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IMPACT OF INVENTORY MANAGEMENT ON FINANCIAL PERFORMANCE OF
FIRM: EVIDENCE FROM CEMENT INDUSTRY OF PAKISTAN



By:

FAISAL MANZOOR

01-120161-008

Supervisor:

Ma'am Sarina Sherazi

Department of Business Studies

Bahria University Islamabad

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Names of Student(s): FAISAL MANZOOR Enroll # 01-120161-008

Class: MBA Finance

Approved by:

Sarina Sherazi

Supervisor

Nida Aman

Examiner-I

Aamara Mujtaba

Examiner-II

Dr. Sarwar Zahid

Research Coordinator

Dr. Muhammad Arif Khattak

Head of Department

Management Studies

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ABSTRACT

The purpose of this study is to investigate the impact of inventory management on financial performance of cement industry in Pakistan. This study has considered inventory management as independent variable and financial performance as dependent variable within this study in order to testify their relationship within cement industry of Pakistan. Ratio analysis is applied to the financial information of cement manufacturing companies over the period of five years from 2014 to 2018. In addition, data analysis is done through statistical instruments such as correlation and regression by using SPSS Software. This research study finds significant relationship between inventory management and financial performance in terms of return on assets, net profit margin, and gross profit margin. This study is based on five cement companies in Pakistan that why it may reflect some partial view. In this study, five years of financial data of companies is taken from 2014-2018 which is a short period of time. Inflation is the most important factor for financial terms and it is no considered in any type of interpretation. This study analyzes systematically the relationship between inventory management techniques and performance for a small sample size of firm across all cement companies. This study also concluded that the proper application of inventory management techniques in firm has great impact on the financial performance in terms of net profit, return on assets and liquidity ratio of a firm.

Keywords: Inventory Management, Financial Performance, Return on Assets, Net Profit Margin, Gross Profit Margin, Cement Industry, etc.

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