

Ownership Structure and Capital Structure : Evidence from Sri Lanka

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Abstract

This paper discusses one of most significant topics in finance, ownership structure and capital structure. The focus of this article on the impact of ownership structure on capital structure of listed companies in Sri Lanka considering the agency theory.

All the secondary data were collected from audited annual reports of each company for the time period of 5 years from 2015-2019. In order to carrying out this study for 64 listed company have been selected representing different sector in Sri Lanka. Ownership structure which is the independent variable of the study measured using share ownership concentration, managerial ownership, institutional ownership and individual ownership. Capital structure which is the dependent variable is measured through debt to equity ratio. Control variables are return on equity & tangibility. Using regression analysis this study investigates the relationship between ownership structure and capital structure.

The findings demonstrate that management ownership and concentration of ownership have a significant impact on capital structure. This study will assist every company's management in maintaining an optimal capital structure and making proper ownership structure decisions. In future studies, researchers may examine the impact of alternative proxies of ownership structure, such as state ownership and family ownership on firm performance.

Key words: *Ownership Structure, Capital Structure, Agency theory.*