UNIVERSITI TEKNOLOGI MARA

Fakulti
Pengurusan
dan Perniagaan

INDUSTRIAL TRAINING REPORT: INSTITUTE FOR DEMOCRACY AND ECONOMIC AFFAIRS

15 March – 13 August 2021

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IDEAS
Institute for Democracy and Economic Affairs

EXECUTIVE SUMMARY

As part of Universiti Teknologi MARA's undergraduate program, every student is required to do an industrial training at the company of their choice at the end of the semester and are also required to do a research of the company itself or the industry of their choosing in order to complete their undergraduate studies. I am one of the lucky few who managed to get an industrial attachment with a think tank, Institute for Democracy and Economic Affairs. Which is a think tank that promote solution to public policy challenges. IDEAS consist of four main research team which are, Social Policy Unit, Democratic and Governance Unit, Economic and Business Unit, and Public Finance Unit. I was fortunate enough to be a part of the Public Finance Unit. For this industrial training report, a research was conducted to identify the factors affecting Malaysian State-Owned Enterprises' Liquidity Position. Based on the literature gathered, independent variables which consists of internal (Size and Return on Assets) and external (Gross Domestic Product and Inflation) were established. The sample used for this research were Government Linked Companies which are Felda Global Ventures, Petroliam Nasional Berhad, and UMW Holdings Berhad. The result of the research revealed that internal factors such as Size and Return on Assets have a significant positive role in affecting liquidity position while external factors are insignificant. Since this kind of research were not widely covered by other researchers, it was recommended for other future researchers to employ a wide range of variables which includes internal (company-based) and external (economic-based) to produce a more comprehensive result while also to include more known Government Linked Companies in the research sample. To conclude this, research about financial aspects of State-Owned Enterprises are important since it does not only play a vital part in keeping the economy afloat but also to the nation itself, hence, further studies of this particular topic should be made in great detail.

TABLE OF CONTENT

COMPANY'S PROFILE

Figure 2: Company's Logo

The Institute for Democracy and Economic Affairs or known as IDEAS is a non-profit research institute based in Malaysia dedicating its operation to promote solutions to public policy challenges. IDEAS was created by 3 key individuals, Wan Saiful Wan Jan, Tunku 'Abidin Muhriz, and Wan Mohd Firdaus Wan Mohd Fuaad in 2006 while having a realization to promote classical liberal ideas to Malaysians in a more strategic and organized fashion.

IDEAS's mission is to improve the level of understanding and acceptance of public policies based on the principles of rule of law, limited government, free markets and free individuals. IDEAS's work is independent without the influence or interest partisan. IDEAS have three overarching missions- advancing a competitive economy, ensuring trust in institutions and promoting an inclusive Malaysia.

The way how IDEAS achieve its mission are done by publishing research that concerns with various topics regarding policy or other policy centric issues in Malaysia, initiating interaction through dialogues and roundtables with government entities, policy and law makers, business entities, and civil society organization, and organizing programs to educate and providing knowledge and information for the public.
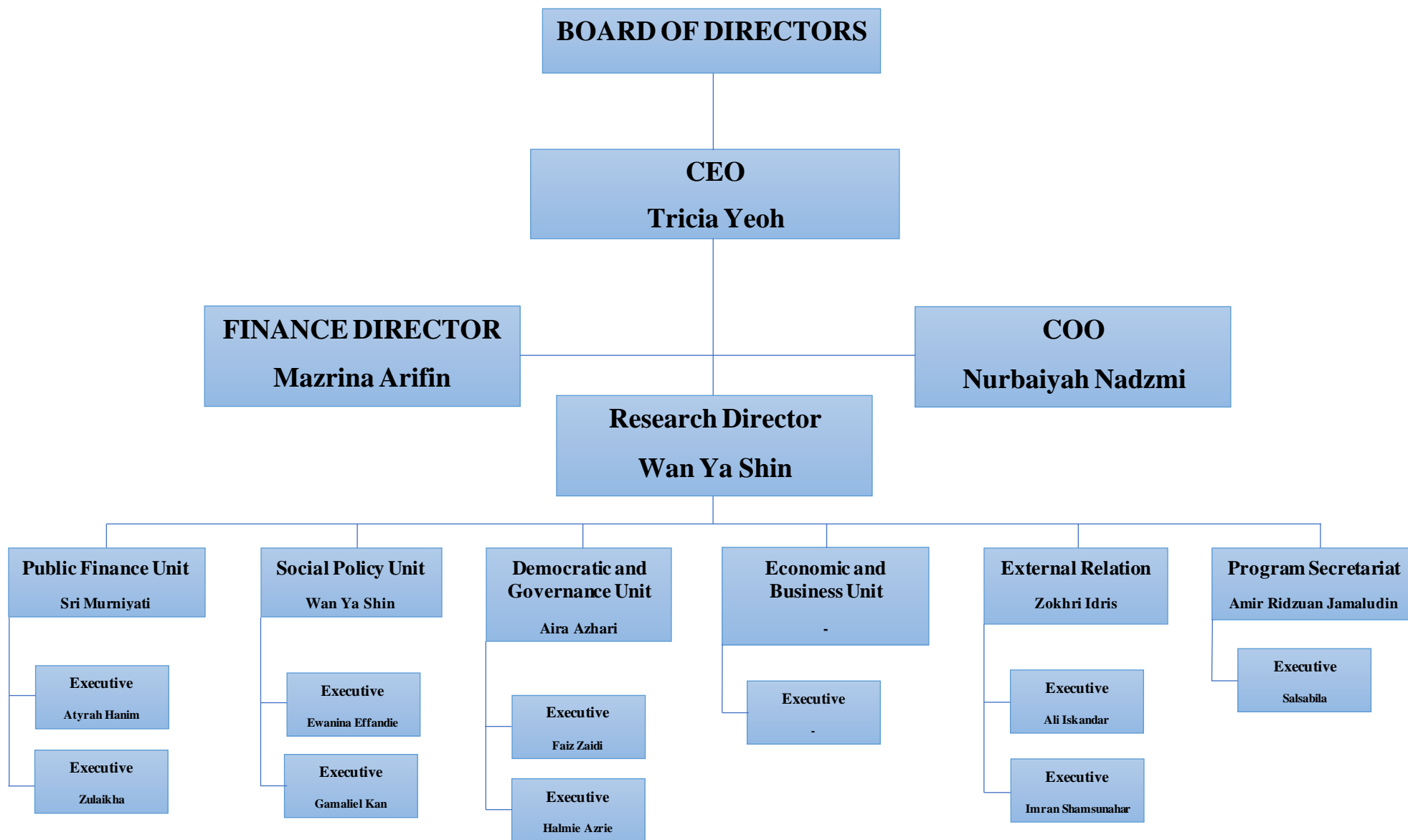
ORGANIZATIONAL STRUCTURE

BOARD OF DIRECTORS

CEO
Tricia Yeoh

FINANCE DIRECTOR
Mazrina Arifin

COO
Nurbaiyah Nadzmi

Research Director
Wan Ya Shin

Public Finance Unit
Sri Murniyati

Social Policy Unit
Wan Ya Shin

Democratic and Governance Unit
Aira Azhari

Economic and Business Unit
-

External Relation
Zokhri Idris

Program Secretariat
Amir Ridzuan Jamaludin

Executive
Atyrah Hanim

Executive
Zulaikha

Executive
Ewanina Effandie

Executive
Gamaliel Kan

Executive
Faiz Zaidi

Executive
Halmie Azrie

Executive
-

Executive
Ali Iskandar

Executive
Imran Shamsunahar

Executive
Salsabila

Figure 3: The Organization Structure of IDEAS

TRAINING'S REFLECTION

The duration of the Industrial training was 6 months from 15th of March to 18 August 2021. I was assigned to the Public Finance Unit which was led by Sri Murniati, Public Finance Unit Manager. In the Public Finance Unit, I was attached with Nur Zulaikha, the Public Finance Unit Executive, as my Supervisor.

During my industrial training, the position that was given to me was a Research Intern for the Public Finance Unit, in which I was in charge with the task of doing research of the Civic Tech project. Which is a project that tracks politicians across 134 Federal Statutory Bodies in Malaysia. My main responsibility was to identify and gather information of the Federal Statutory Bodies such as the incorporation act, reporting ministries, the ministers in charge, the politicians involved and among many others. I also had a minor stint in assisting a project such as the Open Budget Survey, which is a project to identify the openness and transparency of financial budget in 14 states in Malaysia, and assisting in gathering information about Public Procurement in Malaysia. I was also given the opportunity to do a research about international policy changes at the UN level.

Throughout the industrial training, the allowance that was given was RM 40 per day and an internet allowance of RM 100. Apart from monetary benefits, I had also acquired skills about policy research and knowledge about policy that concerns with social, economic, and governance from the people in IDEAS. I was also given the opportunity to provide ideas and inputs towards any projects and also given the opportunity to work on various kinds of projects that IDEAS is handling. Doing my Industrial training at IDEAS had allowed me to improve my social skills in terms of communicating and presenting opinions. It had also given me the opportunity to meet wonderful people, to hear their thoughts and opinions which had widen my view on various issues.
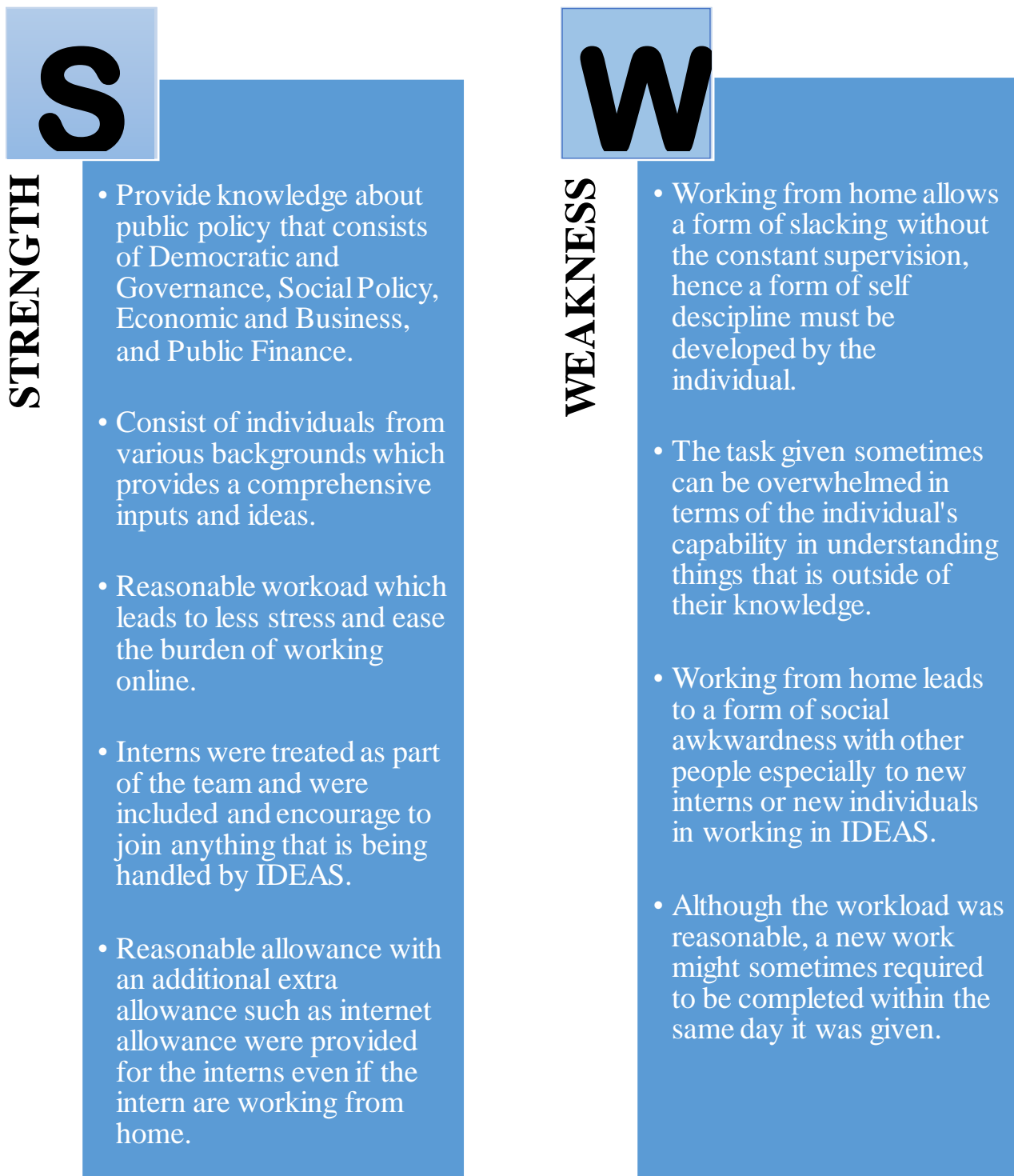
SWOT ANALYSIS

STRENGTH

S

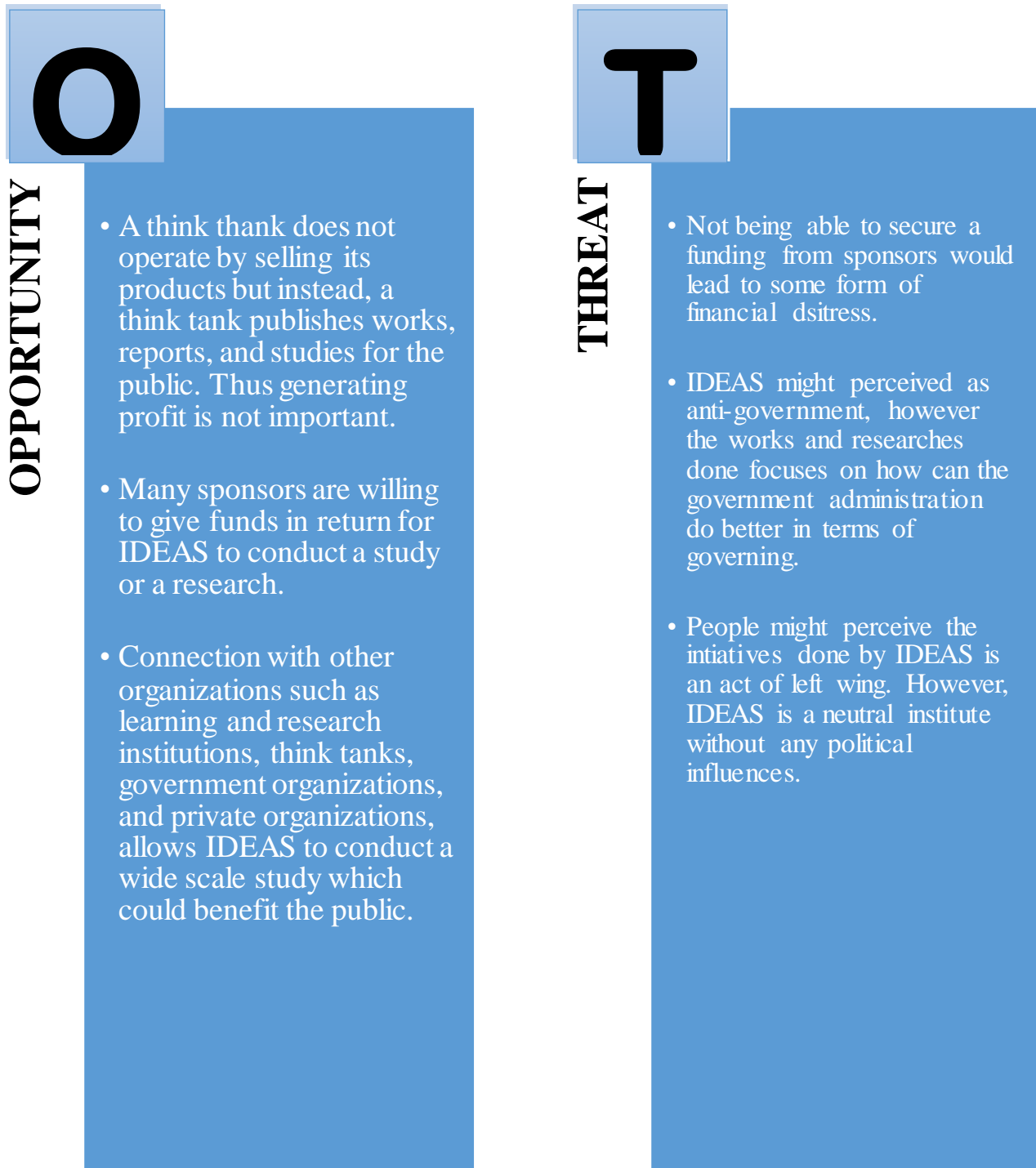- Provide knowledge about public policy that consists of Democratic and Governance, Social Policy, Economic and Business, and Public Finance.

- Consist of individuals from various backgrounds which provides a comprehensive inputs and ideas.

- Reasonable workoad which leads to less stress and ease the burden of working online.

- Interns were treated as part of the team and were included and encourage to join anything that is being handled by IDEAS.

- Reasonable allowance with an additional extra allowance such as internet allowance were provided for the interns even if the intern are working from home.

WEAKNESS

W

- Working from home allows a form of slacking without the constant supervision, hence a form of self descipline must be developed by the individual.

- The task given sometimes can be overwhelmed in terms of the individual's capability in understanding things that is outside of their knowledge.

- Working from home leads to a form of social awkwardness with other people especially to new interns or new individuals in working in IDEAS.

- Although the workload was reasonable, a new work might sometimes required to be completed within the same day it was given.

Figure 4: SWOT Analysis

SWOT ANALYSIS

O
OPPORTUNITY

- A think thank does not operate by selling its products but instead, a think tank publishes works, reports, and studies for the public. Thus generating profit is not important.

- Many sponsors are willing to give funds in return for IDEAS to conduct a study or a research.

- Connection with other organizations such as learning and research institutions, think tanks, government organizations, and private organizations, allows IDEAS to conduct a wide scale study which could benefit the public.

T
THREAT

- Not being able to secure a funding from sponsors would lead to some form of financial dsitress.

- IDEAS might perceived as anti-government, however the works and researches done focuses on how can the government administration do better in terms of governing.

- People might perceive the intiatives done by IDEAS is an act of left wing. However, IDEAS is a neutral institute without any political influences.

Figure 4: SWOT Analysis

REGRESSION ANALYSIS

BACKGROUND OF STUDY

State Owed Enterprises (SOE) can be referred to as business entities or organizations that is owned by the government fully or partially and operates behalf of the government. Malaysian State-Owned Enterprises can be split into three categories, Government Linked Companies (GLC), Government Linked Investment Companies (GLIC), and Federal Statutory Bodies. For the purpose of this research we will delve deeper into Government Linked Companies. Government Linked Companies are vital to the growth of the nation's economy as it provides an income for the country and also plays a vital role in certain industries in being part as a key player. In determining the sustainability of the companies, liquidity plays a vital role in ensuring its survivability in a worst-case scenario of short-term unexpected events and also to meet current cash needs. Liquidity refers to the amount of accessible cash for expenditure or investment activities, İncekara & Çetinkaya (2019).

Various researches were done in order to determine the factors that influences a company's liquidity position. The research consists of various countries such as Vietnam, German, United Kingdom, and India, which also consists of various industries. Unfortunately, a scarcity of research occurred for topics that concerns with State Owned Enterprises, especially relating to financial performance particularly in Malaysia. Therefore, considering how State-Owned Enterprises should not only be considered as merely a political tool but also should be considered as a key player and contributor to the Malaysian economy, thus it is vital to understand the key elements that could affect the financial performance of State-Owned Enterprises. Ultimately, the aim for

this research paper is to understand and analyze the factors affecting a State-Owned Enterprises liquidity position.

PROBLEM STATEMENT

Liquidity allows firms to pay its short-term obligations, In the midst of Covid-19, Malaysia's GDP was seen to hit its worst performance since 1998 which shrank by 5.6% in 2020 according to a news report by Anand (2020). The cause can be seen due to low output in the economy where most of the drivers comes from private corporations. According to The Straits Times (2020), about 30,000 business have shut down in 2020. Big corporations which are linked or funded or owned by the government was also not spared by Covid-19. Government Linked Corporations such as the Malaysian Airlines were unable to generate revenue due to 75% of its planes were grounded, Babulal (2020). Meanwhile, a multi-sector government linked corporation, Boustead, also faced some setback in its hotel operation due to the movement control order which catalyzes the sale of its famous hotel such as the Royale Chulan at a discounted price Emmanuel (2021). while its plantation sector was hugely affected by the palm oil import ban by the United States. Another famous government linked corporation such as Petronas was also to be seen affected by Covid-19 in addition to the global oil plunge, it was reported by The Star (2021), to have a profit after tax of 10.5 billion in 2020 as compared to 48.8 billion in 2019.

In this research, I am going to investigate the extent of internal and external factors on how it affects a company's liquidity.

OBJECTIVES OF THE STUDY

The general objective of this study is to investigate the factors influencing liquidity position of Government Linked Companies in Malaysia.

The specific objective of the study is to examine the impact of internal factors such as Return on Assets and Size on liquidity position of Government Linked Companies in Malaysia.

The specific objective of the study is to examine the impact of external factors such as Gross Domestic Product and Inflation on liquidity position of Government Linked Companies in Malaysia.

RESEARCH FRAMEWORK
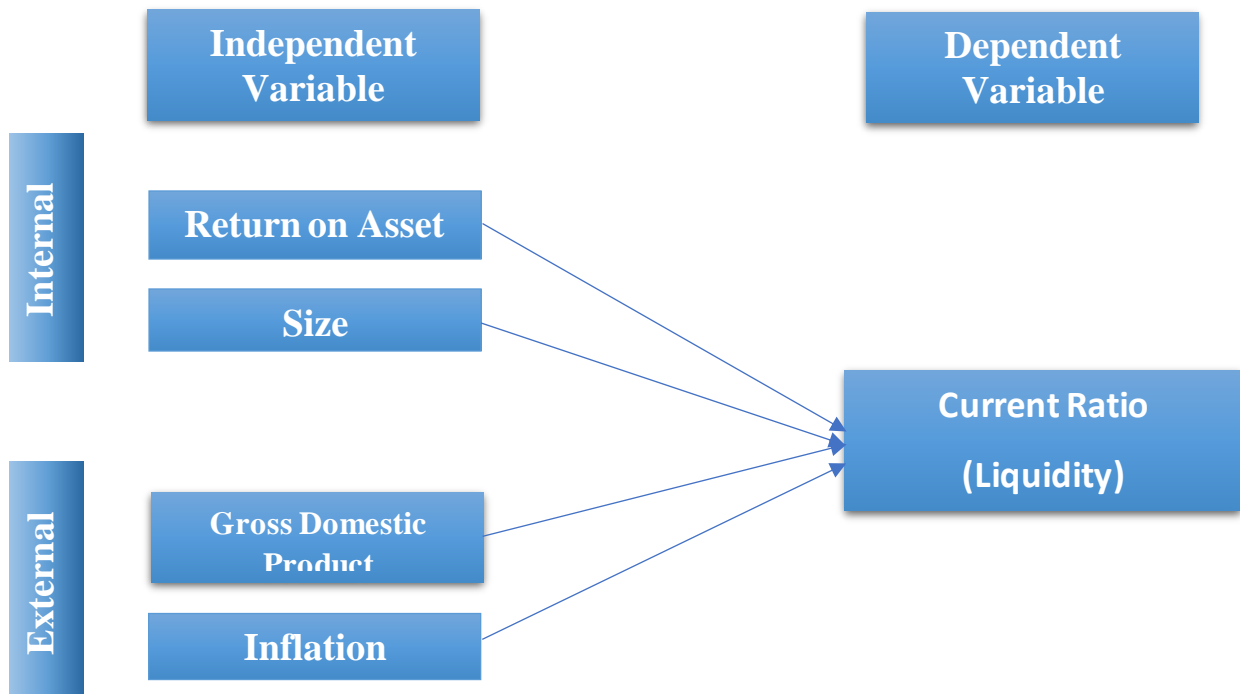
Figure 5: Research Framework

SCOPE OF THE STUDY

DEPENDENT AND INDEPENDENT VARIABLES

This research will be focusing on the variables that were deemed to be the most significant while understanding the relationship between the independent and dependent variables. The independent variables will consist of Return on Assets (ROA) and Size as internal factors, while Gross Domestic Product (GDP) and Inflation (INF) as external factors. Meanwhile, the dependent variable will be the Current Ratio.

DATA COLLECTION METHOD

The data was collected from secondary data through the usage of Thomson Reuters Eikon and the Annual Reports of the selected companies, which was used to gather vital financial data for this research. While other information that was used to conduct this research was gathered through various journal articles that was gathered from Google Scholar, Emerald, ResearchGate, and ScienceDirect.

TIME FRAME

The data that was gathered to conduct this research was 10 years' worth of financial data from 2011 to 2020

LITERATURE REVIEW

LIQUIDITY

Liquidity is referred to as the ability for a company to pay its short-term obligations or utilizing its current assets to meet its current liabilities. Liquidity, provides a liquid firm more confidence that their short-term claims will be satisfied within a given time period Hussain et al. (2018). Liquidity have been used as a dependent variable in various research within various countries such as OIC Countries Al-Harbi (2017), India Al-Homaidi et al. (2019), and Malaysia Sabki et al. (2019).

The usage of liquidity is important as it provides information about the availability of assets that can be converted to meet a firm's short-term cash requirement and if it is not readily available, a firm would be facing liquidity problem or distress Nguyen et al. (2019). Liquidity have been used as a method of measurement to pay its short-term obligations in which it was measured by using current ratio.

The measurement of liquidity varies from time to time, a form of measurement in liquidity can be done by using current ratio. The usage of current ratio can be seen in various studies that was conducted in the past such as, studies conducted by Hussain et al. (2018), Nguyen et al. (2019), and Al-Homaidi et al. (2020). Current ratio can be measured by dividing the total current assets with current liabilities which was done and used by Vu et al. (2020) and Dang (2020). However, as indicated by Vu et al. (2020) current ratio does have a limitation that it may be not as productive to use it as a method of comparison for business operating in different industries.

Current Ratio = Current Liabilities / Current Liabilities

RETURN ON ASSETS

Various studies used ROA as one of the profitability ratios, in most cases, Return on Assets does have a significant impact on the liquidity of a company which can be seen in a research conducted by Dang (2020). The extent of ROA can also be seen to have an impact in different industries or sectors which can be seen in a research conducted by Trinh & Thuy Mai (2016) where the ROA explains the changes of cash holding level in real estate companies in Vietnam and a research conducted by Nguyen et al. (2019), ROA was shown to have a positive impacts on the liquidity of steel firms in Vietnam.

The impact of ROA can be seen to have a positive relationship where ROA was deemed having a significant positive relationship with Liquidity in a research carried out consisting 2154 firms operating in India Al-Homaidi et al. (2020). However, the impact of ROA varies, in the sense that some studies indicated that ROA does not have a positive impact on a companies' liquidity but instead ROA was shown to have a negative impact. As stated by Vu et al. (2020), an increase in ROA is associated with lower liquidity, a common explanation for this is that all businesses will face a tradeoff between staying profitable or being liquid. An example of this can also be seen in a research conducted by Dang (2020) it shows that ROA have a negative effect on firm's liquidity. Meanwhile, Elahi (2017), suggested that profitability is not a significant factor in determining liquidity in both UK and Germany.

Return on Assets = Net income / Total Assets

SIZE

Size is the amount of total assets of a company, research wise, the size of the company will be converted to a natural logarithm which is a common way of usage in multiple studies. Size of company can be seen to be used various industries such as, private commercial bank Assfaw (2019), manufacturing firms Vu et al., (2020), and steel firms Nguyen et al. (2019). Apart from that, it was also used in multiple countries as one of many independent variables such as Malaysia Sabki et al. (2019), Vietnam Trinh & Thuy Mai (2016), and India Assfaw (2019).

The impact of size towards the liquidity of a company varies across researches. A company's size was proven to be able to affect a company's cash conversion cycle or liquidity significantly and positively Trinh & Thuy Mai (2016). This was also supported by Assfaw (2019), whereby the size of a company, in this case a bank has a positive impact and significant impact on liquidity at 1% significance as measured by loans to deposit ratio.

However, different studies indicated a different result in which, in the case of steel firms in Vietnam, size has a negative effect on the liquidity specifically current ratio and quick ratio of firms in the steel industry Nguyen et al. (2019). This can also be seen in another research conducted in Vietnam, where firm size has a negative relationship with liquidity in Vietnam's listed enterprises Dang (2020). In addition to the positive result by Assfaw (2019), it further shows that a firm's size was found to have a negative impact on liquidity of banks as measured with liquid assets to the total deposit of bank. This was also supported by Vu et al. (2020), whereby a firm's size was shown to have a negative relationship with current ratio and quick ratio, in terms of significance, firm size was deemed as insignificant in both. Lastly, in terms of significance, firm size was shown to have a positive relationship with liquidity however, the regression result indicated that it is insignificant Sabki et al. (2019).

$$Size = Natural\ Log\ of\ Total\ Assets$$

GROSS DOMESTIC PRODUCT

Gross Domestic Product is the total monetary of all the finished goods and services produced by a country during a specific time period which indicates a country's economic condition. The state of economic condition can be seen to affect businesses where a research conducted by Laštuvková (2016), indicated that smaller banks reacted strongly to external changes, thus leading to a high liquidity creation while at higher GDP value. Not only this can be seen in banks, but a research conducted in Pakistan analyzing chemical products and pharmaceutical sector by Rana et al., (2018), determined that GDP has a positive and significant influence towards liquidity.

The extent of GDP can also be seen as nationwide where a research conducted in Vietnam by Dang, (2020) the outcome of the research revealed that GDP was deemed as one significant variable and positively influenced liquidity, where a unit increased in GDP would result to an increase of 3.66 unit in liquidity. This was also supported by Assfaw (2019) and Al-Homaidi et al. (2020). However, a research conducted by Al-Homaidi et al., (2019) revealed that GDP was indeed significant in influencing liquidity in Indian commercial banks but it was concluded as having a negative influence on liquidity.

$$Gross\ Domestic\ Product = Annual\ Growth\ Rate$$

INFLATION

Inflation can be explained as a rising cost in a basket of general items or household items that renders a value amount of money to be weaken, based on the consumer price index, too high or too low-priced index is not good for the value that is stored in the money. According to a research conducted by Dang (2020) inflation rate was deemed to not have any correlation with a company's liquidity in listed enterprises in Vietnam. This was also supported by Al-Homaidi et al., (2019) where inflation rate has an insignificant effect on liquidity in India's listed commercial bank.

However, this is inconsistent as a research conducted by Assfaw (2019), revealed that inflation rate plays a positive and significant role in influencing bank's liquidity in Ethiopia. Additionally, it was proven that by pooled, fixed, and random effect models that inflation indeed has a significant and positive relationship with liquidity 2154 Indian Firms Al-Homaidi et al., (2020)

Although the two studies showed inflation plays a role in creating a positive liquidity creation, Al-Harbi (2017), revealed that inflation has an inverse relationship with liquidity in banks from OIC countries, whereby an increase in inflation will cause a setback on liquidity.

Inflation = Annual Inflation Rate

RESEARCH METHODOLOGY

DATA DESCRIPTION

The data that was used for this research consists of 3 Government Linked Companies listed in Bursa Malaysia. The financial information of the companies was gathered from Thomson Reuters Eikon database. In order to carry out this research, which is to determine the factors affecting a State-Owned Enterprise liquidity position, that financial data was gathered from the year 2011 to 2020, which includes 30 observations. The target population used for this research consists of Government Linked Companies listed in Bursa Malaysia, which are UMW Holdings Berhad, Petroliam Nasional, Felda Global Ventures.

FINDINGS

Throughout this part of this research, this section will lay out the result that was obtained from the findings on Government Linked Companies' liquidity position. Based on the hypothesis of identifying the most significant relationship between the independent variables which consist of internal and external on how it might affect the dependent variable, which is Government Linked Companies' liquidity position. The data was analyzed using Software for Statistics and Data Science (STATA) in which a series of analysis were carried out which consist of Pearson Correlation and Multiple Regression.

DESCRIPTIVE ANALYSIS

Table 1: Descriptive statistics for Factors Affecting Malaysian State-Owned Enterprises

VARIABLE	OBS	MEAN	STANDARD DEVIATION	MIN	MAX
CURRENT RATIO	30	1.999	.6723574	1	3.41
ROA	29	.0734483	.0715779	-0.5	.24
SIZE	29	24.56724	1.716541	23	27.18
GDP	30	.0403	.0331019	-.056	.06
INF	30	.02694	.0169908	-.0047	.0481

ROA: Return on Assets, GDP: Gross Domestic Product, INF: Inflation

Table 1 presents the summary of descriptive analysis of dependent and independent variables over the sample period between the companies. The table shows an overall of 30 observations. The table shows the most optimal model predictor size which are Current Ratio, Return on Assets, Size, Gross Domestic Product, and Inflation. The variables describe the mean, standard deviation, minimum and maximum value. The analysis shows the highest mean, which is Size, with a value of 24.56724, while the lowest mean is Inflation, with a value of 0.2694. The highest standard deviation is Size, which is 1.716541 while the lowest standard deviation is Inflation, with a value of 0.0169908. Meanwhile, Size had the highest maximum value of 27.18 and the lowest the lowest minimum value is Gross Domestic Product, with a value of -0.056.

PANEL SPECIFICATION TEST

Table2: Overall Panel Specification Test

F-TEST		BP-LM TEST		HAUSMAN		APPROPIATE MODEL
F	**P-VALUE**	**CHIBAR2**	**P-VALUE**	**CHIBAR2**	**P-VALUE**	**Fixed Effect**
3.88	0.0368	0.00	1.000	6.21	0.0449	

Table 3: Panel Specification Test for Three (3) State Owned-Enterprises in Malaysia

Model	F-Test	BP-LM Test	Hausman Test	Technique
Model 1	0.0368	1.000	0.0449	**Fixed Effect**
	F- Effect	**POLS**	**-**	

Based on the table 2, the panel specification test was used to choose the best suitable model to be used in this research. Three types of test were used which are F-Test, Breusch and Pagan Lagrangian Multiplier Test (BP-LM) and Hausman Test.

The F-Test was used to find the significance between Pooled Ordinary Least Square (POLS) and the Fixed Effect Model (FE). Based on the table, it shows the result of the F-Test is 0.0368 which is less than 0.05. This means the suitable model for F-Test is Fixed Effect.

Next, the BP-LM Test was used to test the significance between POLS and the Random Effect Model (RE). Based on the table, the result of the BP-LM Test is 1.000 which is more than 0.05. This means POLS is the most suitable model for BP-LM Test.

Hausman Test was used to test the significance between RE and FE. Based on the table, the result shows 0.0449 which is less than 0.05. This means the suitable model for Hausman Test is FE.

However, since F-Test indicated FE and BP-LM Test showed POLS, the Hausman Test in this case is unusable.

The Technique suggested as the most suitable model to be used for the panel specification test is Fixed Effect.

DIAGNOSTIC TEST

Table 4: Diagnostic Test for Three (3) State-Owned Enterprises in Malaysia

Model	Multicollinearity	Heteroscedasticity	Serial Correlation
Model 1	**1.22**	**0.000**	**0.4327**
	No multicollinearity problem	Heteroscedasticity problem	No serial correlation problem

Diagnostic Test was used to check the problem of research by using three tests which are multicollinearity, heteroscedasticity, and serial correlation.

Multicollinearity was used to check a strongly correlated relationship between independent variables. The P-value must be less than ten to prevent an issue of multicollinearity. It shows that there is no multicollinearity problem based on the result in table since the variance inflation factor is 1.22.

Heteroscedasticity was performed to check the consistency of the data. To avoid this problem, the p-value must be more than 0.05. The result in the table shows that the p-value is less than 0.05, which is 0.000. This means it has heteroscedasticity problem.

The serial correlation was used to verify autocorrelation. The p-value must be greater than 0.05 to avoid serial correlation problem. The result shows 0.4327 which more than 0.05, this research shows it has no serial correlation problem.

The suggestion to rectify the problem of serial correlation is to perform Random Effect GLS Regression with Cluster Option.

CORRELATION ANALYSIS

Table 5: Correlation Analysis for Current Ratio, Return on Assets (ROA), Size, Gross Domestic Product (GDP), and Inflation (INF) of Malaysian State-Owned Enterprises

	CURRENT RATIO	ROA	SIZE	GDP	INF
CURRENT RATIO	1.0000				
ROA	0.0187 0.9233	1.0000			
SIZE	0.6239 0.0003	-0.2852 0.1413	1.0000		
GDP	-0.0881 0.6434	0.3297 0.0807	0.1872 0.3308	1.0000	
INF	-0.0278 0.8839	-0.0552 0.7762	0.0899 0.6429	0.2128 0.2588	1.0000

Based on the Table 5 above, it shows the correlation analysis for factor affecting the company's liquidity. SIZE show the highest positive correlation, which is 0.6239, followed by ROA 0.0187, INF -0.0278, and GDP -0.0881 respectively. It can be concluded that all the variables show that they have a relationship with the company's liquidity. Besides, SIZE also shows as the most crucial factor in determining the company's liquidity level. The bigger the financial size of a company, the better it is for the company to handle its liquidity.

MULTIPLE REGRESSION RESULT

Table 6: Regression Analysis for Three (3) Malaysian State Owned-Enterprises

Random Effect Regression with Cluster Option

ROA	**3.0129***
	(1.67)
SIZE	**0.2817*****
	(4.38)
GDP	**-2.3766**
	(-0.74)
INF	**3.6763**
	(1.20)
CONSTANT	**-5.2198*****
	(-2.76)
N	**28.0000**
r2	**0.6380**
r2_a	**0.5346**
r2_w	**0.2393**
r2_b	**0.7938**
r2_o	**0.5042**
F	
p	**.**
chi2	**.**

Notes:

t statistics in parentheses: * Significant at 10% level, ** Significant at 5% level, *** Significant at 1% level

ROA: Return on Assets, GDP: Gross Domestic Product, INF: Inflation

Based on the regression result by using Random Effect GLS regression with cluster option for four independents variables that was gathered from three different companies that was deemed as Government Linked Companies, there are 28 observations from those three Government Linked Companies. The adjusted R2 indicated a value of 0.5346, meaning the four independents variables explains 53.46% of the variance in the liquidity position while the remaining 46.54% explains the other variables that are not included in the research.

Additionally, internal factors were shown to have a significant relationship with liquidity where Size was proven as the most significant followed by Return on Assets. On the other hand, external factors, Gross Domestic Product and Inflation were shown to have an insignificant relationship with liquidity.

Moreover, both internal factors were shown to have a positive relationship with liquidity in which a unit increase in Return on Assets will lead to 3.0129 unit increase in liquidity while a unit increase in size will lead to 0.2817 unit increase in liquidity. External factors however indicated that a unit increase Inflation will lead to 3.6763 unit increase in liquidity while Gross Domestic Product showed an inverse relationship with liquidity whereby, a unit increase in GDP will lead to 2.3766 unit decrease in liquidity.

REGRESSION MODEL

$$CURRENTRATIO_{it} = 1.2120 + 3.0129\,ROA_{it} + 0.2817\,SIZE_{it} + (2.3766)\,GDP_{it} + 1.20\,INF_{it} + \varepsilon_{it}$$

DISCUSSION AND RECOMMENDATION

Based on the conducted research, the multiple regression result indicated that Size was the most significant variable in influencing liquidity, the result was consistent with previous studies which was conducted by Trinh & Thuy Mai (2016) and Assfaw (2019). The size of firm which was based on the total assets of the firm itself does have an influence in liquidity whereby, a higher or a larger firm size indicate that the firm might have an excess of current assets or non-current assets which provides a degree of control on liquidity thus establishing a relationship with liquidity. This is also supported by Al-Homaidi et al. (2019) whereby the research concluded that bank size asset size does have a significant impact on liquidity. Moreover, Return on Assets was also shown to play a role in determining a firm's liquidity position. Return on Assets was shown to indicate a motive of cash holding according Trinh & Thuy Mai (2016), which implies that a firm would hold cash or liquid assets intentionally for a smooth daily transaction. The positive relationship of Return on Assets in this research was also supported by Nguyen et al. (2019), in which when Return on Assets increases, it proves that a firm have the capacity to pay its debt thus indicating a good financial performance. The positive correlation again is also supported by Vu et al. (2020), which concluded the research that Return on Assets positively affect cash and quick ratio which implies that a profitable firm have a better position of cash holdings to pay off their obligations.

Previous researches have shown that external factors do, to a certain degree have a significant effect on liquidity which can be seen on a research conducted by Laštuvková (2016), in which different size of firm or in this case banks have a different reaction or sensitivity from external factors. This was also supported by Al-Harbi (2017) in which both Gross Domestic Product and Inflation were proven to have a significant correlation with liquidity in banks from

OIC countries. However, the result on this research were proved to be a contradictory to both studies whereby, both Gross Domestic Products and Inflation were shown to be insignificant. The result produced in this research is consistent with Al-Homaidi et al. (2019), in which Gross Domestic Product and Inflation were deemed to have an insignificant effect. This might be explained due to the selected companies in this research might have a solid liquidity structure which is important in persevering its performance, stability, and creating a solid foundation to avoid liquidity crisis as explained by İncekara & Çetinkaya (2019).

Inconsistencies arises in terms of economic factors from various researches that was referred for this research on whether it has any effect on a firm's liquidity position. Such inconsistencies can be seen on determining the degree of significance of economic of factors on how it affect liquidity. Inconsistencies can be seen where both Assfaw (2019) and Al-Harbi (2017) stated Gross Domestic Product and Inflation have a significant result meanwhile studies conducted by Ahamed (2021), Al-Homaidi et al. (2020), İncekara & Çetinkaya (2019), revealed that economic factors such as Gross Domestic Products and Inflation have an insignificant relationship with liquidity. These inconsistencies might be explained by how different sets of independent variables and dependent variables were paired, to further explain this, a research done by Hussain et al. (2018), separated the economic variables into two while the remaining independent variables and dependent variable stays constant. This was also illustrated by Laštuvková (2016), and Shah (2018) whereby Gross Domestic Product were shown to produce both positive and negative correlation when paired with a different proxy of liquidity dependent variables.

Future research should employ more sets or different combination of variables and independent variables in order to get a detailed and comprehensive result which covers both

internal and external factors. However different industries might produce a different result as many previous researchers focused on banking and financial industry.

CONCLUSION

Government Linked Companies plays a vital role in the private sector of the Malaysian economy, unlike any other private companies, Government Linked Companies operate not limited to the best interest of the company itself but also at the best interest of the country. As of 2017, Government Linked Investment Companies or Government Linked Investment Companies controlled around 42% of listed companies in Bursa Malaysia as stated by Gomez, T.E, Free Malaysia Today (2017). Thus, in order to understand more about Government Linked Companies' financial performance it was used as a basis for this research in which 3 Government Linked Companies were identified from Bursa Malaysia and the financial data was collected from 2010 to 2019 in order to carry out this research.

By reviewing past literatures that was conducted by various researchers from other countries and industries, 2 main independent variables which consist of internal and external were identified of which that could affect liquidity position. Those variables were identified as Return on Assets and Size, and Gross Domestic Product and Inflation respectively. The research was concluded with a result that shows internal factors was deemed having a significant influence towards liquidity while external factors showed an insignificant relationship.

This research could be used to serve various purposes such as to understand more about Government Linked Companies' performance particularly for policy makers or policy researchers

to carry out an effective policy structuring or drafting. In the area of academia, this research should be able to serve as a point of reference or a guide in doing research that concerns with Government Linked Companies' financial performance. While the general public can use this research as an additional knowledge about Government Linked Companies.

However, the limiting factor while conducting this research does play a role in producing a strong evidence-based research. The extent of Government Linked Companies in Malaysia is complex and unknown by many, in which many of the information requires rigorous data collection which would require a sufficient time frame. In addition, it also important to highlight the scarcity of information about Government Linked Companies in which certain entities do not disclose its status as a Government Linked Company and the information would not be able to be accessed for public view.

To conclude this research, this research can be considered as a stepping stone to encourage interested parties to conduct research about Government Linked Companies, whether it concerns about the financial performance or otherwise, considering the fact how Government Linked Companies plays a major role in not limited to politics but also to the business environment in Malaysia.

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APPENDICES

Figure 6: IDEAS' Team

Figure 7: IDEAS' Office Located at Wisma Hangsam, Central Market, Kuala Lumpur
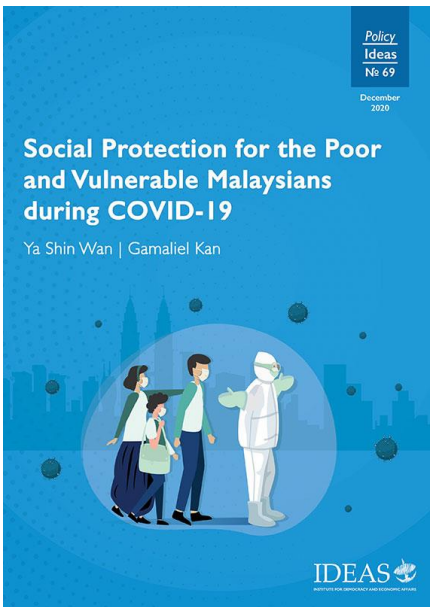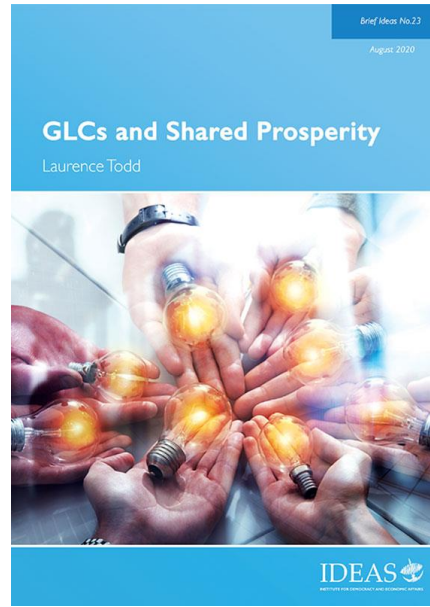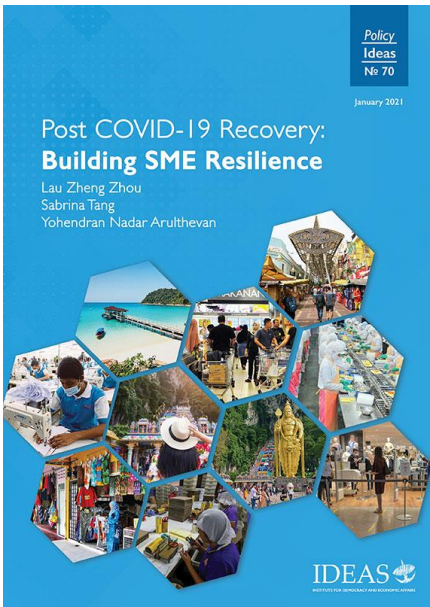
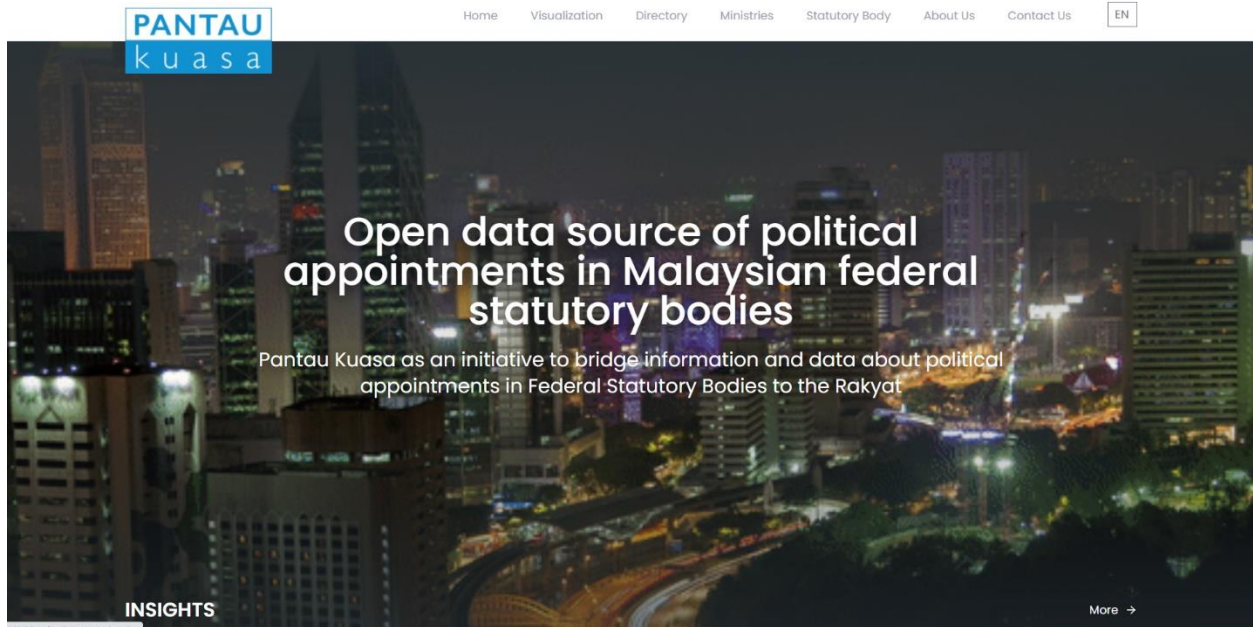**Figure 8: Example of IDEAS' Research Publication**

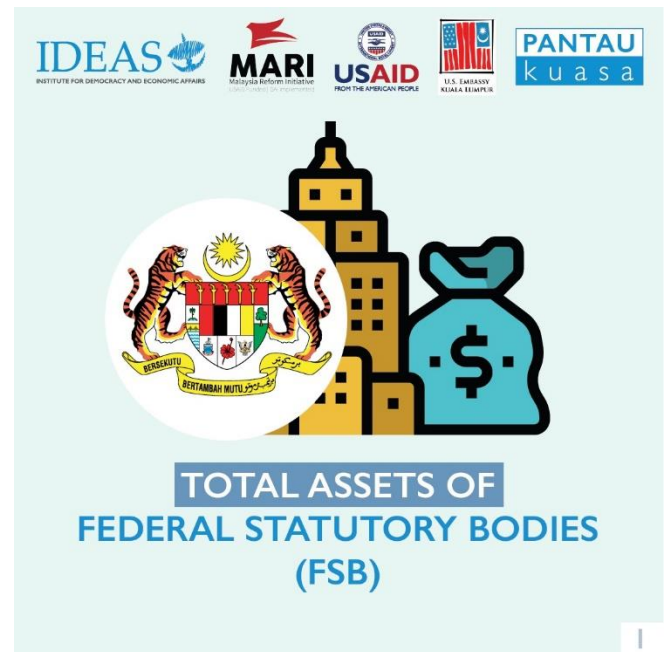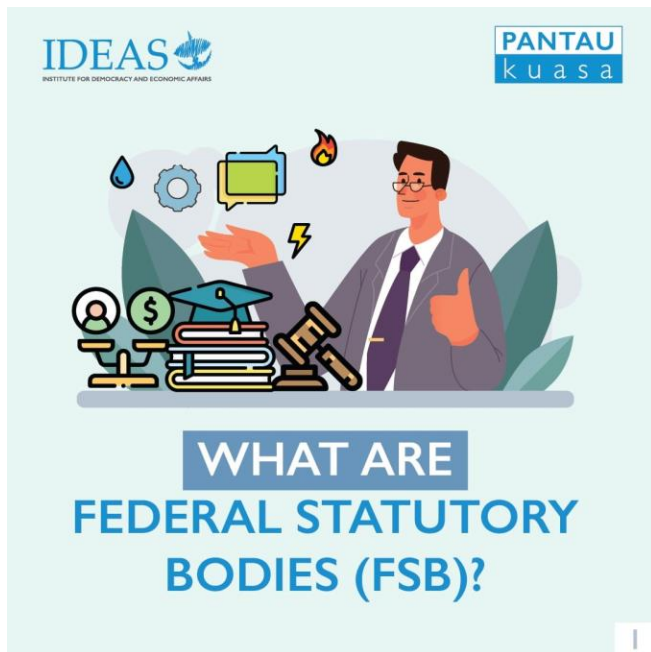**Figure 9: Pubic Finance Unit's Pantau Kuasa Project's Website**

Figure 10: Pubic Finance Unit's Pantau Kuasa Infographic (Frontpage)

Factors Affecting Malaysian State Owned Enterprises' Liquidity Position

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