

**IMPACT OF LIQUIDITY AND SOLVENCY ON PERFORMANCE
OF CHEMICAL SECTOR OF PAKISTAN**



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2015.**

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ACKNOWLEDGEMENT

First of all I am obliged to Allah Almighty who made me able to complete this thesis. I want to express my gratitude to my supervisor Madam HinaSamdhani, whose help, motivation and recommendations helped me a lot to complete this project. I am also thankful to all those who provided me with their support during the time of the research.

In the End, I would like to thank my family, whose prays and patience during the time of this project provided me a great deal of relief which resulted into successful completion of the project.

ABSTRACT

The research project examines the impact of liquidity and solvency ratios specifically on the profitability of Chemical Sector of Pakistan, listed in Karachi Stock Exchange of Pakistan. This study is first of its kind in Bahria University at MBA level to incorporate liquidity, solvency and profitability ratios interest rate in the Correlation and Regression models. The analysis is done on the sample of 10 companies representing the chemical companies sector of Karachi stock exchange. The impact of liquidity and solvency ratios on profitability is analysed with the help of various statistical tools i.e. Correlation and Regression models, and common sample analysis. In this study Current Ratio, Quick Ratio and Debt Ratio, Debt to Equity Ratio and Interest Coverage as proxy for liquidity and solvency ratios respectively. The model revealed significance of liquidity and solvency ratios on the profitability of chemical sector stocks. Significance of liquidity and solvency ratios on the profitability for most of the company stocks has been proved with the exception of a few. The result showed that there is a positive and negative significance present between the liquidity, solvency and profitability ratios respectively.