

The Impact of firm specific and macroeconomic factors on financial performance: Evidence from listed material companies in Sri Lanka

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Abstract

Introduction: The material sector consists of a range of industries such as manufacturing and distribution of raw materials and finished products for infrastructure development and construction. And material companies contribute significantly to the country's GDP. In this study aim to investigate firm specific and macroeconomic factors on financial performance, based on the listed material companies in Sri Lanka.

Methodology: The independent variables in this study include firm-specific factors such as firm size, leverage, and liquidity, as well as macroeconomic factors such as the inflation rate, interest rate, and GDP growth rate, while the dependent variable is financial performance. There are 18 material companies listed on CSE. The total population as a sample. The panel data regression analysis was employed for analysis purposes and using the STATA software.

Findings: According to the results Firm size, Leverage and inflation rate have significant impact on financial performance of listed material companies in Sri Lanka, while liquidity, Interest rate and GDP growth rate do not have significant impact on financial performance of listed material companies in Sri Lanka.

Conclusion: The analyses indicate that firm size and inflation rate positively and significantly affect financial performance, suggesting that larger firms and periods of inflation positively influence ROA. Conversely, leverage has a significant negative impact on ROA, indicating that higher debt levels reduce profitability.

Keywords: Firm specific factors, Macroeconomic factors, financial performance