

Effect of Working Capital Management on Profitability: Evidence from Listed Manufacturing Companies in Sri Lanka

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Abstract

The problem address by this research study is; “*What is the impact of working capital management on profitability of manufacturing companies in Sri Lanka?*” The objective of this study was to identify the effect of working capital management on profitability of manufacturing companies listed on Colombo Stock Exchange in Sri Lanka. Data has been collected from a sample of 12 manufacturing firms during the period of five years from 2009 to 2013. Working capital management, which was measured using cash conversion cycle, inventory turnover period, accounts receivable period and accounts payable period was the independent variable while the profitability, which was measured in terms of net operating profit margin, was the dependent variable of this study. Correlation and panel data pool regression analysis were employed to identify the effects of working capital management on profitability. The results showed that there was a positive insignificant relationship with profitability and working capital management in listed manufacturing companies in Sri Lanka. This study will help the managers to handle the working capital efficiently to increase its profitability.

Keywords: *Listed Manufacturing Companies, Profitability, Sri Lanka, Working Capital Management*