



The Performance Analysis of Saud Bahwan Group, Oman: An Empirical Study

Md Shabbir Alam*, Naushad Alam, Md Abdul Imran Khan

Department of Accounting & Finance, CCBA, Dhofar University, Salalah, Oman *Email: mdshabbir@du.edu.om

ABSTRACT

The present study examines the financial performance Saud Bahawan group *viz.* its competitor and its role in the economic development of Oman. From the empirical work carried out it was established that the return on equity (ROE) has increased over the years from 1350 in 2010 to 14,245 in 2014. However on the contrary the net assets to book value, earning per share (EPS) have declined considerably over the years. The debt ratio has too increased from 0.18 to 0.28 which is a marginal increase and that's may have attributed to the decline in the EPS. The results showed that, there is no significance different between ROE of Saud Bahawan and five other companies chosen for the study. If we just consider the difference of mean in ROE of all companies establishes the fact the firm profitability is comparatively better than that of its competitor. Thus the study reveals that the companies chosen for the study were no better than that of the Saud Bahawan group in all the parameters taken for the study.

Keywords: Financial Performance, Return on Equity, Earnings Per Share and Debt Ratio

JEL Classifications: G30, G32, G39

1. INTRODUCTION

The present study is carried out to find out the working performance of Saud Bahawan Group one of the leading company of Oman. The group has been playing a great role in the Oman economy since its inception. It initially started with in the field of automotive and allied businesses and since then diversified into turnkey projects, construction equipment, oil and gas, municipal civic services, special equipment, travel and tourism, and real estates. The present study is thus an attempt to find out the firm performance relative to the performance of other company involved in similar business. The study is also an attempt to find out the profitability of the firm as compared to its competitors to determine the market share of the firm.

2. LITERATURE REVIEW

To fulfill the need of the study a through literature review was carried out mainly research papers containing research from the Arab countries were reviewed. A representative group of

304 firms from different sectors of the economy were selected. We first of all important descriptive statistics, identity and their performance and market station from firms on the steps, and then use the variable to capture the relationship between the world but incredibly equality. In particular, we study the determinant ownership concentration. Instrumental variables and properties owned by the country used as concentration on concentration ownership of firms control endogeneity to display and the influence of market incentives. And identify the effects of ownership and are block holdings. As a result, the broad front that ownership concentration among the poorer legal protection for investors, endogenous response, but I do think there is no major impact on the performance of firms (Omran et al., 2008). The study carried out to find out the relationships between the corporate social responsibility and the financial performance suggests the existence of positive relationships (Waddock and Graves, 1997). The factors affecting the Jordanian insurance company's financial performance (FP) is the goal of this research investigation. Oman stock exchange during the period, the number of the insurance company (25) (2002-2007) study population consisted of all

insurance companies have enlisted. Analysis of the data collected has been t-test and the primary contact number by using a large number of statistical techniques. Results showed the following variables (attenuation, size, management capacity, and leverage index) have a positive effect on the FP of insurance companies, a Jordanian logistics. The researcher recommended that the company consider a good FP of an increase in assets will lead to a high and important need in the very highest administrative staff has qualified employees (Almajali et al., 2012). In a study carried out to find the relationships between the ownership structure and the firm performance it was found that the large shareholders had no impact on the firm performance, however the government and individuals (families) showed to have sizeable impact on the performance of the firm (Al-Saidi and Al-Shammari, 2015). In a study carried out to find out the importance of financial budget evaluation in universities and colleges it was found that it is imperative that measures to improve the financial management in order to have better utilization of resources (Chu and Li, 2013). The study carried out to find the customer satisfaction of the Bank Muscat in Dhofar region identified that the adoption of high end technology and providing speedy services were require to cater the growing needs of the customer in the globalized economy. (Murthy, 2010). The study carried out to find out the performance of domestic and foreign bank of the GCC countries by using the financial ratios it was found that the commercial bank in the GCC countries to have capitalized and to have good asset quality than what required as under the BIS capital/asset ratio and were having high level of profitability. It was also evident from their study that the banks in the GCC countries were enjoying public confidence and having good market share (Islam, 2003). In a study carried out to find the relationships between the corporate social responsibility and the financial performance it was found that CSP to be positively associated both the prior and future financial performance of the firm (Waddock and Graves, 1997). A study was carried out to find out the inconsistencies between the firm stated CSR and the actual CSR. It was found from the study that when proactive communication strategy is employed the level of perceived hypocrisy is higher than compared to when the reactive communication strategy which is when the CSR statement followed by the observed behavior. Further it was revealed from the study that inoculation communication strategy leads to minimization of negative perception in the context of CSR irrespective of the fact that whether the communication strategy followed is proactive or reactive (Tillmann Wagner, Richard J Lutz and Barton A Weitz).

The study of the structure of the capital of Oman Jordanian firms listed in the stock market affect the performance of a public investigation. General least squares multiple regression model to study by (n) impact on the structure of capital representing 76 firms

(53 industrial firms and 23 service corporation) period (2001-2006) for applying on behalf of a technique of investigation is used as. The results of this research study on negative and samples with a strong performance on the capital structure generally associated with that conclusion. In addition, the study was that advanced financial stable firms and their financial equilibrium between the low FPs of firms effects of any significant difference. Finally, there is also a study of high growth firm's financial balance and low growth firms FP is the difference between a negative and it was statistical on the basis of impact on development is shown (Soumadi and Hayajneh, 2012). Corporate social performance (SP) and FP explain the divergent results on the relationship between different factors can be found in scientific literature. The primary purpose of this chapter to test the effects of these factors is their divergent results. It also considered the relation of these factors individually or in combination, is aimed to assess the sensitivity of it. Our experimental results show that an estimated selection of research depends on the relationship. In particular, FP and SP, measure according to measure a sample chosen relationship. It is not stable, not necessarily linear relationship as many related scholarly works in literature, a duty. Knowledge gained from this work of literature which is still in the process of speaking and a glimpse of lines in the field better understand studied relationship suggests (Tebini et al., 2014). In a study to find out the corporate control analysis of de-diversification activity of publicly held American firm was carried out for a period of 1985-1984. The results depicted that when there is weak economic performance the de-diversification is more likely to take place when the firm stock prices are low and there is mismatch between corporate strategy and the identity attributed to the firm by the analyst (Zuckerman, 2000).

3. DATA AND METHODOLOGY

To fulfill the need of the study information was collected from the annual reports and balance sheets of the company. The analysis and interpretation of financial statements reveal each and every aspect regarding the wellbeing financial soundness, operational efficiency and creditworthiness of the company. In current study we used the existing instruments of job firm performance and growth in Bahawan group. The data will be collected from the published annual reports of Saud Bahawan group. To determine the relationship among different factors ANOVA has been used and multiple regression analysis is also carried out to establish the relationships amongst the different factors.

4. RESULT ANALYSIS AND DISCUSSION

To fulfill the need of the study analysis on the financial ratios of Saud Bahawan Group of company as compare to the financial

Table 1: Financial ratios

Year	ROE	Net asset/book value	EPS	Stock dividend	Price earning	Debt ratio	Closing price	Company name
2014	14245.00	-0.07	-0.04	0.00	0.53	0.28	0.000	Saud Bahawan Group
2013	19866.00	-0.07	-0.04	0.00	0.57	0.22	0.000	Saud Bahawan Group
2012	18480.00	0.04	0.02	0.00	0.55	0.19	0.000	Saud Bahawan Group
2011	10395.00	0.00	0.01	0.00	0.52	0.17	0.000	Saud Bahawan Group
2010	13580.00	0.14	0.07	0.00	0.57	0.18	0.000	Saud Bahawan Group

Source: Authors own compilation. ROE: Return on equity, EPS: Earning per share

Table 2: Comparative analysis

Performance indicators	Sum of squares	df	Mean square	F	Significant
ROE					
Between groups	338348847772.300	5	67669769554.460	30.160	0.000
Within groups	53848682098.400	24	2243695087.433		
Total	392197529870.700	29			
Net assets					
Between groups	0.138	5	0.028	2.842	0.037
Within groups	0.233	24	0.010		
Total	0.371	29			
EPS					
Between groups	0.050	5	0.010	12.943	0.000
Within groups	0.018	24	0.001		
Total	0.068	29			
Dividend					
Between groups	0.002	5	0.000	1.000	0.439
Within groups	0.008	24	0.000		
Total	0.010	29			
Earning price					
Between groups	1.315	5	0.263	1.874	0.138
Within groups	3.227	23	0.140		
Total	4.542	28			
Debt ratio					
Between groups	0.327	5	0.065	29.700	0.000
Within groups	0.053	24	0.002		
Total	0.379	29			
Closing price					
Between groups	6.815	5	1.363	28.289	0.000
Within groups	1.156	24	0.048		
Total	7.972	29			

Source: Authors own compilation. ROE: Return on equity, EPS: Earning per share

Table 3: Comparison of Saud Bahawan with its competitor

Saud Bahwan Group	P value				
	Oman cement	Raysut cement	Al Hassan Engineering	Galfar Engineering and Contracting	Gulf stone
ROE	0.008	0.024	0.999	0.055	0.015
Net assets	0.413	0.064	1	0.934	0.771
EPS	0.489	0.029	1	0.999	1
Dividend	0	0	0	0.975	0
Debt ratio	0.009	0.17	0.01	0.021	1

Source: Authors own compilation. ROE: Return on equity, EPS: Earning per share

ratios of other five companies was carried out. It can be observed from the Table 1 that the return on equity (ROE) has increased over the years from 1350 in 2010 to 14,245 in 2014. However on the contrary the net assets to book value, earning per share (EPS) have declined considerably over the years. The debt ratio has too increased from 0.18 to 0.28 which is a marginal increase and that's may have attributed to the decline in the EPS.

In the next section the analysis of five other company is done with that of Saud Bahawan Group as depicted in the Tables 2 and 3. These companies are also offering similar line of products as that of the Saud Bahawan Group. These companies are the competitors of the Saud Bahawan Group and a comparison has been done using the ROE, net assets ratio, EPS, dividend ratio, earning price and debt ratio of company stock with five companies. The data were time series from 2010 to 2014. The results showed that, there is no significance different between ROE of Saud Bahawan and other companies. If we just consider the difference of mean in ROE of all companies establishes the fact the firm profitability is comparatively better than that of its competitor. In net assets ratio,

we also could not find any difference, all the variables performing in the same way. The EPS is also the firm profitability is found to be significant. In this comparison, it was found, there is no significance difference in Saud Bahawan companies. In dividend ratio and earning price ratio, we found a clear difference in these values.

It can be observed from Table 3 that there is no significance difference in the ROE of Saud Bahawan Group and Oman Cement Co., Raysut Cement. But with Al Hassan Engineering, and Ghafar Engineering we could found a significance difference. There was no significance difference in the mean of Saud Bahawan and Galfar Engineering and Gulf stone. Saud Bahawan was better than the Gulf stone but lower than other four firms. In net assets ratio, we found Saud Bahawan is greater than Alhassan Engineering, but lower than all other four firms. On the basis of P value, we found there is significant difference in the mean of Saud Bahawan and all other firms. We performed analysis on EPS of Saud Bahawan and four other companies. We found Saud Bahawan is better than Alhassan Engineering, and lower than all four firms. We performed analysis

on dividend ratio of Saud Bahawan and five other companies. We found no significance difference among all firms in their dividend ratio. We performed analysis on the Debt ratio of Saud Bahawan and all other five companies and found that, Saud Bahawan is better than Oman cement as compare to other companies.

5. CONCLUSION AND DISCUSSION

The data analysis of Saud Bahawan shows that Saud Bahawan group is in tough competition with its other competitors. In this analysis we compare the ROE, net assets ratio, EPS, dividend ratio and debt ratio. The data were time series from 2010 to 2014. The results showed that, there is no significance different between ROE of Saud Bahawan and other companies. If we just consider the difference of mean in ROE of all companies, it was found that the Saud Bahawan group profitability is greater than of its competitor. In net assets ratio, we also could not find any difference, all the variables performing in the same way. The EPS also show that there is no significant difference between Saud Bahawan and selected group of companies. Thus the study reveals that the company chosen for the study was no better than that of the Saud Bahawan group in all the parameters taken for the study.

REFERENCES

- Almajali, A.Y., Alamro, S.A., Al-Soub, Y.Z. (2012), Factors affecting the financial performance of Jordanian insurance companies listed at Amman stock exchange. *Journal of Management Research*, 4(2), 266-289.
- Al-Saidi, M., Al-Shammari, B.A. (2015), Ownership concentration, ownership composition and the performance of the Kuwaiti listed non-financial firms. *International Journal of Commerce and Management*, 25(1), 108-132.
- Chu, L., Li, D. (2015), Research on College Financial Budget Performance Evaluation. In LISS. Berlin, Heidelberg: Springer; 2013. p673-678.
- Murthy, M.K. (2010), Customer services and satisfaction—A study with reference to customers of bank Muscat. *Asia Pacific Journal of Research in Business Management*, 1(3), 1-24.
- Muscat, B. (2014), Investors Presentation. Oman: Bank Muscat Pvt. Ltd. p30.
- Omran M.M., Bolbol. Fatheldin, A. (2008), Corporate governance and firm performance in Arab equity markets: Does ownership concentration matter? *International Review of Law and Economics*, 28, 32-45.
- Slam, M.M. (2003), Development and performance of domestic and foreign banks in GCC countries. *Managerial Finance*, 29(2-3), 42-72.
- Soumadi, M.M., Hayajneh, O.S. (2012), Capital structure and corporate performance empirical study on the public Jordanian Shareholdings firms listed in the Amman stock market. *European Scientific Journal*, 8(22), 173-189.
- Tebini, H., M'Zali, B., Lang, P., Méndez-Rodríguez, P. (2015), Social performance and financial performance: A controversial relationship. In: *Socially Responsible Investment*. New York: Springer International Publishing. p53-73.
- Waddock, S.A., Graves, S.B. (1997), The corporate social performance—financial performance link. *Strategic Management Journal*, 18, 303-319.
- Wagner, T., Lutz, R.J., Weitz, B.A. (2009), Corporate hypocrisy: Overcoming the threat of inconsistent corporate social responsibility perceptions. *Journal of Marketing*, 73, 77-91.
- Zadek, S. (2004), The path to corporate responsibility. *Harvard Business Review*, 82(12), 159-172.
- Zuckerman, E.W. (2000), Focusing the corporate product: Securities analysts and de diversification. *Administrative Science Quarterly*, 45, 591-619.