THE IMPACT OF OPERATING CYCLE ON FIRM'S PROFITABILITY IN THE MATERIAL SECTOR IN SRI LANKA

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By

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ABSTRACT

The purpose of this study is to examine the impact of operating cycle on the firm's profitability in the material sector companies in Sri Lanka. The return on assets ratio (ROA) used as firm's profitability measures and measures the operating cycle effect by using inventory holding period and receivable collection period. This study used panel data consisting of 12 material sector companies in Sri Lanka for the period of 2015-2019. This research is conducting based on secondary data. Data will be obtained from the financial reports and websites of sample material sector companies and information from annual reports of the material sector companies in Sri Lanka and also gathered from the website of CSE from 2015 to 2019. STATA used to analyse data. The fixed effect model was chosen to examine the impact of operating cycle on the firm's profitability.

For the purpose of this research, frequency analysis, descriptive analysis, correlation analysis and simple regression analysis under univeriate analysis and multiple regression analysis has been conducted. According to descriptive analysis, operating cycle effect and firm's profitability are high level in material companies of Sri Lanka. Based on result of the correlation analysis, there is a significant relationship between variables and as per the regression analysis, there is a significant effect of impact of operating cycle on firm's profitability in the material sector companies in Sri Lanka.

***Keywords*: Operating Cycle, Inventory Holding Period, Receivable Collection Period, Return on Assets, Firm's Profitability**

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