Cash flow management and manufacturing firm’s financial performance

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Abstract: In this study, the management of cash flow and financial performance of the manufacturing companies (listed on Tehran Stock Exchange) has been studied. In fact, this research is the answer to the question "Is there positive relationship between decrease (or increase) of average period of receivable accounts collection (DSO) and improvement (or non- improvement) of financial performance of (TOBIN's-Q) taken time for more than one year?” and also the conducted studies to find the connection between Days Inventory Outstanding (DIO), Days Payables Outstanding (DPO), Cash Conversion Cycle (CCC), Operating Cash Cycle (OCC) and financial performance of (TOBIN's Q) company are as of the achievements of the present study. Management of cash, in a way that keeps the company's activity efficient and effective in terms of economic level is considered as the most important objectives of this study. The present study using the method of Generalized Estimating Equations (GEE) and with use of interim financial statements extracted through a library method 69 companies on Tehran’s Stock Exchange, out of 313 companies has been carried out using the screening since 2011 to 2013. Using extracted data and through forming the longitudinal data panel for a period of three months, survey data took place for more than one year (six three-month periods). This comparison criterion is actually determination product coefficient the models’ fitting. The outcomes indicate that the reduction in DSO and DIO improve the financial performance of the manufacturing companies as reduce of the average time to collect the receivable accounts increase the positive flow of funds and finally use of it as industry’s accelerating engine. In addition, decrease in average inventory holding time reduces the cycle of inventories and ultimately increases (improves) the company’s performance. Quarter meaningless relation in CCC metric reflects the low importance of cash conversion cycle in the previous periods. Nevertheless, a significant and

negative relationship in the recent quarter suggests that the decline in this cycle would be effective in improving the company’s performance. Although, the negative and significant relationship between OCC and Tobin's Q indicates the broad impact of the metrics, so that it can be leveraged to improve the company's financial performance by managers.

Keywords : Keywords: Cash flow management, manufacturing companies, supply chain, financial performance, and analysis of the longitude data