

**Factors Effecting Leverage in the non-financial
Sector of Pakistan (A study of Chemical Sector
companies listed in Karachi Stock Exchange)**



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ABSTRACT

Purpose – The aim of this study is to examine the factors that are affecting the leverage for the company while determining the capital structure of the company and the empirical findings on the ten non-financial companies from the chemical sector of Pakistan listed in Karachi stock exchange.

Design/methodology/approach – To find the relation between dependent and independent variables multiple regression model is used with the help of statistical package for social sciences SPSS that the factors have an impact on to leverage of the company and hence affecting the financial performance of the company. Leverage of a company is dependent variable whereas profitability of the company, growth, tangibility, size of the company, tax and risk are the independent variables. The sample is based on ten companies of chemical sector of Karachi stock exchange and the data is analyzed from 2010 to 2014. The data is collected from financial statements of the companies.

Results – The companies in the chemical sector shows 63% variation because of these independent variables. The companies mostly dependent on internal source of financing rather than external source of financing and companies using equity to finance their long term investment decisions and debt financing is contributing to a very limited extent.

Keywords: Capital structure, leverage, profitability, growth, firm size, tax, tangibility and risk

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