

**WORKING CAPITAL MANAGEMENT ON ENSURING
SIGNIFICANT EARNINGS IN SRILANKA
(WITH SPECIAL REFERENCE TO LISTED COMPANIES)**

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ABSTRACT

Working Capital management is to ensure that the firm has adequate working capital for its operations, neither too much nor too little. Investing heavily in current assets will drain the firm's earnings and inadequate investment in current assets will reduce the firm's credibility as it affects the firm's liquidity. Working Capital Management has its effect on liquidity as well as on Earnings of the company. A company's earnings is determined mainly by way of its working capital management. The efficient management of working capital is likely to yield significant results and its neglect can be highly dangerous to the any company. The purpose of this paper is to examine the relationship between Working Capital management and earnings. The dependent variable, ROE, ROI and EPS are used as a measure of earnings and the relationship between working capital management and earnings is investigated for a sample of forty companies which are listed in CSE, using the secondary quantitative data analysis for the period 2006–2010. The independent variables used in the analysis are ACP, AIP, APP and CCC. Correlation and simple regression analysis are used for analysis. Through this analysis all the Working capital management components have no significant relationship with earnings in Sri Lanka.