

# Effects of working capital on profitability in small companies listed on Tehran Stock Exchange

Hussein Yousefizadeh\*,

The aim of this study is investigating the effect of the level of working capital on profitability of the small listed firms in Tehran Stock Exchange. Therefore, we use variables the level of working capital and profitability with two sub-variables (return on assets and return on equity) as the main one. In this regard 77 listed companies of Tehran that were ed by systematic elimination sampling methods, over 2011 to 2015years were examined. The study has two main hypotheses sub- hypotheses which were examined by linear regression and panel data models. The present study has three components (for calculation of dependent and independent variables) to estimate hypothesis. If a company had an appropriate working capital level, it could be ensuring to better investment. The results of this research help investors to make better business decisions and more accurate and explain the relation and effectiveness of the variables more than before. According to the results there is a significant relationship between the level of working capital and profitability in small companies.

**Keywords :** Working capital, profitability, return on assets and return on equity

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