

**THE IMPACT OF CAPITAL STRUCTURE ON PROFITABILITY
OF LISTED PLANTATION COMPANIES IN SRI LANKA(CSE)**



By

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ABSTRACT

This study was conducted to bring an insight about impact of capital structure on profitability of listed plantation companies Sri Lanka. The data period for the study was 2012 to 2016 and analyzed it using descriptive statistics, Correlation analysis, and Regression analysis.

The study used multiple regression analysis method to explore the impact of capital structure on profitability. Data was collected from 17 plantation companies listed in CSE. The study used profitability measures (including return on equity, return on asset) as dependent variable. The three capital structure measure (including debt to total assets ratio, debt to equity ratio, interest coverage ratio) as independent variable.

The results revealed that debt to equity and Interest Coverage has significant impact on ROA, ROE. The multivariate regression analysis indicates that debt to total asset ratio and Interest coverage ratio positively relate to the ROA but only interest coverage ratio are significant and debt to equity ratio negatively relate to the ROA. The multivariate regression analysis indicates that debt to total asset ratio, debts to equity ratio and Interest coverage ratio positively relate to the ROE but interest coverage ratio, debts to equity ratio and are significant, whereas debt to total asset ratio is not significant.

The study concluded that an optimal level of capital structure, effective utilization and allocation of resources shall be employed to achieve the targeted level of efficiency in business.

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