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The Impact of Ownership Structure on Dividend Payout Policy of Listed Plantation Companies in Sri Lanka

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ABSTRACT

Ownership structure is one of the primary dimensions of corporate governance. The aim of this study is to examine the impact of ownership structure on dividend payout policy of plantation listed companies in Sri Lanka during the period 2019-2023. Seventeen listed plantation companies out of all nineteen plantation listed plantation companies were selected as a sample. Secondary data was obtained from the annual reports of listed plantation companies, as published on the website of the Colombo Stock Exchange (CSE), Sri Lanka.

The study considers ownership structure as an independent variable, measured through individual ownership structure, institutional ownership structure and foreign ownership structure. The dependent variable, dividend payout policy, is represented by the dividend payout ratio. This study used multiple regression and Pearson's correlation analysis as the analytical framework.

The Pearson correlation coefficient matrix was used to identify the relationship between the ownership structure and dividend payout policy of listed plantation companies. The findings indicate a significant positive relationship between individual ownership structure and dividend payout policy. Conversely, institutional ownership showed a significant negative relationship with dividend payout. However, correlation coefficient between foreign ownership structure and dividend payout was not significant, exhibiting a negative but statistically insignificant relationship between foreign ownership structure and dividend payout.

Multiple regression analysis was conducted to observe how well the dividend payout policy (DPO) can be explained by ownership structure. The analysis revealed that 13.4% of the variability of dividend payout is decided by differences in the ownership structure such as ownerships of individual and institutional, and foreign ownership. Further, the remaining 86.6% of the variability of dividend payout is decided by other factors that are not included in this model.

Both individual and institutional ownership structures significantly affect dividend payout policy, while foreign ownership does not. Overall, ownership structure shows a significant influence on dividend payouts, except in the case of foreign ownership.

The results also reveal that approximately half of the plantation companies were not in a financial position to pay dividends annually, mainly due to the prevailing economic crisis and the COVID- 19 pandemic during the years of 2019 – 2023.

Additionally, Sri Lankan listed plantation companies exhibit highly concentrated ownership structures, predominantly led by institutional investors, followed by individual and foreign ownership structure.

The behavior of institutional, individual and concentrated owners in Sri Lankan listed plantation companies is associated with the clarifications of signaling, free cash flow and agency theory concerning dividend payouts.

These findings are valuable to regulators for guiding future policies in the Colombo Stock Exchange and to investors for forecasting firms' dividend payouts and valuation of their stocks.

Keywords: Individual ownership structure, Institutional ownership structure, Foreign ownership structure, Dividend payout policy and Colombo Stock Exchange

INTRODUCTION

Dividend policy refers to the payout policy that a firm follows in determining the size and pattern of distribution to shareholders over a period of time. The decision of dividend policy is one of the most important choices taken by the highest management of a company. This decision is impactful to the shareholders of the company, reinvestment opportunities, growth and valuation of company, and corporate governance. Dividend policy has been viewed as an issue of interest in the previous literature. To address the issue, extensive research has been done on dividends and payout policy, determining factors of dividends, link between dividends and the company performance and issue of agency cost of dividends (Crutchley & Hansen, 1989 Elston, Hofler, & Lee, 2011 Bhattacharyya, 2007) among all.

The signaling theory, free cash flow theory and agency theory are the main theoretical pillars of the dividend policy. The agency theory describes that the nonexistence of proper evaluation of management activities by shareholders of a firm leads to providing indirect assistance to its managers.

When a company allocates high dividends that will decline the available liquidity flow for investment and encourage managers to go for external financing, the external market that they wish to access will monitor the utilization of funds and evaluate the company engagements. Based on these implications, the agency model forecasts that dividends are methodically related to the kind of observation by the firm's shareholders. The importance of having control over managerial activities by shareholders is emphasized in the agency theory. Shareholders represent their ownership by way of individual, managerial, institutional and foreign. The different types of ownership may have a variety of influence over firms' decisions. Many researchers measured the influence of ownership structure to dividend policy in developed countries but very few in the emerging world. A study on the relationship between ownership structure and dividends in Malaysia displays a low helpful power between ownership structure and dividend policy (Sulong & Nor, 2008).

The findings of the scholars have reported various viewpoints in developed and emerging countries. Though the impact of ownership structure on the dividend policy is important it has not been tested much in the Sri Lankan context as an emerging country. Empirical evidence suggests that share ownership in Sri Lanka is highly concentrated (Samarakoon, 1999; Senaratne & Gunarathne, 2007). The managerial owners, individual owners, institutional owners, foreign owners and family owners are present in most of the Sri Lankan companies. These different kinds of owners in a company setting may have different interests with their authority and expertise. The composition of ownership structure does not influence dividend policy uniformly over the countries and hence the impact of dividend policy to the ownership structure has been an interesting topic in the recent past across the countries. Thus, in the context of a developing economy, ownership structure can play a major role in understanding the dividend policy of a company and in mitigating agency problems. As an emerging country, in Sri Lanka, doing research under different shareholding patterns and dividend payout is much more important as it can provide more awareness to corporate companies and the shareholders. As Sri Lanka is an emerging country the impact of ownership structure towards dividend policy has been tested in a few studies. Therefore, this research intends to fill that gap by studying the impact of ownership structure towards the dividend policy by considering the different classes of ownership structures.

Thus, this paper has attempted to answer the following question: Does shareholding pattern in a firm matter for dividend payout?

It has been argued in the existing corporate theories that payment of dividend provides indirect benefit of control where the shareholders are not involved energetically in observing the performance of the firm, struggles that firms pay dividends to overcome the agency problems restricting from the separation of ownership and control in a firm with compassionate ownership.

Therefore, the main objective of the study is to examine the impact of Institutional Ownership, Individual Ownership and Foreign Ownership on Dividend Policy of Plantation Listed Companies in Sri Lanka.

The rest of this paper is organized as follows. Section 2 explains the objectives of the study. Then the 3rd section reviews the literature. Sections 4-6 discuss the methodology, analysis and discussion of result and findings of the study. Section 7 illustrates the summary and recommendation.

Background

The Sri Lankan economy sustained to recover steadily in 2024, following its deepest economic downturn experienced two years ago. Post-crisis reforms have started showing positive outcomes. Signs of improved economic activity, partial recovery in purchasing power, and reduced uncertainty are visible. Following the unparalleled crisis in 2022, the country's reform programme aimed to correct deep-rooted structural weaknesses. The need for continued fiscal consolidation was prioritized to achieve debt sustainability while supporting the economic recovery. Special attention was also given by the Government to uplifting the incomes of the poor and vulnerable through the execution of the social safety net programme. The Government and the Central Bank of Sri Lanka have taken brave steps to recover the economy from the crisis. The implementation of the IMF-EFF programme and debt restructuring efforts were important pillars of this journey of recovery (Annual Economic Review,2024).

The Sri Lankan economy is categorized as an emerging market economy. As in many other emerging economies' policies, economic policy in Sri Lanka designs to expand investment, increase productivity, create more employment opportunities, and finally, improving residents' standard of living. While overcoming the complex challenges associated with the COVID-19 Pandemic, efforts must continue to address the recognized limitations with an attentive approach, to launch the necessary steppingstones required for sustainable relationships with deliberate investment partners.

To ensure continued economic development, the Sri Lankan government has made efforts to create an attractive business environment. The CSE was established in 1985. The CSE has 285 companies representing 20 Global Industry Classification Standard (GICS) as of 31st March 2025, with a Market Capitalization of Rs. 5,606.37 bn (CSE,2025).

In 2021, it was likely that interest rates remained low and that benefits continued to increase to equity markets. It is significant that while valuation of companies listed on the CSE is well above where they were in mid-2020, CSE is well below the regional averages and historical peaks. Many issuers also have strong earnings stories supporting gains in market capitalization as economic policy changes and the Covid-19 pandemic opened new opportunities.

The new Securities and Exchange Commission of Sri Lanka (SEC) Act No 19 of 2021 empowered the SEC and the CSE to progress on plans for demutualization of the CSE, which will establish good governance and management structures required for the operation of an efficient and effective Stock Exchange. The CSE had immense potential to play a broader role in the recovery and growth story of Sri Lanka and CSE is stepping up. The CSE forecasts economic growth, supported by debt restructuring and favorable corporate earnings.

The CSE delivered a strong performance in 2024, ranking No.2 in the list of best performing stock exchanges in Asia with a year-to-date return of 49.66%. Investors responded positively to strengthening economic indicators while low interest rates provided additional incentives. Robust corporate earnings also strengthened impetus, providing the resilience needed in an election year.

The equity market displayed a significant performance marked by notable movements in price indices during 2024, alongside a substantial increase in market turnover. As of 31 December 2024, the All-Share Price Index (ASPI) and Standard & Poor's Sri Lanka 20 (S&P SL20) index of the CSE recorded a year-to-date growth of 49.7% and 58.5%, respectively (CBSL,2024).

Further, market capitalization increased by 34.1% and stood at Rs. 5,695.6 bn at end 2024 compared to Rs. 4,248.9 bn at end 2023. Meanwhile, CSE recorded an average daily turnover of Rs. 2,240.2 mn in share trading during 2024, which was a considerable increase compared to Rs. 1,696.2 mn recorded in 2023 CBSL,2024.

OBJECTIVES OF THE STUDY

Dividend policies are one of the main issues in modern corporate finance. Ownership structure and corporate governance have significant consequences on investment decisions. Ownership structure and corporate governance negatively affect payout decisions, while a positive outcome on investment decisions and financing decisions.

The study analytically observes the relationship between the ownership structure and dividend policy of Sri Lankan listed plantation companies for the period of 2019-2023.

Research Questions

The present study is aimed to explore the question that "what is the role of the ownership structure of the listed plantation companies on dividend payout policy?" To gain a perception and comprehend the impact ownership structure on dividend payout policy of listed plantation company in Sri Lanka, the following questions are addressed in the study:

To what level ownership structure impact on the dividend payout policy of listed plantation companies in Sri Lanka?

Is there any relationship between ownership structure and dividend payout policy of listed plantation companies in Sri Lanka?

Objectives of the Study

The main objective of this study is to explore the impact of ownership structure on dividend payout policy of listed plantation companies in Sri Lanka. The secondary objective of this study is to discover the relationship between ownership structures and dividend payout policy.

LITERATURE REVIEW

Kulathunga and Azeez (2016) found that there is an association between ownership structure types and dividend policy of listed companies in the CSE. They used panel data that were obtained from the annual reports of seventy-seven companies during the period 2006 -2014. Their regression results indicated that ownership identity is involved in determining the dividends. They also found that there are negative associations between institutional, managerial ownership structures and dividend policy and significant positive association between concentration ownership structures and dividend policy. The firm size, free cash flow, and future growth opportunity variables are also matter for the dividend policy. The financial leverage was not an important variable in determining the dividend policy. The institutional, managerial and concentration owners in Sri Lankan listed companies are supported with the signaling, free cash flow and agency theory clarifications for dividend payouts.

Both Suganya and Kengatharan (2017) explored the relationship between ownership structure and divided per share. They wanted to recognize the various factors that were influencing on dividend per share of Sri Lankan listed companies of manufacturing. Descriptive statistics indicated that the highest mean value falls with institutional ownership structure among the other ownership structures. Further, their correlation analysis showed that there is a significant negative relationship between institutional ownership and managerial ownership structures with dividend per share. Moreover, the foreign ownership structure showed an insignificant relationship with dividend per share. Finally, based on the regression analysis, the study found that institutional ownership structure had negative significant impact on dividend per share and managerial and foreign ownership structures did not have significant impact on dividend per share.

Samarakoon (1999) examined the ownership structure of firms listed in the CSE as at the financial year end 1997/98.Practical evidence suggests that share ownership in Sri Lanka is highly focused.

A small number of shareholders with large shareholdings control a significant portion of voting rights. Individual shareholders constitute a relatively large proportion of shareholders, and their equity ownership is relatively low. Institutional shareholders account for a small proportion of shareholders and their equity stake is relatively high. Foreign shareholders' ownership is small. Further most directors hold shares in their respective firms.

Balagobei and Thiruchchenthurnathan (2016) inspected the impact of ownership structure on dividend payout policy of listed plantation companies in Sri Lanka. Fifteen listed plantation companies were selected as sample by using random sample method and secondary data was collected from the annual report of listed plantation companies in Sri Lanka during the period of 2010-2014.

This study selected the ownership structure as an independent variable which is measured by individual and institutional ownership structure and foreign ownership structure and dividend payout policy as dependent variable which is measured by dividend payout ratio. To analyze multiple regressions and Pearson's correlation analysis were performed. The results revealed that foreign ownership structure has a significant impact on dividend payout policy.

The study also found that foreign ownership structure is positive significantly correlated with dividend payout policy of listed plantation companies. Further individual ownership structure and institutional ownership structure are not significantly correlated with dividend payout policy. Higher the foreign ownership structure in listed plantation companies, the higher the dividend payout which is preferable for investors, and it improves the dividends.

Ramli (2010) studied the relationship between large shareholders and dividend policy of Malaysian listed companies using panel data from 2002 to 2006.The result shows that companies make higher dividend payout as the shareholding of the largest shareholder increase. The size of the dividend payout is also larger when there is a presence of the substantial second largest shareholder in the company. Further, the Tobit regression results suggest that controlling shareholders does impact the dividend policy of Malaysian listed companies. The study also observed that companies with higher level of the largest shareholding have higher dividend payouts. The result shows that companies make higher dividend payout as the shareholding of the largest shareholder increases. The size of the dividend payout is also larger when there is the presence of the substantial second largest shareholder in the company. Overall, the study found that large shareholders had effects on Malaysian dividend policy.

Al-Najjar and Kilincarslan (2016) explored the impact of ownership structure on dividend policy of listed firms in Turkey. Particularly, it attempts to expose the effects of family involvement (through ownership and board representation), non-family block holders (foreign investors, domestic financial institutions and the state), and minority shareholders on dividend decisions in the post-2003 period as its eyewitnesses the main economic and structural reforms. The paper employs alternative dividend policy measures (the probability of paying dividends, dividend payout ratio and dividend yield) and uses appropriate regression techniques (logit and tobit models) to test the research hypotheses, by focusing on a recent large panel dataset of 264 ISE-listed firms (non-financial and non-utility) over a ten-year period 2003-2012.

The practical results show that foreign and state ownership are connected with a less likelihood of paying dividends, while other ownership variables (family involvement, domestic financial institutions and minority shareholders) are insignificant in affecting the probability of paying dividends. However, all the ownership variables have a significantly negative impact on dividend payout ratio and dividend yield. Therefore, the paper presents steady suggestion that increasing ownership of foreign investors and the state in general decrease the need for paying dividends in the Turkish market.

The study Bappah et al., (2024) employed the correlation as design covering a period of 10 years (2011-2020) using a sample of nine (9) industrial goods firms to denote the population of thirteen (13) industrial goods firms listed on the floor of Nigerian Exchange Group as of 31st December 2020. The sample arrived using three-stage filters to reject all firms with incomplete data, firms delisted, and firms not listed within the study period. Multiple Regression technique was used for analyzing the data. The study revealed that investors are

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suggested to pay excessive attention to the profitability of a company and its percentage of foreign ownership when making investment choices because profitability was found to be significantly sensible between foreign ownership and dividend policy.

Study Hypotheses

The hypothesis is a provisional statement that shows the estimated relationship between the variables. The following hypotheses are expressed for this study.

H1: Individual Ownership structure has a significant impact on dividend payout policy

H2: Institutional Ownership structure has a significant impact on dividend payout policy

H3: Foreign Ownership structure has a significant impact on dividend payout policy

H4: Individual Ownership structure is significantly correlated with dividend payout policy

H5: Institutional Ownership structure is significantly correlated with dividend payout policy

H6: Foreign Ownership structure is significantly correlated with dividend payout policy

METHODOLOGY

Research methodology defines research design, research approach, sampling procedure, data sources and mode of analysis. Research methodology emphasis the research process of tools and procedures to be used.

Data Collection

For this study the secondary data was used to analyze from annual reports of (2019 -2023) of listed plantation companies in Sri Lanka, which were published by the CSE in Sri Lanka (https://www.cse.lk/).

The sample includes qualifying seventeen plantation companies out of nineteen plantation companies listed in the CSE. The two omitted plantation companies were without earning profit and paying dividends to their shareholders during the five-year period. Nine listed plantation companies out of 17 plantation companies are on the Main Board, while 4 companies are on the Second Board and the balance 4 plantation companies are on the Diri Savi Board. The duration was critical due to the prevailing Covid -19 global pandemic and economic crisis in the country. Thus, the researcher had to limit it to five years from 2019 to 2023. Consequently, the annual dividend was not declared by most of the plantation companies in the sample. Moreover, 13 plantation companies (76%) did not declare dividends in 2020. Further, about 50% of plantation companies did not announce dividends for the five-year period. Finally, the selected 5-year period was very crucial. Further, the selected companies as a sample must be listed in the CSE for at least one year before the date of the dividend declaration. It enabled the investigator to confirm the condition that dividend and ownership structure were not exaggerated because of a new listing of companies. The limited rules applicable for these plantation companies are aligned with their operation and financial reporting. The companies branded under the default board for more than two consecutive years are also omitted since the data for those companies were unavailable for the whole sample period.

Table No.1 Sample of Plantation Listed Companies on CSE

No.	Symbol /Code	Listed Plantation Company
1.	AGAL. N000	Agalawatta Plantation PLC
2.	ASPM.N0000	Aitken Spence Plantation Management PLC

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3.	BOGA. N0000	Bogawanthalawa Tea Estates PLC
4.	HAPU.N0000	(Browns PL) Hapugastenne Plantations PLC
5.	HAPU.N0000	(Browns PL) Udapussellawa Plantation PLC
6.	CTEA.N0000	Dilmah Ceylon Tea Company PLC
7.	ELPL.N0000	Elpitiya Plantations PLC
8.	HPL.N0000	Hatton Plantations PLC
9.	HOPL.N0000	Horana Plantations PLC
10.	KGAL.N0000	Kegalle Plantations PLC
11.	KVAL.N0000	Kelani Valley Plantations PLC
12.	MADU.N0000	Madulsima Plantations PLC
13.	MCPL.N0000	Mahaweli Coconut Plantation PLC
14.	MAL.N0000	Malwatte Valley Plantation PLC
15.	NAMU.N0000	Namunukula Plantation PLC
16.	TPL.N0000	Talawakelle Tea Estates PLC
17.	WATA.N0000	Watawala Plantations PLC

Source: https://www.cse.lk/

Mode of the Study

The following methods selected to originate the results in this study are based on data analysis.

Table No.2 List of variables

Name of the variable/ acronym	Type of Variable	Method of Calculation
Individual ownership IDOWS	Dependent variable	Number of shares held by individuals divided by Total number of shares
Institutional ownership INSOWS	Dependent variable	Number of shares held by institutions divided by Total number of shares
Foreign ownership FGOWS	Dependent variable	Number of shares held by foreigners divided by Total number of shares
Dividend payout DPO	Independent variable	Dividend per share Earning per share

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According to the hypothesis developed, this study constructs a regression model for carrying out empirical analysis. The following regression model has been developed to check the validity of the objectives.

$$DPO = \beta_0 + \beta_1 IDOWS + \beta_2 INSOWS + \beta_3 FGOWS + \varepsilon$$

Where,

β_0, β_1 β_2 β_3 – Regression co-efficient

IDOWS – Individual ownership

INSOWS – Institutional ownership

FGOWS – Foreign ownership

DPO – Dividend payout

ε – Error term

Method of Analysis

For data analysis descriptive statistics are used to define and review the behavior of the variables in a study. They refer to the ways in which many observations are reduced to understandable numbers such as averages and percentages. Inferential statistics are used to draw conclusions about the reliability and applicability of the findings. To test the research hypotheses; the inferential tests used include the correlation and regression analysis (Balagobei and Thiruchchenthurnathan,2016).

ANALYSIS AND DISCUSSION OF RESULT

Limitations of the Research

The first limitation of the study includes, both the global Covid -19 pandemic, and the economic crisis of Sri Lanka which experienced a downturn economy. Consequently, most of the plantation listed companies made losses during the period. Hence these companies were not able to earn the profit and pay the dividend as planned. Thus most of the plantation listed companies did not talk about dividends within this time period.

The second limitation is that Udapussellawa Plantation PLC listed company did not compile its annual report for the year 2022 due to prevailing economic crisis. As the third limitation, the variables such as both ownerships of family and managerial that were immensely discussed by the previous researchers were not available as shareholders in the selected sample of listed Sri Lankan plantation companies. Another limitation is that both plantation companies Dilmah Ceylon Tea Company PLC and Mahaweli Coconut Plantation PLC did not expand the ownership structure for foreign investors. The next limitation is the two reputed plantation listed companies were not earning profits as well as not paying dividends during the period. These companies were omitted from the sample. The Last limitation is five plantation companies were unable to submit/compile their latest annual reports for the year 2024. Therefore, the duration of the dataset had to be limited to only 5 years.

Results of Descriptive Analysis

Descriptive analysis describes ownership structure characteristics and dividend payout policy prevalent among listed plantation companies in Sri Lanka. The descriptive statistics used in this study consist of minimum, maximum, mean, and standard deviation.

Table 03: Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Standard Deviation

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Individual ownership	84	.03	.85	.1758	.17958
Institutional ownership	84	.15	.96	.7998	.17853
Foreign ownership	74	.00	.24	.0278	.05106
Dividend Payout	84	-.53	2.60	.2126	.38798

Source: Author Calculations (2025)

Table No 03 shows descriptive statistics of dependent (Dividend Payout) and independent (ownership structures) variables used in this study. The dividend payout, measured by the dividend payout ratio, averages 0.2126). This has the minimum value of -0.53 and the maximum value of 2.60 with standard deviation of 0.38798. The individual ownership structure has an average of 0.1758, a standard deviation of 0.17958, and minimum and maximum values of 0.03 and 0.85, respectively. Institutional ownership structure, which has averaged 0.7998. It has a standard deviation of 0.17853 and minimum and maximum values are 0.15 and 0.96 respectively. Foreign ownership structure which has averaged of 0.0278. It has a standard deviation of 0.05106 and minimum and maximum values are 0.00 and 0.24 respectively.

Results of Correlation and Regression Analysis

The Pearson correlation coefficient matrix is used to identify the relationship between the ownership structure and dividend payout policy in this study.

Table 04: Correlation Matrix

		IDOWS	INSOWS	FGOWS	DPO
IDOWS	Pearson Correlation	1			
	Sig. (2-tailed)				
INSOWS	Pearson Correlation	-.963***	1		
	Sig. (2-tailed)	.000			
FGOWS	Pearson Correlation	-.145	-.383***	1	
	Sig. (2-tailed)	.217	.001		
DPO	Pearson Correlation	.228**	-.192*	-.111	1
	Sig. (2-tailed)	.037	.080	.348	

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

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**. Correlation is significant at the 0.05 level (2-tailed).

*. Correlation is significant at the 0.1 level (2-tailed).

Source: Author Calculations (2025)

According to Table 04, the correlation coefficient between individual ownership structure and dividend payout is 0.228**, which is significant at the 0.05 level, signifying a significant positive relationship between individual ownership structure and dividend payout. At the same time, the correlation coefficient between institutional ownership structure and dividend payout is -0.192*, which is also significant at the 0.1 level, indicating a significant negative relationship between institutional ownership structure and dividend payout. Correlation coefficient between foreign ownership structure and dividend payout is -0.111, which is not significant at the 0.05 level. This indicates a negative but statistically insignificant relationship between foreign ownership structure and dividend payout.

The regression analysis is used to determine how well the dividend payout policy (DPO) can be explained by ownership structure (Individual ownership structure, institutional ownership structure, and foreign ownership structure). Table 03 represents the regression coefficient between the dependent variable and the independent variables.

Table 05: Multiple Regression Analysis

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.171	3	.390	3.498	.020
Residual	7.587	68	.112		
Total	8.757	71			
R^2= 0.134					

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-2.303	1.607		-1.433	.156
IDOWS	2.100	.839	.610	2.502	.015
INSOWS	1.962	1.407	.355	1.954	.098
FGOWS	.257	.538	.076	.478	.634

Source: Author Calculations (2025)

According to Table 05, R^2 is 0.134, which shows that 13.4% of the observed variability of dividend payout is determined by differences in the ownership structure, such as individual ownership, institutional ownership, and foreign ownership. In addition, 86.6% of the variability of dividend payout is determined by other factors not depicted in this model. Further Table 05 clarifies the impact of ownership structure on dividend payout a

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policy. For individual ownership structure and dividend payout, the t value is 2.502 and p value is .015, which is less than 0.05. So, individual ownership structure has a significant impact on dividend payout. For institutional ownership and dividend payout, the t value is 1.954, and the p value is .098, which is less than 0.1. So, institutional ownership has a significant impact on dividend payout. For foreign ownership structure and dividend payout, the t value is 0.478 and p value is .634, which is more than 0.05. So, foreign ownership has no significant impact on dividend payout.

This regression model, which uses the square root-transformed Dividend Payout as the dependent variable due to non-normality, shows that at 10% significance level, Individual Ownership has a statistically significant positive effect ($\beta = 2.100$, $p = .015$), Institutional Ownership has a marginally significant positive effect ($\beta = 1.962$, $p = .098$), and Foreign Ownership is having no significant impact ($\beta = 0.257$, $p = .634$), with the model explaining 13.4% ($R^2 = 0.134$) of the variance in the transformed outcome, indicating that as Individual and Institutional Ownership increase, the square root of the Dividend Payout tends to increase, implying a non-linear positive relationship in the original scale.

A 0.1 (10 percentage point) increase in the proportion of shares held by individual investors increases the square root of the Dividend Payout by 0.210 (i.e., 2.100 × 0.1). This translates to an increase in the actual DPO from:

If initial sqrt (DPO) = 1.5 → DPO = 2.25

After increase: sqrt (DPO) = 1.5 + 0.210 = 1.71 → DPO = 2.93

A 10% increase in individual ownership is associated with an increase in the Dividend Payout from 2.25 to approximately 2.93, assuming other ownership levels stay constant.

A 0.1 (10 percentage point) increase in institutional ownership increases the square root of DPO by 0.1962. This translates to an increase in actual DPO:

If sqrt (DPO) = 1.5 → DPO = 2.25

After increase: sqrt (DPO) = 1.5 + 0.1962 = 1.6962 → DPO = 2.88

A 10% increase in institutional ownership corresponds to an estimated increase in the Dividend Payout from 2.25 to approximately 2.88, showing a moderate positive influence.

Finally, the model where the square root of the Dividend Payout is regressed on different ownership types, a 10% increase in the proportion of shares held by individual investors is associated with a rise in the Dividend Payout from approximately 2.25 to 2.93. In contrast, a similar increase in institutional ownership predicts a rise from 2.25 to 2.88, both indicating that greater domestic investor presence (especially individuals) is positively associated with higher dividend payouts. However, the effect of institutional ownership is only marginally significant and foreign ownership shows no meaningful influence.

Table 06: Hypothesis Testing

No	Hypotheses	Tools	Supported/ Not Supported
H_1	Individual Ownership structure has a significant impact on dividend payout policy.	Regression	Supported
H_2	Institutional Ownership structure has a significant impact on dividend payout policy.	Regression	Supported
H_3	Foreign Ownership structure has a significant impact on	Regression	Not Supported

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	dividend payout policy.		
H_4	Individual Ownership structure is significantly correlated with dividend payout policy.	Correlation	Supported
H_5	Institutional Ownership structure is significantly correlated with dividend payout policy.	Correlation	Supported
H_6	Foreign Ownership structure is significantly correlated with dividend payout policy.	Correlation	Not Supported

Source: Author Calculations (2025)

SUMMARY AND RECOMMENDATION

The findings indicate a significant positive relationship between individual ownership structure and dividend payout policy. Conversely, institutional ownership showed a significant negative relationship with dividend payout. However, the correlation coefficient between foreign ownership structure and dividend payout was not significant, exhibiting a negative but statistically insignificant relationship between foreign ownership structure and dividend payout.

The multiple regression model, which employs a square root transformation of the Dividend Payout to address non-normality in the dependent variable, reveals insightful relationships between ownership structure and dividend behavior.

The analysis revealed that 13.4% of the variability of dividend payout is determined by differences in the ownership structure, such as individual and institutional ownership, and foreign ownership. Further, the remaining 86.6% of the variability of dividend payout is decided by other factors that are not included in this model. Therefore, the next follow up research can be developed further by including other factors.

The results show both individual and institutional ownership structures significantly affect dividend payout policy, while foreign ownership does not. Overall, ownership structure shows a significant influence on dividend payouts, except in the case of foreign ownership.

In practical terms, a 10% increase in individual ownership is associated with a rise in DPO between 2.25 to 2.93 approximately while a 10% increase in institutional ownership raises DPO from 2.25 to around 2.88, assuming all other variables remain constant. These findings indicate that greater domestic ownership, particularly by individuals, is linked to higher dividend payouts, while foreign ownership does not play a significant role.

The researcher observed from the annual reports of the listed plantation companies that approximately half of the plantation companies were not in a financial position to pay dividends annually, mainly due to the prevailing economic crisis and the COVID- 19 pandemic during the years of 2019 – 2023.

Further, Sri Lankan listed plantation companies exhibit highly concentrated ownership structures, predominantly led by institutional investors, followed by individual and foreign ownership structure.

The behavior of institutional, individual and concentrated owners in Sri Lankan listed plantation companies is associated with the clarifications of signaling, free cash flow and agency theory concerning dividend payouts.

These findings are valuable to regulators for formulating future policies in the CSE and to the investors for forecasting listed plantation companies' dividend payouts and valuation of their stocks. Examining the impact of board structures on dividend payout policy would be a stimulating assignment. Nevertheless, that is left for future research.

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