

Influence of Market Power on Leverage of Listed Manufacturing Companies in Sri Lanka

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Abstract

Main purpose of this study is to investigate whether there is any impact of market power on leverage of listed manufacturing companies in Sri Lanka. Because manufacturing sector has grown faster and number of companies also more than any other sector in Sri Lankan economy. The population of the study is forty companies and thirty five companies are selected, based on the data availability for the study. Annual reports of the listed manufacturing companies from 2013 to 2017 were used as the secondary data source to collect data. Profitability, Growth and tangibility are used as independent variables and leverage is the dependent variable. Data analysis conducted by using Eviews statistical package and several statistical measures such as descriptive analysis, correlation analysis and panel data regression analysis. The study has proved that there is a significant and positive relation between market power and leverage. Profitability & tangibility remained significantly negative with leverage whereas growth remained significantly positive with leverage. The study generates valuable insight in the area of market power and leverage as little is known in Sri Lankan context.

Keywords: Leverage, Market power, Trade-off theory, Pecking order theory