



اوتو اوسيتي تيكنولوغي مارا
UNIVERSITI
TEKNOLOGI
MARA

Fakulti
Pengurusan
dan Perniagaan



THE HAVEN®
ALL SUITE RESORT

1st MARCH – 13th AUGUST 2021

INDUSTRIAL TRAINING REPORT

AT THE HAVEN RESORTS SDN BHD

NAME : NUR HANISAH BINTI MOHAMAD SAID
STUDENT ID : 2019353337
PROGRAM : BACHELOR OF BUSINESS ADMINISTRATION
(Hons.) FINANCE
ADVISOR : DR NURUL LABANIHUDA ABDULL RAHMAN

EXECUTIVE SUMMARY

I am one step closer to achieve my dream to work in hotel industry as I am accepted to have my industrial training at The Haven Resorts Sdn Bhd under finance department. With my impressive academic qualifications, I passed the interview to undergo industrial training at the hotel. The Haven Resorts Sdn Bhd is a rated five-star hotel established back in 2010 that serve guests not only with its luxurious resort hotel suites but also with its top-notch cuisine's delicacy and customer service. There are 10 staff under finance department. For this report, I made SWOT analysis on the hotel and regression analysis on the firm specific determinants of hotels' profitability in Malaysia. The dependent variable in this study is profitability and the independent variables are leverage, liquidity, size of the company and net asset turnover. The findings show that among four independent variables, only leverage and size of the company are statistically significant to hotel companies' profitability while liquidity and net asset turnover are not significant. Simultaneously, leverage and net asset turnover has positive relationship to profitability while liquidity and size of the company has negative relationship to profitability. From the findings and previous researches, there are several recommendations to be consider by the hotel operator and future researches. Hotel operators should manage their debt level efficiently and handle a transparent credit management system to keep track of their creditors. To maintain liquidity, it is advised to shorten account receivable collection period. Further researcher on the other hand is suggested to use a broader set of variables such as structure ownership and geographical analysis. To conclude, hotel sector is making its way as essential sectors to attract tourist to our country. Thus, it is crucial to made further study on this sector.

TABLE OF CONTENT

EXECUTIVE SUMMARY	1
TABLE OF CONTENT	2
ACKNOWLEDGEMENT	3
STUDENT'S PROFILE	4
COMPANY'S PROFILE	5 - 8
TRAINING REFLECTION	9
SWOT ANALYSIS	10 - 12
REGRESSION ANALYSIS	13 - 24
DISCUSSION AND RECOMMENDATION	25 - 26
CONCLUSION	27
REFERENCES	
APPENDICES	

COMPANY'S PROFILE

Company Background



Figure 2: Company Logo

The Haven Resorts Sdn Bhd is a rated five-star hotel located in Jalan Haven Persiaran Lembah Perpaduan Tambun, 31150 Ipoh, Perak. The Haven Resort Sdn Bhd is one of the projects handle by The Haven Group. The company was established in 2010, offering family resort suites with all-inclusive comprehensive facilities to its guests. They provide 150 premium resort hotel suites, providing guest a perfect retreat amidst nature and tranquillity with only a few minutes away from the city. The main attraction at the hotel is that they are surrounded by nature with preserved 280-million-year-old limestone hills. From previous years, they had awarded with various national and international awards such as Global Family Resort Award and secure their position as TripAdvisor top 1% of hotels in Malaysia for four years.

The mission of the company is to provide high-quality, value-for-money, family resort hotel suites for both owners and guests in their purchase for use either as a vacation home or for a second home. The resort hotel suites are designed to offer attractive environments and state-of-the-art conditions reflective of the growing demand for lifestyle living. The company is committed in preserving nature to provide guest with aesthetical view on nature. The vision of the company is to be the best of the best in its business practices and to give the highest value to all, assisting everyone where it can as they operate the business.

Four main focuses of the company are:

1. Catalyst of Growth

Strive to be one of the few family resort developers and operators who are dedicated to the family.

2. Preservation and Enhancement of Nature and Its Environment

They recognize that living amidst natural and manmade beauty allows limitless recreational and relaxation thus, they avoid using chemicals when possible and do not allow fogging and fireworks that burnt the environment and its inhabitants.

3. Community Buildings and Benefits

Their focus is to service those in need of rest, retreat, recuperation and recovery and the needy

4. Staff Training

They provide opportunities for locals to join and work in a good and reputable company. They also invest in staff's training and development that goes beyond work and livelihood.

Services

The Haven Resort Sdn Bhd operates in hospitality industry under hotel sector where it provides luxury resort hotel suites with panoramic view surrounded with mother nature. Other than hotel suites, they also provide venues for meeting, conference and events. There are facilities such as ballroom, indoor gallery, seminar room and outdoor locations; Lake Garden, Rock Garden, Amphitheatre and Helipad where guests can hold event or occasions. Other than that, stay true to its status as five-star hotel, they provide various facilities such as swimming pool, steam room, spa, a fully equipped gym, table-tennis, badminton and squash courts, meditation deck, outdoor playground, junior playroom, restaurant, poolside bar and shuttle services. What makes The Haven Resorts Sdn Bhd different is that they also provide residency where the hotel only owns 150 units from total units in the 3 blocks of 26 storey buildings and the remaining were brought by other people, called residents. The residents are the owner to the units and they can either manage their units by themselves or give permission to the hotels to manage their units.

The hotel is also well-known for its top-notch cuisine delicacy. They provide not only local traditional dishes, but also western and middle east delicacy for the guest. They even get recognition as top 3 among 528 restaurants in Ipoh listed in TripAdvisor. They serve everything from appetizers to full board dishes, dessert and hi-tea. One of the features of their cuisine restaurant is that they not only open for dine in and room services, but they also open for take away. On special occasion, they held promotions and even buffet package. For instance, they had hi-tea event for mothers' day and fathers' day, Ramadan Buffet during Ramadan and Syawal Promotion during Hari Raya.

Organizational Structure

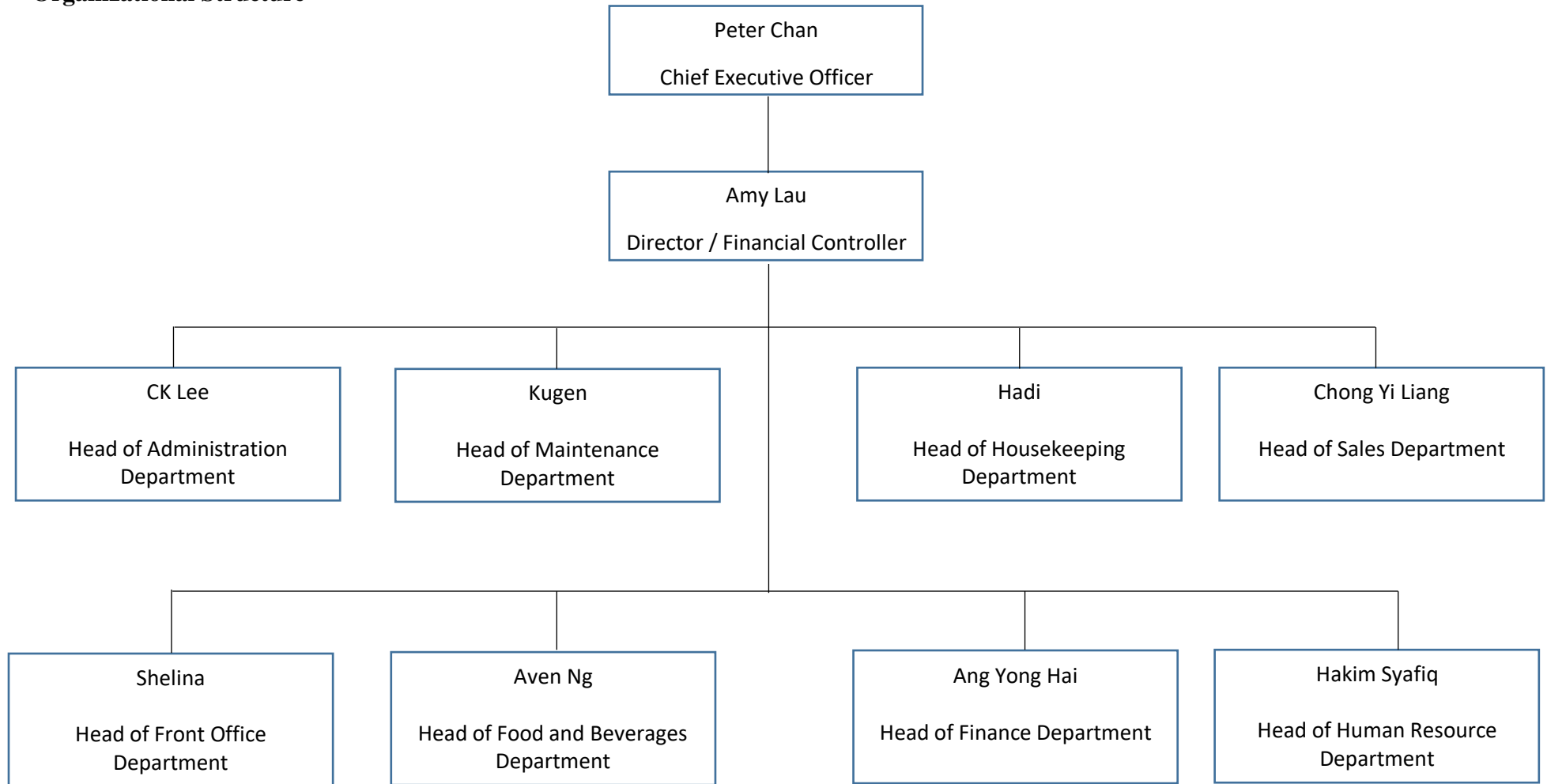


Figure 3: Organizational Structure

Departmental Structure

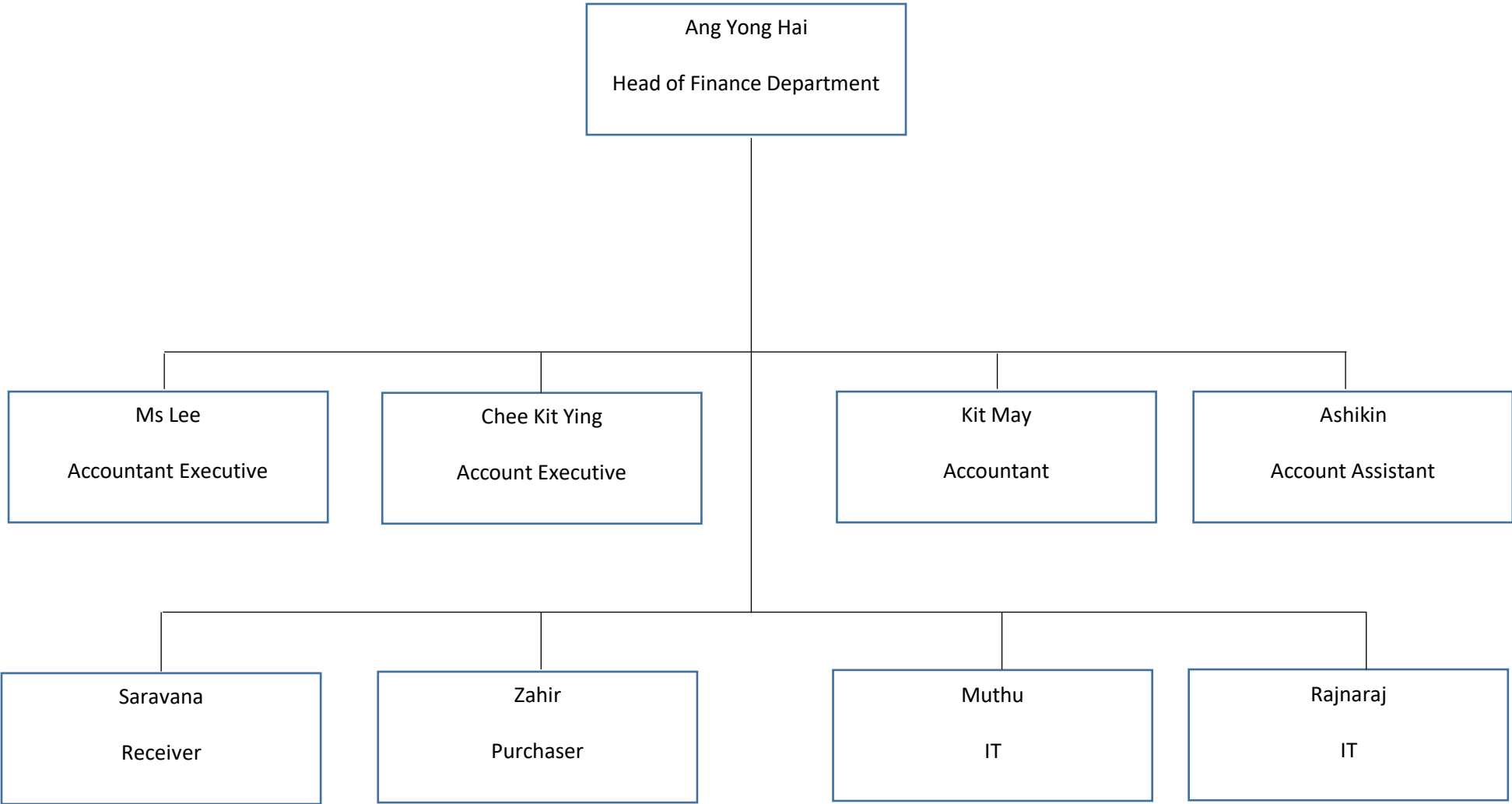


Figure 4: Departmental Structure

TRAINING REFLECTION

My internship period are 24 weeks, starting from 1st March 2021 until 13th August 2021. Working hour at the company start at 8.45 am until 6 pm from Monday to Friday and 8.45 am to 1 pm on Saturday. Due to the situation of pandemic Covid-19, some days I have to work from home and I had to take unpaid leave during Movement Control Order (MCO) 3.0 as hotel is not listed under essential services. I am undergoing my internship under Finance Department.

For the first month of my internship, most of the time I am responsible to do filing and documentation for documents related to the department such as filing Payment Voucher, Credit Card Report and Trial Balance. I also helped in basic task such as record journal for daily Trial Balance and check cash remittance envelope from cuisine. As I become familiar with the software they use which is OPERA and SQL, I started to do task such as checking the transaction (Bank Transfer and Cheque) is tally between the system to ensure no mistakes were made. I also assist in changing the format for Profit and Loss Statement. Starting from my second month of internship, I had to cover for the job scope of account assistant. I help to record invoice from supplier, checking supplier statement and made payment voucher when we want to make payment to supplier. In general, my job scope is to handle account payable in finance department. Besides, I am responsible to make record and payment summary for utilities such as electricity, water and sewerages bills. I also had the chance to do bank reconciliation. Other than the task given related to my department, there were times where I had to help other department. For instance, I went out for sales call in which I went around Ipoh with Sales and Marketing Team to promote Ramadan Buffet event to corporate and government office. I also help Marketing Team in making promotional video for Fathers' Day.

For the six-month internship period, I received RM600 allowance per month and free lunch during working days. Personally, I gain many things from this internship not only from working aspect but also from social aspect. I had the advantage to see hotel operations from behind the scenes. I could see how things work from the moment a guest made reservation, check-in procedure until the guest check-out from the hotel. Most importantly, I gain hands on experience in real working life experience in job scope related to my studies throughout the internship at my department. I learn how my action will affect others and how a mistake I made might bring difficulties to others. Simultaneously, I am able to sharpen my social skills where I am able to interact with my colleagues not only in my department, but also with staff at different department.

SWOT ANALYSIS



Figure 5: SWOT Analysis

The first strength possess by The Haven Resorts Sdn Bhd is the ambience of nature surround the hotel. They provide guests with postcard-like view of nature. Within the hotel area, they have the 280 million years old limestone and a natural lake. The fact that the hotel are only 15 minutes away from Ipoh city make it preferable for tourists in Ipoh that want to travel the city but at the same time wish to stay in a calm and relaxing accommodation. The second strength is they held cooperation with third party. For instance, they cooperate with Travelclick, Agoda and Booking.com. The presence of this hotel on such website made it easier to attract customer. Guests can make reservation not only through hotel official website or phone call, they can also book a room from these websites. Positive feedback and good rating given by guests on this website indirectly can reflect good image for the hotel and attract more guests.

There are however several weaknesses found which are first insufficient worker. For instance, in Sales and Marketing Department, sales personnel need to do multiple task such as handling event, sales call, do public relation. During some period, sales personnel had to do work at the front office as there are no staff to handle front office. This kind of working environment can exhaust employee and result to low performance from them. Due to lack of staff, most of the time, staff especially in human resource and finance department has to work over working hour. The next weakness is they are subject to government policies. They are required to accomplice to any law and regulation set for hotel operators. For example, due to current pandemic, there are some periods where hotels are not allowed to operate. They had to follow the standard operation procedure (SOP) set by the government. Although the closing period might bring downward effect to the company, they had no choice but to abide to the government order.

Being closely related to tourism industry, there are several opportunities that they should take advantages of. First, there are emerging market that offer wide chances for hotel company to grow bigger in the industry. As number of tourists to our country increases and we are getting known by the world for tourist destination, it is natural for the tourists to look for accommodation that could provide them with a satisfying stay during their vacation. Furthermore, they have opportunities to attract more customers through their project in Bintan. They should promote the hotel in Bintan especially in social media to made it known to public. There are high chances that they can attract more guests be it local people or foreign tourists. The success of this new hotel will attract investors to invest to the company and enable opening of new hotel in other places, thus establishing The Haven as worldwide brand in hotel industry.

Despite the aspiring opportunity offer to the company, there are several threats that they should pay attention to. As people are seeing the opportunity in tourism and hospitality industry, there are tight competition among hotel operators. Hotel are considered as one of the business with low barrier to entry. Different hotel offers various things that could make them preferable than their competitors such as lower room rate. There are a few competitors close to their location such as The Banjaran and MH Hotel. Lastly, the current pandemic Coivd-19 is the biggest threat since last year. Hotels were forced to close their operations in order to reduce the risk of spreading the virus. They were allowed to operate for a while with strict SOP and need to spend more in order to regularly sanitize the whole hotel area. During the time that they were able to operate, they struggle to attract guests as only inter-state movement is allowed. They were forced to close operation once again during Movement Control Order 3.0 in May 2021. If this situation continues and they cannot receive guests in longer period, the hotel might face difficulties in paying their bills and maintaining their operation.

REGRESSION ANALYSIS

Background of Study

Tourism is one of the fast-moving industries globally. As an important pillar to the hospitality and tourism industry, hotels in Malaysia have contributed to the country's economy from various aspects. It creates job opportunities, increases foreign exchange export earnings, stimulate the country's investments and enhances the country's GDP. Tourism contributes RM86.14 billion to Malaysian economy in 2019 with 26.1 million tourist visited. Hotel operators are one of the many main players in moving and supporting tourism industry over the year. There is a significant increase in the number of hotels in Malaysia over the last few decades. While some hotel operators strive to gain more and more income, a few of them are struggling to survive and are unable to maintain their operation as they failed to sustain their profitability.

An in-depth understanding on why one company is more profitable than another, and knowing how a company can be acknowledge to be in a good economic position, on the contrary, are crucial aspects in business planning (Alvarez-Ferrer et al., 2018). Looking at the importance of hotel sector to the economy, it is important for a country to maintain a profitable hotel sector (Dimitric et al., 2019). However, the previous literature and academic scholars are not paying much attention to the development and particularly, the profitability of the hotel companies in Malaysia. Realizing that hotels are the drivers of investment, innovation and job opportunities in tourism, the aim of this paper is to analyse the firm specific factors affecting profitability of hotels.

Problem Statement

Tourism is the third biggest GDP's contributor in Malaysia as it contributes around 5.9% to total GDP after manufacturing and commodities. Hotels are one of the key players that plays prominent roles in maintaining and attracting tourist to this country considering that it provided value added amounting nine billion Malaysian ringgit in 2017. Hotel industries face a huge development over the year as the number of hotels in Malaysia increase two-fold in 2019 as compared to 2009 as in 2019, there are 4.83 thousand hotels in Malaysia.

However, the current economic situation which mainly affected by the pandemic Covid-19 has resulted to several hotel companies to shut their business and stop operating as they failed to maintain their profits and suffered loss. Due to border closure and travel bans, there are no

foreign tourists to sustain the tourism business. The implementation of travel restrictions across the country has worsen the situation as it is impossible for hotels to maintain room revenues. Hotel Equatorial Penang and G City Club Hotel are among those hotel operators that were forced to shut down due to low occupancy rates and negative profit (Emmanuel 2021; *The Star*, 2020). Prior studies had been made on the importance on firm survival and the determinants of profitability. Some has investigated the determinants of firms' profitability such as firm size, liquidity, leverage and age. Unfortunately, most of the studies cannot be generalised to represent the hotel companies in Malaysia.

Therefore, further study is needed to identify the firm specific factors that will contribute to profit in hotel companies specifically in Malaysia. The firm specific determinants that might affect profitability of hotel companies are size of the company, liquidity, leverage, and net asset turnover. This study will give insight to hotel owners on the aspect that they should focus on maintaining their operations especially during this difficult period.

Objectives of Study

Generally, this study aims to investigate the relationship between profitability of hotels and four firm specific variables which are leverage, liquidity, net asset turnover and size of the company. This study is important as it can give insight to hotel companies on the aspect they should pay more attention to and enable them to plan their business well for longer period.

Therefore, the objectives of this study are:

1. To investigate the factors influencing profitability in the hospitality and tourism industry.
2. To examine the impact of leverage, liquidity, net asset turnover and size of the company on profitability of hotels in Malaysia

Research Framework

1. Dependent Variable

Dependent variable is the variable that is affected by the value or change in value of other variables. The dependent variable is the main problem or issue that researchers aim to investigate in the study. The presence of dependent variable helps making

evaluating process run smoothly. Researchers have chosen Profitability as the main indicator in measuring the financial performance of hotel companies.

2. Independent Variables

Independent variables are the variables in which its value or any change in its value can affect dependent variable, it either positive or negatively. For this study, four independent are identified to be related to the chosen dependent variables which are Leverage, Liquidity, Net Asset Turnover and Size of the Company.

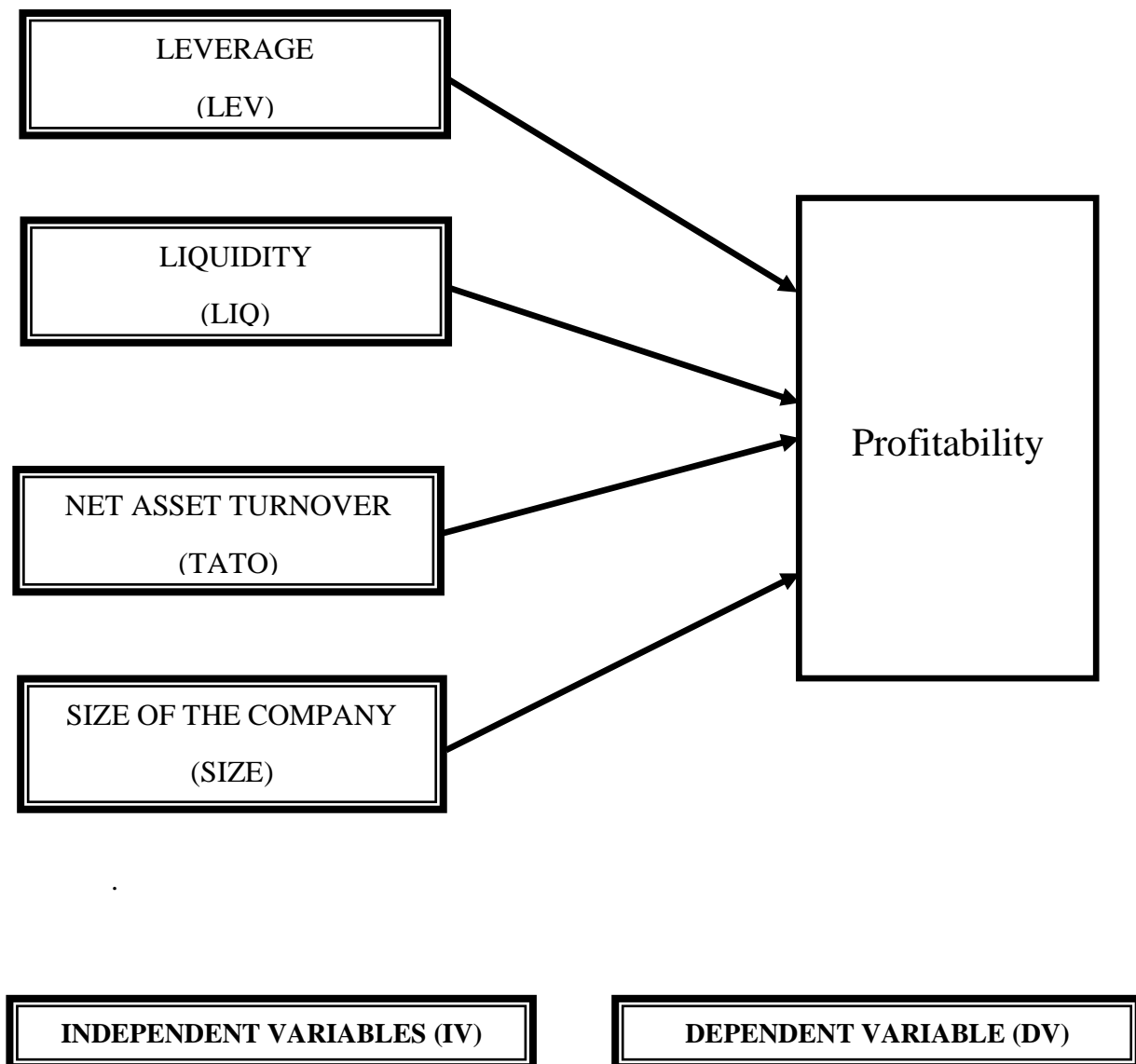


Figure 6: The Research Framework

Scope of Study

1. Dependent and Independent Variables

This study focusses on the financial performance of five (5) hotel companies in Malaysia. Researchers had used Profitability as the dependent variables and four other independent variables which are Leverage, Liquidity, Net Asset Turnover and Size of the Company as the indicator and the variable to be measure in this study.

2. Data Collection Method

The data used in this study is secondary data collected from Thomson Reuters Eikon for getting financial data of five hotel companies listed in Bursa Malaysia.

3. Time Frame

The data gathered in this study is for ten years, from 2010 to 2019.

Literature Review

1. Profitability

Profitability refers to degree in which a company is able to generate revenue and able to reap financial gain. In other words, it indicates firm capability to utilize its asset and resources to gain income. Considering the importance of maintaining profitability, previous research investigated the factors or determinants of hotel profitability from different perspectives in other countries. Some of the studies have covered on the external determinants, internal determinants and some cover on the effects on policy implementation towards hotel profitability of hotels. Tan (2017) has made research not only on hotel specific factors, but also on the industry specific factors and macroeconomic determinants of hotel profitability where he concludes that some hotel specific and industry specific determinants do have effect on profitability while macroeconomic determinants have no effects on profitability of hotel. Previous studies by Abdulla (2020), Alemu (2020), Ben Aissa & Goaid (2016) and Kalas et al. (2019) used return on asset (ROA), return on equity (ROE), hazard risk and return on capital employed (ROCE) to represent profitability. This generally represents the amount of profit they can generate as compared to the amount they spent on asset, equity and capital. The formula illustrates the formula used to calculate ROA, proxy used for profitability in this study.

$$\text{ROA} = \text{Earnings Before Interest and Tax} / \text{Total Asset}$$

2. Leverage

Leverage is the ratio of total liabilities to total assets and this variable is calculated from firms' balance sheet. In corporate financing, few companies prefer to use debt instrument to raise funds, either for short term or long-term capital. A company that depends on high debt tends to associate with high bankruptcy risk and becomes more sensitive to its cash flow. Vivel-Bua et al. (2019) and Ben Aissa & Goaid (2016) have found that leverage or indebtedness of a company has a negative significant impact to hotel companies profitability. Lenders and mortgage investors considered such company as a high-risk business thus high leverage may cause harm to the hotels' profitability. While Alvarez-Ferrer et al. (2018) argue that indebtedness will have greater incidence in small and medium-sized company compared to larger company due to the power of negotiation they have in terms of financial negotiation. According to the researchers, the companies with high levels of indebtedness are less likely to achieve profitability over time. Alemu (2020) found that leverage has moderate significant

impact towards hotel profitability. Leverage has the advantage of providing an interest tax shield, which will have a positive impact on profitability. However, increase in indebtedness also increases the risk of distress, thus could negatively affect profitability (Abdulla, 2020). Thus, the proxy below is used to represent leverage:

$$\text{Leverage} = \text{Total Liabilities} / \text{Total Equity}$$

3. Liquidity

Liquidity refers to how easily assets of a company can be converted into cash (Hiadlovsky et al., 2016). Assets such as stocks and bonds are very liquid since they can be converted to cash within days. Meanwhile, large assets such as property, plant, and equipment cannot be easily converted to cash. Liquidity of a company is important as the company need cash to pay their obligations towards account payable and to settle current liabilities which are also known as short term liabilities. Liquidity of a company can also determine the company performance. Several studies conducted previously shows that liquidity have influence on the profitability of a company. According to Tan (2017), liquidity ratio is positively significant to the profitability of London hotel industry as a high level of liquidity can reduces the possibility of the hotel to borrow the money externally, resulted to reduction in the cost of borrowing which improves the profitability of the hotel. Kalas et al. (2019) however shows different result where increase in liquidity will result to decline in ROA and ROE of the company. According to Syen (2019), increasing in liquidity will bring the negative impact to the organization's performance, and cause the financial stability and performance of the organization more volatile. The proxy used to represent liquidity is:

$$\text{CR} = \text{Current Assets} / \text{Current Liabilities}$$

4. Net Asset Turnover

Net asset turnover measures how efficiently a company uses its machines and equipment to generate revenue. A higher turnover ratio implies that the firm is using its fixed assets efficiently and generating a large amount of revenue using a small amount of assets (Abdulla, 2020). Hence, a higher net asset turnover is preferable for a company as the higher the asset turnover produced by the company indicates that company is effective in using these assets to generate sales (Dimitric et al., 2019). Asset turnover must be considered as one of the most important variables for improving profitability, since a decrease in sales has a direct impact on the ROI,

resulting in a decrease in margin. Investment activities and sales volume of a hotel might be affected if there are a noticeably reduction is asset turnover (Alvarez-Ferrer et al., 2018). Previous researches made by Efendi et al. (2019), Vivel-Bua et al. (2019) and Karanovic et al. (2020) has come to the same conclusion where they proved that net asset turnover has a significant correlation towards the profitability of companies. Karanovic et al. (2020) has also proven that net asset turnover has the highest impact towards profitability as compared to other independent variables used in the study. The proxy used to represent net asset turnover are:

$$\text{Net Asset Turnover} = (\text{Total Sales} / \text{Total Asset}) * 100$$

5. Size of the Company

Many empirical studies made previously have named size of a company as one of the important determinants of company profitability. Size of a company can be measure from its total asset and total employee. Interestingly, researchers have divided their opinion on the significance of firm size towards profitability. Ben Aissa & Goaid (2016) concluded that firm size has negative significant effect towards hotel profitability as huge hotels benefit from high occupancy and sales revenue, but they are confronted by low profitability. In other words, large hotels generate better revenues but worse corporate performance in terms of profitability. In fact, the focus should be rather put on efficiency and cost control. Abdulla (2020) on the other hand, found there is no significant relationship between firm size to profitability. Most of the researchers however agreed that firm size has positive significant relationship to profitability of hotel. Alemu (2020) and Tan (2017) prove that hotel size is significantly and positively related to ROA and ROCE, indicating that large hotels have higher ability to achieve higher profits. Larger hotels can improve their profit as they are able to reduce cost when they achieve economies of scale which will greatly benefitted them. Dimitric et al. (2019) however, stated that size of a company is not significant to hotel companies operating in Greece and Croatia. The proxy for firm size is:

$$\text{Size of the Company} = \text{Natural Log of Total Asset}$$

Research Methodology

Data Description

Secondary data on five hotel companies listed under Bursa Malaysia are gathered and collected from Thomson Reuters Eikon online database. To investigate the firm's specific factors affecting hotel companies' profitability, past ten years were secured from 2010 to 2019, gathering a total of 50 observations. The target population of this study is focus on hotel companies listed under Bursa Malaysia. The five hotel companies use as subject to this study are Shangri-La Hotels (Malaysia) Berhad, Landmarks Berhad, Genting Malaysia Berhad, Avillion Berhad and Grand Central Enterprise Berhad.

Findings

This part will elaborate and explain in detail the results from the findings on firm specific factors affecting hotel companies' profitability. Thomson Reuters Eikon was used to collect data while in Software for Statistics and Data Science (STATA) was used to generated results for findings. The hypothesis is aligned with the objective of this study which is to determine the most significant independent variable that influence dependent variable which is hotels' profitability. The study has also conducted a panel data analysis, which included the following: descriptive statistics, panel specification test (*F*-Test, BP-LM Test, Hausman Test), diagnostic test (multicollinearity, serial correlation, heteroskedasticity) and panel regression.

Descriptive Analysis

Table 1: Descriptive analysis for firm specific factors affecting hotels' profitability

Variables	Obs.	Mean	Standard Deviation	Min	Max
ROA	50	.3614	.6522614	-.03	1.82
LEV	50	.1182	.114708	0	.38
LIQ	50	4.2526	4.506234	.38	14.89
TATO	50	.2722	1.923251	.02	.86
SIZE	50	14.2684	1.557612	12.37	17.32

ROA: Return on Asset, LEV: Leverage, LIQ: Liquidity, TATO: Net Asset Turnover, SIZE: Size of the Company

Table 1 shows the descriptive statistics for firm specific factors affecting profitability of hotels in Malaysia. There is a total of 50 observation used in this study. The highest mean is SIZE with 14.2684 followed by LIQ which indicates 4.2526, ROA 3.614 and TATO 0.722. The lowest mean is LEV with 0.1182. For standard deviation, LIQ shows the highest value of 4.506234 followed by TATO 1.923251 and SIZE 1.557612. LIQ is proven to have wider data spread compared to other variables while LEV has the least data spread as it has the lowest standard deviation of 0.114708. SIZE shows the highest figure for minimum and maximum value with 12.37 minimum value and 17.32 maximum value. ROA has the lowest minimum value with -0.03 while LEV shows the lowest maximum value with only 0.38.

Panel Specification Test

Table 2: Panel specification test for firm specific factors affecting hotels' profitability

Model	F-Test	BP-LM Test	Hausman Test	Technique
Model 1	0.000	1.000	0.0000	Choose FE
	Choose FE	Choose POLS	Choose FE	

Panel Specification Test was conducted to decide the most suitable model to be used in this study. Three tests conducted were F-Test, Breusch and Pagan Lagrangian Multiplier test (BP-LM) and Hausman Test. F-test is conducted to compare Pooled Ordinary Least Square (OLS) and Fixed Effect (FE). Based on Table 2, F-test result is 0.0000 which is less than 0.05. This indicates that Fixed Effect Model is model is more appropriate than OLS. Next, BP-LM test is conducted to find significance between OLS and Random Effect. BP-LM test result is 1.000 which is higher than 0.05. This indicates that for this study, OLS is more appropriate than Random Effect model. Hausman test was conducted to compare between Fixed Effect model and Random Effect model. The result shows p-value 0.000 which is less than 0.05. Thus, the most appropriate model is Fixed Effect Model (FE).

Diagnostic Test

Table 3: Diagnostic test for firm specific factors affecting hotels' profitability

Model	Multicollinearity	Heteroscedasticity	Serial Correlation
Model 1	1.82	0.0000	0.0306
	No multicollinearity problem	Problem Heteroscedasticity	Serial Correlation Problem

Diagnostic Test was conducted to check the problem in this study by using three tests which were Multicollinearity, Heteroscedasticity and Serial Correlation. To examine the correlated relationship between independent variables, Multicollinearity is conducted. Based on Table 3, there is no multicollinearity problem in this study as its variance inflation factor (VIF) is 1.82, lower than 10. Next, heteroscedasticity was conducted to check consistency of data. The p-value is 0.000, lower than 0.05 thus, the variance is not constant due to heteroscedasticity problem. Serial Correlation can verify autocorrelation problem. The result p-value 0.0306 is lower than 0.05, which indicates that there is serial correlation problem in this study. To rectify the problem of Heteroscedasticity and Serial Correlation, Fixed effects (within) regression with cluster option are suggested.

Correlation Analysis

Table 4: Correlation analysis for firm specific factors affecting hotels' profitability

	ROA	LEV	LIQ	TATO	SIZE
ROA	1.0000				
LEV	0.7999	1.0000			
LIQ	-0.3625	-0.5775	1.0000		
TATO	0.5118	0.6442	-0.6129	1.0000	
SIZE	-0.3430	0.1310	-0.4123	0.1921	1.0000

Table 4 shows the correlation analysis for dependent variable and independent variables use in the study. Based on the table, LEV has the highest positive correlation with ROA which is 0.7999 followed by TATO 0.5118, SIZE -0.3430 and LIQ - 0.3625. LEV and TATO have positive relationship with ROA while LIQ and SIZE has negative relationship with ROA. Thus,

LIQ and SIZE has no effect on ROA while LEV is the most significant factors in affecting hotels' profitability. Higher level of leverage will lead to higher return in the future.

Multiple Regression Result

Table 5: Regression analysis for firm specific factors affecting hotels' profitability

	Fixed effects (within) regression with cluster option
LEV	4.4695***
	(2.58)
LIQ	-0.0114
	(-0.54)
TATO	0.1708
	(0.24)
SIZE	-0.2044***
	(-4.61)
Constant	2.7510***
	(3.56)
N	50.0000
r2	0.9941
r2_a	0.9930
r2_w	0.0190
r2_b	0.9515
r2_o	0.8504
F	1.91
P	0.0000
chi2	76.8011
	Notes: t statistics in parentheses
	*Significant at 10% level
	**significant at 5% level
	***significant at 1% level

Regression Model

$$ROA_{it} = (2.7510) + 4.4695 LEV_{it} - 0.0114 LIQ_{it} + 0.1708 TATO_{it} - 0.2044 SIZE_{it} + e_{it}$$

Table 5 shows the regression result using Fixed-effects (within) regression with cluster option for four independent variables on the profitability of hotel companies in Malaysia, followed by the regression model for the variables. The regression result suggests that the model fitted the data well at the one percent level. The Adjusted R² is 99.30 percent. It means that the 99.30 percent variation in the Return on Asset (ROA) can be explained by the independent variables in the model while remaining 0.07 percent is explained by other variables not examined. The findings also suggested that leverage and firm size had a statistically significant relationship with Return on Asset (ROA) while liquidity and net asset turnover are not significant to profitability. In addition, leverage and net asset turnover have positive relationship to profitability indicating that one-unit increase of leverage will increase ROA by 4.4695 unit and one-unit increase of net asset turnover will increase ROA by 0.1708 unit. Meanwhile, both size of the company and liquidity has negative relationship towards profitability, indicating that one-unit increase of liquidity will reduce ROA by 0.0114 unit and one-unit increase in size of the company will reduce ROA by 0.2044 unit.

DISCUSSION AND RECOMMENDATION

Based on the findings, the positive coefficient of leverage indicates that leverage has significant positive relationship with Return on asset (ROA). The results is supported by Olang (2017) where they indicate that higher leverage will result to higher profitability. Fixed interest charged on long term loan will reduce tax remitted thus increase profit after tax. According to Onyenwe & Glory (2017), it is in line with trade-off theory where usage of debt has positive effect on profitability when optimized. This study also found that liquidity has no statistically significant relationship to ROA. Despite no significance relationship, liquidity has negative relationship to profitability. This is supported by previous research by Kalas et al. (2019) where there is negative correlation between liquidity and firm's profitability. According to Alarussi & Alhaderi (2017), the insignificant relationship arise as profitability does not depend on cash base, and while liquidity is deem to be important in financial institutions, such as banks, it does not hold much significance in non-financial companies.

The findings found that net asset turnover has positive correlation to ROA but has no significant relationship. Efendi et al. (2019) justify the positive correlation as high net asset turnover signals the effectiveness of using company assets to generating sales to earn profit. The insignificant relationship from the finding is supported by Herdiyana et al. (2020) where net asset turnover has no effect and is not significant to profitability. It is illustrated that high net asset turnover does not necessarily cause high company profitability thus it has very low impact profit in hotel sector. The negative coefficient of firm size has implied that firm size has a significant negative relationship with ROA. This result is supported by Ben Aissa & Goaid (2016) who found that size of a company had a negative relationship with ROA. This has the implication that the smaller the firm size is, the more profitable it is. As compared to bigger firms, the smaller firms were usually concentrated in niche markets. Therefore, there will be less competition and the hotel companies will generate more profit. Not to mention that large hotel tends to bear larger expenses as compared to small hotel. This is also consistent with the finding in the study by Alemu (2020) and Tan (2017) which showed that there was a significant relationship between size of the company and the profitability of the company.

Even though leverage is positively significant to profitability, hotel companies should manage their level of debt effectively as too high debt in debt lead to decrease in solvency and liquidity

(Nguyen & Nguyen, 2019). Syen (2019) mention that credit risk needs to be control in order to maintain profitability. Hence, hotel need to keep a transparent credit management to keep track of their creditors' record. Crystal clear credit management can prevent issue related to debt payment default in the future. As for liquidity, Syen (2019) in his research mention that increase in liquidity could reduce profitability as high liquidity makes the firm to be more volatile. Thus, hotels can reduce or control its liquidity by make more investments, either in tangible asset or intangible such as stock and bonds. Besides, to maintain liquidity, give more discount and shorten the account receivable collection period to have smooth credit cycle (Hiadlovsky et al., 2016).

The insignificant positive relationship between net asset turnover and profitability is due to the nature of hotel operations that focus more on customer services. Rather than using asset such as machine and equipment for production, they emphasize on providing accommodations and related facilities in exchange for money. Herdiyana et al. (2020) mention that net asset turnover has low impact towards profitability. Thus, hotels can increase the net asset turnover by streamlining the source of funds owned to boost sales at high volume to increase the profitability trend. On the other hand, the negative impact of hotel size on hotel profitability is due to the fact that a large hotel tends to bear larger expenses, which then induces the hotel to increase the price level of the rooms (Tan, 2017). This might lead to the reduction in the rate of occupancy rate that precede a decline in hotel profitability. Thus, it is recommended for the hotel to reduce unnecessary costs such as cut down labour and reduce electricity usage.

For further research, it is best to study a broader set of variables that determine hotels' profitability. Another firm specific factors such as the geographical factors, the structure ownership and organizational relationship of hotels could be apply as independent variables (Vivel-Bua et al., 2019). Organizational relationship refers to hotel chains which comprised of big hotel companies and independent hotels which usually small and family-owned hotels.

CONCLUSION

Hotel sector is growing rapidly and has become one of the essential sectors in attracting tourist to our country. In 2019, there were almost 4.83 thousand hotels operating in Malaysia and it indicates a massive increase in number as compared to 2009. However, amidst the current pandemic Covid-19, almost 15% of hotel operators had forced shut down their business as they are unable to maintain business operation. Thus, researcher had the initiative to investigate the hotel specific factors that affect hotels' profitability in Malaysia. Data from five hotel companies listed under Bursa Malaysia was collected from 2010 to 2019 in order to perform this study. As proposed by previous literatures, this paper has investigated the relationship between four hotel specific factors that might affect profitability. It is concluded that size of the company and leverage is significant to hotels' profitability while liquidity and net asset turnover is not significant to hotels' profitability.

This study could serve several significances not only to hotel operators but also to academician and public. This study can be used by reference by hotel companies in planning their business and to gain more profit in the future. Other academician who wants to conduct study on the same topic or related to the same industry, this study can be utilized as reference. Public or general reader can use the information from this study as added value knowledge related to this sector. However, there are some limitations in completing this study. One of the difficulties faced in completing the study is the limited data and information can be gathered related to the sector. Some information is confidential and need to have permission to access. Besides, industry financial elements information such as occupancy rates and revenue per available room are also unavailable for certain companies.

To conclude, this study provides valuable information to related parties and towards hotel operators in structuring operations and generating profit considering that hotels are becoming significance towards development in both hospitality and tourism industry.

REFERENCES

- Abdulla, Y. (2020). Firms' profitability: Evidence from Bahrain and Qatar. *International Journal of Economics and Business Research*, 19(1), 70–87.
- Alarussi, A. S., & Alhaderi, S. M. (2017). Factors affecting profitability in Malaysia. *Journal of Economic Studies*, 45(3), 442–458.
- Alemu, A. A. (2020). Determinants of profitability in hotel industry: a case study in Hawassa City administration, Ethiopia. *International Journal of Research in Business Studies and Management*, 7(3), 49–54.
- Alvarez-Ferrer, A., Campa-Planas, F., & Gonzales-Bustos, J. P. (2018). Identification of the key factors for success in the hotel sector. *Intangible Capital*, 14(1), 74–98.
- Ben Aissa, S., & Goaid, M. (2016). Determinants of Tunisian hotel profitability: The role of managerial efficiency. *Tourism Management*, 52, 478–487.
- Dimitric, M., Tomas Zikovic, I., & Arbula Blecich, A. (2019). Profitability determinants of hotel companies in selected Mediterranean countries. *Economic Research*, 32(1), 1977–1993.
- Efendi, A., Putri, L. P., & Dunga, S. (2019). The effect of debt to equity ratio and total asset turnover on return on equity in automotive companies and components in Indonesia. *Advances in Economics, Business and Management Research (AEBMR)*, Vol.92, 182–188.
- Emmanuel, M. (2021, January 25). Hotel Equatorial Penang to cease operations. *New Straits Times*. Retrieved June 10, 2021, from <https://www.nst.com.my/news/nation/2021/01/660469/hotel-equatorial-penang-cease-operations>.
- Hiadlovsky, V., Rybovicova, I., & Vinczeova, M. (2016). Importance of liquidity analysis in the process of financial management of companies operating in the tourism sector in slovakia: An empirical study. *International Journal for Quality Research*, 10(4), 799–812.
- Herdiana, Sumarno, A., & Endri, E. (2020). The effect of financial performance on the profitability of food and beverage companies in Indonesia. *International Journal of Financial Research*, 12(1), 30-39.
- Olang, M. (2017). Effect of financial leverage on profitability of firms listed in the Nairobi Securities Exchange. *International Journal of Science and Research (IJSR)*, 6(7), 290–295.

Onyenwe, N. I., & Glory, I. (2017). Effect of financial leverage on firm's performance: a study of Nigerian banks (2006-2015). *International Journal of Recent Scientific Research*, 8(7), 18554–18564.

Kalas, B., Mirovic, V., & Pavlovic, N. (2019). Profitability determinants of hotel industry in Ap Vojvodina. *4th International Thematic Monograph: Modern Management Tools and Economy of Tourism Sector in Present Era*, 47–62.

Karanovic, G., Stambuk, A., & Jagodic, D. (2020). Profitability performance under capital structure and other company characteristics. *Zbornik Veleučilišta u Rijeci*, 8(1), 227–242.

Nguyen, T. N. L., & Nguyen, V. C. (2019). The determinants of profitability in listed enterprises: A study from Vietnamese stock exchange. *Journal of Asian Finance, Economics and Business*, 7(1), 47–58.

Syen, M. (2019). Analysis of firm-specific and macroeconomic factors affecting the performance of hotel sector in United Kingdom: profitability and its determinants analysis of firm-specific and macroeconomic factors affecting the performance. *Munich Personal RePEc Archive*, 1-45.

Tan, Y. (2017). Hotel-specific, industry-specific and macroeconomic determinants of profitability in London hotel industry: structure-conduct-performance or efficient-structure hypothesis? *SSRN Electronic Journal*, 1–21.

The Star. (2020, April 30). G City Club Hotel shuts down after 10 years in business. *The Star*. Retrieved June 10 , 2021, from <https://www.thestar.com.my/news/nation/2020/04/30/g-city-club-hotel-shuts-down-after-10-years-in-business>.

Vivel-Bua, M., Lado-Sestayo, R., & Otero-Gonzalez, L. (2019). Influence of firm characteristics and the environment on hotel survival across MSMES segments during the 2007–2015 period. *Tourism Management*, 75(July), 477–490.

APPENDICES



Figure 7: Ramadan Buffet Event by MBI



Figure 8: Desserts Serve for Ramadan Buffet



Figure 9: Seminar Room



Figure 10: Guest at cuisine



All English High Tea

— A Rare Treat in Ipoh —

A pot of premium tea of your choice

Accompanied by

Tuna and Smoked Chicken Sandwiches — 2 pieces each

Freshly baked from our ovens:

French Pastries of The Day — 2 pieces

Danish and Croissants — 2 pieces each

Chocolate and Banana Muffins — 2 pieces each

Cakes of The Day — 2 slices

Scones — 2 numbers

Served with our Homemade Marmalade, Whipped Cream and Butter.

Time : 2 pm – 6 pm

RM **88**⁺
for 2 persons

All product images shown are for illustration purposes only.



BOOK NOW! +605-540 0000

Exclusively for owners, residents and guests.

*Prices are subject to 10% Charges and 0% Service Tax. Other T&C apply.

Jalan Haven, 31150 Ipoh, Perak, Malaysia. | www.thehavenresorts.com | reservations@thehavenipoh.com



Figure 11: Brochure for Hi-Tea

WORLD LUXURY RESTAURANT AWARDS WINNER

5 CUISINES RESTAURANT NO. 1 IN MALAYSIA



THE HAVEN
ALL SUITE RESO

Nostalgia Balik Kampung

— Ramadan Buffet Dinner —
FRI, 16 APRIL — SAT, 8 MAY | 7 PM — 10 PM



A sumptuous iftar buffet dinner.

More than 25 types of main dishes, and 30 types of appetisers and desserts.



Goreng



Sup Gearbox



Itik Salai

FEATURING 5 LIVE ACTION STALLS

Arab Stall, Frying Stall, Soup Stall, Barbeque Stall, Noodle Stall

	ADULTS	KIDS / SENIOR CITIZENS
Normal Price	RM 95* per pax (RM 104.50 Net*)	Normal Price RM 75* per pax (RM 82.50 Net*)
Early Bird	RM 75* per pax (RM 82.50 Net*)	Early Bird RM 60* per pax (RM 66.00 Net*)

Arweeh prayer with Imam at site.

Book Now! Call +605-540 0010 WhatsApp +6012-224 9409

*Early Bird Price: For Bookings made 2 days prior. Limited seats available, first come first served. Children aged 5 and below eat for FREE. Includes 1 child with minimum 2 paying adults. Kids age from 6 to 12 years old. Senior Citizens from 65 years old and above. This promotion is not applicable to other promotions, vouchers or discounts. *Prices are inclusive of 10% Charges and 0% Service Tax. Other T&C apply.



Different daily menus

Figure 12: Brochure for Ramadan Buffet

Firm Specific Factors Affecting Hotels Profitability

ORIGINALITY REPORT

9%

SIMILARITY INDEX

7%

INTERNET SOURCES

4%

PUBLICATIONS

%

STUDENT PAPERS

PRIMARY SOURCES

1

www.researchgate.net

Internet Source

2%

2

www.inderscienceonline.com

Internet Source

1%

3

Noor Hafizha Muhamad Yusuf, Mohamad Shukery Mohamad Shamsudin, Wan Mohd Yaseer Mohd Abdoh, Noor Sharida Badri Shah et al. "Determinants of Credit Risk: Evidence From Commercial Banks in Malaysia", Jurnal Intelek, 2021

Publication

1%

4

Sami Ben Aissa, Mohamed Goaid. "Determinants of Tunisian hotel profitability: The role of managerial efficiency", Tourism Management, 2016

Publication

1%

5

www.coursehero.com

Internet Source

1%

6

ir.uitm.edu.my

Internet Source

<1%
