

The Relationship between Working Capital Management and Profitability: Empirical Evidence from Morocco

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This research investigates the relationship between working capital management and profitability of firms using a sample of 43 non-financial firms listed at the Casablanca Stock Exchange for a period of 7 years from 2006 to 2012. The profitability measures used in this study as dependent variables are the return on assets (ROA) and the gross operating income (GOI). In addition, as independent variables, the study includes a comprehensive measure of working capital management that is the cash conversion cycle and its components: inventory conversion cycle, average collection period, and payables deferral period. The findings show that there is a statistically significant positive relationship between return on assets and the average collection period. They also show that a statistically negative relationship exists between the gross operating income and both the average collection period and the payables deferral period. An efficient management of these working capital components can have a positive impact on profitability of Moroccan firms.

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