ABSTRACT

Pakistan's textile sector is important to the country's economy. It contributes in generating employment, foreign exchange and trade growth. The purpose of this study is to examine the financial stability of Pakistani textile enterprises. Investment towards textile is crucial to boost the textile sector's financial performance, which can be analysed by applying Altman Z-score model. The Altman Z-score approach is a tool used to assess the financial stability of textile companies for time period from 2013-2014 to 2019-2020 years. This model consists of five ratios such as profitability, solvency, leverage, liquidity, and activity.

Finding of the study shows that 30% of textile sector falls in safe zone, 40% falls in grey while only 30% of textile sector of Pakistan falls in distress zone. The companies which are in safe zone are BTML, SCML, and TT. The companies which falls in grey zone are GATML, STML, CFL, and NML. The companies which lies in distress zone are KML, AHTML, and CTML. Average result of textile sector of Pakistan is in grey zone showing unstable financial performance from 2014 to 2010.

According to findings, investors should invest in BTML, SCML, and TT textile firms because their Altman Z score is greater than 2.99 and they are in safe zone having stable performance. GATML, STML, CFL, and NML especially; KML, AHTML, CTML which fall in distress zone and they are not stable, Therefore managers of firms should make better plan to increase the volume of sales for better activity ratio. They must increase market value of equity to improve leverage position of the firm. RE directly effects the profitability ratio so it should be increased, the liquidity ratio will be optimum by increasing working capital, and for Solvency ratio, they should manage to increase EBIT by this these companies will get the safe zone. These financial ratios should be positive to get good results of sustainability of textile sector because they directly effects the company's financial health.