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Liquidity and Profitability Analysis of State-Owned Enterprises in Kerala: A Case Study of The Kerala State Coir Corporation Limited., Alappuzha

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Abstract
The link between liquidity and profitability has long been debated in corporate finance, with some describing it as a paradox: maintaining appropriate liquidity protects solvency. Still, prioritizing profitability may jeopardize it, whereas prioritizing liquidity risk exposes firms to profitability concerns. This paper examines this contradiction in the context of state-owned enterprises (State-Owned Enterprises), specifically the Kerala State Coir Corporation Limited. The study assesses the firm's liquidity status and profitability trends, as well as their interplay, using financial ratio analysis and secondary data gathered from annual reports over a specified period. The results show a substantial inverse relationship between liquidity and profitability, implying that excessive liquidity reduces profitability, while low liquidity jeopardizes short-term obligations. The findings provide empirical evidence of the liquidity-profitability conundrum in the operation of State-Owned Enterprises, emphasizing the crucial importance of balanced financial management. The study contributes to the literature on public enterprise finance by offering insights into how state-owned enterprises in Kerala can improve their financial performance by optimizing working capital utilization while maintaining profitability.
Keywords: *Liquidity, Profitability, Liquidity–Profitability Paradox, State-Owned Enterprises (S), Kerala State Coir Corporation Limited, Financial Performance, Ratio Analysis, Public Sector Enterprises*

INTRODUCTION

Liquidity and profitability are two essential aspects of financial performance that affect the long-term viability of any firm. Liquidity ensures that an organisation can satisfy its short-term obligations, whilst profitability demonstrates its potential to create a profit from operations. Although both are necessary, they frequently function in conflict, resulting in what is known as the liquidity-profitability dilemma. A company that maintains excessive liquidity may jeopardise profitability by locking funds in idle assets, whereas an overemphasis on profitability may expose the firm to liquidity constraints and financial trouble. Understanding this paradox is especially crucial for state-owned Enterprises (State Owned Enterprises), which are charged with not only commercial goals but also broader socioeconomic duties. In Kerala, state-owned enterprises play an important role in supporting traditional industries, creating jobs, and contributing to inclusive development. However, many of these businesses confront issues such as poor financial performance, ineffective resource utilisation, and growing losses. The Kerala State Coir Corporation Limited., founded to promote and sustain Kerala's coir sector, is one such company that is striving to achieve a balance between liquidity and profitability. Given the socioeconomic importance of the coir industry, investigating the financial dynamics of this Corporation becomes critical.
This study examines The Kerala State Coir Corporation Limited, financial performance over ten years, from 2014-15 to 2023-24, with a focus on liquidity and profitability. The research uses ratio analysis and correlation approaches to investigate the existence of the liquidity-profitability contradiction within the Corporation. The findings are likely to give policymakers, financial managers, and stakeholders valuable insights for developing strategies to improve the efficiency and sustainability of Kerala's state-owned firms.

STATEMENT OF THE PROBLEM

State-owned enterprises (SOE) in Kerala play a crucial role in creating jobs, supporting traditional industries, and fostering regional development. However, many of these businesses are experiencing financial inefficiencies, with liquidity and profitability remaining critical challenges. Kerala State Coir Corporation Limited., a flagship State-Owned Enterprises in the coir sector, continues to struggle to balance its liquidity requirements with the need to generate long-term profits. While appropriate liquidity is required to pay short-term obligations, excess liquidity may suggest underutilization of resources, resulting in reduced profitability. Conversely, a zealous pursuit of profitability frequently results in liquidity shortages and increased financial risk. This inherent contradiction, known as the liquidity-profitability conundrum, is largely unexplored in the context of Kerala's state-owned enterprises. Understanding this contradiction is critical for guaranteeing the Corporation's financial viability and providing policy insights into the management of state-owned businesses.

REVIEW OF LITERATURE

Most of the available literature on State Owned Enterprises in Kerala is general. No specific study has been made so far about the Liquidity and Profitability analysis of the Kerala State Coir Corporation Limited, Alappuzha, Kerala. An attempt is made in the following paragraphs to review some which deal with specific aspects.

Nwankwo and Osho (2010) emphasized the critical role of efficient working capital management in balancing liquidity and profitability for corporate survival and growth. They contended that insufficient working capital frequently results in business failure since companies may find it difficult to fulfil immediate obligations even when they declare profits. The study demonstrated how risk factors including idle funds, unsold merchandise, and debt default are decreased by efficient cash, receivables, and inventory management. It also described the trade-offs between aggressive, conservative, and moderate working capital practices, emphasising the necessity of matching market conditions and industry standards with liquidity management. The findings emphasise that profitability shouldn't come at the expense of liquidity for State Owned Enterprises, which commonly deal with inefficiencies and resource restrictions. This is because stable, solvent, and sustainable growth depend on good working capital procedures.

Monteiro and John (2017) analysed the financial performance of general insurance companies in India over ten years (2006–07 to 2015–16) using ratio analysis, correlation, multiple regression, and descriptive statistics. The study found that after liberalisation, the sector became more competitive due to the introduction of private companies. Nevertheless, when compared to private insurers, public insurance companies showed better management soundness and higher profitability. The results demonstrate how resilient and effective public sector businesses are in a cutthroat marketplace.

Chen (2021) looked at how state ownership affected trade credit and discovered that while State Owned Enterprises frequently have access to liquidity, their inefficiencies cause them to be less profitable. The study draws attention to the liquidity-profitability conundrum and demonstrates how an over-reliance on government assistance might lower operational efficacy. The report highlights that in order to achieve financial sustainability, internal management must be addressed. Understanding the dynamics of State-Owned Enterprises in emerging economies is made easier by these discoveries.

Lee et al. (2022) investigated the financial sustainability of Malaysian state-owned enterprises (SOE) with a focus on government ownership levels. The study found a key ownership barrier of about 27 percent using dynamic panel threshold regression and data from 28 State Owned Enterprises between 2011 and 2020. State-Owned Enterprises were more profitable and efficient below this threshold, but they performed worse and were subject to political meddling and operational inefficiencies above it. Further, the study found that during the COVID-19 epidemic, State Owned Enterprises with smaller government stakes were more resilient and profitable than those with larger ownership. The authors suggest that in order to improve long-term viability, state ownership should be decreased below the threshold. By offering actual proof of the best possible government involvement, the study offers important new information for enhancing State Owned Enterprises performance in developing nations.

International Monetary Fund (2022) analysed large State-Owned Enterprises in Sub-Saharan Africa and found that a significant proportion were unprofitable and illiquid. The study emphasised the liquidity-profitability paradox, which occurs when state-owned enterprises (SOE) attempt to strike a balance between their commitments to public service and financial viability. The two main issues were determined to be overleveraging and operational inefficiency. According to the research, in order to improve State-Owned Enterprises performance and lower fiscal risks, improved governance and financial supervision are required.

Mauludina et al. (2023) identified factors influencing State Owned Enterprises profitability by conducting a comprehensive review of 328 studies. According to the study, State-Owned Enterprises have two goals: to be profitable while fulfilling social and political obligations. This leads to the liquidity-profitability contradiction. Internal management procedures, market dynamics, and governance frameworks were found to be important factors influencing financial performance. The review highlights

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how balanced liquidity management is essential to ensuring long-term profitability for state-owned enterprises.

Das, D. J. (2023) used ratio tables and trend analysis for return on equity (ROE) and return on assets (ROA) to assess the financial performance of Plantation Corporation of Kerala from 2017–18 to 2019–20. The analysis discovered a downward trend in returns during the time frame, highlighting the significance of timely capital investments and yield enhancements for reviving profitability. Although the analysis is mainly academic in nature, it provides a reproducible methodology for other State-Owned Enterprises and helpful time-series comparisons within the plantation sector. Additionally, the study highlights that these scholarly evaluations ought to supplement audited corporation disclosures rather than take their place.

Bharathiveena and Pillai (2023) investigated the elements impacting Kerala Minerals and Metals Limited (KMML) financial performance, concentrating on both external issues like changes in regulations and fluctuations in global mineral prices as well as internal aspects like cost structure and operational efficiency. The study demonstrated, using regression analysis and descriptive ratios, that although operational improvements have resulted in lower costs, profitability is still quite susceptible to changes in commodity prices. The results also highlight how inventory control and technology advancements help stabilise cash flows. Its mixed-methods design, which blends econometric research and managerial insights, is a noteworthy strength of the study. To improve financial stability, policy ideas include diversifying markets, investing in automation, and hedging against price volatility.

The CAG Audit Report (2023) evaluates the financial performance of 131 State Public Sector Undertakings (PSUs) in Kerala, noting their contribution to the economy, social welfare, and job creation. According to the report, there is disparity in the financial health of PSUs; while some make money, many continue to lose money, which puts a strain on the state coffers. It draws attention to structural problems such as inadequate internal controls, delayed account finalisation, and lax monitoring. Units that are losing money are marked for immediate reorganisation and improved governance, especially in the manufacturing and transportation sectors. Improved performance monitoring, prompt account submission, and more responsibility are among the recommendations. Therefore, the research gives policymakers important information to improve Kerala's State-Owned Enterprises financial sustainability.

The CAG of India (2024) report provides a national perspective on the performance of Public Sector Undertakings (PSUs), offering comparative insights relevant to Kerala. The study identifies structural inefficiencies prevalent in many state-level businesses by examining important financial metrics like the debt-to-equity ratio, return on equity, and return on capital employed. The growing performance difference between PSUs that make money and those that don't is a significant result that highlights problems, including poor long-term investment strategy, reliance on government subsidies, and audit compliance delays. In order to reduce fiscal risks, the research emphasises the necessity of enhanced governance procedures and open financial reporting. By highlighting areas where Kerala's PSUs perform worse or better than the national average, this national benchmark offers diagnostic information and policy recommendations for improving financial sustainability.

Tan and Tuluca (2024) investigated the effects of liquidity on profitability across several organisational levels. As an example of the liquidity–profitability dilemma, they discovered that the impact of liquidity on profitability differs depending on the operating setting. The report emphasises how crucial it is to modify liquidity management plans to meet the unique requirements of State-Owned Enterprises. It has been demonstrated that maintaining profitability without sacrificing operational commitments requires effective liquidity planning.

Zhao (2024) reviewed literature on State Owned Enterprises efficiency and highlighted how ownership and governance influence financial outcomes. The study indicated that inefficient governance and overemphasis on social objectives can exacerbate the liquidity–profitability paradox. It emphasizes that State Owned Enterprises must balance profitability goals with broader socio-economic responsibilities. The review provides a theoretical framework for understanding how internal and external factors interact to affect liquidity and profitability.

Drushya et al. (2024) and **Shashidhara (2024)** examined the financial performance of state transport corporations, offering comparative and diagnostic insights relevant to Kerala's transport PSUs. When Drushya et al. evaluated TNSTC and Karnataka RTC, they found that some units were able to achieve near break-even through commercialization and route optimization, while others continued to rely significantly on cross-subsidization and subsidies. Utilising metrics including profitability, cost recovery, and asset utilisation, the study emphasised inefficiencies and offered policy recommendations for Kerala, such as route outsourcing and public-private partnerships. This was further supported by Shashidhara's research of Karnataka RTC from 2018–19 to 2020–21, which showed financial distress in the form of decreasing liquidity ratios, negative profitability metrics, and growing debt reliance. Collectively, these studies highlight the systemic issues that transport PSUs confront as well as the necessity of working capital management, equity financing, and efficiency-focused strategic changes to improve long-term financial viability.

Mathew, J., & Mahesh, M. P. (2025) have studied the profitability and working capital management in Oil Palm India Limited. based on data from annual reports from 2014-15 to 2023- 24. In 2023-24, operational and financial inefficiencies were revealed due to significant improvements in 2021-22 and 2022-23, including increased return indicators and positive operating and net profitability. Deteriorating working capital and receivables turnover ratios indicate inefficient resource conversion into revenue, notwithstanding significant liquidity in the current ratio. Despite better inventory and payables management, the cash cycle was impacted by falling receivables performance. These trends emphasise the need for a deliberate focus on optimising working capital, improving operational performance, and controlling costs over time. To achieve long-term profitability and growth, prioritise inventory planning, improve receivables collection, and balance payables.

Kumar, S. K. K., & Jayaraj, R (2025) create logistic regression models that use financial ratios to anticipate hardship in Kerala's public sector engineering enterprises. The analysis found that liquidity ratios (current ratio, quick ratio), as well as turnover and leverage ratios, are among the best predictors of potential crisis. Importantly for your coir case study, the report demonstrates that liquidity pressures—often caused by cyclical demand, delayed government payments, or growing working-capital borrowings—occur before profitability deteriorates. This supports the use of a combined liquidity and profitability ratio panel, as well as bankruptcy-prediction-style tests, to assess KSCCL's financial health.

RESEARCH GAP

There is little study that focuses only on Kerala-based businesses, even though other studies have examined liquidity and profitability in State Owned Enterprises across a variety of industries. The liquidity–profitability relationship over time for a single state-owned firm is not empirically examined in the reports and studies that currently exist, while highlighting structural inefficiencies, governance issues, and financial performance discrepancies. In particular, the impact of liquidity on profitability has not been thoroughly examined using longitudinal financial data for the Kerala State Coir Corporation Limited. By offering an empirical analysis spanning a decade, this paper seeks to close this gap and provide practical recommendations for enhancing financial sustainability.

SCOPE AND PERIOD OF THE STUDY

The current study is on the relationship between liquidity and profitability in The Kerala State Coir Corporation Limited., a state-owned corporation that promotes and sustains Kerala's traditional coir sector. The scope of the analysis is limited to the Corporation's financial performance, with a focus on its liquidity position, profitability trends, and the interdependence between the two. It does not include the customer satisfaction, Day's sales Outstanding and Break-Even Point. The analysis is based solely on secondary data gathered from the Corporation's audited financial statements, annual reports, and published documents. Financial ratios related to liquidity and profitability are employed as important tools for analysis, supplemented by suitable statistical approaches as needed. The study includes ten fiscal years, from 2014-15 to 2023-24. This decade-long time horizon was chosen to capture long-term trends, cyclical variations, and structural changes in the Corporation's financial performance. The study's findings are likely to provide light on the financial management procedures of Kerala's state-owned firms, notably in managing the liquidity-profitability contradiction.

OBJECTIVES OF THE STUDY

1. To assess the liquidity position of The Kerala State Coir Corporation Limited., Alappuzha.
2. To evaluate the profitability performance of The Kerala State Coir Corporation Limited., Alappuzha.
3. To analyse the relationship between liquidity and profitability, and to identify the presence of the liquidity–profitability paradox in the Kerala State Coir Corporation Limited,

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METHODOLOGY OF THE STUDY

The study is analytical in nature and is based solely on secondary data acquired from The Kerala State Coir Corporation Limited audited financial statements, annual reports over ten years from 2014-15 to 2023-24, and departmental publications of the Government. Financial ratio analysis has been used to evaluate the corporation's liquidity position and profitability performance, with ratios such as the current ratio, quick ratio, gross profit ratio, and net profit ratio. To investigate the association between liquidity and profitability, correlation analysis was used as the major statistical method. The analytical results shed light on the presence of the liquidity-profitability conundrum in the corporation's financial performance.

RESULTS AND DISCUSSIONS

A. Analysis of Liquidity

Liquidity refers to the ability of a business to meet its short-term financial obligations using its current assets. It indicates how easily a company can convert assets into cash to pay off liabilities as they become due. Liquidity ratios and working capital are the major tools used for analysing liquidity.

1. Working Capital of The Kerala State Coir Corporation Limited, Alappuzha

Working capital, calculated as the difference between current assets and current liabilities, is a key indicator of a firm's short-term financial health. It measures the ability of a company to meet its immediate obligations and continue day-to-day operations without disruption. Adequate working capital ensures smooth functioning by financing inventories, receivables, and other short-term operational needs.

TABLE 1: Net Working Capital of The Kerala State Coir Corporation Limited, Alappuzha

Year	Current Assets (Rs. In Lakhs)	Current Liabilities (Rs. In Lakhs)	Net Working Capital (Rs. In Lakhs)
2014-15	6692.41	4412.07	2280.34
2015-16	6472.17	5906.00	566.17
2016-17	11667.07	10954.29	708.78
2017-18	11496.70	11744.06	(247.36)
2018-19	12070.84	11943.23	127.61
2019-20	15680.77	15521.73	159.04
2020-21	16805.89	17156.81	(350.92)
2021-22	18065.16	18046.45	18.71
2022-23	19742.68	19844.15	(2853.09)
2023 24	19581.71	18907.92	673.79

Source: Compiled from Annual Reports of The Kerala State Coir Corporation Limited.

Throughout the time, the company's net working capital position exhibits significant volatility. Net Working Capital was high in 2014–15 at ₹2,280.34 lakhs, but it fell precipitously in 2015–16 and stayed low after that. Negative Net Working Capital was even reported in a number of years, including 2017–18, 2020–21, and 2022–23, indicating liquidity difficulties and a need for outside funding to cover short-term obligations. Despite sporadic improvements in 2019–20 and 2023–24, the volatility reveals an unreliable pattern of liquidity management. A consistently low or negative Net Working Capital indicates that the business might find it difficult to keep up with the necessary working capital to support regular operations. The company's margin of safety in satisfying current liabilities has deteriorated, highlighting possible hazards in short-term solvency, even if current assets and liabilities have both increased over time.

2.Liquidity Ratios of The Kerala State Coir Corporation Limited, Alappuzha

Liquidity ratios are financial metrics used to measure this capability, providing insights into the firm's short-term solvency and financial stability. Common liquidity ratios include the current ratio, quick ratio, cash ratio and so on. A greater current ratio denotes stronger short-term financial stability, but overly high values may imply inefficient asset usage. The current ratio provides a general picture of liquidity by measuring a company's capacity to pay its short-term liabilities using its current assets. By removing inventory from current assets, the fast ratio—also referred to as the acid-test ratio—provides a more stringent evaluation and emphasises the company's ability to satisfy short-term obligations with more liquid assets. The most cautious metric, the cash ratio assesses the firm's immediate solvency and financial resilience by determining if short-term liabilities can be settled with cash and cash equivalents alone.

TABLE 2: Current Ratio, Quick Ratio and Cash Ratio of The Kerala State Coir Corporation Limited, Alappuzha

Year	Current Ratio	Quick Ratio	Cash Ratio
2014-15	1.52	1.18	0.55
2015-16	1.10	0.87	0.26
2016-17	1.07	0.85	0.46
2017-18	0.98	0.69	0.13
2018-19	1.01	0.68	0.10
2019-20	1.01	0.72	0.03
2020-21	0.98	0.69	0.03
2021-22	1.00	0.70	0.05
2022-23	0.99	0.73	0.04
2023-24	1.04	0.76	0.01

Source: Compiled from Annual Reports of The Kerala State Coir Corporation Limited.

From 2014 to 2015, the current ratio was at a healthy 1.52, but from 2015 to 2016, it was at or below the benchmark of 1, meaning that the company had either too few or too many current assets to meet its current liabilities. A weak short-term liquidity position is suggested once inventories are taken out of the equation by the quick ratio's steady drop and movement well below the optimal threshold of 1. The cash ratio is even more worrisome because it dropped to extremely low levels (below 0.10 in most years and only 0.01 in 2023–24), indicating that the company had very little cash on hand to pay its debts. All of these ratios show that the company's liquidity position has gotten worse over time, with a greater reliance on inventories and receivables than on cash and liquid assets. The lowest points in 2017–18, 2020–21, and 2022–23 denote times when obligations were more than liquid assets and there was significant liquidity stress. Even in 2023–2024, the cash ratio fell to its lowest level, indicating that the recovery in liquidity was not supported by cash reserves, even though the current and quick ratios marginally improved above 1.00 and 0.76, respectively. Concerns regarding the company's short-term solvency and financial flexibility are raised by the analysis's overall findings, which indicate that it struggled to retain sufficient liquidity throughout the decade.

B. Analysis of Profitability

The ability of a business to produce profits or monetary advantages from its operations over a given time frame is referred to as profitability. It shows how well a company makes use of its assets, labour, and capital to generate profits. Profitability affects investor confidence and the capacity to reinvest in operations since it shows a company's overall financial health, sustainability, and growth potential.

1.Profitability Ratios of The Kerala State Coir Corporation Limited. Alappuzha

Operating profit is the amount of money made by a business's main operations, less revenue or costs from non-operating activities like taxes and interest. It shows how well the business manages its core functions and keeps operating expenses under control. Net profit, which shows the overall financial performance and wealth created for stakeholders, is the net profit left over after all costs, such as interest, taxes, operational costs, and non-operating items, have been subtracted from total revenue. While the Net Profit Ratio expresses net profit as a proportion of net sales, demonstrating the overall profitability and sustainability of the organisation, the Operating Profit Ratio measures operating profit as a percentage of net sales, offering insight into operational efficiency and cost management. Because they enable managers and policymakers to assess performance in relation to revenue, pinpoint strengths and shortcomings, and make well-informed decisions, these ratios are crucial.

TABLE 3: Operating Profit Ratio and Net Profit Ratio of The Kerala State Coir Corporation Limited, Alappuzha

Year	Operating Profit (Rs. in Lakhs)	Operating Profit Ratio (Per centage)	Net Profit (Rs. in Lakhs)	Net Profit Ratio (Per centage)
2014-15	142.91	1.25	77.89	0.68
2015-16	150.82	1.35	67.07	0.60
2016-17	172.98	1.52	102.30	0.90
2017-18	78.69	0.63	14.77	0.12
2018-19	142.65	0.75	39.81	0.21

2019-20	115.82	0.58	25.43	0.13
2020-21	229.27	0.92	32.16	0.13
2021-22	367.10	1.51	54.73	0.23
2022-23	578.01	3.92	50.32	0.34
2023-24	584.99	3.64	81.29	0.51

Source: Compiled from Annual Reports of The Kerala State Coir Corporation Limited.

The company's operating profit increased gradually in absolute terms, reaching a peak of ₹584.99 lakhs in 2023–2024, despite significant declines in 2017–18 and 2019–20. Until 2021–2022, the operational profit ratio was low (less than 2 percentage) but then experienced a significant improvement, rising to 3.92 percentage in 2022–2023, which suggests increased efficiency or greater control over operating costs. Even though operating profitability has increased, net profit ratios have remained extremely low, below 1 percentage for the entire period. The difference between operational and net profit shows that non-operating costs like taxes and financing charges greatly reduced shareholder earnings. Operating and net profit margins were at their lowest throughout 2017–18 and 2019–20, indicating financial hardship and the worst performance. Operating performance significantly improved starting in 2021–2022, although net profits did not completely reflect this, indicating a continuing pressure from non-operating costs. Concerns regarding sustainability and return on investment are raised by the low net profit ratio, which reveals poor bottom-line profitability even if the company's operational efficiency has increased recently.

1.Return-Based Profitability Metrics of The Kerala State Coir Corporation Limited, Alappuzha

Return-based profitability metrics evaluate the efficiency with which a company generates profits relative to the resources employed. Return on Investment (ROI) provides a broad indicator of efficiency by comparing the overall profitability to the total investment. Return on Equity (ROE), which measures how well owners' money is being used, focuses on the return produced for shareholders. Return on Assets (ROA), which gauges management's capacity to turn resources into profits, quantifies how effectively a company's total assets are used to produce earnings. To demonstrate how well long-term funds are being used, Return on Capital Employed (ROCE) takes one step further and looks at profitability in relation to both equity and debt capital. In the case of state-owned enterprises (SOE), these measures are especially crucial because they aid in assessing the enterprise's financial sustainability and the effectiveness with which public resources are being managed.

TABLE 4: Return on Investments, Return on Capital Employed, Return of Equity and Return on Assets of The Kerala State Coir Corporation Limited., Alappuzha

Year	**Return on Investment (in Percentage)**	**Return on Capital Employed (in Percentage)**	**Return on Equity (in Percentage)**	**Return on Assets (in Percentage)**
2014-15	1.71	3.14	1.77	0.85
2015-16	3.41	7.67	3.68	0.82
2016-17	4.77	8.07	5.11	0.76
2017-18	1.05	5.46	1.17	0.11
2018-19	2.45	8.80	2.69	0.29
2019-20	1.31	5.98	1.60	0.14
2020-21	1.37	9.80	1.64	0.16
2021-22	1.90	12.75	2.18	0.26
2022-23	2.06	23.63	2.35	0.22
2023-24	3.41	24.55	3.80	0.38

Source: Compiled from Annual Reports of The Kerala State Coir Corporation Limited.

Over the years, the financial ratios display a mixed but steadily rising performance pattern. Despite a slight increasing trend in the following years, reaching a peak in 2023–2024, Return on Investment and Return on Capital Employed continue to be low, indicating poor profitability from the shareholders' point of view. Conversely, Return on Capital Employed exhibits a notable improvement, increasing from 3.14 percentage in 2014–15 to 24.55 percentage in 2023–24, indicating a significant improvement in operating efficiency in terms of capital used. Over the course of the period, Return on Assets remains extremely low (below 1%), suggesting that the substantial asset base is being underutilized and not producing enough returns. The discrepancy between Return on Capital Employed and Return on Equity also shows that, despite increased operational efficiency, high financing costs are preventing equity holders from fully benefiting. All things considered, the data show that State-Owned Enterprises are increasing in operational efficiency but have ongoing difficulties with profitability, asset utilization, and shareholder returns.

C. Relationship between Liquidity and Profitability

Using correlation analysis, the relationship between liquidity and profitability was investigated for the years 2014–15 through 2023–24. The current ratio, quick ratio, and cash ratio were used to show liquidity, and the net profit ratio, Return on Investment, Return on Capital Employed, Return on Equity, and Return on Assets were used to show profitability. The purpose of the analysis is to determine whether there is a paradoxical (negative) link between the two financial performance parameters.

TABLE 5: Correlation between Liquidity and Profitability (2014–15 to 2023–24)

Liquidity Ratio	Net Profit Ratio	Return on Investment	Return on Capital Employed	Return on Equity	Return on Assets
Current Ratio	+0.56	+0.02	–0.38	–0.03	+0.72
Quick Ratio	+0.70	+0.18	–0.35	+0.13	+0.83
Cash Ratio	+0.80	+0.39	–0.54	+0.34	+0.87

Source: Computed from the audited financial statements of The Kerala State Coir Corporation Limited., 2014–15 to 2023–24.

The results of the correlation study between profitability and liquidity show conflicting trends. With a range of 0.56 to 0.80, the Net Profit Ratio (NPR) exhibits a strong positive association with liquidity, suggesting that increased liquidity is typically linked to better net profitability. Similarly, there is a fairly substantial positive correlation between Return on Assets and liquidity (0.72 to 0.87), indicating that companies with better liquidity positions typically make better use of their assets. The liquidity–profitability dilemma is highlighted by the moderately negative correlation (-0.35 to -0.54) shown by Return on Capital Employed (ROCE), which suggests that too much liquidity may impair the effectiveness of capital use. Despite not necessarily having a negative association, return on equity (ROE) and return on investment (ROI) show weak positive or near-zero correlations (0.02 to 0.39), indicating no strong or consistent relationship with liquidity. Overall, the results highlight the intricate trade-off between liquidity and profitability by indicating that, although it boosts profitability in terms of net margins and asset utilization, it may hurt capital efficiency.

CONCLUSION

The Kerala State Coir Corporation Limited liquidity-profitability conundrum study provides important new information about the company's financial performance throughout the last ten years. With the cash ratio falling to extremely low levels and the current and quick ratios frequently being below the benchmark, the research demonstrates the company's ongoing liquidity issues and its poor short-term solvency situation. Several years' worth of negative net working capital reports emphasize the company's dependence on outside funding to cover short-term obligations. While operating profit showed a slow rise in subsequent years, net profit ratios stayed extremely low, indicating that non-operating expenses like taxes and interest greatly reduced shareholder returns. A mixed picture is shown by the return measures. From 3.14 percentage in 2014–15 to 24.55 percentage in 2023–24, Return on Capital Employed showed a notable improvement, indicating increased capital employed efficiency. On the other hand, despite improvements in operational efficiency, Return on Equity and Return on Investment stayed comparatively low, suggesting poor returns for shareholders. Additionally, Return on Asset continuously stayed below 1 percentage, indicating that the asset base was underutilised and that assets had a small impact on profitability. The liquidity–profitability dilemma is somewhat supported by the correlation analysis between profitability and liquidity. Strong positive correlations between liquidity and Return on Asset and the net profit ratio suggested that improved liquidity improved asset utilisation and profits. The contradictory position is supported by the negative link that Return on Capital Employed showed, which showed that too much liquidity might lower capital efficiency. There was no consistent association between Return on Investment and Return on Equity, and liquidity, as evidenced by their weak or negligible correlations. Overall, the results show that although the company made significant strides in operational efficiency, its liquidity management remained precarious, and its profitability was low when viewed through the eyes of shareholders. Evidence suggests a complicated trade-off: while excessive liquidity may jeopardise capital efficiency, maintaining sufficient liquidity promotes net profitability and asset utilisation. The study concludes that the liquidity–profitability conundrum only applies in part to this situation and that, in order to improve long-term sustainability and shareholder value, the company should aim for a balanced approach to liquidity management.

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