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Interrelation of working capital management and efficiency of the company

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Abstract

Effective management of working capital gives the company the opportunity to create its value by reducing the need for additional funding, increasing profitability, improving liquidity, and increasing the efficiency of operations. Working capital acts as a lever for the creation of value and value for its owners. An effective management model of working capital allows a company to gain competitive advantage and increase the well-being of shareholders. The relevance of the study is due to the need for quality management in the short-term aspects of the company's activities to achieve its maximum effectiveness. The purpose of this article is to determine the nature of the relationship between the components of working capital and the effectiveness of the company in the Azerbaijan market. Working capital management is an important aspect of management aimed at increasing the competitiveness of a company and creating value for business owners and key stakeholders in the long run. To achieve long-term goals, the company must be paid and provide a level of profitability, satisfying stakeholders. As part of the study, as an indicator of the quality of working capital, the length of the financial cycle of the company was used, as well as the period of turnover of reserves, accounts payable and accounts receivable. There was also a criterion for the effectiveness of the company - an indicator of return on assets (ROA). As a basis for research, a selection of Azerbaijan small and enterprises of various industries, except for companies involved in the financial sector and the service sector, from 2015 to 2019. The course of the investigation showed that there is a significant reciprocal relationship between the long financial cycle of the company and the effectiveness of its activities. In the period between the turnover of the creditor's indebtedness and the effectiveness of the company's activity, a reciprocal relationship was also identified. With the growth of the period of turnover of receivables, the efficiency of the company's activities falls. The periodic turnover of the company's stocks and the effectiveness of its activities are also reflected in the reciprocal relationship.

1. Introduction

Working capital management plays a significant role in the financial management and planning of an enterprise, as it is directly related to the management of short-term assets and liabilities. The quality of use of working capital allows you to increase or decrease the company's performance, depending on what goals the company pursues now.

Currently, there are several approaches to working capital management with different goals. First, working capital management allows the company to provide a continuous flow of investments in its current assets to maintain a balance between assets and liabilities, and therefore, to ensure coverage of various operating expenses. It seems natural that a company needs a certain minimum amount of cash and inventory to meet a variety of day-to-day tasks, from paying payroll to acquiring various licenses or securing its office space. The next important goal is to ensure the constant growth of the company, which, of course, includes the growth of the company's sales. Along with the growth of the company, it needs to increase the resources on which this growth will be based, which leads to the need to increase investments in inventories, receivables, etc. The third goal is to finance additional costs that arise during critical periods of the company's seasonal cycles. In this case, additional

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