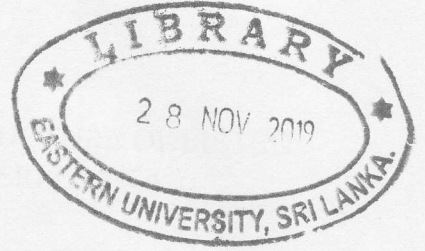


**THE FACTORS INFLUENCING CAPITAL STRUCTURE OF
LISTED MANUFACTURING COMPANIES IN SRI LANKA**



By

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ABSTRACT

Capital structure of a firm determined by several factors. Proper capital structure leads the firm to achieve the better performance and ensures the sustainability in its operations. Chosen the capital structure is one of the major influencing factors for the development of each company. Researcher choose listed firms in the manufacturing sector as a sample because the sector has grown faster and number of companies also more than any other sector in Sri Lankan economy. Further, the contribution of the manufacturing sector to total Gross Domestic Product (GDP) also higher and more compare with other companies and manufacturing industry is the important one in the country's economic development. In Sri Lanka, the above research work carried out by some authors in different periods. The purpose of this study is to fill this void to some extent by providing empirical evidence from a developing country's perspective. The study was undertaken with the objective of finding out the influence of capital structure determinants on leverage level of listed manufacturing companies in Sri Lanka. Here the researcher decided to carry out the research work for the period 2015 to 2018. Researcher selected 25 listed manufacturing companies in Colombo Stock Exchange (CSE) as a sample for this research study. In this study, dependent variable is Leverage level, is measured by total debt to total assets ratio and independent variables are only four determinants such as Profitability, Fixed Interest Coverage, Tangibility, and Earnings Retention. The researcher employed Pearson correlation coefficient, simple regression analysis, and multiple regression analysis in order to answer the research questions.

The findings of this study reveals that Profitability and Fixed Interest Coverage are negatively significant in influencing the leverage level. The Tangibility is found positively significant in influencing the leverage level and Earnings Retention is found insignificant with Leverage level. Further, these four determinants together significantly explain the variation in leverage level of listed manufacturing companies in Sri Lanka.

Keywords: Capital Structure, leverage level, determinants of capital structure, manufacturing companies, CSE

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