

The study is aimed at investigating the impact of Leverage on Financial Performance of the firms operating in various industrial sectors of Pakistan with moderating effect of Firm Size, Growth and Industry. Linear regression was applied to the Public Limited firms listed at Karachi Stock Exchange (KSE), operating in 22 industrial sectors of Pakistan during the period of 5 years 2004-2008. The results demonstrate that leverage measured by debt to equity ratio and total debt to total assets has a significantly negative impact on the financial performance measured by book measures (Return on equity (ROE), return on asset (ROA)) and market measures (market to book ratio, Tobin's Q). The moderating effect of firm size, growth, and nature of industry is also determined. The study is unique in its nature as it collectively measures the impact of size, growth and nature of industry by employing a wide range of diversified industrial sector from the growing stock market of a developing country like Pakistan.

Key Words: Leverage, Financial Performance, Firm Size, Growth, Nature of Industry, Book Performance Measures and Market Performance Measures