

**AN IMPACT ANALYSIS OF FINANCIAL SECTOR INSTITUTIONS' CAPITAL STRUCTURE INFLUENCE
OVER ITS PERFORMANCE IN SRILANKAN**

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Abstract

The capital structure of a firm is basically a mix of debt and equity, which a firm deems as appropriate to enhance its operations (Kyereboah-Coleman, Anthony, 2007). A lot of investigations are being done on the implications of capital structure's selection on organization's value and its performance since the seminal work of Modigliani and Miller (1958). A wee little is empirically known about such implications in emerging economies such Sri Lanka. The purpose of this research is to explore empirically the impact of capital structure decisions on the financial sector organizations' financial performance in srilanka as one of emerging economies.

Regression analysis will be used in this research to identify the relationship between the leverage level and the performance of the financial institutions. Broad data covering the five year periods from 20102015 of financial institutions in srilanka will be gathered and analyzed with the regression analysis. The data all are quantitative in nature and already available on Colombo stock exchange database (secondary evidence). There are 69 financial institutions in Sri Lanka and most of them are levered firms. Based on Return on Capital Employed financial performance measurement and a financial institution's leverage level the results are expected to reveal that capital structure has a moderate level of impact on organization's financial performance.

Capital structure; financial institutions; Sri Lanka; organization performance