



UNIVERSITI  
TEKNOLOGI  
MARA

Faculty  
Business &  
Management



Sri Puncak Platinum Sdn. Bhd

# ANALYSIS ON JOB ENVIRONMENT IN SRI PUNCAK PLATINUM

1 MARCH 2021 - 13 AUGUST 2021

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# EXECUTIVE SUMMARY

As a requirement of my Finance program on Faculty of Business and Administration in Universiti Teknologi MARA, 6 months long internship program have successfully completed at Sri Puncak Platinum. Every hours and every moment that I spent in this company have given me valuable experience that I will never forget and useful for my career.

This report includes all of the work that I have been experienced in order to organize marketing strategy and make I have worked in Marketing and Administration Department of KN Edu Solution as a marketing officer. Throughout my work at the company. I learned to the strategy works. increase my social skills in order to confront with client and managing the data for administration. I also got to become education consultor and learn more about education in Malaysia since KN Edu Solution is a company that give education consultation. From my observation. it is not an easy task to manage company on this Covid-19 pandemic. However, KN Edu Solution have given me knowledge in managing financial and business without giving up easily.

On the first month of my industrial training. I have been given a simple task in order to acknowledge the operation of this company and work as an administration officer. After I managed to understand the company's operation, I have been given more tasks and my work getting more challenging since the company turned me into the marketing department and worked as a marketing officer.

KN Edu Solution is a great marketing company. It maintains the company's performance successfully. The marketing team in this company is very dedicated and have a strong teamwork with each other. The company also strongly encourages everyone to keep learning and trying new things in life to gain more knowledge and experience. Conducting industrial training in this company is not something that is pointless and a waste of time.

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# Company's Profile

BACKGROUND OF ESTABLISHMENT  
DETAILS  
MISSION  
VISION  
PRODUCT/SERVICES  
ORGANIZATIONAL STRUCTURE

# BACKGROUND OF ESTABLISHMENT

Sri Puncak Platinum is a wholly bumiputera organization that was established on 24 February 2017 under the Business Registration Act 1956. Mr. Abdul Zariq Bin Subandi is the director of this organization. This company known as a management company which is an educational consultation services and also involves in registration of students in colleges. In addition, this company has merge with KN EDU Solutions Sdn Bhd which is also a marketing company.

The company's approach in the recruitment process is to conduct briefing sessions and interviews throughout Peninsular Malaysia including Sabah and Sarawak by offering various fields of programs such as Certificate, Diploma and Degree levels that have been recognized by authorities such as the Malaysian Qualification Agency (MQA), Jabatan Pembangunan Kemahiran (JPK) and Jabatan Perkhidmatan Awam (JPA).

**PROFILE**

# DETAILS



## NAME

Sri Puncak Platinum  
Sdn Bhd



## LOCATION

No 161-1, Jalan S2 B22, Pusat  
Perdagangan Seremban, 70300  
Seremban, Negeri Sembilan



## PHONE & FAKS NUMBER

06-6011174 & 06-6011174



## OPERATION HOURS

Monday – Friday

9.00a.m – 5.30p.m

**PROFILE**

# MISSION & VISSION

## VISSION

Produce highly skilled graduates towards the progress of human capital development holistically

## MISSION

To be an organization that is able to be competitive in generating the well-being of a society that is knowledgeable, faithful and charitable for success in this world and in the hereafter

# PROFILE

# SERVICES

Focused on managing and administrating educational motivation, team building as well as student admission to higher institutions. Sri Puncak Platinum has entered into an agreement with the colleges listed below to provide services

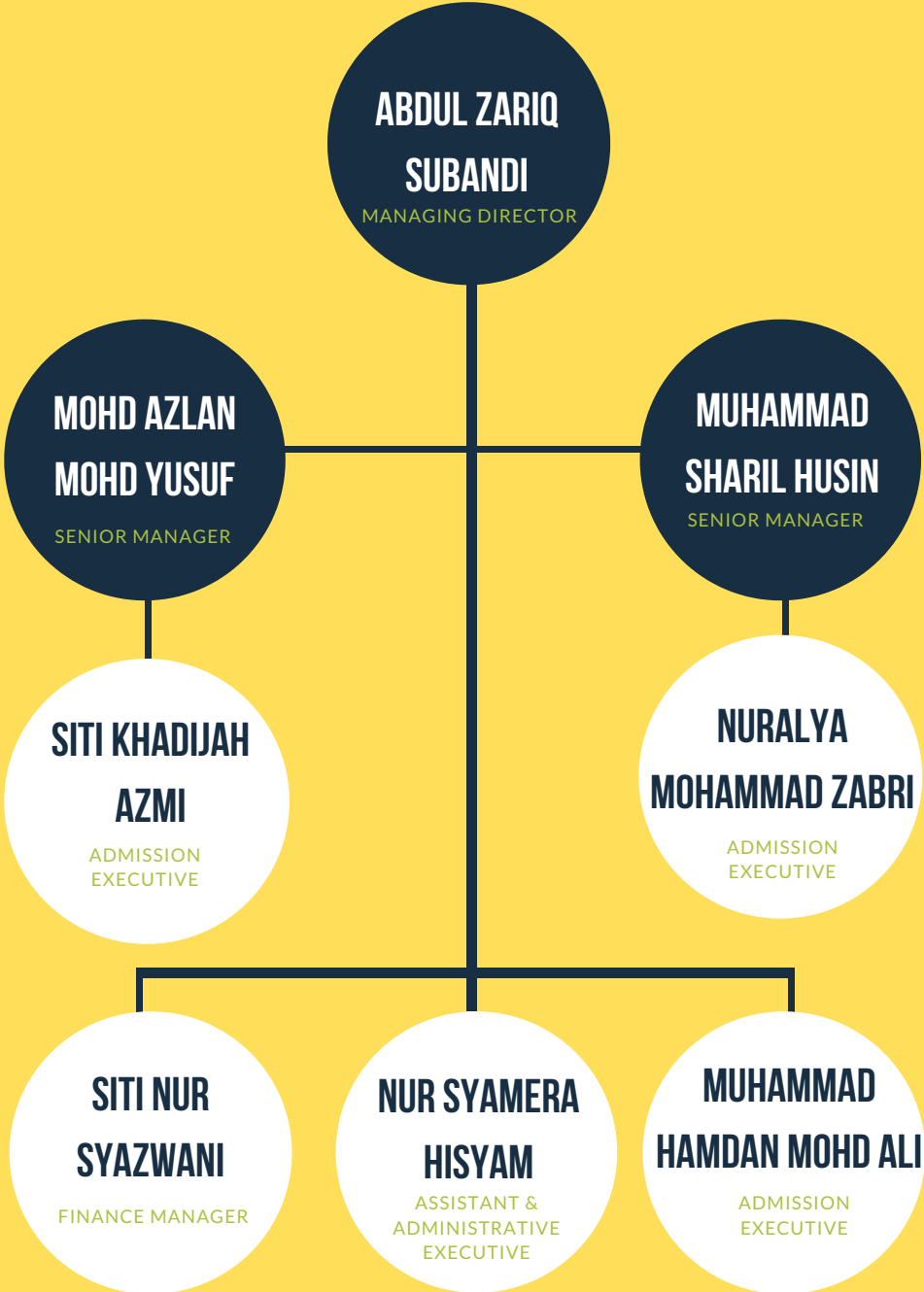
- Kolej Negeri Chedang Campus
- Mighty Skills College
- Macfas Academy
- Kolej Kemahiran Pure Technic
- Gemilang Motor Academy
- Intra Internationa College
- Workers Institute of Technology College
- Menara Jaya College
- Noble School Engineering
- Noble School City Campus



# ORGANIZATIONAL CHART

# SRI PUNCAK PLATINUM

An organisational chart is a diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and jobs. The term is also used for similar diagrams, for example ones showing the different elements of a field of knowledge or a group of languages.





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## Training's Reflection

DURATION  
DETAILS  
GAINS

# Training's Reflection



## DURATION

Monday - Saturday  
9:00 a.m. - 5:30 p.m.

## ALLOWANCES

RM 200 / month  
RM 100 / success interview  
session  
RM 150 / registered student

## DEPARTMENT & ROLES

- DEPARTMENT  
- Marketing and Administration  
Department
- ROLES  
- Officer in Marketing and  
Administration

## RESPONSIBILITIES

Hold responsibilities to  
attract client that might affect  
financial performance

## JOB DESCRIPTION

- Handle student admission  
to higher education  
institutions
- Blasting advertisement and  
create promotion using  
WhatsApp and Facebook
- Handle briefing sessions  
and interviews for a new  
student
- Compiling and arrange  
student's detail

## EXPERIENCE & SKILLS

- Able to gain the ability on  
handling unexpected events
- Improve social skills when  
dealing with customers
- Improve in using certain  
application or software for  
compiling data
- Able to manage time in order to  
complete many tasks on a short  
period of time
- Able to understand the  
important of decision making  
process towards company's  
performance
- Able to learn on how a simple  
decision could bring a big  
impact towards company's  
performance



# SWOT Analysis

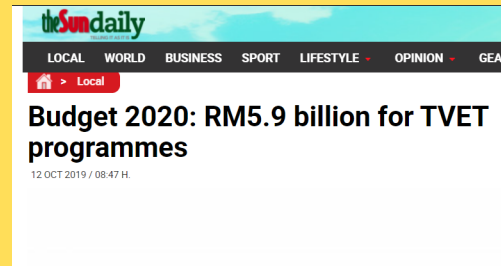
- STRENGTHS
- WEAKNESSES
- OPPORTUNITIES
- THREATS

# STRENGTHES & WEAKNESS

## STRENGTHS ELABORATION STATISTICS/PROOF

Support by Government

TVET Malaysia has received budget from government in order to pay student's fee. This will help company to gain customer's trust for further their studies using company's services.



Affordable services charge

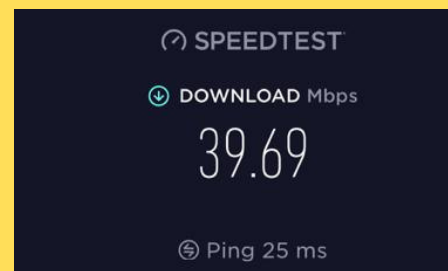
The company charge its customer with the lowest fee for registration. The fee is affordable even for B40 categories.



## WEAKNESSES ELABORATION STATISTICS/PROOF

Lack of strong internet line

The company use internet connection to call customers to sell the products. But because all the staff use the same coverage and internet line make the internet connection become slow and hard for the staff to sell the products.



High employee turnover

Because employees' earnings are based solely on commission, the company is unable to meet their expectations. As a result, the company's employees will provide poor quality work.

- No basic
- RM 100 / success interview session
- RM 150 / registered student

# OPPORTUNITIES & THREATS

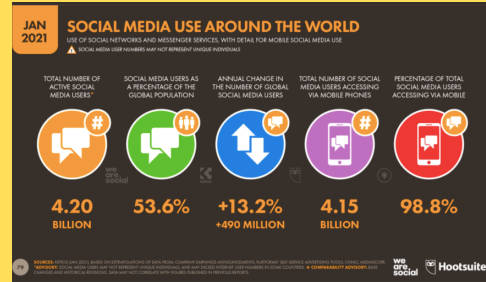
## OPPORTUNITIES

## ELABORATION

## STATISTICS/PROOF

Adapting with current issue and technology

Due to the changes in SOP for preventing COVID-19 virus from spreading, the company has followed the new norms without any delay. All services that have been given was done by online services only since everyone need to stay at home and start using online services.



Potential client

The company has collaboration with various education institutions. This will lead to higher services since the company has gain trust among education institution.



## THREATS

## ELABORATION

## STATISTICS/PROOF

Heavy weight competitors

Since Sri Puncak Platinum give consultation services in education. There are many heavy weight competitors that the company have to compete such as marketing department of UniKL and Taylor's University.

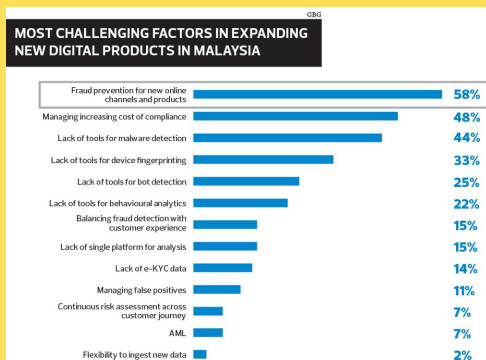
**Top 10 Malaysian universities in QS World University Rankings 2021**

Institution	2021 Rank	2020 Rank
Universiti Malaya (UM)	59	70
Universiti Putra Malaysia (UPM)	132	159
Universiti Kebangsaan Malaysia (UKM)	141	160=
Universiti Sains Malaysia (USM)	142	165=
Universiti Teknologi Malaysia (UTM)	187=	217=
Taylor's University	379	511-520
UCSI University	391	442=
Universiti Teknologi Petronas (UTP)	439=	482=
Universiti Utara Malaysia (UUM)	531-540	591-600
Management and Science University (MSU)	551-560	541-550

Source: QS Quacquarelli Symonds 2004-2018 www.TopUniversities.com

Potential scammers

Nowadays, there is a lot of scammers which do scam using phone calls and also online advertisement, so the company have a difficulties to ensuring the customers that the product of company's is save and legitimate.





# 05

## Research Report

POLITICAL CONNECTION AND FIRMS'  
PERFORMANCE: EVIDENCE FROM NON-FINANCIAL  
SHARIAH COMPLIANT FIRMS IN MALAYSIA



# INTRODUCTION

The main objective of this research is to investigate the effect of political connection and other selected determinants on the performance of the firms

## DEFINITION OF FIRM PERFORMANCE

- The example of internal aspects of the firm performance are management, decision making and policy.
- The external aspects of the firm performance are political connection, socio-economic and disaster.

## POLITICAL CONNECTION

- Direct connections are firms that are connected through politically connected boards of directors, businessmen friends or family of the top official or senior government employee or a member of the parliament (Faccio et al., 2006).
- Indirectly, if a relative with the same last name as the head of state or minister, or if a large shareholder has been describe as having friendship by The Economist, Forbes or Fortune, or if there a documented relationship or connection by prior study or press (Faccio et al., 2006).

## RESEARCH CONTRIBUTION

- First contribution is the use of new population and sample. Previous studies have been conducted on a sample of firms from different sectors and industries.
- Second contribution is the use of variable selection techniques. The analysis of the previous literature suggests that the performance level of the firms the consequence of many factors.

## ISSUES & PROBLEM STATEMENT

- First issues is few studies has been conducted on this topic. The main research concentrates on the non shariah compliant firm, whereas shariah compliant have found less attention in the literature.
- Second issues is the choice of proxy for political connection and firm performance. Political Connection is one of the variable that suitable to use in this study. Firm Performance studies return on assets is used for this research



# LITERATURE REVIEW

To be consistent with prior studies, measures relating to the dependent variable and the firm-specific drivers of firm performance were derived from earlier research.

## Dependent Variable: Firm Performance

Financial ratios derived from financial data are important in order to objectively evaluate firm's performance. The return on assets (ROA) accounting performance indicators are extensively used by investors to gauge company profitability based on previous research (Al-dhamari & Ku Ismail, 2015; Şamiloglu et al., 2017)

## Independent Variable

In this study, firms are categorized as politically connected based on the definition provided in the extant literature (Al-dhamari & Ku Ismail, 2015; Shin et al., 2018; Tee, 2018).

## Political Connection

## Liquidity

In this research, liquidity of the firms is represented by current ratio and quick ratio. The proxy of current ratio is current assets divide current liabilities (Şamiloglu et al., 2017). Quick ratio is calculated as current assets minus inventory over current liabilities (Hofmann & Lampe, 2013; Şamiloglu et al., 2017).

Fixed assets turnover and total assets turnover has been used in this research. Fixed asset turnover is calculated by dividing net sales by the net of its property, plant, and equipment (Yang et al., 2012). The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets (Singapurwoko & El-Wahid, 2011).

## Efficiency

## Leverage

In this research, leverage of the firms represented by two ratios such as total asset to equity and total debt to total equity ratios. Total asset to equity ratio known as Asset to equity ratio while total debt to equity is Debt to equity ratio (Carrolline et al., 2021; Lestari, 2021).

Fixed assets turnover and total assets turnover has been used in this research. Fixed asset turnover is calculated by dividing net sales by the net of its property, plant, and equipment (Yang et al., 2012). The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets (Singapurwoko & El-Wahid, 2011).

## Inventory

## Growth

Growth can be defined as the sales revenues in current year minus sales revenue in previous year divided by sales revenue in previous year (Al-dhamari & Ku Ismail, 2015; Wong & Hooy, 2018).



# METHODS

## POPULATION & SAMPLE-

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The target population of the study was all shariah compliant firms' companies listed under trading and services sector on Bursa Malaysia. The final sample consist of 13 "politically connected" 7 "not politically connected" firms that met the criteria of non-missing variables and sufficient firm-year observations over a period of five years

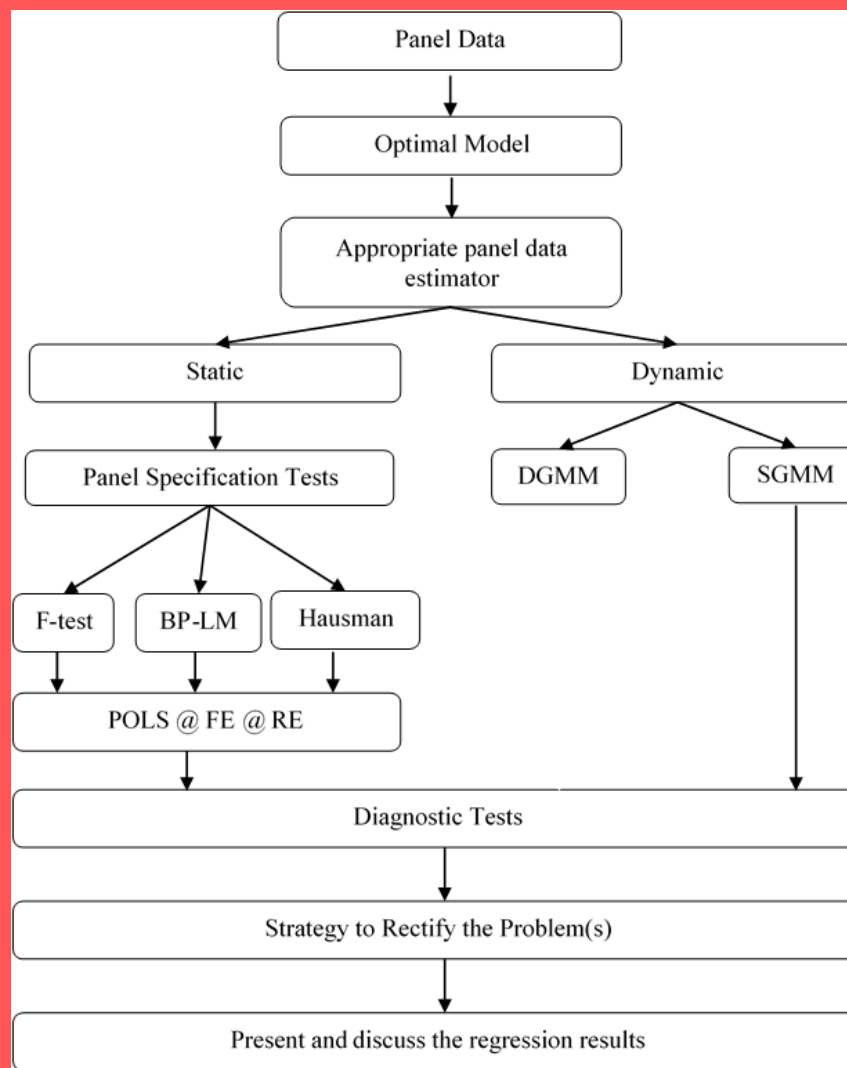
## MODEL & MEASUREMENT-

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$$PERFit = \beta_0 + \beta_1 \text{Political Connection}_{it} + \beta_2 \text{Liquidity}_{it} + \beta_3 \text{Efficiency}_{it} + \beta_4 \text{Leverage}_{it} + \beta_5 \text{Inventory}_{it} + \beta_6 \text{Growth}_{it} + \varepsilon_{it} \quad (1)$$

- PERF is the financial performance of the firms measured by the return on equity ratio.
- Liquidity of the firms is represented by both current ratio and quick ratio.
- Firms' efficiency is measured by the fixed to total assets ratio. Leverage of the firms represented by two ratios: total asset to equity and total debt to total equity ratios.
- Inventory measured by the level of inventory that the firms have.

## DATA ANALYSIS STEPS



- The first step involved the collection of all relevant data required for the study.
- Second step is to determine the most optimal combination of predictors by using Stata command, vselect, developed by Lindsey and Sheather (2010). In this thesis, the optimal model defined as the one that optimizes one or more information criteria.
- Third step is to choose the most appropriate panel data estimator. The two available alternatives for analysing micro panel data are static and dynamic techniques. The main criterion for choosing between the two alternatives is by looking at the coefficient of the lagged dependent variable.
- The fourth and fifth step is to perform the diagnostic tests and to decide the correct strategy to rectify the problem(s) identified (if any). The strategy to rectify the problem(s) will be based on the suggestion by Hoechle (2007).

# RESULT AND DISCUSSION

Using return on equity ratio as the proxy for firms' performance, this paper investigates the determinants of firms performance for the politically connected shariah compliant firms listed under the trading and services sector. The sample consists of 20 companies.

Table 1: Descriptive Statistic

VARIABLE	N	MEAN	SD	MIN	MAX
PERFORMANCE (ROA)	96	6.716562	9.684612	0.01	37.4
LIQUIDITY (CURRENT RATIO)	100	2.1168	1.430279	0.22	8.55
LIQUIDITY (QUICK RATIO)	100	1.4875	1.257214	0.13	6.25
EFFICIENCY (FIXED ASSETS TURNOVER)	96	8.711354	21.40408	0.27	107.34
ASSET'S TURNOVER	96	0.908125	0.764512	0.1	3.68
POLITICAL CONNECTION	100	1.7	0.4605662	1	2

The first data analysis step is to determine the most optimal combination of predictors. As shown in Table 2, the choices of the most optimal model predictor sizes were one for R2ADJ, four for C, AIC, AICC and two for BIC. The chosen variables are Efficiency, Current Ratio, Quick Ratio and Political Connection.

Table 2: Variable Selection

VARIABLE SELECTION						OPTIMAL MODEL
R2ADJ	C	AIC	AICC	BIC	#	Ivs
1	4	4	4	2	4	Efficiency, Current Ratio, Quick Ratio and Political Connection

The next step is to choose the most appropriate panel data estimator. The tests are F-test, Breusch-Pagan Lagrange multiplier (BP-LM) test and Hausman test. As presented in Table 3, the results of the F-test (p-value < 0.05), BPLM test (p-value < 0.05) and Hausman test (p-value > 0.05) suggest that RE is the most appropriate model estimator.

Table 3: Panel Specification Tests

Models	P - value of the tests			Technique
	F- Test	BP-LM	Hausman	
Model 1	0.0000	0.0000	0.7098	Random Effect

As presented in Table 4.6 (Model 9), the diagnostic checks on the baseline model (RE) indicated the presence of heteroskedasticity (p-value < 0.05) problem. Remedial procedure has been carried out by using Random-effects GLS regression with robust option.

Table 4: Diagnostic Tests for Static Model

P - value of the tests			
VIF	H	SC	Strategy
2.81	0.0000	0.6299	Random effect (within) regression model with robust option

Notes: (1) VIF: variance inflation factors, (2) H: Heteroskedasticity & (3) SC: Serial Correlation

As shown in Table 5, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R<sup>2</sup> of 0.3624 suggests that the four independent variables explain 36.24% of the variance in the firm's performance. The results of the regression also suggest political connection is the only variable found to have a significant relationship with firms' performance. Liquidity ratios (current ratio and quick ratio) do not appear to be significantly related to firms' performance. The uniqueness of this study that had been found there is negative relationship between political connection and firm performance.

Table 5: Regression Results

Current Ratio	2.578 (0.16)
Quick Ratio	-1.3296 (-0.77)
Asset Turnover	(1.45)
Political Connection	-6.4559* (-1.65)
Constant	-13.9616* (-1.54)
N	95
r <sup>2</sup> _a	36.24
p	0.000
chi <sup>2</sup>	19.6718

Notes: (1) t statistics in parentheses, (2) \* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01,

# LIMITATION & RECOMMENDATION

## LIMITATION -

The limitations of our study are that we are unable to get the data for the variable of Leverage, Inventory and Growth.

The second limitations for this study is time constraint. Due to

Method of identifying Political Connection firm from annual report

## RECOMMENDATION -

It is suggested that the future researchers use sample that have data on the variable of Leverage, Inventory and Growth.

Moreover, the we recommend future researcher study on Political Connection through family members of government leader

It is also suggested that future researchers to do political connection based on ethnicity

## CONCLUSION

This paper has examined the determinants of firms' performance for politically connected shariah compliant firms listed under the consumer products sector. Although this paper has provided us with the empirical evidence, several areas need to be improved with future empirical research. The inclusion of larger number of firms might lead to a new set of findings and conclusion. Second, this paper has not taken into consideration the effect of using different data analysis techniques (such as GMM). Future studies might want to explore the used of other techniques in analyzing the data.

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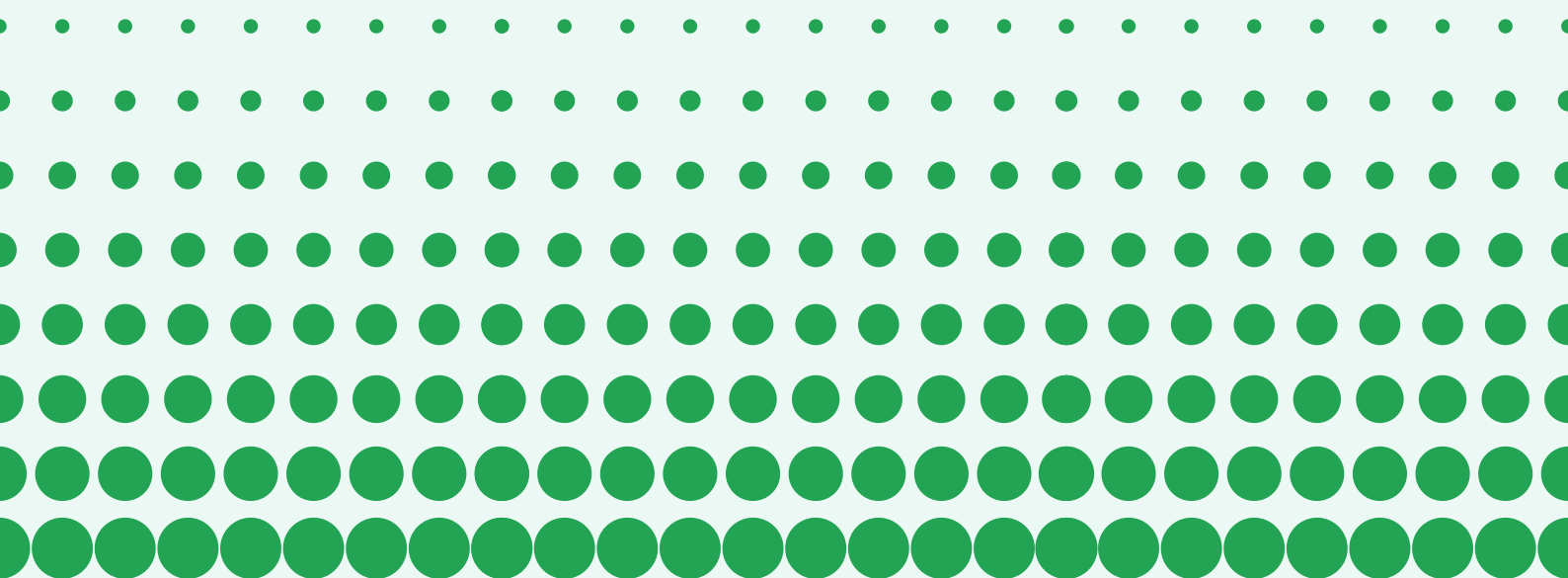
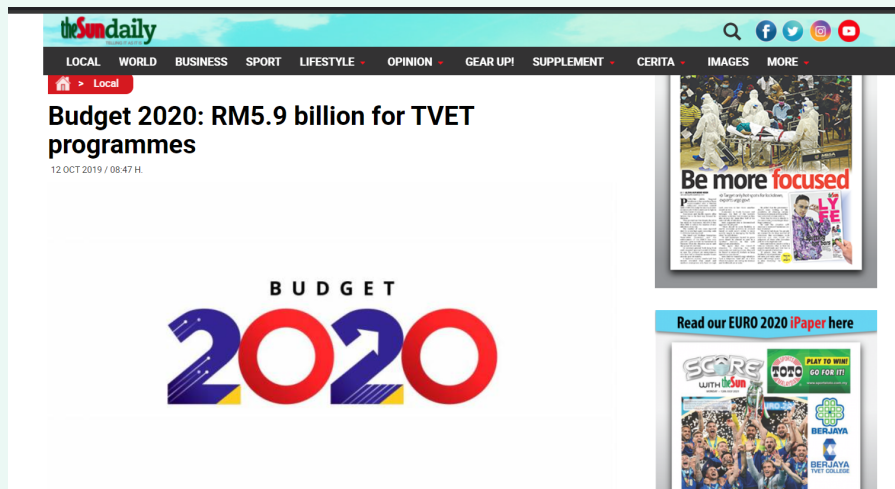
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# APPENDICES



JAN  
2021

## SOCIAL MEDIA USE AROUND THE WORLD

USE OF SOCIAL NETWORKS AND MESSENGER SERVICES, WITH DETAIL FOR MOBILE SOCIAL MEDIA USE

▲ SOCIAL MEDIA USER NUMBERS MAY NOT REPRESENT UNIQUE INDIVIDUALS

TOTAL NUMBER OF  
ACTIVE SOCIAL  
MEDIA USERS\*



**4.20**  
BILLION

SOCIAL MEDIA USERS AS  
A PERCENTAGE OF THE  
GLOBAL POPULATION



**53.6%**

ANNUAL CHANGE IN  
THE NUMBER OF GLOBAL  
SOCIAL MEDIA USERS



**+13.2%**  
+490 MILLION

TOTAL NUMBER OF SOCIAL  
MEDIA USERS ACCESSING  
VIA MOBILE PHONES



**4.15**  
BILLION

PERCENTAGE OF TOTAL  
SOCIAL MEDIA USERS  
ACCESSING VIA MOBILE



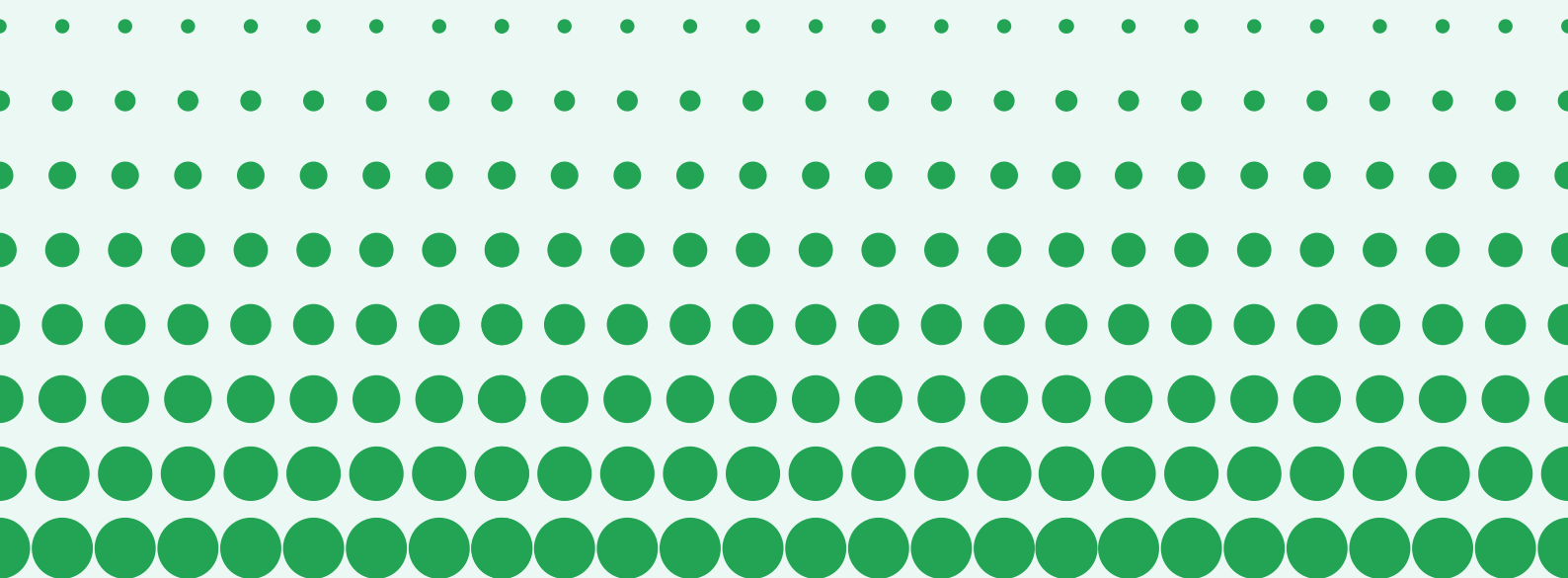
**98.8%**

79

SOURCES: KEPIS (JAN 2021), BASED ON EXTRAPOLATIONS OF DATA FROM COMPANY EARNINGS ANNOUNCEMENTS, PLATFORMS' SELF-SERVICE ADVERTISING TOOLS, CANN, MEDIASCOPE  
\*ADVISORY: SOCIAL MEDIA USERS MAY NOT REPRESENT UNIQUE INDIVIDUALS, AND MAY EXCEED INTERNET USER NUMBERS IN SOME COUNTRIES. ■ COMPARABILITY ADVISORY: BASE  
CHANGES AND HISTORICAL REVISIONS. DATA MAY NOT CORRELATE WITH FIGURES PUBLISHED IN PREVIOUS REPORTS.

we  
are  
social

Hootsuite



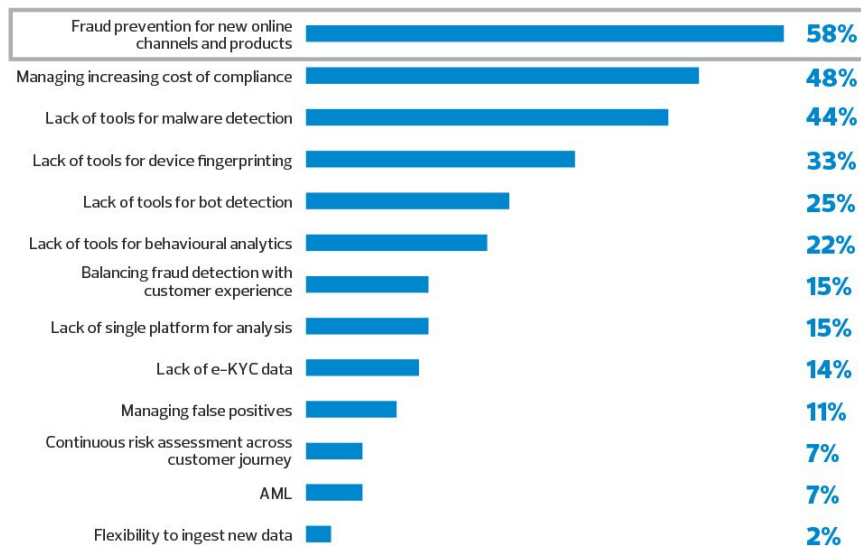
## Top 10 Malaysian universities in QS World University Rankings 2021

Institution	2021 Rank	2020 Rank
Universiti Malaya (UM)	59	70
Universiti Putra Malaysia (UPM)	132	159
Universiti Kebangsaan Malaysia (UKM)	141	160=
Universiti Sains Malaysia (USM)	142	165=
Universiti Teknologi Malaysia (UTM)	187=	217=
Taylor's University	379	511-520
UCSI University	391	442=
Universiti Teknologi Petronas (UTP)	439=	482=
Universiti Utara Malaysia (UUM)	531-540	591-600
Management and Science University (MSU)	551-560	541-550

Source: QS Quacquarelli Symonds 2004-2018 [www.TopUniversities.com](http://www.TopUniversities.com)

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## MOST CHALLENGING FACTORS IN EXPANDING NEW DIGITAL PRODUCTS IN MALAYSIA



## **POLITICAL CONNECTION AND FIRMS' PERFORMANCE: EVIDENCE FROM NON-FINANCIAL SHARIAH COMPLIANT FIRMS IN MALAYSIA**

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### **Abstract**

The main objective of this study is to investigate the determinants of firm's profitability for non-financial shariah-compliant firms in Malaysia. A better understanding of factors affecting firm's profitability is important not only for the purpose of enriching empirical studies in this field but also for the purpose of cross-country comparison. The inclusion of political connection as one of the independent variables and the use of non-financial shariah compliant firms to analyze the determinants of firm's profitability is the unique contribution of this present research. The data for the final sample consists of 13 "politically connected" and 7 "not-politically connected" firms. The study is conducted using the panel data analysis techniques to identify the key determinants of firm's performance. The study finds that the performance of these firms significantly affected by the degree of political connection that these companies have. Surprisingly, this research found that there is a negative relationship between political connection and firm's performance. Although this paper provides empirical evidence, several areas need to be refined with future empirical research. First, this paper uses only limited number firms in the analysis. The inclusion of larger number of firms might lead to a new set of findings and conclusion. Second, this paper has not taken into consideration the effect of using different data analysis techniques (such as GMM). Future studies might want to explore the used of other techniques in analyzing the data.

**Keywords:** Profitability, Political Connection, Shariah-compliant, non-financial firms, Firm's Performance

### **Introduction**

The main objective of this research is to investigate the effect of political connection and other selected determinants on the performance of the firms. With the view of understanding factors affecting firms' performance, academic researchers have been using different sample and numerous estimating procedures. This proposed study may be contributing to the existing literature in two ways. First contribution is the use of new population and sample. Previous studies have been conducted on a sample of firms from different sectors and industries. A major shortcoming of capital structure studies is that they generally restrict their analysis on specific sectors. Our study is different from previous studies in that we utilize a dataset of shariah-compliant firms listed under trading and services. We argue that due to the nature of the company (shariah complaint), the findings of the previous studies cannot be generalized to this sample of firms. This study will enable us to know whether the nature of the firms (shariah-compliant firms) would affect the relationship of the selected independent variables and the performance of the firms. Second contribution is the use of variable selection techniques. The analysis of the previous literature suggests that the performance level of the firms the consequence of many factors. The variables in the models are selected based on their significance in specific theory, policy,

## Literature Review

To be consistent with prior studies, measures relating to the dependent variable and the firm-specific drivers of firm performance were derived from earlier research.

### *Dependent Variable: firm performance*

There are many dimensions to measuring firm performance. Financial ratios derived from financial data are important in order to objectively evaluate firm's performance. The return on assets (ROA) accounting performance indicators are extensively used by investors to gauge company profitability based on previous research (Al-dhamari & Ku Ismail, 2015; Şamiloglu et al., 2017). ROA is calculated as net income over total assets (Hofmann & Lampe, 2013; Salim & Yadav, 2012; Shim & Lansner, 2020). The Return on Assets (ROA) measures how well a company's assets are being used to produce revenue.

### *Independent Variables*

**Political Connection:** In this study, firms are categorized as politically connected based on the definition provided in the extant literature (Al-dhamari & Ku Ismail, 2015; Shin et al., 2018; Tee, 2018). Two types of political connections are direct connections and indirect connections. Direct connections are firms that are connected through politically connected boards of directors, businessmen friends or family of the top official or senior government employee or a member of the parliament (Faccio et al., 2006). Indirectly, if a relative with the same last name as the head of state or minister, or if a large shareholder has been describe as having friendship by The Economist, Forbes or Fortune, or if there a documented relationship or connection by prior study or press (Faccio et al., 2006).

**Liquidity:** Liquidity ratios are an important class of financial metrics. In this study, liquidity of the firms is represented by current ratio and quick ratio. The proxy of current ratio is current assets divide current liabilities (Şamiloglu et al., 2017). Quick ratio is calculated as current assets minus inventory over current liabilities (Hofmann & Lampe, 2013; Şamiloglu et al., 2017). A greater liquidity ratio often demonstrates that a firm has a higher liquidity rate and better debt coverage (Hofmann & Lampe, 2013; Şamiloglu et al., 2017).

**Efficiency:** The efficiency ratio is usually used to evaluate the internal use of a firm. Fixed assets turnover and total assets turnover has been used in this research. Fixed asset turnover is calculated by dividing net sales by the net of its property, plant, and equipment (Yang et al., 2012). The asset turnover ratio measures the value of a company's sales or revenues relative to the value of its assets (Singapurwoko & El-Wahid, 2011). An increase in efficiency ratios generally results into increased profits.

**Leverage:** Leverage remains one of the most significant explanatory variables in understanding a firm financial performance. In this research, leverage of the firms represented by two ratios such as total asset to equity and total debt to total equity ratios. Total asset to equity ratio known as Asset to equity ratio while total debt to equity is Debt to equity ratio (Carrolline et al., 2021; Lestari, 2021).

**Inventory:** There are two types of inventories such as items available for sale and raw materials required to manufacture those things. This research used the ratio of inventory to total assets as a proxy for inventory (Tee, 2018).

**Growth:** The term "growth performance" refers to a positive change in the firm's size or maturity over time (Al-dhamari & Ku Ismail, 2015). Growth is typically thought of as a stage of development or a process leading to fullness or satisfaction. Growth can be defined as the sales revenues in current year

minus sales revenue in previous year divided by sales revenue in previous year (Al-dhamari & Ku Ismail, 2015; Wong & Hooy, 2018).

or both. But as researchers disagree on what is the most important, it is usually only partial overlap among the variables considered in different empirical papers. Therefore, it is very important to investigate which of the independent variables suggested in the literature emerge as the most significant determinants of firms' performance. In this study, Stata command *vselect* will be used to determine the which variable should be included / excluded from the model.

## Methods

### Population and Sample

The target population of the study was all shariah compliant firms' companies listed under trading and services sector on Bursa Malaysia. The final sample consist of 13 "politically connected" 7 "not politically connected" firms that met the criteria of non-missing variables and sufficient firm-year observations over a period of five years.

### Model and Measurement

The main objective of this study is to investigate the determinants of firms' performance. This paper specifies and estimates the following baseline regression model for all firms.

$$PERF_{it} = \beta_0 + \beta_1 Political\ Connection_{it} + \beta_2 Liquidity_{it} + \beta_3 Efficiency_{it} + \beta_4 Leverage_{it} + \beta_5 Inventory_{it} + \beta_6 Growth_{it} + \varepsilon_{it} \quad (1)$$

PERF is the financial performance of the firms measured by the return on equity ratio. Liquidity of the firms is represented by both current ratio and quick ratio. Firms' efficiency is measured by the fixed to total assets ratio. Leverage of the firms represented by two ratios: total asset to equity and total debt to total equity ratios. Inventory measured by the level of inventory that the firms have.

### Data Analysis Steps

The section will explain the data analysis procedures to be employed in this research. The first step is to determine the most optimal combination of predictors. In this study, Stata command, *vselect*, developed by Lindsey and Sheather (2010) was used to determine whether certain variable should be included in the model. Following Lindsey and Sheather (2010), optimal model is defined as one that optimizes one or more information criteria. Those criteria are Mallow's  $C_p$  (C), Adjusted  $R^2$  (R2ADJ), Akaike's information criterion (AIC), Akaike's corrected information criterion (AICC), and Bayesian information criterion (BIC). This research used the definitions of these criteria given in Sheather (2009). Generally, higher variance explained by the model R2ADJ and lower C, AIC, AICC and BIC values indicate the best fitting model (Lindsey & Sheather, 2010). Similar Stata command, *vselect*, was also used by previous researchers from various fields of studies (Anwar & Sun, 2012; Butler, Keefe, & Kieschnick, 2014; Makumi, 2013; Mehrara & Mohammadian, 2015). The second step is to choose the most appropriate panel data estimator. The two available alternatives for analyzing micro panel data are static and dynamic techniques. In this thesis, the main criterion for choosing between the two alternatives is by looking at the coefficient of the lagged dependent variable. The significance of the lagged dependent variable (p-value < 0.05) will indicate the need to go for dynamic model, as it (dynamic model) is more appropriate and useful when the dependent variable depends on its own past realizations (Brañas-Garza et al., 2011), otherwise static model is to be preferred (p-value > 0.05).

The third step is to choose the most appropriate static or dynamic panel data analysis technique. The choice of the most appropriate static technique depends upon three types of tests as suggested and outlined by Park (2011). The tests are F-test, Breusch-Pagan Lagrange Multiplier (BP-LM) test, and Hausman test. For dynamic model, System Generalized Method of Moment (SGMM) is preferred against Difference Generalized Method of Moment (DGMM). This is consistent with the previous literature that SGMM is better (Blundell & Bond, 1998) and more efficient (Ahn & Schmidt, 1995) than DGMM. The fourth and final step is to perform the diagnostic tests and to find the correct strategy to

rectify the problem(s) identified (if any). The strategy to rectify the problem(s) will be based on the suggestion by Hoechle (2007).

### Result and Discussion

Using return on equity ratio as the proxy for firms' performance, this paper investigates the determinants of firms performance for the politically connected shariah compliant firms listed under the trading and services sector. The sample consists of 20 companies. The summary statistics of the dependent variable and the independent variables are presented in Table 1.

Table 1: Descriptive Statistics

Variable	N	Mean	SD	Min	Max
Performance (ROA)	96	6.716562	9.684612	0.01	37.4
Liquidity (Current ratio)	100	2.1168	1.430279	0.22	8.55
Liquidity (Quick Ratio)	100	1.4875	1.257214	0.13	6.25
Efficiency (Fixed assets turnover)	96	8.711354	21.40408	0.27	107.34
Asset's turnover	96	0.908125	0.764512	0.1	3.68
Political connection	100	1.7	0.4605662	1	2

The first data analysis step is to determine the most optimal combination of predictors. As shown in Table 2, the choices of the most optimal model predictor sizes were one for R2ADJ, four for C, AIC, AICC and two for BIC. In this case, following the discussion in the methods section, the four-predictor model is chosen. The chosen variables are Efficiency, Current Ratio, Quick Ratio and Political Connection.

Table 2: Variable Selection

Variable Selection						Optimal Model
R2ADJ	C	AIC	AICC	BIC	#	Ivs
1	4	4	4	2	4	Efficiency, Current Ratio, Quick Ratio and Political Connection

The next step is to choose the most appropriate panel data estimator. The three available alternatives are pooled ordinary least squares (POLS), fixed effects (FE) and random effects (RE) models. In this thesis, the choice of an appropriate model among POLS or FE or RE depends upon the three types of tests as suggested and outlined by Park (2011). The tests are F-test, Breusch-Pagan Lagrange multiplier (BP-LM) test and Hausman test. As presented in Table 3, the results of the F-test (p-value < 0.05), BP-LM test (p-value < 0.05) and Hausman test (p-value > 0.05) suggest that RE is the most appropriate model estimator. Therefore, for the subsequent section, the analysis and discussion on the firm-specific determinants of indirect financial distress costs are based on the results of RE model.

Table 3: Panel Specification Tests

Models	P-values of the tests			
	F-test	BP-LM	Hausman	Technique
Model 1	0.0000	0.0000	0.7098	Random Effect

Once the appropriate model was obtained (RE), various diagnostic tests were then performed to check for the presence of multicollinearity, heteroskedasticity and serial correlation problems. As presented in Table 4.6 (Model 9), the diagnostic checks on the baseline model (RE) indicated the presence of heteroskedasticity (p-value < 0.05) problem. To rectify the problem, following the suggestion by Hoechle (2007), a remedial procedure has been carried out using the random effect (within) regression with robust option.

Table 4: Diagnostic Tests for Static Model



		<u>P-values of the tests</u>	
VIF	H	SC	Strategy
2.81	0.0000	0.6299	Random effects (within) regression model with robust option

Notes: (1) VIF: variance inflation factors, (2) H: heteroskedasticity & (3) SC: serial correlation

Considering the various diagnostic tests that have been conducted and the remedial procedure undertaken, this paper may say that there is enough evidence to conclude that the examined statistical test satisfies the key assumptions of linear regression. As shown in Table 5, the regression result suggests that the model fits the data well at the 0.05 significance level. The Adjusted R<sup>2</sup> of 0.3624 suggests that the four independent variables explain 36.24% of the variance in the firm's performance. The results of the regression also suggest political connection is the only variable found to have a significant relationship with firms' performance. Liquidity ratios (current ratio and quick ratio) do not appear to be significantly related to firms' performance.

Table 5: Regression Results

Current Ratio	2.578 (0.16)
Quick Ratio	-1.3296 (-0.77)
Asset turnover	5.6147 (1.45)
Political Connection	-6.4559* (-1.65)
Constant	-13.9616* (-1.54)
<hr/>	
N	95
r2_a	36.24
p	0.0000
chi2	19.6718

Notes (1) *t* statistics in parentheses, (2) \*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ ,

### Conclusion

This paper has examined the determinants of firms' performance for politically connected shariah compliant firms listed under the consumer products sector. Although this paper has provided us with the empirical evidence, several areas need to be improved with future empirical research. The inclusion of larger number of firms might lead to a new set of findings and conclusion. Second, this paper has not taken into consideration the effect of using different data analysis techniques (such as GMM). Future studies might want to explore the used of other techniques in analyzing the data.

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