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# **Firm Risk and Performance: The Role of Corporate Governance of Wct Holding Berhad**

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## **ABSTRACT**

The study analyzes about the risk and performance for the WCT Holding Berhad. All the data of the company is collected from annual report 2011 until 2015. The measurement that use in risk performance is by using different ratio. There is credit risk, liquidity risk, operational risk and others. All these ratios are important in order to measure the either the company are having profit or loss. Inside this article are show all about the company include the relationship between the risk factor to the probabilities and others.

**Keywords: Risk performance, company performance, company profitability**

## **1.0 INTRODUCTION**

### **1.1 BACKGROUND OF THE COMPANY**



Winning through Commitment and Teamwork built upon the foundation of Humility and Respect

**BUILDING VALUES**

WCT Holding Berhad was established in 1981. It is Malaysian real estate developers and leading civil engineering & construction companies. The company is focuses on land, building, construction of highways related infrastructure works, also about management services, property investment and development plus include shopping malls and hotels.

As a company with care about their name and in order to achieve higher height in their operating it is also involving in investment company, involve in construction and engineering,

property and others. Especially in Malaysia, India, the Middle East, Vietnam and Mauritius. In addition, its also do a construct about circuit racing Formula One, airport, water treatment plant and many others.

## **1.2 BOARD OF DIRECTOR OF THE COMPANY**

### **Independent Non-Executive Chairman**

Dato' Capt. Ahmad Sufian @ Qurnain bin Abdul Rashid

### **Managing Director**

Taing Kim Hwa

### **Deputy Managing Director**

Goh Chin Liong

### **Executive Directors**

Choe Kai Keong

Liang Kai Chong

### **Independent Non-Executive Directors**

Cheah Hon Kuen

Choo Tak Woh

Andrew Lim Cheong Seng

## **1.3 PRODUCT**

- F1 Circuit
- Airports
- Dams and water supply schemes
- Iconic infrastructures
- Expressways and highways
- Civil works
- Interior fit-out works
- Buildings

## 2.0 LITERATURE REVIEW

According to the Waemustafa & Abdullah (2015) claims that the investigation demonstrates that a powerful Shariah Supervisory Board Matter(SSB) does not have noteworthy bearing towards the decision of Islamic method of financing in Malaysia yet their compensation have. Naturally, this finding may give some knowledge towards the idea of 'cosmetic reason' for controller, strategy producer and another scientist on the adequacy and the presence of SSB in Malaysia particularly while consolidating SSBs as a major aspect of the corporate administration system.

In the article shown that there is no relationship between corporate administration divulgements and key accounting report proportions. The level of corporate administration exposures was not identified with every one of the five monetary record ratios.it was assumed that some of these proportions, especially the obligation proportion, could be decidedly corresponded with corporate administration exposures (Norhafiza & Ibrahim, 2007).

Based on Kolapo, Ayeni, & OKE (2012) defines the credit risk management systems are measures utilized by banks to evade or limit the unfavorable impact of credit risk. A sound credit risk management system is critical for banks in order to improve gainfulness ensure survival. The key standards in credit risk management process are sequenced as such as foundation of an unmistakable structure, allotment of duty, procedures must be organized and restrained, obligations ought to be obviously conveyed and responsibility allocated.

The arrangement of credit risk incorporate, improper credit strategies, poor loaning hone, constrained institutional limit, unpredictable financing cost, poor administration, unseemly laws, coordinate loaning, huge permitting of banks, low capital and liquidity chance, laxity in credit evaluation, poor advance endorsing, poor loaning hone (Waemustafa & Sukri, 2015).

Islamic managing an account exercises are interesting in its guideline when contrasted with customary saving money. Although Islamic banks exist one next to the other with customary banks, the exceptional way of the component utilized requires a unique hazard administration

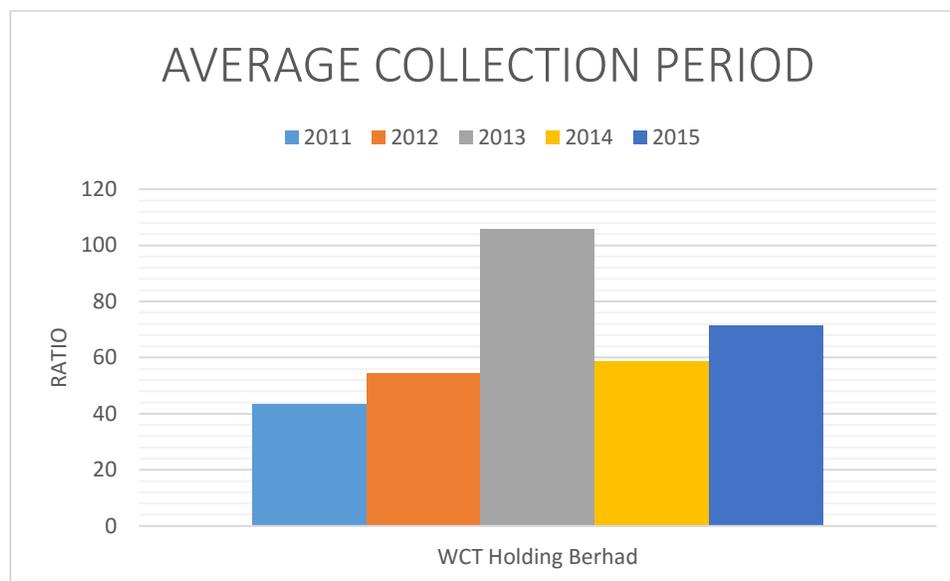
procedure to be embraced with a specific end goal to diminish hazards and to wind up noticeably focused in the money related industry (Waemustafa & Sukri, 2016).

### 3.0 DESCRIPTIVE ANALYSIS

#### 3.1 RISK ASESSTMENT

##### 3.1.1 CREDIT RISK

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	43.39865	54.43258	105.7888	58.5947	71.23462

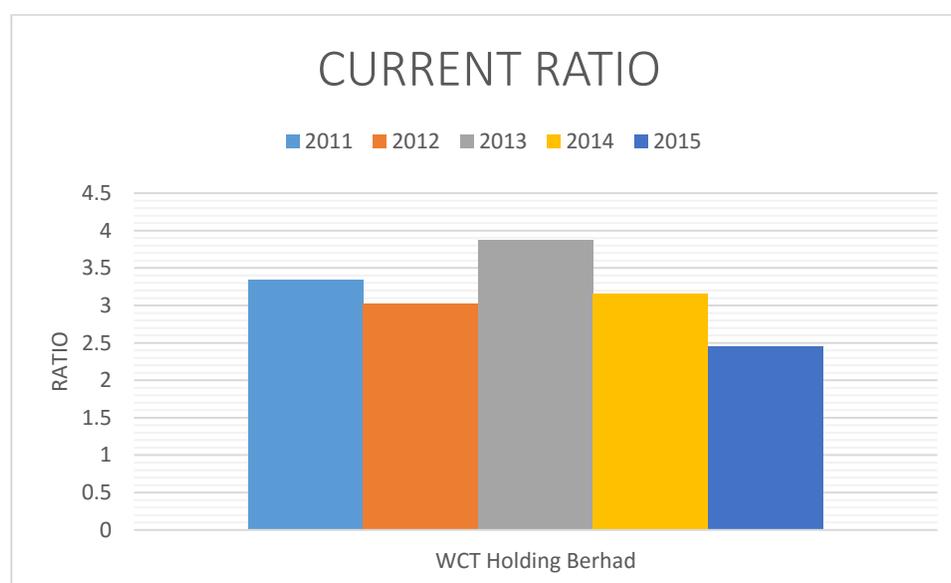


Every company must need to know about their average collection period. Average collection period can be defined as how many days or how average about the company can collect back the payment from the sales that has been made to their customer on credit. This method called account receivables and as asset of the company because it is something that the business will be own in the future or in the next day.

According to WCT Holding Berhad, it shows that the trend of the graph is a not stable. For example, in 2011 the company shows the company only take about 43 days to collect back their money from the customer. In fact, this company only perform about average collecting period in 2011, and after that the company take more than 50 days above to collect back the debt. However, the graph shows in 2013 is the year of the worse regarding to collect back the payment.

### 3.1.2 LIQUIDITY RISK

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	3.337541	3.023895	3.869853	3.1507	2.44839

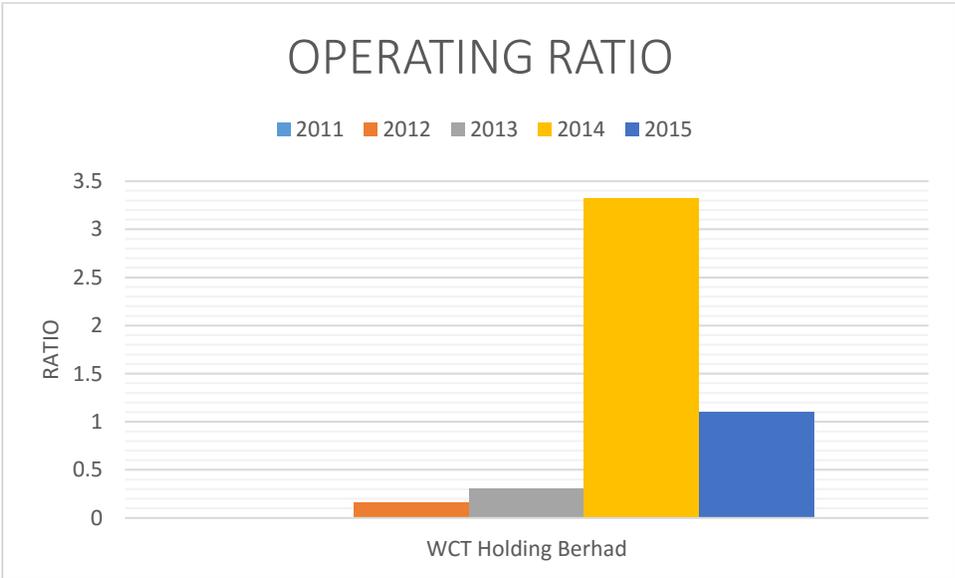


Current ratio is the under liquidity ratio which is about how company ability to pay the short-term or long-term debt or obligation with its current assets. This means that if company have the larger of the current assets will easy to pay the obligation without no need to sell their long-term assets. In easy word, for example if the company have 3 ratio, its means that the company able to pay for RM3 for every RM1 of the liabilities.

For the first year of the company, the graph shows about 3 times something of the ratio. Then decline from the first year. For the third year is the highest of the current ratio. Thus, the company keep decrease until 5 years. Even though the last year is the lower, but the company still in good condition because still above the 1.

**3.1.3 OPERATIONAL RISK**

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	0.00731	0.163243	0.308006	3.3203	1.10468

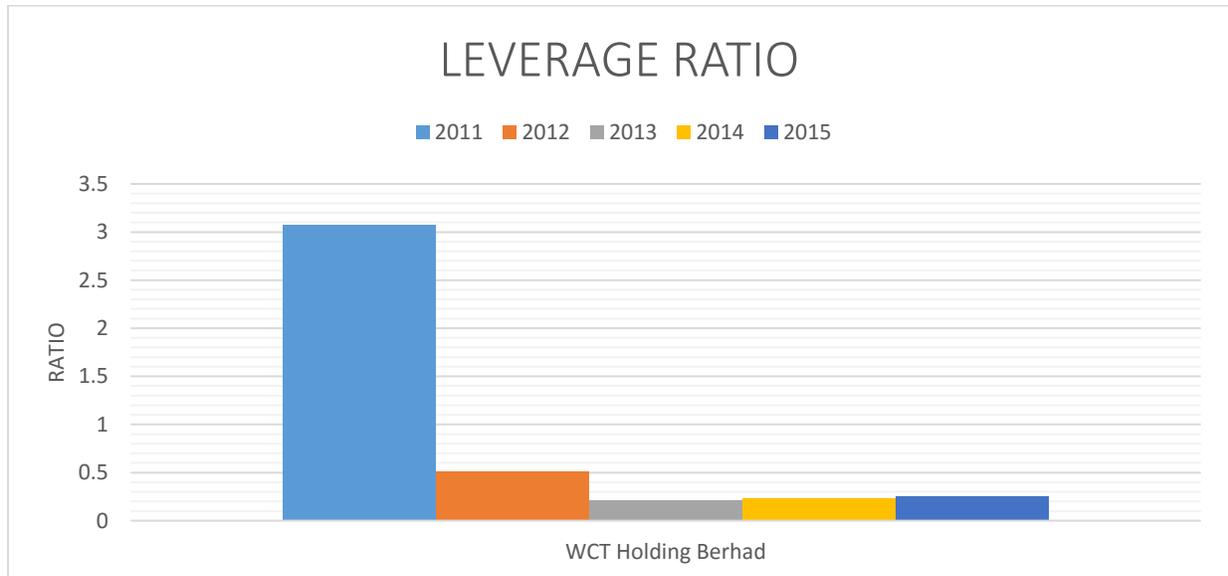


The main cause operational risk occur is by misleading from human being. For example because of fraud by the person in the company, lack of skill of using the technology machine and others. Cause of lack of skill will make the production decrease.

According this company, at first year shows the operational risk the lower among those 5 years. The risk is increase year by year and at the year 2014 is the worse risk occur in WCT Company. The year 2015 is decrease a little bit but still higher than from 2011 until 2013.

### 3.1.4 FINANCIAL RISK

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	3.077461	0.514888	0.206195	0.2258	0.25723



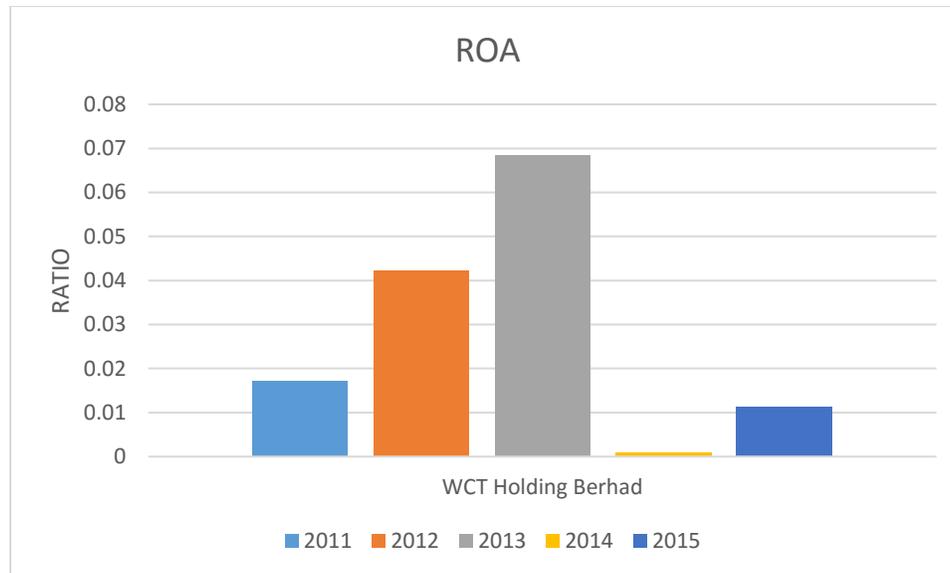
Leverage ratio formula explained that total liability divided by total equity. Leverage ratio is a measurement on how much capital comes as debt, the ability of the organization to meet the obligation.

Based on the WCT Company, for the year 2011 shows the leverage ratio is the higher than the other year which is 3.07. its means that, every RM1 equity must cover RM3.07. Therefore, year 2011 is the company must pay more for their liabilities compared to the another year which is the ratio is less than RM1.

## 3.2 COMPANY PERFORMANCE

### 3.2.1 RETURN ON ASSETS (ROA)

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	0.017179	0.042156	0.068343	0.000976	0.011246

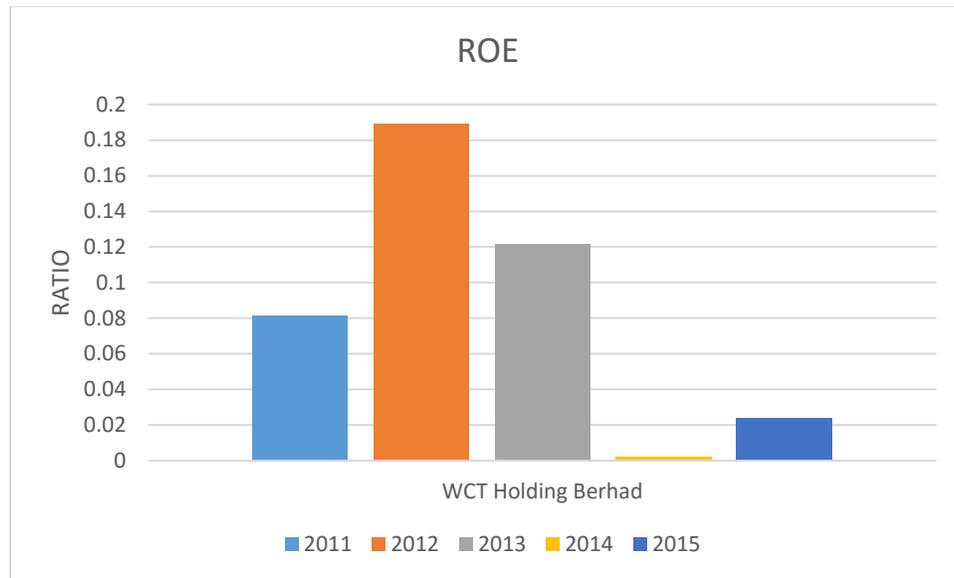


Return on Assets(ROA) is an indicator shows that about the profit of the company using their assets. ROA is used to measure how efficiently the company use to generate the income.

Regarding the WCT Company in figure above shows that the Return on Asset(ROA) is about 0.017179 or 1.7%. its means that for every RM1 total equity have been invested and will get return 0.17% profit to the company for the year 2011. The company achieve the higher ROA within 5 years in year 2013 which is 6.8 % return to the company. While the worse or the lower ROA is in 2014. Tt was very small ratio to the company have big assets.

### 3.2.2 RETURN ON EQUITY (ROE)

COMPANY	YEAR				
	2011	2012	2013	2014	2015
WCT Holding Berhad	0.081517	0.18915	0.121369	0.002009	0.02397



Every investor that want to invest into the company must see the company Return on Equity(ROE) which is the function of ROE is to measure how much the shareholder will get the earn for their investment in those company that have been invested.

Based on the WCT Holding Company, the highest ROE is in 2012 which is 18.9 % means for every RM1 invest by shareholder, they will earn 18.9% in that year. Every company has bad experience same as to this company which is in 2014 where the investor also get worse experience because every RM1 they spend, they only get 0.20% only.

## 4.0 DISCUSSION AND CONCLUSION

### 4.1 DISCUSSION

Table below shows the Correlation Matrix WCT Holding Berhad Specific Risk Determinants to Profitability:

Pearson Correlation	ROA	LEVERAGE	LIQUIDITY	AVERAGE COLLECTION PERIOD	OPERATE	ROE	GDP
<b>ROA</b>	1						
<b>LEVERAGE</b>	-.206	1					
<b>Sig.</b>	.739						
<b>LIQUIDITY</b>	.660	.160	1				
<b>Sig.</b>	.225	.797					
<b>AVERAGE COLLECTION PERIOD</b>	.712	-.349	.569	1			
<b>Sig.</b>	.178	.564	.317				
<b>OPERATE</b>	-.625	-.437	-.229	-.231	1		
<b>Sig.</b>	.259	.462	.711	.709			
<b>ROE</b>	.761	.058	.356	.092	-.742	1	
<b>Sig.</b>	.135	.926	.557	.883	.151		
<b>GDP</b>	-.665	.024	-.241	-.788	.676	-.273	1
<b>Sig.</b>	.230	.969	.696	.144	.210	.657	

Based on to figure above, the Return on assets (ROA) is uses to define the company's internal growth rate. The more the ROA shows the good company run. ROA and Return on Equity (ROE) have a significant relationship which is 0.761 for the WCT company. the ROE is above 0.5 and close to 1. Its show the company is having in good condition. Therefore, its also show the company are good in term of generating of their income.

Next, the relationship between leverage and ROA is about how much the company capital comes to their debt. Based on the WCT company ratio above shows that have a negative significant which is -0.206 and also far from the 1.

For the liquidity ratio actually the ratios that measure a company's ability to pay debt obligations. Under liquidity, the company use current ratio in term of their short term and long

term obligation. Its will affect the ROA with the unstable current ratio. The WCT company shows the 0.660.

Average collection period can be characterized as how long about the organization can gather back the installment from the deals that has been made to their client on credit basis. The less the day collecting period will affect ROA ratio and vice versa. WCT company shows the relation between ROA and Average collecting period is 0.712.

**Table below shows the Coefficients Stepwise Regression analysis for WCT Holding Berhad Specific Risk Determinants to Profitability:**

<b>VARIABLES</b>	<b>B</b>	<b>T</b>	<b>Sig.</b>
<b>LEVERAGE</b>	.048	.091	.936
<b>LIQUIDITY</b>	.514	.969	.510
<b>AVERAGE</b>			
<b>COLLECTION</b>	.728	1.377	.303
<b>PERIOD</b>			
<b>OPERATIONAL</b>	-.274	-.391	.763
<b>ROE</b>	.761	2.031	.135
<b>GDP</b>	-.346	-.494	.708

Based on the table above shows the highest impact is **Average Collection Period** which is the significant is 0.303 compared to another ratio. The significant shows that want to close to 0. The closer to 0 means the more significant towards the company.

**Table below show the Stepwise Regression Analysis for WCT Holding Berhad Specific Risk Determinants to Profitability**

<b>Model Summary<sup>b</sup></b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.859 <sup>a</sup>	.737	-.051	.027873	2.097

a. Predictors: (Constant), Gdp, Current Ratio, Operating Ratio

b. dependent Variable: ROA

According to the table above, it shows about the information regarding stepwise regression analysis to the dependent variable which is the company ROA. The value is from 0 and 1 and use the symbol R Square. The value of r square in the table shows .737 means the total variance in education length has been explained. Besides, the symbol R is meaning for the aquare root of R Square. Thus, the table was tell that there is a positive relationship between the GDP, Current Ratio Operating Ratio to the ROA of the company.

**ANOVA Regression Analysis for WCT Holding Berhad Specific Risk Determinants to Profitability:**

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	3	.001	.935	.623 <sup>b</sup>
	Residual	.001	1	.001		
	Total	.003	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Gdp, Current Ratio, Operating Ratio

In overall, the model value of significant is .623 which is the  $> 0.10$ . Thus, it is not statistically significant to the profitable between the mean above.

## 4.2 CONCLUSION

In conclusion, the company WCT Holding Berhad shows that are having many types of risk such as credit risk, liquidity risk, operational risk and also financial risk. The Return on Assets(ROA) and Return on Equity(ROE) for the company shows the improvement of the company only for the first 3 year and after that the company got decrease.

Every risk will affect to the profitability either the company profit will rise or down. A positive relationship for the company is measure with the profitability and ROA and also ROE. For the credit risk for this company, it use average collection period which is the average show increasing for the 5 years. Its means that the company are having more days to get back their money from the sales for every year.

Next, for the company liquidity ratio, as overall of the trending shows the company are having decreasing in 5 years start from 2012 until 2016. The higher the liquidity ratio is the best for the company. Its means that, more the years, more the company need to pay their obligation. For the ROA and ROE can conclude that the company shows the unstable trending which is increase from beginning and then decline, increase back. In easy word, WCT Holding Berhad are not smoothly in running their business based on the 5 years' annual report.

For the recommendation of WCT Holding Berhad, the main board in the company are paly important role. If the company have the good board of the director, then the company will run very well. It's because if company have aa good main board, the corporate governance of the company also will be handle with perfectly. I think WCT Holding Berhad need to do more research and development regarding how they increase their profit and less their loss.

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