

Working Capital Approaches and Firm's Profitability of Manufacturing Companies in

Sri Lanka

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Abstract

Working capital is a vital part of business investment which is essential for continuous business operations. It is required by a firm to maintain its liquidity, solvency and profitability. Working Capital management explicitly impacts on both the profitability and level of desired liquidity of a business. In a way, the present is initiated to find out the relationship between the aggressive working capital policies and profitability, and to identify the impact of working capital policies on profitability with the samples of twenty Manufacturing companies listed under Colombo stock exchange (CSE) in Sri Lanka. Data representing the period of 2008-2012 were used for the survey. The correlation and regression model have been used to investigate the relationship among variables and impact of working capital approaches on returns of firms. The study found that there is no relationship between the profitability measures of firms and working capital investment and financing policies. Further, the working capital aggressive investment and financing policies have no impact on profitability measures of ROA and ROE.