

**“Relationship between Capital Structure and
Profitability in Agriculture Sector of Pakistan.”**



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Dedicated to...

My parents, my Grandfather (late), My Teachers and My Friends!

It would not have been possible without them.

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ABSTRACT

The objective of the study was to examine the relationship between capital structure and profitability of agriculture firms of Pakistan recorded at the KSE. The financing choice is the most important parts played by an advanced financial director as they determine the value of a firm. The most important decisions financial managers make in modern world are to determine the value of a firm and its often called financing decisions. The essence of the study was to know the impact of capital structure on profitability of agricultural firms that are listed at the KSE. All the 7 firms listed at the KSE are the population in the study and all these firms belongs to agriculture sector. Study was based on the secondary data. The study being descriptive in nature the quantitative method of data analysis and inferential analysis was used to analysis techniques. From the findings on the Adjusted R squared, a variation was found during the study in profitability of the agriculture firms that are listed at the KSE due to variations in total debt to equity. The study discloses that leverage of companies is factors influencing the profitability of agricultural firms listed in the KSE. The study also explains that, the findings form analyzed data is ideal for extracting a decision on the influence of total debt to equity on profitability which is return on equity(ROE) and return on asset(ROA) of agricultural firms listed at the KSE. There is dire need for the firms listed in the KSE to have a decent capital structure which conveys them capacity to persevere through fiscal fiascos and proposition shareholders a well security net in times of melancholies. Therefore, firms on KSE shows to use less debt in their capital structure making many firms to pay less interest, hence not increasing the risks the firm may be exposed to as debt tend to reduce performance. The recommendation of the study are that there is need for the firms listed in the KSE to adopt strategies that would increase their revenue base and utilize the profits generated from the operations to gain more assets and improve their profitability.

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