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Working capital is a company’s surplus of current assets over current liabilities, and it measures the extent to which it can finance any increase in turnover from other fund sources (Hill, 2013). Working capital management is relating to maintain a balance between current assets and current liabilities. It ensures the proper liquidity position of the company in order to settle the short term obligations and operating expenses. This study examines whether there is any impact of working capital management on profitability for the selected manufacturing companies and hotels listed on Colombo Stock Exchange (CSE) in Sri Lanka. Profitability measures by using Return on Asset (ROA) and working capital management measures by using Inventory Control Period (ICP), Average Collection Period (ACP), Average Payment Period (APP) and Cash Conversion Cycle (CCC). And also debt ratio, credit ratio and firm size used as control variables. Data collected from the annual reports of selected companies for 5 year period from 2010 to 2014. Data analyzed by using both correlation analysis and panel data regression models. This study compared the manufacturing sector and hotel & travel sector based on the result of the analysis. Based on the findings of this study, ACP has significant impact on profitability for the selected manufacturing firms. That means if a firm spend more time for collect money from its customers, then companies can increase their profits. For the hotel sector, ACP and APP have negative relationship with the Return on Asset and ICP has positive relationship with the ROA. This study suggests that manufacturing companies in Sri Lanka can maximize their profit by increasing the average collection period.

Keywords: Profitability, Working Capital Management, Manufacturing companies, Hotels