

Impact of Capital Structure on Performance of Listed Manufacturing Companies in Sri Lanka

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This research investigates the impact of capital structure on performance of manufacturing companies' listed Colombo stock exchange (CSE). Capital structure is the combination of debt and owners' equity. Objective of this study is to find out relationship between capital structure and firm performance while searching factors which are significantly affect performance of listed manufacturing companies. This study uses panel data of 16 manufacturing sector companies listed in CSE for the period of 8 years (2009 to 2016). The researcher is use descriptive statistics, correlation and multiple regressions for analysis purpose. The researcher develops five models by considering five different performance measurements as dependent variable. Namely; Net profit ratio (NPR), Gross profit ratio (GPR), Return on asset (ROA), Return on equity (ROE) and Return on capital employed (ROCE). Further researcher is uses Debt to equity ratio (DTE), Debt to asset ratio (DTA), Long term debt ratio (LTDR) and Short term debt ratio (STDR) as explanatory variables for the study. Results reveals except long term debt ratio, other explanatory variables have negative relationship with firm performance and all five regression models accept long term debt ratio as significantly effects to firm performance.

Keywords: Capital structure, Firm performance, Manufacturing companies, Sri Lanka