

**AN INVESTIGATION INTO THE RELATIONSHIP BETWEEN PROFIT
MARGINS AND RETURN ON INVESTMENT OF LISTED COMPANIES**

BY

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Abstract

In recent years, extensive studies have been undertaken concerning to examine the relationship between profit margins and return on investment. However researches on the relationship between profit margin and return on investment have not been made. This study attempted to give some knowledge about the relationship between profit margin and return on investment in Sri Lankan listed companies. The major problem behind this study was “what is the relationship between profit margin and return on investment of listed companies in Sri Lanka?”. Listed companies in Colombo stock exchange have been studied in nine business sectors. Gross profit margin and net profit margins were measure of profit margins and return on assets and return on equity were measure of return on investment in this study. Relevant financial figures for analyzing profit margins and return on investment extracted from 2018 year financial reports of the selected 100 companies. Correlation analysis was made to find out the relationship between independent and dependent variables.

The statistical package of the social sciences (SPSS) version 22.0 was used to test the conceptual model and to obtain at these findings. A weak positive relationship (respectively 0.147, 0.205, 0.190, 0.285) was found between Gross profit margin and return on assets, Gross profit margin and return on equity, net profit margin and return on assets, net profit margin and return on equity as the profit of the firms. From the above four results i found that there was a weak positive linear association between profit margin and return on investment.

Researcher

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