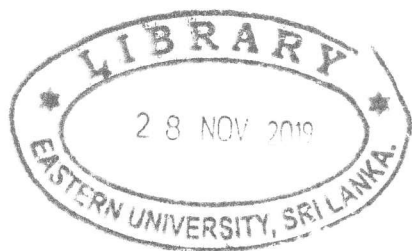


**THE IMPACT OF ASSETS EFFICIENCY MANAGEMENT ON THE
PROFITABILITY OF LISTED COMPANIES IN THE MANUFACTURING
SECTOR IN SRILANKA**



By

HERATH MUDIYANSELAGE CHATHURIKA PRIYADARSHANI HERATH

EU/IS/2013/COM/46

COM1696



A project report submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka as a partial fulfillment of the requirement of the Degree of Bachelor of Commerce Honours (B.Com Hons)

**DEPARTMENT OF COMMERCE
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA**

2019

**PROCESSED
MAIN LIBRARY, EUSL**

ABSTRACT

The title of this research is The Impact of Assets Efficiency Management on the Profitability of Listed Companies in the Manufacturing sector in Sri Lanka. The purpose of the study is to examine the impact between assets efficiency ratios analysis and profitability ratio analysis of listed manufacturing companies in Sri Lanka over period four years (2015-2018). This research used three assets efficiency ratio analysis such as Total Assets Turnover Ratio (TATR), Non-Current Assets Turnover Ratio (NCATR), Current Assets Turnover Ratio (CATR) in determining their impact and relationship on Profitability it measures Return On Assets (ROA) of Manufacturing Companies in Sri Lanka. Profitability as a dependent variable is represented by Return on Assets (ROA) while Assets Efficiency Ratio analysis stand as TATR, NCATR and CATR for independent variables. The data were obtained from the financial annual reports (both statement of comprehensive income and statement of financial position) of the selected manufacturing companies on the Colombo Stock Exchange (CSE). Descriptive statistics, Pearson correlation and regressions were employed to find out the relationship and impact between the variables and their effect on Profitability. The results of the analysis shows that Total Assets Turnover Ratio (TATR), Non-Current Assets Turnover Ratio (NCATR), Current Assets Turnover Ratio (CATR) have negative relationship between Return On Assets (ROA). The analysis also statistically significant with Total Assets Turnover Ratio (TATR) and Return on Assets (ROA) in Manufacturing Companies in Sri Lanka. And also Non-Current Assets Turnover Ratio (NCATR), Current Assets Turnover Ratio (CATR) with Return on Assets (ROA) statistically insignificant in this research. The results further suggested that only 6.6% of the variations on the dependent variable were caused by the independent variables in this model. Based on the other findings, the researcher recommends that the management decrease the assets in performance of profitability growth. Finally management should utilize its assets efficiently in order to generate more profit for the company.

KEYWORDS: Assets Efficiency Management, Profitability, Total Assets Turnover Ratio, Non-Current Assets Turnover Ratio, Current Assets Turnover Ratio, Return on Assets.

LIST OF CONTENT

ACKNOWLEDGEMENT	i
ABSTRACT.....	ii
LIST OF TABLES.....	vi
LIST OF FIGURES	viii
LIST OF ABBREVIATIONS.....	ix
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study	1
1.2 problem statement	3
1.3 Research Questions	3
1.4 Objectives of the study	4
1.5 Significance of the study	4
1.6 Scope of the study	4
1.7 Summary	5
CHAPTER TWO	7
LITERATURE REVIEW	7
2.1 Introduction.....	7
2.2 Assets Efficiency Management.....	7
2.2.1 Total Assets	9
2.2.2 Non- current Assets	9
2.2.3 Current Assets	10
2.3 Profitability	10
2.3.1 Profitability Ratios.....	11
2.4 Theories relating to Assets efficiency management and profitability.....	12
2.4.1 Assets efficiency management	12
2.4.2 Profitability.....	12
2.5 Empirical Review on relationship between Assets efficiency management and Profitability.....	15
2.6 Summary	16
CHAPTER THREE	17
CONCEPTUALIZATION AND OPERATIONALIZATION	17
3.1 Introduction.....	17
3.2 Conceptualization.....	17

3.2.1 Assets Efficiency Management	18
3.2.2 Profitability Measures	20
3.3 Operationalization	21
3.4 Summary	21
CHAPTER FOUR.....	23
METHODOLOGY	23
4.1 Introduction	23
4.2 Research Method of Survey	23
4.3 Study population and Sample.....	23
4.4 Method of Data collection.....	25
4.5 Data presentation.....	25
4.6 Methods of Measurements	25
4.7 Methods of Data Analysis.....	26
4.7.1 Univariate Analysis	26
4.7.2 Bivariate analysis.....	27
4.7.3 Multivariate Analysis	29
4.8 Hypotheses testing	30
4.9 Summary	31
CHAPTER FIVE	32
DATA PRESENTATION AND ANALYSIS	32
5.1 Introduction	32
5.2 Data analysis	32
5.2.1 Univariate analysis	32
5.2.2 Bivariate Analysis	42
5.3. Hypothesis Testing.....	49
5.3.1 Summary of Hypothesis Testing	50
5.4 Summary	50
CHAPTER SIX.....	51
DISCUSSION.....	51
6.1 Introduction	51
6.2 Discussion on descriptive statistics.....	51
6.2.1 Discussion on independent variable	51
6.2.2 Discussion on dependent variable	52
6.3 Discussion on bivariate analysis	52
6.3.1 The relationship between assets efficiency management and ROA.....	52
6.3.2 Simple Regression Analysis Assets Efficiency Management and ROA.....	53
6.4 Discussion on multivariate analysis	54

6.3.1 Regression analysis of assets efficiency management ratios and ROA	54
6.5 Summary	55
CHAPTER SEVEN	56
CONCLUSIONS AND RECOMMENDATIONS	56
7.1 Introduction	56
7.2 Conclusions	56
7.3 Recommendations	57
7.4 Suggestion for further research	58
7.5 Limitation of the study	58
7.6 Summary	58
REFERENCE.....	60
APPENDIX 01	63
APPENDIX 02.....	67

LIST OF TABLES

Table 3.1 Operationalization of Variables	21
Table 4.1 Sample selection for research	24
Table 4.2 Data collection Measurements	26
Table 4.3: Total Assets Turnover Ratio	27
Table 4.4: Non-Current Assets Turnover Ratio	27
Table 4.5: Current Assets Turnover Ratio	27
Table 4.6: Level of Return on Assets Ratio	27
Table 4.7 Criteria for Correlation	28
Table 4.8 Criteria for regression analysis	29
Table 5.1: Descriptive Statistics of Total Assets Turnover Ratio	33
Table 5.2: Descriptive Statistics of Total Non-Current Assets Turnover Ratio	34
Table 5.3: Descriptive Statistics of Current Assets Turnover Ratio	35
Table 5.4: Descriptive Statistics of Return on Assets Ratio	37
Table 5.5: The level of Total Assets Turnover Ratio	38
Table 5.6: The level of Total Non-Current Assets Turnover Ratio	39
Table 5.7: The level of Current Assets Turnover Ratio	40
Table 5.8: The level of Return on Assets Ratio	41
Table 5.9: Correlation between Total Assets Turnover Ratio and ROA	42
Table 5.10: Correlation between Non-Current Assets Turnover Ratio and ROA	43
Table 5.11: Correlation between Current Assets Turnover and ROA	43
Table 5.12: Model Summary of Regression analysis of ROA and Total Assets Turnover Ratio	44
Table 5.13: Coefficient of Total Assets Turnover on ROA	44
Table 5.14: Model Summary Regression analysis of ROA and Non-Current Assets Turnover	45
Table 5.15: Coefficient of Total Non-Current Turnover on ROA	45
Table 5.16: Model Summary of Regression analysis of ROA and Current Assets Turnover	46
Table 5.17: Coefficient of Total Current Turnover on ROA	46
Table 5.18: Model Summary of Assets Efficiency Management Ratios and ROA	47
Table 5.19: Analysis of variance	48
Table 5.20: Model of Coefficients	48

LIST OF FIGURES

Figure: 3.1 Conceptual Framework	17
Figure: 5.1 Histogram of Total Assets Turnover Ratio	34
Figure: 5.2 Histogram of Non-Current Assets Turnover Ratio	35
Figure: 5.3 Histogram of Current Assets Turnover Ratio.....	36
Figure: 5.4 Histogram of Return On Assets Ratio	38
Figure: 5.5: The level of Total Assets Turnover Ratio	39
Figure: 5.6 The level of Total Non-Current Assets Turnover Ratio.....	40
Figure: 5.7 The level of Current Assets Turnover Ratio	41
Figure: 5.8 The level of Return on Assets Ratio.....	42

LIST OF ABBREVIATIONS

CATR	- Current Assets Turnover Ratio
CSE	- Colombo Stock Exchange
NCATR	- Non-Current Assets Turnover Ratio
ROA	- Return on Assets
TATR	- Total Assets Turnover Ratio