

**THE IMPACT OF INVENTORY MANAGEMENT ON
FINANCIAL PERFORMANCE OF LISTED MANUFACTURING
COMPANIES IN SRI LANKA**



By

NIKATHANNE GEDARA NILMINI WEERASURIYA

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ABSTRACT

In present era competitive world having business is very important to control various costs to sustain in the market. To sustain in the market, inventory management plays an important role to make a control over the financial statement of the organization. Inventory represents an important decision variable at all stages of product manufacturing and sales, in addition to being a major portion of total current assets of many manufacturing organizations. Secondary data collection method was used in this research. Secondary data from 2014 to 2018 was gathered for the analysis from the annual reports of twenty three manufacturing companies listed on the Colombo Stock Exchange. Measures of return on assets were examined and related to proxies for efficient inventory management by manufacturers. There were 35 manufacturing companies listed on Colombo Stock Exchange and 23 manufacturing companies were selected as sample using purposive sampling method. Data availability of the variables of this study was only 23 listed manufacturing companies.

Further collected data were analyzed by using the STATA-15 package for interpreting and obtaining conclusion. Descriptive statistics, unit root test, diagnostic test and regression models are used for analyzing this research. All these tests are used so as to correlate the theories contributed by the literature by several authors with the statistical results. The main objective of this study is determining the impact of inventory management on financial performance of listed manufacturing companies in Sri Lanka. The overall research findings indicate that there is a significant positive impact of inventory management on financial performance. The results indicate the raw materials inventory turnover has moderate positive relationship with return on assets. As well as, it shows that there is a weak positive relationship between work in progress inventory turnover and finished goods inventory turnover. Findings of this research help to make effective decision of the company investors, managers, students, and users. They can get knowledge about how inventory management to be effect on return on assets of listed manufacturing companies in Sri Lanka.

Keywords: Inventory Management, Raw Materials Inventory Turnover, Work-In-Progress Inventory Turnover, Return on Assets.

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