



**THE MEASUREMENT OF FINANCIAL PERFORMANCE OF
GOVERNMENT LINKED COMPANIES (GLCs) USING
DUPONT ANALYSIS**

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ABSTRACT

This study aims to investigate whether the DuPont analysis relevant to be used to calculate the profitability in Government Linked Companies (GLCs). This research is to examine the relationship between Financial Leverage (FL), Net Profit Margin (NPM), Total Asset Turnover (TATO), Return on Asset (ROA) and Return on Equity (ROE). The dependent variable for this research is Return on Asset while the independent variables are Financial Leverage, Net Profit Margin, Asset Turnover, Return on Asset. The sources of secondary data were gathered from Osiris will be used as a part of this project. Main data for this research are the annual financial reports on ten companies in the Government Linked Companies industry in 2005 to 2015. Besides that, this research focuses on the 30 Government Linked Companies in Malaysia. In this research used descriptive analysis, regression, normality test and heteroscedasticity. Overall, the relationship between Financial Leverage, Net Profit Margin, Total Asset Turnover and Return on Asset are positive relationship and positive significant with Return on Equity using Regression Analysis. However, by using Correlation analysis there is negative relationship and not significant between Total Asset Turnover with Return on Equity.

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CHAPTER 1

INTRODUCTION

1.1 Introduction

This chapter will discuss about background of the study, problem statement of the research, research question, and research objective, significant of the study, the scope of the study and limitation that incurred during this research. This research is about *The Measurement of Financial Performance of Government Linked Companies using DuPont Analysis*. In background of the study, it will discuss about the dependent variable and independent variables of the research. Return on Equity (ROE) is the only dependent variable of this research and for the independent variables it consists four factors, which are Financial Leverage (FL), Total Asset Turnover (TATO), Net Profit Margin (NPM) and Return on Asset (ROA).

Financial Performance in broader understanding refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's general financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. A Financial Performance Report is a summary of Financial Performance of a Company that reports the financial health of a company helping various investors and stakeholders take their investment decision.

This paper will discuss about the gap between dependent variable and independent variables of this study. The research question will be related to the theoretical framework in our research. Besides that, the research objective also is the one important thing in this chapter. In this chapter also it will included with the information about important of some parties with this study such as future researcher, banks and readers and investors. It will cover under the significant of study.