

Abstract

This paper examines the relationship between the firm size and profitability of the passenger-vehicle assembly business in Pakistan, Toyota, Honda, Atlas and Pak Suzuki between 2013 and 2023. A firm-level panel fixed-effect regression model fits the size proxies (total assets and total sales) to profitability measures (ROA, ROE and net income) and captures the Heterogeneity. Findings have shown that the larger the company, the more profitable it is likely to be. This is because of the scale benefits, operational economies of scale and market presence. There exist non-linear thresholds through which the diminishing returns are observed at extreme sizes, and macroeconomic conditions and firm-specific capabilities give moderation. The research indicates that profitability has been a result of resource endowment as well as the design of managers who provide feasible insight into the corporate growth strategies and policy formulation in the new markets.

Keywords: Firm Size, Profitability, Automotive Industry, Pakistan, ROA, ROE, Resource-Based View