

**THE IMPACT OF CREDIT MANAGEMENT ON
LIQUIDITY POSITION OF MANUFACTURING
INDUSTRY IN SRI LANKA**



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A Project Report

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ABSTRACT

This study is sought to establish the impact of Credit Management on liquidity position of Manufacturing Industry in Sri Lanka. The target population of the study was 38 manufacturing industries in manufacturing sector. A sample of 33 manufacturing industries was selected from the population. The selection of sample was made based on the availability of full data set for the period of five years from 2011/12 to 2015/16. The main objective of the study is to examine the impact of credit management on liquidity position of manufacturing Industries in Sri Lanka. It has consisted four sub objectives based on the proxies of independent and dependent variables. The independent variable of the study was credit management with the proxies of Average payment period and Average collection period. The dependent variable of the study was liquidity position with the proxies of Current ratio (CR) and Quick ratio (QR). The study used secondary data and the research design used for this study were descriptive statistics such as mean, Standard deviation, Coefficient of variance and Inferential statistics such as correlation and regression analysis by using Statistical Package for Social Science (SPSS) version 19 package. The findings revealed that Average collection period has positive impact with current ratio. Same as Average collection period has positive impact with quick ratio also. Therefore Average collection period is having positive impact on current ratio and quick ratio. However Average payment period was insignificant with Current ratio and significant with quick ratio. That mean Average collection period and Average payment period influence on current ratio and quick ratio of the Sri Lankan Manufacturing companies. Therefore the main hypothesis of the study was partially accepted.

KEYWORDS: Credit Management, Current Ratio, Quick Ratio, Liquidity position, Average collection period, Average payment period

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