



اَوْنِيُوْرَسِيْتِي تِيكْنُوْلُوْجِي مَارَا
UNIVERSITI
TEKNOLOGI
MARA

UNIVERSITI TEKNOLOGI MARA (UiTM PERLIS)

BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

FACULTY OF BUSINESS AND MANAGEMENT

INDUSTRIAL TRAINING REPORT AT GLAXOSMITHKLINE PHARMACEUTICAL



RESEARCH TOPIC:

**DETERMINANTS OF PROFITABILITY IN PHARMACEUTICAL
INDUSTRY AT MALAYSIA**

PREPARED BY:

NOR AINA FATIHAH (2021340745)

ADVISOR:

MISS ROZIHANIM SHEKH ZAIN

EXAMINER:

DR. CHEN JEN EEM



DECLARATION OF ORIGINAL WORK BACHELOR OF BUSINESS ADMINISTRATION (HONS) FINANCE

FACULTY OF BUSINESS AND MANAGEMENT UNIVERSITI TEKNOLOGI MARA

“DECLARATION OF ORIGINAL WORK”

I, Nor Aina Fatihah, (000907-14-0950) hereby, declared that:

- This internship report has not previously been accepted in substance for any degree, locally or overseas, and is not being concurrently submitted for this degree or any other degrees.
- This internship report is the result of my independent work and investigation, except where otherwise is stated.
- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged

Signature: _____

Date: **22 July 2023**

EXECUTIVE SUMMARY

This report content about my industrial training that required by all students before completing their Bachelor of Business Administration (Hons) Finance. During the 6 months of internship training at GlaxoSmithKline (GSK), I gain lots of knowledge and having good experience as Internship for accounting and Finance at Multinational company.

Experiencing to be part of Finance Controlling and analysis team was very challenges. This required candidates to having high critical thinking, good communication skills and able to perform all the documents accurately because the company's environment work in fast pace. During 6 months with GlaxoSmithKline, I was able to improve myself and successful deliver all the requirements that suits into this position. My job provided me with an expansive knowledge of accounting and financing field. This department also provided me with professional experience by sharing their industry knowledge.

This report also contents my research about determinants of profitability in pharmaceutical industry in Malaysia. Since pharmaceutical sector is one of the most profitable industries in the world, I would like to do research about determinants of profitability in pharmaceutical industry in Malaysia. As we know, the pharmaceutical segment has contributed over MYR6 billion toward Malaysia's gross domestic product (GDP) and by 2024, the industry will potentially estimate to contribute another MYR10 billion. Pharmaceutical industry in Malaysia plays important roles to inject Malaysian economics funds. This is the reason why we need to study about factor influencing profitability in Malaysian pharmaceutical industry. The results of this research will be benefits for many sides.

TABLE OF CONTENT

EXECUTIVE SUMMARY	2
TABLE OF CONTENT	3
2.0 STUDENT PROFILE	5
2.1 COMPANY BACKGROUND	7
2.2 COMPANY VISION	8
2.3 COMPANY MISSION	8
2.4 COMPANY SERVICES AND PRODUCTS	9
3.0 TRAINING REFLECTION	10
4.0 RESEARCH REPORT	12
4.1 INTRODUCTION	13
4.2 LITERATURE REVIEW	15
4.2 RESEARCH METHODOLOGY	17
4.3 REGRESSION ANALYSIS	22
4.4 FINDINGS AND ANALYSIS	23
5.0 DISCUSSION AND RECOMMENDATION	24
6.0 CONCLUSION	26
7.0 REFERENCES	28
8.0 APPENDIX	30

2.1 COMPANY BACKGROUND

GlaxoSmithKline (GSK) is one of the world's largest research-based pharmaceutical companies that focuses on developing, manufacturing and commercializing general medicines, specialty medicines and vaccines. It offers drugs for the treatment of diseases such as HIV, respiratory, cancer, immuno-inflammation, anti-viral, central nervous system (CNS), metabolic, cardiovascular, and urogenital, anti-bacterial, dermatology and rare diseases. The company also offers over the counter (OTC) products for pain relief, medicines, oral care products, such as the toothpaste brands Aquafresh, Macleans and Sensodyne, and nutritional healthcare drinks. The pharmaceuticals division is the largest part of GSK's businesses and can be divided into prescription drugs and vaccines. The company sells its products through wholesalers, pharmacies, hospitals, physicians and other groups worldwide.

GSK was identified as one of the leading companies, that discovers, develops, manufactures and markets human health products. It is an innovative company that produces branded products only, which it has developed itself. The headquarters of GSK are located in the UK, with additional operational headquarters in Ireland, USA, Singapore and Australia. The manufacture and supply system of GSK operates as a single global network. The company has 87 manufacturing sites and employs around 32,000 employees in production. It has two types of manufacturing sites. Primary manufacturing sites produce the active compounds used in the drugs. Secondary manufacturing sites convert the active compounds into finished products. There are 15 of these sites in Europe, 6 in North America, 5 in Latin America, 5 in the Middle East and Africa, 15 in the Asia Pacific, 6 in Australia Region, 4 in China, and 1 in Japan. Vaccine manufacturing is primarily located at two sites in Belgium. All R&D for vaccines is carried out in Belgium. GSK is involved in many different R&D partnerships with academic institutions, biotechnology companies and other pharmaceutical companies. The company has a leading position in genetics and in new drug discovery technologies. In Malaysia, GSK has established a strong presence for almost 50 years. It employs close to 600 employees and has an annual sales turnover of over USD100Million. GSK employs 44,000 people in sales and has the largest sales force in the pharmaceutical industry. It has various co-marketing and co-promotion agreements with other pharmaceutical companies.

GSK's business goal is to be a world leader in pharmaceutical industry. In order to achieve this, the company seeks to improve its R&D pipeline, using a focused drug portfolio strategy and selective in-licensing agreements for the external contracting of R&D. The company links R&D closely to commercial operations to maximise the value of its R&D portfolio.

Furthermore, GSK seeks to increase brand name recognition among customers and to develop improved versions of older products, on which new patents can be obtained. It is a common strategy of branded drug producers to develop improved versions or more convenient formulations of drugs on which the patents have expired, and to persuade doctors and patients to use the enhanced version. Direct-to-consumer (DTC) advertising is an important element of GSK's marketing strategy in the US. Consumers that receive information through DTC advertising tend to request specific brand name medicines to their physicians. The company is implementing a 'sales force excellence' initiative to improve the already good reputation of GSK sales representatives among healthcare professionals. It has also started a 'marketing excellence' initiative to reduce the number of patients that do not seek the help of a doctor and remain undiagnosed, and the number of diagnosed patients that remain untreated.

2.2 COMPANY VISION

"The opportunity to make a difference to millions of lives every day". GSK Consumer Healthcare follows its core values of keeping consumers first, demonstrating respect for people, acting with integrity, and operating with transparency. We are proud of our commitment that enables us to enhance the quality of peoples' lives and helps us provide them with quality products.

2.3 COMPANY MISSION

"To empowering people, as well as treating patients". By 2025, we aim to help 50 million people per year gain access to opportunities for better everyday health. At GSK our mission acts as an underlying principle to whatever we do. GSK set four new expectations which sit alongside our values which is courage, accountability, development and teamwork. Together, our values and expectations guide our everyday actions and decision-making.

2.4 COMPANY SERVICES AND PRODUCTS

GSK leading brands are built on science, innovation and human understanding and are trusted by millions of consumers globally. GSK has a strong portfolio of brands and is well positioned to play a vital role for people all around the world, in a sector that is growing and more relevant than ever. GSK companies have nine Power Brands, which are supported by Local Growth Brands across the world. They have five brand categories which is Oral Health, Vitamins, Minerals and Supplements (VMS), Pain, Respiratory, Digestive and Other.

I. Oral Health

GSK is one of the world's largest providers of specialist oral health. With a broad range of science-based products, such as Sensodyne, parodontax and Polident, our goal is to make the world's mouths healthier.

ii. Vitamins Mineral and supplement

GSK have a category leading portfolio of brands to improve everyday health and wellness. Centrum, a multivitamin and mineral brand, is available in more than 70 markets. We also have leading brands within the category in areas like calcium supplements through our Caltrate brand and vitamin C supplements through Emergen-C.

iii. Respiratory

Portfolio of leading brands in cold and flu, nasal decongestant and allergy helps people worldwide with a range of respiratory issues. Whether using Otrivin to clear a blocked nose or Theraflu to fight multiple cold and flu symptoms like fever, nasal congestion and cough, our respiratory products use cutting-edge science to help people breathe more easily.

iv. Pain relief

With a portfolio of products to relieve pain and reduce inflammation, our range brings comfort and ease to millions. World-leading brands such as Panadol, Voltaren and Advil help people manage their symptoms so they can enjoy life to the full.

v. Digestive health and others

GSK have a portfolio of trusted, market leading digestive health brands, including Eno and Tums, with a strong heritage in treating heartburn, acid indigestion and gastric discomfort.

3.0 TRAINING REFLECTION

All student degree of finance in UiTM Perlis are required to participated with industrial training for 6 months. Experiencing reality of entering workforce environment giving big impact as preparation for fresh graduate especially when the job scope is related and reflect with our studies. My experience as part of Intern for Accounting and finance department and was assigned to be part of Australia and New Zealand team giving such a big impact for my life. My responsibilities are to assist in handling finance and accounting for Australia and New Zealand market during month end.

3.1 BAF Journal

I receive training on how to perform budget and finance (BAF) update. BAF update is about the update of current month's actual amount for subbrands to be compared with estimated amount. Firstly, the actual report amount will be pasted into the rollover file and update the pivot table. Then the subbrands that are missing showing/A with amount will be filtered out, copy and pasting the brand name and description to the mapping (directory for all subbrands). Then the pivot table of subbrands with actual amounts to be posted will be copied and pasted into the Actual and Planned (A&P) file. The amount in actual amount tab, summary tab and detailed report tab must be tally.

BU	Brand	Global Sub Brand Desc	Adv or Promo	Blank	TYPE	Sub brand
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Pain	Voltaren	Voltaren Emulgel	PM	3-01	Samples	AH3302V05Q
Pain	Advil	Advil	PM	3-01	Samples	AH3305Y0QF
Respiratory/Ski	Otrivin	Otrivin	PM	3-01	Samples	AH1703C067
Oral Health	Sensodyne	Sensodyne	PM	3-01	Samples	AF3505E244
Oral Health	Sensodyne	Sensodyne	PM	3-01	Samples	AF3505F0GQ
Respiratory/Ski	Habitrol	Habitrol	PM	3-01	Samples	AH1702Y05U
Pain	Panadol	Panadol Regular	PM	3-01	Samples	AH33360234
Oral Health	Sensodyne	Sensodyne	PM	3-01	Samples	AF3505F0GQ
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Nutrition	Centrum	Centrum	PM	3-01	Samples	AG1005U0P4
Respiratory/Ski	Otrivin	Otrivin	PM	3-01	Samples	AH1703C067
Pain	Voltaren	Voltaren Emulgel	PM	3-01	Samples	AH3302V05Q

Figure 1: A&P file

Sum of Profit Release-Promotions/Sample:		BAF		
Subbrand	Product Name	Total	YTD April	MTD Feb Entries
AF23AHL0GZ	POLIDENT CLEANSERS	102	-101.97	-
AF23AHM0H1	POLIDENT FIXATIVES	15	-15.09	-
AF24326101	AQUAFRESH CONCEPT BRUSH	2	-2.26	-
AF243270KT	AQUAFRESH CONCEPT PASTE/OTHER	-	0	-
AF3505D247	Sensodyne Core Brushes	79	-79.19	-
AF3505F0LE	Sensodyne Core Paste	4	-3.78	-
AF3505F242	Sensodyne Core Paste	586	-585.67	-
AF3505F245	Sensodyne Core Paste	2,369	-2368.76	-
AF3505F246	Sensodyne Core Paste	60	-60.32	-
AG1005U0P4	Centrum Adult MVM	-	-4321.63	4,321.63
	Centrum Other	8	0	(7.99)
	Centrum Benefit Blends	4,314	0	(4,313.64)
AH170660QS	Robitussin	36	-36.03	-
AH3305Y0QF	Advil	36	-36.03	-

Figure 2: BAF Rollover file

3.2 Standard Reconciliation

For the stock count reconciliation, I need to extract the general ledger report from the SAP and paste it into the rollover file data. If there are any new stocks that is not in the mapping it will appear as #N/A in the check column, I must filter it out and add into the mapping. For the financial statement commentary, I must extract the current month reports to be pasted into the data. This is to identify the variances for financial analysts to input the commentaries.

Document	Document E	Posting Per	Posting E	Amount in local curr	Profit Ce	Trading part	Text	Material	Purchasing Docur	Assignment	Reference	Quantity	Entry Dt	Check
vL	10/6/2021	%	10/6/2021	153,477.12	%5709			60000000120601		20210610	2114934772	119,904	10/6/2021	60000000120601
ZE	30/6/2021	%	30/6/2021	53,084.16	%5709		AUI6 P06 Stock Return Reclass	60000000120601		20210630	070504015177ED9F	41,472	5/7/2021	60000000120601
ZE	30/6/2021	%	30/6/2021	207,866.88	%5709		AUI6 P06 Stock Return Reclass	60000000120601		20210630	070504015177ED9F	162,396	5/7/2021	60000000120601
ZE	30/6/2021	%	30/6/2021	199,495.68	%5709		AUI6 P06 Stock Return Reclass	60000000120601		20210630	070504015177ED9F	155,896	5/7/2021	60000000120601
SA	30/6/2021	%	30/6/2021	-153,477.12	%5709	2223	COGS reclass Jun'21	60000000120601		20210630	06170501237079A3	-119,904	11/6/2021	60000000120601
VA	11/6/2021	%	11/6/2021	-53,084.16	%5709		Virtual return only - Aspen to Leban	60000000120601		20210611		-41,472	11/6/2021	60000000120601
VA	11/6/2021	%	11/6/2021	-207,866.88	%5709		Virtual return only - Aspen to Leban	60000000120601		20210611		-162,396	11/6/2021	60000000120601
VA	11/6/2021	%	11/6/2021	-199,495.68	%5709		Virtual return only - Aspen to Leban	60000000120601		20210611		-155,896	11/6/2021	60000000120601

Figure 2: stock count data

Sum of Variance	Functional Are	Account Numbr	FS Item/Acct/FA Long	Total	Remarks
5110	GSK /4150000		Third party COGS at Std	23,737,465.33	
5110	GSK /4160000		COGS at Standard Manual 1	-302,745.95	
5110	GSK /4151000		Free Delivery Trading Goods	5,597.92	SC adj aligned with PIR
5111	GSK /4190000		Materials Price Variances (PPV)	-1,677,569.63	\$1.5M - Panadol PPV benefit from purchasing from CMO and tolling \$41K - Benefit from utilizing lesser bulk to convert to FG, mainly from panadol
5112	GSK /4320050		Inventory / cycle count	-66,966.48	\$26K - Inventory adjustment from CS&L to fix the stock difference between physical and FI
5113	GSK /4195000		Intercompany PPV	-786,321.58	Dual sourcing PPV intercompany - Align with ICT PPV
5195	GSK /4572000		Other COGS	61,192.04	
5195	GSK /4573000		Manufacturing Subcontracting Service Fee	1,122,348.34	
5195	GSK /4573010		Materials Issued to Subcontractor	8,446,294.76	
5195	GSK /4573020		Goods Received from Subcontractor	-9,568,643.11	Sub Con Mov - Zero Mov

Figure 2: Financial statement commentaries

3.3 Control 64

I was in charge to update the operating expenditure more often as month end closing and notified the financial analysts and financial controllers about the suspense accounts. The important general ledgers accounts are cleared off before month end closing. Approaching month end I performed simulations of dental detailing and professional samples journal. On the first day of the workday (WD+1) according to Australia and New Zealand calendar, I prepared the dental detailing and professional samples journal to be posted by financial analyst. I also performed trade debtors' analysis for month closing.

Row Labels	June	May	Differences
Approved Claim pending customer to take up	- 465,657.52	- 242,981.17	- 222,676.35
Cancellation of approved claims	- 595.33	31,664.67	- 32,260.00
Claims Pending Approval	3,202,049.10	3,026,043.91	176,005.19
CS related claim pending for processing	386,206.37	386,206.37	-
Overpayment	- 452,832.46	- 452,832.46	-
Pending claim processing	-	16,038.16	- 16,038.16
Pending for Adjustment	-	920.00	- 920.00
Stock Credit Note	- 18,073.34	- 31,527.64	13,454.30
Stock invoice	10,395,198.23	10,069,003.64	326,194.59
Grand Total	13,046,295.05	12,802,535.48	243,759.57

Figure 1: Trade debtor analysis

4.0 RESEARCH REPORT

The main objective of setting up a firm is to maximize profit. Every firm is most concerned with its profitability. Profitability measures are important to company managers and owner alike. If a small business has outside investors who have put their own money into the company, the primary owner certainly must show profitability to those equity investors. Profitability shows a company's overall efficiency and performance. Many researchers have studied the determinant of profitability in many ways. But none of them had studied on the determinant of profitability for pharmaceutical industry in Malaysia. Because of this, researcher chose this research work to find determinants of profitability in pharmaceutical industry in Malaysia since the pharmaceutical industry contributes directly to world GDP and supports a high number of employees. As we know, the pharmaceutical segment has contributed over MYR6 billion toward Malaysia's gross domestic product (GDP) which by 2024, the industry will potentially estimate to contribute another MYR10 billion.

The pharmaceutical sector is one of the most profitable industries in the world, despite the very high proportion of the required research and development costs that determine the activity itself and the high risks involved in investing in them. The global pharmaceutical industry is constantly growing and is expected to grow more in the future in connection with demand factors, such as an aging society and chronic diseases and supply factors, such as the expansion of bioresearch. Pharmaceutical companies tend to develop new drugs to treat new diseases through research and development (R&D), in order to create a next-generation profit source or develop relatively cost-effective drugs to maximize enterprise value Lee and Choi (2015).

These results benefit internal users such as managers, shareholders and employees. They can realize the determinants of enhancing the profitability of their company after the implementation of results of these studies. On the other side, other external users such as investors, creditors, newly established pharmaceutical companies and tax authorities also may get advantages of these results. It is clear that significant impact happened upon this industry, and how a Malaysian pharmaceutical company will be profitable in the future. The relevance of company's business strategy such as product and customer portfolio and competitor intelligence with the profitability factors from this study can be further scrutinized as further consideration for both internal and external users.

This study aims to investigate the determinants of profitability in healthcare sector based on Pharmaceutical Industry listed on Bursa Malaysia. The profitability level of the firms is

evaluated using four different variables which is Return on assets, gross profit margin, current ratio and debt to equity ratio. The data has been collected through online DataStream. The annual reports of 9 pharmaceutical companies were collected among the secondary data were used in this paper. Data are collected from Refinitiv Eikon and Refinitiv DataStream to investigate the factor influencing profitability in healthcare sector.

4.1 INTRODUCTION

Profits are one of the key concepts in the industrial growth strategies because profits effect investment choices, growth of an industry and direction of trade and, therefore, make strong impact on capacity, productivity and efficiency. The pharmaceutical industry is no exception to this common understanding, enriched by sample theoretical and empirical research over the period. This industry, being technology and knowledge intensive, is driven more by thrust for innovations and inventions due to emergence of aggressive variants of diseases on account of changing forms and profiles of viruses getting increasingly drug resistant. Thus, profitability in this industry is governed by many more factors as compared what applies to other knowledge intensive industries.

The Pharmaceuticals market in Malaysia has been experiencing growth over the past few years due to various factors. Malaysian consumers are becoming increasingly health-conscious, leading to a higher demand for pharmaceutical products. Additionally, the aging population in Malaysia has resulted in a higher demand for medication for chronic diseases. Malaysian consumers are becoming increasingly health-conscious, leading to a higher demand for pharmaceutical products. Additionally, the aging population in Malaysia has resulted in a higher demand for medication for chronic diseases. One unique aspect of the Malaysian pharmaceutical market is the dominance of local companies. These companies have a strong presence in the market and are able to compete with multinational corporations. Additionally, the government plays a significant role in regulating the industry, with strict requirements for product registration and pricing. The Malaysian economy has been growing steadily, with a focus on developing the healthcare sector. The government has invested in healthcare infrastructure and initiatives to improve access to healthcare for all citizens. Additionally, Malaysia has a well-educated and skilled workforce, contributing to the growth of the pharmaceutical industry.

An in-depth understanding of why one company is more profitable than another, learning to determine when a company can be considered to have a good economic situation or, on the

contrary, are crucial aspects in business planning. The vast business opportunities in the healthcare sector that have arisen because of the Covid-19 pandemic have seen many companies on Bursa Malaysia, including those whose core business is not related to the healthcare segment, venturing into the sector this year. Considering the importance of the economy on the pharmaceutical in country must have a sustainable and profitable sector. However, the empirical literature and academic scholars have not paid enough attention to the development and particularly of the profitability of the pharmaceutical companies in Malaysia.

Prior studies had been made on the impact of profitability and its importance on firm survival. Some has investigated the determinants of firms' profitability such as firm size, liquidity, leverage and age. Unfortunately, most of the studies cannot be generalized to represent the Pharmaceutical Industry in Malaysia. Therefore, further study is needed to identify the firm-specific factors that will contribute to profit for pharmaceutical industry specifically in Malaysia. This study will give overview of factor that influencing profitability specialized in Malaysia, this aspect is important for long-term for the industry to growth and what they should focus on maintaining their operations. Generally, this study aims to investigate the relationship between the profitability of pharmaceutical industry and four firm-specific variables which are current assets, fixed assets turnovers, gross profit margin and debt to equity ratio. This research is important as it can give insight to pharmaceutical on the aspect, they should pay more attention to and enable them to plan their business well for a longer period.

Therefore, the objectives of this research are:

1. To investigate the relationship between current ratio and profitability in Malaysia Healthcare Sector.
2. To investigate the relationship between fixed assets turnover and profitability in Malaysia Healthcare Sector.
3. To investigate the relationship between gross profit margin and profitability in Malaysia Healthcare Sector.
4. To investigate the relationship between debt to equity and profitability in Malaysia Healthcare Sector.

4.2 LITERATURE REVIEW

Profitability refers to the degree to which a company is to generate revenue and able to reap financial gain. Previous research investigated the factors or determinants of pharmaceutical profitability from different perspectives in other countries. Previous studies by (Dave, A. R, 2012), (Leahy, A. S, 2012), (Malik, H., 2011) and (Morawakage, P. S, 2010) 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 the asset, equity and capital. Based on the previous studies, profitability performance is very crucial to the pharmaceutical industry to sustain the financial performance in the long term and there are specific factors that contribute to the competitive advantage of the companies.

Several studies have been conducted and shown that liquidity may influence the profitability of a company. This study uses current assets to measure company liquidity. According to (Chander, S., & Aggarwal, P., 2008) the liquidity ratio is significantly and positively related to the profitability of manufacturing industry. The higher level of liquidity reduces the possibility of the companies borrowing the money externally, resulting in a reduction in the cost of borrowing which improves the profitability of the companies.

Debt to equity is use in this study to determine the factor influencing profitability. (Irman, M. Purwati, A. Ayu, & Juliyanti, 2020) have found that leverage or indebtedness of a company has a negative significant impact on companies' profitability as it is still considered as a high-risk business by lenders and mortgage investors, thus, high leverage may cause harm to the profitability of pharmaceutical industry. Meanwhile, (Olang, 2017) and (Onyenwe & Glory, 2017) found a positive correlation between leverage and profitability, according to the researchers, companies with high levels of indebtedness are less likely to achieve profitability over time Leverage has the advantage of providing an interest tax shield, which will have a positive impact on profitability. However, the usage of debt also increases the risk of distress, so it could have a negative effect on profitability (Abdulla, 2020).

Fixed assets turnover measures how efficiently a company uses its machines and equipment to generate revenue. 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 the margin. Previous research by (Haningsih, L., Zulkifli, & Doktoralina, C.M. 2014) have come to the same conclusion where they proved that net asset turnover has a

significant correlation towards the profitability of companies. According by (Warrad & Omari, 2015) FATO had a positive effect on profitability. Meanwhile by (Fairfield & Yohn, 2001) FATO has a positive impact on profitability also has proven that net asset turnover has the highest impact on profitability as compared to other independent variables used in the study.

(Ito, K., & Fukao, 2010) sees gross profit margin as a measure of the financial health of a firm's sales operations with respect to the cost of goods sold. By using the gross profit figure, it avoids the distortion that may be caused by non-operating cost and revenue, and thus, limits itself to an evaluation of the trading and manufacturing operations. This ratio is based on the firm's net sales, because a firm's sales are its most important feature. Sales make profit- without sales there can be no profit. A low gross profit margin is an indication that cost of goods is relatively too high.

Their findings reveal that current assets, fixed assets turnover ratio, debt to equity and gross profit margin are important as factors that can influence the profitability. The findings show strong evidence of a relationship on profitability between them.

4.2 RESEARCH METHODOLOGY

Data Source and Functional Forms of the Models

This study will provide a brief overview of the research technique in this chapter. The researchers modify secondary information from various sources. The information is gathered from healthcare aspects from yearly reports of ten years. The data consists of secondary data from annual reports which has been collected through Refinitiv eikon.

A quantitative study was conducted, according to (Brigham & Ehrhardt, M. 2013), to evaluate a social context by detecting individual elements and interpreting the phenomena in terms of structures and relationships between constructs. Hence, the emphasis on approach, process, and statistical measurements of validity is influenced by quantitative research. To arrive at measurable conclusions, it also depends on the observation and interpretation of statistical data. The objective of this study is to evaluate determinants of profitability in Malaysia pharmaceutical industry. This study offers trustworthy and useful proof to back up the important findings of pharmaceutical sectors.

Data is a compilation of information obtained from various sources, including facts, statistics, things, signs, and experiences. Researchers gather information to study the research questions and find the solutions. Lacking information, it would be challenging to identify appropriately, hence data is gathered periodically from diverse publics. Multiple regression analysis are being used in this study to investigate the factors that influencing profitability in pharmaceutical industry. The annual reports of 9 listed pharmaceutical industry in Malaysia are selected from the years 2012 to 2022 for a period of 10 years.

There are four independent variables, which loops in data could happen when gathering data from the lengthier time periods. The collected data will be used to calculate profitability is Current Ratio (CR), Fixed asset turnover (FA), Gross profit margin (GPM) and Debt to Equity Ratio (DER). The researchers are using a balanced panel data is because employing balanced panel data might produce significant correlations. Panel data will pool data from the same research subjects over an extended period, allowing for the statistically limited correlation of more than one variable.

Profitability is one indicator that can measure financial performance in generating profits (Chander, S., & Aggarwal, P. 2008). This ratio specifically measures the company's business on how much profit is generated from various aspects. The most popular indicator for determining the profitability is return on assets. This indicator used to measure how efficiently

the company's management uses its assets to generate income is the return on assets (Septiani & Suryana, 2018). Return on assets is calculated by dividing net income by total assets (Brigham & Houston, 2012). With this ratio, the company can find out how many resources are used to earn a certain amount of profit. And the company can use the return on assets of the previous period to be a reference as an assessor of asset management performance for the current period.

Liquidity refers to how easily assets of a company can be converted into cash. Assets like stocks and bonds are very liquid since they can be converted to cash within days. However, large assets such as property, plants, and equipment are not easily converted. The liquidity of a company is to raise cash to pay their obligations on the company current liabilities which are also known as short term liabilities. The liquidity of a company can also determines the performance of a company (Yameen, M., Farhan, N. H., & Tabash, M. I. 2019). This study uses current assets to measure liquidity.

Gross profit margin is one component that can be used to analyses financial performance using the company's gross profit. The company's gross profit which is affected by the cash flow statement describes the amount of profit earned by the company considering the costs used to produce products or services (Satria, 2019). The larger the gross profit margin generated by the company, the more efficient the company's operations are, which shows that the cost of goods sold is lower than sales.

Asset turnover ratio is an indicator of the efficiency where a company is deploying its assets to produce the revenue. The higher the value of asset turnover ratio, the more effective the use of assets, thus it will contribute to the improvement of business efficiency in an enterprise. Thus, enterprises can only achieve high business efficiency if they use resources including assets effectively. A higher turnover ratio implies that the firm is using its fixed assets efficiently and generating a large amount of revenue using a small number of assets (Warrad, L., & Omari, A. R, 2015). Hence, a higher net asset turnover is preferable for a company as the higher the asset turnover produced by the company, the more effective the level of use of these assets in generating net total sales.

Leverage is the ratio of total liabilities to total assets and this variable will be calculated from firms' balance sheets. In corporate finance, few companies prefer to use debt instruments 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.

4.3 Theoretical Framework

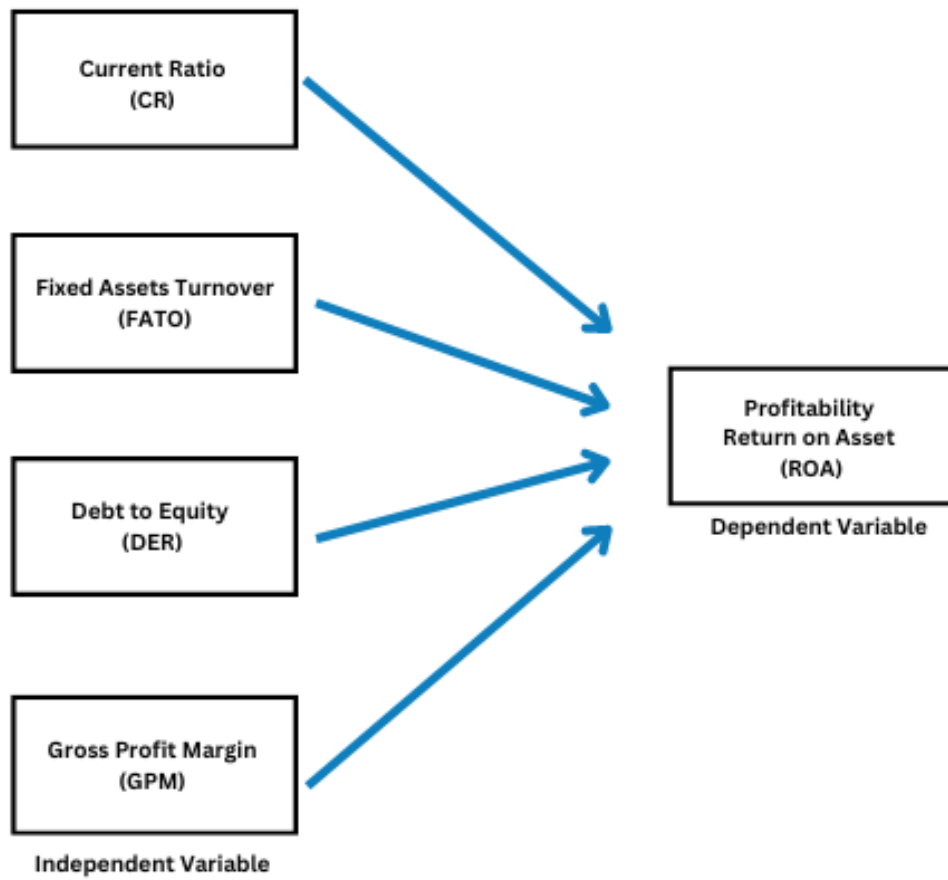


Figure 1 Theoretical Framework

Variable	Proxy	Symbols
Profitability	<u>Net income</u> Total Assets (%)	ROA
Current Ratio	<u>Current Asset</u> Current Liability	CR
Fixed Asset Turnover	<u>Net Sales</u> Average Fixed Asset	FATO
Debt to Equity Ratio	<u>Total Liabilities</u> shareholder's equity	DER
Gross profit margin	<u>Gross Profit</u> Net Sales (%)	GPM

Table 1 Variables and measurements

The regression model to be estimated is as follows:

$$P_t = \beta_0 + \beta_1 CR_t + \beta_2 FATO_t + \beta_3 DER_t + \beta_4 GPM_t + \mu_t$$

where;

P_t = Profitability

CR_t = Current Ratio

$FATO_t$ = Fixed Asset Turnover

DER_t = Debt to Equity Ratio

GPM_t = Gross profit margin

	Obs	Mean	Standard Deviation	Min	Max
ROA	90	3.518333	13.41619	-49.88	72.77
CR	90	3.539333	2.795313	0	18.07
TATO	90	0.951	0.8654934	0	7.28
DER	90	23.45333	67.62915	-469.6	199.02
GPM	90	-10.30289	281.4465	-2542.28	70.09

Table 2: Descriptive Statistic Analysis

Table 2 shows the descriptive statistic for the profitability of healthcare sector in Malaysia. The data's mean or average is the point within which the entire data set is distributed. For return on assets, the total mean is 3.52x and max is 72.77x. Current ratio shows the total means is 3.54x and the max is 18.07x. As we can see from the table, assets turnover represents the lowest value of max which is 7.28x. It can effectively approximate the value of an entire set of data using just one number. Furthermore, debt to equity ratio show highest results for both mean and max which 23.45x and 199.02x. Lastly, gross profit margin shows lowest results of mean which is -10.30x meanwhile the max number for gross profit margin is 70.09x

	ROA	CR	FATO	DER	GPM
ROA	1.0000				
CR	0.0713	1.0000			
FATO	-0.0173	-0.2658	1.0000		
DER	0.1759	-0.1541	-0.0250	1.0000	
GPM	0.2086	-0.4825	0.1478	0.0544	1.0000

Table 3: Correlation Test Analysis

According to the results in the table above, there is a significant positive correlation between the three profitability-related variables, namely current asset, debt to equity and gross profit margin. However, they exhibit a negative relationship with profitability when it comes to fixed assets turnover.

4.3 REGRESSION ANALYSIS

Dependent Variable: ROA
 Method: Panel Least Squares
 Date: 06/04/23 Time: 21:17
 Sample: 2013 2022
 Periods included: 10
 Cross-sections included: 9
 Total panel (balanced) observations: 90

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.790695	3.240916	-0.552527	0.5820
CR	1.245573	0.579273	2.150236	0.0344
FATO	0.141299	1.640041	0.086156	0.9315
DER	0.039402	0.020478	1.924096	0.0577
GPM	0.015332	0.005539	2.767889	0.0069
R-squared	0.120370	Mean dependent var		3.518333
Adjusted R-squared	0.078975	S.D. dependent var		13.41619
S.E. of regression	12.87552	Akaike info criterion		8.002486
Sum squared resid	14091.22	Schwarz criterion		8.141364
Log likelihood	-355.1119	Hannan-Quinn criter.		8.058490
F-statistic	2.907872	Durbin-Watson stat		1.740551
Prob(F-statistic)	0.026255			

Table 4 Regression Analysis

The regression model to be estimated as follows:

$$Pt = \beta_0 + \beta_1 CR_t + \beta_2 FATO_t + \beta_3 DER_t + \beta_4 GPM_t + \mu_t$$

$$Pt = -1.791 + 1.246 + 0.141 + 0.039 + 0.015$$

$$T-stat = (-0.553) \quad (2.150) \quad (0.086) \quad (1.924) \quad (2.768)$$

$$Prob = (0.582) \quad (0.034) \quad (0.932) \quad (0.058) \quad (0.007)$$

4.4 FINDINGS AND ANALYSIS

This section presents results of the relationship between the profitability with factor that influencing profitability in pharmaceutical industry in Malaysia with its independent variable which are current ratio, fixed assets turnover, debt to equity and gross profit margin.

The results shows that the coefficient of current ratio is 1.25x. This value determined that there is positive relationship between current ratio and profitability with the consequence of every 1% increase in current ratio will increase in profitability at 1.25%. Current ratio is statistically significant where the probability value is less than 0.05 where the result is 0.034 based on Table 4. This variable also affecting profit at 2.15% which indicates by t-statistic in a positive way where when the current ratio increase, profitability will increase too.

Next, the results for debt-to-equity ratio and gross profit margin shows positive relationship between the profitability. 1% increase in debt to equity will increase profitability at 0.039% meanwhile 1% increase in gross profit margin will increases profitability at 0.015%. Besides, debt to equity ratio is statistically significant with profitability at the p-value of 0.05 and gross profit margin also show statistically significant result which p-value under 0.05.

Lastly, fixed assets turnover also shows positive relationship between the profitability at 0.14x. This value determined that every 1% increase in fixed assets turnover will increase in profitability at 0.14%. However, the result shows the p-value is above 0.05 meaning that this variable is not statistically significant where the result is 0.93.

5.0 DISCUSSION AND RECOMMENDATION

Numerous research (Bennenbroek, N. & Harris, 1995), (Bhayani, S. J, 2010), (Charumathi, B. 2012), has been found that current ratio, debt to equity, gross profit margin and fixed assets turnover is one of factor that influencing profitability. Based on this study, finding found that all independent variable used to investigate this study which are current ratio, fixed assets turnover, debt to equity and gross profit margin have positive relationship with profitability.

Additionally, considering alternative models or exploring different data sources may help improve the explanatory power. A correlation test analysis is used in these studies, it is a statistical method used to measure and quantify the relationship between two variables. It helps determine whether there is a linear association between the variables and the strength and direction of that association. Based on correlation test results show that current ratio, gross profit margin and debt to equity ratio represent a perfect positive correlation meanwhile asset turnover shows perfect negative correlation.

This study presents significant and valuable findings applicable to various sectors due to its proficient identification of factors that influence profitability. Nevertheless, to sustain favourable profitability, it becomes crucial to comprehend the contributing factors. The outcomes of this study are important in ensuring the enduring viability of the pharmaceutical industry.

In addition, ultimate objectives of successful companies' financial management are to ensure adequate long term financial stability and high profitability of their businesses, or taken together, to increase companies' value. Successful managers also need to plan and prepare in advance for possible financial and nonfinancial crisis and disasters and establish disaster recovery and business continuity plans. Even though this sector is making lots of profit during covid-19, this sector can sustainedly gain more profit after the pandemic due to the global pharmaceutical industry is constantly growing and is expected to grow more in the future in connection with demand factors, such as an aging society and chronic diseases and supply factors, such as the expansion of bioresearch (Lim & Rokhim, 2020). Companies in the pharmaceutical industry tend to develop new drugs to treat new diseases through R&D, in order to create a next-generation profit source or develop relatively cost-effective drugs to maximize enterprise value. Due to its exceptionally high R&D to sales ratio, the pharmaceutical industry is often characterized as the technology- and science-driven sector.

Others then focusing on these independent variables. The other things pharmaceutical can developing profitability by various factors. First, as leaders set the path ahead, they should incorporate a sharper lens on shareholder value creation into everyday decision-making. Connecting product-market decisions for example portfolio choices, launch investments, and production expansions to shareholder value creation across the enterprise is essential to help translate great science into great returns. Similarly, another overarching imperative will be delivering on the promise of digital innovation. Looking ahead, the pharmaceutical industry can learn a lot from leading tech companies in areas like developing digital products, personalizing customer engagement, harnessing new types of data, deploying intelligent automation and working in a more agile fashion.

Finally, for further research, especially those who will examine Profitability (ROA), the authors hope that future researchers can further examine the factors that influence the increase in ROA itself even deeper, especially factors that have not been examined in this research. Next, for companies, it is recommended to optimize the use of assets to generate profits, for example by looking at existing investment opportunities, considering the safe limit of the use of debt in accordance to needs of companies and paying attention to current liabilities in order to support the manufacturing the firm Pharmaceutical Sub - Sector that are currently running. Lastly, to the investors, the results of this case can provide information to investors and potential investors regarding the financial condition of a company.

6.0 CONCLUSION

In conclusion, University Technology Mara (UITM) requires to all their students of Bachelor of Business Administration (Hons) in Finance to complete industrial training is essential in order to expose the students to the nature of the industries they studied and to real-life experience. This could help students acquire the knowledge and skills required for employment in the contemporary industry.

In pursuing my internship, I had been selected to be part of GlaxoSmithKline (GSK) pharmaceutical company for me to gain a new experience. I was assigning to become as Intern Accounting and Finance Department for Australia and New Zealand team which suits with the scope of my studying. My responsibilities are to preparing end month closing for Australia and New Zealand market. I have learned how perform balance sheet analysis, extract the trial balance, payables, receivables, O2C and update the figures perform balance sheet analysis. Besides, I also received training to perform BISON analysis. This analysis is performed to update the some of the highlighted general ledger's amount. I receive training on how to perform budget and finance (BAF) update. BAF update is about the update of current month's actual amount for sub brands to be compared with estimated amount.

I also learned how to prepare journals that to be posted every end month closing such as dental detailing and professional samples. Both journals are related to oral health products such as Polident and Sensodyne. It is the actual amount of the operational expenditures for these two brands. Not only that, I also learned to update operating expenditure for all Australia and New Zealand entities under GSK. The update is to compare the actual amount extracted from the SAP and the estimated amount provided by the planning and forecast team.

Besides, my task is including assist in other ad-hoc assignments as required by head of department, I was given an adhoc task to filter and insert brand names for month to date amount extract. Meanwhile, for end closing approaches, I had to perform stock count reconciliation, preparing financial statement commentary and update operating expenditure report. I was also trained to perform new tasks to provide more support for my colleagues who oversees inventories. I learned how to extract inventory reports from the SAP and to do inventory breakdown reconciliation. After extracting the reports from SAP and acquiring some reports from the financial analyst. My industrial training for 6 months gives a big impact to me with a new experience in facing the reality of entering workforce.

By handling this job, I learnt that I need to be organized, sharp, and productive in my duties as I need to be alert with all the transaction and data that will be key in through the system. Furthermore, I was in charge to update the operating expenditure more often as month end closing in nearing. I also performed control64 and notified the financial analysts and financial controllers about the suspense accounts. The important general ledgers accounts are cleared off before month end closing. This analysis is performed to update the property, plant and equipment lease details. The update is on the change of lease duration, amount of lease, record of lease. Overall, all the task that given to me is completely helps me in my industrial training where I learnt a lot of new knowledge that I will never get in other places.

In addition, I also had conducted a study of determinants of profitability on pharmaceutical industry in Malaysia. The dependent variable for this study is profitability, while independent variables are current ratio, fixed assets turnover, debt to equity ratio and gross profit margin. To analyses the data, this study used the multiple regression model. The finding of the study shows that current ratio, fixed assets turnover, debt to equity and gross profit margin supply are affect profitability in pharmaceutical industry in Malaysia. In order to healthcare sector to achieve sustainable growth, the factor influencing the profitability is one of the most important things to pay attention.

7.0 REFERENCES

- Dave, A. R. (2012). Financial Management as a determinant of profitability. *South Asian Journal of management*, 19(1), 124-137.
- Leahy, A. S. (2012). The Determinants of profitability in the pharmaceutical industry. *American Journal of Health Sciences*, 3(1), 37-42
- Malik, H. (2011). Determinants of insurance companies' profitability: An analysis of insurance sector of Pakistan. *Academic Research International*, 1(3), 315-321.
- Morawakage, P. S. (2010). Determinants of profitability underlining the working capital management and cost structure of sri Lankan companies. *ICBI Graduate of B.B Management (Finance) Special University of kelaniya*.
- Chander, S., & Aggarwal, P. (2008). Determinants of Corporate Profitability: An Empirical Study of Indian Drugs and Pharmaceutical Industry. *International Journal Paradigm*, 12(2), pp. 51-61.
- Irman, M., Purwati, A. Ayu., & Juliyanti. (2020). Analysis On the Influence of Current Ratio, Debt to Equity Ratio and Total Asset Turnover Toward Return on Assets on Has Been Registered in Indonesia Stock Exchange Within 2011-2017. *International Journal of Economics Development Research*, 1(1), 36- 44.
- Haningsih, L., Zulkifli, & Doktoralina, C.M. (2014). Pengaruh Total Asset Turn Over, Return on Asset dan Return on Equity Terhadap Accumulation Distribution Line. *Jurnal Akuntansi*, 18(3), 438-458.
- Ito, K., & Fukao, K. (2010). Determinants of the profitability of Japanese manufacturing affiliates in China and other regions: Does localization of procurement, sales and management matter? *The World Economy*, 1639-1671.
- Brigham, E., & Ehrhardt, M. (2013). *Financial management: theory & practice*. Cengage Learning.
- Chander, S., & Aggarwal, P. (2008). Determinants of Corporate Profitability: An Empirical Study of Indian Drugs and Pharmaceutical Industry. *International Journal Paradigm*, 12(2), pp. 51-61.

Yameen, M., Farhan, N. H., & Tabash, M. I. (2019). The Impact of Liquidity on Firms' Performance: Empirical Investigation from Indian Pharmaceutical Companies. *Academic Journal of Interdisciplinary Studies*, 8(3), 212- 212. <https://doi.org/10.36941/ajis-2019-0019>

Warrad, L., & Omari, A. R. (2015). The Impact of Performance: Jordanian Case. *Research Journal of Finance and Accounting*, 6(6), 173-178.

Bennenbroek, N., & Harris, R. I. D. (1995). An investigation of the determinants of profitability in New Zealand and manufacturing industries in 1986-87. *Applied Economics*, 27(11), 1093-1101.

Bhayani, S. J. (2010).

Determinants of profitability in Indian cement industry: An economic analysis. *South Asian Journal of Management*, 17(4), 6-20.

Charumathi, B. (2012). On the determinants of profitability of Indian life insurers: An empirical study. *Proceedings of the World Congress on Engineering (Vol. 1)*. London, UK.

8.0 APPENDIX



Picture 1 APAC Finance



Picture 2 Australia & New Zealand team



Picture 3 ANZJK & Planning and Forecasting families



Picture 4 Hari Raya Asian Pacific 2023



Picture 5 Australia, New Zealand & Japan teams celebration




Picture 6 Care Packs

Document Information

Analyzed document	NOR AINA FATIHAH (2021340745).pdf (D172341416)
Submitted	7/24/2023 6:54:00 AM
Submitted by	
Submitter email	2021340745@student.uitm.edu.my
Similarity	5%
Analysis address	sharida699.UiTM@analysis.ouriginal.com

Sources included in the report

SA	UNIVERSITI TEKNOLOGI MARA (UiTM) / FINANCIAL PERFORMANCE ANALYSIS OF TRANSPORTATION .pdf Document FINANCIAL PERFORMANCE ANALYSIS OF TRANSPORTATION .pdf (D136334347) Submitted by: labanihuda@uitm.edu.my Receiver: labanihuda.UiTM@analysis.ouriginal.com	 1
SA	UNIVERSITI TEKNOLOGI MARA (UiTM) / MGT646 Group 6 Final Thesis.pdf Document MGT646 Group 6 Final Thesis.pdf (D142400222) Submitted by: 2020980913@student.uitm.edu.my Receiver: chaleeda.UiTM@analysis.ouriginal.com	 1
SA	UNIVERSITI TEKNOLOGI MARA (UiTM) / MGT646 RESEARCH REPORT FIRM PROFITABILITY.docx Document MGT646 RESEARCH REPORT FIRM PROFITABILITY.docx (D142533739) Submitted by: 2020483856@student.uitm.edu.my Receiver: hamiza013.UiTM@analysis.ouriginal.com	 2
W	URL: https://www.sysrevpharm.org/articles/determinants-of-profitability-evidence-of-the-pharmaceuti... Fetched: 5/6/2021 4:48:19 PM	 2
SA	UNIVERSITI TEKNOLOGI MARA (UiTM) / NOR SHUHADA BINTI ABDUL TALIB REPORT FYP.pdf Document NOR SHUHADA BINTI ABDUL TALIB REPORT FYP.pdf (D142046370) Submitted by: 2019207742@student.uitm.edu.my Receiver: labanihuda.UiTM@analysis.ouriginal.com	 1

Entire Document

Picture 7 Ouriginal Results