

THE IMPACT OF WORKING CAPITAL MANAGEMENT ON FIRM PROFITABILITY OF LISTED MANUFACTURING COMPANIES IN SRI LANKA.

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Abstract

The main objective of this study is to investigate the impact of working capital management on firm profitability of listed manufacturing companies in Sri Lanka. The sample was selected for the study was 48 listed manufacturing companies in Sri Lanka, for the period from 2018 to 2022. Panel data regression analysis were used for analyzing the data. Working capital management indicators and working capital policies are used as independent variables which comprised of number of days of account receivable, number of days of inventories, number of days of account payables, cash conversion cycle, working capital investment policies, and working capital financing policies. Return on asset is used as dependent variable. Current ratio and firm size are employed as controlled variables. Prior studies mainly focused on working capital management in the Sri Lankan context, for the current study was focused for the recent financial crisis to have changed the focus on working capital management and company business performance in the Sri Lankan companies. Therefore, this study's special attention would have been given to the impact of working capital management on firm profitability of listed manufacturing companies in Sri Lanka during the economic crisis. There was a real challenge for Sri Lankan companies to maintain optimum level of working capital for sustaining in the new normal market. Furthermore, this finding would help firms' managers to increase firm's profitability. Thus, investors' confidence would be raised in favor of Sri Lankan capital market and it would lead to the growth of economies in the future.

Keywords: *Working Capital Management, Firm's Profitability, and Return on Assets.*