

Relationship Between Liquidity Position and Firm's Profitability: Evidence from Colombo Stock Exchange

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ABSTRACT

Purpose: This research study aims to examine the relationship between liquidity position and firm's profitability pre and during the Covid-19 pandemic period taking evidence from Colombo Stock Exchange (CSE)

Design/Methodology/Approach: The Sample of the study consist with 44 companies from CSE and the data are collected from the period of 2017 to 2021, where 2017-2019 period is considered as per Covid pandemic period; 2020-2021 period is considered as during the Covid pandemic period. This study use panel regression model considering ROA and ROE as dependent variables and Current Ratio (CR) and Quick Ratio (QR) as the independent variables.

Findings: The results of the study show that the QR is significantly and positively related to both ROA and ROE during the Covid-19 period.

Originality: This study is a first attempt to examine the relationship between liquidity position and firm's profitability, pre and during the Covid-19 pandemic period in Sri Lanka.

Keywords: *Liquidity, Profitability, Colombo stock exchange, Covid-19 pandemic*