

**IMPACT OF CAPITAL STRUCTURE ON PROFITABILITY OF LISTED
COMPANIES IN COLOMBO STOCK EXCHANGE, SRI LANKA**

1339

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ABSTRACT

This research on “a study on the impact of capital structure on profitability of listed companies in Colombo Stock Exchange, Sri Lanka” is designed to examine the relationship debt equity ratio and related variables. Such as net profit ratio, return on capital employed, return on equity describes and explains the different type of the decision makers.

This study to examine how the capital structure impact on the profitability results based on top 30 samples companies listed on Colombo Stock Exchange (CSE). The researcher should be able to observe significant ratio adjustments to such information.

Capital structure decision is the vital one since the profitability of an enterprise is directly affected by such decision. The successful selection and use of capital is one of the key elements of the firms' financial strategy. Hence, proper care and attention need to be given while determining capital structure decision. The purpose of this study is to investigate the relationship between capital structure and profitability of top 30 companies in CSE over the past 5 year period from 2008 to 2012. The data has been analyzed by using descriptive statistics and correlation analysis to find out the association between the variables. Results of the analysis show that there is a negative association between capital structure and profitability except the association between debt to equity and return on equity.

Researcher

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