

Studying Effects of Working Capital Management and Financial Constraints on Value of Accepted Companies in Tehran Stock Exchange

¹Soheyla Teymoorpoor, ²Esmail Panahi, ²Mojtaba Sangari and ²Mehrdad Abdolkarimi

¹Department of Accounting, Genaveh Branch, Islamic Azad University, Genaveh, Iran

²Young Researchers and Elite Clube, Bushehr Branch,

Islamic Azad University, Bushehr, Iran

Abstract: This research is studying investment effects on working capital due to funding based on working capital management that is including 6 variables such as net operating working capital, profit, net assets, research and development expenditure, interest expense, paid dividends and cash. In order to analyze data, has been used regression model and dynamic generalized moment's method. Research period is beginning of to end of and research sample is including 85 companies of qualified Tehran stock exchange companies by systematic removal method. Results indicates that working capital shows negative and significant relationship with company's value also results of second hypothesis indicates that company's value of limited companies is more than companies without restrictions.

Key words: Working capital management, financing, financial constraints, company's value, without restrictions

INTRODUCTION

Liquidity is artery of company's financial life and working capital is one of necessities of company's survival. Actually liquidity is important enough that if faced with mismanagement and passive collision with liquidity, company's financial life seriously face with danger. At the moment, liquidity of companies is in unfavorable conditions, most of Iranian companies due to inflationary situation in the country, prefer to convert their cash to other assets and this subject cause companies are helpless in debt maturity and hurt to company's reputation. Experience has shown that most companies faced with financial distress and finally some of them dragged into bankruptcy, one of its reason has been working capital mismanagement (Rodposhti and Kiaee, 1968).

Business activities development has been followed qualitative and quantitative development of financial management and has complicated management. Continuous activities of economic firms depends on short-term source management because operating activities in usually annual period are depends on working capital and its favorable management so that expected results are realized and prepare sustainability activities in long-term. Thus working capital is important economic firm's assets that have key role in financial decisions.

According to academic, studies about working capital efficiency effects and investment in this section on profitability is growing. However, profitability is short-term measure of performance and its role as company's prosperity index has been called into question due to its honesty capability. For example Tong proved that managers has used credit policy in the end of financial year, to increasing consumer purchases and avoiding losses reports to obtaining the annual financial reporting goals. So that, studying about effects of working capital on profitability may be don't make a clear picture about its practiced effects because it is maybe used for manipulate earnings, its one or more items.

On the other hand, company's value is long-term measure of performance because working capital is under control of company and it is independence of macroeconomic factors, enable easy adjustment to economic value. Working capital efficient management help to used free cash flow for company valuation, so that is effective in increasing company's value.

Business units need to cash flow for their operating activities and investment and needed cash, provide from financing activities and firms cash flow. Financial reports divided financing sources to internal and external, in terms of financing place. Company's financing restrictions effect, can appear by firm's willingness to saving much of cash flows. In results, companies with financial

constraints should have high cash flow sensitivity and cash holding should not depend on amount and changes in their cash flow. Companies when are in financing range, faced with a gap between internal and external expenditures of allocated cash, that this gap is called financing restrictions.

Furthermore, investment in working capital section have more sensitivity compared with investment in fixed assets (Fazari *et al.*, 1988). Companies trying to save investment in fixed assets but occur fluctuation in cash flow and may be need to compensate with using external funds. Unfortunately, company that faced and financial constraints may not be able to do without incurring heavy costs, thus should following to cheaper way, one of them is working capital that occurring short-term liquidity and is recoverable because of its short-term nature. Falkner and Wang found that financial constraints affect on cash assets so studying working capital effects on company's value is incomplete without studying financial constraints.

According to expressed subjects, study's goal is answering to this question that is there significant relationship between working capital and company's value and also what is financial constraints effects on this valuation?

Study's theoretical foundation and empirical background. One of the most important subjects in Iran's economic is investment and its effects on obtaining sustainable development goals. Investment is strategic and long-term process that was considered macro and significant resources in it and high risk and expect high return are its important factors. Investment is the most irrefutable component and planning factor for development goals obtaining. Strategic thinking in formulation of strategic plans, macro-economic, social and cultural plans in today's challenging environment's has definite importance of investment (Rodposhti *et al.*, 1970).

Working capital is considered important economic units and firms items that have significant role in financial decisions. Business activities qualitative and quantitative development has followed financial management qualitative and quantitative development realm. Economic units activities continuation is depend on short-term source management because operating activities in an ordinary period as annual is depend on working capital recognition and tis favorable management so that in this way expected results realized and provide activities continuation in long-run (Rodposhti *et al.*, 1970). Working capital meet institutions or business unit's financial short-term needs. Working capital is a trading capital that don't remain >1 year in a company (Ahmad *et al.*, 1969). Working capital management is including current assets management, current debt management and their financing, so it's important to create value for shareholders (Gill *et al.*, 2010).

Cash flow sensitivity of cash, refers to change percent in cash holding levels for changes in cash flows. Farazi argued that companies with severe financial constraints (companies with low and costly access to external sources of funds) have more emphasis on flow when investment decisions.

In other words, by increasing difference between internal and external costs of financing should increase investment sensitivity to internal cash. Effects of financing restrictions on company's financing can appear by company's trade to saving much of cash flow, in results, companies with financial constraints should have high cash flow sensitivity and company's cash holding should not depend on amount and changes in their cash flows, systematically (Almeida *et al.*, 2004). It should be noted that financing sources by companies is not limit and companies have limitation of financing (Farzad and Sadegee, 1968). Companies with low and costly access to external financing sources is called financial constraints (Ozkan and Ozkan, 2004). For determining company's financial constraints used indexes such as size, company's age, dividend ratio, business group and financial leverage (Arslan *et al.*, 2006).

Ding *et al.* (2013) is studying relationship between investment in fixed capital and working capital and financial constraints. Results showed that companies that have low sensitivity to fixed investment on cash flow are most affected by external financial constraints. They found that could save more their fixed investment levels by working capital that get rid of financial constraints.

External background: Almazari (2013) is studying relationship between working capital management and profitability of accepted cement companies in Arabia stock exchange during 2008-2012. Is has been used two variables Pearson regression for relationship. Results show that current ratio of cement industry is most important liquidity scale that affected on profitability. Thus Arabia companies should make balance between profitability and liquidity.

Oladipupo and Okafor (2013) is studying operating working capital management on profitability and paid dividends ratio during 2002-2006 in Nigeria stock exchange. By using moment method and their ordinary least squares, observed that net trade cycle is shorten and make better profitability debt ratio. Working capital management effects on company's profitability is in 95% significance level or is unimportant.

Ogundipe *et al.* (2012) is studying working capital management effects on company's performance and market value has used 54 Nigerian non-financial companies in Nigeria stock exchange during 1995-2009.

Tobin Q has been used for market value and assets return and shareholders right return for company's performance and has been used Pearson regression analysis for data analyzing. Results show that there is negative significant relationship between cash cycle period conversion with market value and company's performance, they also show that there is positive relationship between debt ratios with market value and negative relationship between debt ratios and company's performance.

Navab and Mansoor (1972) is studying working capital performance effects on financial performance in companies with small scale in Kenya. Results show that working capital management performance was low. This research concluded that working capital management performance is affected on financial performance of companies with small scale and it's necessary that these companies' managers provide working capital management methods as their own financial performance strategy.

Waral is studying working capital management effects on company's performance and has been used collected data of 15 accepted production companies in Istanbul stock exchange for time period of 2002-2009 and also has been used panel data method for data analyzing. Findings shows that companies can increase profitability by shorten accounts receivable collection period and conversion cash period, that in this study it is measured by operational growth. Financial leverage is a control variable and it has negative significant relationship between company's value and profitability, it means that increasing in Financial leverage, leading to reduce company's profitability and value.

Kechsing are studying working capital management effects on shareholders wealth of American companies from 1990-2006, they found that invested additional dollars in net capital in operating working has less value of saved additional dollars in cash flow. Second value of saved additional dollars in operating working capital in affected by future sales expectations, debt of its financial constraints and bankruptcy risk. Generalized additional dollars value in consumer's credit has more effect compared with invested dollars in inventory for company's average on shareholders wealth.

Internal background: Falah Yakhani check out the paper as title studying effects of working capital management strategies on profitability and company's value. The research main goal is studying effects of working capital management strategies on profitability and company's value. In this research has been used a sample including 96 accepted companies in Tehran stock exchange, during 1381-1386 to examined effects of working capital

management strategies on profitability and company's value, by panel data method. The results shows that by adopting a conservative strategy, about current assets, increase profitability and company's value. Was not found relationship significant between current debt strategies and profitability but adopting a bold strategy about current debt will increase company's value.

Yekta Klidbary in a research as title studying relationship between company's working capital and performance by considering financial constraints in Tehran stock exchange is studying working capital management and company's performance and optimal level of working capital by given financial constraints effects. Due to sampling constraints and conditions, 38 members was selected. Obtained results indicate that there is a reverse U-shape relationship between working capital and company's performance. In addition, optimal level of working capital is less for companies that have more financial constraints. It is suggested that managers by establishment of optimal level of working capital management system in companies, manage payment and control financial constraints, prevent the company's bankruptcy.

Hossain and Ghasem (1972) are studying cash holding and working capital management effects on excess stock returns of companies so that has been used 84 companies during 1386-1390 by combined data analyzing by panel data method. Results shows that cash holding rate level by shareholders in Iranian companies, expressed lack of supply sources and its great importance. Also cash holding rate of examined companies indicates that its ratio is in lower level compared with companies in global level. The interaction effects of cash holding shows that in examined sample, cash has not appropriate changes and due to its low level in companies, caused company's value reduction and resulting efficiency for shareholders. Although working capital has positive relationship with company's value and create excess return but its interaction effects shows negative relationship with shareholders excess return because of cash section of working capital importance. Lack of momentary and financial markets for Iranian companies caused positive relationship between financial leverage and its interaction effects with cash and working capital with company's value and excess return.

Mahdi and Fahime (1969) are studying relationship between excess working capital on excess return that is creating value index for shareholders. For this subject, it is used invest surplus effects in cash holding and net capital in operating working, separately. The study's sample is including 66 accepted companies in Tehran stock exchange, during 1383-1390. For analyzing data and

hypothesis tests has used multiple linear regression model by Generalized Least Squares (GLS) method. Results shows negative and significant relationship between invest surplus in net operating working capital and excess return. Findings also indicate that in leverage firms, cash holding will increase shareholders wealth, compared with invest surplus in net operating working capital.

Rezaee and Gargaz are studying working capital changes effects on investment opportunities in a seven years periods (1384-1390), results shows that there is significant reverse relationship between working capital changes effects and investment opportunities.

Moeinoldin are studying working capital management effects on company's value during 1383 to 1390, with a sample of 54 accepted companies in Tehran stock exchange. Results shows that management can creating value for company, by reduction receivable turnover day's number. Moreover, shorten cash conversion cycle make improve company's value.

Shakeri are studying working capital management effects on operating cash flow and cash assets of accepted companies in stock exchange during 1384-1390 in Tehran stock exchange and results shows that working capital management don't effects on cash assets and company's operating cash flow.

Samadi Lorgani and Imani are studying working capital management and cash holding accepted companies in stock exchange during 1384-1392. Their findings shows that there is significant relationship between inventory conversion days and days of receivable turnover with cash holding data and this relationship is as linear significant relationship (direct and weak). In order to theoretical foundation and empirical background, hypothesis are as follows:

First hypothesis: there is significant relationship between working capital and company's value.

Second hypothesis: company's value is more sensitive in companies with constraints compared with companies without constraints, about changing in working capital investment.

MATERIALS AND METHODS

Current research is quasi-experimental and after event study and using by past data. This research time period is 8 year, from 1386 to 1393 and study's sample is including all accepted companies in Tehran stock

exchange until beginning of 1386. Also in this research uses targeted sampling. Accordingly, due to increasing comparability, company's financial period should be to the end of Esfand (March) and during examined period, don't change financial year. Also during examined period have continues activity and its share have been traded without significant interruption and also book value of shareholders rights don't be negative in any year. Also, all needed financial and non-financial information, are available such as notes of financial statements. Finally, due to noticed criteria, 100 companies selected during time period of 1386-1392.

Also, for data analyzing and estimating research model, use combined data least squares regression by fixed effects or random effects. Appropriate estimation method should be performed by various tests. The most commonly used tests are including Chou test for selecting fixed effects or integrated data model (common effects), Pagan method test for selecting random effects or integrated data and Haman test for selecting one of fixed or random effects. In this regard, for analyzing primarily data and estimating the study's variable has been used Excel 2013 version and due to statistical tests and final analyzin has been used Eveiws 9th version.

For data collecting, has been used library method. In order to studying literature and research background, has been exploit papers and Latin and Persian journals. For collecting study's variable data has been used, website of research management and Islamic studies center of Tehran stock exchange.

Hypothesis tests model and operational definition of research variables:

That:

- i Company's profit in t year
- i Company's profit change from $t-1$ year- t year
- Change in i Company's profit from t year- $t+1$ year
- Change in i Company's net assets from $t-1$ year- t year
- Change in i Company's net assets t year- $t+1$ year,
- i Company's research and development expenditures in t year
- Change in i Company's research and development expenditures from $t-1$ year- t year
- Change in i Company's research and development expenditures from t year- $t+1$ year
- i Company's return expenditures in t year
- Change in i Company's return expenditures from $t-1$ year- t year
- Change in I Company's return expenditures from t year- $t+1$ year

- i Company's paid dividend in t year
- Change in i Company's paid dividend from $t-1$ year- t year
- Change in i Company's paid dividend from t year- $t+1$ year
- i Company's cash flow in t year
- Investment in net operating working of i Company in t year
- Change in i company's value level from t year- $t+1$ year

Independent variable: Net operating working capital, earning, net assets, research and development expenditures, profit expenditures, paid dividend and cash, are independent variable as follows:

Investment Net operating Working Capital (NWC), noticed independent variable in this study, measure as receivable accounts and net inventory minus payable accounts.

Earning measure as net profit addition to interest expense plus deferred tax credit as loss and benefit (if there are) plus investment tax credit. However, tow last items don't find in financial statements of Iranian companies, earning just as net earnings will be counted before unexpected items plus interest expense.

Net assets is one of the independent variable. Because, Pinkowitz considered cash as one of their independent variables, used Net assets as total assets to eliminate cash effects on total assets. In this study, because net operating working capital considered separately in addition to cash, net assets has been counted as total assets minus cash and trading securities minus net working capital assets (means receivable plus inventory).

Dependent variable: Dependent variable in this study is company's value and measured as total company's value that count as common stock price in company's flow multiplied by number of issued shares in end of financial t year (or company's value of total company's capital) plus total book debt minus deferred taxes of balance sheet and investment tax rebate, if there are. Usually for data standardization and homogenization use them as logarithmic.

Descriptive statics of research variables: Due to information analyzing, first compute data descriptive statics. Table 1 presents central and dispersion indexes. In above table, some of variables descriptive statics such as mean, middle, maximum and minimum observations

presented as central index and standard deviation is as dispersion index and slenderness and skewness coefficients are as distribution indexes. The main central indexes is mean that shows equilibrium and center of mass and is a good index for showing data center. For example, mean for company's value variable for companies with constraints is equal to 1098740 that sows most of data concentrate on this point. Middle is another central index that shows community conditions. As results shows middle of profit variable is equal to 85417 that indicate half of data is less that this amount and other half is more than it. Standard deviation is one of the most important dispersion indexes and is a criteria of means observations; amount of this parameter for dividend variable is equal to 0.240331.

Selecting model type process

F Limer test: In order to selecting one of panel data method or integrated data has been used F Limer statics. This research's statics indicate that is there separate intercept for any companies or not. Although would have existed heterogeneity or individual differences in observations, use panel data and otherwise is used integrated method (pooled regression). F Limer statics is as follows That:

- Determination regression coefficient with fixed effects
- Determination integrated regression model (common intercept)
- Number of cross-sectional observations
- Time period number (year number)
- Total observations number
- K = number of models independent variable (explanatory)

Due to obtained results of F Limer test, the null hypothesis is rejected and alternative hypothesis is confirmed; on the other hand, panel data method is more appropriate.

Hasman test: After selecting paned method by F Limer test, for selecting one of fixed or random effects method, used Hasman test. Hasman test has chi square and its freedom degree is equal to explanatory variable number (regression number). H_1 hypothesis of this research, indicate significant difference in estimated coefficient of tow fixed or random effects method. In case of H_1 hypothesis acceptance use fixed effects method. Hasman test statics has been used as follows:

Table 1: Descriptive statics of research variables

Nwc	Cash	Dividend	Interest	RD	Netasset	Earning	Value		
							Companies without constraints	Companies with constraints	Symbol in model
934659.8	0.037988	0.224122	120173.5	4.780005	2996265	361489.1	1189054	1098740	Mean
171154.3	0.026679	0.182219	28912.50	0.000000	662198.5	85417.00	519831.0	9744139.0	Middle
39450000	0.299002	3.171714	5363516	0.011683	1.030008	13240869	1.01000	1.03000	Maximum
0.219851	0.000657	0.000000	-161465.0	0.000000	22725.00	-5052189	10400.00	10098.00	Minimum
3053319.	0.037728	0.240331	429892.5	0.000644	10113883	1258585	7097117.	3743681	SD
7.237149	2.434954	4.279576	7.876701	17.46052	6.829996	6.551788	3.092454	4.915423	Skewness
68.33269	11.64259	43.21837	73.83586	314.2073	54.98516	56.97814	71.20811	13.762210	Slenderness

- b = Estimated coefficient by fixed effects method
- B = Estimated coefficient by random effects method

RESULTS AND DISCUSSION

Descriptive statics of research variables has been showed in Table 4 and 5. Related data for time period (1386-1393) were tested by using regression model that its results are shown in Table 5.

R² is a criteria that explain strong relationship between dependent and independent variables.

This variable amount indicate that how much percent of dependent variables changes has been explain by independent variable. In this model is R² = 2/80%. It means 8% of changes is explainable by independent variable. Moreover, number related to Dorbin-watson model is 2.15 (between 1.5-2.5) is indicated lack of autocorrelation error in model.

Significant level of working capital variable is <5% that indicates significant relationship between two variables. The t coefficient and statics is related to working capital variable that indicates negative and significant relationship between this variable and company's value in accepted companies in Tehran stock exchange. In result, first hypothesis is confirmed.

Second hypothesis states: Company's value in companies with restriction, compared with companies without restriction is more sensitive about changes in investment working capital.

R² is a criteria that explain strong relationship between dependent and independent variables. This coefficient amount actually will determine that how much percent of dependent variables changes has been explain by independent variable. In this model is R² = 9/76%. It means 76% of changes is explainable by independent variable. Moreover, number related to Dorbin-watson model is = 2.31 (between 1.5-2.5) is indicated lack of autocorrelation error in model. Significant level of company's value variable is less that 5% in both cases and due to coefficient of company's value variable that in companies with more restriction is

Table 2: Results of F Limer test (company's intercept consistency)

Test results	p-value	Amount	Statics	Hypothesis
Panel	0.0415	84,588	F Limer	Main hypothesis
	0.0251	90.874742	Chi-square (X ₂)	

Table 3: Hasman test results

Test results	p-value	Freedom degree	Chi-square statics	Null hypothesis
H0 hypothesis is rejected	0.0419	7	11.409408	Random effects method using

Table 4: Study's fitting model results

Significant level	t statics	Dependent variable	
		Coefficient	Variables
0.0000	12.75371	4.130997	Earning
0.0401	11.478916	3.019716	
0.0001	11.478916	3.019716	
0.1511	1.437551	0.075317	Netasset
0.0002	11.74719	2.605411	
0.0000	12.46566	2.681410	
0.6376	0.471303	11304325	R and D
0.0546	0.442603	1.018736	
0.0068	0.451643	1.825445	
0.0037	-2.913125	-1.994941	Interest
0.5620	5.216193	-1.426536	
0.0000	0.045345	-1.265383	
0.0353	2.109543	444531.4	Dividend
0.0035	2.944982	482544.5	
0.0164	0.501494	142653.6	
0.0151	-2.437544	-1497045.	CASH
0.4467	0.761978	1.119041	
0.0373	-2.092330	-0.000669	
0.0083	-0.401314	-0.001285	NWC
0.0035	0.133971	0.001685	
0.0007	0.738445	0.098495	
0.0006	3.481665	0.663641	
0.0000	8.959303	668243.7	C
11.4456			statics F
	000/0		(statics F)
			p- value
	0.802959		R ² adjusted
	2.15890		Dorbin-watson

Table 5: Companies with restriction

Significant level	t statics	Dependent variable	
		Coefficient	Variables
0.0182	0.102726	0.000792	Earning
0.0353	1.496889	0.038266	
0.0270	0.349459	0.000687	
0.0073	2.696984	0.007058	Netasset
0.9786	0.026843	1.29005	

Table 5:Continue

Significant level	t statics	Dependent variable	
		Coefficient	Variables
0.0227	-2.288554	-0.063026	
0.0079	-2.673786	-0.072956	R and D
0.0000	16.78006	0.548359	
0.0000	-6.713027	-0.059511	
0.0000	-4.555967	-2.72008	Interest
0.0002	1.651759	0.014878	
0.0482	0.456999	0.030937	
0.1699	-1.377416	-0.003913	Dividend
0.0001	4.125430	0.013439	
0.0517	-1.149606	-0.001076	
0.0319	-1.199273	-0.059427	Cash
0.0096	2.613799	0.200470	
0.0067	2.742045	0.006612	
0.0083	2.668462	0.042113	NWC
0.2413	1.175268	0.032226	
0.0007	0.738445	0.098495	
0.0006	3.481665	0.663641	
0.0000	8.959303	668243.7	size
0.0000	6.968717	547202.4	C
	31.40648		f statics
	000/0		(F statics)
	0.711		p-value
	2.174582		R ² adjusted
			Dorbin-watson
0.0148	0.503487	0.000660	Earning
0.0427	-2.030903	-563303.8	
0.0000	9.666628	245015.5	
0.0083	0.242707	19433652	Netasset
0.0689	-0.569956	-46064.92	
0.0314	-2.156353	-411457.4	
0.1824	1.334786	287000.0	R and D
0.4189	0.645409	28424.11	
0.3899	-0.860385	-662612.2	
0.0088	-0.152503	-291850.1	Interest
0.0000	-5.385451	-1719332	
0.0330	-2.136339	-283232.3	
0.1931	-1.302756	-657899.4	Dividend
0.3899	-0.860385	1502084.	
0.0000	-0.152503	1042036.	
0.3284	0.978251	1832.257	Cash
0.0270	0.147679	70121.09	
0.0017	-0.845721	59067130	
0.1757	-1.364435	68118.92	NWC
00490	-0.043851	296201.8	
0.0178	-0.231573	396141.0	
0.0032	0.013006	35019.54	
0.0006	0.428285	599414.3	Size
0.2413	1.175268	0.032226	C
	1.479935		f statics
	000/0		(F statics)
) p-value	0.76990		R ² adjusted
watson	2.31901		Dorbin-

indicated that: Company's value companies with restriction is more that companies without restriction.

CONCLUSION

Company's finance can be classified into 3 main of capital budgeting, capital structure and working capital

management. Long-term capital management is related to capital budgeting and capital structure. While assets and current debt management is in working capital area. Working capital management is including management of current assets such as cash, receivable document and accounts, inventory current debt or short-term financing sources such as paid document and accounts and other right and premium like them and optional amount determination for each one. Appropriate amount of cash for debt maturity is using appropriate opportunities to investment and access to raw materials for production as a company can answering to consumers demands about working capital importance (Roposhti *et al.*, 1970). Almost all companies have continuous and permanent activity and requires using working capital for good production, companies for good production should first buy raw materials in cash or credit due to cash buying, the production unit need to cash that is possible by investors, loan or assets scale and in credit buying, some of working capital determine from payable accounts. Then by credit selling of produced inventory, will increase receivable accounts then by collecting debts, will end conversion cash cycle. Investment in working capital making a good liquidity condition that should manage well and kept at optimum level. In order to incomplete markets due to information asymmetry and liquidity cost, access to cash is associated to limitations, management need to specific policy for cash management to access financing and source. Fazzari *et al.* (1988) showed in a survey that financing decisions and investment are not independent of each other. Fazzari *et al.* (1998) believe that company's investment is depend on financial factors such as access to capital market or external financing cost. Thus in this survey we intend to studying relationship between investment in working capital and company's value. On the other hand, limitations may be play a key role in this relationship

Due to results of first hypothesis: It is recommended to all users of financial information that pay attention to working capital amount as effective factor for improve company's value, in their own decisions.

Accounting standards setters and stock policy makers, encourage companies to provide more information about ratio of working capital separately in notes as additional information. It is recommended to policy makers that before adopting any decisions based on invest in which company, pay attention to working capital amount.

Due to results of second hypothesis: Cash conversion cycle reduction as optimum that companies are looking for, it means cash conversion cycle reduction make

improve company's value. Thus companies adopt procedure and plans that reduce cash conversion cycle because this action on one hand making improve company's value and on the other hand, it is a criteria for measuring managers performance in implementing its decisions is about working capital and liquidity. So it's recommended to companies that form a committee due to studying this subject and adopting economic decisions based on working capital due to observance optimal working capital amount. It is recommended to all users of financial information that pay attention to working capital amount as effective factor for improve performance, in their own decisions.

SUGGESTIONS

- Studying current research by neural network model
- Studying current research as nonlinear and comparing its results with linear research
- Studying current research by other evaluation performance criteria like economic added value, market added value and adjusted economic added value criteria
- Considering other criteria of financial constraints such as company's age, membership in trade groups

LIMITATIONS

Maybe there are conditions in an academic survey process that is out of researcher control that this is not exempt. Personal managers policies rather than principal and targeted policies is Iranian companies, that occur increasing or decreasing cash conversion cycle. With regarding to selecting sample that is not based on industry, maybe study's results be different in various industry.

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