

PRACTICES OF WORKING CAPITAL MANAGEMENT IN TEXTILE SECTOR

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Project Approval Statement

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1st Half Semester Progress Report

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Declaration of Authentication

I, hereby, declare that no portion of the work referred to in this project has been submitted in support of any application for another degree or qualification of this university or any other institution of learning.

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ABSTRACT

The objective of this study is to look at the impact of working capital policies on the financial performance of textile sector. The study utilizes the return on assets as a measure of financial performance. The investment policy of working capital management is determined by calculating the current assets to total assets ratio, while the financing policy is determined by calculating the current liabilities to total assets ratio. Additionally, other factors such as the quick ratio, debt to equity ratio, are included in the analysis. Secondary data from 5 textile weaving listed firms on the Pakistan Stock Exchange over a ten-year period (2013-2022) are used to calculate these variables. The results of the regression analysis indicate that more aggressive working capital management policies negatively associate with financial profitability. Besides, QR and DER show a positive relationship with ROA. Given that the textile sector is a major industry in Pakistan, it is crucial to give careful attention to asset and liability management. According to the findings of this study, maintaining an effective level of working capital is crucial for the textile industry and also for other company sectors. Hence, this study concluded that the working capital is the key part for the success of the companies.

Keywords: Working Capital Management, Profitability