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Internal and external factors affect the company's performance

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FIRST SEMESTER SESSION 2019/2020 (A191)

BWRR3123 CORPORATE GOVERNANCE

GROUP A

“Internal and External factors affect the company’s performance”

(Hiap Seng Engineering Ltd.)

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ABSTRACT

Aim of this study is to analysed does the internal and external factors affect the performance in Hiap Seng Engineering Ltd. The internal factors consist of liquidity risk, credit risk, and operational risk and corporate governance index. While, the external factors consist a Gross Domestic Product (GDP), inflation, interest rate, exchange rate, and standard deviation. The data obtained from annual report of Hiap Seng Engineering Ltd. for five years from 2014 until 2018. The both factors used to see the overall performance in five year that influence the company performance. Data was analysed by utilizing descriptive statistic, correlation, coefficient, anova and model of summary. The data calculated is on average. This study suggests the company need to apply efficiency 5 principle of corporate governance, which is transparency, accountability, fairness, and independence and transparency.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter consist about the background of the Hiap Seng Engineering Ltd.

1.1 Overview of Hiap Seng Engineering Ltd

Hiap Seng Engineering Ltd was founded and established in 1950 by Mr Tan Kuay Hoe under the name Hiap Seng Engineering Works providing services covering steelwork fabrication. First milestone project was the construction of storage tanks and related pipework for BP Singapore in 1960 with expansion in operations and strategic acquisition and alliances, company was corporatised in 1971 with the name changed to “Hiap Seng Engineering & Construction Pte Ltd”. Hiap Seng Engineering Ltd grew to become one of the major service provider in projects and maintenance services in the oil & gas and the process industries.

A 60% owned subsidiary PT Technic was established in Malaysia in 1971 to undertake projects with specialization in piping, tankage, structural steel and mechanical fabrication and construction. Hiap Seng was awarded "Enterprise 50" award in 1995, 1996 and 1998. It was organised then by The Business Times and Accenture. The event was also supported by EDB and IE Singapore. The company was listed on the Singapore Stock Exchange in June 1999, and renamed as “HIAP SENG ENGINEERING LIMITED”.

Hiap Seng Engineering Ltd was accredited with ISO 9001 , and our facilities was certified for ASME “S” & “U” stamps in 2003. In line with our regionalization vision, a Thai joint venture “Napso Hiap Seng Engineering” was formed in 2003 with capabilities to provide fabrication and integrated engineering services to the industries. The JV has a well-equipped factory in Sriracha, Chonburi. Today, Hiap Seng Engineering Ltd employs over 1000 people and has 6 fabrication facilities covering more than 2 million sq ft and have established a very impressive track records with both local and global MNC’s; a track record premised on safety, quality and timely delivery.

In 2010, Hiap Seng was recognized by Forbes Asia Magazine as one of the 200 best public-listed corporations under US\$1 billion in revenue in the Asia Pacific. Noted for its potential for profitability and growth, and its modest indebtedness. Hiap Seng was one of eight Singapore-based company in the list

Hiap Seng Engineering Ltd has exposure to the following primary risks. The risk that related are credit risk, liquidity risk, market risk and operational risk.

1.2 Research Objective

1. To investigate the internal factors that affect performance.
2. To investigate the external factors that affect performance.
3. To investigate both internal and external factors that affect performance.

1.3 Research Questions

1. Is there any relationship between the internal factors towards performance.
2. Is there any relationship between the external factors towards performance.
3. Is there any relationship between the internal and the external factors towards performance.

1.4 Scope of Study

The sample of study is from oil and gas sector in Singapore which is Hiap Seng Engineering Ltd. The accounting and financial ratios was based on 5 years company's annual report starting from year 2014 to 2018.

1.5 Organization of The Study

This study consists of 5 main chapters. First chapter is the introduction of this study, includes overview, research objectives, research questions, scope of study and organization of the study. In

second chapter, we discuss about the literature review of the independent and dependent variables, which is internal and external factors that influence the company liquidity ratio. Chapter three tells that the measurement of variables, research methodology and data analysis. In chapter four , we discuss the findings and results of this study. In final chapter is summary and conclusions of this study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is dedicated to the review of literature related to the study. This chapter consists definition of the terms namely Corporate Governance, credit risk, operational risk, liquidity risks and market risk and also performance.

2.2 Corporate governance

The definition of corporate governance most widely used is “the system by which companies are directed and controlled” (Cadbury Committee, 1992). More specifically it is the framework by which the various stakeholder interests are balanced, or as the IFC states, “the relationships among the management, Board of Directors, controlling shareholders, minority shareholders and other stakeholders”. Meanwhile, the Organization Economic Cooperation Development (OECD). The OECD in 1999 defined corporate governance as "Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for

making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.”

The good corporate governance is recognized as an important feature of attracting investment into competitive companies and efficient markets finance. This practice instills confidence and trust amongst the companies and financial markets that will appeal direct foreign investment into a country. The corporate governance system ensures that the system of internal control which is sufficient and appropriate to operate in a company. This is will ensure that the company is well managed for the interests of shareholders and other stakeholders. The corporate governance system emphasizes the relationship between management firm, board of directors, shareholders and others stakeholder. Its consist 4 principle, namely accountability, fairness, independent, and transparency.

2.3 Credit risk

Credit risk is “the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations” (Olivia LaBarre). Traditionally, it refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Although it's impossible to know exactly who will default on obligations, properly assessing and managing credit risk can lessen the severity of loss. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk.

When lenders offer mortgages, credit cards, or other types of loans, there is a risk that the borrower may not repay the loan. Similarly, if a company offers credit to a customer, there is a risk that the customer may not pay their invoices. Credit risk also describes the risk that a bond issuer may fail to make payment when requested or that an insurance company will be unable to pay a claim. Credit risks are calculated based on the borrower's overall ability to repay a loan according to its original terms. To assess credit risk on a consumer loan, lenders look at the five Cs: credit history, capacity to repay, capital, the loan's conditions, and associated collateral.

2.4 Operational risk

According to (Andrea Resti & Andrea Sironi), they said that operational risk is defined in rather different ways and can be related to potential losses arising from information systems failures, human errors, inadequate procedures and controls, sometimes even including reputational, regulatory and legal risks. The problem of appropriately defining operational risk is also made more crucial by the fact that in some specific circumstances, the losses associated with this type of risk may appear to be related to other risk types.

The Basel Committee associates to operational risk the unexpected losses deriving from four main types of risk factors: human errors, information system failures, inadequate procedures and controls, and external events. A step by step approach to the measurement of operational risk and the managerial implications of setting up an operational risk measurement system is presented. Some of the risk transfer instruments, such as insurance contracts, developed for operational risk by the insurance industry and financial markets in general are discussed.

2.5 Liquidity risk

Liquidity risk is strictly related to financial intermediation, maturity transformation and the transferring of resources from lenders to borrowers (Scannella, 2010, 2012). Liquidity risk has been defined as the exposure of a bank's financial conditions to a sudden need for resources that may be caused by an unusual or unexpected flow of financial resources into the bank. This financial need may have a negative impact on the financial soundness and viability of the bank, through assets, liabilities and off-balance sheets positions related to liquidity concerns. In a wider perspective, liquidity is the ability of a bank to meet obligations as they come due, without incurring unacceptable losses.

Liquidity risk can be divided into two types: funding risk and trading risk. This classification helps determine the main drivers of liquidity risk in banking: asset and liability mismatching, customers' behaviour and financial markets fluctuations. Liquidity and solvency are closely correlated concepts, but they are not the same thing.

2.6 Market Risk

Market risk can be defined as the risk to an institution's financial condition resulting from adverse movements in the level or volatility of market prices. The process of market risk management is, therefore, an endeavour to measure and monitor risk in a unified manner. By implication, this necessitates the aggregation of market risks across all categories of assets and derivatives in a firm's trading book. One method of accomplishing this task is achieved through the concept of Value-at-risk (VAR). VAR is an attempt to summarise the total market risk associated with a firm's trading book in a single monetary figure. VAR is defined as "the maximum possible loss with a known confidence interval over an orderly liquidation period" Wilson (1993, p.40). VAR seeks to "translate all instruments into units of risk or potential loss based on certain parameters" Chew (1994, p.65). While the concept of VAR is firmly grounded in probability theory various methods may be employed in practice.

2.7 Performance

Currently there are a variety of definitions attributed to the concept of performance due to its subjective nature. In the literature there are many articles or studies that define the concept of performance closely related to environmental factors. One of the concept of performance by Didier Noyé. He believes that the performance consists in "achieving the goals that were given to you in convergence of enterprise orientations" Didier Noyé (2002). In his opinion, performance is not a mere finding of an outcome, but rather it is the result of a comparison between the outcome and the objective. Unlike other authors, Didier Noyé considers that this concept is actually a comparison of the outcome and the objective. The author's definition is far from clear, as both outcomes and objectives vary, most often, from one field of activity to another.

Author Michel Lebas (1995) characterizes the performance as future-oriented, designed to reflect particularities of each organization or individual and is based on a causal model linking components and products. He defines a "successful" business as one that will achieve the goals set by the management coalition, not necessarily one that achieved them. Thus, performance is dependent as much of capability and future.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The research methodology covers the methods, and approaches used for the study achieving the objectives and goals of the study. The methodology of the study makes the study carried out more systematic and more focused study in achieving objective. This chapter will explain the methodology of the study used in the study conducted. The researches have planned on a regular basis the research methodology and strategic strategies which is used to obtain information and data through the specific rules. This study is conducted to know does internal, external and both factors affect the performance of the company. The method that is used to collect data is Statistical Package for the Social Sciences (SPSS) version 25.

3.2 Population / Sampling Technique

The population in this study is the oil and gas company in Singapore. From this population, one companies where chosen as samples, in order to conduct this study. The companies are Hiap Seng Engineering Ltd. Data from the annual reports from the year 2014 until 2018 is used to measure the dependent variables (ROA) and the independent variables (internal factors, external factors and both factors).

3.3 Statistical Technique

I choose Hiap Seng Engineering Ltd to conduct this study as an oil and gas company in Turkey. I collect the annual report (from 2014 until 2018) for this company and use the details in income statement and balance sheet from this annual report to calculate the effect of firm specific factors for this company from various aspect such as liquidity, operational, and credit. To determine the external factors, I obtain the GDP, interest rate, inflation, exchange rate and standard deviation for five years is collected to see the trend of the performance from 2014 to 2018.

3.4 Data Analysis

According to the conceptual framework of research in the future, there are one dependent variable and three independent variables in this study. The research framework as follow:

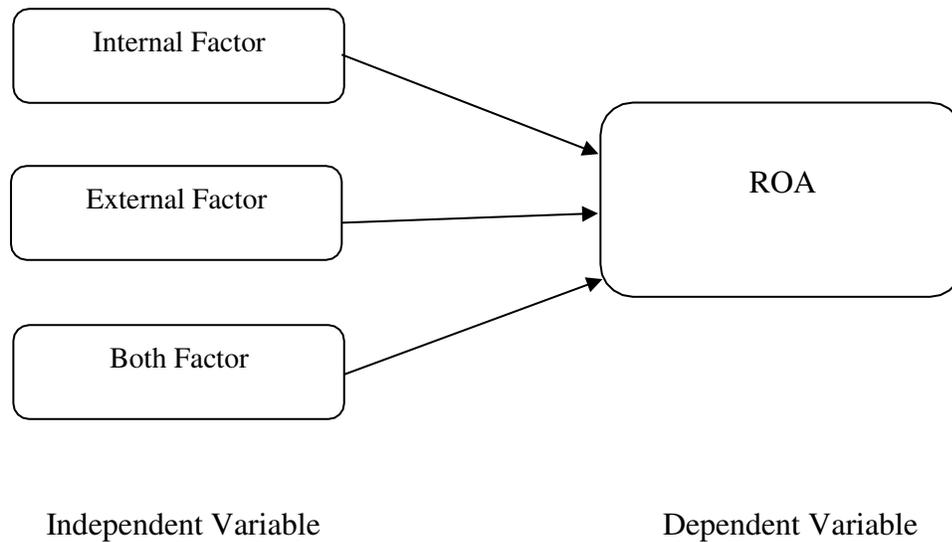


Figure 3.1 Research Framework

3.5 Statistical Package for Social Sciences (SPSS)

In this study, IBM SPSS version 25 is used to calculate data to obtain results. SPSS, also known as the Statistical Package for Social Science, is known as a powerful software that helps researchers conduct statistical data analysis (Landau & Everitt, 2004). However, in 2014, SPSS was renamed and known as the IBM SPSS Statistics after it was acquired by IBM in 2009. This software is commonly used for social science, now popular in data mining, market research and marketing.

Multiple regression analysis was used to figure out the effect of performance due to internal and external factors. It is a regression technique which will outline the effect of the independent variables towards dependent variable. The multiple regression can be presented in the equation form as shown below:

$$\text{Equation 1 : } ROA = a + a_1CR + a_2QR + a_3ACP + a_4DTI+ a_5OR + a_6OM + a_7CGI$$

$$\text{Equation 2 : ROA} = a + a_1\text{GDP} + a_2\text{Inflation} + a_3\text{IR} + a_4\text{ER} + a_5\text{STDV}$$

$$\text{Equation 3 : ROA} = a + a_1\text{CR} + a_2\text{QR} + a_3\text{ACP} + a_4\text{DTI} + a_5\text{OR} + a_6\text{OM} + a_7\text{CGI} + a_8\text{GDP} + a_9\text{Inflation} + a_{10}\text{IR} + a_{11}\text{ER} + a_{12}\text{STDV}$$

CHAPTER FOUR

FINDINGS AND ANALYSIS

4.0 Introduction

Financial statement analysis allows researchers to identify the trend of the companies by comparing the ratios across five years period. There are three main components of financial statement, which are income statement, cash flow and balance sheet. These statements allow researchers to measure the liquidity, profitability, credit, and operational and performance.

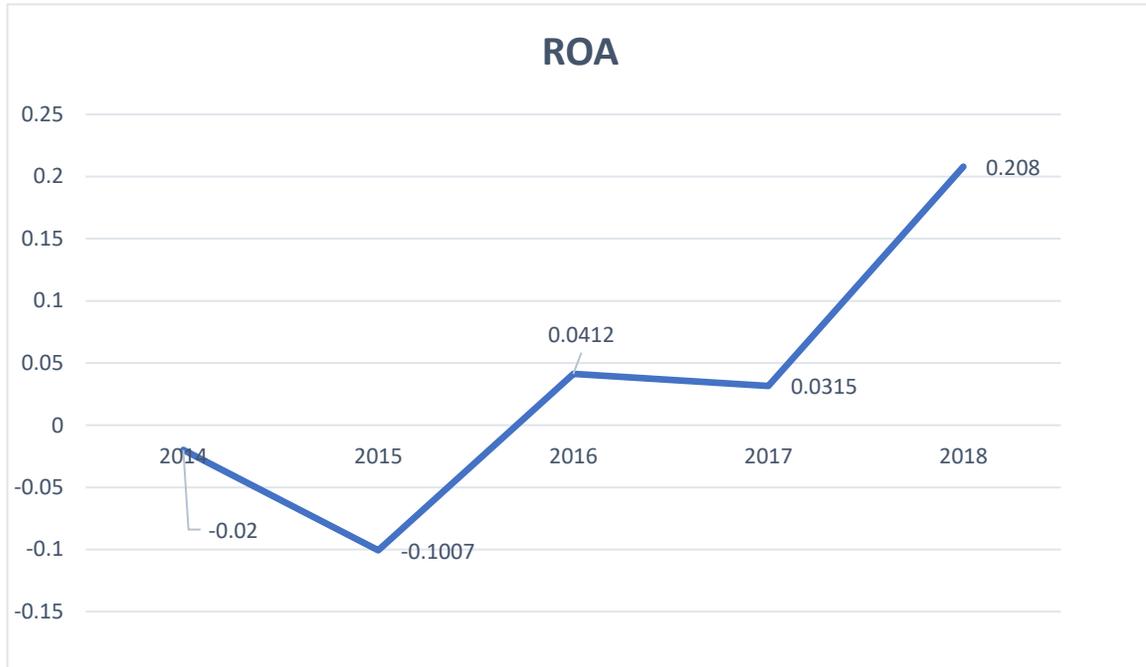
4.1 Descriptive Analysis

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.116280	.0843934	5
CURRENT RATIO	1.609300	.3395395	5
QUICK RATIO	1.609060	.3397554	5
AVERAGE-COLLECTION PERIOD	126.427300	25.0886966	5
DEBT TO INCOME	15.704340	16.3733552	5
OPERATIONAL RATIO	.095920	.0585064	5
OPERATING MARGIN	.055700	.0685868	5
CGI	40.0000%	0.00000%	5
GDP	3.3180	.45488	5
Inflation	1.7260	1.21241	5
InterestRate	3.6560	1.40990	5
ExchangeRate	1.3680	.06380	5
STDV	.00449820	.001073520	5

The data collected has been run in SPSS System using regression analysis with only 5 samples (from year 2014 to 2018). The mean and standard deviation of dependent and variables ratio are recorded in the table above.

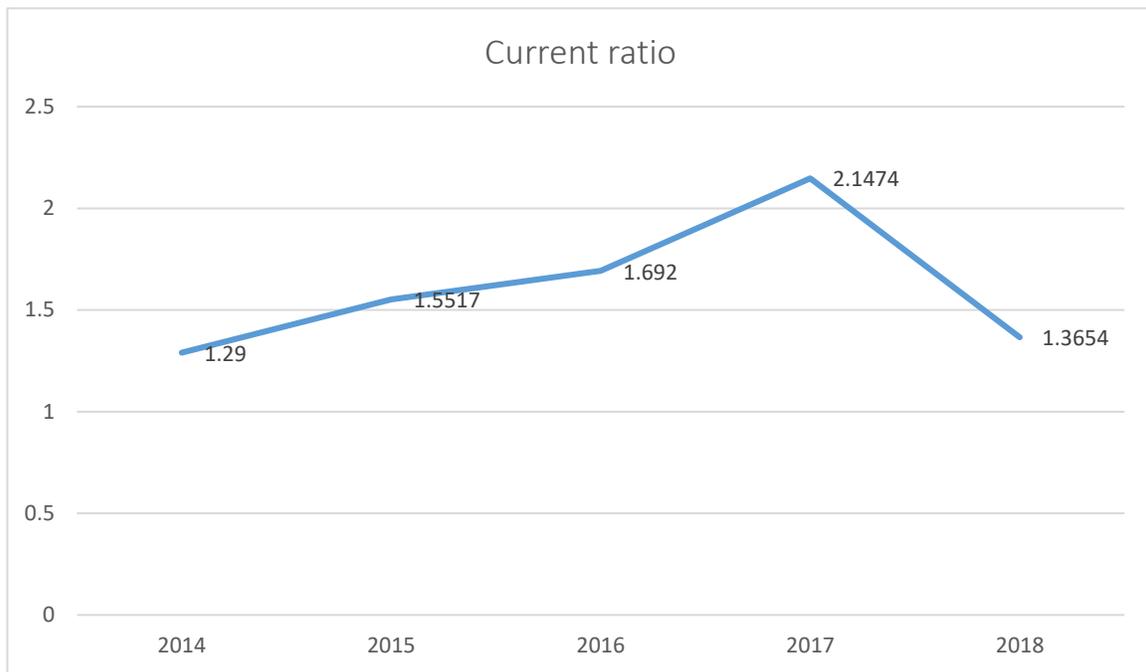
4.2 Performance



According to the graph of return on asset (ROA) above, we can conclude that the efficiency of Hiap Seng Engineering Ltd's management using its assets to generate earnings is fluctuating from year 2014 to 2018. ROA in 2018 shows the highest ratio (0.208) which indicates the company is using its assets efficiently among all five years. Return on assets indicates the amount of money earned per dollar of assets. Therefore, a higher return on assets value indicates that a business is more profitable and efficient. However, it show negative return in year 2014 and 2015 which indicates the assets are not able to generate much revenues in that particular year. An increase in the ROA means better use of assets to generate returns for the firm and decrease in the ROA means that the firm has a room for improvement in which probably the firm needs to reduce few expenses or to replace few old assets that are eating out the profits of the company.

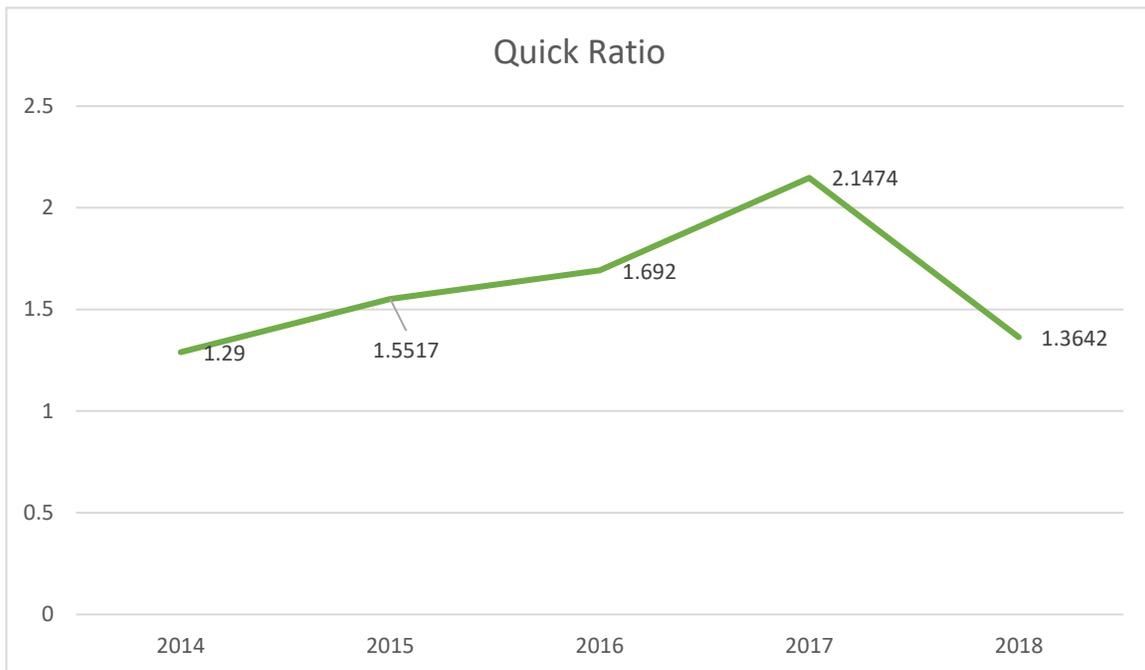
4.3 Liquidity Risk

4.3.1 Current ratio



Referring to the graph of current ratio above, the current ratio of Hiap Seng Engineering Ltd is increasing from year 2014 to 2017 and decreasing in year 2018. It indicates that the company ability to pay all their short term liabilities using their short term assets is increasing from year 2014 to 2017. Ratio in year 2017 charted the highest current ratio (2.1474 times) among all the five years. Higher figure means the company financial condition is better as it has enough liquid assets for its operation. As a conclusion, the company has enough liquid assets to cover its current liabilities in all five years.

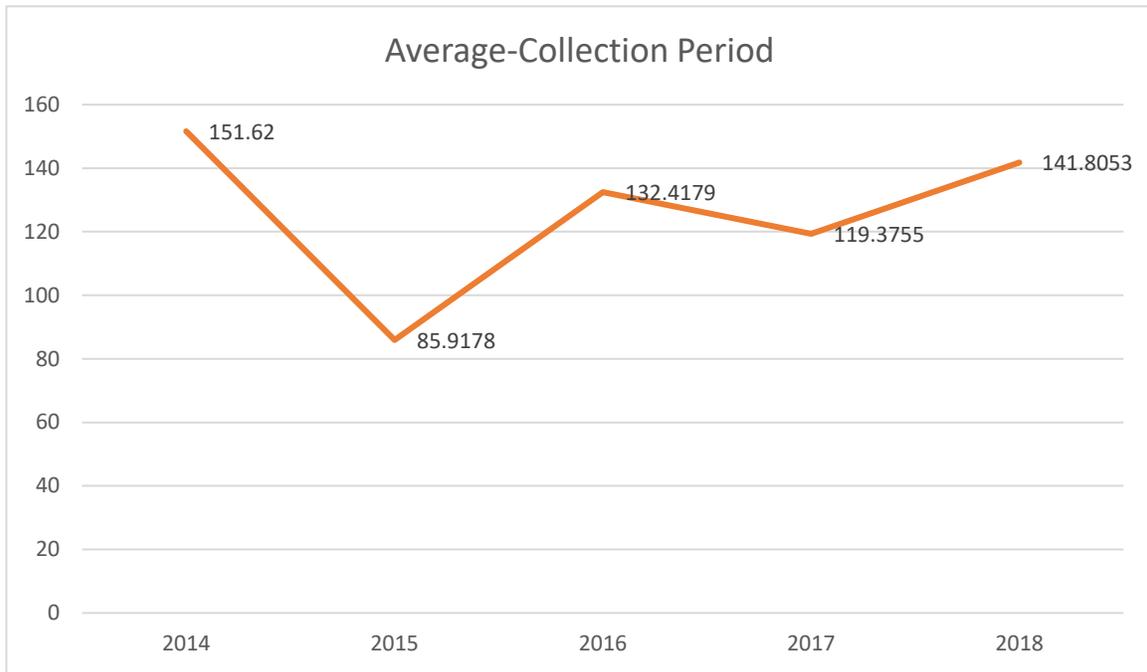
4.3.2 Quick Ratio



According to the quick ratio graph above, the quick ratio in 2017 show the highest ratio (2.1474) for Hiap Seng Engineering Ltd. It indicates that the company generate the best financial condition during 2017 compared to other years. The graph also shows that the company financial conditions are getting better from year 2014 to 2017 in which shows that the company's ability to pay its current liabilities without relying on the sale of its inventory. It is an indicator of a company's short-term liquidity, and measures a company's ability to meet its short-term obligations with its most liquid assets. The higher the quick ratio, the better the company's financial liquidity position. As a whole review, Hiap Seng Engineering Ltd's generates good financial liquidity position in all five years.

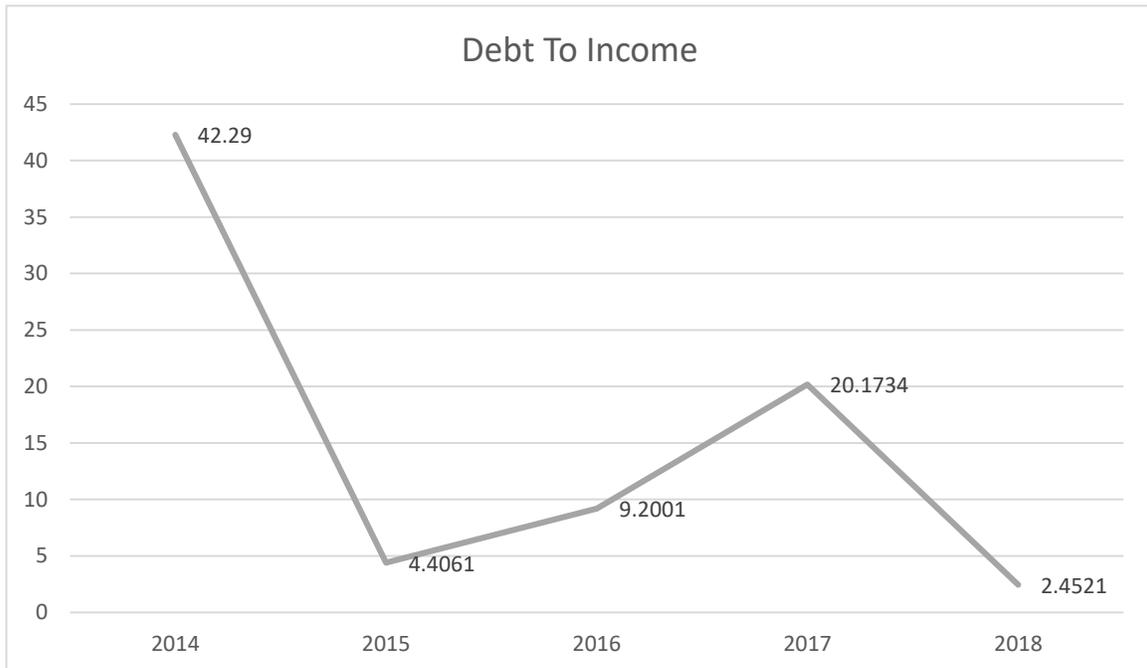
4.4 Credit Risk

4.4.1 Average-Collection Period



Referring to the graph of average-collection period above, the ratio is fluctuating from year 2014 to 2018. In 2014, it shows the highest average-collection period (151.62 days) of Hiap Seng Engineering Ltd which indicates that it is the highest average number of days the company takes to collect its accounts receivable. In other words, the highest average number of days required to convert receivables into cash. So, the lower the period is better. However, it depends on the company credit policy to judge how well the company is doing. From year 2014 to 2015 shows significant decrease of ratio that might indicates that company might tighten their credit policy, reduce the payment term or increase the collection effort. However, from year 2015 to 2016 also shows significant rising in ratio which might indicates that the company has loosen credit policy, the economy has worsen or the collection efforts are reduced.

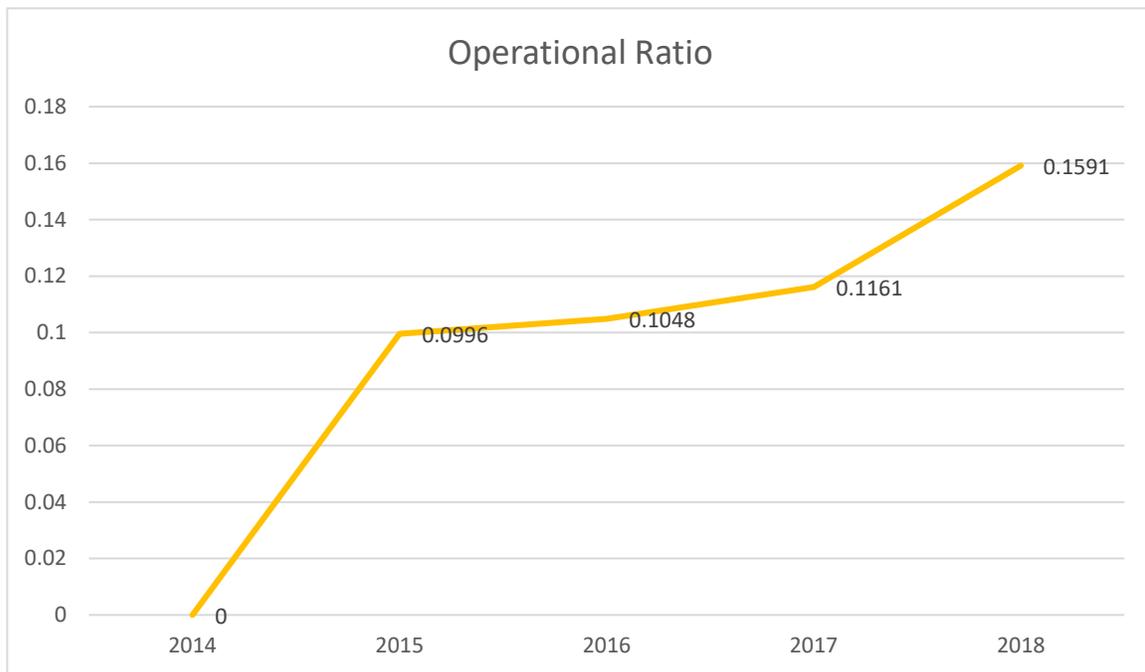
4.4.2 Debt To Income



According to debt to income graph below, the percentage is fluctuating from year 2014 to 2018 while in 2014 shows the highest percentage (42.29%) and in year 2018 shows the lowest percentage (2.4521%) of debt to income for Hiap Seng Engineering Ltd. It shows that the company might having problem in making their payments in year 2014. The lender have better view of the company in year 2015, 2016 and 2018 as the ratio is lower to view how well the company manage their debts and afford to pay the loans. The lower of debt to income ratio is better in lenders perceptions. In order to reduce debt-to-income ratio, the company need to either make more money or reduce the monthly payments the company owe.

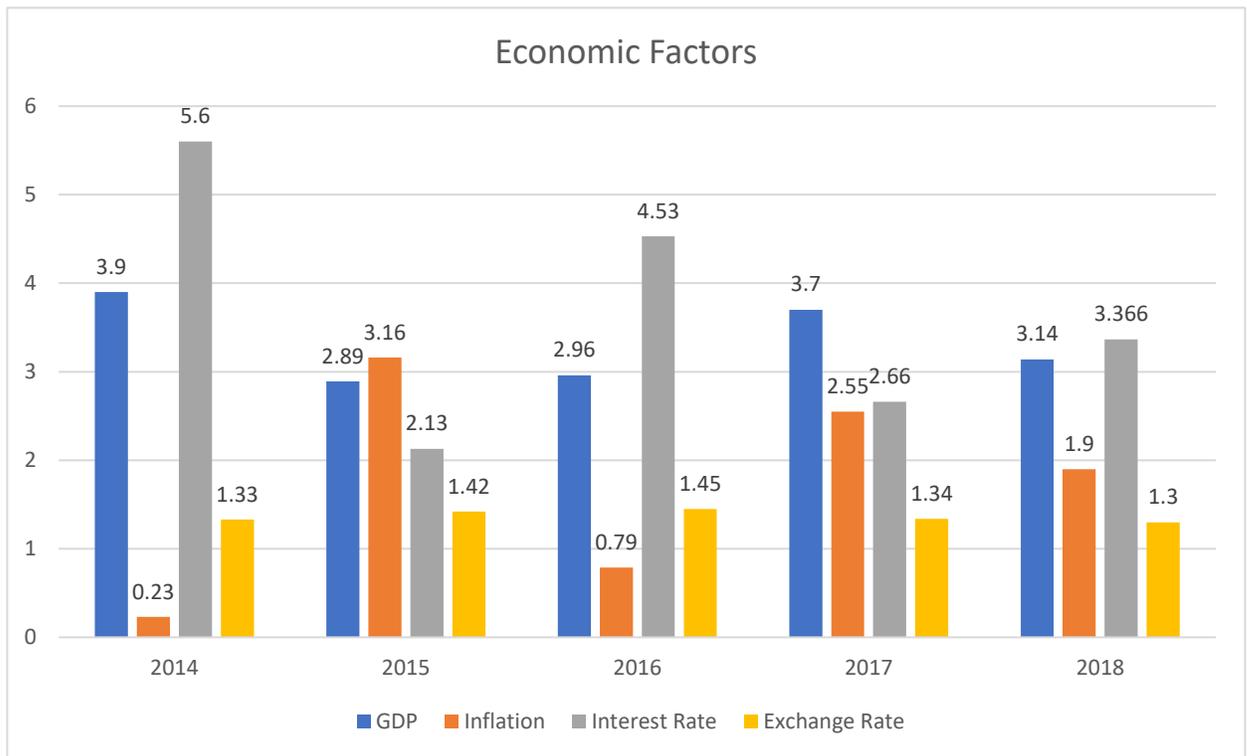
4.5 Operational Risk

4.5.1 Operational Ratio



According to operational ratio graph above, the ratio is increasing from year 2014 to 2018. It indicates that efficiency of Hiap Seng Engineering Ltd's management at keeping costs low while generating revenue or sales is decreasing. This is because the smaller the ratio, the more efficient the company is at generating revenue versus total expenses. The company may need to implement cost controls for margin improvement if its operating ratio is increasing over time. As a whole review, the trends of operational of the company is inefficient from year 2014 to 2018.

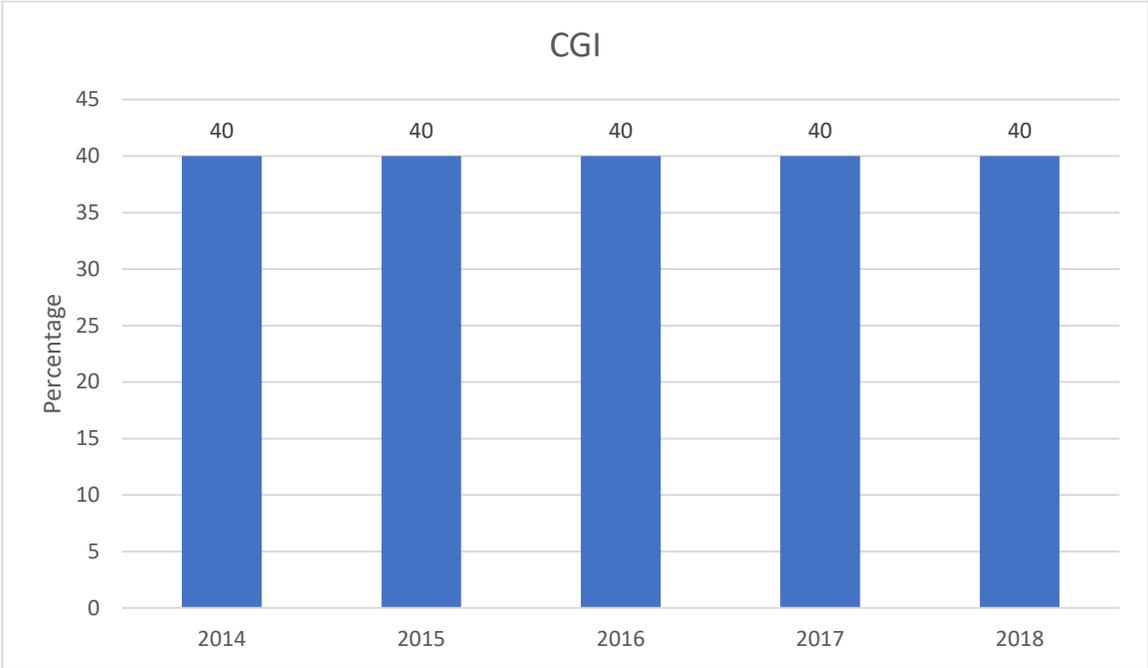
4.6 Market Risk



Market risk or also known as systematic risk is an uncontrolled risk. It cannot be eliminated through diversity even if it can be hedged. Changes in Gross Domestic Product (GDP), inflation rate, interest rate, and exchange rates are some of the market risk determinants. The above graphs show the economic factor movements that influence company performance for this 5 years. GDP is used to measure the monetary value of goods and services produced by the country in one year. The GDP in Singapore was fluctuated during these 5 years from 2014 to 2018. Singapore has the highest GDP in 2014 with the value of 3.9%. It indicates that in that particular year, the country's economy is at its best. A higher GDP is preferred because it shows that the economic condition of a particular country is growing. . However, the GDP in Singapore starts to decline reaching the lowest point of 2.89% in 2015. This may be caused by the global financial crisis that happens during that time.

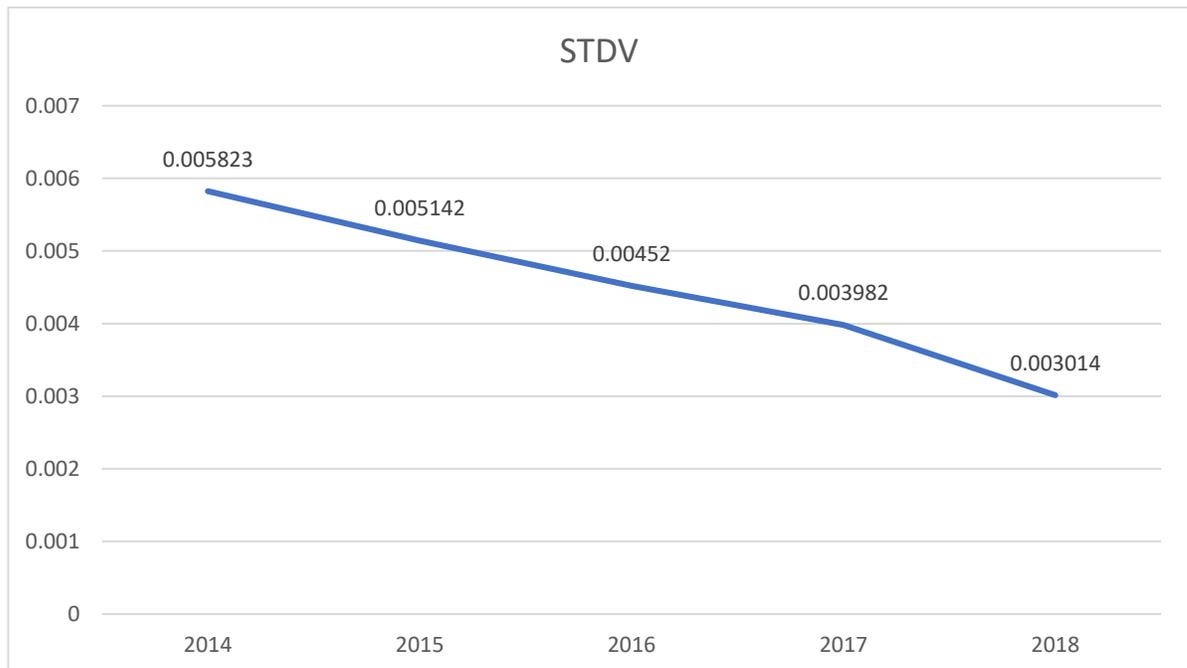
The inflation rate for first year has been in a good rate which is 0.23% in 2014 but it increased drastically in 2015 to 3.16 which is that rate is the highest among the five years. A high inflation is not good for the country as it will reduce the value of money unless the interest rate for that particular year is higher than the inflation rate. Next, the interest rate for the past 5 years shows an increasing and also decreasing form year to year. In 2014, the interest rate is the highest rate 5.6% and has drop to 2.13% in the next year due to the high rate of inflation. Besides that, it can be seen the exchange rate for the past 5 years also shows almost stable trend. It indicates that that country still in a good of economic growth.

4.7 Corporate Governance Index



Corporate Governance index (CGI) is calculated based on 5 principles which are accountability, transparency, independence, fairness and sustainability. The criteria that represent each principle are meeting, present of audit committee, more than 50% of non-executive committee, female executive on board and the involvement in social responsibility programme respectively. Each criterion counted as 1 score and Hiap Seng Engineering Ltd has achieve only 2 out of 5 of the criteria for the 5 years.

4.8 Standard Deviation



The standard deviation for the Hiap Seng showed a decreasing trend from 2014 until 2018. In 2014, it charted the highest rate which is 0.005823% then dropped to 0.005142% for the next year. It still decrease from year to year. In 2017, STDV still decrease as much as 0.000538% from 0.00452% in 2016 to 0.003982%. In 2018 the standard deviation also dropped from 00.3982% to 0.003014%.

4.9 SPSS Analysis

The SPSS analysis of performance on company specific variables will be discussed in four perspective which are correlation, model summary, anova and coefficient.

I. Correlation

Table below show the correlation of dependent variable and company internal and external factors of Hiap Seng

		Correlations												
		ROA	CURRENT RATIO	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATIONAL RATIO	OPERATING MARGIN	CGI	GDP	Inflation	InterestRate	ExchangeRate	STDV
Pearson Correlation	ROA	1.000	-.873	-.873	.506	.234	-.236	.544	.	.219	-.321	.374	-.651	.022
	CURRENT RATIO	-.873	1.000	1.000	-.376	-.123	.335	-.434	.	.094	.436	-.483	.201	-.258
	QUICK RATIO	-.873	1.000	1.000	-.376	-.122	.334	-.435	.	.094	.436	-.482	.202	-.257
	AVERAGE-COLLECTION PERIOD	.506	-.376	-.376	1.000	.512	-.286	.172	.	.526	-.847	.827	-.526	-.102
	DEBT TO INCOME	.234	-.123	-.122	.512	1.000	-.886	-.620	.	.896	-.611	.679	-.324	.641
	OPERATIONAL RATIO	-.236	.335	.334	-.286	-.886	1.000	.671	.	-.602	.592	-.676	-.020	-.908
	OPERATING MARGIN	.544	-.434	-.435	.172	-.620	.671	1.000	.	-.442	.176	-.216	-.404	-.738
	CGI	.	.	.	.	.	.	.	1.000	.	.	.	.	.
	GDP	.219	.094	.094	.526	.896	-.602	-.442	.	1.000	-.392	.446	-.623	.283
	Inflation	-.321	.436	.436	-.847	-.611	.592	.176	.	-.392	1.000	-.993	.064	-.338
	InterestRate	.374	-.483	-.482	.827	.679	-.676	-.216	.	.446	-.993	1.000	-.093	.423
	ExchangeRate	-.651	.201	.202	-.526	-.324	-.020	-.404	.	-.623	.064	-.093	1.000	.364
	STDV	.022	-.258	-.257	-.102	.641	-.908	-.738	.	.283	-.338	.423	.364	1.000
Sig. (1-tailed)	ROA	.	.027	.027	.192	.352	.351	.172	.000	.362	.299	.267	.117	.486
	CURRENT RATIO	.027	.	.000	.266	.422	.291	.233	.000	.440	.231	.205	.373	.337
	QUICK RATIO	.027	.000	.	.266	.422	.292	.232	.000	.440	.231	.205	.372	.338
	AVERAGE-COLLECTION PERIOD	.192	.266	.266	.	.189	.320	.391	.000	.181	.035	.042	.181	.435
	DEBT TO INCOME	.352	.422	.422	.189	.	.023	.132	.000	.020	.137	.104	.297	.122
	OPERATIONAL RATIO	.351	.291	.292	.320	.023	.	.108	.000	.141	.146	.105	.487	.017
	OPERATING MARGIN	.172	.233	.232	.391	.132	.108	.	.000	.228	.389	.363	.250	.077
	CGI	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	GDP	.362	.440	.440	.181	.020	.141	.228	.000	.	.257	.226	.131	.322
	Inflation	.299	.231	.231	.035	.137	.146	.389	.000	.257	.	.000	.459	.289
	InterestRate	.267	.205	.205	.042	.104	.105	.363	.000	.226	.000	.	.441	.239
	ExchangeRate	.117	.373	.372	.181	.297	.487	.250	.000	.131	.459	.441	.	.274
	STDV	.486	.337	.338	.435	.122	.017	.077	.000	.322	.289	.239	.274	.
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
	CGI	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

II. Model 1 : Performance on Internal Factors

Model Summary of Hiap Seng performance on internal factors

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.899 ^a	.808	.232	.0739782	2.363

a. Predictors: (Constant), OPERATIONAL RATIO, AVERAGE-COLLECTION PERIOD, QUICK RATIO

b. Dependent Variable: ROA

From table above, model summary of dependent and internal factors, this tell us that 23.2% of the variance in the dependent variable is explained by the return on asset.

Anova of Hiap Seng performance on internal factors

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.023	3	.008	1.402	.540 ^b
	Residual	.005	1	.005		
	Total	.028	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), OPERATIONAL RATIO, AVERAGE-COLLECTION PERIOD, QUICK RATIO

From table above, we have a significant result. The value of F is 1.4, which reaches significance with a p-value of .540 (which is less than the .05 alpha level). This means there is a statistically significant difference between the means of the different levels of the education variable.

Coefficients of Hiap Seng performance on internal factors

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF

1	(Constant)	.335	.330		1.016	.495	-3.856	4.526		
	QUICK RATIO	-.204	.122		-.822	-1.681	.342	-1.748	1.340	.803
	AVERAGE-COLLECTION PERIOD	.001	.002		.225	.468	.721	-.020	.021	.829
	OPERATIONAL RATIO	.148	.682		.102	.216	.864	-8.521	8.816	.859

a. Dependent Variable: ROA

From coefficient table, we found that Average-collection period and operational ratio has the biggest significance effect to ROA with P-value <0.05.. This result is consistent with the study of Impact of ROA on Return on Assets of Firms: Evidence From Nigeria, by Takon, Samuel. Besides, ACP and OR influence ROA positively while QR influence ROA negatively.

III. Model 2 : Performance on External Factors

Model Summary of Hiap Seng on External Factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.731 ^a	.535	-.861	.1151166	2.414

a. Predictors: (Constant), STDV, Inflation, ExchangeRate

b. Dependent Variable: ROA

From table, model summary of dependent and external factors, tell us that -86.1% of the variance in the dependent variable is explained by the STDV, Inflation and Excgange Rate. This result is inconsistent with the pass study done by Izzamirah et al, 2017 that external factors is giving less impact to company ROA.

Anova of Hiap Seng on External Factors

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.015	3	.005	.383	.795 ^b
	Residual	.013	1	.013		
	Total	.028	4			

- a. Dependent Variable: ROA
- b. Predictors: (Constant), STDV, Inflation, ExchangeRate

From table, we can learn that STDV, Inflation and Excgange Rate have the greatest effect to the dependent variables. This result is inconsistent with the pass study done by Doris Madhi, 2017 that states STDV, Inflation and Excgange Rate has not significant to ROA.

Coefficients of Hiap Seng on External Factors

Coefficients^a									
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1 (Constant)	1.359	1.259		1.080	.475	-14.632	17.351		
Inflation	-.014	.052	-.203	-.274	.830	-.670	.642	.845	1.183
Exchange Rate	-.946	.991	-.715	-.954	.515	-13.542	11.650	.828	1.207
STDV	16.738	62.473	.213	.268	.833	-777.059	810.535	.737	1.358

a. Dependent Variable: ROA

From coefficient table, we found that Inflation, Exchange Rate and STDV have the most positive significance effect to ROA ratio with P-value < 0.05. This indicates that the company ROA is decrease when the country Inflation, Exchange Rate and STDV decrease. This result is consistent with the study of Asia Economic and Financial Review, that states that the decrease of a ROA in a country will eventually decrease Inflation, Exchange Rate and STDV as well.

IV. Model 3 : Performance on Internal and External Factors

Model Summary of Hiap Seng Performance on Both Factors

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.979 ^a	.958	.833	.0344383	3.252

a. Predictors: (Constant), STDV, QUICK RATIO, GDP

b. Dependent Variable: ROA

From table, model summary of dependent and both internal and external factors, tell us that 83.3% of the variance in the dependent variable is explained by the STDV, Quick Ratio and GDP. This result is inconsistent with the pass study done by Izzamirah et al, 2017 that GDP is giving most impact to company ROA.

Anova of Hiap Seng Performance on Both Factors

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.027	3	.009	7.674	.258 ^b
	Residual	.001	1	.001		
	Total	.028	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), STDV, QUICK RATIO, GDP

From table, we can learn that STDV, Quick Ratio and GDP have the greatest effect to the dependent variables. This result is consistent with the pass study done by Doris Madhi, 2017 that states GDP has significant to company ROA.

Coefficients of Hiap Seng on Both Factors

Model	Coefficients^a								Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Tolerance			VIF
	B	Std. Error	Beta			Lower Bound	Upper Bound			
1 (Constant)	.388	.157		2.465	.245	-1.610	2.385			
QUICK RATIO	-.249	.053	-1.003	-4.672	.134	-.927	.428	.904	1.107	
GDP	.077	.040	.413	1.911	.307	-.433	.587	.890	1.124	
STDV	-27.754	17.514	-.353	-1.585	.358	-250.293	194.786	.839	1.192	

a. Dependent Variable: ROA

From coefficient table, we found that STDV, Quick Ratio and GDP have the most significance effect to ROA. This result is consistent with the study of Asia Economic and Financial Review, that states that the increase of a ROA in a country will eventually increase the STDV, Quick Ratio and GDP as well.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This study aims to identify the internal and external factor for Hiap Seng Engineering Ltd. whereby it is the one of the oil and gas company in Singapore. To achieve this objective, internal factors (credit risk, performance, corporate governance index, liquidity risk and operational risk) and external factors (market risk, inflation, gross domestic product, inflation, STDV and exchange rate) were used in this study. Hence, in this chapter, the discussion will be based on the findings in chapter four. Conclusion and recommendations for future research are included in this chapter.

5.2 Limitations

This study is limited to only oil and gas industry in Singapore. It is also limited to five years performance for Hiap Seng Engineering Ltd. This study also cover only five years financial statements from 2014 until 2018 for this company. Thus, only limited amount of information can be collected due to the time constraint.

5.3 Conclusion

In conclusion, Hiap Seng Engineering Ltd. has a good company performance when can see the relationship of internal and external factor affected the ROA. This factor clearly affected the business operation, whereby its can be impact to company performance. Internal factor directly will impact to the company. If company cannot run business effectively like, follow the principle of corporate governance, the company faced any problem and its show this company categories the poor corporate governance. While, external factor like GDP, inflation rate, interest rate, and exchange rate will also affected the company performance. This factor cannot be expected occur, the company need to know resolve the problem occur. The company need to aware the economic condition, and take risk effectively.

APPENDICES

Table 1: Performance of Hiap Seng Engineering Ltd. for 5 years (2014-2018)

PERFORMANCE		
Net Income	Total Assets	ROA
-3247000.00	209258000.00	-0.02
-11812000	117316000	-0.1007
4776000	116038000	0.0412
2976000	94626000	0.0315
-19124000	91938000	-0.2080

Table 2: Liquidity Risk of Hiap Seng Engineering Ltd for 5 years (2014-2018)

LIQUIDITY RISK					
Current Asset	Current Liability	CURRENT RATIO	Inventory	Prepaid Expenses	QUICK RATIO
172335000.00	133478000.00	1.29	0.00	0.00	1.29
83608000	53882000	1.5517	0	0	1.5517
84668000	50040000	1.6920	0	0	1.6920
65840000	30660000	2.1474	0	0	2.1474
65222000	47767000	1.3654	60000	0	1.3642

Table 3 : Credit Risk of Hiap Seng Engineering Ltd. for 5 years (2014-2018)

CREDIT RISK					
Account Receivable	Revenue/360 Days	AVERAGE-COLLECTION PERIOD	Total Liability	Total Income	DEBT TO INCOME
108921000.00	718380.56	151.62	135848000.00	-3212000.00	-42.29
61109000	703067	86.9178	56120000	-12737000	-4.4061
61752000	466342	132.4179	51585000	5607000	9.2001
52566000	440342	119.3755	31753000	1574000	20.1734
43084000	303825	141.8053	49186000	-20059000	-2.4521

Table 4 : Operational Risk of Hiap Seng Engineering Ltd. for 5 years (2014-2018)

OPERATIONAL RISK					
Operating Expenses	Net Sale	OPERATIONAL RATIO	EBIT	Revenue	OPERATING MARGIN
23507000.00	258617000.00	0.00	-3847000.00	258617000.00	-0.01
25219000	253104000	0.0996	-12163000	253104000	-0.0481
17595000	167883000	0.1048	6065000	167883000	0.0361
18410000	158523000	0.1161	1524000	158523000	0.0096
17404000	109377000	0.1591	-19113000	109377000	-0.1747

Table 5 : Market Risk of Hiap Seng Engineering Ltd. for 5 years (2014-2018)

GDP	Inflation	Interest Rate	Exchange Rate	STDV
3.90	0.23	5.6	1.33	0.005823
2.89	3.16	2.13	1.42	0.005142
2.96	0.79	4.53	1.45	0.00452
3.70	2.55	2.66	1.34	0.003982
3.14	1.9	3.36	1.3	0.003024

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