

IMPACT OF LIQUIDITY MANAGEMENT ON CORPORATE FAILURE: EVIDENCE FROM NON-FINANCIAL COMPANIES IN COLOMBO STOCK EXCHANGE

Jayarathna P.G.A.M.¹ and Rajapaksha R.M.D.A.P.²

¹*apekshajayarathna@gmail.com*; ²*amilar@kln.ac.lk*

Abstract

The aim of his study is to investigate the effects of liquidity management on the survival of listed companies in Sri Lanka. The study examined the effect of the current ratio, quick ratio, solvency ratio and cash coverage ratios on the survival of listed firms in Sri Lanka. The study used secondary data gathered from audited financial statements of the listed firms in Sri Lanka except financial companies over 2017 – 2021. The data was analyzed using Auto-Regressive Moving Average Generalized Least Square Regression. The study found that quick ratio, solvency ratio and cash coverage ratios, have a significant positive effect on the corporate survival of listed firms in Sri Lanka. The study equally found that the current ratio has a positive and non-significant effect on the corporate survival of listed firms in Sri Lanka. It was concluded that liquidity management is a prerequisite for corporate survival in the listed firms in Sri Lanka. Based on the findings, it is recommended that listed companies should put in place accurate liquidity management procedures to avoid bankruptcy issues.

Keywords: *Liquidity, Survival, Bankruptcy, Corporate failure, Listed companies*