

# THE RELATIONSHIP BETWEEN FINANCIAL POLICY AND PROFITABILITY OF FOOD, BEVERAGE AND TOBACCO SECTOR IN SRI LANKA

By

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## ABSTRACT

The focus of this study is to identify significant relationship between financial policy and profitability in Food, beverage and Tobacco sector in Sri Lanka from the financial year 2010 to 2014. Many researchers stated that financial policy is vital for the firms to maintain its profitability through their research findings and also financial policies theory states there is negative and positive association between financial policy and profitability. The data collected is analyzed by the percentages, averages, and ratios. Most of Beverage, Food and Tobacco firms have not too much of financial assets and financial liabilities than other business firms, it can be seen through their financial statements due to that there is question whether financial policy management necessary to this type of firms.

Extents of the financial policy are measured using four variables as financial leverage policy, debt policy, dividend policy and liquidity policy. Data were collected using annual reports of companies within 100 samples.

Correlation results, multiple regressions analysis and scatter plots also confirmed that there is a significant positive or negative relationship between financial policy and profitability. It implies that the financial has weak role in Beverage, Food and Tobacco firms in Sri Lanka. Although this study supports the number of earlier studies, it could not provide the conclusive evidence on some important issues. The differences in the results from earlier studies suggest that financial policy design in selected firms may not be similar to that of other industries.

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