

## **Impact of Working Capital Management on Firm Performance of Listed Manufacturing Companies in Sri Lanka**

**R. Mithushana<sup>1\*</sup>, T. Jonathan Kevin <sup>1</sup>, S. Anandasayanan <sup>1</sup>**

*<sup>1</sup>Department Financial Management, Faculty of Management Studies and Commerce,  
University of Jaffna, Jaffna, Sri Lanka.*

*\*mithuravi95@gmail.com*

Working Capital Management is very important for a firm to enhance its successful performance as it affects the profitability of the firm. Working capital management explicitly impacts both the profitability and the level of desired liquidity of a business. To reach optimal working capital management, firm's manager should control the tradeoff between profitability and liquidity accurately. The study aimed to provide empirical evidences about the effects of working capital management on profitability for a panel made up of a sample of thirty Sri Lankan listed manufacturing companies for the period from 2011 to 2017. The study utilized panel data econometrics in a pooled regression, and E-views 8 software was used for the analysis of the data. The study is based on secondary data. The study found a significant negative relationship between return on assets and the average inventory conversion period and cash conversion cycle. Further accounts payable conversion period and accounts receivables conversion period do not show an impact on return on assets. These results suggest that managers can create value for their shareholders if the firms manage their working capital in more efficient ways by considering the working capital elements.

**Key words:** Accounts payable Conversion period, Accounts receivable conversion period, Inventory conversion period, Cash conversion cycle, Return on assets.