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| Independent study title | THE EFFECT OF INTERNAL AND EXTERNAL FACTORS ON CORPORATE VALUE AND LIQUIDITY: EVIDENCE FROM STOCK EXCHANGE OF THAILAND |
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# ABSTRACT

The corporate value and liquidity can be impacted from both internal and external circumstances. In this study we aimed to determine the firms value, which is determined by firm's free cash flow, and firm liquidity, which is measured by current ratio, from macro-economic which is standard deviation of oil price and firm's specific factors which are corporate governance index and another corporate governance measurement which is leverage. Selected firms from SET100 will be classified into 2 groups, Energy Sector and Non-Energy Sector, and expected corporate governance index and leverage should have significantly affected on both Energy and Non-Energy firms while standard deviation of oil price should have significantly impacted on Energy firms only. This study applied OLS regression, fixed effect model and random effect model to determine the relationship of macro-economic and firm specific factors on corporate value and liquidity.

The Hausman test result showed random effect is the most appropriate model to determine firm value and liquidity. The result showed the standard deviation of oil price has significant relationship on Energy firm value with positive sign. The positive sign of standard deviation of oil price can be concluded that energy firms can make profit from the fluctuation of oil price. While leverage ratio which is the proxy of agency cost of debt showed significantly negative relationship on Non-Energy firm value. The negative sign can be implied increasing in debt will reduce free cash flow which resulted to reduce agency cost of debt from the manager's abuse free cash flow. For the firm liquidity, standard deviation of oil price showed significant positive relationship on Energy firms while Non-Energy firm liquidity has no significant relationship on standard deviation of oil price. Both of corporate governance index and leverage ratio showed the significant negative relationship which can be implied firms with good corporate governance and high leverage can reduce the agency cost of debt by force manager to make investment decision to maximize shareholder wealth instead of holding excess capital for their interest.

Keywords: Firm's free cash flow, liquidity, oil price fluctuation, CG, leverage