

- IMPACT OF WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF KSE LISTED TEXTILE COMPANIES

By

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Supervisor-Student Meeting Record

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APPROVAL FOR EXAMINATION

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Abstract

Purpose The most key verdict considered by the finance manager is the decision of working capital management. Profitability is directly affected by the working capital management and reflects as one of the most important portions of financial decision making.

Methodology /Sample: This study is focused on the 9 textile firms which are Karachi stock exchange listed.

Findings At the end of the research, the result revealed that the return on assets and receivables, payables and fixed assets ratio are positively related while the relationship between inventory and total assets ratio is negative. So the result shows that if we want to increase the profitability of the firm, we should delay the receivables as well as the payables while they should try to keep the inventory level at an optimal level.

Practical Implication The working capital is defined by five independent variables that are receivable ratio, inventory ratio, payable ratio, fixed assets ratio and total asset ratio. However the profitability is determined by the dependent variable that is return on assets (ROA).

Keywords: working capital management, profitability, receivable ratio, inventory ratio, payable ratio.

TABLE OF CONTENTS

DECLARATION OF AUTHENTICATION.....	ii
LIST TABLE	iii
FIRST PAGE OF PLAGIARISAM.....	v
ACKNOWLEDGMENT.....	vi
ABSTRACT.....	vii
TABLE OF CONTENT	ix
CHAPTER 1:	2
1.1 BACKGROUND OF TEXTILE INDUSTRY IN PAKISTAN.....	3
1.2 WHAT IS WORKING CAPITAL MANAGEMENT	3
1.3 WHY WCM IS IMPORTANT TO BUSINESS	3
CHAPTER 2 : LITERATURE REVIEW	6
CHAPTER 3: RESEARCH METHOD AND PROCEDURES	11
3.1 RESEARCH DESIGN AND METHODS	11
3.2 HYPOTHESIS	12
3.3 DATA SAMPLE.....	12
3.4 DATA COLLECTION METHOD	13
CHAPTER 4: DATA INTEGERATION	14
4.1 CORRELATION ANALYSIS	14
4.2 REGRESSION ANALYSIS	14
CHAPTER 5: DISCUSSION/ CRITICAL DEBATE	16
CHAPTER 6: CONCLUSION/RECOMMENDATION	17
REFERENCES	23