

Impact of Inventory Management to the financial Performance: evidence from listed Manufacturing Companies in CSE in Sri Lanka

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Abstract

Inventory management is an important tool for improving the performance of manufacturers. Proper inventory management can improve productivity and customer satisfaction. The main objective of this survey is to examine the relationship between Sri Lanka's inventory management and listed manufacturing companies. The study used 25 listed manufacturing companies in companies as the sample of Colombo Stock Exchange.

Secondary data was collected from the annual reports of selected companies for seven years from 2013 to 2019. Performance was measured in terms of assets (ROA), turnover (ITO), days in stock (NID) and operating cycle. (OC) is used to measure inventory control, and company size (FS) and sales growth (SG) are considered controllable variables. Data were analyzed using the E-view package under descriptive statistics, correlation analysis, and regression analysis.

The results shows that ITO has a significant positive effect on ROA. And a significant negative association was found between NID and ROA, but OC has little negative effect on ROA. Furthermore, it is suggested that FS and SG have a positive effect on ROA, but the relationship between SG and ROA is not significant. However, overall inventory management has a significant impact on a company's performance.

Key words: *Return on assets (ROA), inventory turnover ratio (ITO), number of inventory days (NID), operating cycle (OC), firm size (FS) and sales growth (SG)*