
**Impact of Interest Rate on Capital Structure Decisions in Cement
Industry of Pakistan**



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*A thesis submitted to the Department of Management Sciences, Bahria University Islamabad in
partial fulfillment of the requirements for the degree of*

MS (FINANCE)

FACULTY OF MANAGEMENT SCIENCES

BAHRIA UNIVERSITY, ISLAMABAD

2019

DEDICATION

I dedicate my work to all my teachers, and especially to my parents who has inspired and supported me by all means, Whatever I am, my work that I am doing and I have done, and all my success is because of their good wishes, blessings and their confidence in me. May Allah Pak give them long and healthy life, May Allah Pak showers His blessings upon my affectionate teachers and parents.

Acknowledgment

With all praises due to Almighty ALLAH, the most merciful and utmost beneficent, Whogave me ability and inspiration todo my MS Finance thesis in the best possible way.

This opportunity also allows me to display my profound gratitude and faithful regards to my supervisor, Dr. Sajid Ali, Dr. Taqadus Bashir and Dr. Khalil who empowered me with the valuable information and his exemplary guidance and constant encouragement in successfully accomplishing my research work.

I am also grateful to my parents, siblings and friends, who have provided me endless moral and emotional support in my life.

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Abstract

The core purpose of this study provides more clear view about the observed factors or determinants of the optimal capital structure in the cement industry of Islamic Republic of Pakistan. This study is going to examine the interest rate changing and increasing inflation rate because of unstable economy, weather it forces the firms to change their decisions about capital structure or firm try to adjust or how the adjust according to changing aspects. The results drawn after implications of this study concluded that the relation between rate of interest and debt financing (Long-term) is positive i.e. with the increase in rate of interest organizations rather go of debt financing (Long-term) and on the other side if there is decrease in the rate of interest organization feel more confident in choosing debt financing (short-term). However, the results for inflation are vice versa i.e. with increase in rate of inflation the organization rather go for debt financing (short-term) and as there prevails less inflation the market organization are more confident to choose debt financing (long-term) while deciding upon the structures of their organizations the aforementioned sector i.e. Cement sector of Pakistan.