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ACRONYMS

CS	Capital structure
ROA	Return on Assets
ROE	Return on Equity
D/A	Debt to Asset
D/E	Debt to Equity
KSE	Karachi Stock Exchange
PSE	Pakistan Stock Exchange
OLS	Ordinary Least Square
GPM	Gross Profit Margin
NPM	Net Profit Margin
ROCE	Return on Capital Employed
MSE	Malaysia Stock Exchange
STD	Short term debt
EPS	Earnings Per Share
LTD	Long Term Debt
TD	Total Debt

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ABSTRACT:

This paper examines the optimum level of capital structure which a firm can increase its financial performance using annual data of eight firms spanning of 13 years period. The results from regression analysis shows that dividend payout and long term debt has insignificant connection with Return on assets because there probability is more than 0.05. Contrary to it, there is significantly inverse connection among Return on assets and Short term debt and there is a significant positive connection among Return on assets and size of the firm. For Return on equity, dividend payout and long term debt has insignificant connection with Return on equity because there probability is more than 0.05. On the other hand, there is significantly adverse connection among Return on equity and Short term debt and there is a significant direct connection among Return on assets and size of the firm. Hence, this study recommends that asset tangibility should be a driven factor to capital structure because firms with more tangible assets are less likely to be financially constrained.