

THE IMPACT OF WORKING CAPITAL MANAGEMENT ON FIRMS PROFITABILITY COMPARISON BETWEEN PRE COVID-19 SITUATION & DURING THE COVID-19 SITUATION SELECTED CONSUMER SERVICE COMPANIES IN SRI LANKA

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Abstract

The profitability and liquidity of businesses are significantly impacted by working capital management, which is a critical aspect of financial management. The goal of commercial organizations is to increase shareholder wealth. Companies should manage their long-term and short-term financial resources to maximize shareholder profit, a goal aligned with wealth maximization. Managing working capital effectively and efficiently is crucial given the competitive environment and lack of financial resources. As a result, businesses prioritize managing their working capital. Furthermore, most academic literature has shown that effective working capital management increases firm value. This study examined the impact of working capital management on profitability compared to pre- and during COVID-19 situations using data from listed consumer service companies in the Colombo Stock Exchange from 2014 to 2021. This research will use the return on assets (RoA) to measure the performance of the organization and Days in Inventory (DI), Days Average Receivables (DAR), Days Average Payables (DAP) and Cash Conversion Cycle to measure the working capital management. This research used all listed consumer service companies as the population, and 29 consumer service companies were selected as the sample for the study. Data will be collected from the annual report from 2014 to 2021. In this study, Descriptive analysis, Correlation analysis and regression analysis are used to analyze the data. Accordingly, the findings of this will offer a better understanding of the impact of working capital management on the profitability of a company before and during the COVID situation. The study's findings highlight practical concerns that could help businesses in meeting their existing and future financial demands, control their daily operational activities, and improve both operational and financial performance. The study helps regulators recognize a firm's restrictions during crises so they may react accordingly.

Keywords: *Working Capital Management, Quantitative, Profitability, COVID-19, Consumer Service Companies,*