

**THE IMPACT OF CHANGE IN CAPITAL STRUCTURE
ON SHARE PRICES OF LISTED COMPANIES
IN SRI LANKA**

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ABSTRACT

The research about "The Impact Of Change In Capital Structure On Share Prices Of Listed Companies In Sri Lanka" The Colombo Stock Exchange (CSE) is accompany limited by guarantee and established under the Companies Act No. 17 of 1982(Registered under Companies Act No 10 of 2007) and licensed by the securities & Exchange commission of Sri Lanka.CSE is currently having 15 Full members and 12 Trading members to trade equity & debt securities and 1 trading member specializing in the trading of debt securities.

In Literature Review is intended to give a description about the Capital structure, how do various factors affecting the capital structure, development of the Capital structure and previous empirical evidences related to the study.

Total sample of the study consists of 50 companies from four sectors (Bank, Finance, Insurance sector, Food and beverage Sector, Footwear & Textile, Health care, Hotels, Information Technology & Investment Trust Sectors and Land & Property Sector) in terms of number of companies at CSE for the four years 2008 and 2011.

These research examine the capital structure behaviors and effects on the fluctuation of CSE prices. Further this examines possible connection of ROE, ROA and company age on the share prices.

Correlation and Regression analysis have been used to identify this relationship. Spss software has been used for calculation.

The Researcher has found a negative significant between share price and capital structure. The government should be applied properly rules and regulation for the stock market activities.

Key Words: Share Price,Debt Equity Ratio, Company Age, Return On Assets, Return On Equity