

DETERMINANTS OF OPTIMAL CAPITAL STRUCTURE IN SRILANKAN COMPANIES

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ABSTRACT

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. According to this problem the research questions can be identified as, capital structure on 'DETERMINENT OF OPTIMAL CAPITAL STRUCTURE IN SRILANKAN 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.

Quantitative approaches were conducted in this study. Secondary data was used in this study. Secondary data were collected from financial report of the selected companies, and magazines which were published by Colombo Stock Exchange in Sri Lanka. In order to carry out the study, capital structure was measured by debt/ equity ratio. There are 295 companies registered on the CSE under twenty sectors. For conducting this research, four years data (2010 – 2013) were gathered from 33 companies from 5sectors. Descriptive statistics and chart were used to present the conclusion.

The research discussion shows that, leverage 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. And various debt capital components and equity capital component were identified in Sri Lankan companies financing source.

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