

The Impact of Capital Expenditure on Working Capital Management of Sri Lankan Listed Manufacturing Companies

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Portfolio approach to achieve capital efficiency and organizational alignment can yield immediate positive cash-flow results for companies. The overall objective of this study is to investigate impact of capital expenditure on the working capital management. This overall objective consists of to investigate whether there is any relationship between Capital expenditure and working capital management. This study based on secondary financial data, the main source of data was such as income statements, financial position statements and cash flow statements of 20 listed manufacturing companies for the period from 2004 to 2013. Capital expenditure considered as independent variable. Working capital management considered as dependent variable with the proxies of working capital requirement and net liquidity balance and control variable is operational expenditure and financial expenditure. Two hypotheses considered for this study those are H_1 - capital expenditure has a positive relationship with Net liquidity balance and Capital expenditure has negative impact with working capital requirement. According to the data analysis capital expenditure has a weak significant relationship with net liquidity balance and its regression coefficient is equal to 0.000000844 in 0.0433 significance levels. In addition to capital expenditure and financial expenditure and operational expenditure also had significant relationship with coefficient equal to -0.00000271 and 0.000000253 respectively. These variables also do not have the possibility of taking zero value for common factor. However operational expenditure does not have relationship with net liquidity balance. The finally H_1 is accepted. Further the second hypothesis test show that there is no significant relationship between capital expenditure and (-0.00000129) working capital requirement. This means that capital expenditure does not have any role in determining working capital requirement of Sri Lankan manufacturing companies. The overall results showed that although there is a positive relationship between capital expenditure and net liquidity balance adjusted determination coefficient shows that this relationship is weak further, there was no significant relationship between capital expenditure and working capital requirement. Therefore finance managers are advised to pay more attention on capital expenditure in order to manage current assets and current liabilities in proper manner.

Key words: Capital Expenditure; Financial Performance; Working Capital Management.