UNIVERSITI TEKNOLOGI MARA

WORKING CAPITAL MANAGEMENT AND FIRM PERFORMANCES OF SMALL AND LARGE FIRMS IN MALAYSIA

Muhammad Tareq Uzair Bin Mohd Raymie

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ABSTRACT

The choice to invest in a business's working capital is critical since it ensures that the firm can continue to operate for a longer length of time. A good working capital management strategy will take into account the right liquidity level, which will affect the firm's profitability. The goal of this research is to look at the impact of working capital management on the performance of small and large businesses in Malaysia. Eviews 11 software is utilised to do balanced panel data analysis to achieve the goal. The research sample includes of small and big enterprises listed on the Bursa Malaysia from 2016 to 2020. Working capital management has a considerable influence on business performance, according to the results of the random effect model. Aside from that, we discovered that there are disparities in the findings of large and small firms.

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CHAPTER 1: INTRODUCTION

1.1 Introduction

The context of the study, problem statements, research questions, and research goals will all be discussed in detail in the next chapter. Furthermore, the research hypothesis, importance of the study, definitions of key terms, and limits of the study will all be discussed in this chapter.

1.2 Background of study

Working capital management (WCM) is the management of a company's current assets and current liabilities, which is related to its operating investment. The management of current assets and current liabilities is critical since accounts receivable and inventory account for a significant portion of a company's overall assets (Deloof, 2003). Excessive amounts of current assets, for example, might result in a poor return on investment; however, a corporation with insufficient levels of current assets may face shortages and struggle to keep day-to-day operations running effectively (Alshubiri,2011). Working capital management (WCM) is the management of a company's current assets and current liabilities, which is related to its operating investment. The management of current assets and current liabilities is critical since accounts receivable and inventory account for a significant portion of a company's overall assets (Deloof, 2003). Excessive amounts of current assets, for example, might result in a poor return on investment; however, a corporation with insufficient levels of current assets may face shortages and struggle to keep day-to-day operations running effectively (Alshubiri,2011).