

## **Effects Of Firm Characteristics On Working Capital Management: An Emprical Analisıs Of Selected İse Listed Firms**

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### **Extensive Summary**

The objective of this research is to analyze the effect of company characteristics on the working capital management (WCM). Statistical techniques are applied to investigate the relationship between companies' characteristics and cash conversion cycle (CCC) as a measure of working capital management (WCM) in Istanbul Stock Exchange (İSE) listed companies. Companies' characteristics consist of company size, return on assets (ROA), stock price, total debt ratio, operating profit, net profit margin and some other factors are considered as a variable on this study. Totally 29 large segmented firms from three main sector of Istanbul Stock Exchange (İSE) listed companies (16 companies from manufacturing, 7 companies from technology and 6 companies from retail sector) has taken as sample size to this research. Companies' balance sheets, income statements and other required financial data are extracted annually from year 2008 to 2016 on quarter based from Kamuyu Aydınlatma Platformu (KAP), Istanbul Stock Exchange (İSE) Data Store, Turkish Share Markets and companies related websites.

Company characteristics like; company size, return on assets (ROA), return on equity (ROE), total debt ratio, operating profit and net profit margin are considered as predictive variables. Cash conversion cycle (CCC) which is used as a measure of working capital management (WCM) is taken as outcome variable. The result from descriptive statistics on manufacturing companies states that, standard division of interest rate coverage ratio is almost (+1) which indicate a normal distribution. The average current ratio and asset test ratio are 2,25 and 1,56 respectively in production sector. In terms of skewness, it has been found that all profitability measurements are negatively skewed which indicate that profitability ratios are gradually decreasing in production sector.

The result from multiple linear regression analysis found that  $P = 0,000$  which (P) value is  $P < 0,05$  indicate that the model is significant as whole. The adjusted  $R^2 = 0,512$  demonstrate that, 51,2% of total variability on CCC is explained by independent variables. By considering the (P) value of predicted variables separately, its found that total debt ratio, operating profit and return on equity have the (P) value  $P < 0,05$  and have significant relation with CCC.

The result from descriptive statistical analyze on retail sector has found that average current ratio and asset test ratio are; 1,3486 and 0,9715 respectively. Based on this analysis average account receivable period is 23 days, average operating cycle period is 39 days and cash conversion cycle (CCC) period is determined -99,3509.

The result from regression analysis of retail sector identified that, the model is significant as a whole ( $P=0,000$ ) and 60,1% variability of CCC (level of working capital) is explained by predictive variables of the model ( $R^2 = 0,601$ ). By looking the (P) values of predictive variables of the model separately, its found that only net profit margin and return on assets (ROA) are statistically significant and the remaining independent variables (total debt ratio, operating profit, equity price and company size) are not statistically significant.

The result from descriptive statistical analyze on companies which is doing businesses in technology sector has found, average account receivable period and operating cycle period 180 days and 309 days respectively. And the CCC period indicated 173 days. Another interesting result is that the, inventory period 0,97 is positively skewed, means that firms in technology businesses are required to invest up to certain level on their inventories. Apart from that, interest coverage ratio is also positively skewed (0,78). Finally the result from regression analysis table on technology related firm showed that model is statistically significant as whole and 42,5% of total variability on CCC is explained by the model. Based on (P) values of independent variables except equity price other predictive variables are not statistically significant and have not any relation with CCC in the technology related businesses.