

**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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**Dissertation Submitted to  
Othman Yeop Abdullah Graduate School of Business,  
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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

Pengurusan modal kerja kini sentiasa mendapat perhatian sektor korporat terutama syarikat awam yang tersenarai di bursa saham untuk terus berdiri sendiri dan berkembang. Sumbangan bukan sahaja kepada keuntungan tetapi juga ke atas aset mudah tunai untuk kontra obligasi semasa. Kajian ini menganalisis dan mengukur hubungan antara pengurusan modal kerja dan pertumbuhan syarikat-syarikat di Malaysia. Secara khusus, kajian ini menentukan hubungan antara kitaran penukaran tunai, tempoh penukaran diterima, tempoh penukaran inventori, tempoh penukaran yang perlu dibayar dan pertumbuhan syarikat-syarikat Malaysia. Kajian ini dilakukan ke atas data kewangan yang diperolehi daripada Datastream mulai Januari 2009 hingga Disember 2013. Seratus syarikat awam yang tersenarai di dalam pasaran sekuriti utama Bursa Malaysia berdasarkan permodalan pasaran dipilih sebagai sampel. Ujian hipotesis yang terlibat adalah hubungan antara pertumbuhan bergantung pembolehubah pertumbuhan syarikat di Malaysia dan kitaran penukaran tunai bebas, tempoh penukaran diterima, tempoh penukaran inventori, tempoh penukaran yang perlu dibayar. Analisis menunjukkan keputusan bahawa semua pembolehubah bebas mempunyai hubungan positif tetapi hanya kitaran penukaran tunai yang mempunyai hubungan yang signifikan dengan pertumbuhan syarikat-syarikat Malaysia. Sebagai rumusan, kajian ini mencadangkan adalah penting bagi sesuatu syarikat itu untuk memberi tumpuan dan menetapkan dasar pengurusan modal kerja dengan cara yang cekap dalam usaha untuk memaksimumkan keuntungan pemegang saham.

**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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## LIST OF ABBREVIATIONS

<b>Abbreviation</b>	<b>Meaning</b>
g	Growth of Malaysia Companies
CCC	Cash Conversion Cycle
RCP	Receivable Conversion Period
ICP	Inventory Conversion Period
PCP	Payable Conversion Period
LnTA	Firm Size
FFA	Fixed Financial Asset
FD	Financial Debt
TAG	Total Assets Growth
WC	Working Capital
WCM	Working Capital Management
FD	Financial Debt Ratio
NTC	Net Tangible Cycle

# **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.

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