IMPACT OF WORKING CAPITAL MANAGEMENT ON GROWTH OF MALAYSIA COMPANIES: AN EMPIRICAL INVESTIGATION OF PUBLIC LISTED COMPANIES

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By

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ABSTRACT

Working capital management has always drawn the attention of the corporate sectors. Public listed companies particularly place strong emphasis on an effective and efficient working capital management for their survival and growth. Its contribution is not only on profitability, but also in determining the liquidity of assets to offset current obligations. This study analyses and measures the relationship between working capital management and growth of public listed companies in Malaysia. Specifically, the study examines the relationships between the four components of working capital management, namely, cash conversion cycle, receivable conversion period, inventory conversion period, payable conversion period and the growth of Malaysian publicly listed companies. The study utilizes the financial historical data obtained from the DataStream from December 2009 to December 2013. The one hundred top public-listed companies main (based on market capitalization) in the Main Board of Bursa Malaysia are selected as a sample. The testing for hypotheses involved examining the relationship between the dependent variable (growth of Malaysia companies) and the independent variables (cash conversion cycle, receivable conversion period, inventory conversion period, and payable conversion period). Analysis shows that all the independent variables have positive relationships with firm growth, but only cash conversion cycle has a significant relationship. It is concluded that companies should focus and establish the policy of working capital management in an efficient manner to serve their shareholders in maximizing their wealth.

Key words: cash conversion cycle, receivable conversion period, inventory conversion period, payable conversion period, growth of Malaysian companies, firm size, financial debt and fixed financial asset
ABSTRAK


Kata Kunci: kitaran penukaran tunai, tempoh penukaran diterima, tempoh penukaran inventori, tempoh penukaran yang perlu dibayar, pertumbuhan syarikat-syarikat Malaysia, saiz syarikat, Hutang kewangan, Aset tetap kewangan
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Syed Fairul Afis Bin Syed Mustapha

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Malaysia has been targeted to become a developed nation and has been moving forward with a comprehensive strategy in order to be more competitive and resilient globally (BNM, 2014). With strong desire and spirit from the government, private companies are encouraged to contribute to the national economy especially gross domestic product (GDP) in various situations. Contributions from the private sector especially public listed companies are therefore needed.

Companies should strive to generate a higher income and growth eventually in order to support the national aspiration of becoming a developed country. However, in the face of unpredictable world economic conditions, public listed companies especially in Malaysia have to encounter innumerable challenges to perform and grow well.

The recession and financial crisis that occurred in the year 2008 had intensified the importance of managing short-term working capital at all companies around the world (Abuzayed, 2012). Businesses have been challenged to adapt to the rapid changes and robust economic growth in the world.
The contents of the thesis is for internal user only
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