

**DETERMINANTS OF CAPITAL STRUCTURE OF ENERGY SECTOR IN
PAKISTAN**



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TABLE OF CONTENTS

Acknowledgement:	2
Abstract:	6
CHAPTER No. 1 - Introduction	7
1.1 Determinants of Capital Structure	7
1.2 Overview of Fuel and Energy Sector of Pakistan.....	8
1.3 Objectives of the study.....	9
1.4 Purpose of the study	9
1.5 Structure of the Study	10
1.6 Research Methodology	10
1.7 SOURCES OF DATA	10
1.8 POPULATION AND SAMPLE	10
1.9 INSTRUMENTS AND MEASURES:	11
1.10 DEPENDENT AND INDEPENDENT VARIABLES	11
CHAPTER No. 2 - Literature Preview	12
2.1 Capital structure theories	12
2.1.1 Irrelevance Theory	12
2.1.2 Trade-off theory	12
2.1.3 Pecking order theory (POT).....	16
2.3 Empirical Evidences	17
CHAPTER No. 3 - Methodology framework	24
3.1 SOURCES OF DATA	24
3.2 POPULATION AND SAMPLE	24
3.3 INSTRUMENTS AND MEASURES:	24
3.4 DEPENDENT AND INDEPENDENT VARIABLES	24
3.5 Leverage (LG) (Dependent Variable).....	25

3.6 INDEPENDENT VARIABLES	26
3.6.1 Profitability (PF)	26
3.6.2 Total Assets (TA).....	26
3.6.3 Growth (GT)	27
3.6.4 Total Non-Cash Expenses.....	28
3.6.5 Interest Coverage Ratio:	29
3.7 ANALYTICAL TECHNIQUE.....	29
3.8 Macro Variables.....	30
3.9 Fixed Effects Model:	30
3.10 LIMITATIONS OF THE STUDY:.....	30
CHAPTER No. 4.....	31
4.1 FIXED EFFECT MODEL:.....	31
TABLE 4.1.1.....	31
TABLE 4.1.2.....	32
TABLE 4.1.3.....	34
TABLE 4.1.4.....	35
TABLE 4.1.5.....	37
TABLE 4.1.6.....	39
4.2 POOLED OLS:.....	41
TABLE 4.2.1.....	41
TABLE 4.2.2.....	42
4.3 WEIGHTED LEAST SQUARE MODEL:.....	43
TABLE 4.3.1.....	43
TABLE 4.3.2.....	44
4.4 CONCLUSION:.....	45
4.4.1 Total non-cash expenses:.....	46
4.4.2 Growth Prospective:.....	46

4.4.3 TOTAL ASSETS:46

Chapter 5 - CONCLUSION and RECOMMENDATIONS:.....47

5.1 CONCLUSION47

5.2 RECOMMENDATIONS:47

REFERENCES49

Abstract

Value of firm's Capital Structure has always been burning issue. From management perspective capital structure is a very healthy mean to control the cost of capital. Different ways of financing its assets can be adopted by a company and the key objective is to attain the optimal capital structure whose minimum cost of capital can be reached. Miller and Modigliani(1958) irrelevance theory proposes that the value of firm is free of its capital structure under certain suppositions.. Different aspects of capital structure have been explained by these theories but on the other side empirical evidences are not every time backing these theories. Some professionals in finance believe that with the increase in leverage the market value of firm increases.This mainly shows that firm having more percentage of debt financing attains the optimal capital structure but surely this statement is rejected by other financial professionals. So these theories lead to controversy that what is the optimal capital structure point. Too much of study has been done on this topic in developed countries and work of the research is to check the potential determinants in a different market. Moreover study thatalso the conclusions drawn from the several theoretical and empirical researches are effective for developing markets like Pakistan.