

Effect of Credit Rating on Capital Structure: With Reference to the Listed Companies on Colombo Stock Exchange

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Abstract

Aim of this study was to investigate whether the credit rating is an important determinant other than the firm's characteristic to obtain optimal capital structure focusing on the research hypothesis that the firms with higher credit along with the other factors (FTOA, ROA and Size) tend to have more debt in their capital structure of firms rated by Fitch Ratings Lanka Ltd. For this research, sample size of 40 observations (2 years data of 20 firms) was taken on the basis of convenience sampling. Secondary data were used for the research and data were collected from Fitch Rating Lanka, Colombo Stock Exchange and Annual reports of the firms. Results obtained by using regression analysis.

Key Words: *Credit rating, Capital structure, CSE, Listed companies*