

ANALYSIS OF CAPITAL STRUCTURE OF SRI LANKAN  
COMPANIES LISTED ON COLOMBO STOCK EXCHANGE.



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## ABSTRACT

Capital structure is a crucial for any business organization in financing. One of the most important decisions confronting a firm in finance is the design of its capital structure. This refers to the various financing options of the asset by a firm. A business concern can go for different levels of the mixtures of equity, debt and/or other financial facilities. These situations compel business managers to device various strategies of managing internally generated revenue to enhance their chances of making profit and meeting existing shareholders expectations. Therefore, a crucial issue is to understand and examine the level of capital structure.

According to this problem the research questions can be identified as, what is the extent level of capital structure on Sri Lankan Companies?" Therefore the objectives of the research can shows as, to find out the level of capital structure of Sri Lankan Companies listed on Colombo Stock Exchange.

Secondary data was used in this study which was collected from financial reports, and magazines published by Colombo Stock Exchange in Sri Lanka. Quantitative approach was conducted in this study. In order to carry out the study, capital structure was measured by debt/ equity ratio. There are 289 companies registered on the CSE under twenty sectors. For conducting this research, four years data (2010 – 2013) were gathered from 50 companies from 10 sectors. Financial ratios, descriptive statistics and graphical chart were used to present the conclusion.

The research discussion showed that, debt equity ratio is at moderate level that over all Sri Lankan Companies maintain capital structure at same level of debt capital and equity capital. Even though, Equity capital was slightly preferred compare with debt capital by Sri Lankan Companies. Moreover, this study reached a conclusion that the Capital structure level was diversified by sector wise. Some variations were identified in capital structure among the sector wise. And various debt capital components and equity capital component were identified in Sri Lankan companies of financing source.

# CONTENTS

LIST OF TABLES.....	x
LIST OF FIGURES.....	xi
1 INTRODUCTION.....	1
1.1 Background of the study.....	1
1.2 Problem Statement.....	3
1.3 Research questions.....	4
1.4 Research Objectives.....	4
1.5 Significance of the study.....	5
1.6 Scope of the study.....	5
1.7 Summary.....	6
2 LITERATURE REVIEW.....	7
2.1 Introduction.....	7
2.2 Capital structure.....	7
2.3 Optimal capital structure.....	9
2.4 Components of capital structure.....	10
2.4.1 Shareholder's Funds (Owned Capital).....	11
2.4.2 Borrowed Capital.....	12
2.5 Financial Leverage.....	14
2.5.1 Financial Leverage Ratio.....	15
2.6 Different organizations have diverse capital structure.....	18
2.7 Debt Equity Management.....	19
2.8 Summary.....	20
3 CONCEPTUALIZATION AND OPERATIONALIZATION.....	21
3.1 Conceptualization.....	21
3.1.1 Capital Structure.....	21
3.2 Operationalization model.....	23
3.2.1 Operationalization of Variables.....	24
3.3 Summary.....	25
4 METHODOLOGY.....	26
4.1 Introduction.....	26
4.2 Study Setting, Design, Method of Survey.....	26



4.2.1	Study Setting.....	26
4.2.2	Study design.....	26
4.2.3	Method of Survey.....	26
4.3	Sampling.....	27
4.4	Data source and method of Data collection.....	28
4.5	Measurement.....	29
4.6	Data Analysis and Presentation .....	29
4.6.1	Data Analysis .....	29
4.6.2	Data presentation.....	30
4.7	Method of data evaluation .....	30
4.8	Reliability and Validity of the Data .....	31
4.9	Summary.....	31
5	DATA PRESENTATION AND ANALYSIS.....	32
5.1	Introduction.....	32
5.2	Data Analysis.....	32
5.3	Companies under the sector wise classification.....	33
5.4	Find out the ratio of extent level of capital structure, average level of equity capital and debt capital of Sri Lankan Company by each company wise. ....	34
5.4.1	Objective 1: Find out the average level of debt of Sri Lankan Companies.....	36
5.4.2	Objective 2: Find out the average level of equity capital of Sri Lankan Companies.....	36
5.4.3	Objective 3: Find out the average level of debt of Sri Lankan Company .....	36
5.5	Univariate Analysis.....	37
5.5.1	Descriptive Statistics of Debt equity under sector wise view.....	37
5.5.2	Descriptive Statistics of equity capital under sector wise view.....	39
5.6	Capital structure components of Sri Lankan companies .....	43
5.6.1	Objective 4: To know the equity components in capital structure of Sri Lankan companies.....	43
5.6.2	Objective 5: To know the debt components in capital structure of Sri Lankan companies.....	44
5.7	Analysis of capital structure variation by industrial types .....	45

5.8 Summary.....	45
6 DISCUSSION .....	46
6.1 Introduction.....	46
6.2 Discussion on company profile.....	46
6.3 Discussion on Objective 1:.....	46
6.3.1 Bank and finance sector.....	47
6.3.2 Beverage and tobacco.....	47
6.3.3 Chemical & pharmaceutical.....	47
6.3.4 Construction& Engineering sector.....	47
6.3.5 Diversified and Holding .....	47
6.3.6 Footwear & Textile .....	48
6.3.7 Manufacturing.....	48
6.3.8 Motors.....	48
6.3.9 Oil palms.....	48
6.3.10 Plantation .....	48
6.3.11 Over all sector wise .....	48
6.4 Discussion on Objective 2 and 3:.....	49
6.4.1 Bank and finance sector.....	49
6.4.2 Beverage and Tobacco sector .....	49
6.4.3 Chemical and Pharmaceutical sector.....	49
6.4.4 Diversified and Holding sector .....	50
6.4.5 Construction& Engineering sector.....	50
6.4.6 Footwear & Textile sector .....	50
6.4.7 Manufacturing sector.....	50
6.4.8 Motors sector .....	50
6.4.9 Oil palms.....	50
6.4.10 Plantation sector .....	51
6.5 Discussion on Objective 4 .....	51
6.6 Discussion on Objective 5 .....	52
6.7 Analysis of capital structure variation by industrial types .....	52
6.8 Summary.....	53
7 CONCLUSIONS AND RECOMMENDATION .....	54
7.1 Introduction.....	54

7.2	Conclusions.....	54
7.3	Recommendations.....	55
7.4	Limitation of the study.....	56
7.5	Summary.....	57
	REFERENCE.....	58