

"Impact of Working Capital Management on  
Profitability of Firms listed on PSX"



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## ABSTRACT

This empirical study attempts to quantify the relationship between working capital management and profitability of firms in Pakistan. Working capital management mechanisms used in this study are Average Collection Period (ACP), Average Payment Period (APP) and Inventory Conversion Period (ICP). While ROA and ROE have been used as dependent variables to measure the profitability of firms. Using the regression analysis technique on 25 listed firms on Pakistan Stock Exchange (PSX) trading over a five-year period i.e. 2012-2016, results have been derived. The data regarding all the aforementioned variables has been gathered through annual financial statements of the companies. The findings of this study indicate that the elements of working capital management such as average collection period and inventory conversion period have negative effects on profitability of firms as measured by ROA and ROE. While average payment period positively influences the firm's performance.

**Keywords:** Working Capital Management, Profitability, Average Collection Period (ACP), Average Payment Period (APP), Inventory Conversion Period (ICP), Return on Assets (ROA), Return on Equity (ROE).

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