A COMPARATIVE STUDY ON LIQUIDITY MANAGEMENT, OPERATING PERFORMANCE AND FIRM VALUE

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Abstract

Managing liquidity is fundamental for expanding businesses. Without it, firms will face failure/bankruptcy. This study aims to scrutinize the association of liquidity management with operating performance and firm value by comparing different Pakistani non-financial sectors and to find this impact for the firms having high and low market value. The data is collected for 10 years i.e. 2004-2013. Panel data methodology is used. The results show that liquidity management negatively and significantly impacts both variables in the non-financial sectors. Furthermore, high and low market value firms differ significantly in terms of size, cash conversion cycle, performance and market value. Hence, firms need to manage liquidity by converting inventories and receivables into cash quickly, and making late payments to improve performance and firm value.

Keywords: Liquidity Management, Working Capital Management, Operating Performance, Profitability.

JEL Classification: G300

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