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EDITORIAL

We feel honoured and privileged to present the Bi-Annual Peer Reviewed Refereed Journal, ISSN (Online): 2583-5203, Volume 4, No. 01, June, 2025 among our esteemed readers and academic fraternity.

This Journal is the outcome of the contributions of insightful research-oriented papers/articles by various eminent academicians, and research scholars in a highly organized and lucid manner with a clear and detailed analysis related to the emerging areas in the fields of Social Sciences and Allied Areas.

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We also express our sincere thanks and gratitude to all the contributors to research papers/ articles who have taken pain in preparing manuscripts, incorporating reviewer(s) valuable suggestions and cooperating with uxs in every possible way.

We also express our heartfelt gratitude to all the esteemed members of the Editorial Board, Esteemed Reviewer(s) who despite their busy schedules have given their valuable time, suggestions and comments to enrich the quality of the contributory resears paper(s) in bringing to light this June issue.

Last, but not least, we revere the patronage and moral support extended by our parents and family members whose constant encouragement and cooperation made it possible for us to complete on time.

We would highly appreciate and look forward to your valuable suggestions, comments and feedback at **editorbr2022@gmail.com**

June, 2025
West Bengal, India

PEMA LAMA
Editor-in-Chief

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RESEARCH ARTICLE

The Impact of Working Capital Management on Financial Performance: An Empirical Analysis of the Automotive Components Industry in West Bengal

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Index Terms: RoA | DIO | DSO | DPO | Multicollinearity | Regression Analysis | WCM

ABSTRACT

Working Capital Management (WCM) is one of the major tools for analysing the effectiveness of the firm. Different factors are included in the studies of WCM, but three factors that affect the WCM most are the inventories, accounts receivable, and accounts payable. These three are being analysed in terms of DIO (Days' Inventory Outstanding), DSO (Days' Sales Outstanding), and DPO (Days' Payable Outstanding). The study focuses on the MSMEs that are operating in the automobile component manufacturing segment for the period of 2011 to 2021.

The method of sampling that was used was a purposive sample, and it consisted of 11 companies and 129 observations that were collected throughout 2011 to 2021 from the automotive component sub-sectors. The technique of analysis that was carried out was called panel data regression, and it made use of the Common Effect Model. According to the findings of this research, the ROA is significantly impacted negatively by both the DIO and the DPO, although the DSO has an impact in the other direction. When developing the most effective procedures for capital budgeting, it is advised that companies also take into consideration working capital management. The conclusions of this article might be helpful to managers of companies in optimising their WCM methods and practices.

1 INTRODUCTION

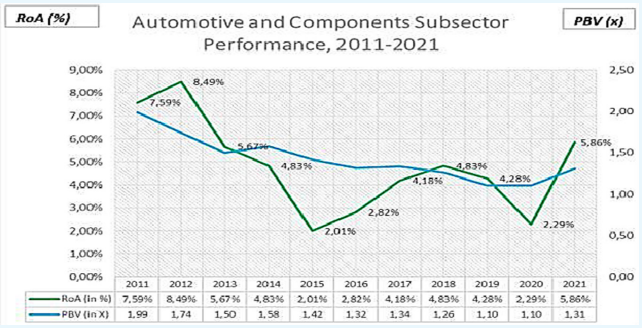
The automobile manufacturing industry makes significant contributions to the economy of the country. The automobile component manufacturing industry in India is the third prime in the world. Thailand is the dominant player in the automotive manufacturing business in the ASEAN region, controlling about half of the industry. The motorised component manufacturing industry is an important factor for the Indian manufacturing sector, because several multinational manufacturers of automobiles are erecting vehicle production plants and increasing their production capacity in India, which has become one of the biggest economies in Southeast Asia. India became one of the major attraction for the car producing companies as the domestic car sales market has seen a remarkable growth. Same way, the car component manufacturers also seem to have contributed towards the growth of the economy and the contribution towards GDP.

This growth has occurred at the same time as the industry's evolution from a manufacturing hub to an export hub. This industry has been responsible for investments of INR 98.18 trillion. This sector has an annual production volume of 2.45 million units. Further than 42 thousand people are directly employed in this sector. The ecology that supports this sector's economy is also rather intricate and extensive. The manufacturing of different vehicles is carried out by a great number of different businesses nowadays. Among the firms that are participating in this initiative are those in the financial and insurance sectors, as well as those producing spare parts and even smaller and medium-sized workshops. The performance of the automobile and component industries throughout 2011 to 2021 was very variable. Despite this, entrepreneurs who are setting up firms in India continue to exhibit interest in this sector of the economy. Multinational automakers have been forced to invest a significant amount of money and develop their manufacturing capacity in India as a result of the country's smaller number of vehicle owners per capita, easy availability of labour, and increase in affordability of the middle-class population.

To quantify the financial health of the firm, ROA is used. To measure the company value, parameters like price-to-price-to-book value ratio are used. The period covered is from 2011 to 2021. According to the data shown in Figure 1, the performance of the vehicle subsector started to decline drastically between the years 2012 and 2015. COVID Pandemic knocks on this sector too. Figure I show that the performance of the firm was excellent between the years 2016 to 2018. COVID took a toll on the sector, and the growth declined from 2019 to 2021. This was because the pandemic was triggered by the COVID-19 virus. Although it was the trend of the particular sector that the PBV ratio would decrease each year, it was also evident that it would continue to be more than 1. This is even though the PBV ratio of this industry typically falls each year. It indicates that even though the value of the share of this industry is soaring quite high (as PBV>1), investors continue to see value in purchasing its shares even at the time of economic uncertainty.

FIGURE 1

RETURN ON ASSETS & PROFIT TO BOOK VALUE GRAPH OF THE SECTOR FOR 2011-2021



Source: SIAM Annual Report (2020-21)

The projection of automotive sales in India exhibits a high degree of reliance on the fiscal expansion of the nation. The absence of a near- or intermediate-term increase in commodity prices poses challenges to the growth of auto sales, similar to the period observed from 2010 to 2015. According to sources from the automotive sector, conversely, there exists significant potential for expansion. The automobile ownership rate in India is relatively low, with less than 10% of the population possessing a vehicle. This figure can be expressed as approximately 99 automobiles per 1000 individuals. The automobile and components subsector's performance was highly volatile due to a number of external and internal factors. Government policy support and global economic expansion are examples of external elements. In addition, the manufacturing sector of which this industry is a part is highly vulnerable to the effects of weather and economic cycles. Internal elements, on the other hand, are those that pertain to the company itself, such as the asset management operations, the analysis of which can be approximated using the activity ratio in the industry.

The proficiency with which an organisation makes use of its resources is quantified by the activity ratio. The short-term activity ratio, which affects the company's monetary cycle, is analysed as part of this ratio. Short-term activity ratios are frequently studied characteristics, and WCM is one of them. Given how closely these variables are related to financial performance, understand that Return on Assets is quite significant. A portion of

financial performance, return on assets (ROA) looks at how much money was made from a company's total assets. Most sources agree on the fact that ROA is a measurement unit of the financial performance because it more reliably measures the profitability and success of an enterprise from an accounting perspective. In addition, ROA takes into consideration all resources that are reflected in a company's financial statements. The return on assets is affected by many factors. Working Capital Management is one of major component of the corporate finance as it measures different elements like liquidity analysis, profitability analysis, and solvency judgment for any unit or firm. The supervision of working capital has been shown to have a significant impact on the monetary performance of an organisation by several studies and relevant pieces of literature. Many academicians & researchers found that poor working capital management was negatively correlated with poor financial performance. The findings of this research are inconclusive, and the majority of the observations made pertain to significant corporations. Financial performance of any company is dependent on the fact that how efficiently it measures the WC of the company, which will show a rise in the profitability of the company. The machineries of the working capital show how different elements are tied to the improvement of the economic performance of the company. The present study shows an empirical analysis of the same throughout the study period.

2 LITERATURE REVIEW

As per Chakraborty (1976), the sugar, cement, and fertiliser industries in India examined the connection between profit as well as capital turnover and found a favourable correlation. Venkatraman and Ramanujan (1987) noted that the increase in sales, net income, and return on investment are the three main metrics used to gauge the economic performance of businesses. Mallick and Sur (1998) used certain statistical tools and methodologies and tried to inspect the consequences of managing WC on profitability in the tea sector of India. The study examines a total of 9 ratios, out of which 5 ratios exhibited a positive impact on WCM and profitability, while the other 4 ratios show a negative association with WCM and Profitability. Similar research was done by Rao and Rao (1999), who chose ten ratios related to working capital management. Only three of these indicators showed a favourable connection. With the use of several pertinent ratios,

Chundawat and Bhanawat (2000) examined the WCM procedures in the IDBI, where they found that the linked companies with IDBI had more effective working capital management than the industry as a full. A study has been conducted by Sur & Rakshit (2005) on 25 selected companies from different sectors, on the role of asset management and profitability. The positive and negative effects on the profitability have been studied and concluded that the profitability has been affected due to the combined variation in the elements of the working capital management. When we talk about working capital, we are talking about the amount of money needed to keep up with daily expenses for a business's operating activities. The business genuinely needs it to function (Mondal & Goswami, 2010). Networking and social capital created through network connections were regarded as soft infrastructure supporting resource sharing amongst small businesses (Chaminade and Vaang, 2007). It has been discovered that social capital, which takes the shape of network relationships, trust, and shared vision among network members, affects the performance of small businesses by generating resources, supplying information and expertise, and creating new capabilities. The best working capital management creates value for the company (Baghci and Khamrui, 2012). The equilibrium between the two parameters that is liquidity and profitability, determines how operative working capital management is (Faulkender & Wang, 2006).

As per Singh and Pandey (2008), WCM involves the management of CAs and CLs. Maintaining a large inventory reduces the cost related to future production process interruption or loss of revenue due to raw materials' scarcity, reduces supply costs, as well as safeguards against price fluctuations. Trade credit is advantageous to the firm's sales in multiple ways. Customers can be incentivised to purchase merchandise during periods of low demand with the assistance of trade

credit. Therefore, the risk is decreased, and profitability is realised as current asset investments increase. The amount desired to finance the amounts chained up in inventories and accounts receivable is decreased thanks to trade credit, which is a natural source of funding.

Liquidity and Profitability are a couple of primary objectives of WCM of any firm. Conflicts arise as profit maximising and liquidity are two opposite elements, and often increase the chances of losing profit. During the time frame of the study, there were varying trends in the calculation of working capital leverage (WCL) analysis. Throughout the whole study period, WCL values have always been less than unity, or one. Therefore, it can be said that over the entire study period, the profitability of the organisation decreased more than the percentage of working capital decreased. According to Parashar et al. (2010) attempted to explore the link between successful handling of working capital and the financial performance of a few selected trades, with particular attention to the automotive and power sectors. This paper should help provide a clearer understanding of the crucial factors that an Indian firm must consider when selecting how to manage its working capital to uphold its productivity as well as profitability. It has been discovered that social capital, which takes the shape of network relationships, trust, and shared vision among network members, affects the performance of small businesses by generating resources, supplying information and expertise, and creating new capabilities. As per Mandal and Hossain (2010), there was a strong correlation between an entity's liquidity as well as profitability within the time frame of the research. The analysis also revealed that there was no statistically substantial correlation between risk and profitability. It is possible to conclude the data presented thus far that managing working capital is very important for ensuring improved productivity, good liquidity, as well as good economic viability of the company, especially PSEs in India.

According to Danuletiu (2010), who researched to evaluate the efficacy of the management of WC in the firms in the county of Alba. This study initiates a tenuous adverse linear link between profitability rates and working capital management metrics. Raheman et al. (2010) analysed 204 companies listed in the Karachi Stock Exchange. The study was done for the period 1998 to 2007. The study found that the financial performance of the company was significantly impacted by the net trading cycle and inventory turnover. The working capital management strategies are effective if the elements have a positive impact on the company's profitability. Studies find that bank loans provide a good source of working capital, and taking such loans, the corporate profitability is enhanced (Ghosh, 2007; Bose, 2013; Kumar & Ramanan, 2013).

Some studies find that debt and profitability are negatively related (Bagchi & Khamrui, 2012) and some find that profitability and leverage both are negatively related to working capital management systems (Garcia-Teruel & Martinez-Solano, 2007; Samiloglu & Demiraunes, 2008). Other elements of working capital management, such as cash conversion cycle, are negatively related to profitability, and average receivables are positively related to profitability (Ramachandran & Janakiraman, 2009). Studies show that operating cycle, operating cash flows, operating leverage, size of firm, Tobin's Q, and return on assets significantly influence working capital (Nazir & Afza, 2009).

The present literature review finds that although enormous studies have been done in both national and international levels, there still exists a gap in evaluating the effectiveness and efficacy of the WCM. The management has not paid a great deal of attention to or thought about the organisation's working capital, although it is an essential component in the successful operation of the organisation. The previously indicated research that has been carried out up to this point has had a significant impact, from a philosophical standpoint, on one's comprehension of how to handle working capital. The present study aims to fill such gap.

3 OBJECTIVES OF THE STUDY

Based on the above theory, the major objective of the present study will be to understand the impact of working capital elements namely: inventory outstanding (in days), sales outstanding (in days), and Payables

outstanding (in days); on the return on assets of the firm, (which is a measure of profitability).

4 HYPOTHESIS OF THE STUDY

The present study aims to fill the gap following the theoretical framework of the Modigliani and Miller Hypothesis (Modigliani & Miller, 1958). This states that the capital structure has no impact on the value of the firm. The MM hypotheses held the following assumptions:

- Capital structure decisions have no impact on the overall cost of capital,
- Capitalised value of shares and securities premium will be equal to the cost of capital,
- The investment financing will be dependent on the cut-off period of the investment proposal.

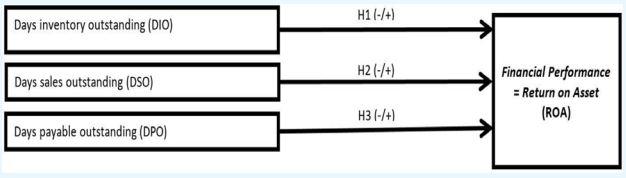
Based on the objectives, the following hypothesis is set for the present study:

H_1: A Significant relationship exists between Days Inventory Outstanding (DIO) and the profitability of the firm.

H_2: There is significant relationship exists between Days Sales Outstanding (DSO) and the firm profitability.

H_3: A Significant relationship exists between Days Payment Outstanding (DPO) and the profitability of the firm.

Figure 1
HYPOTHESIS FORMULATION



5 METHODOLOGY

Data

The present study is conducted on 129 automobile MSMEs collected from open government data for the period of 2011 to 2021. The firms under observation are operating profitably during the period. The firms were selected to ensure representation across critical automotive sub-sectors (e.g. engine parts, electrical components). The return on assets was taken as the proxy for profitability, and inventory outstanding (in days), sales outstanding (in days), and Payables outstanding (in days) were taken as proxies for working capital management of the automobile MSMEs.

The purposive sampling method is employed to maintain nearly some degree of homogeneity across firms to certify the assumptions of the model. By choosing firms that activate in similar sub-sectors and maintain profitability, purposive sampling helps us to improve the internal validity of the analysis & interpretation of the study.

Theoretical Model

The present study assumes homogeneity of variances, due to large sampling, and thus, applies pooled linear panel data model (Gujrati & Porter, 2013). The theoretical model for testing the relationship between the profitability and working capital management is as follows:

ROA_(i,t)=α_(i,t)+β_1 DSO_(i,t)+β_2 DPO_(i,t)+β_3 DIO_(i,t)+ε_(i,t) _____ (i)

In Equation (1), the dependent variable is return on assets (). The measures the intercept of the linear model. The independent variables are inventory outstanding (in days) (), sales outstanding (in days) (), and Payables outstanding (in days) (). The model coefficients are indicated by the time, and cross sections are indicated by and respectively, and the error term i indicated by.

6 DATA ANALYSIS AND INTERPRETATION

Data Analysis

The descriptive statistics of the study are shown below –

Table 1
DESCRIPTIVE STATISTICS AS COLLECTED BY THE RESEARCHERS

	ROA	DIO	DSO	DPO
Mean	0.048042	92.85306	74.08857	58.16345
Median	0.034510	71.89090	71.56128	51.87351
Maximum	0.240925	335.1495	174.8235	278.8161
Minimum	-0.134115	26.35397	21.68414	11.98667
Std. Dev.	0.066898	61.44243	32.71003	39.50573
Total	129	129	129	129

Source: Primary Data

From the above table, it has been seen that the standard deviation is highest in the case of ROA than any other variable, whereas the other variables show a value lower than their mean value. The following table shows the results of the Jarque-Bera Test for normality –

Table 2
TEST OF NORMALITY

Series Standard Residuals
Sample: 2011 - 2021
Observations: 129

Mean		0.036119
Median	0.145757	
Max		2.465315
Min		-2.593264
Std. Dev.	1.000426	
Skewness	-0.186794	
Kurtosis	2.633553	
Jarque-Bera	1.420952	
Probability	0.493976	

Source: Primary Data

Here, the Probability value > 0.05, so the data follows a normal distribution

Table 3
CORRELATION MATRIX

	ROA	DIO	DSO	DPO
ROA	1.000000	-0.154319	0.312326	-0.369073
DIO	-0.154319	1.000000	0.593487	0.532245
DSO	0.312326	0.593487	1.000000	0.163974
DPO	-0.369073	0.532245	0.163974	1.000000

Source: Primary Data

The table shows a correlation matrix that shows the relationships between four financial metrics: ROA (Return on Assets), DIO (Days Inventory Outstanding), DSO (Days Sales Outstanding), and DPO (Days Payable Outstanding). The values in the matrix range from -1 to 1 and indicate the strength and direction of the linear relationship between each pair of metrics. Here is a breakdown of the correlations:

1. **ROA (Return on Assets)**

- **ROA & DIO**: -0.154 (weak negative correlation) Suggests that as DIO increases (holding inventory longer), ROA tends to decrease slightly, but the relationship is not strong.
- **ROA & DSO**: 0.312 (moderate positive correlation) Indicates that higher DSO (longer time to collect receivables) is somewhat associated with higher ROA, which may seem counterintuitive unless the company benefits from extended credit terms.
- **ROA & DPO**: -0.369 (moderate negative correlation) Suggests that higher DPO (delaying payments to suppliers) is associated with lower ROA, possibly due to missed early-payment discounts or higher costs.

2. **DIO (Days Inventory Outstanding)**

- **DIO & DSO**: 0.593 (moderate-to-strong positive correlation) Indicates that companies with longer inventory holding periods (DIO) also tend to take longer to collect receivables (DSO), which could reflect operational inefficiencies.

- **DIO & DPO**: 0.532 (moderate positive correlation) Suggests that companies holding inventory longer (DIO) also tend to delay payments to suppliers (DPO), possibly to manage cash flow.

3. **DSO (Days Sales Outstanding)**

- **DSO & DPO**: 0.164 (very weak positive correlation) Shows almost no linear relationship between the time to collect receivables and the time to pay suppliers.

4. **DPO (Days Payable Outstanding)**

No new unique correlations beyond those already mentioned.

Table 4
MULTICOLLINEARITY TEST

Variables	Coefficient of Variance	Uncentered VIF	Centered VIF
C	0.000207	8.808543	NA
DIO	2.59E-09	8.372988	2.194952
DSO	4.90E-08	9.799891	1.625967
DPO	2.80E-07	4.909343	1.353415

Source: Primary Data

In this investigation, the multicollinearity test was conducted by analysing the strength of the correlation between each variable and its respective Variance Inflation Factor (VIF) value. As per Gujarati and Porter, if the value of correlation exceeds 0.9 and the value of the Variance Inflation Factor exceeds 10, multicollinearity is said to be present in the study. According to Table 3 below, not one of the variables has a VIF value of more than 10, and none of them has a correlation coefficient that is greater than 0.90. As a direct consequence of this, multicollinearity was not observable in the results of this investigation.

Table 5
HETEROSCEDASTICITY TEST - WHITE

F-Statistic	3.875559	Prob. F(9)	0.0004
Obs*R-squared	29.88389	Prob. Chi-Square (9)	0.0008
Scaled Explained SS	26.77243	Prob. Chi-Square (9)	0.0023

Source: Primary Data

The results of heteroscedasticity shown in the above table open up the scope of using the Feasible General Least Squares Model along with the cross-sectional SUR (PCSE), which is the best fit for the study. As per the Regression Analysis in Table 4, the linear regression equation that was

ROA_Y = 0.029210 - 0.000359 (DIO) + 0.001069 - 0.000482

The value of α is 0.029210; that is, when ROA is equal to α, the value of the other variables is 0.

Table 6
WEIGHTED STATISTICS BASED ON THE COLLECTED DATA

R-squared	0.983678	Mean Dependent Variance	0.947194
Adjusted R-squared	0.973798	Std. Dev. Dependent var	6.135562
S.E. of Regression	1.014826	Sum of Squares Residual	121.2571
F-Statistic	1435.531	Durbin-Watson Stat	1.99290
Prob. (F-Statistic)	0.000000		

Source: Primary Data

Table 7
UNWEIGHTED STATISTICS BASED ON THE COLLECTED DATA

R-squared	0.306337	Mean dependent var	0.049150
Sum of squared residual	0.384109	Durbin-Watson stat	0.574631

Source: Primary Data

Table 8
REGRESSION ANALYSIS OF COMMON EFFECT MODEL

Variable	Coefficient	Standard Error	t-Statistics	Probability
C	0.029210	0.001446	21.25700	0.0000
DIO	- 0.000369	1.30E-06	- 29.71860	0.0000*
DSO	0.001069	1.60E-06	62.63554	0.0000*
DPO	- 0.000482	1.50E-06	- 33.02459	0.0000*

Source: *Primary Data*

The above analysis can be interpreted in the following lines –

a) For analysis of the coefficient of determination, the above table shows adjusted R Squared value obtained is 0.973798, which indicates the independent variables are 97.37% of the dependent variable. Balance 2.63% are from the variables and factors which are out of the purview of the study.

b) The f-statistic shows a value of 1435.531 which have a probability distribution of 0.00000, which is below the significant level of 0.01, which shows that the dependent variable is significantly impacted by the independent variables.

c) The t-test is used to test the Hypothesis we have used in the study. All of them are tested and interpreted as below –

H_1: The t-test on this hypothesis reveals a negative value (-29.71860) with a probability distribution of 0.0000. As it is below the significance level of 0.01, then H1 can be accepted and also can be interpreted as DIO affects ROA significantly and negatively.

The value of the regression coefficient is -0.000369, which states that when the DIO increases by 1 keeping other independent variables constant, the ROA will be decreased by -0.000369 and vice versa.

H_2: The t-test on this hypothesis reveals a positive value (62.63554) with a probability distribution of 0.0000. As it is below the significance level of 0.01, then H2 can be accepted and also can be interpreted as DSO affects ROA significantly and positively.

The value of the regression coefficient is 0.001069, which states that when the DSO increases by 1, keeping other independent variables constant, the ROA will increase by 0.001069 and vice versa.

H_3: The t-test on this hypothesis reveals a negative value (-33.02459) with a probability distribution of 0.0000. As it is below the significance level of 0.01, then H3 can be accepted and also can be interpreted as DPO affects ROA significantly and negatively.

The value of the regression coefficient is -0.000482 which states that when the DSO increases by 1 keeping other independent variables constant, the ROA will be decreased by -0.000482 and vice versa.

7 SUMMARY OF FINDINGS

The above statistical data can be interpreted as below –

a) In the case of DIO on a firm's performance, the t-test result shows an adverse effect on ROA. This is also supported by different literature surveys like Yousaf et al. (2021), Golas (2020). Inventory that appears in the balance sheet includes the total discreet inventory level (from raw materials to lost inventory to inventory in transit to maintenance, repair, and overhaul inventory). Higher cost of material handling involves higher inventory storage (Modi & Mishra, 2011).

Higher inventory levels create higher storage costs and administrative expenses which affects the financial performances of the firm. The rate of volatility in the inventory level can be minimized if the company's demand level is accurate. Firms should focus on the diverse product portfolios and it should also not create shorter product life cycle and keep on the instability in the product offering.

b) In case of DSO on a firm's performance, according to t-test done earlier will show that DSO will have a positive impact on the ROA. The study accepts the fact that if a more relaxed approach is implemented in sales management, then it will be beneficial from the perspective of the automotive industry in India.

Another feature of the same sector is that most of the purchases are made in instalments. So, handling credit policies is one of the chief alarming factors for the firms. If an extension is allowed to the sector in terms of days sales outstanding, then it will be beneficial for all the entities in the sector.

c) In the case of DPO on Firm's Performance, the t-test result displays that the ROA is not positively related to the firm's performance. The study discloses that in most cases, if the payment terms are reduced and stringent, then the circulation of money becomes more fluent, and it becomes easy for the suppliers to fund the basic needs.

8 CONCLUSION

Having sufficient working capital is essential for any businesses. Managing a company's WC is one of the major factors determining the effectiveness of the firm. According to the outcomes of the pooled regression, every feature of WCM had a significant bearing on the amount of money that the company made. A thorough review of the dependent variables of working capital can considerably boost a firm's profitability if the company manages its working capital in an operative or ideal manner. This can be accomplished by using an efficient or optimal strategy.

From the analysis, it is clear that, in the case of DSO on a firm's act according to t-test done earlier will display that DSO will have a positive influence on the ROA. The study receives the fact that if a more comfortable approach is employed in the sales management, then it will be advantageous from the viewpoint of the automotive industry in India, In case of DPO on Firm's act, the study reveals that in most cases, if the payment terms are condensed and rigorous, then the circulation of money becomes more flowing & lucid, and it becomes relaxed for the suppliers to fund the basic needs. In the case of DIO on a firm's performance, higher inventory levels generate higher storage costs and administrative expenses, which affect the financial performance of the firm.

The major objective of the present study is be to understand the impact of working capital elements, namely: inventory outstanding (in days), sales outstanding (in days), and Payables outstanding (in days); on the return on assets of the firm, (which is a measure of profitability). In this study, we explore the elements that have a role in determining a company's ROA, as a degree of financial effectiveness of the company. The companies falling under this particular category always face issues related to business cycles, and they are also affected by the economic growth of the countries. The present study does not consider the cyclical biases. The financial performance is not only dependent on the working capital management but also on other factors related to the economy and business. But if we consider the WCM as one of the basic variables or factors to study the profitability, then the aspects like inventory, accounts receivable, and accounts payable will emerge as the most contributing factors.

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