



**WORKING CAPITAL MANAGEMENT AND PROFITABILITY;  
CASE ON COMPANIES LISTED IN COLOMBO STOCK EXCHANGE**

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## ABSTRACT

### WORKING CAPITAL MANAGEMENT AND PROFITABILITY

Case on Companies Listed in Colombo Stock Exchange

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**Key words: Working capital management, profitability**

Working capital management is an important part in firms financial management decisions. This study contributes to the literature by examining the impact of Working Capital Management on the profitability. The study also sheds light on the relationship of working capital components with profitability. For this study panel data of 38 firms for the period of 2000-2009, that consists of five different sectors which are listed in Colombo stock exchange has been used.

Cash conversion cycle, (receivable collection period, inventory turnover period and account payable period) have been used as independent variables while GP is used as independent variable. Debt ratio, sales and sales growth have been used as controllable variables. Collected data were analyzed using descriptive statistics, correlation coefficient and multiple regression model. The study found significantly negative relationship between working capital management and profitability. Furthermore, this research found negative relationship between average collection period and inventory turnover in days with profitability and positive relationship between average payment period with profitability. Final result reveals that reducing cash conversion period results to increase profitability.