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## **Short-Term Capital Management Performance of Food and Allied Industry: Evidence from Bangladeshi Listed Companies in Dhaka Stock Exchange**

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### **Abstract**

*The study has chosen ten companies among seventeen companies from the food and allied industry listed in the Dhaka Stock Exchange. Evaluating the short-term capital management performance of the food and allied industry is the main objective of the study. The study is empirical in nature. Secondary data are given emphasis. Annual reports for Years 2018-2021 are used to evaluate the performance. To achieve the objective, some financial tools like Current Ratio, Cash Conversion Cycle, Current Liabilities to Total Assets, Average Payment Period Ratio, Average Collection Period, Inventory Turnover in Days, etc., are used. Efficient capital management may ensure the high performance of Bangladeshi food and allied industries. The study found a longer period for average collection, which is not good for the companies. Also, in some cases, the inventory turnover ratio is poor. The study also finds a positive relationship between efficient short-term capital management and firm profitability. To maintain and manage short-term capital, companies in food and allied industry must be serious about the average collection period, cash conversion cycle, inventory turnover, etc.*

**Keywords:** Short-Term Capital Management, Food & Allied Industry, Dhaka Stock Exchange, Corporate Performance, Financial Ratios.

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### **1.0 Introduction**

In Bangladesh, lots of foods and allied companies are established under the "Food & Allied Industry." But only 17 companies are listed under this head of

Dhaka Stock Exchange (DSE, Bangladesh, 2019). These companies need huge investment both on long-term and short-term basis. They need to maintain short-term funds to conduct their day-to-day operations. Short-term capital, or working capital in simple terms, means the amount of funds that a company requires for financing its day-to-day operations. This article emphasized the operational

performance of the 17 food and allied companies listed in the Dhaka Stock Exchange regarding their use and management of short-term assets and liabilities.

## **20. Literature Review**

The net working capital refers to the differences between current assets and current liability. Knauer & Wohrmann (2013) & Hill (2013) claimed that a company's surplus of current assets over current liabilities, which measures the extent to which it can finance any increase in turnover from other sources. In other words, it represents the capital available for conducting its day-to-day operations. Charitou (2010) empirically investigated the effect of working capital management on firm's financial performance in an emerging market. We hypothesize that working capital management leads to improved profitability. Our data set consists of firms listed in the Cyprus Stock Exchange for the period 1998-2007. Using multivariate regression analysis, our results support our hypothesis. Specifically, results indicate that the cash conversion cycle and all its major components; namely, days in inventory, day's sales outstanding, and creditor's payment period – are associated with the firm's profitability. The results of this study should be of great importance to managers and major stakeholders, such as investors, creditors, and financial analysts, especially after the recent global financial crisis and the latest collapses of giant organizations worldwide. Deloof (2003) showed that a relatively huge amount of firms' assets are reserved for working capital. Younus (2018) examines the effect of working capital management on profitability among 803 companies listed on Bursa Malaysia. The data collected from DataStream for the years 2010 to 2014 was analyzed using panel data analysis. It was found that number of sales inventory days and number of account receivable days determine profitability of Malaysian public listed companies. Additionally, the debt to equity ratio, current ratio, and firm size also has significant effects on the firm's profitability. Makori and Jagongo (2013) and Agha (2014) found a positive association between DPO and profit. Their results suggest that if firms use the extra cash for other effective purposes while at the same time manage to maintain good reputation with the supplier, it will have a positive effect on the profit.

### **2.0 Objectives of the study**

The study set the following objectives:

- i. to evaluate the short-term capital management of the food and allied industry in Bangladesh;

- ii. to identify the relationship between paid-up capital and short-term capital management of the selected companies;
- iii. to examine corporate performance regarding short-term capital management of the selected companies.

### 3.0 Methodology

The study is empirical in nature. Secondary data are given emphasis. Annual reports for the Year 2018-2021 are used to evaluate the data.

#### 2.1 Sample Companies

This research attempted to analyze the short-term capital management of foods and allied companies listed in the Dhaka Stock Exchange (DSE) in Bangladesh. These are:

**Table 01: Sample Companies and their DSE Code, Listing Year, etc.**

Sl.	Name of the company	DSE Code	Establishment Year	Listing Year
01	Agricultural Marketing Company Ltd. (PRAN)	AMCL (PRAN)	1980	1996
02	Apex Foods Limited	APEXFOODS	1979	1981
03	Bangas Ltd.	BANGAS		1979
04	British American Tobacco Bangladesh Company Limited	BATBC	1949	1977
05	Beach Hatchery Ltd.	BEACHHATCH	1994	2002
06	Emerald Oil Industries Ltd.	EMERALDOIL	2008	2014
07	Fine Foods Limited	FINEFOODS	2002	2002
08	Fu Wang Food Ltd.	FUWANGFOOD	1997	2000
09	Gemini Sea Food Ltd.	GEMINISEA	1982	1985
10	Golden Harvest Agro Industries Ltd.	GHAIL	2004	2013
11	Meghna Condensed Milk Industries Ltd.	MEGCONMILK	2001	2001
12	Meghna Pet Industries Ltd.	MEGHNA PET	2001	2001
13	National Tea Company Ltd.	NTC	1978	1979
14	Olympic Industries Ltd.	OLYMPIC	1979	1989
15	Rangpur Dairy & Food Products Ltd.	RDFOOD	2004	2011
16	Shyampur Sugar Mills Ltd.	SHYAMPSUG		1996
17	Zeal Bangla Sugar Mills Ltd.	ZEALBANGLA	1958	1988

Source: Developed by the author based on the websites of the selected companies and DSE

#### 3.2 Selection of Financial Variables

In this study, the following financial variables have been used to measure the short-term capital management performance of the corporations in Bangladesh.

Table 02: Financial Variables- Their Measurement and Abbreviation

Sl.	Variables	Measurement	Abbreviation
01	Average Collection Period	Accounts Receivable/Net Sales*365	ACP
02	Inventory Turnover in days	$\frac{\text{Inventory}}{\text{Cost of Goods Sold}} \times 365$	ITID
03	Average Payment Period	$\frac{\text{Accounts Payable}}{\text{Purchase}} \times 365$	APP
04	Cash Conversion Cycle	ACP + ITID - APP	CCC
05	Gross Working Capital Turnover Ratio	$\frac{\text{Net Sales}}{\text{Current Assets}}$	GWCTR
06	Current Assets to Total Assets Ratio	$\frac{\text{Current Assets}}{\text{Total Assets}}$	CATAR
07	Current Liabilities to Total Assets Ratio	$\frac{\text{Current Liabilities}}{\text{Total Assets}}$	CLTAR
08	Capital Size of the firm	Total Debt + Total Equity	CS
09	Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	CR

Source: Developed by author

## 2.1 Reliability and Validity

Secondary data for the study were drawn from audited annual reports (i.e., income statements and balance sheets) of the selected companies under study. Audited data given in financial statements are considered fairly accurate and reliable. Therefore, these data may be considered reliable for the study. Necessary checking and cross-checking were done while scanning information and data from secondary sources. All these efforts were made in order to generate valid data for the present study. Hence, the researcher satisfied content validity.

## 3.0 Analysis and Findings

Short-term capital management is known as working capital management in the corporate world. The study evaluated the performance of short-term capital management of the selected company under the food and allied industry based on secondary data. These data are considered reliable as they are audited and published in annual reports.

### 3.1 Size of the Firm

The size of the firm indicates the total capital or total assets of the corporation. For analytical purposes, the study uses both authorized and paid-up capital to evaluate the size of the firm.

**Table 03: Authorized and Paid-up capital of the companies under Food & Allied industry**

SL.	Company Code	Authorized Capital (BDT in Million)	Paid up Capital (BDT in Million)
01	AMCL (PRAN)	500	80
02	APEXFOODS	150	57.02
03	BANGAS	500	72.2
04	BATBC	5400	1800
05	BEACHHATCH	2000	414
06	EMERALDOIL	1000	597.14
07	FINEFOODS	1000	139.74
08	FUWANGFOOD	1500	1108.39
09	GEMINISEA	400	42.29
10	GHAIL	2500	1199.10
11	MEGCONMILK	800	160
12	MEGHNAPET	300	120
13	NTC	250	66
14	OLYMPIC	2000	1999.39
15	RDFOOD	1000	688.71
16	SHYAMPSUG	500	50
17	ZEALBANGLA	500	60

*Source: Developed by the author based on the company information given in the DSE website*

Data given in Table 03 are collected from the websites of the Dhaka Stock Exchange. Most of the companies in the food & allied industry have the opportunity to raise capital by issuing RPO or Right shares because their paid-up capital is lower than the authorized capital. Paid-up capital is the amount of money a company has received from shareholders in exchange for shares of stock. James Chen (2020) defined that "Paid-up capital is created when a company sells its shares on the primary market directly to investors, usually through an initial public offering (IPO)."

### 3.2 Analysis of Average Collection Period

Kenton(2022) mentioned that the best way that a company can benefit is by consistently calculating its average collection period and using it over time to search for trends within its own business. The average collection period may also be used to compare one company with its competitors, either individually or grouped together. Similar companies should produce similar financial metrics so

the average collection period can be used as a benchmark against another company's performance.

**Table 04: Average Collection Period of selected foods and allied companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	19.4072	15.3915	19.6251	21.7836	19.0518
02	APEXFOODS	39.5112	26.2373	31.0283	41.8493	34.6565
03	BANGAS	125.2355	152.002	116.593	151.7152	136.3864
04	BATBC	28.0563	16.9588	9.501	13.6088	17.0312
05	FINE FOODS	37.099	50.4264	27.5371	21.2584	34.0802
06	FUWANGFOOD	245.3467	196.508	218.1992	222.5359	220.6474
07	GHAIL	227.4599	172.501	427.2178	513.5643	335.1858
08	NTC	11.8051	15.0168	22.7349	26.6035	19.04
09	OLYMPIC	5.0383	5.6106	8.3021	9.3795	7.0826
10	RDFOOD	67.9968	64.2341	69.5611	64.7292	66.6303

*Source: Annual Reports of 2018, 2019, 2020, 2021.*

From Table 04, it is found that the mean of the average collection period of Olympic Company is 7.0826, and Agricultural Marketing Company Limited (PRAN) is 19.05. Whereas Golden Harvest Agro Industries' average collection period is 335.18 and Fu Wang Foods average collection period is 220.64. Apex Foods, British American Tobacco Bangladesh, and Fine Foods have a satisfactory average collection period, but Golden Harvest Agro Industries and Fu Wang Foods' ACP are alarming. A shorter average collection period (60 days or less) is generally preferable.

### **3.3 Analysis of Inventory Turnover in Days**

Inventory turnover (days) is an activity ratio indicating how many days a firm, on average, needs to turn its inventory into sales. Inventory days is an important inventory metric that measures how long a product is in storage before being sold. If the percentage is high, there may not be enough demand for it, the product might be too expensive, or it's time to rethink how it's being promoted. The company may be failing to convert inventory into sales or is not managing inventory efficiently compared to others due to an ineffective marketing strategy where it fails to get enough exposure compared to others in its sector. If a company has a low ITID, that means it is converting inventory into revenue more quickly – meaning more FCFs are available for reinvestments or other purposes like paying down debt.

**Table 05: Inventory Turnover in Days Ratio of selected foodsand allied companies**

SL	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	99.9805	93.5242	101.5018	90.4895	96.374
02	APEXFOODS	186.8312	213.5129	164.4471	288.5375	213.3322
03	BANGAS	62.2098	73.4703	46.8373	38.4176	55.2337
04	BATBC	289.4739	220.2606	284.4853	375.0944	292.3285
05	FINE FOODS	541.4902	524.6483	486.3789	474.2924	506.7024
06	FUWANGFOOD	173.2878	130.5305	174.4699	158.6709	159.2398
07	GHAIL	209.6199	269.6154	354.2593	423.0309	314.1313
08	NTC	83.3354	141.5589	121.802	132.4971	119.7983
09	OLYMPIC	54.7815	49.7934	59.1461	55.7741	54.8738
10	RDFOOD	90.9901	103.2807	107.1573	104.2452	101.4183

Source: Annual Reports of 2018, 2019, 2020, 2021.

From Table 05, in the appendix, we found that Olympic Food Industries has the lowest Inventory Turnover ratio in Days 54.87, Bangas Limited Company 55.23, Agricultural Marketing Company Limited 96.37, Rangpur Dairy and Food Products 101.41 and National Tea Company 119.79. These companies can convert their inventory into sales revenue in a shorter time period, and they can reinvest free cash flows efficiently.

### 3.4 Analysis of Average Payment Period

The average payment period is the metric used to represent the average number of days a company takes to pay the amount payable to its supplier. Businesses and organizations rely on credit for some of their key processes and operations. These organizations may purchase necessary assets on credit and depend on investors to fund key business units. The average payment period is an essential financial metric that allows businesses to understand how efficiently and quickly revenues can cover the costs of these credits. The average payment period can give us valuable insight into how the organization makes payments for its liabilities.

**Table 06: Average Payment Period of Selected Foods and Allied Companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	.5475	.6184	.8607	4.5655	1.6480
02	APEXFOODS	13.7321	7.6002	22.5917	5.4923	12.3541
03	BANGAS	15.7940	17.3419	9.141	2.8840	11.2902
04	BATBC	41.2429	22.4112	51.0497	38.279	38.2457

05	FINE FOODS	35.5337	26.5218	33.2636	26.6768	30.499
06	FUWANGFOOD	18.1846	13.1834	15.4431	25.4591	18.0675
07	GHAIL	42.3987	25.3367	41.7945	27.1941	34.181
08	NTC	27.9337	34.6958	28.4205	34.1792	31.3073
09	OLYMPIC	19.659	18.5197	27.535	30.4966	24.0526
10	RDFOOD	4.8067	5.9384	5.9278	11.801	7.1184

Source: Annual Reports of 2018, 2019, 2020, 2021.

Table 06 shows that the average payment period of Agricultural Marketing Company Limited is 1.648, Rangpur and Dairy Food Products is 7.1184, Bangas Limited is 11.2902, and Apex Foods Limited is 12.3541. These companies pay their suppliers within a shorter period. Comparatively, the average payment period of British American Tobacco Bangladesh Company Limited is 38.2457, Golden Harvest Agro Industries Ltd. is 34.181, and National Tea Company is 31.3073.

### 3.5 Analysis of Cash Conversion Cycle

The Cash conversion cycle (CCC) measures how long a firm will be deprived of cash if it increases its investment in inventory in order to expand customer sales. It is thus a measure of the liquidity risk entailed by growth (Wikipedia, 2023). However, shortening the CCC creates its own risks: while a firm could even achieve a negative CCC by collecting from customers before paying suppliers, a policy of strict collections and lax payments is not always sustainable. The cash conversion cycle (CCC) is the number of days in the firm's operating cycle (OC) minus the average payment period (APP) for inputs to production. The CCC takes into account the time at which payment is made for material; this spontaneous form of financing partially or fully offsets the need for negotiated financing while resources are tied up in the operating cycle.

**Table 07: Cash Conversion Cycle of Selected Foods and Allied Companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	118.8402	108.2973	120.2662	107.7076	113.7778
02	APEXFOODS	212.6103	232.15	172.8837	324.8945	235.6346
03	BANGAS	171.6513	208.1304	154.2893	187.2488	133.5177
04	BATBC	276.2873	214.8082	234.3857	350.4242	268.9763
05	FINE FOODS	543.0555	548.5529	480.6524	468.874	510.2837
06	FUWANGFOOD	400.45	313.8551	377.226	355.7477	361.8197
07	GHAIL	394.6811	416.7797	739.6826	909.4011	615.1361
08	NTC	67.2068	121.8799	116.1164	124.9214	107.5311



09	OLYMPIC	40.1608	36.8843	39.9132	34.657	37.9038
10	RDFOOD	154.1802	161.5764	170.7906	157.1734	160.9301

Source: Annual Reports of 2018, 2019, 2020, and 2021 of the selected companies under study

According to Table 06, only Olympic Industries has a lower cash conversion cycle period of 37.9038 days. National Tea Company has 107.5311 days, and Agricultural Marketing Company Limited has 113.7778 days. Fu Wang Food has 361.8197 days, Fine Foods cash conversion cycle has 510.2837 days, and Golden Harvest Agro Industries Ltd. has 615.1361 days.

### 3.6 Analysis of Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average may indicate a higher risk of distress or default. Similarly, if a company has a very high current ratio compared with its peer group, it indicates that management may not be using its assets efficiently. The current ratio is called current because, unlike some other liquidity ratios, it incorporates all current assets and current liabilities. The current ratio is sometimes called the working capital ratio.

**Table 08: Current Ratio of Selected Foods and Allied Companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	1.4254	1.4763	1.5285	1.6556	1.5214
02	APEXFOODS	1.2857	1.3540	1.3357	1.4520	1.3568
03	BANGAS	2.0551	2.1549	2.3558	2.2375	2.2008
04	BATBC	1.3115	1.6596	1.3947	1.345	1.4277
05	FINE FOODS	11.1933	13.05	10.3911	13.0492	11.9209
06	FUWANGFOOD	2.5405	2.4609	2.4124	2.1706	2.3961
07	GHAIL	1.1763	1.3157	2.112	1.777	1.5952
08	NTC	0.5619	0.5165	0.306	0.4523	0.4592
09	OLYMPIC	2.8401	3.1325	3.7025	3.6733	3.3371
10	RDFOOD	3.3662	2.9676	2.9603	2.4699	2.941

Source: Annual Reports of 2018, 2019, 2020, and 2021 of the selected companies under study

Table 08 explains that, Agricultural Marketing Company Limited has a current ratio of 1.5214, Bangas Limited has 2.2008, Fu Wang Foods 2.3961, Golden Harvest

Agro-Industry 1.5952, and Rangpur and Dairy Food Products 2.941. The companies can properly meet up their short-term obligations. Fine Food's current ratio is 11.9209, which indicates the company is not efficiently using its short-term financing facilities.

### 3.7 Analysis of Gross Working Capital Turnover Ratio

Gross working capital refers to the total current asset quantum possessed by a company at any given point in an accounting year. It makes up all those assets that can be readily converted into cash within an accounting period. Typically, it includes assets like – cash, inventory, accounts receivable, marketable securities, commercial paper, and short-term investments. It is the amount available with a firm to fund its current asset-related requirements. The gross working capital turnover ratio measures how well a company is utilizing its current assets to support a given level of sales. A high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales. Conversely, a low ratio indicates that a business is investing in too many accounts receivable and inventory assets to support its sales, which could eventually lead to an excessive amount of bad debts and obsolete inventory write-offs.

**Table 09: Gross Working Capital Turnover Ratio of Selected Foods and Allied Companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	2.4423	2.6111	2.3571	2.5877	2.4995
02	APEXFOODS	1.4222	1.3571	1.6515	2.5794	1.7525
03	BANGAS	1.4758	1.3559	2.0325	1.5784	1.6106
04	BATBC	1.8176	2.0127	1.7869	1.6972	1.8286
05	FINE FOODS	0.6774	0.7089	0.7643	0.7224	0.7182
06	FUWANGFOOD	0.6254	0.7879	0.6526	0.6626	0.6821
07	GHAIL	0.8505	0.7468	0.3903	0.2816	0.5673
08	NTC	3.3647	2.5449	2.1124	1.4077	2.3574
09	OLYMPIC	1.9547	1.9458	2.0283	2.1321	2.0152
10	RDFOOD	1.2943	1.2797	1.1549	1.2039	1.2332

*Source: Annual Reports of 2018, 2019, 2020, and 2021 of the selected companies under study*

According to Table 09, Gross Working Capital Turnover Ratio of Fine Foods is 0.7182, Fu Wang Foods is 0.6821, and Golden Harvest Agro-Industry is 0.5673. The three companies are investing in too many accounts receivable and inventory

assets to support its sales. Meanwhile, the GWCTO ratio of Agricultural Marketing Company Limited is 2.4995, and that of Olympic Industry is 2.0152. Their management is efficiently using the firm's short-term assets to support sales.

### 3.8 Analysis of Current Assets to Total Assets Ratio

It indicates the extent of total funds invested for the purpose of working capital and throws light on the importance of a firm's current assets. It should be worthwhile to observe how much of that portion of total assets is occupied by the current assets, as current assets are essentially involved in forming working capital and also actively increasing liquidity.

**Table 10: Current Assets to Total Assets Ratio of Selected Foods and Allied Companies**

SL.	Company Code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	0.7273	0.7714	0.7943	0.8261	0.7797
02	APEXFOODS	0.7211	0.7488	0.7699	0.7359	0.7439
03	BANGAS	0.5217	0.5829	0.5792	0.5908	0.5686
04	BATBC	0.5258	0.4708	0.5198	0.5669	0.5208
05	FINE FOODS	0.4414	0.4714	0.4951	0.5216	0.4823
06	FUWANGFOOD	0.8034	0.8204	0.8368	0.8452	0.8264
07	GHAIL	0.5304	0.7183	0.4405	0.3783	0.5168
08	NTC	0.1521	0.2068	0.1465	0.2218	0.1818
09	OLYMPIC	0.6757	0.6441	0.6639	0.5867	0.6426
10	RDFOOD	0.3727	0.3859	0.4101	0.4263	0.3987

*Source: Annual Reports of 2018, 2019, 2020, and 2021 of the selected companies under study*

Table 10 shows that the National Tea Company has an extremely lower Current Assets to Total Assets Ratio of 0.1818, Rangpur and Dairy Food Products 0.3987, and Fine Foods 0.4823. None of the companies in our study have enough liquid assets to form a good proportion of working capital. The companies should maintain more cash, cash equivalents, stock or inventory, accounts receivable, marketable securities, prepaid expenses, and other current assets for short-term financial solvency.

### 3.9 Analysis of Current Liabilities to Total Assets Ratio

The Current Liabilities to Total Asset Ratio measures the percentage of Total Current Liabilities to Total Assets, a useful measurement when reviewing a company's debt structure. Current liabilities are a company's short-term financial

obligations that are due within one year or within a normal operating cycle. Current liabilities are typically settled using current assets, which are assets that are used up within one year. The analysis of current liabilities to total assets is essential to investors and creditors. This can give a picture of a company's financial solvency and management of its current liabilities.

**Table 11: Current Liabilities to Total Assets Ratio Selected Foods and Allied Companies**

SL.	Company code	2018	2019	2020	2021	Average
01	AMCL (PRAN)	0.5102	0.5225	0.5196	0.4989	0.5128
02	APEXFOODS	0.5608	0.5531	0.5764	0.5068	0.5492
03	BANGAS	0.2538	0.2705	0.4245	0.2641	0.3032
04	BATBC	0.4009	0.2836	0.3727	0.4215	0.3696
05	FINE FOODS	0.3944	0.0361	0.0476	0.4251	0.2258
06	FUWANGFOOD	1.8131	2.0299	2.0871	2.4307	2.0902
07	GHAIL	0.4509	0.5459	0.2086	0.2129	0.3545
08	NTC	0.2708	0.3402	0.4784	0.4903	0.3949
09	OLYMPIC	0.2379	0.2056	0.1793	0.1597	0.1956
10	RDFOOD	0.1107	0.1301	0.1385	0.1726	0.1379

*Source: Annual Reports of 2018, 2019, 2020, and 2021 of the selected companies under study*

From Table 11, it is observed that Fu-Wang Foods' Current Liabilities to Total Assets Ratio is 2.0902, which indicates the company has greater financial risk. Rangpur and Dairy Food Products' Current Liabilities to Total Assets Ratio is 0.1379, Olympic Industry's 0.1956, Fine Foods' 0.2258, British American Tobacco Bangladesh Company's 0.3696, and Bangas Company's 0.3032. The company having the lower current liabilities to total assets ratio is able to pay off its short-term debts without worry or penalty.

### **3.10 Effects of Short-Term Capital Management on Profitability**

The success of any business depends on its profitability, liquidity, and solvency. Return on Net Assets (RONA) is a comparison of net income with fixed assets and networking income. This is a metric of the financial performance of a company that takes into account the earnings of a company with regard to fixed assets and networking income (Nazir & Afza, 2007). However, profitability also depends on short-term capital management effectively.

**Table 12: Effects of Short-Term Capital Management on Profitability**

SL.	Company Code	2018	2019	2020	2021	Average
1	AMCL (PRAN)	55548329	58418206	45578886	42990000	50633855.25
2	APEXFOODS	10307716	11780937	10737953	11805000	11157901.5
3	BANGAS	5898875	15724500	4595333	1735246	6988488.5
4	BATBC	10010000000	9250000000	10890000000	14970000000	11280000000
5	FINE FOODS	1024634	3452302	2622747	-1573230	1381613.25
6	FUWANGFOOD	2034880	1675399	-5653365	-6123401	-2016621.75
7	GHAIL	111270530	-331691	-4900588	-156397951	-12589925
8	NTC	106100000	136400000	-367680000	-209110000	-83572500
9	OLYMPIC	1791067620	1871821560	2024954215	2037363202	1931301649
10	RDFOOD	25690000	31730000	22120000	46840000	31595000

Table 12 shows that the companies that failed to manage the short-term working capital management efficiently had incurred poor net income or loss. National Tea Company (NTC) fails to maintain the standard of every variables of short-term working capital, which are mentioned in the above tables. That's why NTC has incurred losses in 2020 and 2021.

A comparison of Table 06 and Table 07, it is proved that longer period of collection of account receivables or longer credit period offered by the company results into higher sales, and more sales bring more profit in the business. So, there could exist a positive relationship between the number of days' account receivables and profitability of the firm.

Some companies whose average collection period is so high and their net income is so low. From the above table, the performance of Fu-Wang Foods, Fine Foods, GCHAIL, and NTC prove that there exists a negative relationship between the profitability and the average collection period, the lower the average collection period, the higher will be the profitability, indicating that a decrease in the number of days a firm receives payment from sales affects the profitability of the firm positively.

Present study also found that there is a highly significant positive relationship between average payment period and profitability. Table 12 and Table 06, imply that the longer a firm makes the payment to its creditors, the more profitable it becomes.

The study also found from Table 07 that if the cash conversion cycle decreases, it will lead to an increase in the profitability of the firm, and managers can create a positive value for the shareholders, which indicates that it has been maintained.

#### **4.0 Findings**

It is revealed from the analysis that the overall performance in terms of short-term capital management of foods & allied companies is somehow satisfactory. In the case of the current ratio, except for the National Tea Company, all other companies maintain above the industry average. It indicates that the food & allied companies are capable of repaying the short-term liabilities. The companies in our study have fewer current assets, and that is not enough to form a better proportion of working capital. The current liabilities to total assets ratio of Fu-Wang Foods is higher among the selected companies, which is risky. The overall situation of the current liabilities to total assets ratio of this industry has a lower risky position as the ratio is not so high. The average collection period of the selected companies is not in a satisfactory position. In this industry, Golden Harvest Agro-Industries takes huge time, almost a year, to collect in credit sales. The Gross Working Capital Turnover Ratio of the selected companies is in a good position. It indicates that the companies have available funds to support their sales. The study also finds a positive relationship between efficient short-term capital management and the profitability of the firm.

#### **5.0 Recommendations**

Based on the above analysis, the study found that the overall situation of short-term capital management is in a moderate position. Selected companies in the food and allied industries should improve the average collection period. Otherwise, they may face a liquidity crisis. Some companies' current ratios are not in a satisfactory position to repay their short-term borrowings. Companies in this industry should reduce their current liabilities. This will improve their current ratios, which makes the current ratio higher than their existing situation. Companies with lower current assets to total asset ratios should maintain more cash and near cash assets for short-term financial solvency.

#### **6.0 Conclusion**

Positive working capital is required to ensure that a firm is able to continue its operations and that it has sufficient funds to satisfy both maturing short-term debt and upcoming operational expenses. Ten companies among seventeen companies from the food and allied industry listed in the Dhaka Stock Exchange are analyzed to determine the companies' problems and strengths in terms of short-term capital

management. The study aimed to evaluate the short-term capital management performance of the food and allied industries. The study has been empirical in nature. Secondary data are given emphasis. Annual reports for Years 2018-2021 are used to evaluate the performance. The current Ratio, Cash Conversion Cycle, Current Liabilities to Total Assets, Average Payment Period Ratio, Average Collection Period, Inventory Turnover in Days, etc., are used to achieve the objective of efficient capital management may ensure the high performance of Bangladeshi food and allied industries. The study found a longer period for average collection, which is not satisfactory for the companies. Also, in some cases, the inventory turnover ratio is poor. To maintain and manage short-term capital, companies in the food and allied industry must think about the average collection period, cash conversion cycle, inventory turnover, etc. There are some scopes of further study in this field.

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