

The Effect of Firm Specific Characteristics on Financial Leverage: Evidence from Listed companies in Sri Lanka.

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Abstract

The study examines the impact of firm specific characteristics on financial leverage of listed companies in Sri Lanka. An analysis of previous research indicates gaps in the literature. Prior research on the subject provides mixed findings and therefore, comprehensive evidence is missing relating to the firm specific characteristics that impact on financial leverage. There appears to be a dearth of literature on the subject in developing and Asian countries and Sri Lanka in particular. Therefore, this study aims to fill this gap in the research by investigating the impact of firm's characteristics on financial leverage of listed companies in Sri Lanka. Quantitative approach was adopted in the study to find answers for the research questions of the study. firm size, tangibility, profitability, and firm age were used as independent variables and Financial Leverage used as the dependent variable of the study. A fixed-effects regression technique is used to analyses data. The dataset used covers 100 non-financial companies in the Colombo Stock Exchange in Sri Lanka and collected for data for 8 year period from 2012 to 2019. Findings of the study will be useful to policy makers in developing policies on corporate finance and to managers in formulating strategies to increase firm value and performance by considering changes in firms characteristics and its impact on financial leverage. Findings also provide useful insights to managers in determining the capital structure based on firm's characteristics.

Keywords: Colombo Stock Exchange, Financial leverage, Firms Characteristics, Sri Lanka.