

**THE IMPACT OF INVENTORY MANAGEMENT ON THE  
PROFITABILITY OF LISTED COMPANIES IN THE  
MANUFACTURING SECTOR IN SRI LANKA**



By

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## ABSTRACT

Inventory is a vital part of current assets mainly in manufacturing concerns. This is because excess or shortage of this may bring danger to the company. This study analyses the impact of inventory management on the profitability of listed companies in the manufacturing sector in Sri Lanka. Data from 2014 to 2018 was gathered for the analysis of the annual reports for the 20 Manufacturing Companies listed at Colombo Stock Exchange. The variables used include Inventory Turnover, Inventory Conversion Period and Return on Assets. Correlation and regression analysis were performed. A result reveals that Inventory Turnover Ratio is positively correlated with Profitability ratios and Inventory Conversion Period is negatively correlated with profitability ratios (ROA). This study employs multiple regression analysis to measure relationship among variables, individual and overall impact on profitability and to test the operational hypotheses. The results revealed that statistically significant impact between the Inventory Turnover Ratio and Return on Assets. And also there was statistically insignificant impact between the Inventory Conversion Period Ratio and Return on assets.

**Keywords:** Profitability, Return on Assets, Inventory Turnover, Inventory Conversion Period

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