



**A STUDY ON THE IMPACT OF CAPITAL
STRUCTURE ON FINANCIAL PERFORMANCE
OF LISTED COMPANIES IN SRI LANKA**
(EVIDENCE FROM BEVERAGE FOOD & TOBACCO SECTOR)

This dissertation is submitted as a partial fulfilment of the degree of
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P. A. R. M. Perera
UWU/ENM/13/0245
Management Sciences

ABSTRACT

Capital structure is an important tool to make the financial decisions within the organization. Optimum capital structure shows the best combination debt and capital where maximized the firm value. In the scholarly findings contradictory ideas about how capital structure impact on financial performance are available. So this study was conducted with objective of identify the impact of capital structure on financial performance of listed companies in Sri Lanka. Debt to equity ratio was used as to measure the capital structure as dependent variable, financial performance measured by return on equity (ROE), return on assets (ROA) and earnings per share (EPS) based on transcend literature. 17 listed companies were selected out of the 21 listed companies under the Beverage Food and Tobacco sector. The data collected from the annual reports and other relevant disclosures which relevant to ten financial years (from 2007 to 2016 time period). Data were analyzed by E- views statistical software to obtain the objectives of the study. By using Pearson correlation and random effect regression model analyzed panel data in the study. The results revealed that there is a significant positive relationship between capital structure and financial performance. Based on the results, the organizations can increase their capital structure to increase the financial performance of the organizations. Stakeholders can make investment decisions and get idea about the financial performance of the organization.

Key Words- *Capital Structure, Return on Assets, Return on Equity, Earnings per Share*