

The Impact of Cash Conversion Cycle on Firms' Profitability: A Comparative Study of Food, Beverage and Tobacco Companies and Consumer Services Companies Listed in CSE

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ABSTRACT

Introduction: Based on the working capital management principle, the concepts of the cash conversion cycle can be identified as a powerful performance measure for assisting how well a company is managing its working capital. The study attempts to examine the Impact of Cash Conversion Cycle on Firms' Profitability via two different industrial sectors.

Design/ Methodology/ Approach: The impact of the firm's cash conversion cycle on the profitability is examined using 35 Food, Beverage and Tobacco Companies and 25 Consumer Services Companies Listed in CSE for the period of 2015 to 2019. Descriptive Statistical Analysis, Correlation analysis and regression analysis are the data analytic tools used to analyse data in this study.

Findings: The study revealed a significant negative impact on the Profitability of the Food, Beverage and Tobacco Companies by the length of the Cash Conversion Cycle. However, the Cash Conversion Cycle of the Consumer Services Companies has no significant impact on the profitability.

Conclusion: The findings will help for future studies to generalization of the findings beyond the Food, Beverage & Tobacco Industry and the Consumer Services Industry by using different industries, institutes and countries with different institutional characteristics and financial systems.

Keywords: *Cash conversion cycle, Working capital management, Firm profitability*