

Impact of Ratio Analysis on Financial Performance: Evidence from Listed Manufacturing Companies in CSE

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Abstract

Financial ratios can be considered as a regularly used measure of assessing the financial performance of entities. In volatile business environment, financial ratios play a vital role in assessing the financial performance in several industries. Therefore, it is important to analyze the effect, it will have on the financial performance of manufacturing sector companies which are listed in the Colombo Stock Exchange. The main purpose of this study is to investigate on how the ratio analysis will impact on financial performance by considering listed manufacturing companies in CSE by taking various ratios. In order to carry out this quantitative research, the data is collected from published annual reports of 30 manufacturing companies for a period of 6 years (2015-2020). The data is analyzed using E views software. Current ratio, Debt to Equity ratio, Earnings per share ratio and Total Assets Turnover ratio are the independent variables while the Firm size is the control variable. The dependent variable is the Net profit margin. By conducting this research study, it provides an insight for future investors to make informed decisions and the findings of this study will enable the future researchers to get an idea for further improvements.

Key words: *Financial ratios, financial performance, Colombo Stock Exchange, Manufacturing companies*