

Corporate governance practices and capital structure: a case in Sri Lanka.

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International Journal of Business and Management, 8(21), 114-124.

<http://dx.doi.org/10.5539/ijbm.v8n21p114>. (2013).

Abstract

The purpose of the study is to find out the significant mean difference in the capital structure among the corporate governance practices, and secondary objective of the study is to suggest the listed Manufacturing companies in the Sri Lankan context to adopt corporate governance practices towards the capital structure. In this view, Twenty eight manufacturing companies listed on Colombo Stock Exchange in Sri Lanka were selected as sample size for the periods, 2009, 2010 and 2011. The one-way Anova (f-test) and independent sample t-test were used to find out the significant difference in capital structure among corporate governance practices. Findings revealed that, Corporate Governance Practices contributes significantly to Capital Structure. Board Committee in the Corporate Governance Practices contributes significantly to Capital Structure. And also Capital Structure is not contributed significantly by Board composition, Board Size, Board Meeting and Leadership Structure in Corporate Governance Practices. Meantime, there is no significant difference in the capital structure in terms of leverage among corporate governance practices of the listed manufacturing companies in Sri Lanka. Due to that, further study should focus on the determinants of capital structure in the listed manufacturing companies to take cues in the financial leverage of the particular companies. Further, suggestion was made that corporate governance rules should be strictly mandated by the Securities and Exchange Commission of Sri Lanka. In addition, political, economic, technological and social & cultural aspects of the Sri Lanka should be considered in the policy framework of the corporate governance.

Keywords: capital structure, corporate governance practices, and listed manufacturing companies