



Determining the nexus between Dynamic Working Capital Management and Operational Efficiency in Emerging Southeast Asia



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ABSTRACT

Objective— The primary aim of this study is to investigate the effect of dynamic working capital (DWC) management on operational efficiency through operating expenses and operating margins across non-financial firms in emerging markets.

Methodology/Technique – This study utilized generalized method of moments (GMM) to evaluate a comprehensive dataset of 438 firms from Indonesia, Malaysia and Thailand for the period 2018 to 2023.

Findings – DWC is measured study using both cash conversion cycle (CCC) and working capital ratio (WCR). Results show that optimized DWC management reduces operating expenses (OER) and increases operating margins (OMR). These findings highlight the importance of efficient working capital practices and liquidity management in emerging markets.

Novelty – This study provides valuable insights for financial managers in emerging countries, advocating focused strategies on working capital cycles to strengthen operational efficiency and profitability.

Type of Paper: Empirical

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Keywords: Working capital management, Cash conversion cycle, working capital requirement, Operating efficiency, Emerging countries

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1. Introduction

Businesses must manage their working capital well since it directly affect their profitability, liquidity and overall value (Laghari et al., 2023). Effective working capital management helps businesses to free up resources, which enable them to reinvest in prospect with better ueilds and support long-term growth potential (Bhatia et al., 2024). Effectively managing the time interval between buying raw materials and getting sales receipts is essential to maximizing a business's productivity and profitability.

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Even though a variety of factors affect the operational process, working capital's distinctive characteristics demand special consideration, since current assets are significant part of total assets (Akhund & Qazi, 2023) (Rey-Ares et al., 2021). This is because many businesses allocate a sizable portion of their investment to inventory and account receivables (Ahangar, 2020) (Özkaya & Yaşar, 2023) (Vlismas, 2024). WC management is keeping current assets and liabilities at balanced levels to provide sufficient cash flow for short-term obligations. This calls for a flexible, dynamic approach that handles short-term assets and obligations in a comprehensive manner to maximize liquidity and profitability. Dynamic WC covers the full operating cycle and concentrates on both its components and their integration, in contrast to conventional static WC measurements like current or quick ratios (Baker et al., 2017) (Moss & Stine, 1993).

This study examines non-financial companies from 2018 to 2023. The non-financial companies involve various sectors which frequently deals with large amounts of inventory, accounts receivable, and payables throughout the operational cycle. The cash conversion cycle which is typically used to quantify operating cycle duration (Parsad et al., 2019; (Bashir & Regupathi, 2022). Dynamic working capital in this study is investigated using the working capital ratio (WCR), which shows the actual cash locked up in the cycle, and the CCC, which records the timeframe for turning inventory and receivables into cash (Deloof, 2003) (Jaworski & Czerwonka, 2022).

Furthermore, as demonstrated by return on equity (ROE), return on invested capital (ROIC), and return on assets (ROA), the majority of WC studies place a strong emphasis on profit potential. However, according to (Prasad et al., 2019), only about 39% look at returns that are directly related to operating activities, including gross margin, net margin, or operating margin (OMR). By incorporating cost management potentials through the operating expense ratio (OER), an area that is still understudied in WC research, this study expands its analysis (Aktas et al., 2015) (Le, 2019). Using data from consumer products companies from 2018 to 2023, this study assesses the effect of DWC on cost and profitability by concentrating on overall operational efficiency.

The study's inclusive methodology is what makes it novel. First, it takes into account efficiency from the standpoints of cost and profitability. While costs are reviewed using the OER, which focuses on operational costs rather than total expenses, profitability is examined from an operational perspective using OMR rather than the more general ROA metric. These are in line with WC's primary goal of overseeing daily activities. Furthermore, in order to provide a full view, the study takes a dual viewpoint on WC, taking into account both the time management element through the CCC and the absolute financial perspective via the WCR.

The results show that DWC management negatively affects operating cost, but positively affects operating profit, indicating overall positive impact on operating efficiency. These findings provide valuable knowledge addition to the previous literature. It looks at DWC's unique impact on cost and profitability, emphasizes the value of time and money management within WC for operational effectiveness.

Fewer studies have examined these dynamics in a regional context (Hassan et al., 2023), despite the fact that most prior research has concentrated on individual or developed markets (Bratland & Hornbrinck, 2013) (Enqvist et al., 2014) (Lyngstadaas & Berg, 2016) (Yazdanfar & Öhman, 2014). This study taken into account three southeast Asian countries: Indonesia, Malaysia and Thailand. Each of these countries has unique financial systems and business practices that strengthen the validity of comparative research and they are major contributors to the economic progress (Hutapea & Ulpah, 2020). These countries are also valuable for investigating methods to increase operational efficiency since they have demonstrated significant

economic resilience and tremendous development, providing potential for investment. This study's findings may be applicable in other economic environments.

The subsequent sections of this study cover literature review and hypotheses, methodology, empirical results, and final conclusions in Sections 2 through 5, respectively.

2. Literature review and hypotheses development

2.1 Dynamic working capital management and operational efficiency

Numerous studies have shown that working capital (WC) is crucial for controlling financial risks and impacting corporate performance (Li et al., 2024). Cash flows into inventory and accounts receivable for many organizations, and accounts payable is an essential source of funding (Deloof, 2003). Managers must use good judgment to optimize the entire operating cycle in order to effectively manage various WC components (Karim et al., 2023). Financial profitability requires all WC components to be balanced.

Traditionally, "Static" approach of WC management used balance sheet ratios such as quick and current ratios to assess liquidity. Despite a useful approach, "Static" indicators are not very good at predicting the overall dynamics of cash flow and liquidity across the operational cycle (Wichitsathian & Pestonji, 2019). According to (Richards & Laughlin, 1980), such static measurements frequently give priority to liquidation potential above the continuous cash conversion activities that are essential to a company's operational health. DWC captures holistic aspect of WC management by concentrating on the cash flow gaps between resource purchase and cash inflows from sales.

DWC offers an ongoing concern perspective by examining the time and cash value associated with entire operating cycle. Specifically, the cash conversion cycle (CCC) is a widely used indicator to monitor the WC effectiveness over time. It encompasses the periods related to inventory turnover, payables settlement, and receivables collection (Malm & Sah, 2019), highlighting the duration required for a business to sell inventory, collect receivables and pay off its creditors (Baker et al., 2017) (Jadiyappa & Shette, 2024). Although CCC emphasizes the timing aspect of the operating cycle, it may fall short in capturing the monetary scale, especially in large-scale enterprises with executive cash involvement in WC (Boțoc & Anton, 2017).

The effects of CCC on profitability are widely discussed in various studies. According to some, there is a favorable association between organizations' profitability and their capacity to manage their CCC effectively (Abuzayed, 2012) (Sharma & Kumar, 2011) (Gonçalves et al., 2018). According to research utilizing data from SMEs and public companies in Qatar, some discover a negative association, indicating that shorter CCC durations can improve profitability (Yazdanfar & Öhman, 2014) (Aldubhani et al., 2022). An inverted U-shape relationship is supported by several research that even propose a non-linear relationship in which profitability reaches an ideal level with balanced CCC management (El-Ansary & Al-Gazzar, 2021) (Shakil et al., 2019).

Some research suggests employing the working capital ratio (WCR) to more accurately evaluate the actual cash involved in the operational cycle in order to overcome the shortcomings of CCC. WCR moves the emphasis from time to the financial scale of WC and is calculated as $((\text{Inventories} + \text{Accounts Receivable}) - \text{Accounts Payable}) / \text{Sales}$. According to studies, profitability may grow as WCR rises, but at a decreasing rate. This cash management strategy is supported by empirical data, which demonstrates a non-

linear link between WCR and profitability for high-growth companies in Poland and Eastern Europe (Anton & Afloarei Nucu, 2020) (Jaworski & Czerwonka, 2022). This emphasizes the importance of efficiently managing time and cash flows within the operational cycle.

Previous research focuses on capital effectiveness across various return kinds and primarily examines WC's effect on profitability using return metrics including ROA, ROE, and ROIC. Although the scope of these measurements is frequently restricted to capital-related profitability, they do compare performance within an industry. Few studies look at WC's returns from an operational standpoint, including operating margin, net margin, and gross margin (Prasad et al., 2019). These indicators provide the effectiveness of revenue creation and cost control at every stage of production. The usefulness of operational indicators, like the CCC, in assessing operating profitability is reinforced by their close alignment with cash flow timing (Richards & Laughlin, 1980).

According to (Aktas et al., 2015) and (Le, 2019), WC also has unrealized potential in risk and cost management. In order to close this gap, this study uses operating margin (OMR) to measure profitability related to WC's operating cycle and takes into account DWC's capacity for cost control using the operating expense ratio (OER). When combined, these cost and operational metrics offer a comprehensive evaluation of WC that goes beyond conventional profitability metrics to fully capture the advantages of efficient WC management. This study's main goal is to investigate how DWC affects the entire OE, taking into account both cost control and profitability factors. Thus, the following hypotheses are developed.

H1. *DWC (CCC and WCR) significantly and negatively affect OER.*

H2. *DWC (CCC and WCR) significantly and positively affect OMR.*

3. Methodology

This section describes data and variables description.

3.1 Data

This study employs data for financial, Environment, social and Governance (ESG) variables of listed companies across three southeast Asian countries – Indonesia, Malaysia and Thailand. The Refinitiv Eikon database is the source of the dataset, which covers the period 2018-2023. All data were filtered by taking step; i) removing companies with missing financial and ESG data, ii) winsorization to deal with outliers. The final sample consists of 438 companies making 2,628 firm-year observations.

3.2 Variables description

Analyzing firm performance often involves profitability indicators like ROA, ROE, ROIC and Toobin's Q (Boțoc & Anton, 2017) (Sawarni et al., 2020) which are also widely applied in the studies on working capital management. This study, however, adopts a distinct approach by focusing specifically on operating efficiency rather than general profitability indicators. To capture both cost control and revenue generation within the operating cycle, this study employs two key operating efficiency indicators. Cost management efficiency is measured using operating expense ratio (OER), while profit generation efficiency is assessed using the operating margin ratio (OMR). In addition, two variables represent dynamic working capital management (DWCM): Cash conversion cycle (CCC), which reflects the time taken to convert inventory and accounts receivable into cash (Deloof, 2003) (Seth et al., 2020), and the working capital requirement (WCR), which measures the absolute cash involved in the operating cycle (Boțoc & Anton, 2017). Together, CCC

and WCR provide a comprehensive view of both time and cash management within the operating cycle. In order to control the possible effects on operating efficiency, accounts receivable days (ACR), accounts payable days (APD), firm size (FSZ), ESG total score (ESG), gross domestic product (GDP) and inflation (INF). All variables are summarized in Table 1.

Table 1. Variables Description

Variable (Notation)	Measurement
Operating expense ratio (OER)	$\frac{\text{Operating expenses}}{\text{Net Revenue}}$
Operating margin ratio (OMR)	$\frac{\text{Operating income}}{\text{Net Revenue}}$
Working capital ratio (WCR)	$\frac{ARD + IND - APD}{ARD + IND - APD}$
Where; ARD = Accounts receivable days IND = Inventory Days APD = Accounts payable days	
Accounts receivable days (ARD)	$\frac{AR + IND - AP}{\frac{\text{Net Revenue}}{\text{Accounts Receivable}} * 365}$
Accounts payable days (APD)	$\frac{\text{Accounts Payable}}{\text{Cost of goods sold}} * 365$
Firm size (FSZ)	$\text{Natural log of total assets}$
Environmental, social and Governance Score (ESG)	Total ESG scores
Gross domestic product (GDP)	GDP growth rate
Inflation (INF)	$\text{Consumer Price Index}$

3.3 Estimation method

This study employs generalized method of moments (GMM) to investigate the DWC influence on OER and OMR. Following the studies (Boțoc & Anton, 2017) (Ali et al., 2020) CCC, WCR and control variables are regressed against OER and OMR. This study employs system GMM (two-step) proposed by Arellano and Bond. The GMM estimation technique addresses endogeneity, controls firm-specific heterogeneity and corrects for potential dynamic panel bias. By using lagged dependent and instrumental variables, this study yields consistent estimates in panel data models with endogenous variables (Arellano & Bover, 1995) (Blundell & Bond, 2023). The four models are presented as below;

$$OER_{it} = \beta_0 + \beta_1 OER_{it-1} + \beta_2 CCC_{it} + \beta_3 ARD_{it} + \beta_4 APD_{it} + \beta_5 FSZ_{it} + \beta_6 ESG_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + \mu_i + v_{it} \quad (i)$$

$$OER_{it} = \beta_0 + \beta_1 OER_{it-1} + \beta_2 WCR_{it} + \beta_3 ARD_{it} + \beta_4 APD_{it} + \beta_5 FSZ_{it} + \beta_6 ESG_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + \mu_i + v_{it} \quad (ii)$$

$$OMR_{it} = \beta_0 + \beta_1 OMR_{it-1} + \beta_2 WCR_{it} + \beta_3 ARD_{it} + \beta_4 APD_{it} + \beta_5 FSZ_{it} + \beta_6 ESG_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + \mu_i + v_{it} \quad (iii)$$

$$OMR_{it} = \beta_0 + \beta_1 OMR_{it-1} + \beta_2 WCR_{it} + \beta_3 ARD_{it} + \beta_4 APD_{it} + \beta_5 FSZ_{it} + \beta_6 ESG_{it} + \beta_7 GDP_{it} + \beta_8 INF_{it} + \mu_i + v_{it} \quad (iv)$$

In above models, GMM incorporates lag values of OMR and OER on right side. μ_i and v_{it} are capturing firm-specific and time-invariant errors across firms.

4. Results

This section presents the results of empirical analysis for effect of DWCM on OER and OMR. It comprises descriptive overview, correlation analysis, and GMM regression analyses.

4.1 Descriptive statistics

The descriptive statistics results are provided in Table 2. These results show that firms within the study typically operate with extended CCC, reflecting moderate efficiency in managing working capital. On average, the CCC spans approximately 156 days, indicating a significant period for firms to convert sources into cash. This result is larger than the findings of (Hassan et al., 2023) and Yeboah and Kjærland (2024). The WCR averages 0.63, meaning working capital needs account for about 63% of sales. Firms collect receivable in around 127 days, suggesting relatively lengthy credit terms offered to customers, while accounts payable is settled in about 94 days, providing a degree of operational liquidity by delaying supplier payments. Overall, these stats suggest a balance between operational cash flow timing and liquidity management strategies.

Table 2. Descriptive Statistics

Variable	N	Mean	Minimum	Maximum	SD
OER	2628	1.019	0.574	2.418	0.311
OMR	2628	0.023	-1.455	0.397	0.314
CCC	2628	155.895	17.146	714.658	16.427
WCR	2628	0.632	0.148	6.713	1.129
ARD	2628	127.178	7.537	597.704	120.681
APD	2628	94.096	4.514	502.143	98.614
FSZ	2628	12.592	9.039	23.210	2.436
ESG	2628	41.268	7.140	91.92	15.165
GDP	2628	3.220	-6.050	8.650	4.224
INF	2628	1.500	-1.140	6.077	1.519

Further, Table 3 presents descriptive statistics results country-wise. For Indonesia, companies show a moderate CCC with a mean of 89.75 days and WCR and ARD reflect moderate values. The APD averages 74.03 days, and the ESG scores are moderately high, with a mean of 68.01, suggesting fair attention to sustainability. Malaysia display significantly longer CCC and working capital needs, with an average CCC of 183.38 days and notably high maximum values for WCR, ARD, and APD, indicating some company with prolonged cycles and payment terms. The ESG scores in Malaysia are lower, average 40.12, showing more variation in sustainability practices. For Thailand, companies exhibit shortest CCC, averaging 61.03 days, with minimal working capital needs, indicating relatively efficient cash flow management. Both ARD and APD are lower compared to Indonesia and Malaysia, while ESG scores are comparable to Indonesia's averaging 67.87, indicating a moderate focus on sustainability, overall Thailand appears to have the more efficient operational metrics, Malaysia the least and Indonesia falls in between.

Table 3. Country-wise Descriptive Statistics

Variables	Count	Mean	Minimum	Maximum	SD
Indonesia					
CCC	72	89.567	0.291	367.680	83.092
WCR	72	0.299	-1.610	8.222	1.290
ARD	72	77.374	2.284	337.315	71.314
APD	72	74.032	1.232	361.865	53.627
FSIZE	72	23.902	18.280	25.915	1.653
ESG	72	68.008	41.040	87.450	12.242
GDP	72	3.698	-2.066	5.307	2.650
INF	72	2.932	1.560	4.209	0.934
Malaysia					
CCC	2520	183.379	0.075	1448.748	176.864
WCR	2520	1.546	-27.885	651.056	19.457
ARD	2520	133.244	0.745	984.729	138.792
APD	2520	98.406	0.444	996.889	116.586
FSIZE	2520	12.208	7.162	17.623	1.613
ESG	2520	40.124	7.140	88.360	14.190
GDP	2520	3.238	-5.457	8.650	4.264
INF	2520	1.458	-1.140	3.380	1.502
Thailand					
CCC	36	61.034	0.393	191.094	37.907
WCR	36	0.119	-0.078	0.481	0.137
ARD	36	57.371	6.127	207.699	41.600
APD	36	59.953	22.948	138.448	32.746
FSIZE	36	18.168	15.953	20.802	1.244
ESG	36	67.868	38.070	91.920	13.100
GDP	36	1.034	-6.050	4.223	3.327
INF	36	1.577	-0.846	6.077	2.167

Table 4 presents Pearsons' correlation results. The highly correlated variables like OER and OMR are estimated separately so do not pose any issues. The CCC, WCR, ARD and APD all positively correlated with OER, suggesting that firms with extended cash cycles, high working capital needs, and longer receivable collection and payables period may see improvements in cost efficiency. However, these some variables correlate negatively with OMR indicating that while firms might manage costs effectively by delaying cash outflows and holding onto working capital, this approach could slightly reduce profitability from core operations. The ESG score shows only a minor negative correlation with OER and positive with OMR, indicating that firm with high ESG scores may achieve slightly better profitability without notable effects on cost efficiency. Overall, the results suggest a potential trade-off between cost efficiency and profitability in working capital management and sustainable practices having limited but positive profitability implications.

Table 4. Correlation Matrix

	OER	OMR	CCC	WCR	ARD	APD	FSZ	ESG	GDP	INF
OER	1									
OMR	-0.983	1								
CCC	0.160	-0.157	1							
WCR	0.397	-0.392	0.290	1						
ARD	0.315	-0.315	0.579	0.375	1					
APD	0.279	-0.274	-0.083	0.285	0.406	1				
FSZ	-0.302	0.307	-0.095	-0.129	-0.107	-0.087	1			
ESG	-0.079	0.075	-0.068	0.046	-0.066	-0.040	0.369	1		
GDP	-0.029	0.029	0.005	-0.009	0.010	-0.012	0.018	0.007	1	
INF	-0.024	0.022	0.010	0.005	0.013	0.003	0.154	0.062	0.085	1

4.2 Regression Results

Following, the results for DWC management and OER through GMM regression analysis are presented in Table 5. Lag values of OER are significantly positive in model 1 and model 2. This suggests that past year OER increases next year OER. In model 1, CCC negatively affects OER, indicating a more efficient working capital management is associated with lower operating expenses. ARD has no significant effect on OER, implying that there may be slight upward pressure on expenses with longer receivable, but the effect is not statistically meaningful. APD positively affects OER, indicating that delays in setting payables may drive up operating expenses, possibly due to penalties or strained supplier relationships. FSZ has a negative effect on OER, meaning large firms experience lower operating expenses, likely due to economies of scale. ESG scores show a positive but insignificant effect on OER, suggesting that higher ESG engagement might slightly increase expenses, though impact is not significant on OER. GDP and INF have no significant effect on OER. In model 2, WCR negatively affect OER, signifying that firms with better liquidity management have lower OER. ARD has a positive effect on OER, indicating that extended receivable periods are associated with higher expenses, potentially due to increased credit risk or collection costs. APD positively impacts OER, reinforcing the link between extended payables and higher operating costs. Firm size continues to negatively affect OER, supporting the notion that larger firms benefit from lower operating expenses. In this model, ESG has a positive and significant effect on OER, meaning that a higher commitment to ESG practices does lead to an increase in operating expenses, potentially due to costs related to sustainable practices. GDP and inflation negatively but insignificantly affect OER, suggesting a weak inverse relationship between economic growth and expenses.

Table 5. Dynamic GMM regression results for DWCM and OER

Variables	Model 1		Model 2	
	Coef.	P-value	Coef.	P-value
Lag	0.295	0.000***	0.321	0.000***
CCC	-0.012	0.003***		
WCR			-0.038	0.000***
ARD	0.002	0.747	0.001	0.000***
APD	0.001	0.000***	0.001	0.000***
FSZ	-0.032	0.000***	-0.042	0.000***
ESG	0.011	0.633	0.002	0.022**

GDP	-0.006	0.141	-0.003	0.509
INF	0.013	0.296	-0.006	0.690
Constant	1.083	0.000***	1.108	0.000***
AR(1)	-8.010***		-5.530***	
AR(2)	2.080		2.670	
	180.45		136.28	

***, **, * represent significance level of 1%, 5% and 10% respectively.

Table 6 presents regression results for DWCM and OMR. The positive and significant lag values in model 3 and model 4 show that past year profit margins increase future profit margins. In model 3, CCC has a positive impact on OMR indicating a longer cycle might allow firms to enhance profit margins possibly by enabling more favorable terms with customers or suppliers. The positive effect of APD and FSZ on OMR imply that longer payables and large firms size provide cost-effective sources of financing and increased economies of scale, enhancing margins. ARD, ESG, GDP and INF has no significant influence on OMR. In mode 4, similar rends are presented. WCR positively affect OMR indicating that higher liquidity supports profitability, possibly by enabling investment in profitable opportunities. Similar to model 3, APD and FSZ show positive effects on OMR while ARD, ESG, GDP and INF do not pose significant effects. These findings support both H1 and H2 hypotheses.

Table 6. Dynamic GMM regression results for DWCM and OMR

Variables	Model 3		Model 4	
	Coef.	P-value	Coef.	P-value
Lag	0.444	0.000***	0.445	0.000***
CCC	0.023	0.012***		
WCR			0.003	0.000***
ARD	0.032	0.436	0.012	0.253
APD	0.043	0.001***	0.034	0.040**
FSZ	0.026	0.000***	0.027	0.000***
ESG	0.003	0.749	0.005	0.533
GDP	0.001	0.893	0.001	0.817
INF	0.011	0.459	0.009	0.535
Constant	-0.339	0.000***	-0.374	0.000***
AR(1)	-8.570***		-8.540***	
AR(2)	3.050		3.020	
	112.44		113.24	

***, **, * represent significance level of 1%, 5% and 10% respectively.

5. Discussion

The above results indicate that CCC and WCR have significant implications for operating costs and operating profit (i.e., OER and OMR). Specifically, CCC exhibits a stronger negative relationship with OER, suggesting that a shorter CCC lowers operating expenses. This finding implies efficient cash flow management through quick cycles of receivables, payables and inventory. Conversely, WCR depicting negative relationship with OER suggests that higher liquidity or better working capital management is associated with reduced operating expenses. This suggests that firms with stronger liquidity positions may have more flexibility to negotiated favorable terms with suppliers, reduce financing costs, or better manage day-to-day operational expenditures. These findings are consistent with the past studies who find the

negative effect of additional investment in working capital reduces stock-return volatility and firm risk (Le, 2019) (Aktas et al., 2015).

Similarly, positive effects of CCC and WCR on OMR suggests that efficient working capital management supports high profit margins. The extended cycle might give firms greater flexibility to negotiate favorable terms or manage costs, potentially boosting margins. In the same way, adequate liquidity increases firm's ability to capitalize on profitable opportunities within the operating cycle. These findings align with the studies of (Amponsah-Kwatiah & Asiamah, 2021) and (Ikpefan et al., 2021) who reported that liquidity management through extended CCC increases returns.

6. Conclusion

This study highlights the importance of DWC management in driving operational efficiency within the merging markets of Indonesia, Malaysia and Thailand. The results indicate that DWC, measured through CCC and WCR, can significantly impact operational costs and profitability. Particularly, a shorter CCC and stronger liquidity position through WCR contribute to lower OER while enhancing OMR. These findings suggested the efficient management of working capital aids in reducing operational expenses and supports high profitability by enabling firms to leverage favorable terms with suppliers, reducing the financing costs, and capitalize on investment opportunities.

These findings provide implications to financial managers to emphasize the value of maintaining optimal working capital cycle and liquidity levels as essential strategies for operational efficiency and profitability. Implementing effective policies of working capital can provide firms with more flexibility in managing operational expenses and enhancing profitability margins. For policymakers, these findings highlight the potential economic benefits of fostering financial policies that support efficient working capital practices in emerging markets, potentially positioning these economies for greater financial resilience and investment attractiveness. This study leaves avenues for future researchers. Studies can investigate how crises episodes affected operating expenses and operating profit margins.

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