

**The Impact of Capital Structure on Performance of Sugar
Industry of Pakistan**



BY

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A thesis presented to Management Sciences Department of Bahria University, Islamabad in partial fulfillment of the requirements for the degree of Master of Sciences

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Dedication

This thesis is dedicated to my parents who have been instrumental in successful completion of my thesis.

ABSTRACT

Capital structure decision is the way a firm uses debt or equity or mixture of both to finance its working requirements (Khanum, Nasreen and Pirzada, 2014). The main objective of this research is to analyze how capital structure affects the working of sugar producing firms in Pakistan. The researcher is induced due to bad financial performance and large amount of debts taken by sugar manufacturing companies of Pakistan. This study used secondary data of sugar companies registered in KSE of Pakistan from 2005 to 2014. A sample of 30 sugar firms listed in Karachi Stock Exchange is being used to establish the result of this research. This study used short term debt to total assets (STDTA) and long term debt to total assets (LTDTA) for the measurement of capital structure and for measuring financial performance of firm return on assets (ROA), return on capital employed (ROCE) and net profit margin (NPM) were used. Further Age and size of the firm is being used as control variables. This study used descriptive research design and for analysis; descriptive statistics, correlation analysis and fixed and random effects regression analysis were applied. The findings reveals that there is negative effect of short term debts on all variables used as a proxy for performance and there is a positive effect of long term debts on performance. Age and size of the firm have significant positive effect on performance measured by net profit margin (NPM). This study suggested that managers might decrease their over reliance on debt and they might use long term debts instead of short term debts for financing.