

# **Abstract**

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## **the effect of working capital management on firm's profitability**

Working capital management is an important part in a firm's financial management decision. The ability of firms to continuously operate in longer periods depends on how they deal with investment in working capital management. Optimal working capital management could be achieved by firms that manage the trade-off between profitability and liquidity. The purpose of this research is to investigate the relationship between working capital management and firm profitability in the Egyptian food sector. A sample of fifteen firms listed in Egypt's stock exchange was used covering the period from 2005 to 2009. Cash conversion cycle is used as the measure of working capital management and return on assets, return on equity and return on sales are used as the measures of profitability. For the purpose of the research, panel data analysis was used. Result of the analysis concluded that cash conversion cycle is significantly negatively associated with the firm's profitability. Thus, firms' financial managers should focus on reducing cash conversion cycle.