

## **The Impact of Firm Characteristics and Macroeconomic Factors on the Firm Performance: Special Reference to Listed Capital Goods Firms in Sri Lanka**

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### **Abstract**

**Introduction:** This research investigates the dynamic interplay between firm specific characteristics and macroeconomic factors, and their impact on firm performance of capital good firms in Sri Lanka combining with the Covid 19 impact. The study aims to provide a comprehensive understanding of the intricate relationships that shape the performance, growth, and resilience of capital goods firms within the unique economic landscape of Sri Lanka.

**Methodology:** The population was listed industrial firms in Sri Lanka. The sample was listed capital good firms in Sri Lanka. Panel regression employed to evaluate the hypothesized. Data analyses were done in two scenarios (prior to Covid 19 and post Covid 19). Firm characteristics are firm size, leverage, liquidity, sales growth. Macroeconomic variables are interest rate, inflation rate, exchange rate and GDP growth rate. Research data were analyzed using multiple regression model.

**Findings:** Before the Covid, liquidity and sales growth positively affected both ROE and ROA while interest rate and leverage negatively affected to ROE. Further, liquidity and sales growth are positive and significant. Leverage, interest rate, inflation rate, and exchange rate are negatively to ROA. Nevertheless, after the Covid, liquidity and exchange rate positively affected both ROE while only leverage affected negatively on ROA.

**Conclusion:** Over time, these have impeded the performance of capital-good firms, yet the relationship between these factors and firm characteristics impacts firm performance. Because finance and liquidity decisions fall solely under the manager's control. Thus, it becomes necessary to present data regarding the relationship that exists between macroeconomic variables, firm characteristics, and financial performance in developing countries such as Sri Lanka.

**Keywords:** Firm Characteristics, Macroeconomic Factors, Firm Performance, Covid19