

# **IMPACT OF CASH CONVERSION CYCLE (CCC) ON PROFITABILITY OF TEXTILE INDUSTRY OF PAKISTAN**

**BY**

**M. MUSTAFA  
M. HAZIQ**

**79677  
79718**

A Project submitted to Department of Management Studies, Bahria Business School, Bahria University – Karachi Campus, in partial fulfillment of the requirement for BS A&F Degree



**BS (ACCOUNTING & FINANCE)  
SPRING-2025**

**Bahria University Karachi Campus**

## PROJECT APPROVAL STATEMENT

### APPROVAL FOR EXAMINATION

Candidate's Name: Muhammad Mustafa

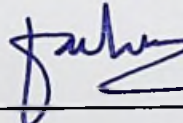
Registration No.: 79677

Candidate's Name: Muhammad Haziq

Registration No.: 79718

Project Title: Impact of Cash Conversion Cycle (CCC) on Profitability of Textile Industry of Pakistan.

I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found 15% similarity index at that is within the permissible limit set by the HEC for the BS (A&F) Final Year Project. I have also found the thesis in a format recognized by the Department of Management Sciences.

Supervisor's Signature: m  Date: 8/5/25


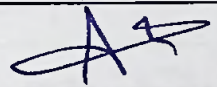

Supervisor's Name: Dr. Muhammad Farhan

HOD's Signature:  Date: 31-07-25

## 1<sup>st</sup> Half Semester Progress Report

Name of Student(s)	m. mustafa , m. Haziq
Enrolment No.	02-112212 -024 , 02-112212 -119
Thesis/Project Title	Impact of Cash Conversion Cycle on Profitability of Textile Industry of Pakistan

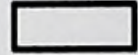
### Supervisor Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	20 Feb 2025	Cubicle	Chapter 1: Introduction	
2	6 Mar 2025	Cubicle	Chapter 2: literature Review	
3	20 Mar 2025	Cubicle	Chapter 3: Research methodology	
4				

Progress Satisfactory



Progress Unsatisfactory

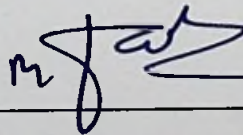


Remarks: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Signature of Supervisor: \_\_\_\_\_



Date: 8/5/25

Name of Supervisor: \_\_\_\_\_

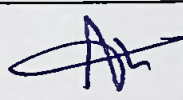

Dr. M. Farhan

**Note: Students must attach 1<sup>st</sup> & 2<sup>nd</sup> half progress report at the end of FYP spiral copies.**

## 2<sup>nd</sup> Half Semester Progress Report & Thesis Approval Statement

Name of Student(s)	M. Mustak, M. Haziq
Enrolment No.	02-112212-024, 02-112212-119
Thesis/Project Title	Impact of Cash Conversion Cycle (CCC) on Profitability of Textile Industry of Pakistan

### Supervisor Student Meeting Record

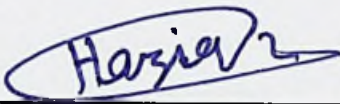
No.	Date	Place of Meeting	Topic Discussed	Signature of Student
1	16 Apr 2025	Cubicle	Chapter 4: Findings	
2	25 Apr 2025	Cubicle	Chapter 5: Conclusion	
3				

## DECLARATION OF AUTHENTICATION

At this moment, I 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.

**Student's Signature:**

1.  \_\_\_\_\_

2.  \_\_\_\_\_

3. \_\_\_\_\_

## ACKNOWLEDGMENT

First, we are thankful to Allah, who is the holder of our breaths, without His orders nothing is possible. In completing our project, we took the help and guidelines of some respected people, who deserve our appreciation and we are thankful to them. We would like to show our deepest gratitude to our Supervisor, Bahria University for giving us helpful guidelines for this project through numerous online consultations. We are thankful to all those who have directly and indirectly provided us with guidance in completing this report. Our project Co-Coordinator Dr. Fazeelat as well as our Dean and our H.O.D. who gave us this golden opportunity to do this project on the topic "Impact of Cash Conversion Cycle (CCC) on Profitability of Textile Industry of Pakistan". This has also helped us by the extensive research we undertook due to which we explored many new things which will be helpful in our practice and work life. We would also like to thank our classmates who gave valuable comments and suggestions on this proposal which inspired us to improve our report. We would also like to thank our parents who helped and supported us during these hard times and motivated us a lot in finalizing this project within the limited time frame. We thank all the people for their direct and indirect help due to which we were able to complete our report.

*Table of Content*

<b>S.No.</b>	<b>Description</b>	<b>Page #</b>
<b>1.</b>	<b>Introduction</b>	<b>10</b>
	1.1. Background of the Study	10
	1.2. Problem Statement	12
	1.3. Research Objectives	13
	1.4. Research Questions	13
	1.5. Research Scope	13
	1.6. Research Significance	13
	1.6.1. Practical Significance	13
	1.6.2. Theoretical Significance	14
	1.6.3. Conceptual Significance	14
	1.7. Organization of Study	15
<b>2.</b>	<b>Literature Review</b>	<b>16</b>
	2.1. Theoretical Background	16
	2.2. Empirical Study	17
	2.3. Hypotheses Development	21
	2.3.1. Gross Profit	21
	2.3.2. Cash Conversion Cycle	21
	2.3.3. Gross Profit & Cash Conversion Cycle	22
	2.4. Theoretical Framework	22
	2.5. Conceptual Framework	23
<b>3.</b>	<b>Research Methodology</b>	<b>24</b>
	3.1. Quantitative Research Design	24
	3.2. Data Collection	24
	3.3. Data Analysis	24
	3.4. Variables and Measurement Tools	25
	3.5. Econometric model	26
<b>4.</b>	<b>Findings</b>	<b>27</b>
	4.1. Descriptive Analysis	27

	4.2. Correlation Matrix Interpretation	28
	4.3. Regression Analysis	29
	4.3.1. Hausman Test	29
	4.3.2. Random Effects Regression Summary	30
	4.3.3. Model Summary	30
	4.4. Results	31
	4.5. Discussions	32
<b>5.</b>	<b>Conclusion</b>	<b>34</b>
	5.1. Recommendations	35
	5.2. Limitations and Direction of Future Research	36
	<b>REFERENCES</b>	<b>38</b>

## ABSTRACT

The primary objective of this study is to examine the relationship between the Cash Conversion Cycle (CCC) and the profitability of textile firms listed on the Pakistan Stock Exchange (PSX). The textile sector is one of the most significant contributors to Pakistan's economy, and efficient working capital management is crucial for its sustainability and growth. The study aims to assess whether managing the CCC effectively can enhance profitability. A quantitative research design was adopted. The study utilizes secondary data collected from the annual financial statements of textile firms listed on the Pakistan Stock Exchange (PSX), covering a period of 10 years from 2015 to 2024. Profitability was measured through metrics such as Return on Assets, Return on Equity, or Net Profit Margin. The collected data was then entered on EViews 12, a statistical software used to analyze data, in order to determine the impact of independent variables on dependent variables. A panel data regression analysis technique was employed to evaluate the impact of the CCC on profitability, allowing the study to control for both cross-sectional and time-series variations across the firms. The results of the regression analysis revealed a significant negative relationship between the Cash Conversion Cycle and the profitability of textile firms in Pakistan. Firms with longer CCCs tend to have lower profitability. Delays in collecting receivables, holding inventory for extended periods, or postponing payables negatively affect financial performance. It concludes that reducing the Cash Conversion Cycle can enhance the profitability of textile firms in Pakistan.

**Keywords:** Cash Conversion Cycle, Textile Profitability.