

Capital budgeting is one of the most important decisions which are taken by chief executive officers. Capital budgeting is a process of identify, scrutinize and selection of a project which have long time impact on the performance of the organization and also require a heavy amount. The aim of capital budgeting decisions is to maximize the shareholder wealth and success of companies. In capital budgeting decision making, when making the financial evaluations of the projects then capital budgeting methods are also used. Capital budgeting methods are influenced by the firms' characteristics and decision maker's characteristics.

This study conducted with two aims to ascertain the prevailing capital budgeting methods in textile companies and to find the factors of capital budgeting methods.

To obtain the objectives, major part of data collected by questionnaire and minor part of data collected from financial statements of 2013 of seventy seven textile companies which are listed on Karachi Stock Exchange (KSE). Size (sales), leverage, growth (price-earnings ratio), dividend payout ratio, target range for solvency (debt-to-equity), proportion of foreign sales, management ownership, education of CEOs, age of CEOs and experience of CEOs are taken as independent variables and capital budgeting methods as dependent variables. Descriptive statistics showed that payback period is mostly used by textile companies of Pakistan. Ordinal regression analysis runs on data to find the determinants of capital budgeting methods. Findings showed that target range, foreign sales, size of firm, leverage, management ownership, education of CEOs and age of CEOs have significant association with capital budgeting methods and these are factors of CB methods while growth, dividend payout and tenure of CEOs have no significant association with any capital budgeting methods. Preference of PP method by firms shows that there is theory-practice gap existed in Pakistani textile companies.

It is recommended that textile companies should to use sophisticated CB methods. For future studies it is recommended that these variables or some other variables should be studied in other private or public sectors of Pakistan.