The Relationship Between Liquidity Risk and Internal and External Factors in TCL Corporation

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Abstract

The purpose of this study to examine the performance of TCL Corporation with specific factors and macroeconomic variable influence on liquidity risk (quick ratio) the data was obtained from the annual report from year 2014 to 2018 of TCL Corporation. This study using a descriptive analysis such as credit risk, liquidity risk, operational risk and also economic environment as to compare the performance of the company involve in TCL Corporation. The finding shows that the company performance can be influenced by the internal risk and economic environment. The study found quick ratio, return on asset, average-collection period, operating ratio, index score, GDP growth rate, exchange rate, interest rate, inflation rate and beta. And operating ratio are significant to quick ratio.

Keyword: Liquidity risk; Internal; External Factors

Introduction

1.0 Introduction

Chapter one consists of an overview of the background company, governance committee and bribery scandal.

1.1 Background

TCL Corporation is involved in the electronics industry established in 1981 in Guangdong, China. Then, it was integrated in 1985 with the new brand TCL Telecommunication Equipment Co Ltd. The company began to market locally made electronics in the early 1980s and began to expand internationally in the early 2000s. TCL began working with several Hong Kong-based investors.

In July 2003, 'The Dragon and the Tiger Plan' was unveiled by TCL chairman Li Dongsheng to create several competitive TCL businesses in the global market. In 2003, France-based Thomson SA announced a joint venture with TCCL to produce television and DVD players worldwide. TCL acquired 67 percent of the shares in the joint venture, with Thomson SA holding other shares and agreeing that the television made by TCL-Thomson will be marketed under the TCL brand in Asia and the Thomson brands in Europe and North America.

In April 2004, TCL again announced a partnership with Alcatel to create mobile phones (Alcatel mobile Phones). TCL won 55% of its stock injection at 55 million euros at that time. TCL has also decided not to use the Alcatel brand, instead opting to use the TCL brand within five years.

1.2 Governance Committee

The TCL Group recognises that a robust corporate governance system redounds to the overall benefit of the organization by fostering better performance and by facilitating a lower risk of malfeasance as well as a lower cost of capital. The company adheres to the principles of justice, transparency and accountability; the Company strives to maintain high standards of corporate governance by establishing comprehensive policies, procedures and systems to promote responsible corporate culture. The TCL Group is committed to adhering to the principles and practices of good corporate governance and the Governance Committee, a Subcommittee of the Board, establishes the foundations for compliance.

1.3 TCL Corporation Implicated in Bribery Scandal

Based on a report from The FCPA Blog, a telecommunications subsidiary based in China, TCL Corporation has been indicted on the alleged corruption of a government official in Guangdong as an exchange of government subsidies. The allegations were broadcast during the attempted corruption of Yang Xue, the former chairman of the electronic Division under the Economic Commission & information on Guangdong area.

For the bribe charge, he was sentenced to 11 years in prison because he received nearly 3 million yuan ($483,000) in bribery from five companies in return for giving them government subsidies to promote the flat panel display industry.

TCL Electronic Technology (Huizhou) Co LTD, a subsidiary of TCL Corp, allegedly acquired nearly 80 million yuan ($13 million) in government subsidies. In return, vice president of TCL Optoelectronic, only identifies him, paying the 300,000-yuan ($48,716) in corruption through a third person.

The report says TCL will experience deficits without government subsidies. According to the report, TCL could not realize the action by the worker, and he did not intend to engage in corruption. The company added that the subsidy of the government he had had no effect on its profit or loss.

However, the National Audit office finds that TCL Corp cheats the government's subsidies for energy saving air conditioner by more than 18 million yuan ($3 million) through the inflated sales numbers.

1.4 Problem Statement

Corporate governance starts becoming popular and be a priority to almost every companies that run business in the world when many big companies like WorldCom, Enron and Lehman Brothers was fall. All these big company was fall because of lack of corporate governance. According to Neeta Shah and Christopher J. Napier (2017), corporate governance is a system by which companies are directed and controlled. There are many benefits to the company that apply corporate governance. For example, companies that apply corporate governance has high company value and usually the performance of the company also was much better compare to company that has lack of corporate governance. Corporate governance also helps the company in protecting their shareholders interest especially the minority shareholders rights. In addition, there six pillars of corporate governance that companies must follow such as independence, responsibility, accountability, fairness, transparency and sustainability. Fail to follow or apply

good corporate governance could lead to business failure or bankruptcy. Therefore, it is important to carry out a research to determine how significant is the firm-specific factors and macroeconomic factors affect the TCL Corporations corporate governance index.

1.5 Research Objectives

The study aims to investigate the impact TCL Corporations corporate governance index in relation to its determinants.

1. To investigate the internal factors, influence towards liquidity risk.
2. To investigate the external factors, influence towards liquidity risk.
3. To investigate both internal and external factors influence towards liquidity risk.

1.6 Research Questions

1. Does any relationship between the internal factors towards liquidity risk?
2. Does any relationship between the external factors towards liquidity risk?
3. Does any relationship between both internal and external factors towards liquidity risk?

1.7 Scope of Study

This study is focused on TCL Corporations. When run this study, annual report for a time frame of five years (from 2014 to 2018) and official website of TCL Corporations was used to extract the element of corporate governance index.

1.8 Outline of Study

This study consists of five main chapters. Chapter one discusses about the background of the study, which consist of an overview of the study, problem statement, research objectives, research questions, scope of study and lastly organization of the study. Chapter two is about the literature reviews that search and evaluate the available literature in the chosen topic area. Chapter three suggest the research methodology such as sampling techniques, data analysis, measurement of variables and SPSS Statistics. Chapter four discusses the results and findings of the study, which includes the descriptive statistical analysis, correlation, model summary, ANOVA and coefficients. Lastly, chapter five suggests about the discussion results, the limitation of the study and conclusion.

Literature Riview

2.0 Introduction

This chapter is regarding the review of some previous literature which is related to this study on corporate governance and its determinants. This chapter consists of six sections, which discuss in general the concept of corporate governance, credit risk, operations risk, liquidity risk, market risk and lastly company's performance.

2.1 The Corporate Governance

Based on the article from Pooja Gupta, Aarti Mehta Sharma (2013), corporate governance is necessary to create a culture of transparency, awareness and openness. It can boost the company's performance over the long term.

Pankaj Kumar Gupta (2014) some of the key elements in the framework of corporate governance such as regulatory systems, practices and processes can be controlled and directed. Corporate governance is also the basis for balancing the interests of competing companies in allocating corporate resources by maximizing value for shareholders, managers, customers, suppliers, governments and society.

Corporate governance also provides a framework for achieving corporate goals that includes a framework for achieving corporate goals such as areas of action plan management and internal control to measure corporate performance and exposure.

The corporate governance system also has a combination of mechanisms that ensure the management of the interests of the parties. Stakeholders are shareholders, creditors, suppliers, customers, employees and parties conducting transactions with the company.

Corporate governance is a set of guidelines, principles and processes for managing a company. Regulations on how to operate a company to achieve its goals and objectives by adding value to the company and the benefit of all shareholders.

Corporate governance consists of processes, policies, laws and institutions that influence the way a company is managed, administered and controlled. Corporate governance is the process of allocating corporate resources by maximizing value for all stakeholders such as shareholders, investors, employees, customers, suppliers, the environment and the community at large and those responsible for evaluating decisions in terms of integrity, equity and responsibility.

There are many different types of corporate governance models that suit each company. For example, the Anglo-American model tends to emphasize shareholders' interests. There are also multi-stakeholder models like Continental Europe. (Maradi, Mallikarjun & Dasar, Paramanand, 2014).

2.2 The Relationship Between Credit Risk and Corporate Governance

Credit risk has been rampant in banking history. It is a significant risk in today's financial and financial transactions. There have been many small and large failures, combined with their corresponding economic and social impacts, further accelerating the importance of credit risk management throughout history. Credit risk management is a process that includes identifying potential risks, measuring the performance of these risks, appropriate treatment, and actual implementation of the risk model. Efficient credit risk management methods are very important in enabling phenomenal growth in consumer credit in previous years.

Today, effective credit risk management has been recognized by economists. Capital level, the way to absorb losses has been matched by portfolio risk and depends on the nature of the risk of the transaction. All organizations, such as banks, need to allocate capital optimally with respect to selected investments. Furthermore, effective tools and techniques for measuring risk are a key element of good credit risk management (Tony van Gastel & Bart Baesens, 2009).

Credit risk and corporate governance can be said to complement each other because it is a good governance practice. There is also the view that one way to achieve sustainability is to raise the interest of all stakeholders including shareholders, customers, employees and the public. However, for those who do not agree with the theory they do not need to be overshadowed by stakeholders. This theory goes beyond normative theoretical principles. The real goal of governance is to maximize shareholder profit. (Paul Asquith & Thierry A. Wizman, 1990).

Corporate governance focused on maximizing shareholder profitability will result in good performance by management. Sufficient resources, sound investment strategies and sincerity in reporting will positively impact the company's finances. To ensure the sustainability of the industry and the firm, management needs to take on debt and reduce debt risk over the long term. (Arthur Warga & Ivo Welch, 1993).

In addition, governance weaknesses such as inefficient management or inefficient board of directors may result in companies' failure to pay their debts and potentially harm shareholders. Shareholders' rights and ability to intervene in governance matters are limited. This affects the debtors and equities left behind and has speculative risks (Kirkpatrick, 2009).

2.3 The Relationship Between Operations Risk and Corporate Governance

Operational risk is certain due to the risk of losing after internal processes, inadequate or failed people and systems, external events or reputation risks. The most important type of operating risk involves failure in internal control and corporate governance. 21st century businesses are operating under the technology, they can rain for business survival and growth if properly managed or if there is a catastrophe, destroying the business, if risk management fails. In addition to many things, Corporate Governance provides a high-level framework for IT governance. Corporate Governance encompasses a framework for establishing long-term trust between the company and its stakeholders. This trust is created by rationalizing and monitoring company risk, limiting top management liability by prioritizing the decision-making process, ensuring financial reporting integrity, and ultimately providing the level of confidence needed to function properly in the organization (Sapovadia, 2008).

Good corporate governance practices understand key areas of risk within the company and review the company's approach to managing risks and evaluate existing processes to monitor and control those risks, evaluate the relationship between compliance efforts to maximize performance, emphasize enterprise-wide risk management using a method. and in the process, it promotes the integration of risk management functions to improve performance, become more effective and strategic over time. Good Corporate Governance practices provide a way to realize the vision of reducing risks and optimizing performance simultaneously in today's competitive environment and regulations. (Sapovadia, 2008).

In general, companies with higher levels of operational risk could potentially incur high levels of operating losses. Because higher operational risk has the potential of creating losses, regulators have been forcing the banking industry to improve the way they manage their operations. For example, the Basel II accord requires that major banks adopt an approach to determine operational risk and changes in levels of operational risk. Although accepting that operational risk has the potential for creating significant losses for financial firms, there is very limited research on the impact of operational risk on firm performance with respect to nonfinancial institutions. As a conclusion that better corporate governance leads companies to undertake riskier but more value enhancing investments (Kose John, Lubomir Litov & Bernard Yeung, 2008).

2.4 The Relationship Between Liquidity Risks and Corporate Governance

Liquidity is usually defined as the ability of a financial firm to fulfil its debt obligations without incurring significant losses. For example, a firm chooses to repay a one-month commercial

paper obligation by issuing new trading papers instead of selling assets. Thus, "liquidity risk financing" is the risk that a firm will not be able to meet its present and future cash and security requirements, both unexpectedly and unexpectedly, without materially impairing its daily operations or its overall financial condition. Financial firms have been particularly sensitive to liquidity risk financing since the transformation of debt maturity (for example, financing long term loans or buying assets with short term deposits or debt obligations) is one of their key business areas. (Lopez, 2008).

Liquidity risk arises from the bank's failure to meet short-term liabilities without significant loss, the bank's inability to invest well and its inability to borrow from the market, which is due to the lender's lack of confidence in the bank's ability to meet its obligations and to repay all repayments. in front. Liquidity risk is also defined as the total difference in net income and the equity market value, which is due to the sudden withdrawal of deposits and the bank's inability to obtain the required cash at a reasonable cost. The money is expected to come from the sale of assets or acceptance of new deposits (Alrawashedh, 2018).

The Board's responsibility lies in determining how to effectively manage and monitor liquidity risk, establish effective systems for liquidity risk management, and identify strategies and policies to support and improve the system in a manner consistent with acceptable liquidity risk (Al Araj, 2010).

2.5 The Relationship Between Market Risk and Corporate Governance

Market risk can be defined as a risk to the financial condition of the institution resulting from adverse movements in the level or volatility of the market price. Therefore, the market risk management process seeks to unify and monitor risk simultaneously. By implication, this requires the consolidation of market risk across all categories of assets and derivatives in a firm's trading book (John Frain and Conor Meegan, 1996).

Risk taking takes the company forward and makes a profitable profit. When risk pays off, profits make shareholders and stakeholders happy. Technology has created greater global connectivity, which is an asset for most businesses. Therefore, interdependence makes the perspective of risk taking very complex. The changing risk landscape is creating a global conversation about how the principles of corporate governance need to evolve to respond more effectively to relationships with risk management.

According to Ahmed Al-Hadid, Thursday Hamed Al-Yahya, Syed Mujahid Hussain and Grantley Taylor (2017), they studied the relationship between corporate governance and

market risk exposure among financial firms from the Gulf Cooperation (GCC) region between 2007 and 2011. Using a comprehensive measure of market risk exposure, our regression results suggest that the level of market risk exposure is positively and significantly related to the strength of the firm's corporate governance structure. Economically, regression coefficients indicate that a 3.25% increase in market risk exposure is associated with a standard deviation in the strength of corporate governance. In addition, when we break down our corporate governance index into its constituent items, we find that the independence of the directors and the dual roles of the CEO and chairman of the board reduce the level and quality of market risk exposure.

Extensive derivative trading financial instruments since the 1990s have been considered the major source of the Global Financial Crisis (GFC). In particular, financial institution's derivative losses in the long-term Capital Management Failure (LTCM) reflect the misuse of derivative financial instruments by firms for hedging and speculation purposes. However, market regulators have attributed the reasons for this financial incident to insufficient exposure to financial instruments. Jorion (2002) argues that the crisis could have been avoided if derivatives exposure had become faster and more effective. Therefore, in response to the crisis, regulators and securities authorities, and accounting standards have implemented several reforms to enhance the philosophy of risk management and improve financial risk reporting.

2.6 The Relationship Between Company's Performance and Corporate Governance

A firm's performance is defined as a measure of a company's performance that depends not only on the company's efficiency but also on the market in which it operates. In a financial or sectoral perspective, firm performance is defined as financial or financial stability (Jatinder N.D. Gupta, Sushil K. Sharma & Mohammad Abdur Rashid, 2009).

Corporate governance practices have a positive relationship with firm performance. Their findings are in line with agency theory which states that good corporate governance practices lead to better firm performance (Mohd Che Haat, H. R. Raaman, Sakthi Mahenthiran, 2008) .

In addition, higher levels of transparency can also influence the firm's performance. When firms increase exposure and timely reporting, it helps firms reduce their capital costs and at the same time reduce asymmetric information (Brian J. Bushee & Christopher F. Noe, 2000).

2.7 Corporate Governance and Macroeconomic

Macroeconomics is an economic branch that studies how aggregate economies behave. Among the economic phenomena examined in macroeconomics are gross domestic product (GDP),

unemployment, inflation, price level, growth rate and national income (Jim Chappelow & Troy Segal, 2019). In addition, according to studies by Chow YP, Muhammad J, Amin Noordin BA, Cheng FF. (2017), the overall impact of macroeconomic uncertainty on leverage among firms with better governance quality is negative as macroeconomic uncertainty is offset by uncertainties in export and import growth rates. Corporate governance also acts as an effective mechanism to curb or check leverage usage especially during high instability.

In addition, a study by David H. Erkens, Mingyi Hung & Pedro Matos (2012) found that firms with better corporate governance refused to use more leverage to avoid risk of default during an economic crisis or financial crisis. In addition, the Asian Financial Crisis that occurred in 1997 showed that weak firms with corporate governance could be vulnerable to fluctuations in the macroeconomic environment.

After the crisis, the affected countries changed guidelines, regulations and standards related to corporate governance and financial reporting to improve the quality of governance and disclosure (Ferdinand A. Gul & Sidney Leung, 2004).

Research Methodology

3.0 Introduction

According to Rajasekar, S, Philominathan, P, and Chinnathambi, V (2006), research methodology is procedures that the researchers used to conduct a series of activities to describe, explain and predict the phenomena. Research methodology also defines as systematic way to overcome or solve any problem. The purpose of this study done is to understand corporate governance index and its determinants of the TCL Corporation. The method that has been used to collect and analyse data is by using IBM Statistical Package for the Social Sciences (SPSS) Statistics version 25.

3.1 Sampling Technique

For this study, I have selected TCL Corporation that involve in bribery scandal in 2014 as a sample. Besides that, annual report of TCL Corporation Implicated in Bribery Scandal from year of 2014 until year of 2018 was used to determine the relation between dependent variables (corporate governance index) and independent variables (internal factors and external factors).

3.2 Statistical Technique

For this study I decided to select TCL Corporation. TCL Corporation have involved in a huge bribery scandal in 2014. To conduct this research, five-year data from annual report of TCL Corporation was extracted start from year 2014 to 2018. The data was used to analyse TCL Corporation and to calculate the internal factors like return on asset (ROA), average collection period, operation ratio and operating margin. In addition, data for the external factors like Gross Domestic Product (GDP), inflation rate, exchange rate and standard deviation are derived from Yahoo Finance and Focus Economics.

The data of macroeconomic factor was important to analyse the economic condition from year of 2014 until 2018. Besides that, to complete this research, main technique that was used is Ordinary Least Square (OLS) regression. OLS commonly known as linear regression. OLS was believed best technique to explains the potential relationship between independent variable and dependent variable. Many researchers use this technique when run their research. Moreover, the reason why many researcher using OLS regression is this technique was much easier and sensible to estimate regression compare to other alternative technique (Ozlem, 2011).

3.3 Data Analysis

For this research, one dependent variable (liquidity risk) and three categories of independent variables (Internal factors, external factors and both of internal and external factors) are used. The research framework is shown as below:

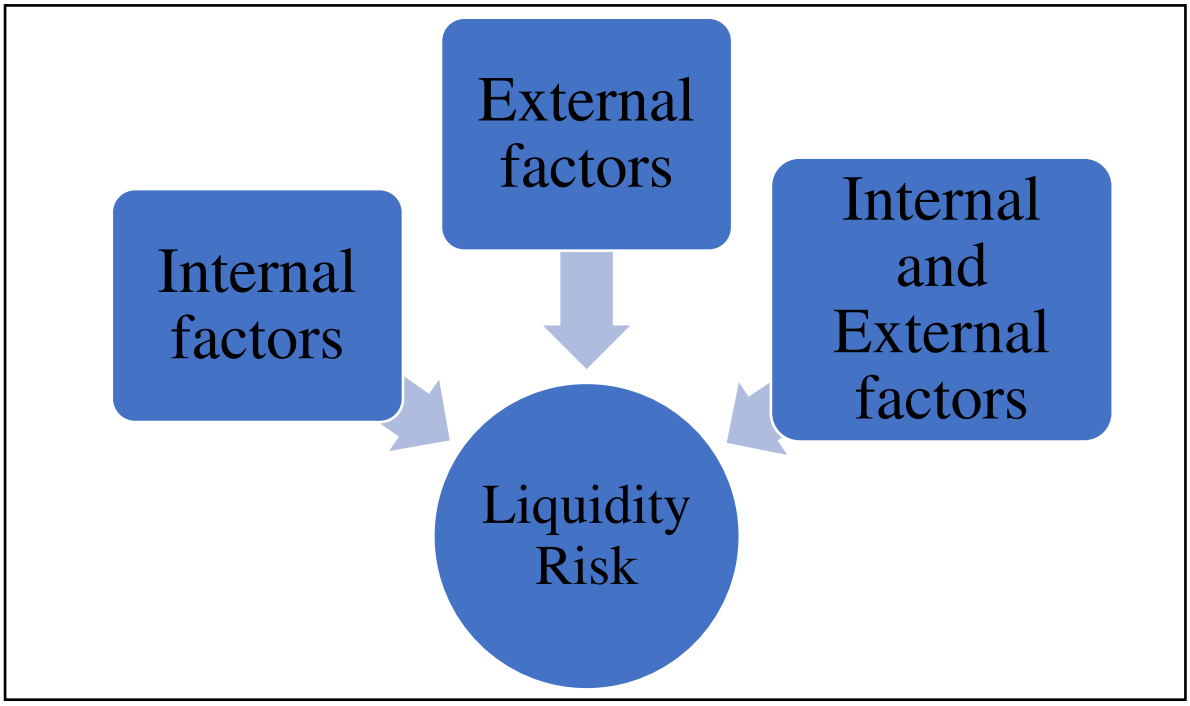

Figure 1: Research framework

As mention earlier that purpose of regression analysis (OLS) was conducted to identify the relationship of dependent variable (liquidity risk) and three categories of independent variables (Internal factors, external factors and both of internal and external factors). Besides that, to determine how the independent variables, influence the dependent variable, multiple regression analysis was used. The multiple regression can be presented in the equation form as follows:

No	Variables	Measurement
1	Return on Assets	Net income / Total assets
2	Current Ratio	Current asset / Current liability
3	Quick Ratio	Current asset-Inventory-Prepaid expenses / Current liability
4.	Average Collection Period	Account receivable / revenue
5.	Debt to Income	Total liability / total income
6.	Operation Ratio	Operating expenses / net sale
7.	Operating Margin	EBIT / revenue
8.	Gross Domestic Products	5-years gross domestic products
9	Inflation	5-years inflation rate
9	Interest Rate	5-years interest rate

10	Exchange Rate	5-years exchange rate
11	Standard Deviation	5-years standard deviation rate
12	Corporate Governance Index	Sum of individual elements disclosure/ Total CG elements

Table 1: Measurement of Variables

3.4 IBM Statistical Package for Social Sciences (SPSS Statistics)

IBM SPSS Statistics version 25 was used to complete this research. IBM SPSS Statistics version 25 compute the data from annual reports to acquire the result. Initially, this method was developed by Norman H. Nie, C. Hadlai (Tex) Hull and Dale H. Bent (2019) with named as Statistical Package for the Social Sciences or SPSS. After being acquire by IBM, new official name for this method is IBM SPSS Statistics in current version (2015). In addition, SPSS become most widely used programs for statistical analysis in social science or research. Its multi-function such data management, data documentation features statistical analysis helps in better decision making. For this study, IBM SPSS Statistics were used to compute descriptive statistics, linear regression, correlation and coefficient between independent variables with dependent variable based on quantitative data that has been extracted from annual report and official website of the company.

Findings and Analysis

4.0 Introduction

For this study, Table 2 correlation benchmark table below had been used to present the data for determine the correlation between the dependent variable (liquidity risk) and three categories of independent variables (Internal factors, external factors and both of internal and external factors). The table 2 below shows the benchmark used in this to determine the relationship between the variables.

Correlation Benchmark

Size of Correlation	Interpretation
0.90 to 1.00 (-0.09 to -1.00)	Very high positive (negative) correlation
0.70 to 0.90 (-0.70 to -0.90)	High positive (negative) correlation
0.50 to 0.70 (-0.50 to -0.70)	Moderate positive (negative) correlation
0.30 to 0.50 (-0.30 to -0.50)	Low positive (negative) correlation
0.00 to 0.30 (-0.00 to -0.30)	Negligible correlation

Table 2: Correlation Benchmark

4.1 Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
QUICK RATIO	.5564458776	.2498441301	5
OPERATION RATIO	9.899373362	4.663075770	5
CGI	.600	.1414	5
AVERAGE COLLECTION PERIOD	44.19493012	17.37149825	5

Figure 2: Descriptive Statistics

The figure 2 shows us the mean and standard deviation for dependent variable liquidity risk, independent variables that consist of operation ratio, corporate governance index and average collection period. From the figure, we found that liquidity risk is on average about 0.556 with higher standard deviation of 0.25. This shows that the company has a high liquidity risk during year of 2014 until 2018.

Besides that, independent variables that consist of return on asset, debt to income, operating margin, GDP, inflation, CGI not important to the liquidity risk.

4.2 Correlation

Correlations

		QUICK RATIO	OPERATION RATIO	CGI	AVERAGE COLLECTION PERIOD
Pearson Correlation	QUICK RATIO	1.000	-.132	.561	.444
	OPERATION RATIO	-.132	1.000	-.136	-.644
	CGI	.561	-.136	1.000	-.267
	AVERAGE COLLECTION PERIOD	.444	-.644	-.267	1.000
Sig. (1-tailed)	QUICK RATIO	.	.416	.162	.227
	OPERATION RATIO	.416	.	.414	.121
	CGI	.162	.414	.	.332
	AVERAGE COLLECTION PERIOD	.227	.121	.332	.
N	QUICK RATIO	5	5	5	5
	OPERATION RATIO	5	5	5	5
	CGI	5	5	5	5
	AVERAGE COLLECTION PERIOD	5	5	5	5

Figure 3: Pearson Correlation Table

Pearson correlation is used to see the relationship between dependent variable (liquidity risk) and independent variables (operation ratio, CGI and average collection period). Based on the correlation table, only operating ratio, CGI and average collection period were significantly correlated respectively. However, ROA, average-collection period, inflation, exchange rate and CGI were not significantly correlated.

4.3 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.995[a]	.990	.959	.0503349186	2.096

a. Predictors: (Constant), AVERAGE COLLECTION PERIOD, CGI, OPERATION RATIO

b. Dependent Variable: QUICK RATIO

Figure 4: Model Summary result

The proportion varies between 0 and 1 and is symbolised by R square. The table show that the value of R square is 0.990, which means that 99% of the total internal and external variance has been explained.

4.4 Anova

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.247	3	.082	32.517	.128[b]
	Residual	.003	1	.003		
	Total	.250	4			

a. Dependent Variable: QUICK RATIO

b. Predictors: (Constant), AVERAGE COLLECTION PERIOD, CGI, OPERATION RATIO

Figure 5: ANOVA Result

In this figure shows the indicates that the regression model predicts the dependent variable significantly well. From 'Regression' row and go to the 'Sig' column. This indicates the statistical significance in regression is operational ratio, CGI and average collection period ($p<0.10$), comparing all models in the objectives, only model 1 can be running in the SPSS, besides, the results are same. And it means that only operational ratio, CGI and average collection period the regression model is the significant variable.

4.5 Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-1.678	.243		-6.900	.092	-4.770	1.413		
	OPERATION RATIO	.042	.008	.782	5.399	.117	-.057	.140	.484	2.067
	CGI	1.751	.203	.991	8.616	.074	-.831	4.333	.767	1.304
	AVERAGE COLLECTION PERIOD	.017	.002	1.211	8.135	.078	-.010	.045	.458	2.184

a. Dependent Variable: QUICK RATIO

Figure 6: Coefficients Result

Multiple regression analysis was used to test liquidity risk and firm-specific factors and macroeconomic factors. Because we used Enter method, the system would show all the significant item variables. Based on the coefficient table, the t-value can explain the level of influence of the independent variables on the dependent variables. Bigger of t-value means bigger influence on the dependent variable, the results of the regression indicated the operating ratio was the most influence factors and predicted on agreeableness tendencies.

Discussion and Recommendation

5.0 Introduction

This purpose of this study is to identify the TCL Corporation liquidity risk for five years from 2014 until 2018. To investigate this study objective were applied the TCL Corporation specific factors which is performance, liquidity risk, credit risk, operational risk and corporate governance index. This study is also included macroeconomic factors to achieve the objective. In addition, the discussion of result in this chapter are based on the result description and analysis chapter. The discussion and recommendation about the for the TCL Corporation performance.

5.1 Discussion Result

This study is to determine the TCL Corporation's liquidity risk and independent variables in company. Objectives of this study are, to investigate the internal factors, influence towards liquidity risk. To investigate the external factors, influence towards liquidity risk. To investigate both internal and external factors influence towards liquidity risk. Based on SPSS analysis, the table of correlation and coefficient show the evidence that operating ratio, CGI and average collection period effect liquidity risk. And operating ratio is significant correlated with p-value.

For model summary, the adjusted R square is equal to 99%, it means 99% of all variance were using in the model explains in TCL Corporation. Meanwhile the remaining 1% remain unknown. It means that 1% remaining is the variance of liquidity risk of TCL Corporation that unable to be explained by both internal, external or both. And the ANOVA result table shows a significant value of 0.128, it can be used to specify the model of study.

5.2 Limitations

The limitation that clearly identified when conducted this study is this study only focus on one company from it five years annual report. Therefore, the result is only confined to this company specifically.

5.3 Conclusion

Based on the discussion of result, the operation ratio, CGI and average collection period were the most significant relationship with liquidity risk. TCL Corporation should pay more attention on their internal factors, especially operation management. It should have great strategic actions to manage their operating cost and profit efficiently. According to Hanaffiee (2017), he said optimal liquidity levels are one of the key financial components of any

organization to ensure a smooth operation, especially in maintaining the company's performance. Large companies typically manipulate liquidity and debt levels to maximize their performance and returns. Lack of liquidity is a sign of the liquidity crisis.

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