

THE IMPACT OF CASH CONVERSION CYCLE ON FIRMS' PROFITABILITY: A STUDY OF FOOD, BEVERAGE AND TOBACCO COMPANIES LISTED IN CSE

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Abstract

One of the most popular metrics for assessing and measuring the risks and returns related to liquidity management is the cash conversion cycle (CCC). Every business organization must keep an eye on the elements affecting profitability because they are all highly concerned with how to maintain and increase profitability. The objective of this study is to empirically find the effect of the cash conversion cycle on the corporate profitability of the Food beverage & Tobacco companies listed in CSE. The profitability was measured in terms of Return on Equity (ROE) and Return on Assets (ROA). The CCC was determined by the Inventory Conversion Period (ICP), Debtor Conversion Period (DCP), and Payable Conversion Period (PCP). Analyzing a sample of 20 randomly drawn companies listed in Colombo Stock Exchange (CSE) in Food beverage & Tobacco companies over ten years from 2012 to 2021. This research is using secondary data. Data are gathered from the published annual report of the companies on CSE website. The influence and association between CCC and profitability were estimated in this study using statistical methods of regression and correlation.

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