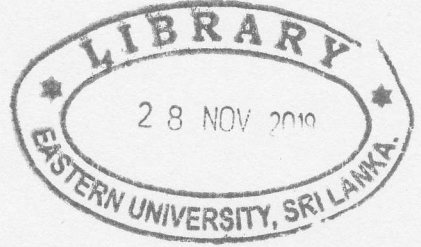


**EFFECT OF ACCOUNTS RECEIVABLE MANAGEMENT ON
THE PROFITABILITY OF DIVERSIFIED HOLDING
COMPANIES IN SRI LANKA**



by

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ABSTRACT

Accounts receivables arise in the day to day running of any companies. This is where companies 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 accounts 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 research investigated the effect of accounts receivables management on the profitability of 18 Diversified Holding Companies listed in the Colombo Stock Exchange using panel data analysis for the period of 2014 to 2018. The dependent variable return on capital employed is used as a measure of profitability. The key independent variable used in the analysis is accounts receivable period.

A descriptive research design was used in this study. The findings of the study were arrived at using the quantitative research method. The extent and nature of relationship between the various variables under study was identified using correlation and regression. Relationships among the dependent and independent variables were evaluated using the Pearson correlation analysis and effects of accounts receivable management on profitability were evaluated using fixed-effect which selected from STATA.

The study concluded that the accounts collection period has an insignificant and negative effect on profitability. It means that if the number of days accounts receivable increase, it will lead to decrease profitability of the firms. The study recommended that a firm should structure its credit policy in such a way that it results to a reduction of its accounts collection period which has a significant effect on its overall profitability.

Keywords: *Accounts receivable Management, Profitability, Diversified-Holdings, and Return on Capital Employed.*

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