Determinants of Capital Structure of Commercial Banks of Sri Lanka

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ABSTRACT

Introduction - The purpose of this paper is to identify the determinants of the capital structure of commercial banks of Sri Lanka.

Design/Methodology/Approach - The study based on a quantitative approach and used panel data for the multiple regression model. Entire 26 commercial banks are considered for the population, where 12 listed commercial banks are used as sample for the study.

Findings - The results of this study show that tangibility (TANG), profitability (PROF), size (SIZE) and growth (GROW) insignificant for commercial banks' capital structure. Non-debt tax shield (NDTS) has a positive significant influence on the total debt ratio.

Conclusion - As per the reviews of previous empirical studies, both the positive and negative relationships among the determinants of capital structure have revealed. So there is a mixed relationship between capital structure determinants. According to this study output, out of five independent variables only the Non-debt tax shield (NDTS) has a positive significant influence on the total debt ratio and other four independent variables (tangibility, profitability, size, growth) are insignificant.

Keywords: *Capital Structure, Leverage, Commercial Banks, Sri Lanka*