CAPITAL STRUCTURE AND ITS DETERMINANTS

A STUDY ON OIL & GAS COMPANIES LISTED IN KSE

By

USMAN QAMAR
16752

A thesis presented to the Department of Management Sciences, Bahria University Karachi Campus, in partial fulfillment of the requirements of the MBA degree

FALL, 2015

Bahria University Karachi Campus

MBA Thesis

2nd Half-semester Progress Report & Thesis Approval

Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	2/1/2015		Introduction and topic discussion	
6	10/2/2015		Methodology and literature review	
7	05/3/2015		Analysis and Conclusion	

APPROVAL FOR EXAMINATION

Candidate's Name: USMAN QAMAR Registration No. 16752

Thesis Title: Capital Structure and its determinants in oil and gas Companies listed in KSE

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at ----------12%---------- that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: Saeed Date: 28/04/2015

Name: M. Akbar Saeed

Head Of Department Singnature_____ Date:_____

Abstract

The research is based on capital structure decisions in the oil and gas sector of Pakistan. The research is basically carried out in order to determine the importance of capital structure and explore their importance in a company.

The research focuses on 8 companies belong to the Oil and Gas sector of Pakistan. The data is gathered from the financial statements of the company's sin order to determine their capital structure. The research is Descriptive in nature and the data is gathered mainly from the secondary sources.

For the purpose of analysis a regression model is used to define the relationship among the variables. The variables of the research are Tangibility, Profitability, Growth and Size. On the other hand, 10 scenarios are discussed which helps in determining the best option. The analysis suggests that size of a firm is directly proportional to its profitability.

The findings of the research are that most of the oil and gas companies feature Debt as the best option. This is because the investment requirements for this business are too high and on the other hand the most important reason is that these companies do not want to dilute their ownership

Table of Contents

APPROVAL FOR EXAMINATION I

Declaration of Authentication II

AKNOWLEGMENT III

Abstract IV

Table of Contents V

CHAPTER 1: INTRODUCTION 1

Introduction 1

Background of the Study 2

Thesis Statement 4

Research Questions 5

Objectives of Study 5

Significance of Study 5

Limitations & Delimitations 6

CHAPTER 2: METHODOLOGY 7

Research Strategy 7

Data Collection 7

Sampling Design 8

Population 8

Sample Size & Selection 8

Data Analysis Technique 9

Ethical Consideration 9

CHAPTER 3: REVIEW OF LITERATURE 10

Capital Structure 10

Capital Structure: A Critical Decision 10

Basis of Capital Structure 11

Theoretic Approaches 12

Past Researches on Capital Structure 14
Chapter Summary 16
CHAPTER 4: ANALYSIS 17
Regression Analysis 17
Introduction 17
Variables for the Study 17
Regression Analysis 18
Hypothesis 18
Regression Analysis 19
Coefficients Table Analysis 24
Scenario Analysis 26
Interpretation 26
Correlation and Regression Analysis 29
Critical Debate 31
CHAPTER 5: Conclusion 33
Introduction 33
Analysis of Research Objective 33
Concluding Facts 33
Recommendation 34
References 36