



**Uva Wellassa  
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**ANALYSIS OF THE DETERMINANTS OF FINANCIAL  
LEVERAGE (SELECTED SECTOR WISE COMPANIES  
LISTED IN COLOMBO STOCK EXCHANGE)**

*This dissertation is submitted as a partial fulfillment of the degree of  
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## **ABSTRACT**

# **ANALYSIS OF THE DETERMINANTS OF FINANCIAL LEVERAGE (SELECTED SECTOR WISE COMPANIES LISTED IN COLOMBO STOCK EXCHANGE)**

*Key word: leverage, determinants of leverage, Capital structure*

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This study demonstrates the determinants of financial leverage decisions of firms, specifically for listed firms in Colombo Stock Exchange. This study examines the differences in the determinants of capital structure decisions of various sectors. Hence the present study was undertaken with the objective of finding out the relationship between financial leverage determinants of the listed companies in Sri Lanka. Using a multiple regression analysis, the leverage behavior of the listed manufacturing, plantation, food beverage and tobacco, land and property, diversified, hotel and travel sector companies in Colombo stock exchange market in Sri Lanka was examined for the period of 2006-2011. The final sample consists of 72 companies. The result reveal that tax rate, non debt tax shield, firm size, profitability and growth factors are significant. According to the capital structure theory, the importance of firm level determinants of capital structure, non debt tax shield, profitability, tax rate and size are confirmed.