

Does Working Capital Management Affect Profitability of Belgian Firms?

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Abstract

The relation between working capital management and corporate profitability is investigated for a sample of 1,009 large Belgian non-financial firms for the 1992-1996 period. Trade credit policy and inventory policy are measured by number of days accounts receivable, accounts payable and inventories, and the cash conversion cycle is used as a comprehensive measure of working capital management. The results suggest that managers can increase corporate profitability by reducing the number of days accounts receivable and inventories. Less profitable firms wait longer to pay their bills.

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