

Effect of Capital Structure on Stock Price: Evidence from Manufacturing Sector in Sri Lanka

A.M.S.S.Jayarathna

Department of Finance, University of Kelaniya, Sri Lanka

Abstract

Objective of this study is to identifying effect of capital structure on stock price of manufacturing sector in Sri Lanka. This study based on the typical analysis of the impact of capital structure on stock price. Based on literature, debt to equity ratio, interest coverage ratio, debt to total asset ratio used as independent variables and stock price used as a dependent variable. Secondary data were collected from annual reports. As the final result of the research, expects to appear at model which may help to determine the impact of capital structure on stock price. Expected outcome of the multiple regression models, hypothesis testing, and correlation analysis analyzed by using SPSS. In conclusion, summed up the work observed findings there were debt to equity ratio and interest coverage ratio significantly impact to the stock price as negatively and positively respectively while debt to total asset ratio was not significant. Finally, this research derived the prospects for the further study of the problem and recommendations for the possible use of the results in practice.

Key words: *Capital Structure, Debt to Equity Ratio, Debt to Total Asset Ratio Interest Coverage Ratio. Stock Price*