



The use of Financial Indicators in Evaluating the Financial Performance of the SAIDAL Company

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Abstract:

Financial indicators are essential tools for investors and lenders to assess a company's financial performance and ability to meet its financial obligations. This study aims to investigate how financial indicators can be used to evaluate the financial performance of SAIDAL, a publicly traded company in Algeria. The study uses data from SAIDAL's financial statements for the period 2018-2020 to assess the company's level of financial performance and its ability to use financial indicators to make sound decisions. The study finds that SAIDAL achieved long-term financial stability throughout the study period, as evidenced by its working capital results.

Keywords: Performance evaluation, financial ratios, working capital, financial indicators.

Introduction

Financial performance evaluation is an increasingly important topic for many Algerian economic institutions. It aims to diagnose the financial situation of both public and private institutions and can help guide institutions on the best and most effective path, as well as contribute to sound financial decision-making.

Among the most prominent methods for making decisions related to an institution using financial information are financial ratios and working capital indicators. These tools are used to evaluate financial performance and, together with other financial tools, form an objective basis for assessing the current and future financial situation of economic institutions, taking into account their type and size

To improve the reliability and usefulness of ratios, financial indicators, and working capital, they must be based on accurate and fair financial data. This enables users and analysts to reach meaningful conclusions (positive or negative). However, this is not enough on its own. It is also necessary to interpret the results and understand their implications to assess the accuracy and soundness of financial decisions and to take corrective actions if necessary.

Research Problem:

Based on the foregoing, the following research problem can be raised:

What is the role of financial indicators and working capital in assessing the financial performance of SAIDAL during the period 2018-2020?

Sub-questions:

- What is the role of financial ratios in evaluating the financial performance of SAIDAL during the period 2018-2020?
- What is the role of working capital in evaluating the financial performance of SAIDAL during the period 2018-2020?

Research Hypotheses:

To answer the research problem and questions, the following hypotheses are proposed:

Main hypothesis:

- ❖ Financial indicators and working capital play a role in evaluating the financial performance of SAIDAL during the period 2018-2020.

Sub-hypotheses:

- ❖ Financial ratios play a role in evaluating the financial performance of SAIDAL during the period 2018-2020.
- ❖ Working capital plays a role in evaluating the financial performance of SAIDAL during the period 2018-2020.

Objectives of the Study:

This study aims to:

- ❖ identify SAIDAL's financial performance using financial indicators.
- ❖ Analyze the role of financial indicators in evaluating SAIDAL's financial performance and identifying its strengths and weaknesses.
- ❖ Develop recommendations for SAIDAL to improve its financial performance based on the findings.

Research Methodology:

The descriptive-analytical approach was used in this study, based on the financial data of SAIDAL for the period (2018-2020).

Previous Studies:

The Study of Safaa Boumsabah, Evaluating the Financial Performance of an Economic Entity Using Financial Ratios: A Case Study of the Algerian Mobile Phone Company (Mobilis) (ATM), Journal of Research and Studies in Development, Volume 8, Issue 2, December 2021.

This study aims to identify the importance of financial ratios used in financial analysis in evaluating the financial performance of Mobilis during the period (2014-2018) to reveal the level of its financial performance and then to identify its financial position and the extent to which it makes appropriate decisions. To achieve this goal, the financial statements of the institution were analyzed during the period (2014-2018) and the financial indicators used to evaluate the level of performance were extracted.

The study found that the financial performance of Mobilis is declining, as evidenced by the deterioration recorded in most of the ratios during the study period

The Study of Miloud Toumi and Rahma Skina, Using Financial Ratios to Make Financial Decisions at the GMS Institution in Biskra, Journal of Economics of Money and Business, Volume 6, Issue 1, June 2021.

The study aims to try to clarify how financial ratios are used to make financial decisions at the Great Mills of the South (GMS) institution in Biskra by studying and analyzing its financial statements for the period (2017, 2019). The study concluded that the institution relied on its funds at an average rate of 54% during the study period. However, long-term debt has a cost that the institution cannot bear in the future, especially since the economic return is weak. Therefore, it must work to raise the return in a way that covers the cost of financing.

The Study of Amjad Kamel Al-Jubouri, The Impact of Working Capital Management Ratios on the Financial Performance of Jordanian Industrial Companies, Master's Thesis in Finance, Faculty of Business, Arab University of Amman, 2019.

This study aims to investigate the impact of working capital management ratios on the financial performance of companies listed on the Amman Stock Exchange. The study sample consisted of 60 industrial companies. To achieve the study objectives, the descriptive and analytical approaches were followed using the Stata program and descriptive statistical analysis, standard deviation, and Pearson correlation coefficient to show the relationship between the variables from the published financial statements of industrial companies for the years (2010-2018).

The study reached several results, including the existence of a statistically significant positive effect with a significant level of (0.000), which is less than (0.05) for the rate of receivables turnover and the inventory turnover rate on the return on assets, and the results showed a

statistically significant negative impact with a significant level of (0.000), which is less than (0.05) for the rate of payables turnover on the return on assets.

The Study of Tawfiq Samih Mohammed Al-Aghwat, The Role of Financial Indicators in Evaluating the Financial Performance of the Arab Potash Company, Memorandum submitted to obtain a master's degree in accounting, Faculty of Administrative and Financial Sciences, Department of Accounting, Isra University, Amman, Jordan, 2015.

This study aimed to identify the level of financial performance of the Arab Potash Company for the years (2010-2014) and extract the financial indicators used in evaluating the level of performance and compare them with the general average (historical standard) for the five years (2005-2009).

The study concluded that financial indicators can be relied upon to evaluate the financial performance of the Arab Potash Company, provided that its results are read and interpreted in the context of a comprehensive and deep understanding of the surrounding objective conditions and factors.

What distinguishes my studies from previous studies:

We note that the previous studies are diverse, as we find that the first and second studies dealt with the aspect of financial ratios, the third study focused on working capital, while the last study dealt with the aspect of financial indicators, while our study is characterized by that it dealt with financial ratios and working capital, as well as our study will depend on the financial statements of the institution SAIDAL for the period between 2018-2020, and therefore our study differs from the first study in that it applied it to a service institution and agrees with other studies in that it relied on an industrial institution.

To answer the problem, the study was divided into two axes

- ❖ **First: Theoretical Axis:** Theoretical Framework for Evaluating Financial Performance and Financial Indicators
- ❖ **Second: The Applied Axis:** Evaluating the financial performance of SAIDAL for the period between (2018 and 2020) by financial indicators and ratios

First: Theoretical Framework for Evaluating Financial Performance and Financial Indicators

1- What is the evaluation of financial performance

Managers in all economic institutions seek to diagnose the financial situation, to identify the strengths and weaknesses of the institution to improve its profitability and profitability, which is mainly among the specific measures and indicators of financial performance, where they compare the results achieved with the goals set for identifying deviations and addressing them according to certain methods and methods, so that institutions can ensure their continuity in the markets in the future.

A- Definition of financial performance: It is a diagnosis of the financial soundness of the institution to determine the extent of its ability to create value and meet future challenges by relying on financial statements, taking into account the economic conditions of the sector to which the institution belongs, and on this basis, the diagnosis of financial performance is done by examining the economic friendly return of the institution and the rate of profit growth.

B- Definition of financial performance evaluation: It is defined as diagnosing the financial health of the institution to know the extent of its ability to create added value and face the future, by relying on the financial budget and the table of accounts of the results, as well as the rest of the

financial statements, but there is no point in doing so if the economic circumstance and the industrial sector to which the institution active in the study belongs were not taken, and on this basis, the performance diagnosis is done by examining the economic return of the institution and the rate of profit growth.

2- The importance of evaluating financial performance: The importance of financial performance is as follows:

- The financial performance appraisal process helps to identify those responsible for deviations between planned financial performance and realized financial performance;
- Performance appraisal showing the progress made by the institution during its journey, both for the better and for the worse;
- The evaluation system provides information to the various levels of management in the institution, for planning, control, and decision-making based on scientific and objective facts;
- Detect changes that have an impact on the activities of the organization, and immediately detect wrong decisions to take corrective action on time.

3- Financial performance evaluation steps: These steps can be summarized The following are as follows:

- Use the annual financial statements and income statements to obtain financial information to assist in extracting ratios and working capital.
- Calculating various measures of financial indicators and working capital.
- Study and evaluate financial performance by comparing the actual financial performance with the expected performance or the performance of institutions operating in the same sector using financial indicators and through the results of the comparison showing deviations and weaknesses in financial performance.
- Develop proposals to correct and correct deviations and improve the financial performance of the institution.

Second: Evaluating financial performance through financial indicators: Financial indicators are usually used to evaluate the performance of institutions in the areas of profitability, liquidity, and solvency, as well as in the efficiency of institutional management in designing and implementing their financing and investment policies.

1- The importance of financial indicators: The importance of these indicators lies in the following points:

- Determine the extent to which the institution can cope with ongoing obligations;
- Measuring the degree of growth of the enterprise and revealing weaknesses and strengths;
- Providing data and information necessary for decision-making, policy-making, and budgeting;
- Measuring the overall effectiveness and level of performance of the institution;
- Measuring the effectiveness obtained by the institution by exploiting its various assets to achieve profitability.

2- Types of financial indicators

There are many indicators used in evaluating financial performance from one institution to another according to the angle of analysis and the field of evaluation, and are divided into:

2.1 Working Capital (FR): This rule requires that uses of more than one year (investments) should be financed with stable resources for more than one year and uses of less than one year should be financed with resources of less than one year.

Working capital is calculated according to the following relationship:

Working Capital = Permanent Funds – Fixed Assets**Working Capital = Current Assets – Short-Term Loans (Current Liabilities)**

Working capital takes one of the following cases:

- Working capital is positive: $\text{FR} > 0$, this expresses the existence of a surplus in permanent funds after financing all fixed assets, and this means that the institution was able to finance all its investments through its permanent financial resources and achieved a financial surplus represented in working capital.
- Zero working capital: $\text{FR} = 0$, which is a rare case and is represented in the case of perfect compatibility in the structure of resources and uses
- Working capital negative: $0 < \text{FR}$ In this case, the standing funds are insufficient to finance all fixed financial needs, which necessitates the search for other financial resources to cover the financing deficit.

2-2- Gross Net Working Capital (FRNG): It is the gross net working capital (functional), equal to the difference between permanent resources and stable uses, and is defined as that part of permanent financial resources allocated to finance current assets (exploitation uses), and is defined as the positive difference between permanent resources that covers part of current assets BFR.

Functional working capital is an important indicator of long-term financial balance, according to the following cases:

- **Working Capital Positive Total $< \text{FRNG} > 0$:** He points out that the institution is financially balanced in the long term, as the institution was able to finance its long-term needs using its long-term resources and achieved a financial surplus that can be used to finance the remaining financial needs.
- **Working capital Total Zero = 0 FRNG:** It means that the institution is in optimal equilibrium, as it has only succeeded in financing its long-term needs without achieving a surplus and no deficit.
- **Working Capital Total Negative $< 0 \text{FRNG}$:** Indicates that the institution was unable to finance its investments and other fixed financial needs using its permanent financial resources, and thus achieved a deficit in financing these needs and therefore needs additional sources of financing or to reduce the level of its investments to the extent consistent with its permanent financial resources.

2-3- Need in working capital BFR: resulting from the direct activities of the institution due to interaction with a group of elements, the most important of which are inventory, customer rights, and suppliers' rights... The financial need for exploitation is generated when the institution cannot meet its debts resulting from the activity through its rights with dealers and its inventories, and therefore other sources must be sought to finance this deficit, which is called the need for working capital.

The need for working capital can be divided into:

- **The need in working capital for exploitation BFRE:** It is the result of the time mismatch between the date of purchase, the date of sale, the date of sale and the date of collection and is calculated from the functional budget by making the difference between the exploitative uses and the exploitation resources:

$\text{BFRE} = \text{Exploit Current Assets} - \text{Current Liabilities for Exploitation}$

- **Needs in working capital outside exploitation (BFRHE):** It expresses the financial needs resulting from non-core activities and those of an exceptional nature and is calculated from the functional budget through the difference between out-of-use uses and resources outside exploitation.

$\text{BFRHE} = \text{Out-of-Exploitation Current Assets} - \text{Out-of-Exploitation Current Liabilities}$

- **Gross working capital requirement BFRG:** It is the sum of the previous two balances and expresses the total financial needs generated by the main and other activities

$$BFG = BFRE + BFRE H$$

2-4- Gross net treasury TN: The latter is formed when BFRG is used to finance the deficit in the needs of the exploitation cycle and others, and therefore the institution was able to cover this need, the treasury is positive, which is a state of surplus funding, and in the opposite case, the treasury is negative, which is the state of deficit in financing.

It is calculated from the functional budget according to the following relationship:

$$TN = FRANC - BFG$$

Third: Financial ratios used in evaluating financial performance: Financial ratios are considered one of the strongest tools used in financial analysis, on which management relies in analyzing the financial position and profitability of the company, and these ratios are as follows:

Table (01): Liquidity Ratios

Ratio	Calculation method	Financial Significance
Turnover	Current Assets / Current Liabilities	This ratio measures an organization's ability to repay its short-term liabilities from its current assets, and an increase in this ratio is a positive indicator of its short-term repayment capacity.
Fast turnover ratio	Floating Assets – Current Inventory / Liabilities	This ratio measures an organization's ability to meet its short-term liabilities from its current assets, which are characterized by their rapid conversion to cash, so that they exclude inventory due to its slow conversion into cash, as well as prepaid expenses.
Cash ratio	Current assets cash only / current liabilities	This ratio measures an organization's ability to meet its short-term liabilities from its cash assets only, excluding accounts receivable, receivables, inventory, and prepaid expenses.
Net Working Capital	Current Assets – Current Liabilities	Net working capital represents the surplus of current assets over current liabilities, the increase of which indicates the ability of the enterprise to repay in the short term.

Source: Financial statement analysis, quoted from:

Ahmad Abdullah Ahmed Al-Swalmeh, Mahmoud Hasan Salem Qaqish, The ability of financial ratios to predict the index of the banking sector in Amman stock exchange: An empirical study, the International Journal of Business Ethics and governance (IJBEG), VOL 4, No 1, 2021, p 89.

2-Activity ratios: Measure a company's ability to distribute its resources in a way that is proportional to the different types of assets and the extent to which it can measure the efficiency and effectiveness of management in using its investments to create and generate sales. Some of the most important of these ratios are:

Table 02: Activity Ratios

Ratio	Calculation method	Financial Significance
Inventory turnover rate	Cost of sales / average inventory balance	It indicates the number of times the inventory is discharged at the organization and the higher percentage of this indicator indicates that the performance of the sales department in the company is good.
Average collection period	360 days/stock turnover	Shows how many days the company kept inventory before selling it.
Asset turnover	Net Sales / Total Assets	This ratio measures the efficiency of management through its use of institutional resources to generate profits, by knowing the number of times assets are used to create sales.
Fixed asset turnover	Net Sales/Fixed Assets	This rate indicates how efficiently the organization's management exploits and uses current assets to generate sales
Current asset turnover	Net Sales/Current Assets	It indicates how efficiently an organization exploits current assets in generating sales.

Source: Mohammed Attia Matar, Ahmad Nawaf Obeidat, The Role of Financial Ratios Derived from the Statement of Cash Flows in Improving the Accuracy of Models Based on Accrual Ratios in Predicting the Financial Failure of Jordanian Public Shareholding Industrial Companies, Jordanian Journal of Business Administration, Volume 3, Issue 04, 2007, University of Jordan, p. 446.

3- Debt ratios: It measures the company's ability to rely on third-party funds to finance its needs, which is one of the most important ratios that owners and creditors rely on in their investment decisions.

Table 03: Debt Ratios

Ratio	Calculation method	Financial Significance
Debt Ratio	Total Borrowed Funds / Total Assets	It measures the contribution of debt in financing the company's assets, as the higher the ratio, the more the company's dependence on debt in financing its assets, and this leads to an increase in risk in the financing structure.

Debt to equity ratio	Total Liabilities / Total Equity	Increasing the ratio leads to an increase in the company's ability to service its debt and increases the risk of lenders and investors because this leads to bankruptcy and a lower ratio indicates better protection for creditors and indicates a latent ability to borrow.
Fixed burden coverage rate	Profit before tax + interest + rents / interest + rentals	This ratio reflects the extent to which the institution covers the fixed burdens without being exposed to payment problems, and we point out here that the fixed burdens may include elements other than interest and rent.
Interest Coverage Rates	EBITT + Interest/Interest	This ratio measures the ability of an enterprise to pay the interest of its loans from the profits realized and is calculated by dividing income before interest and taxes on annual interest.

Source: Sulaiman Balour, Financial Management Lectures and Applications, Dar Majdalawi for Publishing and Distribution, Amman, 2015, pp. 74-75.

4. Profitability ratios: Measure the efficiency of a company's management in achieving profit from sales, assets, and owners' equity. Therefore, investors look for profitable opportunities to increase their investment and management to increase the success of their policies, and lenders feel safe when lending to projects.

Table No. (04): Profitability ratios

Ratio	Calculation Method	Financial Significance
Net Profit Margin	Net Profit After Tax / Sales	This ratio indicates the profit earned from each unit of currency in sales. This ratio determines how much the selling price can be reduced before the company incurs losses.
Operating Profit Margin	Net Profit Before Interest and Taxes / Net Sales	Measures the efficiency of management in operations
Gross Profit Margin	Gross Profit / Sales	Measures the efficiency of management in dealing with the elements of service costs and its ability to control them
Profitability Ability	Net Profit Before Interest and Taxes / Total Assets	Measures the efficiency of management in using assets to generate profits from operating activities before interest and taxes.

Return on Total Assets	Net Profit / Total Assets	Measures the company's ability to invest in assets to generate net profits, thus achieving the appropriate return after deducting interest and taxes to maximize the wealth of owners. It also helps in making sound management decisions, especially regarding borrowing, and reflects operational efficiency.
Return on Equity	Net Profit / Total Equity	Measures the rate of return on funds invested by owners. It is worth noting that this ratio is considered the most comprehensive standard for measuring management effectiveness, as it measures asset profitability and capital profitability.

Source: Toumi Miloud, Rahma Sakina, Use of Financial Ratios to Make Financial Decisions at GMS Institution in Biskra, Journal of Money and Business Economics, Volume 06, Issue 01, June 2021, pp: 502-503.

Application Framework: Evaluation of the Financial Performance of SAIDAL Company for the period (2018-2020) using indicators and financial ratios

1- Overview of SAIDAL Institution: SAIDAL is a pharmaceutical laboratory that produces medicines. It was founded in 1982 and is a joint-stock company with a capital of 25 billion Algerian dinars. 80% of SAIDAL's capital is owned by the state and the remaining 20% was sold in 1999 through the stock exchange to investors from institutions and individuals. This company is considered the leader of the pharmaceutical industry in Algeria, and it has been awarded the ISO9001 quality certificate, version 2000, by the French Organization for Review and Quality. It has been able to cover about 50% of the needs and requirements of the national market, and it seeks to: enter foreign markets, continuously research the possibility of developing economic performance, and address the concerns of Algerian public health.

2-Evaluation of the Financial Performance of SAIDAL Institution Using Financial Indicators

Through our diagnosis of the financial situation of SAIDAL Institution, we have noticed, as mentioned above, the existence of several financial problems. To identify the causes and those responsible for them, and then to propose appropriate amendments, we will proceed in this point to the process of evaluating the financial performance of the institution. We will use the functional budget of SAIDAL Institution during the period 2018-2020, as shown in **Annex No. (01)**, which will be used to calculate the various financial indicators, as shown in the table below:

Using the data in **Annex No. (01)**, we obtain the indicators summarized in the following table:

Table No. (01) Financial Indicators, (Unit) DZD

Statement	2018	2019	2020
(01) Fixed Resources	529,264,516,890	528,256,518,760	536,299,494,210
(02) Fixed Uses	420,514,737,840	424,714,578,520	420,731,426,550

FRNG = (2-1)	108,749,779,050	103,541,940,240	115,568,067,660
(3) Current Operating Assets	137,195,080,900	140,307,412,350	145,483,544,260
(4) Non-Operating Current Assets	-	-	-
(5) Current Operating Liabilities	58,621,677,310	50,891,844,550	52,932,087,000
(6) Non-Operating Current Liabilities	-	-	-
BFR E = (5-3)	78,573,403,590	89,415,567,800	92,551,457,260
BFR HE = (6-4)	-	-	-
BFRG= BFR E+ BFR HE	78,573,403,590	89,415,567,800	92,551,457,260
TN = FRNG- BFR	30,176,375,460	14,126,372,440	23,016,610,400

Source: Prepared by the researchers based on the financial statements of the Saidal Foundation for the period 2018-2020

From the table, we note that $FRNG > BFR > TN > 0$. Therefore, the SAIDAL Foundation achieved long-term financial balance throughout the study period. This is since $FRNG > 0$, indicates that the Saidal Foundation can finance its total investments, both material and financial, using its fixed resources, represented by collective funds and medium- and long-term debt. In this way, we note that the institution was able to finance all of its investments and achieved a financial surplus that can be used to finance the needs of the operating cycle. Therefore, the first condition for financial balance has been met.

We also note from the table that $BFR > 0$. This indicates that the financial needs of the operating cycle were significant and are growing at a high rate, having increased by 64% over three years. This is due to the following reasons: Increased customer payment terms, Cash payments to suppliers, Slow inventory turnover

This is due to the negative temporal gap between the elements of the operating cycle (customers, suppliers, and inventory), which has led to the creation of needs that have exceeded the level of working capital. In addition, extraordinary activities have also formed additional needs, contrary to what is expected of them. It was supposed to at least reduce the volume of pressure on the treasury, but the reality was different. The need for total working capital jumped during the study years by an increase of 47%. Therefore, we say that it is not enough for the Saidal Foundation to achieve positive working capital, but this margin must be sufficient to cover the needs of the operating cycle. Therefore, the second condition for financial balance has been met, where $BFR > FRNG$.

Also, we note from the table that the need for working capital for exploitation (BFR E) is positive and is constantly increasing throughout the study period. This is due to the lack of temporal alignment between the date of purchase, the date of sale, the date of sale, and the date of collection. We note that it is constantly increasing during the study years. This is because the turnover periods of both inventory and receivables are slower than the payment terms of suppliers. Therefore, a

financial resource should be sought to finance this liquidity need. As for the need for non-operating working capital, we note that it is non-existent throughout the study years. This indicates that the Saidal Foundation does not have any extraordinary activities.

It is also clear from the table that the institution's treasury flourished during the study years and continued to rise at increasing rates during the mentioned period. This is because the Saidal Foundation was able to cover the treasury resources represented by current bank credits with treasury uses. Therefore, we conclude that all conditions for financial balance have been met in the Saidal Foundation. But this is not enough on its own to judge the financial performance of the Saidal Foundation. Therefore, this was supported by other indicators represented by financial ratios. Financial Performance Assessment of Saidal Using Financial Ratios

Based on our diagnosis of Saidal's financial position and using Saidal's financial statements for the period 2018-2020, we will calculate the following financial ratios as shown in the table below:

4.1 Calculation of general (current) liquidity, quick, and instantaneous ratios

Table No. (02): Liquidity ratios,(Unit) DZD

Statement	Acceptable Ratios	2018	2019	2020
(1) Current assets	/	16,852,296,665	15,952,353,242	17,409,758,511
(2) Current liabilities	/	5,977,318,760	5,598,159,218	5,852,951,745
(3) Current ratio = (1)/(2)	(1:2)	2.81 times	2.84 times	2.97 times
(4) Inventory	/	6,273,308,651	6,905,371,528	6,711,312,952
(5) Quick ratio = (1-4)/(2)	(1:1)	1.76 times	1.61 times	1.82 times
(6) Ready-made values	/	3,114,228,586	1,903,052,018	2,842,844,096
(7) Current liquidity ratio = 6/2	/	0.52	0.33	0.48

Source: Prepared by the researchers based on the financial statements of the institution

Current ratio: We note from the table that the ratio is very high compared to the acceptable ratio. This is not in the favor of the SAIDAL institution because it means that it has idle liquidity that it does not invest in. It also indicates that the inventory is higher than the reasonable size, as well as the unjustified increase in the size of debts due to the slow collection of them. This is considered evidence of the existence of idle capital invested in current assets. All of these conditions are manifestations of poor liquidity management at the SAIDAL institution.

Quick ratio: This is considered to be more accurate than the previous ratio in measuring the ability of the institution to meet its short-term obligations from cash, securities, and accounts receivable without relying on inventory. We note from the table that the ratio exceeds the acceptable ratio during the study period, which means that the ability of the institution to meet its short-term obligations without relying on selling inventory is increasing, and there is an increasing state of security. However, this represents idle capital in the items that make up the ratio, which leads to a decrease in the profitability of the SAIDAL institution.

Quick liquidity ratio: This is a more accurate indicator than the previous two ratios in measuring the ability of the institution to meet its short-term obligations from its cash assets only. We note that the ratio is fluctuating, as it increased in 2020. This means that the SAIDAL institution is in a comfortable position in terms of liquidity to face its short-term obligations. However, the decline recorded in 2019 for this ratio does not in all cases mean a poor liquidity position at SAIDAL, as it may have borrowing arrangements with banks under which it obtains cash when needed.

4-2- Calculation of the activity ratio

Table 3: Activity ratio, (Unit) DZD

Statement	2018	2019	2020
(1) Sales	962,766,9617	868,069,6449	912,425,0542
(2) Fixed assets	745,648,6103	1,306,197,3807	1,312,409,8043
(3) Fixed asset turnover rate = $\frac{1}{2}$	1.2911 times	0.6645 times	0.6952 times
(4) Total assets	58,903,770,449	58,423,811,094	59,482,901,166
(5) Total asset turnover rate = $\frac{1}{4}$	0.1634	0.1485	0.1533
(6) Current assets	16,852,296,665	15,952,353,242	17,409,758,511
(7) Current asset turnover rate = $\frac{1}{6}$	0.5712 times	0.5441 times	0.5240 times

Source: Prepared by the researchers based on the financial statements of the institution

Through the table, we note that:

Total asset turnover rate: This ratio measures the efficiency of management in using all assets to achieve its sales target. Based on the results of the table, we find that the rate was high in 2020, which indicates the efficiency of SAIDAL in achieving and increasing sales. However, this rate decreased in 2019, which indicates the existence of idle capital represented in stagnant inventory and, consequently, the institution bears the risks resulting from the increase in the costs of maintaining excess inventory that is not necessary to meet customer demand.

Current asset turnover rate: We note from the table that the ratio is good during all years of study. This indicates an increase in investment in working capital items, and thus SAIDAL can use its current assets to increase and generate sales.

As for the fixed asset turnover rate: This ratio is used to measure the efficiency of the institution in using its fixed assets to achieve sales. We note that this ratio was high in 2018, which is due to the decrease in the value of SAIDAL's assets as a result of accumulated depreciation over the years. This may be an indicator of the need to renew or replace them. It also explains that Saidal must increase its investment in these assets. We also note that it decreased in 2019-2020, which is because SAIDAL has increased its investment in these assets.

4-3- Debt Ratios (Leverage)

Table 4: Debt ratio in SAIDAL during the period (2018-2020), (Unit) DZD

Statement	2018	2019	2020
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(1) Total debt	148,938,434,933	143,510,345,720	144,575,270,500
(2) Total assets	589,037,704,493	584,238,110,940	594,829,011,660
(3) Debt ratio = $\frac{1}{2}$	0.2528	0.2456	0.2430
(4) Equity	440,099,269,560	440,727,765,220	450,253,741,160
(5) Debt to equity ratio = $\frac{1}{4}$	0.3384	0.3256	0.7569
(6) Earnings before interest and taxes	13,982,488,580	889,019,330	323,206,192
(7) Annual interest	12,921,242,590	806,029,107	253,900,683
(8) Interest coverage ratio = $\frac{6}{7}$	1.0821	1.1029	1.2729

Source: Prepared by the researchers based on the financial statements of the institution

Through the table, we note that:

From the review of the debt ratio during the analysis period, we find the highest value was in 2018 and is estimated at 25.28% and the lowest value was in 2020 and is estimated at 24.30%. This indicator is good because the general decline in this ratio is better protection for creditors. This indicates the ability of SAIDAL to service its debt and the reduction of creditors' risks.

From the review of the debt-to-equity ratio, it appears that it was low during the year 2019, which is good for SAIDAL because its decline expresses better protection for creditors, and also expresses the institution's full ability to borrow. Then it recorded its highest value during the year 2020 to reach a percentage of 75.69%, which is a very high percentage. This indicator is not for SAIDAL, as the increase in this ratio indicates the possibility of the institution's inability to service its debt and the increased risks of lenders, and the risks increase for investors, because the inability to service the debt may lead to bankruptcy

As for the interest and tax coverage ratio, from the review of the ratio during the study period, we find that it is increasing during the years 2019 and 2020, which indicates that SAIDAL has a high ability to cover the interest on its loans while finding a surplus to finance other loans with debt. This is a good indicator of the efficiency of the financing management.

4-4- Profitability ratios:

Table (08): shows the development of profitability ratios in SAIDAL during the period (2018-2020) (unit) DZD

Ratio	2018	2019	2020
(1) Net profit	12,921,242,590	806,029,107	253,900,683
(2) Sales	962,766,9617	868,069,6449	912,425,0542
(4) Net profit margin = $\frac{1}{2}$	0.1342	0.0928	0.0278
(5) Total assets	58,903,770,449	58,423,811,094	59,482,901,166

(6) Return on total assets = 1/5	0.0219	0.0928	0.0042
(7) Equity	44,009,926,956	44,072,776,522	45,025,374,116
(8) Return on equity = 1/7	0.0293	0.0182	0.0056

Source: Prepared by the researchers based on the financial statements of the institution

Through the table, we note that:

From the review of the net profit margin during the study period, we note that the ratio is declining in all study years. This indicates that SAIDAL does not have good efficiency in generating net profits. It was not able to generate revenue during the analysis period, and this is due to the weakness of the efficiency of the sales policy followed by the management.

From the review of the return on total assets during the analysis period, it appears that there is a significant decline in the return on total assets during the study period. This indicates that the institution is unable to invest in its assets to generate net profits. Here, the management of SAIDAL is required to review and identify the reasons that led to the decline in the ability of its assets to generate net profits.

From the review of the return on equity during the study period, we find that it is in a continuous decline during the analysis period. This indicates a decrease in the ability of SAIDAL to generate returns that are in line with the desires of shareholders and an increase in investment risks. Therefore, the management of SAIDAL must address the causes, find solutions, and develop plans to overcome them.

Conclusion:

Financial performance evaluation is a critical component of financial management, involving the examination and analysis of financial and accounting data to assess an organization's performance from multiple perspectives using a variety of analytical tools to identify weaknesses, correct errors, and rectify deviations.

Results:

Based on the above, we can conclude the following:

- $FRNG > BFR > TN > 0$. Therefore, SAIDAL has achieved long-term financial equilibrium throughout the study period. This is because SAIDAL can finance its total investments, both tangible and intangible, using its fixed resources, which are represented by collective funds and medium- and long-term debt. Thus, we note that the institution has been able to finance all of its investments and has achieved a financial surplus that can be used to finance the needs of the operating cycle.
- The results of the liquidity ratios indicate that SAIDAL can meet its short-term obligations through its current assets. It also indicates that there are unexploited funds that it can exploit.
- We found that the asset turnover rate is volatile, where an increase in the ratio indicates the efficiency of SAIDAL's management and its ability to generate profits, and thus it positively affects liquidity.

- We found that the current asset turnover ratio was good during all study years, which indicates that SAIDAL can use its current assets to increase and generate sales.
- We found that the fixed asset turnover ratio was low, which indicates that SAIDAL's efficiency in using its fixed assets to generate sales was good.
- We found that the debt-to-equity ratio is very high, where this increase indicates the possibility of SAIDAL's inability to service its debt and increased risks to lenders, and also investors.
- We found that the interest and tax coverage ratio is good, which is a good indicator of the efficiency of the financial management at SAIDAL.
- We found that the net profit margin is low, which indicates the weakness of the efficiency of the sales policy followed by the SAIDAL management.
- We found that the return on total assets is very low, and therefore the management of SAIDAL must review and identify the reasons that led to the decrease in the ability to invest in its assets to generate net profits.
- We found that the return on equity ratio is in a continuous decline, which indicates a decrease in SAIDAL's ability to generate returns that are in line with the desires of shareholders and an increase in investment risks.

Recommendations:

We recommend that the SAIDAL Company:

- ❖ Dispose of inventory or collect debts from customers, as the slow collection of debts is a problem.
- ❖ Improve sales growth by implementing new marketing strategies or selling fixed assets, which would temporarily boost profits.
- ❖ Make investment decisions to invest stagnant liquidity or renew assets that would lead to increased economic and financial returns.
- ❖ Be strict with customers to improve liquidity.
- ❖ Increase production and productivity to improve economic and financial returns.

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Appendix No. (01): This appendix presents the functional budget of the SAIDAL Company for the year 2018.

Assets	Amount	%	Liabilities	Amount	%
Fixed assets	529,264,516,89	89.85	Resources	417,150,646,35	70.82
Loans from the treasury	112,113,870,54	19.03	Current liabilities	597,731,8760	10.15
Current assets	168,522,966,65	28.61	Current liabilities	597,731,8760	10.15
Operating current assets	137,195,080,90	23.29	Operating current liabilities	586,216,7731	9.95
Non-operating current assets	/	/	Non-operating current liabilities	/	/
Cash assets	31,327,885,75	5.32	Cash liabilities	11,515,1029	0.20
Total assets	589,037,704,49	100	Total liabilities	589,037,704,49	100

Source: Prepared by the researchers based on the financial statements of the SAIDAL Company for the year 2018

Appendix No. (02): presents the functional budget of the Sedal Company for the year 2019

Assets	Amounts	%	Liabilities	Amounts	%
Fixed Assets	42471457852	72.7	Fixed Assets	52,825,651,876	90.42
			Other Assets	42,133,258,551	72.12
			Liabilities	10,692,393,325	18.30
Current Assets	159,523,532,420	27.3	Current Liabilities	55,981,592,180	9.58
; Operating Current Assets	140,307,412,350	24.02	Operating Current Liabilities	50,891,844,550	8.71

Non-Operating Current Assets	19,216,120,070	3.28	Non-Operating Current Liabilities	5,089,747,630	0.87
Total Assets	584,238,110,940	100	Total Liabilities	584,238,110,940	100
Current Assets	159,523,532,420	27.3	Current Liabilities	55,981,592,180	9.58

Source: Prepared by the researchers based on the financial statements of the SAIDAL Company for the year 2019

Appendix No. (03): Shows the functional budget of the SAIDAL Company for the year 2020

Assets	Amount	%	Liabilities	Amount	%
Fixed assets	536,299,494,21	90.16	Resources	433,383,412,77	70.73
Loans from the treasury	102,916,081,44	19.84	Current liabilities	585,295,174,50	9.84
Current assets	174,097,585,11	29.27	Current liabilities	585,295,174,50	9.84
Operating current assets	145,483,544,26	24.46	Operating current liabilities	529,320,8700	8.90
Non-operating current assets	/	/	Non-operating current liabilities	/	/
Cash assets	28,614,040,85	4.81	Cash liabilities	55,974,3045	0.94
Total assets	594,829,011,66	100	Total liabilities	594,829,011,66	100

Source: Prepared by the researchers based on the financial statements of the SAIDAL Company for the year 2020