

## **Impact of Inventory Management on Financial Performance of Listed Beverage, Food & Tobacco Companies in Sri Lanka**

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### **Abstract**

The inventory of a business is a significant part of the current asset in most of the industries. In order to avoid losses resulting from stock deficits and surpluses, managing of such inventories is useful for the business process. The main objective of this study is to find out the relationship between inventory management and financial performance of beverage, food and tobacco companies in Sri Lanka. A quantitative research approach is adopted to this study and financial data obtained from the published annual reports of 42 listed beverage, food and tobacco companies in the Colombo Stock Exchange for a period of 5 years from 2016 to 2020. In this regard, correlation and regression analysis are used to analyze the data by using E views software. Inventory turnover, inventory conversion period and inventory leanness have been identified as independent variables as well as operating efficiency, firm growth and firm size as control variables. Financial performance has been identified as dependent variable and measured through return on assets and cash flow from operations. The findings of this study would be important in providing guidance to the management in beverage, food and tobacco companies on inventory management and financial performance.

**Key words:** *Inventory Management, Financial Performance, Beverage Food and Tobacco Companies*