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Abstract

The main aim of this study is to examine the effect of working capital management on the profitability of Indian firms. We collected data from the Bombay Stock Exchange (BSE) from 2000 to 2008 and analyzed it using regression analysis. The results of our study reveal that working capital management and profitability is positively correlated in Indian companies. The study further reveals that inventory of number of days and number of days accounts payable are negatively correlated with a firm's profitability, whereas number of days accounts receivables and cash conversion period exhibit a positive relationship with corporate profitability. The present study contributes to the existing literature by examining the effect of working capital management on profitability in the context of an emerging capital market such as India.



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