

The Impact of Working Capital Management on Firm's Profitability: Listed Companies in Sri Lankan Context

Madushanka, R.M.D.¹ and Madurapperuma, M.W.²

¹*madushankarmd@gmail.com*; ²*wasanthi@kln.ac.lk*

Abstract

Efficient working capital management plays a pivotal role in determining a firm's financial health and overall profitability. This study investigates the relationship between working capital management and the profitability of listed companies in the context of Sri Lanka. Through a comprehensive analysis of financial data, the research aims to uncover the intricate dynamics that govern the impact of working capital management practices on the financial performance of these companies. The methodology involves an in-depth examination of the financial statements of selected listed companies, employing key indicators such as the Cash Conversion Cycle (CCC), Receivables Turnover, Inventory Turnover, and Payables Turnover. The findings of this study provide valuable insights for both academia and practitioners by contributing to the existing body of knowledge on the relationship between working capital management and firm profitability. Understanding these dynamics is crucial for companies in Sri Lanka as they strive to enhance their financial performance in a competitive and evolving market. Moreover, the research aims to offer practical recommendations for listed companies in Sri Lanka to improve their working capital management practices, thereby fostering sustained profitability and financial resilience. The implications of this study extend beyond the Sri Lankan context, serving as a reference for businesses globally seeking to refine their working capital strategies for enhanced financial sustainability.

Keywords: Cash Conversion Cycle, Inventory Turnover Days, Accounts Payable Days, Accounts Receivables Days, Return on Assets, Return on Equity