INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT

A Monthly Double-Blind Peer Reviewed (Refereed/Juried) Open Access International e-Journal - Included in the International Serial Directories

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   INTRODUCTION

   REVIEW OF LITERATURE

   NEED/IMPORTANCE OF THE STUDY

   STATEMENT OF THE PROBLEM

   OBJECTIVES

   HYPOTHESES

   RESEARCH METHODOLOGY

   RESULTS & DISCUSSION

   FINDINGS

   RECOMMENDATIONS/SUGGESTIONS

   CONCLUSIONS

   SCOPE FOR FURTHER RESEARCH

   ACKNOWLEDGMENTS

   REFERENCES

   APPENDIX/ANNEXURE

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BOOKS
- Bowersox, Donald J., Closs, David J., (1996), "Logistical Management." Tata McGraw, Hill, New Delhi.
- Hunker, H.L. and A.J. Wright (1963), "Factors of Industrial Location in Ohio" Ohio State University, Nigeria.

CONTRIBUTIONS TO BOOKS
- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

JOURNAL AND OTHER ARTICLES
- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

CONFERENCE PAPERS
- Garg, Sambhav (2011): "Business Ethics" Paper presented at the Annual International Conference for the All India Management Association, New Delhi, India, 19–22 June.

UNPUBLISHED DISSERTATIONS AND THESES
- Kumar S. (2011): "Customer Value: A Comparative Study of Rural and Urban Customers," Thesis, Kurukshetra University, Kurukshetra.

ONLINE RESOURCES
- Always indicate the date that the source was accessed, as online resources are frequently updated or removed.

WEBSITES
- Garg, Bhavet (2011): Towards a New Natural Gas Policy, Political Weekly, Viewed on January 01, 2012 http://epw.in/user/viewabstract.jsp

ANALYSIS OF LIQUIDITY, PROFITABILITY AND WORKING CAPITAL MANAGEMENT - AN EMPIRICAL STUDY ON BSE LISTED COMPANIES

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ABSTRACT

Businesses are responsible for the growth of the country in the same way the three main important components are more responsible to the success of the organizations which is profits, liquidity and working capital. "Cash is the lifeblood of business" In business, cash is king, particularly during tough economic times or when the markets are turbulent. Without cash, company cannot survive and to take advantage of business opportunities, it's necessary to maintain liquidity position to overcome the difficulties. Working capital may be regarded as the back bone of business. Many organizations that are profitable on paper are forced to cease trading due to an inability to meet short-term debts when they fall due. In order to remain in business it is essential that an organization successfully manages its working capital. The working capital management plays an important role for success or failure of firm in business because of its effect on firm's profitability as well on liquidity. And in same way Profits are useful to judge the strength of the business and it is earn with the help of contribution of liquidity and working capital management. This study is based on secondary data collected from listed companies in Bombay stock exchange. This paper is going to find out the impact of liquidity, profitability and working capital on the firm's financial aspects. And relationship between liquidity, profitability and working capital. This paper going to use regression and correlation to find out the impact and relationship between the variables.

KEYWORDS

liquidity, profitability and working capital.

INTRODUCTION

Liquidity: The term liquidity is used in various ways, all relating to availability of, access to, or convertibility into cash. An institution is said to have liquidity if it can easily meet its needs for cash either because it has cash on hand or can otherwise raise or borrow cash. A market is said to be liquid if the instruments it trades can easily be bought or sold in quantity with little impact on market. **Profitability:** it is a class of financial metrics that are used to assess a business's ability to generate earnings as compared to its expenses and other relevant costs incurred during a specific period of time. For most of these ratios, having a higher value relative to a competitor's ratio or the same ratio from a previous period is indicative that the company is doing well. There are some benefits are useful for every kind of organization allocate costs quickly and easily and speed up budgeting and reporting. These term also known as working capital policies.

Working capital: it is the device of finance. Working capital management is a very important component of corporate finance because it directly affects the liquidity and profitability of the company. It deals with current assets and current liabilities. Working capital is that part of company's capital which is used for purchasing raw material and involve in sundry debtors. The goal of working capital management is to ensure that the firm is able to continue its operations and that it has sufficient cash flow to satisfy both maturing short-term debt and upcoming operational expenses. **Gross working capital:-**Total or gross working capital is that working capital which is used for all the current assets. **Net Working Capital:-**Net working capital is the excess of current assets over current liabilities.Net Working Capital = Total Current Assets – Total Current Liabilities.

LITERATURE REVIEW

The empirical studies conducted in India as well as abroad are presented to discern the impact of liquidity, working capital and profitability on firm's growth i. e. profitability, liquidity and working capital.

Vishnani Sushma and Kr. Shah Bhupesh, in this study, "Impact of Working Capital Management Policies on Corporate Performance—An Empirical Study" **Chatterjee Saswata (2010),** "the Impact of Working Capital Management on the Profitability of the Listed Companies in the London Stock Exchange". **Zubairi H. Jamal (2010),** "Impact of Working Capital Management and Capital Structure on Profitability of Automobile Firms in Pakistan" **Singh J P and Pandey Shishir (2008),** "Impact of Working Capital Management in the Profitability of Hindalco Industries Limited." **Lamberg Sanna and Valming Sandra(2009),** "Impact of Liquidity Management on Profitability : A study of the adaption of liquidity strategies in a financial crisis" **Greg Hundley, Carol K. Jacobson and Seung Ho Park(1996),** "Effects of Profitability and Liquidity on R&D Intensity: Japanese and U.S.Companies Compared" **Étienne Bordeleau and Christopher Graham(2010),** "The Impact of Liquidity on Bank Profitability" **Sadana Sanjay Kumar** "Conceptual Analysis of Working Capital and its Impact on Profitability."

OBJECTIVES

1. To analyze the impact of liquidity on profitability and working capital.
2. To study the impact of profitability on liquidity and working capital.\
3. To study the impact of working capital on profitability and liquidity.
4. To open new vistas for further researches.

METHODOLOGY OF THE STUDY

The research design chosen is descriptive as the study reveals the existing facts. The research concentrated on the service and non service sectors. Population of the study was all companies listed in the BSE. The data was used on the basis of probability random sampling and collected data from 20 companies listed in BSE (Bombay Stock Exchange) group A. Secondary data were collected from the books, journals and internet. The data was analyzed through the regression analysis to find out the impact of the liquidity on working capital and profitability, profitability on working capital and liquidity and working capital on profitability and liquidity of businesses. Correlation analysis was used to find out the relationship between liquidity, profitability and working capital.

RESULTS AND DISCUSSIONS

- ***Regression Analysis***

Hypothesis: - Using the parameters the following hypotheses have been tested.

Case 'A':- H_0 (Null Hypothesis): There is no significant impact of liquidity on working capital and profitability.

Coefficient

Year	Cause	Effect	model	Unstandardized coefficient		Standardized coefficient beta	T	Sig.
				B	Std. error			
2009	Liquidity	W.C.	1(Constant)	2437.181	1234.932		1.974	.064
			Liquidity	2.403	.286	.893	8.412	.000
2010	Liquidity	W.C.	1(Constant)	3627.526	1554.932		2.333	.031
			Liquidity	1.992	.200	.920	9.947	.000
2011	Liquidity	W.C.	1(Constant)	4617.040	2252.967		2.049	.055
			Liquidity	1.687	.585	.562	2.882	.010
2009	Liquidity	Profitability	1(Constant)	2075.034	453.477		4.576	.000
			Liquidity	.254	.105	.496	2.425	.026
2010	Liquidity	Profitability	1(Constant)	2510.083	501.135		5.009	.000
			Liquidity	.194	.065	.578	3.005	.008
2011	Liquidity	Profitability	1(Constant)	2918.244	683.210		4.271	.000
			Liquidity	.216	.177	.275	1.216	.240

a. Dependent Variable: working capital and profitability

Y= a + bx

Y = 2437.181+2.403x, Y= 3627.526+1.992x, Y= 4617.040+1.687x

Y = working capital (dependent variable), X = Liquidity (independent variable)

Y = a + bx

Y= 2075.034+.254x, Y= 2510.083+.194x, Y=2918.244+.216x

Y = Profitability (dependent variable), X = Liquidity (independent variable)

The linear regression was applied between "liquidity" (independent variable), "working capital" and "profitability" (dependent variable). The results of regression in the year 2009, 2010 and 2011 suggest that the liquidity (independent variable) has an impact on working capital (dependent variable) signified by the coefficient beta factors of 0.893, 0.920 and 0.562. And profitability (dependent variable) signified by the coefficient beta factors of .496, .578 and .275.In 2009, as the value of T is 8.412 (working capital) and 2.425 (profitability), which is not accepted at 0.000 (working capital) and .026 (profitability) level of significance hence the hypothesis that there is no significant impact of liquidity on working capital and profitability is not accepted. In 2010, as the value of T is 9.947,(working capital) and 3.005 (profitability) which is not accepted at 0.000 (working capital) and .008 (profitability) level of significance hence the hypothesis that there is no significant impact of liquidity on working capital and profitability is not accepted. In 2011, as the value of T is 2.882, (working capital) and 1.216 (profitability) which is not accepted at 0.010 (working capital) and .240 (profitability) level of significance hence the hypothesis that there is no significant impact of liquidity on working capital and profitability is not accepted.

Case 'B':- H_0 (Null Hypothesis): There is no significant impact of profitability on working capital and liquidity.

Coefficient

year	Cause	Effect	model	Unstandardized coefficient		Standardized coefficient beta	T	Sig.
				B	Std. error			
2009	Profitability	W.C.	1(Constant)	-975.206	3034.871		-.321	.752
			profitability	3.457	.932	.658	3.711	.002
2010	Profitability	W.C.	1(Constant)	-2615.959	4703.091		-.556	.585
			profitability	3.965	1.200	.614	3.303	.004
2011	Profitability	W.C.	1(Constant)	2107.435	3405.701		.619	.544
			profitability	1.739	.805	.454	2.161	.044
2009	Profitability	Liquidity	1(Constant)	-148.540	1300.579		-.114	.910
			profitability	.968	.399	.496	2.425	.026
2010	Profitability	Liquidity	1(Constant)	-2303.472	2245.922		-1.026	.319
			profitability	1.722	.573	.578	3.005	.008
2011	Profitability	Liquidity	1(Constant)	781.759	1224.105		.639	.531
			profitability	.352	.289	.275	1.216	.240

Dependent Variable: working capital and liquidity

Y= a + bx

Y = -975.206+3.457x, Y= -2615.959+3.965x, Y= 2107.435+1.739x

Y = working capital (dependent variable), X = Profitability (independent variable)

Y = a + bx

Y= -148.540+.968x, Y= -2303.472+1.722x, Y=781.759+.352x

Y = Liquidity (dependent variable), X = Profitability (independent variable)

The linear regression was applied between "profitability" (independent variable), "working capital" and "liquidity" (dependent variable). The results of regression in the year 2009, 2010 and 2011 suggest that the profitability (independent variable) has an impact on working capital (dependent variable) signified by the coefficient beta factors of 0.658, 0.614 and 0.454 and liquidity (dependent variable) signified by the coefficient beta factors of 0.496, 0.578 and 0.275.In 2009, as the value of T is 3.711 (working capital) and 2.425 (liquidity), which is not accepted at 0.002 (working capital) and 0.026 (liquidity) level of significance hence the hypothesis that there is no significant impact of profitability on working capital and liquidity is not accepted. In 2010, as the value of T is 3.303,(working capital) and 3.005 (liquidity) which is not accepted at 0.004 (working capital) and 0.008 (liquidity) level of significance hence the hypothesis that there is no significant impact of profitability on working capital and liquidity is not accepted. In 2011, as the value of T is 2.161, (working capital) and 1.216 (liquidity) which is not accepted at 0.044 (working capital) and 0.240 (liquidity) level of significance hence the hypothesis that there is no significant impact of profitability on working capital and liquidity is not accepted.

Case 'C':- H_0 (Null Hypothesis): There is no significant impact of working capital on profitability and liquidity.

Coefficient

Year	Cause	Effect	model	Unstandardized coefficient		Standardized coefficient beta	T	Sig.
				B	Std. error			
2009	W.C.	profitability	1(Constant)	1653.536	429.113		3.853	.001
			W.C.	.125	.034	.658	3.711	.002
2010	W.C.	Profitability	1(Constant)	2177.880	525.901		4.141	.001
			W.C.	.095	.029	.614	3.303	.004
2011	W.C.	Profitability	1(Constant)	2402.773	696.956		3.448	.003
			W.C.	.118	.055	.454	2.161	.044
2009	W.C.	Liquidity	1(Constant)	-308.140	500.790		-.615	.546
			W.C.	.332	.039	.893	8.412	.000
2010	W.C.	Liquidity	1(Constant)	-1073.875	779.242		-1.378	.185
			W.C.	.425	.043	.920	9.947	.000
2011	W.C.	Liquidity	1(Constant)	474.225	826.072		.574	.573
			W.C.	.187	.065	.562	2.882	.010

a. Dependent Variable: profitability and liquidity

Y= a + bx

Y = 1653.536+.125x, Y= 2177.880+.095x, Y= 2402.773+.118x

Y = Profitability (dependent variable), X = Working Capital (independent variable)

Y = a + bx

Y= -308.140+.332x, Y= -1073.875+.425x, Y=474.225+.187x

Y = Liquidity (dependent variable), X = Working Capital (independent variable)

The linear regression was applied between “working capital” (independent variable), “profitability” and “liquidity” (dependent variable). The results of regression in the year 2009, 2010 and 2011 suggest that the working capital (independent variable) has an impact on profitability (dependent variable) signified by the coefficient beta factors of 0.658, 0.614 and 0 .454 and liquidity (dependent variable) signified by the coefficient beta factors of 0.893, 0.920 and 0.562.In 2009, as the value of T is 3.711 (profitability) and 8.412 (liquidity), which is not accepted at 0.002 (profitability) and 0.000 (liquidity) level of significance hence the hypothesis that there is no significant impact of working capital on profitability and liquidity is not accepted. In 2010, as the value of T is 3.303,(profitability) and 9.947 (liquidity) which is not accepted at 0.004 (profitability) and 0.000 (liquidity) level of significance hence the hypothesis that there is no significant impact of working capital on profitability and liquidity is not accepted. In 2011, as the value of T is 2.161, (profitability) and 2.882 (liquidity) which is not accepted at 0.044 (profitability) and 0.010 (liquidity) level of significance hence the hypothesis that there is no significant impact of liquidity on working capital and profitability is not accepted.

- ***Correlation Analysis***

To determine strength of linear relationship between variables correlation coefficients are calculated. These correlation analyses were interpreted on the scale offered by Guilford (1956) (i.) R < 0.20 indicates slight, almost negligible relationship (ii) r = 0.20 to 0.40 indicates low correlation, definite but small relationship; (iii) r = 0.40 to 0.70 indicates moderate correlation, substantial relationship; r = 0.70 to 0.90 shows high correlation and (iv) if r. 0.90 is indicative of very high correlation, very dependable relationship.

Year	Variable		Profitability	Liquidity	W. C.
2009	Profitability Liquidity W.C.	Profitability Pearson Correlation	1	.496*	.658**
		Sig. (2-tailed)		.026	.002
		N	20	20	20
		Liquidity Pearson Correlation	.496*	1	.893**
		Sig. (2-tailed)	.026		.000
		N	20	20	20
		W.C. Pearson Correlation	.658**	.893**	1
		Sig. (2-tailed)	.002	.000	
		N	20	20	20

2010	Profitability Liquidity W.C.	Profitability Pearson Correlation	1	.578**	.614**
		Sig. (2-tailed)		.008	.004
		N	20	20	20
		Liquidity Pearson Correlation	.578**	1	.920**
		Sig. (2-tailed)	.008		.000
		N	20	20	20
		W.C. Pearson Correlation	.614**	.920**	1
		Sig. (2-tailed)	.004	.000	
		N	20	20	20

2011	Profitability Liquidity W.C.	Profitability Pearson Correlation	1	.275	.454*
		Sig. (2-tailed)		.240	.044
		N	20	20	20
		Liquidity Pearson Correlation	.275	1	.562**
		Sig. (2-tailed)	.240		.010
			20	20	20
			.454*	.562**	1
		Sig. (2-tailed)	.044	.010	
		N	20	20	20

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis of the variables indicates the relationship between the variables. The relationship between profitability, liquidity and working capital. The correlation is analyzed on the basis of three years.

The relationship between **profitability and liquidity** in the year **2009** is having marked relationship as the value **r = 0.496** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship. The relationship between **profitability and working capital** in the year **2009** is having marked relationship as the value **r = 0.658** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship. The relationship between **liquidity and working capital** in the year **2009** is having marked relationship as the value **r = 0.893** which according to Guilford (1956) the variables have **high relationship**: r = 0.70 to 0.90 shows high correlation.

The relationship between **profitability and liquidity** in the year **2010** is having marked relationship as the value **r = 0.578** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship. The relationship between **profitability and working capital** in the year **2010** is having marked relationship as the value **r = 0.614** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship. The relationship between **liquidity and working capital** in the year **2010** is having marked relationship as the value **r = 0.920** which according to Guilford (1956) the variables have **very high relationship**: r = 0.90 is indicative of very high correlation, very dependable relationship. The relationship between **profitability and liquidity** in the year **2011** is having marked relationship as the value **r = 0.275** which according to Guilford (1956) the variables have **small relationship**: r = 0.20 to 0.40 indicates low correlation, definite but small relationship. The relationship between **profitability and working capital** in the year **2011** is having marked relationship as the value **r = 0.454** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship. The relationship between **liquidity and working capital** in the year **2011** is having marked relationship as the value **r = 0.562** which according to Guilford (1956) the variables have **substantial relationship**: r = 0.40 to 0.70 indicates moderate correlation, substantial relationship.

From the above analysis the result is, there is substantial relationship between the liquidity, profitability and working capital because business growth is based on the profitability of firms and profitability requires optimum level of working capital and liquidity and has to maintain that level. So the result shows the positive relationship between them.

CONCLUSION

Innovation is indispensable for the success of every kind of business firms. If business concerns wants to survive in the market they have to make their product and services innovative and to take the right opportunities at the right time. For this purpose the business concerns have to increase their earning capacity i.e. profitability, working capital as well as liquidity position.

The study was done to explore that weather liquidity has an impact on working capital and profitability, profitability on working capital and liquidity and working capital on profitability and liquidity and also relationship between them in respective three years. The results indicate that all aspects are interrelated and based on each other because the firms have to maintain liquidity position, working capital and also its profits and results suggest that there is positive relationship between them.

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