

**IMPACT OF CASH FLOW MANAGEMENT ON THE  
FINANCIAL PERFORMANCE OF MANUFACTURING  
COMPANIES IN CSE**

**JAYAWARDANA MUDIYANSELAGE SHANIKA SRIMALI**



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## ABSTRACT

The management of cash flow is crucial for effectiveness of operations in any organization. One of the main reasons that business fail is their inability to meet their financial obligations when they fall due as they have run out of cash. The purpose of this paper is to identify the impact of Cash Flow management on the financial performance of manufacturing companies in Colombo Stock Exchange. The study involved a survey of 35 companies of Manufacturing in the Colombo Stock Exchange. Data were obtained from the Annual reports for a period of five years from the year 2012 to 2016. Statistical Package for Social Science (SPSS 19.0) used to present, analyze and evaluate collected data. The relevant data were analyzed using the both simple and multiple regression analysis and correlation analyses technique. The results of the study revealed that operating cash flows have significant positive relationship and financing Cash Flow have significant negative relationship with financial performance. But there is an insignificant negative relationship between Net Cash Flow from investing Activities and financial performance.

According to the simple regression analysis result indicate that there is a significant impact of Cash Flow from operating activities and financing activities on financial performance but there is no statistically significant impact of Cash Flow from investing activities on the financial performance. Result of multiple regression analysis can be concluded that there is a significant impact of net cash flow from operating activities on return on assets but there is no statistically significant impact of cash flow from investing activities and cash flow from financing activities on the Return on Assets. And also it was observed that there is no statistically significant impact of Cash Flow from operating activities, cash flow from investing activities and cash flow from financing activities on the Return on Equity. The researchers recommended that Organizations in these manufacturing industries should develop strategies towards enhancing their cash flow positions in order to improve financial performance.

**Key words: Operating cash flow, Investing Cash flow, Financing cash flow and Financial Performance**

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