

# **A STUDY ON PRODUCT DIVERSIFICATION AND FIRM'S PERFORMANCE**

**By**

**KANAGARATHINAM PAGEERATHAN**

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## ABSTRACT

Product diversification defined as strategy for company growth by starting up or acquiring businesses outside the company's current products and markets. Successful firms with single business are rare to find in the world context as well as in the Sri Lankan context. Product diversification can open up opportunities and benefits to an organization in several ways while it can back fire the organization too.

This study conducted with the aim of find out the impact of the degree of product diversification on the firm performance in Sri Lankan companies. All the companies which are listed under the Colombo stock exchange have been analyzed with justifying sampling. Listed companies in Colombo Stock Exchange have been studied in five business sectors. Specialization ratio (SR) was the measure of product diversification and the return on equity (ROE), return on total assets (ROTA) were the measure of firm performance in this study. For the data analysis purposes SPSS and Excel was used.

Findings reveal that there is a positive relationship between product diversification and firm performance of listed companies of Sri Lanka.

Researcher

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