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Determinants of Profitability: A case of Non-Financial firms of Pakistan



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ABSTRACT

This study has emphasized on assessing the impact of working capital on profitability in Pakistan. This study has considered cash conversion cycle, number of days accounts payable, number of days accounts receivable, number of days inventory, sales, growth rate of GDP, leverage and firm size as independent variables. Whereas, profitability has been considered as the dependent variable in this study. However, this study has finalized non-financial firms of Pakistan to testify the relationship between variables mentioned above. The major emphasis in this study has been on assessing the relationship between cash conversion cycle, number of days accounts payable, number of days accounts receivable, number of days inventory, sales, growth rate of GDP, leverage and firm size (independent variables) and profitability (dependent variable) in non-financial firms of Pakistan. Secondary sources of data (annual financial statements) have been used for data collection regarding variables of this study from the period of 2014 – 2019. A sample size of 420 observations has been finalized to represent the entire population. Collected data has then been analyzed through statistical instruments such as correlation and regression by using Strata. Based on the findings, it has been concluded that cash conversion cycle, number of days accounts payable, number of days accounts receivable, number of days inventory, sales, growth rate of GDP, leverage and firm size has significant impact on profitability in non-financial firms in Pakistan.

Key Words: Working Capital, Cash Conversion Cycle, Number of Days Accounts Payable, Number of Days Accounts Receivable, Number Of Days Inventory, Sales, Growth Rate of GDP, Leverage, Firm Size, Profitability, etc.

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