

## **THE IMPACT OF LIQUIDITY MANAGEMENT ON PROFITABILITY: EMPIRICAL STUDY ON RETAIL COMPANIES IN ROMANIA**

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### **Abstract**

Companies operate in markets that are always changing. The business climate is marked by a number of changes, including rapidly growing markets, financial crisis, technical progress, competition and innovation.

This research paper measures the impact of liquidity on profitability, represented by the rate of return on capital employed (ROCE) for companies in the retail trade industry in Romania. The independent variable liquidity conversion cycle was also taken into account in the research, the result of the regression applied to the panel data referring to the analyzed period of 9 years, 2013-2021, showing that among the independent variables, the current liquidity rate, the cycle liquidity conversion, total assets and dependent variable ROCE, there are significant and negative relationships. Also, between the independent variables the immediate liquidity rate, the turnover and the dependent variable ROCE, there is a significant but positive relationship, the conclusion being that paying more attention to the cash conversion cycle but also to the current liquidity rate, can cause a increase in the profitability of companies in the Romanian retail industry.

### **Keywords**

Liquidity, profitability, financial management, retail industry, working capital.

### **JEL Classification**

L81, M21

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