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THE CLOSE CONNECTION BETWEEN LIQUIDITY AND PROFITABILITY: ANALYSIS OF THE RETAIL MARKET

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ABSTRACT

Purpose- Analyzing profitability and liquidity indicators are essential for healthy financial management. Liquidity refers to the extent to which a company can convert its assets into cash quickly and without significant loss of value while profitability refers to the extent to which a company generates profits and returns investments for its owners. An important dimension in the relationship between liquidity and profitability is time. A company may be liquid and profitable at one point in time, but this may not hold true over time. In addition to these things, the Romanian retail industry is an industry that contributes massively to the achievement of the GDP and is also an important employer, offering employment opportunities to a significant part of the population. The purpose of this study is to determine the relationship between liquidity indicators and the profitability of retail companies.
Methodology- STATA software was used to model the data and estimate the results, using multiple linear regressions.
Findings- The analysis reveals that shows that liquidity rates have a low impact on the profitability of Romanian companies in the retail trade industry.
Conclusion- Based upon the analysis, it may be concluded that managers must establish more favorable policies regarding the credit granted by suppliers, which can lead to a decrease in the cash conversion cycle and implicitly to an increase in the profitability of retail companies. At the same time, the simple conclusion is to pay more attention to the company's liquidity, observing the direct relationships between liquidity rates and profitability in the sense of increasing the last one.

Keywords: business economics, financial management, liquidity, market, profitability, retail
JEL Codes: L21, L81, M21

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