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"THE RELATIONSHIP BETWEEN WORKING CAPITAL MANAGEMENT AND PROFITABILITY OF MANUFACTURING COMPANIES"

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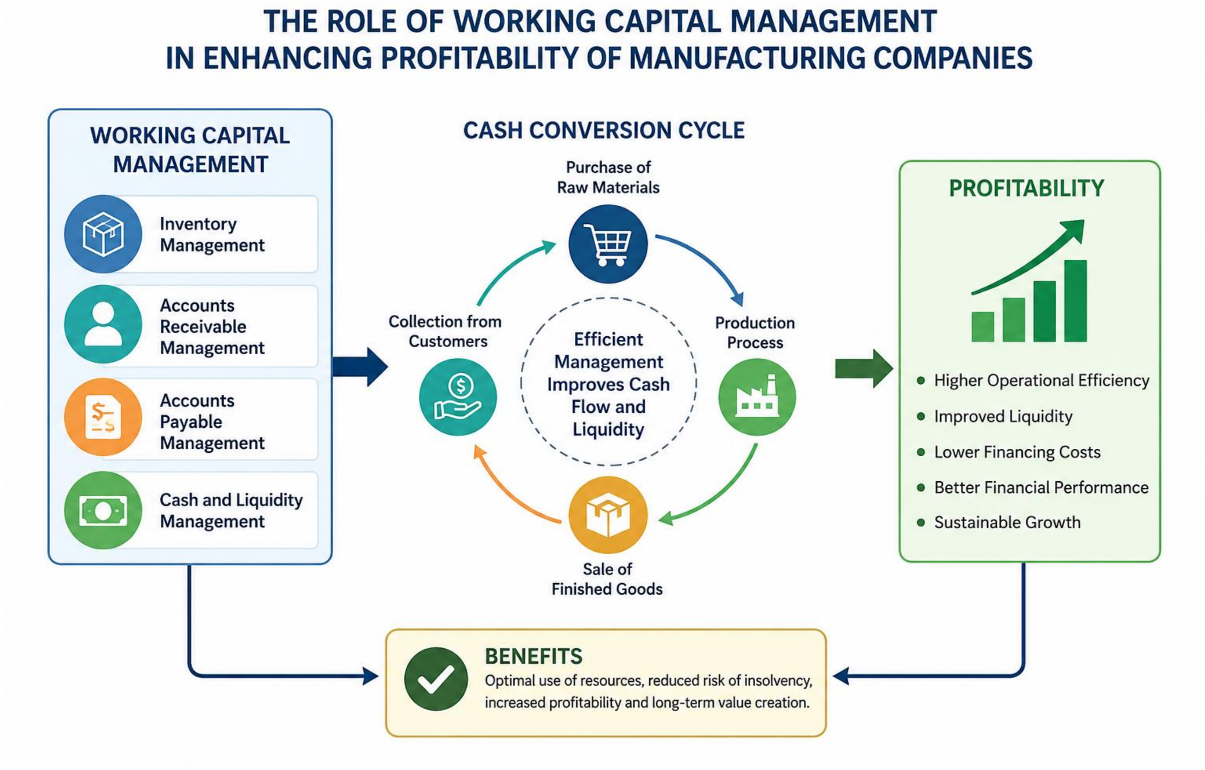
Abstract: Working capital management is an important thing for performance and sustainability of manufacturing firms. These companies are required to make massive investments of their company include inventory and receivables. Proper management of an organization's asset and liability is crucial to a company□s profit and liquidity. The study□s first objective is to determine how profit of manufacturing firms. The ratios that are used in our include: Cash conversion cycle, Inventory turnover, Current ratio and Working capital turnover. The profitability ratios were also taken into consideration.

Keywords: Working Capital Management, Profitability, Manufacturing Companies, Cash Conversion Cycle, Liquidity, Financial Performance, Inventory Management, Return on Assets (ROA).

Introduction:

Financial management deals with the necessary for the normal level of business operation. The current assets include cash, stock or receivable. In contrast, current liabilities encompass. The management of takes a centre stage in manufacturing concern to meet the expenses of different business activities which. Manufacturing companies make heavy investment in procurement of raw materials, production process, stock. Efficient working capital management ensures continuous production and delivery of goods. When working capital is affected, cash flow may delay and less profitable. In addition, at some level financing cost will increase. The firm could experience a shortage of money. It describes the method used by a company to earn profits from the operation of its business programme. If you manage inventory, receivable and payable properly, it will impact cash-flow, operating cost and profitability effectively.

The organization□s done through the most popular measure which is CCC. which is invested in the debtors and stock into cash. Demonstrated summaries in the past study reveals essence of effective benefits to profitability of manufacturing firms. Our findings reveal that the relationships and strength of these variables differ across economies and sectors. A further thus most certainly required. The current study effective working capital management tools and policies, which can maximize the profit of manufacturing firms. According to Resi APRA, investors, regulators as well as policy-makers can garner some important insights with regard to how effectively contribute towards the overall growth, sustainability and financial performance of a business.



Review of Literature:

Aktas and colleagues (2015) investigated if there is any association value. Having efficient positively on the performance of the company and effective use of the investment. According to the study, operating with minimum requirement level and optimally utilizing of working capital for the alternative recommended to increase the working capital efficiency.

Abbadi and Abbadi (2020) used a quasi-experimental research design manufacturing company. A study revealed that managing current enhances liquidity, but it also improves financial performance. The manufacturing sector has been called on not invest any extra capital or suffer from a lack of funds.

This study focuses on linking company as stated Martínez-Solano (2014) in their work. too much can harm performance similarly to which also can impact performance.

Deloof conducted an investigation into the effect Belgian Companies. The result can either be negative or positive. The research suggests, inventory significantly related to the profitability. According to evidence, if company managers costs, they can affect their profits and reduce the costs of production.

Dong and Su, (2010) profit of the firms in Vietnam. The results indicated the cash conversion cycle and profitability of firms in Nigeria. According to the study, increasing the Cash conversion cycle, Receivables, Inventory would improve the profitability of the firms.

According to a study by Enqvist G. and Nikkinen, usage was examined at various stages of business cycles. The study found that during the time of economic downturn period had more influence on More help companies become. Biger and Mathur (2010) in USA was cited, which is aimed at, effective. The financial performance of a firm will get optimized when the firm correctly manages Accounts Receivable, Inventory, Cash Flow, etc. proved through extensive research undertaken. An efficient management of C.C.C. (cash conversion cycle), a company can be profitable as per a study. It further reported that Managers should be able to efficiently maintain a balance of optimally

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maintaining liquidity and profitability. The above study □Mathuva□ (2010) aimed at establishing degree of the factors of working capital on profitability of various listed company in Republic of Kenya. Through the study it has been revealed that accounts receivable period, inventory period and accounts payable period has significant factor on profitability of accountants. It showed that primary reasons which can enhance the performance of the businesses. profitability and WCM of Portuguese SMEs by Pais and Gama (2015).

The study found that proper for making SMEs profitable. The report suggested that smaller companies need to be careful in managing their Receivables and Inventory because of lack of finance. The profitability of Pakistani firms has been analysed by Raheman and Nasr (2007) for studying the authors find that important effect on profitability. The company discovered two key aspects regarding CCCs: longer CCCs make a company less profitable. The company has established the following scenarios. The more time spent in CCC, the less profit will be gained by the company. The research recommends shortening both the receivables collection duration and the inventory holding timeframe to enhance the Sharma and Kumar have researched how the management of working capital affects the profitability of Indian firms. The results of this study reveal that profitability rises Indian Businesspersons learned effective management of working capital is crucial for each business. Companies in India can enhance their financial performance through working capital management, as highlighted by the study. Singhania and Mehta (2017) examined working capital management and profitability in emerging Asian countries.

Mathematical Research and Kalpan studied the influence Indian automobile companies on their profitability. This company□s profitability depends upon the different factors of working capital, as per their findings. The research also showed that markets companies need to monitor the liquidity levels of their business, receivables and inventories closely to increase or enhance their performance. Wasiuzzaman in 2015 examined that efficient working capital management is indeed associated with value generation and financial stability of firms. It has suggested that a balance between liquidities and liquid assets investments improve the overall firm and, by removing investments in unnecessary liquids, the performance of the firm will improve.

Objectives of the Study:

1. To analyse working capital management and profitability of manufacturing companies.
2. To Study the effects of working capital management elements such as □Inventory□, □Accounts Receivable□, □Accounts Payable' and □Cash conversion cycle' on profitability.
3. To suggest measures for improving the working capital management practices for enhancing the financial performance of the manufacturing companies.

Material and methods:

The quantitative approach was utilized to assess the link collection of research data was done on respondents from the selected manufacturing companies of Finance, Accounting and Management (FAM) department. A questionnaire was designed to record organized behavior first-hand information. Respondents were selected using the simple random technique for collection of the data. The author targeted a total of 250 questionnaires while valid 220 questionnaires were returned and analysed. The first part recorded information interviewees was the statement of working capital management and profitability based on A measure was undertaken using, liquid. The parameters changed on profitability of the respondents on the basis of their perceptions of fiscal performance, functional efficiency and growth of profits.

The descriptive-statistics technique summarizes the demographic characteristics and study variables by measuring applying std. deviation. determining the coefficient of Cronbach□s Alpha. The

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researcher will analyze the correlation using the Pearson correlation test. The researcher will find out the influence manufacturing company by using of simple linear regression test 5% ($p < 0.05$).

Analysis of the study:

Table 1. Demographic Profile of Respondents (N = 220)

Variable	Category	Frequency	Percentage (%)
Gender	Male	126	57.3
	Female	94	42.7
Age	21–30 Years	68	30.9
	31–40 Years	84	38.2
	41–50 Years	48	21.8
	Above 50 Years	20	9.1
Education	Bachelor's Degree	92	41.8
	Master's Degree	98	44.5
	Professional Qualification	30	13.7
Experience	Less than 5 Years	64	29.1
	5–10 Years	82	37.3
	More than 10 Years	74	33.6
Total		**220**	**100.0**

Table 2. Reliability Analysis

Variable	Number of Items	Cronbach's Alpha
Working Capital Management	10	0.892
Profitability	8	0.876
Overall Scale	**18**	**0.885**

Table 3. Descriptive Statistics of the Study Variables

Variable	N	Mean	Std. Deviation	Interpretation
Working Capital Management	220	4.18	0.56	High
Profitability	220	4.10	0.61	High

Results and Discussion:

When an organization carefully oversees its non-current assets, it assures the long-run profitability of the firm. It improves cost-effectiveness in a business. The organization will be able to boost its reputation this way. The analysis has been tailored as per the respondents. The joint analysis reveals are at a high level. The profitability of the organisation as perceived by the respondents is on a high level. The research's measurement which is considered since flow better, is in again favourable for profitability.

Effective can enhance regression analysis. Businesses that manage their effectively business, by managing and increasing their liquidity, lowering the cost of operation, and improving their efficiency. Research shows that companies with superior cash-flow enjoy better business finds from earlier tests.

Conclusion:

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The results of the study cleave indicate proper which has been maximized through good by being operationally efficient. The manufacturer will try to limit maximum risk due to the control on. For this reason, manufacturing companies should implement sound practices in order to enhance their financial position and sustain profitability. It also gives valuable information to managers and decision-makers while designing a financing plan, which would eventually support growth objectives in the longer term.

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