

Documents

Bhatti, M.I., Haron, R.

Impact of Cash Conversion Cycle (CCC) on Firm Performance: Evidence from OIC and non-OIC Countries
(2023) *Pakistan Journal of Life and Social Sciences*, 21 (2), pp. 762-774.

DOI: 10.57239/PJLSS-2023-21.2.017

IIUM Institute of Islamic Banking & Finance (IIBF), International Islamic University Malaysia, Kuala Lumpur, Malaysia

Abstract

This research aims to examine the effect of CCC on firm performance across OIC and non-OIC nations. In this study, we employ a panel dataset of 54,725 firm-year observations from 22 OIC countries and 486,036 from 42 non-OIC countries from 2000 to 2020. The data has been collected from the Compustat database. The results were obtained through the use of regression analysis. We discover that, in OIC firms, CCC has a negative effect on firm performance, whereas, in non-OIC firms, CCC has a favorable effect on firm performance. By analyzing the effect of the cash conversion cycle on business performance among firms belonging to OIC and non-OIC countries, this study adds to the body of knowledge on working capital management. The context of OIC countries has never been examined before, which makes this study significant. Also, this study makes a comparison as to how CCC affects firm performance among firms belonging to OIC and non-OIC countries. © (2023), (Elite Scientific Publications). All Rights Reserved.

Author Keywords

Cash conversion cycle; Emerging markets; Firm performance; OIC countries; Panel data analysis; Profitability; Working capital management

References

- Abbas, FJ, Nobanee, H, Khan, M, Varas, J
The impact of practices in working capital management and supply chain management on corporate performance
(2018) *International Journal of Business*, 23 (4), p. 383.
- Ahmed, AY.
(2022) *Working capital management and financial performance of small and medium enterprises in Garissa County, Kenya*, PhD thesis, KENYATTA UNIVERSITY
- Alkhataybeh, A
Working capital and R&D smoothing: Evidence from the Tel Aviv stock exchange
(2021) *Journal of Applied Economics*, 24 (1), pp. 91-102.
- Altaf, N, Shah, FA
Investment and financial constraints in Indian firms: Does working capital smoothen fixed investment?
(2018) *Decision*, 45, pp. 43-58.
- Aminu, Y, Zainudin, N
A review of anatomy of working capital management theories and the relevant linkages to working capital components: A theoretical building approach
(2015) *European Journal of Business and Management*, 7 (2), pp. 10-18.
- Baltagi, BH, Baltagi, BH
Test of hypotheses with panel data
(2021) *Econometric Analysis of Panel Data*, pp. 75-108.
- Bitrus, YP
The determinants of the demand for money in developed and developing countries
(2011) *Journal of Economics and International Finance*, 3 (15), p. 771.

- Boisjoly, RP
The cash flow implications of managing working capital and capital investment
(2009) *The Journal of Business and Economic Studies*, 15 (1), p. 98.
- Bowersox, DJ, Closs, DJ, Stank, TP
How to master cross-enterprise collaboration
(2003) *Supply Chain Management Review*, 7 (4), pp. 18-27.
- Brigham, EF, Ehrhardt, MC, Madura, J
(2008) *Financial Management Theory and Practice*,
Thomson: South-Western
- Brigham, EF, Gapenski, LC, Daves, P
(1999) *Intermediate Financial Management*,
The Dryden Press. Harcourt Brace College Publishers
- Chadha, S, Sharma, AK
Determinants of capital structure: an empirical evaluation from India
(2015) *Journal of Advances in Management Research*, 12 (1), pp. 3-14.
- Crum, RL, Klingman, DD, Tavis, LA
An operational approach to integrated working capital planning
(1983) *Journal of Economics and Business*, 35 (3-4), pp. 343-378.
- Deari, F, Kukeli, A, Barbuta-Misu, N, Virlanuta, FO
Does working capital management affect firm profitability? Evidence from European Union countries
(2022) *Journal of Economic and Administrative Sciences*,
- Dierks, PA, Patel, A
What is EVA, and how can it help your company?
(1997) *Strategic Finance*, 79 (5), p. 52.
- El-Maude, JG, Shuaib, AI
Empirical Examination of the Association of Working Capital Management and Firms' profitability of the Listed Food and Beverages Firms in Nigeria
(2016) *Researchers World*, 7 (1), p. 12.
- Gill, SS, Xu, M, Ottaviani, C, Patros, P, Bahsoon, R, Shaghaghi, A
AI for next generation computing: Emerging trends and future directions
(2022) *Internet of Things*, 19, p. 100514.
- Gitman, LJ
Estimating corporate liquidity requirements: a simplified approach
(1974) *Financial Review*, 9 (1), pp. 79-88.
- Gitman, LJ
(2006) *Introduction to managerial finance*,
Researchsp
- Gitman, LJ, Vandenberg, PA
Cost of capital techniques used by major US firms: 1997 vs. 1980
(2000) *Financial Practice and Education*, 10, pp. 53-68.
- Gyane, AT, Nunoo, EK, Suleman, S, Essandoh-Yeddu, J
Sustaining oil and gas multinational operations through corporate social responsibility practices
(2021) *Discover Sustainability*, 2, pp. 1-12.
- Hashmi, MA, Iqbal, MS
Impact of working capital management on firm profitability and liquidity: the

moderating role of family ownership

(2022) *Accounting Research Journal*, 35 (5), pp. 676-697.

- Hill, NC, Sartoris, WL
(1988) *Short-term financial management*,
Macmillan
- Hsiao, C
(2022) *Analysis of panel data*, (64).
Cambridge university press
- Iqbal, A, Khan, MI, Khan, J
Investors' Perception About Cash Conversion Cycle When Valuing Firm (A study of Textile Sector of Pakistan Stock Exchange)
(2022) *KASBIT Business Journal*, 15 (1).
- Izhar, TAT, Baharuddin, MF, Mohamad, AN, Ramli, AAM, Shoid, MSM, Hasnol, WMHW
Using ontology for goal-based query to evaluate social media data
(2016) *Journal of Advances in Humanities and Social Sciences*, 2 (2), pp. 108-118.
- Jam, FA, Haq, IU, Fatima, T.
Psychological contract and job outcomes: Mediating role of affective commitment
(2011) *1st International Technology, Education and Environment Conference*,
- Jaworski, J, Czerwonka, L
Which Determinants Matter for Working Capital Management in Energy Industry? The Case of European Union Economy
(2022) *Energies*, 15 (9), p. 3030.
- Kabuye, F, Kato, J, Akugizibwe, I, Bugambiro, N
Internal control systems, working capital management and financial performance of supermarkets
(2019) *Cogent Business & Management*,
- Keynes, JM
The general theory of employment
(1937) *The Quarterly Journal of Economics*, 51 (2), pp. 209-223.
- Korge, VS
(2022) *Impact of Working Capital Management on Profitability of Quoted Manufacturing Firms in Nigeria*, 7 (1).
- Kumpamool, C, Chancharat, N
Does board composition influence working capital management? Evidence from Thailand
(2022) *Corporate Governance: The international journal of business in society*, 22 (6), pp. 1178-1196.
- Kundu, S, Quddus, K, Jagannath Sharma, N
Does halo effect of innovative firms moderate the impact of working capital efficiency on firm value? Evidence from India
(2022) *Cogent Economics & Finance*, 10 (1), p. 2068240.
- Laux, JA
(2012) *Topics in Finance: Part IX—Working Capital Management*,
- Li, Z, Jiang, J, Xia, L, Chu, CC
Empirical research on the relationship between industry working capital shortfall and company cash holding in the same industry
(2022) *Discrete Dynamics in Nature and Society*,
2022

- Liu, H, Pan, JX, Yuan, HQ, Li, HL, Wang, J, Wang, JJ
Research on Evaluation of Working Capital Management Efficiency of Electric Power Listed Companies
 (2021) *E3S Web of Conferences*, 251, p. 01095.
 EDP Sciences
- Lofton, ML
What Influences Working Capital Management? A Survey of New York Local Government Financial Officers
 (2021) *Municipal Finance Journal*, 41 (4).
- Maness, TS
The cash-flow timeline and the credit manager
 (1994) *Business credit-New York*, 96, pp. 10-10.
- Mazanec, J
The impact of working capital management on corporate performance in small-medium enterprises in the visegrad group
 (2022) *Mathematics*, 10 (6), p. 951.
- Moulton, BR
Random group effects and the precision of regression estimates
 (1986) *Journal of econometrics*, 32 (3), pp. 385-397.
- Moyer, RC, McGuigan, JR, Kretlow, WJ
 (2006) *Contemporary Financial Management*,
 Thomson/South-Western
- Nabila, MA, Mat, S
Effects of working capital management, solvency, and profitability on bankruptcy risk (Cade: Property Sector in Indonesia Stock Exchange)
 (2021) *International Journal of Accounting*, 6 (32), pp. 197-208.
- Oganda, AJ.
 (2022) *Financing Structure and Financial Performance of Listed Manufacturing Firms on Nairobi Securities Exchange, Kenya: A Dynamic Panel Approach*,
 (PhD thesis). PhD thesis, Jaramogi Oginga Odinga University of Science and Technology, Bondo, Kenya
- Oh, K, Kim, D
Profile Deviation Analysis of Global Firms' Working Capital Management in the Automotive Industry During the Financial Crisis and Recovery Periods
 (2022) *Computer and Information Science 2021-Fall*, 21, pp. 27-37.
- Oktavia, D, Indrati, M
Effect Of Receivables, Inventories, and Payables On Working Capital
 (2021) *Journal Research of Social, Science, Economics, and Management*, 1 (2), pp. 101-115.
- Othuon, DO.
 (2021) *Working Capital Management, Asset Base, Board Diversity and Financial Performance of Coffee Wet Mills in Embu County, Kenya*,
 PhD thesis, University of Embu
- Pandey, I, Perera, K
 (1997) *Working Capital Management in Sri Lanka (Working Paper)*,
 Indian Institute of Management, Ahmedabad, India
- Petersen, MA, Rajan, RG
Trade credit: theories and evidence
 (1997) *The review of financial studies*, 10 (3), pp. 661-691.

- Purwatiningsih, A, Suprayitno, A, Haryono, A
Assessment of MSMEs Working Capital Loans at Bank Mandiri Malang Branch, Indonesia
(2022) *International Journal of Research in Social Science and Humanities (IJRSS)*, 3 (1), pp. 13-25.
ISSN: 2582-6220
- Richards, VD, Laughlin, EJ
A cash conversion cycle approach to liquidity analysis
(1980) *Financial management*, pp. 32-38.
- Rijal, S
The influence of transformational leadership and organizational culture on learning organization: A comparative analysis of the IT sector, Thailand
(2016) *Journal of Administrative and Business Studies*, 2 (3), pp. 121-129.
- Sah, GG
Impact of working capital management on the profitability of smes through cash operation cycles in Kumasi
(2021) *The Challenges of Analyzing Social and Economic Processes in the 21 st Century*, p. 112.
- Sawarni, KS, Narayanasamy, S, Chattopadhyay, S, Chakrabarti, P
Working capital management, financial performance and growth of firms: empirical evidence from India
(2022) *Journal of Indian Business Research*, 14 (4), pp. 361-381.
- Victor, OO
(2021) *Working Capital Management And Financial Performance Of Deposit-Taking Microfinance Institutions In Mombasa County, Kenya*,
Kenyatta University Institutional Repository
- Wasantha, S
A Comparative Study of Working Capital Management Practices: A Case Study of Ethiopia with, Australia, Canada, United States
(2021) *British International Journal of Applied Economics, Finance and Accounting*,
- Weerasekera, I
(2021) *Working Capital Management and Its Association With Firm Performance and Value: Evidence From NZX Firms*,
- Weinraub, HJ, Visscher, S
Industry practice relating to aggressive conservative working capital policies
(1998) *Journal of Financial and Strategic Decision*, 11 (2), pp. 11-18.
- Yang, G, Ronald, RJ, Chu, P
Inventory models with variable lead time and present value
(2005) *European Journal of Operational Research*, 164 (2), pp. 358-366.

Correspondence Address

Bhatti M.I.; IIUM Institute of Islamic Banking & Finance (IIBF), Malaysia; email: cpa.imran@gmail.com

Publisher: Elite Scientific Publications

ISSN: 17274915

Language of Original Document: English

Abbreviated Source Title: Pak. J. Life Soc. Sci.

2-s2.0-85191403799

Document Type: Article

Publication Stage: Final

Source: Scopus

