

UNIVERSITI TEKNOLOGI MARA

**RELATIONSHIP BETWEEN WORKING CAPITAL
MANAGEMENT AND FIRM PROFITABILITY:
EVIDENCE FROM PLANTATION SECTOR IN
MALAYSIA**

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of the requirements for the degree of
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AUTHOR’S DECLARATION

I declare that the work in this final year project paper was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Undergraduate, Universiti Teknologi MARA, regulating the conduct of my study and research.


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ABSTRACT

Working capital management (WCM) is usually observed as one of the contributing factors of certain firms' profitability. Mainly, the ultimate goal of any business is to make a profit so that the business can continue operating for a long run. The management of working capital plays an important role in firm profitability in order to sustain its growth. Numerous findings mentioned that WCM has a positive relationship with firm profitability. However, some papers found a negative relationship between them. Moreover, the chosen tested variables also found mixed results by the past researchers, where some found a negative relationship between each independent variable and dependent variable and vice versa. Thus, these relationships have often been debated as it has been remarked over time, that working capital management does give a significant effect towards firm profitability. This study was carried out to establish the relationship between WCM and firm profitability from plantation sector in Malaysia. This research was done on 40 companies registered in Bursa Malaysia, which covered the period of 2013 – 2017 with a total observation of 200 firms/years. The independent variables to measure working capital management include cash conversion cycle, current ratio, debt ratio and sales growth while, return on asset acts as a proxy for the dependent variable, firm profitability. The collected data was analyzed using descriptive means, correlation analysis and multiple linear regressions via E-Views. Ordinary Least Squares (OLS) method and Multiple Linear Regression Model (MLRM) were used in this research to examine the relationship between WCM and the profitability of the firms. From this study, current ratio and debt ratio are found to have a negative significant relationship with firm profitability, while, sales growth has a positive significant relationship with firm profitability.

Keywords: Working Capital Management, Cash Conversion Cycle, Current Ratio, Debt Ratio, Sales Growth, Profitability

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