

# **Determinants of Leverage listed Chemical Sector Firms at Pakistan Stock Exchange**



**By**

**Asif Iqbal**

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# Contents

<b>CHAPTER 1.....</b>	<b>4</b>
INTRODUCTION .....	4
1.1 Theoretical Background.....	5
1.1.1 Modigliani and Miller Approach (1958).....	5
1.2 Theories of Capital structure.....	7
1.2.1 Trade off theory .....	7
1.2.2 Pecking Order Theory.....	8
1.2.3 Market Timing Theory.....	10
1.3 Overview of Chemical Sector in Pakistan.....	11
1.4 Research Objectives .....	13
1.5 Significance of the Study .....	13
1.6 Scope and Limitation of the Study .....	13
<b>CHAPTER 2.....</b>	<b>14</b>
LITERATURE REVIEW .....	14
2.1 Problem Statement .....	25
<b>CHAPTER 3.....</b>	<b>26</b>
RESEARCH METHODOLOGY .....	26
3.1 Research Philosophy.....	26
3.2 Research Approach.....	26
3.3 Research Strategy.....	26
3.4 Time Horizon .....	26
3.5 Data Analysis .....	26
3.6 Sample .....	27
3.7 Regression Model.....	27
3.8 Operational Definition.....	27
3.8.1 Profitability.....	27
3.8.2 Growth .....	28
3.8.3 Firm Size .....	28
3.8.4 Asset Tangibility .....	29

3.8.5	Liquidity .....	30
3.8.6	Leverage .....	30
3.9	Research Questions .....	31
3.10	Hypothesis .....	31
3.11	Theoretical Framework.....	32
<b>CHAPTER 4.....</b>	<b>.....</b>	<b>33</b>
<b>RESULTS AND ANALYSIS .....</b>	<b>.....</b>	<b>33</b>
4.1	Correlation Coefficient .....	33
4.2	Regression Analysis .....	34
4.2.1	Standard Error .....	34
4.2.2	R-Square .....	35
4.2.3	F-Statistics .....	35
4.2.4	Durbin Watson .....	35
4.2.5	Growth .....	35
4.2.6	Firm Size .....	36
4.2.7	Asset Tangibility .....	36
4.2.8	Current Ratio .....	36
4.2.9	Return on Equity .....	36
4.3	Conclusion .....	37
<b>CHAPTER 5.....</b>	<b>.....</b>	<b>39</b>
<b>REFERENCES.....</b>	<b>.....</b>	<b>39</b>

## **DETERMINANTS OF LEVERAGE IN PUBLICALLY LISTED CHEMICAL SECTOR FIRM'S AT PAKISTAN STOCK EXCHANGE**

### **Abstract**

This study investigates the determinants of leverage of listed firms in the chemical sector of Pakistan. Current ratio, Growth, Asset Tangibility, Return on equity and Firm size are used as independent variables and Leverage as a dependent variable. The sample included data for nine firms in the chemical sector, listed on Pakistan Stock Exchange for the period of 2010-2015 using Correlation and Simple Regression method in a cross-sectional data analysis. Our results show that all these factors affect the leverage of the firm up to some extent. Results found that Growth, Asset tangibility and Return on Equity have positive relationship with leverage which support the predictions of Static Trade off theory. While Current ratio and Firm size was found to have negative relationship with leverage of these firms. Growth had positive relationship with leverage that supporting the simple version of Pecking Order Theory.

**Keywords:** Leverage, Current ratio, Growth, Asset tangibility, Return on equity, Firm size.