WORKING CAPITAL MANAGEMENT AND FIRM'S PROFITABILITY : PANEL DATA ANALYSIS FROM FOOD PRODUCER INDUSTRY LISTED COMPANIES IN MALAYSIA

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ABSTRACT

Working capital management plays an important role in enriched profitability of firms. It refers to management of current liabilities and current assets. Firms can achieve optimal management of working capital by making the trade-off between profitability and liquidity. Thus, this study aimed to find out the effect of working capital management on firm's performance in Malaysia for the period 2010 to 2014. For this purpose, balanced panel data 30 company of food producer which are listed on Bursa Malaysia are used. The data were collected from annual report each company. The performance was measured in terms of profitability by gross operating profit as dependent variables. While, the receivable collection period, inventory collection period, payment deferral period and cash conversion cycle was determined as independent variables.

In line with the purpose of this research, Random Effect, Fixed Effect and Pooled OLS have been applied on panel data to find the relationship between Working Capital Management and Firm Profitability. The data was analysed using statistics or data analysis STATA (version 11) with estimation by both equation correlation analysis and pooled data models of time series and cross-sectional data. Results indicate that longer account receivables are related with lower profitability. The results also show that there is significant negative relationship between payment deferral period and profitability. There is no exists significant relationship between receivable collection period, inventory collection period and cash conversion cycle with profitability.

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