Corporate Governance and Its Determinants : A study on Apex Healthcare Berhad Malaysia

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Abstract

The performance of a company is influenced by the internal and external factors and these factors will cause inefficient management. This research investigates the relationship or the impact of the internal factors on the performance of the company by using return on asset (ROA) as the dependent variable as well as the relationship of the ROA with the external factors in Apex Healthcare Berhad (Malaysia). The method of this study is using statistical and regression techniques in determining the significance of ROA with these variables. In conducting the regression progress, the data of the Apex Healthcare Berhad (Malaysia) from 2018 to 2022 in the annual report will be extracted and key in excel to calculate the relevant ratios and to run the regression models. According to the findings and analysis, it found that the return on equity (performance) has the most significant influence on Apex Healthcare Berhad's (Malaysia) annual profit and financial performance and the current ratio of Apex Healthcare Berhad (Malaysia) is not stable as the ratio has fluctuated over the 5 years.

Keywords: Apex Healthcare Berhad (Malaysia), profitability, performance, ROA, corporate governance

1.0 Introduction

In this chapter, the overview of Apex Healthcare Berhad (Malaysia) c will be briefly discussed and focusing solely on the history and background of the company.The next discussion that includes the problem statement,research objectives, research questions and organization of the report will all be explored in further detail.

1.1 Background of Apex Healthcare Berhad Malaysia

Apex Healthcare (Apex) was founded by Kee Tah Peng in 1962 and began with a retail pharmacy outlet named Apex Pharmacy in Melaka. Singapore was the starting point of manufacturing pharmaceutical products of Apex in 1967 and Apex formed a joint venture with Washington H.Soul Pattinson (Washington) in 1974. In 2000, Apex was listed on the Second Board of Bursa Malaysia and within a year , it was listed in Main Board Bursa Malaysia in 2003. In these recent years, Apex has expanded its operations in Myanmar,Vietnam, Singapore and Malaysia. Apex owned two manufacturing factories located in Melaka and Penang as well as warehouses of distribution in Singapore and Malaysia.

There are three main business divisions in Apex Healthcare, the first division will be manufacturing and marketing (Xepa). Xepa-Soul Pattinson (M) Sdn Bhd along with its fully owned sales and marketing subsidiary, Xepa-Soul Pattinson (S) Pte Ltd are actively engaged in development, manufacturing and marketing of Xepa branded off-patent generic pharmaceutical and medical devices. The products come from many different forms such as tablets, capsules,creams and sterile eye drops and oral liquids and suspension. The best sellers are the solid dosage form, Provinace and Vencid while for liquid dosage form are Bena and Sedilix.The latest.The latest product is SPP NOVO, a new oral solid dosage manufacturing facility located in Melaka.

Furthermore, the second division is wholesale and distribution (Apex & ABio), under this division, there are two subsidiaries companies that are fully in charge in providing warehousing and distribution for over 5,200 in-house and third-party pharmaceuticals,healthcare products and cold chain management for biological products from companies such as Merck KGaA and Kyowa Kirin.Apex's customers are not only pharmacies alone, Apex also one of the supplier for

hospitals,clinics and general stores. Apex began an e-commerce pharmacy business to improve customer experience by enhancing consumer convenience,access and education.

In addition, the third division will be corporate.The corporate segment of Apex includes retail pharmacies,e-commerce,group properties and contract manufacturing. At first, Apex was solely manufacturing pharmaceutical products, later in 2013, Apex manufactured orthopaedics devices through ABio Ortho and acquired 40% of equity stake in Straits Apex Sdn Bhd in 2014. Recently, Apex also manufactures grade orthopaedic devices, components and surgical instruments, including screws, plates, implants, intra medullary nails, pins and external fixators used in musculoskeletal disorder surgery.

1.2 Problem statement

A good company was born by implementing good corporate governance in structuring the company. The corporate governance and the performance of the company has a direct relationship. A good corporate governance will help to attract more investors and increase the confidence of the shareholders. There is a survey conducted in identifying the willingness of the institutional investors in paying the premium to a good corporate governance firm in Malaysia, the result of the survey shown the institutional investors willing to pay a premium of 10–50% and there are 15% of the respondents willing to pay more than 50% of the premium (PricewaterhouseCoopers,2002).

The corporate governance issue in Apex Healthcare Berhad (Malaysia) is the lack of women directors on board. According to the Practice 5.9 of the Malaysian Code of Corporate Governance, at least 30% of women directors should be on the board. However, Apex Healthcare Berhad (Malaysia) did not comply with this practice as the current representation of female directors is only 12.5% that represent only one female director out of a total of eight directors. What worsens the situation is that the current woman independent non-executive director Ms.Heng Su-Ling Mae has been retired on 17th May 2023. Thus, there are no female directors on board.

1.3 Research Objectives

The objectives of this research are:

1. To study the internal or firm-specific factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

2. To investigate the external or macroeconomic factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

3. To determine the internal and external factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

1.4 Research Questions

1. Is there any relationship between the internal factors with Apex Healthcare Berhad (Malaysia) performance ?

2. Is there any relationship between the external factors with Apex Healthcare Berhad (Malaysia) performance?

3. Is there any relationship between internal and external factors with Apex Healthcare Berhad (Malaysia) performance.

2.0 Literature Review

2.1 Corporate Governance

Corporate governance refers to the system by which companies are directed and controlled (Cadburry report,1992). Corporate governance is defined as a process and a framework that applied in a company to control the operation of the company as well as enhancing the corporate responsibility and maximizing the value of long-shareholder and not forgetting to take stakeholder's interests in consideration in making the company's decision. A structure of control mechanisms known as corporate governance helps the business achieve its objectives while eliminating unintended conflicts. The principles of corporate governance, including accountability, ethics, transparency, and sustainability, are vital for managing investor funds as well as the governance of businesses. According to Malaysian Code on Corporate Governance (2017), businesses that uphold corporate governance values are more likely to generate long-term value compared to those that do not uphold the corporate governance values. .Additionally, companies can increase the number of women on the board or increase involvement in corporate social responsibility (CSR) initiatives to manage and improve real earnings management and reduce financial constraints. (Liu L,2019)

2.2 Performance

According to Reilly and Brown (2012), the return on equity is crucial to the company's owner and the common stockholder as the return on equity indicates the rate of return that management has obtained on the capital that investors have contributed, after deducting payments to all other capital providers. Since return on assets (ROA) is one of the key indications of a company's performance, all financial managers of businesses these days primarily look at its asset utilization (Al-Matariet al., 2014). Miller and Modigliani (1977) suggest that leverage and the company's value have a positive relationship. The value of the company will increase if the leverage increases (Ross, 1977).Profitability will give a positive impact on the market value of a company because investors will give a positive response if there is a profit and ultimately the share price in the market will increase as well (Yanti, 2019).All existing activities such as sales activities, cash,number of employees and branches and the capital of the company are the contributors to the profitability ratio that is the indicator on evaluating the ability of the company

earning profits through those activities (Harahap,2015). Sorana (2015) applied ROA as an indicator for performance and observed that debt and size of company had a negative impact on ROA. However, these variables such as tangibility, volatility, and liquidity of earnings based on different tax rates have significantly impacted ROA.

2.3 Liquidity Risk

The current ratio partially positively impacts changes in earnings, as the larger the ratio indicates, the higher the profit change (Wibowo,2011). Yanti (2019) demonstrates how an organization's degree of liquidity can impact its market value. The higher the liquidity, the more favorable the company is viewed by creditors, who think it would be able to meet its obligations within the given period.However,there is another research conducted by conducted by Pribadi (2018) indicates that liquidity does have any relationship with the firm value.Effective liquidity management lowers the likelihood of unfavorable financial misfortune, allowing a business to fulfill its commitments and improve its viability. (K.Manish,2013). According to Claeys (2008) the liquidity and efficiency of the company has positive relationship. Bourke suggested that when the liquidity risk decreases, it positively affects the performance of the company. On the other hand, there is some research that found it vice versa (Konadu, 2009). Moreover, certain research shows no discernible correlation between the two factors because the influence changes from place to place and throughout different time periods, the results of all these studies differ from one another (Lamber, 2007).

2.4 Credit Risk

Credit is one of the business strategies that will be used to dominate customer demand for the goods. Credit is only advantageous to businesses when the profits from revenue exceed the additional expenses associated with receivables(Kaaya,2013). An additional definition of credit is the arrangement that permits the use of products or services without immediate payment in exchange for a written promise to pay later. The possible default of credit should be identified earlier because the risk of default will cause the cash flow and liquidity to be decreased that lead to financial constraints. In contrast,the lesser the possibility of default,the lower the bad debts and indicates a good financial health (Ogboi,2013). According to Markowitz (1952), credit risk is the possibility that a borrower may not fulfill its obligations to make required payments, resulting in

default on any kind of loan.When the borrowers default, the lenders will deal with the risk of losing the principle and interest, cash flow disruption and have to pay more on collection expenses. The loss could be total or partial, and it could happen for plenty of reasons.

2.5 Operational Risk

Operational risk defined as the risk of failure in the internal operations that involve the production, supply, and distribution. Aside from that, operational risk includes issues related to the company's systems, procedures, employees, distribution, warehousing, and production (Islam, 2012). Its uncertainty includes the unpredictability of supplier connections and activities, low quality, inventory risks, and product demand. (Jüttner, 2005).Higher financial debt is typically linked to higher levels of financial difficulty for businesses, especially during major market events. Additionally, operating leverage raises the possibility of default and financial instability (Tao Q,2022).

2.6 Market Risk

The terms "product acceptance," "competitor actions," and "general market conditions" all relate to the market risk. For example, understanding customer requirements, competitors' identities, products, and competitive advantages, as well as any prospective and future competitors, are a few examples. Other examples include failure in predicting the market demands on future , the inability to develop new products and services, and maintaining market share (Keizer et al. 2002).According to Zwak-Cantoriu et al. (2021) state most of the prices of the financial instruments are highly correlated to one another, thus it is more difficult in determining the market risk. For instance, a change in interest rates will cause an impact on majority financial instruments such as bond, equities and other relevant instruments which ultimately cause large portfolio losses. Market risk is unforeseen and has a systemic impact on the whole economy, which is how firms run on a daily basis.There are a few common macroeconomics factors that are exposed to the market risk such as interest rates, foreign exchange rate,stock prices and commodities prices (Koch,2013).The market asset value, which is a market-based measure for company success, is significantly impacted by changes in share price (Hax.H,2003).Furthermore, it has been found that a firm's value influences firm performance (Dinh,2021).Due to their competitive advantage in pricing and market power, large firms—those with a high total firm value and market

capitalization—are shown to perform better than smaller ones..Additionally, the value of stock and the overall firm value decrease as a result of share price variations. It becomes more challenging for businesses to borrow money to fund their operations as their firm's value declines (Powell RJ,2018)

3.0 Methodology

3.1 Sampling Technique

In this research,the population of Malaysia's health industry will be use as the sampling technique in this research and it is known as inferential statistic.Data from Apex Healthcare Berhad (Malaysia)annual report from 2018 to 2022 was selected to examine the relationship between Apex Healthcare Berhad's (Malaysia) performance and its determinants. The dependent variable of this research is the return on asset (ROA) as the indicator in evaluating the performance of Apex Healthcare Berhad (Malaysia) whereas the internal factors ,external factors (macroeconomics) and the combination of internal and external factors act as the independent variables.

3.2 Statistical Technique

In this research, the sources of the data are extracted from the annual report of the company for the five years spanning, 2018 to 2022. Income statement and balance sheet are used to analyze the financial performance of the company for the internal factors which are return on equity,current ratio,operating margin, CG index and debt to income. Additionally, the data pertaining to Malaysia's exchange, inflation as well as the interest rate accumulated to evaluate the economic state from 2018 to 2022. All of these data are extracted from the annual report and will be imported into an Excel database. Based on the data in Excel, the charts for the ratios that are significant to the outcome of Apex Healthcare Berhad (Malaysia) will be created to demonstrate how the ratios have changed over time. The primary approach of this study is Linear Regression, as known as Ordinary Least Squares (OLS) and multiple linear regressions will be applied in this study. The researcher will use the SPSS 27th edition to conduct the linear regression.

3.3 Data Analysis

Based on the theoretical framework of future research, one dependent variable (ROA) and three independent variables were chosen in this study. The methodology's flow chart is as displayed below:

Dependent Variables

Independent Variables
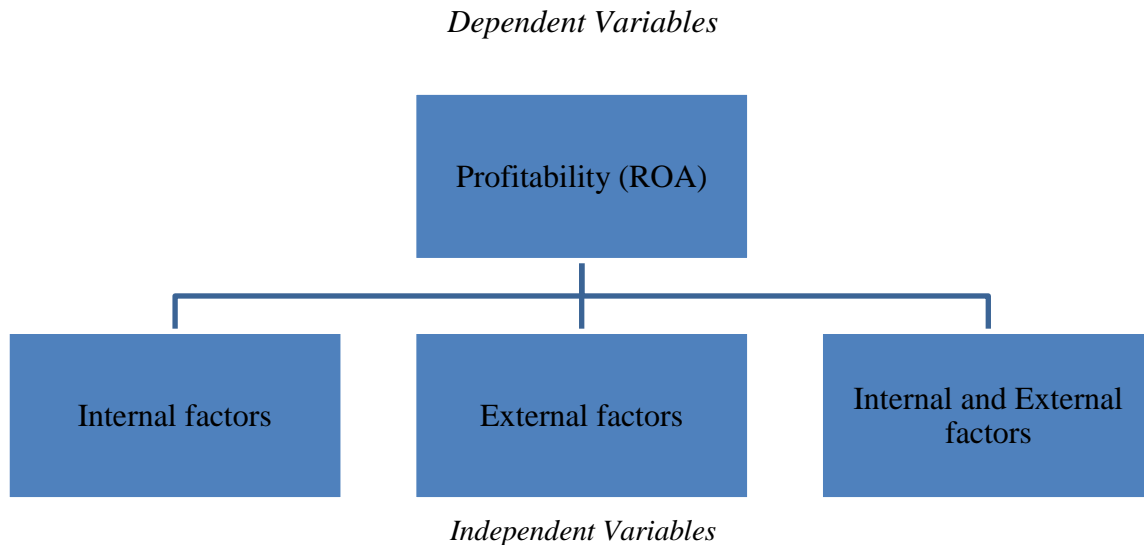
The relationship between a dependent variable with one or more independent variables was evaluated using the Ordinary Least Squares (OLS) method. Multiple regression analysis is applied in determining the value of the dependent variables that are based on the values of the independent variables. For this analysis, the data extracted from the annual report were analyzed using the IBM SPSS Statistics version 27. Regression analysis is often used for evaluating the independent variables' impact on the dependent variable. The independent variables' effect on the study's dependent variable may be shown using the above regression approach.

Model 1: Impact of firm's internal factors on return on asset (ROA)

Performance of return on asset (ROA): $\beta0 + \beta1ROE + \beta2CURRENTRATIO + \beta3DEBTTOINCOME + \beta4OPERATINGMARGIN + \beta5CORPORATEGOVERNANCE + e$ ... Model 1

Model 2: Impact of the external factors on return on asset (ROA)

Performance of return on asset (ROA): $\beta0 + \beta1INFLATION + \beta2INTERESTRATE + \beta3FOREIGNEXCHANGERATE + \beta4UNEMPLOYMENT RATE + \beta5GDPGROWTH + \beta6INDUSTRIALPRODUCTION + e$ ... Model 2

Model 3: Impact of both firm's internal factors and the external factors on return on asset (ROA)

Performance of **r**eturn on asset (ROA) : $\beta0 + \beta1ROE + \beta2CURRENTRATIO + \beta3DEBTTOINCOME + \beta4OPERATINGMARGIN + \beta5CORPORATEGOVERNANCE + \beta6INFLATION + \beta7INTERESTRATE + \beta8FOREIGNEXCHANGERATE + \beta9UNEMPLOYMENT RATE + \beta10GDPGROWTH + \beta11INDUSTRIALPRODUCTION + e$ ... Model 3

3.4 Statistical Package for Social Sciences (SPSS)

In this research, IBM SPSS version 27 was utilized to measure the data that were obtained from the annual report. The data from the annual report will be analyzed by using IBM SPSS version 27 in achieving the objective of the study. The analyzed quantitative data will be used to construct descriptive statistics, correlations table, model summary and coefficient table to illustrate the relationship between the three independent variables with the single dependent variable.

4.0 Finding and Analysis

4.1 Descriptive Statistics

Below are the descriptive statistics that used the data generated from the annual report of Apex Healthcare Berhad Malaysia for the year 2018 to 2022.

Table 1: Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.2586195452	.0211531107	5
ROE	.35062620	.035366992	5
CURRENT RATIO	2.803985771	.1319206267	5
DEBT TO INCOME	1.012489378	.0488360925	5
OPERATING MARGIN	.0932218906	.0066309560	5
CORPORATE GOVERNANCE	.76923100	.000000000	5
INFLATION (%)	1.740	1.1589	5
INTEREST RATE (%)	2.5000	.70711	5
FOREIGN EXCHANGE RATE	4.1780	.13217	5
UNEMPLOYMENT RATE	3.580	.5215	5
GDP GROWTH (%)	5.340	2.0403	5
INDUSTRIAL PRODUCTION (%)	4.760	2.1893	5

The relationship between variables in a sample or population are summarized by using the descriptive statistics. The dependent variable (ROA) and the independent variables are in the first column and the mean of the dependent variable (ROA) and the independent variables is in the second column while the standard deviation of the dependent variable (ROA) and independent variables is in the third column.

Profitability will give a positive impact on the market value of a company because investors will give a positive response if there is a profit and ultimately the share price in the market will increase as well .(Yanti, 2019). Based on the table above, the mean of ROA is 0.2586 indicating the annual profit of this company is 26% while the standard deviation is 0.0211 forecasting a small volatility in generating profit within 5 years. The mean ROE is 0.3506 which is equal to 35%

implies that this company is efficient in converting its equity financing into profits. This is supported by the statement in literature review,the return on equity is crucial to the company's owner and the common stockholder as the return on equity indicates the rate of return that management has obtained on the capital that investors have contributed, after deducting payments to all other capital providers (Reilly and Brown,2012). In assessing the liquidity risk by using the current ratio, the mean of the current ratio is 2.8040 which indicates that it is sufficient to settle the account payable or any short term loans more than twice and the standard deviation is 0.1319 implies a small volatility in profit within 5 years. This is supported by the statement in literature review, an organization's degree of liquidity can impact its market value. The higher the liquidity, the more favorable the company is viewed by creditors, who think it would be able to meet its obligations within the given period (Yanti,2019).

Next, under operational risk, the mean of operating margin is 0.0932 which implies this company is not efficient in generating profit is about 9% and the standard deviation is almost 0% of volatility in profit within 5 years.Furthermore, the mean of corporate governance is 0.7692 that indicates that this company's non-financial output is about 76%.According to Malaysian Code on Corporate Governance (2017), businesses that uphold corporate governance values are more likely to generate long-term value compared to those that do not uphold the corporate governance values. On the other hand, from the perspective of macroeconomics factors, the mean of the inflation inflation rate is 1.740 which implies that the increase in the cost of products and services is 174%. According to Mankiw (2014), the profits earned by the company will be affected by inflation as the inflation will influence the sales volume and change in the level of costs and prices. In contrast, the standard deviation is 1.1589 shows significant volatility in profit within 5 years.The mean of interest rate is 2.5000 which implies that this company's cost of borrowing the principal is about 250%, whereas the standard deviation is 0.7017 shows considerable volatility in profit within 5 years.

Other than that , the mean of the exchange rate is 4.1780, which implies that exchanging a country's currency for another currency is about 4.18 Malaysia Ringgit per US dollar. .In contrast, the standard deviation is 0.1322 and shows small volatility in profit within 5 years. According to Ampomah (2013), the firm characteristics which includes the size of the firm, the leverage, liquidity and the growth opportunities will affect the exposure on foreign exchange. For instance,

when the domestic currency depreciates, it can give benefits to the companies that are involved in international activities with the assumption of unchanged export sales, thus the revenue of the company will increase in proportion to the currency depreciation. In addition, when the price of the exported goods decreases, companies will deal with a higher competitiveness. This is supported by a Jorion (1990), who found that companies with high levels of export activities are exposed to the positive exchange rate exposure in the case of the USA. Moreover, the mean unemployment rate is 3.58 which implies there are a higher number of people who are seeking a job as it is higher than the stable unemployment rate, 3.00. The GDP growth rate is 5.34 which is higher than the normal growth rate 2.00 to 3.00 and this is a good sign that the economy is expanding which could provide more job opportunities. The mean of the industrial production is 4.76. In contrast, the standard deviation is 2.1893 and shows small volatility in profit within 5 years.

4.2 Correlation

Table 2: Correlations

Correlations

		ROA	ROE	CURRENT RATIO	DEBT TO INCOME	OPERATING MARGIN	CORPORATE GOVERNANCE	INFLATION (%)	INTEREST RATE (%)	FOREIGN EXCHANGE RATE	UNEMPLOYMENT RATE	GDP GROWTH (%)	INDUSTRIAL PRODUCTION (%)
Pearson Correlation	ROA	1.000	.992	-.799	-.690	.388	.	-.217	.967	.267	.307	.242	-.500
	ROE	.992	1.000	-.753	-.591	.280	.	-.299	.956	.168	.190	.115	-.543
	CURRENT RATIO	-.799	-.753	1.000	.807	-.595	.	.066	-.665	-.285	-.472	-.541	.329
	DEBT TO INCOME	-.690	-.591	.807	1.000	-.845	.	-.286	-.676	-.682	-.834	-.869	.109
	OPERATING MARGIN	.388	.280	-.595	-.845	1.000	.	.735	.336	.916	.978	.887	.434
	CORPORATE GOVERNANCE	.	.	.	.	.	1.000	.	.	.	.	.	.
	INFLATION (%)	-.217	-.299	.066	-.286	.735	.	1.000	-.229	.858	.763	.561	.912
	INTEREST RATE (%)	.967	.956	-.665	-.676	.336	.	-.229	1.000	.288	.305	.238	-.541
	FOREIGN EXCHANGE RATE	.267	.168	-.285	-.682	.916	.	.858	.288	1.000	.946	.752	.583
	UNEMPLOYMENT RATE	.307	.190	-.472	-.834	.978	.	.763	.305	.946	1.000	.922	.441
	GDP GROWTH (%)	.242	.115	-.541	-.869	.887	.	.561	.238	.752	.922	1.000	.229
	INDUSTRIAL PRODUCTION (%)	-.500	-.543	.329	.109	.434	.	.912	-.541	.583	.441	.229	1.000
Sig. (1-tailed)	ROA		<.001	.052	.099	.259	.000	.363	.004	.332	.307	.348	.196
	ROE	.000		.071	.147	.324	.000	.312	.006	.393	.380	.427	.172
	CURRENT RATIO	.052	.071		.050	.145	.000	.458	.110	.321	.211	.173	.294
	DEBT TO INCOME	.099	.147	.050		.036	.000	.320	.105	.102	.040	.028	.431
	OPERATING MARGIN	.259	.324	.145	.036		.000	.079	.290	.014	.002	.022	.233
	CORPORATE GOVERNANCE	.000	.000	.000	.000	.000		.000	.000	.000	.000	.000	.000
	INFLATION (%)	.363	.312	.458	.320	.079	.000		.356	.032	.067	.163	.015
	INTEREST RATE (%)	.004	.006	.110	.105	.290	.000	.356		.319	.309	.350	.173
	FOREIGN EXCHANGE RATE	.332	.393	.321	.102	.014	.000	.032	.319		.008	.071	.151
	UNEMPLOYMENT RATE	.307	.380	.211	.040	.002	.000	.067	.309	.008		.013	.228
	GDP GROWTH (%)	.348	.427	.173	.028	.022	.000	.163	.350	.071	.013		.356
	INDUSTRIAL PRODUCTION (%)	.196	.172	.294	.431	.233	.000	.015	.173	.151	.228	.356	
N	ROA	5	5	5	5	5	5	5	5	5	5	5	5
	ROE	5	5	5	5	5	5	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5	5	5	5	5	5	5
	CORPORATE GOVERNANCE	5	5	5	5	5	5	5	5	5	5	5	5
	INFLATION (%)	5	5	5	5	5	5	5	5	5	5	5	5
	INTEREST RATE (%)	5	5	5	5	5	5	5	5	5	5	5	5
	FOREIGN EXCHANGE RATE	5	5	5	5	5	5	5	5	5	5	5	5
	UNEMPLOYMENT RATE	5	5	5	5	5	5	5	5	5	5	5	5
	GDP GROWTH (%)	5	5	5	5	5	5	5	5	5	5	5	5
	INDUSTRIAL PRODUCTION (%)	5	5	5	5	5	5	5	5	5	5	5	5

The interrelation of the relationship between the dependent variables with one or more independent variables is determined by correlation coefficient. Their significant relationship may be helpful in predicting the dependent variable with the independent variable using a linear regression model. The higher the value of correlation coefficient indicates a better prediction of the dependent variable with the lowest possible errors and vice versa (Goytay,2017). Based on the correlation table above, the finding indicates that the current ratio is positively correlated to ROA as the p-value is 0.052 which is lower than 0.10.This indicates that when this two variables have a direct relationship that tend to move in to the same direction, when the current ratio increase, the ROA will increase simultaneously. In addition, the ROA is positively significant correlated to interest rate and debt to income with a p-value 0.004 and 0.099 respectively.On the other hand, this finding indicates that the ROA is negatively correlated to the operation margin with a p-value of 0.259 which is higher than p-value,0.10 that indicates that these two variables tend to move in opposite directions.Notwithstanding, inflation, foreign exchange rate, unemployment rate, GDP growth, industrial production are not significant to ROA due to the p-value > 0.10.

4.3 Model Summary

4.3.1 Internal Factors

Table 3: Model Summary of Internal Factors

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.992[a]	.983	.978	.0031574817	1.892

a. Predictors: (Constant), ROE
b. Dependent Variable: ROA

This study shows that out of 5 variables, only 1 variable which is ROE contributed to Apex Healthcare Berhad's (Malaysia) financial performance or ROA with an adjusted r square of 0.978 or 98%. In contrast, the remaining variables are not relevant to this study.

4.3.2 External Factors

Table 4: Model Summary of External Factors

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.967[a]	.936	.872	.0075656853	2.733

a. Predictors: (Constant), GDP GROWTH (%), INTEREST RATE (%)

b. Dependent Variable: ROA

Based on the model summary above, it says that out of 6 variables, only 2 variables which are GDP growth rate and interest rate contributed to Apex Healthcare Berhad (Malaysia) financial performance or ROA with an r square of 0.872 or 87%. In contrast, the remaining variables are not relevant to this study.

4.3.3 Internal and External Factors

Table 5: Model Summary of Internal and External Factors

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.998[a]	.995	.991	.0020262412	1.998

a. Predictors: (Constant), GDP GROWTH (%), DEBT TO INCOME

b. Dependent Variable: ROA

Based on the model summary above, it shows that out of 11 variables, only 2 variables which are GDP growth rate and debt to income contributed to Apex Healthcare Berhad (Malaysia) financial performance or ROA with an adjusted r square of 0.991 or 99%. In contrast, the remaining variables are not relevant to this study.

4.4 Coefficients

4.4.1 Internal Factors

Table 6: Coefficients of Internal Factors

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)	.051	.016		3.224	.048	.001	.101		
	ROE	.593	.045	.992	13.286	<.001	.451	.735	1.000	1.000

a. Dependent Variable: ROA

Based on the table above, there is only one ratio that has a strong significance to ROA as the p-value <0.10, with a p-value of 0.001 while the remaining variables are not relevant to the study.

4.4.2 External Factors

Table 7: Coefficients of External Factors

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)	.186	.015		12.042	.007	.119	.252		
	INTEREST RATE (%)	.029	.006	.965	5.238	.035	.005	.053	.943	1.060
	GDP GROWTH (%)	.000	.002	.012	.065	.954	-.008	.008	.943	1.060

a. Dependent Variable: ROA

Based on the table above, this study shows that GDP growth and industrial production are significant to ROA as the p-value < 0.10, with a p-value of 0.035 and 0.954 respectively. However, the remaining variables are not relevant to the study.

4.4.3 Internal and External Factors

Table 8: Coefficients of Internal and External Factors

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)	1.196	.047		25.378	.002	.993	1.399		
	DEBT TO INCOME	-.846	.042	-1.954	-20.210	.002	-1.026	-.666	.245	4.074
	GDP GROWTH (%)	-.015	.001	-1.455	-15.054	.004	-.019	-.011	.245	4.074

a. Dependent Variable: ROA

This study displays that the debt to income and GDP growth rate are positively significant to ROA with a p-value of 0.002 and 0.004 respectively. All of these variables are significant to the dependent variable or ROA when the independent variables are analyzed together.For that reason, these internal and external independent variables influence or impact the dependent variable or ROA.

4.5 Trend Analysis

4.5.1 Performance

Table 9: Return on equity
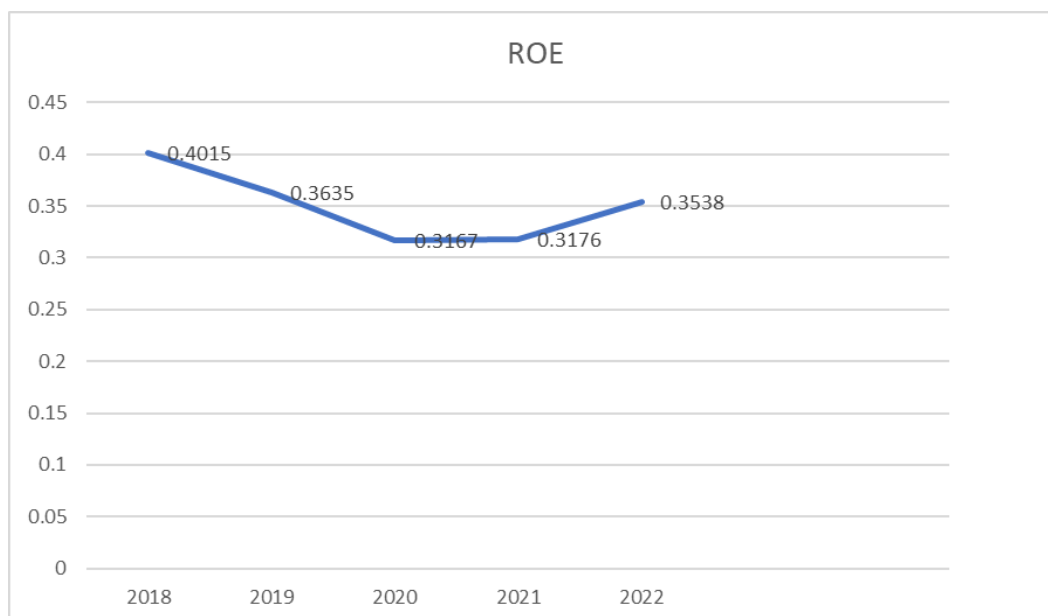
Return on equity is used to evaluate the performance of the profitability of Apex Healthcare Berhad (Malaysia) during five years from 2018 to 2022. The ROE decreased from 0.4015 in 2018 to 0.3635 in 2019 and it continuously declined to 0.3167 in 2020.The ROE began to rise from 0.3167 to 0.3176 in 2021 and it increased again to 0.3538 in 2022. The continuous rise in 2020 to 2022 was probably due to pandemic covid-19 as there is a high demand of medical supply for the whole country which indicates Apex Healthcare Berhad (Malaysia) has a high rate of return. This is supported by a statement of Reilly and Brown (2012), the return on equity is crucial to the company's owner and the common stockholder as the return on equity indicates the rate of return that management has obtained on the capital that investors have contributed, after deducting payments to all other capital providers.

4.5.2 Liquidity Risk

Table 10: Current Ratio
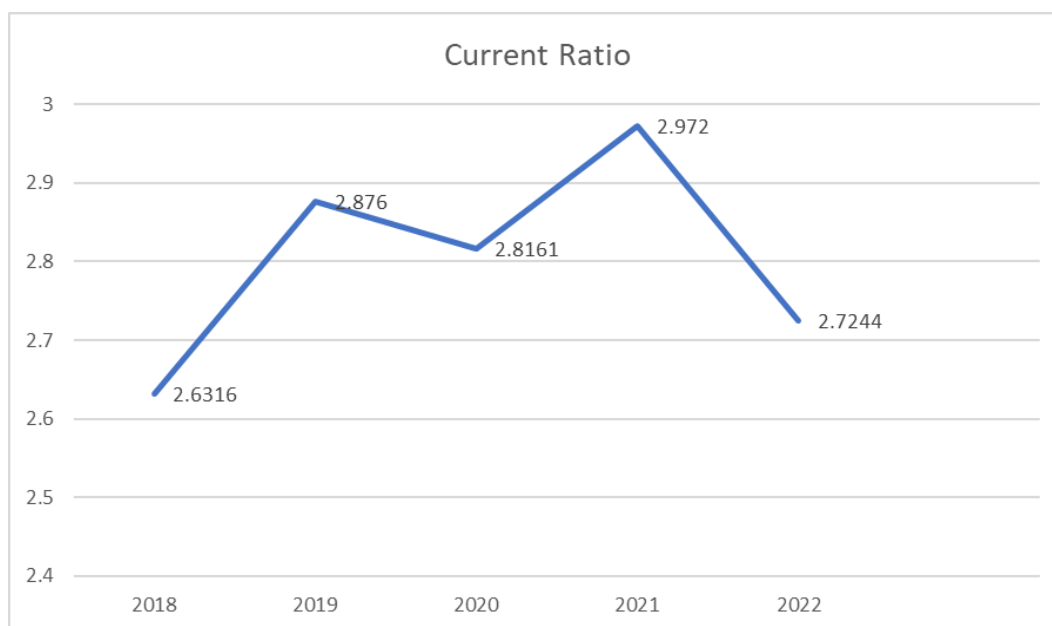
The current ratio of Apex Healthcare Berhad (Malaysia) demonstrates its ability to meet its short-term obligations or those debts within 1 year. The current ratio of Apex Healthcare Berhad's (Malaysia) shows a good sign as it increases from 2.6316 in 2018 to 2.8760 in 2019. Then, the company started to experience a slight decrease of about 0.0599 on their current ratio in 2020. The current ratio rises again in 2021 from 2.8161 to 2.972. Nevertheless, its current ratio significantly declines from 2.9720 to 2.7244 in 2022. In addition, the highest current ratio for the

five years is 2.972 in 2021. The current ratio partially positively impacts changes in earnings, as the larger the ratio indicates, the higher the profit change (Wibowo,2011).

4.5.3 Credit Risk

Table 11: Debt to Income

Apex Healthcare Berhad (Malaysia) debt to income ratio demonstrates the ability of the company to pay off the additional debts. From 2018 until 2021, its debt to income increased significantly from 0.9893 in 2018 to 1.0765 in 2021,then dropped in 2022 from 1.0765 to 0.9455.It shows a good sign when it dropped to 0.9455 in 2022 as it indicates that Apex Healthcare Berhad (Malaysia) has a lower risk of default. Having a lower debt to income ratio will give a good reputation to the company, it indicates that the financial status of the company is in a good state (Casey Bond,2020).

4.5.4 Operational Risk

Table 12: Operating Margin
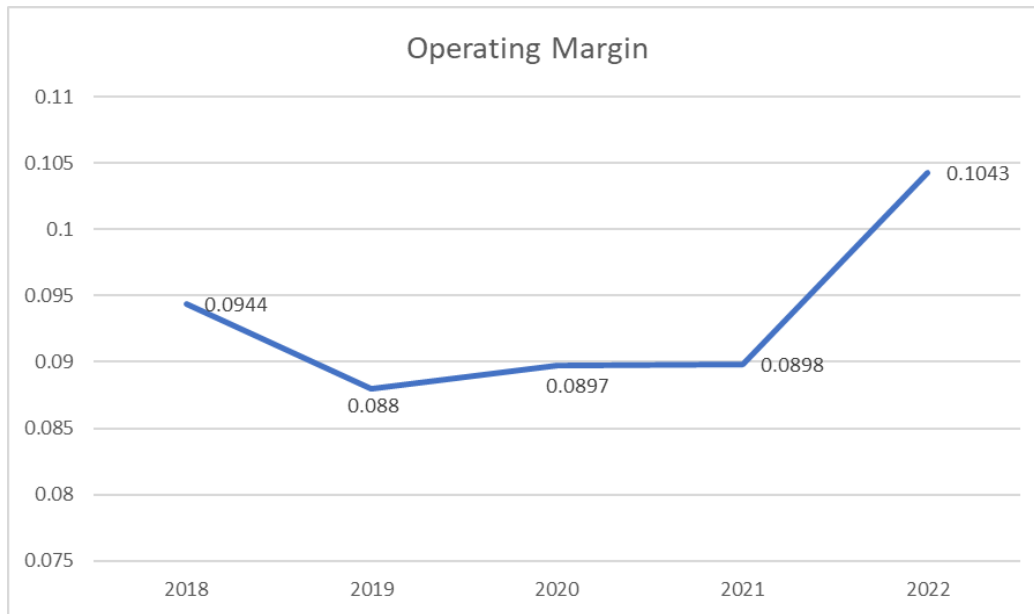
Apex Healthcare Berhad (Malaysia) declines from 0.0944 to 0.0880 from 2018 to 2019. Next, it continuously rises for three years from 0.0880 to 0.0898 in 2021. Later, it increased from 0.0898 in 2021 to 0.1043 in 2022 and it indicates the company is well managed. This is supported by a statement of Harahap (2002), operating margin is the indicator to measure the profitability of the company, it indicates how much each dollar of revenue is earned after deducting the cost of goods sold and operating expenses. Thus, higher operating margin indicates that this company has a lesser financial risk as it is well managed.

4.5.5 Corporate Governance Index

Table 13: Corporate Governance Index
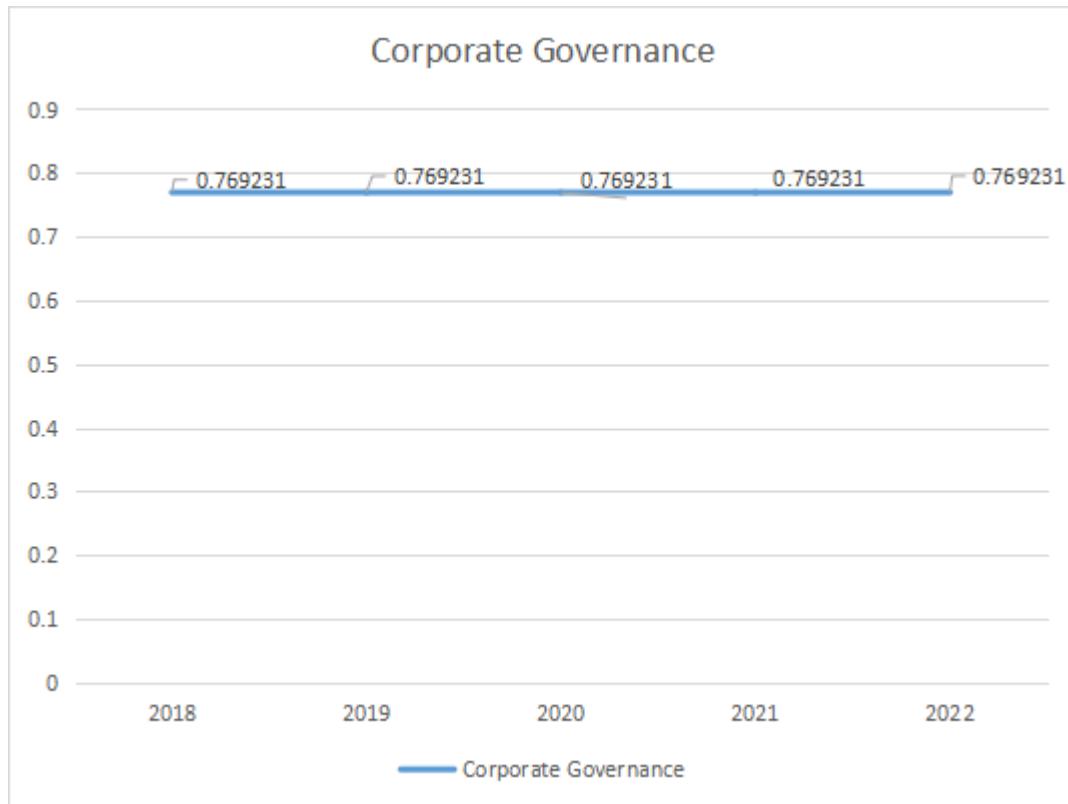
Based on the corporate index above, Apex Healthcare Berhad (Malaysia) has good corporate governance index value that implies the company strictly followed the corporate governance principles to rule the company. Apex Healthcare Berhad (Malaysia)'s corporate governance value has been stable at 0.7692 from 2018 to 2022. According to Rezaee (2009), there is a positive relationship between the corporate governance and the performance of the company because of its apparent significance for businesses' financial well-being and impact on society at large, as seen by the ways that adopting sound corporate governance procedures may reduce the risk for investors, attracts more investment capital, and enhances corporate performance.

4.5.6 Macroeconomic

Table 14: Unemployment Rate
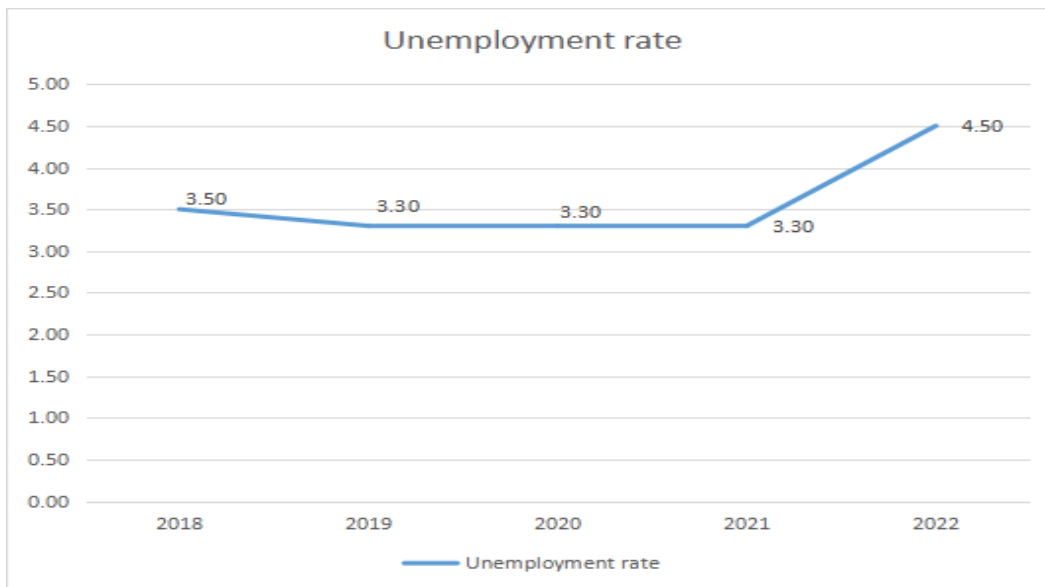
The unemployment rate describes the total number of people in the labor force that are unemployed but actively looking for a job. In 2018, the unemployment rate declined 0.20 in 2019. Next, it maintains the same rate from 2019 to 2021, 3.30. However, it increased significantly from 3.30 in 2021 to 4.50 in 2022 possibly due to Covid-19 issues. A significant economic problem which caused severe impacts on society and made people poor was unemployment (Didiharyono, 2020).Thus, the lower the unemployment rate, the lower the rate of negative social consequences.

5.0 Discussion and Recommendations

The main purpose of this study is to evaluate the performance of one of Malaysia's healthcare companies, particularly Apex Healthcare Berhad (Malaysia) and factors that affected the performance. The main purpose of this chapter is to conclude the finding in chapter four and summarize the suggestions for further research.

5.1 Discussion of result

The discussion of this research is to study how effectively Apex Healthcare Berhad (Malaysia) generates a return on assets (ROA). This research was driven by the following research objectives:

1. To study the internal or firm-specific factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

2. To investigate the external or macroeconomic factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

3. To determine the internal and external factors that could have influence on Apex Healthcare Berhad (Malaysia) performance.

There are three types of regression models that have been utilized in the findings for chapter 4.The models include internal variables, external variables or macroeconomic factors and the third model is the combination of internal and external variables. These three regression models provide the following results: the internal and external model has the nearest R square value to 1, followed by the internal model, and then the external model at the last place. Among these models, model 3, which was the internal and external factors, had the most significant influence on the performance of Apex Healthcare Berhad (Malaysia) performance. Next, referring to the correlation table, there are a total of five independent variables, specifically ROE, current ratio, debt to income, corporate governance, interest rate, which positively affect the performance of Apex Healthcare Berhad (Malaysia).In comparison, the strongest influence on the performance of Apex Healthcare Berhad (Malaysia) in coefficients is the combination of the internal and external factors that consists of two independent variables which is debt to income and GDP growth with p-value 0.002 and 0.004 respectively. The debt to income is the primary influence on the performance of Apex Healthcare Berhad (Malaysia) for both regression models and coefficients.

5.2 Limitations

The annual report of Apex Healthcare Berhad (Malaysia) from 2018 to 2022 was the sole data source for this research. Due to the several limitations such as the possibility of extracting the data poorly due to limited knowledge and skills, the small sample of only five years used and only one company. Thus, this research paper is not to indicate the exact state of the company and the overall of the healthcare industry in Malaysia. The objective of this study is to exercise the knowledge and skills we have while acquiring new relevant ones along the process.

5.3 Recommendations

Based on the above discussion result, it shows that return on equity (performance) has the most significant influence on Apex Healthcare Berhad (Malaysia) annual profit and financial performance. Furthermore,the current ratio of Apex Healthcare Berhad (Malaysia) is not stable as the ratio has fluctuated over the 5 years. What worsened was the current ratio in the fifth year, 2022 is below 1.00 which is not a good ratio for the company as the current ratio for the healthcare industry is between 1.50 to 3.00 to be considered a good ratio. To improve the current ratio of Apex Healthcare Berhad (Malaysia), the company can consider reclassifying the short term loan into long term loans as the quantity of current liabilities will decrease if current debts are reclassified as long-term debt. Thus,the current ratio will rise since it is calculated using current liabilities as the denominator. Furthermore, Apex Healthcare Berhad's (Malaysia) should increase the number of female directors on board, as for now the company did not achieve 30% of female directors on board. According to Bernard (2015), it has been observed that female directors communicate with external shareholders about strategic decision-making more effectively, which increases the value of the company. Hence, by increasing the number of female directors on board, it will give more benefits for the company in generating more profit.

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