Corporate Governance Analysis on Risk Exposure and Performance of AIA Bhd.

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ABSTRACT

Analysis on corporate governance principles of AIA Bhd. is studied in this article along with their risk exposure and performance as per the concern of the research objective. The performance of the company is indicated by Return on Asset which act as the dependent variable of this study. Whereas, the risk exposure is indicated by internal and external factors of independent variables. Internal factors cover Liquidity Risk in terms of current ratio and quick ratio; Credit Risk in terms of average collection period and debt to income ratio; and Operational Risk in terms of operational ratio and operating margin. Meanwhile, external factor covers Market Risk in terms of Gross Domestic Product (GDP) rate, Inflation Rate, Interest Rate and Exchange Rate. The analysis of this study shows that the influence of these independent variables is significant towards the dependent variable. The analysis concluded that the most significant variable is Operating Margin.

Keywords: AIA Bhd., Corporate Governance, Performance, Risk, Insurance, Return on Asset, Liquidity Risk, Credit Risk, Operational Risk, Market Risk, Current Ratio, Quick Ratio, Average Collection Period, Debt to Income Ratio, Operational Risk, Operating Margin, Gross Domestic Product (GDP), Inflation Rate, Interest Rate, Exchange Rate

1.0 INTRODUCTION

1.1 Overview

AIA Bhd. is Malaysia's one of the leading insurers, where they have been privileged to do business since 1948. They offer a wide range of financial solutions including Personal Accident, Employee Benefits, General Insurance, Hypothecary, Security, Medical, Retreat and Family Takaful services to address the security and financial security needs of their customers at all life stages. Through their wide and diverse distribution reach, which includes a 14,000-strong Life Planner network, national branches of our exclusive bank partner as well as corporate sales teams and brokers, they give their customers the option of how, when and where to communicate with us. Part of the AIA Group, AIA Bhd, the largest publicly listed independent pan-Asian life insurance group. The company has financial strength, expertise, service centre network and a well-trained team of more than 2,000 workers to support their 3.9 million customers across the country. According to Company Act, AIA Bhd. complies as public company limited by shares. Memorandum and Articles of Association of AIA Bhd. as incorporated on the 4th October 2017 states that ordinary resolutions such that increase in authorized share capital, authority to issue shares and allotment of shares were discussed and published. And that upon allotment, the said shares shall rank Pari Passu in all respects with the existing issued and paid-up ordinary shares of the company.

As for 2018, AIA Bhd. was well-positioned to capture the significant potential that the dynamic Asia-Pacific region presents. Volatility returned to capital markets this year as a consequence of increasing concerns about the sustainability of the global economic growth cycle and uncertainty surrounding international trade policy. They also achieved an improved second-half performance to deliver VONB growth of 8 percent for the full year, amidst a market environment that has been affected by reduced consumer activity and changes to Goods and Services tax (GST). The business review based on the operating aspects shows that AIA Bhd. agency remains focused on particular recruitment and gradual development of their capabilities of the training given which indirectly increase the productivity of their agents. The business highlights points out their strategic partnership with Public Bank Berhad delivered double-digit VONB growth as they have continued to drive l arguer penetration of the bank's customer base.

1.2 Corporate Governance Mechanism

According to Sanda, A. U., Mikailu, A. S., & Garba, T. (2005), separation of ownership from management is necessitated as vital feature of a modern firm as an attempt to ensure that managers and other insider take measures or adopt mechanisms that safeguard the interest of the stakeholder. As for AIA Bhd., the Chairman of Board of Directors is CHNG YEW CHYE whereby he is an Independent Non-Executive Director. On the other hand, Chief Executive Officer of Top Management is ERIC CHANG. Therefore, it clearly shows that AIA Bhd. practices the theory of duality.

A dual board or two-tier system is a model of corporate structure consisting of two independent boards of directors overseeing a corporation. The positions and ties between the two boards vary from country to country. The structure consists of two boards, the "Management Board," each having different functions, and the "Supervisory Board." The use of a two-tier system could also lead to "more accountability" and "less stringent performance targets." From a financial market perspective, it may also be "less efficient." It was suggested that reduced communication and the higher costs of running a dual board could impede financial efficiency.

The Management Board meets frequently (often weekly) to address operational issues. The supervisory board may need to approve some contracting decisions and strategic planning decisions. Meanwhile, Generally, the Shareholders elect the Supervisory Board. Composition varies across jurisdictions; its members are generally separate from the executive, but in some countries it may include employee representatives. The supervisory board usually directs and monitors the board of directors. The Management Board will work closely with the Supervisory Board to formulate the business strategy, ensuring a steady flow of information between the two. According to the initial plan, the information flow would include risk management, business development and any changes in business development.

1.3 Problem Statement

Associated Problems based on Sound Corporate Governance Concepts

Despite all the pros of this company, AIA Bhd. was also alleged by many scam accusations a mong the netizen that partially damages the company's reputation for being irresponsible towards it. Being fair and accountable towards the customers was neglected.

On 25th February 2019, AIA Bhd. publicly admitted on all their official social media pages like Facebook that there occurred a scam alert. The AIA scam alert was officially signed by Mr. Mohit Bahoria, Head of Agency Strategy and Transformation and Mr. Leong Chee Soong, Chief Agency Distribution Officer. It was later to be known that the tele-marketing scam was planned and executed by a group whom were there company's own agents. The official report only alerted the customers to be aware of the suspicious text messages, e mails or calls that attempts to solicit personal information from them using AIA's name. AIA also advised them to do an immediate report at their email. Although plenty of customers lodge the report no further action was taken to find out the respective scammers.

This shows that AIA Bhd. failed to apply the sound corporate governance concept of accountability . The company should have ensured that they are accountable to the scam occurred and proceed with further legal actions. As for AIA Bhd., the First Line of Defence which usually consist of business unit management will b e responsible for managing risk associated with their business. While, t he Second Line of Defence has the overall accountability for the risk and compliance function. Although this structure ensures independence of both of the defense line to provide and execute risk management perspective and insights, AIA bhd. fails to take up their duty to be unanswerable for the scam tragedy occured.

The scam tragedy also clearly portrays that AIA Bhd. have been associated with problems related to apply sound corporate governance concept of responsibility. As what we have studied, the board of directors are given authority to act as one. Therefore, for the scam tragedy above, AIA Bhd. should have accepted full responsibility for the powers it received and exercise the further actions needed further to settle the case. This concept also goes hand in hand with the concept of accountability where the AIA Bhd. management are accountable to the customer for the way in which this insurers supposed to carry out their responsibilities. AIA Bhd. failed to undertake further action and proceed legal court c ase for this scam tragedy which shows that they have neglected to uphold the principles of sound corporate governance concepts.

Associated Main Risk against AIA Bhd. Performance

As for AIA Bhd. there's a risk committee structure whereby it will ensure consistent application of the risk management and ensure discussion and challenge in relation to risk issues in suitable forums that will lead to ideal results. Their risk l and scape are summarised into several sequences.

Credit risk and market risk are arise upon the investments portfolio of AIA Bhd. due to counterparties defaulting on obligations and market movements or reduced liquidity in markets. Financial liquidity risk arise upon asset-liability mismatch(ALM). The difference in duration between the company's asset and liability and also the difference in timing and size of the cash flows of a sset and liability are the main reasons. Operational risk stems from inner procedures, staff and systems, or from external occurrences that may have a direct or indirect impact on the company.

Credit risk which arise when AIA Bhd. fall due as the uncertainty of third parties meeting obligations. Despite the investment portfolio of the insurance company as the main source of credit risk, reinsurance and treasury activities are the secondary reasons. Liquidity risk which arise when AIA Bhd. fall due to meet payment obligations to counterparties during the availability of cash flow. In the year of 2018, the company disclosed on a note of financial statement that the company's i nvestment are in the form of marketable securities and can be readily converted into cash that will help the need arise.

Operational risk which arise from direct or indirect business impact from internal process, p ersonnel and system or even external events. As to manage operational risk, AIA Bhd. have various techniques namely arranging appointment of first line risk owners and risk champions, doing risk and control assessments for e ach key operational risk, monitoring key risk indicators, reporting internal incidents and also preparing checklist for material projects and key processes for example like product management.

Market risk which arise when the overall performance of the financial market experience uncertainty due to several factors related to investment portfolio. Market m ovement that have been identified are equity price, property price and also credit spread. Equity price arises risk when market value of equity securities changes. On the other hand, property price arises risk from the volatility of real estate market value due to general specific factors. Credit spread arises risk from the market value of securities change in perception as to their likelihood of repayment. To overcome this risk, AIA Bhd. manage the equity price through individual investment mandates, reviews material property price to ensure acceptable concentration of exposure is only allowed and to face credit spread, they invest in non government securities in a number of its portfolios for yield purpose as the primary intention is to hold these maturities.

1.4 Aim of the Study

This study aims to investigate the scandal or issues that have occurred in AIA Bhd. which is one of the leading insurance company. This study is highlights the key elements and key issues that have occurred in that company in terms of corporate governance aspects such as performance and risk. Other than that, this study is undertaken to apply the principle of corporate governance in any corporation and to ensure that we all truly understand business scandals frequently start small and slowly get worse. Security measures should therefore be taken and corporate governance standards should be implemented routinely. This study is important to show the chosen company's scandals, performance of a company, descriptive statistics, trend analysis, correlation analysis, model summary, Anova and coefficient studies.

1.5 Research Objectives

This study aims to determine the level of corporate governance in a firm and its determinants. The objectives of this study are:

1.To determine performance of company considering internal factors.

2.To determine performance of company considering external factors.

3.To determine performance of company considering internal and external factors.

1.6 Research Questions

1.What determines the performance of company considering internal factors?

2.What determines the performance of company considering external factors?

3.What determines the performance of company considering internal and external factors?

2.0 LITERATURE REVIEW

2.1 Corporate Governance and Performance

According to Andrei Shleifer and Robert W. Vishny(April 1996), corporate governance is defined as a mechanism that deals with the manner in which financial providers to the corporation ensure that their investment is returned. The topic of corporate governance is, in reality, extremely important in practice. Corporate g overnance bring a perspective of a simple agency view, sometimes referred to as ownership separation and control separation.

Return on Asset

Based on Seong-Jong Joo, Don Nixon and Philipp A. Stoberl (2011), Return on Assets (ROA) is one of the common profitability measures, a ratio of income after tax (EAT) to total assets: ROA=(EAT / total assets). Instead of EAT, one may use distinct earnings, such as earnings before taxes or operating income, based on the kinds of profitability measures used. Using operating income will demonstrate the profitability that focuses on a company's activities.

Return on Equity

Meanwhile, based o n Peter D. Eatson(2004), Return on Equity (ROE) is a popular measure of performance and excellence in corporate management. The easiest calculation technique is to split profits by shareholder equity for the last four quarters. This r efers to a company's income to the investment made and maintained by stockholders within the company.

2.2 Corporate Governance and Risk

Credit Risk

According to Altman, Edward I. and Anthony Saunders (1996), *credit risk* is measured by expert systems-subjective analysis and also accounting based credit scoring systems as a response to a number of secular forces. This is determined by a company's monthly recurring debts separated by monthly gross revenue. It is important to manage credit risk as well as the aim of the credit risk management is to maintain the uncertainty exposure within an appropriate parameters w ith the practice of mitigating losses by understanding the adequacy of the company’s c apital.

Operational Risk

Based on Marcelo Cruz (2002), *operational risk* is clarified according to the Basel Committee that when risk of losses arise from problems which are from internal controls, systems, people and external events. This risk is measured by the multiplication of business indicator components and internal loss multiplier to get the answer in capital form. It is important to manage operational risk to bring greater focus to the credit and market risk functions.

Liquidity Risk

According to Hyun Song Shin (2004), liquidity risk is defined as a corporation, business, or even an individual's capacity to pay their debts without suffering disastrous losses. The risk which is also known as the current ratio or working capital ratio is calculated by its current liabilities dividing its current assets. The importance to be liquid is the company will not be limited to the ability to liquidate assets at short notice which occurs due to market uncertainties.

Market Risk

Based on Kevin Dowd (2002), *market risk* is stated that an investor's chance of loss owing to variables affecting the general performance of the financial markets in which the company is engaged. Systematic risk cannot be eliminated by diversification, although in other respects it can be hedged against. Market risk sources include recessions, political unrest, interest rate shifts, natural disasters, and terrorist attacks. It is important to understand the market risk to take wise action regarding to the company.

3.0 METHODOLOGY

3.1 Introduction

According to Rajasekar, Philominathan, Chinnathambi (2013), research methodology is defined as a systematic way of solving a problem, It is a science to study how to conduct research. Research methodology is called the procedures by which researchers work to describe, explain and predict phenomena. This study is conducted to understand the relationships between a company's level of corporate governance and how it relates to a few factors, such as a company's scandal, company performance, descriptive statistics, trend analysis, correlation analysis, model summary, Anova and coefficient studies.. The system used for data collection is version25 of the Statistical Package for Social Science (SPSS).

3.2 Population and Sampling Techniques

The population of this research is targeted at any company in any part of the world that is associated with scandals related corporate governance and risk. From many companies around the world, a company has been chosen randomly as a sample to conduct this research in a more practical way which is AIA Bhd. Annual reports of this company were taken for five years starting from the year 2014 until 2018. They are used to determine the relationship between dependent variables (corporate governance performance) and independent variables (internal and external factors).

3.3 Statistical Techniques

The research focuses on any business around the world linked to a controversy and the company's violation of corporate governance criteria. The samples for this research are chosen from insurance industry which is AIA Bhd.. The data used to conduct this research are extracted from annual reports of five years from the company starting from year 2014 to 2018. Income statement and balance sheet in the annual report which contains the financial information is used to evaluate the financial performance of the company by computing the financial ratios such as return on assets, current risk, quick ratio, debt to income, operational ratio and operating margin. For the external factors, historical price of each company from year 2014 to 2018 are taken from Yahoo Finance to calculate the beta. In addition, the data of Gross Domestic Product (GDP), Inflation Rate, Interest Rate and Exchange Rate are also collected to analyse the economic condition from year 2014 to 2018.

The main technique that used to complete this research is Linear Regression or more commonly known as Ordinary Least-Square (OLS) regression. Based on Investopedia 2018, a researcher use the Least-Squares method to seek for a line of best fit that explains the potential relationship between an independent variable and a dependent variable. Linear regression chooses the parameters of a linear function of a set of explanatory variables by minimizing the sum of the squares of the differences between the observed dependent variable in the given dataset and those predicted by the linear function. The relationships are modelled using linear predictor functions whose unknown model parameters are estimated from the data. Therefore, this sampling technique is easier and more sensible to be used for estimating regression as compared to other alternative techniques.

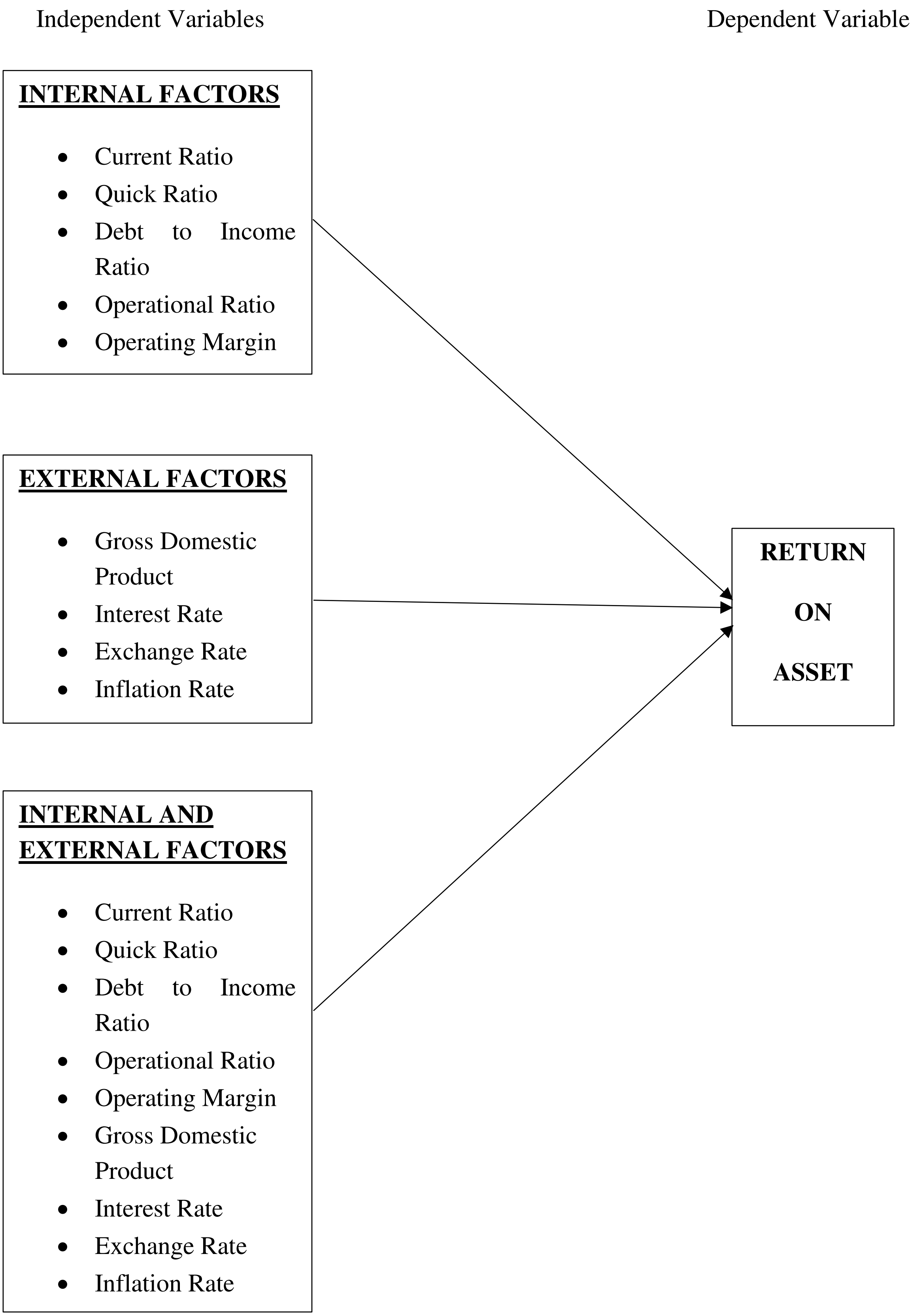
3.4 Data Analysis

Variables

Dependent variable and independent variables are used to analyze the data in linear regression sampling technique. The dependent variable is the parameter to be evaluated and measured in a scientific experiment. The parameter which depends on the independent variable is linear. The dependent variable is 'dependent' on the independent variable. 'The independent variable is the variable that is modified or monitored to test the effects on the dependent variable in a scientific experiment.

As to find out the relationship between dependent variable and independent variables, Regression analysis (OLS) was conducted . In general, regression analysis helps to explain how value of dependent variable changes when the independent variables are varied. To determine the influence of independent variables on the dependent variable in this study, multiple regression analysis method was used.

Framework



Independent Variables
Dependent Variable
INTERNAL FACTORS
Current Ratio
Quick Ratio
Debt to Income Ratio
Operational Ratio
Operating Margin
EXTERNAL FACTORS
Gross Domestic Product
Interest Rate
Exchange Rate
Inflation Rate
INTERNAL AND EXTERNAL FACTORS
Current Ratio
Quick Ratio
Debt to Income Ratio
Operational Ratio
Operating Margin
Gross Domestic Product
Interest Rate
Exchange Rate
Inflation Rate
RETURN ON ASSET

Models

The linear regression models that are presented in the form of equation are as follows:

Model (1)

Performance $_{ROA}$ = ai + a_1CR + a_2 QR + a_3DIR + a_4OPR + a_5 OPM + e

Model (2)

Performance $_{ROA}$ = ai + a_1GDP + a_2 INR + a_3ER + a_4IFR + e

Model (3)

Performance $_{ROA}$ = ai + a_1CR + a_2 QR + a_3DIR + a_4OPR + a_5 OPM

+ a_1GDP + a_2 INR + a_3ER + a_4IFR + e

Measurements of Variables

No.	Variables	Measurement
1.	Return on Asset (ROA)	Net Income / Total Assets
2.	Current Ratio (CR)	Current Asset / Current Liability
3.	Quick Ratio (QR)	Liquid Current Asset / Current Liability
4.	Average Collection Perion (ACR)	Account Receivable / (Revenue/360)
5.	Operational Ratio (OPR)	Operating Expenses / Net Sale
6.	Operating Margin (OPM)	EBIT / Revenue
7.	Gross Domestic Product (GDP)	5-years Gross Domestic Product Rate
8.	Interest Rate (INR)	5-years Interest Rate
9.	Exchange Rate (ER)	5-years Exchange Rate
10.	Inflation Rate (IFR)	5-years Inflation Rate

3.5IBM Statistical Package for Social Sciences (SPSS Statistics)

IBM SPSS version 25 has been used in this analysis to measure the data and derive the results from the annual reports. Based on Landau and Everit(2004), Statistical Package for Social Sciences(SPSS) is considered to be a versatile tool that lets researchers analyze statistical data. In addition, this technology has been widely used in the social sciences and is now prominent in data mining, market research and advertising as well. IBM SPSS Statistics has been used for this research to calculate descriptive statistics, linear regression, correlation, and coefficient between independent variables and dependent variable based on quantitative data from annual reports and official websites.

4.0 FINDINGS AND ANALYSIS

This study is conducted to find and analyze the performance, liquidity risk, credit risk, operational risk and market risk of the company AIA Bhd. The dependent variable of this study is the performance of the company while the independent variables of the company are liquidity risk, credit risk, operational risk and market risk of the company. Internal factors of the independent variable are liquidity risk, credit risk and operational risk. External factors of the independent variable are market risk.

Dependent variable of this study, the performance of the company is identified by Return on Asset of the company. Meanwhile, rest of the ratios which comes under internal factors of independent variable are computed respectively as follows. Liquidity risk is identified by calculating current ratio and quick ratio. Credit risk is calculated by calculating average collection period and debt to income. Operational risk is calculated by operational ratio and operating margin. External factors of independent variable which is concentrated on market risk was computed by taking count of gross domestic product, interest rate, exchange rate and inflation rate.

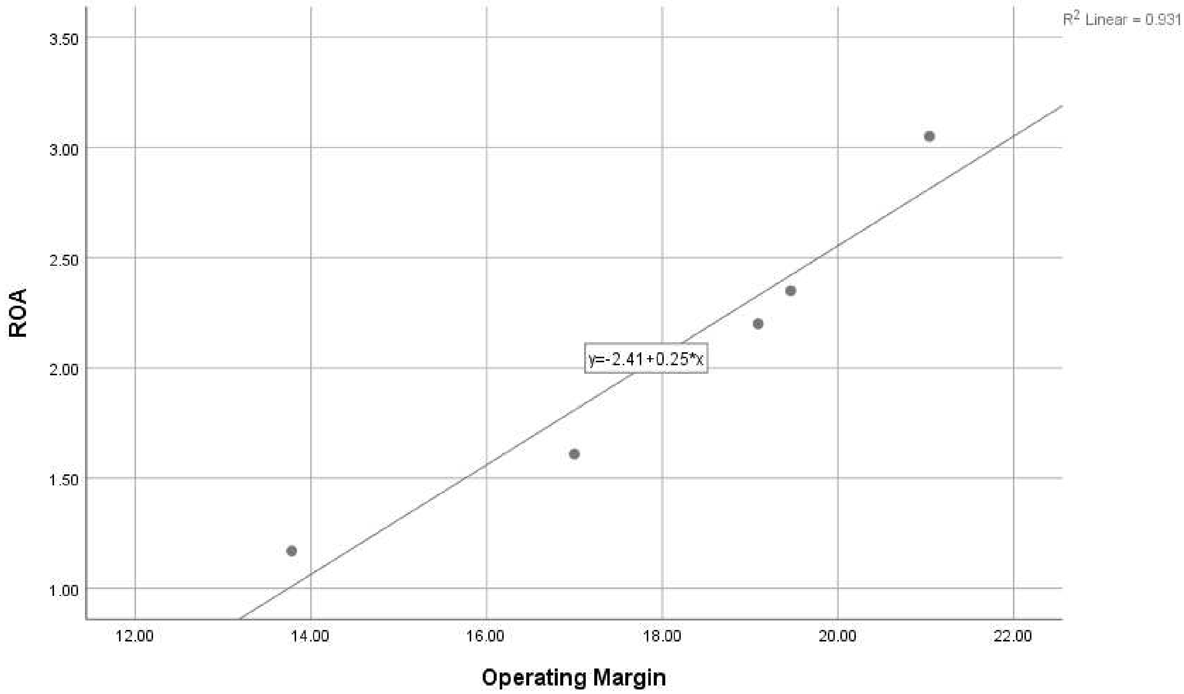
4.1 Descriptive Statistics

	Descriptive Statistics		
	Mean	Std. Deviation	N
ROA	2.0760	0.7206	5
GDP	5.1800	0.6686	5
Inflation Rate	2.4200	1.0710	5
Interest Rate	2.8800	1.6453	5
Exchange Rate	4.3900	0.7811	5
STDV	0.4147	0.1745	5
CGI	0.8000	0.0000	5
Current Ratio	0.6264	0.0869	5
Quick Ratio	0.4493	0.0807	5
Average Collection Period	17.1988	5.9833	5
Debt to Income	23.1844	4.3213	5
Operational Ratio	0.0467	0.0261	5
Operating Margin	18.0740	2.7992	5

The above descriptive statistics of defines the equation of Model (3). This descriptive statistic is a summarized statistic which quantitatively describe the research question on what determines the performance of company considering internal and external factors of AIA Bhd.

The mean presented is an arithmetic mean across the observation of the study. It is most widely used measure of central tendency. It is also known as average in common. The highest average is held by Debt to Income Ratio while the lowest average is held by Operational Ratio. Average has closest sensitivity towards highest and lowest average value.

4.2 Trend Analysis



Graphical representation above shows scatter plot on relationship between two quantitative variables. Based on the coefficient table of SPSS results produced, the internal factors of independent variable, Operating Margin is positively significant and correlated towards the dependent variable of Return on Assets.

Direction of the relationship between the two variables is positive association. This because when Operating Margin increases, Return on Assets also increases.

Form of the relationship between the two variables is linear relationship. This explains that the points on scatterplot closely resembles straight line. Linear relationship indicates that when Operating Margin increases, Return on Assets increases approximately at the same rate by one unit.

Strength of the relationship between two variables is strong relationship. As referring to the slope of the graph, it is closing to 1 whereby when Operating Margin increases, Return on Assets also increases nearly to the same value amounted.

4.3 Correlation Analysis

		CORRELATIONS												
		ROA	GDP	Inflation Rate	Interest Rate	Exchange Rate	STDV	CGI	Current Ratio	Quick Ratio	Average Collection Period	Debt to Income	Operational Ratio	Operating Margin
Pearson Correlation	ROA	1.0000	0.4500	0.899**	-0.8920	-0.6580	-0.9480	.***	0.0680	-0.6480	0.4540	0.0830	-0.1760	0.965**
	GDP	0.4500	1.0000	0.7790	-0.4850	-0.7500	-0.4430	.***	0.6290	0.1220	0.0260	-0.6810	-0.0610	0.4600
	Inflation Rate	0.899**	0.779**	1.0000	-0.7870	-0.8430	-0.8630	.***	0.4130	-0.3770	0.2880	-0.2120	-0.0850	0.8990
	Interest Rate	-0.8920	-0.4850	-0.7870	1.0000	0.4920	0.8330	.***	0.1390	0.5670	-0.5290	0.1930	0.4010	-0.7910
	Exchange Rate	-0.6580	-0.7500	-0.8430	0.4920	1.0000	0.7870	.***	-0.7760	0.4400	0.2720	0.0350	-0.4410	-0.7940
	STDV	-0.9480	-0.4430	-0.8630	0.8330	0.7870	1.0000	.***	-0.2360	0.7940	-0.1600	-0.2030	-0.1090	-0.9850
	CGI	.***	.***	.***	.***	.***	.***	1.0000	.***	.***	.***	.***	.***	.***
	Current Ratio	0.0680	0.6290	0.4130	0.1390	-0.7760	-0.2360	.***	1.0000	0.0440	-0.6500	-0.1010	0.6890	0.2720
	Quick Ratio	-0.6480	0.1220	-0.3770	0.5670	0.4400	0.7940	.***	0.0440	1.0000	0.0750	-0.6330	-0.3240	-0.7220
	Average Collection Period	0.4540	0.0260	0.2880	-0.5290	0.2720	-0.1600	.***	-0.6500	0.0750	1.0000	-0.2630	-0.9190	0.2150
	Debt to Income	0.0830	-0.6810	-0.2120	0.1930	0.0350	-0.2030	.***	-0.1010	-0.6330	-0.2630	1.0000	0.5320	0.2080
	Operational Ratio	-0.1760	-0.0610	-0.0850	0.4010	-0.4410	-0.1090	.***	0.6890	-0.3240	-0.9190	0.5320	1.0000	0.0860
	Operating Margin	0.965**	0.4600	0.899**	-0.7910	-0.7940	-0.9850	.***	0.2720	-0.7220	0.2150	0.2080	0.0860	1.0000

According to the correlation table above, stated that if P-value is less than or equal to 0.05, the correlation is statistically significant where we can summarize that the significance level of correlation is different from 0. Whereas, if P-value is greater than 0.05, the correlation is not statistically significant where we can summarize that the significance level of correlation is not different from 0. A coefficient of 0 indicates that there is no linear relationship between the variable.

Based on the correlation table, the most significant variable is Average Collection Period to Gross Domestic Product (GDP) where the P-value is 0.026. As the correlation is positive, both variables have positive relationship where if average collection period increases or decreases, GDP tends to increase or decrease with it. According to Falope, O. I., & Ajilore, O. T. (2009), annual GDP growth eventually increases the average collection period. This study on working capital management and corporate profitability show precisely on how the influential situation is with both variables are positively significant and correlated.

Other variables that are positively significant to each other are Debt to Income ratio with Exchange rate on P-value of 0.035 and Quick Ratio with Current Ratio on P-value of 0.044. Meanwhile, the most positively not significant correlation is between Operating Margin with Return on Asset with P-value of 0.965.

4.4Model Summary

Model Summary [b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	0.999	0.998	0.0306	1.2

a Predictors: (Constant), Operating Margin, Operational Ratio
b Dependent Variable ROA

Table of model summary above provides the information on the ability of the regression line to account for the total dependent variable variation. As the coefficient of R is different from 0 (greater than 0.05), the regression line is not completely horizontal. This part of variance is expressed as the addition of the square differences between the estimated dependent variable value of the overall mean divided by the independent variable.

Through dividing this stated variance by the total variance of the dependent variable, we enter the sum of the total variance that the regression equation accounts for. This ratio varies from 0 to 1 and is symbolized by R^2 (R Square). As per the model summary table above, model 1 has the value of R^2 is 0.999, which explains that 99.9% of total variance of return on asset has been 'explained'.

Durbin Watson statistic from a statistical regression analysis is basically an autocorrelation test. According to Palaniappan G. (2017), to test the nature of the data from the study of dependent and independent variable, Durbin Watson is conducted through SPSS. It will always have a value between 0 and 4. Value 2.0 indicates there exist no correlation. Positive autocorrelation is indicated by values less than 2 while negative autocorrelation is indicated by values more than 2.

Based on the table above, Durbin Watson value of 1.2 indicates the positive autocorrelation. Only values closer to 2 are data that do not have time series influence and are stationary.

4.5 ANOVA

ANOVA a						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	2.075	2	1.038	1108.499	.001b
	Residual	0.002	2	0.001		
	Total	2.077	4			

a Dependent Variable: ROA

b Predictors: (Constant), Operating Margin, Operational Ratio

Output of ANOVA analysis shows whether there is a statistically significant difference between the regression and residual means. As for model 1, the significance value is 0.001 which is below 0.05. Therefore, there is a statistically significant difference in the mean of the dependent variable Return on Assets between independent variable of Operating Margin and Operational Ratio. Therefore, it's clearly proven that both operational risk influences performance of AIA Bhd.

4.6 Coefficient

		COEFFICIENTSa				
		Unstandardized Coefficients		Sig.	Collinearity Statistics	
Model		B	Std. Error		Tolerance	VIF
1	**(Constant)**	-2.181	0.101	0.002		
	Operating Margin	0.254	0.005	0	0.993	1.008
	Operational Ratio	-7.23	0.588	0.007	0.993	1.008

a Dependent Variable: ROA

Based on the coefficient table above the company performance indicated by Return on Asset is computed by the equation as follows:

$$\mathbf{ROA_1 = -2.181 + (0.254 \times Operating\ Margin) + (-7.23 \times Operational\ Ratio)}$$

YEAR	OPM	OPR	ROA_1	ROA
2014	19.09	0.6433	1.98	2.20
2015	17.00	0.0702	1.63	1.61
2016	19.46	0.0621	2.31	2.35
2017	21.04	0.0148	3.06	3.05
2018	13.78	0.0221	1.16	1.17

Therefore, it is proven that ROA is nearly equivalent to the value computed by coefficient model 1, ROA_1.

According to the table of coefficient above, Operating Margin is positively correlated significantly towards Return on Asset. As the correlation is positive, both variables have positive relationship where if Operating Margin increases or decreases, Return on Assets tends to increase or decrease with it. According to Khadafi, M., Heikal, M., & Ummah, A. (2014), return on Assets are influenced by Operating Margin. This study on influence analysis of return on assets and operating margin against corporate profit show precisely on how the influential situation is with both variables are positively significant and correlated.

5.0 CONCLUSION AND RECOMMENDATION

As for conclusion, the investigation results that AIA Bhd.'s is not liable entirely for the scam occurred. Insurance agents of AIA are pleaded for guiltiness on the cheat scam pledged. But AIA Bhd. are concluded to be responsible to uphold the practice of sound corporate governance principle.

The study also concludes that the research objective is proven whereby the independent variables influences the dependent variable. The dependent variable of this study which was indicated by Return on Assets (ROA), merely influenced by independent variables of both internal and external factors such as credit risk, liquidity risk, operational risk and market risk.

As for recommendation, it's advisable for AIA Bhd. to follow anti-fraud policy. This eventually ensure that AIA is committed of conducting their insurance business with ethics and integrity of highest level. The intention of this policy is to uphold the commitment of zero-tolerance approach to fraud. Despite aiding the prevention, this policy is intended to reinforce designed management procedure whereby sound corporate governance can be practiced diversifying the risk of credit, liquidity, operational and market.

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APPENDIX

1.Illustration below shows the official alert on scam by AIA officials on February 25th, 2019.

AIA Bhd. – Agency Strategy & Transformation
Agency Circular 004/02/2019/AGENCY/CIR

25 February 2019

AIA SCAM ALERT

Dear AIA Life Planners,

Please be aware of suspicious text messages or emails that attempt to solicit personal information from you or your customers using AIA's name.

If you or your customer have received such messages, please **DO NOT** respond and immediately report it to us at my.customer@aia.com or contact us via the AIA Malaysia Facebook Messenger. AIA will never request for personal information or clarification via any SMS, email, messaging app or social media channels.

Regards,

Mohit Bahoria
Head of Agency Strategy & Transformation

Leong Chee Soong
Chief Agency Distribution Officer

2.Corporate Governance Mechanism

Management Team

The AIA General Berhad EXCO is committed to ensuring that AIA's business in Malaysia delivers strong growth and meets the Company's Vision to be Malaysia's first choice health, wealth and protection partner.

ERIC CHANG

Chief Executive Officer, AIA General Berhad

Eric leads AIA Malaysia's general insurance business which comprises motor, personal accident and commercial insurance, distributed through our vast network of AIA Life Planners, telesales representatives, nationwide branches and in the near future, directly online.

Board of Directors

CHING YEW CHYE @ CHNG YEW CHYE

Independent Non-Executive Director (Chairman)

Mr Ching holds a Bachelor of Science (Honours) degree from the University of London, UK. Mr Ching has extensive experience in retail and commercial banking as well as capital markets. Between 1997 and 2007, Mr. Ching assumed various regional senior management roles in Accenture, including the roles of Managing Partner of the Financial Services Industry Group-Asia, Geographic Council Chairman-Asia and Managing Partner for the South Asia Region.

DATUK HUSNI ZAI YAACOB

Independent Non-Executive Director

Datuk Husni holds a Bachelor of Science (Hons.) Resource Economics from University Putra Malaysia. Datuk Husni had served at Malaysian missions in the Philippines, Pakistan and United Kingdom and was an Ambassador of Malaysia to Kuwait and Ambassador of Malaysia to Thailand. Datuk Husni was appointed as the High Commissioner of Malaysia to Singapore on 23 August 2013 before his retirement from government service in 2016. Datuk Husni has over 34 years of experience and expertise in managing international relations as a diplomat and Senior Management team of the Malaysian Ministry of Foreign Affairs.

HENG ZEE WANG

Executive Director

Zee Wang has the overall responsibility for developing and driving an integrated marketing strategy to bring to life AIA's brand promise of helping people live healthier, longer and better lives. This is achieved through key functions such as Product and Customer Marketing, AIA Vitality, Brand and Digital, Corporate Communications, and Business Analytics.

KHADIJAH BINTI ABDULLAH

Independent Non-Executive Director

Khadijah Abdullah holds a Bachelor and Master's degree in Education from the University of London. She started her career in the education sector before moving into the corporate financial sector covering both banking and insurance industries for the past 20 years. Currently she is the CEO of the Education and Performance Delivery Unit which is focused on executing the Malaysia Education Blueprint. She has served on Advisory Councils as well as Board of Trustees at both local and international levels.

KANG AH LAI @ KANG HAK KOON

Independent Non-Executive Director

Mr. Kang is a Fellow of The Association of Chartered Certified Accountants, UK, a Member of the Malaysian Institute of Accountants, and an Associate of The Chartered Insurance Institute, UK. Between 1979 and 2000, Mr. Kang served in various capacities in Finance and Business Operations, his last position being General Manager of the General Insurance Division of Sime AXA Assurance Bhd. He has also served as Chief General Insurance Officer of Prudential Malaysia and was a pioneer in starting Prudential's General Insurance business.