

The Impact of Economic and Financial Variables on Cash Conversion Cycle of Energy, Oil and Gas Sectors Listed in Muscat Security Market

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ABSTRACT: This paper aims to analyze the impact of economic and financial variables on cash conversion cycle of energy, oil and gas sectors listed in Muscat Security Market. The study population include 13 firms from 2008 to 2013 listed in Muscat Security Market and only 3 firms exception because the lack of complete data covering the period of study as new firms. The results show that there is a statistical significant impact of growth sales, firm size, cash flow as financial variables and average daily production of oil, consumer price index, total merchandise import and total government expenditure as economic variables on cash conversion cycle. Also results show that there is a statistical significant impact of all financial factors on cash conversion cycle. The researcher recommends to reducing the proportion of crude oil's contribution to GDP and increasing the contribution of natural gas and diversifying the economy.

Keywords: Energy; Oil and Gas Sectors; Cash Conversion Cycle; Economic and Financial Variables.

JEL Classifications: C32; M21; Q43.

1. Introduction

The oil, gas and energy sector is one of the most important sectors in any country and this is the economic wealth without a doubt, the most prominent challenge in Sultanate of Oman always remains in how to reduce reliance on the major contribution of the oil and gas sectors as an important source of government revenue and as a percentage of GDP. On other side the government try to focus on economic diversification. Many of the firms in periods of economic recession following the conservative and radical economic policies in the production and sale as it tries to reduce the collection period and increase the repayment period and that the presence of financial crises and problems are expected to occur and thus may reflect on the working capital cycle (Banos-Caballero et al., 2010).

The cash conversion cycle (CCC) is considered an important measure combines liquidity and profitability so many firms prefer to reduce the length of the cash cycle and speed collection of cash to re-invest again and increase liquidity, which may be reflected positively on the profitability and CCC. The CCC method is very important to assess the effectiveness. The first point to start the conversion cycle by providing liquidity to purchase resources, then transition of production and then to inventory in the sense they include raw materials, products under manufacturing or ready in preparation for operations marketing and sales. In this stage the firms need to think how managed inventory and production management in excess of effectiveness? and after this stage begin sales operations, which are divided into the sale of cash and the sale of receivables, which should have a timetable for the collection of these receivables in a manner consistent with the collection policy of the firm and the form in which it does not affect the liquidity position.

The last stage is the payment of accounts payable in cash on maturity to reflect the firm obligations at timing and thereby avoid or delay the interest of the negative impact of reputation in the case of non-compliance with order (Wędzki, 2003). Firms must follow a balanced policy in the three policies (inventory policy, collection cash policy and payables policy) and the firms trying to reducing the inventory period, but the condition there be sufficient width to customers upon request and at the same time do not keep a large amount in the inventory because the costs of inventory as well as for policy collection that relies known clients have good reputations and balance bin sale cash and receivables operations (Uyar, 2009).

2. Literature Review

Through a review of previous studies and literature, there are many researchers present in the field of cash conversion cycle with different variables, including the study Deloof (2003) found there is no significant statistical relationship between the CCC and performance while he found a significant relationship between the components of the cash conversion cycle. Garcia and Solano (2007) found there is a negative sign between the CCC and profitability and when the greater length of the CCC led to a reduction in the levels of profitability for many firms. Zariyawati et al. (2010) examine many variables with the CCC, which reflects the working capital management as one of the measures of liquidity and found negative statistically significant relationship between the firm size of the firm, debt and sales growth and cash conversion cycle.

Bolek and Wolski (2010) showed the results is increase liquidity in a positive impact on profitability and this are considered a measure of the effectiveness of the firms in the business sector. Safari (2010) showed there are significant differences between the CCC and profitability and capital management leads to a reduced length of the cycle and reflected positively on profitability. Karaduman et al. (2011) found a relationship between the CCC and profitability components, which may be reflected positively on the value of the firm as if the collection and inventory management policy is consistent with Kajanathan and Achchuthan (2013), which has been in applied in Sri Lanka from the period 2005 to 2011 and focused on the long-term perspective in making capital mixed structure decisions so the liquidity management was an important role in how to configure the capital structure of the firm. Dritsaki and Dritsaki (2014) analyzed the relationship between energy sector related to consumption and economic variables for the time period from 1960 to 2009 and the results of the study was the energy sector has a statistically significant effect with the economic changes in the market and has a prominent role on the industrial sector and this on short and long-term.

3. Energy, Oil and Gas Sectors in Sultanate of Oman

The Muscat Security Market guide and annual statistical bulletin (2014) show the energy, oil and gas sectors of Oman plays a vital role in socio-economic development and considered as extremely important segment of service sector. Oman has achieved remarkable economic development in recent years and the national accounts data from the first three quarters of 2013 to the GDP of the Sultanate of Oman at current prices has grown at a rate of 2.6%, compared to the same period of the previous year.

Slower economic growth was due to the drop in oil prices in world markets in 2013 compared in 2012. The oil sector, which contributed about 50% of GDP at current prices during the first three quarters of 2013 fell slightly by 1% despite the increase in production, by contrast, the non-oil activities grew by 7.8% and the oil production rise in 2013 by 2.3% to reach 343.8 million barrels, compared with 336.2 million in 2012, has an average daily production rose to 941.9 thousand barrels per day during 2013, compared to 918.5 thousand barrels in 2012. The average Omani crude oil prices in the global markets during 2013 about \$ 105.5 per barrel, compared with \$ 109.6 per barrel in 2012. On the inflation and price level, the consumer price index increase 1.2% in 2013 compared with 2.8 % in 2012. Public financial data indicate the Sultanate of Oman in 2013 have a surplus amounting to 401 million (R.O) compared with a slight deficit amounted to 80.6 million (R.O) in 2012. The Oman oil reserves have certain small 5.5 billion barrels, hence the importance of the industrial diversification of the Sultanate, particularly through the exploitation of gas resources. It is scheduled that the Omani authorities to invest ten billion dollars by 2015 to build the capacity of the Sultanate's oil and gas production.

The future perspective of Oman economic is to increase the budget development plan to resume exploration operations in the mining sector, promotion of tourism, establishment of new branches of industry and development of ports activities.

3. Research Methodology

The Data were collected through reliance on the annual reports of firms listed on the Muscat Securities Market and statistical reporting of economic variables.

3.1 Population of the Study

The study population include 5 firms in the oil and gas marketing sector and 8 firms in the energy sector but in this sector taking only 5 firms and 3 firms are exception due to lack of the completion of

the required data during the study period from 2008 to 2013. Table 1 shows the population distribution and selected based on service sector.

Table 1. Population Distribution From the Period 2008 to 2013

Name of Firm	Type of Sector	Selected or not
Al Maha Petroleum Products Marketing Co. SAOG	Oil and Gas Marketing	Selected
Muscat Gases Co. SAOG	Oil and Gas Marketing	Selected
National Gas Co. SAOG	Oil and Gas Marketing	Selected
Oman Oil Marketing Co. SAOG	Oil and Gas Marketing	Selected
Shell Oman Marketing Co. SAOG	Oil and Gas Marketing	Selected
ACWA Power Barka SAOG	Energy	Selected
Al Kamil Power Co. SAOG	Energy	Selected
Oman National Engineering & Investment Company SAOG	Energy	Selected
Sohar Power Co. SAOG	Energy	Selected
United Power Co. SAOG	Energy	Selected
SMN Power Holding	Energy	Not Selected
Sharqiyah Desalination Company SAOG	Energy	Not Selected
Sembcorp Salalah Power & Water Company SAOG	Energy	Not Selected

3.2. Variables and Model Specification

Through a review of the literature and previous studies there are many economic and financial variables have been studied the cash conversion cycle in firms. Many studies argue such as Zariyawati et al. (2010), (Deloof, 2003) Banos-Caballero et al. (2010). In this study the independent variables used both financial and economic variables. First: financial variables consisted of 7 variables: Firm Size (FS): measured by log of total asset, Leverage (L): measured by ratio of total debt to total assets, Firm Growth (FG): measured by ratio of sales growth, Cash Flow (CF): measured by ratio of operation cash flow to sales, Profitability (PR): measured by return on equity, Asymmetry Information (AI): measured by the book value to market ratio, Asset Tangibility (AT): measured by tangible fixed assets ratio divided to total assets.

Second: economic variables as Walker (1991) show the importance of economic variables when the phenomena analysis the behavior and economic life cycle in the market which may directly reflected in the size of the investment policy and the collection, inventory and payables. In this study the independent economic variables consisted of 8 variables: log of all variables for Gross Domestic Product at Current Prices (GDP), Total Government Revenue (TGR), Total Government Expenditure (TGE), Average Daily Production of Oil (ADPO), Average Oil Price (AOP), Total Merchandise Exports (TME), Total Merchandise Imports Recorded (TMI) and Consumer Price Index (CPI).

While the dependent variable is cash conversion cycle and measured by Keown et al. (2003) explained:

Cash Conversion Cycle (CCC) = A. Collection Period + A. Inventory Period – A. Account Payable. This formula measured by days.

Average Collection Period (Days) (ACP) = A. receivables / {Sales / 365}

Average Inventory Period (Days) (AIP) = Inventory Account / {Cost of Sales / 365}

Average Account Payable (Days) (AAP) = A. payables / {Cost of sales / 365}

The model presents as follows:

$$\text{Cash Conversion Cycle (CCC)} = \beta_0 + \beta_1 \text{FS} + \beta_2 \text{L} + \beta_3 \text{FG} + \beta_4 \text{CF} + \beta_5 \text{PR} + \beta_6 \text{AI} + \beta_7 \text{AT} + \beta_8 \text{GDP} + \beta_9 \text{TGR} + \beta_{10} \text{TGE} + \beta_{11} \text{ADPO} + \beta_{12} \text{AOP} + \beta_{13} \text{TME} + \beta_{14} \text{TMI} + \beta_{15} \text{CPI} + \epsilon$$

3.3 Hypotheses:

This Study analysis and test the hypotheses by an empirical methodology. The following hypotheses' are:

H0-1: There is no statistical significant impact of each economic independent variable (GDP, TGR, TGE, ADPO, AOP, TME, TMI, and CPI) on cash conversion cycle of oil, gas marketing sector.

H0-2: There is no statistical significant impact of each economic independent variable (GDP, TGR, TGE, ADPO, AOP, TME, TMI, and CPI) on cash conversion cycle of energy sector.

H0-3: There is no statistical significant impact of each financial independent variable (FS, L, FG, CF, PR, AI and AT) on cash conversion cycle of oil, gas marketing sector.

H0-4: There is no statistical significant impact of each financial independent variable (FS, L, FG, CF, PR, AI and AT) on cash conversion cycle of energy sector.

H0-5: There is no statistical significant impact of all financial variables on cash conversion cycle in both sectors.

H0-6: There is no statistical significant impact of all economic variables on cash conversion cycle in both sectors.

4. Empirical Results and Discussion

4.1 Economic and Financial Analysis Discussion

Table 2 shows the results of the economic analysis for independent variables and presents the eight variables from the period 2008 to 2013. The results shows the most of economic variables decreased from 2008 to 2009 except the average daily production of oil and consumer price index increased and then after this period from 2009 to 2013 increased for all variables. And there are more jump for all variables for 2010 to 2011 in numbers that because more development economic in Sultanate of Oman and many projects investments achieved it in different sectors epically in oil , gas and energy sector. The contribution of non-oil revenues of the total revenue not very well increase during the last three years due mainly the strong rise in oil prices, but that is another reality lies the difficulty and lack of flexibility, especially item fees and taxes as it contains into account a number of other matters relating to the results of the ongoing revenue control some firms and institutions, public and private sectors, and revenue from other taxes, but this item is well grown and the government is trying to take advantage of it especially shows that a key tributary of revenue for states, especially west.

According to the actual data the inflation rate decline in 2013 for the same period of 2012, which is an excellent rate compared with the countries of the region and the world. Public budget statement has pointed out that the decline in support policy, plans and programs for consumer protection adopted by the government through the continuous monitoring of the markets. And is always the main fear of imported inflation in the fact that the Sultanate imports many of its raw materials and basic and finished products from abroad. This increase enhances the purchasing power and inclination towards high value goods with income growth. As well as the continued expansion of government spending and increased consumption and demand for goods and services due to new entrants to the work of citizens and expatriates and fluctuations in the prices of the global currency market, especially the Japanese yen and the US dollar and other Asian currencies.

Table 2. Economic Variables Analysis (Independent Variables)

Economic Variables	2013	2012	2011	2010	2009	2008
Gross Domestic Product	30,627.70	29797.7	26,731.20	22,547.60	18,548.40	23,185.10
Total Government Revenue	14,216.90	13,474.50	10,624.70	7,916.50	6,748.40	7,638.70
Total Government Expenditure	13,949.50	7,916.50	10,737.90	7,965.30	7428.7	7560.3
Average Daily Production of Oil	941.9	919	884.9	864.6	813	757
Average Oil Price	105.51	109.5	102.95	76.64	56.67	101.06
Total Merchandise Exports	21,696.90	20,047.10	18,106.80	14,073.20	10,632.00	14,503.00
Total Merchandise Imports Recorded	13,201.00	10,811.30	9,081.80	7,603.30	6,864.60	8,814.50
Consumer Price Index	101.1	100	97.2	93.4	90.4	87.4

Table 3 indicates the components results of the CCC for dependent variable and presents three variables to achieve CCC in two sectors from the period 2008 to 2013. The results of this analysis shows the days of sales in inventory in energy sector is more than oil and gas sector in most years except year 2009 and 2013. But the days of sales outstanding in energy sector is more than oil and gas sector in all the period of the study. Finally the days of payables outstanding also in energy sector are more than oil and gas sector except year 2012 and 2013. In cash conversion cycle as the final result is

fluctuation for both sectors between increased and decreased and the oil and gas sector achieved negative sign in year 2013 that because not consistent between the time of collection the cash and time to pay the bills of payables.

Table 3. Cash Conversion Cycle (Dependent Variable) in Two Sectors

Dependent Variable	Type of Sector	2013	2012	2011	2010	2009	2008
Days of Sales in Inventory	Oil & gas	28.074	19.886	20.744	18.532	24.008	24.6
	Energy	22.2	22.2	23.6	25.2	23	26
Days of Sales Outstanding	Oil & gas	52.378	66.928	50.352	55.296	52.236	87.8
	Energy	116.2	115.8	111	114.6	124.8	132.6
Days of Payables Outstanding	Oil & gas	163.9687	79.46445	48.17115	59.31688	59.0487	47.19972
	Energy	56.37217	50.17132	67.08808	88.71804	75.16804	304.2108
Cash Conversion Cycle	Oil & gas	-83.5167	7.349551	22.92485	14.51112	17.1953	65.20028
	Energy	82.02783	87.82868	67.51192	51.08196	72.63196	-145.611

Table 4 shows the results of the financial analysis for independent variables and presents seven variables in two sectors from the period 2008 to 2013. The results of this analysis shows firm size value of energy sector is very close to oil and gas sector , this is because of the great similarity in the nature of the two sectors and it was observed relative growth sectors. The leverage and Asset-tangibility values is more in energy sector than oil and gas sector. But in asymmetry information variable, growth sales, cash flow and profitability values in oil and gas sector is more than energy sector in most period of the study.

Table 4. Financial Variables Analysis (Independent Variables) in Two Sectors

Financial Variables	Type of Sector	2013	2012	2011	2010	2009	2008
Firm size	oil&gas	4.708701	4.690516	4.513432	4.479212	4.395672	4.20256
	Energy	4.819182	4.835987	4.844123	4.851073	4.843875	4.858669
Leverage	oil&gas	0.435328	0.430401	0.382998	0.371209	0.354189	0.372595
	Energy	0.644653	0.665766	0.66667	0.638498	0.666618	0.655735
Growth Sales	oil&gas	0.439485	0.298439	0.232829	0.25101	-0.08983	-0.51325
	Energy	0.029741	0.022159	0.051454	0.084171	0.068124	-0.27208
Cash Flow	oil&gas	2.982308	2.003299	3.756981	11.16008	1.39956	0.02792
	Energy	0.320009	0.316372	0.368411	0.322741	0.306985	-82.5304
Profitability	oil&gas	0.232	0.216	0.242	0.24	0.242	0.244
	Energy	0.2	0.19	0.314	0.216	0.214	0.328
Asset-tangibility	oil&gas	0.372032	0.370661	0.356407	0.347135	0.388911	0.363026
	Energy	0.745161	0.751864	0.771449	0.762457	0.762372	0.755272
Asymmetry Information	oil&gas	2.589432	3.365757	2.984268	3.58476	3.84185	0.609833
	Energy	3.361585	3.178448	2.161037	1.95134	1.791852	1.96547

4.2 Regression Analysis and Discussion

Table 5 used regression testing to investigate the impact of economic variables on dependent variable as cash conversion cycle in oil and gas sector, which divided at 8 variables. The results of the study shows the impact statistically significant for each total government expenses (TGE) , average daily production of oil (ADPO) , total merchandise import (TMI) , consumer price index(CPI) and cash conversion cycle (CCC) at the significant level 5%10% , where the value t = -2.967 , -2.660 , -2.254 and -2.351 as was the correlation coefficient 0.829 , 0.799 , 0.748 and 0.762 while the coefficient of determination was 0.0688 , 0.639 ,0.560 and 0.580 which is explained by amount of the dependent variable.

Table 6 used regression testing to investigate the impact of economic variables on dependent variable as cash conversion cycle in energy sector, which divided at 8 variables. The results of the study shows the impact statistically significant for each average daily production of oil and consumer price index and cash conversion cycle at the significant level 10%, where the value t = -2.664 and

2.162, as was the correlation coefficient 0.800 and 0.734 while the coefficient of determination was 0.640 and 0.539 which is explained by amount of the dependent variable.

Table 5. Regression Analysis for Economic Variables and Cash Conversion Cycle in Oil & Gas Sector

E V and CCC	R	R ²	T	Sig	Un standardized Coefficient	
					St-Error	B
GDP&CCC	0.588	0.347	-1.455	0.219	0.004	-6.19E-03
TGR &CCC	0.714	0.510	-2.042	0.111	0.005	-1.10E-02
TGE&CCC	0.829	0.688	-2.967	0.041**	0.005	-1.56E02
ADPO&CCC	0.799	0.639	-2.660	0.056*	0.214	-0.570
AOP&CCC	0.592	0.351	-1.469	0.216	0.803	-1.180
TME&CCC	0.626	0.392	-1.607	0.183	0.005	-7.38E-03
TMI&CCC	0.748	0.560	-2.254	0.087*	0.007	-1.59E-02
CPI &CCC	0.762	0.580	-2.351	0.078*	2.912	-6.545

*Sig at p < 0.10 ** Sig at p < 0.05 *** Sig at p < 0.01

Table 6. Regression Analysis for Economic Variables and Cash Conversion Cycle in Energy Sector

E V and CCC	R	R ²	T	Sig	Un standardized Coefficient	
					St-Error	B
GDP&CCC	0.296	0.088	0.620	0.589	0.009	5.714E-03
TGR &CCC	0.470	0.221	1.065	0.347	0.012	1.327E-02
TGE&CCC	0.355	0.126	0.759	0.490	0.016	1.224E-02
ADPO&CCC	0.800	0.640	-2.664	0.056*	0.393	1.046
AOP&CCC	0.613	0.375	1.550	0.196	1.445	2.240
TME&CCC	0.313	0.098	0.659	0.546	0.610	6.762E-03
TMI&CCC	0.217	0.017	0.444	0.680	0.019	8.456E-03
CPI &CCC	0.734	0.539	2.162	0.097*	5.597	12.101

*Sig at p < 0.10 ** Sig at p < 0.05 *** Sig at p < 0.01

The results show in table 5 and 6 the low inflation rate in general in 2013, and despite this low, but there is some of goods pass an inflated such as food, drinks, tobacco and educational services so that the government is working to avoid this by improving the effectiveness of services and support infrastructure and encourage domestic savings and the reduction of public debt. Finally, the oil production in 2013 rose by 2.3% to reach 343.8 million barrels, compared with 336.2 million in 2012, has an average daily production rose to 941.9 thousand barrels during 2013 compared to 918.5 thousand barrels in 2012. These results are reflecting on cash conversion cycle in firms. The oil and gas revenues as a percentage of GDP has reached about 39% in 2013, and accounted for 7.85% of government revenue and about 66% of the total merchandise exports (including re-exports) during the year . GDP is attributed to the activities of the oil rising to the recovery of oil prices in international markets.

Table 7 used regression testing to investigate the impact of financial variables on dependent variable as cash conversion cycle in oil and gas sector, which divided at 7 variables. The results of the study shows the impact statistically significant for each firm size , growth sales on cash conversion cycle at the significant level 10% , where the value t = -2.664 and -2.335 as was the correlation coefficient 0.800 and 0.762 while the coefficient of determination was 0.640 and 0.581 which is explained by amount of the dependent variable.

Table 8 used regression testing to investigate the impact of financial variables on dependent variable as cash conversion cycle in energy sector, which divided at 7 variables. The results of the study shows the impact statistically significant for each growth sales, cash flow and cash conversion cycle at the significant level 1% , where the value t = 6.257 and 13.966 as was the correlation coefficient 0.953 and 0.990 while the coefficient of determination was 0.907 and 0.980 which is explained by amount of the dependent variable.

Table 7 and 8 show that the sales growth variable in the both two sectors was statistically significant morale on the cash conversion cycle and due to the importance of growth sales over the years of study as a result of economic growth in the country, which reflected on firms in terms of the level of production and move the market and thus it was necessary to increase inventory commodity

and activating account receivables policy and work on balancing accounts receivable policy . Finally, the result of sales is statistically negative significant of growth sales on cash conversion in the oil and gas sector while it was positive on cash conversion in the energy sector cycle.

Table 7. Regression Analysis for Financial Variables and Cash Conversion Cycle in Oil & Gas Sector

F V and CCC	R	R ²	T	Sig	Un standardized Coefficient	
					St-Error	B
FS&CCC	0.800	0.640	-2.664	0.056*	77.8	-206.3
L &CCC	0.694	0.482	-1.928	0.126	523.7	-1009.6
GS&CCC	0.762	0.581	-2.335	0.078*	45.4	-107.13
CF&CCC	0.120	0.014	-0.241	0.821	6.167	-1.488
PR&CCC	0.386	0.149	0.837	0.450	2119.5	1773.6
AT&CCC	0.221	0.049	-0.452	0.674	1656.9	-749.6
AI&CCC	0.309	0.095	-0.650	0.551	19.83	-12.88

*Sig at p <0.10 ** Sig at p< 0.05 *** Sig at p< 0.01

Table 8. Regression Analysis for Financial Variables and Cash Conversion Cycle in Energy Sector

F V and CCC	R	R ²	T	Sig	Un standardized Coefficient	
					St-Error	B
FS&CCC	0.674	0.454	-1.824	0.142	2440.03	-4451.01
L &CCC	0.089	0.008	0.179	0.866	3637.05	652.05
GS&CCC	0.953	0.907	6.257	0.003***	102.07	638.7
CF&CCC	0.990	0.980	13.966	0.000***	0.188	2.629
PR&CCC	0.710	0.504	-2.017	0.114	520.08	-1048.8
AT&CCC	0.057	0.003	0.114	0.914	4837.10	553.06
AI&CCC	0.412	0.170	-0.906	0.416	59.714	54.074

*Sig at p <0.10 ** Sig at p< 0.05 *** Sig at p< 0.01

The variable size of the firm was negative statistically significant on cash conversion cycle in the oil and gas sector but the cash flow variable was positive statistically significant on cash conversion cycle in the energy sector because increase was accompanied by a rise in demand in consumer spending as a result of the financial policies of the country and the improvement in consumer confidence after the credit crisis that occurred in the year 2008.

Table 9 used multiple regression testing to investigate the impact of all financial variables on CCC and the second test to investigate the impact of all economic variables on CCC in both sectors energy and oil and gas. The results of the study show the impact statistically significant for all financial variables on cash conversion cycle at the significant level 5% , where the value F = 7.879 as was the correlation coefficient 0.966 while the coefficient of determination was 0.932 which is explained by amount of the dependent variable. These results because the foreign deposit investment flows were positive, where domestic demand has been rising. On the other hand, Sultanate of Oman have tight monetary policy to overcome the financial crisis, thereby supporting domestic demand, in addition to monetary policy, which provided liquidity to banks unable to meet the demand for credit.

Table 9. Multiple Regression Analysis for Financial, Economic Variables on Cash Conversion Cycle in Both Sectors

F V , EV and CCC	R	R ²	F- Value	Sig
Financial Variables &CCC	0.966	0.932	7.879	0.032**
Economic Variables &CCC	0.476	0.227	0.352	0.864

*Sig at p <0.10 ** Sig at p< 0.05 *** Sig at p< 0.01

5. Conclusion

This paper aims to investigate the impact of economic and financial variables on cash conversion cycle of energy, oil and gas sectors listed in Muscat Security Market. The population of the study are 13 firms from 2008 to 2013 listed in Muscat Security Market and only 3 firms exception because the lack of complete data covering the period of study as new firms. The results show there is a statistical significant impact of total government expenditure, consumer price index, total merchandise import and average daily production of oil as an economic factors on CCC based on oil and gas sector and

consumer price index and average daily production of oil as an economic factors on CCC based on energy sector. Moreover, the results show that there is a statistical significant impact of growth sales and firm size as financial factors on CCC based on oil and gas sector and growth sales and cash flow as a financial factors on CCC based on energy sector. The results of multiple regression show that there is a statistical significant impact of all financial factors on cash conversion cycle.

The researcher recommends to reduce the proportion of crude oil's contribution to GDP and increase the contribution of natural gas and diversify the economy by improving the workforce, and to promote non-oil sectors and focused on creating employment opportunities through increased investment and support for small and medium enterprises.

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