

## **The Impact of External Environmental Conditions on Corporate Capital Structure: Evidence from Hotels and Travels Sector in Sri Lanka**

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In the modern financial era, companies adjust their capital structure to cope with the external and internal environmental conditions. The purpose of this study is to investigate the influence of external environment or in other words, institutional and macroeconomic conditions on capital structure decisions of firms listed under hotels and travels sector. The sample of the study comprised with 26 listed companies in hotels and travels sector of Colombo Stock Exchange over a period of 10 years from 2004 to 2013. The analysis is carried out by employing panel data econometric techniques. The empirical results demonstrate in overall institutional and macroeconomic conditions have significant influences on the capital structure decisions of firms listed in the hotels and travel sector. The findings of the study which is a featured departure from the previous studies which emphasize the role that prevailing institutional and macroeconomic conditions play in determining the capital structure decisions in the listed firms in Sri Lanka

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