

“IMPACT OF FINANCIAL LEVERAGE ON FIRMS PERFORMANCE; STUDY FROM THE PERSPECTIVE OF CEMENT INDUSTRY OF PAKISTAN”

BY

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22405

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



BS (ACCOUNTING & FINANCE)

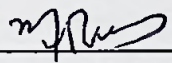
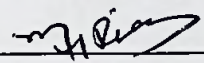
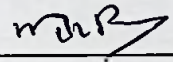
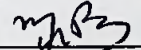
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Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	3 rd March	Cubical	Title and Literature review	
2	17 th March	Cubical	Conceptual framework	
3	31 st March	Cubical	Research Question	
4	14 th April	Cubical	1 st Draft Proposal	

Progress Satisfactory

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Remarks: _____

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Date: 24-7-23

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

PROJECT APPROVAL STATEMENT

APPROVAL FOR EXAMINATION

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Project Title: "Analyzing the relationship and effects between financial leverage and firms' performance, a comparative study of Pakistan Cement Industry."

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 similarity index at 12% that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

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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.

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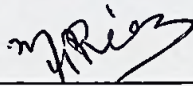
A handwritten signature in black ink, appearing to read "M. Rios", is written over a horizontal line.

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ABSTRACT

The main objective of the current research study is to investigate the effect of financial leverage on profitability of the cement firms of Pakistan. The methodology of research consists of quantitative nature using deductive approach. The population includes the cement firms of Pakistan's listed companies. The sample include 16 top cement firms of Pakistan. which were selected to estimate the industrial performance of the country. The data was secondary as it was collected from the Pakistan Cement Industry annual report from State Bank of Pakistan (SBP) for period 2005. The results of our study are based on three variables, financial leverage, ROE & ROA for firms' profitability as these two ratios measures the financial performance. The study showed that financial leverage has an inverse relationship with ROA & ROE which are directly proportional to the financial performance. Pakistan cement firms generating more profit with ROA rather than ROE, due to which the cement firms of Pakistan are not suitable for the investors to invest in it and not liable to generate profit with return on equity available to it. The firms should decrease their financial leverage value and increase their return on equity (ROE) to make the firm less risky and capable in its paying back as the firm with significant financial leverage can increase in the returns of investors.

Keywords: Financial leverage, (ROA & ROE) Profitability, Pakistan cement industry.