FINANCIAL ANALYSIS AS AN INSTRUMENT IN PREDICTING THE COMPANY PERFORMANCE: THE CASE OF CORPORATE WAQF SUBSIDIARIES

Khairil Faizal Khairi  
Nur Hidayah Laili  
Hisham Sabri  
Universiti Sains Islam Malaysia (USIM), Malaysia

ABSTRACT

Waqf have a potential to become one of the important mechanisms regarding the socioeconomics realms in Muslim societies that will benefit the communities as a whole. This objective of study is to examine the influence of corporate waqf by subsidiaries of JCorp in enhancing the company performance as one of the element of return from waqf activities. The methodology used is an analysis of the financial ratio to evaluate the financial condition and performance of subsidiaries companies that contribute to corporate waqf. No doubt, in today’s financial world, ratio analysis is a very vital tool in identifying the financial soundness and cost effectiveness of the company by establishing relationship between the items of balance sheet and profit and loss account. The study accomplished that the Jcorp subsidiaries, which involves in corporate waqf activities are financially sound, where profits and returns generated are satisfactorily, which can attract other conglomerates to participate.

JEL Classifications: G380, M400, E600  
Keywords: Financial Ratio Analysis, Performance, Corporate Waqf, Johor Corporation  
Corresponding Author’s Email Address: khairil@usim.edu.my

1. INTRODUCTION

Islam is a religion that regulates not only an individual’s relationship with God, but also human relationships in social and financial settings. Therefore, one of the most important features that enable Islamic economics system increasing in its popularity compared from the conventional system is a solution to balance the human development. This Islamic economic system can be achieve through the charity concept. It is the act of virtue in Islam as mentioned in the Quran. The charity plays a significant role in improving spiritual towards Allah and social economy justice among the communities (Khairi et al, 2014).

As Muslim societies became more sophisticated, and their financial needs are more complex, the introduction corporate waqf become a finest fruits of financial instrument in promoting social justice, community development, educational upliftment and poverty alleviation. The wider acceptance among the communities paved the way of improving in the waqf system in the country. Tremendously, corporate waqf that was introduced by JCorp is recognized as first ever corporate waqf in the world.

Generally, waqf is one of the innovations in the financial economic instruments in promoting social justice, community development, educational upliftment and poverty alleviation since it has the element of perpetuity. This is because waqf is a fund that cannot be forfeited or lost and must be managed by the trust. Further, waqf also cannot be traded for the sake of greed and desire to unrestricted money. According to Abd Shaker (2011), the important of waqf is similar to infaq, sadaqah jariyah and hibah and it helps the redistribution of wealth from the wealthy to the poor either by direct disbursement or by providing them with education, health facilities and other social services (Mahmud & Shah, 2009).

The Prophet (Peace be upon him) has said: ‘Sadaqah (charity) does not decrease wealth and the servant who forgives, Allah adds to his respect; and the one who shows humility, Allah elevates him in the estimation (of the people)’ Muslim. Giving charity does not decrease the income, but rather multiplication in term of spiritual observance. Hence, who spends in the way of Allah receives in return (reward in the Hereafter) on the scale of one to seven hundred, that is, spending one cent could bring the merit of seven hundred cents (Al-Baqarah 2:261-266).

For that reason, this study explores the company’s financial performance as one of the element of return from the corporate waqf entities. The financial performances of subsidiaries under JCorp that contribute to corporate waqf activities were evaluated by financial ratio analysis. An analysis of financial ratios helps users in identifying the firm’s points of weakness and strength and work on the weakness to find solutions. Thus, the
financial ratios are believed do not add new information but it is helpful in explaining the relation between the variables to come up with results that is accurate evaluation among the scholars.

A financial ratio reveals the inter-relationship that exists among the different items appeared in the financial statements. Such ratio analysis is a very effective tool and is used extensively since a long past. This analysis served as communicating processed information in a nutshell form to the decision takers. Therefore, through this analysis, one can draw a rough sketch of the financial health, profitability, capital structure, solvency and weakness of the company.

This arrangement of this study as follows. Section 2 is concerns with review of literatures related to the reward in Islam, corporate waqf and financial ratios. Section 3 elaborates the methodolody employed for this study with the results are discusses in Section 4. Finally, Section 5 offers the conclusions and possible future research.

2. LITERATURE REVIEW
2.1 Concept of Reward in Islam

The Holy Quran strongly advocates to implementing the charity activities. Giving charity is synonymous with spending in the way of Allah as in the following verse Al-Quran, Al-Imran 3:92.

"By no means shall you attain to righteousness until you spend (benevolently) out of what you love; and whatever thing you spend, Allah surely knows it".

The interpretation of mufassirin, as well as Ibn Arabi states that the word naqah is not a gift or financial right to his wife and family, but it was concerned about the charity borned from a sincere heart for Allah. Therefore, the condition of waqf contract is volunteerism without coercion from any other parties.

This paragraph of verse applies when Companion came to the Messenger of Allah and he is Abu Talhah was the richest Ansari person near Medina. In addition, the property from the cherished was "Birr Ha"e" (a palm tree orchard near the prophet’s Mosque). In that situation, Abu Talhah approached the Apostle of Allah and said: "I heard Allah revealed the verse 92, Al-Imran and he said the most cherished property he have is Birr Ha’e. I am giving it as charity, wishing goodness and preservation". Thus, O Apostle of Allah said, “use it the way you want” (al-Arabi, 1957).

There is another report narrated by al-Tabari (1964) in his book Jami al-Bayan fi Tafsir al-Quran states that Zaid bin Thabit took his most beloved horse and said: "I donated my horse for use in the way of Allah". Then the Prophet of Muhammad put Usamah on the back and said: "Allah has accepted your donation". Therefore, al-Tabari defines the meaning of donation is waqf.

From the verse of Al-Imran, the word “bir” meant all obedience to two different sections. The hadith scholars (Muhaddisin) elaborate in the first fragment, (batiniyyah), as believing in God, the angels, the apostles and the Day of Resurrection. From the other fragment is (zahiriyyah) include performing solat, pay the zakat, patient with the illness and donate the wealth in the way of Allah. Therefore, Imam Mustafa al-Bugha (1996) digested the meaning of donates as a contract of waqf. In addition, Imam al-Qurtubi define that the above verse of means to giving alms in the path of righteousness whether as a gift and hibah for the purpose of worship.

From the verse of al-quran, The Almighty God has mention the importance of reward from the waqf activities as below:

“The likeness of those who spend for Allah’s sake is as the likeness of a grain of corn, it grows seven ears every single ear has a hundred grains, and Allah multiplies (increases the reward of) for whom He wills, and Allah is sufficient for His creatures’ needs, All-Knower.” (Qur’an, 2:261)

“Who is it would loan Allah a goodly so He may multiply it for him many times over? And it is Allah who withholds and grants abudance, and to Him you will be returned” (Qur’an, 2:245)

“And whatever you spend in charity or whatever vow you make, be sure Allah knows it all. But the wrongdoers have no helpers. If you disclose (acts of) charity, even so it is well, but if you conceal them and make them reach those (really) in need, that is best for you. It will remove from you some of your (stains of) evil. And Allah is well acquainted with what you do”. (Qur’an 2:270-271)
Based on these several verses of from al-Quran, shows that Islam highly encourages every Muslim to bequeath the property for the purpose of virtue. In view of that, Allah has promised the infinite rewards to Muslims to stimulate the development of waqf contract.

2.2 Background of Waqf in Islam

Waqf (plural:awqaf) is an Islamic financial instruments that had important impacts on the social and economic life of Muslim societies for centuries. According to Islamic jurisprudence texts, waqf did not exist in jahiliya (pre-Islamic Arabia – before 610 CE) and was inferred by Prophet Muhammad (Sayyed Sahbeq, 1998). In early sayings of the Prophet waqf is referred to as sadaqah jariyah. During that time, properties such as mosques, water bores, land and horses were made waqf for charitable purposes. Waqf is an Arabic word and literally means habs (‘detention’) and in Islamic Shari’ah law means ‘keeping the property (surrending the title) for separate use for a particular purpose (Sayyed Sahbeq, 1998).

Historically, the first known waqf is the mosque of Quba’ in Madinah a city 400 km north of Makkah which was built upon the arrival of the Prophet Muhammad (P.B.U.H) in 622 (Kahf, 2003). Six months later, the Prophet Muhammad has waqf the mosque of Nabawi in Madinah as Ibn Sa’ad reported Al-Hadith from Muhammad ibn Ka”ab “The first waqf in Islam is a waqf property that was given by Prophet Muhammad (P.B.U.H) after death of Mukhairiq in Uhud wars.

It is no wonder the act of giving one’s wealth to achieve goodness in continue by the companion of the Prophet Muhammad (P.B.U.H). Saidina Umar al-Khattab (R.A) when he got a land in Khaibar. He went to Prophet Muhammad (P.B.U.H) and asked, “Messenger of Allah! I got a land in Khaibar. I never got a property more precious to me than this. What do you advise me?” The Prophet answered, “If you want you can make habs (bequeath) it, and give as is sadaqah (charity). Then Umar sadaqah the revenue from this lands with condition that it should not be sold, bought and given as a gift or inherited”.

The growth of waqf in the Muslim world can be attributed to a number of factors. Firstly, the strong religious and charitable impulses of many in the Muslim world have led many people to make at least part of their property waqf. There are also extensive literature including Quranic verses and the hadith recommending Muslims to spend money and property in the way of Allah [fi sabil Allah]. Indeed, the waqf system acted as what the social security system does in a modern state like Australia, and Muslims contributed to the charitable system by making their properties waqf.

Secondly, waqf was a means of safeguarding property against the risk of expropriation by the state or other powerful individuals and nobles who were able to confiscate weaker parties’ properties, as all groups would respect waqf property. The endower of waqf property was still able to control and maintain the property by making themselves and their heirs the mutawalli (trustee). The only power that an endower of waqf property would forfeit would be the right of alienation of the property. Thirdly, waqf has been used as a method to evade taxation. Finally, occasionally, major landholders have made part of their properties waqf to avoid the claims of other potential interest holders to the property.

2.3 Corporate Waqf Model

One of the waqf innovations that attract the world’s attention is corporate waqf that was introduced by JCorp. The uniqueness of this corporate waqf is the share is regarded as a main fund in contributing to the waqf. Historically, Waqaf An-Nur Corporation Berhad (WANcorp) is a one of its subsidiary company that was entrusted to manage all waqf properties of JCorp in terms of assets and shares. On 25th October 2000, WANCorporated as ‘Pengurusan Klinik Waqaf An-Nur’. After memorandum of understanding (MOU) was made between JCorp and State Islamic Religious Council of Johor (SIRCJ) on 4th December 2009, SIRCJ agreed to appoint WANCorp to act as a special mutawalli or trustee in managing all JCorps’ properties by following the Waqf Procedures 1983 under the Enactment of Islamic Administration State of Johor 2003.

According to Annual Report WANCorp 2012, the Net Asset Value (NAV) of share waqf of listed companies such as KPJ Healthcare Berhad, Al-'Aqar KPJ Reit and Kulim (M) Berhad amounted to RM378.46 millions. While the NAV of share waqf for unlisted companies have increased to RM66.21 millions. Thus, overall NAV of share waqf at December 31, 2012 is worth RM444.67 millions. Meanwhile, the total market value of share waqf of listed companies such as KPJ Healthcare Berhad, Al-'Aqar KPJ Reit and Kulim (M) Berhad is the totaled RM525.14 millions. Table 1 shows the waqf share for each company under Jcorp.
TABLE 1. SHARE *WAQF* OF JCORPS’ IN 2012

<table>
<thead>
<tr>
<th>No.</th>
<th>Share Waqf of Listed Companies/Unlisted Companies</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>KPJ Healthcare Berhad</td>
<td>18.6 millions of shares</td>
</tr>
<tr>
<td>2</td>
<td>Kulim (M) Berhad</td>
<td>12.35 millions of shares</td>
</tr>
<tr>
<td>3</td>
<td>Al-‘Aqar KPJ REIT</td>
<td>12.62 millions of shares</td>
</tr>
<tr>
<td>4</td>
<td>Tiram Travel Sdn Bhd</td>
<td>225 thousands of shares</td>
</tr>
<tr>
<td>5</td>
<td>Larkin Sentral Property Sdn Bhd</td>
<td>50.33 thousands of shares</td>
</tr>
<tr>
<td>6</td>
<td>Capaian Aspirasi Sdn Bhd</td>
<td>75 thousands of shares</td>
</tr>
</tbody>
</table>

Based on the Annual Report WANCorp 2012 also, the financial performance of their company on that year keep improving due to the country’s economic situation is growing steadily and has contributed towards performance of the company’s share was endowed. In the year 2012, a dividend yield of a shares *waqf* amounted to RM57.56 million. The total net dividend earned in the year 2012 has been distributed in accordance with the *huijah waqf* whereas 70% (RM40.31 millions) goes back to JCorp for reinvestment and human capital development, 25% (RM14.39 millions) goes to WANCorp for *Fisabilillah* and 5% (RM2.86 millions) goes to SIRJC.

Further, annual Report WANCorp 2012 also indicates that 60% (RM2,088,117) of fund from *Fisabilillah* used for charity and social works such as sick patient’s treatment, mosques management and other Corporate Social Responsibility Programme, 38% (RM1,312,303) used for human capital development such as ‘Tabung Akademi Mutawwif’ and 2% (RM60,000) used for special project such as ‘Program Kemantapan Orang Asli Johor’. Table 2 shows the percentage of dividend distribution from *waqf* share of JCorp in 2012.

TABLE 2. PERCENTAGE OF DIVIDEND DISTRIBUTION IN 2012

<table>
<thead>
<tr>
<th>Dividend Earned</th>
<th>Reinvestment (70%)</th>
<th>Fisabilillah (25%)</th>
<th>SIRJC (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Fisabilillah</td>
<td>Charity and Social Works (60%)</td>
<td>Human Capital Development (38%)</td>
<td>Special Project (2%)</td>
</tr>
</tbody>
</table>

2.4 Important of the Financial Analysis

Financial statements are the condensed performance reports of companies. This information in the financial statements can provide the initiated reader usually shareholder, competitor and employee with valuable insights about the financial vitality and value of a company (Thomas, 2011; Horngren et al., 2011; Brealy et al., 2010). Thus, companies are under scrutiny because group users looks for performance expectations that are largely expressed in financial ratios.
Ratio analysis is among the most popular and widely used tools in evaluating financial performance (Pamulu et al., 2007). Financial ratios generally compare various dimensions of performance among comparable units and within a single unit over time periods. As comparative tools, ratios are used to measure a firm’s performance over time (trend analysis) and to compare it with that of its competitors or industry averages (comparative analysis). The figures used in calculating financial ratios primarily come from income statements and balance sheets prepared under generally accepted accounting practice standards. Thus, financial ratio analysis is an extension of other financial statement analytical techniques in determining the liquidity position, long term solvency, financial viability, profitability and soundness of a firm.

According to Drake (2010), financial statement analysis is the selection, evaluation, and interpretation of financial data, along with other pertinent information, to assist in investment and financial decision-making. Moreover, it is also the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. This is consistent with Brigham & Houston (2009) as they mentioned that financial analysis as an evaluation tool in the firm’s financial position over time.

Furthermore, there are three groups of user that really interested in the financial ratio analysis that are creditors, the investors and the management (Tugas, 2012). For example, a creditor is usually concerned with the ability of an existing borrower to make interest and principal payments in borrowed funds. On the hand, the investor usually attempts to arrive at an estimation of a company’s future earnings stream in order to attach a value to the securities being considered for purchase or liquidation. Meanwhile, for management, the financial statement analysis needs to respond the arguments raised by creditors and investors because these user groups must be satisfy in order for firm to obtain capital as needed.

Various studies have been carried out to examine the performance of firms. Performance is a quality of any firm, which can be achieved by valuable results. Therefore, many studies have used financial ratios in measuring the firm performance such as sales (Wang, 2003), return on assets (Lin et al., 2005; Naser & Mokhtar, 2004), return on equity (Ponnu & Ramthandin, 2008) and return on invested capital (Hsu & Liu, 2008). Next section will describes the methodology used for this study.

3. DATA SELECTION AND METHODOLOGY

The financial data were primarily obtained from the company’s annual report. The data collected were for 2011 and 2012 of JCorp’s subsidiary companies namely Kulim (M) Berhad and KPJ Healthcare Berhad, which are involved in corporate waqf activities. In assessing the financial performance of the subsidiary companies under Jcorp, this study employed an analysis of financial ratio. This ratio is a useful instrument which interpreting financial statements that will improve the user understanding of financial results and trends over time, and provides key indicators of organizational performance. By using this ratio, financial managers evaluate the firm’s strengths and weaknesses. According to Brigham et al., (2010), the financial ratios are generally classified into five as follows.

3.1. Liquidity Ratios

This ratio indicates the firm’s ability to pay off debts within a year. It consists of current ratio and quick test ratio. Current ratio specifies the level of firm liquidity and the company's ability to pay short-term debt, while quick test ratio shows the ability of firm to pay short-term debts quickly without relying on inventories.

3.2. Asset Management Ratios

This ratio gives an idea of how efficiently the firm is using its assets. It consists of inventory turnover ratio, days sales outstanding, fixed assets turnover ratio and total asset turnover ratio. Inventory turnover ratio indicates the average frequency (times) closing the sale within a certain period, while days sales outstanding indicates the average frequency (times) receivables to be collected in a given period. For fixed asset turnover ratio, it indicates the extent to which fixed assets of a firm can help in generating income and for total asset turnover ratio, it indicates the extent of a firm’s ability in handling total assets to generate income.

3.3. Debt Management Ratios

This ratio shows how the firm has financed its assets as well as the firm’s ability to repay its long-term debt. It consists of total debt ratio and times-interest-earned ratio. Debt ratio indicates the percentage of total assets acquired through debt financing, while times-interest-earned ratio indicates the firm’s ability to meet its annual interest payments.

Proceedings of the Australian Academy of Business and Social Sciences Conference 2014
(in partnership with The Journal of Developing Areas)
3.4. Profitability Ratio
This ratio evaluates how profitably the firm is operating and utilizing its assets. It consists of operating margin, profit margin, return on total asset, basic earning power ratio and return on common equity. Operating margin indicates operating income per ringgit of sales, profit margin indicates net income per ringgit of sales and return on total assets indicates the overall firm’s profitability. For basic earning power ratio, it indicates the ability of the firm’s assets to generate operating income, while return on common equity indicates the total returns earned for each ringgit invested. The profitability in relation to sales can be used to assess the ability of the firm’s management to control the various expenses involved in generating sales.

3.5. Market Value Ratios
This ratio brings in the stock price and shows what investors think about the firm and its future prospects. It consists of price/earnings ratio and market/book ratio. Price/earnings ratio indicates the ringgit amount investors will pay for RM1 of current earning, while market/book ratio indicates the stock’s market price to its book value. The next section will describe the literature review on financial ratio analysis.

4. Results

TABLE 3. FINANCIAL RATIO ANALYSIS OF LISTED COMPANIES UNDER JOHOR CORPORATION BERHAD

<table>
<thead>
<tr>
<th>Ratio</th>
<th>KULIM (M) BERHAD</th>
<th>KPJ HEALTHCARE BERHAD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year</strong></td>
<td>2011</td>
<td>2012</td>
</tr>
<tr>
<td><strong>Liquidity Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Ratio</td>
<td>1.705 times</td>
<td>1.224 times</td>
</tr>
<tr>
<td>Quick Test Ratio</td>
<td>1.685 times</td>
<td>1.199 times</td>
</tr>
<tr>
<td><strong>Asset Management Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory Turnover Ratio</td>
<td>7.533 times</td>
<td>11.007 times</td>
</tr>
<tr>
<td>Days Sales Outstanding</td>
<td>42 days</td>
<td>91 days</td>
</tr>
<tr>
<td>Fixed Asset Turnover Ratio</td>
<td>0.787 times</td>
<td>0.174 times</td>
</tr>
<tr>
<td>Total Asset Turnover Ratio</td>
<td>0.611 times</td>
<td>0.098 times</td>
</tr>
<tr>
<td><strong>Debt Management Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Ratio</td>
<td>39.9%</td>
<td>42.3%</td>
</tr>
<tr>
<td>Times-Interest-Earned Ratio</td>
<td>15.920 times</td>
<td>13.712 times</td>
</tr>
<tr>
<td><strong>Profitability Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Margin</td>
<td>20.7%</td>
<td>90.8%</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>22.9%</td>
<td>95.6%</td>
</tr>
<tr>
<td>ROA</td>
<td>14%</td>
<td>9.4%</td>
</tr>
<tr>
<td>BEP</td>
<td>12.6%</td>
<td>8.9%</td>
</tr>
<tr>
<td>ROE</td>
<td>23.3%</td>
<td>16.3%</td>
</tr>
<tr>
<td><strong>Market Value Ratio</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price/ Earnings Ratio</td>
<td>0.0054 times</td>
<td>0.0038 times</td>
</tr>
<tr>
<td>Market/ Book Ratio</td>
<td>0.072 times</td>
<td>0.094 times</td>
</tr>
</tbody>
</table>

From the Table 3, it can be concluded that in overall financial ratio analysis of both companies under WANCorp is in good condition for 2011 and 2012. In general, in both years Kulim (M) Berhad and KPJ Healthcare Berhad has a stronger financial position and sufficient liquid assets to maintain their business operations. They could pay its current liabilities with its current assets during the period. As comparison, both companies were more capable of paying its current liabilities with its current assets in 2011 but in 2012, it is slightly low of capability of the companies to have enough liquid assets to maintain its operation. According to the current ratio analysis, the trend of this ratio is decreasing in 2012 for both companies where Kulim (M) Berhad is 1.224 times while KPJ Healthcare Berhad is 0.848 times. Short-term liquidity for Kulim (M) Berhad was good as current ratio was more than 1. Therefore, it can summarized that the liquidity ratio of the Kulim (M) Berhad in 2011 and 2012 shows a satisfactory result and indicate that it would be able to meet short term financial obligations.
In terms of asset management ratio, it is noticeable from the analysis that KPJ Healthcare Berhad is better than Kulim (M) Berhad for the period of the analysis. For example in the inventory turnover ratio, KPJ Healthcare Berhad shows the higher ratio in 2011 and 2012 with 40.560 and 36.421 times respectively, it indicates that its sales is satisfactory because the stock turnover has a higher ratio compared to Kulim (M) Berhad.

Again when analyzing the total asset turnover ratio, KPJ Healthcare Berhad was 0.974 times and 0.93 times in 2011 and 2012 respectively and this is good indicator of the extent of the efficiency and effectiveness of the asset turnover as result of its ratio almost 1. Meanwhile, Kulim (M) Berhad shows uncertainty in the efficiency of the company management in distributing its financial resources for all different types of assets and its efficiency in using its assets to produce as much as possible of goods and services. In other word, Kulim (M) Berhad especially in 2012 needs a good advice from the managers’ and management to help the company to use its sources efficiently so as to achieve high returns.

In analyzing the debt management situation, two ratios are employed namely debt ratio and times-interest-earned ratio. Debt ratios represent important aspect for Jcorp to measure the extent of the company’s dependence on others’ money to finance its needs. On other word, this ratio means the company’s capability to use its resources properly for business expansion and debt repayment.

As comparison between 2011 and 2012, Kulim (M) Berhad is in a healthy condition compared to KPJ Healthcare Berhad in managing the debt position of their operation. This is because, lower percentage of debt ratio (39.9% in 2011 and 42.3% in 2012) means that the greater cushion against creditors’ losses in the event of liquidation. Next, the times-interest-earned ratio of Kulim (M) Berhad is also higher compared to KPJ Healthcare Berhad, which represent a suitable ratio because the higher means that the firm is able to meet its interest obligations.

Further, in analyzing the profitability ratio, there is a striking feature from this analysis. It can be seen that Kulim (M) Berhad recorded a high percentage of operating margin and profit margin at 20.7% and 22.9% in 2011 compared to 90.8% and 95.6% in 2012. Through this analysis it can be concluded that for every ringgit of sales, the firm is able to earn a gross profit and net profit about 90.8 sen and 95.6 sen respectively in 2012.

Therefore in can be said that this company is effective in increasing the volume of sales over the period of analysis. On the other side, the operating margin and profit margin for KPJ Healthcare Berhad in both year 2011 and 2012 came down from 8.9% to 8.7% (operating margin) and 8% to 7.5% (profit margin) respectively. Meanwhile, an analysis on ROA, BEP and ROE, both companies is assumed in healthy position although the trend is in ascending order. For example, ROA as a percentage shows how profitable a company’s assets are in generating revenue is stated at 14% to 9.4% for Kulim (M) Berhad and 7.8% to 7% for KPJ Healthcare Berhad in 2011 and 2012 respectively.

Moreover, the analysis of market value ratios is important because it is considered as an indicator to evaluate the investors of the company and it’s expected that the investors to pay higher than the carrying value to the company’s shares. For the price/earnings ratio, KPJ Healthcare Berhad is in good position compared to the Kulim (M) Berhad which is 0.019 times to 0.021 times in 2011 and 2012 respectively.

On the other hand, both company is assumed are being able to attract investors to participate in investment decision on the company activities when referring to the market/book ratio analysis. It can been clearly seen that the market/book ratio for Kulim (M) Berhad is increasing from 0.072 times to 0.094 in 2011 and 2012 respectively. Although, KPJ Healthcare Berhad is slightly decrease from 0.50 times to 0.453 times in 2011 and 2012 but this not really affecting the market share position of the company. Thus, this ratio will provide a positive image of the company to the investors and later will increase the company’s investment, its profit and its sales. The next section will provide a conclusion of this study.

5. CONCLUSION

Based on the current model of corporate waqf, this Islamic financial instrument is believed to contribute towards economic development and the equal distribution among the communities. Further, corporate waqf offers an opportunity to get divine blessing and to have a rewarding social and spiritual experience and internal peace. Viewed from this perspective, this study examines the financial performance of corporate waqf entities by JCorp in enhancing the element of return from the waqf activities. Therefore, the financial ratio analyses are employed to two subsidiary companies under JCorp, which actively participated in corporate waqf.
An analysis and interpretation of financial statements is an important tool in assessing company’s performance. It reveals the strengths and weaknesses of a firm. From the ratios analysis of the company’s balance sheet and P & L Statement of 2011 and 2012 indicated that both companies are in good condition when referring to liquidity position. Further, an analysis on the asset management ratios, debt management ratios, profitability ratios and market value ratios were found to be acceptable especially for Kulim (M) Berhad. Therefore, through this analysis it can be concluded that the corporate waqf that is implemented by Jcorp is consistent with the hadith narrated by Muslim that “Sadaqah (charity) does not decrease wealth.”

However, this study is considered as an exploratory analysis. Consequently, further study will focus on the performance and efficiency using a more appropriate model such as Data Envelopment Analysis (DEA).

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Damsiyik: Dar Ibn Kathir, 194.


