Effect of Trade Receivables Management on The Profitability of Retailing Firms Listed in The Colombo Stock Exchange

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Abstract

Trade receivables will lead to increased core revenue and operational profits. However, if trade debtors due is not collected within the agreed time period, it will lead to bad and overdue receivables, leading to a decrease in operational profits and ultimately total profit. Therefore, this study was conducted to explore the relationship between Trade Receivable Management (TRM) and profitability of retailing companies listed under the Colombo Stock Exchange for a period of nine years. There are thirteen companies listed under the retailing industry and the total population was selected for the study to ascertain a better and reliable conclusion. Profitability was measured using Return on Asset (ROA); and the Debtor Collection Period (DCP), bad debt to receivables ratio and accounts receivables turnover were used to measure the trade receivables management of companies.

Secondary data was obtained from the published annual reports of the sample and analyzed using SPSS. Correlation and regression analysis was used to measure the results. Findings of this research will help the management in making decisions that will assist in the overall working capital management in formulating their strategies and when negotiating with clients, credit control managers in the organization, etc. Also this study will assist researchers to build into the existing body of knowledge to assist in additional researches.

Keywords: profitability, Trade receivables Management (TRM), Debtor Collection, Working Capital (WCM), ROA, retailing firms