

THE CAPITAL STRUCTURE OF SRI LANKAN COMPANIES

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ABSTRACT

This study examines the use and the determinants of leverage in a cross-section of quoted companies in Sri Lanka using a sample of firms listed in the Colombo Stock Exchange. The results indicate that the use of long-term debt is relatively low. The tangibility and growth opportunities are not related to leverage. Firm size is reliably positively related to leverage indicating a tendency for large firms to use more leverage. Profitability is reliably negatively correlated to leverage suggesting that more profitable firms tend to use less leverage.