

# The Influence of Managerial Ownership and Firm Size on Debt Policy Evidence from Listed Manufacturing Companies in Sri Lanka

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## Abstract

**Introduction:** This study looks at how managerial ownership and firm size affect debt policy in listed manufacturing companies in Sri Lanka, using data from the Colombo Stock Exchange (CSE) from 2013 to 2023. It shows that when managers own shares, it reduces conflicts between managers and shareholders, while firm size impacts borrowing capacity and leverage. The research provides useful insights into how these factors influence debt policies in Sri Lanka and fills gaps in existing studies, offering practical guidance for better financial decision-making.

**Methodology:** In this study, a quantitative approach was used, analysing panel data from 10 companies listed on the Colombo Stock Exchange (CSE) over the past 11 years. The main variables examined were managerial ownership (measured by the percentage of shares held by management), firm size (measured by total assets), and debt policy (measured by the debt-to-equity ratio). Multiple regression analysis was conducted, along with diagnostic tests like the variance inflation factor (VIF) and autocorrelation tests, to ensure the reliability of the data and the accuracy of the results.

**Findings:** The study shows that more managerial ownership leads to higher debt because it aligns managers' interests with shareholders. It also finds that larger companies use less debt, likely due to stronger financial positions. The analysis highlights differences in ownership and firm sizes, and the diagnostic tests confirm the results are reliable.

**Keywords:** Managerial Ownership, Firm Size, Debt Policy, Capital Structure, Manufacturing Companies, Sri Lanka, Leverage, Ownership Structures.