

Simultaneous Determination of Major Financial Decisions

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ABSTRACT

Purpose: This research explores the simultaneous relationship between major financial decisions of financing, dividend and investment decisions.

Design, methodology/approach: The sample data for this study includes 198 non-financial companies listed on the Colombo Stock Exchange over five years period after excluding the financial sector companies listed from 2018 to 2022. This study employs the Generalized Method of Moments (GMM) to estimate the regression models on the panel data.

Findings: The results show that simultaneity in financial decisions only occurs in financing and investment. Investment and dividend payment are not simultaneously decided, whereas only dividend is affecting financing but not the other way around.

Practical implication: It supports firms find the greatest balance between investing in growth, financing those investments, and paying shareholders with dividends, which can improve long-term profitability. By seeing these decisions together, companies can bring into line their policies to meet shareholder expectations, balancing between investment and dividends.

Originality value: The uniqueness lies in integrating these key financial decisions together rather than analyzing them in isolation. This approach could offer deeper understandings into how firms make trade-offs and regulate their policies across diverse financial areas.

Keywords: *Simultaneous Determination, Major Financial Decisions, Financing, Dividend, Investment*