Impact of Credit Rating on Capital structure: with Special Reference of Banking Sector in Sri Lanka

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Abstract

Credit Rating is used to determine credit worthiness. Capital structure plays the most significant role in the firm's financial decision making. The main purpose of this research is to measure the impact of credit Rating on capital structure.

This study conducts using the quantitative approach. This research based on 24 listed Banking companies in Colombo stock exchange (CSE), employing secondary data for 5 years from 2015 to 2019. To analyze data regression analysis use. Capital structure is measure using Total liabilities over total assets and Credit rating measured by using Return on Asset (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Current asset over current liability, and fixed assets over total.

The study will be useful to investors, lenders, borrowers, policy maker and managers to use their decision making process. In this research findings will be different credit rating level are associate with discrete cost and benefits to the firm.

Key words: *Credit rating, Capital structure, listed banking companies*