

Impact of Working Capital Management on Financial Performance: Evidence from Plantation Sector Companies in Sri Lanka

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Working capital management (WCM) is an integral part of financial management and management of working capital may have a significant impact on the profitability. This study explores the effect of working capital management on financial performance in Sri Lanka covering the period of 2009-2014, based on a sample drawn from the listed plantation companies. The sample comprises of 15 plantation companies listed on the Colombo stock exchange (CSE). In order to examine the effects of WCM on financial performance, the ROA and ROE were used as measures for financial performance while cash conversion cycle, current assets to total assets and current liabilities to total assets were used as measure of working capital management. Data of the selected firms which are listed in the CSE were obtained from their websites. Pearson's correlation and regression analysis are used in drawing empirical evidence to answer the research questions of the study. The results depict that there is a significant and negative association between CCC and financial performance, measured by ROE ($P = -0.041, < 0.05$) and ROA ($P = -0.048, < 0.05$). Which indicate that, as the cash conversion cycle increases it would tend to reduce the financial performance of the company. The results derived from this research signify that the might able to raise their profits by diminishing the time period for the debtors and inventories so that, time period for payables would increase.

Keywords: *Working Capital Management, Financial performance, Cash Conversion Cycle, Colombo Stock Exchange*

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