

## **Association between Working Capital Management and Financial Performance: Moderating Effect of Management Policies**

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Many studies have recognized different types of associations between working capital management and firms' financial performance while a very few studies had identified the moderating effect on the association between working capital management and firms' financial performance. Thus, this study aims to investigate the association between working capital management and firms' financial performance and the moderating effect management policies. Data were gathered from manufacturing companies listed in the Colombo Stock Exchange for the period of five years from 2014 to 2018. Sample consist of 28 manufacturing companies. This study uses correlation, multivariate regression and panel regression to obtain the results. The results show that the working capital management in terms of cash conversion cycle is negatively associated with the firms' financial performance in terms of return on assets and net profit margin while the effectiveness of management policies in terms of average age of inventory, average collection period and average payment period strengthens the association between working capital management and firms' financial performance. This study is useful for the future studies, analysts, financial managers in achieving their goals and objectives.

**Keywords:** *Working Capital Management, Cash Conversion Cycle, Return on Assets, Net Profit Margin, Management Policies*

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