

## عنوان مقاله:

Determinants of Optimal Capital Structure, A Case of Pakistani Companies Listed In Karachi Stock Exchange

## محل انتشار:

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## خلاصه مقاله:

In this research leverage is analyze against four independent variables to find the determinants of optimal capital structure, of KSE listed firms is observed for the period 2001-2006. Regression analysis is applied with the assumption that there is no industry or time effect. Four explanatory variables are used, i.e. cost of equity, cost of debt, retained earnings and gross sales to evaluate their result on leverage ratio. However, using fixed effect dummy variable regression, the coefficients for a number of firms were significant. Outcomes endorse the prophecy of trade-off theory in case of cost of debt whereas the cost of equity, and retained earning variables fail to confirm to trade-off theory. Size of firm variable neither confirms to the prediction of trade-off theory nor to asymmetry of information theory. Our results also prove that size of firm is not significant for every sector of economy as it was found insignificant for textile sector. This study discovered that only two variables, Cost of equity and retained earnings was found to be significant, while cost of debt and size of firm were not found considerable. Further study concludes that after controlling for the bias in the data that creditors do not look too much towards the retained earnings of the firm rather they prefer the security of the fixed assets. Finally, the research does not find any evidence that size of firm .influence the decision of leverage of the sample firms

## کلمات کلیدی:

Leverage, Optimum, Financing, Regression, Intellectual Capital

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