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**IMPACT OF DEBT FINANCING ON THE PROFITABILITY OF
TEXTILE INDUSTRY IN PAKISTAN**



By:

Nida Aslam

01-120161-0

Supervisor:

HINA SAMDANI

Department of Management Sciences

Bahria University Islamabad

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ABSTRACT

The objective of the study was to examine the impact of debt financing (long-term debt, short-term debt, total debt, and sales growth) on the profitability (return on assets and return on equity) of textile industry in Pakistan. This study has considered debt financing as an independent variable. Whereas, return on assets and return on equity, representing profitability, are considered as the dependent variables within this study in order to testify their relationship within textile industry of Pakistan. This study is based on identifying the magnitude and direction of the relationship between debt financing (independent variable) and return on assets & return on equity (dependent variables). An empirical analysis is done based on the secondary data gathered for the period of last five years (2013-2018) regarding 5 textile brands (Nishat, Khaadi, Chen One, Bareeze, and Gul Ahmed) to conduct the study. Various statistical instruments such as correlation, regression, ANOVA, and coefficients, have been used to figure out the relationship between debt financing and return on assets & return on equity within textile industry of Pakistan. Results of these statistical analysis has been interpreted by correlation and regression through a tool known as SPSS Software. It is evident through findings that there exists a strong positive correlation between debt financing (independent variable) and return on assets & return on equity (dependent variables) of textile industry in Pakistan.

Keywords: Debt Financing, Long-Term Debt, Short-Term Debt, Total Debt, Sales Growth, Firm Profitability, Return On Assets, Return On Equity, etc.

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