

Impact of Capital Structure on Firm: A case study of Khyber Pakhtunkhwa, Pakistan

MUHAMMAD SOHAIL KHAN

Master: International Finance and Economics

ZUBAIR AHMAD

Master: International Management and Governance

Abstract

Management's new challenge is to create a work environment about employment that attracts, keeps, and motivates its workforce. The responsibility lies with managers and supervisors at all levels of the industries. Businesses must step outside their traditional roles and comfort zones to look at new ways of working. They have to create a work environment where people enjoy what they do, feel like they have a purpose, have pride in what they do, and can reach their potential. The structure of financial position in Khyber Pakhtunkhwa have not seen too valuable financial structure regarding the standards of capital budgeting techniques by the implementing policies of board members and financial managers.

Distributed data of researched based on 16 numbers of questions and have collected information by three parameters from the questionnaire. Individuals the 100 samples have collected of industrial area of Khyber Pakhtunkhwa. And the sample have individually belonged to ate of 15-40 years old participants and in design of research three factor capital structure, profitability level and debts ratio according to the questionnaires with financial reports by ISB and their change in financial performance of industry. With help of intermediate variable to collect data from the ISB and from the external auditors for awareness of industrial financial information.

The data have collected from the industrial state of Khyber Pakhtunkhwa, individually 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa. In second step data will be compiled by using SPSS and frequency counting.

Keywords: capital structure, firms, Khyber Pakhtunkhwa, Pakistan

INTRODUCTION AND OVERVIEW

Chapter 1: Introduction

In the capital structure researcher identify working capital management along with financial policies and terms values of industries. Researchers focus short-term assets and liabilities which needs a careful investigation since the financial plays an important role in the determination of the profitability of industries and different firms. However, liquidity of risk and unlimited objectives of industries determine the expected policies of capital budgeting techniques and financial changes in different style (Uyar, 2006)the greater in current assets lead low risk and its due to settling of the short-term obligation with lower profitability values. Effective management policies and proper financial management structure to create the valuation of short-term policies of shareholders and investment. According to stated condition of (Howert, 2005) in 2003 maximum valuation of firm depend its level of profitability and investment initiation.

The main purpose to of profitability issues of industries and firm is working capital, which determine the optimal balance between the firm policies and their financial executive's strategies. The financial issues e.g. receivables, inventories, payable (Aafer, 2004)and financing cost increase fund valuation for expansion of different financial projects and investment criteria. By the reducing their financing and increasing in fund available for expensing in industries, minimize the amount of investment up in current assets, while industries have taking highly risk. Working capital policies concerning with financial changes making investment in their current assets in working capital structure. Capital investment policies and level of liabilities of finance known as working capital financing policies. By those different policies and practice the industries affecting the level of profitability level, risk as well as finally the valuation of different way of industries growth.

In current research the researcher a deep attention was given to the financial statements of industries of Khyber Pakhtunkhwa in Pakistan. Which is based on the financial figures extracted from the annual reports and financial documents also researcher observed that organizations are having different levels of current assets and

liabilities along with all credits. Additional, some industries adopt aggressive working capital policy while some are running with conservative and moderate level of policies of financial structure. Therefore, researcher is interested to carry out a study only the deep of financial structure and to identify the impact of capital policy and profitability level and their impact of change in Pakistan industries.

Now a day's capital valuation is less about truth and purpose and more about the preparation of overruling expertly and firmly in the international market.(Spender, 2004). That's actually grounded in a processual standpoint of financial issues of industries. It recommends that the process of knowing is as important as financial issues itself. Therefore, processes of financial information and financial knowledge are imprecisely linked with market structure and change in capital (Worths, 2005). Individuals and groups clearly make use of financial knowledge, both obvious and tacit in what they done but not everything they know how to do of industries.

1.2. Capital structure on firm profitability

1.2.1 Capital structure

Impact of financial management policies based on the professional expects of financial issues where the financial manager has taking right decision as for industry. Furthermore, to provide proper dimensions about the financial knowledge in the organization. Where the nature of the work which is often defined by imagination and problem solving strains sovereignty by the different view of financial techniques. The establishments supporting of the industries completed by impartiality mostly of financial issues along with liability on the other securities of industries in which it will directly effects on the industries performance. The financial structure as well to determine the different option of industrial growth by the proper financial management techniques and profitability issues. (I.R, 2008). Same as like the research on capital structure of industries creating appropriate concept of taxation, industrial liquidation, valuation of the product with all expects of financial issues and supports.

1.2.2 Profitability level of industries

The financial structure of industries in different organization have created proper and authentic way of industrial financial structure,

where the members of industries have choosing the right path in industry by the proper physical structure of industries performance. Like to the investing client of firm may well be inclined to offer everlasting employment to knowledge of financial structure and to the guideline to the workers who yield good results for profitability level and who might prove to be less classy structure of industries. In the Pakistan production raise by hundred interrogation of financial business and earn millions of dollars by international investing.

1.2.3 Debts ratio

The industrial debt ratio based on current assets and current liabilities of industries. The total debts of the firm grounded the firm fundamentally relevant of the investment and structure of the obligation for the investment. In represented situation of industries, the exceptional qualities of financial hands and financial work processes have led to the term gold worker being logical to financial expects and techniques of business.

In value fundamentally relevant to its investment structure of industries, through 98% obligation, the investment building of a steady is peak due to concentration of Pakistan industries and duty tax defense by the proper structure of investment. (Mecklin, 1987). There are top investment erection is assortment of responsibility and communal fairness along with chosen typical that diminishes the cost of principal of accounts and finance.

1.3 Financial overview of industries

The basic view to improve in productivity and quality of work directly to it argued with financial flaws from corporate financial cultures that systematically recognize and reward individuals' behavior of investors. The industrial state of Khyber Pakhtunkhwa is already having faced lots of problem in financial review and accounting basic concept cause of traditional methods of business and financing. Where the investors have taking unlimited debt's and profitability issues without any legal legislations.

Regarding this in the Khyber Pakhtunkhwa industrial area have taken many financial problems and unidentified. It facilitates the recognized structure of financial issues and reduce risk by different financial techniques. It has already been emphasized that financial knowledge of financial managers, those have taking decision for

industries as for the investors and better financial benefits (Friedman, 1977).

1.4 Research problems

There are some of following research problems could come up while in financial review:

1. Conformity of industries

As above representing situation the industries have basically followed the traditional methods of financing and produce non-technical way of production. Therefore, in financial structure shows the improper structure of financial reports. Furthermore, the taxation procedure of financial structure totally shown the own doles and benefits.

2. Group think

- Impression of financial structure in industries believe that past successes guarantee future successes and forecasting.
- Reconciliation of financial issues along collective approach of industries.
- Lack of decision-making policies and financial issues.
- Traditional approach of thinking for long term investment.
- Pressure from the debt policies and improper financial structure.
- Lack of concentration and self-censorship in industries
- Researcher mostly taking information from outsider.
- Unanimity of decision maker in the industries.

3. Group polarization

- In research individual participant is provided with a brief scenario in the industrial financial structure.
- Participant of research provided individual information of financial structure and profitability view.
- Researcher have together in groups to discuss the scenario of financial change.

1.5 The research problem

The researcher has faced problem in critical analysis of industries trends reveals an imminent scarcity of highly-skill financial performance and industries profitable level, it shows essential knowledge of finance in industries.

1.6 The purpose of the study

This research study uses to understand the basic financial expects of industries and their profitable issues. Research information procedure in industries and their impact on socioeconomic factors show the value of firm in case of profitability. This study will help determining industrial coordination and flow information of financial issues, and specific factors effecting high performers in intern flow of management by upward and downward flow of financial information in Khyber Pakhtunkhwa industries.

1.7 The objectives of the study

The research objectives of the study are:

- To determine the financial procedure regarding with budgeting criteria of industries.
- To know the effects of the industries and their financial effects with performance.
- Profitability issues of industries and performance of financial manager.
- To know and assess the industries financial performance with debt ratio.
- Researcher to investigate the high leverage and manager performance.
- To investigate the price issues in industries.
- Researcher will be taking comparative analysis of research.
- To know and determine the effects of industries in ISB.

1.8 The research questions

There are three parameters of questions are as follows:

1.8.1 Capital Structure

In the capital structure view, the practice scale based on 5 points Likert scale and it was developed according to three parameters. The validity was established by the industrial nature and financial environment in term of profitability and debt ratio. This scale has been deciphered by James (2006) according to profitability width and ratio. It is 5 points Likert scale established to measure the industrial Profitability level in industries.

1.8.2 Profitability level

The level of profitability of industries consists of incentive change in financial issues and policies. Industries profitability level well determining by the questionnaires. There are three questions have designed for the concern information about the industries of Khyber Pakhtunkhwa.

1.8.3 Debt ratio

There are six numbers of questions determine the debt policy, where the industries taking information from different resources by questionnaires and manipulate result in financial changes by current assets of industry.

1.9 The Importance of financial changes

Financial changes not only to effects on industries financial policies also it evaluates different methods of finance by internal and external resources. Might few changes in policies directly effects on industries profitability level. And investment resources of industries have not cleared the exact picture of financial policies.

Financial knowledge of industries

- Determine the financial knowledge of available technologies and facts in industries.
- Determine the financial skills and materials valuation.
- Regulate internal and external auditing system of industries.

That financial changes have created different sound in industries by the new collective skills of financial manager and for reputed person. Investor must know the about the industries financial width before investment. If industries have not fulfilled optimum goal of industries so investor not directly interest to invest money for long opportunities. There for researcher will design the research procedure for the collection of information regarding all financial expects.

1.10 Prevailing expects of capital management

According to Irene & Lee, (2007) explores the prevailing working capital management policies regarding the managing practice to well performed the public firm production and financial valuation. Also, they have considered correlation between profitability and the level of working capital of investment in industries and of the sample firms and

finds that profitability ratio with working capital was linearly associated completely to a certain extent in industrial state. (Lee, 2007) In the above study working capital management and its components have significantly shown the financial environmental expects of debt's ratio. And they also give us the results and conclusions of these research who already conducted on the same area of industrial state data for different countries.

Chapter 2: LITERATURE REVIEW

The most importance impact of working capital on profitability is not new to the finance literature for the industries and the review of prior literature reveals policies of industries that there exists a significant relation between performance on budgeting and profitability level of industries also the working capital management and industrial profitability level using different variable selection according to different level of profit and margin under stated of forecasted budget. According to Ganesan (2007), the working behavior magnified by the level of profitability, where the working capital management efficiency of firms from the level of industries shows the different view of width in financial structure and shows the different level of profit in refer to products. In research the variables used to represent the working capital on the profitability level under sale of outstanding view, inventory day outstanding, sale outstanding, working capital and industries current ratio with liquidity of firm represent conversion cash effectible and efficient. Its liquidity represents by cash conversion efficiency of individual industries and their income to sale represent the width of industries. State of research study the evidence found that now a day the working capital performed negatively relate on industries and it's not significantly impact on the level of profitability of the firm financial structure. (Genesan, 2006)

The statement of Amin (2006) had been represent actual correlations relations between the firm performance in industries verses to financial performance of industries with whole resources of financial issue and debt's. that researcher results shown the positive relationship between the firm financial performance regarding the profitability level in the north Bangladesh industries. (Pedro, 2006). According to Nearware (2003), the agriculture fertilizer industries working capital policies significant relate with on the profitability level

of limited industries in 1992-5 and also the signify in 1997-9, in both case the industries disclose the negative and positive effect of industries. In that research Neaware also found the profitability ratio and their change in industries by the management performance of entire industry. The effect of decrease as well to be shown the less attitude of working capital. (Narware, 2003)

In Nasir (2006) research based on the entertainment films where the 85-94 films listed on Karachi stock exchange in entire period of approximately six years but it has badly created negative relation on the working capital regarding the film investment industries and level of profit was less as comparatively actual investment cost. The variable of working capital management represented by liquidity and debts with the profitability level of industries. And there was not significant result shown on level of profitability and earning of industries. Through the cross-sectional regression model expected figure of working capital policies, profitability level of industries and entire risk of industry founded the negative relationship between the profitability level of film industry and degree of aggressiveness on investment of working capital by financing policies. The result that indicated the relative relationship between the aggressive and conservative policies of limited industries in listed of Karachi stock exchange. (M.Nasir, 2006)

According to in 2006 they have taking research on high investment in industrial inventories and their receivables was associated with lower profitability level of industries. In since of return total assets as profitability measure in manufacturing industries finds the reveal increase in the short-term components of working capital. Where the width of industry was not too valuable but short-term component directly shown effect of industry. The same conceptual idea according to Kamalavilla in 2009, focus with 14 industrial corporate sector in service industries like in hospital, that period of 2004-6 and found the exact correlation and regression analysis have been applied for the working capital with current ratio, turnover ratio, current assets on operating income and negatively leverage profitability level of industries. That widely major component of working capital represented the conversion of cash cycle in financial structure. (Padachie, 2006)

According to earlies study of Stevens and Jose in the year of 1995-6 approximatively 2700 industries strongly shows the evidence that aggressive working capital policies regarding the shorter cash

conversion cash cycle enhance profitability level of industries and their mutual relationship regarding the industrial financial structure shown the significant relationship and strong behavior of industries in open market by debt' ratio. Similar by the Tryfonidies in 2006 showed the significant relationship of profitability across to measure operating profit and cash conversion by using sample of 100 companies, listed already in the Athens stock exchange with huge number of shares. (Steven). The study of Uyar in 2009 found the negative correlation between the CCC profitability level of return on assets measure but not give the significant result in sense of equity of industry and measure the profitability level by ANOVA and their Pearson correlation but the significant study relationships shown .5 results, in correlation, which was providing the negative effects on return on equity and the firms shown shorter firms resources more likely be profitable as compare to longer firm profitability level of industries. (Uyar, 2007)

In the above study working capital management and its components have significantly shown the financial environmental expects of debt's ratio. And they also give us the results and conclusions of these researches who already conducted on the same area of industrial state data for different countries. The industrial working capital management refers to the administration of entire industries management and their working capital such as cash, remedies, debts, receivables and marketable securities standards. For the investment growth the industrial working capital management function of the firm is crucial to the industries due to involve time and efforts. And the financial manager involves in such as marketable security and financial growth of industries. Their proper management through emphasis of financial procedure and productivity investment, structure of capital and corporate finance.

According to Weinraub and Visscher (1997) have identifies the issue of aggressive and conservative working capital management policies of industries by using quarterly data for the period in the year of 1984-93 of the US industries. The study considered 10 diverse industry groups to examine the financial policies and aggressive working capital management. The study conducted that the significant different working capital management policies. The analysis view study also showed a high and significant negative correlation between industry asset and liability policies in different financial periods and found that when relatively statistically aggressive working capital

asset policies are tracked and balanced conservative working capital financing policies. A.M.V (1997). By the Michacle Soenen (1993) investigated the relationship between the net financial trade cycle as a measure of working capital of industries and return on investment in the Asian industries. The results of chi-square test statistically indicated a negative relationship between the length of net financial trade cycle and in the return on financial assets. Besides, this inverse relationship was found different among industries with due to different tactical policies and financial issues. And industrial significant relationship has provided the result from the few industries.

However, the requires the development of sound techniques of managing the working capital in Pakistan industries. There are two main types of working capital policies of the firm: aggressive and conservative working capital policies of industries under stated of financial growth and maturity. And also, the aggressive working capital policies was followed by the industries when it uses more short-term financing than warranted by the matching plan according to financial policies and change in financial growth, the industry uses funds for permanent fixed assets for short-term financing for short term, the conservative approach involves and depends more on long-term funds for the financing needs for the long term of the industry. This research adopted the aggressive working capital industrial policies approach and against this background examines the impact of working capital management on industrial firm of Pakistan in period of Nigeria from 2004-6 using the material state for the measure profitability level.

According to Mohanlal (2004) studied the working capital management in financial policies in non-profit organizations from Durban South with the help of financial methodology. The financial structure researcher found that financial managers of the non-profit organizations and industries under study were inadequately trained to manage the working capital of industries due to which they did not financial implement the policies of the management to achieve the goals of the industries.

Chapter 3 METHODOLOGY

3.1 Methodology and procedures of research

Researcher distribute methodology based on two forms. In the first section researcher directly distribute the questionnaires in three parameters, likes in capital structure of industries, profitability level of industries in Khyber Pakhtunkhwa and debt ratio in the financial statement. And then divided the recognized data according to different industrial natures in Khyber Pakhtunkhwa. The second purpose of this segment is to described and informatics view of procedure have been collected by specific procedures of the above three parameters in data conducts that research anticipates adopting for analyses and interpretation. Data have collected from different industrial region from the industrial area of Khyber Pakhtunkhwa. Distributed data of researched based on 16 numbers of questions and have collected information by three parameters from the questionnaire. Individuals the 100 samples have collected of industrial area of Khyber Pakhtunkhwa. And the sample have individually belonged to ate of 15-40 years old participants.

Questionnaire have depended demographic information of each individual including father's name, designation, gender, age, education, socio economic status of the research participants. in which the capital structure scale is a 5 points-Likert scale will be developed for the analyses and Its lawfulness was upright by the connection between capital structure of industries and efficiency level of industry and debt ratios of different nature of industries. Same as like to collect information by Profitability level of industry in Khyber Pakhtunkhwa by, debt ratio, return of equity. This scale has been deciphered by James (2006).

According to above view of parameters researcher will approach 50 Khyber Pakhtunkhwa group of industry and 100 from different industrial area of Khyber Pakhtunkhwa which will be the experimental group of the current study by the different nature of industries. On this sample N=100 participant data will be analysis the Profitability level of industry, debt ratio, return of equity scales administered identify on each patient to measure the level of capital structure, profitability level of industry, debt ratio and return of equity by the nature of industries. Also the data will be collected from the Islamabad stock exchange by registered industries and then financial report to examine and

manipulate the individual their debt and equity ratio for the productivity comparison. The selected participants will be informed in detail about the study of industrial state.

Following Instrument are used:

3.1.1 Instruments: Demographic Sheet:

The research data will be collected by demographic information of each individual which will include name, father's name, designation, gender, age, education, socio economic status of the research participants in different industries and then after the collection to finalize the questionnaire data for manipulation.

3.1.2 Capital structure view and their practice

In the capital structure view, the practice scale based on 5 point-Likert scale and it was developed according to three parameters. The validity was established by the industrial nature and financial environment in term of profitability and debt ratio.

3.1.3 Capital structure, debt ratio and profitability

This scale has been deciphered by James.R (2006) according to profitability width and ratio. It is 5 point-Likert scale established to measure the industrial Profitability level in industries.

3.2 Research methodology and procedure

The researcher was loomed 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa which was the untried group of the current study for the research implementation and analyses. On the 100-sample profitability, capital structure and debt ratio scales was administered individually on each patient to measure the level of financial report of industry in Khyber Pakhtunkhwa.

The manufacturing and industrial group will be taken from normal population from Khyber Pakhtunkhwa and from Khyber Pakhtunkhwa industries according to the different nature of product and profitability level. The data will be conducted, registered industries in Islamabad stock exchange, which will already have nominated and represented their financial report for shares and dividend. After screening on control group the same profitability level of industry, debt ratio and return of equity scales defined the structure financial position of industries. After the collection of data, it will be manipulating and compiled by using SPSS and frequency counting in different parameter and find out the exact consistency of respondent view and finally data

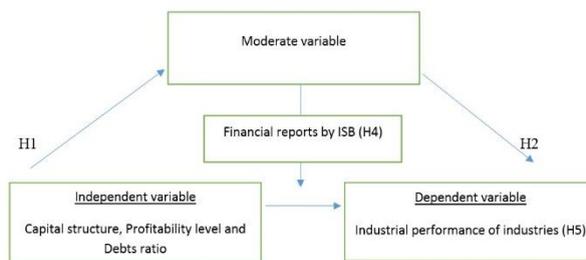
will be evaluated and analyzed by applying Analysis of Variance (ANOVA).

In research selected participants were already being informed in detail about the study of industrial financial positions of industries in Khyber Pakhtunkhwa. The most important to respondent, provide privacy and insured them for any misinterpretation and swindle. And study will be conducted after their informed consent by industrial state and subordinate participants. The non-industrial states were taken from normal population from eastern side of Khyber Pakhtunkhwa. Researcher was conducted data by industrial state of Khyber Pakhtunkhwa, which was basically related with different nature of products and items. The data will be conducted by listed according to the nature of product, which will be control group of the study for each parameter.

3.2.1 Data Collection

The data have collected from the industrial state of Khyber Pakhtunkhwa, individually 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa. In second step data will be compiled by using SPSS and frequency counting. The results will be assessed and analyzed by applying Analysis of Variance (ANOVA) and chi-Square

3.3 Research framework



3.4 Sources of data

Researcher have conducted data from the industrial state of Khyber Pakhtunkhwa. For the result designate the data have conducted by the financial side of industries and from the financial report researcher have collected figure for profitability ratio. Individually 45 industries

from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa.

The study will be delimited to the following.

1. Garment industries of Khyber Pakhtunkhwa
2. Fabric industry
3. Plastic industry
4. Flour industry
5. Leather industry
6. ISB registered industries of Khyber Pakhtunkhwa

3.5 Data collection techniques

Researcher have formulated data by the questionnaire and tremulousness find out financial policy maker and profit valuable issues by different parameters of questions. By addition to demographic information of data, and it will contain level of influence of profitability issues, capital structure and the debt ratio of industries within strategic policies, along with dependent, independent and mediate variables in financial reports.

3.6 Issues of reliability and validity

Some of following hypothesis have been formulated on the basis of earliest research as mentioned.

3.6.1 Hypotheses of the Study:

H1: There is a significant impact of the profitability level and debt ratio directly effects on financial performance of industry.

H2: There is a significant impact of the financial performance of industry by capital structure of the industry.

H3: There is significant positive relationship between the influences of financial environment by external sources of information e.g. Islamabad stock exchange.

H4: There is significant on the practices to effectively manage the finance performance by capital budgeting techniques at financial policies of industries.

H5: There is significant practice implication of study in financial performance of industrial economic policies.

By Null hypothesis of industrial research find out the solution of financial performance and discuss the luminous issue of open market of Khyber Pakhtunkhwa from the eastern side small and large industries. A hypothesis of financial performance will proposition or statement about the world rived from any source of capital structure by budgeting and their effects on the financial performance that is capable of being confronted with facts of financial industries and is thus skilled of being disproven or inveterate by those facts of different industries of Khyber Pakhtunkhwa.

3.6.2 Variables of framework

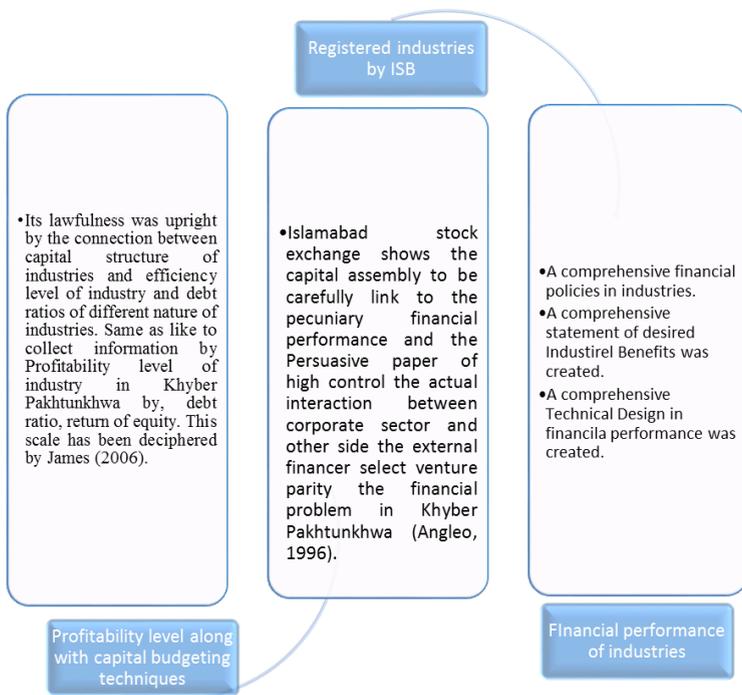


Figure 01: Variables of Framework

3.7 Sampling techniques

Sample Size: Minimum sample size will be 100, in which 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region

and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa.

3.8 Definitions of key terms, concepts and variables

Cautiously the Khyber Pakhtunkhwa is not well financially developed industries for the analysis and concludes that number of investors are basically belonging from business family but not too well educational command in financial structure like financial manager.

3.9 Data analysis and interpretation

Researcher will manipulate the data by using SPSS and frequency counting methods. Financial result values and responded view statically test and analyzed by applying Analysis of Variance (ANOVA) with four quarter along with Chi-square values and significant values. Analysis will be proceeding by Cronbach alpha techniques. It measures the internal consistency that is, how closely related a set of items are as a group of individuals in each parameter of responded.

3.10 Data collection

The collected of data in research consists of primary and secondary sources of information. From November 2015 the investigator has conduct interviews form industrial state as well with corporation of managerial level people. The information has conducted by 15 numbers of questions and fair lists and the observed data desired to answer the research questions. In order to assemble interviews the responded studied the trade of finance fair catalogues and firm's internet pages in time before the procedure and send out request for interviews to sharing industries. Nevertheless, during the fairs most of the proposed interviews will conduct by telephonic calls. In other side principal sources include direct observations from the internet and actual financial report of industries.

3.11 Primary Data

The data that researcher collected at the first time is primary data that includes in research:

- Researcher have conducted information by personal observation especially business management peoples and financial resource people in industries.

- Interview especially will surf minimum 5 to 10 mints and then finally prove with help of data base in excel.
- From the financial manager and during discussion lots of financial resource person in industries will not be ready to give reply properly cause of risky situation, it might be effect on performance.
- Financial reports.
- Financial policies and forecasted budgets.
- Financial manager and external auditor.

3.12 Questionnaires

There are 16 numbers of questions information have conducted by interview. Therefore, lots of questions based on random and others will plane according to above nature of research.

Questions are stated below

- Capital structure of industry
- Profitability level of industries
- Debts ratio.

There are six questions are in capital structure, four questions in profitability level and six question in debt ratio have been elaborated as for information about the industries.

3.13 Interview base problem

3.13.1 Structure group interview

By the structure group of interview data have collected by research participants. e.g. the financial manager of industries and subordinate worker of industries. Researcher have already taken permission letter from university by taking interview and conduct information about financial performance. and also concoct for the group conference by making a list of inquiries that research could be asked and practicing how participant might reply them. Backings researcher was expected to demonstrate the financial information during group interview exercises include the support of financial manager and financial reports.

3.13.2 Unstructured group interview

In the unstructured view of information, researcher have free unceremonious interview will normally have conducted as a maiden step in the research process to cause ideas/guesses of financial

approach from the open market of industry and accompanying information to bestowing to financial performance and budgeting criteria. Interviewer also providing the hidden knowledge of financial performance and width of industries. Informally gathered information about the financial procedure and discovering how much accused think in a particular way on an issue in industries. The aim is to find out how participants ponder and how they answer to concerns, so that the ultimate survey form can be framed along with all real expects of industry.

As above mention criteria researcher has conducted data from the industrial state and researcher have selected methodologies for suitable for the research problem and research questions according to above mentions research methods.

3.14 Secondary Data

The data collected earlier already done by someone else that contains the statistical and mathematical techniques are secondary data that includes as following.

- Information by industrial state
- Garments industries.
- Ministry of commerce
- Internet
- Annual reports of finance
- Policies and regulation of industries regarding projects of Pakistan Government

3.15 Analytical strategy

As for this plan research have collected material of finance and analyze by sorting the pieces of information from interviews individually and observations, web pages, etc. into sorts. Also, some groupings are related to the consultation questions by different path of knowledge, others appeared when collecting or looking complete the factual of financial information. According to theoretical framework of financial approach some statements have been given by the interviewees have been controlled to industries web pages, material papers, observations and vice versa.

Chapter 4 FINDING AND ANALYSIS

4.1 Data analysis

In this research, researcher analysis based on formulating the research designed. In data analysis procedure, obtained values from the one hundred participants under different designated structure of independent and dependent variables likewise capital structure, profitability level and debts ratio and industrial performance. After the data collections through questionnaires, manipulated data by the Likert scale in Excel and then transfer in SPSS for further analysis for variables. In the processing of data have code by Likert scale by yes and no reply as well.

In the excel sheet data enter by defendant's response. These coding lists put directly to SPSS software individually by groups and different values by in chi-square. That is most common tool that produce statistical test and analytical procedure for synthetic results for each individual, in which each variable has distributed according to stated condition of questionnaires. Researcher have conducted information by 16 questions from Garment industries of Khyber Pakhtunkhwa, Fabric industry, Plastic industry, Flour industry, Leather industry and ISB registered industries of Khyber Pakhtunkhwa.

4.2 Test used in Research

The data have collected from the industrial state of Khyber Pakhtunkhwa, individually 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa. In second step data will be compiled by using SPSS and frequency counting. The results will be assessed and analyzed by applying Analysis of Variance (ANOVA) and chi-Square.

4.2.1 Correlation

Researcher have used "Correlation Test" to compare different situation of socio-economic factors on militancy and war, The Correlation technique range from -1 to +1 which represent stronger relationship between the variables. The highest values of correlations are nearest to +1 and lowest level of correlation near to -1, but relationship between -1 to +1.

4.2.2 Cross Tabulation

Contingency table have created by hypothesis from the multivariate frequency distribution of statistical of four variables by individually statistically tools with three independent and one dependent variables. Individually 45 industries from the industrial state, 35 around the Khyber Pakhtunkhwa region and 20 from the out of area e.g. was in eastern side of Khyber Pakhtunkhwa.

The research designed was shows three factor capital structure, profitability level and debts ratio according to the questionnaires with financial reports by ISB and their change in financial performance of industry. With help of intermediate variable to collect data from the ISB and from the external auditors for awareness of industrial financial information.

4.2.3 Ethical Issues:

McNamara (1993), recognizes in his research five ethical apprehensions for the three variables in which it considered the variables issues with dependent and independent variables, where the capital structure, profitability and debt ratio shows the industries width. Resarcher have also to provide the secure and confidential situation to each participants for the better result of analysis in different industries. The researcher has made sure in research that questionnaire does not contain any interrogation which affects the moral of the respondents.

4.2.4 Proof of Validity & Reliability

For the reliability analysis researcher have used methods of “George and Mallery whose provide the following rules of thumb about Cronbach Alpha for different variables.

Cronbach Alpha Value	Correlation between scores
Greater than .9 (>.9)	Excellent
Greater than .8 (>.8)	Good
Greater than .7 (>.7)	Acceptable
Greater than .6 (>.6)	Questionable
Greater than .5 (>.5)	Poor
Less than .5 (<.5)	Unacceptable

Table 1: Rule of thumb about Cronbach Alpha

While swelling research value of alpha shows partially dependent upon the quantity of items in the scale with reliability factors even the researcher has shown different view but consistency test has clearly determined their validly and ethnicity. According to research consistency test the value should also be noted that an alpha of .8 is probably a judicious goal in well efficient value of varaibale.

Also, the researcher ought to also be noted that while a high value for Cronbach's alpha indicates good internal consistency of the items in the scale of consistency, it does not mean that the scale of research is unidimensional by the rule of George and Mallery, 2003.

4.3 Cronbach's Alpha among

Capitalization, Profitability level and Debt

Descriptions	Reliability Statistics	
	No of Items	Cronbach's Alpha
Capitalization, Profitability level and Debt	14	.786
Capital Structure	06	.810
Profitability level	04	.722
Debt	06	.756

Table 2: Likert Scale Reliability Statistics

Interpretation:

The highest Cronbach alpha is .786 in obstacles for the obtaining the standards of reliability factors among capitalization, profitability and debt ratio. The consistency reliability shows the different variable view by coefficient of different variables.

4.3.1 Demographic view

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Age	100	0	3	1.51	1.133
Gender	100	1	2	1.50	.503
Qualification	100	1	3	2.21	.591
Designation	100	1	2	1.46	.501
Experience	100	0	3	1.45	1.158
Valid N (list wise)	100				

Table 3: Demographic view of research descriptive view.

Above table number 3, shows the frequency distribution of the demographic view of different level of age, gender, qualification, designation and experience. There are N=100 participant's data have conducted and manipulated according to descriptive statistics by mean,

S.D with maximum and minimum valuation. The highest mean of knowing about 2.21 shows in qualification variation and the 25% of its mean, like all standard deviation of valuation shows the lower as compare to its mean. Statistically standard deviation is fourth quarter of mean so therefore the above values show the significant value test among N=100 participants.

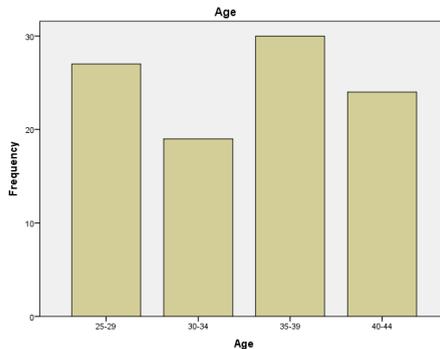
4.3.2 Frequency Table

		Age			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-29	27	27.0	27.0	27.0
	30-34	19	19.0	19.0	46.0
	35-39	30	30.0	30.0	76.0
	40-44	24	24.0	24.0	100.0
	Total	100	100.0	100.0	

Table 4: Frequency distribution of age distribution

Shows the frequency distribution of different age of experience according to minimum 25 to 29 and maximum 40-44 and above as well consider in same group. The highest number of frequency in 30 with 1.51 mean and 1.13 standard deviation.

Graphically view



Graph 1: Graphically distributions of age

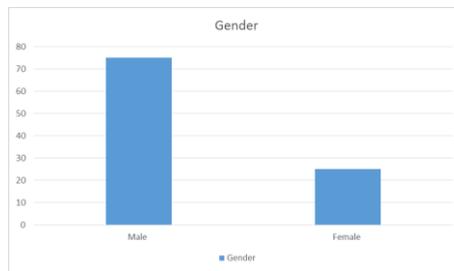
Gender frequencies

		Gender of the Respondent			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	75	75	75	75
	Female	25	25	25	100.0
	Total	100	100.0	100.0	

Table 5: Gender distribution

Shows the frequency distribution of different number of male and female according to their gender. There are 75 males and 25 female participants collected from the total number of 100 participants. the highest frequency present of male is 75% and 25% in different level of percent gender specification.

Graphically view of Gender



Graph 2: Gender distributions participants

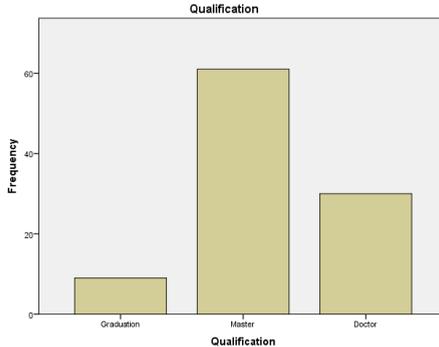
Frequency tabulation

		Qualification			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Graduation	9	9.0	9.0	9.0
	Master	61	61.0	61.0	70.0
	Doctor	30	30.0	30.0	100.0
	Total	100	100.0	100.0	

Table 6: Frequency distributions of qualification

Shows the frequency distribution of qualification according to minimum to first to Matric level of educational. The highest number of frequency level is 61 in master from 100 individuals in level of education.

Graphically view



Graph 3: Graphically distribution of qualification

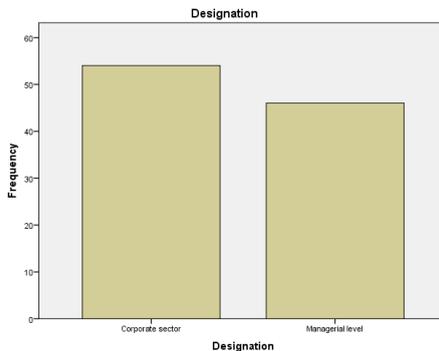
Frequency distribution of designation

		Designation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Corporate sector	54	54.0	54.0	54.0
	Managerial level	46	46.0	46.0	100.0
	Total	100	100.0	100.0	

Table 7: Frequency distribution of designation

Shows the frequency distribution of different designation level in N=100 population of individuals. The highest frequency distribution is in corporate sector n=54 from N=100 individuals. The frequency distribution of designations mean is 1.46 with .501 standard deviation.

Graphically view



Graph 4: Frequency distribution of designation

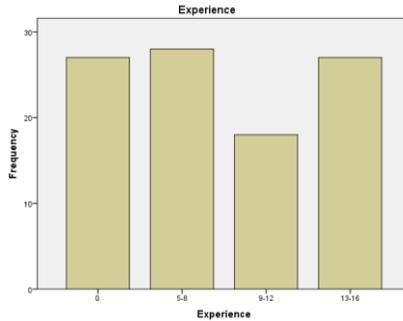
Frequency distribution of experience

		Experience			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0	27	27.0	27.0	27.0
	5-8	28	28.0	28.0	55.0
	9-12	18	18.0	18.0	73.0
	13-16	27	27.0	27.0	100.0
	Total	100	100.0	100.0	

Table 8: Frequency distribution of experience

Shows the frequency distribution of different level of experience in zero to 16 years, where the highest experience in valid group of 5-8 years that’s 28 number of frequency from the N=100 of individuals.

Graphically view



Graph 5: Frequency distribution of experience

4.4 Chi-Square distribution:

Independent variables	Dependent variables
Capital structure Profitability level Debts	Industrial performance of industries (H5)

4.4.1 Chi-square Test on capital structure and Industrial performance

Capital structure with industrial performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1390.015 ^a	630	.000
Likelihood Ratio	351.488	630	1.000
Linear-by-Linear Association	66.613	1	.000
N of Valid Cases	100		

a. 680 cells (99.4%) have expected count less than 5. The minimum expected count is .01.

Table 9: chi-square of frequency distribution of capital structure and Industrial performance

In table 9, given the frequency distribution of chi-square value in null hypothesis and the outcome of the described study from participants shows Pearson chi-square 1390.015 with 680 cell of 99.4%. The obtained chi-square value exceeds the critical value with $df=630$ and $\alpha=.05$. Therefore, the decision is to reject the null hypothesis. The significant result with $\chi^2(2, n=100) = 1390.015, p < .05$. The means that there is significant relation in capital structure and Industrial performance. The effects of likely hood ratio is 66.613 in $N=100$ individuals as compare to 81.7% of chi-square of capital structure and Industrial performance. And capital structure has directly affected on industrial performance and creating valuable problems, therefore result have significant with .000.

4.4.1 Chi-square Test by Phi Cramer's

		Symmetric Measures			
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	3.728			.000
	Cramer's V	.879			.000
Interval by Interval	Pearson's R	.820	.040	14.197	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.799	.052	13.164	.000 ^c
N of Valid Cases		100			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Table 10: chi-square of frequency distribution by Phi- Cramer of capital structure and Industrial performance

In the table 10, the obtained chi-square value with Phi-Cramer expected to determine the valuation between capital structure and Industrial performance factors is 3.728. The critical value with $df=630$ and $\alpha=.05$. Therefore, the decision is to reject the null hypothesis by Phi-Cramer valuation. The significant result with $\chi^2(2, n=100) = .879$ in Cramer, $p < .05$. The means that there is significant relation in capital structure and Industrial performance, it determines most probable effects of war on socio-economic factors. In interval by Pearson $r = .820$ is strongly related with independent variables but creating effects on industrial performance. The frequency distribution with expected with Cramer .879 have been expected countless then 5.

4.4.2 Chi-square test Profitability level with industrial performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	801.955 ^a	385	.000
Likelihood Ratio	310.156	385	.998
Linear-by-Linear Association	69.272	1	.000
N of Valid Cases	100		

a. 428 cells (99.1%) have expected count less than 5. The minimum expected count is .01.

Table 11: Profitability level with industrial performance

In the table 11, the frequency distribution table shows the chi-square test in between profitability level and industrial performance. The obtained chi-square value exceeds the critical value with $df=385$ and $\alpha=.05$. the decision is to reject the null hypothesis of profitability level and industrial performance. The significant result with $x^2(2, n=100) = 801.955, p < .05$. The means that there is significant relation in profitability level and industrial performance. The frequency distribution with expected 99.1% have been expected countless then 5. And the minimum expectation of liner by association is 69.272 regarding $df=385$. The frequency level in likelihood ratio is 310.156 with .000 significant level. The creating effects of chi-square also reject null profitability level and industrial performance.

4.4.3 Chi-square with Phi-Cramer's

Symmetric Measures					
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	2.832			.000
	Cramer's V	.854			.000
Interval by Interval	Pearson's R	.836	.035	15.111	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.808	.050	13.578	.000 ^c
N of Valid Cases		100			

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.
c. Based on normal approximation.

Table 12: profitability level and industrial performance by Phi-Cramer's

In the table 12, The obtained chi-square value with Phi-Cramer expected to determine the valuation between profitability level and industrial performance, in nominal value phi is 2.832. The critical value with $df=385$ and $\alpha=.05$. Therefore, the decision is to reject the null hypothesis by Phi-Cramer valuation with 2.83, Cramer's .854 with standard error .040 in based on normal approximation of individuals

from N=100. The significant result with $\chi^2 (2, n=100) = 2.832, p < .05$. The means that there is significant relation in profitability level and industrial performance by Phi-Cramer's, it determines the effected problem by cause of profitability level and industrial performance, correlation of ordinal value shows .836, bit stronger as compare to capital structure. The frequency distribution with expected with Cramer .854 have been expected countless then 5.

4.4.5 Chi-square test Debt and industrial performance

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1314.733 ^a	595	.000
Likelihood Ratio	398.837	595	1.000
Linear-by-Linear Association	79.204	1	.000
N of Valid Cases	100		

a. 644 cells (99.4%) have expected count less than 5. The minimum expected count is .01.

Table 13: Debt and industrial performance

In the table 13, the frequency distribution table shows the chi-square test in between the debt and industrial performance. The obtained chi-square value exceeds the critical value with $df=595$ and $\alpha=.05$. the decision is to reject the null hypothesis of debt and industrial performance. The significant result with $\chi^2 (2, n=100) = 1314.735, p < .05$. The means that there is significant relation in debt and industrial performance. The frequency distribution with expected 99.2% have been expected countless then 5 with minimum expects .02. And the minimum expectation of liner by association is 79.204 regarding $df=595$. The frequency level in likelihood ratio is 398.837 with .000 significant level. The creating effects of chi-square also reject null hypothesis of debts against on industrial performance with .000 significant in 99.4% of expectation.

4.4.6 Chi-square with Phi-Cramer's debt and industrial performance

Symmetric Measures					
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Nominal by Nominal	Phi	1.307			.000
	Cramer's V	.436			.000
Interval by Interval	Pearson's R	.372	.053	7.779	.000 ^c
Ordinal by Ordinal	Spearman Correlation	.405	.052	8.599	.000 ^c
N of Valid Cases		379			

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

c. Based on normal approximation.

Table 14: debt and industrial performance

In the table 14, The obtained chi-square value with Phi-Cramer expected to determine the valuation between debt and industrial performance with Phi value is 1.307. The critical value with $df=595$ and $\alpha=.05$. Therefore, the decision is to reject the null hypothesis by Phi-Cramer valuation with .436, with standard error .053 in based on normal approximation of individuals from $N=379$. The significant result with $\chi^2(2, n=100) = 1.307, p < .05$. The means that there is significant relation in debt and industrial performance by Phi-Cramer's, it determines the effected problem by cause of debt on industrial performance of ordinal value shows .372, not stronger as compare to profitability of industrial performance. The frequency distribution with expected with Cramer .436 have been expected countless then 5.

4.4.7 Correlation of dependent and independent variables

		Correlations			
		Capital structure	Profitability level	Debt of industries	Industrial performance of industries
Capital structure	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
Profitability level	Pearson Correlation	.448**	1		
	Sig. (2-tailed)	.000			
	N	100	100		
Debt of industries	Pearson Correlation	.535**	.792**	1	
	Sig. (2-tailed)	.000	.000		
	N	100	100	100	
Industrial performance of industries	Pearson Correlation	.820**	.836**	.894**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	100	100	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

Table 22: Correlation of variables

In the table 22, the correlation variables have determined Capital structure, profitability level and debt of industries individually with industrial performance. The bottom box on the left also happens to represent this crossing by different variables. Like in same crossing between capital structure and profitability level shows the Pearson's $r = .448$ with .000 significant level, a Sig. (2-tailed) value and a number (N) value by different variables. The Pearson's r is debt at capital structure is $r = .535$ with significance of .000, $N = 100$. The strongest relationship between industrial performance with capital structure is $r = .820$ with $N = 100$ too strong as comparatively from others.

Chapter 5 CONCLUSION AND RECOMMENDATION

5.1 Recommendation and conclusion

According to result, research recommends the following indication, and analysis research data and result have been concluded according to hypothesis.

1. As for security purpose all industries have highlighted deep personal issues of financial problems and their effects on economic policies.
2. Involvement of government agencies and provide priority bases solution of financial problems.
3. To held responsibility of internal audit by external auditor control.
4. Provided skills full techniques and financial awareness in economic changes.
5. As for development all the target industries area needs basic business education culture in industries and promote the new ideas of financial knowledge. Furthermore, enhance financial policies under the state financial ministry control and legislation.
6. Due to lack of technical expertise and financial knowledge, no employment opportunities and additionally few and young employees involved in illegal activities and also some time expand their time with anti-governing groups.
7. Financial Integration among different levels of industries in Khyber Pakhtunkhwa in management systems by the proper management skills and expertise of financial audit and control.
8. The supported responsibilities that will required according to described designed and proper rule regulation under the policies of ministry of finance. Also influence on the three levels of farm supervision of financial manager performance and hence farm knowledge management by term and condition of financial change.
9. Create the macro or external management system and creating check and balance and main decision of criteria, especially in board of directors.
10. The financial firm level of management held also by micro or specific field of decision where the financial knowledge involved by performance of finance manager.

11. The system needs to have entree to as many skills and techniques from universal level as imaginable of financial culture in Khyber Pakhtunkhwa industrial state. Also, in acknowledged risk of a unified financial arrangement that will recommend optimal solutions to the investor that will have access to all required outdoor information for level of income.
12. Augment efficiency by focusing on what participant do best for the performance in financial management and improve the value of industry.
13. Increase financial elasticity to meet changing in business conditions of organization by knowledge of financial audit and product and service with technologies for high profitability level.
14. Increase product and service value of employees and their outdoor customer satisfaction, and share-holder value in industries by improvement financial knowledge.
15. Improve operating performance of corporate sector by the legal policies and terms of financial changes.
16. Acquire expertise of financial manager, skills, and technologies would utilize the industrial structure.
17. Improve management and control Intercontinental by the financial knowledge of management and corporate sectors of industries.
18. Improve financial risk management by transfer the information.
19. Acquire innovative ideas by financial budget.
20. Diminish the reserves in assets and fee up these possessions for other resolves by change in financial policies.
21. Produce cash management by transporting assets to the breadwinner in industries.

Information of financial knowledge has recently taken a more projecting role in the supervision of administrations as worker associate and intellectual capital in different industries are recognized as critical to administrative success in entire district of Pakistan. This analysis investigates the literature of acquaintance financial knowledge including the distinct level of internal and external audit control by the financial knowledge performance and skills of auditors, the networks of financial knowledge and social interactions utilized by

workers and their capability to create and share new acquaintance and information of each department. Also, the multiple organizational and managerial factors associated with effective financial knowledge in administration systems of industries. The role of industrial culture, edifice, governance, and recompense systems, six strategies are known to assist human service governments with effecting new knowledge financial knowledge systems in industrial state of Pakistan.

Financial knowledge has changed more than just donor way of thinking and provided more tactically solution to industries for promoting the value of goods. Over the last pair of years, firms are looking for a more rounded style and change terms of policies by regarding economical change. It is covering the comprehensive lifecycle of content including defining a knowledge financial knowledge strategy, arranging content and measuring business impact of industries and still, questions like how financial knowledge administration boosts innovations of industries and to reach external leadership are attractive more and more central by knowledge management by level of prosperity.

Moreover, the current research concludes that current liability has positive relationship with firm's profitability level of industries, regarding due to low cost of short-term borrowing and taking goods in raw form. Therefore, an increase in current liability portion of balance will lead to a higher profitability level of industries. Whereas Non-Current Liability of industries have a significantly negative relationship with firm's profitability as compare to their industrial width and non-current liability has a higher cost as compare to current liability in industries. The empirical results show a positive relationship between current liability and profitability have taking positive relation regarding the industrial financial policies.

REFERENCES

- 1 Aafer, B. a. (2004). The effectve of short term liabilities. (Talavera, Ed.) *14*(2), 16.
- 2 Genesan. (2006, Feb 23rd). An analysis of working capital management policies. *Academic journal*, *3*(2).
- 3 Howert. (2005). Cash coversiion. (Howert, Ed.) *16*(14), 14.
- 4 Kisechnick. (2008, August 12th). Working capital assosition. *4*.
- 5 Kueger. (2005). *Basic ecnometerics* (Vol. 13). Singapore.
- 6 Lazaridis, L. a. (2000). *The cash coverision cycle* (Vol. 12). (Layroundi, Ed.)

- 7 Lee, I. a. (2007). Relationship between working capital. (Lee, Ed.) *Social life*, 1(1), 18.
- 8 M, L. a. (1995). Change in working capital of small firm. 9(2), 36-40.
- 9 M.Nasir. (2006, January 15th). Exchange policies. 2(1), 18-35.
- 10 M.Rehman. (2007). *Socio culture of financial values* (Vol. 2). Karachi .
- 11 Narware. (2003, August 2nd). Working capital and profitability level. *The managment accounts*, 36(6), 16-24.
- 12 Padachie. (2006). Inventories. *Socio Economics*, 4(3), 18.
- 13 Pedro, A. a. (2006, November 14th). Effect of working capital management. *Economics*, 4(3), 23.
- 14 Philline. (2004). *Industrial cross relations* (Vol. 12). (M.P, Ed.) Asia.
- 15 Rehaman. (2011). *Basic of financial issues* . Pakistan .
- 16 Spender. (2004, Jun 18). Financial changes. *Finance and Economics*, 4, 15.
- 17 Steven. (n.d.). Working capital. (Afzenh, Ed.) *Economic Review*, 2, 14-19.
- 18 Uyar. (2007, May, 14th). Is a better to be aggressive. *Economics view*, 12.
- 19 Uyar, A. (2006, December 12th). The relationship of cash profitability. (20), 24.
- 20 Worths, M. a. (2005, August 18th). Investment policies. 1(4), 16.