

IMPACT OF CASH CONVERSION CYCLE ON FIRMS PERFORMANCE: A CASE STUDY OF FMCG SECTOR IN PAKISTAN

BY

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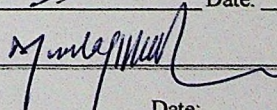
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ABSTRACT

Purpose – This research study is conducted with the aim to understand the impact of cash conversion cycle on the firm overall performance of FMCG in Pakistan.

Design/methodology/approach – FMCG sector of the economy is focused and ten FMCG listed firms are selected from Pakistan Stock Exchange and the data for the period of 2005 to 2015 is collected on the selected variables for the each firm to consolidate the secondary data and regression model is applied on the data to extract the outputs using statistical software i.e. Eviews. In this study the elements of cash conversion cycle that includes days of sales outstanding, Days sales of inventory and days of payables outstanding are used as the independent variable while return on assets and return on equity are used as the proxy to determine the performance of the listed firms operating in Pakistan.

Findings – The findings of the current research study clearly indicate that there is a significant impact of days of sales in inventory and days of payables outstanding on the return of assets of the firms that is used as the proxy indicator to determine the performance of the firm. These two variables significantly impact the return on assets at 5 percent level of significance while there is not significant impact of days of sales in outstanding on the return on assets of the listed firms in Pakistan. Similarly, the second regression model of the current research study clearly indicates that there is a significant impact of days of sales in inventory and days of payables outstanding on the return of equity of the firms that is used as the proxy indicator to determine the performance of the firm.

Practical implications – This research study helps the market professional and researchers to understand the implications of cash management practices in the form of cash conversion cycle and its resultant impact on the firm's overall performance.

Keywords – Return on Assets, Return on Equity, Days Sales of Inventory, Days of Sales Outstanding, Days of Payable Outstanding

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