

# **DETERMINANTS OF PROFITABILITY IN MANUFACTURING COMPANIES IN SRI LANKA**

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**BU/IS/2009/COM/110**

**COM 1130**

**A Project Report**

**submitted to the Faculty of Commerce and Management, Eastern University, Sri  
Lanka as a partial fulfillment of the Degree of Bachelor of Commerce  
(B.Com)(Special)**



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**Department of Commerce**

**Faculty of Commerce and Management**

**Eastern University, Sri Lanka**

**2015**

## ABSTRACT

The main objective of the study is to determine the profitability of listed manufacturing companies in Sri Lanka. The research aimed to find whether there is a determinant of profitability level of selected companies. The sample of the study consists with 20 companies from manufacturing companies in Colombo Stock Exchange and secondary data has used in conducting the research. Data has collected for five year time period from 2010 to 2014 from the published annual reports of the companies. The return on assets was the independent variable and six profitability measures has used as dependent variables including firm size, firm growth rate, non-debt tax shield, working capital, capital structure and leverage.

Descriptive statistics and spearman rank correlation analysis has used for analyze the data and scatter plots have used in presenting the results of the study. This study spearman correlation analysis to measure relationship among variables, individual and overall impact on profitability and to test the operational hypotheses. The results revealed that whereas all independent variables explain the overall model has a significant effect on the working capital, non-debt tax shield and capital structure have statistically significant impact on profitability ( $P < 0.05$ ), the remaining firm size, firm growth rate and leverage have no significant effect on the profitability ( $P > 0.05$ ).

**Keywords:** Determination, Profitability, Manufacturing Companies.

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