

Impact of Financial Constraints on Firm's Economic Value: Evidence from Pakistan Stock Exchange

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Abstract:

The purpose of this research work is to examine the impact of financial constraints on economic value of firms in Pakistan. For this study, all listed companies in Pakistan Stock exchange have considered as population, which were 574 within the total 35 sectors. The final sample includes 100 nonfinancial firms listed in (PSX) Pakistan stock exchange from the time period of 2014-2023. Independent variable includes financial constraints index obtained from synthetic index, Labor inputs and intermediate inputs while economic value added is used as dependent variable for this study. Production function technique has been used to predict the noteworthy relationship. According to the results of this study Pakistani firm's economic value added is affected by financial constraints significantly and negatively in financial market.

Keywords:

Financial constraints, Economic value added, financial constraint index.