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Ownership Structure and Firm-Specific Characteristics and Their Impact on Dividend Policy: Evidence from Colombo Stock Exchange in Sri Lanka

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Abstract

A dividend policy is a crucial and challenging decision that firms make, as it defines how much money they pay to shareholders in dividends relative to the amounts of money they earn as a reward for their investments. In that aspect, dividends will be paid subject to different institutional and context-dependent factors. This study therefore aims to examine the influence of ownership structure and firm-specific characteristics on the dividend policy of listed companies in the food, beverage, and tobacco industry and the capital goods industry in Sri Lanka. Additionally, this study aims to investigate the differences in dividend policy, ownership, and firm-specific characteristics among the selected industries. The study involved 30 companies out of 66 in the 2021-2024 sampling, using a simple random sampling technique. The annual reports released in the CSE were used to gather data. To achieve the study's aims, panel data analysis and an independent sample T-test were conducted. The study findings, based on fixed-effects regression analysis and independent T-tests, reveal that institutional ownership has a negative influence on dividend policy, whereas individual ownership and profitability have a positive influence. To a great extent, they are managerial or foreign ownership, firm size, and leverage. Although it is evident that the dividend policies of these two industries are similar, there are significant differences in managerial and institutional ownership, firm size, leverage, and liquidity. These results indicate that ownership structure and financial capacity are key factors in motivating the dividend payment decision, and that the situation-specific policy of dividend payment in developing markets is prevalent. The study's contribution to the literature is that it establishes the distinction between the roles of ownership structure and share specificity in dividend policy in emerging markets.

Keywords: Dividend Policy, Firm-specific Characteristics, Foreign Ownership, Individual Ownership, Ownership Structure

Introduction

Dividend policy is a key decision that involves retaining and giving profits to owners (Jabeen and Ahmad, 2019; Mauris and Rizal, 2021). The issue of why firms pay dividends remains unresolved in many contexts. Notably, it has generated an academic argument among scholars at the local and international levels over the years. Several international studies have investigated the impact of ownership structure and firm-specific variables in the determination of dividend policy (Asiri, 2018; Farooq et al., 2022; Hasan et al., 2021; Mardani, 2022; Latif et al., 2021). These studies, however, reveal conflicting findings regarding the industry and its context. Hence, the question is to understand what influences firms' decisions to disburse dividends across industries and circumstances, as well as the properties of owners' structures and firm-specific characteristics.

Several international studies on the relationship between ownership structure and dividend policy have produced inconclusive results. For example, the positive relationships between institutional, foreign, and individual ownership and the dividend decision across different situations have been shown to be significant (Farooq et al., 2022; Ogabo et al., 2021; Mangasih, 2021). In other studies, however, it has been emphasized that institutional and managerial ownership negatively affect dividend policy (Asiri, 2018; Hasan et al., 2021; Mardani, 2022; Latif et al., 2021). These opposite findings suggest that ownership influences on dividend policy might be extremely complex and vary across contexts. Besides, firm-specific characteristics are important when defining the dividend policy. It is worth noting that dividend decisions are significantly and positively related to liquidity and profitability (Farooq et al., 2022). However, in some situations, liquidity can harm dividend policy (Asiri, 2018; Hettiarachchi et al., 2021; Asrida et al., 2024). These inconsistencies highlight the need for further empirical studies to better inform the interaction between ownership structure and firm-specific factors in dividend decision-making across industries and varied economic environments.

A few studies have examined the impact of ownership and dividend policy across other industries, such as non-financial companies (Nazar, 2021), manufacturing companies (Suganya and Kengatharan, 2018), and the banking industry (Sinnararajah, 2020), in the Sri Lankan context. Most studies, however, have not examined the joint impact of ownership structures and firm characteristics in the Sri Lankan context. This paper, therefore, aims to fill this gap by examining how ownership and the specific characteristics of the firms affect the dividend policy of the listed companies in the food, beverage, and tobacco market and the capital goods market of Sri Lanka. In addition, this research paper examines differences in dividend policy, ownership structure, and firm-specific characteristics across the selected industries.

This research contributes to the available literature on dividend policy because it empirically evaluates the effects of the ownership structure and firm-specific characteristics on dividend policy of listed companies in the food, beverage, and tobacco industry and the capital goods industry in Sri Lanka, even though the investigations conducted by the previous researchers on the impact of ownership structure and firm variables on the dividend policy in the Sri Lankan context and internationally have resulted in mixed and conflicting results. Thus, the study contributes to understanding differences in dividend policy, ownership structure, and firm-specific characteristics between the capital goods and food, beverage, and tobacco industries. Additionally, this research assists the firms in identifying the right form of ownership that best suits them. Finally, this research addresses the existing gap and fills the lack of research on the subject in the Sri Lankan context. The study is not only important to fill the research gaps but also to draw valuable implications that can guide managers, investors, and policymakers to develop for filling research gaps but also for drawing valuable implications that can guide managers, investors, and policymakers in developing effective dividend strategies.

This research paper consists of five sections. The second section presents a comprehensive literature review of previous studies and identifies research gaps. The third section is the methodology, which encompasses the research design, data collection method, conceptual framework, and data analysis procedures. Section 4 presents the findings, which are discussed in relation to the existing literature. Finally, section five provides a comprehensive summary of the study, including the primary findings, conclusions, implications, and recommendations for future research.

Literature Review

Ownership structure

The ownership structure is a key factor among those that influence dividend payments. According to Jensen and Meckling (1976), the ownership structure constitutes the distribution of equity concerning capital and votes, as well as the identification of who owns the shares of companies. Under the ownership structure, there are four types: managerial ownership, institutional ownership, individual ownership, and foreign ownership.

The percentage of shares owned by managers, such as directors and commissioners, in corporations is referred to as managerial ownership (Ogabo et al., 2021; Mangasih, 2021). Obaidat (2018) found a positive relationship between managerial ownership and dividend policy in listed financial companies on the Amman Stock Exchange. According to a study by Nazar (2021) in Sri Lanka, managerial ownership has a significant positive impact on the dividend payout ratio. Conversely, Farooq et al. (2022) suggest that Managerial ownership has a significant negative impact on the dividend decision of listed firms in the Pakistan Stock Exchange. Similarly, managerial ownership harms the dividend policy in the manufacturing companies listed on the Indonesia Stock Exchange (Asiri, 2018).

On the other hand, Individual investors are those who purchase stocks from companies. Farooq et al. (2022) suggest that individual ownership has a significant and positive impact on the dividend decisions of listed firms on the Pakistan Stock Exchange. Misbah Jabeen (2019) found that Individual ownership has a significant relationship with dividend payout. This suggests that increased individual ownership is a favorable sign for dividend payouts.

Institutional ownership refers to a business held by a non-bank financial institution or an organization that manages funds on behalf of others. Previous literature on the association between institutional ownership and dividend policy has presented different perspectives. The study by Khan (2021) found that institutional ownership had a significant, positive influence on dividend payouts. Boshnak (2021) found a positive association between institutional ownership and dividend policy in Saudi-listed firms. However, the study by Hasan et al. (2021) found that institutional ownership has a significant negative impact on dividend payouts in non-financial firms listed on the Dhaka Stock Exchange. Conversely, foreign ownership refers to equity ownership by businesses held by individuals who are not citizens of the country in which the business is located. The study of Farooq et al. (2022) suggests that foreign ownership has a significant positive effect on dividend decisions. Conversely, the study by Bataineh (2020) found that foreign ownership is associated with a lower likelihood of paying dividends in Jordanian industrial and service firms.

2.2 Firm-specific characteristics

This study, together with the ownership structure, examines the firm-specific characteristics and their influence on firms' dividend behavior. The research focuses on four major company features: firm size, profitability, financial leverage, and liquidity.

Firm size is an important determinant of dividend policy. According to Ahmad (2019), the relationship between the size of firms and the payout ratio of dividends is positive. In contrast to other research, firm size is not statistically significant as a determinant of the dividend policy of Manufacturing Firms in Sub-Saharan Africa (Das, 2017). Profitability, on the other hand, is a ratio used to analyse a company's ability to generate profits and the efficiency of its management, expressed as sales or investment revenue. This is an important indicator for evaluating the level of dividend payments to shareholders (Al-Najjar and Hussainey, 2009). Importantly, the profitability of non-financial service companies listed on the Indonesia Stock Exchange has a significant positive impact on dividend policy (Mauris and Rizal, 2021).

The firm's capacity to meet its obligations through debt financing is referred to as leverage (Mauris and Rizal 2021). The debt-to-equity ratio is used to measure leverage (Pattiruhu and Paais, 2020; Farooq et al., 2022), which positively and statistically affects the dividend policy (Pattiruhu and Paais, 2020). Liquidity, on the other hand, is a term used to describe the connection between current assets of a company, including cash and other liquid assets (Wahjudi, 2019). In the manufacturing food and beverage subsector, Farooq et al. (2022) found that the current ratio has no significant impact on dividend policy.

Studying the impact of both ownership structure and firm-specific factors on dividend policy is very important. According to past literature, the results of these studies are mixed and contradictory. Given the dearth of studies on this topic in the Sri Lankan context, understanding the relationship between ownership structure and firm-specific factors in the context of dividend policy for companies in the Food, Beverage, and Tobacco and Capital Goods industries in Sri Lanka is nuanced.

Methodology

This section outlines the approach used to address the research questions and achieve the study's aims. This study adopts a quantitative research design to investigate the impact of ownership structure and firm-specific characteristics on Dividend policy. All listed companies in the Food, Beverage, and Tobacco and Capital Goods industries are used as the population for this study. Out of 66 Companies as of December 31, 2024, in the food, beverage, and tobacco industry and the Capital goods industry, 30 listed companies were selected for the sample of this study by using a simple random sampling technique. The study period is four years from 2021 to 2024.

Secondary data were used in this study. The dividend data, ownership structure information, and firm-specific characteristics data were gathered from Annual financial reports presented in the Colombo Stock Exchange in Sri Lanka. The dividend policy is the dependent variable, measured by the dividend payout ratio and the dividend yield ratio. There are two main independent variables. They are ownership structures, which include managerial ownership, institutional ownership, individual ownership, and foreign ownership, as well as firm characteristics, which are measured by firm size, profitability, leverage, and liquidity.

Operationalization of variables

The following measurements were used for the study's selected variables.

Table 1: Operationalization of variables

	Variable	Measures
Dividend Policy	Dividend Payout Ratio	$\frac{Dividend\ Per\ Share}{Earnings\ Per\ Share}$
	Dividend Yield Ratio	$\frac{Dividend\ per\ share}{Stock\ Price\ per\ share}$
Ownership Structure	Managerial ownership	$\frac{No\ of\ equity\ shares\ that\ held\ by\ board\ of\ directors,\ managers,\ executives\ of\ corporation}{Total\ number\ of\ equity\ shares\ outstanding}$
	Institutional ownership	$\frac{Number\ of\ equity\ shares\ held\ by\ institutions}{Total\ number\ of\ equity\ shares\ outstanding}$
	Individual ownership	$\frac{Number\ of\ equity\ shares\ held\ by\ individual\ investors}{Total\ number\ of\ equity\ shares\ outstanding}$
	Foreign ownership	$\frac{Number\ of\ equity\ shares\ held\ by\ Non-resident\ (foreign\ individuals\ and\ companies)}{Total\ number\ of\ equiy\ shares\ outstanding}$

Firm-specific characteristic	Firm size	*Natural logarithm of total assets*
	Return on Equity	$\frac{Net\ Income}{Shareholders'\ Equity}$
	Debt to Assets ratio	$\frac{Total\ Debt}{Total\ Assets}$
	Current Ratio	$\frac{Current\ Assets}{Current\ Liabilities}$

Sources: Fernando (2024), Bataineh (2020), Farooq et al. (2022) (Shafana, 2022), Boshnak (2021), Mehmood et al. (2019), Fernando (2024), Peterdy (2023), (Dava Althov Feizal, 2021), Tayachi et al. (2021), (Joshua TAIWO, 2022)

To achieve the study's aims, which are to determine the impact of ownership structure and firm-specific characteristics on Dividend policy, a panel data analysis was conducted because the dataset includes both cross-sectional and time-series data. Firstly, the researcher has developed descriptive statistics that provide a summary of the variables in the dataset. To investigate the impact of ownership structure and firm-specific characteristics on dividend policy, panel data multiple regression analyses were conducted. The Hausman test and the Redundant Fixed Effects Test (Chow Test) were conducted to select a suitable regression model from the Pooled OLS, fixed effects, and random effects models. Among those models, the fixed-effect model was selected for the two regression models. Therefore, a fixed-effects regression analysis was conducted to investigate the impact of ownership structure and firm-specific characteristics on the dividend payout ratio, as well as on the dividend yield ratio. Additionally, to achieve the second aim of the study, an independent-samples t-test was conducted to investigate whether there are significant differences in dividend policy, ownership structure, and firm-specific characteristics between the food, beverage, and tobacco industry and the capital goods industry in Sri Lanka. To analyze this study, the researcher used EViews 13 to generate descriptive statistics and run multiple regressions, and SPSS to conduct an independent-samples t-test.

This research designed the following conceptual framework to examine the impact of ownership structure and firm characteristics on dividend Policy.

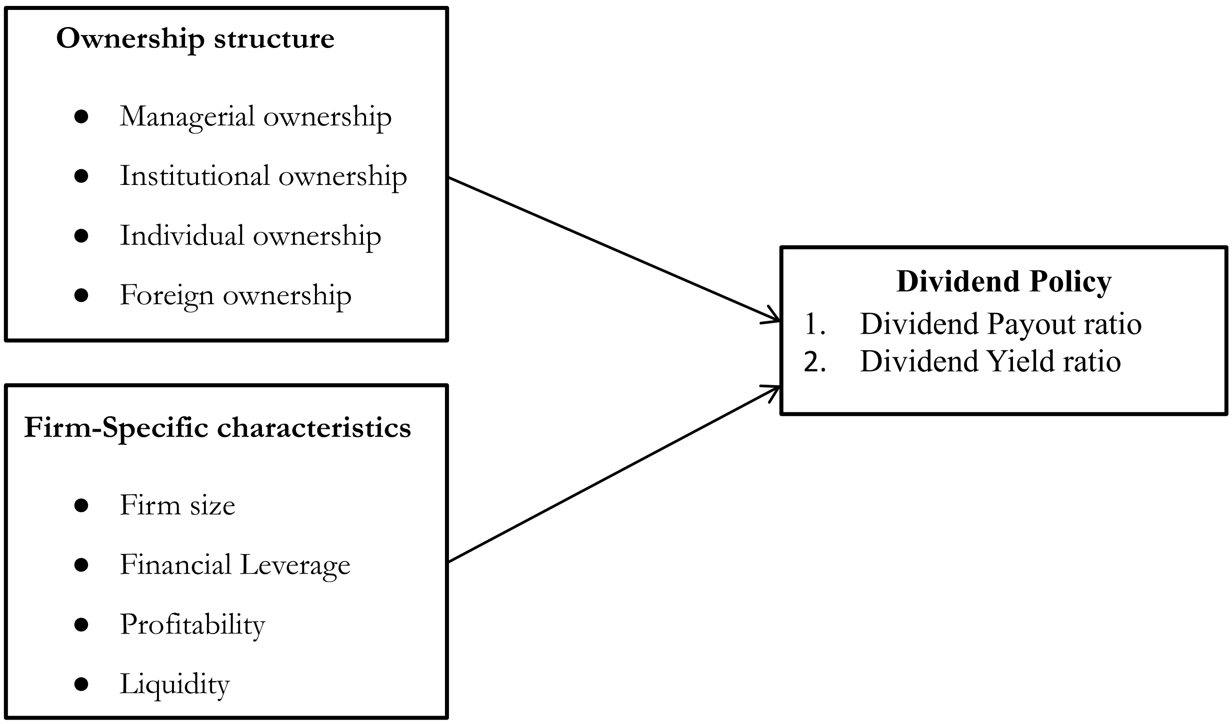

Figure 1: Conceptual framework

Regression Models

To identify the impact of ownership structure and firm-specific characteristics on the dividend policy of companies in the Food, Beverage, and Tobacco and Capital Goods industries, the researcher conducted a panel-data multiple regression analysis. In here, the following two regression models are developed.

Model 1: Impact of ownership Structure and Firm-specific characteristics on Dividend payout ratio

$$DIV\_PAY_{it} = \beta_0 + \beta_1 MNG\_OWN_{it} + \beta_2 INS\_OWN_{it} + \beta_3 IND\_OWN_{it} + \beta_4 FOR\_OWN_{it} + \beta_5 FS_{it} + \beta_6 PROF_{it} + \beta_7 LEV_{it} + \beta_8 LIQ_{it} + \varepsilon_t$$

Model 2: Impact of ownership Structure and Firm-specific characteristics on Dividend Yield ratio

$$DIV\_YLD_{it} = \beta_{0} + \beta_{1}\, MNG\_OWN_{it} + \beta_{2}\, INS\_OWN_{it} + \beta_{3}\, IND\_OWN_{it} + \beta_{4}\, FOR\_OWN_{it} + \beta_{5}\, FS_{it} + \beta_{6}\, PROF_{it} + \beta_{7}\, LEV_{it} + \beta_{8}\, LIQ_{it} + \varepsilon_{t}$$

1. Results and Discussion

4.1 Descriptive Statistics Analysis

Table 2: Descriptive Statistics

	Observations	Mean	Median	Maximum	Minimum	Std. Dev.
DIV_PAY	120	0.4649	0.4555	1.2436	0.0086	0.3158
DIV_YLD	120	0.0461	0.0342	0.1442	0.0018	0.0378
MNG_OWN	120	0.0377	0.0095	0.2767	0.0000	0.0650
INS_OWN	120	0.8265	0.8655	0.9884	0.1204	0.1594
IND_OWN	120	0.2476	0.1374	0.9116	0.0110	0.2607
FOR_OWN	120	0.0992	0.0169	0.4249	0.0000	0.1224
FS	120	10.0299	10.0665	11.4866	8.0075	0.5759
PRF	120	0.2096	0.1485	1.5385	-0.0017	0.2311
LEV	120	0.3054	0.2618	0.9520	0.0001	0.2446
LIQ	120	1.7594	1.5066	4.9742	0.1872	1.1436

Source: Developed by Eviews results

Notes: MNG_OWN – Managerial Ownership, INS_OWN- Institutional Ownership, IND_OWN- Individual Ownership, FOR_OWN-Foreign Ownership, FS- Firm Size, PRF-Profitability, LEV-Leverage, LIQ- Liquidity and C- Constant

Table 2 demonstrates that the average dividend payout ratio (mean) is 46%. It is quite high. Companies in the food, beverage, and tobacco industries, as well as the capital goods industry, distribute 46% of their earnings to shareholders as dividends. The maximum value of the Dividend payout ratio is 124%, and the minimum is 0.86%. The mean dividend yield ratio is 4.6%, with a range of 0.18% to 14.4%. Companies in the food, beverage, and tobacco industries, as well as the capital goods industry, have an average managerial ownership of 3.7%, with a maximum ownership of 27.65% and a minimum of 0%. The institutional ownership mean is 82.6%, with a maximum of 98.8% and a minimum of 12%. Individual owners own 24.7% of the companies in the sample, with a variance of 26%. Additionally, the maximum is 91%, and the minimum is 1%, respectively. The average value of firm size is 10, with a maximum of 11.5% and a minimum of 8%. Additionally, the mean profitability, as measured by ROE, is 20.9%, indicating that the sample companies in the food, beverage, and tobacco industry, as well as in the capital goods industry, are profitable. Additionally, the sample companies have an average capital structure debt level of 30.5%, with a maximum of 95.2% and a minimum of 0.013%. The mean liquidity is 1.75%, while the maximum is 4.9% and the minimum is 0.18%.

Regression Analysis

As the next step in conducting the regression analysis, the researcher selected the appropriate regression model by performing the Hausman test and the Redundant Fixed Effects Test.

Table 3: Model Fit Test

Regression Model	Method	Testing	Probability value (P)	Result
Model 1: Impact of Ownership structure and firm factors on Dividend Payout ratio	Hausman Test	Fixed Effect Vs. Random Effect	0.0019	Fixed Effect model (P < 0.05)
	Redundant Fixed Effect Test	Pooled OLS Vs. Fixed Effect	0.0000	Fixed Effect model (P < 0.05)
Model 2: Impact of Ownership Structure and firm factors on Dividend Yield ratio	Hausman test	Fixed Effect Vs. Random Effect	0.7749	Random Effect model (P > 0.05)
	Redundant Fixed Effect Test	Pooled OLS Vs. Fixed Effect	0.0000	Fixed Effect model (P < 0.05)

The Hausman test and Redundant Fixed Effects Tests indicate that the most appropriate model for regression model 1 is the fixed effects model. Similarly, in regression model 2, the Hausman test indicates that the random effect model is appropriate. However, another test indicates that the fixed-effect model is appropriate. However, Farooq et al. (2022) suggest that different types of ownership are associated with distinct characteristics, and ownership can change over time. Therefore, the random effect model is inconsistent. Therefore, the researcher concludes that the Fixed Effects model is appropriate for running regression model 2.

Table 4: Results of Fixed-Effect Regression Analysis

	Model: 1		**Model:2**	
Variable	**Coefficient**	**Prob.**	**Coefficient**	**Prob.**
MNG_OWN	1.3099	0.0681	-0.0525	0.4042
INS_OWN	-0.6922	0.0283	-0.0459	0.0110
IND_OWN	0.8350	0.0122	0.0038	0.0167
FOR_OWN	1.3714	0.2565	0.0866	0.4162
FS	0.1153	0.2090	-1.64E-05	0.9984
PRF	-0.2595	0.2114	0.0332	0.0010
LEV	0.1779	0.5518	0.0109	0.6795
LIQ	0.0409	0.3870	-0.0051	0.0430
C	-0.5831	0.6098	0.0753	0.4560

Source: Eviews Results

Notes: MNG_OWN – Managerial Ownership, INS_OWN- Institutional Ownership, IND_OWN- Individual Ownership, FOR_OWN-Foreign Ownership, FS- Firm Size, PRF- Profitability, LEV- Leverage, LIQ- Liquidity, and C- Constant

Table 5: Effects Specification

	Model: 1	**Model:2**
R-squared	0.6028	0.7843
Adjusted R-squared	0.4237	0.6869
F-statistic	3.3643	8.0572
Prob(F-statistic)	0.000003	0.000000

Source: Developed by Eviews Results

4.2.2 Impact of ownership Structure and Firm-specific characteristics on Dividend payout ratio

Table 5 indicates that Model 1 is statistically viable. The F-value is 3.36, which is statistically significant (P value < 0.05). The R-squared value of Model 1 indicates that ownership characteristics and firm-specific attributes account for 60.2% of the variance in the dividend payout ratio. The remaining 39.8% is affected by factors not analyzed in this research.

The empirical results show that ownership structure and firm-specific characteristics have different levels of impact on dividend policy across the food and beverage, tobacco, and capital goods industries. Table 4 indicates that the effect of managerial ownership on dividend payout ratio is positive but not statistically significant ($b = 1.3099$; $p > 0.05$). This result implies that managers whose dividend payouts are high do not always face incentives to increase dividend payments. Instead, they can opt to retain earnings for reinvestment or future growth, as assumed in the agency theory, which holds that managerial interests are not always aligned with those of shareholders. This result is consistent with the empirical data of Obaidat (2018) and Nazar (2021), both of whom found that managerial ownership does not play a decisive role in dividend policy.

Conversely, institutional ownership shows a strong negative correlation with dividend payout ($b = -0.6922$; $p < 0.05$), such that the more a firm has institutional ownership, the lower its dividend payout. This implies that institutional investors, such as mutual funds and insurance companies, can place greater emphasis on long-term strategic expansion and reinvestment rather than short-term cash flow. These institutional investors are interested in corporate value creation and capital growth rather than short-term dividend payments. This result confirms the findings of Sinnararajah (2020) and Hasan et al. (2021), who also reported similar tendencies in the emerging market setting.

Individual ownership, however, demonstrates a positive and statistically significant impact on dividend policy ($b = 0.8350$; $p < 0.05$), indicating that the greater the individual shareholders' participation in the firm, the higher the likelihood of paying high dividends. This relationship highlights the individual investor's concerns about regular cash flows, suggesting they depend on dividend payments rather than long-run profit gains. In line with the findings of Farooq et al. (2022), individual ownership significantly affects dividend payouts among listed firms on the Pakistan Stock Exchange. The differing conduct of individual and institutional investors is used to highlight a contradiction in dividend decisions, with individual investors retaining value while institutional investors do not.

There is also a positive, but non-significant, correlation between foreign ownership and dividend policy ($b = 1.3714$; $p > 0.05$), indicating that the presence of foreign investors does not have a statistically significant impact on the dividend policy adopted by firms in these industries. This result is consistent with Shafana and Safeena (2022), who also observed the same tendency, whereas it is the opposite of the results in the studies by Farooq et al. (2022) and Bataineh (2020), where the relationship was significant under other industrial and market conditions. Due to variations in context and regulatory factors, these effects of foreign investors on dividend policy may be context- and market-specific, and therefore foreign investors may have a different impact on dividend policy depending on their investment agenda and the institutional features of the host country.

Considering firm-specific characteristics, the outcomes show that the firm size, leverage, and liquidity are positively and statistically insignificant related to dividend payout ratios. This does not necessarily mean that larger firms or those with higher debt and greater liquidity pay higher dividends. In the meantime, profitability shows an inverse, insignificant correlation ($b = -0.2595$; $p > 0.05$), so that even profitable companies may not want to distribute profits and pay dividends. This is the opposite of the reports by Farooq et al. (2022) and Mauris and Rizal (2021), who found that profitability and dividend payout had a significant positive correlation. The unimportance of firm-specific factors herein can show that dividend policies are more affected by external factors- markets, policy uncertainty, as well as managerial discretion than they are by the financial performance indicators on their own.

These findings mainly highlight the situational differentiation and complexity of the determinants of dividend policy in Sri Lanka's industrial sector. Ownership structure: especially the difference between institutional and individual ownership has a significant impact on firm-specific characteristics. Positive, negative, and insignificant impacts of ownership type and firm characteristics coexist to characterize the multiplex nature of dividend decisions and their interactions with the internal organizational system and market processes. In turn, the dividend policy of such industries seems to be a situational factor, both in terms of the strategic priorities of various ownership groups and the broader institutional and economic context within which firms operate.

Impact of ownership Structure and Firm-specific characteristics on Dividend yield ratio

Based on the findings in Table 5, regression model 2, which investigates the effects of ownership structure and firm-specific variables on the dividend yield ratio, is significant and statistically significant, with an F-value of 8.05 ($p < 0.05$). Model 2 accounts for 78.4% of the total variation in the dividend yield ratio, indicating that ownership structure and firm-specific characteristics both provide significant explanatory power for dividend behavior across firms in the food, beverage, tobacco, and capital goods industries. The remaining 21.6% variation can be explained by factors the study did not account for, including market conditions, taxation, and other macroeconomic factors.

The relationship between managerial ownership and the dividend yield ratio is negative and statistically insignificant ($b = -0.0525$; $p > 0.05$). This means that higher levels of managerial ownership do not, in any way, guarantee higher dividend returns. Rather than paying dividends, managers can reinvest earnings to grow the firm, giving priority to its long-term development and sustainability over short-term payments to shareholders. With this, Juhmani (2020) also reported the same result, concluding that managerial ownership has no meaningful effect on dividend payout decisions. In agency theory terms, this action can be due to managers' discretion to reduce agency costs by using retained earnings to fund projects, thereby lowering agency costs in situations where they do not have to rely on external funding.

Conversely, the impact of institutional ownership on the dividend yield ratio is overwhelmingly negative ($b = -0.0459$; $p < 0.05$), indicating that the higher the percentage of institutional holders, the lower the dividend yield a firm pays out. Institutional investors could promote profit-maintenance and reinvestment policies to boost firms' value rather than insisting on direct cash payments. This is contrary to the findings of Farooq et al. (2022) and Bataineh (2020), who recorded positive relationships under other circumstances. However, this is not the case in the Sri Lankan industrial environment, where institutional investors are more focused on strategic resource deployment and capital holdings, emphasizing long-term growth and corporate stability rather than short-term shareholder gains.

Individual ownership, on the other hand, shows a positive, statistically significant relationship with the dividend yield ratio ($b = 0.0038$; $p < 0.05$). This shows that firms with a larger shareholding by individuals are more likely to provide higher dividend returns. Individual shareholders tend to treat dividend payments as normal cash flow and may put pressure on management to maintain or raise them. This observation supports the conclusions of Farooq et al. (2022), who also found a significant positive correlation between individual ownership and dividends at the Pakistan Stock Exchange. The separation of institutional and individual ownership sheds light on divergent ownership logics: institutional investors are concerned with the firm's long-term value, while individual shareholders are interested in short-term income stability and liquidity.

Regarding foreign ownership, the results indicate a positive but nonsignificant impact on the dividend yield ratio ($b = 0.0866$; $p > 0.05$). This indicates a lack of role for foreign investors to influence dividend policy in such industries. It aligns with Jayanti and Puspitasari (2019), who did not find significant effects of foreign ownership on dividend policy, but it opposes Bataineh (2020), who found a significant relationship in another market context. Such inconsistency means that the effect of foreign ownership is context-specific and may depend on regulatory frameworks, the motivation of the investment, and the extent to which foreign shareholders are active in governance.

Regarding firm-specific characteristics, profitability has a positive and significant effect on the dividend yield ratio ($b = 0.0332$; $p < 0.05$). This result indicates that more profitable companies tend to pay higher dividends, which is in line with classical dividend theories, such as signaling theory, which holds that profitable companies use dividends to demonstrate their financial power and stability to shareholders. This finding supports the premise that profitability is a determining factor of dividend policy. Conversely, liquidity has a negative, significant correlation with dividend yield ($b = -0.0051$; $p < 0.05$), indicating that more liquid firms have lower dividend yields. This finding might appear counterintuitive, since liquidity, as a rule, increases the dividend-paying power. In this respect, however, highly liquidated firms will choose to retain cash for operational flexibility, debt service, or future investment opportunities rather than paying it out as dividends.

The other firm-specific characteristics, such as firm size (b = -1.64E-05; $p > 0.05$) and leverage (b = 0.0109; $p > 0.05$), do not significantly affect dividend yield. This means that neither the size of companies nor their capital structure is a decisive factor in determining dividend policy in these industries. The fact that these factors matter little leads to dividend decisions being influenced more by ownership structure and profitability forces than by structural firm characteristics. This finding also suggests that the firm-specific factors may respond to contextual factors such as industry conventions, growth opportunities, and macroeconomic factors in determining dividend behaviour.

These findings highlight that a significant percentage (78.4%) of the difference in dividend yield ratios can be explained by differences in ownership structure and firm-specific factors. Nevertheless, among these factors, institutional and individual ownership, profitability, and liquidity are the most discriminating factors in dividend behaviour. These opposing results of the two forms of ownership indicate the presence of competing ownership logics; the institutional or the individual investor will prefer higher growth of the firm through reinvestment, and any individual investor will want to receive higher dividends, whereas firm-specific factors of profitability and liquidity define the practical ability of companies to pay a dividend. These results demonstrate the context-dependent and complex nature of the determinants of dividend policy in the Sri Lankan industrial sector, where corporate governance systems, ownership relations, and managerial discretion interact to shape firms' dividend policy.

Difference in industries

Table 6: Results of Independent Sample T-test

Variables	Mean Difference	Sig (P)	Confidence Interval (95%)
DIV-PAY	0.7140	0.226	-0.4488 to 0.1877
DIV-YLD	0.0000	0.958	-0.0136 to 0.0143
MNG-OWN	-0.0390	0.040	-0.0661 to -0.0134

INS-OWN	0.1025	0.030	0.0369 to 0.1681
IND-OWN	-0.0819	0.091	-0.1771 to 0.0131
FOR-OWN	-0.0227	0.250	-0.0714 to 0.0187
FS	-0.2185	0.008	-0.4886 to -0.0743
PRF	0.1025	0.094	-0.0125 to 0.1567
LEV	-0.1682	<0.001	-0.2633 to -0.0730
LIQ	0.7053	<0.001	0.3274 to 1.0832

Source: Developed by SPSS results

Notes: MNG_OWN – Managerial Ownership, INS_OWN- Institutional Ownership, IND_OWN- Individual Ownership, FOR_OWN-Foreign Ownership, FS- Firm Size, PRF- Profitability, LEV- Leverage, and LIQ- Liquidity

Table 6 presents the findings of an independent-samples t-test comparing ownership structure, firm-specific characteristics, and dividend policy between the capital goods and food, beverage, and tobacco industries. The analysis shows that the dividend policy in the two industries is not significantly different (DIV-PAY: mean difference = 0.7140, $p < 0.226$; DIV-YLD: mean difference = 0.0000, $p < 0.958$). It means that firms operating in the two industries follow somewhat similar dividend policies, implying that their dividend approaches are similar even though they might operate differently.

Nonetheless, the findings indicate a high level of variation in some ownership structures. In particular, the managerial ownership is dramatically different in the two industries (MNG-OWN: mean difference = -0.0390, $p > 0.040$), and institutional ownership is also notably different (INS-OWN: mean difference = 0.1025, $p > 0.030$). These results suggest sector dependence in the levels of managerial control and institutional investor holdings, and this could reflect disparities in how corporations have been governed and in the standard of supervision. On the other hand, there are no notable differences between the industries in individual and foreign ownership (IND-OWN: $p < 0.091$; FOR-OWN: $p < 0.250$), indicating that the retail and foreign shareholding structures are not particularly different across the two industries.

A firm's size, leverage, and liquidity are found to differ significantly across firms. The size of the firms also varies significantly across industries (FS: mean difference = -0.2185, $p > 0.008$), implying that firms in one industry tend to be larger than those in the other. The leverage also varies significantly (LEV: mean difference = -0.1682, $p < 0.001$), indicating a variation in capital structure policies. The difference in liquidity is also significant (LIQ: mean difference = 0.7053; $p < 0.001$), indicating differences in how operational cash is managed across industries. On the other hand, profitability is not significantly different between the two (PRF: mean difference = 0.1025, $p < 0.094$), implying that the firms in the two industries produce similar returns.

The results of the T-tests suggest that, although there is similarity in dividend policies between the food, beverage, and tobacco industry and the capital goods industry, several differences can be observed in managerial and institutional ownership and in key financial attributes (firm size, leverage, and liquidity). These variations imply that, despite convergence in dividend distributions, the governance mechanisms, degree of institutional impact, and financial characteristics vary across industries, which can bear implications for strategic decision-making, risk management, and operational priorities.

Conclusion and Implications.

This study examined the impact of ownership structure and firm-specific characteristics on dividend policy and variations in dividend policy, ownership structure, and firm-specific characteristics among listed companies in the food and beverage and tobacco industry, as well as in the capital goods industry, in Sri Lanka. The analysis has been conducted using fixed-effect regression and independent-samples T-tests, which provide empirical data and comparative evidence in the industry.

The results indicate that there is no significant relationship between managerial ownership and dividend policy, suggesting that managers may focus on retaining and reinvesting profits rather than paying dividends. Institutional ownership negatively affects dividend policy, with a significant impact, as demonstrated by the negative correlation between institutional ownership and dividend payout. On the other hand, a positive and significant relationship is exhibited between individual ownership and dividend policy, indicating that companies with a larger share of individual investors are more likely to pay higher dividends. This finding is also consistent with the behavioral nature of individual investors, who tend to welcome immediate dividend payouts. The foreign ownership, however, has no substantial effect on dividend policy, implying that foreign ownership probably plays an insignificant role in the determination of dividends in the context of Sri Lanka.

Regarding the firm-specific qualities, they are found to affect the dividend policy in a positive and significant manner, highlighting the existence of more profitable firms that pay higher dividends. There is a negative and significant relationship between liquidity and dividend policy: when a firm has greater cash, it can retain it as operating cash or invest it in assets rather than returning it to shareholders. Firm size and leverage are not significant for dividend policy, which suggests that structural factors are less determinants of dividend decisions in this industry than are determinants of ownership structure and profitability.

The independent-samples T-test results reveal that the dividend policy differs significantly between the food, beverage, and tobacco industry and the capital goods industry, as the latter includes a broad range of similar dividend-paying policies. However, the two industries exhibit significant differences in managerial and institutional ownership, firm size, leverage, and liquidity, suggesting distinct governance structures and financial characteristics that may affect decision-making strategies and activities. Individual, foreign ownership, and profitability have no substantial differences.

The study indicates that ownership structure (institutional and individual) and profitability and liquidity are the most important variables affecting a firm's dividend policy, while other variables, including firm size and leverage, are trivial. These findings highlight the multifaceted, situation-sensitive, and complex nature of the dividend decision in the industrial sector of Sri Lanka, in which the structures of shareholders, managers' discretion, and financial capabilities collectively determine dividend policies. These lessons bear important implications for corporate governance, investor strategy, and policy-making, in that they suggest that firms and regulators must always take into account ownership relations and financial performance in structuring dividend policy.

This study addresses gaps in the literature on dividend policy by providing empirical data on the identification of ownership structure and firm-specific characteristics of Sri Lankan firms operating in new markets in the food and beverage and capital goods industries. Results highlight that institutional ownership is detrimental to dividend policy, and individual ownership and profitability are positively related. The results support the agency theory and ownership logic, indicating that, regardless of shareholder type, the different categories differ in their impacts on dividend decision-making.

In practice, the findings provide guidance to corporate managers and boards when setting dividends that balance shareholders' interests and long-term growth plans. Understanding the significance of ownership structure and profitability enables corporations to adjust their dividend policies to investors' preferences and financial capabilities. The implication of poor foreign ownership is that the influence of domestic shareholder dynamics is likely to have a greater effect on dividend decisions.

At the policy level, the study emphasises the importance of transparent reporting and governance mechanisms that account for the heterogeneity of ownership structures. Regulators can use these insights to formulate guidelines that align dividend policies with shareholder interests and long-term firm sustainability. On the whole, the research provides a quite sensitive picture of dividend behaviour in emerging markets, which can be of use to scholars, researchers, and policymakers alike.

This study has several limitations. The scope of this study is limited. This analysis considers only the two industries in Sri Lanka: the food, beverage, and tobacco industry and the capital goods industry. The findings of this study are limited to the PLC companies in the above industries. Therefore, it is difficult to determine the impact of ownership structure and firm-specific characteristics on dividend policy in non-listed companies on the CSE. Such as government sector companies and private limited companies. Therefore, future studies can focus on other industries and companies, such as state-owned and private limited companies.

The data set of this study is limited. This study consists of 30 companies from 2021 to 2024. Therefore, it is recommended to consider a more extended study period to obtain more accurate findings. Additionally, this study examines the impact of ownership structure and firm-specific factors on dividend policy. This study is not focused on examining the impact of other important corporate governance variables, such as board characteristics, audit committee attributes, and remuneration structure. Additionally, this study is based on secondary data. Therefore, future studies can also utilise primary data sources to gain a more comprehensive understanding of this topic.

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