Influence of Liquidity on Profitability of Cement Sector: Indication from Firms Listed in Pakistan Stock Exchange.

Aqeel Rasool Janjua¹, Awais Asghar, Umais Munir², Ali Raza, Naeem Akhtar and Khuram Shahzad³

Abstract
Cement is one of the main significant industries currently in Pakistan, either large or small. This research aims at investigating influence on the profitability of liquidity in the cement segment, Pakistan. This objective was achieved by secondary data and collecting through held registered company’s balance sheet then income statement over 2008-2015. Secondary data was collected from the sample of 20 firms, from which all firms have been registered under Pakistan Stock Exchange. Two statistical techniques were used to analyze collected data. The correlation was processed to analyze association in liquidity plus profitability along with regression analysis with the help of OLS technique was used to determined parameters. The factors that are considered in this study as variables are profitability (ROA i.e. dependent) and liquidity (CRR, QUR, & LR i.e. independent). The current study revealed results, there is a positive and significant relationship in said variables. This study concludes that liquidity ratio affects the profitability ratios.

Key words: Liquidity, Profitability and listed Cement firms of Pakistan.

INTRODUCTION
Background of the Study
Cement sector has become a major driver of growth of the economy in the developing nations through construction in response to the forces of globalization. In Everyday life Cement is one of the main significant industries in Pakistan, whether it is small or large. For instance, this industry of Pakistan has to transfer his product towards near states as Afghanistan, Iraq, Russia, India, and U.A.E, but lately African states additionally then it has created reputation and status. So, in this short period in the global market, a top quality cement producer called by international market towards Pakistan Cement sector (Maira, Economy of Pakistan, 2011). In the view of areas in Pakistan, the cement marketplace is allocated into two main areas: the first is North region and the other is South region. So, the first North region contains on Azad Kashmir, N.W.F.P., Punjab and the greater Baluchistan region. At the end, the Southern region organizes the entire Sindh and remaining area of the Baluchistan (Laraib, 2012). Furthermore, In Cement industry, Northern zone was producing four times more tons than southern zone while this producing many tons of cement per year (Maira, Economy of Pakistan, 2011). Liquidity and management of liquidity (both) are very vital for every business, not only in Pakistan but in this world. This means to pay current responsibilities on companies. The payment responsibilities comprise, on the one hand: financial and operating expenses that are temporary, on the other hand: increasing long period debt or commitment. Liquidity ratios are not used solely but within the support of management of liquidity inside each company is needed. Then, this is used within the formula of current, liquid and quick ratio by the purpose of, particularly influence on the profitability of companies. For that reason toward meet payment method through relay cash besides proximate cash concerning commitment of payments (i.e.: financial, working & suppliers expenses). The company has suitable liquid assets (i.e., Bank, Cash) in the direction to meet payment program. Similarly, on one side, liquidity ratios purpose with cash and near-cash assets (both known as "current" assets) and on the other side, the direct payment commitments (known as current liabilities) of a firm. More, commencing consumers plus lists of finished goods besides unprocessed resources the near-cash resources generally consist of receivables. Similarly,

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Cash flows from operating produce by way of assets, and it will affect continuing firm liquidity (Soenen L. A., 1993). According to Krueger in the other study described that an organization must reserve suitable amount of liquidity to encounter its consistent commitments. The liquidity in surplus was sufficiently necessary through the firm to currency, his processes might counter-productive. So, business liquidity obligation fluctuated contingently on company’s conditions. Academically, a firm wants to conserve a liquidity level that is not harmful to its profitability. Results of experimental confirmation showed a negative correlation between profitability and liquidity while a company cannot work with nil liquidity in order to make the most of its earnings (Krueger, 2005).

Management of liquidity is turning stone of management of working capital in firms. Therefore, suitable planning of management of liquidity is commanding for all types of firms whether it is small or large. The influential liquidity of company can be estimated from a different approach in the organizations. The primary set is concerned on behalf of business management’s liquidity that current creditors of firms while the level of liquidity in firms should be high to meet this. Additional, the significant of cash is compulsory to make immediate payments to any company which supports the companies to purpose the reduction of risks. Another component is receivables of the liquidity shall promotion in sale development. Furthermore, a leading component is the account payables of the short term finance desires to stand financed in due time (Rajan, 1997).

According to authors liquidity is proficiency of any firm towards meeting current liabilities of financial activity by converting the current assets on the road to cash deprived of any loss (Mahavidyalaya, 2012). Islamuddin et al. discussed in his study about liquidity that no doubt it acts important part among effective working of a company, but it was prerequisite toward confirming in which enterprises were competent for meeting its current obligations while company must certify whether it did not grieve over excess or lack liquidity in the direction of encounter that obligations. So, liquidity’s study was the main prominence to external and internal predictors for the reason of his near attachment using daily tasks of a production (Islamuddin, 2011). Management of liquidity belongs to the outflows of existing business responsibilities consider because of these remain funded inside short time period. According to the author suggestion, companies normally do not expect about increasing management of liquidity already reaching crisis conditions (Nicolas, 1991). Redman et al. discussed in his study about exploring the position of liquidness from the affiliation of liquidity-profitability, the company was appraised over relevant ratios that exist to say, current ratio, quick ratio and cash ratio respectively (M. Z. Rehman, 2015). Liquidity central measures are of current (CRR), quick (QUR), liquid (LR) ratios allied using performance of the firm. In this study the authors concern with, firstly current ratio shows that “the companies’ ability to pay its short-term debts is known as current ratio or cash-asset ratio”, secondly QR displays that “among contrast towards current liabilities, while liquid resources with cash consist”, then lastly liquidity ratio (LR) shows that “calculation of firms available cash and marketable securities against outstanding debt”.

All occupations are the best apprehensive using way of his profitability but it is aptitude to create revenue by total accomplishments of a corporation or a firm. At that time this confirms in what way proficiently or effectively administration can generate income from means of wholly Possessions (assets) accessible in the marketplace. Hence, Profitability Ratios is one of the most frequently used tools for measuring profitability. It shows a corporate overall efficiency and effectiveness, as well as profitability is linked toward the objective of stockholders of capital expansion then security among up-to-date assets that made the mere condition of a satisfactory yield remains gained. According to Authors, they identified the following Measures of corporate profitability. Profitability ratios are calculated on dualistic most important classes, one is with respect towards sales as well as other is in relation to investment way. The main measures of profitability are net operating margin (NOM), Gross profit margins (GPM), return on capital employed (ROCE), assets (ROA), and equity (ROE). According to Authors ROA stated that the net revenue produced by a corporation, for instance, a proportion of overall resources presented for practice through the organization (Sandhar, 2013).
Profitability is different on the side of the management of working capital while helps strategy of holistic. In this context, profitability demonstrates the proof of the ability to produce earnings of the corporation. Then, an increase in profitability pushes raising the prices of stock which make available capital gains in the firm. In the perspective of Business Finance, that a foremost measure of productivity reflects profitability in the corporation that attends major metric of economic enactment plus exposes product measure of business achievement. Further, proportions of profitability marked aptitude of initiative toward produce incomes comparative to possessions, equity plus sales. Similarly, same parts indicators skill of company to produce cash flows, incomes and profits comparative to particular displays, that is to say, the capital invested. Profitability is the product of numerous accurate guidelines and suitable choices. Generally, the profitability ratios present the combined result of management of the asset, liquidity to debt on the goodwill of the business. The shared samples of profit proportions comprise return on assets, capital employed, equity, sales, and investment, further net and gross profit margin. Lastly, several investigate exposed accounting ratios for the approach of judgment making is influential amongst contribution related information (Lewellen, 2004). Similarly, Eljelly explained the importance of both liquidity and profitability in this study that management of liquidity in current business upsets profitability while this one cannot stay passed over. Author expressed to handling of working capital is fundamental section that requisite sustaining his liquidity to meetings responsibility in routine wise task to certify flat success (Eljelly, 2004). In the same way, Raheman and Nasr described the importance of both liquidity and profitability in this study as that Problem amid liquidity management is to accomplish anticipated adjustment concerning liquidity-profitability (Raheman, 2007). In the corporate finance context, BPP Learning Media discussed that liquidity and profitability are the most projecting topics, for the reason that it directly affects success of a corporation. Additionally, management with proficiency of liquidity is exceptional basics in accomplishment of Inspirational Company as well as this give worth to management in many segments while a suitable quantity of liquidity is retained on behalf of horizontal succession of a corporation then satisfaction of matching intentions success (Media, 2010). The authors explained on the view of the profitability and development of cement companies while liquidity and management of liquidity are measured to an extraordinary level, for the reason that injustice liquidity exceed or less are threat in both way to the level operation of a corporation (Sandhar, 2013). In this way of non-financial corporations, there are no freedoms to this problem of additional liquidity or threatened liquidity as well as they has to retain an optimum level of liquidity by way of the chase their objective of profitability of organization.

This study is confirmed based on two major aspects; one is experimental and other is methodological influences. In this way, various studies on liquidity and cements profitability concentrated on macroeconomic factors, while a few concentrated on level of corporation. So, this study employs cement specific information (firm level data) for inspect impression of cement on their outcomes in Pakistani perspective.

Current study focus Liquidity Management’s influence on Pakistani Cement Firms Profitability: Evidence from Pakistani cement sector is concerned. We are going to catch Liquidity impact on Productivity of Pakistani Cement Companies in relation to combination some factors (variables) such as (independent) current, cash or liquid with quick ratio, whereas return on assets (dependent).

**Research Objective**

Main objective of present study is:

- To study influence on the performance by liquidity managements of the Pakistani cement Companies.

Sub Objectives of current study are:

- CRR is positively linked with the firm profitability.
- QUR is positively connected with the firm profitability.
- CAR/LR is positively related with the firm profitability.

**Research Questions**

In Pakistani perspective literature about this sector is less argued. Now, the research question of our paper is:
Have any relation with liquidity and profitability?
What is the impact of liquidity on profitability?

Significance of the study
This study provides guidelines to experts by comparing their segment with the foreign countries like South Asians country etc. Therefore, managerial viewpoint is very significant for efficient management of liquidity and better profitability as well as the satisfactory liquidity, then its performance growth are supportive signs to drive behaviors of stakeholders. Similarly, the study will allow the managers to found finest liquidity levels along with implementation that provide better liquidity policies in the firms. In existing context, this subject remained focus of sundry hypothetical plus practical explores that stayed accompanied, between researchers through (Soenen H. S., 1998), (Eljelly, 2004), (Padachi, 2006), (Raza, 2012), (Small, 2012), (Obida, 2012), (Khan, 2015), and (Sulaman Jamil, 2016). Therefore, it is highlighted that however a sum of studies, the countryside impact of liquidity on profitability is silent while not completely documented. It is worried problem likely affiliation amongst liquidity as well as profitability of cement enterprises have not stood largely exposed up till now.

LITERATURE REVIEW
This section considers numerous published journals connecting towards liquidity and management of liquidity along with profitability while taking into concern several concepts and theories linking to this study topic.
Qismat conducted a research in different Asian’s countries. He examined that the power of liquidity on corporate effectiveness in cement zone, Pakistan. Research sample investigation was consists of registered cement firms on Karachi stock exchange (KSE) for period of 2006 to 2011. Total research bases on secondary data and it has taken from the sample company’s financial statements were used for collection of data. Correlation and regression examination were used to data analysis. Research outcomes explained ratios of liquidity, current, quick, cash, sales growth besides firm size have a positive and significant relation with ROA but on the other hand, Regression analysis revealed that current ratio, Quick ratio, cash ratio too firm size have little insignificant influence on ROA (Khan, 2015).
The study inspected by Arshad and Yasir that effect on profitability of cement industry Pakistan by working capital. The authors used primary data in this study that was survey and inspected for a period for the year 2004-2010. This research paper explored that 21 recorded Pakistani cement groups constituting KSE. So, findings of concerning work displayed significant negative connection in cement companies (Yasir, 2013).

According to Sandhar and Janglani, the way of study upon liquidity with profitability of nominated Indian Cement Corporations: method of regression modeling. Secondary data from the internet and journals was used as a source of data. The authors empirically inspected the relationship between liquidity and profitability while liquidity ratio quantify via ratios of liquid, current, cash turnover, CLTAR and CATAR, have little connection of profitability dignified in ROA and ROI. The researchers exposed current ratio then liquid ratio is negatively related with ROI & ROA (Janglani, 2013).
The Paper by Akoto et al. concerns in WCM practices along with profitability of 13 manufacturing organizations since 2005-2009 while these listed in Ghana state. The deduction of research is known as significantly positively influence of CCC and Current Assets Ratio of firm to profitability (Akoto, 2013), but in same way of manufacturing firms (published by State Bank of Pakistan) from 2007 to 2011 showed CCC having significantly opposite connection in return on assets (Malik, 2013), hence research indicated relationship between firm liquidity also Profitability which have Manufacturing area itemized on NSE while they revealed liquidity dignified in positions of Credit Procedures, Management of CF and CCC of company have significant inspiration on enterprise profitability (Small, 2012). The researchers exhibited a study on same way of WCM for 147 registered businesses on Tehran SE starting 2005 to 2009. The findings of the study explained through regression that a undesirable significant contact happen concerning liquidity and Performance (Davoudi, 2013). The present study observed by Takon that have CCC effect on RoA of 46 Nigerian Firms from 2000-2009. Revealed of this research is given in a statement...
that impact of CCC on return on assets had a significant negative, denoting diminishing CCC must upturn profitability (Takon, 2013).

The study showed by Ismail to inspected same topic, Sixty four non-monetary businesses constituting Karachi Stock Exchange, Pakistan (KSE-100 index) for 2006 to 2011. End result showed current ratio with CCC has significant positive encouragement on profitability (Ismail, 2016). This paper set out by Sunday et al. to search influence of WCM on firm’s performance plus market value of 54 non-financial quoted firms (Nigeria Stock Exchange) in Nigeria from 1995-2009. The expose of this research is given in a statement of regression technique, a significant connection in the middle of profitability, besides WC component in route by way of earlier studies (Sunday, 2012).

The research in Pakistan and inspected by Sulaman et al. that impression of WCM on market returns of thirty chemical enterprises (KSE) in Pakistan beginning 1998 to 2011. The responses of the work displayed that now improving the market return (wealth of shareholders), WCM shows an significant character in chemical sector in Pakistan (Sulaman Jamil, 2016). Ahmed and Qaisar provided a research about same sector in method of market to book value is affected by the 30 company’s (listed in Pakistan Stock exchange) liquidity management from 2002 to 2011. Thus, the conclusion of this study is given in a statement that performance of the chemical sector through firm exact factors interconnected toward liquidity in relations of market-book value is disturbed (Ahmed, 2013).

This was the study of Jurkowski and Daly presented in New York USA, that describe the Liquidity-Solvency Analysis of seven Oil Companies of the BRIC states from 2000 and 2008. The researcher revealed that I would most likely choose China Petroleum by way of the preferred investment based on its attractive EPS and low P/E ratio for risk taker as well as for risk averse then strongest is the Gazprom, but with an admittedly higher country risk in both countries. So, this is not a major concern about RoA and RoE are relatively close in all seven (Daly, 2015).

The research indicated by Islamuddin et al. that a study of managing the liquidity of 4 successful steel corporations (listed in India Stock Exchange) from 1997 to 2006. The findings of the study described by regression technique, hence at hand of liquidity-profitability indicators exists link (Islamuddin, 2011).

The reading reviewed by Kenya authors around assembly amid WCM-Firm Profitability of 5-5 manufacturing and construction recorded on Nairobi SE for the period 2003 to 2012. The results of study through OLS regression models indicated that current ratio, leverage with sales progress as well as size ensure significant belongings on the profitability of firms (Makori and Jagongo, 2013).

This was the study of Ajanthan to examine the link among 8 trading companies liquidity-profitability in Sri Lanka from 2008 to 2012. The findings of the study described by correlation and regression are a significant cooperation happens in liquidity-profitability of said companies and these results are valid for this sector (Ajanthan, 2013).

This is discussed by Nigerian researchers Small et al. that the understanding role of liquidity-performance in Nigeria commercial banks from 2004-2012. They revealed that the negative relationship with liquidity and profitability (Small, 2012). This was the study of Ibe accompanied the research paper investigates Liquidity of 3 Banks in Nigeria [Elliot Rothenberg Stock (ERS)] from 1995-2010 (secondary data) regarding profitability. The findings of the study explained and showed over Regression analysis that liquidity management is undeniably critical problematic in reference to industry (Ibe, 2013). This was the study of researchers directed to realize concerning link of 7 Listed Banks (Ghana Stock Exchange) from 2005-2010. The result of the study was obtained from panel method that profitability ratio was retreated by liquidity ratio and both falling. For a second time, findings confirmed exact weak-positive relationship (Lartey, 2013).

This was study of Bolek conducted on the New Connect market in Warsaw, Poland regarding same relationship that risk in emerging organizations which were itemized in Warsaw SE from 2007-2012. The decision of extant research was known through OLS regression that higher risk and profitability by lower topic ratio (higher debt) (Bolek, 2013).

This paper sets out by Warrad et al. to investigate the impact of the liquidity on fifteen Jordanian listed Banks (ASE), profitability through Return on Assets on the banking sector of Jordan-Amman from 2005-
The disclosed of this research is given in a statement through Simple Regressions that significant impression of quick ratio on return on asset of Jordanian banks (Warrad, 2015). The results of research available overhead display topic indicators may be taken into attention to confirm this problem concerning idea which may vary on the behalf of markets. Thus, current requirement is accessible now below diagram while diverse liquidity-profitability relation may be termed theoretical assumption plus different markets.

Hypothesis
H1: Liquidity has contributed with profitability.
Ho: Liquidity has no contributed with profitability.
H2: Liquidity affects profitability.
Ho: Liquidity does not affect profitability.

Theoretical Framework:

![Diagram showing relationships between Liquidity Ratio, Current Ratio, Quick Ratio, and Return on Assets]

RESEARCH METHODOLOGY
Data collection and sample
The facts for obtainable paper was collected using balance sheets and income statements from 2008-2015. Secondary data from the listed firm statements was used as a data source. Population of this effort was selected non-financial organizations who have been registered under Pakistan Stock Exchange in Pakistan. Our sample size consisted on the cement firms. This study was restricted to gather the data for the period of 8 years from 2008-2015 for this research out of which a sample of 20 companies have taken. In this paper, questions were asked that have any relation with liquidity and profitability of Pakistani cement industry, and what is the impact of liquidity on profitability.

Data analysis technique
Data collected for this study was evaluated using correlation coefficient technique along with regression analysis with help of OLS technique used to determined parameters. Regression analysis technique was used to examine effect of Liquidility to Profitability. Similarly correlation coefficient was used to observe relationship in Liquidity Management on Profitability of Cement Organizations. Here in study authors examined Impact of Liquidity on Profitability of Cement sector of Pakistan.

Variables

Dependent Variable
i. Return on Assets: “how cleverly management is utilizing its assets to generate revenue”. Better ROA by higher value was also considered as dependent variable by (Ismail, 2016), (Davoudi, 2013), (Yasir, 2013).

\[
\text{Return on Assets} = \frac{\text{Net profit}}{\text{Total assets}}
\]

Independent Variables
i. Current Ratio: “The organizations capacity toward pay his short term debt is known as current ratio or cash-asset ratio”. (Ismail, 2016), (Khan, 2015), (Yasir, 2013).
CRR = Current assets / Current liabilities

ii. Quick Ratio: “Show cash with other liquefied resources now comparison to existing liabilities”. This proportion was considered by (Khan, 2015), (Yasir, 2013), in his research as proxy for liquidity.

QUIR =Current assets-Inventories / Current liabilities

iii. Liquidity Ratio: “Available company design cash and marketable safeties in contrast to unsettled debt.” (Khan, 2015), (Yasir, 2013), Consider LR as independent variable in their respective researches.

Liquidity Ratio = Cash+ marketable securities / Current liabilities

Appraisal of Regression Model
So as to inspect concerning connection in middle of variables were processed via an OLS regression model which has still been explicated overhead.

\[ \text{Return on assets} = \beta_0 + \beta_1 \text{(Current Ratio)} + \beta_2 \text{(Quick Ratio)} + \beta_3 \text{(Liquid Ratio)} + e \]

In upper way equation, firstly profitability demonstrating by return on asset (ROA) that is controlled variable, secondly constant term is \( \beta \) and there will be some change in controlled variable on account of constant if completely explanatory variables ensure nil result, thirdly \( e \) is the error who not involved happening research study. Fourthly, Symbol of explanatory variables endure its +ive or -ive spectacles influence on controlled variable while CRR, QUIR and LR are Current, Quick and Liquid Ratios respectively.

ANALYSIS AND RESULTS

Table 4.1; Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.737</td>
<td>4</td>
</tr>
</tbody>
</table>

The data had 20 companies on cement firms. The Cronbach Alpha of the data is 73.7%. It worth the data is 73.7% reliable for current research.

Table 4.2; Descriptive Statistics

<table>
<thead>
<tr>
<th>Name</th>
<th>Return on Assets</th>
<th>Quick Ratio</th>
<th>Current Ratio</th>
<th>Cash Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.031872</td>
<td>1.000774</td>
<td>1.132063</td>
<td>0.109836</td>
</tr>
<tr>
<td>Median</td>
<td>0.018103</td>
<td>0.633519</td>
<td>0.859421</td>
<td>0.024618</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.243884</td>
<td>11.26139</td>
<td>5.398247</td>
<td>2.213064</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.381182</td>
<td>0.052012</td>
<td>0.052012</td>
<td>1.97E-05</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.096647</td>
<td>1.227023</td>
<td>0.970666</td>
<td>0.276272</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.369256</td>
<td>4.524223</td>
<td>1.883444</td>
<td>5.222581</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>4.41335</td>
<td>33.36474</td>
<td>6.854025</td>
<td>34.83981</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>16.95306</td>
<td>6692.612</td>
<td>193.6197</td>
<td>7485.835</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000208</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sum</td>
<td>5.099532</td>
<td>160.1239</td>
<td>181.1301</td>
<td>17.57372</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>1.485162</td>
<td>239.3883</td>
<td>149.8085</td>
<td>12.1359</td>
</tr>
<tr>
<td>Observations</td>
<td>160</td>
<td>160</td>
<td>160</td>
<td>160</td>
</tr>
</tbody>
</table>

Table 4.1 shows descriptive analysis results of variable such as cash ratio, current ratio, and quick ratio. Descriptive statistics analysis is an analysis through which numbers are used to review and describe data. Descriptive statistics is better towards know-how and clarify data conversion into arrangement. The
mean and median must be closely related to each other and the term mean stands for average of the numbers. A calculate average value of the set of numbers. The table presents the descriptive statistic of the study. The average return on assets of the firm is 0.031872, current is 1.132063, quick is 1.000774, and cash ratio is 0.109836 averagely mentioned. Median is the middle value of any set of numbers. As the result below shows that the mean and median values are closely related to each other. Like return on assets mean of it is 0.031872 and the median is 0.018103, similarly current ratio mean is 1.132063 and median is 0.859421 and so on as given in table below.

The term rang means the difference between maximum and minimum values, in the table below the maximum value of ROA, CRR, QUR, and cash ratio are 0.243884, 5.398247, 11.26139, 2.213064 and the minimum values of these variable -0.381182, 0.052012, 0.052012, 1.97E-05. The standard deviation of all variables can be positive or negative. Total observations of each variable are 160 that were used in this research study. According to analysis performed below mean and median value do not show too much difference that indicates all variables are showing normal behavior.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick Ratio</td>
<td>0.004096</td>
<td>0.007727</td>
<td>0.530048</td>
<td>0.5968</td>
</tr>
<tr>
<td>Current Ratio</td>
<td>0.034168</td>
<td>0.010464</td>
<td>3.265207</td>
<td>0.0013</td>
</tr>
<tr>
<td>Cash Ratio</td>
<td>0.07754</td>
<td>0.027501</td>
<td>2.819518</td>
<td>0.0054</td>
</tr>
<tr>
<td>C</td>
<td>-0.019424</td>
<td>0.010174</td>
<td>-1.909183</td>
<td>0.0581</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.280638</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.266804</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.082756</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>1.068369</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>173.6931</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>20.28628</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>1.056574</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

It is the statistical procedure for determining an affiliation concerning variables of dependent-independent. Table 4.3 shows R-Square value that is the correlation coefficient and indicates percentage
change in dependent variable due to independent variable. As the table show C is constant that covers the effect of other factors. The probability of current ratio and cash ratio is less than 0.05 which shows they are statistically significant (Khan, 2015), that’s why we reject the null hypothesis. Quick ratio is not less than 0.05 which shows they are statistically insignificant (Janglani, 2013). in the regression coefficient, CRR has the positive impression on ROA by increasing one unit of current ratio return on assets will increase by 0.034168 and same case with other quick ratio has weak positive impact on return on assets that by increasing 1 unit of quick ratio return on asset will increase by 0.004096. In value of regression coefficient 0.07754 cash ratio has positive impact on ROA by increasing on unit of cash ratio return on assets will increase by 0.07754.

T-Statistics shows the significance of regression coefficient the greater value of t-statistics from 0 show regression coefficients is highly significant. And in this case the t-statistic is greater than zero as the result show current ratio (3.265207), quick ratio (0.530048), cash ratio (2.819518) respectively and they all are greater than 1 except QR and they show regression coefficient are highly significant. R-Square value is the correlation coefficient and indicates percentage change in dependent variable due to independent variable. R-Square value is 0.280638 that means due to change in independent variable 28.06% change occurred in dependent variable. In other words current ratio, quick ratio, and cash ratio variables collectively affect 28.06% to return on assets and remaining change is due to the error term. And the adjusted R-square value is 0.266804. Table below also displays prob. (F-Statistic) value that indicates the robustness of model. It also explains the extent to which model is fit and through independent variable deviation in dependent variable is enlightened. Value should be closer to zero. F-Statistics value is .0000 means model used is suitable on behalf of such type of data. Durbin Watson stat value in table shows existence of autocorrelation among data. Durbin Watson stat value is 1.056574 that is closer to zero so there is positive autocorrelation among data.

<table>
<thead>
<tr>
<th>NO.</th>
<th>Hypotheses</th>
<th>Results</th>
<th>Tools</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hypothesis one</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ha0</td>
<td>Liquidity-profitability has no relation with each other.</td>
<td>Rejected</td>
<td>Correlation</td>
</tr>
<tr>
<td>Ha1</td>
<td>Liquidity-profitability has relationship with each other.</td>
<td>Accepted</td>
<td>Correlation</td>
</tr>
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<td></td>
<td>Hypothesis two</td>
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<tr>
<td>Hb0</td>
<td>Liquidity-profitability does not affect each other.</td>
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<td>Correlation</td>
</tr>
<tr>
<td>Hb1</td>
<td>Liquidity-profitability affects each other.</td>
<td>Accepted</td>
<td>Correlation</td>
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</table>

CONCLUSION, RECOMMENDATIONS AND LIMITATION

Conclusion
In progress study authors observed impact of liquidity on Profitability in Cement Firms, Pakistan. The methodology design based on previous researches conducted in this area like Qismat (2015), Warrad (2015), Arshad and Yasir (2013), Sandhar and Janglani (2013), Makori and Jagongo (2013), Bolek (2013). Composed firms have been documented under PSE for the periods of 2008-2015 are selected as population for this research out of which a sample of 20 companies has taken. For analysis require data from alleged recorded firm’s income statements along with balance sheet since 2008-2015. Regression analysis with the help of OLS technique has been used to determined parameters. This study has been conducted on the secondary data which investigate relationship inserted concerning liquidity management and profitability. And it has been found in this study that CRR, QUR, and LR/CAR are positively related to profitability (Khan, 2015). Thus, existent study disclosed in what way liquidity handled regarding uncertainties as well as determines as to effect on profitability’s, similarly, specific factors those are valuable in improving firms profitability and liquidity while study is aimed at discovering, obviously, the results of study are as expected. Findings show positive relationship relating to liquidity-profitability like (Khan, 2015) against view of Yasir (2013) and (Janglani, 2013). Consequently situation is indispensable for each firm toward keeping symmetry among profitability-liquidity. While looking at that condition we excluded null hypothesis in conjunction with acknowledged another

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hypothesis is significant together with positive connection by reference to liquidity-profitability. Finally, it is concluded profitability ratios affected by liquidity ratio in this study.

**Recommendations**

Policy makers should have the interest in promoting efficient management of liquid assets to promote profitability. It should therefore be the burning desire of top management of every firm to make liquidity decision, which is part of working capital financing in order to remain profitable and competitive. Hence manager should know. How and what liquidity structure will influence their performance. The political stability also play a vital role in any economy so it is important that our government influences on the public affect its profitability in a heavy way and due to this the company liquidity also gets affected. As this survey was related to the public companies of Pakistan the transportation, fuel, and energy sectors so far such kind of sectors the government stability is important, economic stability is the important the company should maximize its profits and make its strategies strong enough that it would help them to bear any harsh situation.

**Limitation of the study**

Our study appearances the following boundaries:

- The main restraint is the lack of firms for the current study.
- Because of lack of firms, only few non-financial cement companies of the 20-non financial cement sectors listed at Pakistani stock exchange are being examined.
- In our study, Liquidity has been centered on just three variables consequently there are certain, additional with other various factors in the corporation.
- The work was constrained towards the Cement industry in Pakistan only.

It is worried that the difficult of expected connection in middle of liquidity-profitability in cement enterprises, which have not been mainly expressed until now. At that time, the incomplete works connected to the focus in question were accomplished, in the middle of others, by Qismat (2015), Arshad and Yasir (2013), Sandhar and Janglani (2013). So, inadequately concern was rewarded just before notice liquidity-profitability substance in cement organizations.

**REFERENCES**


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