

The Impact of Working Capital Management on Profitability in SME Enterprises within Sri Lanka's Western Province: A Comparative Analysis across Post, and During the COVID-19 Pandemic Periods

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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 a helpful tool. Working capital management is crucial for the company to succeed. For businesses to be sustainable, working capital management must be at its best. WCM's objective is to make sure that the company can carry on with its operations and has enough cash flow to pay down maturing short-term debt as well as anticipated operational expenses. Depending on the industry, WCM may vary. So, this study investigates how COVID-19 impacts the relationship between WCM and the business performance of Sri Lanka's SMEs companies. The study's goals 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 SMEs. 54 SMEs that were during the years 2020 and 2022 make up the sample. Accordingly, Audited financial reports were employed 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), and Average Payment period (APP). The data shows that ITP has a substantial negative influence on the ROA, while APP has a significant positive impact. The study also discovered that the ACP has no significant impact on the firm's Performance. Findings on the effect of COVID on WCM showed that the organization was significantly impacted by the pandemic scenario in the nation and that their Performance in the SMEs sector was during and post COVID.

Keywords: Working Capital Management, Firms Performance, SMEs Companies, Covid-19