ABSTRACT

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EFFECTS OF INTEREST RATE ON LIQUIDITY OF EXPORT INDUSTRY IN THE NORTHERN REGION INDUSTRIAL ESTATE

By

VICHAYUT PHITPHICHETPAISAL

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Chairman:	Assistant Professor Suporn Ketwaraporn
Department/Faculty:	Department of Agricultural Business Administration and Marketing, Faculty of Agricultural Business

The objectives of this research were 1) to study the types of interest rate affecting liquidity of export industry in the northern region industrial estate; 2) to compare liquidity of different types of export industry in the northern region industrial estate; and 3) to predict bankruptcy of export industry in the northern region industrial estate. The data were collected by means of questionnaires from 39 export industry entrepreneurs as well as from financial report of export industry in the northern region industrial estate, and analyzed by using the SPSS 7.52 for windows. The multiple regression model was used to find the correlation between interest rate and liquidity, and the Altman's model was used for multiple discriminant analysis to predict bankruptcy.

The research was divided into five parts: 1) effects of interest rate on liquidity of export industry in the northern region industrial estate; 2) comparison of liquidity of different types of export industry; 3) analysis of correlation between different types of interest rate and liquidity of export industry; 4) prediction of bankruptcy of export industry; and 5) the hypothesis test.

The research revealed that the effect of the increased interest rate was higher manufacturing costs and the cause of liquidity problems was that financial institutions did not provide credits. To solve liquidity problems, expenses and interest rates for loans should be reduced.

The regression analysis of relation between the interest rate and liquidity of export industry indicated that the Minimum Retail Rate (MRR) was highly correlated with liquidity of export industry, with Multiple R of 0.968 and a Beta coefficient of -0.968.

Liquidity of each type of export industry was similar: it was tightened and would be increasingly tightened. Ornament industry had highest liquidity, followed by production industry.

To predict bankruptcy by the Altman's model, five financial ratios were used: net-working capital/total assets, retained earnings/total assets, EBIT/total assets, market value of common and preferred stock/book value of debt, and sales/total assets. Bankruptcy probability was found to be very high as the Z score was 1.11, below the limit of Altman's zone of ignorance. The discriminant analysis indicated retained earning/total assets the best indicator of discriminant function.

The hypothesis test revealed that liquidity of export industry in the northern region industrial estate was affected by interest rate, at a significance level of 0.05 and liquidity of five types of export industry was not different, at a significance level of 0.05.