

Short Communication

Financial ratios and the performance of banks

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Abstract

The study sheds light on the performance of commercial banks in particular during the critical period from 2007 to 2010, and the reason that the banks in Kuwait has been able to largely overcome the crisis and draws attention to the National Bank of Kuwait was able to distribute profits at that stage.

Keywords: Working capital, current liabilities, organization, of operations, business cycle, efficiency.

INTRODUCTION

The banking and financial industry has become a reality in the reality of the banking and financial, as it is witnessing a growing both in terms of the number of such institutions, or in terms of the amount of money managed by or diversity activities, and in spite of this progress and successes achieved by the banking and financial institutions, it still have challenges which will require further intensive efforts on the part of these institutions to enhance the quality of its products and services and diversity, and to keep pace with the rapid developments taking place in the world in this field.

Financial inflation and economic instability, so it happened from the global financial crisis and the bankruptcy of many U.S. and European banks and became the alarm beats major European countries impending bankruptcy and cannot pay the interest costs prohibitive. Banks have paved Aaltjarah Islamic end either way and did her utmost

Problem of the study and its questions

IMF considered that the step taken by the Central Bank of Kuwait will cause directly on the financial sector with the adoption of a decision by the reduction of the use of public funds to save financial institutions and private banks, which appeared problems during the financial crisis, putting Kuwaiti banks in a difficult challenge.

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Importance of the study

- 1 - Recognize the importance of financial performance in general and the banking sector in the State of Kuwait in particular
- 2 - Emphasis on the aspects and ways in which they can verify the EPS
- 3 - Emphasis on attention to the financial performance and financial ratios, including analysis contribute to decision-makers to take correct decisions

HYPOTHESES

The current study addresses the following hypotheses:

- 1 - the first hypothesis: There are no statistically significant differences between the liquidity ratios and earnings per share for the National Bank of Kuwait of the period (2007-2010)

Study Methodology

This study used a descriptive approach by describing the analytical and diagnostic and analysis of data and information relating to the budgets and income statements have been taking financial analysis approach in monitoring the facts about the reality where application entrance qualitative approach which reflects the most important indicators that measure financial performance.

The study sample

Been applied to the study on the financial statements during the period (2007-2010) of the National Bank of Kuwait in Kuwait, where it represents 52% of the market capitalization and number of employees for banks operating and is the first bank to founder in the State of Kuwait

The concept of financial Analysis

Noon financial analysis with the emergence of financial function as a function independent like other functions established the other and this is what Biva at the site say that this function has emerged since 1900 a range specifically, when studies were conducted financial field using analysis to study the financial situation of the installations States, where studies have been conducted on 981 facility from through the use of seven financial ratios to see the financial situation of these establishments and later became analysis function pro-fuction financial generally as a basis for the development of financial function and a separate subject taught in universities and specialized schools in the field of finance and economics. (Naimi, 2009:99)

Financial analysis is seen as the process of converting the vast amount of historical financial statements Entries financial statements (balance sheet and income statement) to the least amount of information, more useful to the decision-making process. This financial analysis addresses this information audit and analysis, interpretation and evaluation for the following purposes: (Naimi, 2009: 99)

1. Knowledge of the financial position of the company.
2. Access to Alaschmaria values in the company and evaluate the efficiency of its operations and the validity of its financial and productivity.
3. Financial planning policies, including depreciation policy and credit and collection policies and lease and inventory and build up reserves and investments. (Naimi, 2009:99)

And also came in the concept of financial analysis method, which uses financial ratios or quantitative methods or graphs to analyze the phenomena or activities that exercised Almncyat and take appropriate decisions to organize events. The analysis also means the entity's financial (do Athalil items each of the balance sheet and profit and loss account, and the most important tools used in the financial analysis is the analysis of descent, or the so-called financial ratios. (Naimi, 2009:100)

We say here that the financial analysis of the property (set of tools and methods used in the financial analysis of the financial statements and access to diagnosis and the strengths or weaknesses of the financial ratios are of the most important of these tools to compare similar

variables). (Naimi, 2009, p 100)

On the whole, the financial planning and financial control represent two basic functions of the financial manager, and if financial planning means mainly financial planning to achieve the objectives established, and financial control aimed at evaluating the efficiency of financial operations and take corrective action appropriate in a timely manner, the two functions are dependent primarily on the available information center of the financial and monetary facility that can be obtained through financial analysis. (Naimi, 2009, p 100)

Definition of financial analysis

Analysis money process through which to explore or derive a set of qualitative and quantitative indicators on project activity economic, contributes to determine the importance and the properties of operating activities and the project's financial and through information extracted from the financial statements and sources another in order to use these indicators later in evaluating the performance of the facility view to taking decisions. (Matar, 2003: 3)

For Financial Analysis

Aims of financial analysis in general the performance evaluation of the project from multiple angles and how to serve the goals of information users who have financial interests in the project in order to identify strengths and weaknesses and then take advantage of the information provided by financial analysis them to rationalize their decisions related financial project. (Matar, 2003:3)

And can be generally limited to the purposes of financial analysis in the financial aspects of the following:

1. Assess the profitability of the project.
2. Assess the financial position of the project.
3. Center's credit rating for the project.
4. To evaluate the efficiency financing policy.
5. Assess the efficiency of the management of assets and liabilities.
6. Assess the competitive position of the project.
7. Assess the project's ability to continuity (financial failure).
8. Devise some indicators that provide for the management of the planning and oversight tools and evaluate performance. (Matar, 2003:3)

The financial elements of decomposition

The analysis process to succeed in achieving financial objectives or purposes published, to be availability requirements or conditions which together constitute the basic pillars to be taken into account. If we consider that

the ultimate goal for the shop Financial is died realistic indicators give a picture of aspects of the project activity is as close as possible to the truth, then if requisites for success in achieve this goal by maintaining to provide a range of conditions, including that of himself, including with regard to approach and analysis methods and tools used by, and attached to the sources of information which depends on it. (Matar, 2003: 4)

Based on the above can be limited to the basic components of financial analysis are as follows:

No statistically significant differences between Kuwait Finance House liquidity and capital adequacy (2007-2010).

To verify the imposition of the study first, was calculated arithmetic means and standard deviations for the level of liquidity Kuwait Finance House, and capital adequacy ratios, and evidenced by the results of Table (1), that the arithmetic average level of liquidity Kuwait Finance House and adult (922.95), exceeds the arithmetic average of adequacy ratios capital and \$ (18.61), and the proof of the significance of this difference, the test was used "T" for groups Independent Independent-Sample t test, and shows the results of the analysis.

Averages and standard deviations and the value of "T" to denote differences between liquidity ratios KFH and capital adequacy Liquidity ratio KFH capital adequacy value t seen significance

Arithmetic average of the standard deviation of the arithmetic average R

922.95 940.79 18.61 4.53 1,922 0,103

Evidenced by the results of the analysis of the above table that there is no statistically significant differences between the average level of liquidity KFH and capital adequacy, as the value of "v" 1.922 which is statistically significant at the 0.05 level.

THE RESULTS OF THE SECOND HYPOTHESIS

No statistically significant differences between the profitability of Kuwait Finance House (KFH) and capital adequacy (2007-2010).

To verify the imposition study II, was calculated arithmetic means and standard deviations for the ratios profitability Kuwait Finance House, and capital adequacy, and evidenced by the results of as the arithmetic average of the profitability of Kuwait Finance House and adult (30.46), higher than the arithmetic average of adequacy ratios capital and \$ (18.61), and the proof of the significance of this difference, the test was used "T" for groups Independent Independent-Sample t test and shows the results of the analysis)

Averages and standard deviations and the value of "T" to denote differences between profit Kuwait Finance House and Capital Adequacy

Percentage profit KFH capital adequacy indicative value t Views.

Arithmetic average of the standard deviation of the arithmetic average R 30.46 22.87 18.61 4.53 1,017 0,348

Evidenced by the results of the analysis of the above table that there is no statistically significant differences between the average profitability of Kuwait Finance House (KFH) and capital adequacy, as the value of "v" 1.017 which is statistically significant at the 0.05 level

Recommendations

1 - The need to apply the policy in banks and hedge maintain greater liquidity to avoid low capital adequacy with it can affect profits

3 - Should be full disclosure of data and information in all transparency, because it increases confidence Bamlae

4 - The need to use tools Islamic speculative in crisis situations because it keeps the part.

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