

A STUDY OF RELATIONSHIP OF CAPITAL STURCTURE AND FIRM'S PERFORMANCE OF PHARMACEUTICAL COMPANIES LISTED IN PSX

By

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MBA Thesis
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Thesis Title	A study to find out the relationship between Capital Structure & performance of pharmaceutical Companies listed on PSX.

Supervisor-Student Meeting Record

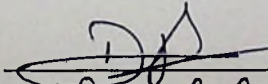
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	4-5-17	BUKC Supervisors' Club	Data Collection & Analysis	Sidra
6	10-5-17	BUKC	Critical debate	Sidra
7	18-5-17	BUKC	Results Conclusion & Recommendations	Sidra

APPROVAL FOR EXAMINATION

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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 13% 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:  Date: 5/07/17

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Abstract**Purpose**

This empirical study explore the capital structure and company's performance of the Pharmaceutical companies registered on the Pakistan Stock Exchange (PSX 100 Index) for the period from 2006 to 2015. Moreover, this study also examines the relationship between the capital structure and the company's performance.

Methodology/ Sample

Capital structure is denoted by two variables, they are (i) debt ratio (DR) (ii) debt to equity ratio (DE). Firm's performance is represented by four variables, they are (i) return on assets (ROA) (ii) return on equity (ROE) (iii) earnings per share (EPS) (iv) net income (NI). This empirical study uses the secondary data obtained from the six pharmaceutical firm's listed in PSX.

Findings

The correlation of coefficients between the variables of capital structure and company's performance represent there is a linkage among the capital structure and the performance of the companies. In addition, the findings of this empirical study showed that debt ratio has negative significant relationship with ROA, ROE, and EPS & NI. But debt to equity ratio has positive significant relationship with the NI, ROE and insignificant relationship with ROA and EPS.

Practical Implications

This study will help the pharmaceutical companies better know how about their sectors performance overall. This study will help the management of the companies to get the most recent knowledge and make decision accordingly to gain profits and slow down their costs

Keywords: Capital structure, firm's performance, pharmaceutical sector.

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