

Capital Structure, Liquidity Position and Their Impact on Profitability: A Study of Listed Telecommunication Firms in Colombo Stock Exchange (CSE), Sri Lanka

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Abstract

The focus of this study is to find out the significant impact of capital structure (CS) and liquidity position (LP) on profitability and identify the relationship between CS, LP and profitability of listed telecommunication firms in Colombo Stock Exchange (CSE) from the financial year 2008 to 2012. CS is vital in determining the return on equity (ROE). There are number of studies in the field of CS and profitability also those studies reveal different results. Regression and Correlation analysis were performed in this study; regression results revealed that there is no significant impact of capital structure and liquidity position on the profitability however Dialog Axiata PLC's capital structure and liquidity position have a significant impact on its profitability. Correlation results confirmed that there is no significant relationship between listed telecommunication firms' capital structure, liquidity position and profitability but capital structure is negatively correlated with its profitability. Finally as a researcher suggested that Dialog Axiata PLC should heavily focus on its capital structure and liquidity position to enhance its profitability, on the other hand Sri Lanka Telecom should give consideration on other factors which can influence or impact its profitability other than capital structure and liquidity position in the future.