

# **The Impact of Working Capital Management on the Financial Performance of Listed Companies in Sri Lanka: A Comparison between Pre and Post Covid-19 Pandemic**

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## **Abstract**

The management of working capital, which ensures the survival of a business enterprise, is one of the most important and challenging aspects of overall financial management. Due to this significance, working capital management has been the subject of many studies around the world that reveal inconclusive results. Yet, in the Sri Lankan context, very little research has been carried out in this regard. Hence, this research focused on working capital management and the firm's financial performance in Sri Lanka. The study aimed to identify; the impact of working capital management on financial performance. The Covid-19 epidemic affects mostly to the listed companies in addition to the former. Listed companies might continue to operate in one way by strengthening their financial plans. This study also attempts to determine how selected listed companies' actors perceive the pandemic's existence in Sri Lanka and what commercial and financial tactics are being used to weather the current pandemic crisis. To comprehend the perspective or point of view of looking at the financial tactics used by companies during the COVID-19 pandemic so that enterprises might continue to this day. Therefore, this study was carried out to investigate and seek the impact of working capital management on the financial performance of listed manufacturing firms in Sri Lanka in the financial years 2017 and 2022. Working capital management was measured by using Inventory turnover days, Average collection period, Average payable period, and financial performance was measured by using the ratios of ROA and the study considered the firm size as a control variable. The study was conducted using the quantitative approach. 40 listed companies were selected for the convenience of the study. This study used secondary data. Data were collected from the published annual reports in the Colombo stock exchange of selected listed companies in the financial year of 2017 and 2022. Data were analyzed by using the EViews software. Descriptive statistics, correlation analysis, and regression analysis were used to analyze the data. The study found that the covid 19 pandemic has significantly affected on firms' financial performance. The study suggests that effective working capital management positively impacts financial performance, especially for listed companies in Sri Lanka. It suggests that improved inventory turnover, faster collections, and strategic payables can significantly improve financial performance. The findings encourage companies to refine financial planning and seek support to navigate economic challenges.

**Keywords:** Inventory Turnover Days, Average Collection Period, Average Payable Period, Return on Assets, Firm Size