

Impact of Inventory Management on Financial Performance in Listed Manufacturing Companies

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Abstract

The inventory of a business is one of its most important assets and its inputs and finished goods are at the heart of its businesses such as retail, manufacturing, and other inventory-intensive industries. The shortages in inventories are disrupted the production process of the business. Therefore, the inventory must be managed, and inventory management plays a vital role in manufacturing organizations. Proper inventory management is an effect on the overall performance of the manufacturing company. Therefore, this research discusses the problem of how to manage existing inventory and to suggest ways for reducing the inventory cost thereby improving the profitability of the firms. The main objective of this study is to find out the relationship between inventory management and financial performance and to measure the impact of inventory management on financial performance in Sri Lankan manufacturing firms. The study employed a quantitative method, and study is considered all Listed manufacturing companies in Colombo Stock Exchange (CSE) from 2015 to 2019. It is employed regression and correlation using EViews software. Findings of this study would be important in providing guidance to the management in manufacturing firms on inventory management and financial performance.

Keywords: Financial performance, Inventory, Inventory Management, Inventory turnover, Inventory days,