

A Study on the Liquidity and its Impact on the Profitability of Selected Real Estate Companies of India

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Abstract

Profitability and liquidity play a crucial role in the success of a business as they are fundamental aspects that ensure the financial stability and liquidity of the company. When effectively and efficiently managed, they contribute to the overall financial position of the company. The main objective of this research paper is to compare the liquidity and profitability ratings of three selected companies and examine the relationship between them over a specific study period. The three companies chosen for this study are D.B.Reality Ltd, Ansal Properties Ltd., and Peninsula Land Ltd, based on their ranking and data availability. To assess profitability, Return on Total Assets (ROTA) has been utilized as an indicator, while Liquidity management has been evaluated using various variables such as Current Ratio (C.R), Liquid Ratio (LR), Absolute Liquidity Ratio (ALR), and Liquid Assets to Working Capital Ratio (LA-WCR). The collected data has been analyzed using statistical tools including Mean, Co-efficient of Variation, Composite Rank Test, and regression analysis by using SPSS. The findings of the study reveal a significant relationship between ROTA and C.R, LR, and LAWC, while the relationship between ROTA and ALR in the selected Real Estate Company is found to be insignificant.

Key word: Real Estate Company, Profitability Liquidity, Composite Rank

1. Introduction

Real Estate is an important profitable sector of the economy. Generally real estate includes various types of property, land, buildings, air rights above the land, and underground rights below the land. The term refers to real or physical property. From the view point of business, real estate denotes producing, buying and selling property. Real estate is technically land plus any other tangible improvement that might rest upon it or be installed in it. The real estate sector is the second largest employer in India after agriculture and its contribution to employment is very significant. The contribution of the real estate company to the Gross Domestic Product (GDP) has been estimated at around 6.5% to 7% and the sector is expected to generate millions of jobs.

Liquidity analysis indicate company's ability and to pay its current liabilities. Therefore, adequate liquidity is important to take any decision in each aspect, that is, the survival of a company. Generally, liquidity is analyzed by taking into account the purpose and period. Profitability is a measure of overall company's efficiency in achieving the set-out objectives. Measurement of profitability is needed for taking various decisions at normal as well as crucial times of a company. There are number of measures of profitability, all of which cannot be employed in each case. Only one ratio is used that is Return on investment. But the profitability and liquidity is interdependent of each other to take any decision.

2. Review of Literature

For the construction of this study, the following literatures are reviewed:

Lifland, S. (2011), this study explores the impact of individual and net working capital efficiencies on a company's enterprise value (EV) within the energy sector. Significant negative associations between net working capital efficiencies and EV are identified for large and mid-cap firms. The findings emphasize the crucial role of efficient inventory turnover, trade receivables collection, and trade creditor servicing in influencing acquisition costs for investor-acquirers.

Joshi, L. K., & Ghosh, S. (2012), the paper titled "Working capital management of CIPLA Limited: an empirical study" examines the working capital management of CIPLA CO Ltd by analyzing data from their

annual report. The study uses different methods like Motaals test, Spearman's Rank Correlation, and Factor Analysis. The findings show a notable positive trend in most performance indicators, indicating satisfactory performance.

Babalola, Y. A. (2013)., this study examined how the size of manufacturing companies listed on the Nigerian Stock Exchange affects their profitability from 2000 to 2009. Profitability was measured using Return on Assets and firm size, represented by total assets and total sales. The study found that larger firms, in terms of both total assets and total sales; tend to be more profitable in Nigeria's manufacturing sector.

William,M (2014), in his paper, 'A study on Short-term and Long-term solvency of Nestle Private Ltd'. analyses the short term solvency of the Company for a period of four years from 2012 to 2014. The data is collected on the annual report of Nestle Pvt Ltd Company. The two ratios are used in the project that is short term solvency ratio and long term solvency ratio.

Ram, M. R. (2017), aims to analyze the liquidity and short-term solvency of specific Indian pharmaceutical companies from 2007-08 to 2016-17. Four companies were chosen based on their total capitalization. The results of the study reveal that all the companies studied do not have enough cash reserves.

Azhar, K. A., & Ahmed, N. (2019), examine the connection between the size of companies and their profitability in the textile sector of Pakistan. The study uses statistical techniques like regression and correlation analysis. The findings show that there is no correlation between the size of a company and its profitability. However, there is a notable negative relationship between the total assets of a company and its profitability.

3. Objectives of the Study

The following are the basic objectives of the study area:

- To evaluate the comparative liquidity scores as against the selected Real Estate Companies.
- To analysis the comparative profitability scores as against the selected Real Estate Companies.
- To examine the impact of profitability on the liquidity of selected companies during the study period.

4. Research Methodology

This research paper uses empirical methods and a secondary approach to analyze data from three companies with the highest stock prices and data availability: D.B.Reality Ltd, Ansal Properties Ltd., and Peninsula Land Ltd. Data from 2011-2023 was collected from various sources, including books, journals, and annual reports. The analysis includes measures of profitability and liquidity, such as Return on Asset, Current Ratio, and Liquid Ratio. The researcher uses simple regression analysis to measure the relationship between independent and dependent variables. The ratios used in the study are shortly prescribed as:

4.1 Current Ratio:

The Current Ratio is a commonly used indicator of a company's ability to meet its short-term financial obligations. It is calculated by dividing current assets by current liabilities. A higher ratio indicates that the company has more current assets available to cover each rupee of current liabilities, suggesting a stronger ability to meet short-term obligations.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

4.2 Liquid Ratio

The Liquid Ratio (L.R) is a more effective measure of a company's liquidity compared to other tests. It is used to assess the company's ability to meet its current liabilities promptly. However, inventories and prepaid expenses may not be easily converted into cash and cash equivalents. Typically, a liquid ratio of 1:1 is seen as the optimal ratio, with a higher ratio being preferable.

$$\text{Liquid Ratio} = \frac{\text{Current Asset} - \text{Inventory} - \text{Prepaid expenses}}{\text{Current Liabilities} - \text{Bank overdraft}}$$

4.3 Absolute Liquid Ratio

Absolute Liquid Ratio, also known as the Super Quick Ratio, is a more strict measure of a company's ability to pay off short-term debts. It only considers cash, bank balances, and marketable securities as current assets, and quick liabilities are calculated by subtracting bank overdraft from current liabilities. The standard ratio is typically accepted as 0.5:1.

$$\text{Absolute Liquid Ratio} = \frac{\text{Cash} + \text{Bank} + \text{Marketable Securities}}{\text{Current Liabilities} - \text{Bank overdraft}}$$

4.4 Liquid Asset to Working Capital Ratio

This ratio which is also known as the Operating Cash Working Capital Ratio, measures a company's ability to cover its operating expenses using quick assets. This ratio provides insight into a company's liquidity by focusing on its ability to meet daily expenses.

$$\text{Liquid Asset to Working capital ratio} = \frac{\text{Liquid Assets}}{\text{Working Capital}}$$

For investigating the significant impact of different liquidity measures on profitability (ROTA) for selected Indian Real Estate Companies four hypotheses have been tested using simple regression models. Each regression analysis involves fitting a model with ROTA as the dependent variable and liquidity measure (current ratio, liquid ratio, absolute liquid ratio, or liquid asset to working capital ratio) as the independent variable.

H₀: There is no significant impact of liquidity on profitability of the selected Indian Real Estate Companies.

Liquidity and profitability as measured by ROTA

H₀₁₋₁: Current Ratio has no significant impact on the ROTA

H₀₁₋₂: Liquid Ratio has no significant impact on the ROTA

H₀₁₋₃: Absolute Liquid Ratio has no significant impact on the ROTA

H₀₁₋₄: Liquid Asset to Working Capital Ratio has no significant impact on the ROTA

5. Data Analysis

Data analysis involves examining and interpreting data to gain insights and make informed decisions. The study examines the relationship between short-term liquidity and profitability in selected Indian real estate companies. Liquidity ratios, such as the Current Ratio (CR), Liquid Ratio (LR), Absolute Liquid Ratio (ALR), and Liquid Asset to Working Capital Ratio (LA-WC), were analyzed to determine their impact on Return on Total Assets (ROTA). The goal is to understand how effectively these companies manage liquidity and how it influences their financial performance. The analysis is shown in different tables considering various parameters used as indicators.

Table-1: Current Ratio of Selected Real Estate Companies

Year	Current Ratio		
	D.B.Reality Ltd	Ansal Properties Ltd	Peninsula Land Ltd
2011-2012	12.107	1.267	2.352

2012-2013	5.506	1.185	2.782
2013-2014	2.753	1.219	2.371
2014-2015	1.663	1.254	2.478
2015-2016	2.206	1.238	2.755
2016-2017	2.359	1.292	2.406
2017-2018	2.363	1.234	2.08
2018-2019	1.324	0.905	1.613
2019-2020	1.211	0.869	0.634
2020-2021	1.368	0.855	0.79
2021-2022	1.665	0.838	0.796
2022-2023	1.916	0.798	0.836
Average	3.037	1.080	1.824
Standard Deviation	3.077	0.203	0.840
Coefficient of Variation	101.31%	18.80%	46.02%

The current ratio analysis from 2011 to 2023 for three real estate companies shows distinct liquidity profiles in table-1. D.B. Realty Ltd has the highest average current ratio (3.037) but also the most variability (Coefficient of Variation of 101.31%), indicating inconsistent liquidity levels. Ansal Properties Ltd exhibits the lowest average current ratio (1.080) and the least variability (18.80%), suggesting stable and consistent liquidity. Peninsula Land Ltd has a moderate average current ratio (1.824) with moderate variability (46.02%), reflecting a balance between stability and fluctuations in liquidity. This analysis highlights the differing financial stability and risk profiles of the companies.

Table-2: Liquid Ratio of Selected Real Estate Companies

Year	Liquid Ratio		
	D.B.Realty Ltd	Ansal Properties Ltd	Peninsula Land Ltd
2011-2012	10.088	0.513	1.106
2012-2013	4.42	0.481	1.014
2013-2014	2.043	0.495	0.934
2014-2015	1.169	0.509	0.697
2015-2016	1.68	0.535	0.454
2016-2017	1.908	0.59	0.383
2017-2018	1.82	0.569	0.266
2018-2019	1.023	0.199	0.155
2019-2020	0.966	0.157	0.174
2020-2021	1.136	0.187	0.219
2021-2022	1.409	0.218	0.206
2022-2023	1.647	0.249	0.344
Average	2.442	0.392	0.496

Standard Deviation	2.576	0.171	0.350
Coefficient of Variation	105.47%	43.73%	70.47%

The table-2 presents the Liquid Ratio of three selected real estate companies: D.B. Realty Ltd, Ansal Properties Ltd, and Peninsula Land Ltd, over a given period. The Liquid Ratio measures a company's ability to cover its short-term liabilities with its most liquid assets. D.B. Realty Ltd has the highest average Liquid Ratio at 2.442, indicating stronger liquidity compared to the other two companies. However, its high Standard Deviation (2.576) and Coefficient of Variation (105.47%) suggest significant volatility and inconsistency in liquidity management.

In contrast, Ansal Properties Ltd shows the lowest average Liquid Ratio (0.392), implying weaker liquidity, but with a more stable performance, as evidenced by its lower Standard Deviation (0.171) and Coefficient of Variation (43.73%). Peninsula Land Ltd falls in between with a moderate average Liquid Ratio (0.496) and a Coefficient of Variation of 70.47%, indicating moderate liquidity and consistency. Overall, D.B. Realty exhibits high liquidity but with instability, while Ansal Properties maintains more consistent, albeit lower, liquidity.

Table-3: Absolute Liquid Ratio of Selected Real Estate Companies

Year	Absolute Liquid Ratio		
	D.B.Realty Ltd	Ansal Properties Ltd	Peninsula Land Ltd
2011-2012	0.078	0.016	0.425
2012-2013	0.037	0.013	0.360
2013-2014	0.044	0.015	0.302
2014-2015	0.004	0.015	0.240
2015-2016	0.018	0.007	0.104
2016-2017	0.010	0.006	0.095
2017-2018	0.013	0.004	0.050
2018-2019	0.002	0.003	0.036
2019-2020	0.232	0.137	0.168
2020-2021	0.231	0.150	0.213
2021-2022	0.177	0.181	0.202
2022-2023	0.089	0.187	0.332
Average	0.078	0.061	0.211
Standard Deviation	0.087	0.077	0.126
Coefficient of Variation	112.07%	125.75%	59.92%

The table displays the Absolute Liquid Ratio of the three real estate companies. Peninsula Land Ltd has the highest average Absolute Liquid Ratio (0.211), suggesting it maintains a relatively better position in covering its short-term liabilities with its most liquid assets. However, D.B. Realty Ltd (0.078) and Ansal Properties Ltd

(0.061) have much lower ratios, indicating weaker liquidity. Both D.B. Realty and Ansal Properties also exhibit high volatility, as shown by their high Coefficients of Variation (112.07% and 125.75%, respectively), implying inconsistent liquidity management. Peninsula Land Ltd, with a Coefficient of Variation of 59.92%, demonstrates more stability.

Table-4: Liquid Asset to Working Capital Ratio of Selected Real Estate Companies

Year	Liquid Asset to Working Capital Ratio		
	D.B.Realty Ltd	Ansal Properties Ltd	Peninsula Land Ltd
2011-2012	0.908	1.921	0.818
2012-2013	0.981	2.599	0.569
2013-2014	1.935	2.261	0.681
2014-2015	1.763	2.003	0.471
2015-2016	1.393	2.252	0.259
2016-2017	1.987	2.020	0.272
2017-2018	1.335	2.434	0.246
2018-2019	3.159	2.105	0.253
2019-2020	4.570	1.199	0.477
2020-2021	3.083	1.290	1.043
2021-2022	2.119	1.344	1.008
2022-2023	1.789	1.231	2.099
Average	2.085	1.888	0.683
Standard Deviation	1.053	0.497	0.529
Coefficient of Variation	50.491	26.302	77.525

The table shows the Liquid Asset to Working Capital Ratio for D.B. Realty Ltd, Ansal Properties Ltd, and Peninsula Land Ltd, which reflects each company's ability to cover its working capital needs with liquid assets in table-4. D.B. Realty Ltd has the highest average ratio (2.085), indicating a strong liquidity position, though with moderate variability, as shown by a Coefficient of Variation (50.491). Ansal Properties Ltd has a slightly lower average ratio of 1.888, with more consistent performance, evidenced by its lower Coefficient of Variation (26.302). Peninsula Land Ltd shows the weakest liquidity position with an average ratio (0.683) and the highest variability (Coefficient of Variation of 77.525), suggesting less reliable liquidity management and greater financial instability.

Table-5: Ranking in Respect of Liquidity of the Real Estate Companies

Liquidity Measure	D.B.Realty Ltd		Ansal Properties Ltd		Peninsula Land Ltd	
	Mean	Ranking as	Mean	Ranking as	Mean	Ranking as

		per mean		mean		per mean
CR	3.037	1	1.080	3	1.824	2
LR	2.442	1	0.392	3	0.496	2
ALR	0.078	2	0.061	3	0.211	1
LA-WC	2.085	1	1.888	2	0.683	3
Total(A)		5		11		8
Combined Score as per average						
	C.V (%)	Ranking as per C.V	C.V. (%)	Ranking as per C.V	C.V.(%)	Ranking as per C.V.
CR	101.31	3	18.80	1	46.02	2
LR	105.47	3	43.73	1	70.47	2
ALR	112.07	2	125.75	3	59.92	1
LA-WC	50.49	2	26.30	1	77.52	3
Total(B)		10		6		8
Combined Score as per consistency						
Grand Total(A+B)		15		17		16
Ultimate Rank		1		3		2

The table evaluates and ranks three real estate companies—D.B. Realty Ltd, Ansal Properties Ltd, and Peninsula Land Ltd—based on their liquidity through measures such as the Current Ratio (CR), Liquid Ratio (LR), Absolute Liquid Ratio (ALR), and Liquid Asset to Working Capital Ratio (LA-WC). D.B. Realty Ltd secures the top rank with a total score of 15, reflecting strong liquidity across most metrics, particularly in CR, LR, and LA-WC. Despite moderate consistency (based on Coefficient of Variation rankings), its superior liquidity positions it as the leader. Peninsula Land Ltd ranks second with a score of 16, performing well in ALR and showing moderate consistency, but its weaker LA-WC ratio affects its overall ranking. Ansal Properties Ltd ranks third with a score of 17, demonstrating the most consistent performance but generally weaker liquidity. The ultimate ranking highlights D.B. Realty’s strong liquidity, while Peninsula Land and Ansal Properties follow due to lower liquidity and consistency.

Table-6: Return on Total Asset of Selected Real Estate Companies

Year	Return on Total Asset		
	D.B.Reality Ltd	Ansal Properties Ltd	Peninsula Land Ltd
2011-2012	0.0216	0.0080	0.0590

2012-2013	0.0001	0.0094	0.0700
2013-2014	-0.0130	0.0027	0.0180
2014-2015	-0.0076	0.0044	-0.0020
2015-2016	0.0170	0.0056	0.0050
2016-2017	0.0011	0.0018	-0.0350
2017-2018	-0.0235	-0.0082	-0.0720
2018-2019	-0.0368	-0.0112	-0.1770
2019-2020	-0.0410	-0.0350	-0.1860
2020-2021	0.0240	-0.0040	-0.0410
2021-2022	-0.0180	-0.0020	-0.0470
2022-2023	0.0080	-0.0770	0.0420
Average	-0.006	-0.009	-0.031
Standard Deviation	0.022	0.025	0.083
Coefficient of Variation	-381.22	-279.72	-271.73

Table-6 shows the Return on Total Assets (ROTA) for three real estate companies, showing negative averages: D.B. Realty Ltd (-0.006), Ansal Properties Ltd (-0.009), and Peninsula Land Ltd (-0.031). This indicates that, on average, these companies did not generate positive returns from their assets. Peninsula Land Ltd's higher standard deviation (0.083) reflects greater volatility in returns compared to D.B. Realty Ltd (0.022) and Ansal Properties Ltd (0.025). The negative and high Coefficient of Variation values for all three companies—D.B. Realty Ltd (-381.224), Ansal Properties Ltd (-279.727), and Peninsula Land Ltd (-271.736)—suggest significant risk relative to their average returns, highlighting poor financial performance and instability in asset utilization.

5.1: Analysis the Impact of Liquidity on Profitability

The cross sectional data which includes the mean liquidity and profitability ratio and ordinary least square regression methods have been deployed to examine the relationship between liquidity and profitability. The hypothesis so adopted as stated in the methodology can be analyzed as:

5.1.1: Association between ROTA and CR

Table-7: Impact of Variation of ROTA on CR

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.652 ^a	.425	.367	.085443

a. Predictors: (Constant), CR

Source: Prepared by the Researcher based on Data Analysis

The study explores the liquidity represents by the current ratio (C.R) that affects profitability (ROTA) in chosen real estate firms. The analysis shows a substantial correlation ($R = 0.696$), with liquidity explaining 42.5% (R-squared) of profitability variance. The adjusted R-squared (0.367) accounts for predictor count, while the standard error (0.85443) gauges model accuracy (table-6).

Table-8: Predicting ROTA using CR

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.054	1	.054	7.391	.022 ^b
Residual	.073	10	.007		
Total	.127	11			

Source: Prepared by the Researcher

a. Dependent Variable: ROTA

b. Predictors: (Constant), CR

This study examines the relationship between liquidity and profitability in real estate companies. The analysis suggests a weak connection between the two variables, with the current ratio representing liquidity. The results indicate limited predictability of profitability based on liquidity. Additional analysis is necessary to fully understand the impact of liquidity on profitability in this specific context.

Table-9: Impact of CR on ROTA

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.160	.049		-3.269	.008
CR	.058	.021	.652	2.719	.022

a. Dependent Variable: ROTA

Source: Prepared by the Researcher

Table-9 demonstrates a notable impact of liquidity, as measured by the current ratio (C.R), on profitability (ROTA) for real estate companies. The coefficient of 0.652 and the t-statistic of 2.373, with a corresponding p-value of 0.022, suggest a significant positive relationship. This indicates that an increase in liquidity tends to coincide with higher profitability. The equation representing the impact of liquidity (C.R) on profitability (ROTA) is: $ROTA = -0.160 + 0.058(C.R) + E$. The coefficient for C.R is 0.058 with a significance level of 0.022.

Finally, it is concluded that increased liquidity, reflected by higher current ratios, tends to positively influence profitability among real estate companies, as indicated by the analysis.

5.1.2 Association between ROTA and LR

Table-10: Impact of Variation of ROTA on LR

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.737 ^a	.544	.468	.142456676

a. Predictors: (Constant), LR

Source: Prepared by the Researcher

Table-10 indicates a substantial impact of liquid

idity, represented by the liquidity ratio (L.R), on profitability (ROTA) among selected real estate companies. The high R-squared value of 0.544 suggests that approximately 54.4% of the variation in profitability can be attributed to changes in liquidity, indicating a strong relationship between the two variables.

Table-11: Predicting ROTA using LR

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.050	1	.050	6.413	.030 ^b
Residual	.077	10	.008		
Total	.127	11			

a. Dependent Variable: ROTA

Source: Prepared by the Researcher

b. Predictors: (Constant), LR

Table-11 suggests that liquidity (L.R) can predict profitability (ROTA) in real estate companies. The regression model's significant F-statistic (6.413) at a significance level of 0.030 indicates that changes in liquidity are associated with variations in profitability. Therefore, liquidity appears to be a relevant predictor of profitability for these companies.

Table-12: Impact of LR on ROTA

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		

(Constant)	-.122	.040		-3.081	.012
LR	.069	.027	.625	2.532	.030

a. Dependent Variable: ROTA

Source: Prepared by the Researcher

Table-12 demonstrates that liquidity (L.R) has a significant positive impact on profitability (ROTA) in real estate companies. The coefficient of 0.625 and the t-statistic of 2.532 with a corresponding p-value of 0.030 indicate that changes in liquidity positively influence profitability. By analyzing the regression output the final regression results are presented below:

ROTA = -0.122 + 0.069(L.R), where ROTA represents profitability and L.R represents liquidity.

The regression analysis shows that there is a significant relationship between liquidity and profitability in real estate companies. Companies with higher liquidity ratios tend to have higher profitability, emphasizing the importance of having enough liquidity for financial success.

5.1.3: Association between ROTA and ALR

Table-13: Impact of Variation of ROTA on ALR

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.511 ^a	.261	.138	.181289013

a. Predictors: (Constant), ALR

Source: Developed by the Researcher

Table-13 indicates that the study investigates the relationship between profitability (ROTA) and liquidity (A.L.R) in real estate companies. The model shows a low correlation, with an R-squared value of 0.261, suggesting that approximately .26.1% of the variation in profitability can be explained by changes in liquidity.

Table-14: Predicting ROTA using ALR

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.004	1	.004	.312	.589 ^b
Residual	.123	10	.012		
Total	.127	11			

a. Dependent Variable: ROTA

Source: Prepared by the Researcher

b. Predictors: (Constant), ALR

Table-14 presents a regression model is aiming to predict profitability (ROTA) based on liquidity (A.L.R) in real estate firms. The analysis suggests a non-significant prediction, with a regression sum of squares of 0.004 and an F-statistic of .312, yielding a p-value of 0.589. Thus, liquidity measured by A.L.R may not reliably predict variations in profitability for these companies.

Table-15: Impact of ALR on ROTA

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.075	.062		-1.203	.257
ALR	.256	.458	.174	.559	.589

a. Dependent Variable: ROTA

Source: Developed by the Researcher

The regression analysis indicates a positive correlation between liquidity and profitability in real estate companies, but the effect may not be statistically significant, indicating inconsistent profitability effects. Finally, it is concluded that there may be a connection between liquidity and profitability in real estate companies, but the impact is not statistically significant, indicating that the effects on profitability are inconsistent.

5.1.4: Association between ROTA and LAWC

Table-16: Impact of Variation of ROTA on LAWC

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751 ^a	.564	.521	.074389

a. Predictors: (Constant), LAWC

Source: Prepared by the Researcher

Table-16 illustrates a regression analysis investigating the association between profitability (ROTA) and liquidity (LAWC) in chosen real estate firms. With an R-squared value of 0.564, approximately 56.4% of the variability in profitability can be explained by changes in liquidity. This suggests a strong relationship between ROTA and LAWC for the selected companies.

Table-17: Predicting ROTA using LAWC

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.072	1	.072	12.943	.005 ^b
Residual	.055	10	.006		

Total	.127	11			
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a. Dependent Variable: ROTA

Source: Developed by the Researcher

b. Predictors: (Constant), LAWC

Table-17 presents a regression model predicting profitability (ROTA) based on liquidity (LAWC) for real estate companies. The significant F-statistic of 12.943 with a p-value of 0.005 suggests that changes in liquidity reliably predict variations in profitability. This indicates the importance of liquidity in determining ROTA for these companies.

Table-18: Impact of LAWC on ROTA

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.436	.135		3.219	.009
LAWC	-.310	.086	-.751	-3.598	.005

a. Dependent Variable: ROTA

Source: Prepared by the Researcher

It demonstrates that liquidity (LAWC) significantly influences profitability (ROTA) in real estate companies in table-17. The coefficient for LAWC is -3.10 with a standard error of 0.002, yielding a Beta coefficient of -.751 and a t-statistic of -3.598. This indicates that changes in liquidity have a substantial impact on ROTA. The intercept is also significant (p = 0.009), further affirming the model's validity in explaining variations in ROTA through changes in liquidity. $ROTA = 0.436 - 0.310(LAWC) + E$, where ROTA represents profitability and LAWC represents Liquidity for Real Estate Companies. This regression analysis underscores the significant impact of liquidity (LAWC) on profitability (ROTA) in real estate firms.

6. Findings:

The following important findings are considered:

1. D.B. Realty Ltd had the highest (3.037), indicating strong liquidity but with high variability (Coefficient of Variation: 101.31%). Ansal Properties Ltd showed the lowest average CR (1.080) with the least variability (18.80%). D.B. Realty's liquidity has been inconsistent over the years, while Ansal Properties Ltd exhibited more stability but at lower liquidity levels.
2. D.B. Realty Ltd led with 2.442, followed by Peninsula Land Ltd (0.496) and Ansal Properties Ltd (0.392). D.B. Realty had high variability (Coefficient of Variation: 105.47%). While D.B. Realty maintained high liquidity, it showed considerable volatility, indicating fluctuating financial management.

3. Peninsula Land Ltd had the highest (0.211), suggesting better short-term financial health compared to D.B. Realty Ltd (0.078) and Ansal Properties Ltd (0.061). The ratios for all companies were low, reflecting challenges in maintaining high levels of absolute liquid assets.
4. D.B. Realty Ltd again led with 2.085, indicating strong coverage of working capital requirements, followed by Ansal Properties Ltd (1.888) and Peninsula Land Ltd (0.683). D.B. Realty's high average suggests good liquidity for operational needs, though with moderate variability (Coefficient of Variation: 50.49%).
5. The analysis ranks the companies based on their liquidity profiles: D.B. Realty Ltd: Ranked 1st overall due to strong liquidity across most metrics, despite variability. Peninsula Land Ltd: Ranked 2nd with moderate liquidity and consistency. Ansal Properties Ltd: Ranked 3rd, with consistent but lower liquidity.
6. All three companies exhibited negative average ROTA, indicating they struggled to generate returns on their assets. Peninsula Land Ltd had the lowest average ROTA (-0.031) and the highest variability, suggesting the highest financial risk.
7. A significant positive relationship was found between CR and ROTA. Higher CRs, indicating better liquidity, tended to enhance profitability. The regression analysis ($R = 0.652$, $R\text{-squared} = 0.425$) confirms that CR accounts for 42.5% of profitability variance. A stronger correlation was observed ($R = 0.737$, $R\text{-squared} = 0.544$), indicating that LR explains 54.4% of the variance in profitability, underscoring its importance in financial performance.

7. Conclusion

The analysis reveals significant insights into the liquidity and financial health of three real estate companies: D.B. Realty Ltd, Peninsula Land Ltd, and Ansal Properties Ltd. D.B. Realty Ltd consistently exhibited the strongest liquidity but with high variability, indicating fluctuating financial management. In contrast, Ansal Properties Ltd demonstrated the lowest liquidity but with greater stability. Despite their liquidity, all three companies struggled to generate positive returns on their assets, with Peninsula Land Ltd facing the highest financial risk. The study highlights a positive correlation between liquidity ratios (CR and LR) and profitability, suggesting that higher liquidity levels enhance profitability. Notably, CR accounted for 42.5% and LR for 54.4% of the variance in profitability. The rankings place D.B. Realty Ltd at the top, followed by Peninsula Land Ltd, and Ansal Properties Ltd, reflecting their overall liquidity and financial performance.

Based on the findings, D.B. Realty Ltd should work on stabilizing its liquidity to manage variability while leveraging its strong liquidity position to improve returns. Peninsula Land Ltd needs to enhance its liquidity and profitability management to reduce financial risk. Ansal Properties Ltd should focus on improving its liquidity levels, even though it demonstrates stability, to better compete in the market. All companies should consider strategies to improve asset returns, as indicated by the negative ROTA. Enhancing liquidity is crucial, as higher

liquidity correlates positively with profitability, so targeted financial management and operational efficiency improvements are recommended to bolster financial performance and stability.

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