



**WORKING CAPITAL MANAGEMENT AND PROFITABILITY:
EVIDENCE FROM PANEL DATA ANALYSIS OF
RANDOM COMPANIES IN MALAYSIA**

**ADELHEID J MIANUS
2013461866**

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

JUNE 2015

ACKNOWLEDGEMENT

First of all I am thankful to God the Almighty, the most beneficial and merciful who gave me the courage to complete my thesis.

Secondly, my utmost gratitude to our supervisor Miss AnastasiaHBintiHarbi for her constructive advice, directions, comments, support and professional guidance. I am also thankful to Dr. ImbarineBujang for his help to acquire in depth knowledge of the statistics and SPSS. I am also extremely thankful to all the authors of the references in my thesis.

Finally, the prayers from my families played an important role in the completion of the thesis. Without their moral and financial support it would have been impossible for me to write this thesis report.

TABLE OF CONTENTS

	Page
TITLE PAGE	i
DECLARATION	ii
LETTER OF TRANSMITTAL	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF ABBREVIATIONS	xii
ABSTRACT	xiii
CHAPTER 1 INTRODUCTION	
1.1 Overview of Chapter	1
1.1.2 Factors Affect WCM	1
1.1.3 The Drawbacks of WCM	2
1.1.4 The Needs of WCM	3
1.2 Background of Study	4
1.3 Problem Statement	6
1.3.1 Past Studies in Malaysia	7
1.4 Research Objectives	8
1.4.1 General Objectives	8

1.4.2	Specific Objective	8
1.5	Significance of Study	9
1.5.1	Companies and Firms	9
1.5.2	Future Researchers	9
1.5.3	Academicians	9
1.6	Limitation of Study	10
1.7	Chapter Summary	10

CHAPTER 2 LITERATURE REVIEW

2.1	Introduction	12
2.2	Working Capital Management	12
2.3	Literature Review	13
2.3.1	Liquidity and Return on Asset	14
2.3.2	Activity and Return on Asset	15
2.3.3	Leverage and Return on Asset	16
2.3.4	Classification of Ratio Analysis	17
2.4	Theoretical Framework	19
2.5	Chapter Summary	21

ABSTRACT

A massive exposure on working capital management opens up wider knowledge and application of working capital management towards the profitability of a firm. The objective of this research is to investigate the relationship of working capital components: current ratio, inventory turnover ratio and debt ratio towards the profitability of a firm. Using panel data analysis, for a sample of Malaysian firms from 2007 to 2011, we found that managers can increase profitability by managing their liquidity position efficiently. Data collections are random and are important to bring insight to conduct the research. The result and findings will be discussed for achieving goals of the research.

Keywords: Current Ratio, Inventory Turnover, Debt Ratio and Return on asset.