



**THE IMPACT OF WORKING CAPITAL MANAGEMENT ON MALAYSIAN
CONSTRUCTION COMPANIES' PERFORMANCE**

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ABSTRACT

The success of any business venture is predicted on how the management has planned and controlled their working capital management. Poor working capital management will disrupts the firm's smooth operation and can even lead into solvency. Thus, working capital management assume more significant because it has direct impact on firm liquidity and profitability. These study was investigate for the purpose of the relationship between working capital management and firm performance. It aims to investigate the impact of working capital management towards firm performance of construction companies listed in Bursa Malaysia. This study used descriptive research design to describe the financial performance of listed construction companies in Bursa Malaysia. The target population comprised of 54 construction companies listed in Bursa Malaysia for the period 2014 to 2018. The study employed census sampling of 29 selected construction companies. This study used secondary data which obtain from the Database and annual reports for 5 years. Data was analyse by using descriptive statistics such as, mean and standard deviation. Newey- West method were used to establish the relationship between working capital management and firm performance of construction companies listed in Bursa Malaysia. Firm performance was measured by return on assets and tobins q, whereas, working capital management measured by the three components; account receivable collection period, inventory conversion period and payment deferral period. The result indicate that there is negative relationship between average collection period and return on assets. In addition, financial managers can create profit for companies by monitoring debt collection period. Study suggest that managers can create value for shareholders by creating incentives to reduce account receivable to 30 days. As recommendation, study suggest that construction companies should focus more on debt management in order to maintain or enhance companies' financial performance. Furthermore, the outcomes demonstrate that the working capital management should be formulated by taking global macroeconomic conditions into consideration.

Keywords: Working capital management, return on assets, tobins q, average collection period, inventory conversion period, payable deferral period