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**Study of the Impact of Capital Structure on Shareholders'  
Return with Special Reference to the Listed Companies in  
Colombo Stock Exchange.**



**By**

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## **Abstract**

Capital structure is an interesting area of study under financial management. The studies on this area have been conducted mainly in western countries, but there are not any such reported studies in Sri Lanka. Therefore this study is intended to understand the impact of capital structure on shareholders' return with respect to the companies listed in Colombo Stock Exchange in Sri Lanka.

The companies were selected through stratified sampling method and the period concerned was from 1997 to 2004. Only seven sectors namely Bank, Finance and Insurance, Beverages Food and Tobacco, Chemicals and Pharmaceuticals, Hotels and Travels, Land Property and Development, Manufacturing, and Trading were selected for this study owing to many factors such as lack of data availability. The working sample limited to 50 companies due to various constraints.

By means of descriptive and regression analysis, it was found that the capital structure differs among the sectors. The shareholders' return also found to be different among the sectors during the period of study. The variability of capital structure and shareholders return was high during the period of study.

The findings of the study revealed that the influence of capital structure, size, growth and dividend payout variables were insignificant. Therefore, the study concluded that the relationship between capital structure, size, growth and dividend payout variables with shareholders return was not much significant. Meanwhile the influence of liquidity variable was positive and significant as hypothesized and thus the study

concludes that the liquidity variable has a positive relationship towards the shareholders return in the companies listed in Colombo Stock Exchange.