



AN EMPIRICAL STUDY OF THE RELATIONSHIP BETWEEN
WORKING CAPITAL MANAGEMENT AND FIRM
PROFITABILITY: EVIDENCE FROM LISTED
MANUFACTURING FIRMS IN MALAYSIA

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ABSTRACT

Confirming the optimization profitability through working capital management, this study aimed to analyze the relationship between working capital management and firm profitability in Malaysia by considering four independent variables including cash conversion cycle, current ratio, current liabilities to total asset ratio and debt ratio. The profitability of firm is measured in terms of return on assets, ROA. This study is using secondary data that are derived from financial statement of firms listed in Bursa Malaysia between 2009 to 2014 which is after the Global Financial Crisis (2007-2008). The sample size of this study comprised 30 listed firms under manufacturing sectors. Panel data analysis is used due to the combination of time series and cross sectional data. The data will be diagnosed by using the unit root test and other econometric procedure followed by the Fixed and Random Effect estimation model to establish the relationship between working capital management and firm profitability.

Keywords: Working Capital Management, Cash Conversion Cycle, Current Ratio, Current Liabilities to Total Asset Ratio, Return on Assets