

Impact of Firm Specific Characteristics on Enterprise Value: With Evidence of Listed Companies in Sri Lanka

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Abstract

To survive in the modern complex business world, companies must mobilize their strengths to achieve goals and objectives by increasing their corporate value or the enterprise value. This study investigates the impact of firm specific characteristics on enterprise value with the evidence of listed companies in Sri Lanka by spreading all most all the GICS industry groups. Firm specific characteristics such as firm size, growth, capital structure and profitability were used as independent variables. Findings of prior studies provide mixed results and comprehensive evidence is missing relating to phenomena under study. There is a lack of empirical evidence on the impact of firm specific characteristics on enterprise value from Sri Lankan context. This study employs two regression models and explains enterprise value using Tobin's Q model and another optional regression model. These models explain Revenue Growth by Sales Growth rate, Firm size by total Assets, Capital structure by debt ratio and profitability by ROE & ROA. The sample comprises of 100 companies except those are in the financial Industry groups such as banks, diversified financial institutions and insurance companies. Data are collected for five years from companies' annual reports, which nearly constitute 17 GICS Industry groups in Colombo Stock Exchange. The findings of the study will provide useful insights to the investors and managers to improve their enterprise value. This study addresses various theoretical stances developed by numerous scholars over last five decades and provides useful insights to the future researches also.

Key words: Capital Structure, Enterprise value, Growth, Profitability, Tobin's Q