

# **THE EFFECT OF FINANCIAL PERFORMANCE ON COST OF EQUITY: A STUDY ON AUTOMOBILE SECTOR OF PAKISTAN**

**By**

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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 quite suitable for submission for further evaluation. Plagiarism test has been conducted using HEC prescribed software (on turnitin) and found its similarity index at \_\_\_\_\_ which is within the acceptable limits. I have also found that the thesis is in a format and standard as set the Department of Management Sciences.

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## **Abstract**

**Purpose:** This research study is performed with an objective to determine the impact of financial performance of listed automobile car producing firms on cost of equity focusing on net income margin, return on assets, earnings per share and return on equity as a proxy to determine financial performance of listed firms and taken as independent variables to determine impact on cost of equity of automobile firms.

**Research Methodology:** This research study used explanatory research approach. It is quantitative in nature and employed secondary data to perform the analysis. In this research study automobile car producing industry is focused and data is collected for three automobile firms on selected variables randomly for the period of decade from 2007 to 2016.

**Findings of the Research:** The results of study reveal that there is significant impact of Net Income Margin and return on equity on cost of equity of listed firms in automobile car producing industry in Pakistan. The marginal impact of net income margin is relatively more significant as compare to return on equity with coefficient value of -113.092. Furthermore, net income margin determine cost of equity negatively while return on equity determines cost of equity positively.

**Practical Implications:** It is found through this research study that financial performance of listed firms has significant role in determination of cost of equity of listed firms. Net income margin determines cost of equity negatively while return on equity determines cost of equity positively.

**Keywords:** Net Income Margin, Return on Assets, Return on Equity, Cost of Equity