

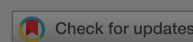
Applied Economics >  
Volume 48, 2016 - Issue 5520 | 16 | 1  
Views CrossRef citations to date Altmetric

Original Articles

# Mean reverting financial leverage: theory and evidence from Pakistan

Tanveer Ahsan, Wang Man &amp; Muhammad Azeem Qureshi

Pages 379-388 | Published online: 11 Sep 2015

Cite this article <https://doi.org/10.1080/00036846.2015.1080802>

Sample our  
Economics, Finance,  
Business & Industry Journals  
>> **Sign in here** to start your access  
to the latest two volumes for 14 days

[Full Article](#) [Figures & data](#) [References](#) [Citations](#) [Metrics](#)[Reprints & Permissions](#)[Read this article](#)

## Abstract

Grounding concepts of the two competing theories of capital structure (trade-off theory, pecking order theory) are quite opposite to each other. Trade-off theory claims that there is an optimal (target) capital structure and firms try to achieve that optimal (target) point. Whereas pecking order theory argues that there is no optimal (target) capital structure but the firms follow a specific pattern of financing. Using the two

### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click "Settings". For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

clearly follow trade-off financing behaviour while the results for lossmaking firms do not support trade-off financing behaviour. Our study indicates that it is important for the government to ensure policies to develop well-balanced financial markets and to improve accountability systems.

Q KEYWORDS: Target capital structure Pakistan unit root analysis panel data

Q JEL Classification: C23 G30 G32

ORCID

Muhammad Azeem Qureshi  <http://orcid.org/0000-0001-5107-2192>

Notes

<sup>1</sup> <http://www.sbp.org.pk/ecodata/NPL.pdf> of State Bank of Pakistan reports PKR 594 billion (approximately US\$ 7 billion) as nonperforming loans of banking sector in Pakistan. Apex court of Pakistan is currently hearing a case in this regard.

Related research ⓘ

People also read

Recommended articles

Cited by 16

About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings

## Information for

Authors

R&D professionals

Editors

Librarians

Societies

## Opportunities

Reprints and e-prints

Advertising solutions

Accelerated publication

Corporate access solutions

## Open access

Overview

Open journals

Open Select

Dove Medical Press

F1000Research

## Help and information

Help and contact

Newsroom

All journals

Books

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2024 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)



Taylor & Francis Group  
an informa business

Registered in England & Wales No. 3099067  
5 Howick Place | London | SW1P 1WG

### About Cookies On This Site

We and our partners use cookies to enhance your website experience, learn how our site is used, offer personalised features, measure the effectiveness of our services, and tailor content and ads to your interests while you navigate on the web or interact with us across devices. You can choose to accept all of these cookies or only essential cookies. To learn more or manage your preferences, click “Settings”. For further information about the data we collect from you, please see our [Privacy Policy](#).

Accept All

Essential Only

Settings