

EFFECT OF FINANCIAL LEVERAGE ON FIRM SIZE IN SRI LANKAN MANUFACTURING INDUSTRY

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Abstract

Companies differ in the use of financial leverage since it depends on a number of factors such as the size, nature of product, capital intensity, technology, market conditions, management attitude etc. Corporate size seems to be one of the most theorized determinants of financial leverage. Each company uses different level of financial leverage. But not all the companies are achieved success. Some corporates are achieved high market shares & growth rate. But some firm which has faced bankruptcy because they take more debt than the ability of repayment. There for financial leverage affect to the success of the company. In Sri Lanka, many companies they do not know how to maintain capital structure. So we won't to known how to maintain capital structure on firm size.

The purpose of this Research is to investigate, from a manufacturing market perspective, the firm size as a determinant of corporate financial leverage. Take 5 years data from 3 difference size firms, regression model is used to estimate the relationship between financial leverage and firm size. This research shows how firm size affects to financial leverage in Sri Lankan manufacturing industry.

Key words: Small, medium & Large manufacturing institutions; financial information; Capital structure; Ownership structure