

Working Capital Management Practices: A Case Study of Listed Manufacturing Companies in Sri Lanka

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ABSTRACT. A study of working capital management (WCM) is a major importance to internal and external analysis of business. The goal of WCM is to ensure that the company is able to continue its operations and it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. Thus, the data were collected from secondary sources mainly from financial report (i.e., financial year from 2003 to 2007) of the selected companies which were published by Colombo Stock Exchange (CSE) to analyse the WCM practices in listed manufacturing companies in Sri Lanka. The study used one-way analysis of variance (ANOVA) along with necessary ratio analysis (i.e., ratio of inventory conversion period (ICP), debtors' conversion period (DCP), creditors' conversion period (CCP) and cash conversion cycle (CCC)]. The study analysed statistically which reveals that Abans Electricals Limited (ABANS); ACL Cables Limited (ACL); and Lanka Aluminium Industries Limited (LALU) manage their working capital more efficiently than other companies like ACME Printers and Package Limited (ACME); Associated Electrical Corporation Limited (AEC); BOGALA Graphite Lanka Limited (BOGA); Central Industries Limited (CIND); Ceylon Glass Company PLC Limited (GLAS); Dipped Products PLC Limited (DIPP); and Kelani Cables Limited (KCAB). In addition, operational hypotheses were formulated which publicize that mean ratios of ICP; DCP; CCP and CCC of all companies differ significantly. Hence effective management of inventories in this industry can ensure this growth more rapidly.

Keywords: Working Capital Management (WCM); Cash Flow, Internal-External Analysis, Effective Management and Manufacturing Companies.

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