

## Abstract

This study used the regression analysis to examine the effect of ratio analysis towards decision making at beverage industry in Tanzania, a case of TBL. Specific objectives were to investigate the significance of ratio analysis in TBL and to examine whether using ratio in TBL can be used in prediction and decision making. The study used a time series survey with quantitative methods on ratio variables which were Net profit, Gross Profit Margin, Current Asset Ratio, Quick ratio. Stationary test was carried out using the Augmented Dickey-Fuller technique. The results of unit root suggested that four variables in the model were stationary after first difference. The result of  $R^2$  is 82.85% which is significant level to explain about the proposed model. This means the decision making can be influenced by Net profit, Gross Profit Margin, Current Asset Ratio and Quick ratio, the value of  $R^2$  in whole represents the four independent variables where the rest 17.15% can be explained by other variables. The study reveals that ratios can be used to influence rational decisions in the beverage industry given the regression model:

$$\text{Decision Making (dpr)} = 4.360852 + 1.254669\text{npm} - 3.201311\text{gpm} + 0.5586556\text{qar} - 0.7965402\text{car}$$

The predicted model was assessed using Shapiro Wilk W test, test for heteroscedasticity, test for serial correlation and found to be a valid model for decision making. The study reveals that ratios are positively related with decision making. This means that as companies profit increases also dividend payment increases and vice versa. Based on the  $R^2$  results and the predicted multiple regression model, the study suggest the following: Users of financial statement should keep relaying on financial ratios in order to come up with the vital decision; the study focused on assessment of four ratios (Net profit, Gross Profit Margin, Current Asset Ratio and Quick ratio, other researcher should consider doing further study on other financial ratios in the beverage industry in Tanzania.

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