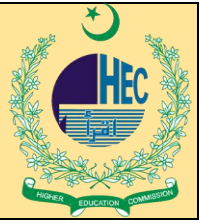




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Impact of Liquidity, Profitability and Cash Holding On Firm Value (A Case of Company Listed In Pakistan Stock Exchange)

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ABSTRACT

The core objective of this research is to examine the influence of financial factors that is liquidity, cash holding, and profitability, on the value of firm. The design of the research that implementing the methodological framework of the study emphasis on data collection, measurement and analysis. Hypotheses were formulated based on current ideas. And empirical analysis data by using deductive nature and positivist approach. The target population includes non-financial sectors listed in Pakistan stock Exchange (PSX) which is comprises 70 firms among non-financial sectors. And use fifteen years' panel data from annual reports spanning from 2009-2023. In current study financial factors were used as an independent variable and firm value as dependent variables. where liquidity is measure through current ratio CR, and quick ratio QR, Cash holding is measure through, Cash figure in each year, profitability is measure via return on assets ROA and return on equity ROE. and data was analysis through using STATA. By conducting fixed effect model suggested by Hausman test. The finding demonstrated that liquidity has positive and significant relationship with firm value while cash holding has direct and significant relationship on firm value. In instance of profitability ROA is insignificant while ROE is significant and both has direct relationship with firm value.

Keywords: Liquidity (CR, QR), Cash holding (Cash Figure), Profitability (ROA, ROE), Firm Value.

INTRODUCTION

1.1 Background of the Study

The primary objective of the organization is to increase its value and worth, which demonstrate the overall excellence of the business (Cristofel et al., 2021). The expectations and beliefs of stockholders and stakeholders also change with the rapid changes in the global business environment, as they generate increasing profits from their respective companies and enterprises. The company must manage its financial aspects, including cash holdings, liquidity, and profitability, to improve the prospects of the interested parties. Firm value and investor confidence are always related, and a company can boost investor confidence by elevating its firm values. Businesses as economic body have both short-term and long-term objectives. The company's short-term goal is to increase revenue by operating its current resources, and its long-term objective is to increase firm value by optimizing shareholder capital, (Aldi et al. 2020). A business can arrange its cash by weighing the advantages and disadvantages of storing cash, based on tradeoff theory. The majority of investors are able to step up the firm value by

using profitability and liquidity. Liquidity is the capability of business to meet its short-term obligations with its short term assets, while company's profitability demonstrates the capacity to produce profits. Investors assert that a company will have a high FV when its profitability and liquidity are high; nevertheless, some scholars have discovered that these variables alone are not enough to establish a firm's value; a variety of other elements also play a role. One of the company's primary objectives is increasing the firm value. The company's high worth implies success for the shareholders. An increase in market stock prices typically indicates a firm's advancement in value by attracting more potential investors and ensuring the company has the capital to compete. Shareholders must employ efficient management professionals to increase the FV. A firm value is the foremost focus of investors, management and even stakeholders; though it is important for every firm to increase in order to maintain the organization stabilized. Investors from time to time consider the stock prices crucial success criteria, based on which they invest. Besides, they also consider the performance of an organization as a firm value, which plays an important role in the FV. Furthermore, some other factors are also being considered by investors as a firm value such as a company's debt policy, earnings potential, financial management skills in meeting all obligations, scale, stock price, revenue, and other factors validated by other empirical research. A firm value can be increased by exploiting the income considering the time value of money and risk variables (Hamidah *et al*, 2015). Another factor, that can be considered as a firm value is the stock price that shareholders imagine to give up positive outcomes. The investment choices and policies, as well as dividend choices that are reflected in stock market share prices are being considered in businesses aiming to improve shareholder well-being. (Handriani & Robiyanto, 2018).

Prisilia (2013) discovered that a company's value is impacted by its liquidity. When directing its operations, a company's net profit is referred to as profitability. P. 9 of Hardiyanti (2012). Increased profitability will also indicate a higher level of organizational performance, demonstrating sound business practices. In this study, the profitability ratios (ROA and ROE) are analyzed using return on equity. The amount of net income a business can generate to return equity to shareholders is known as the return on equity (ROE) ratio. According to (Mardiyati *et al.*, 2012), profitability significantly increases firm value.

Cash Holding

Cash position represents the amount of cash businesses held on hand / bank account at any given point in time. The cash position represents the symbol of financial strength, stability of the business and liquidity. Some other important component of cash includes, certificates of deposit, short-term government due, and other cash equivalents. Cash position also points to cash level relative to expenses. Internal managers always hold close eyes on the level of cash position. The external stakeholders, such as regulatory bodies closely look at the cash position, mostly on quarterly basis. The reason is the availability of data, for internal managers daily data is available while for outsiders, only quarterly data is available. Stable cash position improves the credit worthiness of the firm, by improving the ability of the firm to pay liabilities. Higher cash positions also allow firms to capitalize on the growth opportunities and invest in good projects. On the other hand, very high levels of cash position are also detrimental for the organization. Very high levels of cash means funds are lying idle in the account, that represents the opportunity cost for investment and also increase the agency problems because managers may use cash for personal benefits. For financial institutions, the higher levels of cash are required; this is because financial institutions can better pay to their account holders when required.

The cash ratio shows how well a business can pay its short-term debts using only its cash and savings. One way of liquidity measurement is Cash Ratio, which is evaluated by comparing Cash and Cash equivalents (or only Cash) against short term obligations of the firm, represented as current liabilities. Through this ratio, managers assess the ability of the business to judge whether business will be able to pay short term debt by using cash only (ignoring other liquid assets). Cash ratio not measure liquidity but also it is a tool analyze, how in emergency situation, business will deal with short term debts by using cash reserves only. High cash ratio employs the better position of business to deal with liquidity especially in case of emergency. There are some seasonal businesses, high cash ratio works as a buffer to against seasonal variations or unforeseen circumstances.

Cash ratios are the crucial parts of Capital Management in a phone. Lower cash ratio means firms need to delay payment of suppliers ultimately resulting in disruptions in the supply chains and also on fast collection of outstanding debt. Higher cash ratio can be beneficial and detrimental at the same time for the business. High cash may results into Agency problems, but high cash ratio may also deduce the financing cost and generate high returns through investments.

1.2.1.3 Measurement of Cash Ratio

Businesses calculate the cash ratio by dividing the current liabilities on the total cash and cash equivalents held by organization. Cash In the current saving in time deposits marketable securities constitute cash, whereas deferred revenues, Short term business outstanding tax, line of credit and short term debt constitutes current liabilities.

Cash Ratio = Cash + Cash Equivalents / Current liabilities

Liquidity

Liquidity is the term use to define the ability of asset to turn to the cash with minimum loss of value. Firms divide assets and collateral into different classes on the basis of liquidity. Liquidity is an important component, as it entails the property of the asset for frequent trading in the stock market. Liquidity has two types. First and the most important is called market liquidity. Market liquidity tells about the ability of a asset to trade in the market. This shows the ease of an asset to be traded in the market with high and liquid secondary market. When market is liquid, it is easy to sell products in the market. The other type of liquidity is called accounting liquidity, which refers to the ability of the firm to meet current obligations. The accounting liquidity is measured through liquidity ratios.

1.2.2.1 Liquidity Measurement Formulas

Since liquidity is the measurement of a firms' ability to pay short-term obligations by using short-term assets. This show a closed interaction among current assets and short-term liabilities. The ratio of higher than 1, depicts the ability of the business to pay short-term resources for short-term debts. Value of less than 1 indicate that the inability of the firm to pay their short term obligation. Too much high liquidity is not desirable because it represents the idle Cash. The cash that should be invested in profitable avenues by keep in view the profitability maintaining their current ratio between one and two. The value of higher than 2 means the existence of agency problems and the excessive amount is required to invest. If the value is decrease from 1 indicates the need for additional financing.

Formula: Quick Ratio (Acid-Test Ratio) = *Current Assets – inventory / Current liabilities*

The quick ratio (Also known as Acid-Test Ratio) is a tool to measure a company's ability to pay off immediate financial obligations with only cash and cash equivalents. It is the most conservative liquidity measure. Inventory is subtracted because it is less liquid assets and May not sold at the time of paying our liability.

Operating Cash Flow Ratio = *Operating Cash Flow Ratio / Current liabilities*

This ratio shows the firm's ability to fulfill its short-term liabilities with cash flow generated from day to day operations. This ratio is used by the regulators to measure and to ensure that financial institutions have sufficient high-quality liquid assets to cover short-term liabilities.

Profitability

Profit means the positive difference between revenue and expenses over specific period of time. Profit is also termed as earnings, income, or margin. Lord Keynes classified the profit as a driving force behind any activity. Business is required to maintain the positive difference between cost and revenues for survival for long term. Business environment constitutes an index that shows the prosperity, improved national income and higher level of livings for the people. Profit though the integral part of business, shall not be compromised when it comes to the welfare of the society. This is because profit is not just reward but it also belongs to the society. Profit may also be used as indicator of managerial effectiveness and social objectives. It shows how intelligently the managers use the resources to earn maximum out of it.

According to Harward & Upton, 2021 "profitability is the 'the ability of a given investment to earn a return from its use.'" The term profitability is different from efficiency. Profitability constitutes an index to measure efficiency; and is used to measure efficiency and management guide to greater efficiency. Although, profitability is an important source for the efficiency, the amount of profitability cannot be considered as efficiency. Sometimes satisfactory profits can be inefficient. conversely, in the absence of profit, efficiency can be achieved. The net profit figure means a reliable balance between the values receive and value given. The change in operational efficiency is merely one of the factors on which profitability of an enterprise largely depends. Moreover, there are many other factors besides efficiency, which affect the profitability. Investors often use the term Profit and profitability. The terms though look similar but actually there is a difference between the two. Profit is an absolute but profitability is relative. Profit cannot be used for comparison but profitability can be. Their roles are also different in the business. Profit basically represents the earnings calculated as the difference of revenue and expense. But profitability represents the efficiency of the business, by comparing the profit and the assets. Profitability is the representative of the enterprise to make profit on revenue earned. Weston and Brigham stated that "to the financial management profit is the test of efficiency and a measure of control, to the owners a measure of the worth of their investment, to the creditors the margin of safety, to the government a measure of taxable capacity and a basis of legislative action and to the country profit is an index of economic progress, national income generated and the rise in the standard of living". Businesses drive profitability from the profit. But if the size and investment of the firms differ, the firms may have different levels of profitability. R. S. Kulshrestha stated that, "Profit in two separate business concern may be identical, yet, many a times, it usually happens that their profitability varies when measured in terms of size of investment"

Return on Assets: Return on Assets represented by ROA, depicts the earnings generated from the capital invested in the assets. There is a significant variation in ROA across industries in the listed companies. For the purpose of comparison, the best way is to compare the ROA with the historical data or with the firm in the same industry. Since firms use Debt and equity financing to finance assets, therefore for some analyst, it is always better to add back the interest expense to the firm ROA. This approach negated the impact of taking more debt by adding back the cost of debt (Interest expense) and calculating the average of total assets in the denominator. The purpose of adding Interest expense to the net income is to negate the impact of interest expense subtracted in the income statement/

ROA = (Net Income (or) Profit after Tax) / Average Total Assets

Return on Equity: (ROE) is the measurement of the efficiency of a firm of the money collected from shareholders for generation of profits. The profits are used for the growth of the company. Return on equity (ROE) is different from rest of the return on investment ratios, because this ratio is specifically related to investors. In other words, this ratio measures the money made out of investors' money. The high Return on equity (ROE) is desirable for the investors because it means that the company is using the investor's money in more efficient way. The general principle is that the investors and analyst prefer high ratios but it is worthy to compare the ratios in the same industry. While comparing, it is always better to keep in mind, not to go outside the industry, because every industry is characterized with distinct features, which make it unique from other industries. Investors also use to calculate the changes in ROE from beginning to end of the period. This approach helps to analyze the progress of the firm over time and study the trend.

ROE= Net income/avg shareholders' fund

1.5 Research Questions

Q1. What will be the association between cash holding and value of firm?

Q2. Does Profitability affect the value of firm?

Q3. What is the effect of Liquidity and firm value?

1.6 Research Objectives

1. To determine the relationship among Cash holding and firm value.

2. To assess the relationship between firm value and profitability.

3. To observe the relationship between liquidity and firm value.

1.7 Importance of the Study

The current study will be fruitful to the number of stakeholder in their area of interest, management of the company will take advantages in term of increasing their firm value, to the stock market analyst it will help in term of investment decision. Current study will also be fruitful to the financial analyst in term of making various financial decision. The study will help shareholder to take accurate decision in term of investment in various company stock, by the end of the study the various financial issues that influence the firm value will be explored and the companies can then decide to have a better focus on these financial factors.

As far as the external stakeholders are concerned like Government, Bankers, Financial analyst, Finance students and even new establish company, it will help them to have access to more financial information at the end of the study in term of profitability, liquidity and cash holding

LITERATURE REVIEW

Cash Holding

The concept of cash holding has also become the most relevant area in deciding the worth of a firm. Companies hold cash in hand for investment potential and operating potential. Cash holding from a company's perspective refers to future investment opportunities. According to the definition provided by (Sheikh and Khan 2015), cash holding is the summation of cash and cash equivalents of a company, and they further state that cash holding is measured by taking the summation of cash and cash equivalents as the numerator and net worth as the denominator. Cash holding therefore signifies the liquidity position of the company (Moin et al, 2020).

Cash contribution to the worth of the company in corporate finance has, however, garnered a lot of interest over the years. Companies hold cash for different reasons such as reserve requirements, for operational utilization, and for possible investment opportunities. The most important question then is how much cash – the appropriate amount that fulfills liquidity

needs without resulting in inefficient capital utilization or increased agency cost. This article uses the evidence of empirical studies to examine the nuances of such relations both between economies and sectors, and within particular countries like Pakistan, the United States, and Vietnam.

Azmat (2014) examined the cash balance-firm value relation in an empirical work on firms operating in Pakistan and stressed the importance of having optimal cash. Benefits are financial flexibility, lower risk of financial distress, and availability of investment opportunities. Drawbacks, nonetheless, are low returns on fluctuating cash and high agency issues, including managers diverting surplus funds (Azmat, 2014). Hence, its identification and maintenance are essential for effective capital allocation and long-term value maximization. This means that firm value increases with higher cash reserves to a point beyond which surplus cash decreases firm value due to inefficiency and underutilization. Essentially, the worth of carrying excess cash is greater than its worth after a certain point (Martínez-Sola et al., 2013). For emerging markets, Nguyen, Nguyen, and Le (2016) analyzed Vietnamese firms and similarly presented evidence of an inverted U-shaped and nonlinear relation between cash and firm value.

Their work used firm-level panel data and confirmed the trade-off theory by showing that more cash holdings correspond to greater firm value, up to the point at which marginal cash utility falls. This shows that returns on cash are declining—beyond some breakpoint, excess liquidity is associated with managerial opportunism and capital inefficiency rather than with improved firm performance. Intriguingly, in their study, they also observe that this optimum is not inherent but context-specific and depends significantly on firm-specific characteristics such as size, leverage, cash flow volatility, and macroeconomic conditions (Nguyen et al., 2016). As an example, firms in risky environments or with poor access to external capital would be better off with higher cash balances as a hedge against uncertainty, while firms in secure environments with access to the capital markets would be better off with lower cash balances.

Trade-off theory, according to the above study, posits that marginal benefits of cash—like lower transaction cost and higher investment flexibility—are balanced against marginal costs of cash, including lower returns and agency problems. Pecking order theory, to the contrary, suggests that firms will always first prefer internal finance over external debt or equity and hence automatically will naturally prefer to carry cash when there are excess internal funds compared to investment requirements (Myers & Majluf, 1984). While pecking order theory informs us why firms would carry excess cash, it leaves the issue of how much of the cash untouched. Thus, exchange theory has made a greater contribution towards where the cash becomes negative. Drawing on the foundation established by previous empirical studies, Kim and Bettis's study further adds richness to the controversy.

Azmat (2014) found that Pakistani companies are more sensitive to changes in cash policy due to market inefficiencies and limited access to external finance. Under these circumstances, companies will try to maintain conservative cash balances even if these are theoretically slightly more than the optimal level. But chronic deviation from optimal cash levels will undermine the firm's value in the long run due to unproductive use of cash or scrutiny over cash balances by stakeholders. Macroeconomic conditions also play a significant role in determining optimal cash holding policies.

During recessions or financial crisis, companies will build cash buffers. This was the case during the 2008 global financial crisis and also after during the COVID-19 crisis, when companies across various industries were compelled to raise cash to cope with operational disruptions and shock in demand. But in the process of stabilizing, such companies were forced to shift their positions of cash so that they would not be wasteful and generate shareholder unhappiness

(Bates, Kahle, & Stulz, 2009). The macroeconomic factors are dynamic in nature, and therefore the optimal cash position is not fixed but must be remodelled repeatedly in response to those changes occurring outside. Optimal cash position would similarly have to account for firm-specific conditions while being ascertained.

H1: Cash holding has significant effect on value of company.

Liquidity and Firm value

Irma Sari Permata & Bambang Purwoko (2022) in their company value determination and investment opportunity paper is a moderator variable. But if investment opportunity is a moderator variable between interest rate and company value and free cash flow then result indicate that there is an indirect with weak but positive impact of free cash flow on company value by mediating through an investment opportunity but there is a negative and weak indirect effect is found between interest rate and firm value by intervening the investment opportunity as a moderator variable. Kristianti and Foeh (2020) investigated the mediating function of dividend policy within the relationship between liquidity, profitability, and firm value in Indonesia Stock Exchange-listed manufacturing firms during 2013-2017. In addition, these variables directly and positively influenced firm value via dividend policy.

Appah and Yuniarti (2023) examined the role of intellectual capital in influencing firm value, with profitability and liquidity serving as intervening variables. The findings verified that liquidity and profitability mediate between intellectual capital and firm value, showing their indirect but significant contribution to enhancing firm performance. In another study, Hasanudin et al. (2022) investigated the impact of profitability and liquidity, as moderators, on firm value with capital structure. They found a negative coefficient for liquidity in the regression line ($CR = -0.137$), indicating that an increase in liquidity by one unit would decrease FV by 0.137 units, further confirming the implication that high liquidity could be an indication of inefficiency or underuse of resources, which subsequently affects firm valuation negatively.

Another research on "The effects of liquidity ratios (current ratio), debt-equity ratio (DER) and asset structure on investment returns in coal enterprises" established the effect of these financial ratios on investment performance. The results of the partial test show no impact of the current ratio on investment returns, but there was an impact of DER. This implies that liquidity by itself may not be a excellent display of investment performance in industries with high capital intensity. Lastly, Pambudi and Meini (2023) tested the impact of firm profitability, liquidity and size on firm value with the moderating variable of sustainability reporting. The results of the study concluded that profitability and liquidity significantly impacted firm value, while firm size had no impact.

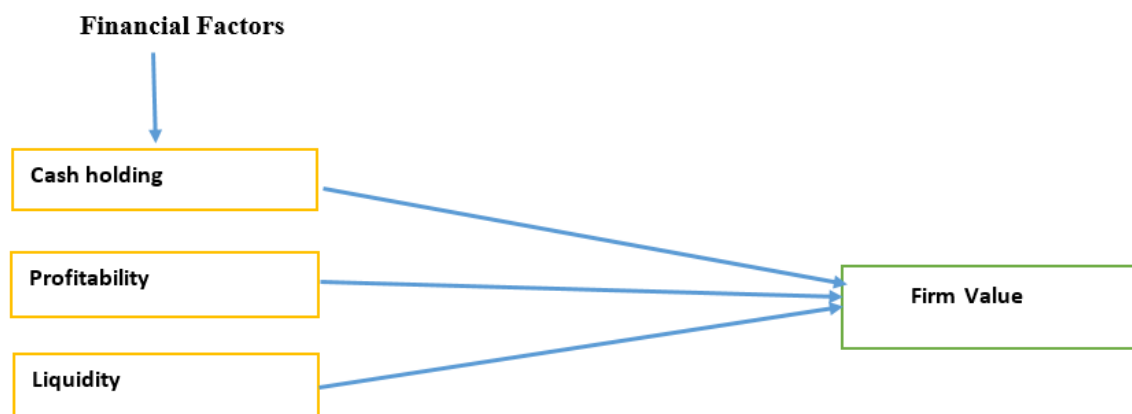
H2: Liquidity has a significant effect on Firm Value

Profitability and Firm Value

Irwan Moridu Mehdi (2023) utilized effectiveness as a mediator between company value and CSR and therefore determined that if a company desires a rise in its profit, it can enhance its corporate social responsibility. Also Gusti Ayu Vera Widyasti, Idah Zuhroh (2021), I.G.A.M. Asri Dwija Putri (2021), Made Olivia Dwi Putri, I Gst Wiksuana (2021), Mahender et al (2012), Ardina Zahrah Fajaria, Isanalita (2018), Nadya Aliffia Basuki Putri, Triyani Badyastuti (2018) explained both profitability and dividend values to be important between both investment value and profitability, policy, employing firm value as a dependent variable.

H3: There is a significant correlation between firm value and profitability.

Research Model



Econometric Model

$$\text{Firm Value} = \beta_0 + \beta_1 (\text{Cash holding}) + \beta_2 (\text{Liquidity}) + \beta_3 (\text{Profitability})$$

RESEARCH METHODOLOGY

The research methods utilized to investigate hypotheses drawn from the literature, objectives and research questions are described in this study. This study practice to investigate in what way financial factors influence firm value. The research design, population and sample size calculations, data collection techniques, regression definition and modeling, and data analysis are all enclosed in this chapter.

According to (Bhatti, Saad and Gbedabo, 2019) all types of research must have clearly defined methodology. Since, in the light of literature review and hypotheses developed to be tested statistically and keep in view the various financial factors. The current research is based on quantitative study. The study demonstrates that how much each financial factor such as Cash holding, Liquidity, and Profitability, effects firm value. Panel data is gather from different company located in diverse none financial sectors of Pakistan stock exchange.

Research Methodology

This choice of research methodology, which quantifies data collection and analysis, stems from the deductive approach that emphasizes theory testing already established by positivism. The quantitative choice has been chosen for this study because it is appropriate for the topic of impact of financial factors on the value of the firm with investment decision as a mediating variable. Each method has pros and cons throughout its application (Younus & Zaidan, 2022).

3.5 Time Horizon

Time horizon refers to a time frame for data collection for your research study. Time horizon either cross sectional that is short term data for specific point of time or longitudinal data that is collected of data for long period of time and repeatedly. Secondary data was used and collected from firm's annual reports. Total 70 company data has been collected for Fifteen years from 2009 – 2023 for none financial sectors of Pakistan stock exchange.

Population of the study

The research study's target demography contains solely of non-financial enterprises that are listed on the Pakistan Stock Exchange (PSX). A total of around 551 target companies can be obtained by classifying all financial and non-financial enterprises into 37 major sectors, according to PSX. We employed quantitative measurements and secondary data in this

quantitative research study. The major source of the data was the company's annual reports for 2009 through 2023. this study seeks to measure the impact of financial factors, including cash holdings, liquidity, profitability, on company value. As sample data, we only include non-financial enterprises in Pakistan between 2009 and 2023. Since the nature of the study is quantitative and secondary was collected from the firm financial reports, so based on data collection the population is constitute all none financial sectors listed in Pakistan stock exchange.

RESULT AND ANALYSIS

In this analysis the financial factors have been evaluated of non-financial sectors of those company registered in Pakistan stock exchange We used cash holding, liquidity, profitability, as independent variables, while the dependent variables are firm value, Panel data is used to show these relationship and analysis descriptive statistic, correlation matrix, and among fixed and random effect regression model fixed effect regression model has selected by the justification of Hausman test, VIF (various inflation factors) is calculated for checking Multicollinearity, Skewness and kurtosis test is calculated for normality.

4.1 Descriptive Statistic

Variable	Mean	Std. Dev.	Min	Max
Cr	1.165514	0.7431269	0.001967	6.919371
Qr	0.56662	0.4796392	0.001967	5.518622
Roa	0.027597	0.1925569	-5.49868	0.436198
Roe	0.103919	2.292773	-54.0216	20.68826
Cash figure	1.29E+09	5.26E+09	68000	6.71E+10
FV	3.59E+10	7.00E+10	2.28E+08	5.43E+11

The above table presents descriptive statistics with the relationship matrix for various variables included in the study, shedding light on their mean, SD, and range value. These descriptive statistics offer a comprehensive understanding of the distribution and characteristics of financial and firm specific variables, providing essential groundwork for further analyses within the research context. 1.1655 mean score of current ratio (Cr), showing the average cash reserves relative to current liabilities. The standard deviation of 0.7431 proposes mild variability around this mean. The least value is (0.00197), and the highest value is (6.9194), that shows an important range in current ratios among the observations. The quick ratio (Qr) averages 0.5666, which measures the liquidity of a company excluding inventory. With a standard deviation of 0.4796, there is a fair amount of variability. The minimum and maximum values show that while most companies have a quick ratio well below 1, some have importantly higher values.

0.0276 is the average score of ROA, showing a modest return relative to total amount of assets. The substantial variability in return is indicated by the high standard deviation of 0.1926. The range from -5.4987 to 0.4362 shows that some firms are experiencing very negative returns, while others are doing much better. the return on equity (Roe) averages 0.1039, which proposes a relatively low average return compared to equity. the extremely high standard deviation of 2.2928 indicates very high variability in ROE. the wide range from -54.0216 to 20.6883 shows that there are important differences in profitability among firms. The average cash figure is 1.29 billion, but the very high standard deviation of 5.26 billion indicates substantial variability. The range from 68,000 to 67.1 billion shows a huge disparity in cash holdings among firms.

4.3 Correlation

	CR	QR	ROA	ROE	Cash Figure
Cr	0				
Qr	0.7985	1			
Sig	0				
Roa	0.213	0.1777	1		
Sig	0	0			
Roe	0.0129	0.0048	0.4066	1	
Sig	0.678	0.878	0		
Cash fgr	0.0569	0.2015	0.0285	0.0182	1
Sig	0.0674	0	0.3602	0.5591	

The correlation among the Quick and current ratio QR, CR is 0.7985 and Sig at 0 suggested significant and strong positive correlation among these two ratios and tell us that both of ratio are going in same direction means increase in one ratio that is QR will bring positive change in other ratio that is CR. The relationship between current ratio CR and ROA return on assets is weakly positive and statistically significant suggested by correlation among these two ratios that is 0.231 and sig level is 0.00. as one ratio increased the other one also increase by a small margin. Return on equity ROE and current ratio have positive correlation and statically insignificant suggested by correlation matrix that is 0.0129 and sig 0.678 this statistical relationship is slightly weak suggested that if one is increased other one also increased but in a very low margin. The value of correlation matrix between cash figure and CR is 0.0569 and significant level is 0.0674 indicate positive relationship among these two ratio and result are also statistically significant.

Regression

Under this regression result Firm Value is use as dependent variable while liquidity, cash holding, and profitability, is used an independent variable.

Source	SS	Df	MS	Number of obs =	1,035
				F(8, 1026)	= 77.89
Model	1.92E+24	8	2.39E+23	Prob > F	= 0
Residual	3.15E+24	1,026	3.07E+21	R-squared	= 0.3779
				Adj Rsquared	= 0.373
Total	5.07E+24	1,034	4.90E+21	Root MSE	= 5.50E+10

Value of firm	Coef.	Std. Err.	T	P>t	[95% Conf. Interval]
Current ratio	-1.67E+10	4.04E+09	-4.14	0	-2.46E+10 -8.79E+09
Quick ratio	2.21E+10	6.20E+09	3.56	0	9.91E+09 3.42E+10
Return on Assets	1.95E+10	1.09E+10	1.79	0.073	-1.83E+09 4.08E+10
Return on Equity	1.04E+09	9.60E+08	1.08	0.281	-8.47E+08 2.92E+09
Cash figure	7.640349	0.3406809	22.43	0	6.971838 8.30886
_cons	3.01E+10	5.76E+09	5.23	0	1.88E+10 4.14E+10

Discussion of Regression

In regression model show the relationship of all independent variables that is cash holding, liquidity, and profitability, with dependent variable that is firm value.

Liquidity which is measure by current ratio has coefficient of -1.67 and p value of 0 indicates a statistically significant result and have negative connection with firm value means by increasing one unit in current ratio will bring 1.67 unit declines in value of firm. This significant result is in line with various previous studies mention in literature. Such is Sagung Oka Pradnyawati (2023) show optimistic bond among liquidity and firm value. They highlight significant relationship between current ratio and firm performance. Quick ratio which is also the proxy for liquidity has coefficient of 2.21 and p value of 0 which suggest a significant and positive relationship of liquidity on firm value, and indicate that increase of one unit in quick ratio will bring approximately 2.21-unit increase in FV and the result is statistically significant. Hence H2 is accepted.

ROA with positive coefficient of 1.95 and P value of 0.073 show indicate significant and positive relationship between ROA which is proxy for profitability and firm value. Show that increase one dollar in ROA will bring 1.95 dollar in performance of the firm. Coefficient of ROE 1.04 and P- value = 0.281 show insignificant and positive relationship between profitability which is measured through ROE and FV and suggest one-unit increase in ROE will bring about 1.04-unit increase in value of the firm. Similar result is shown by Idah Zuhroh (2019) which show positive but insignificant result between these two variables. Keep the result of ROA which shoe the positive result hence we can accept the H5 and conclude that there is positive and significant result among profitability and the value of the firm. And prove our research question that FV has connection with profitability. Hence H3 is accepted.

Cash figure which is the measurement of cash holding has a P- value 0 and the coefficient of 7.64 indicate an optimistic and important association of cash figure with FV. Means by increasing one dollar in cash figure will bring 7.64 \$ change in the performance of the firm. And hence H1 is accepted that cash keeping has a significant result with FV.

For Multicollinearity

VIF

Variable	VIF"	1/VIF"
Cr	3.04	0.329463
Qr	2.98	0.335244
Roe	1.63	0.613606
Roa	1.47	0.678842
Cash figr	1.39	0.718794
Mean VIF	2.10	

VIF which is the measurement of Multicollinearity in model. VIF Thresholds: Generally, a VIF value greater than 10 is considered problematic and proposes important Multicollinearity. Values between 5 and 10 may indicate mild Multicollinearity, while values below 5 are often seen as acceptable. Variables with Higher VIFs: Cr (Current Ratio) = 3.04, QR (Quick Ratio) = 2.98 these variables have VIFs greater than 2 but less than 5. While not showing severe Multicollinearity, they propose some degree of correlation with other predictors in the model but still it is ok and not problematic. Variables with Lower VIFs: ROE = 1.63, ROA = 1.47, Cash Figure = 1.39, Dr (Debt Ratio) = 1.38, these variables have VIF values well below the commonly used threshold of 10, showing minimal Multicollinearity. The overall Mean VIF = 2.10 is well

below 10, showing that Multicollinearity do not consider ruthless issue in model. Nearly all the variable has VIF below 3, proposing no Multicollinearity difficulty in regression model.

CONCLUSION AND RECOMMENDATION

5.1. Conclusion

The summary analysis of financial factors of various company listed in Pakistan stock exchange used panel data. Which was composed for the period of fifteen years from 2019 -2023 from 70 different non- financial sectors mention in PSX, to find relationship among financial factors and firm value. where financial factors are used as an independent variable, and firm value is dependent variable. Financial factors are cash holding, profitability, and liquidity, the study had set 3 research questions, three objectives, and three hypotheses. The findings across different regression models conclude the following result and provide the answer to the research questions and objective that was established at the beginning of the study.

The firm value has a direct and significant relationship with the liquidity which is measured through current ratio and quick ratio. This results supporting with the research hypothesis, which predicted that the liquidity, and firm value has a direct and significant association. Similar result was concluded by Ruswan Nurmadi Liza Novietta (2023).

The firm value has direct and significant result with cash holding that is explain through cash figure in current study. The finding of the study is aligned with the hypothesis where the relationship between firm value and cash holding foreseen significant. The result of Rashed and Ghoniem (2022) was similar with them.

Return on Assets and Return on Equity which is proxy for profitability conclude that both ROA and ROE has insignificant and direct association with FV. The result is aligned with the hypothesis predict earlier in the study that showed significant and positive relationship. This result suggests that the profit is an important factor in gaining the value of the firm, which is strengthened by dynamic theory of profit.

5.2 Recommendation

Developing future recommendations for both financial and non-financial segment listed in PSX require a comprehensive understanding of financial factors. in the context of financial factors importance for both companies and investors it is necessary to develop the recommendation from both viewpoints.

The company should pay close attention to their liquidity and cash holding as liquidity and cash holding is the main factors to decide the financial strength and the solvency and insolvency of the company. to avoided bankruptcy and Insolvency Company should pay closer attention to their current Ratio and should maintain their current ratio between the acceptable standards 1:2 as the result of current ratio is decrease form one the additional financing is needed to avoided liquidity crises and the danger of insolvency and bankruptcy. And if the ratio is increased from 2 the ideal cash should invest in profitable investment to avoid the ideal cash from the effect of inflation and time value of Money. as an investor one should pay close attention on the liquidity of the company if the company is liquid "capable to pay their liabilities" should invest in that particular company on the other hand no one can invest in illiquid company. Similarly, the company should manage their cash bay developed the upper and lower limit for their cash reserve as suggested by Miller or Modell. and as an investor the company cash management is an important factor to take any decision in a company.

In order to become profitable, it is preferable for businesses to improve firm value through expenses, higher revenue, and debt management through sound policy and strategic thinking if they want to be profitable. Even more to cut expenses and boost output, the business should streamline its operations to increase operational efficiency. Invest in technology to enhance

data analytics and automate tasks. Additionally, the business should maximize asset utilization. Evaluate underperforming assets and get rid of them. Pay attention to making the most of the resources that are already available. Diversifying product lines or services to reach new customers should increase revenue streams. Additionally, innovate to get better the value or features of the product, increasing sales. Moreover, the company should balance using debt to finance expansion with keeping a solid equity ratio in order to manage debt wisely. To benefit from reduced interest rates, think about refinancing your current debt. Finally, the business should focus more on Pay Attention to Profit Margins Make sure your pricing plans are in line with market demand and value by reviewing them frequently. Cut back on wasteful spending without compromising on quality or client happiness. Investors should focus on the company's assets because they can help firms enhance their value, making asset investments a significant consideration. Investors must therefore take into account the company's capabilities, particularly its knowledge, skills, technological expertise, and capacity to establish a network of human resources.

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