

THE RELATIONSHIP BETWEEN WORKING CAPITAL EFFICIENCY AND PROFITABILITY OF CONSUMER PRODUCT COMPANIES IN MALAYSIA

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FINAL REPORT

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE FACULTY OF BUSINESS MANAGEMENT UNIVERSITI TEKNOLOGI MARA JOHOR

(DECEMBER 2014)



BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

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SEGAMAT, JOHOR

"DECLARATION OF ORIGINAL WORK"

Me, Noor Adzlin Binti Othman (I/C Number: 900222-01-63288), here by, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and is not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of our independent work and investigation, except where otherwise stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature:	Date:

LETTER OF SUBMISSION

December 2014

The Head of Program

Bachelor of Business Administration (Hons) Finance
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JOHOR DARUL TAKZIM

Dear Sir,

Thank you.

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled "THE RELATIONSHIP BETWEEN WORKING CAPITAL EFFICIENCY AND PROFITABILITY OF CONSUMER PRODUCT COMPANIES IN MALAYSIA" to fulfil the Requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA.

Yours sincerely
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ACKNOWLEDGEMENT

First and foremost, I would like to say Alhamdulillah to Allah S.W.T. because I managed to finish the research on time. Next, I would like to say thank you to my beloved and wonderful family for giving their support from the initial stage until the final stage of the research. It surely helps a lot in gaining motivation and prevent I from become depress. Besides that, I also wants to give gratitude of appreciation to my supportive lecturer and advisor, Mr. Wan Muhd Faez Bin Wan Ibrahim for providing and giving a lot of guidance when doing this research. Without his guidance, surely I will not be able to understand the research and finish it on time. Lastly, I would like to say thank you to all my friends for giving advice and teach me on things that I don't know and give some ideas in order to deliver a good research.

ABSTRACT

Abstract- The purpose of this research is an attempt to determine the relationship between working capital efficiency and profitability of consumer product companies in Malaysia. This research will use Return On Equity (ROE) the main indicator. This research includes independent variables which are debt ratio, average collection period, inventories turnover and current ratio.

Purpose- There are three purposes of the studies which are exploratory, descriptive and causal. In this research, the dependent variable and independent variables are related to each other which are cause and effect, which means that this study is a causal research. The purpose of this study is to analyze and explore the relationship between working capital efficiency and profitability whether the result is positive or negative relationship. In addition, this research engage with hypothesis testing which it explains the nature of relationships that can be established between independent variables that debt ratio, average collection period, inventories turnover and current ratio.

Design/methodology/approach- data are retrieved from the utilizing journals, internet and Bursa Malaysia for the annually period of 2009-2013. Multiple regressions are applied to as to find the result for this research.

Findings- By using the Multiple Linear Regression method, the researcher found 5% significant negative relationship of debt ratio towards the return on equity. Meanwhile, with regards to other independent variables which are average collection period, inventory turnover and current ratio it failed to reject null hypothesis at 5% level of significance toward return on equity.

Research limitations/implications- The four selected independent variables of capital structure for only small percentage explanation of the dependent variable. Next is the difficulty on using the short period of data which is only provides five (5) years and only 8 listed companies in Bursa Malaysia are using for the sources.