



**WORKING CAPITAL MANAGEMENT INFLUENCE PROFITABILITY: CASE OF PROPERTY  
INDUSTRY IN MALAYSIA**

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## **CHAPTER 1: INTRODUCTION**

### **1.0 INTRODUCTION**

#### **1.1 INTRODUCTION**

The firm' performance whether got higher profitability or not is depends on the working capital of a firm. The definition of working capital management is the way in organized the firm in order to continue its operations and it has sufficient ability to satisfy both short-term debt and upcoming operational expenses. In simple word, working capital management is the administration of current asset and current liabilities. A firm should managed their working capital efficiently and effectively to get more profitability. Working capital is the most important factor for maintaining liquidity, survival, solvency and profitability of business (Mukhopadhyay, 2004). If any firm are unable in order manage their working capital wisely, there probably effect in term of their profitability of the firm but also can lead to financial crisis. Then it's a matter that give importance effect on how can the firms manage their working capital in the correct way in order to ensure that the firm or company to profit or not. Under this research, the researcher examine the effect of different variables of working capital that will be used in this research such as average collection period, average payment period, inventory turnover, cash conversion cycle and current ratio.

Working capital management is one of the topics in financial management because it directly relates and effect on the profitability of a firm. Every business needs short-run financial resources in order to ensure their daily operations run smoothly over time. Investment that involves cash payments to debtor and for inventories of firm is also called working capital. In this sentence, can show that working capital management is more related to short term assets and financial operation that is less than one year. Working capital management is important for several reasons. Current asset accounts for half of firm's total asset are very important to lead into profitability of firm. If a firm with too short current asset will causes difficulties in maintaining daily operations. Managed well in term of their current asset and current liabilities will reduce crisis happen in the firm.