ADVANCE SOCIAL SCIENCE ARCHIVE JOURNAL
Available Online: https://assajournal.com
Vol. 04 No. 01. July-September 2025.Page#.805-816
Print ISSN: 3006-2497 Online ISSN: 3006-2500
Platform & Workflow by: Open Journal Systems

Influencing Factors of Profitability in the Textile Sector: The Role of Firm Size

Hina Waheed
Research Scholar, Hailey College of Commerce, University of the Punjab, Lahore, Pakistan
Sayyid Salman Rizavi
Professor, Hailey College of Commerce, University of the Punjab, Lahore, Pakistan
Shaista Jabeen
Assistant Professor, Department of Management Sciences, Lahore College for Women University, Lahore, Pakistan
Muhammad Farhan
Assistant Professor, Department of Accounting and Finance, National University of Modern Languages (NUML), Islamabad, Pakistan

ABSTRACT
The profitability of Pakistan's textile industry is examined in this study, with a focus on firms that are listed on the Pakistan Stock Exchange. The aim of this study is to investigate how profitability metrics like net profit margin (NPM), return on assets (ROA), and return on equity (ROE) are impacted by factors that include debt, cash conversion cycle, operational cycle, firm size, and current ratio. For the time span of 2018–2022, panel data from 76 textile enterprises is analyzed using fixed and random effect models. Results reveal that leverage has a substantial effect on ROA and ROE and that fewer cash conversion cycles are preferred for ROA and NPM and longer cycles are superior for ROE. ROE is negatively affected by the operational cycle, but not ROA or NPM. The relationship between the cash conversion cycle and profitability is mediated by the size of the firm. The study presents valuable data that helps academics, industry experts, and officials make strategic decisions on debt control and operations efficiency in the textile sector.

Keywords*: Profitability, Leverage, Size, Cash Conversion Cycle.*

1. Introduction

Many developing economies, like Pakistan, whose textile sector is the backbone of the economy, rely heavily on it for employment, exports, and GDP. This industry faces many challenges in making a profit, such as increasing manufacturing costs and changing customer needs. It is now essential for stakeholders to comprehend the factors that determine profitability if they want to maintain growth and compete in a global market. This research explores the important variables that shape the financial health of textile companies, including liquidity, leverage, Size, company growth, and the cash conversion cycle. This study's objective is to provide important insights with relation to the optimization of profitability in the textile sector by examining these variables and the mediating influence of firm size. One important measure of a company's financial stability is its profitability, If businesses make well-informed and appropriate decisions based on a clear understanding of the factors affecting profitability, they can improve their financial performance. (Adil & Malik, 2020). Moreover, investor confidence is greatly impacted by profitability metrics; for this reason, textile companies need to be well-versed in the factors that affect profitability

before they can make capital investments or boost investor confidence (Hassan & Sadiq, 2018) Companies in the textile sector need to operate within the law in order to abide by regulations and avoid getting into legal trouble (Nazir & Afza , 2009).Firms can expand sustainably by focusing on profitability determinants, which include social and environmental aspects in addition to financial ones like profitability (Arshad, Khalil, & Ullah, 2020)

The purpose of this study is to understand how much profit a business earns in relation to its total assets; using ROA and how well it utilizes its resources (like money, machinery, buildings, etc.). Understanding this helps in making better decisions and planning for the future. Because when a business earns good profit, it can continue to operate for a long time. It has a significant impact on how various financial objectives within an organization are achieved. Furthermore, the influence of profitability can be observed in broader economic domains such as innovation, employment trends, technological advancement and economic growth. The net profit margin (NPM) ratio shows the total sales revenue for the organization. The net margin of profit is calculated by calculating the profit—after taxes and interest—by the amount of sales. Increased NPM is a sign of efficacy and efficiency since it shows that a company can make net money from sales. It will certainly influence investors' willingness to invest, which is expected to lead to an increase in the company's revenue, and the profit targets that the company aims to achieve in the coming year may also become attainable. Return on equity (ROE) is the percentage that is left over after a company divides its net earnings (year return) by the entire capital that its investors have invested. This proportion shows the entire net returns the corporation generates for all rupee that shareholders invest (Wibowo, 2011). Profitability, which is often measured by subtracting expenses from proceeds over a given duration of time, is a crucial indicator used by many stakeholders to assess a company's success. (Valeri, 2021) (Ghassim & Bogers, 2019)It's important to understand that a business doesn't operate in a vacuum since the cash conversion cycle demonstrates how it interacts with its suppliers and customers. Thus, in the event that a business reimburses its vendors overdue, the cycle of cash conversion for contractors will be negatively impacted, increasing their DSO as a result. Contractors can face financial problems from time to time, which could make it more difficult for them to complete orders on time. Rather than implementing a coordinated strategy for liquidity management, the managers should conduct independent investigations into each CCC component (Pirttil€a, Virolainen, Lind, & K€arri, 2020).

CR is a crucial instrument for assessing the viability of their business's objectives. It shows a company's financial status and the best approach to using the liquidity of its present assets to pay off debt and other obligations (Ruziqa, 2013). Another study confirmed that the liquidity ratios significantly and positively affect the return on assets. The idea of using borrowed funds as a source of funding is known as financial leverage. When firms invest in themselves through expansions, investments, or other forms of development strategies, they frequently employ leverage as an option. Using borrowed money to boost the possible return on an investment is another investing tactic known as leverage. It specifically involves taking out a loan or making use of a range of financial tools. Borrowing won't be desired if the enterprise's ROA is smaller than their interest rate (Lang et al., 1996).

The scale on which a business operates is referred to as "firm size" in business studies. It typically depends on variables like overall revenue, asset worth, workforce size, or company volume. It's a quantifiable measure of an organization's capacity and size. Utilize the natural logarithm formula to calculate the firm's value by taking the assets. The size of the firm demonstrates the direct

relationship between a company's total assets and size; the larger the company, the larger its assets. Large corporations possess the ability to enhance their managerial skills and optimize resource allocation to augment profits, hence impacting financial performance. This might potentially indirectly increase the company's value (Ramlah, 2021). The phrase "operating cycle" essentially pertains to the duration of time required for a business to finish all of the steps required to convert its resources into revenue. It involves several stages, such as purchasing, manufacturing, sales, and receivables collection. By looking at the operational cycle, businesses can learn more about how successful and efficient their operations are. The cycle of operations is a fundamental concept in business administration. In evaluating a company's performance, financial well-being is also crucial. To maximize earnings and optimize operations, businesses need to understand the operating cycle. This cycle is essential to figuring out how effective a firm is.

2. Review of Literature

The term "profitability" describes a company's earnings that come from sales after all costs are subtracted from the total amount of revenue specified time frame. It is considered a fundamental and critical objective of every business manager, without which the continuity of any business becomes impossible. A company's ability to turn a profit is demonstrated by its profitability ratios, consist of the following: net profit margin, operational earnings margin, raw profit percentage, return on capital invested, return on the assets, growth rate for net income (a decrease), and growth ratio for net revenues. (Batchimeg, 2017).It's unclear how profitability and returns are related to one another. Research indicates that in many emerging markets, there is a positive correlation between ROE and yearly returns, or more precisely, returns justice (Al-Qudah, 2016).

Numerous researchers have studied the impact of financial ratios on profitability in depth. One such study, by (Irman, Purwati, &Juliyanti, 2020)looked at the affiliation between financial performance and return on assets, also known as ROA, in automobile firms and discovered that ROA is positively impacted by total assets and CR (Hantono, 2015)did a study that looked at manufacturing enterprises in the metal sector and found that between 2009 and 2013, there was a CR influence on ROA. The current ratio represents the proportion of the present debt compared to present equity. It is employed to gauge the short-term liquidity of an entity. It illustrates the management team's capacity to use resources effectively and efficiently.(Hanif, Alim, Khan, & Naz, 2023)The total assets, total sales, total number of employees, and market capitalization can all be used to determine a company's size. The larger a business, the easier it is to rise outside funding, the bigger its capital, and so forth. Investors are drawn to businesses that offer excellent profits, so he decided to put his money into them. These funds' accessibility from investor capital makes it simpler for businesses to make investment prospects (Kartikasari & Merianti, 2016).Explained by (Asaolu & Nassar, 2007)cost behavior as the study of how costs change or remain constant with the amount of activity in an arrangement. The degree of action was representing the quantity of labor completed or the quantity of things that have taken place.(Drury, 2005)Discusses the operating cost as costs that have been absorbed in generating income However, Lucy defined profitability as the excess of earnings over expenses. In other words, profit is calculated by subtracting costs from income. This demonstrates how profit is linear and expense. The proportion of solvency is typically used to evaluate the capacity of the business to settle all of its debts, both current and future, especially if it is collapsed or split. (Ayneshet & Agegnew, 2017)State that a high leverage ratio indicates a high level of financial leverage for the company; conversely, a higher debt ratio indicates a higher degree of uncertainty regarding the expected returns to shareholders.

A finance manager plays a critical role in assembly strategic financial decisions, including dividend policy investment planning, and financing options. These decisions often progress over time. The manager must consistently balance liquidity with financial concert to ensure long-term financial stability and managerial success (Eljelly, 2004). A company's decision to invest in fixed assets is mostly influenced by its line of business. Some companies have greater funding than others Moreover, (Saleem & Rehman, 2011) Examined how listed firms in Pakistan's oil and gas sector fared financially in relation to liquidity ratios. The research highlighted the importance of liquidity ratios for several stakeholders, including bond holders, employees, suppliers, creditors and owners. The audited annual reports and accounts of 26 firms comprise the sample under investigation removed from the Karachi Stock Exchange between 2004 and 2009. The effects of other factors on return on savings, return on stock, and return on liabilities; these variables that depend are the current ratio, acid test ratio, and liquid ratio, which are the variables that are examined using methods for regression using ordinary least squares. The results demonstrate a substantial link between the liquid ratio and ROA. It does not, however, correlate at all with ROI or ROE. Each independent variable has a major impact on the companies' financial positions, even though in different quantities. Research on this area was completed in 2012. Six years implies, at least lastly, a few notable modifications to how these variables behave(Saddiqa, Saleem, & Khan, 2024)

Leverage is a useful tool for calculating a company's operating cost mix and illustrating how variations in output impact profitability. Operating costs can be classified as either fixed or variable, with the mix varying based on the business and the sector. When calculating the leverage ratio, debt, equity, assets, and interest costs are the primary variables to be taken into account(Brealey, Myers, & Allen, 2013). Explained by (Yadav, Pahi, & Gangakhedkar, 2021)in another study that for 12,001 categorized as non-monetary enterprises in Asia-Pacific regions, there was a negative relationship between productivity and size. This is true even though there was initially a favorable correlation with the firm's growth that eventually decreased as a result of greater inefficiency with increased size. The partnership this study looks at the affiliation among firm size as well as profitability. Studies using the CCC as a WCM parameter suggest that shorter CCCs increase financial performance for firms (Aldubhani, Wang, Gong, & Maudhah, 2022).

Theoretical Review

Pecking Order Theory

A hierarchy of finance known as "pecking order" starts with retained earnings, moves on to debt financing, and ends with external equity funding. In essence, the idea says that businesses that are profitable might consume less compared to other businesses because they have a reduced need for outside funding rising and because, when compared to other approaches, debt is the "cheapest and most "attractive" external choice of obtaining capital (Kaguri, 2013).

Agency Cost Theory

The debt-to-progress ratio of a textile company is inversely associated, according to the agency cost theory. This is due to the possibility that equity-controlled textile businesses may be motivated to under invest in an effort to defraud the company's creditors. Growing textile companies with more opportunities for their next project will likely result in higher agency fees.

Trade-Off-Theory

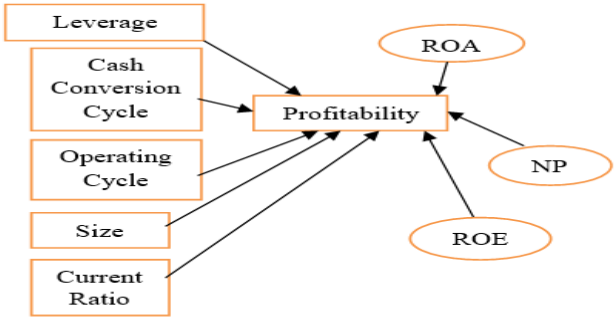
Based on the assessment of the literature, it seems that the agency cost model and the trade-off theory are the best theoretical models for figuring out what variables affect the fashion sector's

profitability. The pecking order theory also provides compelling arguments, but generally speaking, the data seems to back with the study's primary theoretical frameworks, the trade-off and agency cost viewpoints. The trade-off strategy encourages a positive relationship to exist between a textile company's leverage, tangibility of assets, and profitability.

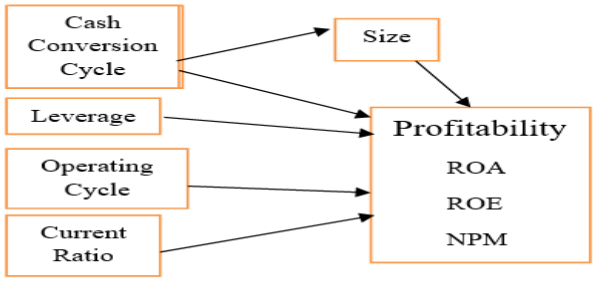
3. Conceptual Framework

Based on collected data, a conceptual model of the relationship between independent variables and profitability has been built.

(Evaluation model: For panel data, effects that are random as well as fixed)



Model: 2 (Mediation for Pool Data)



Personal 2024 Forecast as a reference

4. Research Methodology

4.1 Population and Sample Size

The population under investigation consists of textile corporations that are traded on the Pakistan Stock Exchange (PSX). Out of this population, 76 textile enterprises were chosen for analysis. This sample was chosen to represent a major section of the industry, ensuring that the findings are reliable and representative of Pakistan's larger textile sector. The study lasts five years and provides a thorough dataset for evaluating the factors driving profitability.

4.2 Research Design

The study employs a quantitative research design that focuses on investigating the correlations between key financial variables and profitability in the textile business. The study uses panel data analysis to investigate these links over time and across firms. This architecture enables a thorough investigation of how factors such as firm size, liquidity, and financial leverage affect textile manufacturers' profitability.

4.3 Procedure

The study gathered five years' worth of financial data from 76 textile businesses registered on the Pakistan Stock Exchange (PSX) from secondary sources such as the State Bank of Pakistan and company websites. Simple random sampling ensured an unbiased selection. Panel data were analyzed using both random and fixed effects models, with model selection guided by the

Housman test. To investigate indirect effects, mediation analysis used the Monte Carlo method, the Delta method, and the Sobel test. Finally, several regression models were employed to uncover major drivers of profitability, including the role of business size.

Variable

The variables, abbreviations, and measures utilized in this analysis are listed below:

Variables	Abbreviation	Measurement
Return on Assets	ROA	Net Income / Total Assets
Return on Equity	ROE	Net Income / Total Equity
Net Profit Margin	NPM	Net Profit / Sale
Leverage	LEV	Total Assets / Total Shareholder Equity
Current Ratio	CR	Current asset / current Liability
Size of the Firm	Size	In (total assets)
Operating Cycle	OC	Inventory Period + Account Receivable Period
Cash Conversion Cycle	CCC	Days Inventory Outstanding +Days Sales Outstanding – Days Payable Outstanding

5. Result as well as discussion

Statistical analysis based on element.

Metric	Obs	Mini	Maxi	Mean
SIZE	355	12.04	18.74	15.52
ROE	355	-300.84	2134.99	17.47
CR	355	.01	7.84	1.26
CCC	355	1825.35	991.39	55.42
OC	355	13.46	1118.87	131.2
LEV	355	-243.7	73.7	1.81
NPM	355	-659.89	912.61	3.73
ROA	355	-48.51	33.15	3.35

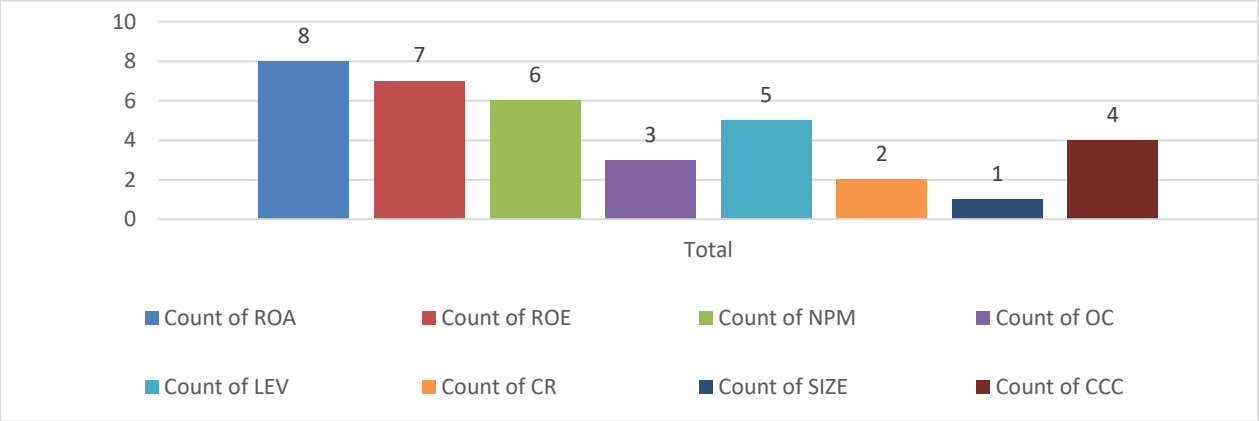
Source: A descriptive analysis conducted by a researcher using STATA.

The descriptive data for the sampled textile enterprises provides an overview of their financial health and operational performance. The data set includes 355 observations on key variables such as return on assets (ROA), return on equity (ROE), net profit margin (NPM), leverage (LEV), firm asset size, current ratio (CR), operating cycle (OC) and cash conversion cycle (CCC). The average ROA is 3.35%, with a broad range of -48.51% to 33.15%, demonstrating profitability volatility. The standard deviation ROE is 17.47%but anextensive array of -300.84% to 2134.99%, demonstrating the varying financial performance of enterprises. NPM averages -3.73%, indicating that many enterprises are not profitable, with some incurring considerable losses. Leverage averages 1.81, indicating low debt levels in relation to equity or assets, while excessive readings indicate irregularities in financial structure. The CCC has a mean of 55.42 days, while the OC has an average of 131.27 days, indicating how long it takes enterprises to transform capital into cash and complete operating cycles. The CR, with a mean of 1.26, indicates that corporations have slightly more current assets than liabilities. Finally, the average company size, measured in assets, is 15.52 (log scale), with some variation among the samples. These figures demonstrate the different financial realities in the textile industry.

5.1 Correlation Matrix

Larger profitability (ROA) is linked to larger net margins (NPM) and liquidity (CR), but it is adversely correlated with longer cash conversion and operating cycles (CCC and OC). ROE is heavily

influenced by leverage (LEV), with larger debt resulting in lower equity returns. Larger organizations (SIZE) tend to have higher asset returns and longer cycles.



Findings from the selection of panel data regression models are used.

For our research, we used the Dougherty (2011) as well as (Torres-Reyna, 2007) strategies to choose the right test for our regression model, in which the ROA, ROE, and NPM represent Y, the dependent variable.

Model: 1

$$ROA_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 CCC_{it} + \beta_3 OC_{it} + \beta_4 CR_{it} + \beta_5 SIZE_{it} + \varepsilon_t$$

Variables	FE	RE
Leverage	-0.032	-0.0196
	(-1.65)	(-0.99)
CCC	-0.0219	-0.0175
	(-6.01)	(-6.29)
OC	-0.006	-0.0132
	(-1.33)	(-3.40)
CR	4.30317	4.00075
	-6.96	-8.61
SIZE	8.78187	3.25536
	-7.79	-7.19
Cons.	-136.36	-49.617
	(-7.84)	(-7.13)
Obs	355	355
Adjusted R- Square		
Within	0.4194	0.3678
Between	0.3195	0.4653
Overall	0.2673	0.3912
F-Statistic	39.58	211.92
p-value	0	0.0001
Hausman Test (Chi-Sq.)	32.83	0.0001
p-value	0	

Note: The figure shows T statistics

We used the Durbin-Wu-Hausman (DWM) test, sometimes referred to as the Hausman test, to estimate random and fixed effects separately. Our DWM has a chi-squared of 32.83 and the significance level of 0.00001, which is extensively lesser than the threshold of "0.1." Coefficients

show significant differences; consequently, the fixed effects framework is kept. According to the fixed effects panel regression analysis, the independent factors account for approximately 41.94% of the variation in ROA within each group and 31.95% between groups, with an overall R-squared of 26.73%. The form is statistically noteworthy, as evidenced based on the F-statistic and p-value of 0.0000. Key findings include a substantial negative involvement between the cash conversion cycle (CCC) along with ROA, highlighting the necessity of effective working capital management in the textile business. The current ratio (CR) and firm size (SIZE) have significant positive correlations with ROA, highlighting the importance of liquidity and asset utilization in improving profitability. However, leverage (LEV) and the operating cycle (OC) have no substantial effects on ROA. According to these findings, textile companies should focus on improving liquidity, asset management, and working capital to increase profitability.

Model: 2

$$ROE_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 CCC_{it} + \beta_3 OC_{it} + \beta_4 CR_{it} + \beta_5 SIZE_{it} + \varepsilon_t$$

Variables	FE	RE
Leverage	-7.2186	-6.6386
	(-31.82)	(-30.17)
CCC	0.20068	-0.0359
	-4.72	(-1.41)
OC	-0.1538	0.02539
	(-2.90)	-0.68
CR	1.12538	1.87059
	-0.16	-0.48
SIZE	20.9591	5.99626
	-1.59	-1.78
Cons.	-287.2	-67.431
	(-1.41)	(-1.30)
Obs	355	355
Adjusted R- Square		
Within	0.7878	0.7619
Between	0.1245	0.4001
Overall	0.5903	0.7093
F-Statistic	203.41	916.01
p-value	0	0.0001
Hausman Test (Chi-Sq.)	261.67	
p-value	0	

Note: T statistics are represented by the figure.

The DWH test suggests a fixed effects regression test because of its high chi-squared with a small p-value, as with our previous approach. Based on 355 observations from 76 groups, the fixed-effects model accounts for 78.78% of the variation in ROE within each group, demonstrating a robust link between the independent variables and ROE. The analysis shows a strong negative link between leverage and ROE (coefficient: -7.2186, p-value < 0.001), indicating that excessive leverage affects profitability in the textile business by increasing financial risks. Cash Conversion Cycle has a positive but statistically remarkable association with ROE, whereas a shorter operating cycle (OC) correlates with higher ROE, highlighting the necessity of effective operational management. However, the current ratio (CR) and firm size (SIZE) have no significant link with

ROE, indicating that other criteria may be more important in predicting profitability. The model also shows that variances across firms account for 64.66% of the total variance in ROE, emphasizing the need to take firm-specific factors into account in the textile industry to improve financial performance.

Model: 3

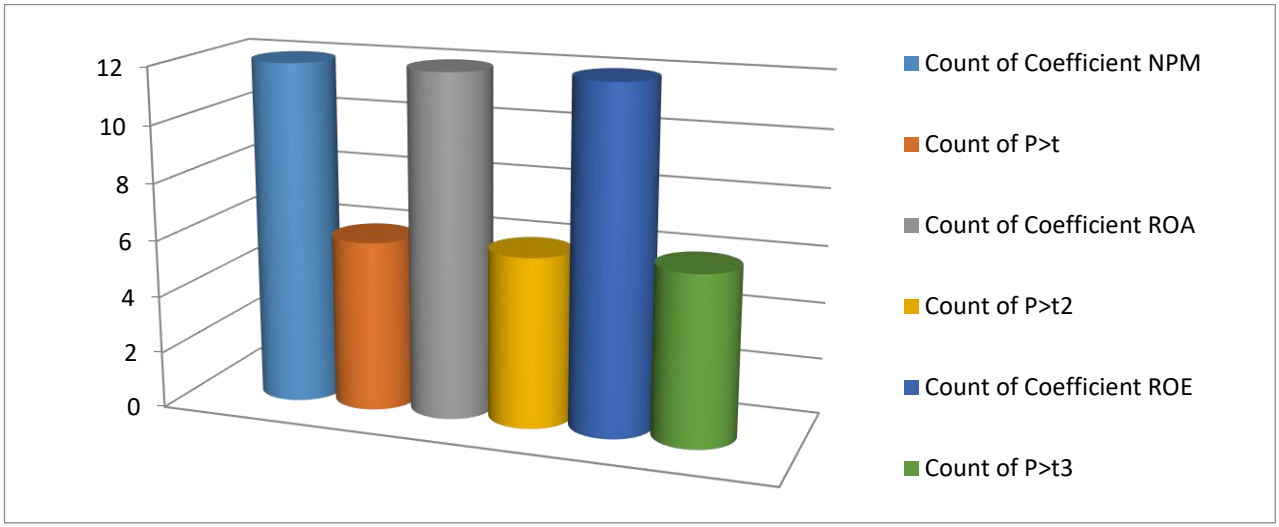
$$NPM_{it} = \beta_0 + \beta_1 LEV_{it} + \beta_2 CCC_{it} + \beta_3 OC_{it} + \beta_4 CR_{it} + \beta_5 SIZE_{it} + \varepsilon_t$$

Variables	FE	RE
Leverage	-0.0942	-0.1365
	(-0.62)	(-0.91)
CCC	-0.404	-0.3262
	(-14.27)	(-14.83)
OC	-0.012	-0.1148
	(-0.34)	(-3.80)
CR	2.76515	9.80865
	-0.58	-2.65
SIZE	17.3066	20.6016
	-1.98	-5.47
Cons.	-251.78	-307.07
	(-1.86)	(-5.30)
Obs	355	355
Adjusted R- Square		
Within	0.514	0.4905
Between	0.4128	0.5651
Overall	0.4779	0.5462
F-Statistic	57.96	370.26
p-value	0	0
Hausman Test (Chi-Sq.)	30.58	
p-value	0	

Note: The figure shows T statistics.

The DWH test examines a fixed effects regression test, as proven by a little p-value and a significant chi-squared. The fixed-effects analysis model, which is based on 355 observations from 76 groups, accounts for 47.79% of the variation in net profit margin.A coefficient value of 0.0000 and an F-statistic of 57.96 supports the significance of the model's results, which indicate that at least one independent variable has a substantial impact on NPM. The analysis reveals that the cash conversion cycle has a statistically noteworthy negative contact on NPM (coefficient: -0.4039966), whereas business size (SIZE) positively affects NPM (coefficient: 17.3066, p-value < 0.05). However, leverage, the operating cycle (OC), and the current ratio (CR) have no statistically significant impact on NPM. The model reveals that differences across businesses account for 52.52% of total NPM variance, highlighting the importance of firm-specific characteristics in the textile industry. The random-effects model also demonstrates the relationship between improved NPM and intangible assets, higher current ratios, lower operating expenses, and more capital cost coverage. This analysis provides useful insights for textile industry managers, indicating that optimizing capital cost coverage and focusing on asset utilization will improve profitability.

5.2 Result of the Mediation Model from Pool Data



The study found that larger textile enterprises had higher financial performance, as demonstrated by the fact that assets have a favorable and substantial impact on return on equity (ROE), return on assets (ROA), and net profit margin (NPM). The coefficients for assets on NPM (16.38), ROA (2.45), and ROE (5.93) all indicate that larger enterprises are more profitable and efficient. Since NPM, ROA, and ROE are negatively impacted by the cash conversion cycle (CCC), longer CCCs lead to worse profitability across these parameters. Operating cycle (OC) has an adverse effect on both NPM and ROA, indicating that longer operating cycles lower profitability and efficiency. While the current ratio (CR) has a positive impact on NPM and ROA, demonstrating that increased liquidity boosts profitability, it has no meaningful effect on ROE. Leverage has a negative influence on ROE but no significant effect on NPM or ROA, meaning that increased debt affects returns on equity but not assets or profit margins.

5.3 Mediating Effect

SIZE (In assets)		
variable	**Coefficient**	**P>t**
CCC	0.0024582	0.000
	(-6.32)	
Cons	15.38895	0.000
	(-212.93)	

The analysis demonstrates that business size somewhat mediates the association between the cash conversion cycle (CCC) and financial performance (ROA, ROE, and NPM). Significant correlations between CCC, size, and financial outcomes were discovered. For ROA, size mediates 93% of CCC's effect while having a smaller direct impact. ROE is mediated at 33%, while NPM is at 17%. The findings underscore the importance of business size in determining how CCC affects financial performance.

6. Conclusion

This study explores the elements that influence profitability in the textile industry by analyzing data from 76 companies over a five-year period. Profitability is calculated using ROA (Return on Assets), ROE (Return on Equity), and NPM (Net Profit Margin), with leverage (LEV), cash conversion

cycle (CCC), operational cycle (OC), current ratio (CR), and company size (SIZE) serving as independent variables. The data show that leverage has a considerable negative influence on ROA and ROE, implying that higher debt levels result in worse profitability due to increased financial risks. However, leverage has no substantial effect on NPM, implying that debt financing has no direct impact on profit margins. CCC reduces ROA and NPM, emphasizing the significance of effective working capital management. Interestingly, CCC has a positive association with ROE, showing that companies with longer cycles can still achieve better returns on equity, potentially through effective inventory and credit management. The operational cycle has no substantial influence on ROA or NPM but has an adverse effect on ROE, emphasizing the significance of effectively managing production and sales operations. The current ratio is favorable connected with ROA, emphasizing the need for optimal liquidity levels, although its effect on NPM and ROE is not statistically significant. Firm size increases ROA and NPM, demonstrating that larger firms benefit from economies of scale and market dominance, but it has no meaningful effect on ROE. According to the study, governments should priorities enhancing financial stability, effective working capital management, and promoting industrial expansion in the textile sector to increase profitability and competitiveness. The study's structural equation model illustrates the intricate links between company characteristics and profitability, emphasizing the importance of a strategic approach to managing leverage, working capital, and firm size in order to achieve improved financial performance.

7. References

Saddiqa, A., Saleem, R., & Khan, I. (2024). The Impact of Capital Structure, Firm Size, and Liquidity on Financial Performance in the Textile Industry. . *Contemporary Issues in Social Sciences and Management Practices, 3*(3), 122-132. doi: https://doi.org/10.61503/cissmp.v3i3.208

Adil , M., & Malik, M. (2020). Determinants of Firm Profitability: A Study of Textile Sector of Pakistan. *Journal of Business & Finance Management Research,, 2*(2), 13-24.

Aldubhani, M. Q., Wang, J., Gong, T., & Maudhah, R. A. (2022). "Impact of working capital management on profitability: evidence from listed companies in Qatar. *Journal of Money and Business, 2* (1), 70-81. doi:10.1108/JMB-08-2021-0032

Al-Qudah, A. A. (2016). The relationship between Each of (Return on Equity & Return on Asset) and Annual Return in the Abu Dhabi Securities Exchange (ADX): Evidence from United Arab Emirates. *Research Journal of Finance and Accounting, 7*(24), 100-109.

Arshad, A., Khalil, M., & Ullah, R. (2020). Determinants of Profitability in Textile Sector of Pakistan:Evidence from Panel Data Analysis. *Global Management Journal for Academic & Corporate studies, 10*(1), 47-58.

Asaolu, T. O., & Nassar, M. L. (2007). Essentials of Management Accounting and Financial Management. *Cedar Productions, Ile Ife, Nigeria.*

Ayneshet, & Agegnew. (2017). The effect of working capital management on profitability a case of manufacturing and merchandizecompanies.

Batchimeg, B. (2017). Financial performance determinants of organizations: The case of Mongolian companies. *Journal of Competitiveness. , 9*(3), 22-33. doi:10.7441/joc.2017.03.02.

Brealey, R. A., Myers, S. C., & Allen, F. (2013). Corporate Finance (10th ed.). *New York : McGraw-Hill Irwin.*

Drury, C. (2005). Management and Cost Accounting (6th ed.). *London: Thomson Learning*.

Eljelly, A. (2004). Liquidity-Profitability Tradeoff: An empirical Investigation in an Emerging Market. *International Journal of Commerce &Management, , 14*(2), 48-61.
Ghassim, B., & Bogers, M. (2019). "Linking stakeholder engagement to profitability through sustainability-oriented innovation: a quantitative study of the minerals industry". *Journal of Cleaner Production., 224*, 905-919.
Hanif, M., Alim, W., Khan, S. N., & Naz, I. (2023). Impact of Profitability, Firm Size and Investment Opportunities on Earning Quality.Earning from Pakistan. *ournal of Accounting and Finance in Emerging Economies , 9*(3), 253-264. doi:10.26710/jafee.v9i3.2717
Hantono. (2015). Pengaruh Current Ratio Dan Debt to Equity Ratio Terhadap Profitabilitas Pada Perusahaan Manufaktur Sektor Logam Dan Sejenisnya Yang Terdaftar di Bursa Efek Indonesia Periode 2009 2013. *Jurnal Wira Ekonomi Mikroskil, 5*(1), 21-29.
Hassan , M., & Sadiq, F. (2018). Determinants of Firm Profitability: Evidence from Textile Sector of Pakistan. *Journal of Business and Management Studies,, 4*(1), 45-54.
Irman, M., Purwati, M. M., & Juliyanti. (2020). Analysis On The Influence Of Current Ratio, Debt to Equity Ratio and Total Asset Turnover Toward Return On Assets On The Otomotive and Component Company That Has Been Registered In Indonesia Stock Exchange Within 2011-2017. *International Journal of Economics Development Research, 1*(1), 36-44.
Kaguri. (2013). Relationship between firm characteristics and financial performance of life insurance companies in Kenya. *MSC thesis, University of Nairobi*.
Kartikasari, & Merianti. (2016). The Effect of Leverage and Firm Size to Profitability of Public Manufacturing Companies in Indonesia .
Lang, L., Ofek, E., & Stulz, R. (1996). Leverage, investment, and firm growth. *Journal of financial Economics,, 40*(1), 3-29.
Nazir, M. S., & Afza , T. (2009). Determinants of profitability in textile sector of Pakistan. *International Research Journal of Finance and Economics, 33*(1), 40-45.
Pirttil€a, M., Virolainen, V. M., Lind, L., & K€arri, T. (2020). "Working capital management in the Russian automotive industry supply chain". *International Journal of Production Economic,, 221*, 107474. doi:10.1016/j.ijpe.2019.08.009.
Ramlah, R. (2021). The effect of profitability and leverage on stock return of food and beverage companies. *Point Of View Research Management, 2*(2), 139-150.
Ruziqa, A. (2013). The impact of credit and liquidity risk on bank financial performance: The case of Indonesian conventional bank with total asset above 10 trillion Rupiah. . *International Journal of Economic Policy in Emerging Economies, 6*(2), 93-106.
Saleem, R., & Rehman, R. U. (2011). Impact of liquidity ratios on profitability of oil and gas firms in Pakistan. *Interdisciplinary Journal of Research in Business,, 1*(7), 95-98.
Torres-Reyna, O. (2007). "Panel data analysis fixed and random effects using Stata (v. 4.2). *Data and Statistical Services, Priceton University,, 112*, 49.
Valeri, M. (2021). Organizational Studies: Implications for the Strategic Management, Springer Nature,Cenveo.
Wibowo. (2011). Manajemen Kinerja. *PT. Raja Grafindo Persada*.
Yadav, I. S., Pahi, D., & Gangakhedkar, R. (2021). The nexus between firm size, growth and profitability: new panel data evidence from Asia-Pacific markets. *European Journal of Management and Business Economics,, 31*(1).