

Determinants of Capital Structure: Evidence from Listed Manufacturing Companies in Sri Lanka



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A b s t r a c t

This was an attempt to identify the determinants of capital structure of listed manufacturing companies in Sri Lanka. Panel data were extracted from 20 listed manufacturing companies from 2012-2016. Current study considered the profitability, tangibility, size, growth, liquidity, taxation and non debt tax shield as factors to determine the capital structure. Fixed effect model and random effect models were performed to examine the factors determining the capital structure of listed manufacturing companies in Sri Lanka. Hausman specification test was used to evaluate the best model from random and fixed effect models. Fixed effect model was considered as best model to explain the results: profitability, tangibility, size, liquidity and taxation as determinants of capital structure in terms of long term debt to total assets ratio and total debt to total assets ratio.

Keywords: *Capital structure, Determinants, Manufacturing companies*