

Impact of Capital Structure on Firms' Financial Performance: Evidence from Listed Hotel and Travel Companies

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ABSTRACT

Introduction - The purpose of this study is to identify the effect of capital structure on firms' financial performance of listed hotel and travel companies in Colombo Stock Exchange. This study will facilitate individual and institutional investors with information to make the appropriate decision, as this paper delivers whether the capital structure influences the firm financial performance.

Design/Methodology/Approach - The population consisted with 384 companies listed as Hotel and Travel sector on the CSE in June 2019. The Purposive sampling method is used to select a sample of 10 companies listed at CSE (panel data). Secondary data was extracted from audited annual reports and financial statements of firms, sourced from CSE for a period of five years (2014 –2019). Data analysis was done using a regression model since the nature of the data was quantitative using E views.

Findings - The Debt to Equity ratio found with a negative statistically significant impact on ROA. Also, Debt to Equity ratio and ROE has an insignificant positive relationship while debt to equity ratio is significantly and positively impact on EPS. Also, the overall models are significant at 5% confidence levels.

Conclusion - The Capital structure has a significant impact on the financial firm performance of the listed Hotel and Travel companies.

Keywords: *Capital Structure, Financial Performance, Hotel and Travel Companies*