

## **EFFECT OF CAPITAL STRUCTURE ON FIRM FINANCIAL PERFORMANCE**

K.A.S.P Kuruvita sithumkuruvita@gmail.com

Department of Accountancy, University of Kelaniya

### **Abstract**

This study seeks to investigate the impact of capital structure on firm's financial performance by analyzing the relationship between financial performances of Public limited (Quoted) Company in Sri Lanka. Capital structure is most significant discipline of company's operations. This attempt to identify the impact between Capital Structure and Companies Financial Performance, taking into consideration return on asset (ROA), return on equity (ROE), Gross Profit and Net Profit of Companies.

This study covers 20 sectors of Colombo Stock market in Sri Lanka, and 20 firms were identified as the sample. The analyze will be made the capital structure and its impact on Financial Performance capacity during 2010 to 2014 (04 years) financial year of Business companies in Sri Lanka.

For the purpose of this study, the data will be extracted from the annual reports of sample companies. Correlation and multiple regression analysis are used for analysis. The results revealed there is positive relationship between capital structure and financial performance. And also capital structure is significantly impact on financial performance

**Key words:** Capital structure; financial performance; Return on asset; return on equity; Gross profit; Net profit