

## **Factors Affecting the Capital Structure of Sri Lankan Nonfinancial Sector Before and During the Covid-19 Pandemic**

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### **ABSTRACT**

**Purpose:** This study attempts to find the factors affecting to capital structure before and during the COVID-19 pandemic taking empirical evidence from the Sri Lankan non-financial-sector companies listed in Colombo Stock Exchange.

**Design/Methodology/Approach:** This study uses secondary data from 2019 to 2021. The data are gathered from the listed firm's annual reports. The explanatory variables of this study are Size, Profitability, Tangibility, Growth, Risk, and the COVID-19 dummy variable. Further, Total Debt and Long-term Debt are the dependent variables used for the analysis.

**Findings:** The results reveal a significant negative impact from profitability to the total debt ratio before the pandemic period. However, it is positive and not significant during the pandemic period. Further, during the pandemic period, the size of the firm shows a positive significant impact on total debt ratio while growth of the firm shows a negative significant impact on the total debt ratio. In the case where the long-term debt ratio is considered as the dependent variable, tangibility has a positive significant impact before and during the pandemic.

**Originality:** Studies linked to COVID-19 and its impact on capital structure is rare in relation to Sri Lanka. In this context, this study uncovers the association between firm specific factors and capital structure under the pandemic in Sri Lanka.

**Keywords:** *Capital Structure, Size, Profitability, Tangibility, Growth, Risk, COVID-19*