

**SUBMISSION FORM OF THESIS FOR HIGHER RESEARCH DEGREE BAHRIA
UNIVERSITY, ISLAMABAD**

Candidate Name: **Muhammad Hammad Raza**

I submit **02** Copies of thesis for examination for the degree of **M.Phil (MS)**,

Thesis Titled: **Impact of working capital management on firm's profitability: Evidence from composite textile firms in Pakistan.**

Candidate Signature: _____ Date: _____

Certificate of Principal Supervisor

I **Dr. Khalil Ullah** being the principal Supervisor for the above student, certify that thesis is in a form suitable for examination and that the candidate has pursued his course in accordance with the Rules of the University.

Signature: _____ Date: _____

Recommendation for Examination

I recommend that the thesis be examined.

Principal Supervisor: **Dr. Khalil Ullah** Date: _____

Not Recommended for Examination

I recommend that the thesis be examined.

Principal Supervisor: _____ Date: _____

Co-Supervisor: _____ Date: _____

Statement by the Head Faculty/Department

I support the submission of the thesis of the above named student for examination under the University Rules for higher degrees.

Signature: _____ Date: _____

BAHRIA UNIVERSITY, ISLAMABAD

APPROVAL SHEET

SUBMISSION OF HIGHER RESEARCH DEGREE THESIS

Candidate's Name: **Muhammad Hammad Raza**

Discipline: **M.Phil. (MS)**

Faculty/Department: **Management Sciences**

I hereby certify that the above candidate's work, including the thesis, has been completed to my satisfaction and that the thesis is in a format and of an editorial standard recognized by the faculty/department as appropriate for examination.

Signature(s): _____

Principal Supervisor: **Dr. Khalil Ullah**

Date: _____

The undersigned certify that:

1. The candidate presented at a pre-completion seminar, an overview and synthesis of major findings of the thesis, and that the research is of a standard and extent appropriate for submission as a thesis.
2. I have checked the candidate's thesis and its scope, format; editorial standards are recognized by the faculty/department as appropriate.

Signature(s): _____

Dean/Head of Faculty/Department: _____

Date: _____

Thesis Completion Certificate

Student's Name: Muhammad Hammad Raza

Registration No. 56243

Enrolment No. 01-229181-002

Program of Study: M.Phil. (MS)

Thesis Title: Impact of working capital management on firm's profitability: Evidence from composite textile firms in Pakistan.

It is to certify that the above student's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for Evaluation. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at _____ that is within the permissible limit set by the HEC for the MS/MPhil degree thesis. I have also found the thesis in a format recognized by the BU for the MS/MPhil thesis.

Principal Supervisor's Signature: _____

Date: _____

Name: Dr. Khalil Ullah

Author's Declaration

I, Muhammad Hammad Raza hereby state that my MPHIL (MS) thesis titled “**Impact of working capital management on firm's profitability: Evidence from composite textile firms in Pakistan.**” is my own work and has not been submitted previously by me for taking any degree from BAHRIA UNIVERSITY ISLAMABAD or anywhere else in the country/world.

At any time if my statement is found to be incorrect even after my Graduate the university has the right to withdraw/cancel my MPHIL (MS) degree.

Name of student: Muhammad Hammad Raza

Date: _____

Plagiarism Undertaking

I, **Muhammad Hammad Raza** solemnly declare that research work presented in the thesis titled **“Impact of working capital management on firm’s profitability: Evidence from composite textile firms in Pakistan.”** is solely my research work with no significant contribution from any other person. Small contribution / help wherever taken has been duly acknowledged and that complete thesis has been written by me.

I understand the zero tolerance policy of the HEC and Bahria University towards plagiarism. Therefore I as an Author of the above titled thesis declare that no portion of my thesis has been plagiarized and any material used as reference is properly referred / cited.

I undertake that if I am found guilty of any formal plagiarism in the above titled thesis even after award of PhD degree, the university reserves the right to withdraw / revoke my MPHIL (MS) degree and that HEC and the University has the right to publish my name on the HEC / University website on which names of students are placed who submitted plagiarized thesis.

Student / Author’s Sign: _____

Name of the Student: Muhammad Hammad Raza

Table of Contents

Chapter 1: Introduction	1
1.1 Background	1
1.2 Problem Statement	5
1.3 Research Questions	5
1.4 Objective of Study	6
1.5 Hypotheses of Study	6
1.6 Significance of Study	7
1.7 Scope of Study	7
1.8 Organization of Study	8
Chapter 2: Literature Review	10
2.1 Theory of Working Capital	10
Chapter 3: Research Methodology	21
3.1 Regression Model	21
3.2 Dependent Variable	21
3.3 Independent Variable	22
3.4 Sample Description	24
3.5 Correlation Matrix	26
3.6 Variance Inflation Factor	28
3.7 Hausman Test	29
Chapter 4: Results and Discussions	30
4.1 Regression Models Analyses	30
Chapter 5: Conclusions and Recommendations	37
5.1 Limitations of Study	38
5.2 Future Recommendations	38
References	40

Acknowledgement

All praises and adorations are due to Almighty Allah, the most Gracious and Self-Sufficient Master. He bestows knowledge and wisdom on whom He wishes. I am deeply grateful to Him for His blessings, guidance and zeal to successfully complete this research work.

I am also very thankful to my parents for their continuous support and for all the given opportunities and encouragements, which enabled me to reach the goals in my life. I would also like to thank my family and friends for all the support given throughout my study. Now it is time for me to test how well my knowledge can be applied in practice

I am very grateful to my supervisor at the Bahria University Islamabad Campus, Senior Assistant Professor Dr. Khalil Ullah for their support and valuable advices given to me in the making of this thesis.

Lastly, my appreciation is incomplete without thanking my colleagues in this academic pursuit. Their contributions really helped me and I pray that Allah continue to assist them all and grant their hearts' desires.

Abstract

The purpose of this study is to examine the impact of working capital management on firms' performance for a sample of composite textile sector firms listed in Pakistan Stock Exchange. The study includes a conceptual as well as empirical analysis, in which panel data from a sample of twenty-six composite textile sector firms, for the period from 2002 to 2018 is analyzed to examine if more efficient working capital management improves firms' accounting profitability and firms' value or not. Working capital management was measured by receivable collection period (AR), payable payment period (ACP) and inventory holding period (INV). The profitability was measured by return on equity (ROE). The impact of working capital management on profitability was analyzed along with size of firm (SIZE), sale growth rate (SGROW), financial leverage debt to equity ratio (DEBT) and GDP growth rate (GDPGR). To bring up more robust results, this study used more than one estimation technique, OLS pooled data analysis and fixed effects regression analysis. Using OLS pooled estimation technique, this study found that receivable collection period (AR), payable payment period (ACP) and financial leverage (DEBT) have significant negative relationship with return on equity (ROE) and sales growth (SGROW) has positive impact on return on equity (ROE). This indicates that by decreasing receivable collection period (AR), account payable period (ACP) and financial leverage (DEBT), firm's profitability can be enhanced. Inventory holding period (INV), size of firm (SIZE) and GDP growth rate (GDPGR) are found insignificant. The study's originality and value lie in suggesting that policy makers in composite textile sector firms in Pakistan need to motivate and encourage managers to pay more attention towards working capital management, in order to enhance profitability and GDP growth rate is not a determinant of profitability of composite textile firms in Pakistan.

Key words: Working capital, Profitability, Pakistan Stock Exchange, Composite textile firms.

List of Tables

Table number 1: Sample Description

Table number 2: Correlation Matrix

Table number 3: Variance Inflation Factor

Table number 4: Regression Model 1

Table number 5: Regression Model 2

List of Acronyms

Words	Acronyms
Working capital	WC
Pakistan Stock Exchange	PSE
Cash conversion cycle	CCC
Return on assets	ROA
Return on equity	ROE
Nigerian Stock exchange	NSE
World Trade Organization	WTO
Ordinary Least Squares	OLS
Gross Domestic Product	GDP

**Impact of working capital management on firm's profitability: Evidence
from composite textile firms in Pakistan.**



Submitted by:

Muhammad Hammad Raza

01-229181-002

M.Phil (MS)

**Department of Management Sciences,
Bahria University, Islamabad.**

March, 2020.