

**“The Impact of cash holding and external financing on  
investment- cash flow sensitivity”**



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## **Abstract**

*The purpose of this study to empirically examine the relationship between investment- cash flow sensitivity and financial constraints of firms in emerging market. , and contributing through an appropriate clarification for Pakistani firms whether they should more heavily rely on internal funds to finance their project or they should choose costly external finance to decrease their cash flow- sensitivity of investment .The author uses fixed effect linear regression analysis, and sample consisted on 277 listed manufacturing firms at Karachi stock exchange over the period 2006 o 2013. This study find no evidence on the association between investment- cash flow sensitivity and degree of financial constraints .Furthermore ,Tobin's Q indicates highest investment opportunity exist in Pakistan ,therefore zero cash flow sensitivity shows firms should avail investment opportunity to maximize firm value.*

**Key Words:** *Investment- cash flow sensitivity, External Finance, Internal cash flow.*

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## **DEDICATIONS**

VERY RESPECTFULL AND HUMBLY,  
I DEDICATE THIS WORK TO MY BELOVED  
PARENTS AND GRANDFATHER  
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