

# IMPACT OF WORKING CAPITAL VARIABLES ON PROFITABILITY OF FIRMS A COMPARATIVE ANALYSIS



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## ABSTRACT

Working capital is the most crucial factor for maintaining liquidity, survival, solvency and profitability of business. Working capital management is one of the most important areas while making the liquidity and profitability comparisons among firms involving the decision of the amount and composition of current assets and the financing of these assets. This research is design to study how does the working capital variables affected to the profitability of manufacturing, trading and banking and finance sector.

This study includes sample of the process of selecting a portion of the population to represent the entire population. There are 298 companies listed in CSE as at 30.06.2014. Among that companies 65 companies only selected under sector for this study. The sample is selected using Convenience Sampling technique from the total population of listed companies in CSE without applying any conditions.

A descriptive analysis was done on the data collected on the three sectors for variables. The frequency distribution analysis was made individually for the variables. According to the results of the Pearson's correlation it was found that the independent variable is positively, negatively and significantly correlated impact of working capital management on profitability. In addition, it was found that each variable impact on profitability have negative or positive and significant relationship by conducting the regression analysis for independent variables (working capital variables) and dependent variable (return on assets).

Listed companies working capital management is differ sector to sector mean while the impact of working capital management on profitability differs sector to sector. Further, recommendation to future research is given based on the problem rise from the study and knowledge from this study.

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