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THE DETERMINANTS OF WORKING CAPITAL MANAGEMENT ON PROFITABILITY ON SELECTED FOOD AND BEVERAGES COMPANIES IN MALAYSIA

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ABSTRACT

Working capital is made by three important factors, namely, debtor, creditor, and inventory. When these three factors are combined, the working capital will become working capital management. For firms to maintain their profitability position, overseeing working capital incorporates money, inventories, accounts receivables and records payable in a compelling way. The point of good working capital management is to ensure having adequate funding to guarantee that the business is liquid to meet current obligations. Thus, this study attempted to investigate the determinants of working capital management on profitability in selected food and beverages companies listed under Bursa Malaysia. Based on the sample period of ten years (2006 until 2015), the data were analysed using the Panel Data Econometrics (fixed-/random-effects model) techniques. Results of the study indicated that a number of variables such as inventory conversion period, current ratio, firm's size and average collection period were significant in influencing the profitability of food and beverages companies in Malaysia. It is hoped that this study may draw attention to policymakers towards changing the working capital management policies in Malaysia.

Keywords; working capital management, profitability, dynamic panel data, food and beverages