The Impact of Cash Conversion Cycle on Firms Profitability Before, During and After Covid-19 Pandemic: Evidence from Listed Hotels in Sri Lanka

Ranasinghe, R.A.R.H.[1] and Bandara, R.M.S.[2]

[1]ranminihansika18@gmail.com; [2]samanb@kln.ac.lk

Abstract

Efficient working capital management ensures the company's operations are smoothly continuing by effectively managing company inventory, receivables, and payables. The hotel sector is regarded as the most consummate sector for the Sri Lankan economy due to it has come up with unorthodox strategies to increase income fleetly, decrease direct and overhead expenses, and set itself up for higher future aggrandizement. Also, most of the Sri Lankan hotels must primarily depend on internal cash flows to pay current liabilities and capital growth. The study's specific research goal is to investigate the impact of the firm's cash conversion cycle on its profitability in publicly listed companies in the hospitality sector and the effect of each component of CCC on the profitability of publicly listed companies in the hospitality sector in Sri Lanka. Methodology using a quantitative approach verifies hypotheses and makes necessary corrections at the study's conclusion. Moreover, cross-sectional data from 2018/19 to 2021/22, except 2020/21, is used in quantitative methods, which consistently use a larger sample size than qualitative methods. The analysis done during the during-COVID-19 period identified the Probability F statistic 0.001which conveys that there is 0.05 significance and the explanatory power of the regression model during the COVID-19 shows 46% which also appears that there is a significant impact from the cash conversion cycle on firms' profitability and businesses need to be more concerned about CCC during crisis period since it can lessen reputational harm by giving stakeholders accurate and timely information.

Keywords: Cash Conversion Cycle, Profitability, Publicly Listed Companies, Hospitality and Travel Sector, COVID-19, Net Profit Margin.