Company Performance and Its Determinants: A Study on New Hoong Fatt Holdings Berhad

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Abstract

This study analysis the factors that might affect New Hoong Fatt Holdings Berhad's performance. The objective is to identify the variables, internal as well as external, and the combinations of factors that might influence New Hoong Fatt Holdings Berhad's performance. Regression analysis and statistical methods have been opted for in the current research issue in order to determine the degree of significance of the relationship between each of these variables. When a number of variables are taken into consideration, it is obvious that credit risk, rather than the remaining variables has the most influence over New Hoong Fatt Holdings Berhad's performance. However, while the closure of New Hoong Fatt Holdings Berhad's business in 2020 may have impacted the company's profitability, an analysis of the statistics suggests that the company's good management of credit risk may have also directly impacted its performance.

Keywords: *New Hoong Fatt Holdings Berhad, profitability, performance, ROE, corporate governance.*

1.0 Introduction

A comprehensive review of New Hoong Fatt Holdings Berhad will be provided throughout this chapter, with particular focus given to the company's background and history. The issue statement, objectives of the reserch, study scope, research issues, and report organisation will all be covered in more detail further on.

1.1 Background of Company

Malaysia-based New Hoong Fatt Holdings Berhad (NHF) is a corporation, which is engaged in investment holding and provision for management services. (Bursa Marketplace, 2023). New Hoong Fatt Holdings Berhad was founded in 1977 as a trading company supplying automotive parts to the Malaysian market. The Group began manufacturing metal and plastic replacement components for car bodies in 1989. These parts included bumpers, grilles, doors, hoods, fenders, and so on. For more than 40 years, the New Hoong Fatt Group has been producing oil-based products, accessories, and replacement auto parts for light-duty commercial vehicles as well as all other vehicle categories both nationally and internationally in countries including Japan, Germany, and Korea. It has grown into the primary distributor of original and replacement car parts in the Malaysian market, with a distribution network that includes more than 1,000 wholesalers and retailers nationwide. In addition to the local Malaysian market, 60 different nations and territories throughout the world are among those to which New Hoong Fatt exports including Central and South America, Asia, Taiwan, China, India, Africa, and Russia, the Middle East, Pakistan , Europe Southeast (NHF, 2023).

With a strong supply chain, New Hoong Fatt Group aims to become Asia's leading supplier of automotive parts solutions and provide their clients with a high-quality automotive components. In order to achieve Quality Management System outcomes in line with the organization's strategic goal, NHF Group is dedicated to producing high-quality automotive components that consistently satisfy customers through continuous improvement using a process approach and risk-based thinking. (NHF, 2023).

New Hoong Fatt Holdings Berhad has listed on the Second Board Bursa Malaysia in 8 June 1998 was later transferred to the Main Board of Bursa Securities, now known as the Main Market Bursa Malaysia Securities Berhad, on 2 July 2001. Company as adopted all the Malaysian Code on Corporate Governance MCCG recommended principles and practices except for the following:

(1)Practice 4.4-The Company's material sustainability risks and opportunities, Performance Evaluation of the Board and Senior Management,

(2)Step Up5.4 -To establish a policy limiting the term of Independent Directors to nine (9) years, with no possibility of extension;

(3)Practice 8.2 -To reveal the compensation of the top five (5) members of senior management in increments of RM50, 000 on a designated basis;

(4)Step Up 8.3 -To reveal the complete compensation details of each member of senior management on a designated basis;

(5)Step Up 10.3: Establish a Risk Management Committee to supervise the risk management policies and framework, with a majority of Independent Directors serving on the committee;

(6)Practice 12.2: Adopt integrated reporting based on an internationally recognised framework (applicable to big enterprises).

1.2 Problem Statement

Several issues can occur in the company, resulting in internal crises or negative reputation. Instances of unfavorable news within companies are not uncommon, and the intricacy and repercussions thereof often capture public attention. Such issues happen have the potential to bring down a big business and raise issues inside the company. New Hoong Fatt Holdings Berhad is no exception and any large company that strives to have a strong corporate governance system is bound to have problems.

According to Berita Harian, on December 28, 2020, New Hoong Fatt Holdings Berhad was affected by temporary closed due to a COVID-19 cases among its employees from Dec 25 until further notice to contain potential COVID-19 infection. (Berita Harian, 2020). Uncertainties regarding the company's commitment to maintaining a secure workspace are raised by the discovery of 94 COVID-19 positive cases among 314 employees during a health evaluation procedure. This finding suggests potential gaps in the application of health protocols.

In 2020, the world's trade faced unprecedented obstacles due to the implementation of strict lockdown measures globally in effect to the COVID-19 pandemic. A range of industries were forced to come to a halt, and supply chains. Particularly, there is a global disruption in the transportation of products and services. Even though New Hoong Fatt Holdings Berhad has its own Audit Committee and consistentlycarries out its annual audit plan and risk assessment every year, but the Group is dealing with this kind of worldwide pandemic for the first time is one of their critical risks in their Annual Report 2020 (NHF, 2020). In addition, the impact of the closure on the company's operations and the subsequent communication with employees, suppliers and customers may reveal gaps in crisis management strategies, with implications for the overall corporate governance framework. The ability of management to deal quickly with the crisis and ensure continuity of operations, while prioritising the well-being of employees, reflects the effectiveness of the corporate governance structures in place. Otherwise, their customers would begin to doubttheir credibility, which will ultimately jeopardize their long-term success. Overall, there is a statistically significant correlation between a company's performance and its profitability.

Research Objectives

1. To ascertain the internal or firm-specific factors that could have influence on New Hoong Fatt Holdings Berhad performance.
2. To identify the external or macroeconomic factors that could have influence on New Hoong Fatt Holdings Berhad performance.
3. To investigate the internal and external factors that could have influence on New Hoong Fatt Holdings Berhad performance.

Research Questions

4. Is there any relationship between the internal factors with New Hoong Fatt Holdings Berhad performance?
5. Is there any relationship between the external factors with New Hoong Fatt Holdings Berhad performance?
6. Is there any relationship between internal and external factors with New Hoong Fatt Holdings Berhad performance?

2.0 Literature Review

The central objective of this chapter is to provide a comprehensive literature review for the current study. This review includes two key components, namely internal and external factors, primarily concentrating on the corporate governance framework. It also covers the areas of performance, liquidity risk, credit risk, operational risk and market risk.

2.1 Corporate Governance

Corporate governance, is defined asa "broad term defines the methods, structure and the processes of a company in which the business and affairs of the company managed and directed." (Humera Khan, 2015). Basically, "Corporate governance refers to the rules and oversight that dictate how a company operates, and how effectively those rules and regulations are implemented" (Benjamin, 2021). For investors, corporate governance is essential because it demonstrates the integrity and strategic direction of a business. Effective corporate governance enables companies to win over the public's and investors' loyalty.

Furthermore, the board of directors plays the most crucial role in corporate governance. The fundamental principles of corporate governance include accountability, transparency, and fairness. Additionally, the failure of corporate governance may raise concerns about the integrity, reliability, and shareholder responsibility of the company. In the long run, this could inflict severe damage or adverse effects on the company's financial standing. Enron's catastrophic collapse, fuelled by hidden liabilities, non-standard accounting practices and pressure on auditors, is a stark example of poor corporate governance, ultimately leading to bankruptcy, shareholder lawsuits and the enactment of the Sarbanes-Oxley Act of 2002 to prevent fraudulent financial reporting. (Benjamin, 2021). It is impossible to overstate the importance of corporate responsibility and effective management in ensuring the stable markets required for the growth of the economy. (Witherell, 2002). Recognizing the importance of good governance, Malaysia prioritized it post the 1997 financial crisis, evident in the 2001 establishment of the Malaysian Code on Corporate Governance.

2.2 Company Performance

"Profitability is a measure of a company’s ability to generate income relative to its expenses" (DealHub, 2023). Profitability is essential for a company's success as it offers valuable insights into its financial health, aids investment decision-making, identifies profitable business activities, and enables managers to optimize approaches for sustained success. A company that fails to generate profits will ultimately be forced out of business. As a result, a company must evaluate its past and current profitability while also projecting its future profitability. Profitability may also be characterised as a rise in return on assets and a fall in working capital. The profitability of a small firm must be regularly generated in order for it to succeed. In general, any business cannot survive without making a profit. Return on equity (ROE) and return on assets (ROA) are two key metrics to assess how efficient a company is at generating profits (RYAN, 2022). It shows how well a company's management uses its resources and assets to produce a profit when looking at investment return. On the other hand, in terms of return on investment, it clearly measures the connection between the company's financial results and the equity held by its shareholders. Although ROE and ROA both measure profitability, they show different facets of an organization's performance.

2.3 Liquidity Risk

"The possibility that an organisation won't be able to satisfy its short-term financial obligations because it won't be able to turn assets into cash without suffering a substantial loss is known as liquidity risk."(Kenton, 2023). According to Kenton (2023) "liquidity refers to a business's, companies, or perhaps a person's capacity to repay his debts without experiencing catastrophic financial losses". Alternatively, "The problem that a business faces in making its financial payments on time without affecting its overall financial stability is known as liquidity risk." (Kumar & Yadav, 2013). Good liquidity risk management reduces the possibility of a negative circumstance occurring and helps companies fulfill their obligations as they get more advanced. This is important because, even at a single institution, liquidity crises can have systemic effects. Two different kinds of liquidity risk: financing liquidity, and market liquidity, also referred to as asset risk. (David, 2021). Liquidity is controlled in the event of asset liquidity risk by decreasing relative market sizes and portfolio concentrations. On the other hand, financing liquidity risk can be controlled by securing credit lines, closing cash flow gaps, and diversifying funding sources. Liquidity risk significantly affects a company's ability to run profitably as well as its standing. (Jenkinson, 2008). A company faces risk of losing the loyalty of its depositors if they do not get their money on time. This may have had an adverse effect on the company's reputation.

2.4 Credit Risk

Credit risk has been described as the possibility that another party cannot fulfil the requirements of the deal (BNM, 2023). According to Central Bank of Malaysia "Company exposure to credit risk is always changing in terms of its kind, scope, and complexity. As such, effective credit risk management continues to be essential to any institution's long-term survival." "Average Collection Period is an organization's average collection period is the average amount of time it takes to receive its accounts receivable (AR) cleared."(Kento, 2023) "The average collection period is one of the credit risk indicators which refers to the amount of time it takes for a company to receive payments owed by its clients in terms of accounts receivable (AR), and a delay in payment maylead to a bad debt that has a negative impact on a company's financial performance" (Kenton, 2021). A shorter average collecting duration, in particular, is preferred to a more extended average collection period. A shorter period for accounts receivable means that credit transactions is possible converted into cash rapidly. To determine the credit risk on a consumer loan, lenders use the five C's: the loan's condition, credit history, capacity to repay, associated collateral, and capital (The Investopedia Team, 2021). Certain companies have established departments that are in charge of determining the credit risks related to their current and potential clients.

2.5 Operational Risk

Rejda and McNamara (2017, p.24) stated that "Operational risk is risk arising out of an organization’s operations." For example, a cyberattack threatens to disrupt the operations of a company. This operational risk may lead to data breaches, financial losses, reputational harm, and the temporary unavailability of critical platforms." Operational risk is the possibility of suffering a loss as a result of either unexpected events or inadequate or unsuccessful internal processes, people, or systems." (BNM,2019). Operational risk is not inherent to an industry or its products, but rather is related to a company's operational practices. While outcomes such as failure, reduced production or increased costs are not inevitable, the risks are considered greater or lesser depending on the internal management decision-making processes in place. Operational risk, the possibility of a decline in a company's operations due to staff errors, can be classified as a human risk, as it is based on procedures and cognitive processes created by humans. The degree of this risk varies across industries and is a crucial factor to consider when evaluating investment opportunities. Operational risk may arise in the maintenance of essential machinery and systems. The negative effects of a system failure are strongly correlated with the degree of operational risk. The operating ratio, which compares gross operating expenses to sales revenue, shows how well a company's management is doing its job. Since it shows that operating expenses have dropped relative to revenues, a declining operating ratio is preferred. (Murphy, 2021).

2.6 Market Risk

According to Rejda and McNamara (2017, p.59) " Market risks might include adverse fluctuations in raw material prices, overall price changes (inflation), shifts in customer preferences, new technological advancements, and heightened rivalry." In essence, "Market risk is the probability that a person or other entity may suffer losses as a result of variables affecting the financial markets' overall performance." (Hayes, 2021). Market risk and particular (unsystematic) risk are the two primary categories of investment risk. Events that might lead to market risk include recessions, political upheaval, fluctuations in interest rates, and natural disasters. Systematic risk, another name for market risk, frequently has an instantaneous effect on the whole market. (Hayes, 2021). Since it impacts all asset classes and is unexpected, market risk is often referred to as non-diversifiable or unsystematic risk. The way for an investor to reduce this market risk is through portfolio hedging. Market risk is the possibility of suffering a loss as a result of variables affecting a whole asset class or market. The market as a whole is impacted by four main risk factors. They consist of commodities risk, foreign exchange risk, interest rate risk, and equity price risk. (Nickolas, 2020).

3.0 Methodology

Research methods pertain to the methods applied when conducting the research project. Furthermore given attention in this section are statistical methods, data analysis methods, and sampling techniques. Throughout this part, SPSS Version 27, the Statistical Package for Social Sciences will be applied.

3.1 Sampling Technique

The Malaysian automotive industry is the population for which inferential statistics will be used. Nonetheless, the report's sample is the New Hoong Fatt Holdings Berhad for this study, which is the automotive industry.The performance of New Hoong Fatt Holdings Berhad and their key contributors has been evaluated through data that take from the company's annual report for the years 2018 to 2022. Thus, the dependent variable is performance (ROE), while the independent variables are internal, external, and internal and external factors.

3.2 Statistical Technique

The data required for this study was obtained from the company's annual report over the five years from 2018 to 2022. Financial ratios including return on asset (ROA), return on equity (ROE), current ratio, average-collection period, CG Index, operating ratio, and operating margin are utilised to assess the financial performance of the business. These ratios can be found on the income statement and balance sheet of the annual report. Furthermore, information on GDP, interest rates, unemployment, exchange rates, and GDP in Malaysia has been collected in order to measure how the economy is performing from 2018 to 2022. Subsequently, the latest collected data from the official website database will be transffered into Excel database, this will be used to generate graphs showing the recent movements of all the ratios that are significant for New Hoong Fatt Holdings Berhad's performance. The major approach chosen for this study is Linear Regression, which is often referred to as Ordinary Least-Squares (OLS) regression. One types of linear regression is multiple linear regression. According to La Trobe (2023), "A set of techniques known as multiple regression may be applied to investigate the connection between one continuous dependent variable and a few independent variables, often known as predictors." The research will use the SPSS 27th edition to conduct the linear regression.

3.3 Data Analysis

For the purposes of this investigation, one dependent variable and three independent factors have been selected based on the theoretical framework of future research. Below is a flow chart that explains this approach:

Table 3.1: Measurement of Variables

Dependent Variable	Profitability- Return On Equity (ROE)
Independent Variable	Internal Factors
	External Factors
	Internal & External Factors

By using the Ordinary Least Squares (OLS) method, an evaluation has been conducted on the correlation between one or more independent factors and a dependent variable. A dependent variable's value can be determined using multiple regression analysis by utilising the values of the independent variables as a base. For this investigation, data from the annual report were analysed using theIBM SPSS Statistics version 27. Regression analysis is often used for evaluating the independent variables' impact on the dependent variable. The independent variables' effect onthe study's dependent variable may be shown using the above regression approach.

Table 3.2: OLS Multiple Regression Models

Performance ROE = β 0 + β 1DTI + β 2CR + β 3ACP + e…… Model 1
Performance ROE = β 0 + β 1UNEM + β 2IR + β 3EXCGR + e…… Model 2
Performance ROE = β 0 + β 1DTI + β 2CR + β 3ACP + β 4UNEM + β 5IR + β 6EXCGR + e...... Model 3

3.4 Statistical Package for Social Sciences (SPSS)

IBM SPSS version 27 was used in this study to measure the data taken from the annual report. According to Landau and Everitt (2003) "The Statistical Package for the Social Sciences, or SPSS, is a powerful and easy-to-use software system for processing and interpreting data statistically." Large data sets might be handled using SPSS, which can also be used to do all the analyses to generate maps, aggregate reports, produce descriptive statistics, and other things. Descriptive statistics, correlation tables, model summaries, and coefficient tables were generated in this study by applying IBM SPSS version 27 to analyse quantitative data from official websites and annual reports in the context of the connection between the variables that were independent and the only variable that is dependent. In short, SPSS is used to determine the relationship between different kinds of variables.

4.0 Analysis and Findings

The researcher applies the SPSS analytical methodologies to analyse and assess the financial data and outcomes from the company's annual report. For the entirety of the current study, the financial ratios of New Hoong Fatt Holdings Berhad are used to assess performance problems throughout five years, starting in 2018 and finishing in 2022.

4.1 Descriptive Statistics

The descriptive statistics displayed in the following tables were The New Hoong Fatt Holdings Berhad annual report for the years 2018 to 2022 provided the financial reports and aggregated statistics. The data displayed was produced from five samples of data that the researcher evaluated. A descriptive statistic is a type of data analysis that allows for an analysis of structures by providing important information and explanations. The dependent variable (ROE) and independent variables are shown in the first column; the dependent variable (ROE) and independent variables' mean is shown in the second column. The standard deviation of the independent variables and dependent variable (ROE) is finally displayed in the third column.

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
ROE	.041423119789113	.015882554285127	5
ROA	.041083807268883	.015790479624335	5
Current Ratio	3.339970624936482	1.831068807201196	5
Avarage-Collection Period	78.504694223441300	14.287737157115403	5
Debt to Income	.231722491836873	.099740271960988	5
Operating Ratio	.217837293990143	.022148175733056	5
Operating Margin	.737804761021648	.143347950716002	5
INFLATION (%)	1.7080	1.17240	5
INTEREST (%)	3.6460	1.33598	5
FX rate (vs. USD)	4.1840	.13372	5
Unemployment rate (%)	3.7760	.53706	5
GDP growth (%)	5.300	2.0917	5
Industrial Production rate (%)	4.760	2.1893	5
CG Index	.630769230769230	.034401045807689	5

This study shows that mean of ROE is 0.0414, which implies that this company's financial performance is about 4%, whereas 0.01588 of the standard deviation showing small volatility in profit within 5 years. 0.04108 is the mean of ROA, indicating that company's profit is about 4.1% while for 0.0158 is the standard deviation, forecasting small volatility in profit within 5 years. Next, the mean of the current ratio that under liquidity risk is 3.3397. This indicates that the short-term liquidity of this company is about 333.97%. The standard deviation is 1.831 on the other hand, suggesting minimal earnings volatility over the 5 years. According to theory, a company with a greater current ratio is more likely to be able to pay its debts since it has a larger percentage of short-term asset value than short-term liability value (Fernando, 2023).

After that, under credit risk, the mean of the average collection period is 78.5047, implying that this company's length of time to recover payments due from its customers is around 79 days. However, the standard deviation is 14.2877, this show a significant volatility in profit within 5 years. Ponsian et al.'s (2014) research indicates that a one-day increase in the number of days accounts receivable results in a decrease in profitability due to the average-collection period's negative association with profitability. Additionally, debt to income have the mean of is 0.2317, signifying that company's capacity to take on more debt is about 23%. In contrast,the standard deviation is 0.09974 implying small volatility in profit within 5 years.

Moreover, the mean of operation ratio that under operational risk is 0.2178, which implies that this company have an efficiency management is about 22%. In contrast, the standard deviation is 0.02215 show small volatility in profit within 5 years. In a study conducted by Investopedia(2021) that the higher the operating ratio, the lower the net profit ratio. As for operating margin, its mean is 0.7378, which implies that this company's efficiency in generating profits is about 74%, whereas the standard deviation is 0.1433 show small volatility in profit within 5 years. Hayes (2021) mentioned that the higher the operating margin ratio, the more efficient the firm is and the better it is at converting sales into profits.

Other than that, under macroeconomic factors, the mean of the inflation rate is 1.7080, which implies that a rise in the cost of products and services of this company is about 171%. In contrast, the standard deviation is 1.1724 showing significant volatility in profit within 5 years.Unusually high levels of inflation can cause the price of particular items or raw materials to rise, which raises manufacturing costs and lowers consumer demand, which in turn causes sales decrease and lowers business revenue (Maria, 2010). This company's average interest rate is 3.6460, meaning that borrowing the principal will cost it around 365% of its total cost. With a standard deviation of 1.33598, the earnings volatility over the next five years is expected to be significant. Next, the mean of the exchange rate is 4.1840, which implies that exchanging a country's currency for another currency is about 418%.

In contrast, the standard deviation is 0.13372 showing small volatility in profit within

5 years. According to Madanwale's (2023) prediction, exchange rate fluctuations have a significant impact on the profitability, cash flow, and total market value of worldwide businesses negatively. Subsequently, the mean unemployment rate is 3.7760, indicating that the percentage of unemployed workers in the job market is around 378%, while the standard deviation is 0.5371 indicating a minor fluctuation in profit over a five-year period. According to Regehr and Sengupta (2016), Positive economic circumstances, highlighted by lowering unemployment rates, usually boost a business's profitability.

Lastly, for the mean of the corporate governance, CG Index is 0.6308, which implies a company's non-financial output is about 63%. In contrast, the standard deviation is 0.0344 show small volatility in profit within 5 years. According to theory, implementing effective corporate governance can improve a business's profitability. (Halimatusadiah, 2015). By implementing corporate governance rules, a corporation may enhance its internal efficiency and increase its financial performance continuously. (Goel, 2018).

4.2 Correlations

Table2: Correlations

		ROE	ROA	Current Ratio	Avarage-Collection Period	Debt to Income	Operating Ratio	Operating Margin	INFLATION (%)	INTEREST (%)	FX rate (vs. USD)	Unemployment rate (%)	GDP growth (%)	Industrial Production rate (%)	CG Index
Pearson Correlation	ROE	1.000	1.000	-.148	.822	-.888	.786	.506	.329	-.500	-.151	.652	-.465	.673	-.161
	ROA	1.000	1.000	-.151	.824	-.889	.783	.507	.326	-.497	-.153	.653	-.467	.671	-.162
	Current Ratio	-.148	-.151	1.000	-.568	.501	.401	-.795	.851	-.625	.957	.132	.886	.590	-.382
	AvarageCollection Period	.822	.824	-.568	1.000	-.890	.394	.838	-.107	-.141	-.491	.419	-.848	.282	-.217
	Debt to Income	-.888	-.889	.501	-.890	1.000	-.415	-.613	.113	.048	.427	-.687	.669	-.277	.094
	Operating Ratio	.786	.783	.401	.394	-.415	1.000	.128	.807	-.913	.291	.399	.023	.957	-.159
	Operating Margin	.506	.507	-.795	.838	-.613	.128	1.000	-.381	.043	-.806	-.120	-.973	-.054	.177
	INFLATION (%)	.329	.326	.851	-.107	.113	.807	-.381	1.000	-.934	.771	.252	.533	.918	-.395
	INTEREST (%)	-.500	-.497	-.625	-.141	.048	-.913	.043	-.934	1.000	-.504	-.139	-.232	-.949	.265
	FX rate (vs. USD)	-.151	-.153	.957	-.491	.427	.291	-.806	.771	-.504	1.000	.284	.846	.530	-.602
	Unemployment rate (%)	.652	.653	.132	.419	-.687	.399	-.120	.252	-.139	.284	1.000	.021	.444	-.495
	GDP growth (%)	-.465	-.467	.886	-.848	.669	.023	-.973	.533	-.232	.846	.021	1.000	.194	-.134
	Industrial Production rate (%)	.673	.671	.590	.282	-.277	.957	-.054	.918	-.949	.530	.444	.194	1.000	-.398
	CG Index	-.161	-.162	-.382	-.217	.094	-.159	.177	-.395	.265	-.602	-.495	-.134	-.398	1.000
Sig. (1-tailed)	ROE	.	.000	.406	.044	.022	.058	.192	.294	.195	.404	.116	.215	.107	.398
	ROA	.000	.	.404	.043	.022	.059	.191	.296	.197	.403	.116	.214	.108	.398
	Current Ratio	.406	.404	.	.159	.195	.252	.054	.034	.130	.005	.416	.023	.147	.263
	Avarage-Collection Period	.044	.043	.159	.	.021	.256	.038	.432	.410	.200	.242	.035	.323	.363

	Debt to Income	.022	.022	.195	.021	.	.244	.136	.428	.470	.237	.100	.108	.326	.440
	Operating Ratio	.058	.059	.252	.256	.244	.	.419	.049	.015	.317	.253	.485	.005	.399
	Operating Margin	.192	.191	.054	.038	.136	.419	.	.263	.473	.050	.424	.003	.465	.388
	INFLATION (%)	.294	.296	.034	.432	.428	.049	.263	.	.010	.063	.341	.177	.014	.255
	INTEREST (%)	.195	.197	.130	.410	.470	.015	.473	.010	.	.193	.412	.354	.007	.333
	FX rate (vs. USD)	.404	.403	.005	.200	.237	.317	.050	.063	.193	.	.322	.036	.179	.141
	Unemployment rate (%)	.116	.116	.416	.242	.100	.253	.424	.341	.412	.322	.	.486	.227	.198
	GDP growth (%)	.215	.214	.023	.035	.108	.485	.003	.177	.354	.036	.486	.	.377	.415
	Industrial Production rate (%)	.107	.108	.147	.323	.326	.005	.465	.014	.007	.179	.227	.377	.	.253
	CG Index	.398	.398	.263	.363	.440	.399	.388	.255	.333	.141	.198	.415	.253	.
N	ROE	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	ROA	5	5	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	5	5
	Avarage-Collection Period	5	5	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	5	5
	Operating Ratio	5	5	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	5	5
	INFLATION (%)	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	INTEREST (%)	5	5	5	5	5	5	5	5	5	5	5	5	5	5
	FX rate (vs. USD)	5	5	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	5	5

GDP growth (%)	5	5	5	5	5	5	5	5	5	5	5	5	5	5
Industrial Production rate (%)	5	5	5	5	5	5	5	5	5	5	5	5	5	5
CG Index	5	5	5	5	5	5	5	5	5	5	5	5	5	5

This finding indicates that the ROE of New Hoong Fatt Holdings Berhad's financial performance is moderate significant and negatively correlated to the debt to income with a p-value of 0.022. "A negative correlation is observed between two factors or variables when they consistently exhibit movements in opposing directions." (Hayes, 2021). This finding is aligned with the study of Filipovic (2016), which suggest that the decline in return on equity is more correlated with debt growth, supporting the theoretical view. As a general rule, a reduction in any company expenditure enhances profit. Next, with a p-value of 0.044, the financial performance of New Hoong Fatt Holdings Berhad's ROE is positively related and moderately significant with the average-collection period. "A positive coefficient signifies that as the independent variable's value rises, there is a corresponding tendency for an increase in the mean of the dependent variable." (Jim, 2023). Actually, according to Kento (2023), a short average collection period is preferred by companies over a long period since it shows that the company can collect its receivables effectively.

Notwithstanding, current ratio, operating margin, inflation rate, exchange rate, unemployment rate, interest rate, GDP growth rate, industrial production rate, and CG Index all of these variables are not significant to the dependent variables, ROE due to the p-value > 0.10.

4.3 Model Summary

4.3.1 Internal

Table 3: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.894[a]	.798	.194	.014258982257049	2.581

a. Predictors: (Constant), CG Index, Operating Ratio, Operating Margin

b. Dependent Variable: ROE

This modal summary table shows that out of 8 variables, there have only 3 variable had a significant impact on New Hoong Fatt Holdings Berhad financial performance or ROE with an adjusted r square of 0.194 or 19%. In contrast,the other variables are not relevant to this study.

4.3.2 External

Table 4: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.972[a]	.944	.777	.007505555659903	2.451

a. Predictors: (Constant), Industrial Production rate (%), GDP growth (%), Unemployment rate (%)

b. Dependent Variable: ROE

Based on the analysis, it tells that out of 6 variables, there has only 3 variables had significant impact on New Hoong Fatt Holdings Berhad financial performance or ROE with an r square of 0.777 or 77.7%. In contrast,the other variables are not relevant to this study.

4.3.3Internal and External

Table 5: Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	1.000	.998	.000641587731529	3.302

a. Predictors: (Constant), CG Index, Debt to Income, INTEREST (%)

b. Dependent Variable: ROE

This table displays that out of 14 variables, there are only 3 have significant impact on New Hoong Fatt Holdings Berhad's financial performance or ROE with an adjusted r square of 0.998 or 100%. In contrast,the other variables are not relevant to this study.

4.4 Coefficients

4.4.1 Internal

Table 7: Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	-.069	.160		-.430	.742	-2.102	1.965		
	Operating Ratio	.509	.330	.710	1.541	.366	-3.688	4.706	.950	1.053
	Operating Margin	.048	.051	.437	.945	.518	-.602	.699	.944	1.060
	CG Index	-.058	.214	-.125	-.269	.833	-2.781	2.665	.935	1.069

a. Dependent Variable: ROE

This coefficient result shows that operating ratio, operating margin, and CG Index are not significant to ROE due to the p-value is bigger than 0.10, a p-value of 0.366, 0.518, and 0.833, respectively. When analyzing the independent variables individually, this shows that none of these variables is significant to the dependent variable or ROE. A similar finding also can be found in the study of Schneider et al. (2010), who suggested that there are many situations where the role of a single independent variable is insufficient to explain the dependent variable. Hence, these independent internal variables have no influence or any impact on the dependent variable which is ROE.

4.4.2 External

Table 8: Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	.000	.029		.010	.994	-.364	.365		
	Unemployment rate (%)	.012	.008	.392	1.483	.378	-.088	.111	.798	1.253
	GDP growth (%)	-.004	.002	-.593	-2.453	.246	-.028	.019	.957	1.045
	Industrial Production rate (%)	.004	.002	.614	2.276	.264	-.020	.029	.768	1.302

a. Dependent Variable: ROE

This study shows that unemployment rate, GDP growth, and industrial production rate are not significant to ROE due to the p-value is bigger than 0.10, a p-value of 0.378, 0.246, and

0.264, respectively. None of the independent variables significantly affected the dependent variable or ROE, according to the findings of a separate analysis of the independent factors. A similar finding also can be found in the study of Ropella (2007) said that, the result of the dependent variable cannot be predicted by only one independent variable. Hence, these external independent variables have no influence or impact on the dependent variable.

4.4.3 Internal and External

Table 6: Coefficients[a]

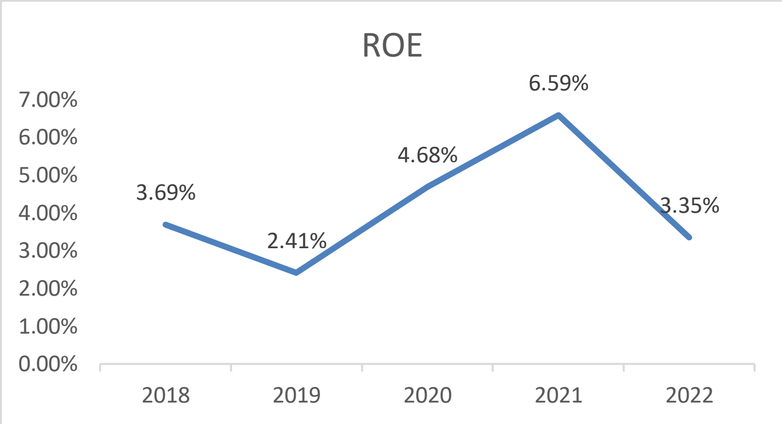
Model		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.081	.006		13.587	.047	.005	.156		
	Debt to Income	-.138	.003	-.869	-42.836	.015	-.179	-.097	.991	1.009
	INTEREST (%)	-.006	.000	-.471	-22.457	.028	-.009	-.002	.929	1.076
	CG Index	.021	.010	.046	2.164	.276	-.102	.144	.923	1.083

a. Dependent Variable: ROE

This study displays that the debt to income is positively significant to ROE with a p-valueof 0.015, whereas the interest rate is negatively moderate and significant with a p-value of 0.028. In this case, the return on equity rises in parallel with an increase in debt to income. The Nirmal Bang (n.d.) mentioned that a company's return on equity (ROE) rises as it uses more debt. But when debt is substituted for equity, the return on equity rises and the amount of equity falls. Not only that, but the CG index is not significant to ROE with a p-value of 0.276. This is supported by the study of K. Esen (2015), who stated in his research ‘A Research On BIST Corporate Governance Index (XKURY)’ that it's possible that corporate governance has no impact or any relationship between corporate governance factors and financial performance indicators. When analysing the independentvariables together, the result shows that 2 of these variables, debt to income and interest rate are significant to the dependent variable or ROE, while CG index is not significant to the dependent variable which is ROE. For that reason, these internal and external independent variables influence or impact the dependent variable or ROE.

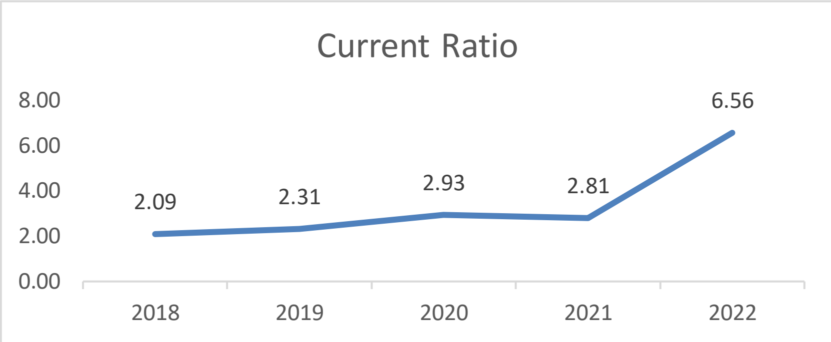
4.5 Trend Analysis

4.5.1 Performance



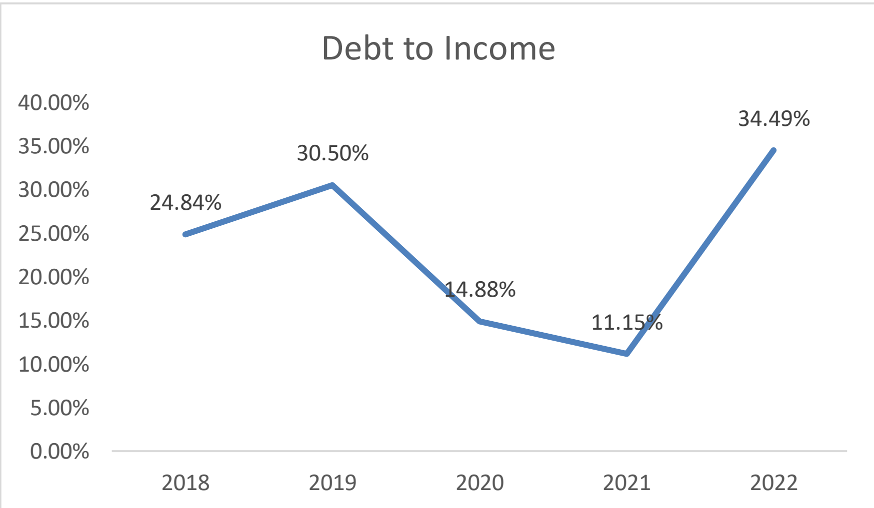
ROE is used to measure New Hoong Fatt Holdings Berhad performance during five years from2018 to 2022. New Hoong Fatt Holdings Berhad ROE decreased from 3.69% in 2018 to 2.41% in 2019, possibly due to the Covid-19 pandemic as one of the factorsWhen When COVID-19 initially surfaced in December 2019, it swiftly swept over the globe and seriously disrupted businesses that operated all over the world. Later, it experienced an increment in 2020 which is 4.68% and rise again in 2021 with 6.59%. In 2022, New Hoong Fatt Holdings Berhad ROE dropped again to 3.35%. Many reasons contributed to the worldwide recession that occurred in 2022, including the prolonged armed situation in Ukraine, the cost of living issue, interest rate increases, tighter financial circumstances in most areas, and the global oil crisis. Thus, it is affecting the profitability of the company in that year.

4.5.2 Liquidity Risk



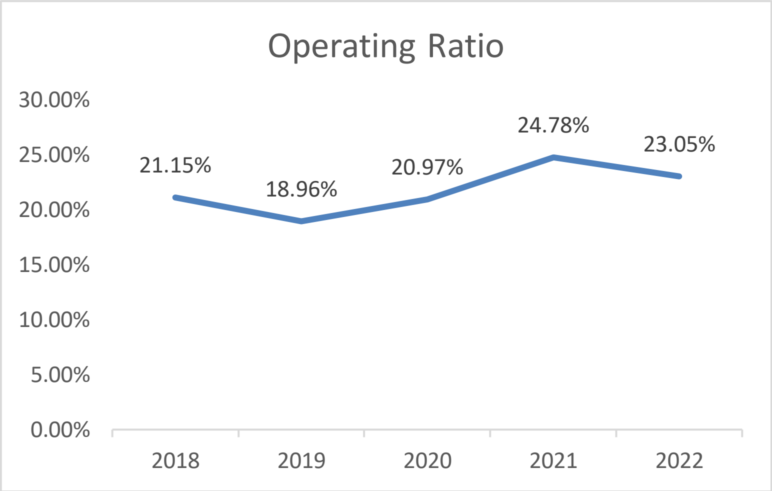
The current ratio of New Hoong Fatt Holdings Berhad demonstrates its ability to meet its short-term obligations. New Hoong Fatt Holdings Berhad have a rise current ratio by 2.09 from 2018 to 2019.Then, the company continue to experience a slight increase to 2.31 on their current ratioin 2020. Current ratio keep rising 2021 (2.81) and in 2022 has skyrocketed to 6.56. A currentratio of more than one shows that a company enough liquid assets to cover its short-term financial obligations. Theoretically, because its short-term asset value exceeds its short-term liability value, a company with a higher current ratio is more likely to be able to pay its debts. (Jason, 2023).

4.5.3 Credit Risk



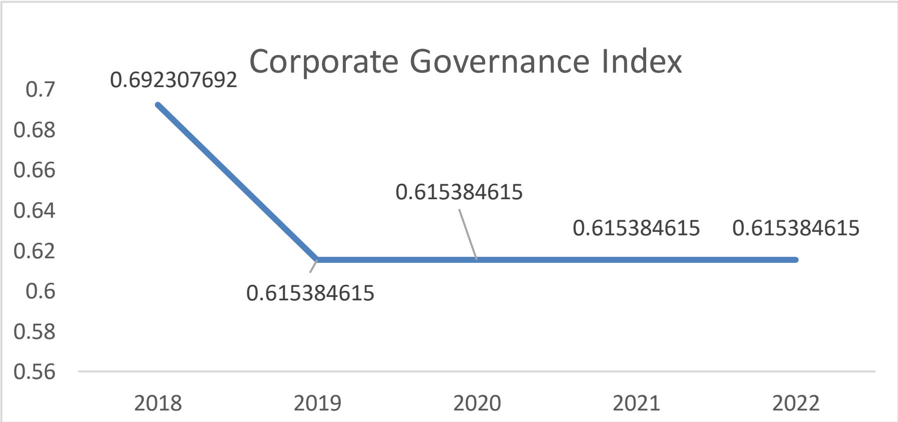
The debt to income ratio of New Hoong Fatt Holdings Berhad indicates the company's ability to take on more debt. From 2018, debt to income increased significantly by 24.84%, then continue rise 5.66 to 20.50% in 2019. Then, debt to income ratio dropped 19.35% from 2019 until 2021. Besides, the ratio rise again in 2022 to 34.94%. An important consideration for lenders when determining how much debt a firm is capable of managing is the debt-to-income ratio of one company.

4.5.4 Operational Risk



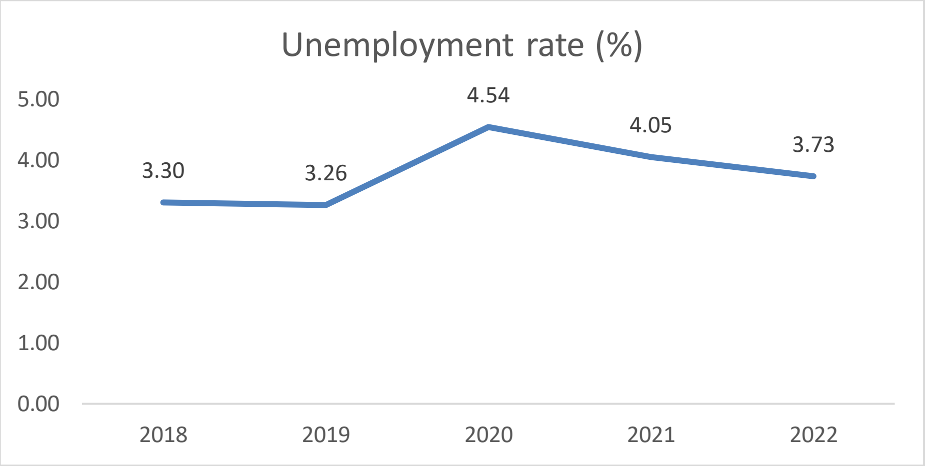
New Hoong Fatt Holding Berhad must maintain a reasonable operating margin to meet its fixedcosts, including interest on the debt. A more considerable operating margin shows that a company is less susceptible to financial and operational risk. New Hoong Fatt Holdings Berhad operating margin experience up and down throughout the year 2018 until 2022.

4.5.5 Corporate Governance Index



From the CG Index table above, it is safe to say that New Hoong Fatt Holdings Berhad has a stable and reasonably high CG Index since it has always prioritised corporate governance principles. New Hoong Fatt Holdings Berhad CG Index hit to 0.6923. New Hoong Fatt Holdings Berhad has a stable value at 0.6154 from 2019 to 2022.

4.5.6 Macroeconomic



From 2018 to 2022, the Malaysian unemployment rate will be observed to see how New Hoong Fatt Holdings Berhad's macroeconomic indicator is affected. In 2018, the unemployment rate declined by 0.04% to 3.26% in 2019. Then, 2019 to 2020, its unemployment rate increases significantly about 1.28%. It is reaching a high peak of 4.54% unemployment rate in2020, possibly due to the Covid-19 issue. Increased unemployment would mean that some families would lose financial income. This would result in decreased earnings for many businesses, as customers would spend less. Nonetheless, when the unemployment rate increases, there are adverse consequences for long-run economic development. After that, unemployment rate decrease to 4.05% in 2021 while continue dropped to 3.73% in 2022.

5.0 Conclusion

The purpose of this study is to assess New Hoong Fatt Holdings Berhad's performance, one of the Malaysia's automobile companies, and the variables influencing it. This chapter will concentrate on the researcher's conclusions from Chapter 4. Furthermore, the following section provides an overview of the results and recommendations for further research.

5.1 Discussion of Result

The performance of New Hoong Fatt Holdings Berhad in terms of return on equity (ROE) is being examined. This study was driven by the following research objectives:

1. To ascertain the internal or firm-specific factors that could have influence on New Hoong Fatt Holdings Berhad performance.
2. To identify the external or macroeconomic factors that could have influence on New Hoong Fatt Holdings Berhad performance.
3. To investigate the internal and external factors that could have influence on New Hoong Fatt Holdings Berhad performance.

In the regression model, three types of models have been utilised, according to chapter4 of this study: internal variables, external variables, and internal and external variables. The outcomes of these three regression models are as follows: the nearest R square value to 1 is the internal and external model, then followed by the external model, the last is the internal model. As a result, there is substantial evidence to prove that internal and external variables have a more significant influence on New Hoong Fatt Holdings Berhad performance than internal variable model 1 and external variable model 2.

Besides that, referring to the correlation table, there is a total of 7 independent variables, specifically ROA, average-collection period, operating ratio, operating margin, inflation rate, unemployement rate, and industrial production rate which positively affect New Hoong Fatt Holdings Berhad performance. This suggests that New Hoong Fatt Holdings Berhad's performance increases in parallel with the seven independent variables provided previously. However, the correlation table onlyshows the average-collection period, debt to income and operating ratio significant to the ROE. In comparison, the coefficient table shows that only the combination of internal and external factors shows significant results towards New Hoong Fatt Holdings Berhad ROE, which consists of the debt to income,interest rate as well as CG index. When cross-examining between the correlation table and coefficient table, the outcome highlights the debt to income as the primary influence on theperformance of New Hoong Fatt Holdings Berhad.

5.2 Limitations

The most significant drawback of this study is that New Hoong Fatt Holdings Berhad is the onlysample used to conclude Malaysia's automotive industry company, which is not a good strategy. The annual report and corporate governance report of New Hoong Fatt Holdings Berhad from 2018 to 2022 was the sole data source forthis research. Only a relatively small amount of information can be acquired for this research due to limitations on time. The information is gathered from the annual report and corporate governance of New Hoong Fatt HoldingsBerhad, which can be accessed on the company's official website.

5.3 Recommendations

Based on the above discussion result, it shows that the most significant influence on New Hoong Fatt Holdings Berhad annual profit and financial performance is credit risk. Furthermore, the problem happen during COVID-19 positive cases cause the closure of business is also heavily related to how the company manages their credit risk. Since New Hoong Fatt Holdings Berhad is an automotive company, therefore they rely upon their consumers' support. Thus, to maintain and well control debt-to-income ratio, the company needs to minimise their credit risk by taking care of financial conditions and business environments. This helps in avoiding excessive debt that may pose a risk to financial stability, especially during challenging periods like the COVID-19 outbreak. Such creditrisk can be managed through collaboration for example maintaining open communication with creditors. Companies should carefully consider their capital structure and the balance between debt and equity to optimize financial performance and mitigate the impact of financial risks. An effective approach to managing credit risk allows for a more holistic approach to problem-solving and risk management. Lastly, by appointing a risk committee in their company. The setting up of risk committees may significantly control credit risk and strengthen the framework for overall risk management. These steps help businesses maintain a healthy work environment, protect annual revenue and financial performance, and provide them the skills to evaluate their financial health, set sustainable debt levels, and effectively respond to new hazards. New Hoong Fat Holdings Berhad can focus its efforts on recovering its commitment confidence in the benefits of its employees, especially in the post-epidemic period, strengthening its financial resilience and effectively controlling the impact of credit risk on its profit for the year and its financial performance.

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