

Impact of Firm Specific and Corporate Governance Factors on Capital Structure - Evidence from Sri Lanka

U. D. W. Ranasinghe
Department of Finance, University of Kelaniya, Sri Lanka
danushikaranasinghe95@gmail.com

ABSTRACT

Introduction - The aim of this empirical study is to explore the firm specific and corporate factors that affect the capital structure of manufacturing firms in Sri Lanka. In more recent studies, researchers have focused on the relationship between internal factors, corporate governance factors and capital structure decisions of the firm separately. However, this study examines the relationship between firm specific and corporate governance factors on capital structure together.

Design/Methodology/Approach - The investigation is performed using panel data procedures for a sample of 15 manufacturing firms out of 38 listed on the Colombo Stock Exchange during 2011-2018. Panel regression analysis is used to analyze the collected secondary data.

Findings - The results suggest that earnings volatility and board independence are related negatively to the debt ratio, whereas non-debt tax shield, growth opportunities and board size is positively linked to the debt ratio.

Conclusion - This study has laid some groundwork to explore the determinants of capital structure of Sri Lankan firms upon which a more detailed evaluation could be based.

Keywords: *Capital Structure, Firm Specific Factors, Corporate Governance Factors, Listed Manufacturing Industries, Sri Lanka*