



UNIVERSITI TEKNOLOGI MARA

**CASH CONVERSION CYCLE
AND FIRM'S PERFORMANCE:
EVIDENCE FROM STEEL
INDUSTRY IN THAILAND**

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ABSTRACT

The aim of this paper is to prove the impact and all the effects of cash conversion cycle (CCC) on the profitability of firms. Using data from an extensive sample of Thailand steel industry over the 2012 - 2016 periods. This study absolutely concerned about evaluating how cash conversion cycle affects the profitability. Thus, to obtain recent and fresh result about this issue, new variables are introduced to be observed in this study. It includes cash conversion cycle, current ratio, debt ratio and firm size. The study offers proof that CCC significantly will affect profitability. Nevertheless, the limitation that found in this study is on the scope of study itself, as it is on steel companies in Thailand, there are some limitations met in examining the industry as there is insufficient amount of sources for researcher to collect information and obtain further insights.

Keywords: Cash Conversion Cycle, Current Ratio, Debt Ratio, Firm Size, Return on Asset, Panel Data, Firm Performance

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

In the first chapter of this study will discuss background of the study on the topic as what a vital objective that related to it. As this study on cash conversion cycle, then the vital part of it will also be discussed in details which related to the firm performance. In addition, related problem that arises that makes the researcher wanted to study on this topic will also be discuss besides an overview on the dependent and independent variables of the study will be discovered as what is their relationship as well. Research questions and objectives of the study will be divided into two categories which included main and specific research questions and objectives. Next, significance and scope of study will explain in details what industry that has been observed and how many observations that been taken to conduct this study. Lastly, this chapter will explain limitations that have been face by researcher while conducting this study and an explanation on definitions of terms.

1.2 OVERVIEW / BACKGROUND OF STUDY

According to Raheman & Nasr (2007) every company in the world absolutely wanted to generate a profit as their vital objective. However, maintaining liquidity of the companies is a vital objective too. A serious problem to the companies may occur if there are no equivalent in both objectives as there are increasing profits at the cost of liquidity. Consequently, an ideal adjustment between these two objectives of the companies must occur as both have their significance. A company cannot last longer if it does not care about their profit, while problem of liquidation or bankruptcy may occur if it does not care about their liquidity.

Therefore, working capital management should be an ideal choice and concern for the companies to look for. To keep sufficient cash flow for the companies to meets its short-term operating cost and short-term debt responsibilities is the main purpose of working capital management. There are completely two components that observe