

Impact of Aggressive Working Capital Management Policy on Firm's Financial Performance

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Abstract

The current study looks at the long-standing link between working capital management policies and a company's profitability. Using the panel data set for the time, the impact of aggressive working capital investment and financing strategies was examined. The data for study variables are taken from the Muscat security market, we identified 13 non-financial companies that provide industrial services from 1998 to 2005. Results show that managers that are cautious with their working capital investment and finance policies can provide value to their businesses. Investors value stocks of companies that take an active approach to address their short-term liabilities. Such results posit new evidence and have implications for corporate working capital management.

Introduction

Business plays a vital role in a country's capital formation and people consider it the lifeblood of a growing economy. Therefore, it is very important to run the business effectively and efficiently. One of the big issues facing fund managers today is not just how to raise money, but how to use it wisely to maximize returns. Working capital management (WCM) is an important financial decision of the company as it directly affects the profitability of the company. Working capital management efficiency is particularly critical for manufacturing companies where a large proportion of their assets are made up of working capital, particularly inventories and trade accounts receivable (Arunkmar and Ramanan, 2013). Working capital management is a vital component of a company's overall strategy to increase shareholder value. Companies strive to maintain an ideal working capital level that maximizes their value (Deloff, 2003; Howarth and Westhead, 2003; Avaza et al., 2007).

In general, WCM from the perspective of the financial manager is a simple and clear concept that ensures the ability of the organization to finance the gap between short-term assets and short-term debt (Harris, 2005). However, a "complete" strategy is preferred because it can include all

activities of sellers, customers, and company products (Hall 2002). WCM has become one of the main concerns in practice because many financial managers are unable to identify the main factors of working capital and the level of working capital (Lamberson, 1995). As a result, knowing the performance and incentives of working capital management can help companies reduce risk and improve overall performance.

A firm with a low current asset ratio (current assets as a percentage of total assets) may espouse a forceful or aggressive WCM policy, or it may take the shape of a height level of current liabilities as a percentage of total liabilities utilized for the firm's financing decisions. There may be a negative influence of the excessive amounts of current assets on the profitability of companies. While low levels of current assets may lead to low levels of liquidity and depletion of inventory and thus lead to difficulties in maintaining operations smoothly (Van Horne and Wachowicz, 2004).

The principal reason for WCM is to preserve the most effective stability among every work capital component. The achievement of an enterprise relies upon a huge quantity at the cap potential of economic managers to correctly manipulate receivables, inventory, and creditors (Filbeck and Krueger, 2005). Companies can decrease their investment in current assets by reducing the costs of financing and/ or increasing funding obtainable for development projects. Current assets and liabilities have returned to optimal levels. (Lamperson, 1995). A level at which a balance between risk and effectiveness is achieved. It has required constant observation to maintain the appropriate level in the different components of WC. This is the optimal level of WC such as accounts receivable (A/P), inventory, payables, etc.

Overall, The Total Assets are the Company's current important component of a company. Renting machines and factories can reduce the company's investment in fixed assets. However, a related approach may not be adopted for WCM components. The money you may have invested in long-term assets. Although the impact of WCM policies on profitability is enormous, few empirical studies have been conducted "to examine this relationship. This research examines the possible relationship of conservative policies with accounting /aggressive and market firms in Oman using panel data sets. This research should help to best understand these regulations and how their impact on profitability, specifically in the emerging markets" of Oman.

The effectiveness of WCM is essential for companies must deal with in the face of poor financial conditions and global uncertainties (Demir, Esteban, & Gomez, 2019) many factors follow the significance of Work Capital Management (WCM). First its impact on the firm's profitability, risk, and shareholders' value (Smith, 1980; Le, 2019) Second, it is a major concern during events of global crises. , such as in 2020 the COVID-19 pandemic put the companies under pressure in the WC and liquidity issues (Deloitte, 2020) Third, in manufacturing and distribution, firms and an effective WCM are crucial tools for the prosperity and survival of small firms so for that, a lot amount of time spent of financial managers' on managing work Capital components which are primarily current assets and liabilities (Bhat,2008).

The WC is the foundation of any business (Mahajan & Sidhu, 2019). And It is the difference between The companies Current assets And current Liabilities (Brealey, Myers, & Marcus, 2012; Kovács, Fróna,& Rózsa, 2020).) In addition, we can say that the effective management of WC could reduce the effect of financial constraints (Ding, Guariglia, & Knight, 2013). The unused amount invested in working capital reduces the efficiency of WCM therefore, minimizing the need for funds to finance working capital. (Dhole, Mishra, & Pal, 2019)

An efficient WCM is related to short-term financing decisions and is essential to balance the company's liquidity and profitability by increasing, current assets over current liabilities firms can espouse a strategy, which leads to incurring a high cost of liquidity. Alternating, with fewer current assets and, can result in a high cost of illiquidity they can follow an offensive strategy in both cases; the profitability of the company may well be a risk (Panda & Nanda, 2018). In working capital financing companies use internal sources of funds through free cash flow or external sources such as debt (short or long-term). By financing a large proportion of working capital with long-term debt to take benefit of reductions in refinancing risk and interest rates, a company may adopt a less risky WC financing policy. Alternatively, firms can adopt a risk WC financing policy by financing a large percentage of WC in short term debt to take advantage of lower financing costs and better credit terms. So, as a result, they will reduce the agency costs (Baños-Caballero, García-Teruel, & Martínez-Solano, 2016).

An important area of finance is working capital management (WCM) because, without proper WCM, it is difficult for firms to run their operations smoothly. To expound on the relationship between WCM and profitability, various research has been carried out in various parts of the world, particularly in developing countries (Significant, negative relationship between net working capital (NWC)). Numerous analyzes and evaluations of companies, profitability, and risks for 497 companies listed on the Ho Chi Minh Stock Exchange and Hanoi Stock Exchange in 2007, 2016, 2019, and 2020, Australian companies showed a negative relationship between profitability and WCM during the 2008 global financial crisis. In 2014, 186 companies listed on the Istanbul Stock Exchange showed a positive effect between liquidity and profitability ;(Baser et al. 2016). Despite numerous research studies, there is still a discrepancy in the research into which level of current assets may significantly or slightly affect profit in Oman's non-financial sector. The association between WCM and profitability is the most commonly recognized (e.g., Deloof, 2003; Ren et al., 2019; Le, 2019; Akgün & Karataş, 2021), although there are several studies and research that investigated opposing directions (e.g., Rahman et al., 2010; Perković, 2012) of The concepts of relationships between AWCM and profitability have not yet been defined. Therefore, the described field of research remains open. It is especially important to appear. Some state that there are no relationships between the variable factors on profitability. The curve-based nonlinear relationship between profitability and working capital management was also empirically proven . First and foremost, this relationship must be identified. Mitra and Nandi (2013), as well as Eljelly, led us in the right direction (2004.) The most common empirically found relationship was between profitability and WCM. Positive relationships were found in a smaller percentage of cases. The research's executive summary Therefore, considering the current problem, a current research

framework is proposed to evaluate the impact of WCM on the company's financial performance (ROA). We will explain in this research five independent factors {Aggressive Financing policy, Aggressive WCM Policy, Leverage, and size as (control variables), that affect financial performance (ROA). The population that is affected is non-financial organizations industrial and services sector which means 13 companies from MCM.

Literature Review

The main goal of many companies is to be profitable and liquid enough to meet their short-term obligations. Certainly, working capital management contributes to the company's performance and the achievement of these goals (Afrifa, 2016). On the one hand, a large amount of working capital does not bode well for companies as it is likely to lead to financial difficulties, and conversely, too little working capital is also not suitable for the company as it could lead to a liquidity crisis for the company. Smith (1980) points out that working capital management is critical because of its impact on a company's profitability, risk, and consequently value. According to Rehn (2012), WCM involves two main decisions. These include working capital financing strategies and working capital policies. "Filbeck and Krueger (2005) inspect the WCM practices of 32 non-financial businesses in the United States, emphasizing the necessity of effective working capital management". As maintained by, their findings, there are considerable variances in working capital strategies among businesses throughout time. Furthermore, these working capital strategies fluctuate dramatically over time within industries. "Gombola and Ketz (1983), Long et al. (1993), Soenen (1993), and Maxwell et al". "(1993) all did similar investigations (1998)".

Visscher and Weinraub (1998), on the other hand, examined the topic of cautious and aggressive WCM approaches using quarterly data from US firms from 1984 to 1993. Their research looked at 10 distinct industry groups to see if there was a link between capital-conservative working styles and aggressive approaches. According to their findings, the WCM laws in different industries were diversified and significantly different. Furthermore, the relative nature of working capital management policies exhibited exceptional stability across the 10-year study period. The research also discovered a statistically significant negative correlation between liability policies and industry assets. When relatively aggressive working capital asset policies are followed, they are balanced by relatively conservative working capital financial policies.

There is a long discussion in the literature about risk/return exchanges between different approaches to working capital (Pinsch, 1991; Brigham and Erhardt, 2004; Gitman, 2005; Moir et al., 2005). More aggressive working capital policies are associated with higher risks and returns, while more conservative working capital policies are associated with lower risks and returns (Gardner et al., 1986; and Weinraub and Wisher, 1998). Working capital management is critical because of its impact on corporate profitability and risk, as well as its value (Smith, 1980). The larger the investment in current assets, the smaller the risk, but also the lower the reward. Carpenter and Johnson (1983) found no evidence of a linear relationship between the number of current

assets and revenue systematic risk in US businesses, contrary to popular perception; nonetheless, there were some clues of a possible nonlinear relationship that were not statistically significant.

Based on a study by Soenen (1993) to determine the relationship between the net trade cycle as a measure of working capital and the return on investment in American enterprises. Based on the findings of the chi-square test, it was determined that the return on assets and the length of the net trading cycle have an inverse connection. Furthermore, there is an inverse relationship between different industries depending on the type of industry, and it varies depending on the type of industry. On the other hand, according to Lamberson (1995), management has been researched from the perspective of working capital, and how small businesses respond to economic changes has been investigated and assessed. The amount of working capital necessary is the average annual economic index used to gauge economic activity. Contrary to expectations, there is very little correlation between working capital changes and economic conditions.

The cash transfer cycle (CCC) was used as a WCM metric file, to study the link between the management and profitability of US companies and aggressive working capital, Jose et al. (1996), to verify the accuracy of the results of Soenen (1993) on a large group and a more and longer time. The least aggressive working capital management is CCC. It was concluded that there is a significant inverse relationship between profitability and the cash conversion cycle; the more aggressive working money is associated with greater profit. Finally, Shin and Soenen (1998) concluded that the company's profitability increases when the level of current assets is reduced. The results confirmed that by reducing the days of outstanding receivables and when the inventories are reduced, the profitability of the Belgian companies can be improved, by analyzing several Belgian companies by Deloof (2003) for the period 1992-1996. It has been suggested that when stocks are reduced and the number of company days accounts receivable by managers this has been suggested by Solano (2005). Likewise, corporate profitability is improved by shortening the cash conversion cycle.

In Pakistan, Rahman (2006) investigated the profitability of 94 Pakistani companies and whether this profitability was affected by working capital in the period from 1999 to 2004. A significant inverse relationship was found between the profitability of companies and capital ratios, based on a study in which the effect of inventory turnover in days, average collection period, and cash conversion cycle on the net profitability of companies and the average payment period on management working capital was studied. In addition, positive shareholder value can be created by managers by reducing ccc to an ideal level. Smith and Begeman (1997) also investigated the relationship between corporate profitability and working capital.

Avaza and Nazir (2007) Using cross-sectional data from 1998 to 2003, the relationship between aggressive and prudent working capital policies for 17 industrial groups and a large sample of 263 public companies listed on the Karachi Stock Exchange (KSE)) Check out. Using analysis of variance (ANOVA) and least significant difference (LSD) tests, this study discovered significant discrepancies in working capital investment and financing methods in different industries. In addition, the ranking order correlation showed that these significant differences remained

significantly constant during the six-year study. Finally, the analysis of the least normal regression showed a negative correlation between the criteria of business profitability and the degree of aggression with which it finances its investment and working capital. Using panel data technology, the present study supports the effect of the aggressiveness of working capital regulations on profitability market metrics, particularly Tobin's q .

The investment in treasury papers, short-term cash assets, and accounts receivable by the company is called working capital (Brigham & Weston, 2010). Many benefits accrue from working capital, the first of which is sufficient stock to be provided; Customers are provided with more favorable credit terms by SMEs; Work is more efficient in medium and small companies; Small and medium businesses need credit to face potential difficulties in the financial aspects; Debts are allowed to be delivered at a certain time; Due to the low value of the current assets, small and medium companies are protected from potential risks. On the other hand, different results emerged as a result of other studies regarding the relationship between profitability and WCM. It has been concluded that there is no negative relationship or negative impact on profitability by the cash turnover. The contrast is due to AR days, and AP days. Profitability is affected by stock days. However, various studies have confirmed that there is a negative relationship between the company's profitability and the cash cycle (Lazaridis & Tryfonidis, 2006; Deloof, 2003).

In the previous literature, Lazaridis and Tryfonidis (2006) showed that there is an insignificant negative association between a firm's performance and a global inventory period. In contrast, Alavinasab and Davoudi (2013) claimed that there is a significant and negative relationship between lifespan and profitability, which is assessed using yield investments in the industrial companies listed on Istanbul securities. In addition, the result of the worship trial shows that the firm's total inventory life and total operating income have a statistically significant relationship; This result indicates that companies may be operating with less benefit due to falling sales as the company's inventory volume increases. In other references, Lazaridis and Tryfonidis (2006) found a negative association between business profitability, as measured by total operating profit, and collection time. When this happens, companies can hurt their profitability by reducing customer credit limits.

A financial manager must consider two possibilities when deciding how to combine short-term and long-term financing by paying attention to the characteristics of financing that reflect the trade-off between risk and financing costs. The first involved using short-term financing, which had a high risk of payback but low funding costs and the second involved using long-term financing, which had a low risk of repayment but high funding costs. According to Keown, Martin, Petty, and Scott (2013), there are three sorts of funding policies to consider when deciding whether to use short-term or long-term financing: 1) hedging policy, 2) conservative policy, and 3) aggressive strategy (Horne & Wachowicz, 2009).

An aggressive working capital strategy refers to maintaining lower working capital components, which came with a significant risk of liquidity and extraordinary working capital returns on investment (ALShubiri, 2011). A high level of current obligations as a percentage of total liabilities

and a low measurement of current assets as a level of all out of total assets are both indicators of an aggressive working capital strategy (Horne & Wachowicz, 2009). There is one exception to the rule that all managerial financial decisions should be made to increase investor wealth: the choice of working capital. Similar to this, each working capital choice is described by the risk-return exchange-off. The direction in which working capital is managed is the issue with this approach. The company should take into account each line item in the two accounts and make an effort to adjust the profit and uncertainty (Barine, 2012).

Myers (2001) attempted to describe how a combination of securities and financing sources can be used to fund real-world investments. There is no reason to offer a uniform framework for deciding between debt and equity. Furthermore, according to Myers (2001), when a company's operating cash flow greatly exceeds its lucrative investment prospects, the free cash flow theory predicts that dangerously high levels of debt will boost value, notwithstanding the risk of financial hardship. The free cash flow theory is intended for mature businesses that are prone to overinvesting. Taxation, bankruptcy expenses, adverse selection, and agency charges have all been proposed as key justifications for the companies' usage of debt financing, according to Frank and Goyal (2008).

According to Nishihara, Sarkar, and Zhang (2019), the problem of accumulated debt (for example, a company maximizing capital reduces investment compared to the organization maximizing the company) is an empirical result in capital decisions. Investment is a company that considers the time and volume of investment. Flexible. Wong (2010) examined the relationship between owner-owned firm investment and financing decisions using the real-time option method. The results show that debt financing does not affect the intensity of the company's optimal investment. Nonetheless, debt financing has an impact on investment timing in general, with levered companies investing earlier than unlevered companies. Sarkar (2011), on the other hand, looked at the relationship between investment time and investment amount, as well as the possibilities of debt financing. The research revealed that companies with the ideal amount of debt invest later than companies without debt. Furthermore, the investment will be larger than that made by non-debt enterprises.

Company size and Leverage is a control variable in determining company profitability (Diloff, 2003). Therefore, if the size of the company is large; this means that the number of employees is high. For example, if the financial performance (ROA) of companies is high, the size of the company is small. Size is one of the most important factors in determining the success of a company. Company size = natural log_e (ln). Palombini & Nakamura (2012) strongly recommend that companies with leverage in WCM appear more efficient and have shorter cash transfer cycles. Cinnamon and Osiapik, (2018) noted that leverage is an important indicator that decision-makers should consider.

Vo (2019) discovered that financing and investment had a negative association. This suggests that debt finance might be used as a disciplinary tool to keep corporate investments in check. Furthermore, debt financing has a significantly negative impact on investment for businesses with higher development prospects compared to businesses with smaller growth opportunities. Regarding emerging markets, the findings are significant. According to Palombini and Nakamura

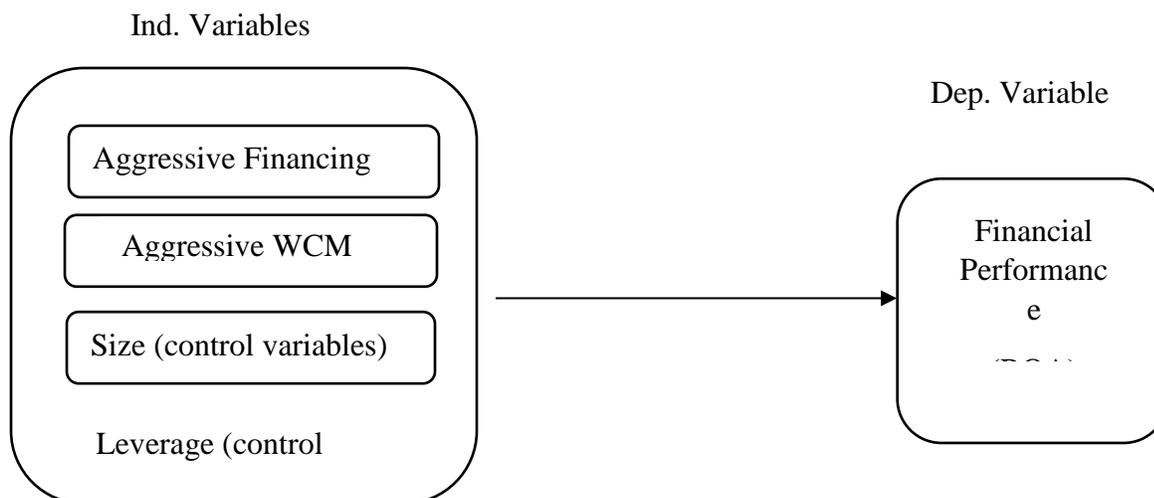
(2012), highly indebted businesses have more efficient WCM as evidenced by shorter cash conversion cycles. According to Dalci and Ozyapici (2018), the degree of leverage is a crucial signal that decision-makers should consider while managing working capital. They can tighten the working capital strategy and opt to change the length of the cash conversion cycle to boost profitability by analyzing the level of debt.

Changes in the availability of bank debt have a significant impact on a wide range of content corporate working capital strategies, according to Nasiri and Darabi (2019), and these effects often differ between bank-dependent and bank-non-dependent enterprises. Coleman and Baidoo (2020) discovered that loan financing, WCM, and cash holding had an S-curve connection. Firms that engage in foreign activities prefer to borrow as part of their capital structure rather than operate exclusively on the capital of their owners, as most domestic businesses do. The relationship between debt financing, WCM, and cash holding is non-monotonic, indicating that management can choose the best debt management policy to accomplish the desired result.

Three different working capital finance policies exist. First, aggressive working capital financing policies, whereby all short-term debt is used to finance working capital. In addition, moderate policies fill 50% of the need for working capital with short-term debt and 50% with long-term debt. Conservative ideas, on the other hand, call for financing all working capital through long-term debt. (2008) Weston and Copeland.

Theoretical Framework and Hypothesis Development

The framework of the present study shows that the independent variables in the present study are the Aggressive Financing policy, Aggressive WCM Policy, Leverage, and size (control variables). The dependent variable is financial performance (Return on assets). Company size and Leverage is a control variable in determining company profitability (Diloff, 2003). Therefore, if the size of the company is large; this means that the number of employees is high. For example, if the financial performance (ROA) of companies is high, the size of the company is small. Size is one of the substantial factors in determining the success of a company. Company size = natural login (ln). Financing is more important than investing compared to companies with smaller growth opportunities and companies with larger growth opportunities (VO, 2019). Palombini & Nakamura (2012) strongly recommend that companies with leverage in WCM appear more efficient and have shorter cash transfer cycles. Cinnamon and Osiapik, (2018) noted that leverage is an important indicator that decision-makers should consider. Working capital management. By understanding the level of financial leverage, they can tighten working capital policies and make decisions to adjust the length of the cash transfer cycle to improve profitability.



AWC investing policy-investing policy of the country has a linear relationship with the country's firm performance (Deloof, 2003), if investing indicators of the country will grow, it will create a positive impact on the overall performance of the manufacturing and services sectors of the country.

Research Hypotheses

To respond to all research objectives, the following hypotheses are developed to validate the data analysis:

Hypothesis 1: Firm aggressive working capital management policy has an impact on ROA.

Hypothesis 2: Firm aggressive financing policy has an impact on the firm's return on assets (ROA).

Hypothesis 3: Firm Leverage control variables to test the influence on firm financial performance.

Hypothesis 4: Firm size control variables to investigate the impact of size on the Firm's Financial Performance.

Methodology

This study aims to define if WCM does affect negatively or positively profitability. The investigation takes a sample from non-financial organizations. Which have listed and administrative ownership in Oman (MCM) like Omental, Sohar Aluminum, etc. To study the relationship between profitability and WCM and find out the effect between them and the extent to which WCM affects the profitability of companies. In this research, we have searched for 13 companies in the industrial and service sectors in Oman that are registered in the Muscat Securities Market, where we have followed up on the financial statements and income statements (profits and losses) of these companies. The quantitative method shod used in the research because we do not want to write description data or explanation data that describe the behavior of people. We

want data so that we can make calculations and get new results also using quantitative data we can Interpretation of phenomena using statistical and numerical methods. Quantitative data helps in knowing accurate information, and this method is the most appropriate for the study presented. Quantitative data is an easy and inexpensive way to collect data. There are ethical ways to write research such as Accuracy. When working on a study, you should avoid critical mistakes and try to review and critique the work honestly to ensure the validity of the results. It is also important to keep all your research steps in drafts or complete records as they can help you write your findings and recommendations. Honesty and integrity mean that the actual results shown by the study should be published and the results should not be falsified according to your personal preferences. You should not make statements, including unreasonable inferences from any of your results, and you should not make inferences, including unreasonable inferences from any of your results, as over-interpretation of the results diminishes the credibility of the study. In general, you should not take any actions that may appear to attempt to mislead. Concerning intellectual property, you should always seek permission before using tools, methods, data, or results that have not been published by other researchers. Moreover, it is forbidden to steal or copy the works of others and try to present them as your work. This is called plagiarism or plagiarism. It is also necessary to document all citations. And the quotes you used in the reference list. Scientific honesty and respect for the intellectual property of publishers and authors are very important in the ethics of scientific and educational research, so opinions should be attributed to their owners with full transparency. Avoidance of emotions, and avoidance of emotional style in conducting the stages of scientific research, especially the stages related to dealing with respondents, will hurt the whole research. The researcher or student must be objective and truthful in the research presented and provide logical evidence to the opponent, to get to the facts. The relationship between profitability and capital has been studied using the bold investment policy, where Weinraub and Visscher (1998) also used this method, where they used it for 126 American companies and analyzed their working capital. In contrast, a conservative investment policy puts a large portion of capital into cash assets to reduce profitability at the expense of opportunity. If the total assets of the company (TA) increase from this principal amount, the current flow will be proportional. Corporate management is always conservative in managing the current asset (CA) of the firm. Expand the measurement of the aggressiveness of working capital investment policy using the following method:

Aggressive Inlity (AIP) = Total Current Asset/total Assets (Nazir, 2009; Afza, 2009)

That means relatively aggressiveness policy (AIP) has lower ratio.

On the other said, the increasing in the rate of (CL) current liabilities and reducing long-term dept is call it (AFP) aggressive financing policy. However, conservative financing policy is defined as using low current liabilities and more capital and long-term debt. Managing current liabilities is the more aggressive in the firm so if they use more current liability, it will affect the liquidity in bad (risk). To measure aggressive a financing policy use the following transaction:

Aggressive financing policy = total current liabilities\total assets (Nazir, 2009; Afza, 2009)

That means relatively aggressiveness policy has higher ratio.

The effect of WCM policies on ROA. The return on assets calculated by using the following formal:

ROA = net earnings after taxes\book value of asset(Nazir, 2009; Afza, 2009).

Regression model:

Regression is used to predict the values of quantitative outcome variables using several other Predictive variables. Simple regression shows the collective effect of independent variables on the dependent variable .

$$ROA_{ij} = \beta_{ij} + \beta_{1ij}AIP_{ij} + \beta_{2ij}AFP_{ij} + \beta_{3ij}Size + \beta_{4ij}Lev + \epsilon_{ij}$$

Where

β_{ij} = Co-efficient of Predictors

ROA_{ij} = Return on asset of i firm for the j time period

AIP_{ij} = Aggressive Financing policy “of i firm for the j time period

AFP_{ij} = Aggressive investment policy “of i firm for the j time period

$Size_{ij}$ = Size of i firm for the j time period

Lev_{ij} = financial Leverage of i firm for the j time period

ϵ_{ij} = Error term

j = No. of year

i= No. of firms

RESULTS

The “mean value of ROA is 0.032 and the standard deviation of 0.081 the difference is abnormal. The mean value of AIP is 0.417 and the standard deviation of 0.38 the difference is abnormal. The mean value of AFP is 0.29 and the standard deviation of 0.224 the difference is abnormal. The mean value of Size is 6.891 and the standard deviation of 1.497 the difference is abnormal. The mean value of Lev is 0.412 and standard deviation of 0.294 the difference is abnormal”.

Table 1

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
NetIncome	122	2399364.1	5605688.4	-13585793	27385206
TotalAsset	122	53605695	65709366	729437	2.310e+08
Totalcurrentasset	122	17257296	20221485	3310.096	98005019
totalcurrentliab	122	9721492.1	11110378	176253	60724521
totaldebt	122	17012718	21279445	216258	1.159e+08
ROA	122	.032	.081	-.458	.196
AIP	122	.417	.38	0	3.89
AFP	122	.29	.224	.043	1.537
Size	122	6.891	1.497	2.225	8.311
Lev	122	.412	.294	.044	2.502

The “correlation” table tells us the relation between independent and dependent variables. Table 2 indicates that aggressive investment policies have a significant relationship with return on investment with a Beta value of 0.162. On the other hand, aggressive working capital financing policies show a negative relationship with return on investment with a Beta value of -0.290. Moreover, size and leverages show a negative relationship with return on investment with a Beta value of -0.053 and -0.113”.

Table 2

Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)
(1) ROA	1.000				
(2) AIP	0.162	1.000			
(3) AFP	-0.290	0.601	1.000		
(4) Size	-0.053	0.041	0.042	1.000	
(5) Lev	-0.113	0.612	0.839	-0.060	1.000

The t-statistics show the individual coefficient is significant and the p-value shows the exact level of significance of the individual slope coefficient significance. The t-value AIP is 0.104 and the p-value is .000, which shows that the AIP is statistically significant. The t-value of AFP is -0.288 and the p-value is 0 which shows that AFP is significant. The t-value of Size is -0.001 and the p-value is 0.752, which shows that the variable is statistically significant. The t-value of Lev is 0.07 and the p-value is 0.097, which shows that the cash flow ratio is statistically significant. The above significant negative slope coefficients confirm the findings of (Delop, 2003)”.

Table 3

Pooled Regression Model

ROA	Coef	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
AIP	.104	.022	4.77	0	.061 .147	***
AFP	-.288	.054	-5.32	0	-.395 -.181	***
Size	-.001	.004	-0.32	.752	-.01 .007	
Lev	.07	.042	1.67	.097	-.013 .153	*
Constant	.053	.032	1.64	.104	-.011 .116	
Mean dependent var		0.032	SD dependent var		0.081	
R-squared		0.280	Number of obs		122	
F-test		11.394	Prob > F		0.000	
Akaike crit. (AIC)		-296.935	Bayesian crit. (BIC)		-282.915	

*** $p < .01$, ** $p < .05$, * $p < .1$

Random Effect Model results

ROA	Coef	St.Err.	t-value	p-value	[95% Conf Interval]	Sig
AIP	.088	.021	4.24	0	.047 .128	***
AFP	-.311	.056	-5.58	0	-.421 -.202	***
Size	-.005	.008	-0.64	.524	-.02 .01	
Lev	.074	.04	1.85	.064	-.004 .152	*
Constant	.09	.056	1.61	.108	-.02 .2	
Mean dependent var		0.032	SD dependent var		0.081	
Overall r-squared		0.264	Number of obs		122	
Chi-square		47.171	Prob > chi2		0.000	
R-squared within		0.291	R-squared between		0.312	

*** $p < .01$, ** $p < .05$, * $p < .1$

The "t-statistics show the individual coefficient is significant and the p-value shows the exact level of significance of the individual slope coefficient significance. The t-value AIP is 0.088 and the p-value is .000, which shows that the AIP is statistically significant. The t-value of AFP is -0.311 and the p-value is 0 which shows that AFP is significant. The t-value of Size is - 0.005 and the p-value is 0.524, which shows that the variable is statistically significant. The t-value of lve is 0.074 and the p-value is .108 showing that the cash flow ratio is statistically significant. The above significant negative slop coefficients confirm the findings of (Delop, 2003)".

Fixed Effect Model Regression results

In Table 4, the impact of aggressive working capital management ratios on the profitability (RON) of Hindalco is shown with the help of the fixed effect model regression result. The table shows the impact of ROA,

Table 4

ROA	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
AIP	.058	.021	2.77	.007	.016	.099	***
AFP	-.44	.063	-7.02	0	-.564	-.315	***
Size	-.151	.037	-4.07	0	-.224	-.077	***
Lev	.165	.044	3.74	0	.077	.252	***
Constant	1.105	.257	4.30	0	.595	1.615	***
Mean dependent var		0.032	SD dependent var			0.081	
R-squared		0.384	Number of obs			122	
F-test		16.394	Prob > F			0.000	
Akaike crit. (AIC)		-364.157	Bayesian crit. (BIC)			-350.136	

*** $p < .01$, ** $p < .05$, * $p < .1$

The t-statistics show the individual coefficient is significant and p-values show the exact level of significance if the individual slope coefficient is significant. The t-value AIP is 0.058 and the p-value is 0.007, which shows that the AIP is statistically insignificant. The t-value of AFP is -0.44 and the p-value is 0 which shows that AFP is insignificant. The t-value of Size is -0.151 and the p-value is 0 showing that the variable is statistically significant. The t-value of lve is 0.165 and the p-value is 0, which shows that the level is statistically significant. The above significant negative slop coefficients confirm the findings of (Delop, 2003)".

Policy implication

This study offered insightful information on the important impact of Aggressive Working Capital Management on the financial performance of Oman.

CONCLUSION

Working capital management is one of the most important financial concepts for companies. Working capital is an important factor for companies to operate. This study aims to find the relationship between working capital management and profitability and whether it affects it in a positive or negative way. Where we found in this study that there is a significant relationship between working capital management and the profitability of Omani companies. We have found that there is a negative relationship between WCM and the profitability of Omani companies, as shown in the results that we have studied. For Hypothesis 1, we accept that there is an effect on ROA by AWCM policy since there is a positive relationship between them. We accept Hypothesis

2, we accept which states that a firm's aggressive financing policy has an impact on the firm's return on assets (ROA) since there is a negative relationship between them. As for Hypothesis 3, we found that there is a negative relationship between the return on investment and financial leverage and that the company's performance is affected negatively by financial leverage, so we accept this hypothesis. We accept Hypothesis 4, which states "Firm size control variables to investigate the impact of size on the firm financial performance", since there is a positive relationship between size and the company's profitability, increasing the size leads to an increase in the company's profitability. As for Oman, attention should be paid to working capital and its impact on the company's profitability.

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