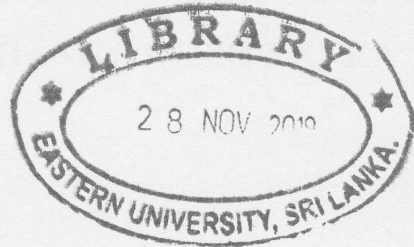


**THE IMPACT OF SOLVENCY MANAGEMENT ON
PROFITABILITY OF LISTED SERVICE SECTOR COMPANIES
OF COLOMBO STOCK EXCHANGE IN SRI LANKA**



By

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ABSTRACT

Profitability and solvency are the most prominent issues in the corporate finance literature. The ultimate goal for any firm is to maximize profitability. However, too much attention on profitability may lead the firm into a pitfall by diluting the solvency position of the organization. In this way, the present study is initiated to find the relationship between solvency and profitability. The study covered twenty-five listed companies which were selected service sectors in Colombo Stock Exchange over the period of four years from 2015 to 2018. Solvency was measured by using debt to equity ratio, long term debt to equity ratio, interest coverage & debt ratio and profitability was measured by using return on assets ratio. Descriptive analysis, correlation analysis and regression analysis were used in analysis and finding suggests that there is significant and weak positive relationship between solvency and profitability of selected service sector companies in CSE and companies in service sector have very weak positive impact of solvency (Debt to Equity, Long-term Debt to Equity, Interest Coverage and Debt Ratio) on profitability (Return on Assets) while that impact and relationship is statistically significant.

Keywords: Solvency, Profitability, Service Sector Companies

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