A Study on KPJ Healthcare Sdn Bhd in Malaysia Performance and Its Determinants.

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30 December 2023

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Abstract

This research looks at the aspects that can impact the outcomes of KPJ Healthcare Sdn Bhd. The goal is to discover internal and external variables, as well as the combination of factors that may have an impact of the performance of KPJ Healthcare Sdn Bhd. To determine the degree of significance of the connection between these variables, methods such as statistical and regression techniques have opted in this research case. When certain variables are considered, it becomes evident that operational risk instead of other determinants has the most significant influence on KPJ Healthcare Sdn Bhd performance. However, despite the fact that the KPJ Healthcare Sdn Bhd controversy in 2022 possibly reveals that the corporation's poor operational risk management might directly impact their performance as well.

Keywords*: KPJ Healthcare Sdn Bhd, profitability, performance, ROE, corporate governance.*

1.0 Introduction

The subject matter of this chapter will be briefly discussed on the comprehensive overview of KPJ Healthcare Sdn Bhd, mainly focusing on its history and background. Later on, the problem statement, research goals, scope of the study, research questions and organisation of the report will all be explored in further detail as well.

1.2 Background of KPJ Healthcare Sdn Bhd

One of the leading private healthcare providers in the region, KPJ Healthcare Sdn Bhd, has a network of 29 hospitals in Malaysia, one in Thailand, one in Bangladesh, and four retirement and aged care centres in Kuala Lumpur, Sibu, Pahang, and Brisbane, Australia. The organization offers a broad spectrum of expertise in Malaysia all-inclusive care and treatment. KPJ Group of Hospitals' International Patient Centre (IPC) is a one-stop shop that provides access to innovative technology, individualized patient care, and the knowledge of specialists at their hospitals. Before, during, and, if needed, after the patient's visit, the staff caters to their requirements with real care and comfort.

KPJ Healthcare Sdn Bhd is dedicated to following ethical business practices. The Board of Directors actively directs management through its supervision while directing the strategy and business direction of the Group. The company was founded with a robust and flexible corporate governance framework that complies with laws, industry norms, and best practices. Policies that are included in the framework include the Board Charter, Directors' Code of Ethics and Conduct, Board Directorship Policy, Audit Committee Terms of Reference, Nominating and Remuneration Committee Terms of Reference, Risk and Investment Committee Terms of Reference, Sustainability Committee Terms of Reference, Board Tender Committee Terms of Reference, Directors' Fit and Proper Policy, Corporate Governance Overview Statement, Corporate Governance Report, Pharmaniaga Berhad Constitution, Directors Remuneration Policy, and Senior Management Remuneration Policy.

1.3 Problem Statement

When a business or an individual working in their official capacity does unethical, immoral, or deceitful acts, it can be considered a crisis or scandal inside the organisation. Corporate scandals are not unusual, but their complexity and consequences kept the problem in the public eye for many years after the incident. Scandals have the power to topple a sizable international company, raising concerns among both government officials and corporate executives. KPJ Healthcare Sdn Bhd is not an exception; problems within the company are nearly inevitable for a sizable organisation with ambitious claims to a strong corporate governance system.

According to Berita Harian Online, on February 18, 2021, KPJ Healthcare Sdn Bhd has had a decrease of 48 percent which is RM110.44 million in net profit for the financial year ended which is December 31, 2020 following a decrease in the number of patients due to the Movement Control Order (MCO) in Malaysia. In 2019, the total revenue received was as much as RM2.74 billion and decreased to RM2.40 billion. Based on Bursa Malaysia, the reduction in income in 2020 is largely due to the MCO in the second quarter of 2020 and the Conditional MCO (PKPB) in the fourth quarter of 2020. Thus, the BOR also decreased from 66 percent to 48 percent. Patient visits to KPJ Healthcare Sdn Bhd Malaysia also decreased by 9 percent to 2.9 million from 3.2 million in 2019. In the same period, there was a decrease in hospital revenue, laboratory revenue from Lablink which owns 51 percent increased by more than 100 percent or RM13. 3 million which is to reduce the impact of the overall decline in revenue from KPJ Healthcare Sdn Bhd. Nevertheless, in the fourth quarter of the 2020 financial year, KPJ Healthcare Sdn Bhd's net profit fell to RM25.29 million from RM84.O million in 2019.

However, KPJ Healthcare Sdn Bhd has experienced a declining pattern of change at that time. This is because of the covid-19 pandemic which is spreading all over the world and resulting in the country not accepting the entry of tourists who want to use health services from KPJ Healthcare Sdn Bhd. In 2022, KPJ Healthcare Sdn Bhd has expected a recovery which is an increase in the number of patients and their performance due to the re-opening of borders and relaxation in quarantine requirements. This explains, that the rate (BOR) of KPJ Healthcare

Sdn Bhd is at fifty percent and it will increase based on their performance throughout the year. KPJ Healthcare Sdn Bhd has also added four hospitals in the previous five years. Therefore, KPJ Healthcare Sdn Bhd has developed their performance more aggressively and produced significant developments in their digital health ecosystem.

Research Objectives

- To ascertain the internal or firm-specific factors that could have influence on KPJ Healthcare Sdn Bhd performance.
- To identify the external or macroeconomic factors that could have influence on KPJ Healthcare Sdn Bhd performance.
- To investigate the internal and external factors that could have influence on KPJ Healthcare Sdn Bhd performance.

Research Questions

- Is there any relationship between the internal factors with KPJ Healthcare Sdn Bhd performance?
- Is there any relationship between the external factors with KPJ Healthcare Sdn Bhd performance?
- Is there any relationship between internal and external factors with KPJ Healthcare Sdn Bhd performance?

2.0 Literature Review

2.1 Introduction

Performing a relevant literature review for this study is the focus of this chapter. It comprises two components: internal and external factors, mainly focusing on the context of corporate governance, performance, liquidity risk, credit risk, operational risk, and market risk.

2.2 Corporate Governance

Corporate governance, referring to the Cadbury Committee (1992), is defined as follows: "the system through which companies are directed and controlled" (Mähönen, 2020). Basically, "Corporate governance is a set of rules, processes, and practices that regulate and control a business" (Chen, 2021). Chen (2021) defined corporate governance as a set of rules, processes, and practices that are applied in a corporation to ensure such business operations are run smoothly". It is essential to corporate governance for investors since it displays a commercial enterprise's integrity and strategic direction. Companies that follow good corporate governance practices are able to win over investors and the public.

Additionally, the board of directors of the corporation is the most vital influencer in terms of corporate governance. Poor corporate governance may jeopardise a company's operations and ultimate profitability. Accountability, openness, responsibility and fairness are the fundamental concepts of corporate governance. Besides that, a failure in corporate governance may create concerns about a business's honesty, reliability, and responsibility to its shareholders. In the long run, it can cause severe harm or detrimental impact on the company's financial state. Support or condoning illegal or unlawful activities can lead to scandalous controversy such as the one that shocked Volkswagen AG in September 2015 is one of some examples of bad corporate governance (Chen, 2021). It is impossible to overstate the significance of corporate social responsibility (CSR) and good governance in maintaining the integrity of the markets required for economic development and expansion (Witherell, 2002).

In light of the financial crisis of 1997 and subsequent company scandals in industrialised nations, corporate governance has become increasingly important to the Malaysian government. This dedication is demonstrated by the 2001 establishment of the Malaysian Code on Corporate Governance.

2.3 Performances

"Profitability is the relationship between revenue and expenditures, the business's current performance, the company's potential future development, and how the company manages its working capital" (Morshed, 2020). A company's main objective is to maximise assets, income, and profits while also taking its shareholders' requirements into account. Profitability is the primary goal of any business venture (Johanns, 2019). A company that doesn't turn a profit will eventually close its doors. Consequently, an organisation must evaluate its historical and current profitability while also projecting its future profitability. A rise in return on assets paired with a fall in working capital is another definition of profitability. For example, a small business can only succeed if it makes money on a regular basis.

Any firm, in general, needs to turn a profit in order to stay in operation. Kangarlouei et al. (2012) state that ROE, or return on equity, and ROA, or return on assets, are the metrics most frequently used to assess a company's effectiveness and success. In terms of ROA, it demonstrates how the management makes use of its resources and assets to make money. On the other hand, in terms of finance, return on equity (ROE) specifically quantifies how much profit a company makes relative to the stock it owns from its shareholders. Even though ROE and ROA both gauge profitability, they show different facets of an organization's success.

2.4 Liquidity Risk

The threat posed by the liquidity crisis is far bigger now than it was previously. "Liquidity risk is defined as the financial vulnerability of a firm, situations that result in an unanticipated demand for resources as a result of an irregular or unplanned event financial

resource accrued" (Scanella, 2016, p. 1). In the words of Kenton (2021), "liquidity refers to a business's, companies, or perhaps a person's capacity to repay his debts without experiencing catastrophic financial losses". As an alternative, according to Kumar and Yadav (2013), "liquidity risk refers to a company's inability to pay its debts as they become due without jeopardising its financial position." Good liquidity risk management reduces the possibility of a negative event occurring and helps businesses fulfil their commitments as they grow older. This is important because, even at a single institution, liquidity crises can have systemic effects. Funding liquidity risk and asset liquidity risk are the two categories of liquidity risk (Kumar & Yadav, 2013). Liquidity is controlled in the event of asset liquidity risk by lowering relative market sizes and portfolio concentrations. On the other hand, funding liquidity risk can be managed by securing credit lines, filling cash flow shortages, and diversifying funding sources. A company's reputation and ability to conduct business successfully are greatly impacted by liquidity risk (Jenkinson, 2008). A business runs the danger of losing the faith of its depositors if they do not get their money on time. This might have a negative impact on the company's reputation.

2.5 Credit Risk

Different scholars and institutions have given different descriptions of credit risk. As defined by The Basel Committee and Basel Committee on Banking Supervision (2000), "it is the possibility that a debtor or counterparty would default on contractually specified obligations according to the agreed-upon conditions," a description that was supported by the majority of research. For a considerable amount of time, bankers and other business professionals have been concerned about credit risk due to the possibility that a trading partner's failure to fulfil payment obligations on time and in full could jeopardise the other partner's company (Achou & Tenguh, 2008). "The average collection period is one of the credit risk indicators which refers to the amount of time it takes for a company to receive payments owed by its clients in terms of accounts receivable (AR), and a delay in payment may lead to a bad debt that has a negative impact on a company's financial performance" (Kenton, 201).

The average collection period is essential for businesses that depend primarily on accounts receivable to earn cash. A shorter average collecting duration, in particular, is

preferred to a more extended average collection period. A shorter collection period implies that credit transactions may be converted to cash more rapidly. One may argue that a shorter average collection period shows higher efficiency in credit sales management and vice versa. To determine the credit risk on a consumer loan, lenders use the five C's: the loan's condition, credit history, capacity to repay, associated collateral, and capital (The Investopedia Team, 2021). Specific organisations have created departments exclusively dedicated to evaluating the credit risks associated with their existing and prospective customers.

2.6 Operational Risk

Rejda and McNamara (2017, p.24) stated that "operational risk arises from the firm's business operations". "Operational risk may alternatively be defined as a subset of unsystematic risk that is peculiar to a specific business or sector" (Segal, 2020, p. 1). Operational risk is not inherent to an industry or what is produced, but rather relates to a company's methods of operation. Although failure, lower output, or higher overall costs are not guaranteed outcomes, the risks are perceived as either greater or lesser depending on various internal management decision-making processes. The operational risk, or the chance that an organization's operations would deteriorate due to staff errors, can be categorised as a human risk because it is predicated on human-created procedures and cognitive processes. It differs per industry and is important to take into account when assessing potential investment options. Industries that involve less human interaction are probably less likely to experience operational failures. Operational risk may arise in the maintenance of vital machinery and systems.

Suppose two maintenance operations are needed, but only one can be performed at the moment. In that case, when one option is chosen over another, it alters the operational risk associated with the system that has been left in disarray. When a system breaks down, the negative consequences that follow are directly proportional to the level of operational risk. By comparing gross operating expenditures to sales revenue, the operating ratio illustrates a corporation's management success. A decreasing operating ratio is seen better since it indicates that operating expenditures have decreased as a proportion of revenues (Murphy, 2021).

2.7 Market Risk

According to Rejda and McNamara (2017, "market risks include unfavourable price fluctuations in raw materials, changes in the overall level of prices (inflation), changes in customer preferences, new technology, and greater rivalry from competitors". essentially, "market risk is defined as the possibility which a person or other corporation would experience losses as a result of factors that have an impact on the overall performance of investments in the financial markets." Hayes (2021). Market risk and particular risk—an unsystematic kind of risk—are the two main categories of investing risk. There is no way to reduce market risk, often known as "systematic risk," through diversification (Hayes, 2021). However, there are more ways to hedge it. When evaluating market risk, the value-at-risk method is frequently employed. Possible sources of market risk include the potential for recessions, changes in interest rates, terrorist attacks, and political upheavals. Another name for market risk is a kind of risk that frequently has an immediate impact on the entire market. Price variations give rise to market risk. The four primary categories of risk to which the market is exposed are foreign exchange risk, interest rate risk, commodities risk, and stock price risk (Nickolas, 2020).

3.0 Methodology

3.1 Introduction

The techniques utilised to carry out the research are referred to as research methodology. This section will also address data analysis, statistical methods, and sampling strategies. The Statistical Package for Social Sciences (SPSS) will be used for all of these tasks.

3.2 Sampling Technique

The healthcare sector in Malaysia is the population for which inferential statistics will be applied. Nonetheless, for this study, the report's sample is the KPJ Healthcare Sdn Bhd, which is the leading representative of the whole Malaysian healthcare industry. Data from KPJ Healthcare Sdn Bhd annual report from 2018 to 2022 was selected to examine the relationship between KPJ Healthcare Sdn Bhd performance and its determinants. Performance (ROE) would therefore be the dependent variable, and internal, external, and internal and external factors would be the independent variables.

3.3 Statistical Tehnique

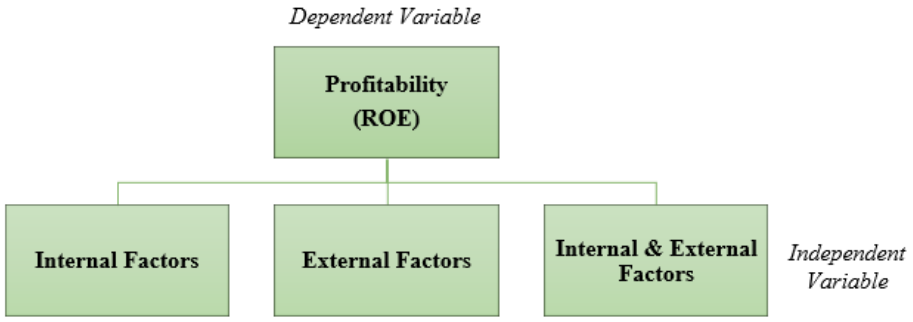
The study's data were obtained from the annual report of the company covering the period from 2018 to 2022. The annual report's income statement and balance sheet are used to estimate financial ratios such return on equity, current ratio, average collection period, CG Index, and operating margin in order to assess the company's financial performance. In addition, information on interest rates, unemployment, inflation, and Malaysia's exchange rate was gathered to assess the country's economic situation from 2018 to 2022. Subsequently, the recently extracted data from the official website database will be imported into an Excel database, which will be used to generate charts showing the historical trends of all the ratios that are important to KPJ Healthcare Sdn Bhd's performance. Next, linear regression, also

referred to as ordinary least-squares (OLS) regression, is the main methodology used in this study. One of the two varieties of linear regression is multiple linear regression. In the words of Moore (2006), "multiple regression is a statistical technique that can be used to analyse the relationship between a single dependent variable and several independent variables". The linear regression will be carried out by the researcher using SPSS.

3.4 Data Analysis

Based on the theoretical framework of upcoming research, one dependent variable and three independent factors were selected for this investigation. The flow chart for the methodology is shown below.:

Table 3.1 Measurement of Variables



Using the Ordinary Least Squares (OLS) method, the connection between one or more independent variables and a dependent variable was assessed. Multiple regression analysis can be used to find the value of a dependent variable based on the values of the independent variables. IBM SPSS Statistics was used to examine the annual report's data for this inquiry. When assessing the influence of independent factors on dependent variables, regression analysis is frequently employed. Using the aforementioned regression technique, the impact of the independent factors on the dependent variable of the study may be displayed.

Table 3.2 OLS Multiple Regression Models

Performance ROE = β0 + β1DTI + β2CR + β3ACP + e … Model 1
Performance ROE = β0 + β1UNEM + β2IR + β3EXCGR + e … Model 2
Performance ROE = β0 + β1DTI + β2CR + β3ACP + β4UNEM + β5IR + β6EXCGR + e … Model 3

3.5 Statistical Package for Social Sciences (SPSS)

In this research, IBM SPSS was utilised to measure the data that were obtain from the annual report. According to Landau and Everitt (2003) "SPSS, which stands for Statistical Package for the Social Sciences, is a sophisticated, user-friendly data processing and statistical analysis software package". There is no ambiguity in this software, and it is capable of completing sophisticated data processing tasks. But that is not all; it can also gather data from any file format and utilise it to generate maps, aggregated reports, produce descriptive statistics, and other things. In order to create descriptive statistics, correlation tables, model summaries, and coefficient tables that illustrate the relationships between the three independent variables and the one dependent variable, this study evaluated quantitative data from yearly reports and official websites using IBM SPSS. In brief, SPSS is used to determine the relationship between different kinds of variables.

4.0 Finding and Analysis

4.1 Introduction

The researcher uses the SPSS analysis approach to analyse and evaluate financial data and outcomes produced from the company's annual report. KPJ Healthcare Sdn Bhd performance concerns are analysed throughout this research using its financial ratios during the five years, beginning in 2018 and ending in 2022.

4.2 Descriptive Statistics

The ensuing tables present descriptive statistics. The financial reports and aggregated data were gathered from KPJ Healthcare Sdn Bhd's annual report for the years 2018 through 2022. The data displayed was produced from five samples of data that the researcher examined. A descriptive statistic is a type of data analysis that allows for the investigation of patterns by providing important information and explanations. The first column displays the dependent variable (ROE) and independent variables; the second column displays the mean of the dependent variable (ROE) and independent variables. Finally, the third column projects the standard deviation of the independent variables and dependent variable (ROE).

Table 1: Descriptive Statistics

	Mean	Std. Deviation	N
ROE	.01500	.008456	5
ROA	.00600	.003082	5
CURRENT RATIO	.95220	.204893	5
DEBT TO INCOME	.06420	.014618	5
OPERATING MARGIN	.10040	.012740	5
CG INDEX	.69200	.000000	5
INFLATION (%)	1.740	1.1589	5
INTEREST (%)	2.5000	.70711	5
FOREX	4.1840	.12954	5
UNEMPLOYMENT	3.580	.5215	5
GDP GROWTH (%)	5.340	2.0403	5
IPR (%)	4.760	2.1893	5

This study shows that mean of ROE is 0.0150, which implies that this company's financial performances is about 100 percent, whereas the standard deviation is 0.0084 show small volatility in profit within 5 years. The mean of ROA is 0.0060, indicating that those company's annual profit is about 6 percent while the standard deviation is 0.0030, forecasting small volatility in profit within 5 years. Next, the current ratio's mean under liquidity risk is 0.9522. This shows that the short-term liquidity of the company is almost 95%; however, the standard deviation is 0.2049, which indicates that the profit volatility over the next five years will be a low current ratio shows that a corporation is unable to satisfy its financial obligations to its suppliers of goods and services, creditors, and service provides on time (Owolabi et al., 2011).

After that, the mean of debt to income is 0.0642, signifying that this company's capacity to take on more debt is about 6 percent. In contrast, the standard deviation is 0.0146 implying small volatility in profit within 5 years. Additionally, operating margin, its mean is 0.1004, which implies that this company's efficiency in generating profits is about 10 percent, whereas the standard deviation is 0.0127 show small volatility in profit within 5 years. Hayes (2021) mentioned that the higher the operating margin ratio, the more efficient the firm is and the better it is at converting sales into profits.

Furthermore, under corporate governance, the mean of the CG Index is 0.6420, which implies that this company's non-financial output is about 64 percent. In contrast, the standard deviation is 0.0000 show small volatility in profit within 5 years. A company's financial performance can be improved while positively influencing the company's internal efficiency through the implementation of corporate governance standards (Goel, 2018).

Other than that, under macroeconomic factors, the mean of the inflation rate is 1.740, which implies that a rise in the cost of products and services of this company is about 174 percent. In contrast, the standard deviation is 1.1589 shows significant volatility in profit within 5 years. Rising inflation may contribute to increased profitability for businesses (Pettinger, 2016). The mean of interest rate is 2.500, which implies that this company's cost of borrowing the principal is about 250 percent, whereas the standard deviation is 0.7071 show considerable volatility in profit within 5 years.

The process of converting one currency into another for a variety of reasons, typically for trade, commerce, or tourism overall, has a mean of 4.184 in the forex rate, however the standard deviation is 0.1295, indicating little fluctuation in profit over a five-year period. Then, the standard deviation is 0.5215, indicating a little volatility in profit over a five-year period, and the mean unemployment rate is 3.580, indicating that the percentage of unemployed workers in the labour force as a whole is roughly 350 percent. Markets with improved economic conditions, as indicated by declining unemployment rates, are said to increase a company's profitability (Regehr and Sengupta, 2016).

Lastly, the mean of the GDP Growth is 5.340, which an increase in real GDP is interpreted as a sign that the economy is doing well is about 534 percent. In contrast, the standard deviation is 2.040 show small volatility in profit within 5 years. The mean of the IPR is 4.760, This shows a minor fluctuation in profit within five years, with a standard deviation of 2.1893, and which gives the inventor or creator the legal right to protect his idea or creativity for a specific amount of time overall.

Table 2: Correlations

		ROE	ROA	CURRENT RATIO	DEBT TO INCOME	OPERATING MARGIN	CG INDEX	INFLATION (%)	INTEREST (%)	FOREX	UNEMPLOYMENT	GDP GROWTH (%)	IPR (%)
Pearson Correlation	ROE	1.000	.940	.850	.936	-.026	.	-.778	.585	-.379	-.193	.062	-.943
	ROA	.940	1.000	.840	.904	-.312	.	-.770	.602	-.426	-.249	-.060	-.878
	CURRENT RATIO	.850	.840	1.000	.977	.152	.	-.360	.752	.090	.305	.474	-.657
	DEBT TO INCOME	.936	.904	.977	1.000	.097	.	-.535	.762	-.061	.129	.318	-.802
	OPERATING MARGIN	-.026	-.312	.152	.097	1.000	.	.442	.118	.644	.686	.768	.148
	CG INDEX	.	.	.	.	.	1.000	.	.	.	.	.	.
	INFLATION (%)	-.778	-.770	-.360	-.535	.442	.	1.000	-.229	.823	.763	.561	.912
	INTEREST (%)	.585	.602	.752	.762	.118	.	-.229	1.000	.334	.305	.238	-.541
	FOREX	-.379	-.426	.090	-.061	.644	.	.823	.334	1.000	.934	.741	.532
	UNEMPLOYMENT	-.193	-.249	.305	.129	.686	.	.763	.305	.934	1.000	.922	.441
	GDP GROWTH (%)	.062	-.060	.474	.318	.768	.	.561	.238	.741	.922	1.000	.229
	IPR (%)	-.943	-.878	-.657	-.802	.148	.	.912	-.541	.532	.441	.229	1.000
Sig. (1-tailed)	ROE	.	.009	.034	.010	.484	<.001	.061	.150	.265	.378	.460	.008
	ROA	.009	.	.037	.017	.305	.000	.064	.141	.237	.343	.462	.025
	CURRENT RATIO	.034	.037	.	.002	.404	.000	.276	.071	.443	.309	.210	.114
	DEBT TO INCOME	.010	.017	.002	.	.438	.000	.177	.067	.461	.418	.301	.051
	OPERATING MARGIN	.484	.305	.404	.438	.	.000	.228	.425	.120	.100	.065	.406
	CG INDEX	.000	.000	.000	.000	.000	.	.000	.000	.000	.000	.000	.000
	INFLATION (%)	.061	.064	.276	.177	.228	.000	.	.356	.043	.067	.163	.015
	INTEREST (%)	.150	.141	.071	.067	.425	.000	.356	.	.291	.309	.350	.173
	FOREX	.265	.237	.443	.461	.120	.000	.043	.291	.	.010	.076	.178
	UNEMPLOYMENT	.378	.343	.309	.418	.100	.000	.067	.309	.010	.	.013	.228
	GDP GROWTH (%)	.460	.462	.210	.301	.065	.000	.163	.350	.076	.013	.	.356
	IPR (%)	.008	.025	.114	.051	.406	.000	.015	.173	.178	.228	.356	.
N	ROE	5	5	5	5	5	5	5	5	5	5	5	5
	ROA	5	5	5	5	5	5	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5	5	5	5	5	5	5
	CG INDEX	5	5	5	5	5	5	5	5	5	5	5	5
	INFLATION (%)	5	5	5	5	5	5	5	5	5	5	5	5
	INTEREST (%)	5	5	5	5	5	5	5	5	5	5	5	5
	FOREX	5	5	5	5	5	5	5	5	5	5	5	5
	UNEMPLOYMENT	5	5	5	5	5	5	5	5	5	5	5	5
	GDP GROWTH (%)	5	5	5	5	5	5	5	5	5	5	5	5
	IPR (%)	5	5	5	5	5	5	5	5	5	5	5	5

This result shows that, with a p-value of 0.010, the ROE or financial performance of KPJ Healthcare Sdn Bhd is adversely connected with the debt to income. "A negative relationship means that when the independent variable increases, the dependent variable tends to decrease, and vice versa" (Long, 2020, p. 1). Reductions in all business expenses typically result in higher profits. The financial performance of KPJ Healthcare Sdn Bhd, or ROE, is therefore positively connected with operating margin, with a p-value of 0.484. "A positive relationship in a regression means that when the independent variable increases, the dependent variable tends to increase" (Long, 2020, p. 1). A similar conclusion is also supported by a study by Lumen (2017), which indicates that a higher operating margin ratio will boost the business' operational profitability. For instance, the business's operating margin of 4.84 means that it makes 4.84 in profit for every ringgit of revenue.

Nevertheless, because of the p-value > 0.10, the current ratio, ROA, average collection period, debt to income, inflation, exchange, unemployment, interest rate, and CG Index are not important to ROE.

4.4 Model Summary

4.4.1 Internal

Table 3: Model Summary (Internal)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.984[a]	.968	.873	.003017	2.529

a. Predictors: (Constant), OPERATING MARGIN, DEBT TO INCOME, CURRENT RATIO

b. Dependent Variable: ROE

With an adjusted r square of 0.873, or 87%, this study demonstrates that just 3 of the 8 factors had an impact on the financial performance or ROE of KPJ Healthcare Sdn Bhd. The remaining variables, however, have little bearing on this investigation.

4.4.2 External

Table 4: Model Summary (External)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.997[a]	.994	.977	.001280	2.724

a. Predictors: (Constant), GDP GROWTH (%), INTEREST (%), INFLATION (%)

b. Dependent Variable: ROE

According to the study, only three of the five variables had a significant impact on the financial performance or return on equity (ROE) of KPJ Healthcare Sdn Bhd, with a r square of 0.994, or 99 percent. The remaining variables, however, have little bearing on this investigation.

4.4.3 Internal and External

Table 5: Model Summary (Internal & External)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.921[a]	.847	.390	.006607	3.552

a. Predictors: (Constant), INTEREST (%), OPERATING MARGIN, INFLATION (%)

b. Dependent Variable: ROE

With an adjusted r square of 0.847, or 85 percent, this study shows that just three of the twelve variables had an impact on the financial performance or ROE of KPJ Healthcare Sdn Bhd. The remaining variables, however, have little bearing on this investigation.

4.5 Coefficients

4.5.1 Internal

Table 6: Coefficients (Internal)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.005	.028		-.183	.885	-.361	.351		
	OPERATING MARGIN	.198	.299	.298	.662	.628	-3.597	3.993	.754	1.327
	INFLATION (%)	-.006	.003	-.827	-1.802	.322	-.049	.037	.724	1.381
	INTEREST (%)	.004	.005	.361	.871	.544	-.059	.067	.888	1.126

a. Dependent Variable: ROE

With a p-value of 0.628, 0.322, and 0.544, respectively, the operating margin, inflation rate, and interest rate in this study are not relevant to ROE due to the p-value > 0.10. When examining each of the independent variables separately, the result shows that none of these variables is significant to the dependent variable or ROE. A similar finding also can be found in the study of Schneider et al. (2010), who suggested that in many circumstances, a single independent variable's contribution is insufficient to explain the dependent variable on its own.

As a result, these independent internal variables have no influence or impact on the dependent variable or ROE.

4.5.2 External

Table 7: Coefficients (External)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	.009	.003		3.336	.185	-.026	.045		
	INFLATION (%)	-.008	.001	-1.087	-10.615	.060	-.017	.002	.547	1.830
	INTEREST (%)	.002	.001	.187	2.147	.277	-.011	.016	.752	1.330
	GDP GROWTH (%)	.003	.000	.627	6.109	.103	-.003	.008	.544	1.838

a. Dependent Variable: ROE

This study shows that inflation rate, interest rate, and GDP Growth are not significant to ROE due to the p-value > 0.10, with a p-value of 0.060, 0.277, and 0.103, respectively. When analysing the independent variables individually, the result shows that none of these variables is significant to the dependent variable or ROE. A similar finding also can be found in the study of Ropella (2007) claimed that frequently, It takes more than one independent variable to accurately predict the dependent variable's outcome. Consequently, the dependent variable or ROE is not affected by these external independent variables.

4.5.3 Internal and External

Table 8: Coefficients (Internal & External)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.013	.013		-.996	.501	-.181	.154		
	CURRENT RATIO	-.056	.036	-1.348	-1.561	.363	-.509	.397	.043	23.450
	DEBT TO INCOME	1.306	.496	2.257	2.631	.231	-5.001	7.612	.043	23.129
	OPERATING MARGIN	-.027	.123	-.041	-.219	.863	-1.595	1.541	.921	1.086

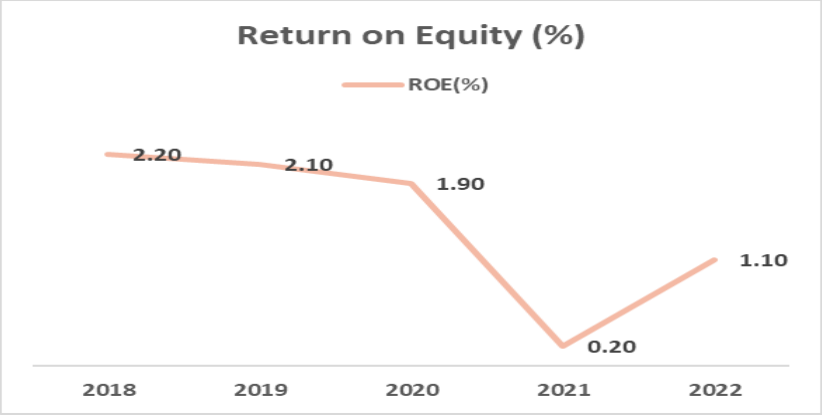
a. Dependent Variable: ROE

This study displays that the current ratio is positively significant to ROE with a p-value of 0.363, whereas the debt to income is negatively moderate significant with a p-value of 0.231. The Corporate Finance Institute (CFI) (2019) mentioned that if the ratio is declining, it indicates that the organisation is efficiently lowering its operating expenses while increasing its revenues. In general, a reduction in any form of corporate expenditure helps to boost profit. Not only that, but the operating margin is also positively weak significant to ROE with a p-value of 0.863. As a result, increased operating margin would be detrimental to profitability. All of these variables are significant for the dependent variable, or ROE, when the independent variables are analysed collectively. Because of this, the dependent variable, or ROE, is influenced or impacted by these internal and external independent variables.

4.6 Trend Analysis

4.6.1 Performance

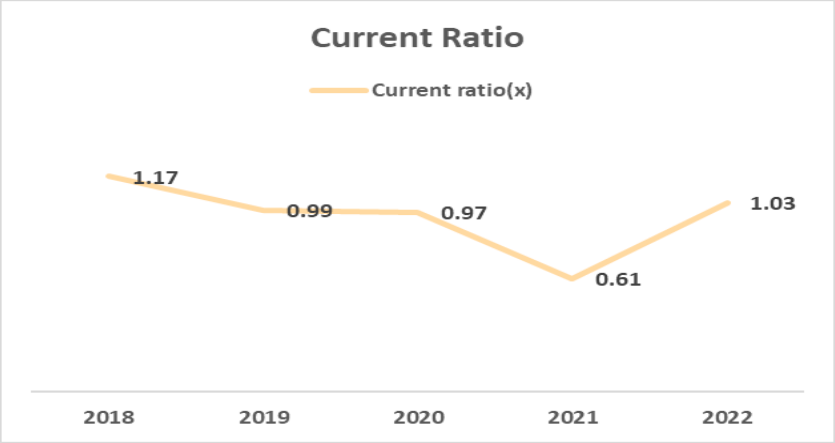
Graph 1: Return on Equity



ROE is used to measure KPJ Healthcare Sdn Bhd performance during five years from 2018 to 2022. KPJ Healthcare Sdn Bhd ROE decreased from 0.022 in 2018 to 0.021 in 2019. Later, it experienced a decline once again in 2020 in 0.019. In 2021, KPJ Healthcare Sdn Bhd, ROE dropped again to 0.002, possibly due to the Covid-19 pandemic as one of the factors. But in 2022, KPJ Healthcare Sdn Bhd, ROE increase in 0.011. Thus, it is affecting the profitability of the company in that year.

4.6.2 Liquidity Risk

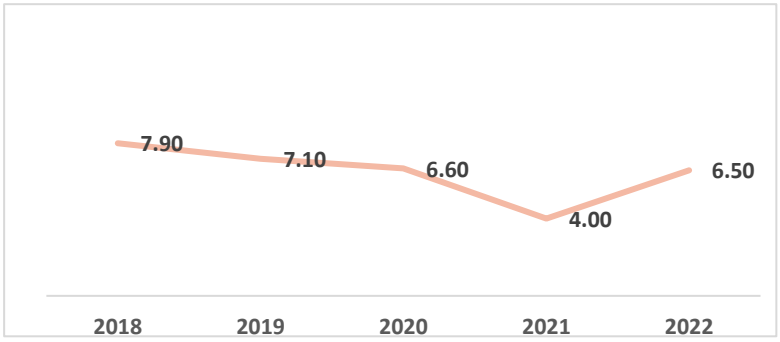
Graph 2: Liquidity Risk



The current ratio of KPJ Healthcare Sdn Bhd demonstrates its ability to meet its short-term obligations. KPJ Healthcare Sdn Bhd current ratio drops by 0.18 from 2018 to 2019. Then, the company started to experience a slight decrease again of about 0.97 on their current ratio in 2020. Nevertheless, KPJ Healthcare Sdn Bhd current ratio increase from 2022 in 1.03. Vieira (2010) argued that a lack of liquidity would lead to poorer profitability as a consequence of increased demand for loans, and a lack of profitability would result in a lack of cash flow, resulting in a fatal cycle of debt.

4.6.3 Credit Risk

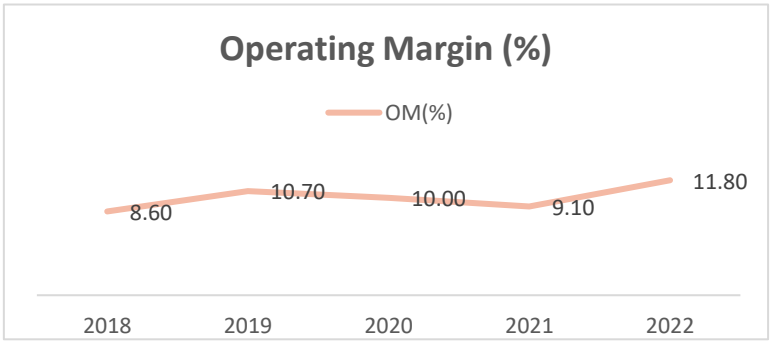
Graph 3: Credit Risk



KPJ Healthcare Sdn Bhd debt to income ratio demonstrates its capacity to incur additional debt. From 2018 until 2021, its debt to income decreased significantly by 3.90, then increased in 2022 by 6.50. One of the main aspects of a company's financial health that lenders consider when determining how much debt a company can take is the company's debt to income ratio.

4.6.4 Operational Risk

Graph 4: Operational Risk

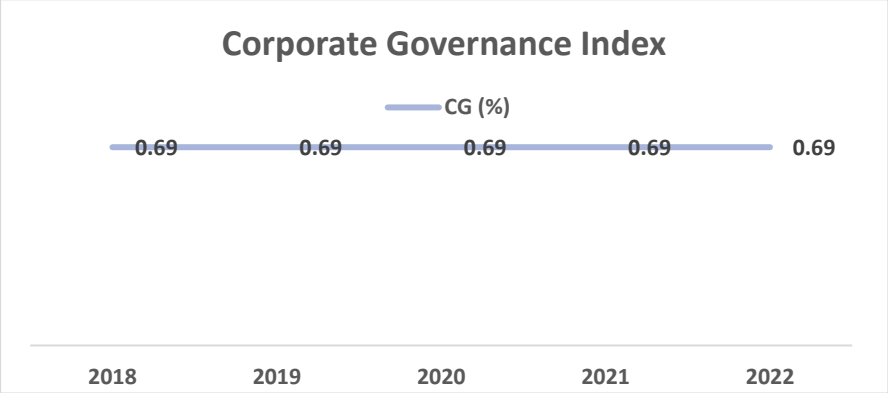


KPJ Healthcare Sdn Bhd must maintain a reasonable operating margin to meet its fixed costs, including interest on the debt. KPJ Healthcare Sdn Bhd OM increased in 2019 by 10.70. A more considerable operating margin shows that a company is less susceptible to financial

and operational risk. KPJ Healthcare Sdn Bhd operating margin experience up and down throughout the year 2018 until 2021. Later, the increased happened in 2020 by 11.80, which caused such operational and financial risks to rise.

4.6.5 Corporate Governance Index

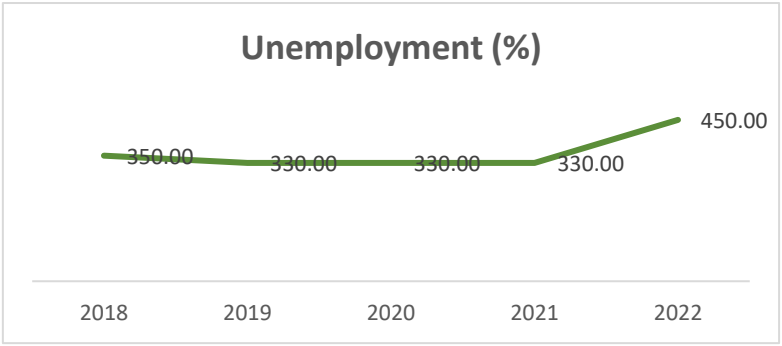
Graph 5: Corporate Governance Index



From the CG Index table above, it is safe to say that KPJ Healthcare Sdn Bhd has a stable and reasonably high CG Index since it has always prioritised corporate governance principles. KPJ Healthcare Sdn Bhd value has been stable at 0.69 from 2018 to 2022 due to its commitment to have 30% of the board be female.

4.6.6 Macroeconomic

Graph 6: Unemployment



From 2018 to 2022, the unemployment rate in Malaysia will be monitored to see how it influences KPJ Healthcare Sdn Bhd in terms of the macroeconomic indicator. In 2018, the unemployment rate declined by 350.00 until 2020. Then starting 2021 to 2022, its unemployment rate increases significantly about 120.00. It is reaching a high peak of 450.00 unemployment rate in 2022, possibly due to the Covid-19 issue. Increased unemployment would mean that some families would lose financial income. This would result in decreased earnings for many businesses, as customers would spend less. Nonetheless, when the unemployment rate increases, there are adverse consequences for long-run economic development.

5.0 Discussion and Conclusion

5.1 Introduction

The purpose of this study is to assess the performance of one of Malaysia's healthcare companies, particularly KPJ Healthcare Sdn Bhd, and the factors which affect it. The focus of this chapter will be on the researcher's concluding conclusions from chapter four. This chapter also summarises the findings and suggestions for further research.

5.2 Discussion of Result

KPJ Healthcare Sdn Bhd, Malaysia's healthcare company, is being studied to see how well it performs in return on equity (ROE). The following research objectives drove this study:

- To ascertain the internal or firm-specific factors that could have influence on KPJ Healthcare Sdn Bhd performance.
- To identify the external or macroeconomic factors that could have influence on KPJ Healthcare Sdn Bhd performance.
- To investigate the internal and external factors that could have influence on KPJ Healthcare Sdn Bhd performance.

In the regression model, three types of models have been utilised, according to chapter 4 of this study: variables that are both internal and external, as well as external variables. The outcomes of these three regression models are as follows: the external and internal models had the closest R square values to 1, with the external model coming in last. As a result, there is substantial evidence that internal and external variables have a more significant influence on KPJ Healthcare Sdn Bhd performance than internal variable model 1 and external variable model 2.

Besides that, referring to the correlation table, there is a total of six independent variables, specifically, the performance of KPJ Healthcare Sdn Bhd is positively impacted by ROA, current ratio, ROA, operating margin, interest rate, average collection period, and exchange rate. This indicates that when the six independent variables mentioned just now increase, so does KPJ Healthcare Sdn Bhd performance. However, the correlation table only shows the operation ratio and operating margin significant to the ROE. In comparison, the coefficient table shows that only the combination of internal and external factors shows significant results towards KPJ Healthcare Sdn Bhd ROE, which consists of the current ratio, operation ratio as well as interest rate. When cross-examining between the correlation table and coefficient table, the outcome highlights the operation ratio as the primary influence on the performance of KPJ Healthcare Sdn Bhd.

5.3 Limitations

The most significant drawback of this study is that of KPJ Healthcare Sdn Bhd is the only sample used to conclude Malaysia's healthcare company, which is not a good strategy. The annual report of KPJ Healthcare Sdn Bhd from 2018 to 2022 was the sole data source for this research. Due to time restrictions, only a limited amount of information can be acquired to do this research. The information is gathered from the annual report of KPJ Healthcare Sdn Bhd which can be accessed on the company's official website.

5.4 Recommendations

Based on the above discussion result, it shows that operational risk has the most significant influence on KPJ Healthcare Sdn Bhd annual profit and financial performance. Furthermore, their 2021 corporate scandal of dumping liquid waste into inland waterways is also heavily related to how the company manages their operation. Since KPJ Healthcare Sdn Bhd is a consumer goods company, therefore they rely heavily upon their consumers' support.

Thus, to win society's support to maintain long-term profitability, the company needs to minimise their operational risk by taking care of the environment. Since society has given the firm complete authorization to manage and utilise natural resources, the company bears a great deal of responsibility for its actions and operations. Such operational risk can be managed through collaboration. Managing any kind of risks including operational risk should not fall only on the shoulders of a single department, since business operations do not operate in silos. A cross-functional approach in the context of co-operating with colleagues from diverse departments would allow for a more holistic approach to problem solving and risk management. Lastly, by appointing a risk committee in their company. The advantages of having a risk committee are clear-cut: strengthen board oversight of firm operations and their management and a capacity to predict and respond to situations and patterns that would otherwise be impossible to understand (Eggleston & Ware, 2009). It would be one of the worst outcomes for a corporation to establish a risk committee only to discover that it is entirely ineffective, resulting in the board of directors dissolving the committee and reallocating committee duties to other committees.

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