The Impact of Cash Conversion Cycle on Firm’s Profitability of Listed Companies in Sri Lanka: Comparative Study of Pre and Post COVID-19

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Abstract

The Cash Conversion Cycle (CCC) is a critical metric that measures the efficiency of a firm's working capital management, reflecting the time it takes for a company to convert its investments in inventory and other resources into cash flow. This study explores the dynamic relationship between the CCC and the profitability of listed companies in Sri Lanka, with a focus on the comparative analysis before and after the onset of the COVID-19 pandemic. The research employs a comprehensive methodology, combining financial analysis and statistical techniques to examine the financial statements of selected listed companies in Sri Lanka. By comparing the pre-COVID-19 and post-COVID-19 periods. The analysis considers various industry sectors and their unique characteristics, acknowledging that different sectors may experience distinct effects on the CCC due to the pandemic's unprecedented disruptions. The findings of this study contribute valuable insights for both academics and practitioners by enhancing our understanding of the relationship between the CCC and firm profitability in the context of a global crisis. Ultimately, the research aims to provide strategic recommendations for firms to optimize their CCC in the post-pandemic era, fostering financial sustainability and resilience in the face of future uncertainties. The implications of this study extend beyond the borders of Sri Lanka, offering lessons and strategies that can be applied to enhance financial management practices globally.

Keywords: Cash Conversion Cycle, Inventory Turnover Days, Accounts Payable Days, Accounts Receivables Days, Return on Assets, Return on Equity