IMPACT OF OWNERSHIP STRUCTURE ON FIRM CAPITAL STRUCTURE

H.S.S. Wijewadhana
Wijewardhana.sachith@gmail,com
Department of Accountancy, University of Kelaniya

Abstract

The ownership of the company is more important because it more impact viruses area in the business and defer each one Which of these forms is right for your business depends on the type of business you run, how many owners it has, and its financial situation. No one choice suits every business: Business owners have to pick the structure that best meets their needs. This article introduces several of the most important factors to consider, including One of the most important decisions you will make about your company involves its ownership structure

The relationship between ownership structure, capital structure and firm performance is far from being unambiguous. Traditional literature highlights that agency problems between managers and shareholders may reduce the leverage ratio below the optimum level, in an attempt to ensure the continued viability of the firm. Jensen and Meckling, (1976) however argue that introduction of managerial share ownership may reduce these agency problems, thus aligning the interests of managers and shareholders.1 Brailsford et al.(2002) have gone further to suggest that the

This research is aimed at determining the relationship capital structure while the impact of this relationship on value of the firm using the panel data of selected large non-financial firms will also be investigated. A contrasting relationship was observed between capital structure and the firm's performance while firm's capital structure was dominated by short term leverage. Leverage was negatively related to return on assets, number of board meetings and the board size while it was positively related to board composition. It was also observed that firm's performance was positively related to leverage, number of board meetings and board size while it was negatively related to board composition.

Key words: Capital structure, Value of the firm, Leverage, Corporate governance.