

**IMPACT OF WORKING CAPITAL MANAGEMENT ON THE  
PROFITABILITY OF THE LISTED COMPANIES IN THE  
MATERIAL SECTOR IN SRI LANKA**



**By**

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## ABSTRACT

This is focused on identifying the impact of Working Capital Management on the Profitability of the Listed Companies in the Material Sector in Sri Lanka. Profitability which is dependent variable is measured by Return on Assets. Working Capital Management which is the independent variable is measured by using four dimensions as Inventory Conversion Period, Debtors' Conversion Period, Creditors' Conversion Period and Cash Conversion Cycle. The study has been considered the sample of 18 Listed Companies in the Material Sector in the Colombo Stock Exchange in Sri Lanka. The secondary data has been collected for this study from published annual reports of Listed Companies in the Material Sector for the period of five years from 2015-2019. The data was analyzed using STATA 16. Working Capital Management refers to management of current assets and current liabilities in the firms. Firms may have an optimal level of Working Capital that maximizes their value. Prior evidence has determined the relationship between Working Capital and Performance. Descriptive, Correlation and regression analysis were performed. The results show that there is a significant negative impact of Debtor Conversion Period and Cash Conversion Cycle on the Profitability and also there is a significant positive impact of Creditor Conversion Period on the Profitability of the Listed Companies in the Material Sector in Sri Lanka. Furthermore it depicts that Inventory Conversion Period has insignificant negative impact on the Profitability of the Listed Companies in the Material Sector in Sri Lanka. In general paying suppliers longer and collecting payments from customers earlier, and keeping product in stock less time, are all associated with an increase in the firms performance. Managers, therefore, can increase firms' profitability by improving the performance of management of working capital components.

**Keywords:** Cash Conversion Cycle, Creditor Conversion Period, Debtor Conversion Period, Inventory Conversion Period, Return on Assets.

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