ABSTRACT

The aim of businesses is to increase shareholder wealth. Profitability and liquidity are essential and significant factors in achieving that goal. The management of a firm's liquidity, in particular, has a significant impact on how profitable and successful it is to grow. Since excess liquidity can disrupt business operations and insufficient liquidity can harm the firm's ability to run smoothly, managing liquidity has become extremely crucial. For that reason, the current study aimed to look into the relationship between liquidity and profitability. The research is based on 15 sugar firms that have been listed on the Pakistan Stock Exchange over the period of 11 years, from 2009 to 2019. Correlation and regression analysis as well as the descriptive statistics were applied in the analysis and the results shows that Among Pakistan's listed manufacturing enterprises, liquidity ratios (current ratio) is positively and significantly correlated with firm profitability. By examining the Pakistani sugar industry, The findings indicate that the current ratio has a favorable correlation with both ROA and ROE whereas the quick ratio has insignificant relation with return on equity. In summary, the liquidity ratio is particularly useful in identifying a company's profitability because it reveals the current assets and current liabilities of the company. According to the study's findings, if a company's liquidity ratio is high, it is in a stable position since it has a lot of cash on hand and can deal with any cash flow problems without difficulty.

Keywords: Liquidity, Profitability, Sugar Sector, Pakistan