

**JACEK JAWORSKI**

WSB University in Gdańsk, Poland

**LESZEK CZERWONKA**

University of Gdańsk, Faculty of Economics, Poland

## **IMPACT OF CAPITAL STRUCTURE ON ENTERPRISE'S PROFITABILITY: EVIDENCE FROM WARSAW STOCK EXCHANGE**

### **Abstract:**

The aim of the paper is to diagnose the impact of the capital structure of companies listed on the Warsaw Stock Exchange on their profitability. The ratios used in the profitability measurement are Return on Sales (ROS), Return on Assets (ROA) and Return on Equity (ROE). The capital structure is characterised by the total debt ratio (DR) and long-term debt ratio (LDR). The method of the empirical study is panel analysis of data from financial statements of 372 companies listed in Warsaw in the years 1998 - 2016. As control variables, the size of the company and the rate of its growth were assumed.

The results of the study indicate that the impact of the total debt share in the capital structure on profitability is negative. On the other hand, the dependence between profitability and long-term debt is positive. In addition, it has been found out that a greater size of a company results in higher profitability. A similar relationship is observed for the company growth rate.

The limitations of the research are: a time-limited and number-limited research sample and lack of consideration in the study of external conditions (e.g. the general economic situation, the industry, internationalisation etc.).

### **Keywords:**

profitability, return on sales, return on assets, return on equity, leverage, sources of finance, capital structure

**JEL Classification:** G32, C23