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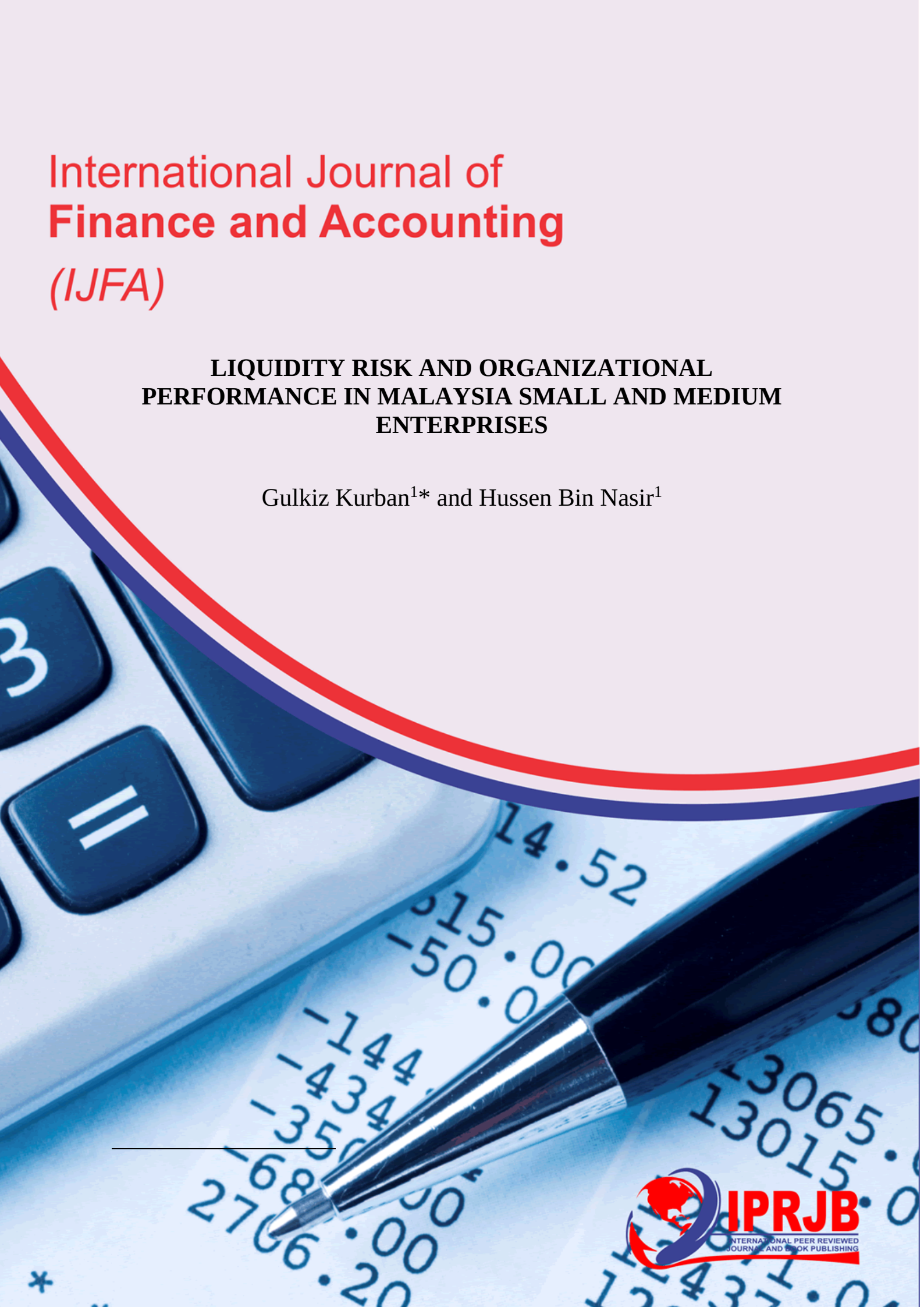

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ABSTRACT

Purpose: The propose of this study is to investigate the Liquidity Risk and Organizational Performance in Malaysia Small and Medium Enterprises

Methodology: Total of 311 questionnaire were distributed in order to test the relationship between the independent and dependent variables. Questionnaire were distributed and collected with self-report and with google forms. This study also used Statistical Packages for the Social Science (SPSS) to test the hypothesis of this study. A total of six hypotheses were distributed in this study.

Findings: As a result, out of six hypothesis, three hypothesis were tested as positive and three hypothesis tested as negative.

Unique Contribution to Theory, Practice and Policy: It also suggests that firms need to consider liquidity risk as a strategic step that needs to be taken into account. The first implication of the theory is that this study has contributed resourced-based theory.

Keywords: *Organisational Culture, Working Capital Management, Innovation, Liquidity Risk, Firm Performance*

INTRODUCTION

In today`s business world, it is not only the large companies and organisations which are powering the developing countries but also the small and medium enterprises (SMEs), (Ibrahim & Murtala, 2016) . During the entire period, SMEs have gained as well as increasing attention from all over the world. Small firms play a significant positive role in any country's economy (Zieba, 2014). The growth of the SMEs sector has received the attention of policymakers in various countries, this helps boost their confidence and encourage as well as brings attention to small-medium enterprises development. above mention economic look to the SMEs sector to increase employment provides more jobs as well as innovation and economic development. (Ogunyomi,2016).

The previous study shows that SME's performance in developed countries has a higher standard than developing countries (Hashim, 2015). According to Hashim specified that the average benefaction of small and medium enterprises to GDP based on the categories of the countries divided into three incomes levels which stated in the graph below shown with the low-income countries 16 percent, middle-income countries 39percent and high-income countries 51 percent.

However, according to Andries and Feams (2013), innovations can play a significant and important role in determining growth, competitiveness and enable to make an opportunity in every employment. A welcoming environment in terms of information, as well as sources in the industry, gives an opportunity for both large and small enterprises. along with this line, it has turned into pre-essential and linked to an organisation's growth, competitiveness, and performance as well as increases in earnings and long-term survival (Pletcher & Mann, 2013).

Continuously, organisational culture is one of the important rules for having a successful firm. A well-segmented culture can have a long-term impact on an organisations capacity to improve its performance (Prajogo & McDermott, 2011). Organisational culture has been held up as a key determinant of business success (Jogaratnam, 2017). In another study, working capital management has become more important in 21st century business as a result of global economic issues that put a strain on firms' liquidity and profitability. As a result, working capital management may improve the company's financial performance (Afrifa & Padachi, 2016). One of the new contribution of this study is moderating variable of liquidity risk.

LITERATURE REVIEW

The importance of an organisational culture as a key strategic business driver that can improve the achievement of performance and competitive advantages in any organisational is established. The culture of an organisation has a significant impact on its numerous decision and activities. For some, culture is the glue that holds an organisation together. While for others, it's the compass that guides them down to the right road. Which is the way a company's basic ideas, values, attitude, that instinctively guide the way employee thinks and act. Organisational culture has been recognised as the normative glue that binds employees together and can have a significant positive impact on business outcomes (Sing et al., 2016)

Firm performance measurement is critical for effective management of any firm (Demirbag, Tatoglu, tekinus and Zaim, 2006). The process improvement is not possible without measuring the outcome. Effective working capital management is essential not only for profitability but also for the solvency of a firm (Panigrahi, 2014). any organisations can`t deny the importance of working capital management or the policy. Research from all over the world has discussed this topic and discussed it in the detail from the perspective of multiple countries. Researchers

in developing countries regard working capital management as the life blood of any organisations, which is why most of the research on this topic is carried out in developing countries.

However, previous researcher such as Jimenez, (2011) and Keskin, (2006), points to a positive empirical study between the relations of innovation and firm performance. Innovation is a complicated process including changes in productions functions and processes in which firms aim to build upon their particular technological competence, defined as a firm set of resources and how these are altered by innovation skills Therrien et al, (2011). Nevertheless, current research indicates that the association between organizational culture, working capital management, and innovation success is uneven, and that these factors may not be sufficient to affect performance in certain instances (Aminu, M I, Mahmood, R & Muharram, F M, 2015).

METHODS

This part will discuss the research methods that shall be engaged in this study. In Malaysia, examining SME performance is the main purpose for this study by finding the relationship between working capital management, organisational culture, the performance of SMEs, innovation, and the moderating effects of liquidity risk on the independent and dependent variables.

Consequently, the framework development is based on the Resource-Based Theory. But, in line with this study literature review, one moderating and dependent variable and three independent variables are conceived the research framework to be developed. The independent variables are, organisational culture, working capital management, and innovation, while the dependent variables are SME performance. As a result of inconsistencies recorded on the relationships between these two variables from different studies, the liquidity risk moderating variable is presented to enhance the impact of the independent variables on the dependent variable.

Moreover, the conceptual framework that occurs among all the constructs shall be depicted by the research framework and this will serve as a foundation for hypothesis research formulation, as presented in the framework of Figure 2.

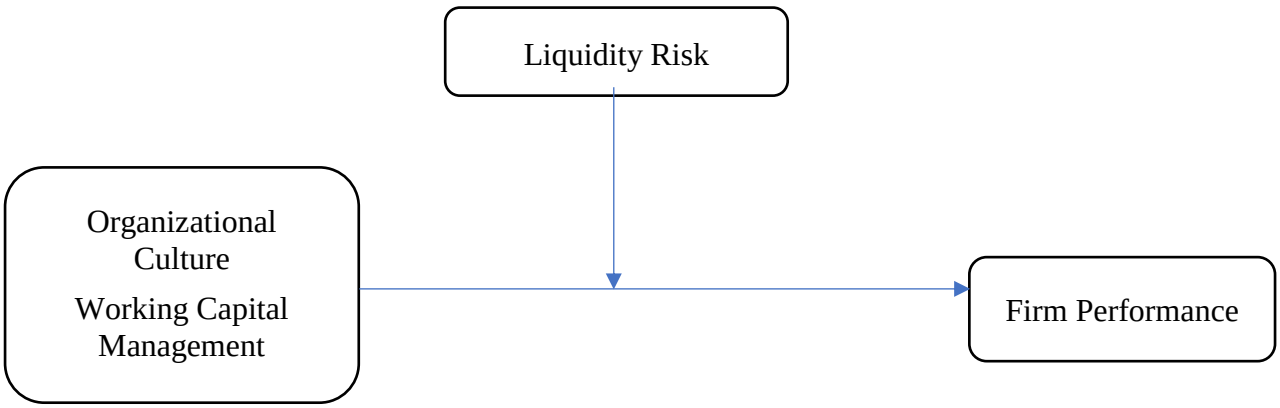

Figure 1. Research Framework

Based on the research objectives, the hypothesizes are presented as below:

H_1: There is a significant positive relationship between organisational culture and firm performance.

H_2: There is a significant positive relationship between working capital management and firm performance.

H_3: There is a significant positive relationship between innovation and firm performance.

H_4: Liquidity risk moderates the relationship between organisational culture and firm performance.

H_5: Liquidity risk moderates the relationship between working capital management and firm performance.

H_6: Liquidity risk moderates the relationship between innovation and firm performance.

Data Collection and Sampling

The sample size is a sub-collection with a size that can be easily managed by the targeted population of interest to be studied. Statistically, it is related to a subset that is chosen from a population being studied. Therefore, population sampling is the means or process through which any group or individual of representative components are chosen from a given population for the primary purpose of the statistical analysis.

Table 1. Population and Sample Size of SMEs in Malaysia

No.	State	No. SMEs	Sample Size
1	Kuala Lumpur	84,261	383
2	Johor	68,874	382
3	Perak	60,028	381
4	Pinang	40,824	380
5	Kedah	37,092	379
6	Melaka	21,675	377
7	Perlis	5,053	357

Hair et al. (2010) suggested to prevent the difficulties of misspecification, the sample size should range from 150 to 400. As same as Kline (2005) advised to avoid inappropriate solutions or non-convergence in the confirmatory factor analysis model, the sample size should be from 100-150. However, data collecting can be done in a variety of ways. The primary data for statistical analysis will be collected from small-medium enterprises using a questionnaire survey in this study. Continuously, the researcher uses the survey approach since it enables a large amount of data to be collected promptly at a specific time with minimal responses error. It also uses quantitative measurement to confirm the study findings and aids in the interpretation of findings. This study researcher adopted a hand-delivery, google form, and collection strategy for the survey questionnaire to get a high respondent rate within the shortest time possible. this study is also a cross-sectional data collection which defines as data collected at the same time from a different individual or the firm (Gray et al., 2007).

Questionnaire Design

In general, the researcher who conducts quantitative research uses the survey method because it is regarded as the most appropriate for gathering data on the specified instrument that produced statistical data on a large sample for the goal of findings result to a given population (Cresswell, J. W. 2007).Moreover, data has been collected by the researcher through a

questionnaire survey for this study. Obtaining the perception of the responses about the issues under consideration is the technique that has been used. In this study, the researcher adopted a hand-delivery, google form, and collection strategy for the survey questionnaire to get a high respondent's rate within the shortest time possible. this study is also a cross-sectional data collection which defines as data collected at the same time from a different individual or the firm.

Technique of Data Analysis

For the data coding and other preliminary analysis, this research is going to use SPSS, which is SPSS version 27 has used. this study researcher used a reliability test to ensure, whether the result was acceptable. ANOVA test was also proposed for this study.

Questionnaire Development

The structured questionnaire used in previous studies consist of a closed multiple- choice questionnaire to employed to collect relevant information from the responders. the section is divided as per Table 2

Table 2: Questionnaires Development Table

Section	No. of Items	Variable
A	5	Respondents Profile
B	7	Organizational culture
C	6	Working capital management
D	7	Innovation performance
E	7	Firm performance
F	6	Liquidity risk

Summary of Measurement and their sources

Table 3. Summary of Measurement and Their Sources

Variables	Dimension	Items	Sources
Firm performance	Unidimensional	7	Kamyabi and Devi (2012); Amber, Morgan (2009)
Organizational culture	Unidimensional	7	Shehu & Mahmood (2014), Al-Swidi (2012), Tseng (2010)
Working capital management	Unidimensional	6	Risal N (2017)
Innovation	Unidimensional	7	Lai, Y.L, Lin, F.J (2014), Dolva & Kolvereid (1997) and Hu (2009).
Liquidity risk	Unidimensional	6	Ogol (2011), Ismal R (2010)

RESULTS AND DISCUSSIONS

Pilot Reliability test of Questionnaire

Table 4. Pilot Reliability test of Questionnaire

Construct	Number of Items	Cronbach`s Alpha
Organizational Culture	7	0.88
Working Capital Management	6	0.84
Innovation Performance	7	0.90
Liquidity risk	6	0.89
Firm performance	7	0.91

Table 4 shows the result of the reliability test. based on the Cronbach Alpha Coefficients average reliability considered as 0.60 and while 0.70 coefficient and above indicate the high level of reliability. hence, all of the items were found to be reliable, with the estimate ranging from 0.84 to 0.91. (Sekaran & Bougie,2010; Nunnally, 1994).

Discriminant Analysis

Discriminant analysis was carried out to examine the level of independent and dependent variables followed by moderating effects which are organisational culture, working capital management, innovation performance, firm performance, and liquidity risk. The mean score for all the variables is presented in Table 5.

Table 1. Discriminant Analysis of All Variables

	N	Minimum	Maximum	Mean	SD
Organisational Culture	307	3.00	5.00	4.3220	.37780
Working Capital	307	3.00	5.00	4.2329	.39093
Innovation	307	3.43	5.00	4.3118	.34914
Liquidity Risk	307	3.00	5.00	4.3409	.43842
Firm Performance	307	3.14	5.00	4.3690	.33440

Internal Consistency using Cronbach Alpha

Alpha Cronbach's values that above 0.6 are considered highly reliability and acceptable index (Pallant, J. 2011; Nunnaly & Bernestsin, 1994). As indicated in Table 6, all the Cronbach's Alpha results were acceptable.

Table 2. Result of Cronbach`s Alpha

Variables	No of Items	Cronbach's Alpha	Note
Organisational Culture	7	.731	Accepted
Working Capital Management	6	.662	Accepted
Innovation Performance	7	.648	Accepted
Liquidity risk	6	.819	Accepted
Firm Performance	7	.665	Accepted

ANOVA

Table 3. Result of ANOVA

Model	Sum of Squares	Df	Mean square	F	Sig
Regression	6.5111	4	1.628	17.747	.0001
Residual	27.706	302	.092		
Total	34.217	306			

Based on the ANOVA result as presented in Table 7, the model is significant at 99% confidence level.

Table 8. Coefficient

Model	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig	Collinearity Tolerance	Statistic VIF
(Constant)	2.065	.299		6.900	.001		
OrgCult	.014	.049	.016	.294	.769	.867	1.154
WCMgt	.146	.049	.171	.2.991	.003	.820	1.219
Iperform	.189	.053	.197	3.546	.001	.870	1.150
LiqRisk	.186	.041	.244	4.546	001	.928	1.078

CONCLUSIONS

In conclusion, the present study has empirically tested the relationship among organisational culture, working capital management, innovation, liquidity risk, and SMEs firm performance. According to all the six hypotheses that have been tested, out of three hypotheses were found significantly supported, while the three hypotheses were rejected. Finally, limitations and several recommendations for future studies were highlighted in this study.

The first implication of the theory is that this study has contributed resourced-based theory. This study also supports how resources-based theory provides a more meaningful study in the area of performance. The resourced-based theory is one of the theoretical frameworks employed in this study as it has been widely used in the studies.

The measurement scales of the variables in this study were adapted from the previous studies as reflected in chapter three. Therefore, replicating them in another context is obligatory to confirm their reliability and validity. Lastly, the current study establishes SME's performance-related variables as all variables were drawn from different sources thus minimising the problem of common method bias. This study used SPSS data analysis for the resulting outcome, future studies may focus on different data analyses such as PLS-SEM and more. This study used quantitative analysis; future studies may focus on using qualitative research. this study is focusing on SMEs Malaysia between the variables, the future study may focus on compressive between among the countries.

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