**Assessing the Financial Performance of Tadawul-Listed Companies**

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# Abstract

The purpose of this research study is to assess the financial performance of Tadawul-listed Companies. Tadawul is a major stock exchange of Saudi Arabia and various Saudi Corporations are listed on the Tafawul stock exchange. Many world-renowned corporations such as Saudi Armco are a part of this stock exchange. This research study will provide the ways through which the financial performance of Tadawul-listed companies can be analyzed. The research will provide information regarding why assessing financial performance is important and how corporations can improve their financial performance. Overall the research study has huge significance for the financial analysts and managers of the organizations. For performing this research study it is important to collect the data in abundance. Usually for performing the study, the researchers collect both primary and secondary data however in this research study only secondary data will be collected. This research study will follow a quantitative research approach which means that the data will be in the form of numbers. The quantitative research approach allows the researchers to get data in abundance and this data can be analyzed using various statistical approaches. The secondary data that is going to be collected in this study will be gathered from the financial statements of the companies that are listed on the Tadawul Stock Exchange. From the financial ratios, it is evident that the companies are generating higher profits however it is important that the companies increase their efficiency from the efficiency ratios it is clear that the companies need to improve their efficiency.

**Assessing the Financial Performance of Tadawul-Listed Companies**

# Introduction

Assessing the financial performance of the organization is essential for the long-term growth and success of the organization. There are various business decisions that are taken on the basis of the financial analysis of the corporation. If the corporation is not going to assess its financial performance then it might not know whether it is moving in the right direction or not. Evaluating the financial performance is important for the effective utilization of resources and for managing the costs of the operations efficiently. If the business wants to grab a competitive advantage over the competitors then evaluating the financial performance of the business is a must (Braun & Tietz, 2017).

Assessing the financial performance is important for making different business decisions such as the expansion of the business. If the organization wants to go international or wants to launch a new product then first it will have to analyze its financial performance. Usually, organizations make expansion decisions when they are making huge amounts of profit. If the business is not generating enough profit then the business might not going to make an expansion decision. Financial performance analysis is also performed so that the business can attract new investors (Brown, et al., 2007).

Various investors want to invest in such corporations which provide a significant amount of profit. It means that the investment decisions of the investors will depend on the financial performance of the organization. The higher the profitability the more will be the chance of attracting a huge number of investors. Good financial performance provides a competitive edge to the organization and helps the organization increase its market share in the market. If the financial performance of the organization is not stable then the corporation will face various challenges in the market. In the worst-case scenario, the organization might lose its market share.

The purpose of this research study is to assess the financial performance of Tadawul-listed Companies. Tadawul is a major stock exchange of Saudi Arabia and various Saudi Corporations are listed on the Tafawul stock exchange. Many world-renowned corporations such as Saudi Armco are a part of this stock exchange. This research study will provide the ways through which the financial performance of Tadawul-listed companies can be analyzed. The research will provide information regarding why assessing financial performance is important and how corporations can improve their financial performance. Overall the research study has huge significance for the financial analysts and managers of the organizations (Campbel, et al., 2011).

This research study will provide huge information to organizations, businesses, financial analysts, economists, and institutions. The research study has huge significance because the research provides brief information regarding how the financial performance of the companies can be assessed and how corporations can make various decisions on the basis of financial performance analysis. In recent years the competition in the market has increased to a large extent and to gain a competitive advantage over competitors it is important that the companies assess their financial performance effectively (Chandra, 2011).

# Literature Review

In general, maintainability embodies an unfathomably broad and complex idea that has recently generated critical logical discussion and therefore generated incredible interest at the scientific, social, and business levels. In 1987, the Brundtland Commission of the United Nations characterized aid as "solving the needs of the present without compromising the ability of people in the future to solve their own problems". Supportability can be considered both with a full-fledged approach associated with the overall monetary framework and with the use of a miniature methodology that ensures the investigation of unequivocal administrators (people, organizations, states). At the business level, corporate sustainability can be characterized as addressing the needs of a company's immediate and non-supportive partners without limiting its ability to address the problems of future partners. Corporate governance can be expressed in different ways, as organizations need to develop and keep up with financial, social, and natural assets that are interconnected, especially if sustainability is projected in the long term (Delen, et al., 2013).

In addition, Corporate Social Obligation (CSR) has become famous in intellectual and professional discussions: researchers hold the opinion that organizations should work on the social and environmental effects of their activities, however their efforts should be directly linked to business and methodology. the only company. In addition, the European Association has recently issued a methodology for a sustainable bioeconomy to strengthen the link between economy, society, and climate. Global difficulties such as environmental change, land and biological system corruption, in the challenge of limited assets with developing populations, drive the search for better approaches to create, consume, preserve, and protect normal assets and climate. Yet, the need to achieve sustainability should be linked to the creation of an ideal business climate for reasonable development, job creation, and progress to guarantee the prosperity of the population and the regions. Subsequently, all organizations must make a reasonable monetary execution, not exclusively to meet the actual prerequisites for the owners, but most importantly to guarantee the continued practicality of the organizations in terms of the medium-term campaign and to continue working in the light of the legitimate interest of all. partners. Likewise, the importance of controllability issues is additionally reflected in corporate disclosure: indeed, non-monetary disclosure is becoming a fundamental part of corporate detailing, handing over, and coordinated detailing – which brings together the monetary, social, and environmental execution of organizations, legislatures, and non-profit elements (Fridson & Alvarez, 2011).

As a representative of the global association e Worldwide Revealing Drive (GRI), it additionally offers standards on monetary, social, and natural points that help organizations characterize what and how to report to express the effect of their exercises on fundamental support issues. Likewise, the writing emphasizes two viewpoints - the supportability and monetary fulfillment of the enterprise - as a generally ongoing subject of examination. Current trials are represented by heterogeneous trials for researched problems, adopted philosophies, and experimental trials directed as well as for conflicting outcomes. For example, Kerr (2006) provides an authoritative aspect by proposing an admired initiative model to understand how efforts to adopt techniques to oversee ecological tensions and how these approaches influence the development of frameworks, work, and culture of large enterprises. The findings contain vital components of the SME center's capability profile that enable sustainable tasks. However, Walker and Preuss (2008) explore a valuable open door to cultivating sustainable improvement through getting open space from SMEs by conveying ideas on the most experienced method to overcome several hurdles (Jansson, 2020).

There are several papers that direct writing surveys to examine maintainability in an SME setting, but they generally focus on different issues and do not consider the effects of corporate incentives on monetary performance: Johnson and Schaltegger (2016), for example, provide a precise writing survey. regarding the implementation of board equipment supportability by SMEs, Klewitz and Hansen (2014) address the idea of ​​sustainability-oriented development in a similar setting. The complexity and multidisciplinarity of the methodologies used to dissect the problem of manageability, notwithstanding the limited perception of their effects on the monetary fulfillment of SMEs, reveals a logic hole that can be filled by looking at ongoing logic information regarding primary subjects, procedures, and outcomes. With the above in mind, the purpose of this article is to develop information about two significant issues and their connections with careful consideration of SMEs and to address the accompanying test question: what does writing about the link between support and monetary fulfillment of SMEs recommend (Kluyver & Pearce, 2021).

# Research Questions

The following are the research questions which the research study is going to answer in detail:

* What are the ways or techniques through which the organizations can analyze the financial performance?
* Why analyzing financial performance is essential for organizations?
* What impact does evaluating financial performance have on business decision-making?
* what are the ways through which the organizations can improve their financial performance?
* What are the challenges that the businesses are facing in improving their financial performance?

The first major question that the research study is going to focus on is to identify the techniques that can be used for assessing financial performance. There are many techniques that can be used for assessing financial performance such as financial ratio analysis and common size analysis etc. The research will focus on why financial performance analysis is considered important for companies. The research provides detailed information regarding the impact of financial performance analysis on the decision-making process. Another important question that this research study is going to answer is to identify the ways through which organizations can improve their financial performance. Overall the research study will provide brief information to its target audience (Kourdi, 2015).

# Methodology

For performing this research study it is important to collect the data in abundance. Usually for performing the study, the researchers collect both primary and secondary data however in this research study only secondary data will be collected. This research study will follow a quantitative research approach which means that the data will be in the form of numbers. The quantitative research approach allows the researchers to get data in abundance and this data can be analyzed using various statistical approaches. The secondary data that is going to be collected in this study will be gathered from the financial statements of the companies that are listed on the Tadawul Stock Exchange (Lento & Ryan, 2019).

Most of the financial information will be gathered from the annual reports of the organizations that are listed on the stock exchange. The annual reports include the key financial statements of the organizations which are going to be analyzed to assess the financial performance of the companies. For assessing the financial performance accounting ratio analysis technique has been utilized which is considered a great technique for getting a detailed overview of the financial performance of the organization. Through accounting ratio analysis the liquidity, profitability, efficiency, and financial leverage of the corporations can be assessed in detail (Mahadevan, 2010).

The secondary data for the research will not only be collected from the financial statements of the organizations but also going to be collected from various peer-reviewed journal articles. The extensive literature review will provide detailed information for the research. In this research study, the data of 10 corporations will be gathered which are listed on the Tadawul stock exchange. This research study has its own limitations. The first limitation is that the study has collected data regarding the companies that are listed only on the Tadawul stock exchange. In addition, the study is based only on Saudi companies (Mohana, 2011).

# Findings

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **NO** | **Alternative** | **Return-on-Equity (ROE)** | **Return-on-Assets (ROA)** | **Net profit Margin** | **Earnings per share (EPS)** | **Price to Earnings Ratio (P/E)** | **Price-to-Book (P/B)** | **Asset Turnover** |
| 1 | SAUDI ARAMCO | 35.84 | 23.96 | 26.35 | 2.47 | 11.65 | 4.18 | 0.91 |
| 2 | PETRO RABIGH | -7.31 | -1.70 | -1.99 | -0.67 | -16.65 | 1.22 | 0.85 |
| 3 | ALRAJHI | 17.11 | 2.25 | 64.54 | 4.29 | 17.56 | 3.01 | 0.03 |
| 4 | SNB | 11.14 | 1.97 | 59.33 | 3.14 | 11.93 | 1.33 | 0.03 |
| 5 | RIBL | 12.50 | 1.95 | 57.02 | 2.34 | 13.34 | 1.67 | 0.03 |
| 6 | SABIC | 7.60 | 5.28 | 8.33 | 5.51 | 15.65 | 1.19 | 0.63 |
| 7 | MAADEN | 16.63 | 8.35 | 23.14 | 2.52 | 16.33 | 2.72 | 0.36 |
| 8 | SABIC AGRI-NUTRIENTS | 47.86 | 37.10 | 52.88 | 21.08 | 6.72 | 3.22 | 0.70 |
| 9 | SIPCHEM | 21.48 | 15.32 | 35.06 | 4.96 | 7.49 | 1.61 | 0.44 |
| 10 | YANSAB | 2.95 | 2.48 | 5.90 | 0.736 | 56.56 | 1.67 | 0.42 |

As mentioned earlier 10 companies were selected from the Tadawul Stock Exchange and for analyzing their financial performance accounting ratio analysis has been performed. Profitability ratios, market ratios, and efficiency ratios have been computed to get deep insights into the financial performance of the companies. From the financial ratios, it is evident that various companies that are listed on the Tadawul stock exchange are generating significant amounts of profit. Many companies that are listed in Tadawul have net profit margins higher than 25% which is a clear sign that the companies are generating high amounts of profit (Mulford & Comiskey, 2011).

From the financial ratios, it is evident that the companies are generating higher profits however it is important that the companies increase their efficiency from the efficiency ratios it is clear that the companies need to improve their efficiency. When the efficiency of the companies are going to be higher the corporations will able to make higher sales generation. With higher sales generation the profitability of the companies will also increase. It is also advised to the corporation to keep an optimum capital structure so that the cost of capital can remain lower.

Overall it can be said that accounting ratio analysis is a great technique for evaluating the financial performance of companies that are listed in the stock exchange. With accounting ratio analysis not only the corporations can get a quick overview regarding the financial performance of the organization but also on the basis of financial performance the corporations can make timely decisions. With financial ratios, the company gets enough information which is required for making different decisions. The results of the financial ratio of one company can be compared with other companies to get detailed information (Pandey, 2015).

There are also other ways as well through which organizations can analyze the financial performance of the companies. By performing trend analysis, common size analysis, and break-even analysis the organization can get deep insights about the financial performance of the companies. In this research study, the financial performance has been assessed with the help of accounting ratios. The results depict that many companies that are listed are generating profit however some companies need to improve their performance as well. By improving their performance they can compete efficiently with their competitors and can get a competitive edge which is required for capturing market share (Parameswaran, 2011).

# Discussion

Many corporations in the world analyze their financial performance before making any expansion decision. It is important to analyze the financial situation before making an expansion decision because the corporation must know whether it has enough resources for expansion or not if the organization does not have enough resources then expanding the business might become difficult for the business. Even before acquiring another corporation, it is important to perform a financial analysis of the organization so that the acquisition process can be performed smoothly.

Assessing the financial performance of the organization is essential for controlling the costs or expenses of the organization. Through detailed financial analysis, the organizations become able to understand how effectively they are controlling the costs. If the corporations are not going to control the costs effectively then there is a huge chance that the profitability of the company will decline which will lead to lots of other problems. Through financial analysis, the organization can make strategies to control costs and improve the overall financial outlook. Detail financial analysis can lead to better utilization of the resources in the organizations which is important for success (Spender, 2014).

The main aim of every organization is to generate profit so that the business can sustain itself for a longer time period in the market. For performing various business activities the organization needs financing. The financing needs of the organizations are met by the investors who invest money in the corporations. The investors before making any investment decision analyze the financial performance of the corporation. Therefore the financial results of the corporations help the corporation to attract investors. The higher the profitability the more will be the chance of attracting new investors. In short for getting quick access to financing needs the business should perform financial analysis.

In the success and overall growth of the business financial performance analysis plays an important role. Usually, organizations compare their financial performance with the financial performance of their competitors to know whether they are performing well in the market or not. If the financial analysis shows that the financial performance is better than competitors then it means that the organization has a competitive edge over the competitors and the organization is leading in the industry. On the other hand, if financial performance shows problems then the company needs to take measures to improve the financial performance. The financial performance can be improved through various ways (Tsintsadze, et al., 2019).

Good financial performance has a positive impact on the business because, with good financial performance, the reputation of the organization increases which leads to higher sales generation. Higher profitability means that the products or services are popular with the customers. A good financial position further strengthens the reputation of the business due to which a huge number of customers get attracted to the business. Overall it is evident that a good financial position is essential for a good reputation and for attracting more customers. With good financials, more investment will come into the organization which means that the organization can perform its activities more efficiently.

There are various ways through which the organization can improve its financials. One of the most common ways is to focus on the quality of the product and service. When the product quality is going higher then there is a huge chance that more customers will be attracted to the company and when more customers are going to purchase the products then the revenue of the business will increase which will ultimately be going to increase the profitability of the business. Therefore improving the quality of the products or services is essential for the organization (Warren, et al., 2018).

The marketing of the products or services is also a good way to attract more customers. Through attractive and unique marketing not only the business will be able to attract more customers but also through unique marketing techniques, the business will be able to gain a competitive edge over its competitors. Marketing techniques help the organization to provide detailed information to the customers and how the products and services that the organization is offering to the customers are different from the competitors. Marketing activities in recent years have gained huge importance by the management of the organization therefore focusing on marketing activities is a must by the corporations.

Cost reduction is another way through which organizations can lower their expenses and improve their overall financials. If the organizations are not going to manage the costs and are only going to focus on marketing and other activities then there is a huge chance that the profitability of the organizations will not increase. By controlling costs through various ways the organizations can bring improvement in the financials. In recent years organizations have begun using the latest technologies to improve the utilization of resources and to increase the efficiency of operations. In short, technology helps the business to lower the expenses up to a large extent (Warren, et al., 2016).

Promotion and discounts also play important role in the success and growth of the business. Many organizations offer various discounts and promotions to customers. On different occasions, the customers are given discounts so that each and every customer can get value for money. Different companies offer loyalty discounts to the customers as well so that customers can be retained by the company. The purpose of the discount and promotion offers is to increase the customer satisfaction level and loyalty because loyal customers bring a lot of new customers by advising their friends and family members about the product and services of the company.

It has been seen that technology also plays an important role in the organization because with the help of technology not only does the organization become able to manage their financials more efficiently but also become able to reduce their costs to a lot of extent. Modern technologies are designed in such a way that they do not consume many resources and due to less consumption of resources, the expenses of the business decline to a greater extent. Through modern technology, the efficiency and productivity of the organizations have been increased as well (Brown, et al., 2007).

The organizations that are listed on the Tadawul stock exchange are facing many challenges regarding their financial performance. One of the major challenges is the level of competition in the market. The higher the competition the lower will be the chances of generating higher profit margins. when the level of competition increases in the market the companies cannot increase the prices of the products because the companies know that if they are going to increase the prices of the product then there is a huge chance that the customers will be going to switch to such companies that are offering products at lower prices.

Another major challenge that the companies are facing is the impact of extender environmental factors on the financial performance of the companies. The financial performance of the companies can be seriously affected if sudden changes occur in the economic factors, political factors, legal factors, and technological factors. Not only the costs of the organizations can increase due to changes in external environment factors but the purchasing power of the customers can also be seriously affected. That’s why it is important for the company to evaluate the external environmental factors effectively and efficiently with the passage of time (Warren, et al., 2016).

# Conclusion

It is concluded that From the financial ratios, it is evident that the companies are generating higher profits however it is important that the companies increase their efficiency from the efficiency ratios it is clear that the companies need to improve their efficiency. When the efficiency of the companies are going to be higher the corporations will able to make higher sales generation. With higher sales generation the profitability of the companies will also increase. It is also advised to the corporation to keep an optimum capital structure so that the cost of capital can remain lower.

Overall it can be said that accounting ratio analysis is a great technique for evaluating the financial performance of the companies that are listed in the stock exchange. With accounting ratio analysis not only the corporations can get a quick overview regarding the financial performance of the organization but also on the basis of financial performance the corporations can make timely decisions. With financial ratios, the company gets enough information which is required for making different decisions. The results of the financial ratio of one company can be compared with other companies to get detailed information.

There are also other ways as well through which organizations can analyze the financial performance of the companies. In this research study, the financial performance has been assessed with the help of accounting ratios. The results depict that many companies that are listed are generating profit however some companies need to improve their performance as well.

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