

# Effect of Working Capital Management on Supply Chain Performance and Company Growth in Malaysian Manufacturing Industry

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**Abstract---**Manufacturing sector of each country has importance for their economy. Increase or decrease in manufacturing sector performance directly effect on the nation's economy. In case of Malaysian manufacturing sector, its performance is not in line with Asian region performance. Manufacturing sector performance in Asia is increasing, however, the Malaysian manufacturing sector performance is decreasing. The objective of the current study is to investigate the role of working capital in supply chain performance (SCP) among Malaysian manufacturing companies. A quantitative research approach is used in this study. Primary data were collected on one point of time. A survey was carried out to collect the data. It is found that working capital management has major role in SCP among manufacturing companies. Additionally, positive effect of working capital on SCP increases the company growth.

**Keywords:** Supply chain, working capital, company growth, manufacturing industry.

## 1. Introduction

Working capital comprises of two important part, asset as well as liabilities. These are taken as the basis of organization in maintaining their operations [1]. The parts of working capital under assets are inventories and payments to be received from clients after sale.

For liabilities, account to be paid to concerned supplier is also a part of working capital [2]. It effect significantly on supply chain because it has major role in company operations.

In the meantime, during economic period, effective administration of working capital is noteworthy for organizations [3]. In this specific time, organizations can have a legitimate arrangement and budgetary technique to enhance their focused position and get benefit. Since the significance to keep up the dimension of working capital can be predicted, most finance

administrators invest in the vast majority of their working energy overseeing current assets and short-term financing activity [4]. As per Gitman and Maxwell [5], for momentary exercises, budgetary directors give roughly 60 percent of their time.

Working capital has relationship with supply chain activities of companies [6-8]. Better working capital management has significant influence on supply chain activities of manufacturing companies. Working capital has influence on all the operations even at the end consumer [9]. Inappropriate working capital management causes to delay in operations which automatically effect negatively on supply chain management and finally effect negatively on company growth.

As indicated by Eljelly [10], proficient working capital administration happens when there is a legitimate arranging and controlling of current asset and liabilities in such way that can dispenses with the danger of powerlessness to meet temporary money related commitments. Weak money related administration particularly having poor working capital administration and lacking long term financing is fundamental driver of disappointment among private companies as per ponders in the UK and US [11, 12] which effect on the supply chain capacity.

Working capital administration is additionally altogether related in deciding corporate development and survival of organizations that is uncovered by activities in financial related administration. The efficiency and capability of the board of working capital contribute to survival, development and dependability of organizations [13]. Additionally, for all size working in both developed and developing nations, working capital administration is imperative especially for business firms working in open market condition [14]. As it