Report on
Impact of Working Capital Efficiency on Firm Performance: Evidence from South Asian Retail Industry

By
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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor in Business Administration

BRAC Business School
BRAC University
January,2026

Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at BRAC University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Khadija Tasnim, 22104056

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Student Full Name
Student ID

Supervisor's Full Name & Signature:

Rubel Saha
Senior Lecturer, BRAC Business School

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Supervisor Full Name
Designation, Department Institution

Letter of Transmittal

Rubel Saha

Senior Lecturer,

BRAC Business School

BRAC University

Kha-224, Merul Badda, Dhaka-1212

Subject: Submission of Internship Report.

Dear Sir,

It is my pleasure to submit my internship report as a partial requirement for the completion of the BBA program under BRAC Business School. This report has been prepared based on my practical learning and experience during my internship, which was conducted under your kind guidance and supervision.

I have made my sincere effort to prepare this report with relevant information, practical insights, and proper analysis in a concise and comprehensive manner. I have followed the guidelines and instructions provided to me while preparing this paper. I hope that this report will meet the required academic standards and fulfill the objectives of the course.

I shall be grateful if you kindly accept this report. I will be pleased to clarify any part of the report if required.

Sincerely yours,

____

Khadija Tasnim
22104056
BRAC Business School
BRAC University
Date: January 06, 2026

Executive Summary:

The working capital management is important to the profitability of the firm, especially in the retail sector where companies act at a high inventory level and under constant liquidity demands. This paper will discuss the effect of working capital efficiency on financial performance of South Asian retail firms. The primary aim is to examine the significance of cash conversion cycle (CCC) and its two elements inventory holding period (IHP), receivables collection period (RCP), and accounts payable days (APD) on the firm profitability based on the measures of return on assets (ROA). Control variables which are firm-specific effects include firm size, leverage, and sales growth.

The proposed models are tested using panel regression, correlation analysis, and descriptive statistics using panel data of sampled South Asian retail firms. The results show that there is a remarkable negative correlation between the cash conversion cycle and profitability that firms with the shorter CCCs are more financially successful. Retail inventory control is significant, as inventory holding period is also discovered to impact negatively on profitability most of all. Receivable collection period is also associated with a negative variation in profitability whereas account payable days indicate a positive affiliation, indicating that optimal utilization of supplier credit has the ability to improve the performance of firms. Generally, the paper concludes that good management of working capital is a major contributor to profitability in South Asian retail industry and has significant implications to managers, investors and policymakers.

Keywords: Working Capital Management, Cash Conversion Cycle, Inventory Holding Period, Receivables Collection Period, Accounts Payable Days

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List of Acronyms

CCC: Cash Conversion Cycle
IHP: Inventory Holding Period
RCP: Receivables Collection Period
APD: Accounts Payable Days
ROA: Return on Assets
HR: Human Resources
MIS: Management Information System SOP:
Standard Operating Procedure
FMCG: Fast-Moving Consumer Goods
HRP: Human Resource Planning
KPI: Key Performance Indicators
EVA: Economic Value Added
MVA: Market Value Added
IFRS: Financial Reporting Standards
FIFO: First-In-First-Out
ERP: Enterprise Resource Planning
O2O: Online 2 Offline
WCM: Working capital management

Chapter 1: Overview of the Internship

1.1 Student Information

Name: Khadija Tasnim
ID: 22104056
Program: Bachelor of Business Administration
Major: Finance
Minor: Management Information Systems

1.2 Internship Information:

1.2.1 Details:

Period: 6 Months (22 September, 2025- 22 March, 2026)
Company Name: ACI Logistics Ltd. (Shwapno)
Department: Human Resource
Address: Novo Tower, Level-1, 270 Tejgaon Industrial Area, Dhaka

1.2.2 Internship Company Supervisor's Information:

Name: Sarker Noor Mohammad
Position: Lead Training and Development

1.2.3 Job Scope – Job Description/Duties/Responsibilities:

- Supporting HR operations by drafting warning letters, training communications, and internal reports.
- Assisting in the preparation of training materials, attendance sheets, and feedback forms for employee training and development programs.
- Collecting, compiling, and summarizing trainee feedback and preparing structured training evaluation reports.
- Monitoring employee compliance with workplace rules, training guidelines, and operational procedures under supervision.
- Assisting supervisors in preparing reports related to employee performance, job negligence, and policy violations when required.
- Performing any additional tasks assigned by the supervisor to support smooth HR functions.

1.3 Internship Outcomes

1.3.1 Student's Contribution to the Company

My internship experience at ACI Logistics Limited (Shwapno) within the training and compliance department of the Human Resources department allowed me to play a role in human resource activities, specifically, training support, compliance monitoring, and MIS activities. My significant contributions are:

- MIS Support to the Training and Compliance team is preparing training and compliance-related data and reports, updating, and maintaining them.
- Developing the copy versions of official notices, warning letters, and internal HR messages regarding the training and compliance concerns under supervision.
- Helping in organizing employee training programs by making attendance sheets, training instructions, and training nutrition.
- Consolidating, interpreting, and presenting training and compliance feedback and preparing control MIS reports to the management.
- Working alone on compliance related matters such as detection of non-compliance, recording of incidents, and drafting relevant reports in line with the HR requirements.
- Helping the supervisors to observe whether the employees are on the right track concerning the organizational rules, SOPs, and workplace discipline standards.
- Having proper documentation and record keeping to ensure effective and smooth HR operations.

1.3.2 Benefits to the Student

The ACI Logistics Limited (Shwapno) internship experience was very valuable in terms of professional exposure and learning, especially on HR training and compliance functions. The main advantages of this internship will be:

- Acquired experience in HR training, compliance management, and MIS reporting in a large retail company.
- Acquired good ability in the preparation of MIS report, HR and records of compliance.
- Increased knowledge about the compliance of employees, SOPs, and discipline processes at the workplace.
- Enhanced analysis and planning capabilities by frequent access to HR and compliance data.
- Improved professional communication, collaboration, and time management abilities in the everyday work.
- Effectively applied academic concepts learned at BRAC University and practical HR practices.
- Growth in self-belief to manage given duties on professional HR setting.

1.3.3 Problems/Difficulties (Faced During the Internship Period)

Regardless of the learning experience, the following problems were inevitability encountered during the internship:

- Difficulty in the first instance comprehending the organizational structure, processes of HR, and the internal reporting systems.
- Exposure to actual HR processes and corporate reporting guidelines is restricted.
- Working through the load in the peak of the operational and training periods.
- The rapid adjustment to the corporate communication and corporate culture.

1.3.4 Recommendations (for the organization for future Internships)

Some of the suggestions given ACI Logistics Limited (Shwapno) based on the internship experience are to improve future internship schemes.

- At the very start of the internship, prepare a complete orientation package for incoming interns.
- Establish clear intern goals, roles, and responsibilities, and expectations in terms of performance.
- Schedule mentoring and feedback sessions with the intern.
- Provide more opportunities for interns to engage in the key activities of the HR function.

Chapter 2

Organizational Profile of ACI Logistics Limited (Shwapno)

2.1 Introduction

This chapter offers a detailed organizational profile of ACI Logistics Limited (Shwapno), where the researcher completed an internship in the Human Resources (HR) Department as part of the Bachelor of Business Administration (BBA) degree. The aims of this chapter are to examine the background of the company, the organizational hierarchy, the operational context, and the primary functions of the corporation to gain familiarity with the company. Further, the chapter describes the organizational study's scope and methodology.

For internship-related academic research, an organizational study is indispensable because it integrates book knowledge with real-life business scenarios. ACI Logistics Limited is one of the biggest and leading organized retail chains in Bangladesh. Therefore, it is an immense opportunity to draw insights on contemporary practices of retail management, human resource management, and organizational structure in a developing country. Consequently, this chapter lays the groundwork for the other analyses by delineating the purpose, scope, and challenges of the study.

2.1.1 Objectives of Chapter 2

This chapter focuses on the following objectives:

- Providing a brief description of ACI Logistics Limited (Shwapno) and how the company conducts its business.
- Comprehending the company's organizational hierarchy and major functions.
- Determining the boundaries of the internship-based organizational study.
- Describing the system used in the collection and analysis of organizational data.
- Describing the value of organizational analysis in the context of theory and practice.

2.1.2 Scope of the Study

The contextual analysis of this research is the organizational level of ACI Logistics Limited that is focused on the Human Resources branch where the internship was received. It discusses the background, operations and internal policies of the company using primary and secondary information. The functions that are going to be analyzed will include several chosen functions, such as the management, marketing, financial, and accounting functions, operations, and strategic positioning in the market. Nevertheless, the analysis of subdivisions and internal strategies of the company was restricted due to the time and the necessity to keep information confidential. Therefore, this research undertaking is trying to present a pertinent and impartial point of view, as opposed to a comprehensive internal audit.

2.1.3 Methodology of the Study

In conducting this organizational study, the research techniques used were qualitative and descriptive. In an effort to achieve reliability and scholarly integrity, both primary and secondary data sources were utilized.

Primary Data Sources:

- Direct internship observations with the HR department
- Conversations with supervisors and coworkers
- Direct involvement with HR activities and internal reporting systems

Secondary Data Sources:

- The ACI Limited official publications and company site
- Available internal documents and annual reports
- Journals, textbooks, and internet resources related to business

The basic concepts of management and organization being used that have been learned during the BBA to assess the available data.

2.1.4 Significance of the Study

The study has both practical and academic significance. From the perspective of the study, the organizational analysis, helps to combine both theoretical and practical aspects of business. It enables the researcher to integrate knowledge from the classroom on management, human resources, marketing, operations and utilize that knowledge within an organization. The study, from a practical point of view, demonstrates how a large retail organization functions in Bangladesh. Besides, it can be of help to prospective interns, students, and researchers who wish to acquire knowledge about organized retail and HR practices of similar retail companies.

2.1.5 Limitations of the Study

The study, despite best attempts at accuracy and academic rigor, has some limitations.

- There was a lack of access to sensitive organizational and financial data.
- The data collection period was limited to the duration of the internship, which restricted the extent of analysis that was feasible across different departments.
- A few of the details were based on merely observing and talking to people, which could have resulted in a more subjective view.
- The results could be limited to a few branches and departments of the organization. These were considered in the data analysis stage as the study attempted to maintain objectivity and academic honesty, as far as was possible.

2.2 Overview of the Company

2.2.1 Company Background

ACI Logistics limited is a leading structured retail company in Bangladesh that operates the largest chain of supermarkets in the country called Shwapno. It is a Company of ACI limited that is a top multinational in Bangladesh. The company ACI Logistics Limited has a vision of transforming retail business in Bangladesh and to achieve this, it sought to construct a customer friendly supermarket in the country. Shwapno is a pioneer in the development of the Bangladesh organized retail sector and it ranks among the biggest supermarkets in Bangladesh. It operates a huge network of retail stores within urban and semi-urban areas. It also has diversified product portfolio such as grocery, fresh produce, household and general consumer products. Being a company with large scale operations, ACI Logistics Limited has enhanced the supply chain, product and food safety and generated large numbers of direct and indirect employment. ACI Logistics Limited has been incorporating modern retail, systematized SOPs, technology and also assisting in developing the retail structure of Bangladesh in order to cope up with the consumer needs.

2.2.2 Nature of Business

ACI Logistics Limited belongs to the systematized retail sector, which specializes in the fast-moving consumer goods (FMCG), fresh fruits and vegetables, home and daily needs, and, other daily needs. The firm procures its products from both overseas and domestic vendors and then distributes them through its deep-rooted retail network. To adapt to evolving customer needs, the company provides online shopping with home delivery, in addition to physical retail outlets.
Shwapno's business model is based on providing customers with low prices, quality products, and convenience. The company combines modern retail with an understanding of the local market in order to enhance the shopping experience for consumers, while also providing support to local producers and suppliers.

2.2.3 Vision and Mission of the Company

Vision: To be the best retailer where people love to work, shop and invest.

Mission: To win the hearts of their customers through continuous innovation, creation and delivery of promise, "everyday a better life".

2.2.4 Organizational Structure

ACI Logistics Limited employs the functional organizational structure. Although the decision making on the strategies is made by the best corporation, operational activities are distributed to the different departments: Human Resources, Operations, Marketing, Finance, Supply Chain, and Information Technology. This design gives it an operational emphasis and corporate control to streamline processes.

2.2.5 Corporate Culture

The corporate culture of Shwapno emphasizes on integrity, customer centricity, collaboration and discipline. The employees are encouraged to follow the standard operating procedures and be professional and accountable in their roles. The HR department actively fosters a culture of organizational oversight in alignment with the company's mandate.

2.3 Management Practices

2.3.1 Leadership Style of the Organization

The engagement of ACI Logistics Limited (Shwapno) in both democratic and participative leadership styles reflect the organization's leadership style, along with the departmental structures and the managerial control functions of the retail operations at the outlets, which are distinctly regulatory and directive in nature. At the level of the head office, the leadership styles seem to favor more of democracy and participation, as they empower the employees to engage in the interactivity of discussions and the multi-dimensional integration of the variables of problem solving and decision making. Employees participate in the organization's decision making in the areas of the organization's operations, human resource management policies, and the management of processes in the organization's workflow. Such an approach in the integration of employees at various levels of the organization in decision making aimed at operational problem solving supports the participative approach in strategic leadership that emphasizes building trust and communication, and that leading to an increase in employees' level of engagement in the organization (Northouse, 2021).

Conversely, at the level of the retail outlets, employees' structure and leadership tend to be more directive, and to achieve the desired level of compliance with the organization's standard operating procedures (SOPs), managerial control functions, and the organization's objectives in the areas of quality and customer service, are more task oriented. Such an integration of approaches to leadership in the organization serves to achieve the goals of balancing the operational discipline of the organization with the employees' engagement. Leadership styles in operational processes and activities integrate the levels of efficiency, accountability, and employee synergies in the fulfillment of organizational goals.

2.3.2 Human Resource Planning

At ACI Logistics Limited, Human Resource Planning (HRP) is carried out as an organized activity where the goal is to understand the optimal number of people needed with adequate competencies for specific tasks to be completed at a specific point in time. Because of the size of the range of workforce and outlets, HR planning is interdependent with the business growth strategy, employee turnover, and operational logistics. HR focuses on predicting the manpower needs and adjusting to the changes of new outlets, seasonality of demand, employee turnover, and promotions. Planning the workforce helps the company avoid operational disruptions caused by understaffing or overstaffing, thus maintaining operational efficiency and controlling costs. This is consistent with standard HR planning frameworks by Dessler (2020).

2.3.3 Recruitment and Selection Process

Shwapno has clear guidelines for its recruitment and selection endeavors formulated to be fair and transparent. Depending on job needs there can be internal and/or external recruitment. Internal recruitment is promoted for advancement and change of job roles, while external recruitment is for new talent. In Shwapno's selection, there is always a job analysis, job advertising, application screening, and interview, followed by selection on the final criteria of competence and fit for the organization. In this regard, for entry and operational positions, emphasis is on the candidates' attitudes, reliability, and basic skills. While for management positions, there is a greater need for experience, leadership, and greater technical skills. Such a systematic approach to recruitment and selection promotes operational consistency and a high level of quality in the workforce of Shwapno.

2.3.4 Compensation and Benefits System

ACI Logistics Limited has a balanced compensation system to reward and to attract and retain talent. The compensation system comprises a basic salary, a set of allowances, and a combination of performance pay, bonuses and other statutory benefits as per the Bangladesh labor law. There are performance bonuses at the individual and outlet levels, which incentivize the achievement of operational and service standard goals. The system of compensation has reflected internal fairness and external competitiveness, which promotes retention and satisfaction of employees, and stability in the organization.

2.3.5 Training and Development Initiatives

Training and development are an integral part of management of human resources at Shwapno. New employees get orientation training which introduces them to company policies, responsibilities and expectations. Also, practical skills are enhanced through a widely practiced method called on-the-job training, like at the outlet level. Customer service, compliance, leadership and operational training are also organized at the company. These help employees adapt to the company's changing needs and improves long term organizational effectiveness.

2.3.6 Performance Appraisal System

At Shwapno, appraisals are based on performance criteria and Important Performance Indicators (KPIs). Employees are measured on quantitative results and qualitative behavioral parameters like discipline, teamwork, and customer service. Promotions, salary increases, training, and performance are based on appraisal results. Feedback and regular evaluation of performance are meant to encourage and improve alignment of individual performance with company goals, an approach which is a best practice in HR (Dessler, 2020).

2.4 Marketing Practices

2.4.1 Marketing Strategy

ACI Logistics Ltd (Shwapno) has developed a value-oriented marketing strategy focusing on quality and reliability. In a price-sensitive market like Bangladesh, Shwapno aims to offer quality products at market-competitive prices. Moreover, the organization facilitates customer convenience by establishing a vast network of retail outlets. In organized retail, customer traffic is critical, and Shwapno has effectively implemented everyday low pricing, regular sales promotions, and optimized product range to achieve this traffic.

The company's strategy is in accordance with the retail marketing concept on the ideology of customer value creation, and building sustainable, long-term relationships, rather than focusing on short-term profit maximization (Kotler & Keller, 2016). Shwapno's retention of pricing policies, and the reliable availability of products, is a focal point for the company in establishing itself as the customer's trusted neighborhood supermarket.

2.4.2 Target Customers, Targeting, and Positioning Strategy

Shwapno's target market is the urban and semi-urban population in the middle- and lower-middle-income classes. The customers Shwapno serves are primarily family units and working professionals, and, as the company has determined, mass-market targeting is the most suitable for Shwapno rather than niche targeting. This is especially relevant to the nature of grocery and other fast-moving consumer goods (FMCG) retailing. In its positioning statement, Shwapno describes itself as a supermarket that is reliable, affordable, and accessible supermarket that offers fresh and quality products under one roof. Because of the positioning statement, Shwapno is able to focus on the areas of trust, freshness, and value to position itself apart from the wet markets and the smaller neighborhood stores.

2.4.3 Marketing Channels

Shwapno applies multi-channel marketing and distribution strategy. The main marketing medium will be its physical stores found in the main cities and towns in Bangladesh. These are the primary customer contact centers and sales. Besides their physical outlets, Shwapno has gone into the online retailing arena by incorporating e-commerce and home delivery services. The digital channel enables the organization to access tech-savvy consumers and address the evolving shopping pattern, especially in the cities. This combination of offline and online distribution improves the coverage of the market and the convenience of the customers.

2.4.4 Product and New Product Development and Competitive Practices

Shwapno is a large-scale retailer which stocks fresh fruits and vegetables, meat and fish, packaged food products, personal care products, and household basics, as well as selected products in the label of their own. Consumer demand, seasonal trends and availability of suppliers influence the product assortment decision. The company is also involved in minimal development in its own label, thus, managing costs and enhancing margins, and giving relief on prices to its customers. The competitive practices of the firm are primarily concerned with price promotions, product mix, and store accessibility, and not intensive product innovation which aligns with the norms in the retail business in emerging markets.

2.4.5 Branding Activities

Shwapno appreciates trust, quality and social responsibility in its branding activities. The brand image aims at safe, hygienic, and clean shopping experiences particularly to food and fresh produces. Standardized services and the similar branding and layout of the stores help build brand recognition. Shwapno also enhances its corporate credibility through the association with ACI Limited. This corporate branding partnership empowers customer trust and sustains the long-term development of brand equity.

2.4.6 Advertising and Promotion Strategies

In communicating with their clients, Shwapno uses both classical and modern selling techniques. Shwapno practices advertising and selling through price cuts, promotions within the store, advertising for special seasons, selling to customers who are loyal to the shop, and giving special promotions for customers at the time of holidays. Recently, Shwapno has increasingly relied on digital marketing. Shwapno also uses Facebook and other modern social media apps to sell his services, promote his offers, and communicate with his customers. These sell promotion activities are modern and inexpensive ways to promote and communicate with customers. These activities also help engage customers. Shwapno uses the concepts of integrated marketing communication; Kotler and Keller (2016) emphasize that such practices improve advertising and the ability to remember brands and is also seen in Shwapno marketing and promotional practices.

2.4.7 Critical Marketing Issues and Gaps

There are a number of different challenges Shwapno has to deal with. The competition from other supermarkets and traditional markets is felt more heavily due to the high price sensitivity of the customers and the responsiveness of the customers to the pricing. Also due to the less responsive nature of the supply chain, maintaining consistent quality of the products to all of the outlets is a continuing struggle. Another prominent gap is limited levels of customer analytics and smart marketing. Digital marketing is existent and there is a need to direct more resources and focus on customer relationship management and data driven marketing. More focused marketing activities would result in increased customer loyalty. Closing these gaps would improve Shwapno's competitive advantage in the modernizing retail industry.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance Analysis

Analyzing financial performance helps in understanding an entity's capacity to make a profit, manage liquidity, handle risk, and achieve sustainability in the long run. Given that ACI Logistics Limited works as a subsidiary of ACI Limited, the parent company usually comprises ACI Logistics Limited's financial performance in the consolidated financial statements. Therefore, this analysis relied on external sources such as published annual reports of ACI Limited, observations of the industry, and applied theory, as the analysis had no access to internal financial records.

On the revenue side, Shwapno's retail operations have shown steady growth over the last few years, and this has been as a result of the company’s spatial growth, enhanced retail customer experience, and an expanded assortment. Unfortunately, and like most retail businesses in emerging economies, the company operates on a slightly negative profit margin as a result of an inelastic demand curve, high operational costs, and fierce competition in the market.

Regarding liquidity, the company of ACI Limited appears to have a fair amount of current assets that is sufficient to cover current liabilities as at the financial year end. Supermarket businesses always have a large current asset composition of which a considerable portion is as a result of an investment in stock. Quick stock turnover serves ACI Limited well in the management of liquidity, and it helps to eliminate stock holding costs as well as the risk of loss that is associated with the perishable nature of supermarket stock.

In terms of solvency and leverage, ACI Limited has a balanced capital structure with a mix of equity and debt. This combination provides the company with the flexibility to finance large scale operations and growth, and control financial exposure. A moderate debt level is likely to enhance a better pay on the equity but excess debt may impose greater susceptibility to both the company and the economy.

Profitability Analysis has shown that profitability to a large extent is a factor of sales volumes. The capacity of the company to negotiate with the suppliers, manage the initiatives of the personal labels, optimization of the supply chain can greatly affect the gross margins. Operating profitability on the other hand, is a factor of control over costs, performance at the outlet level and both, the economies of scale, both vertical and horizontal. Considering the nature of retail business, a constant enhancement in operational efficiency is a pre-requisite in the enhancement of profitability.

As an operational efficiency lens, asset utilization is one of the key points of focus. High inventory turnover, efficient use of retail space, and logistics have a positive effect on financial performance. Retail stakeholders like Shwapno should constantly monitor operational effectiveness indicators to make sure that assets are fully utilized to make revenue.

Though the parent company uses advanced valuation models, such as Economic Value Added (EVA) and Market Value Added (MVA) the most, in the present case of ACI Logistics Limited, the contribution of the retail segment is more on the long term market penetration and strategic positioning than on the short term financial returns. For the most part, ACI Logistics Limited's financial performance mirrors the attributes of a growing organized retail business in a competitive and price sensitive market.

2.5.2 Accounting Practices

The set processes of accounting provide reliability, transparency, and consistency to financial reporting. ACI Logistics Limited adheres to standard accounting practices and the International Financial Reporting Standards (IFRS) as applicable in Bangladesh. The company practices accrual accounting, which records revenue and expenses in the accounting period when they are incurred irrespective of the cash flow direction. The company adheres to all the accounting cycles. Therefore, the firm captures all transactions, journalizes it, posts it to the ledger, prepares trial balances, financial statements, and conducts audits. These practices provide additional layers of precision and responsibility to the financial reporting of the company.

With regard to depreciation, the company employs the straight-line method, which is the most common, on the store equipment, furniture, and fixtures, and information technology system. This method spreads the cost of an asset evenly over its useful life, which allows the company to predict expenses in a more consistent manner.

In a retail enterprise, the appraisal of stock is crucial. Shwapno employs the stock valuation techniques that are industry standard to determine the costs accurately and to minimize the over and understating of the inventory balances. Correct inventory accounting is important for the determination of the cost of sales and gross margin. When it comes to financial disclosures, the entity includes all relevant disclosures in the financial statements about the accounting policies, asset valuation, liabilities, revenue recognition, and risks. Such disclosures improve the stakeholders' confidence and meet the legal and other professional obligations. Overall, ACI Logistics Limited employs accounting practices that demonstrate all of the basic principles of accounting, namely, consistency, prudence, matching, and going concern. Such practices enhance sound financial management and improve the reputation of the Company to its investors, regulators and other stakeholders.

2.6 Operations Management and Information System Practices

2.6.1 Overview of Operations Management

The term operations management covers the planning, organizing and controlling of the activities which convert inputs into outputs (goods and/or services) in an efficient and effective manner. In the case of organized retailing, this becomes even more pertinent considering the nature of the business, as there is processing of high volume transactions, the inventory is time-sensitive (perishable) and there is a need to provide service quality consistency across a number of locations. ACI Logistics Limited (Shwapno) reinforces the importance of maintaining standard operating procedures in a bid to attain consistency, cost efficiency, and overall customer satisfaction across its retail outlets countrywide.

The company's operations are streamlined to attain the desired goals of high levels of product availability, rapid restocking, and effective execution at the store level.

2.6.2 Supply Chain and Inventory Management Practices

The efficiency of operation at Shwapno depends on supply chain and inventory management. In order to maintain supply of the products, the company maintains partnership with numerous local farmers, manufacturers, distributors as well as importers. There is also timely distribution and logistics that facilitate quick supply of goods to the retailers. The management of inventory revolves around optimal inventories in order to reduce stock-outs and in the case of perishable products such as fresh fruits, vegetables, meat and fish to reduce wastages. Strategies in demand forecasting, stock monitoring, and first-in-first-out (FIFO) are used to strengthen efficiency. Retaining service reliability and reducing cost, effective inventory management fuels retail competitiveness (Heizer, Render, & Munson, 2020).

2.6.3 Quality Management Practices

Operational priority is also placed on Quality management in food and grocery retailing for Shwapno. The company has in place operational guidelines for food product handling, storage, hygiene, and display. To promote the adherence of standards, inspections and compliance checks are performed on the outlets and warehouses.

Standard Operating Procedures (SOPs) help with the service delivery and product presentation in all the outlets. They also enhance the principles of total quality management, which include continuous improvement, standardization, and customer focus (Oakland, 2014). For the outlets to achieve total quality management, they need to consistently maintain the quality across all outlets. This will help the brand to keep the reputation, and also win the trust of the customers.

2.6.4 Scheduling and Resource Allocation

Scheduling, and allocation of resources, is the other aspect that Shwapno needs to focus on to enhance the management of the retail operations. Shwapno uses structured staff scheduling, so that sufficient employees can be available during the high shopping hours, and also manage the costs related to labor. Schedules that are shift-based provide more flexibility, and also, help in the even distribution of work among employees. The other area is the allocation of resources, which include utilization of space, arrangement of shelves, and usage of equipment. All these are driven by the patterns of sales and the operational priorities. Optimal allocation of the resources will bring about the increased smoothness of the operations, reduced operational bottle-necks, improved delivery of services to the customers.

2.6.5 Information System Practices

The information systems are critical to the operations and management activities of Shwapno. The organization uses built in information systems to collect, store, manage and disseminate data relating to sales, inventory, human resources and finance. These systems enhance cross-departmental coordination and decision-making based on the data. The POS systems are used by outlets to record activities of sales, billing, and adjust inventory records in real-time. Moreover, enterprise resource planning (ERP) systems support such basic operations as payroll, procurement, finance reporting, and inventory control.

2.6.6 Use of Databases and Office Management Software

The databases of Shwapno assist in the storage of employee records, inventory, suppliers as well as transaction records. The HR departments are digital and keep the employee files, attendance records and payroll records. The office communication, reporting, and documentation are done with software by the management. Digital databases cut on paper usage and minimize errors, in addition to the fact that the information can be accessed by the authorized users. Information is managed well, which helps in decision making and better the control of the organization. This is appreciated in a large retail organization such as this one, which has stores within a large region.

2.6.7 Operational Challenges and Improvement Opportunities

Shwapno is one of the structured operation systems that is still grappling with the operational components of managing a perishable inventory, ensuring that all the outlets are of equal service quality, and addressing the customer demand. Operational disruptions in the supply chain or information systems can directly affect customer satisfaction and cost efficiency. More sophisticated data analytics, automation in the replenishment of perishable inventory, and better fusion of online and offline operations are all areas in which the company can improve. Advanced information systems would enable the company to forecast and monitor performance, and improve strategic plans, in step with the best modern practice in operations management.

2.7 Industry and Competitive Analysis

2.7.1 Overview of the Retail Industry in Bangladesh

The last decade brought major change in Bangladesh's retail industry. The transition has moved from traditional wet markets and small neighborhood stores to organized retail formats like supermarkets and chains. Retail industry changes are often dominated by urban sprawl, increases in average disposable income, and major changes in consumer lifestyles. The Bangladesh retail market is still very small and organized retail is only a small fraction of Bangladesh's retail market. The market is highly competitive, complex, and very price sensitive. Firms in this industry need to maintain a balance between operational effectiveness and service efficiency. Shwapno is the leading supermarket chain. Shwapno is also an ACI Logistics Limited supermarket.

2.7.2 Porter's Five Forces Analysis

The Five Forces of Porter is an industry standard way of determining the competitiveness and profitability of an industry. The Five Forces are Competitive Rivalry, Threat of New Entrants, Buyer Power, Supplier Power, and Threat of Substitutes (Porter, 2008).

a) Competitive Rivalry among Existing Firms

Competition is very high in the organised retail industry. Shwapno competes with chains like Meena Bazar, Agora, and smaller regional retailers. Also, traditional wet markets and small neighborhood grocery stores continue to offer strong competition because of their proximity, flexible pricing, and customer familiarity. Price competition, marketing promotional offers, and the ease of switching stores makes competition intense. This requires firms to focus on service quality and operational efficiency to maintain their market position.

b) Threat of New Entrants

There is a moderate threat of new entrants. While the retail industry does not require specialized technology, opening a large scale organized retail chain requires a lot of money and resources to create supply chains, understand the regulations, and build the brand. This creates barriers to entry. Unlike new retailers, established ones like Shwapno have the economies of scale, resource accessibility, and brand recognition that help set them apart.

c) Bargaining Power of Buyers

The retail market in Bangladesh has a high level of buyer power. Buyers have a large number of choices available, including competing retail chains and traditional markets. Because costs of switching shopping destinations are low, consumers can easily change shopping locations if service quality or prices are uncompetitive. To mitigate these forces, Shwapno focuses on retention of customer loyalty through promoted service and pricing along with reductions in customer time expenditures.

d) Bargaining Power of Suppliers

The power of suppliers is moderate. Shwapno is able to dilute reliance on any given supplier through large numbers of local and foreign sourcing. However, in some categories, such as branded Fast Moving Consumer Goods (FMCG) and certain categories of imported products, supplier dependence is somewhat increased. Bulk ordering and positive commercial relationships with suppliers allow Shwapno to provide and manage low costs on the systems of supply and continued stability of inventory.

e) Threat of Substitute Products

The threat of substitute products is high. Vendors and small street-side shops still provide markets of traditional wet. These vendors and markets provide fresher product options and can provide more flexible purchasing options, often at lower prices.

Even so, organized retailers such as Shwapno are able to set themselves apart through more hygienic environments, greater variety of products, and more standardized service, which help mitigate the substitute competition over time.

2.7.3 SWOT Analysis of ACI Logistics Limited (Shwapno)

Shwapno's SWOT Analysis reviews the company’s internal strengths and drawbacks and the external possible prospects and risks that impact the company’s performance in the competitive retail market within Bangladesh.

Strengths:

Shwapno’s top notable strength is being Bangladesh’s biggest organized supermarket chain and having widespread coverage of outlets all over the country. The chain has good brand recognition and customer loyalty. This is further supplemented by Shwapno having their own standardized internal procedure, which includes vertical integration of their supply chain, making them able to efficiently acquire, and distribute, and have better quality control over their products. This is especially true for the company’s stock on fresh groceries and daily necessities. In addition to this, being part of the ACI Logistics Limited also proves to be positive, as it offers transitional managerial assistance, technological support, and operational stability. Shwapno also develops strong competitive advantage by having modern retailing practices coupled with high cleanliness and customer-oriented convenience.

Weaknesses:

Even with Shwapno's strong market outreach, the biggest impact comes from their internal problems. The biggest problem is operational costs, which can be a real burden on a company's profitability, especially with high amounts of rent to pay, coupled with expensive logistics, and large payrolls due to workforce overstaffing. Shwapno also suffers from inconsistency of service throughout their stores, mainly due to a lack of a structured system for training, under management, high turnover, or unintentional attrition. The company is also over-reliant on market providing their products to urban businesses, which leads the company to avoid service to the less-populated surrounding areas, which neglect rural business, where most of the traditional retailing activities still exist.

Opportunities:

Shwapno stands to benefit immensely from more consumers from the urban middle class and the increasing preference for organized retail. Shwapno can strengthen its market position through expansion into semi-urban areas, increased private-label product offerings, and development of online and omni-channel omnichannel retail. Shwapno can further enhance customer experience through technological improvements in digital customer payments, data management, inventory management, and analytics.

Threats:

Shwapno faces significant competition, especially from tradition wet markets, which offer more competitive prices, as well as new entrants into large-format retail. Shwapno also face economic challenges including supply chain disruptions and increased fluctuations in supply chain costs. Agriculture also faces regulation, as well as disruptions in the supply chain. These factors can all negatively impact Shwapno's business operations.

Regardless of the of the challenges facing Shwapno, the considerable potential for the company's growth coupled with its position in the market gives Shwapno a considerable competitive edge. The company requires effective management to achieve sustainable competitiveness.

2.8 Summary and Conclusions

An in-depth organizational study has been completed in this chapter for ACI Logistics Limited (Shwapno) by identifying and scrutinizing each of the management and operational components such as management, marketing, finance, accounting, and operational accounting, as well as information systems and the competitive position of the retail industry in Bangladesh. The analysis shows that Shwapno is the prominent organized retail national chain in the country, capitalizing on the ACI Limited corporate governance, brand reputation, and the parent company's ACI Limited diversified business background.

In the management and human resource perspectives, Shwapno has a structured and participative style of leadership at the top corporate level, which is complemented by formal human resource management policies and standardized recruitment and selection, along with performance-based appraisal systems. This system, as designed, is expected to promote positive employee interaction, operational discipline, and the achievement of the organizational goals, although, at the outlets, gaps do remain with the systems of training and employee engagement. The evaluation of marketing strategies used by Shwapno reveals that it uses a mass market approach, which emphasizes on accessibility, convenience, and value. Their market presence is solid, which explains their interest on the products of their own label, competitive prices and the availability throughout the entire country. As well as and continuous changes in digital marketing, Shwapno shows that they can adapt to their target market as they progress through different stages in social media. Nevertheless, it still can be improved in terms of customer loyalty programs, the promotion of differentiated in-store experiences, and marketing based on data.

According to the financial and accounting analysis, Shwapno operates in a low-margin, capital intensive and highly competitive ecosystem that highly emphasizes on the importance of inventory and cost management to remain successful in the long term. The evidence of the financial stability of the firm is the way they comply with the accounting principles and norms and the fact that they have sound financial structure and controls that give transparency and assure the firm about stability in the coming years.

In terms of operation, the application of ERP systems, integrated information systems and Standard Operating Procedures (SOP) of the firm is used to facilitate the process of quality control, supply chain coordination and inventory management system. The outlet level compliance, workforce productivity and the waste control still has areas of operation that need to be addressed by the management. Finally, the chapter concludes that the ongoing improvement in operational effectiveness, people management, and strategic differentiation will contribute in the long term since the strong competitive advantage that Shwapno has will reduce with the increasing competition in the retail market.

2.9 Recommendations / Implications

The existing organizational analysis provides some advice that can be used to enhance the performance and sustainability of Shwapno. To begin with, the company ought to promote the growth of human resource at the outlet level. Formal HR policies are in force but more structured and regular training is required especially in customer service, inventory management and cleanliness. The outlets can be designed a training calendar and e-learning modules in order to increase the level of skills of the employees and reduce operational anomalies.

Second, Shwapno can possibly optimize the performance appraisal and incentive systems by enhancing the relationship between the outlet performance and the performance indicators such as customer satisfaction, shrinkage, and sales increase. This can enhance motivation, responsibility and level of service especially to the frontline employees.

Third, in terms of the marketing practice, the company has a chance to enhance the process of collecting and analyzing customer data to design personalized offers and targeted marketing. Through heightened adoption of digital tools through mobile application, social media and O2O, Shwapno will be able to understand customer behavior and enhance customer retention.

Fourth, considering the finances and operations, it is better to concentrate more on the surplus in stock and optimization of the inventory. Demand forecasting tools, stricter expiry management, and real-time inventory check-ups can be used to enhance the efficiency and safeguard the margins in a very price-sensitive market.

In a more strategic sense, Shwapno must maintain the distinction between itself and more traditional retailers and new entrants, largely through the aspects of quality assurance, socially sourced products, and the uniformity of the customer experience. In order to remain trusted and be perceived as the largest established retail chain in Bangladesh, Shwapno may reinforce the concept of the branding of the private label, improve store layout and atmosphere, and fortify operational technologies.

The implication of the above recommendations clarifies the fact that Shwapno despite being the leading player in the market will still require enacting the iterative processes of learning, innovation and disciplined implementation to ensure that the business processes are entrenched in a positively flexible way to expand and consolidate the competitive advantages within the dynamic retail ecosystem in Bangladesh.

Chapter 3

Impact of Working Capital Efficiency on Firm Performance: Evidence from South Asian Retail Industry

Abstract

This paper focuses on the effectiveness of working capital and profitability of firms in the South Asian retail sector. One of the measures of working capital efficiency is the cash conversion cycle and its main components such as the inventory holding period, the receivables collection period, and the accounts payable days whereas the other measure is the return on assets (ROA), which is employed as an indicator of the performance of the firm. As demonstrated by the final results of the findings that use firm-level data and multiple regression analysis, both working capital efficiency and firm specific characteristics play a substantial role in influencing profitability. Though the components of the cash conversion cycle are expected to have directional relationship with ROA, the effect of the individual components is not significant when taken individually. The effect of leverage on profitability is found to be greatly negative, and the need to make sound financing choices is important. On the whole, the findings indicate that the working capital management is one of the key factors that should be effective and integrated to improve the performance of the firm within the South Asian retail industry. The research adds to the existing body of knowledge by offering region and industry specific empirical evidence and in addition offering useful information to the financial managers doing business in emerging market conditions.

3.1 Introduction:

The working capital is one of the most important variables that determine the performance of the firm, especially in the retailing industry where firms usually experience high stock levels, variable demand and low profits. Working capital efficiency is the skill of a firm to use the short-term assets and liabilities to maximize the liquidity and make the greatest profit possible including its inventory, receivables, and payables (Shin & Soenen, 1998; Deloof, 2003). The efficient working capital management is particularly significant in the case of South Asian retail companies because they encounter such difficulties as the lack of access to external financing, high competition, and supply chain limitations (Afrifa & Padachi, 2016; Baños-Caballero et al., 2014). This study offers an important operational and financial issue to the retail managers by analyzing the role of working capital efficiency in determining firm profitability alongside the overall knowledge of financial performance in the emerging markets.

The connections between the working capital efficiency and the performance of firms have been widely studied in prior literature and in the various industries and geographical locations. Research has established that profitability and operational efficiency may be increased by reducing the inventory holding period, quickening the receivables collection and streamlining the accounts payable policies (Lazaridis & Tryfonidis, 2006; Mathuva, 2010; Gill, Biger & Mathur, 2010). Deloof (2003) showed that there was a significant positive effect of working capital management on profitability of firms in Belgium, whereas Shin and Soenen (1998) established comparable findings in the U.S. firms. Additionally, literature in emerging markets has also indicated that cash conversion cycle is a very significant measure of financial health, as it gives the degree to which the firm is able to balance the liquidity and profitability with the available resources (Baños-Caballero et al., 2014; Afrifa & Padachi, 2016). Together, these works point to the significance of effective working capital management to maintain the performance of firms. Notwithstanding these revelations, there are significant gaps in the current research. The majority of the previous studies are based on developed economies or large companies, whereas little has been said about the South Asian retail industry, which has some peculiar operational and financial issues. Moreover, most of the studies analyze separate elements of working capital instead of the overall impact of cash conversion cycle on the profitability of firms (Yazdanfar & Ohman, 2013). The study fills these gaps by examining how working capital efficiency, measured by the integrated cash conversion cycle, and its constituents affects the profitability of South Asian retail companies, which is based on the firm-level data. Through this, it offers industry and region-specific evidence, which has previously been lacking in reports of previous empirical studies.

This paper has two-fold contributions. To begin with, it contributes to the scholarly body of knowledge on the subject of working capital management by offering the empirical investigation of the South Asian retail sector, which has been underrepresented in past studies (Afrifa & Padachi, 2016; Baños-Caballero et al., 2014). Second, it provides managerial guidance since it emphasizes the need to optimize the cash conversion cycle as an integrated approach, and not a single component, in enhancing the profitability of firms. The findings would be useful to financial managers and policymakers on best practices regarding liquidity management in an emerging market condition.

The rest of the paper is organized in the following way. In section 2, the pertinent literature is reviewed and the hypotheses of the research are established. In Section 3, the research methodology, such as data collection, measuring the variables, and specifying the model, is described. In Section 4, we will have the empirical results and discussion of the role played by the working capital efficiency in firm profitability. Section 5 addresses the study results, managerial implications and study limitations. Lastly, the paper ends with a conclusion and suggestions of future studies in Section 6.

3.2 Literature Review:

Working capital management (WCM) has been a known element of corporate financial management and, especially, those firms that conduct business in an industry where there is high sales volume, low margin and high inventory turnover, like retail. Working capital efficiency usually applies to the effectiveness of firms in utilizing short-term assets and liabilities, i.e. inventory, accounts receivable, accounts payable etc., to facilitate operations and maximize their profitability and liquidity (Padachi, 2016; Afrifa & Tingbani, 2018). Empirical studies on the connection between efficiency of working capital and firm performance have been growing, particularly in the recent years in emerging and developing markets, where the problem of financial constraints and operational inefficiencies is more significant (Baños-Caballero et al., 2016; Afrifa & Tingbani, 2018).

There is a prevailing body of literature, which postulates that effective working capital management positively impacts on the firm profitability by lowering the cost of financing and enhancing operational flexibility. Studies have consistently found a negative correlation between the cash conversion cycle (CCC) and profitability using large panel datasets in both developed and emerging economies, and suggest that the shorter the cash conversion cycle, the higher the profitability (Deloof, 2003; Baños-Caballero et al., 2016; Vural et al., 2019). Though previous background investigations may be dated before 2015, recent studies validate these investigations with sophisticated methods and evidence specific to the industry. As an example, Aktas et al. (2015) indicate that companies that actively manage working capital have increased shareholder value, which indicates that the decisions of WCM are not operational, but strategic.

The retail operation has gotten special concern with inventory management as a key determinant of continuity of sales and cost-effectiveness. It is common to find that inventory holding period (IHP) has a nonlinear association with profitability, at both high and low levels, high inventory levels elevate holding and obsolescence expenses, whereas at the extremes, high levels of inventory reduce inventory out-of-stock and sales (Baños-Caballero et al., 2019). Research on the topic of retail companies operating in emerging economies shows that inefficient inventory management can be considered one of the key causes of the poor performance of working capital (Singh & Kumar, 2017; Lyngstadaas & Berg, 2016). Inventory efficiency is further prioritized in the South Asian contexts where the supply chain breakdowns and demand fluctuations are a norm to maintain profitability (Rahman & Mustafa, 2020).

Accounts receivable management which is usually measured by the average collection period has also been analysed extensively. According to previous sources, shorter receivable terms will enhance liquidity and decrease the risk of default, thus, increasing profitability (Afrifa, 2016; Pais & Gama, 2015). Nonetheless, other studies posit that a relaxation of credit policies can also fuel sales to grow especially in the competitive retail markets which could offset the costs related to delayed collections (Martinez-Sola et al., 2019). The empirical data collected in South Asia indicated that, in the retail industry, receivable management issue is not as strong in driving profitability as in the manufacturing sector due to the high rate of cash and short-term credits sales (Seth et al., 2021).

Another important aspect of working capital efficiency is account payable management. Increasing the days of payable ensures that supplier financing is a low-cost source of funds and can enhance the short-term cash flow and profitability of firms (Banos-Caballero et al., 2017). However, paying late too often can spoil relations with suppliers, lose trade discounts, and break supply chains (Kieschnick et al., 2016). Recent research emphasizes that to maintain long-term profitability, it is necessary to focus on optimum payable management, but not payable days maximization (Zimon & Tarighi, 2021). The data of emerging markets proves that retail companies are usually the ones that heavily depend on trade credit because they do not have easy access to external funding, and payable management becomes especially powerful to drive performance (Altaf and Shah, 2018).

The significant development in the literature is that there is an optimal amount of working capital recognized which supports the trade-off theory of working capital management. Instead of promoting aggressive or conservative working capital policies, recent empirical evidence indicates that variations above or below the optimal amount of working capital have a negative impact on the performance of firms (Baños-Caballero et al., 2016; Afrifa and Padachi, 2016). Such an attitude is particularly applicable to retail companies, where working capital requirements vary with seasonal changes and consumer demand trends. The research on Asian markets can support the fact that most companies are working below their working capital optimum, leading to lost profitability (Sardo & Serrasqueiro, 2022).

The comparative analysis of emerging and developed market shows that there are significant differences in working capital practices. In developed economies, retail companies have been found to have more efficient CCC management because of improved supply chain management and institutional structures, as well as, available financing (Lyngstadaas & Berg, 2016). However, South Asian retail companies tend to experience infrastructural limitations, less effective credit enforcement systems, and costs of financing are generally higher, and all these factors lessen the efficiency of working capital (Rahman et al., 2021). Consequently, the comparison of South Asian retail companies to international best practices brings to the fore a lot of space in inventory management and the control of payables.

It has also started to incorporate firm-specific factors and macroeconomic factors in the analysis of working capital in recent literature. The relationship between working capital efficiency and profitability has been moderated by firm size, growth opportunities, leverage, and quality of corporate governance (Afrifa et al., 2020; Vo and Nguyen, 2022). Moreover, high costs of poor working capital management can be worsened by macroeconomic instability and inflation, which are typical of the economies in South Asia, raising the price of inputs and financing charges (Khan et al., 2023). These results have emphasized the importance of studying regions on a case-by-case basis that takes into consideration the institutional and economic reality.

Although the literature on the subject is increasing, there are a number of gaps. To begin with, although research has been done on manufacturing and mixed-industry samples, sector-specific studies on the retail industry of South Asia exclusively are few. Second, most studies rely on aggregate CCC measures, which provides a small amount of information on the focus of individual working capital aspects to profitability. Lastly, there is a dearth of comparative evaluations between South Asian retail companies and those in the world, and there is no answer to questions of relative efficiency and best practice.

Against these gaps, the current research aims at filling in such gaps by conducting a complete analysis of the degree of working capital efficiency and firm performance in South Asian retail sector with specific focus on inventory, receivables and payables. The proposed focused industry and regional approach constitutes the research direction that is expected to produce insights that will be both scholarly and practically useful to managers and policymakers.

Hypothesis

H_1: Working capital efficiency, measured through the cash conversion cycle and its components, has a significant positive impact on the profitability of firms in the South Asian retail industry.

3.3 Methodology:

This paper uses a quantitative research study design that is based on empirical literature of corporate finance to investigate the relationship between efficiency of working capital and performance of firms operating in the South Asian retail market. Since the study aims at finding causal relationship between the working capital variables and profitability, econometric panel data method is conducted. This study is well-suited to the panel data analysis because it is possible to analyze cross-sectional and time-series variation simultaneously across multiple years and to more effectively estimate and manage unobserved firm-specific heterogeneity (Baltagi, 2021).

The sample size will be five major retail-based companies in South Asia, including Bata Shoe Bangladesh, ACI Logistics Ltd, Cargills (Ceylon) PLC, Gul Ahmed and DiMart. The reason behind the choice of these firms was that they have a high presence in the retail industry, and have regular financial disclosures and are also relevant to the geographical region of the study. The secondary data were gathered based on the published annual financial reports of the sampled firms. Study time frames are several consecutive years allowing the panel estimation to be done. All the

data related to the financial variables were collected manually and tabulated on Microsoft Excel and then applied to calculate the necessary level of working capital and performance variables by using standard financial formulas.
Return on assets (ROA) is the commonly used metric of firm performance in the working capital management literature as it indicates managerial efficiency in turning total assets to produce profits (Deloof, 2003; Baños-Caballero et al., 2016). Whereas other scales like Return on Equity (ROE) are also widely used in the literature, ROA shall be used in this research study since it is less susceptible to variations in capital structure besides offering a more consistent point of comparison among firms operating in the retail sector of differing sizes (Vural et al., 2019). A component-based approach of working capital efficiency is used instead of an aggregate cash conversion cycle. The strategy allows a more fine breakdown of the impact of certain components of working capital on profitability, which has been highlighted as a shortcoming in some previous studies (Baños-Caballero et al., 2019). The most important explanatory variables are Inventory Holding Period (IHP), Receivables Collection Period (RCP) and Accounts Payable Days (APD). IHP is computed by the ratio between average inventory and the product of cost of goods sold and 365 which is the number of days of the year where inventory is held until sold. RCP is calculated as average accounts receivable/net sales x 365 and it reflects the effectiveness of collection of credit. APD is calculated by taking average accounts receivable divided by the product of 365 x cost of goods sold and it shows how the firm behaves in terms of paying its suppliers. These are in line with the existing working capital literature, and are especially applicable in retail companies whereby inventory and trade credit have become the main operating factors (Afrifa, 2016; Singh and Kumar, 2017).
There is inclusion of a number of control variables in the model to regulate firm specific traits that can affect profitability. Firm size (SIZE): Firm size is calculated as the natural log of total assets and it is added to consider all economies of scale and operational efficiency that are found in large firms (Lyngstadaas and Berg, 2016). Leverage (LEV) as the ratio of total debt to total assets is added to eliminate the effect that the financial structure has on profitability because highly leveraged companies might have increased financing costs and financial risk (Kieschnick et al., 2016). To reflect the growth opportunities and demand expansion, sales growth (SG), the annual percentage change in net sales is added, which could have a positive impact on profitability and working capital requirements (Martinez-Sola et al., 2019).

Based on the above considerations, the study employs a single component-based working capital regression model specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 \, IHP_{it} + \beta_2 \, RCP_{it} + \beta_3 \, APD_{it} + \beta_4 \, SIZE_{it} + \beta_5 \, LEV_{it} + \beta_6 \, SG_{it} + \varepsilon_{it}$$

In this model, ROA refers to the return on assets of firm *i* in year *t*. IHP_{it}, RCP_{it}, and APD_{it} represent the inventory holding period, receivables collection period, and accounts payable days, respectively. Firm size ($SIZE_{it}$), leverage (LEV_{it}), and sales growth (SG_{it}) are included as control variables. The term β_0 represents the constant, while β_1 to β_6 are the coefficients that measure the effect of each independent variable on ROA. Finally, ε_{it} denotes the random error term in the model.

The anticipated indications of the coefficients are based on the previous empirical results. The relationship between IHP and the profitability also will be negative because long inventory holding and collection time will raise the holding costs and liquidity restrictions (Deloof, 2003; Banos-Caballero et al., 2016). The relationship between APD and ROA is projected to be positive or ambivalent because delayed payments do not always worsen the situation but might lead to the situation of operational costs, which are hard to meet in the long run (Zimon & Tarighi, 2021).

The model is estimated by means of panel regression. As is usual in research in the field of finance, initially pooled ordinary least squares (OLS) estimation is taken into consideration and the fixed and random effects model is then used where they are relevant in order to manage unobservable effects of firms (Baltagi, 2021). The model chosen is the last one and is that of econometric diagnostics, which are widely used in studies when dealing with panel data. All in all, this methodological framework guarantees strength, theoretical sufficiency, and correspondence with prevailing empirical studies on the working capital management and company performance.

3.4 Findings and Analysis

This paper examines how working capital efficiency has influenced firm profitability in the South Asian retail sector using the profitability of the firm as a metric of firm performance, which is the return on assets (ROA). The efficiency of working capital is encompassed by the important elements of the cash conversion cycle, that is, the inventory holding, receivables collection, and accounts payable days, and specific variables of the firm. The regression model is relying on 25 observations of firms-years.

Descriptive Analysis

	Min	Mean	Max	Median	Std. Dev.
IHP (Days)	0.00	112.25	276.01	79.41	85.32
RCP (Days)	0.33	981.87	7646.90	2.78	2285.34
APD (Days)	2.17	1018.95	7319.43	76.01	2268.58
CCC (Days)	-1139.64	75.16	1135.63	67.70	401.16
SIZE	9.40	18.02	22.82	18.66	4.83
LEV	0.08	1.16	4.62	0.54	1.51
SG	-0.61	0.11	0.58	0.14	0.25
ROA	-0.45	-0.02	0.14	0.05	0.17

The descriptive statistics show that there is a significant difference in working capital management practices and firm performance across the South Asian retail firms. The average inventory holding period (IHP) stands at 112.25 days, indicating the presence of rather high inventory levels, but the standard deviation (85.32 days) is extremely large as it indicates considerable variation between firms. The large standard deviation of receivables collection period (RCP) and accounts payable days (APD) of 2285.34 days and 2268.58 days respectively demonstrates the existence of outliers and non-homogenous credit practices of the sampled entities. The cash conversion cycle (CCC) has a median of 67.70 days and a mean of 75.16 days indicating that the firms, on average, take more than two months to convert working investments into cash and that there are negative values of the minimum values indicating that firms can finance their operations mainly via trade credit. In terms of control variables, the size of firms is moderately dispersed, leverage is spread broadly among firms, and the sales growth is also on average not a high value. The performance of the firms as reflected in ROA has a mean of slightly negative (-0.02) but a median of positive (0.05), which means that whilst some firms have losses, most firms make positive returns.

Regression Statistics

Multiple R	0.95327719
R Square	0.908737401
Adjusted R Square	0.878316534
Standard Error	0.060154556
Observations	25

The results of the regression have shown high model fit. The value of R-squared at 0.909 indicates that about 90.9 percent of the variance in firm profitability is explained by the variables that are contained in the model. The value of adjusted R-squared of 0.878 also supports the strength of the model at the level of consideration of the degrees of freedom. These findings suggest that the working capital efficiency and firm-specific attributes have significant relevance in explaining the difference in profitability among South Asian retail firms where the liquidity management in terms of the operations is highly important because of the high intensity of inventory and pricing pressure (Deloof, 2003; Baños-Caballero et al., 2014).

ANOVA

	df	ss	MS	F	Significance F
Regression	6	0.648567419166418	0.10809457	29.87217355	2.0351184E-08
Residual	18	0.0651342713388644	0.003618571		
Total	24	0.713701690505282			

The ANOVA findings show that the value of an F- statistic is 29.87 and the p -value is less than 0.01, meaning that the regression model is significant in general. This observation confirms the opinion that joint influence of both working capital decisions has a significant impact on the performance of the firm and it is highly relevant in South Asian retail markets which have limited access to long-term financing source and where short-term operating funds are predominant (Shin & Soenen, 1998; Afrifa & Padachi, 2016).

Hypothesis-Wise Analysis

	Coefficients	t Stat	P-value
Intercept	0.1257	1.9615	0.0655
IHP (Days)	-0.0004	-1.1333	0.2720
RCP (Days)	0.0000	-0.9684	0.3457
APD (Days)	0.0000	1.1906	0.2493

SIZE	-0.0001	-0.0201	0.9842
LEV	-0.1091	-6.1836	0.0000
SG	0.0940	1.3674	0.1883

The inventory holding period has a negative coefficient, which implies that the longer it keeps inventory, the less profitability it is. Even though the relationship is not statistically significant, the ease of direction is in line with the dynamics of the retail industry in South Asia where excess inventory translates to a rise in storage costs, risk of spoilage, and markdowns in the name of demand fluctuations (Lazaridis & Tryfonidis, 2006; Mathuva, 2010). Such a finding partially confirms the hypothesis in the direction but not in statistical significance.

The receivables collection period too demonstrates negative but nonsignificant relationship with ROA. This indicates that late receivables collection will weaken profitability due to high liquidity risk and opportunity costs. Credit sales that are carried long in the context of South Asian retail landscape serve as a competitive tool and thus may limit the short-term effects of receivables efficiency on profitability (Deloof, 2003; Gill et al., 2010). Although the outcome is expected based on the conceptualization, it gives poor empirical evidence on the hypothesis.

Accounts payable days has a statistically insignificant positive coefficient, which means that postponing the payments to suppliers does not substantially enhance the performance of the firm. As much as trade credit can be a significant form of short-term funding to retail businesses in emerging markets, over-dependence on the payables might result in poor supplier relations and the inability to obtain a favorable purchasing condition (Petersen & Rajan, 1997; Baños-Caballero et al., 2010). This observation is an indication that South Asian retail companies might be already operating at an optimal payment period.

In general, the elements of the cash conversion cycle demonstrate the anticipated directional correlation with the profitability, although the low level of statistical significance does reveal that the hypothesis is rejected in part and especially in the case where the efficiency of working capital is analyzed as one group and not as independent variables.

Role of Control Variables

Among the control variables, under leverage is strongly negatively and statistically significantly related to ROA ($p < .01$). This observation indicates that the greater the debt level the less the profitability, which is typical because of high interest costs and financial risk. This is more noticeable in South Asian economies where the cost of borrowing is comparatively high and low-cost financing is inaccessible to the retail companies (Abor, 2005; Sufian & Chong, 2008). The firm size does not have a significant relationship with profitability meaning that bigger retail firms may not necessarily have a higher ROA. This could be a sign of inefficiency in operations, strong competition in the market and low-profit margins that is typical of South Asian retail markets (Serrasqueiro & Nunes, 2008; Yazdanfar & Ohman, 2013).

The growth in sales has a positive although insignificant influence on profitability. This is an indication that growth does not necessarily mean better performance unless it is accompanied by a good working capital management. The fast growth of sales can lead to the pressure of liquidity and the increase of the working capital needs at the costs of possible profitability (Gill et al., 2010; Baños-Caballero et al., 2014).

Discussion of Findings

The results of this research draw attention to the importance of the working capital efficiency to the formation of the firm profitability in the South Asian retail sector. Even though separate effects of individual financial aspects of the cash conversion cycle do not present significant statistical effects, the aggregate effect of all these factors is highly supported by the overall model significance. This implies that profitability is not brought about by disjointed working capital choices but by rather combined management of inventory, receivables as well as payables.

The findings will be in line with the working capital management theory, which contends that companies should strike a balance between liquidity and profitability in order to realize the best performance (Shin & Soenen, 1998). This balance is especially tricky in the South Asian retail environment because it is hard to predict the demand, the prices are price-sensitive, and the supply chain has limited options. Retail companies have higher stock levels and provide credit to maintain their market share, which can be dilutive regarding the distinct effect of the working capital aspects on profitability (Afrifa & Padachi, 2016).

In addition, the negative impact of leverage is very strong hence the susceptibility of retailing firms to financial risk in emerging economies. High reliance on debt financing could limit business flexibility and lead to low profitability, and support the necessity of effective internal cash flow management (Myers, 1984; Abor, 2005).

Generally, the results indicate that the working capital efficiency has an effect to the performance of the firms, however, it has stronger effects on the firms when viewed in a holistic manner. It is thus seen that the hypothesis is partially accepted, which means that the cash conversion cycle management is indeed very necessary to enhance profitability of the South Asian retail market, although individual factors in isolation may not have a statistically significant effect.

3.5 Summary and Conclusions

This paper aimed to investigate how working capital efficiency influences profitability of firms in the South Asian retail sector. The analysis was conducted based on the working capital management components of the key elements of the firm performance, i.e., inventory holding period, receivables collection period and accounts payable days, as well as on the control variables specific to firms, using the return on assets (ROA) as a proxy of the firm performance. The empirical research was developed with the help of multiple regression analysis on the basis of the firm-level data, which provided the opportunity to estimate the individual and combined impact of working capital efficiency on profitability.

The findings indicate that the total regression model is statistically significant and has a high explain ability that means that the combined effect of working capital efficiency and firm-specific characteristics is significant in determining profitability. This observation confirms the main hypothesis of the working capital management theory which highlights the relevance of balancing between liquidity and profitability in improving the performance of a firm (Shin & Soenen, 1998; Deloof, 2003). At the same time, the working capital management seems to be especially important in the context of the South Asian retail segment in which companies have to compete under the conditions of high inventory turnover, unstable consumer demand, and limited access to external financing (Afrifa & Padachi, 2016; Baños-Caballero et al., 2014). Whereas the individual constituents of the cash conversion cycle portray the desirable directional relationship with profitability, the individual impacts do not show any statistical significance when assessed independently. Increase in the inventory holding days and the days of receivables are related to decreased profitability whereas an increase in the days of accounts payable is positively related to the ROA. The results are aligned with the previous empirical data, which indicates that operational costs and liquidity risk may be elevated by excessive inventory investment and slow inflows, which decreases the performance of the firm (Lazaridis & Tryfonidis, 2006; Mathuva, 2010). Nevertheless, the statistical insignificance means that the role of these components in the retail firms of South Asia can be controlled under a comparatively limited scope of operation and their respective contribution to the profitability is minimized.

Leverage is one of the control variables that has a negative significant effect on profitability. This finding indicates that the increased dependency on debt financing has a negative impact on the performance of firms, probably because of the increased interest payments and risk. This observation is consistent with the trade-off theory of capital structure and previous research work carried out in the emerging markets setting that highlights the susceptibility of companies to high costs of debt and inability to access cheap credit (Myers, 1984; Abor, 2005; Sufian & Chong, 2008). Conversely, there is no significant impact of firm size and sales growth on profitability, which means that increase in scale and growth in revenue is not sufficient to drive performance unless effective resource and liquidity management strategies are in place (Gill et al., 2010; Yazdanfar & Ohman, 2013).

On the whole, the results indicate that working capital efficiency is an element of firm profitability because of its aggregate and not its individual elements of cash conversion cycle. This suggests that retail companies need to pursue the combination of managing inventory, receivables, and payables as opposed to the consideration of separate aspects. This method is particularly applicable in the South Asian retail sector as the level of competition is markedly high, margins are low, and supply chains are constrained, which means that the short-term financial choices should be given close coordination (Baños-Caballero et al., 2014; Afrifa & Padachi, 2016).

To sum up, the evidence in this paper shows that the efficiency of working capital is relevant in the elucidation of profitability of firms in the South Asian retail industry. Although the hypothesis that the efficiency of working capital has a positive effect on profitability is partly accepted, the findings demonstrate the significance of managing working capital as a whole and making wise decisions in financing. The research has a contribution to the current body of literature as it provides industry and regionspecific information and relates to the fact that retail companies must focus on effective management of liquidity to maintain profitability and financial sustainability in the long term.

A limitation of the study is that the sample size and the period of observation are relatively small and thus can limit the generalization of the findings to the South Asian retail market as a whole. Moreover, the evaluation is based only on the accounting-based performance indicators and secondary financial data, which could not be able to fully reflect the qualitative aspects, like the efficiency of managers, competition in the market, or macroeconomic factors, that can determine the working capitals decisions. In the future, to overcome these constraints, bigger panel data, market-based performance measures, and country-specific and institutional issues may be taken into consideration to gain a more detailed insight into the connection between working capital efficiency and firm profitability.

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