Working Capital Management and Profitability of Dabur Nepal Private Limited

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Abstract
This paper examines the impact of working capital management on the profitability of Dabur Nepal Pvt. Ltd. *over a ten-year period from FY 2015/16 to FY 2024/25. The research adopts a descriptive and analytical design, relying exclusively on secondary data extracted from company financial statements and its website. Key working capital components—Inventory Conversion Period (ICP), Receivable Conversion Period (RCP), Payable Deferral Period (PDP), and Cash Conversion Period (CCP)—serve as independent variables, while Return on Assets (ROA) represents the dependent variable. Statistical tools such as correlation and regression analyses were employed to explore the relationships between these variables. The descriptive results revealed that the company's mean ROA was 7.94%, with moderate variability, and the mean ICP, RCP, PDP, and CCP were 137.85, 73.85, 76.31, and 135.38 days, respectively. Correlation analysis indicated that ROA was positively correlated with ICP but negatively correlated with RCP, PDP, and CCP, suggesting that longer collection and payment cycles may adversely affect profitability. However, regression results showed that the model was not statistically significant (R^2 = 0.118, p = 0.847), implying that these working capital variables collectively explain only a small portion of ROA variation. The study concludes that while working capital components exhibit some association with profitability, their combined effect on ROA is minimal. It recommends expanding future research to include multiple firms across sectors, larger datasets, and additional financial variables to gain deeper insights into the relationship between working capital efficiency and corporate profitability in Nepal's manufacturing sector.*

Keywords: *Inventory Conversion Period, Receivable Conversion Period, Payable Deferral Period, Cash Conversion Period and Return on Assets*

Introduction
According to Pandey (2008) WCM, or working capital management, has two main ideas: the gross idea and the net idea. The difference between short-term assets and short-term obligations is called NWC. Current liabilities are debts that need to be paid off in less than a year. They include debts that are due, people that owe money, and bills that are still overdue. NWC might be positive or terrible. A positive WC happens when short-term assets are more than short-term debts. Negative WC signifies that the current liabilities number is higher than the current assets figure. The gross WC is only the amount of money that was invested into short-term assets (Pandey, 2008). Things that can be transformed into cash rapidly, usually within a year, are called short-term assets. Some examples of current assets are cash, accounts receivable, short-term securities, bills receivable, and inventories. Managing working capital is a business skill that helps companies make the most of their current assets and keep enough cash flow to meet short-term goals and obligations. Major FMCG (Fast Moving Consumer Goods) companies in Nepal include large domestic conglomerates like Chaudhary Group (CG) and KL Dugar Group, multinational companies such as Unilever Nepal, Dabur Nepal, Coca-Cola (Bottlers Nepal), and GSK (distributed by United Distributors Pvt Ltd), and several other distributors and local companies like Sharda Group, Laxmi Group, and Sarawagi Group. These companies are involved in manufacturing, importing, and distributing a wide range of products across the country. The top FMCG companies in Nepal include Unilever Nepal Limited, Dabur Nepal, and Chaudhary Group (CG), which are leading manufacturers with a wide range of products. Other major players are Sharda Group, Laxmi Group, and Khetan Group, which also have a significant presence in the market through food, beverages, and various consumer goods.

Literature Review

Mathuva, (2015) conducted research on the effect of working capital management components on corporate profitability. This study examined the influence of working capital management components on corporate profitability. A sample of 30 firms listed on the Nairobi Stock Exchange (NSE) from 1993 to 2008 was utilised. We used both the pooled OLS and the fixed effects regression models. The primary findings of the study were: (1) There is a very substantial negative correlation between how long it takes companies to acquire cash from their customers (accounts collection period) and how much money they make ($p<0.01$). This means that businesses that make more money get paid by their clients the fastest. (2) The time it takes to turn stockpiles into sales (the inventory conversion period) is strongly linked to profitability ($p<0.01$). This means that businesses save money by keeping their stock levels high enough to minimise production delays and lost sales. This protects the company from price swings and decreases their supplier expenses. The average time it takes the company to pay its creditors is likewise very strongly linked to how much money it makes ($p<0.01$). This indicates that the longer it takes a business to pay off its debts, the more money it makes.

Prempeh and Peprah-Amankona (2018) looked into how managing working capital affects the profits of businesses in developing economies. A balanced panel of 11 manufacturing companies that are listed on the Ghana Stock Exchange was used. The study included the years 2011 to 2017. We employed the Arellano-Bond Estimation method to examine the relationship between working capital management and profitability. The study showed that there was a strong positive linear relationship between managing working capital and making money for the company.Shrestha, (2019) researched how managing working capital affects Unilever Nepal Limited's profits. Managing working cash is a key part of making a business more profitable. The business can effectively manage its working capital by comparing the pros and cons of making money against the requirement for cash. This study investigates the impact of working capital management on the profitability of Unilever Nepal Limited. The main goal of this study is to look at how Unilever Nepal Limited manages its working capital and makes money. The data were analysed using SPSS 21.0's descriptive statistics, Pearson correlation, regression analysis, multicollinearity, and F-test. The analysis employed data from a single sample size, chosen from three, including the period from 2009 to 2017 for Bottlers Nepal Limited. The independent variable is the working capital. The dependent variables are the Cash Conversion Period (CCP), the Inventor Conversion Period (ICP), and the Receivable Conversion Period (RCP). The findings indicated that all four independent variables influenced the dependent variable (ROA). The summary of the model shows that R-square is 0.770. It reveals that the four independent variables may account for around 77.0% of the change in the dependent variable. Still, independent factors in our research don't explain 23.0% of the data. This suggests that RCP, ICP, and CCP are all very closely related to making money. It shows that there isn't a strong link between profitability and PDP. Shrestha, (2019) studied how managing working capital affects Bottler's Nepal's profits. The manufacturing sector is crucial for the economic development of any nation. It is a key aspect of how the economy and society grow. But the industrial industry in Nepal needs to figure out how to balance its working capital and profits. This study seeks to determine the impact of working capital management on the profitability of Bottlers Nepal Limited. The data were analysed using descriptive statistics, Pearson correlation, regression analysis, multicollinearity, and the F-test. SPSS version 21.0. The data utilised to analyse one sample size, out of three, encompasses the period from 2013 to 2017 for Bottlers Nepal Limited. The working capital is the independent variable, and the cash conversion ratio (CCP), the inventor conversion ratio (ICP), the receivable conversion ratio (RCP), the payable deferred ratio (PDP), the sale growth, the current ratio, the size of the firm, and the return on assets (ROA) are the dependent factors.

Hossain, (2020) Performed research on the impact of working capital management on profitability: An examination of manufacturing firms in Bangladesh. This study aims to analyse the impact of efficient working capital management on the profitability of manufacturing enterprises in Bangladesh. Fifty-two manufacturing companies that are listed on the Dhaka Stock Exchange (DSE) were picked at random between 2012 and 2017. To indicate how lucrative a business is, you can look at its Return on Assets (ROA) and Return on Equity (ROE). The Cash Conversion Period (CCP), the Inventory

Conversion Period (ICP), the Average Collection Period (ACP), and the Average Payment Period (APP) are all independent variables that demonstrate how successfully a corporation handles its working capital. We use Pearson's Correlation and Ordinary Least Squares regression models to see how managing working capital influences profits. The results showed a strong negative relationship between ROA and CCP and ACP. The same was true for ROE and CCP and APP. Manufacturing businesses can generate more money by cutting down on the time it takes to convert cash, pay, and collect. It also showed that ICP has a good relationship with ROA and ROE. This study demonstrates that the proficient and effective administration of working capital is essential for improving the profitability of manufacturing enterprises. Phuong & Hung, (2020) conducted research on the effect of working capital management on business profitability: an empirical study in Vietnam. This study investigates the impact of working capital management (WCM) on firm profitability (FP) in Vietnam. The study employed the Generalised Least Squares (GLS) regression method, analysing a sample of 5,295 firms (observations) listed on the Vietnamese stock market from 2009 to 2018. The study initially identified that inventory turnover, average receivables (AR), average payment (AP), and Cash Conversion Period (CCP) adversely affect the firm's profitability (FP). But when we kept applying the quadratic function, we noticed that FP had a U-shaped relationship with INV, AR, AP, and CCP. These research results give managers ideas on how to get the most of their cash in respect to their investing plans.

Nguyen, Pham, & Nguyen, (2020) Conducted research on the effect of working capital management on a company's profitability, using data from Vietnam as evidence. This article analyses the impact of working capital management on the firm's profitability. The study sample consists of 119 non-financial publicly listed companies on the Vietnam stock market, spanning a period of 9 years from 2010 to 2018. There are two ways to do statistics: Ordinary least squares (OLS) and the fixed effects model (FEM) are used to rectify faults in econometrics and make the regression coefficients more accurate. The empirical results demonstrate that working capital management, evaluated through the Cash Conversion Period (CCP) and its three components—accounts receivable turnover in days (RCP), inventory turnover in days (INVD), and accounts payable turnover in days (PDP)—negatively and significantly impacts the firm's profitability, as measured by return on assets (ROA) and Tobin's Q. This means that corporations can generate more money by keeping their working capital management as good as possible, which is what the CCP measures. This includes getting money from customers faster, moving items faster, and keeping the time it takes to pay creditors low. The growth rate of revenue, the size of the company, its leverage, and its age also had an effect on how profitable it was. This study provides managers with an innovative viewpoint on improving the company's profitability via efficient working capital management. Anton & AfloareiNucu (2020) Investigate the influence of working capital management on corporate profitability: Empirical evidence from Polish listed companies. This study seeks to analyse the relationship between working capital and business profitability for a sample of 719 Polish publicly traded companies from 2007 to 2016. The absence of empirical knowledge regarding emerging economies and the importance of working capital efficiency necessitate the examination of the working capital–financial performance link. The study utilises a quantitative methodology that incorporates several panel data techniques, including ordinary least squares, fixed effects, and panel-corrected standard errors models.

The empirical data demonstrate an inverted U-shaped correlation between working capital and business profitability, indicating that working capital positively affects the profitability of Polish enterprises up to a specific threshold (optimal level). After the break-even point, working capital starts to hurt the company's profits. The research offers both theoretical and practical insights. It enhances and expands the current study on the topic by presenting additional evidence of the non-linear correlation between working capital management (WCM) and company performance in Poland. From the perspective of practitioners, the results highlight the importance of WCM for organisational profitability. Alvarez, Sensini& Vazquez, (2021) did the research on working capital management and profitability: evidence from an emerging economy. This paper seeks to analyse the impact of working capital management on the profitability of Argentine manufacturing firms, employing the principal theoretical framework established by previous literature. Many studies have looked into this issue in

industrialised economies, but not many have looked into it in rising and developing nations. A stratified sample strategy based on an economic criterion was used to pick the companies that were looked at. The data span a three-year period and were collected through a questionnaire. We utilised a fixed effects regression model to achieve the study objectives, which proved effective in clarifying the influence of working capital management on profitability. The results showed a positive and statistically significant relationship between all parts of working capital and profitability. This means that when one of these variables goes up, ROA and ROE both go up. On the other side, leverage has been shown to have a statistically significant negative influence on profitability. This means that borrowing more money makes a business less profitable. Garg, & Singh (2024) Analysed on Does Working Capital Management Affect Financial Performance: Empirical Evidence of the Indian Manufacturing Sector? This study aims to investigate the influence of Working Capital Management on financial performance in the Indian manufacturing sector. This analysis employs secondary data obtained from the BSE, comprising 20 years of financial information from 2003 to 2022, derived from a sample of 419 companies. The study utilised descriptive statistics, random effects, and fixed effect models to characterize the sample and evaluate the influence of working capital management on the industrial sector. The results showed that working capital management proxies have a big effect on how well the organisation does financially. The CCC proxy demonstrates that the GOP, NPM, and NPR have a substantial and bad effect. The ICP coefficient indicates a robust negative correlation between the performances of firms. We also discovered that APP and GOP, as well as NPM and NPR, were statistically significantly linked in the opposite direction. In other words, the more quickly a company in our sample pays its bills, the less money it makes. The table above demonstrates that RCP and GOP have a good association. The author thinks this is the first study to look at how WCM influences a company's success and delivers relevant information to its investors and managers.

Research Methodology

The systematic analysis of any management issue is known as research methodology. The methodology is the systematic and theoretical examination of the procedures utilized in a certain field of research. It includes the theoretical study of the methods and principles that go along with a certain field of study. It usually includes ideas like paradigm, theoretical model, stages, and quantitative or qualitative approach. Descriptive cause-and-effect writing focuses on the link between two occurrences to show how one event (the cause) leads to another (the result). It is figuring out and writing down what caused an event and what happened as a result. A research design is a way to plan how to gather and study data. Research design encompasses essential procedures and methodologies for directing, analyzing, and assessing the study. Secondary data were utilized to attain the established aims of this research. This research employs descriptive and analytical methodologies. Consequently, the ten-year data on DNPL is gathered and examined according to the requirements of this study. Variables define: Return on Assets (ROA): Return on total assets shows how much assets help a business make money. This ratio shows how well assets are being used. This ratio helps managers figure out what elements affect the company's overall success. Inventory conversion Period (ICP): The inventory conversion period is the overall amount of time it takes to turn all of the inventory into sales. It can be described as the connection between the inventory turnover ratio and the total number of days in a financial period. It shows how long it usually takes to buy and sell goods. Receivable conversion Period (RCP): The Receivable Conversion Period is the time between when the last product is sold on credit and when the accounts payable get their cash. It tells you how long it usually takes the company to get paid for its credit sales. Payable Deferral Period: The Payable Deferral Period (PDP) is the average amount of time it takes a corporation to pay its bills to trade creditors, like suppliers. The ratio shows how successfully a corporation is handling its cash outflows during an accounting period when it pays its bills. This is how you figure it out: Cash Conversion Period: The cash conversion period (CCP) is metric that expresses time (measured in days) that it takes for company to convert its investments in inventory and other resources into cash flows from sales.

Conceptual framework

The variables under this study are working capital management & profitability of manufacturing companies. ROA is a dependent variable to represent the profitability determination of the companies & ICP, RCP, PDP & CCP are independent variables to represent the working capital management of the companies.

Figure 2

Working Capital Management
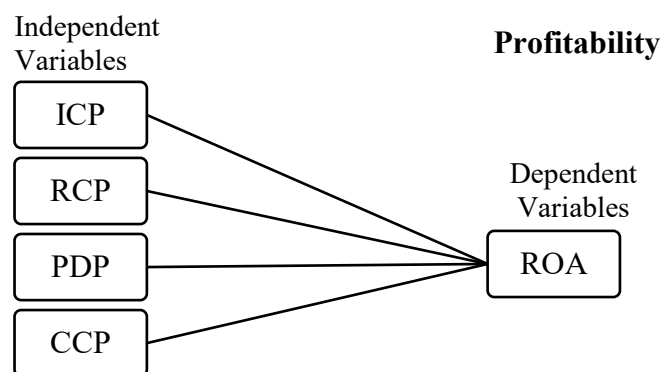
Hypothesis formulation
Hypothesis is formulated on the basis of objective which are as follows:

Null Hypothesis, H0
- There is no significant difference between ICP and profitability of Dabur Nepal
- There is no significant difference between RCP and profitability of Dabur Nepal
- There is no significant difference between PDP and profitability of Dabur Nepal
- There is no significant difference between CCP and profitability of Dabur Nepal

Alternative Hypothesis, H1
- There is a significant difference between ICP and profitability of Dabur Nepal
- There is a significant difference between RCP and profitability of Dabur Nepal
- There is a significant difference between PDP and profitability of Dabur Nepal
- There is a significant difference between CCP and profitability of Dabur Nepal

Table 1: Correlation Analysis Result

Table 1 Descriptive Statistics of ICP, RCP, PDP, CCP & ROA & Correlations with ROA							
Variables	Mean	Std. Deviation	ROA	ICP	RCP	PDP	CCP
ROA	7.94	2.44	**1**				
ICP	137.85	12.82	**0.237**	1			
RCP	73.85	17.61	**-0.252**	-0.017	1		
PDP	76.31	16.56	**-0.043**	0.436	0.563	1	
CCP	135.38	15.09	**-0.045**	0.352	0.535	-0.07	1
N	10						

*. Correlation issignificantatthe0.05level (2-tailed)

Table 1: presents the descriptive statistics & Correlations with ROA of a listed manufacturing company Dabur Nepal Pvt. Ltd in Nepal for a period of ten years starting from 2015/16 to 2024/25. The descriptive results indicate that the sampled firms have an average Return on Assets (ROA) of 7.94 percent with a standard deviation of 2.44, suggesting moderate variation in profitability across the ten observations. The Inventory Conversion Period (ICP) averages 137.85 days, while the Receivables Collection Period (RCP) and Payables Deferral Period (PDP) average 73.85 days and 76.31 days respectively, indicating that firms generally hold inventory longer than the time they take to collect receivables or defer payments. The Cash Conversion Period (CCP) shows an average of 135.38 days, reflecting the overall length of the working capital cycle. The correlation analysis reveals that ROA has a weak positive relationship with ICP ($r = 0.237$) and weak negative relationships with RCP ($r = –0.252$), PDP ($r = –0.043$), and CCP ($r = –0.045$). These correlations are small in magnitude, indicating that the working capital components have minimal linear association with profitability in this sample. In contrast, moderate positive correlations are observed among the working capital variables themselves, such as the relationship between PDP and RCP ($r = 0.563$) and between ICP and PDP ($r = 0.436$), suggesting operational interdependence within the cash conversion cycle. Overall, the findings imply that while the components of working capital are related to each other, their direct influence on ROA is limited for the firms studied. From above table describes about correlation matrix between variables under investigation and results are: There is significant positive relationship between ROA and ICP ($r = 0.237$, $p<0.05$), There is significant negative relationship between ROA and RCP ($r = - 0.252$, $p<0.05$), There is significant negative relationship between ROA and PDP ($r = - 0.043$, $p<0.05$), There is significant negative relationship between ROA and CCP ($r = - 0.045$, $p<0.05$)

Table 2: Regression Analysis with ROA

Table 2 Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.843[a]	.718	-.324	2.810
a. Predictors: (Constant), CCP, PDP, ICP				

The table 2 represent the R- square is a measure of the goodness of fit of the working capital management variables in explaining the variations in profitability of Dabur Nepal Pvt. Ltd. The model summary shows that the regression model has an R value of 0.843, indicating a strong positive correlation between the independent variables (ICP, PDP, and CCP) and the dependent variable. The R Square value of 0.718 suggests that about 71.8% of the variation in the dependent variable is explained by the predictors included in the model, which reflects a relatively high explanatory power. However, the Adjusted R Square is –0.324, which is unusually negative. This indicates that after adjusting for the number of predictors and sample size, the model actually performs poorly and may not be a reliable fit. Such a negative adjusted R^2 typically occurs when the sample size is very small or when the predictors do not meaningfully contribute to explaining the dependent variable. The Standard Error of the Estimate is 2.810, indicating the average distance between the observed values and the regression line. Overall, despite the high R and R^2 values, the negative adjusted R^2 warns that the model may be overfitted or based on insufficient data, making its predictive capability questionable.

Table: 3 ANOVA

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.321	3	2.107	.267	.047[b]
	Residual	47.403	6	7.900		
	Total	53.724	9			

| a. Dependent Variable: ROA |
| b. Predictors: (Constant), CCP, PDP, ICP |

Source : Compile by Authors

Table 3 represent the ANOVA: The ANOVA table shows that the regression model explaining the variation in Return on Assets (ROA) using the predictors ICP, PDP, and CCP is statistically significant. The regression sum of squares is 6.321 out of a total of 53.724, indicating that the model accounts for a portion of the variability in ROA. The F-value is 0.267 with a corresponding significance value of 0.047, which is below the 0.05 threshold. This implies that, taken together, the independent variables (ICP, PDP, and CCP) have a statistically significant joint effect on ROA. Although the model explains only a modest amount of variation, the significance level suggests that these components collectively contribute to predicting ROA in the sample.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.282	11.447		.374	.721
	ICP	.079	.090	.414	.879	.413
	PDP	-.035	.065	-.238	-.538	.610
	CCP	-.033	.069	-.207	-.487	.644
a. Dependent Variable: ROA						

Table 5: Excluded Variables

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	RCP	-1538.275[b]	-1.667	.156	-.598	1.332E-07
a. Dependent Variable: ROA						
b. Predictors in the Model: (Constant), CCP, PDP, ICP						

The table 4 & 5 represent the Unstandardized & Standardized Coefficients (B): These coefficients indicate how much the dependent variable (ROA) is expected to increase or decrease with a one-unit increase in the independent variable, holding all other variables constant. The (Constant) (4.282): This is the expected value of ROA when all independent variables are equal to zero. ICP (.079): This suggests that for each one-unit increase in ICP, ROA increases by 0.079 units, holding other factors constant. RCP (-1538.275): This suggests that for each one-unit decrease in RCP, ROA decreases by -1538.275 units, holding other factors constant. The CCP (.033): This suggests that for each one-unit decrease in CCP, ROA decreases by 0.033 units, holding other factors constant. PDP (-.035): This suggests that for each one-unit decrease in PDP, ROA decreases by -.035 units, holding other factors constant. The Standard Error: This measures the variability in the coefficient estimates. Interpretation: Smaller standard errors indicate more precise estimates. Large standard errors relative to the coefficients suggest that the estimates may not be reliable. The Standardized Coefficients (Beta): These coefficients are standardized to have a mean of zero and a standard deviation of one, allowing for the comparison of the relative importance of each independent variable in the model. ICP (.414): This indicates that ICP has a small positive impact on ROA.RCP (-.598): This indicates that RCP has a highly negative impact on ROA and is the most influential variable in the model. CCP (-.207): This indicates that CCP has a small negative impact on ROA. PDP (-.238): This indicates that PDP has a moderate negative impact on ROA

The t-statistic: This test whether the coefficient is significantly different from zero. Interpretation: If the t-value is large, it suggests that the corresponding coefficient is significantly different from zero. However, the Significance (Sig. or p-value): This tests the null hypothesis that the coefficient is equal to zero (i.e., that the predictor has no effect on the dependent variable). ICP (.413): Not statistically

significant (p > 0.05). RCP (.156): Not statistically significant (p > 0.05). CCP (.644): Not statistically significant (p > 0.05). PDP (.610): Not Statistically significant (p < 0.05).

Findings

From the above study following findings were observed:

- 156.16 days has been the longest time period of ICP recorded in the year 2020/21. While121.66dayshasbeentheshortestICPrecordedin the year 2019/20.
- The longest RCP has been recorded in the year 2024/25 i.e., 101.16 days whereas 2021/22 marks the shortest RCP i.e., 54.24 days.
- The longest PDP has been recorded in the year 2024/25 i.e., 95.82 days whereas 2019/20 marks the shortest PDP i.e., 48.04 days.
- The longest CCP has been recorded in the year 2020/21 i.e., 167.7 days whereas 2017/18 marks the shortest CCP i.e., 115.8 days.
- The longest ROA has been recorded in the year 2023/24 i.e., 11.1% whereas 2015/16 marks the shortest ROA i.e., 3.0%. The ROA for Dabur Nepal Pvt. Ltd. has increased and also decreased in this chart from 2015/16 to 2024/25, starting from 3% in 2015/16 and reaching 8.5% in 2016/17, & there have decrease in continuous 3 fiscal year to 5.8% in 2019/20. Then it has increases in 2020/21 & highly increased to 10.4% in 21.22. Similarly, in last fiscal year it has decreased to 9% in 2024/25. The bars represent the percentage increase in ROA each year, indicating how efficiently the company has used its assets over this period.
- The model is not statistically significant. The Sig. value (p-value) is 0.847. This value is far greater than the conventional significance level of 0.05 (p > 0.05).
- The F-statistic is 0.267. This low value indicates that the variance explained by the model (Mean Square Regression = 2.107) is much smaller than the unexplained variance or error (Mean Square Residual = 7.900).

Conclusion

There are notable differences in the average levels of the variables; ICP and CCP averages are significantly higher than RCP and PDP averages. This might suggest differences in the nature of what these variables measure (e.g., input costs vs. output prices or different time cycles). Overall, none of the variables (ICP, RCP, PDP, or CCP) exhibit a strong correlation with ROA. The strongest relationships observed are modest at best (0.237 and -0.252). The regression model summary suggests that these three variables, when used together as predictors in this specific regression model with the small sample size available (likely N=10, inferred from the previous table), are ineffective at explaining or predicting the dependent variable. The regression model as a whole is a poor fit and fails to demonstrate any meaningful predictive capability for ROA using these specific independent variables. The standard errors relative to the coefficients are very large (e.g., ICP B=0.079, Std Error=0.090), which results in the low t-statistics and high p-values. This indicates high variability and uncertainty in the estimated effects. RCP is Not a Significant Predictor (If added): If RCP were included, its p-value (Sig. column) would be 0.156. While lower than the p-values of the variables currently in the model, it is still greater than 0.05, meaning it would also not be a statistically significant predictor of ROA in this model context. There is a critical issue indicated by the Tolerance value for RCP, which is 1.332E-07 (essentially zero). A tolerance value close to zero indicates perfect or near-perfect multicollinearity. If RCP were added to the model, it would introduce severe data redundancy with the other variables already present (ICP, PDP, CCP), making the model unstable and uninterpretable.

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