

# **THE IMPACT OF DEBT FINANCING ON PROFITABILITY: AN EMPIRICAL ANALYSIS**

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## Project Approval Statement

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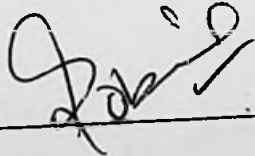
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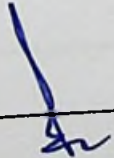
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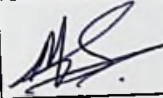



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# 1<sup>st</sup> Half Semester Project Report

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No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	12-2-25	Supervisor's office	Topic of Research	
2	5-3-25	=	Introduction	
	23-4-25	=	Literature Review	

Progress Satisfactory

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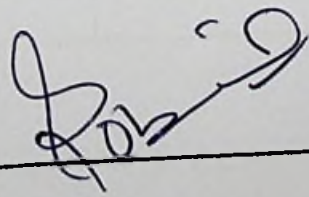
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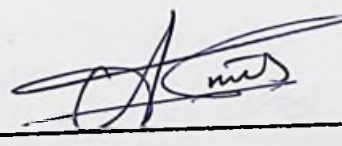
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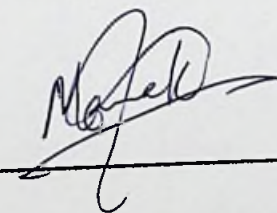
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## Declaration of Authentication

I hereby, declare that no portion of the work reffered 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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## Acknowledgment

First, we are thankful to Allah, who is the holder of our breaths, without His orders nothing is possible. In completing our project, we took help and guidelines of some respected people, who deserve our appreciation and we are thankful to them. We would like to show our deepest gratitude to **Ms. Sobia Murtaza**, Course Supervisor, Bahria University for giving us helpful guidelines for this project through numerous online consultations. We are thankful to all those who have directly and indirectly provided us with guidance us in completing this report. Our project Coordinator **Dr. Fazeelat Masood** as well as our Dean and our H.O.D who gave us this golden opportunity to do this project on the topic "The Impact of Debt Financing On Profitability: An Empirical Analysis". This has also helped us by the extensive research we undertook due to which we explored many newer things which will be helpful in our practical and work life.

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## ABSTRACT

**Purpose:** The study investigates the relationship between debt financing and the profitability of Food and Care companies listed on the Pakistan Stock Exchange (PSX). It aims to determine whether increasing debt structure affect firm profitability positively or negatively, providing insights for management and investors. It aims to determine whether increasing debt structure affect firm profitability positively or negatively, providing insights for management and investors.

**Methodology:** The study uses a quantitative research design, analyzing secondary data from 18 consumer goods companies listed on PSX over a period of 10 years (2015 – 2024). Profitability is measured using ROE. The analysis is conducted using multiple regression via stata 17 to assess the impact of debt structure on profitability. Liquidity was introduced as a moderator to test whether firms with better liquidity manage debt more profitably.

**Findings:** The results show that Short-term debt has no impact on ROE. Long-term debt has a negative and significant impacts on ROE. These findings suggest that reliance on short-term borrowing increases profitability, while long-term debt does harm performance.

**Originality / value:** This research adds value by focusing on a specific and underexplored segment of the Pakistani market—consumer goods firms—providing targeted insights for financial managers and investors regarding optimal capital structure.

**Keywords:** Debt Financing, Profitability, Return on Assets, Capital Structure, Consumer Goods Sector, Pakistan Stock Exchange