

**THE IMPACT OF RECEIVABLE MANAGEMENT ON THE
PROFITABILITY OF LISTED COMPANIES IN THE MANUFACTURING
SECTOR IN SRI LANKA**



By

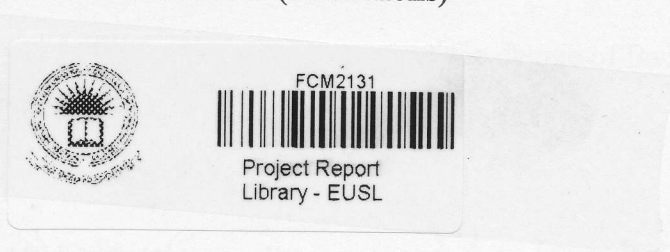
DODAM MULLAGE CHATHURIKA MADHUSHANI

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A Project Report

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Department of Commerce

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ABSTRACT

The purpose of this study is to examine the impact of Receivable Management on Profitability of Manufacturing sector in Sri Lanka. Receivables arise in the day to day running of any firms. This is where firms sell goods to customers on credit with the premise that the customers will pay within an agreed period. This can lead to an increase in sales and also profits. However, if the receivable is not collected within the agreed period it will lead to bad and overdue debt which will eventually result to reduction in profit.

This project investigated the relationship between Receivables management and the profitability of the 20 Companies listed under the manufacturing in the Colombo Stock Exchange for the period 2014-2018. Profitability was measured using the Return on Assets. On the other hand, Receivable turnover Ratio, Average Collection Period and Sales Growth Rate were used to quantify the Receivables Management measures of the companies.

The findings indicated that statistically insignificant negative relationship exists between Receivable turnover and Return on Assets. The study conclude that the average collection period has the significant negative relationship on profitability and Sales Growth Rate has the significant positive relationship with return on assets. Profitability which measured in ROA. Analysis of variance (ANOVA) was used in testing the hypotheses According to regression analysis find out there is insignificant impact of receivable turnover on profitability and significant impact of average collection period and sales growth rate with the profitability.

Keywords: Receivable management, profitability, Receivable Turnover Ratio, Average Collection Period, Return on Assets

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