

Impact of Cash Conversion Cycle on Company Profitability: Evidence from Listed Manufacturing Companies in CSE in Sri Lanka

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Abstract

Cash conversion cycle is the most important and significant of working capital management (WCM). Companies always pay their attention improve their profitability and keep becoming liquidity in a firm. Every organization is extremely concerned about how to sustain and improve profitability hence they have to keep the focus on the factors affecting profitability. Therefore, this study is going to reconnoiter the impact of cash conversion cycle (CCC) on company profitability. It has selected 50 listed manufacturing companies among all manufacturing companies that listed in Colombo Stock Exchange as the sample and data were collected for the period from 2016 to 2021. In this research, profitability is used as the dependent variable which is measured by the Return on Assets (ROA) and Return on Equity (ROE). Independent variable is Cash conversion cycle and that was determined by calculating Inventory Conversion period (ICP), Payable Conversion Cycle (PCP) and Receivable Conversion Period (RCP). Regression and correlation statistical techniques used to analyze the impact of cash conversion cycle to profitability. Finally study concludes that there has positive relationship among ICP and profitability and negative relationship between RCP, PCP and company profitability (ROA and ROE). Aswell, the impact of Cash Conversion Cycle for the profitability is negatively correlated with profitability. Thus, cash conversion cycle has significant on profitability of the companies, because those are statistically significant. Company managers can create value for the business by controlling these cash Conversion Cycle under working capital management.

Key words: *Cash Conversion Cycle, Return on Assets, Return on Equity, Working Capital Management.*