

**Impact of financial crisis on capital structure determinants of investment
banks in Pakistan**



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Abstract

Investment banks also faced challenges as outcome of the financial crisis. This study aims to explore the various factors that determine the choice of financing sources for public limited companies in the investment banking sector of Pakistan. The impact of firms' profitability, liquidity, tangibility and size on capital structure of KSE listed Investment banks is investigated. Each determinant becomes less or more important when it is related to the leverage. Although there is no direct effect of crisis on Pakistani banks but indirect effect can't be ignored. The basic purpose of this study is to examine the various determinants of capital structure of Investment Banks in Pakistan during and after the global financial crisis. How different determinants are effected by crisis and their effect on capital structure. Panel regression analysis is used in the study. The Investment banks listed in Karachi Stock Exchange (KSE) are selected to conduct the study. Secondary data from the year 2007-2011 is used to gain insight about effect of financial crisis on capital structure. Sample of 9 banks was selected in order to reach conclusion. The result of study shows that there is effect of crisis on all the determinants and all are decreased as result of financial crisis. On the other hand situation during and after crisis is completely different. The results gave the message to review the strategies in order to avoid from such a situation in future.

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Table of Contents

Chapter 1.....	1
1 Introduction.....	1
1.1 Financial crisis:	1
1.1.1 Reasons of financial crisis.....	2
1.2 Importance of banking sector.....	4
1.3 Effect of crisis on world and Pakistani economy:.....	5
1.4 Capital structure	8
1.4.1 Relationship between capital structure and performance of firm	9
1.5 Broad problem area.....	10
1.6 Rational of study	10
1.7 Objectives of the study.....	10
1.8 Limitations of study	11
Chapter 2.....	12
2 Literature Review.....	12
2.1 Theories of Capital Structure	12
2.1.1 Modigliani and Miller Theory (M&M):.....	12
2.1.2 Agency theory:.....	13
2.1.3 Trade-off Theory:.....	14
2.1.4 Peking order theory:.....	14
2.1.5 Signaling Theory:.....	15
2.2 Determinants of capital structure	16
2.2.1 Profitability	19
2.2.2 Liquidity:.....	20
2.2.3 Tangibility:.....	20
2.2.4 Size of Firm.....	21
2.2.5 Growth	22
2.3 Financial crisis and leverage:.....	23
2.4 Liquidity crisis	26
2.5 Effect of crisis on overall financial markets	27
2.6 Capital structure and previous studies in Pakistan	27
2.7 Research Question	28
2.8 Hypothesis Development	29
2.8.1 Hypothesis 1.....	29
2.8.2 Hypothesis 2.....	29
2.8.3 Hypothesis 3.....	30

2.8.4 Hypothesis 4.....	30
Table Relationship between variables.....	31
2.9 Theoretical framework.....	32
2.9.1 Variables relationship	32
2.10 Dependent variable	33
2.10.1 Leverage.....	33
2.11 Independent variable	33
2.11.1 Profitability	33
2.11.2 Liquidity.....	34
2.11.3 Tangibility.....	34
Chapter 3.....	35
3 Data and Research methodology.....	35
3.1 Data.....	35
3.1.1 Quantitative Data	35
3.1.2. Secondary data.....	35
3.2 Sample	36
3.3 unit of analysis	36
3.4 Research Model	36
3.5 Procedure to conduct research	37
Chap 4.....	38
4.1 Data Analysis and results discussions.....	38
4.2 During crisis.....	43
Chap 5	45
Conclusion and recommendations	45
Conclusion	45
Recommendations.....	46
References	47
Appendixes	50
Abbreviations used.....	51