

The Analysis of Determinants of Profit Growth: Evidence from Sri Lankan Food, Beverage & Tobacco Companies Listed in Colombo Stock Exchange Sri Lanka

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ABSTRACT

Purpose: The aim of this study is to estimate the impact of current ratio (CR), current liability to inventory (CLI), total asset turnover (TAT), net profit margin (NPM), sales growth (SG), and company size (FS) on profit growth (PG) of listed Food, Beverage & Tobacco Companies in Sri Lanka

Design/Methodology/Approach: The study followed deductive research logic, positivism philosophy and a quantitative approach. A total of 50 Food, Beverage & Tobacco companies listed on the Colombo Stock Exchange (CSE) is considered as the population. The sample size of collecting data of 20 Food, Beverage & Tobacco companies were analyzed using a purposive sampling technique and the data estimation method used the random effect panel data regression model processed using STATA 16 application.

Findings: Random effect model reveals that the CR and CLI ratios have a negative effect on PG, while the TAT, NPM, SG and firm size ratios have a positive effect. The study's findings suggest that higher sales growth combined with efficient operations and low liquidity can lead to higher company profits. Also, it was found that except for the determinant Sales Growth (SG), all other variables had a statistically insignificant impact on Profit growth (PG).

Originality: The researcher proved that CR, CLI, and sales growth ratios have a negative effect on profit growth while TAT, NPM, SG and FS have positive effect on profit growth.

Keywords: *Current Ratio (CR), Current Liability to Inventory (CLI), Food Beverage and Tobacco Sector Companies listed in CSE, Profit Growth*