

RARE

Capital Structure and Performance of Small Manufacturing Firms Reference to Colombo and Ratnapura Districts

Name: G.C.D Galhena
Index No: FGS/02/25/01/2005/10
Course Code: MBA 62016

ප්‍රවේශ අංකය:	728
වර්ග අංකය:	

The dissertation submitted to the Faculty of Commerce and Management Studies, University of Kelaniya as a partial requirement of the Master of Business Administration Programme.

THE FACULTY OF COMMERCE AND MANAGEMENT STUDIES
UNIVERSITY OF KELANIYA
SRI LANKA
2010 September



Abstract

This research, titled as “**Capital Structure and Performance of Small Manufacturing Firms Reference to Colombo and Ratnapura Districts**” conducted with the purpose of examining the relationship between Level of Performance, Capital Structure and associated financing issues of Small Manufacturing Firms (SMFs) in Sri Lanka.

Small Manufacturing Firms (SMFs) have long been recognized as an engine of economic development in developing countries. It has been identified that the role of the Small Manufacturing Firms (SMFs) is very important for economic development as well as for the development of civil society. A considerable number of research findings are available for understanding the success factors as well as difficulties faced by this sector. However, the number of studies available regarding the effect of Capital Structure on the Performance of such industries is minimal, particularly in Sri Lanka. Having observed this as a problem that has to be researched, the research gap that has not been addressed so far was identified by the researcher. Accordingly three research specific objectives were set and hence the research questions were designed in relation to the objectives. Eventually, three hypotheses were formulated in the course of setting the scope of the research. This study was conducted as an empirical survey where deductive approach was adopted in decision making. The primary data were collected associating a stratified sample of 50 SMFs through administering a questionnaire. Moreover, the secondary data were also associated for further clarification. In data presentation descriptive statistics such as mean, median, mode, standard deviation etc. were utilized. The data analysis was done using inferential statistics. Minitab was used as the main analytical tool. Ultimately, based on the results from data analysis, the certain findings were made and in accordance with that, the conclusions were reached. Upon the conclusions, the degree of capital structure formation in SMFs adversely affects the sales revenue and performance of SMFs. In terms of capital structure formation, it is possible to conclude that their skill level and experience level undoubtedly decide that. The test results showed that the all independent variables are strongly correlated with capital structure formation and performance of SMFs. Several recommendations were also derived and suggestions for future researches were also highlighted with the intention of motivating and guiding other interested researchers.