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THE IMPACT OF WORKING CAPITAL MANAGEMENT POLICIES ON FIRMS' PROFITABILITY AND VALUE IN JORDAN

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Abstract:

This study aimed to identify the impact of working capital management policies on profitability and value in industrial and services listed in ASE. The sample study consisted of (66) industrial and service companies listed in ASE through the period (2014-2020), the study followed the descriptive and analytical approach and the use of many statistical methods such as descriptive statistics and regression analysis.

The results of the study showed that there is a significant positive impact of aggressive financing policy (TCA/TA), (TCL/TA), SIZE, sales growth, and negative on profitability, but there is no significant impact of aggressive financing policy (TCA/TA), (TCL/TA), Size, and leverage on market value in industrial and service companies listed in ASE, but there is a significant positive impact of sales growth on market value in industrial and service companies listed in ASE. The study recommended that managers work to establish an appropriate synchronization between the assets and liabilities of the company in a manner commensurate with the situation of the company.

Keywords: Working Capital Management Policies, Profitability, Market Value, ASE.

INTRODUCTION:

Working capital management is one of the core functions of modern financial management due to its direct impact on corporate performance. It is an important element to maintaining the continuity of firms' operations activities, as well as, assisting in the control and planning of their current accounts (i.e., assets and liabilities). Whereas, reaching an appropriate level of working capital leads to a balance in firms' liquidity and profitability, which is why firms strive to make optimal use of their assets, as to maximize shareholders' wealth through their finance and investment decisions. Working capital management requires examining the nature of the relationship between the method of financing and the cost of financing that is, Current Assets are usually financed from short-term liabilities, and the difference between current assets and current liabilities is net working capital, financed from sources of funds long term, which may affect the profitability of the company because of the increased cost incurred by the company, as a result, corporate governance and other stakeholders are interested in profitability and net working capital.

For improving financial performance. The need for companies to pursue clear strategies to enable them to start their own business has increased to achieve its objectives, working capital management includes three strategies (conservative, aggressive, and moderate), and these strategies were based on the level of risk that the company could accept, taking into account the maintenance of sufficient liquidity for its operational operations, and keeping them within the risk level Acceptable for it, maximizing the value of the company.

RESEARCH PROBLEM:

The banking sector in grants Credit facilities for companies are therefore obliged to pursue strategies to improve their ability to pay their obligations and meet the requirements of their day-to-day operations, Which requires it Balance between liquidity and profitability, excess concentration Investing in traded assets without concern for profitability may lead the company to have adverse

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effects on its profits or future losses, as a result of the non-utilization of assets traded in its operational activities to generate Profits, either, are the company's interest in maximizing profitability through increased use of assets Trading in its operating operations to increase profits, a company may become unable to meet its obligations Finance is on schedule, so in the long run it can take high risks and stall them Financially. The problem of the research can be summarized in a set of questions, as follows:

1) What is the impact of working capital management policies on the profitability of industrial & services companies listed on the Amman Stock Exchange?

2) What is the impact of working capital management policies on the market value of industrial & services companies listed on the Amman Stock Exchange?

OBJECTIVES OF THE STUDY:

The study aims to define a set of points, including:

1- Study the impact of the working capital management policies (TCA/TA), (TCL/TA) on the profitability of Jordanian companies.
2- Study the impact of the working capital management policies (TCA/TA), (TCL/TA) on the value of Jordanian companies.
3- Study the difference among strategies that are applied in working capital management and their impact on the profitability and value of Jordanian companies.

Importance of the Study:

This study derives its importance from the following main points:

1) Serving Jordanian companies by managing the components of working capital that play a key role to enhance the liquidity, stability, and hence sustainability of the company.

2) Assisting financial analysts in explaining the impact of working capital management strategies on firms' profitability in the context of economic conditions and instability in the environment surrounding Jordanian companies.

Hypotheses of the Study:

H1: There is a significant impact of Aggressive Financing Policy (TCA/TA) on Profitability in industrial and service companies listed in ASE.

H2: There is a significant impact of Aggressive Investment Policy (TCL/TA) on profitability in industrial and service companies listed in ASE.

H3: There is a significant impact of firm size on profitability in industrial and service companies listed in ASE.

H4: There is a significant impact of sales growth on profitability in industrial and service companies listed in ASE.

H5: There is a significant impact of leverage on profitability in industrial and service companies listed in ASE.

H6: There is a significant impact of Aggressive Financing Policy (TCA/TA) on market value in industrial and service companies listed in ASE.

H7: There is a significant impact of Aggressive Investment Policy (TCL/TA) on market value in industrial and service companies listed in ASE.

H8: There is a significant impact of firm size on market value in industrial and service companies listed in ASE.

H9: There is a significant impact of sales growth on market value in industrial and service companies listed in ASE.

H10: There is a significant impact of leverage on market value in industrial and service companies listed in ASE.

Working Capital Management:

Working capital is a financial metric for assessing a company's liquidity (Şamiloğlu and Akgün, 2016). Nguyen and Pham (2020) as current assets less current liabilities. Working capital management (WCM) is concerned with the management of current liabilities and current assets in order to ensure that the company can meet its short-term obligations and operating expenses.

Working capital management is seen as a critical issue in financial management decisions since it has an impact on the firm's liquidity as well as profitability. Furthermore, effective working capital management aids in the creation of business value. Working capital management that is effective helps to minimize financial crises, which increases profitability and increases the value of the company (Şamiloğlu and Akgün, 2016).

Despite its equal relevance to other financial operations, working capital management is sometimes overlooked, which Sharma (2009) attributes to the fact that decision-making in working capital is a routine and frequent action that may be readily reversed (Sin Huei *et al.*, 2017).

Efficiency of Working Capital Management:

CCC is a widely used metric for assessing the effectiveness of working capital management. A lengthier CCC, according to conventional wisdom, will reduce a company's profitability. One reason is that investing in working capital for a longer length of time causes a company to seek external funding, which is always linked with a higher cost than using internal resources. The cash management objective, on the other hand, requires a company to decrease working capital in order to supply sufficient finances and support its daily operations (Sin Huei *et al.*, 2017). The amount of days between disbursing cash and collecting cash is defined as the cash conversion cycle (CCC) (Sagner, 2014).

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Firm Profitability

Profitability refers to a company's capacity to profit from all of its operations. It demonstrates how well a company may create a profit by utilizing all of its available resources. "The ability of a given investment to make a return from its use" is defined as "profitability." Book value (accounting-based measurement) and market value (accounting-based measurement) are the two types of profitability (marketing-base measurement). Book value is a metric that reveals the profitability of a company in the past, such as (1) Return on Asset (ROA), (2) Return on invested capital (ROIC), (3) Gross Operating Profit (GOP), (4) Net Operating Profit (NOP) (Nguyen and Pham, 2020).

This is essentially a list of the complete business's income and expenses over a period of time. Measuring profitability is the most crucial metric of a business's success, whether you're documenting profitability for the past period or projecting profitability for the future term. A company that is not profitable will not be able to survive. A highly profitable business, on the other hand, might reward its owners with a big return on their investment (Ayoni & Oluwasanmi, 2018). Market value is an indicator that reveals a shareholder's long-term expectation of future profitability, such as Tobin's Q (Nguyen & Pham, 2020).

The market value at the end of the current year divided by the book value or equity on the balance sheet at the end of the previous year (Issar, 2017).

Book-to-market ratio = Book value / Market Value (Issar, 2017).

The Impact of Working Capital Management Policies on Firms' Profitability and Value:

The present value of predicted future flows discounted at the rate of return required by investors is the Firm Value. Any rise in working capital above this level would increase the firm's assets without corresponding increases in returns, reducing the rate of return on investment. Increases in cash holdings, which is one of the company's working capital components, have a negative impact on shareholder value when compared to the optimal has argued that a corporation operates at a loss until it achieves a profit larger than its cost of capital, implying that the firm is not acting as a value generator, but rather as a value destroyer. While the majority of research suggests that firms that reduce their net operating capital investment, resulting in an aggressive working capital management policy, will optimize their profitability and thus maximize firm value, this conclusion is not always correct. Moreover, for a business to attract prospective investors, it is vital to have a sustainable growth rate. Because the firm's value is what motivates investors to invest in it, a rise in value will help the firm's prestige by boosting future growth. Furthermore, firm value is significant since it influences the organization's ability to accomplish desired results and long-term survival (Bandara, 2015).

The degree of working capital investment determines a company's ability to maintain operations. This level is usually determined by achieving a balance between profitability and liquidity. While excessive working capital investment can lower a company's profitability, a lack of it might put the company at risk of not being able to meet its commitments on time. Maintaining a sufficient level of profitability and liquidity are two crucial features of WCM, and keeping them at a satisfactory level is one of the most critical variables affecting the firm's survival and growth. In order to create value for shareholders, it's also critical to maintaining a trade-off between these two elements. They go on to say that when an asset-liability mismatch occurs, it can boost either the firm's profitability or its concentration on liquidity at the expense of profitability, putting it in danger of insolvency. An effective WCM should contribute favorably to the overall corporate strategy of maximizing the value of the company's owners' investment. With an effective WCM, a company can reduce the risk of not being able to satisfy its short-term obligations when they are due and prevent over-investing in current assets (Öner, 2016).

A firm's working capital management policy may be aggressive, with low current assets as a percentage of total assets, or it may be used for the firm's financing decisions, with high current liabilities as a percentage of total liabilities. Excessive levels of current assets can harm a company's profitability, whilst a low level of current assets might result in lesser liquidity and stock outs (Pai and Kishore, 2014).

RESEARCH METHOD:

The study follows the descriptive-analytical method, it is considered the appropriate method to show the impact of working capital on the profitability and value of industrial and service companies listed on the Amman Stock Exchange over the time period 2014-2020.

Population and Sample:

The study population consisted of all companies listed on the Amman Stock Exchange, while the study sample consisted of industrial and service companies listed on the Amman Stock Exchange, with a total number of (66) during the period (2014-2020). The financial variables were received from the official website of ASE.

Research Variables:

The sub-section displays the variables employed to achieve the aim of this research:

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- **Dependent Variables:**

1. Profitability

ROA has been used as a proxy measure of profitability. This profitability indicator has been widely used by previous studies, such as those of Morck *et al.*, (1988), Thomsen *et al.*, (2006), Zeitun and Tian (2007), Lemmon *et al.*, (2008) and Salim and Yadav (2012). Profitability was measured in the current study through the measure of the return on assets, and within the following equation:

$$ROA = \frac{\text{Net Income}}{\text{Total Assets}}$$

Firm Value:

To highlight the impact of working capital management policies on the firm value through (Tobin Q), Tobin Q is a suitable performance indicator for determining the worthiness of a company (Tobins, 1969). Which is measured as:

Tobin's Q = book value of debt/book value of assets + market value of property rights

Tobin's q value falls between 0 and 1, then the book value of the company's assets is more than the value of its market price shares, signaling that the stock is undervalued, and if the value is greater than 1, the assets of the company are overvalued. The value of the company's shares indicates that the stock price is higher than the asset's book value.

- **Independent Variable: Working Capital Management Policies**

The working capital management policy concerns the firm's current assets investment and financing decisions and the policy adopted by a firm could dictate the magnitude of its effect on the firm performance as suggested by Nazir and Afza (2009), Salawu (2007), and Weinraub and Visscher (1998). Current asset investing and financing decisions can be approached in three ways, such as conservative, moderate and aggressive. These strategies are mutually exclusive and firms choose one based on their relative benefits.

- **Control Variables**

1. Firm Size

Firm size is one of the variables that can affect firm value. Big firm size is an indicator of good growth of the firm; this will give a positive signal to an investor, which leads to an increase in firm value. A big firm size reflects a better profit accomplishment in the future (Setiadharma and Machali, 2017).

Firm size can be defined by several measurements, such as turnover, sales, revenues, total assets, and the number of employees. Following prior research, size is computed as the natural logarithm of total assets.

Firm Size = Log (Total Assets)

2. Sales Growth

The sales growth is positive and increasing which means that it will increase the firm value, which is the investors' expectation. Sales growth has a positive and not significant impact on firm value (Goh et al., 2022).

Following the accelerator theory, sales growth is used to reflect on indicator investment demand. Thus used as a proxy (controller) for firm value and profitability.

$$\frac{\text{Sales}_{t} - \text{Sales}_{t-1}}{\text{Sales}_{t-1}}$$

3. Leverage

Financial leverage is used to measure the ratio of total debt to total assets. Total debt includes short-term debt maturity of less than one year and long-term debt maturity of more than one year.

Lev= Total Liabilities / Total Assets

The following models are used to estimate the impact of working capital management policies on the firm's profitability and value measured by (ROA and Tobin's Q). Therefore, models for the study were designed to suit its variables and measures. As the below:

$ROA = \alpha + \beta_1(TCA / TA)_{it} + \beta_2(TCL / TA)_{it} + \beta_3(Lnsize)_{it} + \beta_4(\text{sales Growth})_{it} + \beta_5 (\text{leverage})_{it} + \varepsilon_{it}$. ..... (1).

$\text{Tobin's Q} = \alpha + \beta_1(TCA / TA)_{it} + \beta_2(TCL / TA)_{it} + \beta_3(Lnsize)_{it} + \beta_4(\text{sales Growth})_{it} + \beta_5 (\text{leverage})_{it} + \varepsilon_{it}$ ..... (2).

Where:

α = Intercept,

ROA= Return on assets,

Tobin's Q=Value of q,

TCA/TA = Total current assets to total assets ratio,

TCL/TA = Total current liabilities to total assets ratio,

SIZE = Natural log of firm size,

Sales Growth = Growth of annual sales.

Leverage = Financial leverage of firms,

ε = Error term of the model.

$\beta 1$, $\beta 2$, $\beta 3$, and $\beta 4$ = sensitivity associated with each corresponding Variables.

Statistical Methods:

The statistical analysis program (STATA) was used to analyze the data and test the hypotheses, by the following statistical methods:

- **Descriptive Statistics:** It helps in obtaining a description of all study variables, by extracting the means and standard deviations of those variables, and explaining the highest and lowest values.
- **Pearson's Pairwise Test**: This is the test statistics that measures the statistical correlation between variables.
- **Regression Analysis:** Sometimes referred to as longitudinal data, is data that contains

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observations about different cross-sections across time. Examples of groups that may make up panel data series include countries, firms, individuals, or demographic groups. Like time-series data, panel data contains observations collected at a regular frequency, chronologically. Like cross-sectional data, panel data contains observations across a collection of individuals. Therefore; the presence of this correlation makes the random effect method inefficient in estimating the study parameters and vice versa for the fixed effect.

The following chapter will present the study data analysis and hypothesis testing that examines the important role of working capital management, the policies, and their relevance.

Descriptive Statistics

This method includes the presentation of descriptive statistics for all study variables and their measures so that the mean and standard deviation of each variable, and the maximum and minimum value were reported as in table (1):

Table (1): Mean and Standard Deviation to all Variables

Variables	Mean	Std. Deviation	Min	Max
Tobin`s Q	1.047	.450	.420	2.367
ROA	.024	.085	-.857	.386
TCATA	.399	.239	.008	.947
TCLTA	.258	.165	.016	.905
LNSIZE	7.609	.524	6.818	9.002
Sales Growth	-.027	.209	-.707	.529
Leverage	.342	.221	.0188	.959

The mean of the variable (Tobin's Q) is (1.047) and the standard deviation (.450), which indicates that most of the industrial and service companies in the study sample have a good level that reflects their value fairly, by comparing the mean with the maximum value, with a value of to (.420) and minimum value (2.367).

While the mean of the variable (ROA) was (.024), while the standard deviation was (.0857), which indicates that the level of profitability of the industrial and service companies for the study sample during the period (2014-2020), maximum value (.386) and the minimum value (-.857), this indicates that there are many companies such as (Jordan Industrial Resources), whose ROA during recent years, specifically (2020), has reached approximately (-0.857), which reflects a decline in the level of profits achieved by the company compared to with its total assets, the reason can be attributed to the Corona pandemic, which has caused great damage to most companies, as a result of the closures in the country. So, Return on Asset (ROA) is a ratio that shows the results (return) on the total assets used in the company. In addition, ROA provides a better measure of company profitability because it shows the effectiveness of management in using assets to generate income (Kasmir, 2012)

By looking at the other variables, it was found that the mean of the (TCATA) variable was (.399) and the (TCLTA) variable reached (.258), while the firm size means (7.609), which reflects the possession of industrial and service companies with a good level of assets. Size of a firm refers to the quantity and array of production capability and potential a firm possesses or the quantity and diversity of services a firm can make available concurrently to its clients and due to the phenomenon of economies of scale (Abeyrathna & Priyadarshana, 2019).

While the mean of the variable "Sales Growth" was (-.027) and the standard deviation was (.209), which reflects the sales growth in industrial and service companies listed on the Amman Stock Exchange during the period (2014-2020), this indicates that most companies had a problem with the level and growth of annual sales during the study period, so that the recent period especially during Covid-19, there was a weakness in raising sales to industrial companies, and the failure to provide services from service companies, as a result of the closures that took place. So that found a significant positive association between leverage and profitability (Ahmad *et al.*, 2015).

The mean of the "leverage" variable was (.342), the standard deviation was (.221), and by comparing the mean with the highest value (.959), it was found that there is an average percentage of debts borne by those companies.

Correlation Matrix:

Before performing a multiple regression analysis, it is necessary to ensure that there is no high correlation between the variables.

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Table (2): Pearson Correlation between Variables

Variables	Tobin`s Q	ROA	TCATA	TCLTA	Size	Sales	Lev
Tobin`s Q	1						
ROA	0.4699	1					
TCATA	0.0928	0.2202	1				
TCLTA	-0.0391	-0.2013	0.2344	1			
LinSIZE	0.1330	0.1303	-0.1136	0.2330	1		
Sales Growth	0.1140	0.3117	0.1142	0.0759	0.0147	1	
Lev	-0.0180	-0.2251	0.0666	0.0840	0.3503	0.0707	1

Table (2) shows the results of the correlation between the variables, and it indicates that the correlation ratios between the variables were less than (0.80), which is the ratio that determines the level of correlation, and this indicates that there is no multi-collinearity between the variables, as the value of the correlation coefficient exceeding (0.80) is an indication of a high multiple linear correlation problem (Guajarati, 2003).

Hypotheses Test:

Regression analysis was used to test all the hypotheses related to the study, by examining the variables via (Hausman) to choose the most appropriate method (random or fixed), and then performing regression analysis for each of them.

Table (3): Regression Estimate for Model (1)

Variables	Fixed Effect	Random Effect
TCA/TA	3.339 0.258	8.440 (.000)
TCL/TA	-2.154 0.692	-5.470 .244
LINSIZE	26.369 (.000)	5.752 (.000)
Sales Growth	7.881 (.000)	8.884 (.000)
Leverage	-.2235 (.000)	-.122 (.002)
R^2	.2786	.2401
F	14.15	6.76
Prop > F	(.000)	(.000)
Hausman Test	Prob> Chi^2= 0.5630	

*Value between breakate are p-value ***, **, * regular significance at 1%, 5%, and 10% respectively.*

It is clear from the results in (3) that the (Hausman Test) as indicated in table (4) that using the random effect model is better than using the fixed effect model, in order to estimate the study`s model (1). Therefore, the random effect method is better than the fixed effect to reach accurate and effective results and it can be referred to test the study hypotheses and for the purposes of analysis.

Results indicate that the TCATA was statistically significant at the level of significance of 1% through the impact of the profitability of industrial and service companies, while the coefficient (8.440), this indicates that there is a positive impact of TCATA on the profitability of industrial and service companies, which was measured by the return on assets. Accordingly, the first main hypothesis will be accepted, which states that: "**There is a significant impact of aggressive financing policy (TCA/TA) on profitability"**.

The statistical significance of the "TCL/TA" variable reached (.244), which is higher than the level of statistical significance (0.05), which indicates that there is no impact of the aggressive investment policy on the profitability of companies measured through the return on assets, which means that it is a total current liabilities according to total assets does not affect the profitability of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the second hypothesis will be rejected and the alternative hypothesis accepted, which states that "**There is no a significant impact of Aggressive Investment Policy (TCL/TA) on profitability in industrial and service companies listed in ASE"**.

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The statistical significance of the "LINSIZE" variable reached (.000), which is less than the level of statistical significance (0.05), and coefficient (5.752) which indicates that there is an impact of the LINSIZE on the profitability of companies measured through the return on assets, which means that firm size does positively affect the profitability of industrial and service companies listed on the Amman Stock Exchange during (2014-2020), which states that "**There is a significant impact of LINSIZE on profitability in industrial and service companies listed in ASE"**.

The statistical significance of the "Sales Growth" variable is (.000), which is less than the level of statistical significance (0.05), and the coefficient (8.884) which indicates that there is an impact of the sales growth on the profitability of companies measured through the return on assets, which means that it is a sales growth does positively affect the profitability of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the finding is constant with the accelerator theory.

The statistical significance of the "Leverage" variable is (.002), which is less than the level of statistical significance (0.05), and the coefficient (-.122) which indicates that there is an impact of the leverage on the profitability of companies measured through the return on assets, the effect on the profitability of industrial and service companies listed on the Amman Stock Exchange during (2014-2020) an explained by the fifth hypothesis will be accepted, which states that "**There is a significant impact of leverage on profitability in industrial and service companies listed in ASE"**.

Table (4): Regression Estimate for Model (2)

Variables	**Fixed Effect**	**Random Effect**
TCA/TA	.0424 .701	.0341 .726
TCL/TA	-.1017 .617	-.108 .579
LINSIZE	-.358 (.038)	.022 .792
Sales Growth	1.054 (.050)	.104 (.050)
Leverage	-.0009 (.050)	-.0007 .672
R^2	.1417	.1307
F	6.05	26.55
Prop > F	(.000)	(.000)
Hausman Test	Prob> Chi^2= .5776	

*Value between breakate are p-value ***, **, * regular significance at 1%, 5%, and 10% respectively.*

It is clear from the results in (4) that the (Hausman Test) as indicated in table (5) that using the random effect model is better than using the fixed effect model, in order to estimate the study`s model (2). Therefore, the random effect method is better than the fixed effect to reach accurate and effective results and it can be referred to test the study hypotheses and for the purposes of analysis.

The statistical significance of the "TCA/TA" variable is (.726), which is higher than the level of statistical significance (0.05), which indicates that there is no impact of the aggressive financing policy on the market value of companies measured through Tobin`s Q, which means that it is a total current asset according to total assets does not affect the Tobin`s Q of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the sixth hypothesis will be rejected and the alternative hypothesis accepted, which states: "**There is no a significant impact of aggressive financing policy (TCA/TA) on market value in industrial and service companies listed in ASE"**.

The statistical significance of the "TCL/TA" variable is (.579), which is higher than the level of statistical significance (0.05), which indicates that there is no impact of the aggressive investment policy on the market value of companies measured through Tobin`s Q, which means that it is a total current liabilities according to total assets does not affect the Tobin`s Q of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the seventh hypothesis will be rejected and the alternative hypothesis accepted, which states: "**There is no a significant impact of aggressive investment policy (TCL/TA) on market value in industrial and service companies listed in ASE"**.

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The statistical significance of the "LINSIZE" variable is (.792), which is higher than the level of statistical significance (0.05), which indicates that there is no impact of the firm size on the market value of companies measured through the (Tobin`s Q), which means that it is a total asset does not affect the market value of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the eighth hypothesis will be rejected and the alternative hypothesis accepted, which states that "**There is no a significant impact of LINSIZE on market value in industrial and service companies listed in ASE"**.

The statistical significance of the "Sales Growth" variable is (.050), which is less than the level of statistical significance (0.05), and coefficient (.104), which indicates that there is an impact of the sales growth on the market value of companies, which means that it is a sales growth does positively affect the Tobin`s Q of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the ninth hypothesis will be accepted, which states that **"There is a significant impact of sales growth on market value in industrial and service companies listed in ASE"**.

Tenth Hypothesis Test: There is a significant impact of leverage (TCA/TA) on market value in industrial and service companies listed in ASE.

The statistical significance of the "Leverage" variable is (.672), which is higher than the level of statistical significance (0.05), which indicates that there is no impact of the leverage on the market value, which means that it is a total liabilities does not affect the market value (Tobin`s Q) of industrial and service companies listed on the Amman Stock Exchange during (2014-2020). Accordingly, the tenth hypothesis will be rejected and the alternative hypothesis accepted, which states: "**There is no a significant impact of leverage on market value in industrial and service companies listed in ASE"**.

Second Stage Analysis:

Table (5): Difference between strategies

AVG	CCC	Firms	Classification
Above	1	49	Conservative
Below	0	20	Aggressive

In order to identify the level of difference between the strategies for managing working capital and its impact on the profitability and value of industrial and service companies listed on the Amman Stock Exchange during the period (2014-2020), it was found that there is no significant difference between these policies, whether in terms of applying.

SUMMARY:

The study reached a set of results, namely:

- There is a significant positive impact of aggressive financing policy (TCA/TA) on profitability.
- There is no significant impact of Aggressive Investment Policy (TCL/TA) on profitability in industrial and service companies listed in ASE.
- There is a significant positive impact of LINSIZE on profitability in industrial and service companies listed in ASE.
- There is a significant positive impact of sales growth on profitability in industrial and service companies listed in ASE.
- There is a significant negative impact of leverage on profitability in industrial and service companies listed in ASE.
- There is no significant impact of aggressive financing policy (TCA/TA) on market value in industrial and service companies listed in ASE.
- There is no significant impact of aggressive investment policy (TCL/TA) on market value in industrial and service companies listed in ASE.
- There is no significant impact of LINSIZE on market value in industrial and service companies listed in ASE.
- There is a significant positive impact of sales growth on market value in industrial and service companies listed in ASE.
- There is no significant impact of leverage on market value in industrial and service companies listed in ASE.

RECOMMENDATIONS:

The study recommended the following:

- Managers focus mainly on resorting to the use of working capital in order to avoid long-term debt and exposure to bankruptcy and losses.
- Focusing on the external and internal effects of both managers and potential investors, as there are many companies that have an aggressive working capital policy rather than making more profits.
- Focusing on the factors affecting working capital in industrial and service companies, because of their strong influence between the variables and help in improving the level of companies' performance for the better.
- Companies work to raise the level of profitability in a higher way, by increasing the investment of working capital and thus giving a higher value to the company.
- Conducting future studies that reflect the importance of the market value of companies and identifying all the factors affecting the financial performance.

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