

## MEASURING FINANCIAL PERFORMANCE INDICATORS IN OMANTEL, MUSCAT, SULTANATE OF OMAN – A STUDY

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### *Abstract*

*This research analyzed the impact of measuring financial performance indicators in Omantel. This research is using secondary data which is obtained from the financial statement of Omantel organization from 2015 to 2020. The study resulted that the increase in revenue is showing that Omantel has positive financial performance and its support to achieve continuous business success. Also, the increase in net profit is highlighting that Omantel has positive financial performance and it supports achieving continuous business success and increases the competitive advantage in the telecom industry. Moreover, the increase in total assets is highlighting that Omantel supports accomplishing continuous business success and increases the reputation and image of the firm in their industry. Moreover, the increase in total liabilities supports Omantel to accomplish continuous business success and increases the business strength of the firm in its telecom sector. Furthermore, the increase in current liabilities supports Omantel to enhance the financial strength of the firm. Furthermore, the increase in total equity is highlighting that Omantel has positive financial performance and financial strength in its industry. Additionally, there is an increase in the current assets for Omantel and it is representing that there is a positive financial performance indicator that helps to enhance the financial strength of the company.*

**Keywords:** *Omantel, Financial Performance, Financial Strength and Reputation.*

### INTRODUCTION

The purpose of this research is to analyze the impact of measuring financial performance indicators in Oman Telecommunication Company (Omantel). The companies must closely monitor and measure the financial performance indicators to improve their business standard and enhance business profitability (Basu, 2015). The process of generating revenue by using the company assets is known as the financial performance of the company. There is tight competition in this computerized world, and the measurement of financial performance indicators is helpful for the companies to know about the strength of their competitors by doing the comparison (Al-Matari, et al, 2014). Investors are taking the investment decision by focusing on the financial performance of the firm, and it is important to the firm to make sure that the financial performance of the firm is proper to attract more investors and enhance the business growth. The decision-making process is most important for an organization to achieve a higher level of business success, and financial performance indicators measuring is necessary for the firm to implement strong decisions for the business development of the firm (Gamayuni and Rindu Rika, 2015). The company must sustain business sustainability to enhance its competitiveness and measuring financial performance indicators is helpful for the firm to enhance its business sustainability and competitiveness. The current ratio is the capability of the company to pay its short-term obligations efficiently. The quick ratio is highlighting the capability of the organization to handle its short-term obligations

efficiently. Financial leverage is the process of using debt to buy assets.

### **OBJECTIVES OF THE STUDY**

This research aim is to analyze the impact of measuring financial performance indicators in Omantel.

**The objectives are given below.**

1. To analyze the impact of financial performance indicators on the profitability of Omantel.
2. To evaluate the influence of financial performance indicators on the business performance of Omantel.
3. To examine the importance of measuring various financial performance indicators on the competitive advantage of Omantel.

### **Research questions**

1. How do financial performance indicators influence the profitability of Omantel?
2. How do financial performance indicators affect the business performance of Omantel?
3. What is the importance of measuring various financial performance indicators on the competitive advantage of Omantel?

### **SCOPE OF THE STUDY**

The main scope of this research is will provide important information related to the financial performance indicators in terms of determining the company's business profitability. The success of the company is related to the effectiveness of the managers to implement strong decisions and this research is effective for the managers to implement the strong decisions by focusing on financial performance indicators. The company must maintain the financial records efficiently and financial performance indicators support the company to maintain its financial matters accurately. Importance of the study

This research is significant for the company to enhance its financial performance by doing proper ways of measuring the financial performance indicators. It is significant for users to know deeply about the importance of measuring financial performance indicators to increase the financial performance of the firm. It is significant for the researcher to enhance their knowledge related to the topic of financial performance indicators and improve their skills to make the research efficient. It is significant for investors to know about the financial performance of the firm and make the positive way of investment decisions. It is significant for the management of the company to implement strong and effective decisions by focusing on financial performance indicators and improving the financial performance of the firm.

### **HYPOTHESIS**

H1: There is a positive and significant relationship between financial performance indicators and the profitability of Omantel.

H2: There is a positive and significant relationship between financial performance indicators on the business performance of Omantel.

### **LITERATURE REVIEW**

Baird (2017) observed that the process of generating revenue by using the company assets is

known as the financial performance of the company. Moreover, financial performance is considered as the overall company's financial strength and growth over a specified period. On the other hand, financial performance is defined as the process of generating revenue by the company efficiently using the company assets.

Threemanna and Gunaratne (2016) found that financial performance is monitored by the stakeholders of an organization like the creditors, investors, bondholders, management, and employees in terms of tracking the company's financial performance. Moreover, financial performance supports the company to manage its liabilities, assets, and financial interest of stakeholders and generate revenue efficiently.

Veena and Patti (2016) identified that financial performance is effective to understand the business model of the firm, investing, spending, operational profits and loss, and overall business performance of the firm.

Ndolo and Paul (2015) documented that financial performance indicators are considered quantifiable measurements used by organizations to determine, project, and track the economic well-being of company businesses.

David and Jenson (2014) assert that there are several ways available for an organization to improve its financial performance. The concept of improving the cash flow by focusing on keeping better track of outgoes and income, adjusting payment options and prices, and setting up accounts receivable collection is effective for the company to improve financial performance.

Alboushra, Shahbudin, and Abdalla (2015) documented that balance sheets, cash flow statements, and income statements are the key important elements involved in a financial statement. operating profit margin, cost of goods sold, outstanding shares, and net profit margin. Similarly, a cash flow statement provides information about reconciliation between cash flow and income, how much the company spends on dividends, stock repurchase, and capital expenditures along with the use of cash flow from financing, investing, and operations.

Dewangan and Godse (2014) deduced that gross profit margin is the profit obtained by a business after the process of subtracting the cost of products sold. In this case, the cost of goods sold involved only the production cost and it is not included in the costs for operating expenses, taxes, or interest. Gill, et al, (2014) identified that a net profit margin of a business is considered it is the profitability obtained by the company by subtracting the entire costs required for the business from the revenue. In this case, the costs are included like the operating expenses, cost of goods sold, taxes, and interest. Hornungova (2014) found that working capital is known as the available operating liquidity for the company business. Also, working capital is effective for the company to deal the fund for company's day to day business operations.

## RESEARCH METHODOLOGY

This chapter is focused on the explanation and attempts on the research method used to carry out the research. Consequently, the research methodology focused on information collecting and the activity of analysis and presentation. Hence, this chapter is focused on the areas like research design, data collection, research sample and population, and method of data presentation.

Research design

The research design is indicating the structural framework of this research study. Hence, the research design is guided by data collection and analysis. Moreover, this research is focused on a quantitative research approach, because it is related to the financial statement data (Mohajan, 2018). Furthermore, various types of financial ratios are focused on in this research to identify the impact of measuring financial performance indicators in Omantel.

### **RESEARCH POPULATION AND SAMPLE SIZE**

Population: The population of this research is considered as Omantel organization.

The sample size: The sample size of this research is the financial statement of Omantel organization from 2015 to 2020.

### **DATA COLLECTION TECHNIQUE**

This research is using secondary data which is obtained from the financial statement of Omantel organization from 2015 to 2020.

Secondary data

The concept of secondary data is this data is readily available and the researcher is taking this data as per the requirements. Some of the important types of sources of secondary data are the financial statement and annual reports of the companies, books, journals, articles, and online sources (Galdas, 2017). The advantage of secondary data is it is supported to collect the data quickly and is less expensive. This research is following the financial statement data of Omantel from the period of 2015 to 2020 for data analysis.

### **DATA COLLECTION METHODS**

The website of Omantel organization is used to collect the financial statement data from 2015 to 2020 for this research. The reason to collect the data from 2015 to 2020 is it will support the collection last 06 years' data and it is effective to measure the financial performance indicators efficiently. The source of data is the website of Omantel and data collected from the MSX website.

### **DATA ANALYSIS**

The collected financial statement data from the website of Omantel will use to make different types of financial ratios like gross profit margin, current ratio, net profit margin, working capital, inventory turnover, quick ratio, financial leverage, return on assets, total asset turnover, and return on equity to identify the impact of measuring financial performance indicators in Omantel. Moreover, tables and charts are used in this research for data analysis.

Measure variables

This research is following financial ratios like gross profit margin, current ratio, net profit margin, working capital, inventory turnover, quick ratio, financial leverage, return on assets, total asset turnover, and return on equity as a financial performance indicators.

### **DATA ANALYSIS AND INTERPRETATION**

This chapter is focused on data analysis and interpretation by the collected data from the website of Omantel organization's financial statement from 2015 to 2020. Hence, this session is focused on the analysis of the current ratio, net profit margin, working capital, inventory turnover, quick ratio,

financial leverage, and return on assets, total asset turnover, and return on equity to identify the impact of measuring financial performance indicators in Omantel. Consequently, the tables and charts related to these financial ratios are specified in this chapter. The financial statement details in terms of different elements along with various financial ratios are given below.

## OMANTEL COMPANY

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**Table 1: financial statement details**

	2020	2019	2018	2017	2016	2015
Revenue	2,513,410	2,592,226	2,186,014	751,725	421,349	421,547
Net operating profit	267,187	336,792	208,840	100,099	117,512	115,036
Net profit	229,006	299,672	208,840	99,752	115,781	13,320
Total assets	7,735,771	7,634,081	7,314,420	5,545,887	826,103	793,194
Total liabilities	4,839,746	5,012,400	4,700,874	2,934,059	220,027	287,827
Current liabilities	1,929,061	1,847,174	2,119,183	1,709,696	209,810	265,170
Total equity	2,896,025	2,621,681	2,613,546	2,611,828	546,701	505,367
Capital Employed	5,806,710	5,786,907	5,195,237	3,836,191	616,293	528,024
Current assets	1,604,682	1,502,932	1,530,728	1,160,762	205,381	229,214
Inventory	68,402	69,837	68,506	52,400	86,594	85,497

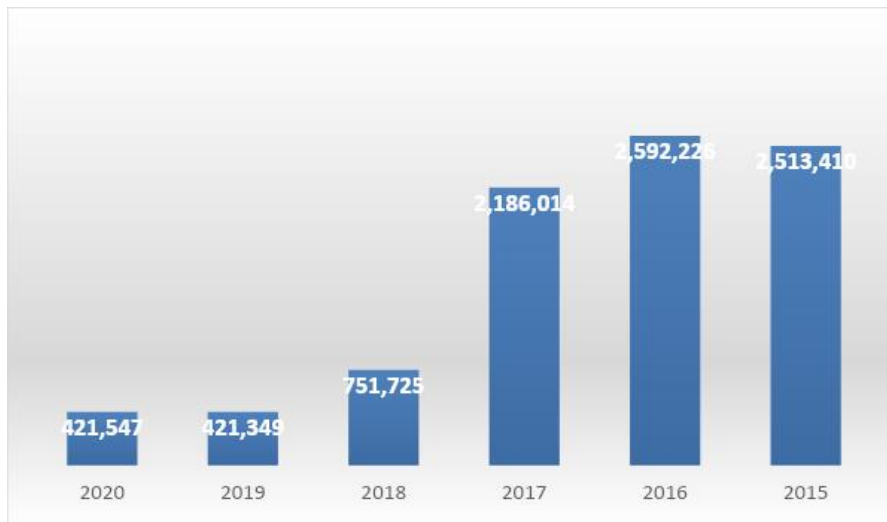
**Table 2: financial ratios**

	2020	2019	2018	2017	2016	2015	Average
Debt to Equity Ratio	1.67	1.91	1.80	1.12	0.40	0.57	1.25
Net Profit Ratio	0.09	0.12	0.10	0.13	0.27	0.03	0.12
ROE	0.08	0.11	0.08	0.04	0.21	0.03	0.09
ROA	0.03	0.04	0.03	0.02	0.14	0.02	0.05
ROCE	0.05	0.06	0.04	0.03	0.19	0.22	0.10
Current ratio	0.83	0.81	0.72	0.68	0.98	0.86	0.82
Quick ratio	0.80	0.78	0.69	0.65	0.57	0.54	0.67
Financial leverage	2.67	2.91	2.80	2.12	1.51	1.57	2.26
Total asset turnover	0.32	0.34	0.30	0.14	0.51	0.53	0.36

## REVENUE

**Table 1: Revenue**

	2020	2019	2018	2017	2016	2015
Revenue	2,513,410	2,592,226	2,186,014	751,725	421,349	421,547



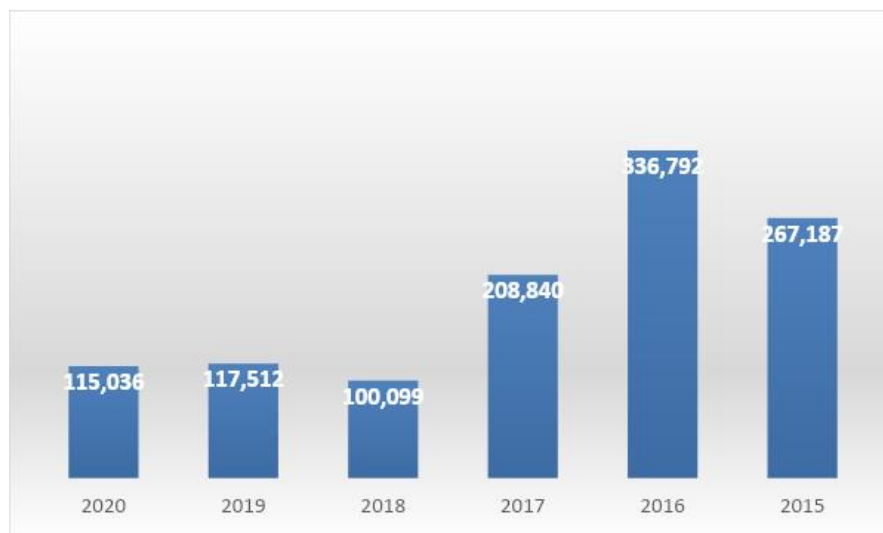
**Figure 1: Revenue**

Both the above table and chart is giving the details of revenue in terms of Omantel from the period 2015 to 2020. Revenue is one of the important financial performance indicators and it is considered the total income generated by the company by the sales of goods and services (Almomani, 2016). Consequently, the chart is showing that there is an increase in the revenue for Omantel from 2015 to 2020..

#### NET OPERATING PROFIT

**Table 2: Net operating profit**

	2020	2019	2018	2017	2016	2015
Net operating profit	267,187	336,792	208,840	100,099	117,512	115,036



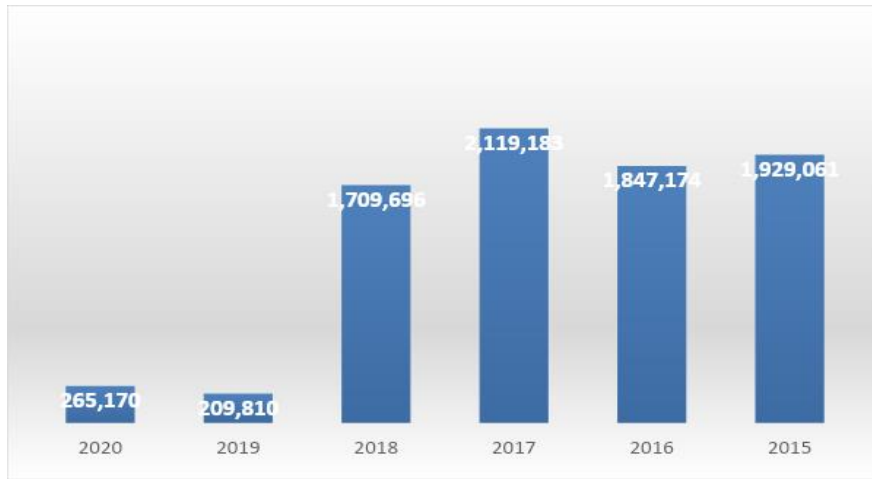
**Figure 2: Net operating profit**

The above table and chart are giving the details of net operating profit in terms of Omantel from the period 2015 to 2020. The term net operating profit is the profit which is subtracting the operating expenses from the generated revenue of the company (Baird, 2017). Subsequently, the chart is showing that there is an increase in the net operating profit for Omantel from 2015 to 2020.

**CURRENT LIABILITIES**

**Table 3: current liabilities**

	2020	2019	2018	2017	2016	2015
Current liabilities	1,929,061	1,847,174	2,119,183	1,709,696	209,810	265,170



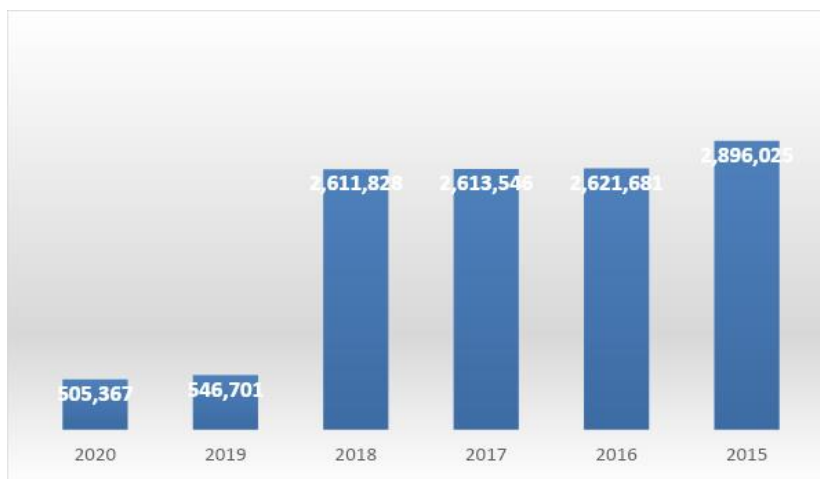
**Figure 6: current liabilities**

The above chart and table are giving the details of the current liabilities of Omantel from the period 2015 to 2020. The term current liabilities are the short-term financial obligations of a company (David and Jenson, 2014).

**TOTAL EQUITY**

**Table 4: Total equity**

	2020	2019	2018	2017	2016	2015
Total equity	2,896,025	2,621,681	2,613,546	2,611,828	546,701	505,367



**Figure 7: Total equity**

The above chart and table are giving the details of the total equity of Omantel from the period 2015 to 2020. The term total equity is the amount invested by the investors in a company in exchange for stock (Alboushra, Shahbudin, and Abdalla, 2015). Therefore, the chart is showing that there is an increase in the total equity for Omantel from 2015 to 2020. It is noticed that the total equity was

high in 2020 at 2,896,025 and it was low in 2015 at 505,367.

## CONCLUSION

Given the above matters, this research analyzed the impact of measuring financial performance indicators in Omantel. This research is using secondary data which is obtained from the financial statement of Omantel organization from 2015 to 2020. The result that the increase in revenue is showing that Omantel has positive financial performance and its support to achieve continuous business success. Also, the increase in net profit is highlighting that Omantel has positive financial performance and it supports achieving continuous business success and increases the competitive advantage in the telecom industry. Moreover, the increase in total assets is highlighting that Omantel supports accomplishing continuous business success and increases the reputation and image of the firm in their industry.

## FINDINGS

The findings of this research study are given below.

- There is an increase in the revenue for Omantel and it is indicating that there is a positive financial performance indicator showing the business strength and development.
- The increase in net operating profit is showing that Omantel has positive financial performance and supports achieving continuous business success.
- The ROE of Omantel is average because the average value of 9% is indicating that the company business is running successfully.
- The ROA of Omantel is better because the average value of 5% is indicating that the company has better financial strength and business sustainability.
- The ROCE of Omantel is better because the average value of 10% is indicating that the company has good financial strength and business growth and development in their industry.

## RECOMMENDATIONS

The following points should be followed by Omantel to improve its financial performance with the consideration of measuring financial performance indicators.

- Omantel must concentrate on the increase in revenue to enhance its business strength.
- Omantel must concentrate on the increase in net operating profit to achieve continuous business success.
- Omantel must concentrate on increasing the net profit to improve its financial strength and development for the firm.

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