AN ANALYSIS OF PERFORMANCE IN E-COMMERCE INDUSTRY

azahar, intan nur asyiqin

Universiti Utara Malaysia

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“AN ANALYSIS OF PERFORMANCE IN E-COMMERCE INDUSTRY”

INTAN NUR ASYIQIN AZAHAR

Universiti Utara Malaysia

ABSTRACT

The study’s aim is an attempt to determine the altogether performance of Amazon company in e-commerce industry which involved two main factors of internal (firm-specific) and external (macroeconomics) factors. These data was interpreted and collected from Amazon annual reports of five year period from 2014 to 2018. There are four risks involved which are liquidity risk, credit risk, operational risk, and market risk. Measurement of current ratio, quick ratio, average-collection period, debt to income ratio, operational ratio, and operating margin are used to inspect the general five years execution of Amazon from e-commerce industry. Subsequently, to decide the relationship of these risk variables to the business' exhibition, this investigation used liquidity risk, credit risk, operational risk, market risk, gross domestic products (GDP), inflation, interest rate, exchange rate, standard deviation, and corporate governance index. SPSS framework are utilized to do information examination in which by actualizing stepwise strategy which apply the descriptive statistics, correlation, and model summary. In view of the information examination, we can presume that operational risk is the most influence to ROA since it gives the most effect to performances of the business. Regardless, different factors give low effect to the ROA and there is no noteworthy related with.

Keywords: Performance, operational risk

1.0 INTRODUCTION

1.1 Introduction

The beginning of this chapter comprise of overview of Amazon company. Later, discussing the problem statement, objectives of research, the study's scope, and final research organization.

1.2 Overview of industry

E-commerce is define as an activity of product and services buying and selling by electronic means. E-commerce industry in the United States has showed big progress for these past few years. In fact, it grew from total of 505 billion dollars in 2018 and projected to exceed 735 billion USD dollars in 2023. For now, it was recorded that Amazon is the most popular e-commerce company in the United States. About 1/3 of United States internet users purchased products online at least once a month. The e-commerce market has been growing as mobile shopping applications increased in number and this is one of the major contributions to e-commerce industry growth in the United States.

1.3 Problem Statement

It is very important for e-commerce industry in management of their performance as to prevent themselves from bankruptcy. Because of risks like liquidity risks, credit risks, operational risks, and market risks, risk often occurs to e-commerce industry. The problem here is when industry's performance decrease, it will affect the companies badly and worst case is lead to bankruptcy. The bad performance indicates that management of companies are not efficient and this will give a signal for investors and shareholders from investing in e-commerce industry. Hence, the identification of factors with performance as necessary actions can be taken.

1.4 Research objectives

In general, this study was designed in the determining e-commerce industry's performance and its determinants. The objectives of this study are:

1. To investigate the firm-specific (internal) factors towards performance
2. To investigate the macroeconomic (external) factors towards performance
3. To investigate both internal and external factors towards performance

1.5 Research Questions

1. Does any relationship exist between internal factors and performance?

2. Does any relationship exist between external factors and performance?

3. Does any relationship exist between both factors and performance?

1.6 Scope of Study

The study sample is Amazon company of e-commerce industry. In calculating the financial ratios, data are taken from five year of annual reports from 2014 to 2018 of respective five companies.

1.7 Organization of the Study

This examination are comprised of five parts. The primary section is about the foundation of the examination, which comprise of research overview, issue statements, objectives of research, the research scope, and research association. Part two include performance of the business and its determinants. Part three contain hypothetical structure, estimation of factors, strategies for research, and analysis of data. Section four is about examination's findings. Lastly, part five is about the conclusion and the investigation's decision.

2.0 LITERATURE REVIEW

2.1 INTRODUCTION

This chapter is devoted to background of the company and review literature related to research.

2.2 BACKGROUND OF THE COMPANY

Amazon was founded as a result of what Jeff Bezos called his "regret minimization framework", which described his efforts to fend off any regrets for not participating sooner in the Internet business boom during that time. In 1994, Bezos left his employment as vice-president of D. E. Shaw & Co., a Wall Street firm, and moved to Seattle, Washington, where he began to work on a business plan for what would become Amazon.com.

On July 5, 1994, Bezos initially incorporated the company in Washington State with the name Cadabra, Inc. He later changed the name to Amazon.com, Inc. a few months later, after a lawyer misheard its original name as "cadaver". In its early days, the company was operated out of the garage of Bezos's house on Northeast 28th Street in Bellevue, Washington. In September 1994, Bezos purchased the domain name relentless.com and briefly considered naming his online store Relentless, but friends told him the name sounded a bit sinister. The domain is still owned by Bezos and still redirects to the retailer.

Bezos selected the name Amazon by looking through the dictionary; he settled on "Amazon" because it was a place that was "exotic and different", just as he had envisioned for his Internet enterprise. The Amazon River, he noted, was the biggest river in the world, and he planned to make his store the biggest bookstore in the world. Additionally, a name that began with "A" was preferred because it would probably be at the top of an alphabetized list. Bezos placed a premium on his head start in building a brand and told a reporter, "There's nothing about our model that can't be copied over time. But you know, McDonald's got copied. And it's still built a huge, multibillion-dollar company. A lot of it comes down to the brand name. Brand names are more important online than they are in the physical world."

Corporate governance is expressed in 1997 Letter to Shareholders, "A major proportion of our success will be the shareholder value we make over the long term." From the earliest reference point, our emphasis has been on the long term and thus, we may settle on choices and gauge exchange off uniquely in contrast to some different organizations. accordingly, it is imperative to investors, to comprehend our central administration and basic leadership approach so you may guarantee that it is predictable with your very own venture theory.

Amazon representatives are utilizing their organization gave stock to pressure top officials into lessening commitments to environmental change. Amazon's intermediary explanation, incorporates a representative sponsored goals requesting that the organization report freely on how it intends to lessen its dependence on non-renewable energy sources and deal with the dangers presented by environmental change. On Wednesday, supporters discharged an open letter marked by in excess of 5,200 representatives approaching CEO Jeff Bezos and the top managerial staff to help the goals. In the letter, the representatives additionally requested that Amazon quit offering its cloud administrations to the oil and gas enterprises.

Tech giant like Amazon may have their organizations' own ethos to fault. For tech labor, portions of stock (or investment opportunities) are a typical piece of pay bundles, enabling representatives to utilize their stake in an organization as something other than a brilliant pass to mogul.

Amazon laborers' environmental change investor proposition was documented in December, and will be put to a vote by investors at the organization's yearly gathering on May 22, alongside 11 other investor supported recommendations. The reiteration of issues brought up in these recommendations address a considerable lot of the most squeezing contentions confronting the organization. Amazon's board suggested casting a ballot against every one of them in the intermediary proclamation.

Jamie Kowalski, an Amazon programming engineer who was among the representatives who recorded the goals, called the board's resistance "a stage off course and sends an inappropriate message to our workers." Kowalski said "it's reasonable by the way that more than 5,400 workers have marked our letter that we're energetic about Amazon turning into a pioneer on environmental change.

The former Amazon executive John Rossman said that "A lot of people who work there feel this tension: It's the greatest place I hate to work." According to testimony from current and former employees, Amazon is harsh and unforgiving on the inside in its attempt to increase productivity, be more quick and anticipate the needs of consumers. Amazon authorized only a few senior managers to talk to *NYT* reporters for its article, and declined requests for interviews with Jeff Bezos, the company's founder and CEO, and his top leaders. The problem issue in the company is unreasonably high standards and expectations, breeding unhealthy competition among co-workers, insensitive management, favouring criticism over harmony, lack of praise and unfair systems of ranking.

Definition of Corporate Governance, Credit Risk, Operational Risk, Liquidity Risk and Market Risk and Performance

2.3 Corporate Governance

As per the Securities and Exchange Commissions (2017), corporate administration is a structure and practice of the relationship so as to advance straightforwardness and responsibility of the top managerial staff so as to assemble certainty among speculators. To raise capital and be a freely recorded organization, such certainty is basic. The key explanation behind the disappointment of directing corporate administration is that it depended on a consistence way to deal with box ticking. A maintainability procedure, consequently, applies a principal way to deal with corporate administration to ensure that people with great influence responsible. Responsibility is in this manner a columns to corporate administration (Raut, 2014). a decent corporate administration structure probably won't demonstrate that an organization is executing a viable corporate administration rehearses.

Great corporate administration is progressively recognized as a huge driver of long haul speculation and has gotten an essential subject in monetary circles. Such administration has become important for any association genuine about improving its exhibition. The writing regarding this matter likewise contains proof of a positive connection between's the degree of corporate administration and bank emergencies. Corporate administration is viewed as an indispensable key to understanding institutional proficiency and efficiency.

Corporate governance means the activity of leadership, guidance and fulfilment of the objective. Government means leading, managing, governing a state or people. Badulescu 2008 said that governance and the theories are contributed in development of this concept are varied after several studies has been done.

2.4 Credit Risk

Credit risk is essential to monetary organizations. Particularly in the here and now where money isn't just constrained to paper yet the estimation of monetary standards and items is of intangibility like digital forms of money. Moreover, it tends to be comprehended that credit risk is a potential open door for the borrower to neglect to pay the advance to the money related establishment for the time given.

Flip-over is where a generally safe portion has a bigger estimation of hazard gauge than a high chance section. It is generally brought about by over-division when professionals look for biased power avariciously in the model advancement organize. This implies a section is compelled to part encourage into a few little portions for an appropriate in-test increment of the unfair power, yet they have no conspicuous contrast from the populace viewpoints. At the point when flip-over happens, experts ordinarily join portions physically, or through various level bunching.

2.5 Operational Risk

Operational risk management recognizes, measures, oversees, controls and reports the operational danger of the entire undertaking. For the monetary help industry, particularly for money related middle people, for example, banks, risk is constantly an unavoidable thing to do business. Be that as it may, because of the missteps of banks, the vulnerability of the market and the change of the capital market, the destructiveness of dangers and the outcomes brought about by antagonistic hazard the board are increasingly genuine. The developing volume of exchanges and the requirement for computerization and speed have driven up the expense of risk.

Operational chance the board is a significant viewpoint in an association to oversee operational chance proficiently. Henceforth, the article proposed to examine the impacts of inside and outer factor in assembling industry towards operational hazard. This examination utilizes time arrangement relapse investigation of assembling industry in Germany from 2012 to 2016. The operational and credit risk are at impressive position in light of the fact that these two kinds of risk are related with monetary foundation and most explicitly if there should be an occurrence of banks.

2.6 Liquidity Risk

Liquidity, is the capacity of a bank to subsidize increments in resources and meet remarkably due, without bringing about inadmissible misfortunes. The central job of banks in the development change of transient stores into long haul credits makes banks characteristically cannot protect against liquidity chance. Liquidity dangers can't be segregated from foundational dangers. In this manner, it will fuse the jobs accepted by data asymmetries and market put together guideline – consequently expound with respect to how market based guideline could serve to address issues which trigger liquidity dangers. Defective information being a factor which is contributory to liquidity emergencies and bank runs, and market based guideline being basic in encouraging revelation.

Liquidity creation are the two key elements of a bank. Liquidity Creation assumes a significant job in the economy, yet there is no thorough proportion of liquidity creation that exists in our nation. This investigation assesses the notional estimation of liquidity made by Scheduled business banks in India during the period 2005 to 2018. We have created four proportions of liquidity creation by Indian Banks, said Berger and Bouwman (2009). Holmstrom and Tirole, 1998; Kashyap, Rajan, and Stein, 2002, Liquidity creation is one of the crucial capacities performed by a bank. Liquidity is said to be made when illiquid resources are financed with fluid liabilities. Cockeyed exercises additionally add to liquidity creation.

2.7 Market Risk

Risk evaluation is an important condition for computing financial capital and go about as a foundation of the executive choice. Along these lines, bank pay impact by showcase hazard which is affecting on and shaky sheet positions cost.

This investigation comprises of three model to be tried which are Model 1 that thinks about inner variables, Model 2 looks at the outside elements and Model 3 incorporate both of inward and outer components. The point of this examination is to explore the components that affected the market valuation.

Seaward capacity is another hazard firmly identified with mechanization dangers. As a rule, the way to deal with the removal of certain exercises or occupations to different nations is comprehended as only identified with globalization. Albeit a few firms can move seaward all in all, ebb and flow innovative change permits fissuring the working environment and even the activity of the various undertakings of occupations (Weil, 2014).

2.8 Performance

Performances is one of the critical pointer to decide if the organization is working admirably and speak to the notoriety to the network. Figuring is made by utilizing money related data from the yearly report.

Individual and friends dealing has progressively replaced part and nation aggregate bartering prompting progressively punctured and multi-layered national aggregate haggling frameworks. In this paper, we build up a thorough order of dealing and contend that both the haggling level and the level of integrative communication between bartering units matters for adequacy. This thought is tried utilizing delegate organization level information for the European Union. We find that the adequacy of composed division and staggered frameworks is higher than for every other type of dealing. Approach suggestions are talked about as these outcomes challenge current attempts to change aggregate dealing in Europe.

2.9 The Importance of Corporate Governance

Great corporate governance adds to reasonable financial advancement by improving the presentation of organizations and expanding their entrance to outside capital. In developing markets great corporate administration serves various open approach destinations. It diminishes weakness of the budgetary emergencies, fortification property rights; decreases exchange cost and cost of capital and prompts capital market advancement. Corporate administration concerns the relationship among the administration, directorate, controlling investors, minority investors and different partners.

As indicated by Maher and Andersson, concentrated proprietorship brings progressively viable checking of the executives, yet additionally helps in conquering the office issues emerging from the detachment of possession and control – despite the fact that they concede that specific expenses, specifically, that of low liquidity and decreased potential outcomes for risk diversification.

3.0 METHODOLOGY

3.1 Introduction

Cohen and Manion (1996) characterize the system as an exploration strategy for gathering information. This technique is used to accomplish the objective of the investigation and accordingly gets ideal outcomes toward the finish of the examination. This examination plans to comprehend the portability of the e-commerce business and its determinants. The strategy used to gather information is the Social Science Statistics Package (SPSS) version 25.

3.2 Data and sample

In order to direct this investigation, one organizations was picked as tests. The organizations are web based business organization which is Amazon. Information from the yearly reports from the year 2014 until 2018 is used to know the dependent variables (return on asset) and the independent variables (internal factors and macroeconomic elements).

3.3 Statistical technique

I pick Amazon.com to lead this investigation as a web based business organization situated in Seattle, Washington. I gathered the organization's yearly report (from 2014 to 2018) and utilized the point by point data in the income statement and the balance sheet in these yearly reports to ascertain the organization from all perspectives, (for example, profitability, liquidity, operations, and so on.) Analyze the effect of variables on each organization. To decide the macroeconomic variables, I acquired the organization's historical data from yahoo finance, focus economic, economic indicators and so forth (from 2014 to 2018). What's more, GDP, unemployment rate, inflation rate and five-year interest rate were gathered to audit the patterns in the monetary circumstance from 2014 to 2018.

3.4 Data Analysis

There are one dependent variable and three independent variables in this study, based on the conceptual framework of research in the future. The research framework as follow:

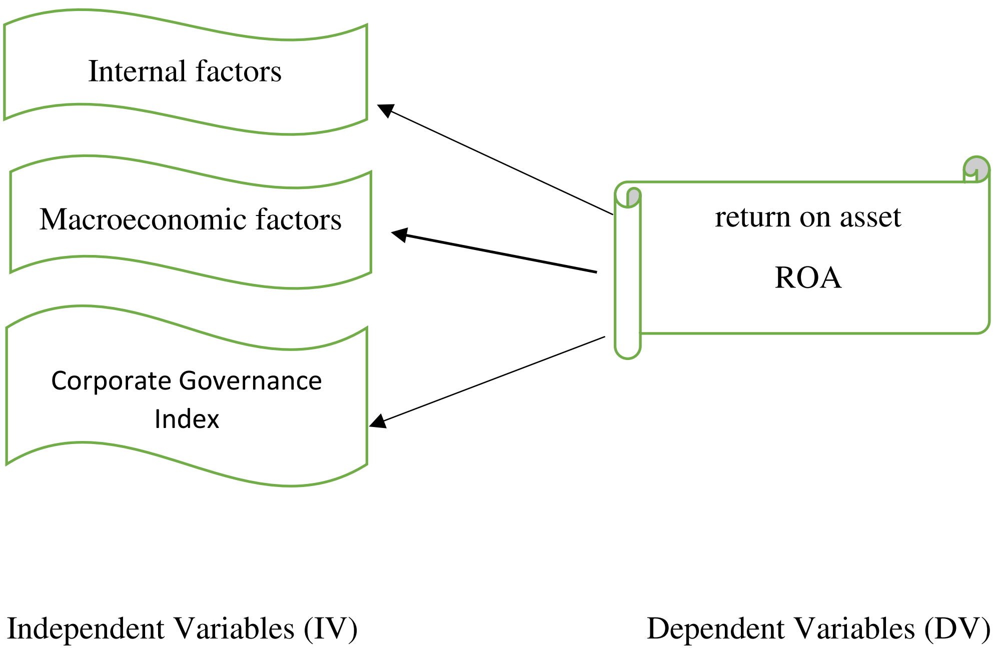

Figure 3.1 Research Framework

To decide the impact of independent variables on the dependent variables, multiple regression analysis was used. This sort of strategy will describe the impact of independent variables on the dependent variable. Multiple regression can be communicated by the accompanying equation:

ROA = β0 + β1CR + β2ACP + β3OR + β4OM + β5QR + β6DIR + β7INDXS + e.. Equation 1

ROA = β0 + β1INFLA + β2BETA + β3INTR + β4EXCGR + β5GDP + e.. Equation 2

ROA = β0 + β1CR + β2ACP + β3OR + β4OM + β5QR + β6DIR + β7INDXS + β8INFLA + β9BETA + β10INTR + β11EXCGR + β12GDP + e.. Equation 3

Table 3.1 Measurement of Variables

No	Variables	Notation	Measurement
1	Return On Asset	ROA	Net Income/ Total Assets
2	Current Ratio	CR	Current asset / Current Liability
3	Quick Ratio	QR	(Current Asset – Inventories – Prepaid Expenses) / Current Liabilities
4	Average Collection Period	ACP	Account Receivable / (Net Sales/360)
5	Debt-to-income	DTI	Total Liability / Total Income
6	Operational Ratio	OPR	Operating Expenses / Net Sales x 100
7	Operating Margin	OPM	EBIT / Revenue
8	Corporate Governance Index	CGI	Disclosure or score of 1 is given, otherwise zero, on following item : i. Accountability ii. Transparency iii. Independence iv. Fairness v. Sustainability
9	Gross Domestic Products	GDP	Economic Growth
10	Inflation	INF	Consumers Price Index

3.5 Statistical Package for Social Sciences (SPSS)

SPSS Statistics is a software developed by Norman H. Nie, C. Hadlai and Date H. Bent which has frequently used by researchers for statistical analysis (Landau & Everitt, 2004) because it provides data analysis for descriptive. In this examination, IBM SPSS version 25 is utilized to compute information to acquire results. This product is regularly used for sociology, presently prevalent in information mining, statistical surveying and marketing.

4.0 FINDING AND ANALYSIS

4.1 Descriptive statistic

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.022769007220618	.025422102477614	5
CURRENT RATIO	1.074834707400354	.032760420784269	5
QUICK RATIO	.797327961934529	.035071755649304	5
AVERAGE-COLLECTION PERIOD	23.762304087322796	2.289940275971137	5
DEBT TO INCOME	63.863247357332380	101.936050086761010	5
OPERATIONAL RATIO	.973985942815178	.018580154473506	5
OPERATING MARGIN	.022854635968579	.017462200695538	5
GDP	2.420	.5450	5
Inflation	1.500	.8916	5
InterestRate	2.020	.4266	5
ExchangeRate	1.00	.000	5
STDV	12.640177283345592	11.038125274039347	5
Cgi	.800	.0000	5

Table 4.1 Table of Descriptive Statistics of Model 3

A descriptive statistics table 4.1 above shown dependent variable, internal factors of the company and macroeconomic factors from year 2014 until 2018. The return of asset ratio for the five year stated the mean of 2.27% indicates that Amazon company had makes 2.27% profits from assets in every five years. The performance is in low effective among the 5 years. Meanwhile the standard deviation is 2.54%. The standard deviation used to identify data of the mean. Hence, it is clearly show that the return of the e-commerce does not vary larger from average within five years. The higher the standard deviation indicates that ROA has a larger change from average. According to Brigham and Houston (2001), return on asset (ROA) is calculated by comparing obtainable income for common shareholders to total assets. Higher ROA value indicates more good of company performance, as a result of higher return on investment rate. This value reflects the company's return on all assets provided to the company (Wild et al, 2005). The most significant variables which affecting the performance of company is operational risk. For operational risk, the mean of operating margin is 0.0228 % lower than the mean of operational ratio which is 0.9739% where indicating that company earn low of profit among the past 5 years while standard deviation of operating margin is 0.0174% and the standard deviation of operational ratio is 0.0185% explaining that low portion in the changes of the operational risk in the same period. According to Chua 1996, knowing the fundamental source of an operational risk event is central and helps an organization to understand and control this risk in the future.

From the table, we can see that, current ratio has the higher mean 1.074% and lower standard deviation 0.0327% compared to quick ratio which the mean is 0.797% and standard deviation 0.0350% in term of liquidity risk. If a company’s current liabilities exceed the number of current assets, the firm might face some issue to pay back the creditors within the short term period. If this problem occurs, the company could end up into bankruptcy. According by Nicholas (1991) that corporations who failed and did not concern to improve liquidity management in the company until it had been too late and reaching crisis conditions or end up on the verge of bankruptcy. The higher mean and standard deviation between the credit risk is debt to income which mean 63.86 days with standard deviation 101.93% and for average collection period, the mean is 23.73 days and the standard deviation is 2.28%. However, the corporate governance index (CGI) has the standard deviation of 0 because the value that contribute to the mean are constant and has no variance in five years.

4.2 Trend analysis

4.2.1 Performance

Figure 4.1 Return on Asset

Figure 4.1 above shown the return on asset from year 2014 until 2018. This ratio is use to measures the profitability of the company to its total assets. Return on asset is defined as the ability of the company to generate their earning in a certain period (harahap 2002). Roa also helps the investors to see if the company is able to convert the asset to the profits. Based on the graph, the highest roa is in year 2018 which is 6.19% and the lowest is in year 2014 is -0.01%, so that means the performances of the company is better in 2018 compared to other year.

4.2.2 Liquidity Risk

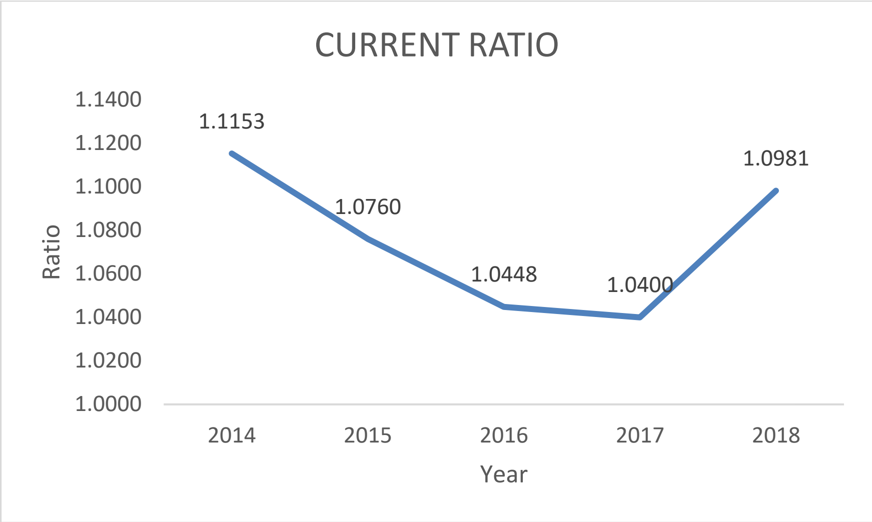

Figure 4.2 Current Ratio

Liquidity risks emerges when an organization experiences issues or incapable to meet its short term financial demand when they fall due. It estimated by current proportion which is a marker contrasting organization's current asset with its current liabilities. by looking at the chart above, in 2014 has the highest current ratio (1.1153 times) among all the five years. It shows that in 2016 has 1.1153 of current asset for cover up of current liabilities. Amazon has lower liquidity risk since it can pay its short term loans on time when it is expired. In any case, too high current ratio likewise shows that Amazon is wasteful in using its current asset to create income. Then, in 2017, it is presented to higher liquidity risk since it just has 1.0400 of current asset to cover current liabilities. Amazon needs more current asset, for example, money and receivables so as to pay its short-term loans when it due. Amazon is considered as ruined and can be sued for insolvency by loan bosses.

4.2.3 Credit Risk

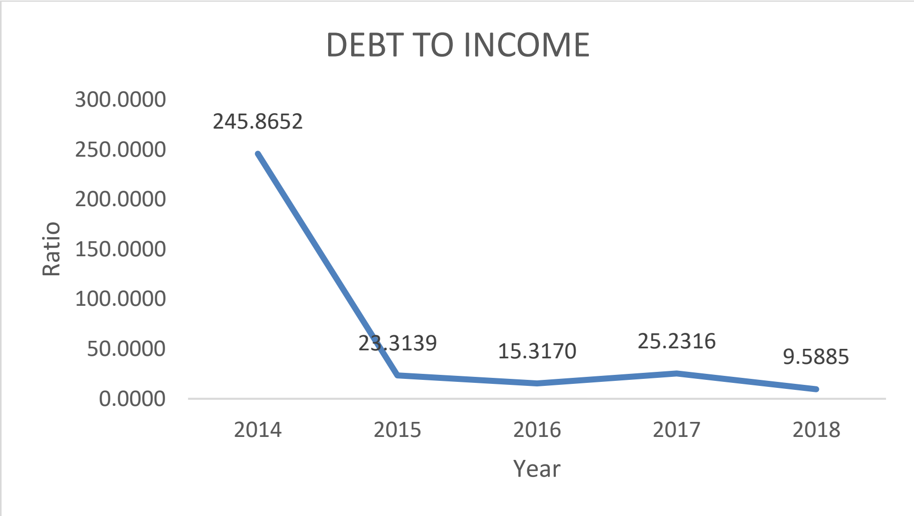

Figure 4.3 Debt to income

Debt to income measurement is used to identify whether Amazon will be able to pay the mortgage with their income by looking at the current income and current debt payments. The year 2014 shows the highest ratio of debt to income with 245.8652% followed by the year 2017 with 25.2316%. During the year 2014, Amazon holds a lots of debt and could not be able to cover a larger mortgage payment. However, its decrease a lot from year 2014 to 2015 from 245.8652% to 23.3139% and the ratio continue to decrease and increase in a small amount in the following 4 years. During 2018, the debt to income ratio is the lowest between the five years with ratio of 9.5885% and shows a better result because the smaller the debt to income ratio, the higher the chance of Amazon be able to get line of credit.

4.2.4 Operational risk

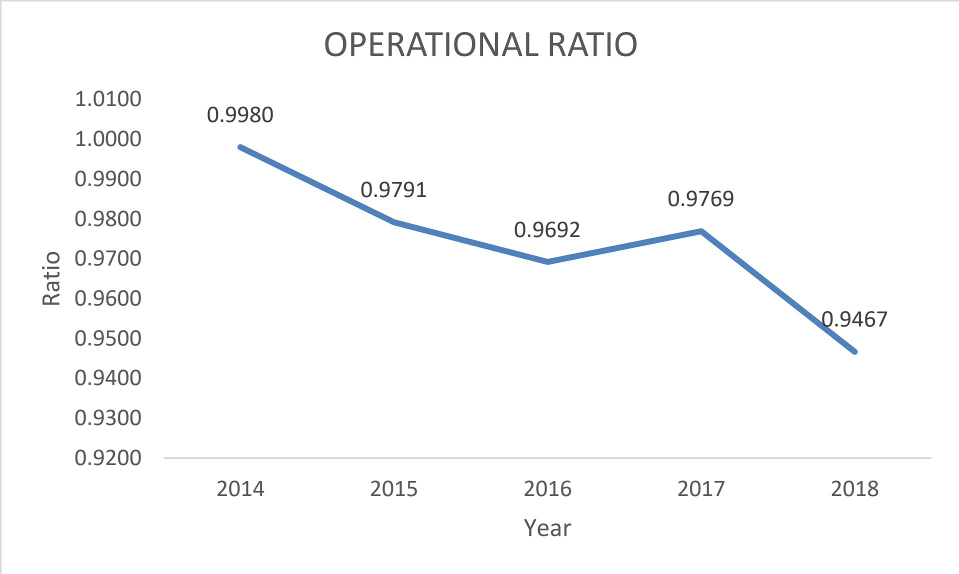

Figure 4.4 Operational Ratio

Operational ratio is one of the financial ratio that used to test proficiency of the activity the board in an organization (Tulsian 2014). On the off chance that the operational risks are not appropriately overseen or controlled, severe risks may result and business disappointments may result. Operational chance is estimated by figuring the average operating rate for each organization for five back to back years (2014 to 2018). From the above figure 4.4, we can see that the most elevated operational proportion rate is in 2014, arriving at 0.9980%, which is higher than the other four years of turnover. This implies the majority of the organization's income is spent on operating costs. The high extent of offers conclude that the organization can't efficiently deal with its activities. Simultaneously, the least operating rate in 2018 was 0.9467%, which was lower than the normal level which is 0.9737%. This shows the organization is extremely proficient in overseeing tasks this year. The working proportions of year 2016 additionally are lower than normal, which implies that they have effectively dealt with their activities in recent year.

4.2.5 Market Risk

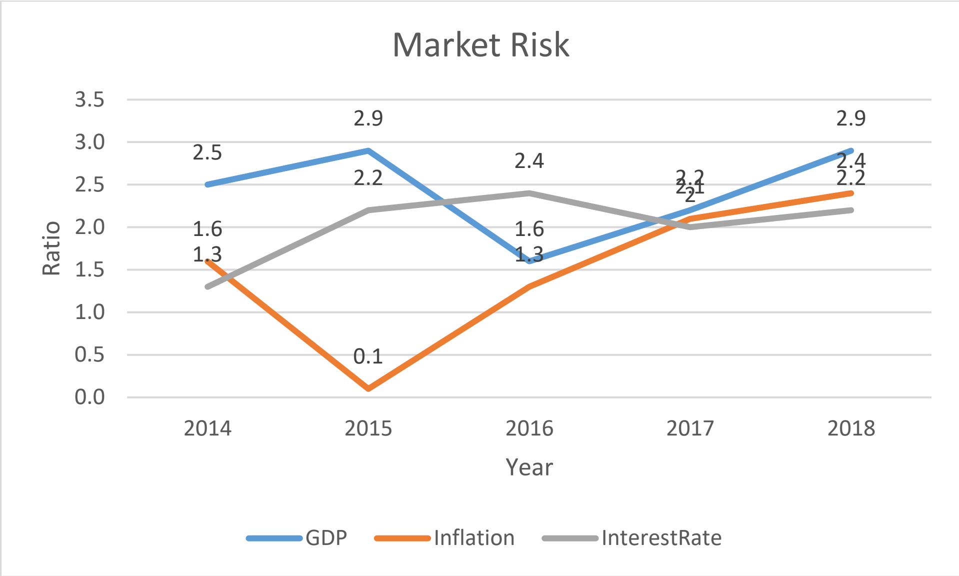

Figure 4.5 Market Risk

Market risk is characterized to probability of misfortune from adverse development of market price and it emerges from cost changing on the stock and mean. The every now and again of the price changing, the higher the volatility and it show organization is confronting higher market risk. Market risk can be ordered into interest rate risks, equity risks, exchange rate risks and commodity price risks (Ramos 2000). Market risk can't be wiped out through diversification. The adjustments in gross domestic product (GDP), inflation and interest rates are a portion of the determinants of market risk. The chart above shows the determinants of the development in the course of recent five years. Gross domestic product is utilized to measure the fiscal estimation of a nation's merchandise and ventures created inside a year. Malaysia's GDP has been increment in 2014 to 2015, decline from 2015 to 2016 and increment generally during the two years from 2016 to 2018. In 2015 and 2018, Malaysia's GDP was the most elevated, at 2.9%. This shows in that year, the nation's economy was at its best. Higher total national output is favored in light of the fact that it shows that the financial circumstance in a nation is developing.

Inflation rates may show comparative upward and descending patterns. Inflation rise from 0.1% in 2015 to 2.4% in 2018. High inflation isn't useful for the nation since it decreases the value of the money except if the interest rate in that specific year is higher than the inflation rate. There has been little change in interest rate in recent five years. In 2014, the interest rate was 1.3%, and interest rate in 2015 and 2018 has a similar proportion of 2%. Interest rate straightforwardly influence a nation's inflation rate and may lead organizations to give more securities to help their business growth.

4.2.6 Corporate Governance Index

	2014	2015	2016	2017	2018
Accountability	1	1	1	1	1
Fairness	1	1	1	1	1
Transparency	1	1	1	1	1
Independence	0	0	0	0	0
Sustainability	1	1	1	1	1
Total	4/5	4/5	4/5	4/5	4/5
Percentage (%)	80%	80%	80%	80%	80%

Table 4.2 Corporate Governance Index

Index Score is measure to decide the corporate governance list of the organization to decide the level of consistence of organizations dependent on the principles of corporate governance. One principle is anxiety with transparency in which all list scores are values depend on a yearly report that can be gotten transparently. In view of this, it can show the Amazon willingness to uncover its organization data. To measure the index score, 5 principles were used as guideline to decide the effectiveness of corporate governance factor. The principles are accountability, fairness, transparency, independence and sustainability. Accountability is measure by looking at the board meeting while transparency by looking if Amazon have audit committee or not. Then, Independence are measures by the number of non-executive board in the company and if they have female on board in the company, they follow the principles of fairness. Lastly, sustainability is measure by looking if this company have done charity, corporate social responsibility (csr) or green technology program with community.

From of the figure above, the most high corporate index score was gotten by Amazon was same in five years from 2014 until 2018 which is 80% consistently with all out 4/5. This demonstrates, the corporate governance index score acquired by Amazon in this recent five year shows the equivalent and this organization agree to the 5 principle to decide the viability of corporate governance and satisfied the principles of corporate governance.

4.3 Data analysis

4.3.1 Coefficient Table

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)	-.009	.007		-1.408	.254	-.030	.012		
	OPERATING MARGIN	1.398	.235	.960	5.938	.010	.649	2.147	1.000	1.000

a. Dependent Variable: ROA

Table 4.3 Table of regression coefficient

Based on the table of regression coefficient in table 4.3 above, ROA is shown as dependent variable, there is one variable that relevant which is Operating Margin. P-value is used to the determine the significant between the dependent variable and independent variables. The p-value <0.001 has the most significant to the dependent variable and followed by p-value <0.05 which has moderate significant and p-value < 0.10 has the least significant. The operating margin is positive correlation and the moderate significant with the return of asset which the p-value < 0.05 and t = 5.938. It means that the changes in return of asset (ROA) will most influence the operating margin. Operating margin and return on asset give significant valuable of knowledge into the organization's profitability and proficiency The higher the operating margin, the better, since it implies there's more cash left over for different things, for example, non-operating obligations, interest on debt and, of course, profit.

4.3.2 Model Summary and Anova

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.960[a]	.922	.895	.0082199527 10466	2.192

a. Predictors: (Constant), OPERATING MARGIN

b. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	35.260	.010[b]
	Residual	.000	3	.000		
	Total	.003	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), OPERATING MARGIN

Table 4.5 Model Summary and Anova for model 1

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.922[a]	.851	.801	.011336437153573	
2	.996[b]	.993	.986	.003055423131525	2.502

a. Predictors: (Constant), STDV

b. Predictors: (Constant), STDV, GDP

c. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	17.115	.026[b]
	Residual	.000	3	.000		
	Total	.003	4			
2	Regression	.003	2	.001	137.455	.007[c]
	Residual	.000	2	.000		
	Total	.003	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), STDV

c. Predictors: (Constant), STDV, GDP

Table 4.6 Model Summary and Anova for model 2

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.960[a]	.922	.895	.008219952710466	
2	.997[b]	.994	.987	.002853687820632	2.554

a. Predictors: (Constant), OPERATING MARGIN

b. Predictors: (Constant), OPERATING MARGIN , Inflation

c. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	1	.002	35.260	.010[b]
	Residual	.000	3	.000		
	Total	.003	4			
2	Regression	.003	2	.001	157.723	.006[c]
	Residual	.000	2	.000		
	Total	.003	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), OPERATING MARGIN

c. Predictors: (Constant), OPERATING MARGIN , Inflation

Table 4.7 Model Summary and Anova for model 3

R-squared is a goodness-of-fit measure for linear regression models. This statistic indicates the percentage of the variance in the dependent variable that the independent variables explain collectively. R-squared measures the strength of the relationship between your model and the dependent variable (Jim frost). According to third model summary above, the R Square is 99.4%. This means that by using the internal and macroeconomic factors in Equation 3, return on asset (ROA), average collection period (ACP), operational ratio (OPR), and Standard Deviation show, the model is utilized to clarify the adjustments in Amazon organization return of asset is 99.4% for the five years. For the most part, the bigger the R square, the better the regression model accommodates your perceptions. The model summary on Model 1 is the outcome taken from the organization specific factors as an independent variable which is the R square is 92.2%. The model outline on Model 2 is the outcome taken from the organization macroeconomic factors just as an independent variable which is the R square is 99.3% Based on the R square qualities acquired from Model 1, Model 2 and Model 3, it tends to be seen that the organization internal factors and macroeconomic elements are more have the option to clarify the adjustments in the company's return of asset than organization specific factors or macroeconomic factors as it were. This implies company specific and macroeconomic elements are the main factors that clarify the progressions of return of asset of organizations. Also, the above ANOVA table shows a huge estimation of 0.006, which is lower than the alpha worth ($p<0.05$). In the event that the p-value is more than the significant level, its mean the contrasts between the methods are not measurably huge. It shows that this variable is important for the representation model. Along these lines, the above noteworthy worth is an adequate worth, showing that the exploration model is worthy and dependable.

5.0 CONCLUSION AND RECOMMENDATION

5.1 Conclusion

Objective of this study is to identify the effect of return on asset on the corporate governance, financial performances, and macroeconomics factors in Amazon. As the result, operating margin is the most influenced with the dependent variable which is will affect the company profit. For the whole result, operational ratio are significant to return on asset (ROA). However, there were some variables that have negative relationship to the return on asset such as interest rate, when interest increase, the return on asset of the company will decrease.

5.2 Recommendation

This study attempts the determinants of the return of asset on the corporate governance of Amazon. However, the sample size is quite limited and insufficient to gain the accuracy of the final result since only five years are being use. Therefore, future researcher are advised to enlarge the term of study to know more and detail about the company.

Moreover, the corporate governance index used are only five which leads to imprecise result because only five principles of corporate governance index are measure. Thus, future researchers are suggested to include more variables to evaluate the index score for better result.

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APPENDIX

Correlations

		ROA	CURRENT RATIO	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATIONAL RATIO	OPERATING MARGIN	GDP	Inflation	InterestRate	ExchangeRate	STDV	Cgi
Pearson Correlation	ROA	1.000	-.063	.526	.613	-.542	-.929	.960	.027	.701	.494	.	.922	.
	CURRENT RATIO	-.063	1.000	.798	-.161	.663	.157	-.180	.661	.073	-.634	.	.240	.
	QUICK RATIO	.526	.798	1.000	.159	.306	-.373	.385	.438	.495	-.270	.	.693	.
	AVERAGE-COLLECTION PERIOD	.613	-.161	.159	1.000	-.262	-.442	.488	.120	.831	.010	.	.556	.
	DEBT TO INCOME	-.542	.663	.306	-.262	1.000	.761	-.731	.078	.035	-.953	.	-.432	.
	OPERATIONAL RATIO	-.929	.157	-.373	-.442	.761	1.000	-.994	-.135	-.403	-.730	.	-.896	.
	OPERATING MARGIN	.960	-.180	.385	.488	-.731	-.994	1.000	.057	.486	.701	.	.895	.
	GDP	.027	.661	.438	.120	.078	-.135	.057	1.000	-.103	-.206	.	.403	.
	Inflation	.701	.073	.495	.831	.035	-.403	.486	-.103	1.000	-.164	.	.588	.
	InterestRate	.494	-.634	-.270	.010	-.953	-.730	.701	-.206	-.164	1.000	.	.360	.
	ExchangeRate	.	.	.	.	.	.	.	.	.	.	1.000	.	.

	STDV	.922	.240	.693	.556	-.432	-.896	.895	.403	.588	.360	.	1.000	.
	Cgi	.	.	.	.	.	.	.	.	.	.	.	.	1.000
Sig. (1-tailed)	ROA	.	.460	.182	.136	.172	.011	.005	.483	.094	.199	.000	.013	.000
	CURRENT RATIO	.460	.	.053	.398	.111	.401	.386	.112	.454	.126	.000	.349	.000
	QUICK RATIO	.182	.053	.	.399	.309	.268	.261	.230	.198	.330	.000	.097	.000
	AVERAGE-COLLECTION PERIOD	.136	.398	.399	.	.335	.228	.202	.424	.040	.494	.000	.165	.000
	DEBT TO INCOME	.172	.111	.309	.335	.	.068	.080	.450	.478	.006	.000	.234	.000
	OPERATIONAL RATIO	.011	.401	.268	.228	.068	.	.000	.414	.251	.081	.000	.020	.000
	OPERATING MARGIN	.005	.386	.261	.202	.080	.000	.	.464	.203	.094	.000	.020	.000
	GDP	.483	.112	.230	.424	.450	.414	.464	.	.435	.370	.000	.251	.000
	Inflation	.094	.454	.198	.040	.478	.251	.203	.435	.	.396	.000	.148	.000
	InterestRate	.199	.126	.330	.494	.006	.081	.094	.370	.396	.	.000	.276	.000
	ExchangeRate	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.	.000	.000
	STDV	.013	.349	.097	.165	.234	.020	.020	.251	.148	.276	.000	.	.000
	Cgi	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.000	.
N	ROA	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
QUICK RATIO	5	5	5	5	5	5	5	5	5	5	5	5	5
AVERAGE-COLLECTION PERIOD	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
OPERATIONAL RATIO	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
GDP	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
InterestRate	5	5	5	5	5	5	5	5	5	5	5	5	5
ExchangeRate	5	5	5	5	5	5	5	5	5	5	5	5	5
STDV	5	5	5	5	5	5	5	5	5	5	5	5	5
Cgi	5	5	5	5	5	5	5	5	5	5	5	5	5