

Impact of Cash Conversion Cycle on Firm's Profitability with special reference to Listed Beverage Food and Tobacco Industry and Consumer Services Industry in Sri Lanka

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Abstract

Cash Conversion Cycle is one of the most widely used measurement to evaluate the risks and returns associated to liquidity management. Every corporate organization is extremely concerned about how to sustain and improve profitability hence they have to keep an eye on the factors affecting the profitability. Therefore the purpose of the study is to identify the impact of Cash Conversion Cycle on profitability of selected Beverage Food and Tobacco companies and Consumer service companies in Sri Lanka. Most of studies are focused to the listed companies in developed countries. Further, there is a less attention to the Beverage Food and Tobacco sector and Consumer Services companies and no previous studies have done a comparison between two sectors. Therefore this study focuses to do a comparison between Beverage Food and Tobacco sector and Consumer Services sector in Sri Lanka to fulfill that gap. The profitability which is the dependent variable of this study measured in terms of Return on Equity and Return on Assets. The Cash Conversion Cycle is determined by Inventory Conversion Period, Debtor Conversion Period, and Payable Conversion Period. The sample includes twenty Beverage Food and Tobacco companies and twenty Consumer services companies and data were collected for the period from 2015 to 2019. In this study, regression and correlation statistical techniques are used to estimate the impact and the relationship between CCC and profitability. Findings of the study will be of interest to stakeholders of the company including managers in making their decisions.

Keywords: Cash Conversion Cycle, Listed Companies, Return on Assets, Return on Equity, Working Capital Management.