credit risk effect the internal, external, and both factors on Geo Energy Resources Limited.

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CREDIT RISK EFFECT THE INTERNAL, EXTERNAL AND BOTH FACTORS ON GEO ENERGY RESOURCES LIMITED COMPANY

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ABSTRACT

Firstly, this study aims to determine the effect of the credit risk toward the internal, external, and both factors. SPSS System has been used to analyzed the data that has been collected form the annual report of the company that has been chosen. The analysis show that the firm has the specific factors (operational ratio and operating margin). From this study, the company should do well in managing their shareholder's equity to generate more profit by giving the clear information regarding on how invest and more complies toward elements of the corporate governance.

Keywords: Operational risk, economic factors and corporate governance

1.0 INTRODUCTION

1.1 Overview

GEO ENERGY GROUP is a coal mining group, it was established since year 2008. The offices was located in Singapore and Jakarta, Indonesia and production operation in Kalimantan, Indonesia. Geo Energy has been listed on Singapore Stock Exchange's ain board since 2012. Geo Energy has transitioned from being primarily a coal mining services provider to a coal producer that subcontracts its coal mining operation. This transition has allowed the Group to change the business model from operating as a relatively sell scale mining services provider in an environment of high capital expenditure and relatively low operational efficiency, with high dependence on owners of coal mining confession, to being a low-cost producer with high coal mining assets, working in collaboration with word class business partners, such as BUMA (primary coal mining services provider) and ECTP (primary offtaker of coal produced from SDJ mine). Geo Energy owns four mining concession through its wholly-owned subsidiaries PT Bumi Khatulistiwa (BEK), PT Sungai Danau Jaya (SDJ), PT Tanah Bumbu Resources (TBR) and PT Surya Tambang Tolindo (STT) in Kalimantan, Indonesia. SDJ and TBR, adjacent to each other, benefit from favourable mining and geological conditions, which relatively thin layers of overburden and thick horizontal coal seams, which allow for efficient and low cost mining. The SDJ and TBR mines have sub-bitumious, low cas and low-sulphur coal with calorific values of around 4200 kcal/kg, with an average stripping ratio of less than 3.5. BEK and STT mining concession are located in Kutai Barat, East Kalimantan mining operations at BEK mine was commenced in February 2012 and placed under care and maintenance in September 2014. However in late 2017, mining operations has recommenced STT coal mining concession area is currently undeveloped, with the Group in discussion with various parties on potential cooperation with regad to the development of the STT mine. GEO Energy remains committed to sustainable growth and enhancing shareholder value. The group will continue to pursue opportunities to expand the mining operations and in growing the coal reserves through strategic acquisitions or vertical integration.

1.2 Research Objective

1. To investigate the internal factors influence towards to the credit risk.
2. To investigate the external factors influence towards to the credit risk.
3. To investigate both internal and external factors influence towards to the credit risk.

1.3 Research Question

1. Does any relationship between the internal factors towards to the credit risk?
2. Does any relationship between the external factors towards to the credit risk?
3. Does any relationship between the internal and both external factors influence towards to the credit risk?

1.4 Scope of Study

the sample of the study is about oil and gas industry in Singapore. Geo Energy Resources Limited company has been chosen to do this study.

1.5 Organization of The Study

This study consist of 5 main chapters. The first chapter of this study is Introduction. It includes overview, research objectives, research question, scope of study and organization of the study. In the second chapter, we will discuss about the literature review of the dependent and the independent variables, which is includes internal and external factors that influence to the company performance. For the chapter three, we will discuss about the measurement of the variables, research methodology and data analysis. In the chapter four, we will discuss about the findings conclusion and results of this study. In the final chapter is about summary and conclusion of this study.

2.0 LITERATURE REVIEW

2.1 Introduction

In this chapter, we will review about the literature review that related to the study

2.2 Corporate governance

Corporate governance is the system by which companies are directed and controlled. Board of directors are responsible for the governance of their companies. The shareholders sole in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. Corporate governance is therefore about what the board of a company does and how it sets the values of the company, and it is to be distinguished from the day to day operational management of the company by full time executives. Shleifer and Vishnu (1997) define corporate governance as 'the ways in which supplies of finance corporations assure themselves of getting a return on their investment. OECD in 1999 define corporate governance as 'Corporate Governance is the system by which business corporation 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 with the company objectives are set, and the means of attaining those objectives and monitoring performances.

2.3 Credit Risk

Credit risk management is the part of the comprehensive management and it also the part of the control system. The credit risk can be considered as the one of the major risk because it is associated to the every active trade. Generally, banks will handled the risk management strategy that incorporates the principles of the risk management process including the risk identification., monitoring and the measurement. The aim of the credit risk about to maintain the efficiency of the business activities and the continuity of the business. Credit risk is the risk of the loss given default that does not meet its obligation under the conditions of the contract and thus the holder of creditor's loss. These obligation arise from lending activities, trade and the investment, activities, payment and settlement of securities trading on its own and foreign account. (Jilek, 2000).

2.4 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal process, people and the systems or from the external events. This definition includes of the legal risk, but excludes strategic and reputational risk. In particular surveys the operational risk literature, focusing on the definition, classification, characteristics, measurement and management of the operational risk. (Moosa)

2.5 Liquidity risk

Risk relates to the probability of having a realization of a random variable different to the realization preferred by the economic agent. In our context 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 probability, the higher the liquidity risk. (Kleopatra Nikaolou,2009)

2.6 Market Risk

Market risk can be define 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, and endeavor to measure and monitor risk in a unified manner. By implication, this necessitates the aggregation of market risk across all categories of assets and derivatatives 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 firms trading book in a single monetary figure. VAR is defined as the "the maximum possible loss with a known confidence interval over an orderly liquidation period. (Wilson, 1993)

3.0 METHODOLOGY

3.1 Introduction

This chapter covers the methods that has been used for the study to achieve the objectives and goals of the study. The rational of doing this methodology of the study is to make the study that carried out is much more systematic and it can be kore focused in achieving the objectives. The researcher have planned on a regular basis the research methodology and the strategic strategies that has been used to obtain the information and data through the specific rules. This study is conducted to know about the company performance of Geo Energy Resources Limited. Method that used to collect data is Statistical Package for the Social Science (SPSS) version 25.

3.2 Population/Sampling Technique

Population is refer to a group of individuals, objects or things of which have the same characteristic that you want to study. The analysis unit is the main entity analyzed in the study. For example, individuals, groups, and artifacts can be a unit of analysis in one study. The population in this study is about the largest Oil and Gas company in Singapore. From this population, one company has been choose to be the sample of that industry. Geo Energy Resources Limited has been choose. Data from the annual report of the company from the year 2014 to 2018 has been collected and use to measure the dependent variable (return on assets) and the independent variables (internal and external factors).

3.3 Statistical Technique

I choose Geo Energy Resources Limited to conduct this study as an Oil and Gas industry in Singapore. I collect data from the annual report (from 2014 until 2018) for this company and use the details from the annual report to calculate the effect of the firm specific factors for this company from the various aspect such as profitability, liquidity, operational, and credit. As for the non-financial performance, the disclosure of the information regarding to the board of directors in term of nationality, qualification, gender, diversity, audit committee, board size, board meeting, experience is used to find index score. To determine the macroeconomic factors, I obtain the GDP, inflation rate interest rate and exchange rate for the five years is collected to see the trend of the economic condition form the year of 2014 until 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 the study. The research for the framework as follow :

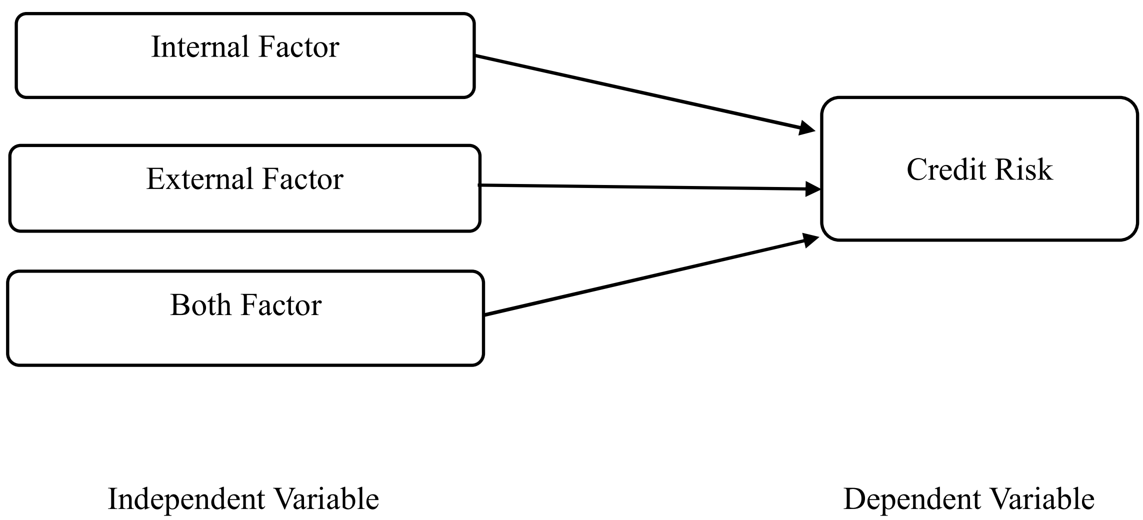


Figure 3.1 Research Framework

3.5 Statistical Package for Social Science (SPSS)

In this study, IBM SPSS version 25 is used to calculate the data to obtain the results. SPSS, it also known as Statistical Package for Social Science and known as a powerful software to helps the researchers to conduct a 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, and now popular in data mining, market research and marketing. I used this SPSS to determine the effect of the internal and microeconomic factors of Geo Energy Resources Limited.

4.0 FINDINGS AND ANALYSIS

Introduction

Financial statement analysis allows researcher to identify the trend of the companies that is in the same industry by comparing the ratios across to the five years period. In this study, we have obtained financial information of a company from it financial statement, namely income statement, balance sheet and cash flow statement.

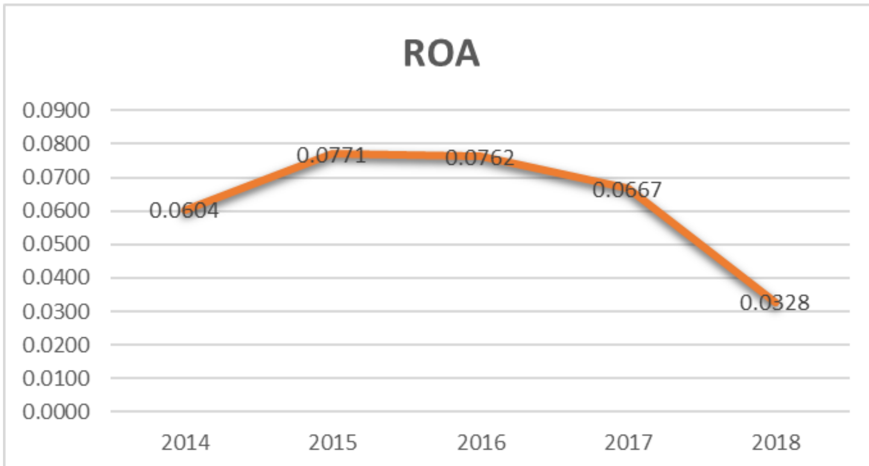
4.1 DESCRIPTIVE ANALYSIS

Descriptive Statistics			
	Mean	Std. Deviation	N
DEBT TO INCOME (DTI)	72.497740	130.8433936	5
RETURN ON ASSET (ROA)	.062640	.0180616	5
CURRENT RATIO (CR)	2.667160	1.0072381	5
QUICK RATIO (QR)	2.534120	.9747011	5
AVERAGE-COLLECTION PERIOD (ACP)	.574440	.5487288	5
OPERATIONAL RATIO (OR)	.125860	.1151534	5
OPERATING MARGIN (OM)	1.765220	3.3922938	5
CORPORATE GOVERNANCE INDEX (CGI)	.800	.0000	5
GROWTH DOMESTIC PRODUCT (GDP)	3.3180	.45488	5
Inflation (INF)	1.7260	1.21241	5
Interest Rate (I)	3.5360	1.21517	5
Exchange Rate (AOP)	1.3680	.06380	5
Price Change (STDV)	.00725620380	.001712050215	5

Table 1: Descriptive statistics of dependent and company specific variables

The data collected has been run in SPSS system using the regression analysis using samples (from year 2014-2018). The mean and standard deviation of dependent and the variables ratio are recorded in the Table 1. The explanation below will round off the value to 4 decimal places.

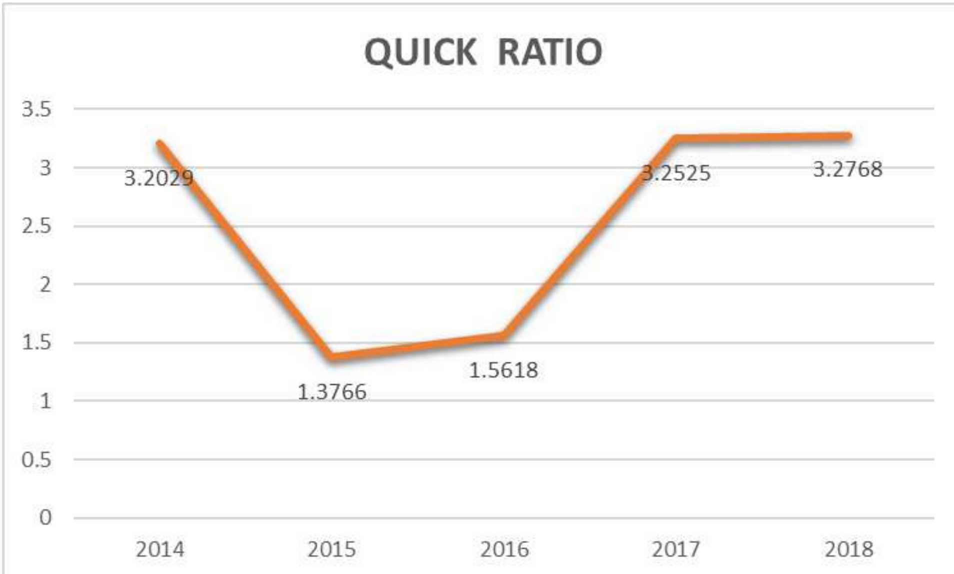
I. COMPANY PERFORMANCE



Graph 1: Return on asset of Geo energy Resources Limited form 2014-2018

ROA is the return on asset has been used to measure the company performance. The higher value of the ROA tells us that the company have a higher profitability. From the graph we can say that the ROA of Geo Energy Resources Limited fluctuated over the years. The ROA was increase from the year of 2014 (0.0604) to 2015 (0.0771). The difference between of the two years is 0.0167. Then, the value of the ROA has dropped from 2016 (0.0762) to year 2018 (0.0328). From this, we can say that 2018, Geo Energy Resources Limited generate the loss, whereby the total expenses for their company is highest that the total revenues. This company can improve the company performance through generates their assets to increase their profit.

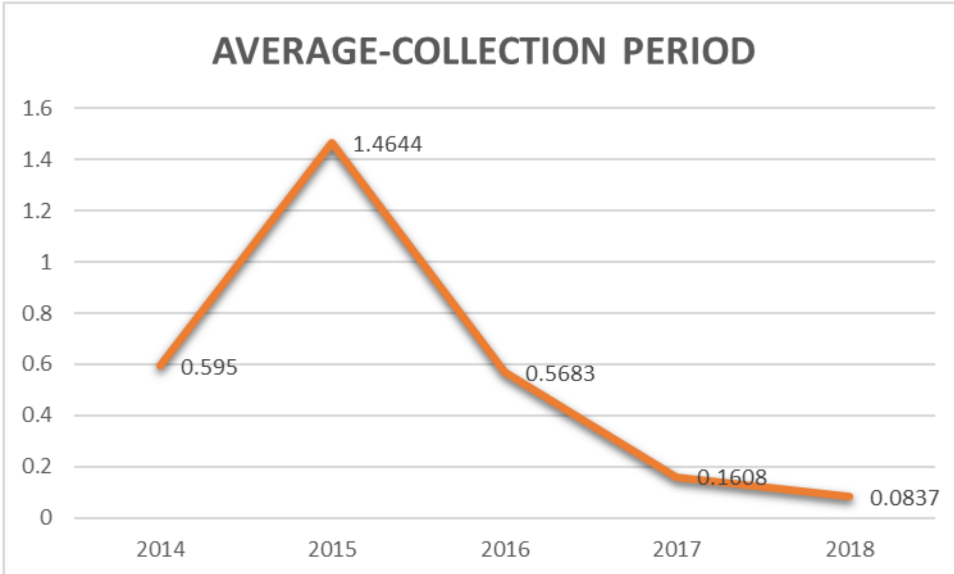
II. LIQUIDITY RISK



Graph 2: Quick ratio of Geo Energy Resources Limited from 2014-2018

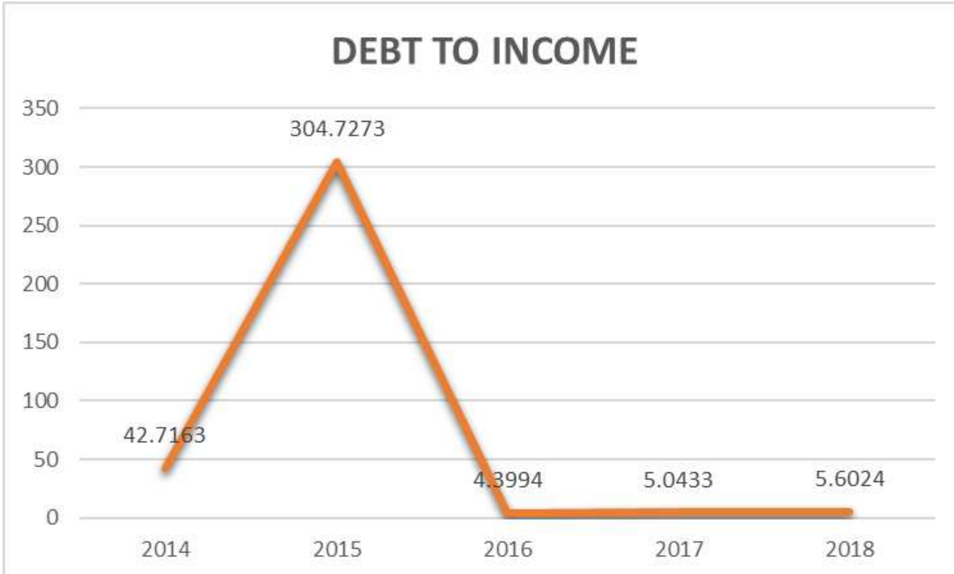
Quick ratio or known as the acid test ratio is a liquidity ratio that measure that measures the ability of a company to pay its current liabilities when they come due with only quick assets. The higher the quick ratio, the liquidity of the company to encounter the short-term liabilities. From the graph, we can see the Geo's quick ratio from 2014 (3.2029) has decreased to year 2015 (1.3766). Through the five years, we can see that in year 2015 the value 0f the quick ratio is the smallest value. In conclusion, Geo's liquidity is weaker on that year. But, starting in year 2016 (1.5618), the value has been increased to the year 2018 (3.2768). In conclusion, we can say that the ability of Geo's to encounter short term contingencies that might happen is higher.

III. CREDIT RISK



Graph 3: Average-collection period of Geo Energy Resources Limited from 2014-2018

Average collection period is the average number of days required to collect invoiced amounts from customers. The measure is used to determine the effectiveness of a company's credit granting policies and collection efforts. The graph shows that, in year 2015 (1.4644) has increased the value of the average collection period from the past year in 2014 (0.595). But as we can see, in year 2016 (0.5683) the value of the average collection period has been decreased from the past years which is in year 2017 (0.1608). The value keep decrease in the next year 2018 (0.0837). from this graph we can conclude that Geo Energy Resources Limited is exposed to the higher credit risk among the year.



Graph 4: Debt to income ratio Geo Energy Resources Limited from 2014-2018

Debt to income is a personal finance measure that compares an individual's monthly debt payment to the company gross income. Gross income is value that we pay before the taxes and the other deduction are taken out. The debt to income is the percentage of the gross monthly income that goes to paying your monthly debt payments. As we can see in the graph, in year 2014 (42.7163), the ratio has been increase in year 2015 (304.7273). from this data, we can conclude that, on that year, the company has too much debt for the amount of income earned for each of the month. But, in year 2016 (4.3994), the ratio has decrease. Thus, we can conclude that the low debt to income ratios demonstrate a good balance between debt and income.

IV. OPERATIONAL RISK

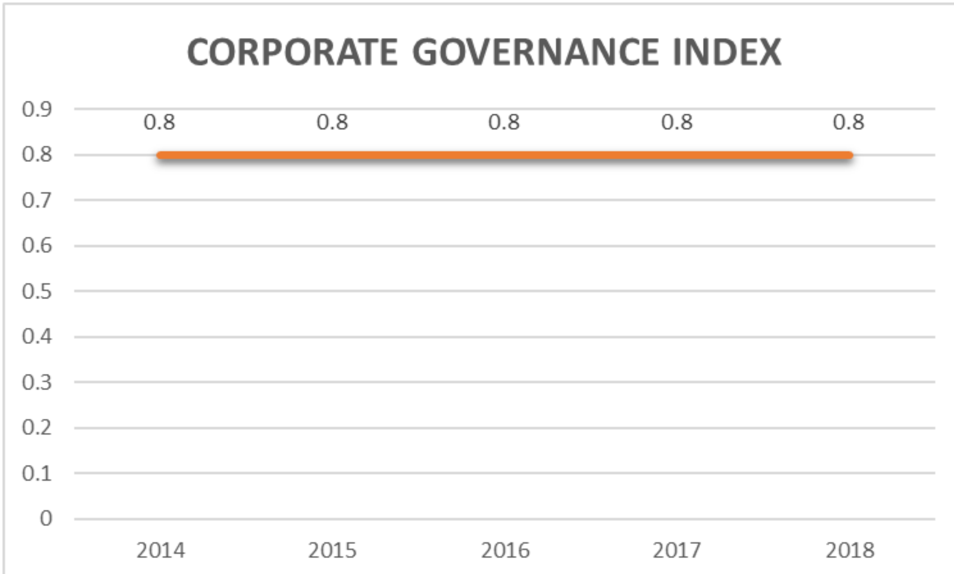
Graph 5: Operational ratio of Geo Energy Resources Limited

The operating ratio shows the efficiency of a company's management by comparing the total operating expenses of a company net sales. The operating ratio shows how efficient a company's management is at keeping cost low while generating the revenue or sales. As we can see from the graph, in year 2015 (0.3173), the ratio has increase form the previous year 2014 (0.1514). Among the five years, in year 2015, it has the highest ratio. So, we can say that the company is not efficient in generating revenue versus the total expenses. But, in the year 2016 (0.0582), year 2017 (0.0486) and year 2018 (0.0538), the ratio has decrease from the previous year which is in year 2015. This clearly stated that, the smaller the ratio, the more efficient the company is at generating revenue versus total expenses.

Graph 6: Operating margin of Geo Energy Resources Limited from 2014-2018

The operating margin measures how much profit a company makes on a dollar of sales, after paying for variable cost of production, such as wages and raw materials, but before paying interest or taxes. As we can see from the graph, in year 2015 (7.8315), the ratio has increase from the previous year 2014 (0.3987). Along the five years, the highest ratio is in 2015. But, starting in year 2016 (0.2195), the ratio has decrease for the nest two years. The ratio in 2017 (0.1997) and the ratio in 2018 (0.1767).

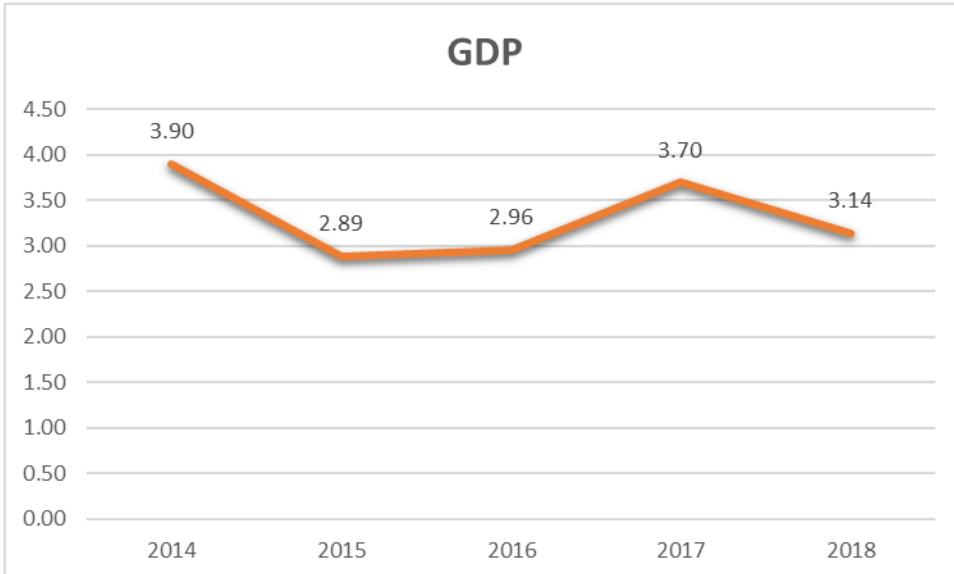
V. CORPORATE GOVERNANCE INDEX



Graph 7: CG Index of Geo Energy Resources Limited from 2014-2018

Index score is used to determine the corporate governance index of the company to determine the level of compliance of companies based on the principles of corporate governance. It is calculated based on the 5 principles, namely accountability, transparency, independence, fairness, and sustainability. The criteria that represent for each of the principle are meeting, present of the audit committee, female executive on board, more than 50% of non-executive committee and the involvement in social responsibility programme respectively. Each of the criteria counted as 1 score and as we can see from the graph, Geo Energy Resources Limited does not achieve the 5 criteria of the CGI. This company only manage to get 4 out of 5 (100%) from the corporate governance index consecutively.

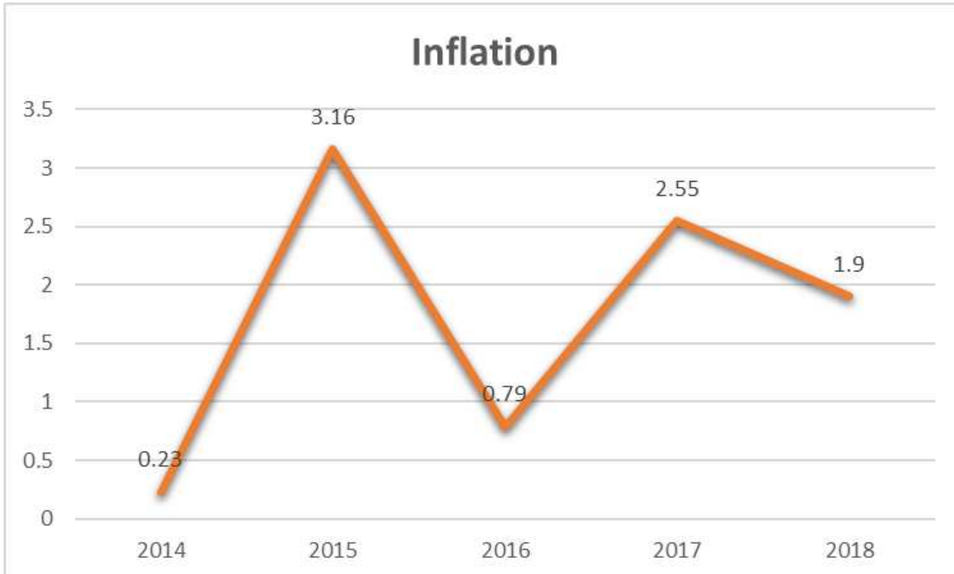
VI. GROWTH DOMESTIC PRODUCT (GDP)



Graph 8: Growth Domestic Products (GDP Annual %) of Singapore from 2014-2018

Gross Domestic Product (GDP) is the total monetary or market value of all of the finished goods and services produced within a country's boarders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of the country's economic health. The variable used in this study is the annual growth in percentage of GDP IN Singapore. From the graph, we can see that the Singapore's GDP growth is fluctuated year by year. The highest GDP is in year 2014 (3.90) while the lowest GDP is in year 2015 (2.89).

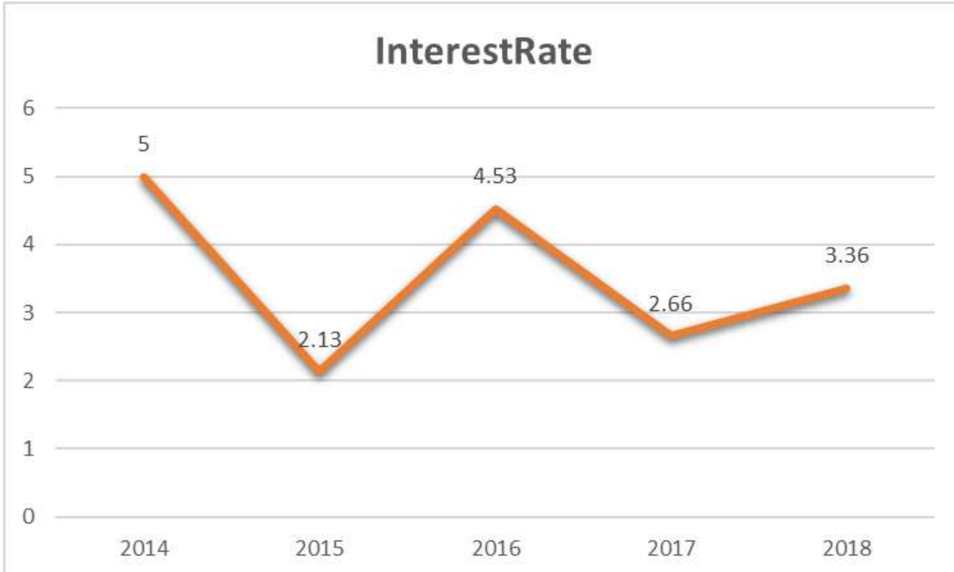
VII. INFLATION RATE



Graph 9: Inflation rate of Singapore from 2014-2018

Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of a time. The inflation rate in Singapore is fluctuated from year 2014-2018. The highest inflation is in the year 2015 which is at 3.16, while the lowest inflation is in the year 2014 which is at 0.23.

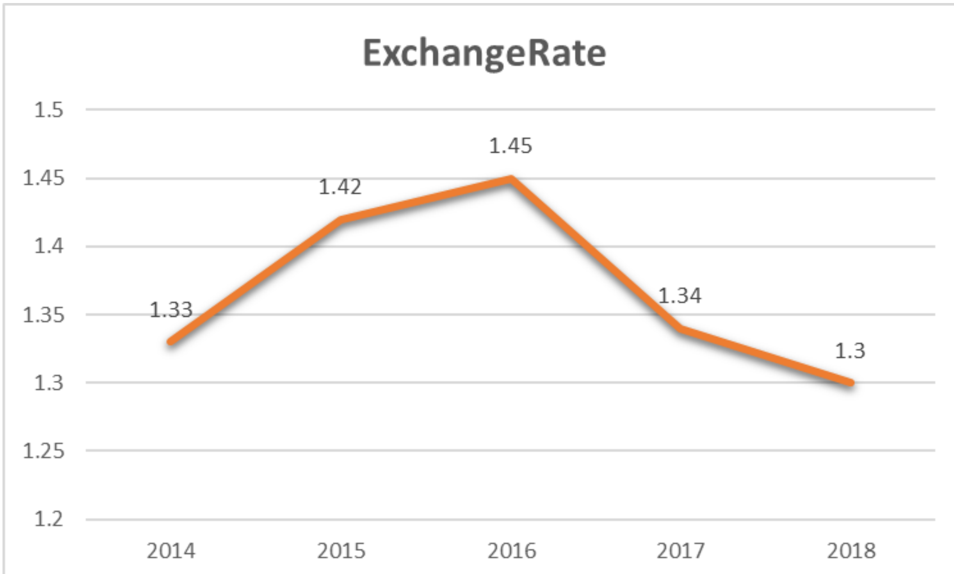
VIII. INTEREST RATE



Graph 10: Interest rate of Singapore from 2014-2018

The interest rate is the amount a lender charges for the use of assets expressed as a percentage of the principal. As we can see from the graph, the interest rate along the five years is fluctuated. The highest interest rate is at the year 2014 which is at 5 while the lowest interest rate is at the year of 2015 which is at 2.13.

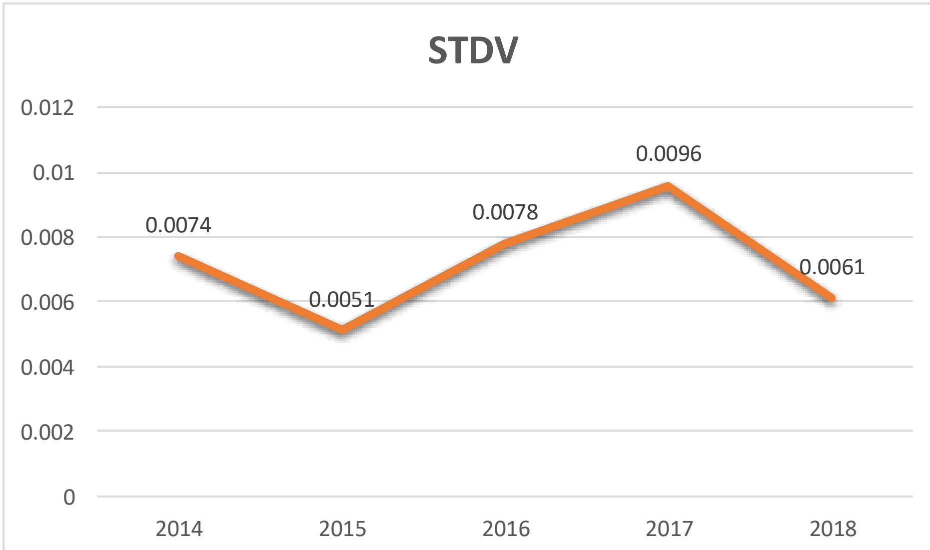
IX. EXCHANGE RATE



Graph 11: Exchange rate from 2014-2018

An exchange rate is the value of one nation's currency versus the currency of another nation or economic zone. The exchange rate in year 2015 is increase from the previous year in 2014.

X. MARKET RISK



Graph 11: Market risk of Geo Energy Resources Limited from 2014-2018

The market risk of Geo Energy Resources Limited in year 2015 is the lowest which is 0.0051. Then the value increase for the next two years. The highest market risk is at year 2017 which is 0.0096 and its finally dropped at the year 2018.

4.2 SPSS ANALYSIS

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

I. Correlation

Correlations														
		DTI	ROA	CR	QR	ACP	OR	OM	CGI	GDP	I	IR	ER	STDV
Pearson Correlation	DTI	1.000	.447	-.612	-.629	.930	.968	.995	.	-.446	.590	-.577	.421	-.703
	ROA	.447	1.000	-.740	-.719	.648	.436	.452	.	-.167	.109	-.096	.838	.159
	CR	-.612	-.740	1.000	.999	-.764	-.528	-.647	.	.769	-.234	.203	-.959	.388
	QR	-.629	-.719	.999	1.000	-.782	-.552	-.661	.	.775	-.218	.186	-.949	.430
	ACP	.930	.648	-.764	-.782	1.000	.944	.914	.	-.438	.310	-.292	.642	-.620
	OR	.968	.436	-.528	-.552	.944	1.000	.938	.	-.284	.400	-.391	.357	-.695
	OM	.995	.452	-.647	-.661	.914	.938	1.000	.	-.511	.646	-.632	.453	-.696
	CGI	.	.	.	.	.	.	.	1.000	.	.	.	.	.
	GDP	-.446	-.167	.769	.775	-.438	-.284	-.511	.	1.000	-.392	.359	-.623	.613
	INF	.590	.109	-.234	-.218	.310	.400	.646	.	-.392	1.000	-.999	.064	-.272
	IR	-.577	-.096	.203	.186	-.292	-.391	-.632	.	.359	-.999	1.000	-.035	.253
	ER	.421	.838	-.959	-.949	.642	.357	.453	.	-.623	.064	-.035	1.000	-.133
	STDV	-.703	.159	.388	.430	-.620	-.695	-.696	.	.613	-.272	.253	-.133	1.000
Sig. (1-tailed)	DTI	.	.225	.136	.128	.011	.003	.000	.000	.226	.148	.154	.240	.092
	ROA	.225	.	.076	.085	.118	.231	.222	.000	.394	.431	.439	.038	.399
	CR	.136	.076	.	.000	.066	.180	.119	.000	.064	.352	.372	.005	.259
	QR	.128	.085	.000	.	.059	.167	.112	.000	.062	.363	.382	.007	.235
	ACP	.011	.118	.066	.059	.	.008	.015	.000	.230	.306	.317	.121	.132
	OR	.003	.231	.180	.167	.008	.	.009	.000	.322	.252	.258	.277	.097
	OM	.000	.222	.119	.112	.015	.009	.	.000	.190	.120	.127	.222	.096
	CGI	.000	.000	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000
	GDP	.226	.394	.064	.062	.230	.322	.190	.000	.	.257	.276	.131	.136
	INF	.148	.431	.352	.363	.306	.252	.120	.000	.257	.	.000	.459	.329
	IR	.154	.439	.372	.382	.317	.258	.127	.000	.276	.000	.	.478	.341
	ER	.240	.038	.005	.007	.121	.277	.222	.000	.131	.459	.478	.	.415
	STDV	.092	.399	.259	.235	.132	.097	.096	.000	.136	.329	.341	.415	.
N	DTI	5	5	5	5	5	5	5	5	5	5	5	5	5
	ROA	5	5	5	5	5	5	5	5	5	5	5	5	5
	CR	5	5	5	5	5	5	5	5	5	5	5	5	5
	QR	5	5	5	5	5	5	5	5	5	5	5	5	5

	ACP	5	5	5	5	5	5	5	5	5	5	5	5	5
	OR	5	5	5	5	5	5	5	5	5	5	5	5	5
	OM	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
	INF	5	5	5	5	5	5	5	5	5	5	5	5	5
	IR	5	5	5	5	5	5	5	5	5	5	5	5	5
	ER	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

Table 2: Corellation table of dependent variable and company internal and external factors of Geo Energy Resources Limited

Table 2 shows the correlation of credit risk to the both internal and external factors of Geo Energy Resources Limited. According to the data, the ROA, average collection period, operating margin, operational ratio, inflation and exchange rate are positively correlated to the credit risk. While the current ratio, quick ratio, growth domestic product and price change are negatively correlated to the credit risk. Meanwhile the CGI has not related to the credit risk. As we can see from the table, exchange rate has the least significance to the credit risk while operating margin has the most significance to the credit risk.

II. MODEL 1: Credit Risk on Internal Factors

Model Summary[c]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[b]	1.000	1.000	2.3720877	2.375
a. Predictors: (Constant), OPERATING MARGIN , OPERATIONAL RATIO					
b. Dependent Variable: DEBT TO INCOME					

Table 3: Model summary of Geo Energy Resources Limited credit risk on internal factors

From the table 3, model summary of the dependent variable and internal factors of the credit risk tells us that 100% of the variance in the dependent variable is explained by the operating margin and the operational ratio.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68468.721	2	34234.361	6084.161	.000[c]
	Residual	11.254	2	5.627		
	Total	68479.975	4			
a. Dependent Variable: DEBT TO INCOME						
b. Predictors: (Constant), OPERATING MARGIN , OPERATIONAL RATIO						

Table 4: Anova of Geo Energy Resources Limited credit risk on internal factors

From the table 4 of the anova, we can see that the operating margin and the operational ratio has the greatest effect to the dependent variables.

Coefficients[a]										
		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)	-17.899	2.412		-7.420	.018	-28.278	-7.519		
	OPERATING MARGIN	28.015	1.013	.726	27.668	.001	23.658	32.372	.119	8.387
	OPERATIONAL RATIO	325.313	29.829	.286	10.906	.008	196.971	453.656	.119	8.387
a. Dependent Variable: DEBT TO INCOME										

Table 5: Coefficients of Geo Energy Resources Limited on credit risk on internal factors

Last but not least, from the coefficient table, we can see that operating margin has the highest significance effect to the dependent variable, debt to income. This is because the significance value is <0.05.

III. Model 2: Credit Risk on External Factors

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.880[a]	.774	.095	124.4590047	1.347
a. Predictors: (Constant), STDV, Exchange Rate, Interest Rate					
b. Dependent Variable: DEBT TO INCOME					

Table 6: Model summary of Geo Energy Resources Limited credit risk on external factors

From table of the model summary of the dependent and external factors, it tells us that 9.5% of the variance in the dependent variable is being explained by the price change (STDV), exchange rate and the interest rate.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	52989.931	3	17663.310	1.140	.582[b]
	Residual	15490.044	1	15490.044		
	Total	68479.975	4			
a. Dependent Variable: DEBT TO INCOME						
b. Predictors: (Constant), STDV, Exchange Rate, Interest Rate						

Table 7: Anova of Geo Energy Resources Limited credit risk on external factors

From the table of the anova, we can see that the price change (STDV), the exchange rate and the interest rate has the greatest effect to the dependent variables which is the debt-to-income.

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)	-393.776	1412.934		-.279	.827	-18346.806	17559.254		
	Interest Rate	-45.855	52.935	-.426	-.866	.546	-718.455	626.746	.936	1.068
	Exchange Rate	682.876	984.202	.333	.694	.614	-11822.602	13188.354	.982	1.018
	STDV	-42137.499	37886.569	-.551	-1.112	.466	-523532.001	439257.004	.920	1.086
a. Dependent Variable: DEBT TO INCOME										

Table 8: Coefficients of Geo Energy Resources Limited credit risk on external factors

From the coefficient table, we can learn that the interest rate, exchange rate and the price change (STDV) has no significance to the dependent variable, debt-to-income.

IV. Model 3: Credit Risk on Internal And External Factors

Model Summary[c]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[b]	1.000	1.000	2.3720877	2.375
a. Predictors: (Constant), OPERATING MARGIN , OPERATIONAL RATIO					
b. Dependent Variable: DEBT TO INCOME					

Table 9: Model summary of Geo Energy Resources Limited credit risk on both internal and external factors

From the table of the model summary of dependent and both internal and external factors, it tells us that 100% of the variance in the dependent variable is explained by the operating margin and the operational ratio.

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	68468.721	2	34234.361	6084.161	.000[c]
	Residual	11.254	2	5.627		
	Total	68479.975	4			
a. Dependent Variable: DEBT TO INCOME						
b. Predictors: (Constant), OPERATING MARGIN , OPERATIONAL RATIO						

Table 10: Anova of Geo Energy Resources Limited credit risk on both internal and external factors

From the table we can learn that the operating margin and the operational ratio has the greates effect to the dependent variable which is the det-to-income.

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)	-17.899	2.412		-7.420	.018	-28.278	-7.519		
	OPERATING MARGIN	28.015	1.013	.726	27.668	.001	23.658	32.372	.119	8.387
	OPERATIONAL RATIO	325.313	29.829	.286	10.906	.008	196.971	453.656	.119	8.387
a. Dependent Variable: DEBT TO INCOME										

Table 11: Coefficient of Geo Energy Services Limited Resources on both internal and external factors

Lastly, from the coefficients table, we can say that operating margin has the most significance effect to the debt-to-income with the P-value <0.005. Besides, operating margin influence positively to the debt-to-income.

5.0 DISCUSSION AND CONCLUSION

Introduction

The aim of this study is to determine the internal and the external factor that effect to the credit risk of the Geo Energy Resources Limited company. To achieve the objectives, internal factors (company performance, liquidity risk, operational risk) and the external factors (inflation, gross domestic product, price change, interest rate, and the exchange rate) has been used in this study. We also will discuss the findings, recommendation and the conclusion in this chapter.

5.1 Limitation

This study is only limited to the oil and gas industry in Singapore. This study also limited to the data used, it include only five years of the company performance and the financial statements of Geo Energy Resources Limited.

5.2 Conclusion

In conclusion, its credit risk performance is affected mainly by the operating margin and the operational ratio (internal factor) and price change (STDV), exchange rate and the interest rate (external factors). From this study, this company should do well in managing their shareholder's equity to generate more profit. The credit risk of the company is determined by the internal and the external factors.

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