Influence of Cash Conversion Cycle on Government Agency Profitability: A Case of Tanzania Electricity Supply Company – Dar es Salaam

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Abstract

This study sought to examine the influence of the cash conversion cycle on government agency profitability, A Case of Tanzania Electricity Supply Company – Dar es Salaam. In this study, the Trade-off theory was employed. A descriptive research design was utilized, and a quantitative approach was employed. The research was accomplished by considering a population of 420 staff members from the TANESCO – Dar es Salaam Region Offices as the participants, selected using a simple random sampling technique. For the collection of primary data, a questionnaire was employed as the primary data collection tool, and secondary data was collected through document review. The collected data underwent rigorous analysis using a combination of descriptive and inferential statistics with the support of the SPSS version 26. Findings revealed that the length of the cash conversion cycle, a well-optimized cash conversion cycle, timely management of cash flow, and working capital significantly affect the profitability of the organization. The study recommends that TANESCO should optimize working capital management to boost cash flow and profitability. Future research can explore technological solutions and advanced financial software for further improvement.

Keywords: Working Capital Management, Profitability, Cash Conversion Cycle, Inventory Management Receivables.

1. Introduction

Government agencies' financial performance and profitability are greatly influenced by their capacity to manage their working capital effectively. Government organizations can maximize resource usage, reduce operational risk, and enhance their overall financial health by effectively managing their current assets and liabilities (Madih & Babar 2020). Government agencies can maintain sufficient liquidity, cut expenses, and improve operational efficiency by managing cash, inventory, receivables, and payables properly. It enables them to efficiently manage cash flows, take advantage of investment opportunities, and pay their debts on schedule (Sathyamoorthi 2020).

Globally, the influence of working capital management on government agency profitability has gained significant recognition as it impacts financial sustainability and efficient resource allocation (Binaff et al., 2021). Government agencies worldwide are crucial in delivering essential services to the public,
making their financial performance critical to fulfilling their mandates (Hakim et al., 2020). Developed countries like the United States, Canada, and Australia have implemented strategies to improve working capital management in government agencies, focusing on cash management, inventory optimization, and efficient receivables and payables processes (Perry et al., 2019). These initiatives aim to reduce costs, enhance liquidity, and generate positive financial outcomes. Similarly, developing countries such as India, Brazil, and Thailand recognize the importance of effective working capital management for sustainable economic growth and efficient public service delivery (Pandey et al., 2018). Reforms have been undertaken to strengthen financial management systems and enhance working capital practices. International organizations like the World Bank and the IMF emphasize the significance of sound financial management, including working capital management, in government agencies, providing guidance and support for reforms (World Bank, 2019).

In Africa, many countries face unique challenges in managing their government agencies’ financial resources and ensuring their profitability. Limited financial resources, inefficient budgeting processes, and inadequate financial management systems pose significant obstacles to effective working capital management in government agencies across the continent (Makoni et al., 2019). These challenges have a direct impact on the financial performance and sustainability of government agencies. Inefficient working capital management practices can lead to cash flow constraints, excessive inventory holdings, delays in receivables collection, and inefficient payables management, all of which negatively affect profitability (Bank (AfDB 2020). Moreover, the lack of comprehensive studies specifically focusing on the influence of working capital management on government agency profitability in the African context further exacerbates the problem. Several African countries have recognized the need to improve working capital management practices in their government agencies to enhance financial performance and optimize resource allocation. For instance, in countries like Nigeria, Kenya, and Ghana, there have been efforts to strengthen financial management systems and implement reforms that promote efficient working capital management (Afolabi et al., 2020). These initiatives aim to enhance liquidity, reduce costs, and improve profitability within government agencies.

In Tanzania, the significance of effective working capital management cannot be overstated for government agencies, including the Tanzania Electricity Supply Company (TANESCO), to optimize their profitability and financial performance (Makundi et al., 2020). As a prominent government agency responsible for generating, transmitting, and distributing electricity across the country, TANESCO plays a critical role in providing reliable electricity services to the population. However, TANESCO faces various challenges, including cash flow issues, inventory control problems, suboptimal management of receivables and payables, limited access to financing, and inadequate financial management systems (Bukenga 2020). These challenges hinder
TANESCO’s profitability and financial sustainability. Insufficient cash flow can restrict TANESCO’s ability to meet operational requirements, while ineffective inventory control can lead to increased costs and operational inefficiencies. Poor management of receivables and payables results in delayed payments, increased bad debts, strained supplier relationships, and missed opportunities for discounts (Kisyeri 2020). Additionally, the absence of robust financial management systems and limited financial planning capacity further compound these challenges. Given the gravity of these issues, this study aims to explore the influence of the cash conversion cycle on the profitability of the Tanzania Electricity Supply Company (TANESCO) in Dar es Salaam.

2. Literature Review

2.1 Working Capital Management
Working capital management refers to the strategic management and control of a company’s current assets (such as cash, inventory, and receivables) and current liabilities (such as payables) to optimize the balance between liquidity and profitability (Syeda 2021). It involves efficient utilization of resources to maintain adequate working capital levels, minimize operational risks, and enhance overall financial performance (Enow & Brijlal 2019).

2.2 Government Agency Profitability
Government agency profitability refers to the financial performance and ability of a government agency to generate surplus or positive financial outcomes. It reflects the agency’s capacity to efficiently allocate resources, control costs, and generate revenues, leading to sustainable financial growth and positive outcomes for the agency and its stakeholders (Yadav & Sharma 2022).

2.3 Cash Conversion Cycle
The cash conversion cycle (CCC) represents the time it takes for a company to convert its investments in raw materials, production, and inventory into cash from sales. It encompasses the processes of purchasing, production, sales, and collection of cash (Maad Wang & Gong 2022). A shorter CCC indicates more efficient management of working capital and improved liquidity (Sathyamoorthi 2022).

2.4 Trade-Off Theory
The Trade-Off Theory, proposed by Modigliani and Miller (1958) and expanded upon by Myers (1984), is a relevant financial theory that can assist the researcher in understanding the influence of working capital management on government agency profitability, particularly in the context of Tanzania Electricity Supply Company – Dar es Salaam. According to Modigliani and Miller (1958), the Trade-Off Theory suggests that there is a trade-off between the benefits and costs associated with using debt in a company’s capital structure. The theory emphasizes that companies must strike a balance between the advantages of debt, such as tax shields and increased financial leverage, and the costs of debt, including higher interest expenses and potential financial distress costs.

In the case of working capital management and the cash conversion cycle, the Trade-Off Theory provided
insights into how efficiently managing the cycle can lead to improved profitability. As stated by Deloof (2003), a shorter cash conversion cycle can reduce the opportunity cost of holding excess cash or working capital and enhance liquidity. This, in turn, can positively impact the profitability of the government agency. Regarding inventory management, the Trade-Off Theory will guide the researcher in understanding the trade-offs involved. As discussed by Brigham and Ehrhardt (2013), maintaining excessive inventory levels incurs storage costs and increases the risk of obsolescence, while too little inventory may result in stock-outs and potential lost sales. By finding the optimal balance, the government agency can maximize profitability while minimizing costs and risks.

When examining receivables management, the Trade-Off Theory assisted in understanding the balance between granting credit to customers to stimulate sales and managing credit risks. According to Gitman and McDaniel (2009), a company must evaluate the optimal credit terms and collection policies that strike a balance between maximizing profitability and minimizing bad debt expenses. Similarly, in payables management, the Trade-Off Theory helped the researcher assess the trade-off between delaying payments to suppliers to optimize cash flow and maintaining positive supplier relationships. As highlighted by Lazaridis and Tryfonidis (2006), the theory assists in evaluating the optimal payment terms that align with the company's financial objectives while maintaining good relationships and taking advantage of potential discounts or incentives. This theory enabled the researcher to provide informed recommendations and insights that enhanced the financial performance of the Tanzania Electricity Supply Company – Dar es Salaam and similar government agencies.

2.5 Empirical Literature Review

Aldubhani et al. (2022) conducted a study that explored the impact of working capital management policies on the profitability of manufacturing companies listed on the Qatar Stock Exchange. Through a multiple regression analysis using data from ten manufacturing firms between 2015 and 2019, the researchers measured working capital management using proxies such as average collection period, inventory turnover, average payment period, and cash conversion cycle. Profitability was assessed using indicators including operating profit margin (OPM), return on assets (ROA), return on capital employed (ROCE), and return on equity (ROE). The findings revealed that companies with shorter receivables collection periods and cash conversion cycles tended to be more profitable, while longer inventory turnover periods and accounts payable payment periods were associated with higher profitability. However, this study focuses on examining the influence of working capital management on government agency profitability specifically in the Tanzania Electricity Supply Company – Dar es Salaam context.

Syeda (2021) investigated the relationship between profitability and working capital using data from 15 US trading companies. The study found that shorter
average collection periods, longer average payment periods, and a decrease in the cash conversion cycle were associated with increased profitability. The regression analysis showed that 58.4% of the variation in net profitability was explained by the independent variables. However, the current study aims to explore the impact of working capital management on government agency profitability, focusing on the Tanzania Electricity Supply Company in Dar es Salaam.

Enow & Brijlal (2019) investigated the effect of working capital management on profitability, using fifteen South African SMMEs, listed on the Alt-X on the JSE, from 2008-2012, using a multiple regression analysis. The results show a positive relationship between the number of days’ accounts receivable, and the number of days’ inventory and a negative relationship between number of days payable and cash conversion cycle. Thus minimizing working capital and decreasing the cash conversion cycle increases profitability and hence shareholder value. However, the current study aims to explore the impact of working capital management on government agency profitability, focusing on the Tanzania Electricity Supply Company in Dar es Salaam.

Agha (2020) conducted an empirical study to examine the impact of working capital management on profitability. The study utilized secondary data from Glaxo Smith Kline, a pharmaceutical company listed on the Karachi Stock Exchange, spanning the period from 1996 to 2011. The study measured profitability using the return on assets ratio, while working capital management was assessed using variables such as account receivable turnover, creditors turnover, inventory turnover, and current ratio. The findings revealed a significant impact of working capital management on the profitability of the company. However, the focus of the current study is to investigate the influence of working capital management on government agency profitability, specifically within the context of the Tanzania Electricity Supply Company in Dar es Salaam.

Björkman and Hillergren (2020) conducted a study aiming to investigate the relationship between working capital management and profitability, taking into account various company characteristics. Their research involved a cross-sectional analysis of 1,485 companies in the Swedish wholesale industry, categorized by size and listing status. By utilizing correlation and regression analyses, the study compared the relationship between working capital management and profitability among different company groups. The findings indicated a positive association between the Cash Conversion Cycle and profitability. Additionally, smaller firms exhibited higher profitability regardless of their Cash Conversion Cycle. The study did not find a significant difference in the sensitivity to changes in working capital management strategies. As predicted by theory, non-listed firms performed worse than listed firms. However, the current study focuses on examining the influence of working capital management on government agency profitability in Tanzania.
3. Methodology

This study focused on TANESCO – Dar es Salaam, a government-owned power company in Tanzania, to explore the unique challenges faced by a government agency in the power sector. A descriptive research design was used to understand the influence of working capital management on government agency profitability, involving primary and secondary data collection on variables like cash conversion cycle, inventory, receivables, payables, and profitability. The population included 420 staff members from TANESCO – Dar es Salaam, with a sample size of 204 determined using Yamane's formula and simple random sampling to ensure unbiased representation. The use of an appropriate sample size enhances the study's statistical power, efficiency, and generalizability of findings to the larger population.

\[
 n = \frac{N}{1+N\cdot e^2} = \frac{420}{1+420\times0.05^2} = 204
\]

Table 3.1: Sample Size

<table>
<thead>
<tr>
<th>Department</th>
<th>Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Planning</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>ICT</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Internal Audit Unit</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Generation</td>
<td>96</td>
<td>46</td>
</tr>
<tr>
<td>Transmission</td>
<td>102</td>
<td>50</td>
</tr>
<tr>
<td>Distribution</td>
<td>70</td>
<td>34</td>
</tr>
<tr>
<td>Customer Care</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Planning and Development</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Finance and Accounts</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Engineering</td>
<td>104</td>
<td>51</td>
</tr>
<tr>
<td>Total</td>
<td>420</td>
<td>204</td>
</tr>
</tbody>
</table>


Primary data was collected through questionnaires, while secondary data was gathered through document review. A pilot study was conducted to validate research tools and methodology. Data analysis involved descriptive and inferential statistics using SPSS version 26, providing comprehensive insights and recommendations for the research objectives.

4. Findings

The study aimed to assess the influence of cash conversion cycle on government agency profitability. Questionnaires were distributed to a total of 204 officials, and 185 of them completed and returned the surveys. This yielded an outstanding response rate of 91%. Based on the mean values, the five-point scale ranges are as follows: mean scores of less than 1.5 = No Extent; mean scores of 1.5 – 2.4 = Little Extent; mean scores of 2.5 – 3.4 = Moderate Extent; mean scores of 3.5 – 4.7 = Large Extent; mean scores of 4.5 to 5 = Very Large Extent. Additionally, the standard deviation was considered as a measure of dispersion, with a low value suggesting that the data closely clustered around the mean, and a high value indicating greater dispersion. The findings are presented in Table 2 below;
Table 2: Influence of Cash Conversion Cycle on Government Agency Profitability

<table>
<thead>
<tr>
<th>Influence of Cash Conversion Cycle on Government Agency</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The length of the cash conversion cycle significantly affects the profitability of the organization.</td>
<td>4.4</td>
<td>0.71</td>
</tr>
<tr>
<td>A well-optimized cash conversion cycle positively impacts the organization's profitability.</td>
<td>3.3</td>
<td>0.69</td>
</tr>
<tr>
<td>Timely management of cash flow and working capital contributes to higher profitability.</td>
<td>4.4</td>
<td>0.82</td>
</tr>
<tr>
<td>The organization's profitability is influenced by how efficiently the cash conversion cycle is managed.</td>
<td>3.2</td>
<td>1.42</td>
</tr>
<tr>
<td>An efficient cash conversion cycle positively correlates with improved profitability.</td>
<td>3.5</td>
<td>1.48</td>
</tr>
<tr>
<td>Effective management of the cash conversion cycle leads to better financial performance.</td>
<td>3.6</td>
<td>1.25</td>
</tr>
<tr>
<td>A longer cash conversion cycle negatively affects the organization's profitability.</td>
<td>2.9</td>
<td>1.25</td>
</tr>
<tr>
<td>The organization's ability to optimize cash conversion significantly influences its overall profitability.</td>
<td>3.4</td>
<td>1.14</td>
</tr>
<tr>
<td>A shorter cash conversion cycle is associated with higher profitability for the organization.</td>
<td>3.3</td>
<td>1.43</td>
</tr>
<tr>
<td>The cash conversion cycle's effectiveness is crucial for achieving sustainable profitability.</td>
<td>3.4</td>
<td>1.21</td>
</tr>
<tr>
<td><strong>COMPOSITE MEAN</strong></td>
<td><strong>3.54</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Field Data (2023).

Findings revealed that the length of the cash conversion cycle significantly affects the profitability of the organization (Mean 4.4, SD = 0.71). This indicates that a shorter cash conversion cycle positively influences profitability. TANESCO should prioritize strategies to reduce the time it takes to convert investments in inventory and receivables into cash to enhance overall financial performance. Respondents indicated that a well-optimized cash conversion cycle positively impacts the organization's profitability, though to a slightly lesser extent (Mean 3.3, SD = 0.69). While optimization of the cash conversion cycle is beneficial, this suggests that there may be other factors at play in determining profitability. TANESCO need to consider a comprehensive approach to financial management to ensure sustained profitability.
Timely management of cash flow and working capital was perceived to contribute significantly to higher profitability (Mean 4.4, SD = 0.82). Effective cash flow and working capital management are crucial for profitability. TANESCO should prioritize strategies that focus on maintaining healthy cash flows and efficient working capital practices.

The organization's profitability is influenced by how efficiently the cash conversion cycle is managed, with a moderate level of agreement among respondents (Mean 3.2, SD = 1.42). This suggests that TANESCO may vary in their effectiveness. Improved management practices can lead to more consistent profitability. An efficient cash conversion cycle was seen to have a positive correlation with improved profitability, though respondents' agreement was somewhat mixed (Mean 3.5, SD = 1.48). TANESCO need to consider their unique circumstances when optimizing the cash conversion cycle.

Effective management of the cash conversion cycle was perceived to lead to better financial performance, with a moderate level of agreement (Mean 3.6, SD = 1.25). Improved financial performance is a result of efficient cash conversion cycle management. TANESCO should focus on strategies that align with their financial goals and work to maintain this balance. A longer cash conversion cycle was viewed as having a negative impact on the organization's profitability, though respondents' agreement was not extremely strong (Mean 2.9, SD = 1.25). The negative impact of a longer cash conversion cycle suggests that TANESCO should avoid excessive delays in converting assets into cash to prevent adverse effects on profitability.

The organization's ability to optimize the cash conversion cycle significantly influences its overall profitability, with respondents generally agreeing (Mean 3.4, SD = 1.14). Optimization of the cash conversion cycle is a key driver of overall profitability. TANESCO ought to prioritize strategies and practices that enable them to efficiently manage this cycle.

Respondents also indicated that a shorter cash conversion cycle is associated with higher profitability for the organization, but the agreement level was not very high (Mean 3.3, SD = 1.43). While there is some consensus on the benefits of a shorter cash conversion cycle, TANESCO need consider other factors that may influence profitability and use this as one of several key metrics for decision-making. The findings suggested that the cash conversion cycle's effectiveness is crucial for achieving sustainable profitability, with a moderate level of agreement among respondents (Mean 3.4, SD = 1.21). Sustainable profitability hinges on effective cash conversion cycle management. TANESCO should aim for consistent, efficient practices to maintain financial stability over the long term.

Moreover, the study found that respondents generally agreed that the cash conversion cycle plays a significant role in influencing the profitability of the organization, with a composite mean of 3.54. These results underscore the importance of effective working capital management practices, particularly in optimizing the cash conversion cycle, as a key driver...
of financial performance and profitability within organizations.

4.5.3 Regression Analysis

A regression analysis was performed in order to analyse the relationship between the study variables. The results are as summarized below;

**Table 3: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.826a</td>
<td>.682</td>
<td>.675</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2.52941</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Conversion Cycle

Source: Field Data (2023).

From table 4.9 above, the model exhibits a strong overall fit, as indicated by an R Square value of 0.682, signifying that approximately 68.2% of the variance in Government Agency Profitability can be explained by the predictors included in the model. The adjusted R Square, at 0.675, adjusts for the number of predictors and remains relatively high, suggesting that the model's explanatory power is robust. The standard error of the estimate is 2.52941, indicating the typical error in predicting Government Agency Profitability. In this model, the predictors include a constant along with Conversion Cycle contributing to a strong and significant explanatory power regarding Government Agency Profitability (R = 0.826, p < 0.001).

**Table 4: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regres sion</td>
<td>2471.022</td>
<td>4</td>
<td>617.75</td>
<td>96.56</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>1151.627</td>
<td>180</td>
<td>6.398</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3622.649</td>
<td>184</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Government Agency Profitability
b. Predictors: (Constant), Cash Conversion Cycle

Source: Field Data (2023).

In the analysis of variance (ANOVA) for the regression model predicting Government Agency Profitability, the results indicate a highly significant overall model fit (F = 96.556, p < 0.001). The regression model, which includes the predictors Cash Conversion Cycle accounts for a substantial portion of the variance in Government Agency Profitability. This suggests that the combination of these predictors significantly explains the variability in Government Agency Profitability, demonstrating the model's efficacy in predicting and understanding the factors influencing agency profitability.
Table 5: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>1.087</td>
<td>1.275</td>
<td>1.341</td>
<td>.000</td>
</tr>
<tr>
<td>Cash Conversion Cycle</td>
<td>.204</td>
<td>.057</td>
<td>.003</td>
<td>1.069</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Government Agency Profitability

Source: Field Data (2023).

The regression equation for this model is as follows:

\[ Y = 1.087 + 0.204X_1 \]

The constant (intercept) was 1.087 with a standard error of 1.275 and a significant p-value of .000, indicating that the intercept is statistically different from zero. The coefficient for cash conversion cycle was 0.204 and a significant p-value of .005, suggesting a positive relationship with government agency profitability.

5. Discussions

Findings revealed that the length of the cash conversion cycle, a well-optimized cash conversion cycle, timely management of cash flow and working capital significantly affects the profitability of the organization. These results align with the Trade-Off Theory, which suggests that efficient management of the cash conversion cycle can lead to enhanced profitability. Furthermore, the study’s reference to Agha (2020) who found a significant impact of working capital management on profitability, further corroborates the importance of these financial practices. In light of these findings, TANESCO, should prioritize working capital management strategies that focus on minimizing the cash conversion cycle duration, optimizing cash flow, and ultimately, driving improved profitability.

Findings indicated that organization’s profitability is influenced by how efficiently the cash conversion cycle is managed and efficient cash conversion cycle have a positive correlation with improved profitability. These findings align with Enow and Brijlal (2019) who supported the notion that minimizing working capital and reducing the cash conversion cycle duration can boost profitability and, consequently, shareholder value. Also, findings showed that effective management of the cash conversion lead to better financial performance but longer cash conversion cycle has a negative impact on the organization’s profitability. Also findings correlate with Aldubhani et al. (2022) which indicated that companies with shorter receivables collection periods and cash conversion cycles tend to be more profitable, while extended inventory turnover and accounts payable payment periods are associated with higher profitability. Thus, TANESCO, should consider
optimizing their cash conversion cycle management practices to drive improved financial performance and enhance shareholder value.

The study revealed that organization's ability to optimize the cash conversion cycle significantly influences its overall profitability and a shorter cash conversion cycle is associated with higher profitability for the organization. These results are in line with Syeda (2021) who indicated that shorter average collection periods, longer average payment periods, and a reduction in the cash conversion cycle were linked to increased profitability. Given the consistency of these findings, TANESCO should consider prioritizing efforts to streamline and shorten their cash conversion cycles. This approach not only has the potential to enhance profitability but also contributes to improved financial health and competitiveness in the market.

The findings unveiled that the cash conversion cycle's effectiveness is crucial for achieving sustainable profitability. This resonates with findings of Björkman and Hillergren (2020), which similarly indicated a positive association between the cash conversion cycle and profitability. These findings underscore the significance of optimizing and managing the cash conversion cycle efficiently as a means to not only bolster short-term profitability but also to ensure the long-term financial sustainability of an organization. Therefore, organizations, including TANESCO, should consider the cash conversion cycle as a pivotal factor in their financial strategies to maintain a robust and enduring profitability outlook.

6. Conclusions and Recommendations

The study concludes that the Cash Conversion Cycle significantly influences government agency profitability. A shorter cash conversion cycle is associated with improved profitability, highlighting the importance of efficient cash flow management in government agencies' financial performance. TANESCO should focus on optimizing its cash conversion cycle by streamlining its processes for converting raw materials into finished products, collecting accounts receivable, and managing accounts payable more efficiently. Implementing measures to reduce the time it takes to convert cash inputs into cash outputs can lead to improved cash flow and enhanced profitability.

7. Areas for Further Studies

Future research endeavors should consider a multi-faceted approach to studying the influence of working capital management on government agency profitability. Firstly, conducting cross-industry comparative analyses can shed light on industry-specific variations in working capital practices and their impact on profitability within government agencies. Complementing quantitative data with qualitative research methods will provide a holistic understanding, allowing for deeper insights into the challenges and opportunities faced by government agencies. Furthermore, investigating the impact of technological solutions and assessing the effectiveness of advanced financial software in optimizing working capital management can help identify modern tools for financial enhancement. Also, exploring the role of employee training and education programs in improving working capital management skills within government agencies can lead to practical strategies for capacity
building and skill development among public sector financial professionals.

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