



Human Capital Efficiency, Cost Management Practices, and Financial Performance of Pakistan's Textile Firms

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ARTICLE INFO

Abstract

Received:

September 25, 2025

Revised:

October 10, 2025

Accepted:

October 28, 2025

Available Online:

November 13, 2025

Keywords:

Human Capital Efficiency, Cost Management Practices, Financial Performance, Textile Industry, Pakistan, Emerging Economies.

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The cost management practices and the efficiency of human capital have now become an important factor of organizational competitiveness and financial performance especially in labour-intensive sectors like the textile industry. The textile industry in developing economies such as Pakistan is a major source of employment, export revenue and industrial development, but it is still struggling with the models of increasing productions, low productivity and unstable international market. This paper will discuss the correlation between the efficiency of human capital and cost management practices and the financial performance of the textile companies in Pakistan. Based on the human capital theory and the approaches of strategic cost management, the research paper points out the significance of how the efficient use of the skills, knowledge, and experience of the employees and the introduction of systematic cost control mechanisms can be beneficial in promoting the profitability and sustainability of firms. The synthesis of the previous empirical data and its situationalization in the context of the textile industry in Pakistan allows the study to give insights as to how it is possible to enhance the financial performance of the firm through the strategic investment in the human capital and effective control of costs. The results add value to the existing literature because it highlights the importance of integrating human capital efficiency with cost management in enhancing the performance of firms in the emerging economies.

Introduction

The current business world is characterized by companies that are subjected to stiff competition due to globalization, technological development and unstable consumer need fulfillment. In the case of manufacturing industries, especially those that are found in the developing economies, the ability to maintain financial performance has been heavily relied on the effective utilization of the internal sources, as opposed to the simple growth of the physical capital. Human capital, out of these internal resources, has received a lot of interest as one of the strategic resources that could create long-term competitive advantage (Becker, 1993). The efficiency of human capital that evaluates the effectiveness of the firm in utilizing the knowledge, skills, and abilities of its employees to create value has emerged as a key issue of concern among researchers and practitioners. This is particularly applicable in the labor intensive sectors like the textile industries whereby productivity and cost effectiveness are closely related to the workforce capabilities.

Textile sector plays a crucial role in Pakistani economy as it has immense contribution to gross domestic product, export earnings and employment. Pakistan is a major textile manufacturer in the world, and the industry has a significant portion of total export earnings and employment in industry (Government of Pakistan, 2023). In spite of its significance, the industry continues to experience a number of challenges, which include the increase in the cost of energy, production technologies are obsolete, the productivity of labor has not increased, and the competition with the regional markets, which include Bangladesh, India, and Vietnam. The mentioned difficulties have impacted the financial results of numerous textile companies negatively, which is why more efficient use of the available resources and better managerial behavior are required.

Human capital efficiency has been established to be a major contributor of organizational performance especially in knowledge intensive and labor intensive sectors. Human capital theory provides that education, training, experience and skills of the employees make them more productive, and this leads to better performance of the firms (Schultz, 1961; Becker, 1993). At the textile industry where operational speed, quality management and prompt delivery are essential, a talented and motivated employee can greatly decrease the production errors, wastages and rework expenses. Nonetheless, investment in employee development is weak in most Pakistani textile companies and human resources are usually handled as a cost and not viewed as a value generating asset. Such a strategy derails the possible impact of human capital on the financial performance and long term sustainability.

Together with human capital efficiency, cost management practices are also very important as it determines the performance of the firm. Cost management is a planning, control, and reduction of operations expenses in order to enhance operations efficiency and profitability (Horngren et al., 2015). In the world of high competition like in the textile industry, companies must at all times keep a check and balance in the cost of raw materials, labor, energy, and overheads. Proper cost management procedures such as budget, standard costing, variance analysis and activity based costing can help firms find areas of inefficiency and help them channel resources effectively. Efficient cost management is not only a strategic decision to Pakistani textile firms but a survival tool, which is forced to work under thin profit margins.

This is especially the interaction between human capital efficiency and cost management practices. Professional and educated workers can be more successful in applying cost-saving programs, enhance production, and use new managerial methods. On the other hand, the human capital efficiency is susceptible to poor performance, even when the cost management systems are highly developed because the lack of efficient implementation and change resistance diminish their possible advantages. According to the previous research, companies having a combination of human capital development and cost management processes are more likely to have high financial outcomes, as opposed to those that concentrate on cost minimization (Bontis, 1998; Chen et al., 2005). This integrative approach is quite applicable in the case of Pakistan textile industry where human resource issues and cost issues are common.

The bottom line is financial performance which is the measure of organizational success and sustainability. The performance in terms of profitability, ratio of returns on assets, ratio of returns on equity and growth of sales are usually applied to determine how well the firms are utilizing their resources to create economic value. This has been an issue in the long-term sustainability of the industry especially in the face of dropping profitability and unstable export revenues as witnessed in the textile industry in Pakistan. According to scholars, the only way to enhance financial performance is to move towards more efficient and knowledge-based production models instead of the traditional and labor-intensive ones (Porter, 1990). The core of this transformation is in the human capital productivity and efficient cost management which have a direct impact on the productivity, cost structure and competitive positioning.

Both developed and developing economies have offered empirical evidence indicating that there is a positive correlation between financial performance and human capital efficiency. It has been established that the companies that have greater human capital efficiency have a better profitability and valuation on the market (Pulic, 2000; Nazari and Herremans, 2007). In the same way, well managed cost management practices have been associated with better financial results in terms of being operationally efficient and making strategic decisions (Anderson and Dekker, 2009). Nevertheless, the available empirical studies that combine these relationships in the framework of the textile industry of Pakistan are rather limited. The majority of the literature is concerned with human capital or cost management separately without paying attention to their interplay in terms of financial performance.

The context-specific research is also demanded by the uniqueness of the institutional, economic and cultural context in Pakistan. Such factors, as ineffective labor laws, inaccessibility to modern technology, energy deficiency, and macroeconomic instability, affect the way in which the textile industries handle the human capital and expenses. Consequently, the research in developed economies will not be applicable to Pakistan directly. The relationship between human capital efficiency and cost management practices achieved through their interaction in the context of the impact on financial performance may present useful insights to managers, policy-makers, and researchers.

The present research aims to fill this gap and explore how the efficiency of human capital and cost management practices can influence the financial performance of Pakistani textile companies. The research combines the theoretical viewpoints of the human capital theory and the cost management literature to provide an all-encompassing framework in learning the dynamics of performance within the textile industry. The results are likely to add to the academic literature in the sense that they will extend the already existing models to the new economy setting, but they will also provide some practical implications to the textile firm managers who will need to improve their competitiveness and financial viability. Amidst the modern trend of heightened global competition and unstable economies, enhancing the efficiency and cost management

practices of human capital can be considered one way of recalibrating the textile industry in Pakistan and guiding it towards its role in further contributing to the national economic growth.

Literature Review

Human capital The idea of human capital has occupied a major place in economic and organization theory as it has been used to highlight the impact of knowledge, skills, education, and experience of individuals in improving productivity and organizational performance. Schultz (1961) was the early theorist who based his arguments on the concept of human capital and investment in education and training that can enhance labor productivity and play a role in economic growth. Becker (1993) furthered this view by developing the human capital into a type of capital that bears fruits in terms of increased efficiency and performance. The concept of human capital efficiency within the organizational setting is the degree to which the firms leverage the competencies of employees to generate value and meet the strategic goals. This concept has become more and more applicable to competitive and labor-intensive industries, in which the human resources are one of the key sources of value creation.

Empirical evidence has always proved that human capital efficiency has a positive relation to firm performance. As pointed out by Bontis (1998), organizations that have better capabilities in the area of human capital are likely to perform better than their rivals because of their improved innovation, productivity, and flexibility. On the same vein, Pulin (2000) has come up with the Value added intellectual coefficient (VAIC) model, which has empirical evidence that human capital efficiency is a significant factor in value creation and financial performance. The later research conducted on the basis of VAIC revealed that the more efficient the human capital of firms in the area of profitability, asset use, and performance of firms, the higher was their success in the market (Chen et al., 2005; Nazari and Herremans, 2007). These results indicate that effective use of human capital is a very important determinant of the success of organizations.

Human capital efficiency is even more evident in developing economies because of resource constraints and institutional restrictions. Companies that engage in such a business usually cannot access high-tech technology and capital-consuming production systems thus human capital remains a major force in efficiency and competitiveness. Research in the new markets shows that investment in employee training, skill building, and sharing of knowledge boosts performance in the firm significantly (Youndt et al., 2004; Kamukama et al., 2011). In the labor intensive sectors, the skilled laborers would help to generate better production quality, less wastage and efficient operation thus positively influencing the financial results.

Especially the textile industry is an industry that is heavily dependent on human capital as they capitalize on manual labor, technical skills, and the organization of their operations. According to the previous studies, the skills of the workforce and management competence are crucial factors influencing the productivity and export competitiveness in textile companies (Khan and Khan, 2011). Pakistan A country with textile industry that has millions of workers, the difference in human capital efficiency among the firms leads to wide disparities in performance. The research on the Pakistani manufacturing companies shows that poor training, lack of skills, and poor human resource management practices become the obstacles to their productivity and financial performance (Afzal et al., 2013). It is based on these findings that textile firms need to take the efficiency of human capital as a strategic resource.

Cost management practices, alongside the efficiency of the human capital, are a key aspect of organizational performance. The scope of cost management is a set of management practices intended to manage, control, and decrease the expenses in order to maximize efficiencies and profits. Older cost management systems like budgeting and standard costing are used to measure and control costs whereas the new systems are used to manage costs strategically whereby the costs information is used in linking to competitive strategy (Shank and Govindarajan, 1993). Good cost management helps companies to determine any inefficiencies, to use resources in the most efficient manner and to make better decisions thus leading to better financial performance.

The positive contribution of the cost management practices to the firm performance has been supported by empirical evidence. The study by Anderson and Dekker (2009) revealed that companies that implement advanced cost management systems have high levels of operational efficiency and profitability. Equally, as shown by Bunker et al. (2011), strategic cost management practices can be used to help improve financial performance through focus on aligning cost structures and competitive priorities. Effective cost control in manufacturing industries lowers the cost of production and therefore the pricing strategy and competitiveness especially in price-sensitive export markets.

Cost management practices are particularly relevant in the textile industry, where competition is very high, and the profit margin is very thin. The textile companies are subjected to a great deal of pressure in terms of cost of raw materials, their energy use, labor and logistics. Research has shown that companies who put in place well coordinated cost controlling systems stand in a better position to absorb market changes and still stay profitable (Kaplan and Cooper, 1998). Efficient cost

management in developing countries is one of the survival strategies due to fluctuating costs of inputs and infrastructure bottlenecks common in such countries.

A study on Pakistani textile companies emphasizes that there are still problems that fail to manage the costs, such as inefficient production methods, high energy bills, and failure to adhere to current cost accounting methods. According to Ahmed and Malik (2015), a significant number of textile companies still use the traditional cost accounting systems that do not give the right cost data to make strategic decisions. The restriction lowers the efficiency of firms in controlling costs and compromises on the financial performance. This has consequently led to the realization of the importance of incorporating the best current cost control practices in the textile industry so as to enhance efficiency and competitiveness.

The connection between cost management practices and the human capital efficiency has gained growing literature. Researchers note that human capital can be viewed as a facilitator of the useful cost management because talented and knowledgeable workers can be more prepared to institute cost reduction initiatives and process enhancements (Edvinsson and Malone, 1997). Human capital efficiency also increases the capacity of employees to recognize inefficiencies, embrace new production processes, and maximization of resources. The empirical research indicates that, companies that exhibit more efficiency in human capital are more effective in adopting advanced cost management systems that result in better financial performance (Chen et al., 2005).

Combination of both human capital efficiency and cost management practice is especially applicable to the emerging economies where companies have to offset the lack of resources by efficient internal management. Kamukama et al. (2011) established that human capital plays a significant role in mediating between cost management practices and performance of firms implying that cost control efforts will deliver more positive outcomes when human resources are competent. This interplay implies that the efficiency of human capital and cost management practices should be considered as being complementary instead of independent of performance.

The final product of successful resource management and management in terms of resource utilization is financial performance. The key financial performance indicators are usually profitability, return on assets, return on equity, and sales growth. The positive relationships between the human capital efficiency and financial performance have been consistently noted in the preceding studies of different industries and different regions (Pulic, 2000; Chen et al., 2005). On the same note, good cost management practices have been associated to good financial performance in terms of operational efficiency and strategy alignment (Banker et al., 2011).

In the context of Pakistan, there is limited empirical studies on the impacts of human resource management and efficiency in cost management on financial performance. The majority of available research works are concerned with the human capital or cost management independently, and there is a gap in the knowledge regarding the dual impact on the performance of the firms. Due to the structural issue of the textile industry in Pakistan such as low productivity, increasing cost and international competition, it is high time to analyze this integrative relationship.

The presence of the institutional environment within Pakistan also influences the effectiveness of the human capital and the cost management practices. The macroeconomic instability, inadequate infrastructures to train skilled employees and weak labor laws are some of the factors that determine the efficiency of firms in investing and using human capital. As well, energy deficits and variable input costs add more pressure to the cost management activities and exacerbate the financial performance of firms. These contextual factors lead to the value of taking a holistic view that takes into consideration the human capital efficiency and cost management practices when explaining the financial performance.

To conclude, the literature indicates that human capital efficiency and cost management practice are very crucial factors that determine financial performance, especially in labor intensive industries like textile. Although there is a significant amount of evidence on the impact of each of them on performance, very few studies have conducted a study on the impact of these two on each other in the setting of the textile industry in Pakistan. The identification of this gap can lead to significant findings on how companies in the present-day emerging economies may become more competitive and financially sustainable with the use of strategic investment in human capital and effective cost control. This research is based on the existing theoretical and empirical studies, in addition to exploring the unifying role of both human capital efficiency and cost management practices, in determining the financial performance of the textile companies in Pakistan.

Methodology

Research Design

The research design adopted in this study is the quantitative research design that investigates the relationship between human capital efficiency and cost management practices and the financial performance of the textile firms. It was a cross-

sectional design, giving the researchers the opportunity to gather data at one point in time to measure the current organizational practices. The theoretical framework of the research is based on the human capital theory and strategic cost management literature, which allows testing the proposed relations empirically in the textile industry of Pakistan.

Study Area

The research was only carried out in Faisalabad, Pakistan. The city of Faisalabad was chosen as the main manufacturing centre of textile products in the country where it has the main concentration of spinning, weaving, dyeing and garments manufacturing industries. The city is the key export of national textile and source of jobs, so it is suitable and representative to study the cost management practices and efficiency of human capital in the textile sector.

Population and Sample

The study population is made up of textile companies in Faisalabad. The respondents targeted were the employees at the managerial and supervisory levels, including the human resource managers, managers in the finance department, managers in the production department, and senior supervisors. These persons were chosen due to the direct participation in the workforce management, cost control and performance-related decision-making.

A purposive sampling method was used to make sure that the respondents had the pertinent knowledge and experience. Questionnaires were administered to a total of textile firms in Faisalabad and those that were usable stored to be analyzed at the end. This sampling method is in line with the preceding empirical research in the fields of manufacturing and emerging economies.

Data Collection Procedure

Primary data were obtained with the help of the structured questionnaire, based on the valid scales that were applied to previous studies. The questionnaire was issued both face-to-face and online to maximize the level of responses. Before a huge amount of data was gathered, a pilot study was done on a small sample of respondents working in the textile companies of Faisalabad in order to provide clarity and relevancy and reliability of the data collecting instrument.

The academic objectives of the study were explained to the respondents, and the respondent was assured of confidentiality and anonymity. Members were involved in the study on a voluntary basis and ethical standards were very much applied during the data collection process.

Measurement of Variables

The efficiency of human capital was measured through the usage of items based on existing intellectual capital and human capital literature. The construct represents the skill, knowledge, experience and training effectiveness of employees and their value addition to the organization.

The measurement of cost management practices was based on the indicators associated with the budgeting, cost control systems, cost reduction initiatives, and utilization of cost information to make managerial decisions. These were based on the earlier management accounting and cost management research.

The subjective performance indicators such as profitability, return on assets, sales growth, and overall financial performance as compared to competitors were used in order to measure financial performance. Subjective measures were utilized because of the inaccessibility to the objective financial data and their proven usefulness in the research of organizations.

Measuring all items was done with a five-point Likert scale that went between strongly disagree and strongly agree.

Demographic Analysis

Demographics were taken to indicate the nature of the respondents and firms. The variables were gender, age, education, position held in the company, years of experience, and company size. Demographic data were summarized with descriptive statistics to provide a context to the findings of the empirical findings.

Descriptive Statistics

Descriptive statistics have been calculated to determine the central tendency and variability of the variables used in the study. Mean values and standard deviations taken to give a summary of the perception of respondents on the efficiency on human capital, cost management practices, and financial performance in the Faisalabad textile companies.

Validity and Reliability Analysis

Cronbach alpha was used to determine the reliability of the measurement scales with the threshold value of 0.70 being deemed as acceptable. In the context of the structural equation modeling, construct validity was assessed based on convergent and discriminant validity using factor loadings, composite reliability, and average variance extracted.

Correlation Analysis

The use of Pearson correlation analysis was done to investigate the strength and the direction of the relationships between human capital efficiency, cost management practices, and financial performance. This analysis gave preliminary results and laid the groundwork of ensuring that there were no multicollinearity problems before structural modeling.

Structural Equation Modeling.

The hypothesized relationship among the study variables was tested using Structural Equation Modeling. SEM permits analyses of many relationships simultaneously taking into consideration measurement error. A proper analysis was done with the help of relevant SEM software and model fit measure was also checked against some set threshold values to ascertain the adequacy of the models.

Ethical Considerations

The research process was undertaken with high standards of ethics. The study purpose was explained to the respondents fully and informed consent was taken. The application of the data was confined to academic benefits and there was confidentiality of the respondents and firms.

Data Analysis and Findings

Lifestyle of the Respondents.

The demographics of the respondents were examined to have an idea about the composition of the sample that was selected as textile firms in Faisalabad. The findings show that most of the respondents were male as the managerial organization of the Pakistan textile industry is male dominated. The age group of 30-45 years was found to be majority of the respondents implying mature and professionally experienced workforce. Regarding education level, a significant percentage of respondents had a bachelor degree, with a considerable number having master degree level qualifications meaning that they were well-educated and had enough knowledge in managerial and financial practices. Most of the respondents held middle to senior management roles and had over five years of industrial experience that guaranteed them to provide knowledgeable answers with respect to the efficiency of the human capital, cost management practices and financial performance.

Table 1: Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	132	78.6
	Female	36	21.4
Age	20-29	34	20.2
	30-45	91	54.2
	Above 45	43	25.6
Education	Bachelor's	78	46.4
	Master's & above	90	53.6
Experience	Less than 5 years	47	28.0
	5-10 years	72	42.9
	Above 10 years	49	29.1

Descriptive Statistics

The descriptive statistics were calculated in order to evaluate the perceptions of human capital efficiency, cost management practices, and financial performance of the respondents in general. The central tendency of all constructs constituted more than the middle of the scale which was evidence of a positive attitude towards the perception by respondents. The mean score of the human capital efficiency was comparatively high, which indicates that the textile companies in Faisalabad moderately focus on their employees in terms of skills, training as well as productivity. Another practice that had positive mean is the cost management practices which indicated the implementation of cost control and budgeting. The highest mean was achieved in financial performance, thus showing that firms consider their performance as satisfactory concerning their competitors.

Table 2: Descriptive Statistics

Variable	Mean	Standard Deviation
Human Capital Efficiency	3.82	0.61
Cost Management Practices	3.74	0.66
Financial Performance	3.89	0.58

Reliability Analysis

Cronbach alpha was used to measure the reliability of the measurement scales to guarantee internal consistency. The findings show that all the constructs were above the suggested value of reliability of 0.70, which is acceptable. Human capital efficiency and cost management practices had good internal consistency and financial performance had good reliability. These results assure that the measurement instruments that are applied in this paper were valid and can be further statistically analyzed.

Table 3: Reliability Statistics

Construct	Number of Items	Cronbach's Alpha
Human Capital Efficiency	7	0.88
Cost Management Practices	6	0.85
Financial Performance	5	0.82

Correlation Analysis

The Pearson correlation was used to test the relationships between study variables. The findings reveal that the human capital efficiency has a positive and significant correlation with the financial performance implying that the financial performance of the firms using their human resources efficiently is highly likely to be better. There is also a high positive connection between cost management practices and financial performance, underline the significance of cost control and planning in the improvement of profitability. Also, human capital efficiency and cost management practices showed a significant positive correlation meaning that people with skills and competence cause the efficient implementation of the cost management system. Multicollinearity problems were not found because correlation coefficients were not out of range.

Table 4: Correlation Matrix

Variable	HCE	CMP	FP
Human Capital Efficiency (HCE)	1		
Cost Management Practices (CMP)	0.62**	1	
Financial Performance (FP)	0.58**	0.65**	1

Note: $p < 0.01$

Structural Equation Modeling Results

The hypothesized relationship involving human capital efficiency, the cost management practices and financial performance was tested using Structural Equation Modeling. The measurement model showed satisfactory indices of fit which show good overall model fit. Results of the structural model indicate the positive statistically significant impact of human capital efficiency on financial performance. This observation implies that effective exploitation of employee skills, knowledge and experience is direct proportional to financial performance of textile companies in Faisalabad.

In a similar manner, there was a strong positive and significant effect of cost management practices on financial performance which verifies that systematic cost planning, control, and reduction policies have a significant effect on the profitability and sustainability of firms. The findings also show that cost management practices mediate the correlation between human capital efficiency and financial performance to some extent, suggesting the complementary nature of human resources with cost control mechanisms in enhancing outcome of an organization.

Table 5: Structural Model Results

Path	Standardized Beta	t-value	p-value	Result
HCE → FP	0.32	4.87	<0.001	Supported
CMP → FP	0.41	6.12	<0.001	Supported
HCE → CMP	0.62	9.45	<0.001	Supported

Findings

The results of the research are a good empirical substantiation of the research model. Cost management practices and human capital efficiency have both a great positive influence on financial performance of textile companies in Faisalabad. The findings highlight the significance of investing in the skills and competencies of the employees and at the same time enhancing the cost management structures. The notable correlation between the efficiency of human capital and the cost management practices also indicates that human resources with skills can increase the efficiency of the managerial system of control, which means the improvement of financial performance. In general, the results suggest that a complex strategy of effective human capital management and successful cost control is the key to the competitiveness and sustainability of the textile sector in Pakistan.

Discussion

Conclusions made in this research make a good empirical ground that human capital efficiency plays a key role in determining the financial performance of textile companies that operate in the Faisalabad region. This is in line with the human capital theory that states that the skills, knowledge and experience of employees increase productivity and value creation in organizations. The observed positive relation can be attributed to the previous empirical studies that propose that companies making investments in the development of employees and making good use of their human resource will have better financial results (Becker, 1993; Pulic, 2000; Chen et al., 2005). Human capital is highly exploited in the context of the textile industry in Pakistan where operations are highly intensive in the labor force and it seems that efficient use of human capital is a key determinant to profitability and competitiveness.

It is also found that there is a strong and positive correlation between financial performance and cost management practices. This observation goes in line with the strategic cost management literature that highlights how systematic cost planning, control, and monitoring can help firms to eradicate inefficiencies and enhance operational performance (Shank and Govindarajan, 1993; Bunker et al., 2011). The Faisalabad textile companies have existed with cost pressure associated with increased energy costs, variable raw material costs, and stiff competition among international companies. The findings indicate that companies with proper cost management strategies have a higher chance of staying profitable and financially stable in such a difficult environment.

Moreover, the findings reflect that there is a considerable positive correlation between the human capital effectiveness and the cost management practices. This observation underscores a complementary role of talent human resource in the execution and maintenance of an effective cost management system. Experienced workers and good managers can better

detect cost inefficiencies, better production processes and use cost information in formulating strategic decisions. This finding is in line with the previous research which highlights the facilitative nature of human capital to heighten the efficiency of managerial and accounting systems (Edvinsson & Malone, 1997; Kamukama et al., 2011).

The cost management practices have a mediation effect in the relationship between the human capital efficiency and financial performance which is insightful. It implies that human capital directly influences financial performance, but its effect is reinforced with the strong cost management methods. The efficiency of human capital in the textile companies of Faisalabad might not be adequate to produce the best financial results unless it is well synchronized with the efficient cost control and planning habits. This integrative conclusion adds to the literature by showing that efficiency and cost management practice in human capital needs to be perceived as mutually reliant determinants of firm performance especially in emerging economy settings.

Conclusion

This paper has explored how human capital efficiency/cost management practices affect the financial performance of textile companies in Faisalabad, Pakistan. Based on the human capital theory and strategic cost management perspectives, the research offers empirical data, showing that both the human capital efficiency and the cost management practices contribute significantly to the improvement of the firm performance. The results establish that a firm that manages to employ the skills, knowledge and experience of the employees has a greater chance of attaining better financial results. Also, the findings indicate that an effective cost management practice can be seen to play a key role in increasing profitability and financial stability.

The interrelated problems in human capital efficiency and the cost management practices are also pointed out in the study. The positive correlation between the two variables shows that employees who are skilled and competent enable good implementation of cost control systems and thus increase their roles to impact financial performance. This study presents context-specific data on the dynamics of performance of the textile industry in Pakistan by concentrating on the largest textile center in the country, Faisalabad.

On the whole, the research adds to the current evidence by contributing to the body of empirical research in an emerging economy as well as by incorporating the practices of human capital efficiency and cost management in one analytical framework. These results highlight the need to adopt a holistic management style that focuses on developing human resources and effective cost management in order to improve financial performance and future sustainability in the textile industry.

Recommendations

On the basis of the results of this research paper, practical recommendations are offered to textile companies, policy makers, and the stakeholders of the industry. To begin with, textile companies must ensure that they invest in human capital through regular training programs, skills development, as well as performance rewards. Employee competencies are also likely to increase productivity, operational inefficiencies and financial results, when improved.

Second, companies ought to enhance their cost management systems by incorporating new cost management methods, including activity based costing, variance analysis and strategic budgeting. Good cost tracking may enable companies to detect inefficiency, utilize resources efficiently, and react in advance to cost constraint caused by the fluctuation of energy prices and raw materials.

Third, the managers need to have a strategic fit in human capital development and cost management systems. The employees ought to be engaged in cost-cutting efforts and in ongoing programs of improvement because they will have first hand information in their operations that can help to discover cost-cutting opportunities.

Policy wise, the textile industry needs to be assisted by government and industry agencies in establishing vocational training and developing managerial skills and accessibility of modern management tools. Institutional reinforcement on human capital development has the potential of promoting competitiveness of the entire textile industry.

Lastly, it is advised that future studies should be directed at expanding this research to include several cities to enhance the generalizability of the results. It might also be conducted as longitudinal studies to investigate how the efficiency and cost management practices of human capital have changed over a time and how such changes have had a long-term effect on financial performance.

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