

**"DETERMINANTS OF CASH HOLDING: A CASE OF KSE"**



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## **ABSTRACT**

The determinants of the cash holdings of the firms hold important consideration for management and the investors of the company. In order to strike a balance between the cost and the benefits the tradeoff theory suggest different important variables which can significantly influence the level of the cash holdings in the firms such as the leverage, investment opportunities, debt structure, ease of financing, substitute assets, dividend payout and the size of the firm as important determinants in setting the level of the cash holdings in the companies. The investment opportunities, Trade credit, leverage, debt structure, liquid assets and the ease with which the companies can obtain debt from the markets along with the size of the company as the key determinants of the cash holdings of the firms.

The current study analyzed the determinants for the cash holdings of the companies listed at the Karachi stock exchange. Data was collected for a sample of 100 top Capitalization companies and then the variables are calculated for a period of six years from 2006 to 2012, these results in 600 observations for a sample of 100 cross sectional units for a period of six years. The data is then analyzed using the panel data analysis techniques, both the fixed effect and the random effect model however based on the results of the Test the Random effect model with robust standard error.

The results of the study propose that the cash holdings of the firms have an inverse association with the size, leverage and the liquidity of the firm. The dividend payout of the company is found to have a direct link with the cash holdings of the firms. The profitability of the company however is found insignificant and no relationship is found between cash holding a return on asset of the company.

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## DEDICATION

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