

ABSTRACT

This study investigates the critical factors of working capital management (WCM) and its impact on the overall financial performance of businesses. Effective WCM is essential for maintaining a firm's liquidity, operational efficiency, and profitability. The research employs a quantitative approach, analyzing data from a diverse range of industries to examine the relationship between working capital components—such as inventory, accounts receivable, and accounts payable—and key financial metrics including return on assets (ROA), return on equity (ROE), and net profit margins.

The findings indicate that optimal management of working capital significantly enhances financial performance. Companies with a balanced approach to inventory management, prompt collection of receivables, and strategic payment practices demonstrate better liquidity and profitability indicators. Additionally, the study reveals that industry-specific factors play a crucial role in shaping effective WCM strategies.

Moreover, the research highlights common challenges faced by firms in managing working capital, including seasonal fluctuations, supply chain disruptions, and economic volatility. In response to these challenges, the study recommends actionable strategies for improved working capital efficiency, such as the implementation of technology-driven inventory management systems and more flexible credit policies.

Overall, this study contributes to the existing body of literature on WCM by providing empirical evidence of its importance to financial performance and offering insights for managers seeking to optimize their working capital strategies. Future research is suggested to explore the evolving role of technology and its impact on working capital management practices in the digital era.