Fakulti
UNIVERSITI TEKNOLOGI MARA
Pengurusan dan Perniagaan

NURI
DRIVING SOLUTION SDN BHD

(1207234-V)

# INDUSTRIAL
# TRAINING REPORT

AT NURI DRIVING SOLUTION SDN BHD
1ST MARCH – 13TH AUGUST 2021

NAME             : MUHAMMAD FARIDZ AZMIL BIN ABU HASSAN

STUDENT ID      : 2019725687

PROGRAMME    : BACHELOR OF BUSINESS ADMINISTRATION (Hons.) FINANCE

ADVISOR         : DR. NURUL LABANIHUDA ABDULL RAHMAN

# EXECUTIVE SUMMARY

This is an attempt to know how the theories can be applied to practical situation. As a student of UiTM, it is a part of study for everyone in last semester to undergo an industrial training at a suitable institute or organization. So, for this purpose, I got the opportunity to do my industrial training at NURI Driving Solution Sdn Bhd under account department. This organization are among the preferred driving institution in Bagan Datuk area with a good customer service provided. There are eight branches available under this organization whereas one staff for each branch. For this report, I decided to use regression analysis to analyze the financial performance through profitability approach in this organization. The dependent variable in this study is profitability (measured through gross margin) and the independent variable are asset turnover, sales growth, current ratio, and leverage. The findings show that among the four independent variables choose, only two of it are significant with profitability which are asset turnover and current ratio. The other two independent variable shows no significant relationship with profitability. As the outcome results, only current ratio shows positive relationship with the profitability of the company. Furthermore, there are several recommendations in this study that was applied by several article from other researchers. As for NURI Driving Solution Sdn Bhd, to make their organization more sustainable in future, they need to identify the factors that contribute for their company to earn profitability during this downturn. Besides, it is suggested for the company to have financial planning that target on a long-term basis. Other than that, the next researchers were suggested to use other set of independent variables to get different result for the analysis of financial performance through the profitability approach. To sum up, this sector are truly affected during this pandemic of Covid-19 as each industry do not manage to run their business smoothly.

# TABLE OF CONTENTS

**Company Background**



Figure 2: Company's Logo

NURI Driving Solution Sdn Bhd is a driving school licenses that are located at Lot 11222, Jalan Bagan Datoh, Simpang Empat, 36400 Hutan Melintang, Perak. This organization is registered under Companies Commission of Malaysia Act with the registration number of 1207234-V. It was established in 1990 under the name of Pusat Latihan Memandu NURI. The owner of this organization is Haji Md Nuri bin Mohamed. Starting from 2001, this organization start to open their first branch located at Kampung Gajah, Perak. Now, they have 8 branches in total and have one staff for every branches. For the headquarters of an organization, it consists of nine staffs exclude the director and assistant director. This organization is under transportation and services sector. From the beginning of their operation, they managed to earn some achievement such as the best driving school in Hilir Perak from 2018 and 2019. Based from the achievement earned, they now are more focused to expand their quality of services.

NURI Driving Solution Sdn Bhd is a driving institute that provides professional driver licensing services to train drivers to always abide by the rules of the road and be a prudent driver. In addition, NURI also provides a scope of work in various fields such as in terms of transportation, finance, human resources, accounting, information systems, and driver trainees. Various types of driving licenses are available at NURI and the price range is reasonable according to the type taken. NURI also provides vehicle insurance and road tax renewal services for public. Other than that, NURI always come out with promotion at the end of the year just to attract more people to take for driving license especially for students that have finished their studying.

Below are some of the objectives for their operation:

- Deal more efficiently and professionally with customers
- Provide quality services by applying the correct driving techniques to achieve safer and more prudent driving quality
- Always sensitive and ready for changes that occur so that the quality of service is improved from time to time
- Lead and educate driving candidates towards safe and prudent driving
- Consistent in producing driving candidates of caliber as well as efficient in driving

Their mission is to produce individuals who always abide by the laws and regulations of traffic on the road. Other than that, they want to train and produce individuals who are proficient in driving as well as apply safety aspects in driving on the road and become drivers who are free from traffic offenses.

**Product and Services**

NURI Driving Solution Sdn Bhd is one of the driving institutions that provide all the requirement for people to get their driving license. There are many packages that are available to different ages. For an example, there are student packages and combo packages. These combo packages are selected for them who want to take B2 and D driving license simultaneously. Other than that, student packages are only selected for them who are categorized as a student and above 16 years old. Those who are eligible for this package, can proceed with their registration. For candidates that are from different branches, they can do their training on road and circuit at the head department in Simpang Empat. Here, NURI are provided two van as a transportation to take and drop the candidates that are from all branches.

Meanwhile, NURI also provides some facilities that are needed in driving institution such as JPJ room, briefing room, mosque, waiting space for candidates, circuit, cars, and motorbikes. For now, they are under a construction in making a canteen so that candidates can buy and eat there. Moreover, NURI also provides some other services such as renew road tax and licenses, insurance, and MYEG services. To those who pass the MYEG test, they can proceed to the next stage in order to be eligible to get their driving license.

**Time Operation**

NURI Driving Solution Sdn Bhd is operated everyday starting from 8.00 am until 6.00 pm. Each staff can choose one day off between Monday to Sunday and it is permanent off. For the lunch break, usually it takes an hour break starting from 1.00 pm until 2.00 pm. For Friday, male Muslim will be break from 12.30 pm until 2.30 pm for them to perform their prayers. Special in Ramadhan, NURI only operates starting from 8.00 am until 5.00 pm. This is because, most of the staff are coming from Malay races and they have their own family. So, they are given enough time to prepare for their Iftar. For candidates that are going to take MYEG test and use NURI's transportation, they only can book for Thursday and Saturday. This is because NURI do not have enough transportation yet to do so.
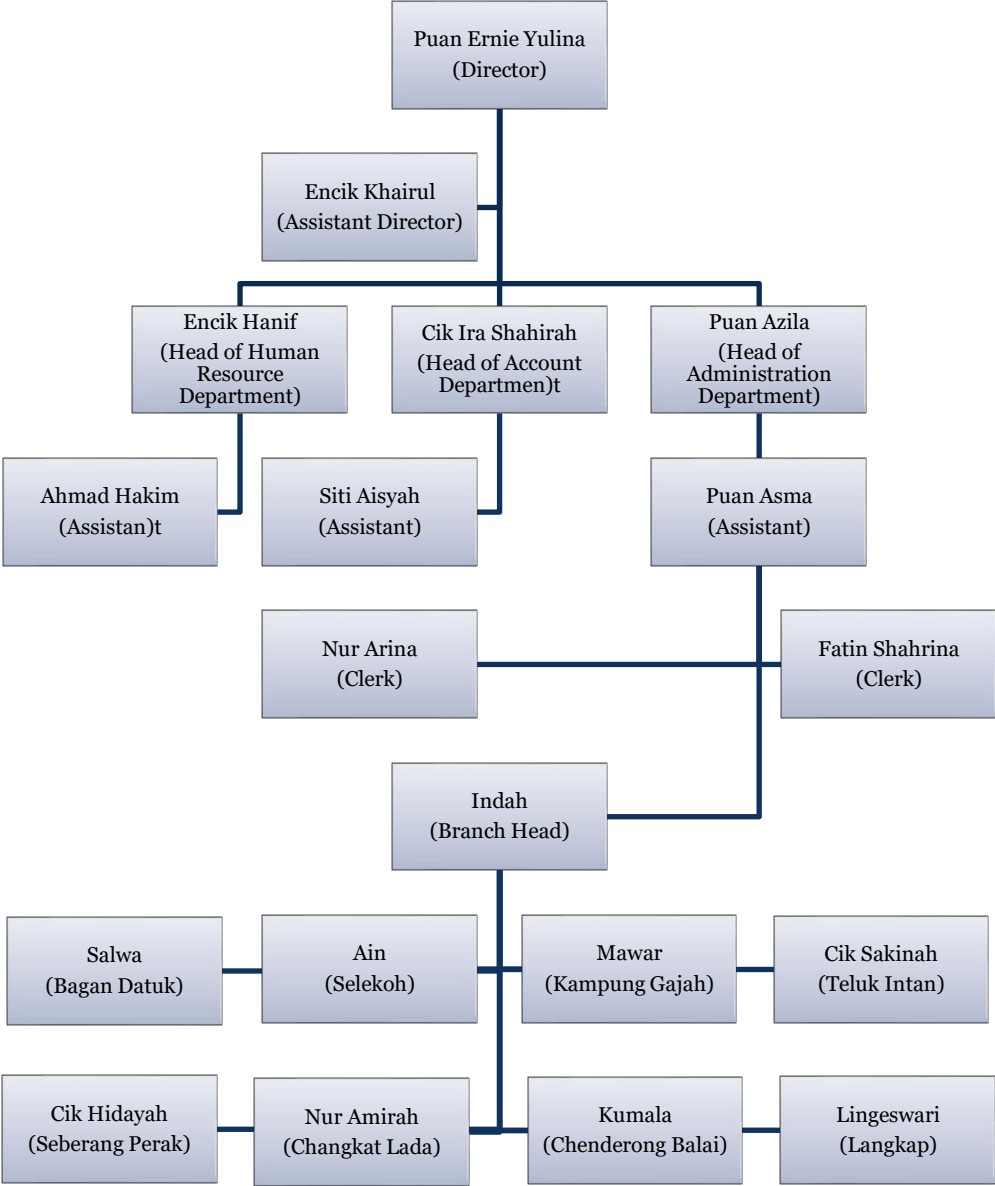
## Organizational Structure

```
                        Puan Ernie Yulina
                           (Director)

              Encik Khairul
           (Assistant Director)

      Encik Hanif              Cik Ira Shahirah         Puan Azila
   (Head of Human             (Head of Account        (Head of
      Resource                  Departmen)t          Administration
     Department)                                      Department)

   Ahmad Hakim                 Siti Aisyah            Puan Asma
    (Assistan)t                (Assistant)           (Assistant)

                    Nur Arina                      Fatin Shahrina
                     (Clerk)                          (Clerk)

                            Indah
                        (Branch Head)

   Salwa            Ain              Mawar            Cik Sakinah
(Bagan Datuk)    (Selekoh)      (Kampung Gajah)      (Teluk Intan)

  Cik Hidayah      Nur Amirah          Kumala          Lingeswari
(Seberang Perak) (Changkat Lada)  (Chenderong Balai)   (Langkap)
```

Figure 3: Organizational Structure

**TRAINING REFLECTION**

During 24 weeks of my internship period that was starting from 1$^{st}$ March 2021 until 13$^{th}$ August 2021, I have learned some new experiences that was so acknowledgeable to me. Before that, my placement is under account department since this organization do not have financial department yet. All things that are related to finance, will be managed under account department. For instance, I have been working for only 5 days starting from Monday to Friday at 8.00 am until 6.00 pm. As the pandemic of Covid-19 keep arising at the end of April, my company start to slow down the business by not taking much candidates for the driving license application. Starting from May onwards, I had to work from home since I had an accident and still under medical leave. My supervisor suggests me to only do all the work from home since my situation is still unrecovered.

Back to my experience in this company, for the first month of my internship, I was learned on how to calculate the daily and monthly invoices, transferred the data in Excel, check the bank statement, copying data from receipts, and close up the account at the end of each month. Besides, I have been taught to analyze each receipt and write the amount and transaction to the purchasing receipts. Other than that, I am also been taught to know which items are under NURI entity and which are under Enterprise entity since this company have two different entities. After all the data from receipts have been transferred to the Excel, then the receipts will be put in the file according to the month. In April, I have been taught on how to clear the cheque and make sure the cheque amount is tally with the bank statement that will get at the end of month.

During my internship, this company provided me with an allowance of RM250 per month. Obviously, I gained a lot of knowledge and experience when do my internship in this company. Besides, this experience will be my advantage to the next level of working. Rather than that, my communication skills also improved a lot since I manage to interact with other colleagues with fluent speaking.

# SWOT ANALYSIS

The SWOT analysis can help the researcher to identify and help the organizations to develop a full awareness of all the factors involved in making a business decision. Below are several factors that have been identified from the chosen organization:
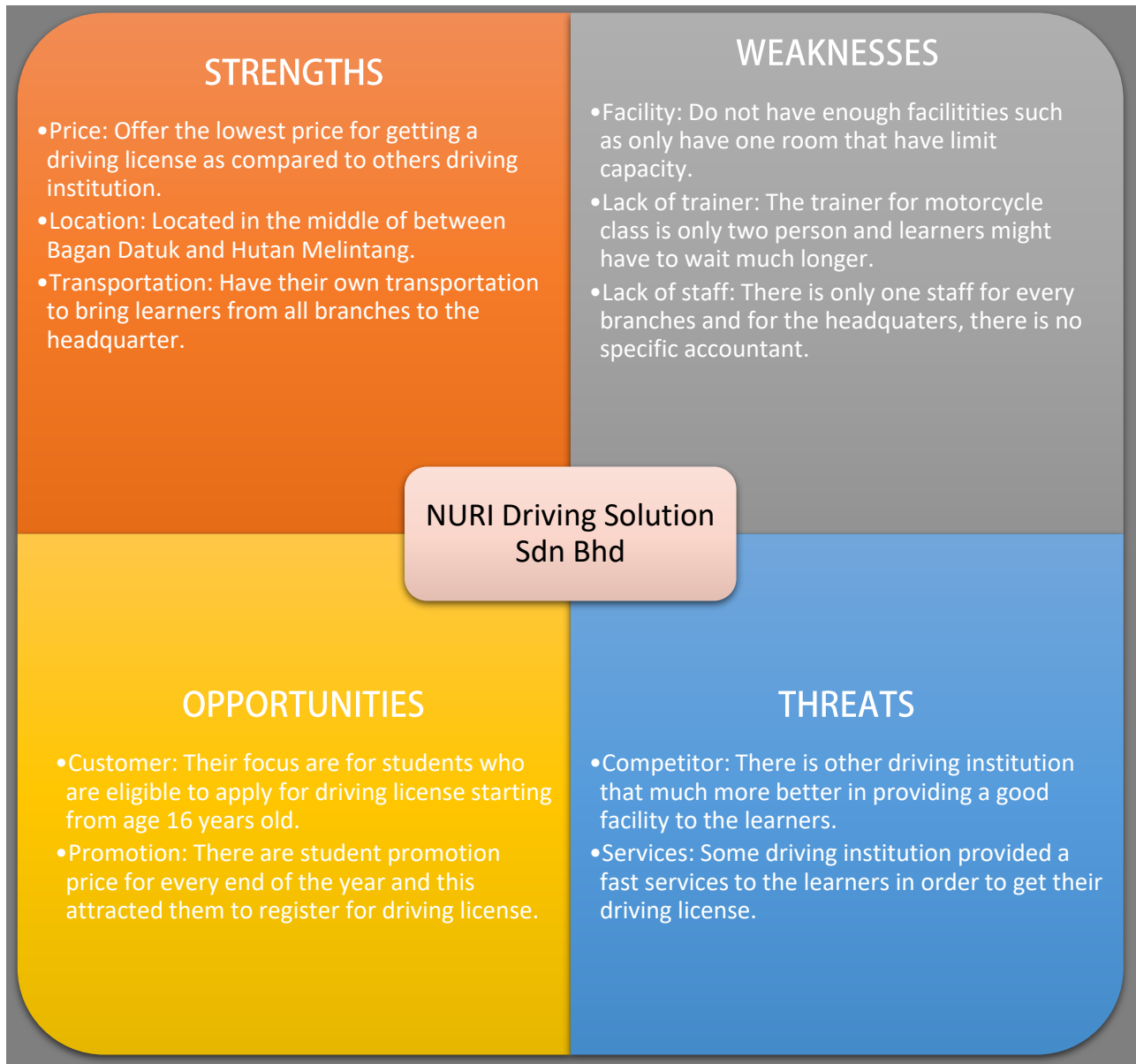
## STRENGTHS
- Price: Offer the lowest price for getting a driving license as compared to others driving institution.
- Location: Located in the middle of between Bagan Datuk and Hutan Melintang.
- Transportation: Have their own transportation to bring learners from all branches to the headquarter.

## WEAKNESSES
- Facility: Do not have enough facilities such as only have one room that have limit capacity.
- Lack of trainer: The trainer for motorcycle class is only two person and learners might have to wait much longer.
- Lack of staff: There is only one staff for every branches and for the headquaters, there is no specific accountant.

## NURI Driving Solution Sdn Bhd

## OPPORTUNITIES
- Customer: Their focus are for students who are eligible to apply for driving license starting from age 16 years old.
- Promotion: There are student promotion price for every end of the year and this attracted them to register for driving license.

## THREATS
- Competitor: There is other driving institution that much more better in providing a good facility to the learners.
- Services: Some driving institution provided a fast services to the learners in order to get their driving license.

Figure 4: SWOT Analysis for NURI Driving Solution Sdn Bhd

# REGRESSION ANALYSIS

## Background of Study

In recent years, most companies want to be success in manage their organization by focusing on internal and external factors. To fulfill that goals, each firm have looking at several indicators to measure their financial performance in the organizations. Financial indicators are statistics extensively used to monitor the soundness, stability, and performance of various sectors of the economy. Besides, there are five categories of financial ratios that most helped the firms to operate their business such as liquidity ratio, activity ratio, debt ratio, market ratio, and profitability ratio. Most firms are focusing on profitability ratio since they want to keep gain profit and to maximize their operation.

In the other words, profitability is one of the main concerns of any firm and its manager. Profitability is commonly defined as a business's ability to produce a return on an investment based on its resources in comparison with an alternative investment. From Nanda and Panda (2017), stated that a firm requires long-term survival only through maximization of its profit and looks further for its sustainability. Understanding profitability factors would require beyond conceptual, and it is the foundation of a firm's strategic planning and direction. It will be even more obvious during the time of crisis, a firm's attempts to preserve their financial status by undertaking measures without proper mitigation planning (Lim & Rokhim, 2020). These types of actions more often result in worsening their financial status. On this basis, this study deals with the analysis of financial performance through profitability approach for start-up company.

## Problem Statement

Over the years, every companies want to be success in their business. Not only in Malaysia, but all around the world. Although, most company evaluate their stability by looking at their financial performance (Alarussi & Alhaderi, 2017). Besides, the financial performance identifies how well a company generates revenues and manage its assets, liabilities, and the financial interests of its stakeholders. The balance sheet is a snapshot of the financial balances of an organization. It provides an overview of how well the company manages its assets and liabilities. Often, the financial statements of a company are used to define the financial performance of a firm.

Profitability is important to a business because it impacts whether a company can secure financing from a bank, attract investors to fund its operations and grow its business. Companies cannot remain in business without turning a profit (Rahayu et al, 2018). A business owner must understand the importance of profitability in business management and develop strategies that give the company the best chance at remaining profitable. There are many ways to analyze profitability.

It will be the major challenges for a company to gain their stability in the business especially during the pandemic of Covid-19. As a reason, this study tends to find a way on how to manage their business to make it success and last longer in future. For a company to accomplish this, it is important for this firms to has a clear understanding of specific internal and external factors under which the company need to focus on (Alarussi & Alhaderi, 2017). This study would like to investigate the effect of asset turnover, sales growth, current ratio, and leverage toward the profitability of the company. The uniqueness of company financial performance motivated the researcher to investigate the financial performance through profitability approach.

**Objectives of Study**

In general, the aim of this study is to analyse the relationship between the factor affecting the company financial performance through profitability approach that influenced by asset turnover, sales growth, current ratio, and leverage. It has been argued that profitability is the component that affect the company financial performance. However, there are some factors that influence the profitability of company. Thus, this study examines the factors that affect the company financial performance through profitability approach.

Specifically, this study intends to:

i.      To identify the most significant of independent variable that influences the dependent variable of this profitability.

ii.     To examine and test any positive or negative relationship between independent variable (Asset Turnover, Sales Growth, Current Ratio, Leverage) and dependent variable (Profitability that measured by gross margin).

**Research Framework**

1.  Dependent Variable

    The dependent variable is the variable of main interest to the researcher in this study. The dependent variable is the variable that being tested and measured in the experiment, and it is the 'dependent' on the independent variable (Saul McLeod, 2021). It is also showing the result of changes that brought about by changes in an independent variable. As a result, for this study the dependent variable that has been chosen is the profitability that measured by gross margin.

2.  Independent Variable

    An independent variable is the one that gives impact towards the dependent variable in either a positive or negative way. The independent variable is the cause element. Its value is independent of other variables in your study (Wenzel, 2017). In this study, there are four independent variable that have been identified which are Asset Turnover, Sales Growth, Current Ratio, and Leverage.

```
┌─────────────────────┐
│   Asset Turnover    │ ──────╲
│       (ATO)         │        ╲
└─────────────────────┘         ╲
                                 ╲
┌─────────────────────┐           ╲      ┌─────────────────────┐
│   Sales Growth      │ ───────────→│    Profitability     │
│      (GROW)         │            ╱│    (Gross Margin)    │
└─────────────────────┘           ╱ │                     │
                                  ╱  └─────────────────────┘
┌─────────────────────┐          ╱
│   Current Ratio     │ ────────╱
│       (CR)          │        ╱
└─────────────────────┘       ╱
                             ╱
┌─────────────────────┐     ╱
│     Leverage        │ ───╱
│       (LEV)         │
└─────────────────────┘
```

| INDEPENDENT VARIABLE (IV) | DEPENDENT VARIABLE (DV) |
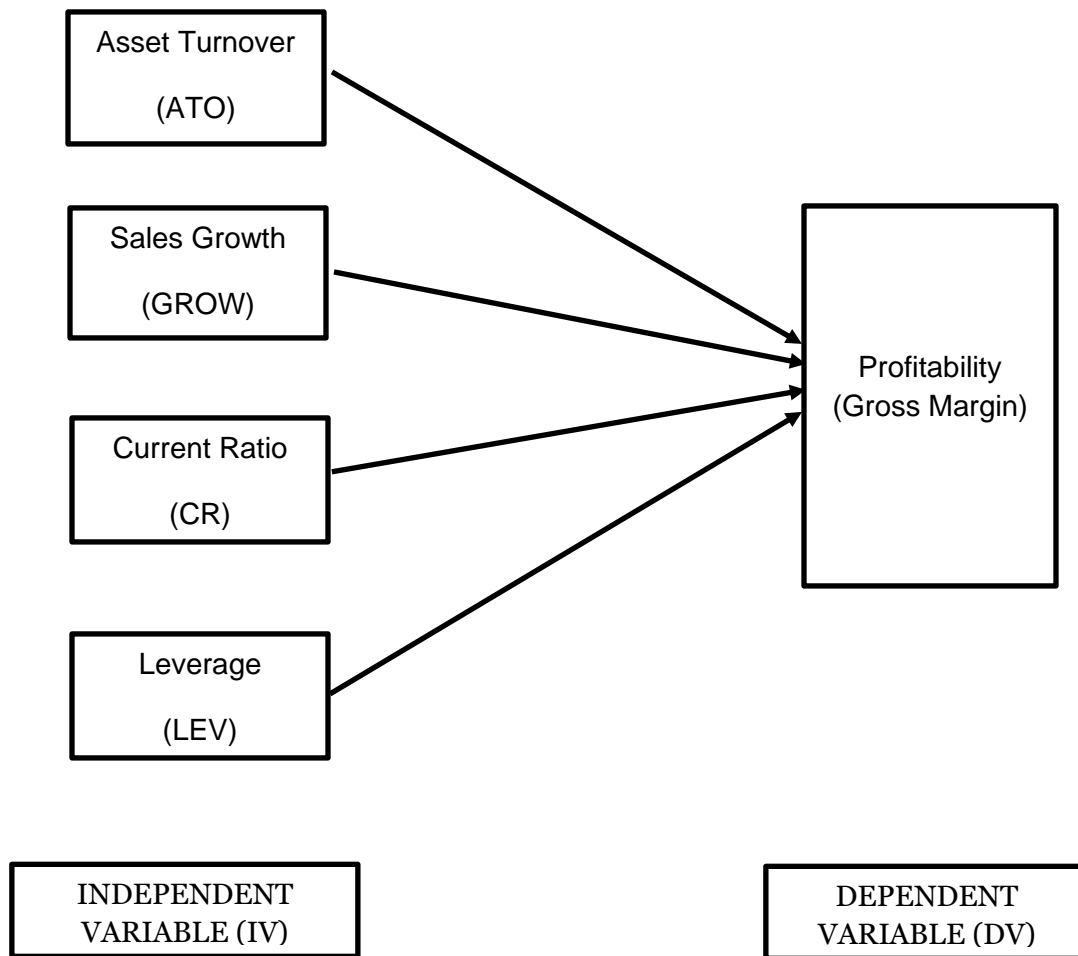
Figure 5: The Research Framework

**Scope of Study**

1. Dependent and Independent Variables

   This study measured pertaining to the dependent variable and several factors that affect the profitability of the company which are been taken from previous studies. The researcher had used the profitability (gross margin) of company as the dependent variable and the independent variable are consists of asset turnover, sales growth, current ratio, and leverage.

2. Data Collection Method

   The data in this study are collected from the secondary data. Among the secondary data that had been taken for this report was from Eikon, annual report in Bursa Malaysia, and others material that are relevant in this study.

3. Time Frame

   The data had been taken for recent 10 years starting from 2011 until 2020.

**Literature Review**

**1. Profitability**

In general, profitability is defined as the earnings of a company that are generated from revenue after deducting all expenses incurred during a given period (Alarussi & Alhaderi, 2017). According to previous studies, Rahayu et al., (2018) mentioned that profitability is one of the determining factors in company leverage. Weston and Brigham (1994) mentioned profitability as one of the factors that might enhance the capital structure and positively affect the capital structure. Ramzy et al., (2017) stated that profitability positively influences the capital structure and it improves the corporate capital structure. It has been proven that a business will not survive if it is not profitable, and a business that is highly profitable have an ability to reward its owners with high returns on their investment (Alarussi & Alhaderi, 2017). Thus, companies that want to achieve stable profitability need to know internal and external factors that may have a significant effect on profitability. Indicators under profitability variable include return on investment (ROI), return on equity (ROE), net profit margin (NPM) and gross profit margin (GPM). The proxy used to represent gross profit margin is:

$$GPM = (Total\ Revenue - Cost\ of\ Goods\ Sold)\ /\ Total\ Revenue$$

## 2. Asset Turnover

There is no doubt that asset turnover ratio is the cornerstone to achieve higher profits. The asset turnover ratio was used as productivity indicator that followed the research of (Chizari et al., 2016; Joshi et al., 2013; Pal & Soriya, 2012; Mondal & Ghosh, 2012; Kamath, 2008; Chen et al., 2005; Firer & Williams, 2003). Asset Turnover (ATO) as a sign of indicator's productivity, is measured by dividing revenue over total average assets. Warrad and Al Omari (2015) investigated that total asset turnover ratio has a significant impact on ROA of firms in the Jordanian industrial sector for the period of 2008 – 2011. Meanwhile, Innocent et al., (2013) pertains that there is an insignificant relationship between profitability and total assets turnover ratio. Fairfield and Yohn (2001) studied proxy of OPM and total asset turnover ratio. Correlation is statistically significant but negatively correlated. Alarussi and Alhaderi (2018) found that company efficiency (assets turnover ratio) has a strong positive relationship with profitability. Since the previous studies have various and inconsistent results, this study will examine the relationship between company efficiency with total asset turnover ratio as proxy with profitability. Thus, the proxy used to calculate asset turnover are as below:

$$ATO = Revenue\ /\ Total\ Average\ Asset$$

## 3. Sales Growth

It is widely believed that firm sales growth and profit rates are related to each other as discussed in previous studies (Coad, 2009; Goddard et al., 2004). As mentioned by Coad (2007), it found that firms with more profitable will continue to grow whilst firms with less profitability will lose their market share. Goddard et al. (2005) carried out the first empirical study about the dynamic relationship between growth of a firm and profitability. The result demonstrated that the current profit rate acts as a positive aspect behind the rate of escalation of a given corporate size in the subsequent phase, and the current growth rate for a given corporate size negatively affects the profit rate in the subsequent phase in a statistical and significant manner. Further, Lee (2014) also found that a firm's growth affects profitability positively but not the other way around and it is concluded only in the case of old firms not young ones. Meanwhile, Jang and Park (2011) used sales growth as a firm's growth proxy in the restaurant industry and found that prior year's profitability had a positive impact on the growth rate of the current year, but

prior year's growth rates had a negative impact on current year's profitability. Amouzesh et al. (2011) used sustainable growth rate as proxy and found that it has a significant positive relationship with ROA. Thus, in this study will also focused on sales growth as the other proxy to determine the factors affect the profitability of a firm. The proxy to find the sales growth are as follows:

Sales Growth: (Present Net Sales – Past Net Sales) / Past Net Sales

## 4. Liquidity (Current Ratio)

Liquidity is defined as the ability of a firm to convert an asset to cash quickly. Liquidity is very important to run the business properly (Alarussi and Alhaderi, 2017). Liquidity is measured by several number of ratios such as current ratio, quick ratio, and cash ratio. Boadi et al. (2013) found a positive relationship between liquidity and profitability. Likewise, Mohd Zaid et al. (2014) investigated the factors affecting profitability for construction companies in Malaysia. They found that liquidity and size have a significant and positive relationship with profitability. Eljelly (2004) did a study on companies listed on the stock market in Saudi Arabia and he examined the relationship between profitability and liquidity measured by current ratio and cash conversion cycle. He found a negative relationship between profitability and liquidity indicators. Alarussi and Alhaderi (2018) studied that liquidity (current ratio) has no significant relationship based on the period of 2012-2014 of 120 listed companies in Bursa Malaysia. Despite previous studies' results have been inconsistent, this study will use current ratio as the indicators to find the relationship between liquidity and profitability. Current ratio is calculated by use proxy below:

Current Ratio = Current Asset / Current Liabilities

## 5. Leverage

Leverage is another component of the capital structure of a company that affect the profitability of a firm. Pecking order theory and trade-off theory explain the relationship between leverage and profitability in two different dimensions. Eriotis et al. (2011) investigated the relationship between debt to equity ratio and profitability. They concluded that financing investments using retained profits are more profitable than using borrowed funds. Another study conducted by Boadi et al. (2013) examined the factors affecting profitability for the insurance companies in Ghana and revealed a positive and significant relationship between leverage, liquidity, and profitability. Charumathi (2012) examined the determinants of profitability for the Indian life insurance companies. He found that leverage has a

negative and significant impact on profitability. According to the pecking order theory of capital structure (Myers and Majluf, 1984), leverage and profitability is inversely related. The findings of Kester (1986); Booth et al. (2001); Al-Jafari and Samman (2015) empirically confirmed the presence of an inverse relation between the leverage ratio and profitability. Based on the previous studies, the results are inconsistent among the researchers. Despite all that, this study will use debt to equity ratio as a proxy to find out the relationship between leverage and profitability. Debt to equity ratio is calculated by using proxy below:

Debt to Equity Ratio = Total Debt / Shareholder's Equity

**Research Methodology**

**Data Description**

To analyze the relationship between the dependent variables and independent variables, the researcher will discuss on the method used for collecting data and information, the regression model, data analyzing technique, and the statistical data. Four companies under the same sector have been chosen as a subject to this study. That companies are Bintulu Port Holdings Bhd, Harbour-Link Group Bhd, EA Technique (M) Bhd, and Suria Capital Holdings Bhd. The secondary data from these four companies have been collected by using Thomson Reuters Eikon online software database. Thus, data from recent ten years have been gathered starting from 2011 until 2020 that consists total of 40 observations.

**Findings**

To elaborate in detail, this part will discuss the result from the findings on analysis of financial performance through profitability approach. Eikon software have been used to collect and gather all the data and information from that four companies selected. Software for Statistics and Data Science (STATA) also been used in this study to generate the results. Thus, hypothesis have been made aligned with the objective of this study which is to identify the most significant of independent variable that influences the dependent variable which is profitability. To determine the relationship between independent variables and dependent variables, Pearson Correlation and Multiple Regression have been tested.

Descriptive Analysis

*Table 1: Descriptive statistics for profitability and the company financial performance*

| Variable | Obs | Mean | Standard Deviation | Min | Max |
|---|---|---|---|---|---|
| PROFITABILITY | 40 | .347 | .2516836 | -.34 | .86 |
| ASSET TURNOVER | 40 | .462 | .3129365 | 0 | 1.07 |
| SALES GROWTH | 40 | .009 | .2095025 | -.59 | .6 |
| CURRENT RATIO | 40 | 2.09475 | 1.240754 | .09 | 4.43 |
| LEVERAGE | 40 | 2.3765 | 1.035113 | 1.24 | 5.9 |

GPM= Gross Profit Margin, ATO= Asset Turnover, GROW= Sales Growth, CR= Current Ratio, LEV= Leverage

Table 1 discussed the descriptive statistic for profitability and the company financial performance. The table shows that there are 40 sample of observation used in this sector. The highest mean is LEV which is 2.3765 followed by CR which indicate 2.09475. In addition, mean value for PROFITABILITY and ATO is 0.347 and 0.462 respectively. The lowest mean is GROW which indicate 0.009 as compared to others variable.

For standard deviation, CR shows the highest figure which is 1.240754 followed by LEV which indicate 1.035113. It means that CR has greater spread of data from the mean compared with others. In addition, the lowest standard deviation is GROW which shows only 0.2095025. Therefore, it means GROW has lower spread of data from the mean. This is followed by PROFITABILITY and ATO which indicate 0.2516836 and 0.3129365 respectively.

For minimum and maximum value, LEV shows the higher figure which are 1.24 and 5.9 respectively. The lowest maximum value is GROW which shows only 0.6 compared to others and the lowest minimum value is also GROW which shows only -0.59. Apart from that, PROFITABILITY shows -0.34 for minimum value and 0.86 for maximum value. Other than that, ATO shows 0 and 1.07 for minimum and maximum value respectively. The minimum value for CR is 0.09 and the maximum value is 4.43.

Panel Specification Test

*Table 2: Panel Specification Test for Analysis of Financial Performance Through Profitability Approach*

| Model | F-Test | BP-LM Test | Hausman Test | Technique |
|---|---|---|---|---|
| Model 1 | 0.0056 | 1.0000 | 0.0000 | Choose FE |
| | Choose FE | Choose POLS | Choose FE | |

Panel Specification Test were used to decide the most appropriate model to be used in this study. There are three tests was conducted namely F-Test, Breusch and Pagan Lagrangian Multiplier Test (BP-LM) and Hausman Test. Table 2 shows that the p-value of the F-test is significant which is p-value is less

than 0.05 which indicate 0.0056. This indicates that Fixed Effect model is more appropriate than POLS. Next, BP-LM Test shows the p-value is more than 0.05 which is 1.0000. This shows that the Pooled Ordinary Least Square (POLS) model is more appropriate than Random Effect model. Last is Hausman Test that was conducted to compare between Fixed Effect model and Random Effect model. Based on the results, the p-value is less than 0.05 which is 0.0000. Therefore, the most appropriate model is Fixed Effect (FE) model. Based on the overall test, the results suggest that Fixed Effect model is the most appropriate model estimator for profitability and the company financial performance.

Diagnostic Test

*Table 3: Diagnostic Test for Analysis of Financial Performance Through Profitability Approach*

| Model | Multicollinearity | Heteroskedasticity | Serial Correlation |
|---|---|---|---|
| Model 1 | 1.67 | 0.0000 | 0.0103 |
| | No multicollinearity problem | Has Heteroskedasticity problem | Has Serial Correlation problem |

Diagnostic Test were conducted to check the problem exists in this study by using three different tests. The tests stated are Multicollinearity, Heteroskedasticity, and Serial Correlation. Multicollinearity is conducted to examine the correlated relationship between independent variables. Based on Table 3, the calculated mean values of Variance Inflation Factors (VIF) is 1.67 which show value less than 10. It means that multicollinearity does not appear to be a severe problem in this study. Next is Heteroskedasticity that was conducted to check the consistency of data. The results show that the p-value is less than 0.05 which is 0.0000. This means that the variances are not constant or there is a heteroskedasticity problem. Last is Serial Correlation that can verify the autocorrelation problem. The result shows that the p-value is less than 0.05 which is 0.0103. It means that there is serial correlation problem exists in this study. To rectify the problem exists in heteroskedasticity and serial correlation, it is suggested to conduct Random Effects GLS regression with cluster option.

Correlation Analysis

*Table 4: Correlation Analysis for Analysis of Financial Performance Through Profitability Approach*

|        | GPM     | ATO     | GROW    | CR      | LEV    |
|--------|---------|---------|---------|---------|--------|
| GPM    | 1.0000  |         |         |         |        |
| ATO    | -0.4616 | 1.0000  |         |         |        |
| GROW   | 0.3307  | -0.0963 | 1.0000  |         |        |
| CR     | 0.5568  | -0.1900 | 0.5095  | 1.0000  |        |
| LEV    | -0.2490 | -0.1134 | -0.4843 | -0.6443 | 1.0000 |

Table 4 reported the correlation analysis for dependent variable and independent variable that used for this study. As shown in the table above, GROW and CR have positive correlation which is 0.3307 and 0.5568 respectively. Meanwhile, ATO and LEV have negative correlation which indicate -0.4616 and -0.2490 respectively. It can be concluded that only CR have relationship with financial performance through profitability (GPM) in positive correlation. In addition, CR also shows as the most crucial factor to determine the level of profitability (GPM) with company financial performance. The more sales that a company generated from their assets, the more their effectiveness in managing the profitability (GPM) and generating the revenue.

Multiple Regression Result

*Table 5: Regression Analysis for Analysis of Financial Performance Through Profitability Approach*

| | Random-effects GLS regression with cluster option |
|---|---|
| ATO | -0.2840** |
| | (-2.18) |
| GROW | 0.0932 |
| | (0.52) |
| CR | 0.0999* |
| | (1.65) |
| LEV | 0.0160 |
| | (0.18) |
| Constant | 0.2299 |
| | (0.78) |
| N | 40.0000 |
| r2 | |
| r2_a | |
| r2_w | 0.0579 |
| r2_b | 0.6865 |
| r2_o | 0.4465 |
| F | |
| P | |
| chi2 | |
| | Notes: t statistic in parentheses |
| | *significant at 10% level |
| | **significant at 5% level |
| | ***significant at 1% level |

Table 5 shows the regression result using Random-effects GLS regression with cluster option for four independent variables toward the profitability. The results indicated that the adjusted R2 is 44.65%. The results of the regression also suggest that ATO and CR has a statistically significant relationship with PROF. However, the results of the regression show that GROW and LEV have no significant relationship with PROF. From these results, it is apparent that any increases in ATO, GROW, CR, and LEV will increase the PROF. In addition to that, CR seems to have the greatest influences on the level of PROF, which is explained by the highest z-statistics of 1.65.

Regression Model

$$PROF_{it} = 0.2299 - 0.2840\ ATO_{it} + 0.0932\ GROW_{it} + 0.0999\ CR_{it} + 0.0160\ LEV_{it} + e_{it}$$

# DISCUSSION AND RECOMMENDATION

For recommendation part, there are some actions that can be taken by the company to improve their financial performance through the profitability approach especially during this pandemic of Covid-19. There are many indicators to measure the company profitability as have been discussed. Firstly, it is suggested that the company itself to identify the factors that contribute for the company to have good and stable financial performance. They need to identify all the aspects for them to sustain and be competitive in the market. SWOT analysis is the better figure for them to know their performance. Thus, several factors need to be tested out to obtain the effective results such as by doing panel specification test, fixed effect model, Hausman test and multicollinearity test. The results can give the company to gain a new idea on what they need to focus in future. Here, they can know what steps need to be done for them to gain profitability.

Secondly, the company need to have financial planning that target on a long-term stability and sustainability especially during this pandemic of Covid-19. The great financial planning is crucial for this period as the company need to find ways on how to operate their business. They can seek for the available internal and external sources of the financial (Alarussi and Alhaderi, 2017). By doing so, the company might have enough sources to prevent their business from collapse during the economic downturn. Besides, the company can use external financing such as using debts or equity financing just to help the company being sustainable. Other than that, they must have a good credit management so that they do not face any risks to be bankrupt in the future.

Next, in the aspect of research, the future researcher is highly recommended to use other indicators as the independent variable for identify the factors for financial performance through profitability approach (Lim & Rohkim, 2020). By tested different independent variables, it can help to obtain different result and ways on how to improve the company financial performance. There are several indicators that can be replaced as the independent variable such as structure ownership, size of firms, and debt management.

## CONCLUSION

To sum up, the purpose of this study is to analyze the company financial performance through profitability approach for four companies under same sector which is transportation and services. The data taken are from recent 10 years starting from 2011 until 2020. The reason why the researcher takes the period of 10 years to conduct this study is due to know how the company manage to deal with their financial performance before and during the pandemic of covid-19. This can lead the researcher to examine the sustainability and stability achieved by the company for the past years. This can be seen when the results of this study managed to achieve the objectives that was supported in the literature review. In this study, the significant relationship between independent variable and dependent variable is important.

Thus, by using the Pearson Correlation Analysis SPSS software, it revealed that there are two independent variable that have a significant relationship with the dependent variable which are Asset Turnover and Current Ratio. However, the other two independents variable which are Sales Growth and Leverage shows no significant relationship with the profitability. It is known that financial leverage is one of the capital structure policies in a company (Alarussi & Alhaderi, 2017). As the outcome results, only Current Ratio that show positive relationship with the profitability of company.

In addition, coefficient outcome of BETA is also conducted to identify the most factors that could possibly have an impact toward the company financial performance. Thus, this study shows that Asset Turnover has the highest coefficient of BETA as compared to other three independent variables which are Sales Growth, Current Ratio, and Leverage. This indicates that Asset Turnover act as the stronger contributor that has influenced the company financial performance through the profitability approach.

# REFERENCES

Vintilă, G., & Nenu, E. A. (2015). An analysis of determinants of corporate financial performance: Evidence from the bucharest stock exchange listed companies. *International Journal of Economics and Financial Issues*, *5*(3), 732–739.

Megel, M. E., & Heermann, J. A. (1994). Methods of data collection. *Plastic Surgical Nursing*, *14*(2), 109–110. https://doi.org/10.1097/00006527-199406000-00014

Ajayi, V. O. (2017). *Primary Sources of Data and Secondary Sources of Data. September*, 1–6. https://doi.org/10.13140/RG.2.2.24292.68481

Mangesti Rahayu, S., Suhadak, & Saifi, M. (2020). The reciprocal relationship between profitability and capital structure and its impacts on the corporate values of manufacturing companies in Indonesia. *International Journal of Productivity and Performance Management*, *69*(2), 236–251. https://doi.org/10.1108/IJPPM-05-2018-0196

Nanda, S., & Panda, A. K. (2018). The determinants of corporate profitability: an investigation of Indian manufacturing firms. *International Journal of Emerging Markets*, *13*(1), 66–86. https://doi.org/10.1108/IJoEM-01-2017-0013

Pokhariyal, G. P. (2019). Importance of Moderating and Intervening Variables on The Relationship Between Independent and Dependent Variables. *International Journal of Statistics and Applied Mathematics*, *4*(5), 1–4.

Habeck, C., & Brickman, A. (2018). A common statistical misunderstanding in Psychology and Neuroscience: Do we need normally distributed independent or dependent variables for linear regression to work? *BioRxiv*, 305946. https://doi.org/10.1101/305946

Chakrabarti, A., & Chakrabarti, A. (2019). The capital structure puzzle – evidence from Indian energy sector. *International Journal of Energy Sector Management*, *13*(1), 2–23. https://doi.org/10.1108/IJESM-03-2018-0001

Seth, H., Chadha, S., Ruparel, N., Arora, P. K., & Sharma, S. K. (2020). Assessing working capital management efficiency of Indian manufacturing exporters. *Managerial Finance*, *46*(8), 1061–1079. https://doi.org/10.1108/MF-02-2019-0076

Lim, H., & Rokhim, R. (2020). Factors affecting profitability of pharmaceutical company: an Indonesian evidence. *Journal of Economic Studies*, *2010*. https://doi.org/10.1108/JES-01-2020-0021

Alarussi, A. S., & Alhaderi, S. M. (2018). Factors affecting profitability in Malaysia. *Journal of Economic Studies*, *45*(3), 442–458. https://doi.org/10.1108/JES-05-2017-0124

Zainudin, R., Ahmad Mahdzan, N. S., & Leong, E. S. (2018). Firm-specific internal determinants of profitability performance: an exploratory study of selected life insurance firms in Asia. *Journal of Asia Business Studies*, *12*(4), 533–550. https://doi.org/10.1108/JABS-09-2016-0129

Fekadu Agmas, W. (2020). Impacts of capital structure: profitability of construction companies in Ethiopia. *Journal of Financial Management of Property and Construction*, *25*(3), 371–386. https://doi.org/10.1108/JFMPC-08-2019-0072

Ben Rejeb Attia, M., Lassoued, N., & Chouikha, M. (2018). State ownership and firm profitability in emerging markets: A simultaneous equations analysis. *International Journal of Public Sector Management*, *31*(2), 167–183. https://doi.org/10.1108/IJPSM-09-2016-0155

Fidanoski, F., Choudhry, M., Davidović, M., & Sergi, B. S. (2018). What does affect profitability of banks in Croatia? *Competitiveness Review*, *28*(4), 338–367. https://doi.org/10.1108/CR-09-2016-0058

**APPENDICES**



Figure 6: Office for Account Department



Figure 7: Front registration counter

Figure 8: Nuri Driving Solution Sdn Bhd surroundings



Figure 9: Candidates waiting their turn for MYEG test

Figure 10: Student package price for B2 licenses

# Analysis of Financial Performance Through Profitability Approach

1 %

9    www.slideshare.net
     Internet Source                                    1 %

10   www.mvorganizing.org
     Internet Source                                    1 %

11   www.scirp.org
     Internet Source                                    <1 %

12   citeseerx.ist.psu.edu
     Internet Source                                    <1 %

13   N.A. Rosita, Imam Ghozali, Puji Harto, Heri       <1 %
     Susanto, Fatlina Zainuddin. "Intellectual
     capital and financial performance of state-
     owned banking: evidence from Indonesia",
     International Journal of Learning and
     Intellectual Capital, 2020
     Publication

14   Swagatika Nanda, Ajaya Kumar Panda. "A            <1 %
     quantile regression approach to trail financial
     performance of manufacturing firms", Journal
     of Applied Accounting Research, 2019
     Publication

15   www.koreascience.or.kr
     Internet Source                                    <1 %

16   www.omicsonline.org
     Internet Source                                    <1 %

| 17 | pezzottaitejournals.net
Internet Source | <1% |
| 18 | su.diva-portal.org
Internet Source | <1% |
| 19 | www.researchgate.net
Internet Source | <1% |
| 20 | www.studymode.com
Internet Source | <1% |
| 21 | www.investopedia.com
Internet Source | <1% |
| 22 | Eissa A. Al Homaidi, Najib H.S. Farhan, Waleed M. Alahdal, Amgad S.D. Khaled, Moatasem M. Qaid. "Factors affecting the profitability of Indian listed firms: a panel data approach", International Journal of Business Excellence, 2021
Publication | <1% |
| 23 | espace.curtin.edu.au
Internet Source | <1% |
| 24 | www.agrobank.com.my
Internet Source | <1% |
| 25 | www.coursehero.com
Internet Source | <1% |
| 26 | www.rugles.com
Internet Source | <1% |

27    Leena Afroz Mostofa Chowdhury, Tarek Rana,
      Mohammad Istiaq Azim. "Intellectual capital
      efficiency and organisational performance",
      Journal of Intellectual Capital, 2019
      Publication
                                                              <1 %

28    repo.uum.edu.my
      Internet Source
                                                              <1 %

29    Janga Bahadur Hamal. "Factors Affecting
      Profitability of Nepalese Non-Life Insurance
      Companies", Journal of Nepalese Business
      Studies, 2020
      Publication
                                                              <1 %

30    Swagatika Nanda, Ajaya Kumar Panda. "The
      determinants of corporate profitability: an
      investigation of Indian manufacturing firms",
      International Journal of Emerging Markets,
      2018
      Publication
                                                              <1 %

Exclude quotes          Off            Exclude matches       Off
Exclude bibliography    Off