The Impact of Working Capital Management on Management Performance

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Abstract
Assets and current liabilities working capital of the enterprise are important. Proper selection and management of working capital management policies can create competitive advantage. This study aimed to provide empirical evidence about the impact of working capital management, performance management companies. 134 the company's listed companies on the Stock Exchange during the period 2005-2011 was chosen. Working capital management and performance management have a meaningful relationship and selection policy aggressively financing and investment in working capital will lead to improved management companies.

Keywords: working capital, working capital management and performance management


1. Introduction

The current study was conducted on a panel of 134 stock firms over the period 2005-2011. Dependent variables, return on assets and return on equity and independent variables, the politics (conservative, moderate, aggressive) financing and investment. Order to measure performance as management and policy, working capital is considered. Firm size, sales growth, and leverage ratio as control variables used in this study.

For analysis of data, software Spss used the results of the regression hypothesis suggests that between working capital management and performance management is a meaningful relationship and selection policy aggressively financing and investment in working capital will lead to improved management companies.

2. Literature Review

The IMF report provides strong evidence regarding the crises that took place in 1997, was an outcome of poor corporate sector [1]. Working capital policy relates to the management of short term assets and liabilities within the maturity period of one year. Working capital management is really vital for the financial health of business no matter what is the size of the business. For the growth and survival of firms efficient working capital is indeed a requirement because it shows the level of inventory, production and sales [2]. Probably, financial managers spare more time for working capital management than any other financial activity. The debate on working capital policy is having different views in a way that financial distress leading to bankruptcy is believed to be the financial performance assessment is viewed as an important factor in evaluating company performance. A result of poor short-term asset and liability management. There are so many reasons behind the decline in these industries such as political instability, failing law and order situation, increasing power shortage, monitory reduction, food and energy crises and increasing operating costs of business? There is decline in the performance of manufacturing sector in the last part of this decade as compared to initial years where the growth was satisfactory [3].

Organizational performance has many dimensions, such as long-term performance, short-term performance, financial performance, non-financial performance, relationship-building performance [4]. Financial parameters like profitability, market share and sales growth are generally used to measure organizational performance. Financial indicators can only measure past performance, but they cannot provide current or future performance directions for a company [5]. Industry practices are, significantly, determined by a firm’s management of working capital [6]. Working capital that is required by the business is determined by a number of factors [7]. Mismanagement and starvation of working capital is regarded as the important cause, if not major, for the failure of business in many countries, developed and underdeveloped [8,9] Discussed that the way the companies manage the working capital it has a significant impact on their profitability since a large amount of cash, is invested in the working capital. Often working capital amounts are high in proportion as compared to total assets employed and therefore it is important that these amounts are managed and used in important that these amounts are managed and used in effective and efficient way [10,11]. Concluded that financial management practices are very important for the growth and performance of organization.
and found the significant relationship between organization performance and financial management practices. [12] Explained working capital management as the administration of all the aspects of current assets and current liabilities.

Model: $\text{ROA}_{it} + \text{ROE}_{it} = \alpha + B1(AIP_{it}) + B2(AFPI_{it}) + B3(SIZE_{it}) + B4(SGROW_{it}) + B5(DEBT_{it}) + \epsilon_{it}$

3. Data Description

Dependent variables, return on assets and return on equity and independent variables, the politics (conservative, moderate, aggressive) Financing and investment. Order to measure performance as management and policy, working capital is considered. Firm size, sales growth, and leverage ratio as control variables used in this study.

For analysis of data, software Spss used the results of the regression hypothesis suggests that between working capital management and performance management is a meaningful relationship and selection policy aggressively financing and investment in working capital will lead to improved management companies.

4. Baseline Specification and Estimation Methodology and Analysis

In scientific research, statistical data analysis of collected samples, the study is considered, is an important step because the researcher, at this stage, the final result will reach.

Using the same method will be concluded data is been analysis and hypothesis testing, and ultimately the final report done. In this chapter, information about companies in the period 2005-2011 were analyzed to test the hypothesis is to investigate the relationship between variables.

The data were calculated and analyzed using Excel software and (Eviews 6) and (Spss) were analyzed.

Data analysis included descriptive statistics, mean, standard deviation, mean, median, standard deviation, skewness and is person indices of skewness and elongation as begun. These measurements have been performed separately and in total. Next, test he normality of the dependent variable evaluate using the test Kolmogorov-Smirnov test was performed. Analysis models for analyzing panel are used. The presence or absence of effects models (fixed or random) of the models and the best model is estimated.

Inferences are based on significance level or P-value or Significant Level, thus unlikely that any value or significance level of the test less than 05/0 zero is rejected at 95% confidence.

5. Conclusion

A panel of over 134 stock firms over the period 2005-2011 For analysis of data is used, software Spss used the results of the regression hypothesis suggests that working capital management and performance management is a meaningful relationship and selection policy aggressively financing and investment in working capital will lead to improved management companies.

References