



UNIVERSITI TEKNOLOGI MARA

**THE EFFECT OF WORKING CAPITAL
MANAGEMENT ON THE GROWTH OF
MALAYSIA TOP PUBLIC LISTED
COMPANIES**

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ABSTRACT

There are a lot of factors in determining growth of a company. Abu Bakar et al. (2012) analyze the factors effecting the growth of construction companies in Malaysia. One of the most important factors is effective cash flow management that contributes to the success of the companies. According to previous studies, working capital management has received much attention by corporate sectors especially public listed companies.

The way a company handles its working capital contribute to the pressure in expanding business and growth in companies. According to Siddiquee & Khan (2009), inefficiency of management of working capital not only reduce profitability but also ultimately lead to a concern to financial crisis in any corporation regardless of its size, nature of business or profit orientation

The top public-listed companies main (based on market capitalization) in the Main Board of Bursa Malaysia are selected as a sample. The testing for hypothesis involved examining the relationship between the dependent variable (growth of Malaysia companies) and the independent variables (cash conversion cycle, receivable conversion period, inventory conversion period and payable conversion period). Analysis shows that all the independent variables have significant relationships with firm growth except receivable conversion period which is not significant. It is concluded that companies should focus and establish the policy of working capital management in an efficient manner to serve their shareholders in maximizing their wealth.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

Working Capital Management is a way that helps the company to use its current assets effectively and helps to meet the company's short term goals and obligations by maintaining sufficient cash flow. This research is also objectively done to to know the working capital management relationship and the company profit(Taulia,2020). There is still vagueness on how the variables that serve as the representative for the working capital management can affect the company's profit. There are also studies in Malaysia that have been conducted to find the impact to which the working capital management has on the profit of companies, mainly in the manufacturing sector which is the second largest contributing facing orderr in the Malaysia Economy.

From the previous cases which happened in 2008 which is the global financial crisis, there is the collapse of two giant groups which are General Motors and Lehman Brothers. The incident that happened caused the business operation to be affected worldwide. This caused the company's managers to be forced to recognize the importance of handling the company's resources effectively, mainly in the working capital management area to to prevent further losses and bankruptcy.

The company that we decided to choose for this study is from the top 100 public listed companies in Malaysia. The reason for this selection is because the top company that is listed has a huge market capitalization. This shows that management of a capital in a company is huge and shows that they have a lot of data to be studied in this study so we can find conclusions and answers towards the problem that we have been facing.

There is importance known to have in the working capital management. A strong working capital management assists the business operations and can increase the strength of company 's monthly and yearly profit. The working capital management includes the account payables, inventory management and account receivables.