

# **THE EFFECT OF CASH CONVERSION CYCLE AND FIRM SIZE ON THE PROFITABILITY OF AUTOMOBILE SECTOR.**

**By**

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## MBA Thesis 2nd Half-Semester Progress Report & Thesis Approval Statement

### Supervisor – Student Meeting Record

S#	Date	Place of Meeting	Topic Discussed	Signature of Student
1	1/4/19	Faculty room 1	Methodology discussed	
2	20/4/19	Faculty room 1	E-views test run	
3	5/5/19	Faculty room 1	Interpretation and conclusion	

### APPROVAL FOR EXAMINATION

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I hereby certify that the above candidate's thesis has been completed to my satisfaction and, to my belief, its standard is appropriate for submission for examination. I have also conducted plagiarism test of this thesis using HEC prescribed software and found similarity index at 7% that is within the permissible limit set by the HEC for the MBA thesis. I have also found the thesis in a format recognized by the Department of Management Sciences.

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## DEDICATION

This thesis is dedicated to my father, who taught me that the best kind of knowledge to have is that which is learned for its own sake. It is also dedicated to my mother, who taught me that even the largest task can be accomplished if it is done one step at a time. I dedicate all my efforts and struggles of the educational life to my dear parents; without them I'm meaningless. Also, I devote the work of this research to respectable and honorable teachers who taught and supported me in developing my personality as a competent professional.

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## ABSTRACT

**Purpose-** The aim of this research study is to analyze the impact of Cash conversion cycle on firm's profitability of KSE listed companies of Automobile assembler & Automobile parts and accessories sectors in Pakistan.

**Methodology/sample-** The sample size is 5 companies with the population of 22 companies of Automobile Assembler & Automobile parts and accessories sector in Pakistan with the longitudinal timeframe of twelve years from 2007 to 2018. Using purposive sampling technique to draw the sample size. Statistical package of E-views software has been used to scrutinize the impact of independent variable over dependent variable. Cash conversion cycle (CCC) and firm size has been selected as independent variables while Return on asset (ROA) & Return on equity (ROE) has been selected as firm performance. Panel regression analysis, correlation, unit root test and other test has been run to investigate the impact.

**Findings-** Findings reveals that the significant relationship between CCC and firm performance at 95% confidence interval. It is stated that CCC has a negative association with ROA and ROE predicting that smaller CCC will lead to higher performance. That's mean firms must focus in decreasing their days in inventory outstanding and days in receivable outstanding while increasing their days payable outstanding. There exists significant positive impact of firm size on ROA but not on ROE. Larger firm size will give higher return on asset but not on ROE.

**Limitations-** This study is limited to the Pakistani Automobile sector with the time frame of four month. The considered variables are limited while ignoring the other factors which may affect the CCC.

**Recommendations-** Firm's decreased DIO and DSO will lead to smaller CCC and make delays in payments to hold the cash for further constructive investments. Working capital and cash management must focused for further transaction to earn more returns.

**Keywords:** Cash conversion cycle, firm size, profitability, Automobile sector.

## Contents

ACKNOWLEDGEMENT .....	vii
ABSTRACT.....	viii
LIST OF TABLES .....	xii
LIST OF FIGURES.....	xiii
List of abbreviations.....	xiv
CHAPTER # 1.....	1
1.1. INTRODUCTION.....	1
1.2. BACKGROUND.....	3
1.3. PROBLEM STATEMENT.....	5
1.4. RESEARCH OBJECTIVES .....	5
1.5. RESEARCH QUERIES.....	6
1.6. SIGNIFICANCE OF THE STUDY.....	6
1.7. SCOPE OF THE RESEARCH .....	6
1.8. ORGANIZATION OF THESIS.....	7
CHAPTER # 2.....	9
2. LITERATURE REVIEW .....	9
2.1. Theoretical background.....	9
2.2. Empirical background .....	10
2.3. SUMMARY OF LITERATURE REVIEW .....	16
2.4. RESEARCH HYPOTHESIS.....	Error! Bookmark not defined.
2.5. CONCEPTUAL FRAMEWORK .....	18
2.6. VARIABLES.....	19
2.6.1. Independent variables.....	19
2.6.2. Dependent variables .....	21
CHAPTER # 3.....	22
3. RESEARCH METHODOLOGY.....	22
3.1. RESEARCH APPROACH & TYPE .....	22
3.2. RESEARCH DESIGN .....	22
3.3. RESEARCH POPULATION .....	23
3.4. SAMPLE SIZE & SAMPLING TECHNIQUE.....	24
3.5. DATA COLLECTION.....	25
3.6. STUDY PERIOD.....	26

3.7. DATA ANALYSIS METHOD .....	26
CHAPTER # 4.....	28
4. RESULTS.....	28
4.1. DESCRIPTIVE STATISTIC .....	28
4.2. UNIT ROOT TEST.....	29
4.3. CORELATION ANALYSIS .....	30
4.4. COVARIENCE ANALYSIS .....	30
4.5. REGRESSION ANALYSIS.....	31
4.6. Panel Granger Causality Analysis .....	33
4.7. SUMMARY OF HYPOTHESIS TESTING .....	35
CHAPTER # 5.....	37
5. DISCUSSION .....	37
5.1. Hypothesis # 01 .....	37
5.2. Hypothesis # 02 .....	38
5.3. Hypothesis # 03 .....	38
5.4. Hypothesis # 04 .....	38
CHAPTER # 6.....	40
6.1. RECOMMENDATIONS .....	40
6.2. LIMITATIONS OF RESEARCH.....	40
6.3. FUTURE RESEARCH .....	41
6.4. CONCLUSION.....	41
References.....	43