

IMPACT OF WORKING CAPITAL MANAGEMENT AND POLICY ON PROFITABILITY IN SUGAR INDUSTRY OF PAKISTAN

By

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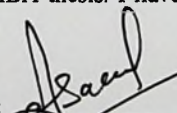
Supervisor-Student Meeting Record

No.	Date	Place of Meeting	Topic Discussed	Signature of Student
5	26 th Nov. 2014	Faculty-7	Research methodology Illustration of software.	@Wajima
6	11 th Dec. 2014	Faculty-7	Discussion of Eviews results	@Wajima
7	18 th Dec. 2014	Faculty-7	Discussion of critical debate and conclusions	@Wajima

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 13% 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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Abstract

Purpose- Major aim of this study was to analyze the impact of working capital management and policies on profitability of sugar industry in Pakistan. The presence of a huge gap in literature since sugar industry has not been studied before with regard to Working Capital Management prompted to conduct the research.

Methodology/sample- Data was gathered from publications of State Bank of Pakistan, KSE and financial statements for the period 2009 to 2013. To analyze the data, descriptive analysis and quantitative analysis i.e. Pearson's correlation and OLS Regression is used. Data was collected from 14 listed sugar mills.

Findings- Results of regression reveal that aggressiveness of financing policy and cash conversion cycle has a significant negative relationship with profitability whereas Inventory Holding Period, Average Collection Period and Aggressiveness of investing policy has an insignificant positive relationship. The analyses reveal that WCM has a significant impact on profitability and that the sugar industry of Pakistan follows a combination of both conservative and aggressive policies. Most of them are following an aggressive investing and financing policy.

Practical Implications- It is recommended that sugar industry of Pakistan needs to improve its collection and payment policy and must also focus on developing effective policies for managing the individual components of the working capital required to improve the operational efficiency. Further, those firms that are following an aggressiveness investing and financing policy must decrease investment in current liabilities in order to meet their liquidity needs and overcome the crisis they are facing.

Keywords: Working Capital Management, Working Capital Policy, Sugar Industry, Cash Conversion Cycle.

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