

EFFECT OF INVENTORY MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF LISTED FOOD, BEVERAGE AND TOBACCO COMPANIES IN SRI LANKA

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ABSTRACT

The primary objective of this study is to examine the effect of inventory management practices on the financial performance of listed Food, Beverage and Tobacco companies in Sri Lanka. The impact of specific inventory management strategies on key financial indicators, including profitability and return on assets, is assessed through inventory turnover, inventory conversion period, and inventory leanness. This is a quantitative study, and the secondary data obtained in this research comes from the annual reports of 45 Listed Foods, Beverage, and Tobacco companies over the five years from 2018 to 2023, providing a comprehensive dataset consisting of 225 observations. Data were analyzed using descriptive and inferential statistics in STATA. Descriptive statistics, correlation analysis, and regression were used to study the effect of inventory management on the financial performance of listed Food, Beverage & Tobacco companies in Sri Lanka. This study bridges the gap in empirical research surrounding the effect of inventory management practices on financial performance in Sri Lanka, where the existing findings contradict those in international and national contexts and contribute valuable insights to a currently understudied area. This study seeks to identify the factors that significantly influence the financial performance of listed Food, Beverage and Tobacco companies in Sri Lanka by developing six research questions, where the findings indicate significant effect on inventory turnover, inventory conversion period, profitability, and return on assets. These findings have important implications for the need for better inventory management practices, investments in technology, staff training and development, lean inventory practices, and regular performance measurement of inventory management practices on the financial performance of listed Food, Beverage and Tobacco companies in Sri Lanka.

Keywords: Inventory management practices, financial performance, listed food, beverage and tobacco companies