

## **Impact of Capital Structure on Financial Performance of the Listed Companies in the Material Sector in Sri Lanka**

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A company's capital structure is a critical decision. It is critical not only from the standpoint of profit maximization but also because this decision has a significant impact on a company's capacity to compete successfully. This research paper attempts to investigate the impact of capital structure on a firm's financial performance based on the 18 material sector listed companies in Colombo Stock Exchange (CSE) from 2015 to 2020. SPSS 22 was used to analyze data. Descriptive Statistics, Regression Analysis, and, Correlation Analysis, were used as statistical tests to reveal the relationship and the association between the variables. The results show that debt ratio and debt to equity ratio are negatively correlated with all financial performance measures [Gross Profit Margin (GPM); Net Profit Margin (NPM); Return on Assets (ROA) and Return on Capital Employed (ROCE)]. In conclusion, The Capital Structure has a statistically significant impact on Net Profit Margin and Return on Assets, and the Capital Structure has no significant impact on Gross Profit Margin and Return on Capital Employed.

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