

“IMPACT OF COVID-19 PANDEMIC ON THE RELATIONSHIP BETWEEN WORKING CAPITAL MANAGEMENT AND FIRM PERFORMANCE IN SRI LANKAN LISTED HOTEL COMPANIES”

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Abstract

Especially, the COVID-19 pandemic has had a greater effect on the business world. Considering this, the purpose of this study is to determine how WCM impacted firm performance before and during the Covid-19 pandemic in Sri Lanka. All businesses have regarded working capital management as an essential tool. Working capital management is crucial for the company to succeed. For businesses to be sustainable, working capital management must be at its best. Objective of working capital management is to make sure that the company can carry on with its operations and has sufficient cash to pay down maturing short-term debt as well as anticipated operational expenses. This study investigates how COVID-19 impacts the relationship between WCM and the business performance of Sri Lanka's listed hotel industry. The study's objectives are to assess how working capital management affects firm performance and to determine how COVID-19 has affected both working capital management and the performance of Sri Lankan listed companies. 31 hotels that were listed in the Colombo Stock Exchange during the years 2015 and 2021 make up the sample. Accordingly, the Colombo stock exchange and corporate websites were referred to collect secondary quantitative data for this study. While performance was measured by Return on Assets (ROA). The WCM was quantified in terms of Inventory Turnover Period (ITP), Average Collection Period (ACP), Average Payment period (APP). The results show that ITP has a significant negative impact on the ROA while APP has a significant positive impact. The study further discovered that the ACP has no significant impact on the firm's performance. Findings on the effect of COVID-19 on WCM showed that the organizations were significantly impacted by the pandemic and the performance of the listed hotel sector was lower than it was prior to COVID-19. Maintaining an ideal level of liquidity in the hotel industry and increasing the value of the management of those companies will raise the firm's value and control the ideal level of WC position.

Keywords: Working Capital Management, Firms Performance, Hotel Sector, Covid 19