

# **“The Impact of Capital Structure and Liquidity on Firms’ Performance”**



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## **ABSTRACT**

This research analyzes the impact of liquidity and capital structure on the performance of organizations in Pakistan. Given the contradictions in the researches done on the relationship, the study was aimed at gaining more insights about the impacts in a developing country. The study was based on four industries while taking five companies from each industry on random basis, irrespective of the size of firms, listed on Karachi Stock Exchange. Five-year data from July 2009 to June 2014 was analyzed during the study. The study was based on quantitative techniques and was conducted by use of secondary data. The analyses was done with the help of SPSS and instruments used were descriptive analysis, Pearson correlation and regression analysis. The study was longitudinal in nature and identification of causal relationships was out of the scope of this research. The study found no significant impact of capital structure on performance and apart from few instances like investor reaction and quick ratio's impact on ROA, in which case there was a positive relationship, as well as significant relationship for cement industry, liquidity was found to have no significant impact on performance of companies. This signifies the important of analyzing the differences in the generalization of theories from one setting to another and organizations cannot rely wholly on theories applicable in western world. In addition, the study points out to the fact that more research is needed for understanding any relationship in developing countries.

# TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION .....	1
1.1 Problem Statement:.....	2
1.2 Research Questions: .....	2
1.3 Research Objectives:.....	2
1.4 Rationale of the Study: .....	3
1.5 Significance of the Study:.....	3
1.6 Limitations and Delimitations:.....	4
1.7 Industries selected: .....	4
1.7.1 Oil and Gas Industry:.....	4
1.7.2 Cement Industry: .....	5
1.7.3 Pharmaceutical Industry: .....	5
1.7.4 Textile Industry: .....	6
1.8 Overview of Upcoming Chapters: .....	6
CHAPTER 2: LITERATURE REVIEW: .....	7
2.1 Liquidity:.....	7
2.2 Capital Structure: .....	8
2.3 Shareholders' Wealth and Profitability:.....	9
2.4 Liquidity and Profitability:.....	10
2.5 Liquidity and Shareholders' Wealth:.....	14
2.6 Liability's combined impact on Profitability and Shareholders' wealth: .....	16
2.7 Capital Structure and Profitability: .....	17
2.8 Capital Structure and Shareholders' Wealth: .....	23
2.9 Capital Structure's combined impact on Profitability and Shareholders' wealth: .....	25
2.10 Theoretical Framework.....	26
2.11 Hypothesis: .....	27
CHAPTER 3: METHODOLOGY .....	29
3.1 Sample and data collection:.....	30
3.2 Variables and Instrument used:.....	31
CHAPTER 4: FINDINGS AND ANALYSIS .....	32
4.1 Impact of Liquidity and Capital Structure on Firms' Performance: .....	32
4.2 Industry wise Analysis:.....	34
4.2.1 Oil and Gas Industry:.....	34
4.2.2 Textile Industry: .....	35
4.2.3 Pharmaceuticals Industry: .....	35
4.2.4 Cement Industry: .....	36

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS.....	38
BIBLIOGRAPHY .....	40