

The Impact of Capital Structure on Firm Survival during the Covid – 19 Pandemic in Sri Lanka

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Abstract

The Covid – 19 has redefined the world operation. Specially Covid – 19 pandemic shows a significant impact on the business field. Accordingly, this study aims to investigate the impact of capital structure on firm survival during the Covid – 19 pandemic in Sri Lanka.

For the purpose of the study, Return on Asset (ROA), Earning per Share (EPS) and Tobin's Q have been selected as firm survival indicators which is the dependent variable. Total debt to asset ratio has been used to measure the capital structure, which is the independent variable of the study. Asset Tangibility, Revenue Growth Rate, Cash Flow Volatility and Firm Size are the control variables. The data of the study covers 200 listed companies in the Colombo Stock Exchange (CSE) in Sri Lanka for the period of 4 years from 2018 to 2021. This study employs Regression analysis to investigate this relationship.

Finding 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 firm survival by considering changes in capital structure and its impact on firm survival during the Covid – 19 pandemic. Covid - 19 is not limited to some industry but it immensely impacted the publicly traded firms in Sri Lanka and affected the relationship between capital structure and firm survival.

Key words: *Covid – 19, Capital Structure, Firm Survival*