The Impact of Capital Structure on the Firms' Performance: a Case of Cement Industry of Pakistan

By

Shoaib Usman	(02-112192-058)
Rehab Nadeem	(02-112192-037)
Muqadas Noor	(02-112192-028)

A Project submitted to the Department of Management Studies, Bahria University – Karachi Campus, in partial fulfillment of the requirement for the BS (A&F) Degree

Bs (Accounting & Finance)
Spring-2023
Bahria University, Karachi Campus

PROJECT APPROVAL STATEMENT

APPROVAL FOR EXAMINATION

Candidate's Name: Shoaib Usman Registration No.: 64969
Candidate's Name: Rehab Nadeem Registration No.: 64953
Candidate's Name: Muqadas Noor Registration No.: 64946

Project Title: The precedence of Capital Structure on the Financial Performance of Cement Industry of Pakistan

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found 10% similarity index at that is within the permissible limit set by the HEC for the BS (A&F) Final Year Project. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: ______ Date: 25/Jul/23.

Supervisor's Name: Asad Ali Minhas

HOD's Signature: ______ Date: ______

1st Half Semester Progress Report

Name of Student(s)	Shoaib Usman, Muqaalas Noor, Rehab Nadeem
Enrolment No.	02-112192-058, 02-112192-028, 02-112192-037
Thesis/Project Title	The impact of capital structure on the firm's Performance a case of Cement Industry of Pakistan

Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	13/3	Cubical	discussion on Topic.	
2	27/3	Cubical	strategies for literature review	
3	3/4.	Cubical	Review of methodology	
4	17/4.	Cubical	Proposal review	

Progress Satisfactory ☑ Progress Unsatisfactory ☐

Remarks:____________________

Signature of Supervisor: ____________ **Date:** ______

Name of Supervisor: Asad Ali [illegible]

Note: ***Students must attach 1st & 2nd half progress report at the end of FYP spiral copies.***

Declaration of authentication

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

Student's Signature: ____________________

Student's Signature: ____________________

Student's Signature: ____________________

Table of Contents

ACKNOWLEDGEMENT

In the beginning, we would start by expressing thanks to Almighty Allah for granting us the knowledge, wisdom, and ability to undertake this project. Furthermore, we sincerely thank everyone who has provided their assistance throughout this project. We extend our heartfelt appreciation to our research project supervisor, Sir Asad Ali Minhas, and the research coordinator, whose unwavering support and dedication in conducting meetings, offering valuable insights, and overseeing our work have significantly influenced the direction and quality of this research. We would also like to acknowledge our university, as well as the esteemed Dean and Head of the Department, for granting us the opportunity to explore such an intriguing subject. Their vision and encouragement have allowed us to gain practical experience in conducting research. We would also like to express our gratitude to our classmates, whose valuable feedback and suggestions have played a crucial role in refining our project and improving its quality. Additionally, we are grateful to our parents, whose constant love, support, and inspiration have served as a consistent source of motivation. Their unwavering belief in our abilities and continuous support throughout this project have been vital to our achievements. We extend our heartfelt thanks to all the individuals mentioned above for their unwavering assistance, guidance, and cooperation throughout this research project. We sincerely appreciate their contributions, which have undoubtedly enhanced the quality of our study.

ABSTRACT

The aim of the study is to examine the impact of the capital structure on the firms' performance in the cement sector while also gaining understanding of how both debt and equity financing affect the firm performance. The data utilized for the study was taken for a period of five years from 2018-2022 from the financial statements of the 16 cement firms listed on Pakistan Stock Exchange. The data type was panel data as it consisted of multiple time series and cross-sections. EViews 12, a statistical program for data analysis, was used to enter the acquired data and determine the effects of independent variables on dependent variables. ROA and ROE were used as dependent variables and total debt and total equity were taken as independent variables. The Pooled, fixed, and random effect models were used to analyze the data and p-values were used to test the hypotheses. The results indicated a significant impact of both total debt and equity on ROA of cement industry but an insignificant impact on ROE. Additionally, it was discovered that total equity had a positive relationship with financial performance whereas total debt had a negative relationship. In conclusion, these findings will help managers understand the implications of the respective method of financing and choose a suitable capital structure in order to achieve the best financial performance and will also contribute to the current body of literature that may be utilized to research new areas for research.

Keywords: Capital structure, Financial Performance, Pakistan Stock Exchange, E-views