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## **performance of Alpha Energy Holdings Limited.**

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**PERFORMANCE OF ALPHA ENERGY HOLDINGS LIMITED**

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**ABSTRACT**

This study for this research is to determine the impact of all the risks towards the performance of Alpha Energy Holdings Limited. This analysis using internal and external in SPSS. The regression analysis shows that return on asset of Alpha Energy Holdings Limited influence the quick ratio (internal factor) and interest rate (external factor).

**Keyword: return on asset, economic factors and corporate governance**

## **1.0 INTRODUCTION**

### **1.1 INTRODUCTION**

This chapter begins with an overview of Alpha Energy Holdings Limited which is petroleum industry. It is followed by the discussion of the problem statement, research objectives, research questions, scope of study and lastly is about the organisation of the project.

### **1.2 OVERVIEW OF ALPHA ENERGY HOLDINGS LIMITED**

Alpha Energy Holdings Limited, formerly JK Tech Holdings Limited is a Singapore based investment holding company. The company operates through the Exploration and Production segment, which is engaged in the exploration and development of oil and gas. This company officially opened in 2014 with the first Independent Non-Executive which is Ravinder Singh Grewal Sarbijit S.

The company holds the Mustang project, which is an oil field in the Southern Miluvealch Unit. The Mustang Project encompasses approximately 7.680 acres (over 30 square kilometres) in the North Slope oil productive region of Alaska, the United States. The Mustang Field is adjacent to the southwestern corner of the Kuparuk River Oil Field.

Alpha Energy Holdings Limited was listed as small, independent owner and operator of oil assets listed on the SGX. Besides, at 14 May 2019 the market cap show the profit US\$34.3 Million and key oil assets located on the North Slope of Alaska, USA, owning net working interest of 90.1% of portfolio assets.

All the companies faced many issues and the risk that may be occur whether the big companies or small companies. Alpha Energy Holdings Limited is one of the International company and surely that company faced many risk especially in term of liquidity risk, credit risk, operation risk and market risk. It also influenced by the macroeconomic factor like GDP, inflation, interest rate, exchange rate and price change. Next, we can know the performances of the company by looking to the factors internal and external that does it give impact to the company or not. This study shows how far the relationship between all the risks towards company performances.

### **1.3 PROBLEM STATEMENT**

Singapore is one of the country major in oil and gas sector. Companies under this industry need to have a strength financial and make loans, went out started acquiring leases on their own and started mapping drilling projects on those leases hoping to sell the deals to other companies who would actually drill the holes and operate the wells if successful leaving them with an initial fee for having generated the deal and another over-riding royalty on any and all production established. There are companies not profitable to operate because of its size and overhead expenses because they need to buy the leases and equipment. Companies that have liquidity risk which is include financial risk can give an impact to their company performance and also affect the country.

A combined reading of King and Wen (2011), Nguyen (2011), Fratini and Tettamanzi (2015) suggests that corporate risk taking a possible mechanism that explains the linkage between corporate governance and company performance. It is this possibility that informs the practice in governance where the top management is made part of the ownership structure as a way of gaining their nine commitment to exercise of prudence in risk taking decisions. (Chun et al, 2011; Dong et al 2014; Rahman and Rejab 2013). In other article some of the author do not address the effect of risk taking on the relationship between corporate governance and performance. Kryvko (2012), Hu and Izumida (2008), Haniffa et al (2006) and Li et al (2015). Hence the companies that have liquidity problem can give impacts on country's GDP and affect the economy as whole.

### **1.4 RESEARCH OBJECTIVES**

1. To investigate the internal factors influence towards return on asset
2. To investigate the external factors influence towards return on asset
3. To investigate both internal and external factors influence towards return on asset.

### **1.5 RESEARCH QUESTIONS**

1. Does any relationship between the internal factors towards return on asset?
2. Does any relationship between the external factors towards return on asset?
3. Does any relationship between both internal and external factors towards return on asset?

## **1.6 SCOPE OF STUDY**

The sample of this study is about oil and gas industry in Singapore namely as Alpha Energy Holdings Limited. All the accounting and financial ratios were based on the Alpha Energy Holdings Limited, annual report for 5 years (from 2014-2018).

## **1.7 ORGANIZATION OF STUDY**

There are five chapters in this study. Chapter one, there have introduction part, which is consist an overview of the study, problem statement, research objectives, research questions, scope of the study, and organization of the study. In chapter two, it reviews about literature review of corporate governance, credit risk, operation risk, liquidity risk and market risk. Chapter three details about the measurement of variables, research methodology and data analysis. While, chapter four discusses the results and findings of the study. Finally, chapter five includes conclusions of the study.

## **2.0 LITERATURE REVIEW**

### **2.1 INTRODUCTION**

This chapter consist definition corporate governance, credit risk, operation risk, liquidity risk and market risk.

### **2.2 CORPORATE GOVERNANCE**

Corporates is the system describes the process, customs, rules and practises by which a firm is directed and controlled. Corporate Governance involves balancing the interest of a company's many stakeholders, such as shareholders, senior management executive, suppliers, financiers, the government and the community.(Investopedia).It consist four principle namely accountability, fairness, independent and transparency.

Prachi Juneja (2001) Corporate Governance is basically a detailed disclosure of information and an account of an organization's financial situation, performance, ownership and governance, relationship with shareholders and commitment to business ethics and values. Zingales (1998) defines corporate governance as "allocation of ownership, capital structure, managerial incentive schemes, takeovers, organizational structure and etc, can all be thought of as an institutions that affect the process through which quasi-rents are distributed.

### **2.3 CREDIT RISK**

Credit risk is a measure of the creditworthiness of a borrower. In calculating credit risk, lenders are gauging the likelihood they will recover all of their principal and interest when making a loan. Borrowers considered to be a low credit risk are charged lower interest rates. Bankrate (2019).

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Traditionally, it refers to the risk that a lender may not receive the owed principal 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 and managing credit risk can lessen the severity of loss. Investopedia (2019).

## **2.4 OPERATION RISK**

The Basel Committee's (2011), Operational risk is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank's risk management programme. As a result, sound operational risk management is a reflection of the effectiveness of the board and senior management in administering its portfolio of products, activities, processes and systems. The Committee, through the publication of this paper, desires to promote and enhance the effectiveness of operational risk management throughout the banking system.

Operational risk was not recognized under Basel I but made its way as part of Basel II. During mid-1990s, many incidents originating on account of human error and missing controls drew the attention towards operational risk and a formal word of operational risk was recognized in banking sector. TfaGeeks (2017).

## **2.5 LIQUIDITY RISK**

Kleopatra Nikolau (2009) Risk relates to the probability of having a realisation of a random variable different to the realisation preferred by the economic agent. The economic agent would have a preference over liquidity in that sense the probability of not being liquid would suggest that there is liquidity risk. The higher the probability, the higher the liquidity risk.

Machina and Rotschild (1987) suggest that the notion of risk is related to the probability distribution of the underlying random variable, where economic agents have well-defined preferences over the realizations of the random variable of interest. Matz and Neu (2006) and Banks (2005) provide a list of funding ratios and liquidity ratios that are frequently used at a firm level as liquidity risk proxies (for example the funding ratio, which is the ratio of total available funding over the total available assets above a number of periods).

## **2.6 MARKET RISK**

Market risk is also known as systematic risk and undiversifiable risk. The word 'systematic' refers to the way such risk affects the whole market, systematically threatening share prices. Such a risk is undiversifiable because by definition it is impossible to seek safety in a diversified portfolio when every element of that portfolio is facing the same risk.(capital.com)

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. One method to summarise the total market risk is using VAR (Value at risk). VAR is defined as "the maximum possible loss with a known confidence interval over an orderly liquidation period". Wilson (1993).



### **3.0 METHODOLOGY**

#### **3.1 INTRODUCTION**

This chapter elaborate more on population/ sampling technique, statistical technique, data analysis and statistical package for social science (SPSS).

#### **3.2 POPULATION / SAMPLING TECHNIQUE**

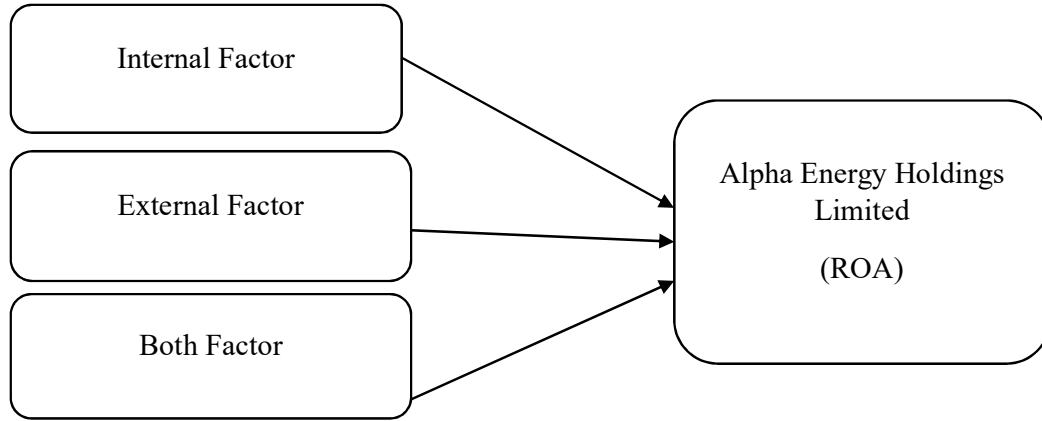
All companies in the oil and gas sector in Singapore are the population in this study. In order to conduct the study, one company were chosen as sample which is Alpha Energy Holdings Limited. Data are taken from the annual report from year 2014 until 2018 is used to measure the dependent variables and dependent variables.

#### **3.3 STATISTICAL TECHNIQUE**

Annual report from 2014 to 2018 for Alpha Energy had been used as the secondary data. The data are focused on income statement and balance sheet to determine the factors affect the company which is internal and external factor. Index score is calculated to determine corporate governance index score from different aspect such as number of meeting, audit committee, non-executive dependent, female on board and green technology that had been used as sustainability. GDP, inflation, interest rate, exchange rate and price change. The data from price change are from historical data from 2014 until 2018 is calculated to determine macroeconomic factors and the data are from Yahoo finance.

### 3.4 DATA ANALYSIS

One dependent variable and three independent variables are using in this study. The research framework as follows:



**Figure 3.1 : Research Framework**

Independent Variable

Dependent Variable

### 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, and it's used by various kinds of researchers for complex statistical data analysis

Model 1: Pooled model of internal factors to the return on asset 9 (ROA) of Alpha Energy  
 $ROA = a + a_1ROA_i + a_2ACP_i + a_3DTI_i + a_4OR_i + a_5OM_i + a_6CGI_i + \epsilon_{it}$

Model 2: Pooled model of external factors to the return on asset (ROA) of Alpha Energy  
 $ROA = a + a_1GDP_i + a_2Inflation_i + a_3IR_i + a_4ER_i + a_5MR_i + \epsilon_{it}$

Model 3: Pooled model of return on asset (ROA) of Alpha Energy  
 $ROA = a + a_1ROA_i + a_2IR_i + a_3ER_i + \epsilon_{it}$

## 4.0 FINDING ANG ANALYSIS

### 4.1 INTRODUCTION

The analysis are using for allow researchers measure the profitability, liquidity, operational risk and leverage.

#### 4.1.1 DESCRIPTIVE ANALYSIS

Figure 4.1.1 Descriptive statistics of internal and external of the company

Descriptive Statistics			
	Mean	Std. Deviation	N
ROA	.042733760941585	.058287176992211	5
CURRENT RATIO	.819732419358149	1.156318580085515	5
QUICK RATIO	.684577771855500	.950579822888949	5
AVERAGE-COLLECTION PERIOD	36.18298578796034	50.98599239836778	5
DEBT TO INCOME	2.573413059298587	5.736742408777744	5
OPERATIONAL RATIO	.034598752541921	.049037356437168	5
OPERATING MARGIN	.013721050691348	.018822467063460	5
CGI	.880	.1095	5
GDP	3.3180	.45488	5
Inflation	1.7260	1.21241	5
InterestRate	3.6560	1.40990	5
Price change	.004379923499743	.004014664216291	5

### 4.2 LIQUIDITY RISK

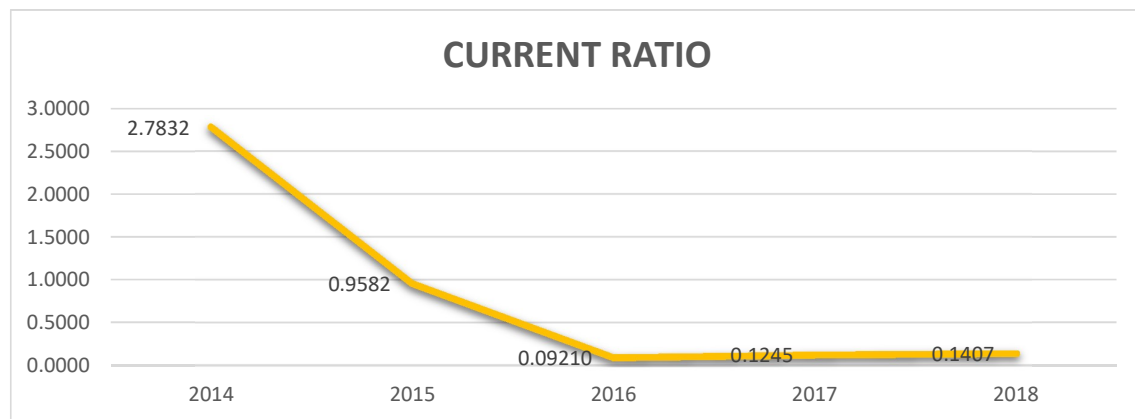


Figure 4.2: current ratio from 2014 to 2018

Based on the graph above, in 2014 has the highest current ratio (2.7832) among all the five years. It shows that in 2014 has 2.7832 current assets to cover of current liabilities. Next in 2016 showed a drop to 0.09210. However, the value of current ratio in 2015, 2016, 2017, and

2018 were less than 1. So we can conclude that the debt of the company are greater than its asset because it less than 1. The average mean of current ratio 0.819 and standard deviation is 1.156.

### 4.3 QUICK RATIO

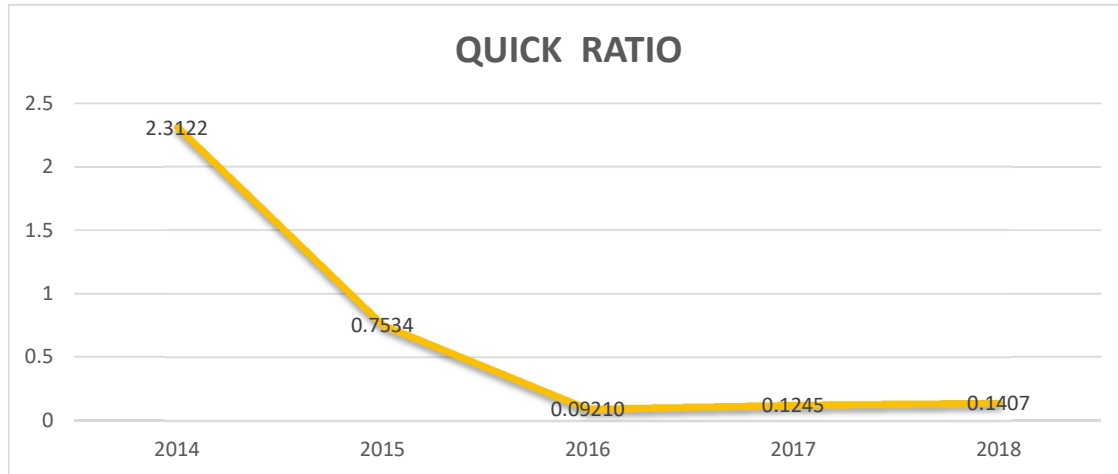


Figure 4.3 Quick ratio from 2014 until 2018

The highest quick ratio is 2014 with 2.3122. The graph started sloped down from 2015 to 2016 with 0.7534 and 0.09210. There are little bit increasing in 2017 to 2018 with 0.1245 and 0.1407. That means from 2015 to 2018 the company not able to pay its current liabilities in a short term. The average mean of quick ratio is 0.68 and standard deviation is 0.95.

### 4.4 CREDIT RISK

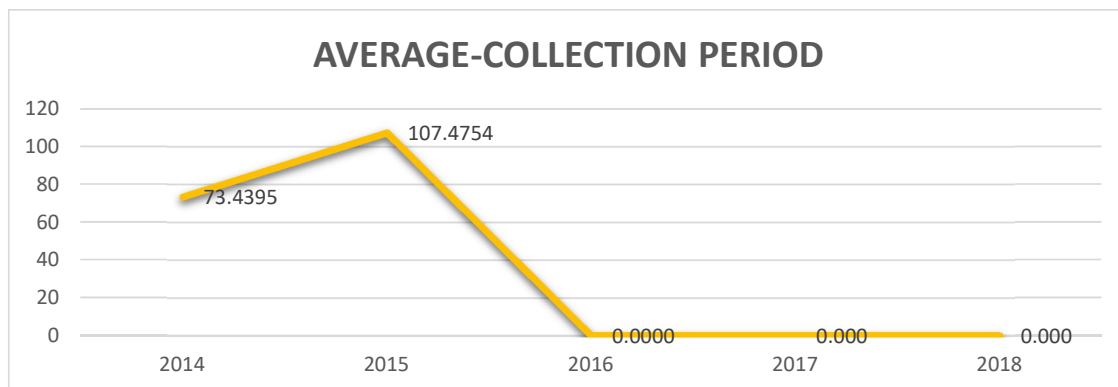


Figure 4.4 Average collection period from 2014 to 2018

Based on the graph above, the highest average collection period was in 2015 (107.4754 days). On the contrary, the number started to be zero days started from 2016, 2017 and 2018. The average mean of average collection period is 36.18 and standard deviation is 50.98. The

lower average collection period means Alpha Energy decrease the length of your credit terms with customers to minimize risk.

#### 4.5 DEBT TO INCOME

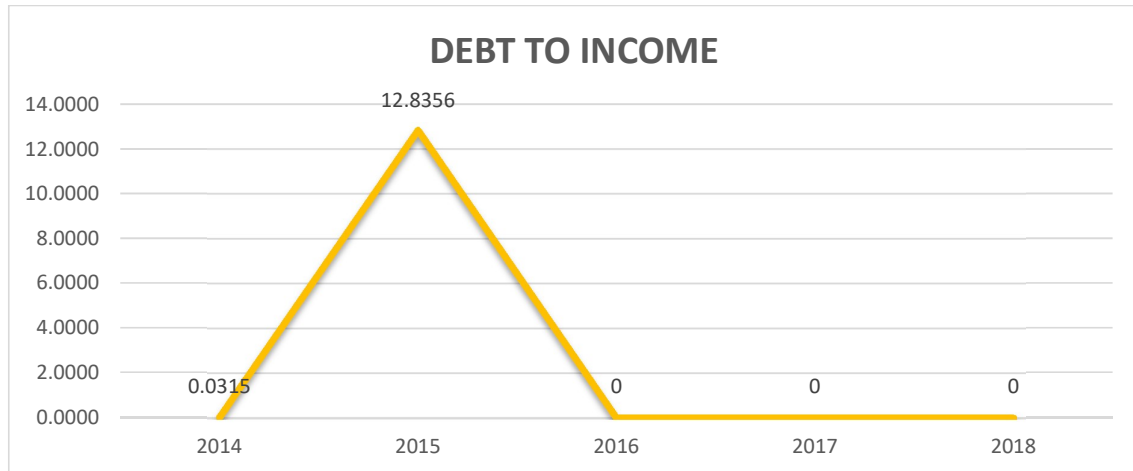


Figure 4.5 debt to income from 2014 to 2018

Based on the table, debt to income increasing from 2014 to 2015 with 0.0315 cent/1 SGD dollar income in to 12.8356 cent/1 SGD dollar income high debt-to-income ratio signals that the company may have a lot of debt for the amount of income that the company have and lenders view this as a signal that the company would be unable to take on any additional obligations. The average debt to income of Alpha Energy is 2.573 and standard deviation is 5.74. Meanwhile the debt to income show positive value when it decrease with zero value from 2016 to 2018. That means a low debt income indicates a good balance between debt and income.

#### 4.6 OPERATIONAL RISK

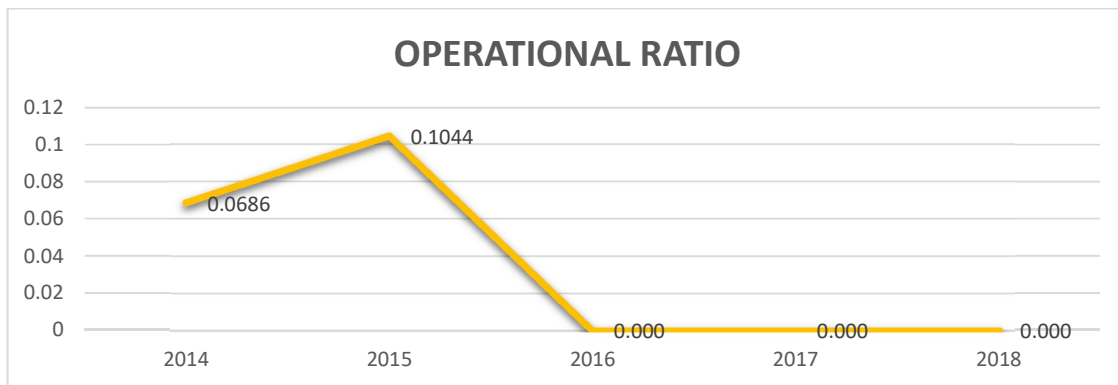


Figure 4.6 Operational ratio from 2014 to 2018

Based on the graph, operational ratio of Alpha Energy keep on increasing from 2014 to 2015 which is 0.0686 to 0.1044. This is not a good sign because it is shows that operating expenses are increasing relative to sales or revenue. Then, the operational ratio data have positive data when it drop to zero in 2016, 2017 and 2018. So, that means that Alpha Energy operating expenses are becoming an increasingly smaller percentage of net sales. The average mean of operating ratio is 0.034 and standard deviation is 0.049.

#### 4.7 OPERATING MARGIN

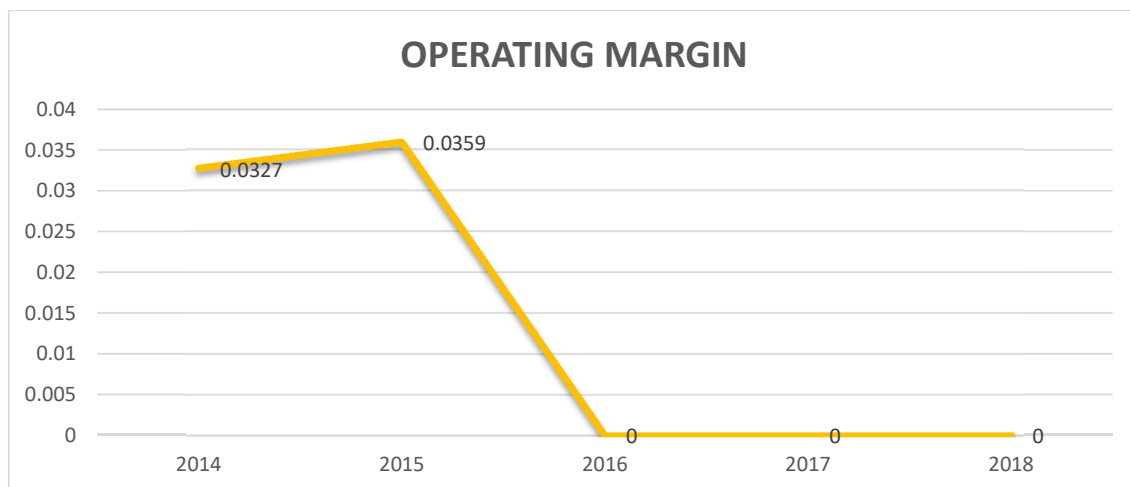


Figure 4.7 operating margin from 2014 to 2018

The operating margin with highest value is in 2015 with 0.0359 and the lower value is zero from 2016 to 2018. That means the higher operating margin better than to lower ratio because the company making enough money from its ongoing operations to pay for its variable costs

as well as its fixed costs. The mean average of operating margin is 0.0137 and standard deviation is 0.0188.

#### 4.8 PROFITABILITY

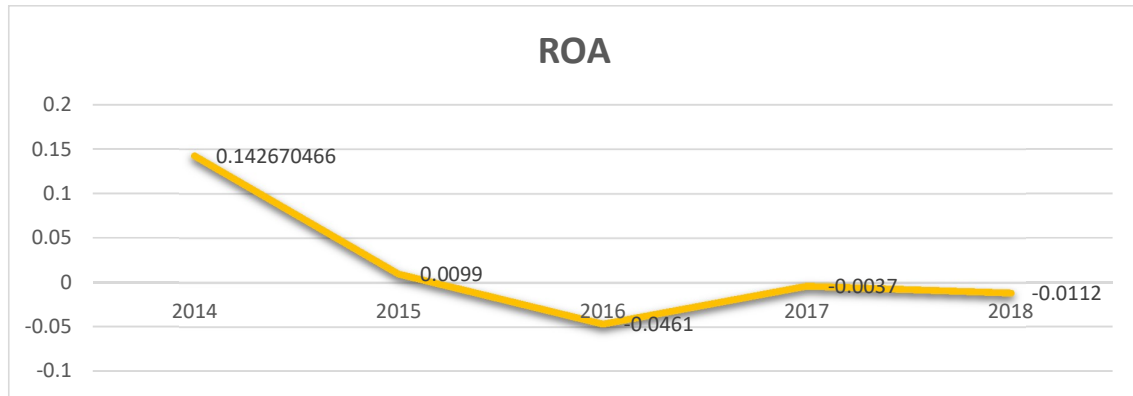


Figure 4.8 Return on asset from 2014 to 2018

The higher value of ROA with 0.143 in 2014 while the lowest was in 2017 which is -0.0037. Then graph shows the decreasing from 0.0099 to -0.0461. This is because there are significant drops in net income and total assets of Alpha Energy. The average mean of ROA is 0.043 and standard deviation is 0.058.

#### 4.9 MARKET RISK

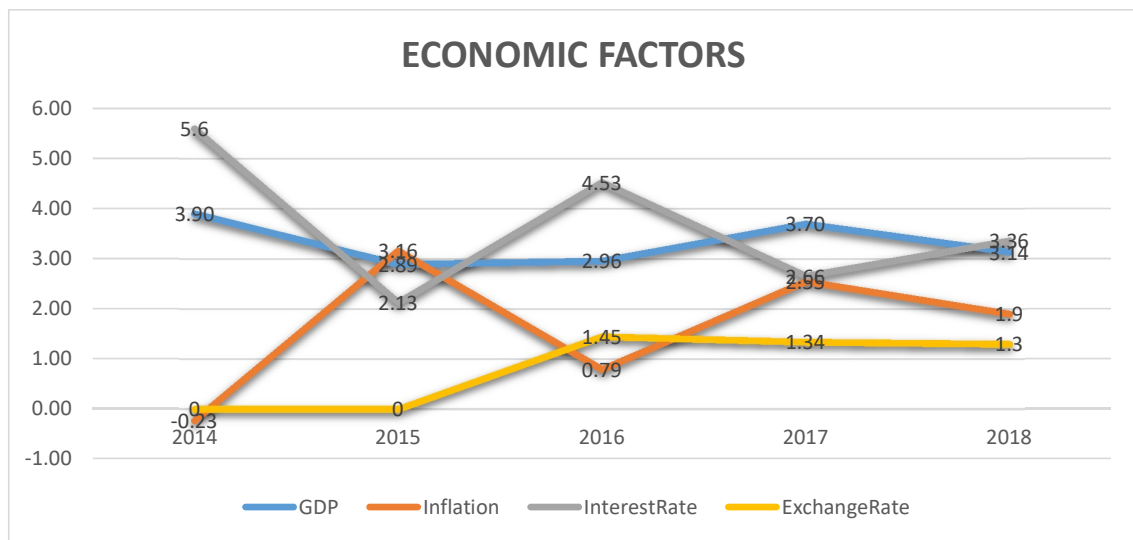


Figure 4.9 Economics factors in 5 years

Based on the graphs above the economic factor shows the flow of up and down within in 2014 to 2018. Singapore has the highest GDP in 2014 with the value of 3.90%. It means that in that particular year, the economy in that country has the best GDP. The GDP in Singapore starts decreasing to the lowest point of 2.89% in 2015. We can assumed that maybe there are

global financial crisis that happens. The average mean of GDP is 3.318 and standard deviation is 0.45488.

The highest inflation can be seen in 2015 which is 3.16% and that means high inflation is not good for the country and economic growth because it will reduce the value of money. The average mean is 1.726 and standard deviation is 1.21241. The interest rate has the highest rate which is 5.6% in 2014. The average mean is 3.6560 and standard deviation is 1.40990. The lower interest rate is 2.15% in 2016. Next, we can see the exchange rate for the past 3 years shows an increasing trend. In 2017, the exchange rate only 1.34% and has go down to 1.3% in 2018.

### 5.0 CORPORATE GOVERNANCE INDEX SCORE

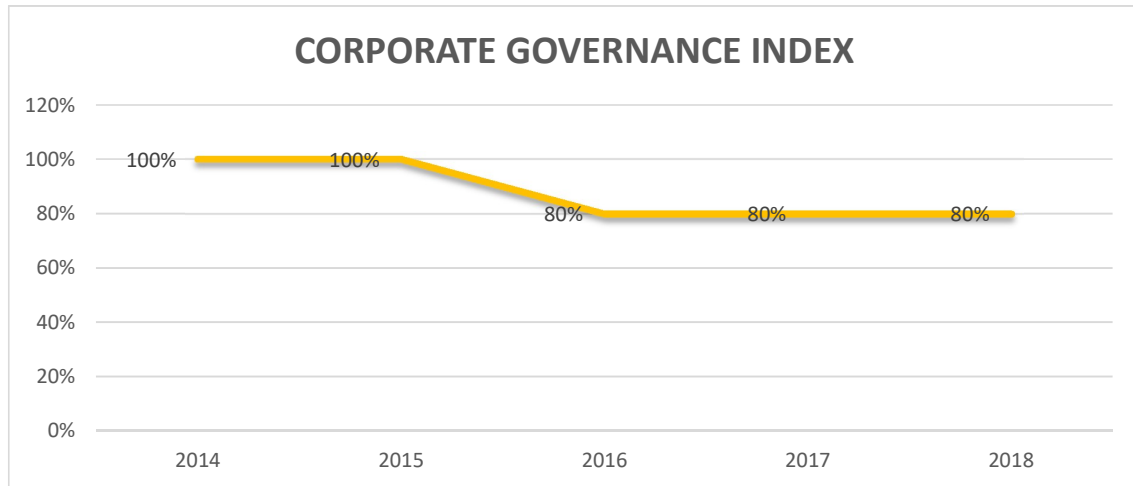


Figure 5.0 Corporate governance index score from 2014 to 2018

Corporate Governance Index is used to determine the principle of corporate governance which are accountability, transparency, independence, fairness and sustainability. All of these criteria are based on annual report of the company. Hence the criteria are represent based on how much the meeting had be held, the number of audit committee, number of non-executive independent director, the number of female being part in the company and the involvement in green technology. Based on the figure above only in 2014 and 2015 the CGI get 100% which is score 5 out 5 because it have all the principle of corporate governance. CGI in 2016, 2017 and 2018 have same score 4 out 5(80%) because they do not have principle of the fairness in that company. This conclude that all of the principle have been manage comply in Alpha Energy and manage to fulfil CGI in this study. The average mean is 0.880 and standard deviation is 0.1095.



## 5.1 PRICE CHANGE (STDV)

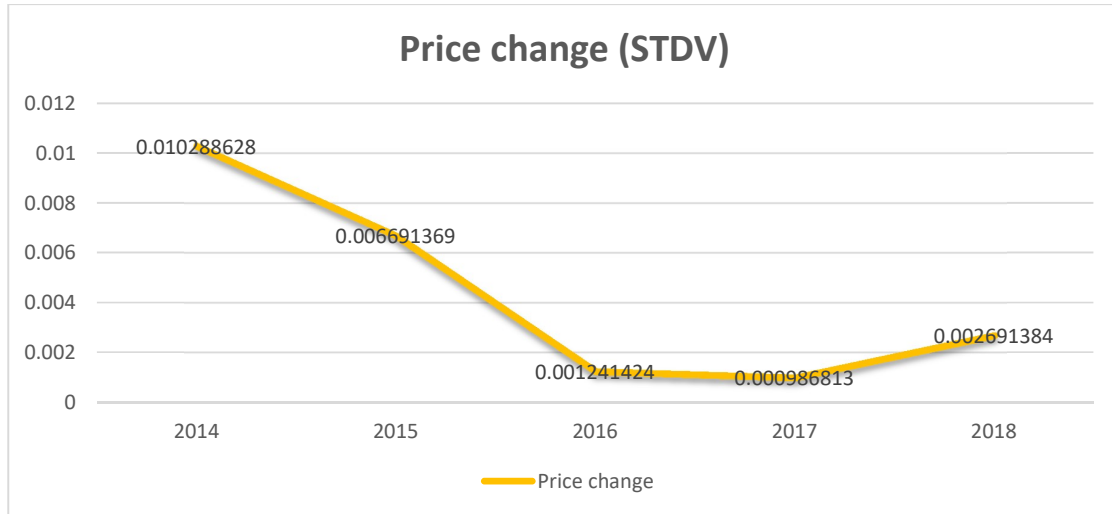


Figure 5.1 Price change (STDV) from 2014 to 2018

Based on the graph above, the price change which in standard deviation shows the decreasing from 2014 to 2016 (0.010%, 0.0069% and 0.0012%). The price change start increasing in 2018(0.00269%) after had slopped down in 2017. The average mean is 0.00437 and standard deviation is 0.0040. The highest value is in 2014(0.010) so that means if standard deviation is high, this indicates the volatility of the price in the market.

**6.0 SPSS ANALYSIS**  
**I. CORRELATION**

**Table.1.0 correlation of dependent variable and company internal and external of Alpha Energy**  
**Correlations**

		ROA	CR	QR	ACP	DTI	OR	OM	CGI	GDP	I	IR	PC
Pearson Correlation	ROA	1.000	.882	.891	.321	-.313	.300	.476	.526	.582	-.840	.899	.737
	CR	.882	1.000	1.000	.675	.069	.658	.795	.830	.570	-.490	.592	.954
	QR	.891	1.000	1.000	.655	.043	.637	.778	.815	.586	-.507	.608	.947
	ACP	.321	.675	.655	1.000	.783	1.000	.984	.972	-.035	.179	-.074	.833
	DTI	-.313	.069	.043	.783	1.000	.797	.661	.614	-.525	.660	-.604	.324
	OR	.300	.658	.637	1.000	.797	1.000	.980	.966	-.053	.198	-.094	.821
	OM	.476	.795	.778	.984	.661	.980	1.000	.998	.107	.028	.083	.914
	CGI	.526	.830	.815	.972	.614	.966	.998	1.000	.155	-.023	.135	.935
	GDP	.582	.570	.586	-.035	-.525	-.053	.107	.155	1.000	-.392	.446	.353
	I	-.840	-.490	-.507	.179	.660	.198	.028	-.023	-.392	1.000	-.993	-.292
	IR	.899	.592	.608	-.074	-.604	-.094	.083	.135	.446	-.993	1.000	.402
PC	.737	.954	.947	.833	.324	.821	.914	.935	.353	-.292	.402	1.000	
Sig. (1- tailed)	ROA	.	.024	.021	.299	.304	.312	.209	.182	.152	.038	.019	.078
	CR	.024	.	.000	.106	.456	.114	.054	.041	.158	.201	.146	.006
	QR	.021	.000	.	.115	.473	.124	.061	.047	.150	.192	.138	.007
	ACP	.299	.106	.115	.	.059	.000	.001	.003	.478	.387	.453	.040
	DTI	.304	.456	.473	.059	.	.053	.112	.135	.182	.113	.141	.297
	OR	.312	.114	.124	.000	.053	.	.002	.004	.466	.375	.440	.044
	OM	.209	.054	.061	.001	.112	.002	.	.000	.432	.482	.447	.015
	CGI	.182	.041	.047	.003	.135	.004	.000	.	.402	.485	.414	.010
	GDP	.152	.158	.150	.478	.182	.466	.432	.402	.	.257	.226	.280
	I	.038	.201	.192	.387	.113	.375	.482	.485	.257	.	.000	.317
	IR	.019	.146	.138	.453	.141	.440	.447	.414	.226	.000	.	.251
PC	.078	.006	.007	.040	.297	.044	.015	.010	.280	.317	.251	.	



The table shows that the correlation between internal and external factor. The current ratio, quick ratio, average collection period, operational ratio, operating margin, CGI, GDP, interest rate and price change are positively correlated with return on asset. Meanwhile, debt to income and inflation are negatively correlated to return on asset. From the table no significant toward return on asset because the value are greater than 0.01.

**Model II: Return on Assets on Internal Factor**

**Table 2.0 Model summary of return on asset Alpha Energy on internal factor**

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.891 <sup>a</sup>	.793	.724	.0306154457078 63	3.376
a. Predictors: (Constant), QUICK RATIO					
b. Dependent Variable: ROA					

From table 2.0, model summary of dependent and internal factors tells us that 72.4% of the variance in dependent variable is explained by the quick ratio. The passed study by Takon Samuel Manyo and Vera N. Ogakwu, the liquidity has a significant positive impact on Return on Assets (ROA), implying that a unit change in liquidity will result into a corresponding increase in ROA.

**Table 3.0 Anova of return on asset Alpha Energy on internal factor**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	11.499	.043 <sup>b</sup>
	Residual	.003	3	.001		
	Total	.014	4			
a. Dependent Variable: ROA						
b. Predictors: (Constant), QUICK RATIO						

From table 3.0, the quick ratio affect the dependent variable which is return on asset. This result is consistent to the pass study by (Rahemen et.al.,2007) liquidity management is to achieve desired trade-off between liquidity and profitability.

**Table 4.0 Coefficients of Alpha Energy return on assets in internal factor**

Coefficients <sup>a</sup>										
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error				Beta	Lower Bound	Upper Bound	Tolerance
1	(Constant)	.005	.018		.304	.781	-.051	.061		
	QUICK RATIO	.055	.016	.891	3.391	.043	.003	.106	1.000	1.000

a. Dependent Variable: ROA

From the table 4.0 the significance value is quick ratio effect to return on asset with P value < 0.05. This means that company performance increased when the company return on asset increased. This result can be seen in study passed by Bhunia,et. al.(2011) existence of the trade-off between liquidity and profitability trade-off investigated the liquidity management efficiency and liquidity profitability relationship.

**Model III: Return on Asset on External Factor**

**Table 5.0 Model summary of return on asset Alpha Energy on external factor**

Model Summary <sup>c</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.899 <sup>a</sup>	.808	.744	.029488727836936	

a. Predictors: (Constant), InterestRate

b. Dependent Variable: ROA

From table 5 model summary of dependent and external factors tell us that 74.4% of variance in the dependent variable is explained by interest rate. This result can be seen in (Investopedia),

Compare ROA to the interest rates companies pay on their debts: If a company is squeezing out less from its investments than what it's paying to finance those investments, that's not a positive sign. By contrast, an ROA that is better than the cost of debt means that the company is pocketing the difference.

**Table 6.0 Anova of Alpha Energy return on assets on external factor**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	12.628	.038 <sup>b</sup>
	Residual	.003	3	.001		
	Total	.014	4			
2	Regression	.014	2	.007	193.486	.005 <sup>c</sup>
	Residual	.000	2	.000		
	Total	.014	4			
a. Dependent Variable: ROA						
b. Predictors: (Constant), InterestRate						
c. Predictors: (Constant), InterestRate, Inflation						

From table 6, we can learn that interest rate and inflation has the greatest influence to return on asset. In (www.economicshelp.org) If lower interest rates cause a rise in aggregate demand then it will lead to an increase in real GDP (higher rate of economic growth) and an increase in the inflation rate.

**Table 7.0 Coefficient of Alpha Energy return on assets on external factor**

Coefficients <sup>a</sup>										
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)	-.093	.040		-2.303	.105	-.222	.036		
	InterestRate	.037	.010	.899	3.554	.038	.004	.070	1.000	1.000
2	(Constant)	-.921	.098		-9.450	.011	-1.341	-.502		
	InterestRate	.183	.017	4.427	10.617	.009	.109	.257	.015	67.643
	Inflation	.171	.020	3.555	8.525	.013	.085	.257	.015	67.643

a. Dependent Variable: ROA

From table 7, interest rate has the great value of significant to return on asset which is 0.009 most positive rather than inflation. (Khan, Shehzad) result show that the interest rate has more effects on ROA.

**Model IV: Return on asset on Internal and External factor**

**Table 8: Model summary of Return on asset on Internal and External factor**

Model Summary <sup>c</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.899 <sup>a</sup>	.808	.744	.02948872783693	6
a. Predictors: (Constant), InterestRate					
b. Dependent Variable: ROA					

From table 8, model summary of dependent and both internal and external factors tells us that 74.4% of the variance in the dependent variable is explained by the interest rate. This result can be seen in (Investopedia), compare ROA to the interest rates companies pay on their debts: If a company is squeezing out less from its investments than what it's paying to finance those investments, that's not a positive sign. By contrast, an ROA that is better than the cost of debt means that the company is pocketing the difference.

**Table 9: Anova of Alpha Energy on return on asset on Internal and External factor**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	1	.011	12.628	.038 <sup>b</sup>
	Residual	.003	3	.001		
	Total	.014	4			
2	Regression	.014	2	.007	246.578	.004 <sup>c</sup>
	Residual	.000	2	.000		
	Total	.014	4			
a. Dependent Variable: ROA						
b. Predictors: (Constant), InterestRate						
c. Predictors: (Constant), InterestRate, CURRENT RATIO						

From table 9, we can learn that interest rate and current ratio has the greatest influence to return on asset. In (www.economicshelp.org) if lower interest rates cause a rise in aggregate demand then it will lead to an increase in real GDP (higher rate of economic growth).

**Table 10 : Coefficient of Alpha Energy on return on asset on both internal and external factor**

		Coefficients <sup>a</sup>								
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
Model		B	Std. Error	Beta	T	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.093	.040		-2.303	.105	-.222	.036		
	InterestRate	.037	.010	.899	3.554	.038	.004	.070	1.000	1.000
2	(Constant)	-.067	.008		-8.757	.013	-.100	-.034		
	InterestRate	.024	.002	.580	10.400	.009	.014	.034	.649	1.541
	CURRENT RATIO	.027	.003	.538	9.646	.011	.015	.039	.649	1.541

a. Dependent Variable: ROA

From table 10, interest rate has the great value of significant to return on asset which is 0.009 most positive rather than current ratio. (Khan, Shehzad) result show that the interest rate has more effects on ROA.



## **5.0 DISCUSSION AND CONCLUSION**

### **5.0 INTRODUCTION**

This study is to determine the internal and external factor that effect the return on asset of Alpha Energy. The complete internal factors (current ratio, quick ratio, average collection period, debt to income, operational ratio, operating margin and corporate governance index) and external factors (GDP, inflation, interest rate and price change). Then we will discuss the findings and analysis in this chapter.

### **5.1 LIMITATIONS**

This study is limited only to industry oil and gas in Singapore and the company that had be used is Alpha Energy Holdings Limited. The data that be used is financial statements and only for five years for Alpha Energy.

### **5.2 CONCLUSION**

In conclusion, Alpha Energy has improve their return on asset in 5 years. This indicates return on asset is affected by quick ratio (internal factor) and interest rate (external factor). The higher quick ratio and interest rate of Singapore, the better of this company performance (ROA). In this case, Alpha Energy external factors has greater influence on the company. The company have ROA so the ROA figure gives investors an idea of how effective the company is in converting the money it invests into net income. The higher the ROA number, the better, because the company is earning more money on less investment. (Investopedia).

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