



THE EFFECT OF WORKING CAPITAL MANAGEMENT ON FIRMS' PROFITABILITY (A STUDY ON FLOUR FACTORIES IN GEDIO ZONE, ETHIOPIA)

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Abstract

The main purpose of this study is to examine the effect of working capital management on profitability. To investigate this relationship the author collected secondary data from 8 flour factories in Gedeo zone for the period of 2012 to 2016. Accounts receivable days, inventory days and accounts payable days are used as independent working capital investment policy variables. Moreover, cash conversion cycle is used as measures of working capital investment policy. On the other hand, current ratio is used as measure of working capital financing policy. The regression results show inverse relationship between accounts receivable and inventory holding periods with profitability. However there is statistically insignificant relationship between accounts payable period and logarithm of total asset with profitability. The results also show that there exists significant negative relationship between cash Conversion cycle and profitability of the firms. On the other hand, results reveal that a significant positive relationship between current asset to current liability ratio and profitability. To be profitable, firms must reduce numbers of days account receivable and inventory turnover days to minimum level. The financial managers of flour factories should follow conservative investment policy and aggressive financing policy in their working capital management.

Key words: *working capital, working capital management and firms' profitability.*

Introduction

Back Ground of The Study

Working capital is a day-to-day activity that ensures the firm has sufficient resources to continue its operations and avoid costly interruptions (Ross et al, 2008). Working capital, the money needed for day-to-day operations of a firm, is described as an investment of the firm's capital in current assets and the use of current liabilities to fund part of the investment. Proper optimization of working capital balance means minimizing the working capital requirement and realizing maximum possible revenues (Gansen, 2007). Generally working capital management is not only increasing profitability in today's cash-strapped and uncertain economy, but it is the question of meeting firm's day to day operation. Therefore, it is a significant issue to know and understand the effect of working capital management on firms' profitability.

Statement of the Problem

Working capital management is an important issue in any organization. This is because without a proper management of working capital components, it's difficult for the firm to run its operations smoothly. Brigham and Houston (2003) mentioned that about 60 percent of a typical financial manager's time is devoted to working capital management. In Ethiopia Henok (2015) and Ephrem(2013), conduct a research on the relationship between working capital and profitability of flour factories companies in Addis Ababa and found results show inverse relationship between accounts receivable and inventory holding periods with profitability. However there is statistically insignificant relationship between accounts payable period and profitability.

Considering of the above points, objective of the study is to examine the effect of working capital management on the profitability of flour factories found in Gedeo zone.

Objectives of The Study

Based on the results in literature, the study examines the relationship between profitability and working capital management in the case of Gedeo zone flour factories.

The study have the following objectives:



1. To investigate the relationship between working capital management, measured using the cash conversion cycle (CCC) and the profitability of flour factories.
2. To investigate the relationship between working capital management component's and profitability's of flour factory.
3. To establish a relationship between liquidity and profitability of flour factories.
4. To establish relationship between sales and profitability of flour factories.

Research Hypothesis

A few numbers of research hypothesis can be made in view of the effect of working capital management on firms' profitability.

H0: There is no significant relationship between the cash conversion cycle and the profitability.

H1: There is significant negative relationship between Cash Conversion Cycle (CCC) and Profitability of the firm.

H0: There is no significant relationship between the inventories days and the profitability.

H2: There is significant negative relationship between Inventory days and Profitability of the firm.

H0: There is no statistically significant relationship between the receivable days and the profitability.

H3: There is significant and negative relationship between receivable days and Profitability of the firm.

H0: There is no significant relationship between the payable days and the profitability.

H4: There is significant and positive relationship between payable days and Profitability of the firm.

H0: There is no significant relationship between liquidity and profitability

H5: There is strong negative relationship between liquidity and profitability of firms.

H0: There is no significant relationship between sales and profitability of flour factories

H6: There is significant and negative relationship between sales and Profitability of the firm.

Literature Review

Introduction to working capital

Working capital can be defined as the capital available for conducting the day to day operations of an organization represented by net current assets (Adeniji, 2008). It is an important tool for growth and profitability for corporations. Of more importance is its function which is primarily to support the day-to-day financial operations of an organization, including the purchase of stock, the payment of salaries, wages and other business expenses and the financing of credit sales. The working capital is the life-blood and nerve center of a business firm. It refers to firms' investment in short-term assets. Current assets are the assets which can be converted into cash within an accounting year. According to Akinsulire (2008) working capital is the items that are required for the day-to-day production of goods to be sold by a company. It can be defined as the excess of current assets over current liabilities. If the levels of working capital are not enough, it could lead to shortages and problems with the day-to-day operations (Horne and Wachowicz, 2000). Working capital is also called net working capital and is defined as current assets less current liabilities (Hillier et al., 2010). Net working capital = Current assets – current liabilities

Empirical Studies

Extensive research works on working capital management have been done in public and private sectors and both locally and internationally. Shin & Soenen (1998), investigate the relation between a measure of the cash conversion cycle and corporate profitability for listed American firms for the period 1975-1994. The study indicated that the way working capital was managed had a significant impact on both profitability and liquidity. Deloof (2003) conduct out a study on the effect of working capital management on the profitability by sampling 1009 most important Belgium firms spread from 1992-1996, by means of a regression analysis, proved that enterprises with a long cash conversion cycles and long inventory, accounts receivables, and current liabilities cycles obtained lower rates of return measured through the operational profit in respect of enterprises with shorter



cycles. Similar findings were observed by (Lazaridis & Tryfonidis 2006) the study investigated the relationship between working capital management and firms' profitability for 131 listed companies in the Athens Stock Exchange for the period 2001-2004, they suggested that that managers can create profits for their companies by handling correctly the cash conversion cycle and keeping each different component (accounts receivables, accounts payables, inventory) to an optimum level. The study by (Padachi 2006), used return on total assets as a measure of profitability the relationship between working capital management and corporate profitability was investigated for a sample of 58 small Mauritian manufacturing firms using panel data analysis for the period 1998 – 2003. The regression result of the study indicates that high investment in inventories and receivables is associated with lower profitability.

The study by, (Raheman & Nasr 2007), evaluated Working Capital Management and Profitability Case of Pakistani firms. A sample consists of 94 Pakistani firms listed on Karachi Stock Exchange for the duration of 1999 – 2004. The outcome showed that there were strong negative relationship between working capital variables and profitability.

Garcia et al (2011) conducted a study on the impact of working capital management upon Companies' Profitability. This study was based on a sample of 2,974 non - financial companies listed in 11 European Stock Exchanges for a period of 12 years: 1998 - 2009. The results found a significant negative relationship between Receivables collection period, Inventory conversion period, Payables deferral period, Cash Conversion Cycle and profitability. The study suggested that companies can improve their profitability by reducing the time span during which working capital is tied up within the company.

Mansoori & Muhammad (2012) conduct a study to investigate the relationship between working capital management on firm's profitability among firms listed on Singapore stock market exchange for the period 2004-2011. The finding from a sample of 92 firms indicated that cash conversion cycle negatively associated to the Return on Assets (ROA).

In our country Ethiopia Tewodros Abera (2010) conduct a research on the effects of management of working capital policies on firms' profitability. Thus, this study examined the effect of working capital investment and financing policies on firms' profitability by using audited financial statements of a sample of 11 manufacturing private limited companies in Tigray region, Ethiopia for the period of 2005 to 2009.

Mulualem Mekonnen (2011) study to investigate the impact of working capital Management on firms' profitability. In light of this objective the study adopted quantitative method of research approaches to test a series research hypothesis. Specifically, the study used survey of documentary analysis of companies' audited financial statements. Stratified sampling design was employed based on nature and turnover of companies.

Henok yohanis(2015) The main purpose of this study is to test empirically the impact of working capital management on profitability .To investigate this relationship between these two, the author collected secondary data from 19 manufacturing share companies in Addis Ababa, Ethiopia for the period of 2010 to 2014. Accounts receivable period, inventory holding period and accounts payable period are used as independent working capital investment policy variables. Moreover, cash conversion cycle and current assets to total assets ratio are used as comprehensive measures of working capital investment policy.

Research Methodology

The researcher focuses on quantitative methods of research since the financial data collected from the audited financial statement. And the researcher used fixed effect ordinary least square methods for the analysis. The time series and cross sections combined to do the research. The total population of study comprised 10 flour factories found in Gedeo zone. Out of the total population eight flour factories were taken for the study purpose two flour factories excluded due to lack of consistent five year financial data. The data collected from Dilla town revenue authority office and yirga cheffe to have reliable source .The data was obtained from the audited statements of comprehensive income and statements of financial position for a period of 5 years from 2012 to 2016, from the revenue authority. Descriptive statics like minimum, maximum mean and standard deviation were used to

analysis the data. The analysis was for the period from 2012 to 2016. The researcher used E-view 9 And SPSS. The primary objective of correlation analysis is to measure the strength or degree of linear association between two variables (Gujarati 2004). This analysis measures the strength of the relationship between the profitability and the working capital components. This is the relationship between cash conversion cycle with profitability, inventory day with profitability, payable day with profitability and receivable day with profitability. The coefficient lies between the -1 to +1. If the coefficient is 0, means there is no association between the two variables (Gujarati 2004). The positive sign indicates increase in one variable will increase the other variable. On the other hand a negative sign means increases in one variable will reduce the other variable.

Model specification and description of variable

Multiple regression analysis

Multiple regression models, that is, models in which the dependent variable, or regress and, Y depends on two or more explanatory variables, or repressor (Gujarati 2004).

Hair, Bush and Ortinau, (2000).The formula for regression analysis is given below.

$$Y_i = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 +$$

Y_i = dependent variable.

a = intercept (value of y when x is zero)

b = Slope coefficient for independent variable

X = Independent variable

= error

The study used regression model. The model is as follows;

$$ROA = 0 + 1CCC_i + 2DO_i + 3DSO_i + 4DOP_i + 5CR + 6SG + 7LOTA_i + t$$

Where:

ROA=Profitability of firm

0= Estimated value of Y when all the other variables are Zero

1, 2, 3, 4,& 5= are the regression co-efficient

CCC_i= Cash conversion cycle of firm i

DO_i= inventory day of firm i

DSO_i= Receivable day of firm i

DOP = Payable day of firm i

CR= current ratio

SG= sales growth

LOTA_i =The size of the firm i

t = Error term

The Coefficient of determination

Coefficient of determination (R²) test used to analyze how well the line of goodness of fit represents the data.

The t – test

The t – test takes two sets of data and then examines whether the average of the two group are statistically different from each other. For example this can be used to analyze, the increase in profitability is mainly caused by working capital components or control variables of the firm. The test carried out at 5% or 10% significance level. The result significant if the P value is 5% or less

Data Presentation And Analysis

Descriptive Statistics

Descriptive statistics shows the mean value and standard deviation of the flour factories. In addition, it also provides the maximum and minimum values of the variables.

Table: 1 .Presents descriptive statistics for 8 flour factory in Gedee Zone for a period of five years, from 2012-2016

	ROA	CCC	DOI	DSO	DOP	CR	SG	LOGTA
Mean	0.079600	65.16782	50.20395	18.54875	3.134883	46.81856	2.247169	6.933946
Median	0.082206	67.84035	44.54026	15.90579	2.669619	34.46598	2.076145	6.945226
Maximum	0.152797	101.6900	97.14109	60.35006	8.262172	140.1177	6.887636	7.538977
Minimum	0.020487	22.71428	8.843926	2.225958	0.298898	8.412592	1.000000	6.390930
Std. Dev.	0.035608	22.80852	25.13677	13.71993	2.092278	35.33179	0.970596	0.346552
Skewness	0.182729	-0.052549	0.145967	1.347734	0.706675	1.171136	2.980126	0.206710
Kurtosis	2.178059	1.769991	1.965304	5.025259	2.520603	3.178465	14.49244	1.879716
Jarque-Bera	1.348579	2.539945	1.926366	18.94536	3.712296	9.196814	279.3347	2.376586
Probability	0.509518	0.280839	0.381676	0.000077	0.156273	0.010068	0.000000	0.304741
Sum	3.183989	2606.713	2008.158	741.9500	125.3953	1872.742	89.88677	277.3579
Sum Sq. Dev.	0.049450	20288.92	24642.43	7341.222	170.7274	48685.09	36.74018	4.683822
Observations	40	40	40	40	40	40	40	40

Source: Eviews 9 data summary statistics result based on annual reports of flour factory for the study period 2012-2016

Table.1 shows Return on asset and logarithm of total asset has been used in order to be reliable with the magnitude of the other variables. Return on asset shows a mean of 0.0796, with a variation of 0.03561 on either side. The higher the return on assets indicates that the firms is effective enough in generating profit from its available assets and the reverse is true for decrease in return on assets.

Regression Analysis

Fixed effect instead of random effect-hausman test

Table 2 Hausman test for fixed and random effect

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	60.373661	7	0.0000

Source: Financial statement of 2012-2016 flour factories and computation through Eviews 9

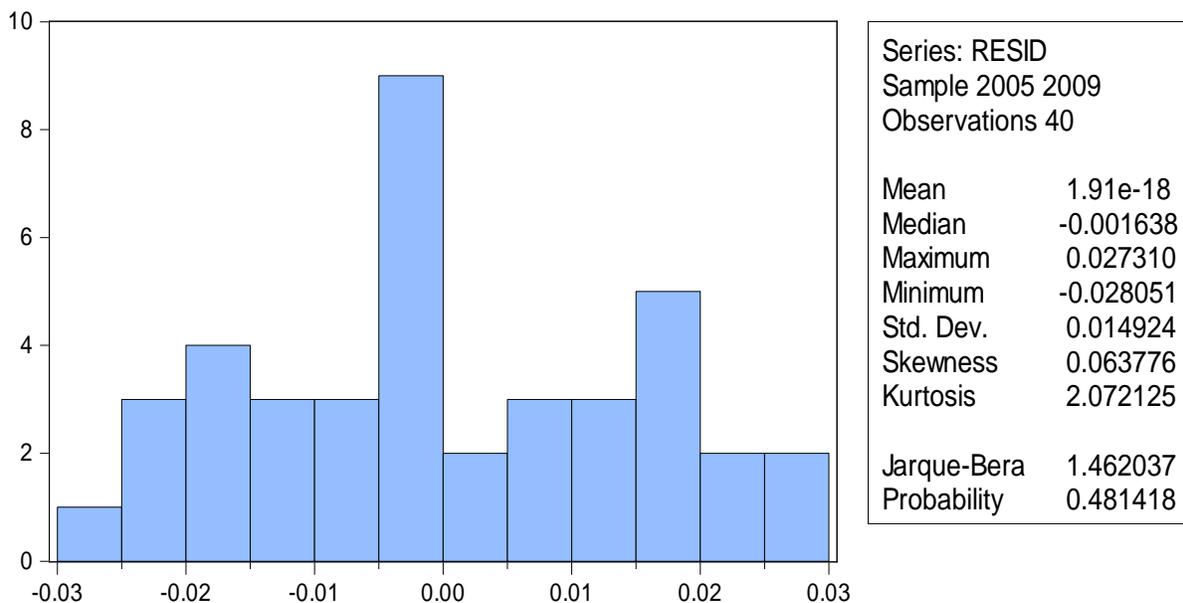
Hausman test examine whether the unique error are correlated with independent variables. The null hypothesis is they are not correlated to each other. If test reject the null hypothesis then the decision is taken to employ a fixed effect model (padachi,2006). If the effect are consider to be fixed model is estimate by OLS. If the null hypothesis is not reject we will have random effect the model is the estimate by general least square (garcie &Martinez, 2007). The p-value less than 0.05 from hausman test reject the null hypothesis. Accordingly fixed effect is employed. As a result from the table we can observe that p- value is lower than 0.05 which mean that reject null and accept alternate.

Analyses For The Test of Clrm Assumptions

The study analyzed three tests for CLRM assumptions namely, normality, homoscedastic and multicollinearity discussed as follows

Graphic and non-graphic test results for normality

Figure 1 Normality Test Graphic and Non-Graphic



Source: Eviews output from financial statement of flour factories 2012-2016

The result shown on figure 4.1 revealed that, majority of distributions is in to the bell shaped boundary of histogram with the mean of 1.91e-18 and standard deviation 0.0149. Therefore, Jarque-Bera statistic of 2.072 is not significant and it shows that the error terms are normally distributed. Hence, the p-value of the normality test is bigger than 5 percent and signifying not to reject the null of normality at then 5percent level.

Regarding the nongraphic test of normality by Kolmogorov-Smirnov and Shapiro-Wilk on table 4.3 shows the significant level of 17.6 and 20.7 percent respectively.

Table 3 Kolmogorov-Smirnov and Shapiro-Wilk Test For Normality

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
ROA	.117	40	.176	.963	40	.207
a. Lilliefors Significance Correction						

Source: SPSS output from financial statement of flour factories 2012-2016

Analyses For Test of Constant Variance Errors (Homoscedastizone)

In order to test of homoscedastic the researcher used two methods called Breusch- Pagan test and white’s as follows.

Table 4.4 Heteroskedastizone Test: Breusch-Pagan-Godfrey

F-statistic	0.947385	Prob. F(7,32)	0.4849
Obs*R-squared	6.866583	Prob. Chi-Square(7)	0.4429
Scaled explained SS	6.976979	Prob. Chi-Square(7)	0.4313

Source: Financial statement of 2012-2016 flour factories and computation through Eviews 9

The Breusch-Pagan test shows both the F and χ^2 test statistic reveal that there is no evidence for the presence of heteroscedastizone, since the P-values are considerably in excess of 0.05. Accordingly, p-value of 48.48 for F-statistics, 44.29 for R-squared and 43.13 for explained SS.

Table 5 Heteroskedastizone Test: White

F-statistic	3.179058	Prob. F(35,4)	0.1337
Obs*R-squared	38.61192	Prob. Chi-Square(35)	0.3097
Scaled explained SS	39.23270	Prob. Chi-Square(35)	0.2857

Source: Financial statement of 2012-2016 flour factories and computation through Eviews 9

Similarly three different types of tests for heteroscedastizone using white’s test has been done. in each case, both the F and χ^2 versions of the test statistic give the same conclusion that there is no evidence for the presence of heteroscedastizone, since the p-values are considerably in excess of 0.05. which is 13.37 percent for F-statistics and 30.97 for R-square that show the regression of residual are insignificant at 1%,5% and 10%

Analyses For Multicollinearity

According to Gujarati (2004) the correlation between the variables has no serious problem if it's not more than 75 percent. So for test of multicollinearity correlation showed that, there is no correlation coefficient above ± 75 percent. As a result all tests illustrated above are testimonials as to the employed model is not sensitive to the problems of violation of the CLRM assumption.

Analysis for the test of significance of the model

Significant of the model is tested by ANOVA. Accordingly, for ANOVA of linear regression indicated that the regression model predicts the outcome variable significantly with the p-value of (0.014) which is almost approach to Zero and its shows the overall model applied was significantly good enough in predicting the outcome variable.

Table 6 Analysis For The Test of Significance of The Model

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.020	7	.003	3.050	.014 ^b
	Residual	.030	32	.001		
	Total	.049	39			
a. Dependent Variable: ROA						
b. Predictors: (Constant), logta, DSO, CCC, sg, CR, DOP, DOI						

Source: SPSS output from financial statement of flour factories 2012-2016

Correlation Analysis

Before going to regression result, it is important to look for the correlation between different variables on which the analysis is built. Correlation is a means of measuring the degree to which two or more variables are associated with or related to each other.

Table: 7 the following table show the result of the correlation analysis of Profitability Measure of return on asset with inventory days, account receivable day, accounts payable day, cash conversion cycle current asset to liability ratio and sales growth, and firm size

Correlation analysis

	ROA	CCC	DOI	DSO	DOP	CR	SG	LOGTA
ROA	1							
CCC	-0.09927	1						
DOI	-0.05105	0.70709	1					
DSO	-0.21382	-0.18145	-0.33421	1				
DOP	0.371503	-0.05935	0.089224	-0.163	1			

CR	0.024896	0.161748	0.038614	0.369264	-0.59145	1		
SG	0.017628	0.115971	0.053888	-0.04725	-0.19132	0.021798	1	
LOGTA	0.307524	-0.08141	-0.1285	0.077861	0.518697	-0.26714	-0.2862	1

Source: Financial statement of 2012-2016 flour factories and computation through Eviews 9

A finding of correlation analysis in table 4.6 shows that there is a negative relationship between cash conversion cycle and profitability measures of return on asset. This means that the shorter the firm's cash conversion cycle, the higher will be the profitability and the longer the firm's cash conversion cycle, the lower will be the profitability. The correlation analysis also shows that, the relationship between inventory days and return on asset is negative this relationship may exist because due to decline in sales as result of mismanagement of inventory will lead to trying up excess capital at the expense of profitable operations.

The significant positive correlation between ROA and current ratio implies that profitability and liquidity are directly related. Besides, firm growth is also positively related to ROA which demonstrates that an increase in sales growth is associated with an increase in profitability and vice versa. In addition, firm size and profitability have insignificant positive relationship.

Results of the Regression Analysis

A major weakness of Correlations is that it doesn't allow identifying causes from Consequences. To overcome this shortcoming, the researcher use regression analysis to investigate the impact of working capital components on dependent variables: Return on Asset (ROA) The panel least squares model were:

$$ROA = 0 + 1CCC_i + 2DOI_i + 3DSO_i + 4DOP_i + 5CR + 6SG + 7LOTA_i + t$$

CCC_i= Cash conversion cycle of firm i

DOI_i= inventory day of firm i

DSO_i= Receivable day of firm i

DOP = Payable day of firm i

CR= current ratio

SG= sales growth

LOTA_i =The size of the firm i

REGRESSION ANALYSIS				
Dependent Variable: ROA				
Method: Panel EGLS (Cross-section weights)				
Date: 05/08/18 Time: 17:29				
Sample: 2005 2009				
Periods included: 5				
Cross-sections included: 8				
Total panel (balanced) observations: 40				
Linear estimation after one-step weighting matrix				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CCC	-0.000645	0.000183	-3.531129	0.0016
DOI	-0.000520	0.000256	-2.031797	0.0529
DSO	-0.000949	0.000225	-4.224989	0.0003
DOP	0.001912	0.002787	0.686050	0.4990
SG	0.013611	0.003412	3.989308	0.0005

CR	0.000840	0.000217	3.875849	0.0007
LOGTA	0.067140	0.046736	1.436582	0.1632
C	-0.376091	0.322286	-1.166947	0.2542
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.851437	Mean dependent var	0.082765	
Adjusted R-squared	0.768242	S.D. dependent var	0.032446	
S.E. of regression	0.018092	Sum squared resid	0.008183	
F-statistic	10.23424	Durbin-Watson stat	1.477363	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.816022	Mean dependent var	0.079600	
Sum squared resid	0.009098	Durbin-Watson stat	1.170934	

The output shows highest explanatory power of the model. It is measured by R^2 . The R^2 measures the power of independent variable in predicting the values of the dependent variable. In standard settings, may be interpreted as the fraction of the variance of the dependent variable explained by the independent variables. The statistic will equal one if the regression fits perfectly, and zero if it fits no better than the simple mean of the dependent variable. Adjusted R^2 value which takes into account the loss of degrees of freedom associated with adding extra variables were inferred to see the explanatory powers of the models.

The p-value shows at what percentage the level of each variable is significant or insignificant. The value of adjusted R^2 is 0.76. If $R^2 > 0.5$ the model is strong fit. Here in the study adjusted R^2 of 0.76 indicates that the model is strong fit for predicting the ROA. This means that 76 percent of change in profitability is explained by the dependent variables.

The value of F-test explains the overall significance of a model. It explains the significance of the relationship between dependent variables and all the other independent variables jointly. We can see from the of regression result F -statistics of 10.23 highly significant at 1% with p-value of 0.000.

In the regression outputs the beta coefficient may be negative or positive; beta indicates that each variable's level of influence on the dependent variable. P-value indicates at what percentage or precession level of each variable is significant. The positive beta coefficient means that variable has a positive impact on your dependent variable, and a negative one has a negative impact. It tell us On average when independent variable increase by 1 percent the dependent increase by beta amount but the independent variables should a statistically significant impact on the dependent variable.

The C is the constant, where the regression line intercepts the y axis, representing the amount the dependent will be when all the independent variables are 0. Here C is -0.376 .

Hypothesis Testing

Regarding the study hypothesis the researcher concluded the following points. For the first alternate hypothesis (HP1) it deals about cash conversion cycle is significantly affects profitability of firms and negative related is to be accepted. The third alternative hypothesis (H3) deals with days of receivables which stated that as there were significant negative relationship between days of receivable and return on asset so the alternate hypothesis has been accepted. The fourth alternate hypothesis (HP4) that deals about payable days that positive relationship between payable days and profitability of a firm is accepted. But it's not significantly affect return on asset which is the measure of profitability. The fifth hypothesis (H5) deals about controlling variables is the alternate hypothesis rejected due to the positively significant relationship between current ratio the most important



liquidity measure and return on asset which is the measure of profitability. The sample firms must set a trade-off between these two objectives so that neither the liquidity nor profitability suffers. Six hypothesis (HP6) regarding the sales and profitability does have positive significant relation with profitability of the firm.

Findings and Conclusion

The findings of this study are helpful for the financial managers of the flour factories and it provide the information regarding the management of short-term capital. The study therefore concludes that there is a relationship between the various components of working capital indicating that effective working capital management has a great impact on profitability.

Recommendations

The study established that efficient working capital management results to increased profitability among the flour factories in Gedio Zone.

1. There is a negative relationship between receivable days and firm's profitability. It means that a decrease in the period results to increase in profitability so firms should devote as much as possible to reduce the period for collecting receivables from customers.
2. There is significant negative relation between cash conversion period and profitability so the firms can reduce cash conversion cycle period in order to boost the company liquidity. A careful reduction of cash conversion cycle period will improve the liquidity of a flour factories firm and excess cash can be reinvested in the firm.
3. The firm can extend creditor payment period by minimizing debtor collection period based up on the bargaining power of the firm.
4. The relationship between inventory days and firm's profitability is also negative; this implies that a decrease in inventory days results to increased profitability. Rapid turnover days can result through continuous marketing advertisement or promotion.
5. Sales process depends on product quality and readiness to customer needs when required. So the management has to do more in order to increase sale to boost profit.
6. The regression results of impact of Dop on ROA of flour factory is positive as expected but not significant. Hence this company has to manage it payable in such way that it should result into a significant level.
7. Firms should maintain its current assets for meeting its short term obligation. The firms should increase their liquidity by minimizing their debtors' collection period and cash conversion cycle whereas increasing their creditors' payment period for better liquidity position.

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