



**THE RELATIONSHIP BETWEEN WORKING CAPITAL
MANAGEMENT AND FIRMS' PROFITABILITY
IN SERVICES INDUSTRY: EVIDENCE IN MALAYSIA**

**NURUL ASYIKIN BINTI NORDIN
2015608962**

**BACHELOR OF BUSINESS ADMINISTRATION
WITH HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA
KOTA KINABALU SABAH**

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ABSTRACT

The purpose of this study is to determine the relationship between working capital management and firms' profitability. This study is based on a sample of 30 service firms listed on Bursa Malaysia and the sample is divided into three categories consist of large-cap, mid-cap, and small-cap stocks. This study covers a span of eight years from 2009 to 2016. A panel regression is used to test the hypotheses of this study by using Statistics/Data Analysis (STATA) software. The findings show that the large-cap and mid-cap stocks firms have negative relationship between cash conversion cycle and profitability, while small-cap stocks firms have positive relationship. The findings also show that all have negative relationships between accounts receivable period, inventory conversion period, and accounts payable period with the profitability, except for large-cap and small-cap stocks firms have positive relationship between the inventory conversion period and profitability.