

## **Effect of Credit Management on Profitability of Listed Companies in Sri Lanka**

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### **Abstract**

Credit management is a very important activity of any organization and it will be the reason to increase firm's revenue and ultimately firm's profitability. The purpose of this study is to identify the impact of credit management on profitability of listed companies in Sri Lanka. The sample of the current study was only the manufacturing sector companies listed in Colombo Stock Exchange in Sri Lanka for the period of 2011 to 2017. Due to the unavailability of data, only 30 listed manufacturing companies were selected for the data analysis. The researcher used Debtor's turnover ratio, Account receivable ratio and Liquidity management as independent variables to measure the credit management and Return on Assets (ROA) is used as dependent variable to measure the company's profitability. Panel data regression was used to analyze data using E-views software. According to the results, Debtor's turnover ratio, Account receivable ratio and Liquidity management are affected for the profitability of listed manufacturing companies in Sri Lanka. This study establishes that there is a positive relationship between credit management policies and company's Return on Assets in listed companies of Sri Lanka.

**Keywords:** Debtor's Turnover Ratio, Account Receivable Ratio, Liquidity Management, Return on Assets