

# **The relationship between working capital management and firm's value with using tobin's Q index**

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**Abstract:** This paper tried to show a relationship between working capital management and firm value by tobin's Q index. The required information has been collected for 5 years (1386-1390). Statistical population for this paper are companies which listed in Tehran stock exchange, they have been divided to three part. In part one 81 companies were collected by using systematic elimination method and the other parts, we studied on automotive industries and chemical industries, which included 30 chemical industries and 26 automotive industries. In this paper we have studied the effect of working capital management variables like the average of collection period, inventory turnover in day, the average of payment period and cash-to-cash cycle on tobin's Q, and the variables of company size, sales growth, GDP growth and financial leverage have been used as control variables. excel software has been used for sorting and primary processing of data. then research hypotheses analysis has been performed by Eviews software. The result shows that there is an inverse relationship between the average of collection period, inventory turnover in day, the average of payment period and cash-to-cash and tobin's Q index in whole exchange industry. In automotive industry there is an inverse relationship between the average of collection period, the average of payment period and tobin's Q index, and there is no significant relationship between inventory in day, cash-to-cash cycle, and tobin's Q index. In chemical industry there is a direct relationship between the average of collection period, inventory turnover in day, the average of payment period, cash-to-cash cycle and tobin's Q.

**Keywords :** Key words: Working capital management, firm value, tobin's Q, the average of collection period, inventory turnover in day, the average of payment period, cash-to-cash cycle.

