

## **Impact Of Financial Ratios On Strategic Investment Decisions: Evidence From Shariah-Compliant Companies in Bursa Malaysia (Petronas and Sapura Energy)**

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### **ABSTRACT**

This study compares the financial performance of Petronas Nasional Berhad (PETRONAS) and Sapura Energy Berhad to analyze how financial health influences investment assessment and strategic implications within a Shariah-compliant framework. A quantitative approach was applied, using profitability, liquidity, leverage, and investment valuation ratios derived from audited annual financial statements. The results reveal a clear divergence: PETRONAS exhibits strong profitability, robust liquidity, conservative leverage, and favorable valuation, reflecting resilience and alignment with long-term sustainability, while Sapura Energy suffers from negative profitability, liquidity shortages, high leverage, and weak valuation, signaling severe financial distress. Beyond financial outcomes, the study interprets these findings through maqasid al-shariah, particularly *hifz al-din* and *hifz al-mal*, emphasizing the ethical duty to preserve faith by avoiding non-permissible practices and to protect wealth through prudent financial management. The study contributes practical implications for investors, policymakers, and managers in integrating financial performance with Shariah principles. Limitations include reliance on secondary data from a single fiscal year and focus on two firms.

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## **INTRODUCTION**

In recent years, the global energy industry has faced a series of complex challenges, characterized by high oil price volatility, mounting pressure to transition to environmentally friendly energy sources, and increasing stakeholder demands for sustainability. Oil price instability is driven by supply–demand dynamics, geopolitical factors, and policies from international organizations such as OPEC, rendering the sector highly vulnerable to global economic uncertainty (Jha & Jha, 2024). The shift towards clean energy has become increasingly crucial, given the growing awareness of climate change and its adverse impacts.

Countries worldwide, including Malaysia, are striving to meet their sustainability targets, with several energy companies adopting long-term strategies, such as commitments to achieve net-zero carbon emissions by 2050, in alignment with global trends (Majeed & Hussain, 2024).

Against this backdrop, financial ratio analysis serves as an essential tool for evaluating corporate performance (Nuryanto et al., 2020). This method aims to assess multiple dimensions of performance, including profitability, liquidity, and leverage. Ratios such as Return on Equity (ROE) and Return on Assets (ROA) provide insights into the efficiency of capital and asset utilization (Noja et al., 2023; Parmadi, 2024). Such analyses are not only relevant for investors and corporate management but also for policymakers seeking strategies to facilitate the industry's transition toward sustainability (Sari, 2021).

In the Malaysian context, financial assessments hold strategic importance, particularly for investors aiming to evaluate the risk–return profile of investments in the energy sector. Analyses of companies involved in clean energy initiatives may yield positive investment signals, whereas poor financial performance could indicate elevated risks (Arslan-Ayaydin & Thewissen, 2016). This is particularly relevant given the growing global investor interest in sustainability and renewable energy (Niyazbekova et al., 2023).

This study focuses on Petroliaam Nasional Berhad (PETRONAS) and Sapura Energy Berhad. The selection of these two companies is grounded in both academic considerations and empirical relevance (Strielkowski, 2024). First, they occupy strategic positions within Malaysia's energy ecosystem but exhibit distinct characteristics. PETRONAS is the state-owned national oil and gas company with an extensive upstream–downstream integration, whereas Sapura Energy is a large privately-owned firm engaged in integrated oil and gas services (Parmadi, 2024). Second, their status as publicly listed companies on Bursa Malaysia and their inclusion in the list of Shariah-compliant securities make this analysis relevant not only from a conventional financial perspective but also within the framework of Islamic finance. For Muslim investors, Shariah compliance is not merely an ethical preference, but a manifestation of the *maqasid al-shariah* principles, such as *hifdz al-din* (preservation of religion) by avoiding *riba*, *maysir*, and *gharar*, and *hifdz al-mal* (preservation of wealth) by ensuring that investments are placed in instruments that are both morally and financially sustainable. Fourth, the availability of comprehensive audit reports for both companies ensures that financial ratio analyses can be conducted in a systematic and reliable manner (Arafah et al., 2023). Finally, the juxtaposition of a state-owned enterprise with a privately-owned company facing financial distress provides an opportunity to explore the interplay between ownership structures, corporate governance, and financial strategy within the energy market under a Shariah-oriented framework (Law & Yuen, 2019).

Previous research has primarily addressed either financial performance or strategic sustainability in isolation (Li et al., 2024). A few researchers have focused on integrating sustainability considerations into financial assessments, but there has been limited attention given to a comparative analysis of financially stable and financially distressed energy companies within the same national context (M. & Aithal, 2024). Therefore, this research analyzes and compares the financial performance of PETRONAS and Sapura Energy using profitability, liquidity, leverage, and investment-valuation ratios, while drawing strategic and Shariah-oriented implications. The contribution of this study lies in offering an integrated framework that combines financial evaluation, strategic sustainability, and *maqasid al-shariah*, thereby informing investors, corporate managers, and policymakers on how financial health and ethical considerations together shape the energy transition agenda.

## METHOD

This research employed a descriptive-comparative, quantitative design to examine and compare the financial performance of Petronas Nasional Berhad and Sapura Energy Berhad. The descriptive aspect was used to explain the financial condition of each company in detail, while the comparative aspect aimed to highlight the differences in financial ratios between the two companies (Setiawan & Haseena Armina, 2022). This method was chosen because the research objective was to provide a measurable and structured evaluation of corporate performance, which would also serve as the basis for formulating relevant strategic implications (Fikriyah, 2021).

The study involved two major Malaysian energy companies as research objects: Petronas Nasional Berhad, the national oil and gas corporation, and Sapura Energy Berhad, a private integrated oil and gas services company. These companies were selected due to their significant roles in the energy industry and their contrasting financial conditions. Petronas, representing a financially stable entity with strong liquidity, and Sapura Energy, reflecting a company under financial distress (Kamilah et al., 2025).

The data used in this study were secondary data obtained from the most recent audited annual reports of both companies, publicly available through Bursa Malaysia and their respective corporate websites (Mohd Noor & Ab. Aziz, 2023). The reports contained comprehensive financial statements, including the statement of financial position, income statement, and other relevant disclosures, which served as the basis for the calculation of financial ratios (Jusmarni & Prihastuti, 2021).

The financial performance evaluation was conducted using four main categories of ratios (Bhadrapa Haralayya, 2022). Profitability was measured to assess capital efficiency, cost management, and asset utilization through:

1. Return on Equity (ROE) =  $\frac{\text{Net Income}}{\text{Shareholders' Equity}} \times 100\%$
2. Net Profit Margin (NPM) =  $\frac{\text{Net Profit}}{\text{Revenue}} \times 100\%$
3. Return on Assets (ROA) =  $\frac{\text{Net Profit}}{\text{Total Assets}} \times 100\%$

Liquidity (Jusmarni & Prihastuti, 2021) was analysed to determine the companies' ability to meet short-term obligations using:

1. Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
2. Quick Ratio =  $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$
3. Cash Ratio =  $\frac{\text{Cash and cash Equivalentss}}{\text{Current Liabilities}}$

Leverage (Parmadi, 2024) was assessed to evaluate financial structure and risk exposure with:

1. Debt to Equity Ratio (DER) =  $\frac{\text{Total Debt}}{\text{Shareholders Equity}}$
2. Interest Coverage Ratio (ICR) =  $\frac{EBIT}{\text{Interest expenses}}$
3. Debt Ratio =  $\frac{\text{Total debt}}{\text{Total assets}}$

Investment valuation (Surtee & Alagidede, 2023) was examined to understand market perceptions and investment attractiveness using:

1. Earnings Per-Share (EPS) =  $\frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Weighted Average Number of Shares}}$
2. Price-to-Earnings (P/E) Ratio =  $\frac{\text{Market Price per Share}}{\text{EPS}}$
3. Price-to-Book (P/B) Ratio =  $\frac{\text{Market Price per Share}}{\text{Book value per share}}$

Data collection consisted of extracting financial figures directly from the audited reports and applying standard financial formulas for ratio calculation. The computed ratios were then organized into tables for each category to facilitate comparison. The comparative analysis focused on identifying performance differences between Petronas and Sapura Energy in each financial ratio category (Fauziyah et al., 2025). Based on these findings, the study proceeded to outline strategic implications tailored to each company's financial position and market context, as presented in the final section of the research.

## RESULTS

The comparative financial ratio analysis revealed substantial differences between the financial performance of Petronas Nasional Berhad and Sapura Energy Berhad across all four ratio categories: profitability, liquidity, leverage, and investment valuation. The findings are summarized in Table 1 and elaborated in the subsections below:

**Table.1:** financial performance of Petronas Nasional Berhad and Sapura Energy Berhad

Ratio Category	Indicator	Petronas Nasional Berhad	Sapura Energy Berhad
Profitability	ROE	12.21%	Negative (Loss)
	NPM	17.22%	-11.78%
	ROA	7.19%	-5.09%
Liquidity	Current Ratio	3.18	0.07
	Quick Ratio	3.02	0.05
	Cash Ratio	2.06	0.02
Leverage	DER	0.51	-4.31
	ICR	14.97	0.48
	Debt Ratio	0.34	1.30
Investment Valuation	EPS	0.928	-0.317
	P/E Ratio	19.06	-12.6

P/B Ratio	0.069	-2000
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(Source Data Process: 2024)

### Profitability Analysis

Profitability analysis is a financial evaluation that measures a company's ability to generate earnings relative to its revenue, assets, equity, or other financial resources (Olayinka, 2022). It provides insights into how efficiently management utilizes available resources to create profit and sustain business growth. Common indicators used in profitability analysis include Return on Assets (ROA), which reflects how effectively assets are employed to generate net income, and Return on Equity (ROE), which measures the return delivered to shareholders from their invested capital (Vu, 2024). In addition, profit margins, such as net profit margin and operating margin, indicate the proportion of revenue that remains as profit after covering expenses. Overall, profitability analysis serves as a critical tool for investors, creditors, and managers in assessing corporate performance, comparing industry peers, and guiding strategic decision-making (Fauziyah et al., 2025).

Petronas outperformed Sapura Energy in all profitability indicators, demonstrating superior operational efficiency and value creation for its shareholders. The company's Return on Equity (ROE) of 12.21% signifies its ability to effectively utilize shareholders' funds to generate consistent returns. In contrast, Sapura Energy's negative ROE reflects substantial losses and erosion of equity, signaling ineffective capital management and potential challenges in sustaining investor trust. Petronas also recorded a high Net Profit Margin (NPM) of 17.22%, which suggests robust cost control measures, efficient operations, and strong pricing strategies that contribute to stable profitability. On the other hand, Sapura Energy's negative margin of -11.78% indicates revenue insufficiency to cover operating costs, potentially stemming from operational inefficiencies or unfavorable market conditions.

Furthermore, the Return on Assets (ROA) underscores the gap between the two companies' asset utilization efficiency. Petronas achieved an ROA of 7.19%, highlighting its ability to convert assets into profits effectively. This level of performance suggests that the company's asset base is productively engaged in generating earnings. In contrast, Sapura Energy's ROA of -5.09% points to unproductive or loss-making assets, potentially reflecting underutilized facilities, project delays, or low asset turnover. Collectively, these results emphasize Petronas's stronger competitive position, while Sapura Energy's performance reveals deep-rooted financial and operational challenges that hinder profitability.

### Liquidity Analysis

Liquidity analysis evaluates a company's capacity to meet its short-term financial obligations using its most liquid assets (Jusmarni & Prihastuti, 2021). It reflects the firm's ability to maintain smooth operations without facing cash flow difficulties or relying excessively on external financing. Key indicators include the current ratio, which compares current assets to current liabilities, and the quick ratio, which excludes inventories to provide a stricter measure of liquidity (Cheumar et al., 2017). Strong liquidity ratios indicate that a company can cover immediate debts and unexpected expenses, enhancing its financial stability and investor confidence. Conversely, weak liquidity may signal potential solvency risks and limited flexibility in managing operational or strategic needs. Thus, liquidity analysis is vital for understanding a firm's short-term financial health and resilience (Nuryanto et al., 2020).

Petronas demonstrated a robust liquidity position, as evidenced by a Current Ratio of 3.18, a Quick Ratio of 3.02, and a Cash Ratio of 2.06. These figures indicate the company's

substantial capacity to meet short-term obligations without resorting to external financing. The strong liquidity profile suggests that Petronas possesses efficient working capital management and maintains sufficient cash reserves to address operational needs and unforeseen contingencies. This financial flexibility allows the company to invest in strategic opportunities without jeopardizing its short-term solvency.

In contrast, Sapura Energy exhibited critical liquidity constraints that could threaten its operational continuity. With a Current Ratio of only 0.07, a Quick Ratio of 0.05, and a Cash Ratio of 0.02, the company falls significantly below the generally accepted minimum benchmarks for liquidity. These figures imply a severe shortage of current assets relative to current liabilities, which may result in difficulties meeting immediate obligations such as supplier payments and short-term debt servicing. Persistent liquidity deficiencies of this magnitude can lead to strained relationships with creditors, increased borrowing costs, and heightened bankruptcy risk if not addressed promptly.

### **Leverage Analysis**

Leverage analysis examines the extent to which a company relies on debt financing relative to its equity in funding operations and growth (Iqbal & Darsono, 2020). It highlights the financial risk exposure and the firm's ability to meet long-term obligations. Common measures include the debt-to-equity ratio, which shows the proportion of debt compared to shareholders' equity, and the interest coverage ratio, which assesses how comfortably earnings can cover interest expenses. A higher level of leverage may amplify returns when business performance is strong but also increases the risk of financial distress during downturns (Pangemanan et al., 2017). Conversely, lower leverage indicates a more conservative capital structure with reduced risk but potentially limited growth opportunities. Therefore, leverage analysis is crucial for evaluating financial stability, capital efficiency, and the sustainability of a firm's strategic investment decisions (Azzahra & Wibowo, 2019).

Petronas maintained a conservative leverage structure, which serves as a safeguard against financial volatility. With a Debt-to-Equity Ratio (DER) of 0.51, the company shows moderate reliance on debt financing, enabling a balanced capital structure that supports stability and sustainability. Its Interest Coverage Ratio (ICR) of 14.97 reflects a strong ability to cover interest expenses with earnings before interest and taxes, further highlighting its sound financial health. Additionally, the Debt Ratio of 0.34 indicates that liabilities represent only a third of total assets, reinforcing the company's resilience against potential credit shocks.

Conversely, Sapura Energy's leverage profile signals extreme financial distress. A negative DER of -4.31 reflects an equity deficit, meaning that liabilities substantially exceed shareholders' equity, a condition often associated with insolvency risks. The low ICR of 0.48 suggests that earnings are insufficient to meet interest obligations, potentially leading to payment defaults. Furthermore, the Debt Ratio of 1.30 underscores an over-leveraged position, with liabilities surpassing total assets. Such an imbalance severely limits financial flexibility and may deter potential investors and creditors due to the heightened risk of default.

### **Investment Valuation Analysis**

Investment valuation analysis assesses the intrinsic worth of a company's shares or projects to determine whether they are fairly priced, undervalued, or overvalued in the market (Teng, 2023). It involves the use of financial ratios and valuation models, such as the Price-to-Earnings (P/E) ratio, Price-to-Book (P/B) ratio, and Market-to-Book ratio, to compare market value with underlying financial fundamentals. This analysis helps investors

and managers gauge the potential return and risk associated with an investment, aligning financial decisions with long-term value creation. A positive valuation outcome signals that the company has strong market confidence and sustainable growth prospects, while a weak valuation may reflect inefficiencies, risks, or declining investor trust. Overall, investment valuation analysis provides a basis for informed decision-making by integrating financial performance with market expectations (Fauziyah et al., 2025).

Petronas recorded strong investment valuation metrics, with an Earnings per-Share (EPS) of 0.928, a Price-to-Earnings (P/E) ratio of 19.06, and a Price-to-Book (P/B) ratio of 0.069. The positive EPS reflects the company's consistent profitability, which in turn enhances shareholder value. A P/E ratio of 19.06 suggests that investors are willing to pay a moderate premium for the company's earnings, indicating market confidence in its future growth prospects. Meanwhile, the low P/B ratio points to potential undervaluation, offering possible opportunities for value-focused investors seeking long-term gains.

In stark contrast, Sapura Energy's investment valuation indicators paint a picture of severe market pessimism. The company's negative EPS of -0.317 underscores sustained losses, while its negative P/E ratio of -12.6 reflects the absence of positive earnings to support valuation multiples. Most alarming is its extremely negative P/B ratio of -2000, which signals that the company's liabilities far exceed its assets, eroding investor confidence and potentially deterring new investment. Such metrics not only reflect current financial instability but also indicate that significant restructuring or turnaround efforts are required to restore market trust.

## **DISCUSSION**

The findings of this study reveal a clear and significant performance disparity between Petronas Nasional Berhad and Sapura Energy Berhad, spanning all critical financial dimensions. Petronas consistently demonstrated superior profitability, liquidity, and leverage management, suggesting a combination of strategic cost control, diversified revenue streams, and disciplined capital allocation. These strengths indicate the presence of effective corporate governance mechanisms and an adaptive operational model that enables the company to respond to market volatility without compromising financial stability.

In contrast, Sapura Energy's financial distress is not only reflected in its negative profitability, low liquidity, and over-leveraged balance sheet but also in the underlying structural issues that contribute to these outcomes. Factors such as high dependency on debt financing, exposure to volatile oil and gas market cycles, and limited diversification of income streams exacerbate its financial vulnerability. This combination of internal and external pressures provides context to the company's underperformance, highlighting that the problem is not purely operational but also strategic in nature.

### **Interpretation and Theoretical Linkage**

From a theoretical standpoint, Petronas's financial position aligns strongly with the Resource-Based View (RBV), which emphasizes the role of unique, valuable, and inimitable resources in securing a sustainable competitive advantage. Petronas's extensive capital reserves, integration across the energy value chain, and established brand reputation serve as strategic assets that contribute to its robust financial ratios. These advantages also correspond with Capital Structure Theory, where maintaining an optimal debt-to-equity ratio reduces financial risk and preserves strategic flexibility. The company's conservative leverage approach exemplifies how financial policy can reinforce long-term stability in a capital-intensive industry.

By contrast, Sapura Energy's position resonates with Financial Distress Theory, where excessive leverage and low operational returns create a cycle of deteriorating performance and restricted access to financing. Its low liquidity ratios not only signal short-term solvency issues but also reduce the firm's capacity to invest in profitable opportunities or absorb external shocks. This dynamic mirrors prior theoretical discussions on how constrained financial flexibility can accelerate decline in firms facing cyclical industry downturns. The evidence suggests that without structural capital rebalancing and a shift in operational priorities, Sapura Energy's challenges will persist regardless of temporary market improvements.

### **Comparison with Previous Studies**

The results reinforce earlier findings by Olayinka (2022) and Bhadrappa (2021), who documented that firms with high profitability and liquidity tend to enjoy superior market valuations and adaptability to environmental changes (Olayinka, 2022). Similar to Thanh Huu Vu in his journal under title Liquidity coverage ratio and profitability: an inverted U-shaped pattern, this study affirms that liquidity ratios falling below industry standards markedly increase the probability of default, as evidenced in Sapura Energy's case (Vu, 2024). However, this research extends the literature by illustrating how differences in ownership structure state-owned versus privately held can influence financial outcomes even within the same industry and market conditions (Bhadrappa Haralayya, 2022).

In Petronas's case, state ownership facilitates access to strategic partnerships, policy alignment with national energy goals, and implicit government backing, which together reduce financing costs and bolster investor confidence. Conversely, Sapura Energy's private ownership model subjects it to greater market discipline without the safety net of sovereign support, magnifying the impact of market downturns and operational inefficiencies. This divergence not only explains part of the observed performance gap but also highlights governance as a critical variable often overlooked in traditional ratio-based analyses.

### **Strategic Implications**

The financial strength of Petronas provides a solid foundation to invest in long-term strategic initiatives, particularly in clean energy transitions. Programs such as Gentari position the company to capture growth in renewable sectors while aligning with global sustainability targets. Surplus liquidity and prudent leverage management ensure that these investments can be executed without compromising short-term solvency or profitability. This positions Petronas as not only an industry leader in conventional energy but also as a competitive player in the future energy landscape.

For Sapura Energy, the implications are urgent and transformative. Immediate strategies must prioritize financial stabilization through debt restructuring, divestment of non-core assets, and strict cost containment. Beyond short-term survival, the company should explore revenue diversification, focusing on more stable segments such as maintenance and decommissioning services, while gradually entering renewable energy markets. These steps would not only mitigate reliance on volatile upstream activities but also improve investor sentiment and long-term valuation.

### **Contribution to the Field**

This study contributes to the corporate finance literature by bridging the gap between quantitative financial analysis and strategic interpretation. Rather than viewing financial ratios in isolation, the findings are contextualized within established theoretical frameworks, offering richer insights into the drivers and implications of corporate financial health. By

doing so, it strengthens the case for integrating ratio analysis with strategic management perspectives, particularly in capital-intensive and cyclical industries such as energy.

Furthermore, the comparative approach examining both a state-owned and a privately owned firm offers a nuanced understanding of how governance structures and strategic priorities intersect with financial performance. This dual-lens perspective provides actionable implications for policymakers, investors, and corporate managers, demonstrating that financial ratios are not merely diagnostic tools but also predictors of strategic capacity and resilience.

### **Islamic Perspective: Maqashid al-Shariah in Financial Performance Evaluation**

Maqashid al-shariah refers to the ultimate objectives that Islamic law seeks to achieve in order to promote public welfare (maslahah) and prevent harm (mafsadah) in human life. Classical scholars such as Al-Ghazali and Al-Shatibi formulated five foundational principles that constitute the core of maqasid: the protection of religion (hifz al-din), life (hifz al-nafs), intellect (hifz al-aql), lineage (hifz al-nasl), and wealth (hifz al-mal). These five objectives provide a normative framework guiding Muslims in various dimensions of life, including the domains of economics and finance, ensuring that every activity is not merely profit-oriented but also aligned with the principles of sustainability, justice, and divine blessing in accordance with shariah.

The comparative analysis of Petronas and Sapura Energy can also be interpreted through the lens of maqashid al-shariah, which emphasizes the protection of five fundamental values:

- a. **Hifz al-Din (Protection of Religion):** By being listed as Shariah-compliant securities in Bursa Malaysia, both Petronas and Sapura Energy operate within a framework that avoids non-permissible activities such as *riba*, *maysir*, and *gharar*. This compliance strengthens Muslim investors' ability to preserve their faith while participating in capital markets.
- b. **Hifz al-Nafs (Protection of Life):** Petronas's strategic investment in clean energy and commitment to net-zero emissions by 2050 reflect efforts to protect human life and the environment from the harmful effects of climate change. Conversely, Sapura Energy's financial distress limits its capacity to contribute to long-term sustainability programs, potentially hindering broader societal welfare.
- c. **Hifz al-Aql (Protection of Intellect):** Transparent financial reporting and ratio analysis provide rational bases for decision-making, reducing speculation and aligning with Islam's encouragement of knowledge-based and prudent economic behavior. Investors guided by these analyses can avoid irrational herd behavior and make informed choices.
- d. **Hifz al-Nasl (Protection of Lineage/Generations):** Long-term financial sustainability enables corporations to invest in renewable energy and corporate social responsibility initiatives that secure resources for future generations. Petronas's strong liquidity and profitability allow it to allocate funds for projects that ensure intergenerational justice, whereas Sapura's losses threaten continuity and intergenerational wealth transfer.
- e. **Hifz al-Mal (Protection of Wealth):** The essence of financial ratio analysis lies in protecting and growing investors' capital. Petronas's sound financial structure safeguards shareholder wealth and promotes stability, while Sapura's excessive

leverage and persistent losses highlight risks of capital erosion, contradicting the principle of wealth preservation.

Through this maqasid-oriented perspective, the study highlights that financial performance is not merely a matter of profitability but also of fulfilling higher objectives of Shariah, ensuring that corporate strategies contribute to religious adherence, human well-being, rational decision-making, generational sustainability, and wealth protection.

## CONCLUSION

This study provides a comprehensive comparative analysis of the financial performance of Petroliaam Nasional Berhad (PETRONAS) and Sapura Energy Berhad across four key dimensions: profitability, liquidity, leverage, and investment valuation. The findings reveal a significant performance divergence, with PETRONAS demonstrating robust profitability, strong liquidity, conservative leverage, and positive valuation metrics, all of which underscore effective corporate governance, operational efficiency, and investor confidence. Conversely, Sapura Energy faces persistent financial distress characterized by negative earnings, critical liquidity shortages, excessive leverage, and severe market undervaluation, indicating urgent needs for restructuring and strategic redirection.

Beyond the descriptive evidence, these findings extend theoretical discourse by linking financial ratio analysis to the Resource Based View, Capital Structure Theory, and Financial Distress Theory, highlighting how unique resource configurations, debt policies, and governance structures shape corporate resilience in cyclical industries. Moreover, the comparative lens between a state-owned enterprise and a distressed private firm reveals that ownership structure and policy alignment with national energy strategies can significantly moderate financial outcomes, thereby enriching existing literature on governance and corporate finance in emerging markets.

From a practical perspective, the study offers actionable insights. For investors, the results provide a clear signal regarding risk–return trade-offs in Malaysia’s energy sector. For managers, PETRONAS’s surplus liquidity and prudent leverage open opportunities for clean energy investments and long-term sustainability, while Sapura’s financial fragility necessitates urgent reforms, including debt restructuring, cost containment, and revenue diversification. For policymakers, the study emphasizes the importance of integrating corporate financial health into national energy transition agendas to ensure alignment with sustainability and resilience goals.

Additionally, the maqasid al-shariah perspective enriches the interpretation of financial performance by framing profitability, liquidity, and capital preservation within higher objectives of Shariah protection of religion, life, intellect, lineage, and wealth. PETRONAS’s financial strength allows alignment with these objectives, particularly in supporting environmental sustainability (*hifz al-nafs*) and intergenerational justice (*hifz al-nasl*), whereas Sapura’s financial fragility undermines these goals and highlights the ethical urgency of restructuring.

Nevertheless, the study is not without limitations. It relies on secondary data from a single fiscal year and focuses on two firms within the Malaysian context, which constrains generalizability and temporal depth. Future research should extend the analysis over multiple years, include a broader sample across industries, and integrate qualitative insights from industry stakeholders. Further exploration of the relationship between sustainability

investments and financial outcomes under a Shariah framework could provide deeper insights into how Islamic ethical imperatives translate into long-term corporate value.

In sum, this research advances both conventional and Islamic finance literature by offering an integrated framework that combines financial performance evaluation, strategic interpretation, and maqasid al-shariah. It contributes not only to scholarly debates but also to practical decision-making for investors, corporate managers, and policymakers navigating the complexities of the energy transition in emerging markets

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