

Impact of Firm Characteristics and Macroeconomic Factors on Financial Performance: A Study of Selected Listed Materials Firms in Sri Lanka

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Abstract

Introduction: The purpose of this study is to explore the interrelationship between firm characteristics, macroeconomic factors, and financial performance of listed material firms in Sri Lanka before and after Covid19 pandemic.

Data methodology: The study used the ex post facto research design. The population comprised all quoted firms on the Colombo Stock Exchange. The sample was restricted to companies in the material firms' sector, selected using cluster sampling method. The study used multiple linear regression as the method of validating the hypotheses. To have a better idea on the impact of the firm characteristics and macro-economic factors on the firm performance study has employed four regression models. Specifically, the study investigates the impact of firm size, leverage liquidity and sales growth rate while macroeconomic factors were interest rate, inflation rate, exchange rate and GDP growth rate. The dependent variables that measure the firm's performance are measured as return on assets (ROA) and return on equity.

Findings: It was concluded that the explanatory variables which are firm characteristics (firm size, Leverage, liquidity, sales growth rate) and macroeconomic factors (interest rate, inflation rate, exchange rate and GDP growth rate) were not significantly associated with the dependent variable of ROA and ROE before and after Covid19 pandemic.

Conclusion: In conclusion, the study concluded that firm characteristics and macroeconomic factors have no significant impact on firm performance in listed material firms in Sri Lanka. For further research variables such as shifts in governance, clearness, and the dynamic business environment could obtain a critical understanding of how firm characteristics and macroeconomic factors impact firm performance.

KEYWORDS: Firm Characteristics, Macroeconomic Factors, Firm Performance, Covid19