



"CAPITAL STRUCTURE AND ITS DETERMINANTS"

A STUDY ON OIL COMPANIES LISTED IN KSE

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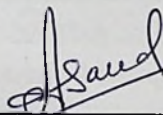
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TABLE OF CONTENTS

SERIAL#	DESCRIPTION	PAGE #
CHAPTER 1	INTRODUCTION	2
1.1	Capital Structure	2
1.2	Topic of the Research	3
1.3	Problem Statement	3
1.4	Significance of the Study	3
1.5	Scope of the Research	4
CHAPTER 2	LITERATURE REVIEW	5
2.1	Theoretical Review	6
2.2	Explanation of capital structure by theories	8
2.2.1	<i>Miller's Capital Structure Theory</i>	8
2.2.2	<i>Trade Off Theory</i>	8
2.2.3	<i>Pecking Order Theory</i>	9
2.2.4	<i>Signaling Theory</i>	9
2.3	Factors affecting capital structure	15
CHAPTER 3	RESEARCH METHODOLOGY	16
3.1	Research Design	17
3.2	Research Instrument / Source of Data	17
3.3	Sample	18
3.4	Treatment of data/Method	18

3.5	Research model	18
3.6	Variables explanation	19
3.7	Formation of hypotheses	20
CHAPTER 4	DATA ANALYSIS	22
4.1	Data analysis	23
4.2	Correlation Matrix	23
4.3	Regression Analysis	24
4.4	ANOVA	25
4.5	Coefficients Matrix	28
CHAPTER 5	CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS	29
5.1	Conclusion	30
5.2	Recommendations	31
CHAPTER 6	Bibliography	32
6.1	References	33-35

Abstract

Purpose: This study analyzes the bond between dependent variable (leverage) and Independent variables that are earning volatility, growth, tax rate, tangibility of assets, firm Size, and profitability, and how it affects any firm in terms of its capital structure.

Methodology: This research is done to find the impact of determinants on capital structure decisions. There are total 12 companies of oil sector of Pakistan which were selected, listed in KSE. The time period which is selected for this study included data from 2006-2011. To analyze this research, ANOVA, Regression, Coefficient, and Coli linearity test are applied.

Findings: The results drawn from this research proves that leverage is positively correlated with profitability, growth and tangibility. And if we look opposite scenario, in which firms size, earning volatility and tax rate has a negative relationship with leverage. From regression results it shows that there is 42.7% impact of independent variables on dependent variables.

Practical Implications: This study might help finance decision makers, economic and finance students, to understand the importance of determinant variable in making optimal capital structure of any firm. This study helps in order to give clear view of oil sector's capital structure.

Keywords: Leverage, Determinants, Pakistan, Oil Sector, KSE.