

EFFECT OF CAPITAL STRUCTURE ON PERFORMANCE OF PUBLIC LISTED COMPANIES IN SRI LANKA

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Abstract

This study aims to examine the effect on company capital structure to its performance. First examine the relationship between company capital structures on its performance in order to conclude facts which are effecting to company performance. (Ebaid, 2009) Stated that the relationship of capital structure to company performance is neither positive nor negative. However, (Dawar, 2014) and (Sheikh & Wang, 2013) argued that a negative relationship is exist between capital structure and company performance. Furthermore, (Thomsen & Pedersen, 2000) argue that the positive relationship of capital structure and company performance.

Methodology of this research is to collect panel data from fifty companies that are listed in Colombo Stock Exchange (CSE) during the period of 2009 to 2015. Descriptive statistics, Correlation and Regression techniques uses to analyse relationship between Independent and depended variables by process data on regression and correlation techniques. Market to book value ratio (MTBVR) and Return on assets (ROA) uses as dependent variables while using Debt to Equity ratio as independent variable for the analysis. Outcome of this research will be support for investment decisions that are taken by investors. **Key words:** Sri Lanka, Capital structure, Company performance