

**IMPACT OF WORKING CAPITAL ON FIRMS'  
PERFORMANCE: EMPIRICAL EVIDENCE FROM  
MANUFACTURING COMPANIES LISTED ON CSE**

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## ABSTRACT

Main purpose of this study is to investigate the impact of working capital on firms' performance of selected manufacturing companies listed on CSE from financial year 2007-2011. For this purpose, gross working capital turnover ratio, Current assets to total assets ratio and current ratio are used as independent variables for working capital measurement and return on assets and return on equity are used as dependent variables to measure the firms' performance in this study. Correlation and regression analysis were performed.

Empirical findings reveal that any of selected working capital ratios has no significant relationship with return on assets. But two ratios of working capital which are gross working capital turnover ratio and current assets to total assets ratio have significant positive relationship with return on equity while current ratio is not significant relationship with return on equity.

***Keywords: Working Capital, Firms' Performance, Manufacturing Companies, Colombo Stock Exchange.***