The Impact Of Determinants The Factor That Influence The Company Performance:A Study On Padini Holding BHD In Malaysia.

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THE IMPACT OF DETERMINANTS THE FACTOR THAT INFLUENCE THE COMPANY PERFORMANCE

A STUDY ON PADINI HOLDINGS BHD IN MALAYSIA.

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ABSTRACT

Profitability which is the ability of the company to generate revenue by using the resources available for the company and it is one of the important aspect for every company in long run. The purpose of the study is to determine the impact of determinants factor that influence the performance of the Padini Holding Berhad. The finding and analysis will shown the company external and internal factor that could influence the company's profitability. In addition, this study will also reflect the risk that the company facing and the recommendation given to the company in order to minimize or prevent the risk that the company would face in the future.

Keywords: *Profitability, Internal & External Factors and Risk*

1.0 Introduction

This chapter will begin by observing the overall of Padini Holding Berhad. It is followed by the analysis and discussion of the problem statement, research objectives, research questions, scope of study and the report of the organization.

Overview of Padini Industry

PADINI is the company that operate in Malaysia's apparel industry which involve activity in manufacturing, trading, and supplying merchandise to customers through retailers and distributors. Padini incorporated in 1971 under the trade name Hwayo Garments Manufacturers Company as a sole proprietorship that manufactured ladies merchandise and the company is under the management of the director Mr.Yong Pang Chuan. After that, the director Mr.Yong had established another nine brands under Padini company which included Padini Authentics, SEED, P&Co, PDI, Miki, Brands Outlet. Vincci, and Vincci Accessories. In addition, the company had also added men and children apparel to its offering.

Subsequently, Mr.Yong listed Padini Holding Berhad on Bursa Malaysia in 1998 which is in the time that Malaysia was facing Asian Financial Crisis. However, Mr Yong is able to navigated the storm and steered Padini to a greater high level. Now, Padini can be found over 330 location in 16 country which included freestanding stores, franchised outlet and consignment counters across Asia and become one of the top 30 most valuable brands in Malaysia. In January 2018, Padini Holding Berhad is worth RM 3.4 billion in market capitalization.

Eventually, Padini Holding Berhad had facing a various type of the risk which included credit risk, market risk, operational risk and liquidity risk. Based on the information in annual report of Padini Holding Berhad, the company had no significant independent variable that influence the dependent variables. While the company is facing uncertainty in market risk in the growth of the market.

Research Objectives

First and foremost, the study carried out for the purpose of determine the factor that influence the company performance of Padini Holding Berhad in Malaysia. The objectives of the study is shown below:

1. To determine the internal factor that influence the performance of the company.
2. To determine the external factors that influence the performance of the company.
3. To analyze the internal and external factor that affect the performance of the company.

Research Questions

1. What is the internal factors that influence the performance of the companies?
2. What is the external factors that influence the performance of the companies?
3. Is there a relationship between the external and internal factors that influence the company performance?

Scope of study

The study which is taken from the Padini Holding Berhad in Malaysia. The financial data collected from the firm was based on the annual report from year 2014 to 2018 (5 years).

Summary of Report

Overall, the study will consist of 5 main chapters. Firstly, chapter one will explain the introduction about the overview of the study, research objectives, research questions, scope of the study and summary of report. In chapter 2, there will be a discussion of the literature review about the related risk and determinants. While, chapter 3 will provide the details of the research methodology taken and data analysis. In chapter 4, there will be a discussion about the result and findings of the study which involve of linear regression test. Lastly, chapter 5 will summarize and make conclusion of the result that get from the study, implication of the study and make recommendation for future improvement.

2.0 Literature Review

In this chapter will discuss about the relevant study by review the relevant literature. There are 3 section that involve in this chapter which included the definition and concept of the financial risks, understanding of the financial risk and the determinants of external and internal factor that influence the profitability of the firm. The main ideas of the study will be summarized in the section 2.3.

Financial Risk

Financial risk is defined as the potential exposure to unexpected financial and non-financial damage that arising from the deficiencies in the management of the organization of its business objectives. The financial risk more refer to the possibility that the business's cash flow was not enough to make the payment to the creditor and fulfill other financial responsibilities. Hence, financial risk had become one of the major concerned for every business in any field or sector because the impact of the exposure could allow the firm facing the biggest loss or chance to experiences bankruptcy.

In addition, financial risk can occur due to external and internal factor of the firm that cannot be predictable and controlled in the business activity. Based on this statement, financial risk can be classified into various types which included credit risk, liquidity risk, market risk and operational risk. The higher the debt of a company, the higher the potential financial risk which can lead to default on the firm's obligation. Although, most of the risk are unpredictable and the firm cannot react quickly to prevent all the potential risk. While, a proper financial risk management is needed to help to prevent the major losses or minimize the losses to a accepted standard in corporate transactions. In addition, a proper management of the risk can be an opportunity for the firm to improve the financial situation of the firm in development.

Credit risk

Credit risk is the risk that the possibility of loss that causes from default on a debt or the failure to repay a loan or the payment that required (Konovalova, Kristovska, & Kudinska, 2016). To minimize the credit risk the company can measured from the 5 criteria which included credit history , capacity to repay, capital, the loan condition, and associated collateral. The consumer with a high credit risks, it is highly possible default on a debt and the bank or company will usually charge a higher interest rate.

According to article, there is an importance of credit risk management in any sector of industry, this is because an effective credit risk management will lead to an improvement of overall company performance, growth, profitability and secure the competitive advantage (Al-gamal & Siddiq, 2019). In addition, the credit risk management can help the company to reduce revenue losses and the management team will able to understand the potential clients that may bring at a high risk monitoring the credit risk. Hence, an effective credit risk management will help the business long term sustainability and growth by minimize the credit risk (CrifHighMark, 2019).

Operational Risk

Operational risk is the loss occur resulting from inadequate or failure in procedures, system or policy company. Operational risk can come from internal and external fraud, employment practices and workplace safety, damage of physical assets, business disruption and system failure and others (Hemrit & Ben Arab, 2012). All of the operational risk that occur can give an negative impact for the company which will directly effect the performance of the company.

Hence, operational risk management need to be undertake effectively by increase the awareness of the operational risk, systematic and organized well in the accounting procedures, strict the criteria for recruitment and others in order to the company to minimize the financial and political costs, in addition, it will lead to raise or as a boost for company performance and increase the reputation and relationship with its constituent(Walker, 2015). Therefore, a new methodology for calculating operational risk capital is need to help the company to manage the operational risk effectively and efficiency(Pakhchanyan, 2016).

Market Risk

Market risk is the potential loss of value in assets and liability because of change of market price such as equity prices, foreign exchange rates, interest rate and commodity prices (Manage & You, 2019). The market risk are consider out of the control for a company, the impact of a market risk will affect the overall economy. In addition, any negative impact from the market risk within the economic environment will decide a company collapse if the company did not prepare and manage well.

Hence, a market risk management is significantly important for a company to ensuring the health and appropriateness for a financial institution business (Development, n.d.). In addition, a market risk management is a tools that can help the business to determine the impact that might facing from the risk to the company and make an appropriate strategy such as derivatives, forwards, future, swap, options, and insurances that help or as a preparation for the company to reduce or minimize the impact that bring by the market risk effectively (Kassi, Rathnayake, Louembe, & Ding, 2019).

Liquidity Risk

Liquidity risk is the risk that the business had facing insufficient funds to meet its short term financial demand (Risk, 2019). This is due to the inability for the company to convert property, hard asset into cash without a loss of capital or income in the process due to seasonal fluctuations, unplanned capital expenditure, increases in operational cost. A liquidity risk can bring impact for the business and market condition, and it can be expected and unexpected for the business to facing a cash flow crisis. for example: impact on supply of goods or services due to inability to pay the obligation, insolvency, breaching bank loan covenants(CPA Australia, 2010).

Therefore, an effective liquidity risk management which had the knowledge and understanding of the regulatory guidance and apply it on structure policy and procedures are the best ways to optimize balance-sheet strategy and increase safety in the cash flow, hence, all business need to manage liquidity risk in order to ensure that they remain solvent(Mar & First, 2019).

3.0 Research Methodology

This chapter will show the method adopted in data collection. Its included the method of population/sampling technique, statistical technique, data analysis and also statistical package for social science (SPSS).

Population/ Sampling Technique

The unit analysis of the study is to focus on the organization in clothing industry in Malaysia which the study will be conduct by taken Padini Holding Berhad as the target for this analysis report. Therefore, the sample data will be taken from Padini Holding Berhad and the data collection is taken from 5 years annual report of Padini Holding Berhad which is from year 2014 to 2018. The data collected from the annual report is to measure the relationship between the dependent variable (ROA) and the independent variables (Internal and External Factors)

In addition, all the analysis in this research will also based on the data collected from the Thomson eikon. The sources that need to be take is the data that will mainly effect the performance and the condition of the company which included operational risk data, performance data, liquidity data, credit risk data and market risk data. The data collection will be take from the annual report and the Thomson eikon in order to increase the accuracy. Although, the data might be fluctuated in the future, but the analysis data collected now will help the researcher reflect or estimate the variety happen in future and enable to undertake some solution and suggestion to prevent or accept it.

Data Analysis

Based on the research, there consist of one dependent variable and two independent variables in the study as the research framework. Hence, the research framework is shown as below:
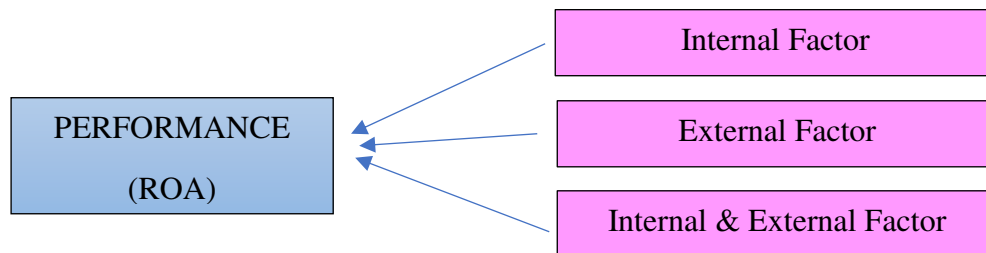
Dependents variables   **Independents variables**

The research framework had shown there are more than one independent variables, therefore, multiple linear regression analysis is needed to analysis and outline the effect of the dependent variables (Profitability) to independent variables(Internal& External factors). The multiple regression can be presented in the equation as shown below:

$ROA = \beta_0 + \beta_1 ROE + \beta_2 DTE + \beta_3 DR + \beta_4 CR + \beta_5 SZ + \beta_6 INDXS + \beta_7 RMNRTN + e$............................. **Equation 1**

$ROA = \beta_0 + \beta_1 EXCGR + \beta_2 INFLA + \beta_3 GDP + \beta_4 UR + \beta_5 BETA + e$.. **Equation 2**

$ROA = \beta_0 + \beta_1 ROE + \beta_2 DTE + \beta_3 DR + \beta_4 CR + \beta_5 SZ + \beta_6 INDXS + \beta_7 RMNRTN \ \beta_8 EXCGR + \beta_9 INFLA + \beta_{10} GDP + \beta_{11} UR + \beta_{12} BETA + e$.. **Equation 3**

Statistical Package for Social Science (SPSS)

       First and Foremost, this research is undertaking for the purpose of presenting and analysis the performance and the condition of the company by using SPSS analysis. SPSS analysis is a platform which help the management and statistical analysis team to processing and analyzing those complex statistical data. Beside that, the SPSS software also provided an effective solution for managing the data that allow the research can be perform in case selection, create derived data and perform file reshaping. Hence, SPSS analysis is become the standard methodology in this research and using of valid and reliability theory in inference the result.

4.0 Finding and Analysis

        This chapter will present the interpretation of the finding from the SPSS output and analysis the result that impact of determinants credit risk toward performance for Padini Holding Berhad. The study will mainly analysis by linear regression.

Internal Factor

Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.167215541737610	.022532614125192	5
Current Ratio	2.571735557561906	.337806056259894	5
Quick Ratio	1.577172715918501	.256734876790221	5
Average-Collection Period	5.922693405855059	2.286310909357629	5
Debt to Income	.181900586751384	.028631417593488	5
Operational Ratio	.861114683426047	.012556284194182	5
Operational Margin	.136285124765428	.012788436907636	5
CG Index	1.00	.000	5

        The table above shown the descriptive statistics of Padini Holding Berhad in the aspect of internal factor. According to the table of descriptive statistic given, the table had shown the result of mean, standard deviation of the variables and the number of years (N) taken for the sample data.

        Firstly, sample data is collected from 5 years which is from 2014 to 2018. Based on the table, the mean had shown the average for all the variable value and the ROA as a dependent variable which reflect the performance of the company which having a mean of 0.1672. Eventually, it means that each unit of the money invest into the company will earn RM 0.17 in average as the income for the company. For current ratio, the company having the mean ratio of 2.57 that show that the company will have RM2.57 of current asset to cover each RM 1 of liability. Besides that, the mean of quick ratio shown in the table is 1.58 which is greater than 1, its mean that the company has sufficient quick assets to pay for the current liability.

        Next, the average collection period of company is 6 days based on 5 years sample data. This had shown that the company had high effectiveness in its account receivables management practices. Beside that, the debt to income of the company having the mean of 0.18

which shown that the company 18% of the company monthly gross income used in debt payment each month in average. While, the operational ratio is having the 0.8611 mean which had reflect that in average, 86% of the sales revenue are used to cover cost of goods sold and other expenses of Padini Holding Berhad. Lastly, the operational margin of 0.14 mean shown in the table. It mean that the company generated 14 % profit from the sales after paying for the operating expenses.

Based on the table given, the standard deviation which showing how volatile of Padini Holding Berhad. Based on the result shown, the company mostly close to 0 which mean that the company had high preciseness based on the result given.

Correlations

Correlations

		ROA	Curren t Ratio	Average-Collection Period	Operational Ratio	Operational Margin	CG Index
Pearson Correlation	ROA	1.000	.000	-.759	-.746	.762	.
	Current Ratio	.000	1.000	.161	.034	-.005	.
	Average-Collection Period	-.759	.161	1.000	.238	-.260	.
	Operational Ratio	-.746	.034	.238	1.000	-.999	.
	Operational Margin	.762	-.005	-.260	-.999	1.000	.
	CG Index	.	.	.	.	.	1.000
Sig. (1-tailed)	ROA		.500	.069	.074	.067	.000
	Current Ratio	.500	.	.398	.478	.497	.000
	Average-Collection Period	.069	.398	.	.350	.337	.000
	Operational Ratio	.074	.478	.350	.	.000	.000
	Operational Margin	.067	.497	.337	.000	.	.000
	CG Index	.000	.000	.000	.000	.000	.
N	ROA	5	5	5	5	5	5
	Current Ratio	5	5	5	5	5	5

Average-Collection Period	5	5	5	5	5	5
Operational Ratio	5	5	5	5	5	5
Operational Margin	5	5	5	5	5	5
CG Index	5	5	5	5	5	5

The result shown in the table above which is using Pearson correlation to analyse the relationship between the dependent (ROA) and the independent variable (internal factor). The positive value will indicate a positive relationship between the two variables, while the negative value will eventually indicate a negative relationship between two variables. In addition, a strong positive relationship will shown in the value of 0.5 and above. Based on the Pearson correlations in the table above, ROA had strong positive relationship with operating margin 0.762 on average which reflect that the company increase in the asset will increase the earning of the company. While, the ROA shown negative relationship with average collection period and operating ratio. In this situation, it means that the company profitability increase when the average collection period and operating ratio decrease. It is a good decision to make to reduce the average collection period and operating ratio because it had shown the high efficiency of the company in management of the debt and expenses.

However, the table also shown the significance of the relationship [Sig(1-tailed)], the value that is less than 0.05 which shown high significance of the relationship. Based on the table, there are no significance correlation between the variables which mean that there did not affect the ROA significantly.

Model Summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.963^a	.928	.711	.012118793387919	2.764

a. Predictors: (Constant), Operational Margin, Current Ratio, Average-Collection Period

b. Dependent Variable: ROA

Based on the modal summary, it had shown that Adjusted R square is equal to 71.1%. This result was implied by using the internal variables and dependent variables which included ROA, current ratio, average-collection period, operational ratio and operating margin. Because of insufficient sample data, hence, the model able to explain 71.1% of the variance in the profitability of Padini Holding Berhad. While, the remaining 28.9% variance remain unknown. In this situation, the remaining 28.9% of the adjusted R square which show that the internal factors unable to explain the variance in the profitability of the Padini Holding Berhad. Beside that, the Durbin-Watson in the table had show 2.764 which indicate that a negative autocorrelation (less common in time series data), but it generally produces a greater precision in the average than the independent series do. The negative autocorrelation of alternating pattern actually insured that the series is more likely for bracket the true mean.

ANOVA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	3	.001	4.276	.338^b
	Residual	.000	1	.000		
	Total	.002	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), Operational Margin, Current Ratio, Average-Collection Period

The table of ANOVA show that indicate that there are significant value of 0.338 which had reach over the alpha value ($p < 0.05$). This had imply that there are less significant linear relationship between the dependent and independent variables. Hence, it is not perfectly significance to the dependent variable

Coefficients

<center>Coefficients^a</center>

Model		B	Std. Error	Beta	t	Sig.	Lower Bound	Upper Bound	Tolerance	VIF
		Unstandardized Coefficients		Standardized Coefficients			95.0% Confidence Interval for B		Collinearity Statistics	
1	(Constant)	.041	.084		.492	.709	-1.025	1.108		
	Current Ratio	.007	.018	.103	.377	.771	-.224	.238	.973	1.028
	Average-Collection Period	-.006	.003	-.619	-2.192	.273	-.041	.029	.907	1.103
	Operational Margin	1.060	.491	.602	2.159	.276	-5.179	7.299	.931	1.074

a. Dependent Variable: ROA

The coefficient table which had shown Padini Holding Berhad for a period from 2014 to 2018. The big influence to the company which is the t-value that shown in the table above. In addition, the significance independent variables which will included in the model and the biggest of the t-value is reflect by the smaller number of the significance. Based on the table above, the operating margin which has the highest impact to the profitability with the t-value= 2.159 compared to the current ratio, quick ratio, average collection period, debt to income and operational ratio. The significance independent variables can be explained where 1 unit of operational margin, ROA will increase by 0.602.

External Factor

Descriptive Statistics

<center>Descriptive Statistics</center>

	Mean	Std. Deviation	N
ROA	.167215541737610	.022532614125192	5
GDP	5.188458164882062	.762951105878942	5
Interest Rate	2.870151671973237	1.651078101973789	5
STDV	.049076388466165	.022225341980545	5

The table above shown the descriptive statistics for of Padini Holding Berhad in the aspect of external factor. According to the table of descriptive statistic given, the table had

shown the result of return on asset (ROA), gross domestic product (GDP), interest rate and the changes of price (STDV). Based on the table above, the external factor GDP have 5.19 in average which imply that the company is facing unhealthy economy because a healthy economy the GDP rate should between 2% to 3% (Amadeo, 2019). While the exchange rate on average is 0.049 and the interest rate averagely having 2.87%. Lastly, the highest standard deviation is 1.65 which is the interest rate that has the most violation among other variables.

Correlations

Correlations

		ROA	GDP	Interest Rate	STDV
Pearson Correlation	ROA	1.000	-.161	-.417	.864
	GDP	-.161	1.000	-.509	.031
	Interest Rate	-.417	-.509	1.000	-.583
	STDV	.864	.031	-.583	1.000
Sig. (1-tailed)	ROA	.	.398	.242	.030
	GDP	.398	.	.190	.480
	Interest Rate	.242	.190	.	.151
	STDV	.030	.480	.151	.
N	ROA	5	5	5	5
	GDP	5	5	5	5
	Interest Rate	5	5	5	5
	STDV	5	5	5	5

The result shown in the table above is the analysing of the relationship between the dependent (ROA) and the independent variable (external factor) by using Pearson correlation. Based on the Pearson correlations in the table above, ROA had strong positive relationship with exchange rate of 0.864 on average which imply that the company need to use RM 0.86 to buy 1 USD on average. While, the ROA shown negative relationship with GDP and interest rate which means that the company profitability increased when the GDP and interest rate decrease. While, both of the variables is not control by the company, hence, the company have to be aware to the market risk in order to avoid from losses.

However, the table also shown the significance of the relationship [Sig(1-tailed)], the value that is less than 0.05 which shown high significance of the relationship. Based on the table, there are significance correlation between the ROA and exchange rate (STDV) with 0.03 which mean that the exchange rate is affect the ROA significantly.

Model Summary

<div align="center">

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.884^a	.781	.125	.021072137292292	2.352

</div>

a. Predictors: (Constant), STDV, GDP, Interest Rate

b. Dependent Variable: ROA

The table above shown the model summary that Adjusted R square is equal to 78.1% which implied by using the internal variables and dependent variables which included ROA, gross domestic product (GDP), interest rate and exchange rate (STDV). Based on the model, the model able to explain 78.1% of the variance in the profitability of Padini Holding Berhad. While, the remaining 21.9 % variance remain unknown due to insufficient sample data. Therefore, the profitability of the Padini Holding Berhad are unable to be explain the variance by the external factors (Independent variables. Besides that, the Durbin-Watson Values from 0 to less than 2 indicate a positive autocorrelation, while based on the table had shown 2.352 which indicate that a negative autocorrelation (less common in time series data) , it is violation of independence variables, but it generally produces a greater precision in the average than the independent series do. The negative autocorrelation of alternating pattern actually insured that the series is more likely for bracket the true mean.

ANOVA

<div align="center">

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	3	.001	1.191	.573^b
	Residual	.000	1	.000		
	Total	.002	4			

</div>

a. Dependent Variable: ROA

b. Predictors: (Constant), STDV, GDP, Interest Rate

The table of ANOVA show that indicate that there are insignificant value of 0.573 which had reach over the alpha value ($p < 0.05$). This had imply that there are less significant linear relationship between the dependent and independent variables. Hence, the macroeconomics is not significant to the dependent variables.

Coefficients

<table>
<thead>
<tr><th rowspan="3">Model</th><th colspan="2">Unstandardized Coefficients</th><th>Standardized Coefficients</th><th rowspan="2">t</th><th rowspan="2">Sig.</th><th colspan="2">95.0% Confidence Interval for B</th><th colspan="2">Collinearity Statistics</th></tr>
<tr><th>B</th><th>Std. Error</th><th>Beta</th><th>Lower Bound</th><th>Upper Bound</th><th>Tolerance</th><th>VIF</th></tr>
</thead>
<tbody>
<tr><td>1 (Constant)</td><td>.155</td><td>.128</td><td></td><td>1.213</td><td>.439</td><td>-1.467</td><td>1.777</td><td></td><td></td></tr>
<tr><td>GDP</td><td>-.006</td><td>.017</td><td>-.195</td><td>-.332</td><td>.796</td><td>-.226</td><td>.215</td><td>.634</td><td>1.578</td></tr>
<tr><td>Interest Rate</td><td>.000</td><td>.010</td><td>-.015</td><td>-.020</td><td>.987</td><td>-.125</td><td>.125</td><td>.419</td><td>2.387</td></tr>
<tr><td>STDV</td><td>.873</td><td>.631</td><td>.861</td><td>1.385</td><td>.398</td><td>-7.140</td><td>8.886</td><td>.565</td><td>1.770</td></tr>
</tbody>
</table>

a. Dependent Variable: ROA

Based on the table above, the coefficient table is obtain from Padini Holding Berhad from 2014 to 2018.The t-value which bring a big influence for the company. Besides that, the significance independent variables which will included in the model and the biggest of the t-value is reflect by the smaller number of the significance. Based on the table above, the exchange rate which has the highest impact to the profitability with the t-value= 2.159 as the highest value and the smallest number of significance with 0.398 compared to gross domestic product (GDP), interest rate and the exchange rate (STDV). Hence, it can be concluded that the increase of exchange rate with 1 unit will increase the ROA by 0.873.

External and Internal Factor

Descriptive Statistics

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.167215541737610	.022532614125192	5
Current Ratio	2.571735557561906	.337806056259894	5
Quick Ratio	1.577172715918501	.256734876790221	5
Average-Collection Period	5.922693405855059	2.286310909357629	5
Debt to Income	.181900586751384	.028631417593488	5
Operational Ratio	.861114683426047	.012556284194182	5
Operational Margin	.136285124765428	.012788436907636	5
GDP	5.188458164882062	.762951105878942	5
Interest Rate	2.870151671973237	1.651078101973789	5
STDV	.049076388466165	.022225341980545	5
CG Index	1.00	.000	5

The table above shown the descriptive statistics of the fashion industry among the companies in the aspect of external factor and internal factor. Based on the table, the company had shown a high liquidity on average which are able to cover the liability and it had reflect the company had a good management in asset practices especially in average collection period. For the external factor, the industry had facing an unhealthy economy which reflect the difficulty in development of the industry in future because a healthy economy which had the ideal rate of GDP in 2-3%(Amadeo, 2019) .

Correlations

Correlations

		ROA	Debt to Income	Operational Ratio	Operational Margin	GDP	CG Index
Pearson Correlation	ROA	1.000	-.308	-.746	.762	-.161	.
	Debt to Income	-.308	1.000	-.074	.039	-.201	.
	Operational Ratio	-.746	-.074	1.000	-.999	.014	.
	Operational Margin	.762	.039	-.999	1.000	-.026	.
	GDP	-.161	-.201	.014	-.026	1.000	.
	CG Index	.	.	.	.	.	1.000
Sig. (1-tailed)	ROA		.307	.074	.067	.398	.000
	Debt to Income	.307		.453	.475	.373	.000
	Operational Ratio	.074	.453		.000	.491	.000
	Operational Margin	.067	.475	.000		.483	.000
	GDP	.398	.373	.491	.483		.000
	CG Index	.000	.000	.000	.000	.000	.
N	ROA	5	5	5	5	5	5
	Debt to Income	5	5	5	5	5	5
	Operational Ratio	5	5	5	5	5	5
	Operational Margin	5	5	5	5	5	5
	GDP	5	5	5	5	5	5
	CG Index	5	5	5	5	5	5

The result shown in the table above is the analysing of the relationship between the dependent (ROA) and the independent variable (internal and external factor) by using Pearson correlation. Based on the table, the operational margin has strong positive relationship with ROA with Pearson correlation of 0.762 which is the mostly nearest to 1. While, the ROA shown

negative relationship with debt to income, operating ratio and GDP which means that the company profitability increased when the debt to income, GDP and interest rate decrease.

However, the table also shown the significance of the relationship [Sig(1-tailed)], the value that is less than 0.05 which shown high significance of the relationship. Based on the table, there are no significance correlation between the ROA and variables which mean that the independent variables is not affect the ROA significantly.

Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.861[a]	.741	-.035	.022920257760865	1.209

a. Predictors: (Constant), GDP, Operational Ratio, Debt to Income

b. Dependent Variable: ROA

The table above shown the model summary that Adjusted R square implied by using the internal and external variables and dependent variables which included ROA, current ratio, quick ratio, average collection period, debt to income, operational ratio, operational margin, gross domestic product (GDP), interest rate and exchange rate (STDV). Therefore, the profitability of the Padini Holding Berhad are unable to be explain the variance by the external factors (Independent variables) due to insufficient sample data. Besides that, the Durbin-Watson Values from 0 to less than 2 indicate a positive autocorrelation, while based on the table had shown 1.209 which indicate that GDP, operational ratio and debt to income is the most suitable variable to be included as the independent variables compared to other variables factors.

ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	3	.001	.955	.618[b]
	Residual	.001	1	.001		
	Total	.002	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), GDP, Operational Ratio, Debt to Income

The table of ANOVA show that indicate that there was significant value of 0.618 which had reach over the alpha value (p< 0.05). This had indicated that there was less significant linear relationship between the dependent and independent variables. Hence, the independent variables is not significance to the dependent variables and the model is not consistent variance to predict the outcome significantly.

Coefficients

Coefficients[a]

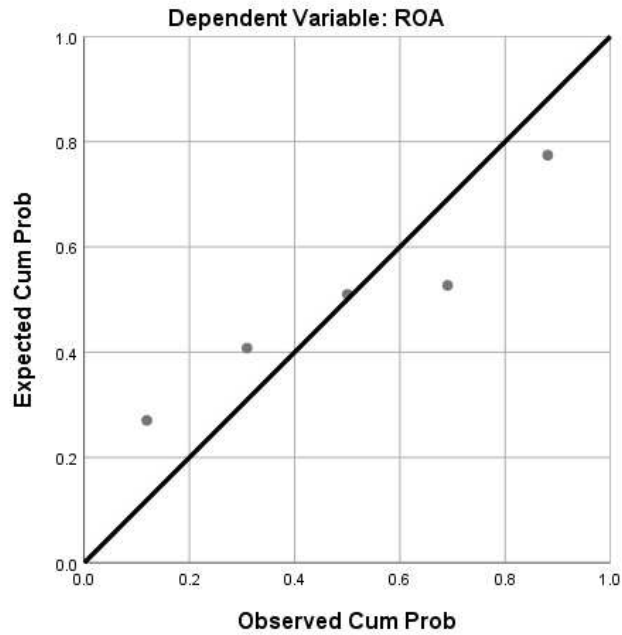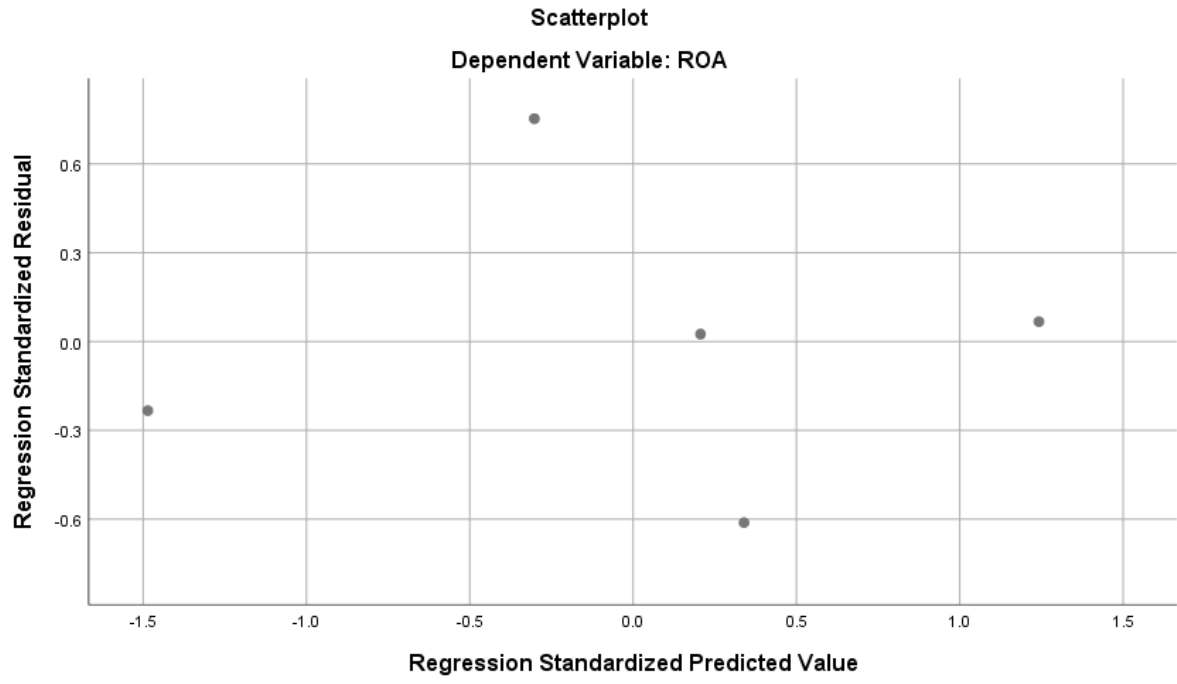| Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
1	(Constant)	1.457	.803		1.816	.320	-8.741	11.655		
	Debt to Income	-.324	.410	-.412	-.791	.574	-5.530	4.881	.955	1.048
	Operational Ratio	-1.388	.915	-.774	-1.517	.371	-13.018	10.241	.994	1.006
	GDP	-.007	.015	-.232	-.447	.732	-.202	.188	.960	1.042

a. Dependent Variable: ROA

Based on the table above, the coefficient table is obtain from Padini Holding Berhad from 2014 to 2018.The t-value which bring a big influence for the company. Besides that, the significance independent variables which will included in the model and the biggest of the t-value is reflect by the smaller number of the significance. Based on the table above, the exchange rate which has the highest impact to the profitability with the t-value= -1.517 as the smallest number of significances with 0.371 compared to debt to income and gross domestic profit (GDP). Hence, it can be concluded that the increase of operational ratio with 1 unit will decrease the ROA by 1.39.

Chart

Histogram

Dependent Variable: ROA

Mean = 8.01E-15
Std. Dev. = 0.5
N = 5
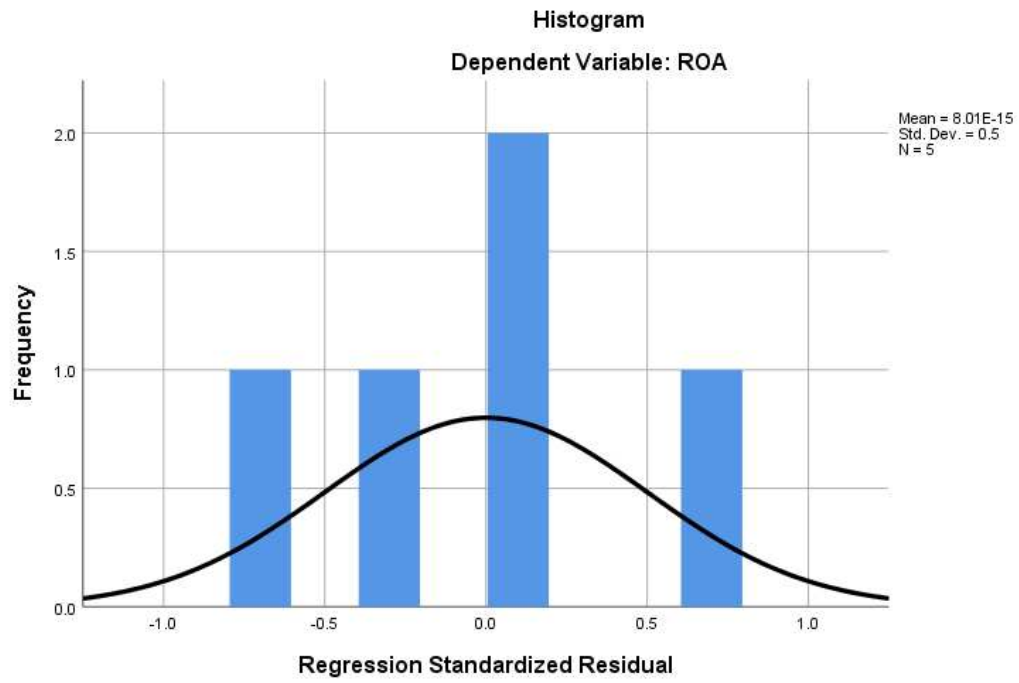
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: ROA

Scatterplot
Dependent Variable: ROA

5.0 Conclusion and Recommendation

This chapter will conclude the result that obtain from chapter 4 after done the research. In addition, this chapter will discuss about the recommendation that can improve the profitability of the company.

Conclusion

In this study, the purpose is to determine the factor that influence the company performance of Padini Holding Berhad in Malaysia. The objectives of the study is to determine the internal and external factor that influence the performance of the firm which had done by this study.

In conclusion, there are evidence that showing the internal and external variables is not highly significance to influence the profitability of the company which showing in the table of correlations, table of ANOVA and table of coefficient analysis in chapter 4. The correlation table shows that operational margin has strong positive relationship with ROA which imply that the increase of operational margin, the profitability of the company will increase. While, the exchange rate which has the highest impact to the profitability with the t-value= -1.517 shown in the table of coefficient and it indicate that exchange rate will influence the profitability of the company. While, the ANOVA model had show the independent variables is not significance to the dependent variables with significance value 0.618 and the model is not consistent variance to predict the outcome significantly. Eventually, the study result had indicated that the internal factor and the macroeconomy is not significance to the profitability of the company due to lack of sample data. However, it can be concluded that the company is facing market risk compare with others risk such as credit risk, liquidity risk and operational risk because the rate of GDP is higher than the normal rate.

Recommendation

Since, the company is facing the market risk which could possible to affect overall performance of the company that could experiences the big financial losses. Hence, Padini Holding Berhad should take some action in order to avoid from the huge losses that could happen.

Based on the study, the higher GDP will eventually affect the growth of the company. In this situation, the company is to be recommended to do some hedging to against the market risk. As the market risk are unpredictable and cannot be control, hence, the company

can adopt the forward exchange contract, currency future contract , future contract for interest and others in order to minimize the chance of the company value losses when the exposure occur(Meaning & Example, 2019). In addition, the hedging can help the company to run operational in an efficient manner. Although the hedging is helpful for the company, while the company is not be recommended to do 100% hedge because it is not materialize, no risk can be avoided fully and if the company adopt the full hedging it will possible that the company would losses the chance to gain because the positive exposure might getting be hedging. Therefore, partially hedging is more appropriate to the company. Therefore, the hedging and the efficiency in management of the company asset which will help the company prevent the risk or minimize the risk that might facing and generated profitability for the company in the future.

6.0 References

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7.0 Appendices

SPSS Output

Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.167215541737610	.022532614125192	5
Current Ratio	2.571735557561906	.337806056259894	5
Quick Ratio	1.577172715918501	.256734876790221	5
Average-Collection Period	5.922693405855059	2.286310909357629	5
Debt to Income	.181900586751384	.028631417593488	5
Operational Ratio	.861114683426047	.012556284194182	5
Operational Margin	.136285124765428	.012788436907636	5
GDP	5.188458164882062	.762951105878942	5
Interest Rate	2.870151671973237	1.651078101973789	5
STDV	.049076388466165	.022225341980545	5
CG Index	1.00	.000	5

Correlations

		ROA	Debt to Income	Operational Ratio	Operational Margin	GDP	CG Index
Pearson Correlation	ROA	1.000	-.308	-.746	.762	-.161	
	Debt to Income	-.308	1.000	-.074	.039	-.201	
	Operational Ratio	-.746	-.074	1.000	-.999	.014	
	Operational Margin	.762	.039	-.999	1.000	-.026	
	GDP	-.161	-.201	.014	-.026	1.000	
	CG Index	.	.	.	.	.	1.00
Sig. (1-tailed)	ROA	.	.307	.074	.067	.398	.00
	Debt to Income	.307	.	.453	.475	.373	.00
	Operational Ratio	.074	.453	.	.000	.491	.00
	Operational Margin	.067	.475	.000	.	.483	.00
	GDP	.398	.373	.491	.483	.	.00
	CG Index	.000	.000	.000	.000	.000	
N	ROA	5	5	5	5	5	5
	Debt to Income	5	5	5	5	5	5
	Operational Ratio	5	5	5	5	5	5
	Operational Margin	5	5	5	5	5	5
	GDP	5	5	5	5	5	5
	CG Index	5	5	5	5	5	5

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	GDP, Operational Ratio, Debt to Income[b]	.	Enter

a. Dependent Variable: ROA

b. Tolerance = .000 limit reached.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.861[a]	.741	-.035	.022920257760865	1.209

a. Predictors: (Constant), GDP, Operational Ratio, Debt to Income

b. Dependent Variable: ROA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.002	3	.001	.955	.618[b]
	Residual	.001	1	.001		
	Total	.002	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), GDP, Operational Ratio, Debt to Income

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B Lower Bound	95.0% Confidence Interval for B Upper Bound	Collinearity Statistics Tolerance	Collinearity Statistics VIF
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	Operational Ratio	-1.388	.915	-.774	-1.517	.371	-13.018	10.241	.994	1.006
	GDP	-.007	.015	-.232	-.447	.732	-.202	.188	.960	1.042

a. Dependent Variable: ROA

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	(Constant)	Debt to Income	Operational Ratio
						Variance Proportions
1	1	3.971	1.000	.00	.00	.00
	2	.022	13.456	.00	.46	.00
	3	.007	23.198	.01	.52	.01
	4	8.349E-5	218.081	.99	.02	.99

a. Dependent Variable: ROA

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	.138390421867371	.191316336393356	.167215541737609	.019400622293078	5
Residual	-.014018743298948	.017249502241611	.000000000000000	.011460128880432	5
Std. Predicted Value	-1.486	1.242	.000	1.000	5
Std. Residual	-.612	.753	.000	.500	5

a. Dependent Variable: ROA

Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Correlation	Tolerance	VIF	Minim Tolera
						Collinearity Statistics		
1	Operational Margin	-191.622[b]	.	.	-1.000	7.045E-6	141949.504	7.01!

a. Dependent Variable: ROA

b. Predictors in the Model: (Constant), GDP, Operational Ratio, Debt to Income