

**ROLE OF LIQUIDITY MANAGEMENT AS ANTECEDENT OF FIRMS
PROFITABILITY: EVIDENCES FROM MANUFACTURING AND SERVICE
CONCERN**

Dr. Surekha Nagrath

Assistant Professor, Commerce Department, Medicaps University Indore,

Dr. Rishika Shukla

Assistant Professor, Commerce Department, Medicaps University Indore,

Dr. Aniket sane

Assistant professor, Department of Management, Medicaps University Indore,

Dr. Manpreet Kaur Bhatia

Assistant Professor (Program chair, BBA), Medicaps University Indore.

Abstract:

The management of liquidity is a crucial choice. An organization's financial success and development are governed by maintaining liquidity and implementing sound liquidity management. Decisions about liquidity management are solely dependent on factors such as industry kind, nature, size, age, goodwill, tangibility, etc. Reviewing the impact of liquidity management methods on organisations' profitability in India's manufacturing and service sectors—as well as highlighting the differences exist on the nature of industry—is the main goal of the current study. The top two automakers and top two service providers were chosen, and data was gathered from their published annual reports for the period from 2018-19 to 2022–23. The tools of ratio, correlation, regression, and ANOVA were used to examine the data.

The study's conclusion is that managers of any organisation, anywhere in the globe, can boost profitability by applying appropriate liquidity practises. The four indicators of liquidity management—CR, QR, Current Asset to Total Asset Ratio, and Current Liabilities to Total Asset Ratio—all have a significant impact on a company's profitability. Company's decision-makers may find this study useful. Investors may be persuaded to place money in companies with strong market positions if it is made clear what needs to be done to improve the financial health of the company. In addition to deciding how to retain it, financial managers must also decide how much liquidity to hold.

Keywords: Liquidity, Profitability, Cash Conversion Cycle, Working Capital Management.

1. Introduction:

For any corporate firm, managing liquidity is a crucial responsibility. All company units must effectively manage their present assets and liabilities to ensure the smooth operation of their

enterprise (**Krishnamoorthi, 2017**). The daily activities of a company are directly tied to liquidity management. It is standard practice for businesses to manage their investments in current assets, current liabilities, short-term borrowing, and short-term investments. If a corporation has enough cash on hand to pay its debts in full rather than investing it in current assets, such a company is said to be liquid. The organization must keep the right level of working capital in order to sustain liquidity, as having too little or too much working capital will hurt the organization's ability to run smoothly. In order to maximize the utilization of fixed assets, working capital management is just crucial as long-term financial investments because when a business keeps an acceptable level of working capital, it can better utilize its fixed assets, which also has an influence on the profitability of the business (**Raheman, 2007; Demirgunes, 2008; Bhayani, 2020**). The objectives of working capital are profit maximisation, risk avoidance, and liquidity maintenance. The appropriate degree of working capital investment will be determined by the trade-off between projected return and the potential that the company won't be able to meet its maturing financial obligations. Liquidity shouldn't be either too high or too low because a well-monitored minimum level of liquidity at a calculated risk is always fantastic for increased efficiency. The nature of a company's operations has a major impact on its liquidity needs. The demand for a product cyclically and seasonally has a substantial impact on a company's need for working capital, especially in the short term. A business with easy access to finance will require less working capital. Greater working capital is required by expanding industries. Based on the percentage of money mobilised to satisfy their daily running requirements, it measures the differences between businesses of comparable kind (**Su, 2020**).

A key component of financial management decisions is working capital management. It has a big effect on the company's profitability and financial situation (**Sammer& Jena, 2020**). The production of a company's value is anticipated to benefit from effective working capital management (**Amalendu, 2021**). Without liquidity, no business can survive. It gives the ability to company to fulfil commitments like Outstanding Expenses, Bills Payable, and Creditor Payments. A company that is not profitable can be thought of as unwell, but liquidity problems could eventually lead to its demise (**Goswami, 2022**).

The management of the firm's liquidity and profitability plays a critical role in determining whether success will be achieved or disappointed. This study aims to identify how liquidity and profitability affect the financial performance of the organization. The relationship between liquidity management and firms' financial success has been studied in several research contexts. According to some academics, profitability and liquidity have varied consequences. Some discovered a positive correlation between the two, and some came to the opposite conclusion and said there was no correlation. There hasn't been any research comparing the liquidity management of Indian businesses to businesses from other countries. This study will assist academics in finding more relevant material on the subject and businesses in improving their understanding of strategies for maintaining strong liquidity positions and generating higher profits without having to deal with liquidity crises.

2. Objectives:

This study's key objective is:

- To investigate how liquidity management affects a firm's profitability of manufacturing and service concerns.
- To compare the liquidity management of manufacturing and service concern.

3. Hypotheses:

- There is no significant impact of liquidity management on profitability.
- There is no significant difference exists in liquidity management of manufacturing and service concerns.

4. Review of Literature:

Working capital management is crucial since it directly affects profitability and liquidity. Working capital components were examined, and Hindalco Industries Limited discovered a strong effect of working capital management on profitability. As may be noted below, this work represents some conclusive evidences that support its viability. Additionally, no prior research has looked at the financial situation, existence of a financial relationship with profitability, or the profitability of private steel businesses in India (**Singh & Pandey,2008; Sanjay J. Bhagani, 2020**), who studied the elements affecting profitability in the Indian cement sector, came to the conclusion that liquidity management is the most crucial of these internal and external factors in determining the firm's profitability. **Das & Mandal (2022)** found out that the profitability and high liquidity of Indian enterprises are found to be inversely related. They also advised that businesses should maintain a precise equilibrium between profitability and liquidity. They selected a sample from a variety of industries and came to the conclusion that different industries have varied management of working capital policies. Data from the Prowess IQ database was used in **Yameen, Farhan, and Tabash's (2019)** study of the effect of liquidity on profitability of Indian pharmaceutical companies listed on the Bombay Stock Exchange. The results demonstrate that current liquidity ratio and quick ratio have a favourable and significant impact on pharmaceutical companies' profitability as assessed by return on assets, but control variable leverage, firm size, and age have a negative impact.

Vishnani & Shah (2008), in their study on the Indian Consumer Electronics Industry, which covered the years 1994 to 2005. While different associations between liquidity and profitability were shown, the majority of them showed a strong and positive relationship between the two for the chosen companies. **Panigrahi, Raul & Gijare (2018)**, who employed spearman's correlation coefficient in their study on pharmaceutical companies, discovered a negative association between liquidity and profitability. **Chakraborty (2008)** looked at how Indian pharmaceutical businesses' working capital and profitability related to each other. One school of thought holds that investing in working capital has little to do with increasing corporate profitability and that output and sales cannot be sustained without a certain level of working capital investment, while the other school of thought holds that there may be a negative correlation between the two. In fact, the inadequacy

of working capital investment is the cause of the inadequacy of both output and sales. Utilizing annual reports and accounts of selected sample companies from 2013 to 2020.

Agubata, Stella (2021), studied how liquidity management affected the financial results of Nigerian-listed natural resource businesses. They observed that, with the exception of cash conversion, all the independent factors, including trade payable payment time, trade receivable collection period, and cash conversion cycle, demonstrated a positive and substantial relationship with return on asset, the dependent variable. The correlation between working capital management and corporate performance of Chilean manufacturing SMEs was explored by **Yarong Chan & Antonio Campos (2022)**. They observed that there was a weak and substantial association between profitability, active accounts, and net working capital. Payables and securities are favourably and significantly associated to profitability.

Yarong Chan & Antonio Campos (2022) looked at how working capital management affected the performance of Chilean manufacturing SMEs. Net working capital, active accounts, and profitability were found to be negatively and significantly correlated. The relationship between payables and stocks and profitability is both positive and strong. To examine the impact of managing working capital on profitability, **Garcia & Solano (2019)** collected data from a sample of small- and medium-sized Spanish businesses. The dependent variable was Return on Assets (ROA). Their research comes to the conclusion that decreasing inventories and the number of days that accounts are past due can increase a company's value. In order to increase the firm's profit, they also recommend shortening the cash conversion cycle.

In their study on the supply chain for the Russian automotive industry, **Pirtilla et al. (2019)** has used transaction cost theory perspective to examine operational working capital management. The observations revealed that businesses with better working capital management models are typically the leaders and powerful actors in the supply chain. With the exception of metallurgy and utilities, **Cristea's (2018)** research in Romania revealed a negative correlation between the cash conversion cycle and company success. Additionally, they demonstrated that current ratio and debt ratio both negatively affect business performance. **(Faisal Alnori, 2020)** in Saudi Arabia to determine the influence of cash holdings on the performance of listed non-financial enterprises, cash holdings have a substantial impact on a firm's performance. According to their findings, the factors have a non-linear connection. The findings show that cash holdings are positively correlated with enterprises' performance and that higher performance is correlated with larger cash reserves. The findings that big cash holdings allow businesses to avoid the high cost of external financing and also give businesses more flexibility to take advantage of lucrative investment opportunities help to explain this beneficial association.

Chong-Chuo Chang's, 2017 concluded that there is a negative correlation between the cash conversion cycle (CCC) and the profitability and value of Chinese enterprises. They add that proactive working capital management can improve business performance. Where the firm

operates at the CCC level, though, this influence is lessened. **Garcia, Teruel, & Solano's, 2007**, profitable businesses have shorter cycles for cash conversion, account receivable and payable days, and inventory days. Additionally, they draw the conclusion that there is a bad correlation between the profitability of SMEs and the quantity of days that accounts receivable and inventories are on hand.

5. Research Methodology:

The paper is primarily descriptive in nature and presents a common statistic. For this study, top two automobile manufacturing company and top service-based companies (TATA Motors, Maruti Suzuki, TCS and Infosys ltd.) are taken as sample companies to measure the impact as well as relationship between liquidity and profitability. The study is based on secondary data, which was collected for the five years of time from 2018-19 to 2022-23 with the help of published annual reports of the selected sample companies, the collected data was examined using ratio, correlation, regression, and ANOVA analysis to determine the impact of liquidity management on company's profitability. To determine the relationship between liquidity and profitability, correlation and regression analysis were used. ANOVA was used to see if the nature of the company had any impact on how liquidity management was carried out.

The following studies have made use of various financial ratios (liquidity and profitability ratios):

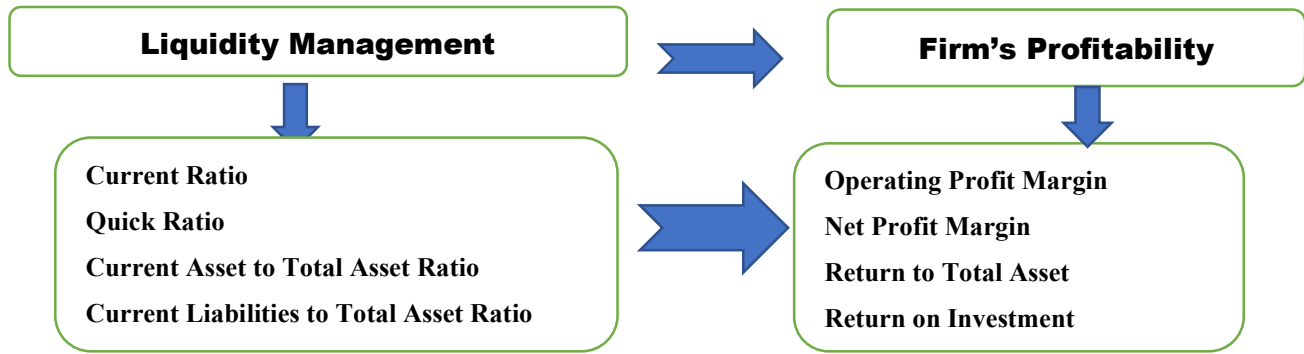
Liquidity Ratios: Inventory Turnover Ratio, Current Ratio (CR), and Liquid Ratio (LR), Current Liabilities to Total Asset Ratio (CLTRAR) and Current Asset to Total Asset Ratio (CATAR) (CLTAR).

Profitability Ratios: Return on Investment (ROI), Operating Profit Margin (OPM), Net Profit Margin (NPM), and Return on Assets (ROTA)

6. Proposed Model

As mentioned above that many researchers have attempted to understand the liquidity management linkage with profitability with the help of various proxy variables. In the present study, we try to found out that whether liquidity management directly or indirectly affects the firm's profitability which is measured through various measures like Net profit margin, operating profit margin, return on assets and return on investment. This study uses various measures of liquidity to measure the impact of independent variable (liquidity) on dependent (profitability).

Fig.1: Model showing direct and indirect impact of liquidity management on Firm's Performance



Chosen Variables: The study took into account the following ratios to assess liquidity management and determine how they affected profitability:

Current Ratio- This ratio assesses a company's capacity for making short-term payments or payments that are due within a year, and it also equips a company with a means of maximising existing assets to pay off current debt and payables.

$$CR = \text{CurrentAssets}/\text{CurrentLiability}$$

Quick Ratio- It reveals a company's ability to fulfil its current liabilities without needing any extra borrowing or selling inventory. The stronger financial health of the company is a result of the larger liquid ratio.

$$QR = \text{CurrentAssets} - \text{Inventory} / \text{CurrentLiability}$$

Current Assets to Total Asset Ratio- It reveals how much money has been invested overall for working capital and highlights the significance of a company's current assets.

$$CATA = \text{Current Assets} / \text{Total Assets}$$

Current Liabilities to Total Asset Ratio- It demonstrates a company's capacity to pay its present liabilities out of its overall assets.

$$CLTAR = \text{Current Liabilities} / \text{Total Assets}$$

Operating Profit Margin- The operating margin calculates the profit a business gets from sales after paying for variable manufacturing costs.

$$OPM = \text{EBIT} / \text{Net Sales} \times 100$$

Net Profit Margin- The net profit margin ratio demonstrates what proportion of sales income a business retains after paying all of its expenses, including interest and taxes.

Return on Total Assets- It refers to a financial ratio that shows how lucrative a company is in comparison to its total assets.

$$\text{ROTA} = \text{EAT} / \text{Total Assets}$$

Return on Investment- A performance metric called return on investment (ROI) is used to assess an investment's effectiveness or profitability or to compare the effectiveness of several distinct investments. ROI is to quantitatively assess how much money is earned in relation to the cost of an investment.

$$\text{ROI} = \text{Net income} / \text{Cost of investment} \times 100.$$

7. Analysis and Findings Analysis of Liquidity Ratios:

Table 1: Liquidity Ratios

NPM=EAT/Net Revenue x 100				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	0.75	0.5	3.8	4.8
2019-20	0.73	0.9	3	4.2
2020-21	0.52	0.7	2.9	3.3
2021-22	0.83	1.1	2.7	2.9
2022-23	0.98	1	2.1	2.5
LIQUID RATIO				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	0.4	0.3	3.8	4.8
2019-20	0.4	0.6	3	4.2
2020-21	0.37	0.5	2.9	3.3
2021-22	0.43	0.9	2.7	2.9
2022-23	0.48	0.8	2.1	2.5
CURRENT ASSET TO TOTAL ASSET RATIO				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	0.28	0.13	0.58	0.8
2019-20	0.3	0.2	0.6	0.8
2020-21	0.2	0.15	0.55	0.8
2021-22	0.25	0.2	0.5	0.8
2022-23	0.35	0.2	0.5	0.8
CURRENT LIABILITIES TO TOTAL ASSET RATIO				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	0.37	0.25	0.15	0.2

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2019-20	0.4	0.2	0.2	0.2
2020-21	0.41	0.2	0.2	0.2
2021-22	0.4	0.9	0.2	0.3
2022-23	0.45	0.9	0.25	0.3

Current ratio evaluates a company's capacity to settle short-term debts or those due within a year. Current ratio of services providing company i.e., TCS & Infosys ltd. found to be the uppermost as compared to automobile manufacturing companies i.e., TATA Motors & Maruti Suzuki ltd. throughout the study period. When a company's current ratio is relatively lower, it means that its liquidity situation is poor and it won't be able to pay its current obligations. Throughout the course of the investigation, TATA Motors and Maruti Suzuki's current ratios stayed at or below 1, demonstrating a problem with their working capital. However, TCS and Infosys Ltd. continue to have very high current ratios, which indicates that these businesses have a superior ability to pay off debt during the course of the research. However, their high current ratio shows that these service companies are not effectively using their short-term assets. It has been discovered that they alter their focus from keeping a very high current ratio to effectively using their short-term assets while simultaneously maintaining a better current ratio, as seen by the fact that their current ratio steadily falls over the study period. The liquid ratio of manufacturing businesses is also still low when compared to service businesses. Therefore, companies that produce automobiles must increase their current and liquid ratio in order to strengthen their liquidity position.

The working capital investment total as well as the relevance of a company's current assets are both revealed by the current asset-to-total asset ratio. Automobile manufacturers (TATA Motors and Maruti Suzuki) have been shown to have a lower current asset-to-total asset ratio than service-based businesses (TCS & Infosys ltd.). On the other hand, current liabilities to total assets have a positive correlation with insolvency which indicates a higher risk of business failure. Current liability to total asset ratio is higher in the case of manufacturing companies (TATA Motors and Maruti Suzuki ltd.) as compared to service-based companies. Current liability to total asset ratio of Maruti Suzuki ltd. remains very high throughout the study period. A lower ratio of current liabilities to total assets is encouraging, while a greater ratio means that creditors are demanding a more sophisticated share of the company's assets, which signals a higher risk of operation.

Analysis of Profitability Ratios:

Table 2: Profitability Ratios

Operating Profit Margin				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	4.9	14.5	26.6	25.7
2019-20	8.2	9.5	27.3	24.8
2020-21	-16.4	5.3	25.9	24.6

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2021-22	-4.90	3.5	25.8	26.0
2022-23	11.86	3.5	24.4	27.0
Net Profit Margin				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	-1.7	9.9	26.1	25.3
2019-20	2.9	9.0	20.1	21.5
2020-21	-17.5	7.9	19.4	20.6
2021-22	-5.36	6.4	21.0	20.3
2022-23	-4.06	4.5	20.4	20.0
Return on Total Asset				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	-0.020	0.14	0.21	0.27
2019-20	0.032	0.12	0.19	0.28
2020-21	-0.123	0.09	0.19	0.27
2021-22	-0.300	0.07	0.20	0.33
2022-23	-0.020	0.06	0.21	0.35
Return on Investment				
Year	TATA Motors	Maruti Suzuki	Infosys	TCS
2018-19	-0.45	0.24	0.90	1.16
2019-20	0.51	0.23	0.82	1.08
2020-21	-0.49	0.15	0.85	1.24
2021-22	-0.12	0.14	0.75	1.10
2022-23	-0.21	0.11	0.75	1.26

Table 2 shows different profitability ratio trends of the selected sample companies and their explanation discussed below. Operating profit margin shows how effectively a business can turn a profit from its core operations. Higher margin is considered better than lower margin. Operating profit margin of automobile manufacturing companies is low as compared to service-based companies. TATA Motors reported negative operating profit margin in few years. Negative operating profit margin of TATA Motors shows the inability of TATA motors to control its costs. Net profit margin indicates overall efficiency of a firm. By studying the selected manufacturing

and service-based companies we can conclude that TCS and Infosys ltd. has the uttermost net profit margin and TATA Motors reported the nethermost net profit margin which mostly remains negative during the study period. Return on Total Asset of TCS recorded highest followed by Infosys ltd. And Maruti Suzuki which indicates that these companies are managing their total asset efficiently. But negative ROTA of TATA Motors indicates poor management of total asset. Return on investment of TCS recorded highest followed by Infosys ltd. which shows maximum return on capital employed and company is more profitable on the other side TATA Motors recorded negative ROI which indicates the negative profitability.

Analysis of Correlation:

Correlation analysis concludes the linear association among the variables. Current Ratio is positively correlated with all the profitability ratios (OPM, NPM, ROTA & ROI). Current ratio is highly correlated with ROI followed by NPM, OPM & ROTA. Liquid ratio is positively correlated with all the profitability ratios and highly correlated with NPM & ROI. CR and LR have a strong association with ROTA. When compared, CATAR and CLTAR produce the opposite outcomes. While CLTAR has a negative association with OPM, NPM, and ROTA, CATAR has a positive correlation with each of these ratios. On the other hand, CATAR has a negative association with ROI while CLTAR has a positive correlation.

Table 3: Correlations									
		Current ratio	Liquid ratio	Current Asset to total Asset Ratio	Current Liabilities to total Asset	Operating Profit Margin	Net Profit Ratio	Return on Total Asset	Return on Investment
Current ratio	Pearson Correlation	1	.998**	.914*	-.498*	.827**	.855**	.680**	.858**
	Sig. (2-tailed)		.000	.000	.025	.000	.000	.001	.000
	N	20	20	20	20	20	20	20	20
Liquid ratio	Pearson Correlation	.998*	1	.917*	-.498*	.848**	.879**	.693**	.871**
	Sig. (2-tailed)	.000		.000	.025	.000	.000	.001	.000

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	N	20	20	20	20	20	20	20	20
Current Asset to total Asset Ratio	Pearson Correlation	.914*	.917**	1	-.459*	.855**	.798**	.750**	.946**
	Sig. (2-tailed)	.000	.000		.042	.000	.000	.000	.000
	N	20	20	20	20	20	20	20	20
Current Liabilities to total Asset	Pearson Correlation	-.498*	-.498*	-.459*	1	-.663**	-.606**	-.503*	-.577**
	Sig. (2-tailed)	.025	.025	.042		.001	.005	.024	.008
	N	20	20	20	20	20	20	20	20
Operating Profit Margin	Pearson Correlation	.827*	.848**	.855*	-.663**	1	.938**	.708**	.891**
	Sig. (2-tailed)	.000	.000	.000	.001		.000	.000	.000
	N	20	20	20	20	20	20	20	20
Net Profit Ratio	Pearson Correlation	.855*	.879**	.798*	-.606**	.938**	1	.730**	.844**
	Sig. (2-tailed)	.000	.000	.000	.005	.000		.000	.000
	N	20	20	20	20	20	20	20	20
Return on Total Asset	Pearson Correlation	.680*	.693**	.750*	-.503*	.708**	.730**	1	.734**
	Sig. (2-tailed)	.001	.001	.000	.024	.000	.000		.000
	N	20	20	20	20	20	20	20	20
Return on Investment	Pearson Correlation	.858*	.871**	.946*	-.577**	.891**	.844**	.734**	1
	Sig. (2-tailed)	.000	.000	.000	.008	.000	.000	.000	
	N	20	20	20	20	20	20	20	20

Regression Analysis:

Table 3 (a) and (b) derived the regression analysis between grand score of liquidity ratios as independent variable with grand score of profitability ratios as dependent variables. The goodness of fit consequences of standard linear multiple regression through grand score of profitability ratios as the dependent variable and numerous determinants as forecaster variables as described by Table (a). The model summary of the regression findings shows that $R=.854$ explains the strength of the relationship between the predictors (Grand Score of CR, QR, CATA& CLTAR) and the dependent variable (Grand Score of NPM, OPM, ROI & ROA). R square also has a further value of .730, which is a general indicator of the strength of an association and shows that the predictor is responsible for 73% of the variance in profitability. NOVA was used to assess the model's overall significance. The F value of 48.623 and a P value of 0.05 show that the model's relationship is statistically significant, and the sig-values of each forecaster variable show significant relationships with profitability at 5% levels. Hence the first hypothesis (H0) is rejected.

Table 4 a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.854 ^a	.730	.715	2.40335	1.660

Table 4 b) ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	280.850	1	280.850	48.623	.000 ^b
1 Residual	103.970	18	5.776		
Total	384.820	19			

One-way ANOVA:

Table 5 describes about one-way ANOVA. The one-way ANOVA indicates that all the factors i.e., nature of the company grand score of liquidity ratios were found significant as the significance value of factor is less than .05 which confirms that there is significant difference in the type of company and their liquidity management. Hence the second hypothesis (H0) is rejected. The study result is similar with other studies (Vathani & Anandasayanan. 2017)

Table 5 ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.278	3	3.093	33.963	.000
Within Groups	1.457	16	.091		
Total	10.734	19			

8. Conclusion and Practical Implications:

The literature on finance has long recognized the significance of liquidity management. Major advancements have been made in the field of long-term finance and decision-making over the past

40 years. On the other hand, short-term finance, particularly working capital management, has received less attention. One of the most important factors in increasing an entity's profitability is liquidity. In order to satisfy the objectives of the company and to achieve both its short-term and long-term goals through its strategic planning, adequate profitability and effective liquidity management are so crucial to the successful administration of any firm. As a result, managing the trade-off between liquidity and profitability is a significant issue, and every company must maintain this balance in order to maximise returns. Without liquid assets, it is impossible to manage an organization and achieve profit goals. The association between these two factors has been established through a number of investigations, however, the outcomes have varied. The result of the study demonstrates that liquidity management has positive and significant impact on firm's profitability in service and manufacturing concern. The study outcome remains similar with other studies conducted by different researchers (Wang, 2001; Nandi, 2012; Alnori, 2020; Shekhar & Jena, 2020; Dadepo & Afolabi, 2020; Akgun & Karatas, 2020). It has been also found out that liquidity management varies as per the nature and type of the company. The outcome demonstrates once more how crucially important liquidity management is to financial management choices a business can achieve optimal liquidity if it handles the trade-off between profitability and liquidity management. The conclusion is that managers can increase profitability by implementing good credit policies, short cash conversion cycles, and efficient cash flow management procedures. Findings show that liquidity management, as determined by the companies' credit policies, cash flow management, and cash conversion cycle, significantly affects company profitability (Bhunia et al. 2011; Gill, Biger & Mathur, 2010).

It was also found that manufacturing companies do not always operate well just because there is a cash flow (liquidity) without effective management. Therefore, efficient cash management is necessary for improved performance (Abioro,2013).

9. Scope for Further Study:

The study has certain limitations in that it only employed few well-known companies of manufacturing and service sector, and while distinctions between them are shown, other disparities between the countries—such as those between high-income, newly developing, and low-income nations—were not taken into account in this study. An empirical investigation can be carried out while taking into account primary data because this study utilized secondary sources. Additionally, a comparison between the liquidity management of industrialized and emerging nations can be done. Since the topic of liquidity management of banks was not explored in this study, experts may want to concentrate their attention on a study that only examines banks and how liquidity management affects their profitability. Scholars can take into account variables like size, leverage, tangibility, growth, and risk to quantify the impact on firm performance because there are other elements that are also accountable for a firm's performance.

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