Kurdish Studies
May 2024
Volume: 12, No: 4, pp. 228-243
ISSN: 2051-4883 (Print) | ISSN 2051-4891 (Online)
www.KurdishStudies.net

Received : October 2023 Accepted: March 2024
DOI: https://doi.org/ 10.53555/ks.v12i4.1782

Cash on Hand and Financial Performance: An Applied Investigation of the Peruvian Construction Sector

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Abstract

The primary objective of this study is to understand how the relationship between cash and quick cash impacts the profitability of companies within the construction sector in Peru. It is underpinned by various scientific theories and the comprehensive literature available in the academic realm, providing knowledge for future researchers through findings, conclusions, and value propositions. A quantitative methodology was employed, gathering data through surveys of 30 employees and analysing the company's financial statements between 2021 and 2022. This study has an applied, descriptive, and causal correlational orientation, aiming to comprehend the interactions between variables. Most construction companies in Peru exhibit low levels of cash, liquidity, and short-term investments. Many encounter difficulties in accessing cash swiftly. However, possessing large sums of cash does not ensure high profitability; in fact, companies with moderate levels of cash tend to achieve more balanced profitability. In the Peruvian construction context, efficient cash management is pivotal for profitability. Companies must strike a balance between the amount of cash they hold and their operational and investment needs. Excessive accumulation or scarcity of cash can be detrimental. This study underscores that, in the Peruvian construction sector, more cash does not necessarily equate to higher profitability. It offers a new perspective on how companies can better manage their finances to optimise profitability.

Keywords: *cash, profitability, short-term investments, financial needs, quick cash.*

1. Introduction

The world of construction is complex and financial challenges are often one of the cornerstones that determine the success or failure of a construction company; in daily practice, a construction company is immersed in projects that can last months or even years. During this time, although the machines do not stop moving and the workers continue with their tasks, the income they receive is often irregular, which contrasts with their expenses, which are constant and sometimes increasing (Fekadu, 2020).

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Overseas, when builders store significant amounts of money, they face exposure to risks such as loss of purchasing power, theft, fraud or cyber-attacks either physically or in bank accounts (Qin et al., 2020; Batra, 2020). In addition, Acuña (2018) sustains that when we talk about cash, there is a worrying problem in the company which is known as diminishing returns, this refers to the few opportunities where the investment is adequate and profitable, that on the contrary this is invested in less profitable projects just to use its cash. In addition, the fact that the price of materials is not constant, market fluctuations, natural disasters or geopolitical tensions will cause unexpected variations in costs and therefore in profitability (Muhammad et al., 2020).

In Peru, business transactions are not always straightforward, given that an intricate web of subcontractors, suppliers and financiers must be dealt with, as each transaction is a piece of the puzzle that, if not placed correctly, can have a ripple effect on the financial health of the company (Marchena, 2023). On the other hand, payment delays or financial difficulties do not go unnoticed, suppliers and subcontractors will talk, and the company's reputation will be compromised; in such a competitive industry, a poor reputation permanently affects the profitability of companies (Chilón, 2020; Aguirre et al., 2020; Aguirre et al., 2023).

The construction company under study faces continuous financial challenges that can make the difference between success and failure, making cash availability essential because, although projects may last for months, it is imperative to cover operating expenses in the face of revenues that may be intermittent. Short-term investments and access to quick cash emerge as key solutions in this context; although they provide the temporary relief needed to keep the business operational, if not properly managed they are counterproductive, generating debt and high interest rate commitments.

Effective management is essential, as an astute and competent management team has the ability to anticipate these obstacles and design strategies to manage liquidity optimally; bank transfers are valued by the construction company, as they allow for agile transactions, making immediate payments to suppliers or employees feasible, however, an over-reliance on this tool without a steady inflow of cash would generate financial imbalances; These adversities have an impact not only on daily operations, but also on vital aspects such as profitability and profit, since inadequate cash management undermines profits, impacting overall profitability, restricting future investments and jeopardizing projects under development, negatively influencing sales.

In terms of theoretical justification, the relationship between cash and fast cash is a topic of interest in corporate finance, especially in capital-intensive sectors such as construction; in theory, cash and fast cash can influence a firm's profitability by providing liquidity for working capital, financing timely investments and reducing financial insolvency costs; moreover, effective cash management can avoid unnecessary financing costs and improve return on equity.However, excess liquidity can lead to inefficient resource management; given the cyclical and capital-intensive nature of the construction industry, understanding this relationship is crucial to inform the financial decisions of construction companies and related stakeholders.

In terms of practical justification, the construction sector in Peru has been a fundamental pillar of the country's economic development; however, the profitability of this sector can be influenced by multiple factors, including liquidity management; proper management of financial resources can not only increase profitability, but also protect companies in periods of recession or economic slowdown, therefore, by analyzing the relationship between cash, fast cash and profitability, we intend to provide practical ideas to improve the financial management of the sector and thus support its stability and sustainable growth.

It was methodologically justified given that the use of a quantitative approach is essential to determine the numerical and statistical relationship between cash, quick cash and profitability; this approach allows researchers to measure, quantify and analyze the data objectively, which suits the purpose of establishing clear correlational relationships; the non-experimental longitudinal design is appropriate because it observes and measures the variables at various specific times without manipulating or altering the conditions; this provides a clear snapshot of the current situation, which is vital for understanding the dynamics present among the variables studied, since by opting for a descriptive and correlational design, the aim is to describe the current characteristics of companies in the construction sector in relation to their cash and quick cash levels and, at the same time, to identify whether there is a direct or inverse relationship with their profitability.

The general objective was to determine the influence of cash and fast cash on the profitability of a construction company in Peru. The first specific objective was to identify the level of cash and fast cash of a company in the construction sector in Peru; the second objective was to evaluate the level of profitability of a company in the construction sector in Peru; the third specific objective was to establish the influence of the dimensions of cash and fast cash with the profitability of a company in the construction sector in Peru.

The hypothesis considered was there is a direct and significant influence between cash and fast cash with the profitability of a company in the construction sector in Peru, likewise, specific hypotheses have been considered and are detailed in the results of the study.

2. Literature Review

According to Adamu et al. (2023), variables such as cash conversion cycle, accounts receivable and payable, as well as inventories, are determining factors in this area; these results corroborate the importance of cash and accounts receivable turnover on profitability, as found by Telaumbanua and Delory (2022), however, these researchers also found that inventory turnover does not significantly influence the probability of profitability. Purnomo et al.'s (2020) findings on e-money underscore the relevance of financial technology, sorting through more than half a century of literature in areas such as mobile telecommunication systems and profitability; while not focusing exclusively on cash, their work highlights the intersection between finance and technology. In contrast, Afiezan et al. (2020) found that while cash has a negative impact on borrowing policy, other factors such as free cash flow, firm size and profitability have no influence, suggesting that there are 41.1% of unexamined variables affecting borrowing policy.

In contrast, Zaher and Marquez (2020) provided an innovative perspective by showing that the relationship between the cash conversion cycle (CCC) and profitability adopts an inverted U-shape; moreover, internal financial constraints, such as cash holdings, moderate this relationship, therefore, firms with lower internal financial constraints have the ability to improve their profitability by optimizing their CCC. Fast cash management and the relationship between cash and profitability occupy a central place in the contemporary financial literature. Nieto (2019) discusses the importance of adequate preparation when borrowing, highlighting risks and rewards. This financial decision making is also supported by research analyzing the impact of liquidity on profitability. For example, Iqbal & Jahangir (2019) concluded that the cash conversion cycle is strongly negatively correlated with profitability indicators. Binod et al. (2019) and Pakdel & Ashrafi (2019) agree that cash conversion cycle length and working capital management have a negative relationship with profitability.

Mohammad et al. (2019) in their study on pharmaceutical companies highlight that cash has a positive impact on profitability, but a negative impact of other variables such as leverage is also observed. Shivan & Shivan (2019) suggest that although cash may have a negative impact on bank profitability in the short term, there are opportunities for banks to invest their cash in profitable projects. Peng & Zhou (2019) warn that while effective working capital management can improve inventory and cash turnover, it could also have adverse consequences on a firm's supply chain. Kontus & Mihanovic (2019) explore the relationship between liquidity and profitability in SMEs, proposing mathematical models that can help these firms consider the net profitability of certain inventories. In contrast, Rahimah et al. (2018) and Debabrata (2018) complement the discussion by highlighting the importance of paying suppliers on reasonable terms and how efficient working capital management can have both a positive and negative impact on profitability.

Stewart C. Myers and Nicolas Majluf's 1984 Pecking Order theory argues that firms have an order of preference for financing themselves; first they prefer to use their own internally generated funds (cash or retained earnings), if that is not sufficient, they will seek debt, and finally, as a last resort, they will consider equity issuance (Jansen et al., 2022). This theory suggests that companies will prefer to use available cash or reinvest profits before seeking external financing, as it is a way to finance projects quickly without incurring external costs (Yildirim & Celik, 2021; Martinez & Guercio, 2019). Avoiding issuing new shares or incurring onerous debt can be beneficial to existing shareholders and can avoid dilution or significantly increased financing costs (Alexandre et al., 2023). Michael C. Jensen and William H. Meckling's agency theory, published in 1976, address conflicts between managers and owners; managers, in charge of day-to-day operations, do not always act in the interest of shareholders; managers may have incentives to accumulate cash unnecessarily (for power or precautionary reasons) rather than distribute it to shareholders or reinvest it efficiently (Mahmood et al., 2023; Zhang et al., 2022; Dong et al., 2021). If agency problems are not controlled, there may be inefficient decisions that affect the profitability of the firm (Solomon et al., 2021).

Stephen Ross's 1977 Financial Signaling Theory states that a company's financial decisions (such as issuing debt, paying dividends, or repurchasing shares) send "signals" to the market about its health and expectations (Nyagadza et al., 2021). If the market interprets financial signals positively, this can translate into increased demand for the company's shares, which in turn can increase its share price and thus shareholder returns (Naveed et al., 2020).

Cash according to Ladhani & Sitter (2018) are coins and banknotes of a monetary denomination that are accepted as a medium of exchange. Similarly, Scholten et al. (2019) argue that it is that medium of exchange that is in its most liquid form and is universally accepted for the purchase of goods and services. According to Guanping et al. (2021) state that cash is that which provides financial services for the socioeconomic development and welfare of households. At the same time, Salehi et al. (2020) state that cash provides security and liquidity, while fast cash suggests the promise of high short-term returns. However, as with any financial asset or strategy, they carry their own set of challenges and risks.

Giulia & Lozza (2023) reveal that the importance of cash is vital to the daily operation of any entity, whether personal or corporate. Furthermore, Burchi et al. (2018) the function of cash is considered as a medium of exchange that aims to serve by being a medium of exchange to acquire goods and services. Fast money in the words of Nicola et al. (2020) embody that it is a source of income or capital that can be obtained in a short period of time, usually without requiring a long or complex process. For Castel (2021) relates that fast cash is based on an

acquisition of resources that stands out for its speed when it is processed and delivered to the beneficiary without the need for too much paperwork. According to Praveen & Silambarasan (2020) they argue that fast money is the capital that is obtained in a precise manner through quick loans.

In terms of fast money are all funds that individuals or companies can obtain almost immediately to address urgent financial needs, without going through the traditional approval processes usually required by financial institutions for more conventional loans (Hermkens, 2020, Hull, 2020). According to Swanton et al. (2019) they state that the importance of property improvements lies in the investment made for the improvement of the property with the sole objective of maximizing the value of the property and satisfying the tenant. In contrast, Polak et al. (2020) point out that, in this context, two concepts come to the fore: cash flow and quick cash flow. At first glance, both seem indisputable allies of companies and investors. For Anagnostopoulos (2018) determines that the function of property improvement is to maximize its value and have the attention of a variety of customers by generating in them attraction after employing strategies and marketing techniques to make the executed investment valid.
According to the perception of various authors, profitability is a metric used to measure the efficiency with which resources are used to produce benefits (Syafrizal et al., 2023; Ahmad et al., 2019; Omodero et al., 2023; Bayadyan (2023). Similarly, Osayantin (2020) argues that profitability is that in which a comparison is made between the benefit obtained in relation to the investment made. According to Marples et al. (2018) they point out that profitability is a financial indicator considering that it shows the benefit obtained from an investment, considering the associated costs. Also, Essia et al. (2020) mention that this is a financial measure that indicates the capacity of an entity (be it an investment, a company, a project or other) to generate profits in relation to the resources employed. According to Matthew et al. (2019) indicate that the importance of profitability is since it is the main indicator that investors and managers use to measure the success of an investment or a company. For Brazier et al. (2019) determine that the function of profitability is that it serves as a barometer to assess the efficiency with which resources or invested capital are used.

3. Materials and Methods

The study was conducted within the framework of a quantitative approach, as it was based on the collection and analysis of numerical data; these data were obtained through specific tools such as surveys and the close examination of financial statements; the surveys, designed to capture specific responses, were administered to a total of 30 employees of the company; their objective was to obtain relevant information that helped to better understand the phenomenon in question.

Furthermore, a detailed analysis of the company's financial statements was carried out, specifically the statement of financial position and the income statement. These documents were considered over a two-year period, from 2021 to 2022; by means of vertical and horizontal analyses, it was possible to identify and understand the variations in the company's profitability over these years; these techniques made it possible to visualize and compare the evolution of the different items over time, as well as their proportion in relation to the total each year.
At the same time, the nature of the study was applied, as it focused on addressing and seeking solutions to specific problems identified in the variables under study; it was not limited to describing or analyzing, but focused on resolving the negative situations encountered; the research also had a descriptive scope, as it endeavored to narrate and detail the phenomena

observed in the variables studied; this allowed for a clear and detailed understanding of the situations and behaviors observed in the variables and their dimensions. Finally, the study had a causal correlational orientation, since it not only described the relationships between variables and their dimensions, but also tried to measure the degree of influence or interaction between them; this perspective was crucial when trying to understand how certain variables could influence or cause changes in others.

4. Results and Discussion

Figure 1: Level of Cash, Cash on Hand and Short-Term Investments of a Construction Company in Peru.
Note: Data Retrieved from SPSS V.27.

The figure provides a detailed view of the financial situation of a Peruvian construction company in three critical areas: the amount of cash on hand, the availability of cash on hand and its short-term investments; it also shows that an overwhelming majority, over 60% in all dimensions, are in a "Low" financial situation. Specifically, 67% face a cash deficit, while 63% have low cash availability and limited short-term investments. On the other hand, those in the "Medium" category are scarce. Only 10% have moderate levels of cash and cash availability. However, this percentage increases slightly to 14% in the case of short-term investments. Similarly, in the top range, 23% enjoy a favorable cash and short-term investment position. Surprisingly, this percentage rises to 27% in the case of those with high liquidity, marking the highest value among the categories evaluated.

The study by Adamu et al. (2023) provides a solid basis for understanding these results, highlighting the relevance of factors such as the cash conversion cycle and accounts receivable on firm profitability. This agrees with Telaumbanua and Delory (2022), who, however, suggest that inventory turnover does not directly influence profitability. Moreover, research by Purnomo et al. (2020) highlights the growing importance of financial technology in the business world; although they do not focus exclusively on cash, it is essential to consider the convergence between finance and technology in the analysis. On the other hand, Afiezan et al. (2020) point out that, while cash may negatively influence firms' borrowing decisions, other significant variables, such as free cash flow and profitability, do not seem to have the same relevance; this finding suggests the existence of 41.1% of factors not considered in the study that could be influencing borrowing policies.

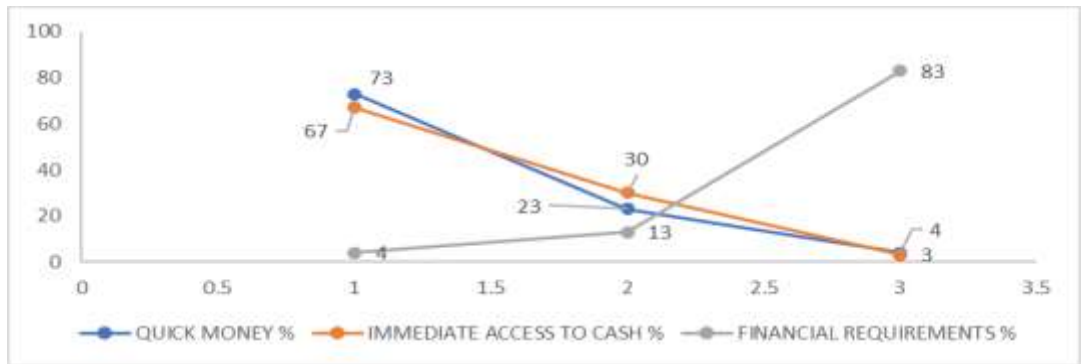

Figure 2: Level of Quick Cash, Immediate Access to Cash, and Financial Needs of a Construction Company in Peru.
Note: Data Retrieved from SPSS V.27.

An overwhelming majority, 73%, find it difficult to get money quickly; similarly, 67% experience barriers when trying to access their funds immediately; most notably, however, while only 4% have low financial requirements, a staggering 83% face a high demand for financial resources; this suggests that while many may have money in their accounts, their commitments and obligations are significantly high; conversely, only a small fraction can access money quickly or have easy access to cash, reflecting the economic challenges prevalent among those assessed; clearly, most are immersed in a difficult financial environment, with high demand for resources and limited ability to access them in a timely manner.

From an academic perspective, Zaher and Marquez (2020) have shed light on the interaction between the cash conversion cycle (CCC) and profitability, identifying a relationship that adopts an inverted U configuration. According to these authors, firms with lower internal financial constraints, such as cash availability, have the potential to optimize their profitability by adjusting their CCC. This shows that effective working capital management and rapid cash conversion are essential to maintain profitability. The importance of proper financial management is also reaffirmed by Nieto (2019), who highlights the relevance of accurate planning when borrowing. Iqbal & Jahangir (2019) go further by pointing out a negative correlation between the cash conversion cycle and profitability indicators. Other studies, such as Binod et al. (2019) and Pakdel & Ashrafi (2019), corroborate this perception, indicating that a long conversion cycle and poor working capital management are inversely related to profitability.

Figure 3: Perception of Profitability, Profit, Investment, Management Effectiveness and Realized Sales of a Construction Company in Peru.
Note: Data Retrieved from SPSS V.27.

The figure shows a detailed evaluation of various financial and operational indicators of the construction company. Looking at profitability, the majority, 60%, face challenges by falling into a low category, while only a meager 3% manage to stand out with high figures. Profitability presents a similar situation, with half of the respondents reporting low figures, but with a slight upturn in the high segment, at 13%. In terms of investment, although most are again in the low range, 13% decide to be more adventurous by investing significantly. Management appears to be an area of concern, as management effectiveness is low for half of the respondents. Sales, one of the most critical indicators, reflects that half of the respondents mention that the company struggles to achieve good numbers, while a minimal 3% enjoy solid sales figures. Overall, although the company seems to be navigating troubled waters on several fronts, there is a small segment that manages to excel, indicating that success, while elusive, is attainable.

These findings, along with the literature review, suggest a complex picture. Mohammad et al. (2019), for example, highlight the importance of liquidity in driving profitability, while acknowledging factors such as leverage that can have a negative impact. Shivan & Shivan (2019) remind us that while liquidity may present challenges in the short term, there is latent potential if invested appropriately.

Table 1: Profitability Analysis by Reviewing the Balance Sheet and Income Statement of a Peruvian Construction Company 2021-2022.

Ratios	Periods		Variation
	2021	2022	
Return on assets (ROA)	3.59%	3.59%	0.00%
Return on equity (ROE)	3.61%	20.16%	458.17%

Note: Data Retrieved from SPSS V.27.

The Peruvian construction company analyzed has shown mixed results in its financial performance between 2021 and 2022. If we look at its capacity to generate profits in relation to its total assets, there has been no change between the two years; it has maintained a constant stability. However, if we focus on its performance in terms of generating profits for its shareholders as a function of shareholders' equity, the picture is markedly different. On this front, the construction company has shown a significant increase in 2022 compared to 2021. In fact, it has increased its efficiency in generating returns for its shareholders to a much higher level than in the previous year. Comparing how the company has performed in relation to its total assets and equity, in 2021 both returns were virtually the same. This could indicate that the way it was financed and operated in that year, whether through debt or equity, did not have a significant impact on its returns. However, in 2022, it stands out that it has been able to deliver significantly higher returns to its shareholders compared to its overall asset-based return. This suggests that the company has possibly taken on more debt or implemented strategic changes in its operation to maximize shareholder returns.

The data is supported by the study of Peng & Zhou (2019) offer a cautious view, indicating that, while proper working capital management can boost indicators such as inventory and cash turnover, it can also cause distortions in the supply chain. This perspective is reinforced by Kontus & Mihanovic (2019), who from a mathematical approach propose to consider the trade-off between liquidity and profitability, especially in the context of SMEs.

Table 2: Influence of Cash and Fast Cash on the Profitability of a Construction Company in Peru.

		Profitability			
		Low	Medium	High	Total
Cash	Low	80%	20%	0%	100%
	Medium	33.4%	33.3%	33. 3%	100%
	High	14.3%	85.7%	0%	100%
Total		60%	36.7%	3.3%	100%
Money availability	Low	78.9%	21.1%	0%	100%
	Medium	66.7%	0%	33.3%	100%
	High	12.5%	87.5%	0%	100%
Total		60%	36.7%	3.3%	100%
Short-term investments	Low	78.9%	21.1%	0%	100%
	Medium	50%	25%	25%	100%
	High	14.3%	85.7%	0%	100%
Total		60%	36.7%	3.3%	100%
Fast cash	Low	72.7%	27.3%	0%	100%
	Medium	28.6%	57.1%	14.3%	100%
	High	0%	100%	0%	100%
Total		60%	36.7%	3.3%	100%
Immediate access to cash	Low	60%	35%	5%	100%
	Medium	66.7%	33.3%	0%	100%
	High	0%	100%	0%	100%
Total		60%	36.7%	3.3%	100%
Financial needs	Low	72%	28%	0%	100%
	Medium	0%	75%	25%	100%
	High	0%	100%	0.00	100%
Total		60%	36.7%	3.3%	100%

Note: Data Retrieved from SPSS V.27.

What is notable is that more is not always better. For example, companies with a lot of cash do not necessarily enjoy the highest returns. In fact, those with moderate levels of cash seem to have a more balanced mix of low, medium, and high returns. While those with a lot of cash tend to stay in the mid-range of profitability. The immediate availability of cash offers an interesting picture. Companies with a medium level in this category seem to be the most likely to achieve high levels of profitability. On the other hand, companies with large amounts of quick cash, interestingly, tend to have medium profitability.

One pattern that remains consistent across all categories is that most companies, regardless of financial indicator, tend to fall into the low profitability range. This suggests that profitability in the Peruvian construction industry may be facing challenges beyond financial indicators. In the financial world of this Peruvian construction company, more is not always better. Sometimes a balance or even moderate levels of certain resources can be more beneficial to profitability. This is a valuable lesson for any company: it is not always about accumulating, but about effectively managing what you already have.

The literature reviewed amplifies the need for efficient management. For example, Rahimah et al. (2018) and Debabrata (2018) emphasize proper working capital management and prudent

supplier payment terms, demonstrating that operational efficiency can influence profitability both positively and negatively. The Pecking Order theory is particularly relevant. Myers and Majluf (1984) suggest that firms prioritize the use of internal funds over seeking external financing, which is consistent with the preference of many construction firms in Peru for maintaining an optimal cash balance. However, excessive accumulation may entail opportunity costs. It is crucial to clearly understand what is meant by "cash" and "fast cash". The former, defined by multiple authors such as Ladhani & Sitter (2018) and Scholten et al. (2019), is essential for day-to-day operations, while the latter, as indicated by Nicola et al. (2020) and Castel (2021), provides instant liquidity to meet immediate needs.

Table 3: General and Specific Hypothesis Testing.

Hypothesis	Correlation coefficient		Sigma	Decision
	Kendall's Tau_b	Spearman's Rho		
Influence of cash on profitability	0.545	0.586	0.002	There is a direct and significant influence
Influence of the availability of cash on profitability	0.513	0.565	0.001	There is a direct and significant influence
Influence of short-term investments on profitability.	0.500	0.541	0.002	There is a direct and significant influence
Influence of fast cash on profitability	0.446	0.462	0.010	There is a direct and significant influence
The influence of immediate access to cash on profitability	0.009	0.009	0.964	No direct and significant influence
Influence of the financial requirements on profitability	0.561	0.580	0.001	There is a direct and significant influence

Note: Data Retrieved from SPSS V.27.

In simple terms, when we talk about the influence of cash, cash availability, short-term investments, quick cash and financial needs on profitability, we find that they all have a significant and positive impact on profitability. That is, when any of these factors increases or is positive, profitability is likely to be positive as well. However, there is one exception. Immediate access to cash" does not appear to have any real impact on profitability. Although it may seem important at first glance, the evidence suggests that having immediate access to cash does not guarantee that a company or investment will be more profitable.

Therefore, if someone wanted to make decisions based on this information, they might consider focusing their efforts on managing cash properly, ensuring adequate cash availability, making short-term investments where appropriate, and meeting financial needs to ensure good profitability. On the other hand, one should not worry too much about having immediate access to cash, as it does not seem to significantly affect profitability. Stepping back and looking at the big picture, we are reminded of the wise words of Jensen and Meckling, and Stephen Ross. They talk about the importance of considering the dynamics between management and owners and how financial decisions can be like beacons pointing the way forward for the market.

5. Conclusions and Value Propositions

In the Peruvian construction sector, the relationship between cash and profitability is more complex than one might first assume. Although intuition might suggest that higher cash levels

translate into higher profitability, the data suggest the opposite. The company that maintains moderate levels of cash and immediate availability appears to have a more balanced and, in many cases, superior performance. For the Peruvian construction company, it is essential to focus not only on accumulating resources, but also on managing them effectively. Maintaining optimal cash levels, neither too high nor too low, can be key to maximizing profitability. In addition, the company should delve deeper into analyzing other factors that may be affecting its profitability, as most tend to be in the low profitability range, suggesting challenges that go beyond just cash on hand.

Efficient capital management is more valuable than simple capital accumulation. The Peruvian construction company that understands and adopts this principle, focusing on the management and optimization of its financial resources, is in a better position to achieve higher levels of profitability and long-term sustainability. In such a competitive market, differentiation comes not only from how much you have, but how you use it. The research shows that, for most factors related to cash and short-term investments, there is a significant influence on a company's profitability. Almost all the financial indicators studied, from cash management to meeting financial needs, correlate positively with profitability, underscoring the importance of proper financial management. However, it is worth noting that, contrary to common intuition, immediate access to cash does not have a significant impact on profitability.

The company should focus on proper cash management, ensuring good cash availability, making strategic short-term investments, and addressing financial needs to optimize profitability. However, it should not invest too many resources and effort in ensuring immediate access to cash, as this has not been shown to have a significant impact on profitability. To achieve sustained and effective profitability, it is vital to understand the financial dynamics that really matter. Research provides a clear, data-driven perspective on which financial levers can be manipulated to optimize profitability. Leveraging this information can be the key to making strategic financial decisions that drive a company's profitability, without falling into common traps or misunderstandings about what really matters in capital management.

The Peruvian construction company, between 2021 and 2022, has demonstrated a remarkable ability to improve shareholder returns while keeping the overall return on assets stable. The fact that ROE has increased so significantly, while ROA has remained constant, suggests strategic financial management that seeks to benefit shareholders, possibly through financial leverage or changes in the financing structure. The construction company must continue to monitor these metrics closely and understand the exact causes of the dramatic increase in ROE. It is essential to determine whether this increase is derived from real and sustainable business growth or whether it is the result of short-term financial measures. In addition, it would be prudent to analyze the level of indebtedness and ensure that long-term financial stability is not being excessively risked in favor of short-term profitability.

For stakeholders and potential investors, this construction company provides clear evidence of its ability to generate value for its shareholders, exceeding expectations compared to the previous year. This, combined with stable asset management, highlights the company as an entity that not only maintains stability, but constantly seeks to improve profitability for its shareholders. Its recent track record suggests a strategic focus and adaptability in financial management that could prove attractive to investors seeking attractive returns and prudent management.

The three figures provide a picture that highlights important challenges in the financial and operational management of the construction company in Peru. The company in the construction sector shows difficulties in maintaining a sound financial situation, with limited levels of cash, cash availability and short-term investments. In addition, it has high financial commitments and difficulties in accessing cash quickly. At the operational level, challenges persist, especially in areas such as profitability, management efficiency and sales. However, the company has proven to be able to excel and show solid returns, suggesting that, although the sector faces difficulties, there are opportunities for the company if it manages to efficiently manage its resources and operations.

The construction company in Peru should prioritize a thorough review of its financial structure and operational strategies. Better cash management and proper planning can help mitigate financial challenges. In addition, it is critical to improve operational efficiency, potentially through management training, investment in technology and better management practices. Given the difficult situation described above, the company could also consider consolidation or strategic partnerships to strengthen its market position. For external companies or investors interested in the Peruvian construction sector, the current scenario may offer unique opportunities. The company with the capital and experience to handle these challenges can find in this market a space to invest and expand, taking advantage of existing operational and financial gaps. Through strategic investments, mergers and acquisitions, or by forming alliances, the opportunity exists to establish a strong presence in the market and possibly raise the standards of the local industry.

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