



**IMPACT OF WORKING CAPITAL
MANAGEMENT ON PROFITABILITY, EVIDENCE
FROM KSE-100 INDEX**

**A Thesis submitted to Department of Management Sciences in
part fulfilment of the requirement for the MBA degree**

Student Name: Kamran Ahmed

Student ID: 16365

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Impact of working capital management on profitability, Evidence from KSE-100 Index in the management science department as part of fulfillment of the MBA degree requirement.

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I Maryam Masnoon being the Supervisor of the above student, certify that the research work of the student has been completed to my satisfaction and that the thesis is in a format recognized by the department and is in accordance with the rules of the University. The thesis is appropriate for examination.

Signature: Maryam

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Abstract

Purpose

The thesis will provide an insight to all stake holders regarding working capital management. It intends to validate previous work and provide the current years analysis in the field of working capital. It will highlight impact of working capital on profitability and focuses on the Non-financial companies listed on KSE-100 Index. The thesis will highlight it's essentiality by showing the relationship of variables with firm's profitability.

Research Methodology

The thesis consists of conceptual framework followed by empirical analysis of data. The study correlates the relationship of working capital variables i.e. CCC, APD, ARD, ITID and CR, LOS with operating profitability of firms. Beside it descriptive statistics, Pearson's correlation coefficient and multiple regression (OLS) methods are applied at time series and cross sectional data of 30 Non-financial listed companies. It will cover analysis for the period of 2008 till 2012.

Findings

After applying the equation in E-views software, it concludes that there is direct linkage of firms' operating profitability with Accounts payable in days, Inventory turnover in days and size of firms, whereas Cash conversion cycle, Accounts receivable in days and Current ratio are negatively correlated with operating profitability of firms.

Furthermore Pakistani firms can enhance its operating profitability by reducing receivable period and extending the payable period of companies, keeping in view liquidity of companies. The thesis will broaden the horizon of effective management of working capital in context of Pakistan.

Key words

Working capital management, Profitability, Cash conversion cycle, Accounts payable in days, Accounts receivable in days, Inventory turnover in days, Current ratio and firm size.