while low positive relationship between the dividend plowback ratio and share market price. This research identified High positive relationship between Earning per Share (EPS) and Net Asset per Share (NAPS) towards the share market price. It is also found that the Earning per Share (EPS) has been highly affected to the share prices than the Net Asset per Share (NAPS) in Colombo Stock Exchange.