The Association Among Working Capital Management and Profit Ability of Telecommunication Firms

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ABSTRACT

This research study aims to examine working capital management practice carried out by Tele Communication companies listed on BSE/NSE. The study tries to undertake the data evaluation of selected variables for the tenure of ten years i.e. 2010-2019. The aim of this study is to get to know association between dependent and independent component. Dependent Variable is a profit after tax to sales ratio and Independent Variables are Sales Growth Rate, Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio, and Long Term Debt Equity Ratio. Matrix of Co-efficient of Correlations, Descriptive and Regression has been used for analysis. The result shows that only two variables have moderately significant and positive relation among Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio and profit after tax to sales ratio and rest of two variables viz. Sales Growth Rate and Long Term Debt Equity Ratio have insignificantly positive relation with profit after tax to sales ratio.

KEY WORDS: SALES GROWTH RATE, CASH, BANK & MARKETABLE SECURITY, REGRESSION.

INTRODUCTION

When a corporation invests in current assets, it has been thought about as working capital in the custom sensibility. All industrial corporations' effect by working capital management resolution as it has an effect on the liquidity of the company. Working capital management is precisely an important part for management day to day costs. Working capital management is an exercise that bears current ratio. Working capital management is a tool of business. Deprived of working capital management is a necessity for every prosperous occupational. Alike to long term asset resolutions there has to be a proper evaluation of the merits and demerits with respect to every element of current assets while taking working capital results. Cash flow plays a dynamic role in working capital resolutions and long term investment resolution.

The important part of variance with respect to long term resolutions and working capital results is the time line of management practice. Working capital conclusions in the usual situation have an effect on the cash flows of the company for a short time i.e. maximum one year.

Literature Review: Shikha Bhatia, Aman Srivastava (2016) in their study 179 firm a sample of 179 firms listed on S&P for the period of 13 years i.e. 2002 to 2014. They had taken gross operating profit and Tobin's Q as dependent variable and cash conversion cycle, accounts receivable days, inventory days and accounts payable days as independent variables and size, sales growth, leverage, fixed financial assets, variability of net operating income and growth in GDP as control variables. Descriptive, regression, correlation analysis, panel data analysis have been used for this study. Result indicates that independent and control have significantly influence on profitability.

Dr. Benjamin Owuor Ombok, Judith Auma Omanga and Grace Ivy A. Odongo (2017) analysed four sugar companies over a period of ten years i.e. 2005 to 2014. They had taken return on assets as dependent variable and Average collection period (ACP); Inventory turnover in days (ITO);

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Average payment period (APP) and Cash conversion cycle as independent variables. Regression analysis and penal data methodology have been used in this study. It was noticed that all independent components had a more impact on profitability.

Dr. Johnson Abiodun Oladimeji & Dr. Olufemi Aladejebi (2020) examined 30 SMEs for the period of 5 years i.e. 2014 to 2018. They had taken return on assets as dependent variable and Account Collection Period, Inventory Conversion Period, Average Payment Period, Cash Conversion Cycle, Debt Ratio, Current Ratio and Quick Ratio as independent variables. They were used descriptive statistics, correlation and regression analysis. It was noticed that there is insignificant association among independent variable and profitability. Point out that there is negative relationship with Account Collection Period, Average Payment Period and profitability.

Zbigniew Gólas (2020) examined 76 police milk industry over a time period of ten years with the span of 2008 to 2017. Researcher had taken return on assets as dependent variable and Days Sales of Inventory, Days Sales Outstanding, Days Payable Outstanding and the Cash Conversion Cycle as independent variables. Descriptive, matrix correlation and regression analysis have been used in this study. Results indicate that there is negative association among profitability and working capital cycle. Phadindra Kumar Poudel and Pujan Maharjan (2020) examine the performance of 10 non-financial companies over a period of five years i.e. 2071-72 to 2075-76. The variable measure return on assets as dependent variable and days sales outstanding, days inventory outstanding, cash conversion cycle, current ratio as independent variable. Descriptive, correlation, regression analysis have been used in this study. It was noticed that there is significantly positive relationship among current ratio and profitability. Point out that there is significantly negative association among Days' sales outstanding and financial performance of the company.

Dr. Namita Yash (2021) examined the Dabur India Ltd. company over a time period of 15 years i.e. 2005-06 to 2019-20. She considered current assets, current liability, net working capital, inventory turnover ratio, receivable turnover ratio, cash turnover ratio, working capital turnover ratio, gross working capital, total assets, working capital leverage return on net worth ratio and liquidity ratio as variable. She used ratio analysis, rank test, averages, standard deviation, co-efficient variations, and correlation coefficient. Result shows that there is negative relationship with profitability and liquidity.

RESEARCH METHODOLOGY

This study has measured only fourteen telecom companies over a time period of ten years i.e. 2009 to 2019. The evidence was acquired from Capitaline database. The aim of this study is to get to know association between dependent and independent component. Dependent Variable is a profit after tax to sales ratio and

Independent Variables is a Sales Growth Rate, Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio, and Long Term Debt Equity Ratio. Matrix of Co-efficients of Correlations, descriptive and regression has been used for analysis.

Objectives: The objective of this study is to know and assess the extent of impact and the relationship among dependent and independent variable of the business enterprise in the telecommunication sector.

Hypothesis

H0: SGR has positive association with PATSR.

H1: SGR has no positive association with PATSR.

H0: CB&MS has positive association with PATSR.

H1: CB&MS has positive association with PATSR.

H0: FATR has positive association with PATSR.

H1: FATR has positive association with PATSR.

H0: LTDER has positive association with PATSR.

H1: LTDER has positive association with PATSR.

Analysis And Interpretation

1. Table – 1 indicate that the matrix of co-efficient of correlations between independent variables i.e. LTDR, SGR, CB&MS, FATR have been considered by Karl-Person coefficient of correlation. It is precisely displays that all component of co-efficient of correlations' value has not more than +0.1 and VIF data not close by 10. Thus the difficulty of multi co linearity does not occur between the independent component.
2. Table – 2 obtainable the element of descriptive statistics. The outcomes presented this studied will be more suitable to the organisations whose data sets resemble the descriptive method indicate in Table – 2.
3. Table – 3 obtain the regression coefficient. It is specifying that direction; standardized Beta, significance level, values and VIF are remark in Table – 3. Table – 3 displays that Sales Growth Rate, Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio, and Long Term Debt Equity Ratio as independent variables has association with profit after tax to sales ratio. The β of debt equity ratio as presented in Table – 3, stands at +0.108 viz. indicate that Sales Growth Rate has positive relationship with profit after tax to sales ratio. The value of significance level is 0.207. It is noticed that the significance coefficient beta (β) is statistically insignificant. Therefore null hypothesis (SGR) is accepted and H1 be rejected.
4. Table – 3 measured the cost of Cash, Bank & Marketable Security i.e. 0.114 it is revealed that β has positive relationship with profit after tax to sales ratio. The value of significance level is 0.180

it means β is statistically moderately significant. Thus null hypothesis (ICR) be accepted and H1 be rejected.

5. The β of fixed assets turnover ratio as presented in Table – 3, stands at +0.139 viz. point out that fixed assets turnover ratio has positive relationship with profit after tax to sales ratio. The value of significance level is 0.106. It means that the significance coefficient beta (β) is statistically

moderate. Therefore null hypothesis (CR) be accepted and H1 be rejected.

6. Table – 3 considered the long term debt equity ratio viz. +0.038 it is reveal that β has positive association with profit after tax to sales ratio. The value of significance level is 0.649 it means β is statistically not significant. Thus null hypothesis be accepted and alternate hypothesis be rejected.

Table 1. Matrix of Co-efficients of Correlations

	SGR	CB&MS	FATR	LTDR
SGR	1.000	-0.023	0.177	0.018
CB&MS	-0.023	1.000	-0.079	-0.062
FATR	0.177	-0.079	1.000	0.026
LTDR	0.018	-0.062	0.026	1.000

Table 2. Descriptive Statistics

Variables →	PTSAR	SGR	CB&MS	FATR	LTDER
Mean	-0.09078	10.3976	0.13627	0.5944	0.9953
Std. Deviation	0.73826	40.5573	0.35404	0.6758	5.32254

Table 3. Regression Co-efficients

	Regression Co-efficients		t	Significance Level	VIF
	Direction	Value			
Constant	-	0.239			
SGR	+	0.108	1.267	0.207	1.033
CB&MS	+	0.114	1.348	0.180	1.010
FATR	+	0.139	1.629	0.106	1.039
LTDER	+	0.038	0.456	0.649	1.004

Dependent Variable : PATSR

$R^2 = 0.020$

Independent Variables: SGR, CB&MS, FATR, LTDER

N = 140

Findings

1. It is find that there is insignificantly positive association among Sales Growth Rate and profit after tax to sales ratio and the significance coefficient beta (β) is statistically not relevant.
2. Further find that Cash, Bank & Marketable Security has favourably association with profit after tax to sales ratio and significant co-efficient beta is statistically moderately significant.
3. The fixed assets turnover ratio has positive association with profitability and significance coefficient beta is statistically moderately significance.
4. It is notice that long term debt equity ratio has positive association with profit after tax to sale

ratio but statistically significant co-efficient beta is not relevant.

CONCLUSION

The research disclosed relationship between Sales Growth Rate, Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio, and Long Term Debt Equity Ratio and profit after tax to sale ratio that there is positive association between Sales Growth Rate, Cash, Bank & Marketable Security, Fixed Assets Turnover Ratio, and Long Term Debt Equity Ratio and profit after tax to sale ratio. The result shows that only two variables has moderately significant and positive relation among Cash,

Bank & Marketable Security, Fixed Assets Turnover Ratio and profit after tax to sale ratio and rest of two variable viz. Sales Growth Rate and Long Term Debt Equity Ratio has insignificantly positive relation with profit after tax to sale ratio.

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