

ANALYSIS OF MONETARY PERFORMANCE (A CASE STUDY OF SHELL OMAN MARKETING AND OMAN OIL MARKETING)

Dr. Lenin Kumar Nooney

Assistant Professor, Department of Business Studies,

Nizwa College of Technology, Nizwa

Email: ramalenin1976@gmail.com

Sheikha Al Khatiri, Khalsa Al Shereiqli, Nihal Al Subeihi & Maysa Al Harrasi

Student, Department of Business Studies,

Nizwa College of Technology, Nizwa

Email: s21s1455@nct.edu.om, s21s14141@nct.edu.om, s21s1426@nct.edu.om & s21s14131@nct.edu.om

ABSTRACT

The study has analyzed and compared the monetary performance in terms of liquidity, solvency and profitability position of the Shell Oman Marketing and Oman Oil Marketing. The data regarding variables are collected for the period of 5 years from 2013 to 2017. The data collected was analyzed using ratios. The findings of the study show that current ratio of both the companies is greater than one. The quick ratio of Oman Oil Marketing is greater than one, but the quick ratio of Shell Oman Marketing is less than one. Only in 2013 the net profit ratio of Oman Oil Marketing is greater than Shell Oman but from 2014 to 2017 Shell Oman Marketing net profit ratio is greater than Oman Oil Marketing. It can be observed from the above table that net profit ratio of both the companies has decreased from 2015 to 2017. It shows that Shell Oman Marketing has a greater return on assets than Oman Oil Marketing. But when compared to earlier years both the companies return on assets has decreased. The debt ratio of Oman Oil Marketing is less than 0.5 and the debt ratio of shell Oman Marketing is more than 0.5. It can be concluded from the analysis that Shell Oman Marketing has better profitability and solvency position than Oman Oil Marketing. But in case of liquidity position Oman Oil Marketing is better than Shell Oman Marketing.

KEY WORDS: Monetary performance, Liquidity, Profitability, Solvency and Financial Performance

1. INTRODUCTION

Monetary analysis involves investigative historical data to gain information about monetary performance of the company. The study has analyzed monetary performance by taken ratios in terms of liquidity, solvency and profitability because liquidity ratios measure a company's ability to convert its assets to cash, solvency ratios measure a company's ability to meet its financial obligations and Profitability ratios measure a company's ability to generate profits from its resources.

1.1 Statement of the problem

Oil is the most important factor in the Omani economy, and it is the oil industry, which is the promoter for growth in gross domestic product. The reduction of crude oil prices had an impact on the economy, which forced the government to make policy changes. The increase in the petrol prices had an impact on the performance of oil and gas industry. The study has analyzed and compared the monetary performance in terms of liquidity, solvency and profitability position of the Shell Oman Marketing and Oman Oil Marketing.

1.2 Objectives of the study

- To analyze and compare the monetary performance of the companies.
- To identify the relationship of monetary performance between companies.

1.3 Scope of the study

The scope of the study is limited to monetary performance in term of liquidity, solvency and profitability position of the Shell Oman Marketing and Oman Oil Marketing only. The data regarding variables are collected for the period of 5 years from 2013 to 2017. The data collected was analyzed using ratios.

1.4 Limitations of the study

- The study is based on secondary data. Hence, it may not provide accurate information.
- The study is restricted to the past years (2013-17) financial information only.
- The result of the study cannot be generalized for other organization.
- Result of the study is limited to the selected companies.
- Different method and mode of analysis may give different findings.

1.5 Significance of the study

The complete bookkeeping data reported in the financial statements does not provide a meaningful understanding of the performance and financial position of the firm, the study was concerned on financial analysis to evaluate and compare the monetary performance of the Shell Oman Marketing and Oman Oil Marketing.

- The study will help management to take managerial decisions.
- The study will help the investors who want to invest in these companies.
- The study will also help for future research in the areas.

1.6 Research procedure

Financial information in term of quantitative data was collected from the annual reports of the companies for analyzing the monetary performance. As the data collected was quantitative nature, the study used descriptive type of research to summarize the monetary performance. The data for the present study was collected from secondary sources. The secondary data was collected from Company Annual Reports, Internet, Magazines, and Books, etc. The data was collected from financial statement from the two company for five years' period (i.e., 2013-2017) from Muscat Securities Market. The data collected was systematically organized in a manner to facilitate analysis. The data was analyzed using the ratio analysis and data analysis tool in Microsoft excel 2016. Correlation analysis was used to identify the relationship between crude oil price and monetary performance of the companies.

1.7 Hypothesis of the study

H₁: There is no relationship of monetary performance between companies.

H₀: There is a relationship of monetary performance between companies.

2. LITERATURE REVIEW

Keshwara (2009) has studied about "A Study of Financial Performance of Aluminum Industry in India". "In this research he has selected five aluminum industries and for analyzing the performance of aluminum industries, he has been made Inter-firm comparison by using ratios, cash-flow analysis, break-even analysis, trend analysis, average, index number, standard deviation, correlation, regression, and time series analysis. On the basis of findings, he has given some suggestion for improvement of performance like company should try to increase the production, control the cost of goods sold, adoption cost control techniques, and efficient use of funds as well investors, financial managers, and workers for taking decision related to their own regards of interest."

Bhunja, Mukhuti & Roy (2011) have discussed about "Financial Performance Analysis - A Case Study". "The main aim of study was to identify the financial strengths and weaknesses by covering two public sector drug & pharmaceutical enterprises listed on BSE. For study purpose, they have been selected twelve years from 1997-98 to 2008-09. They analyzed the data by using ratios, and statistical tools like A.M., S.D., C.V., linear multiple regression analysis and test of hypothesis t-test. They concluded that growth during last decade was noteworthy and market trend was growing at a faster rate. They suggested that the opportunities could be grabbed through the diversification of export basket in untouched foreign destinations."

Dr. Riyas Kalathinkal et al. (2014), “An Analytical Study on Financial Performance of Majan Glass Company (Sohar Branch, Sultanate of Oman) Using Ratio Analysis Technique”. “The analysis gives a major focus on the financial viability, structure and optimum utilization of funds of the company as this analysis is taken for four years period starting from 2010 to 2014. The results of the analysis shows that the working capital of the company is not enough, so the company can try to increase the net working capital by increasing current assets and decreasing its current liabilities. The current ratio is decreased slightly, because there is a gap between the ideal limit and the actual, if the excess current liabilities are adjusted proportionate manner the current ratio can be improved”.

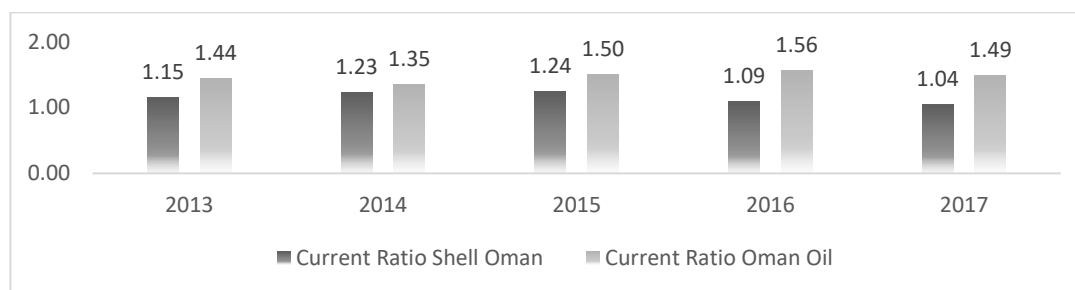
Mohammad Noor Alam et al. (2017), “Financial Performance of Bank Dhofar in Oman’s Banking Environment”. “The study attempted at doing a performance evaluation of Bank Dhofar by comparing ratios and other performance indicators over a period of eight years. From the analysis it is quite evident that Bank Dhofar has been performing quite well and is in the process improving its market share which happens to the bank’s goal and vision.

Dr.S.Vijayalakshmi, Sowndarya.K & Sowndharya.K (2017), “A Study on Financial Performance Analysis of Bharti Airtel Limited”. Financial performance is done to evaluate capability, stability and profitability of the company. Financial analysis helps investors to appraise whether they should invest in a company or not. The main objective of this study is to know the short term and long-term financial position of the company and to know the profit level of the company based on the secondary data that is balance sheet and profit/loss account. The results of the analysis shows that over all liquidity position of the company is fluctuating, the company has to stabilize its income without much increase in operating expenses, profitability position of the company is not stable due to decrease in sales, due to the increase in operating profit the Earnings /share value and dividend payout ratio has increased.

Shariq Mohammed, Nadia Sha, Mohd Noor Alam, & Hajer Qaouq (2018) studied the financial analysis of cement industry in Oman. The main objectives of the study are to study the financial performance of the cement Company in Oman, to study the profitability of the of the cement industry and to study the liquidity of the of the cement industry. The outcome of the analysis shows that Oman Cement Company should maintain its shareholders’ equity position, it should increase its fixed assets and also increase its sales for Oman Cement Company, the net sale of Oman Cement Company is also increasing and the company should maintain them, the sales of Oman Cement Company is increasing while its profit is decreasing, hence this should be avoided and the operating profit before tax and interest of Raysut Cement Company is more than the capital employed. The company should maintain this.

3. ANALYSIS OF DATA

3.1 Current Ratio



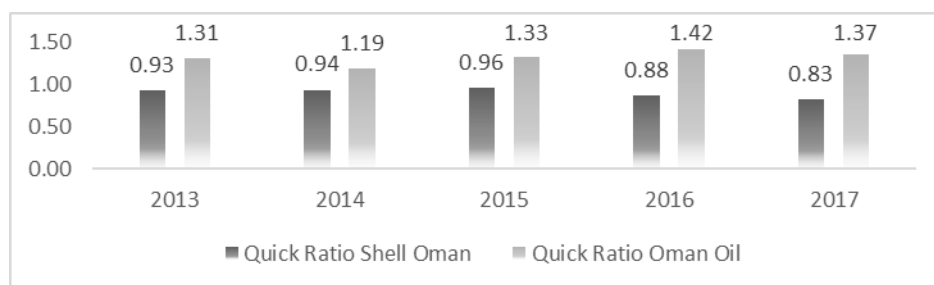
Graph 01: Current Ratio of Shell Oil Marketing and Oman Oil Marketing

It is understood from Graph 01 that the current ratio of both the companies is greater than one which indicate that both the companies can meet its short-term obligation on time. Both companies don’t have liquidity issues as the ratio is greater than one. But when the current ratio of the companies is compared, Oman Oil Marketing is more liquid than Shell Oman Marketing.

3.2 Quick Ratio

It is clear from Graph 02 that the quick ratio of Oman Oil Marketing is greater than one, which indicate that Oman Oil Marketing can promptly pay off its current liabilities on time. But the quick ratio of Shell Oman marketing is less than one

which shows that Shell Oman may not be able to fully pay off its current liabilities on time. The analysis shows that Oman Oil Marketing is more liquid than Shell Oman Marketing.

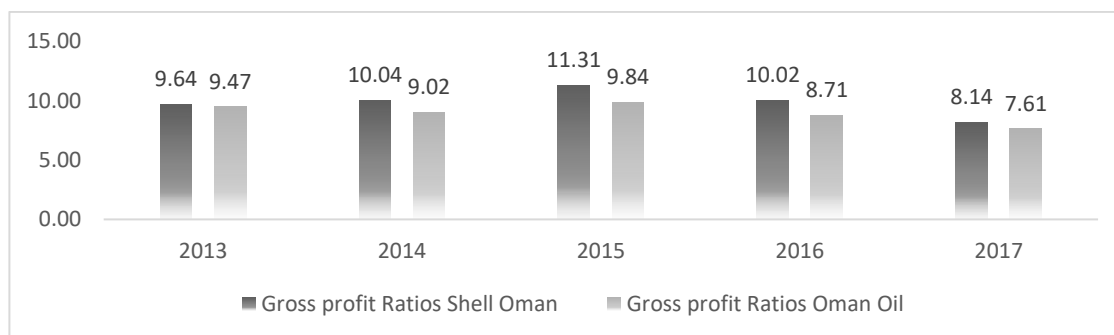


Graph 02: Quick Ratios of Shell Oman Marketing and Oman Oil Marketing

It can be concluded from the above liquidity analysis that Oman Oil Marketing has a better liquidity position than Shell Oman Marketing. It also indicates that Shell Oman Marketing have more inventory and prepaid expenses than Oman Oil Marketing, that is why Shell Oman Marketing quick ratio is less than one.

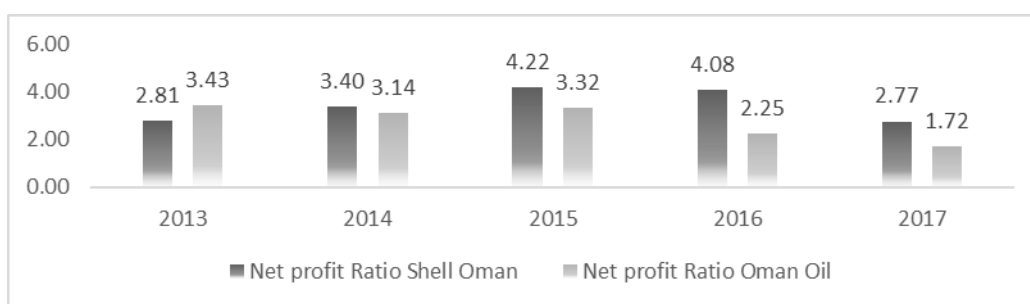
3.3 Gross Profit Ratio

Graph 03 indicates that the gross profit ratio of Shell Oman Marketing is better than Oman Oil Marketing. It indicates that Shell Oman Marketing is more efficient than Oman Oil Marketing. But the gross profit ratio of both the companies has decreased from 2015 to 2017 this may be due to decline in the crude oil prices.



Graph 03: Gross Profit Ratios of Shell Oman Marketing and Oman Oil Marketing

3.4 Net Profit Ratio



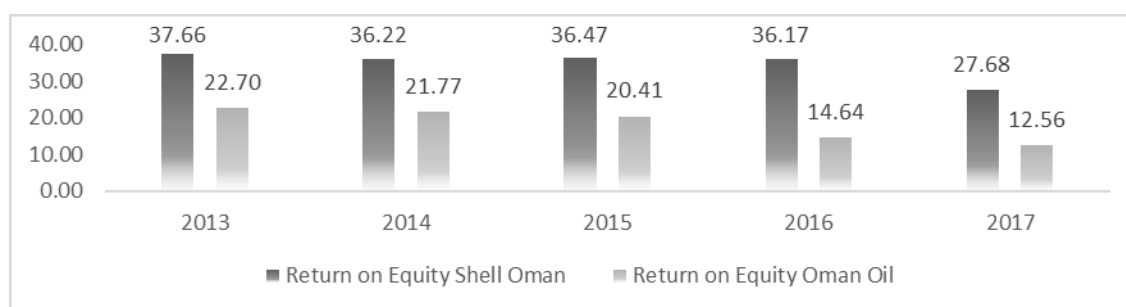
Graph 04: Net Profit Ratio of Shell Oil Marketing and Oman Oil Marketing

It is evident from Graph 04 that only in 2013 the net profit ratio of Oman Oil Marketing is greater than Shell Oman Marketing but from 2014 to 2017 Shell Oman Marketing net profit ratio is greater than Oman Oil Marketing. So, it indicates

that Shell Oman Marketing is more efficient at converting sales into actual profit than Oman Oil Marketing. It can be observed from the above graph that the net profit ratio of both the companies has decreased from 2015 to 2017 this again due to decline in crude oil prices.

3.5 Return on Equity Ratio

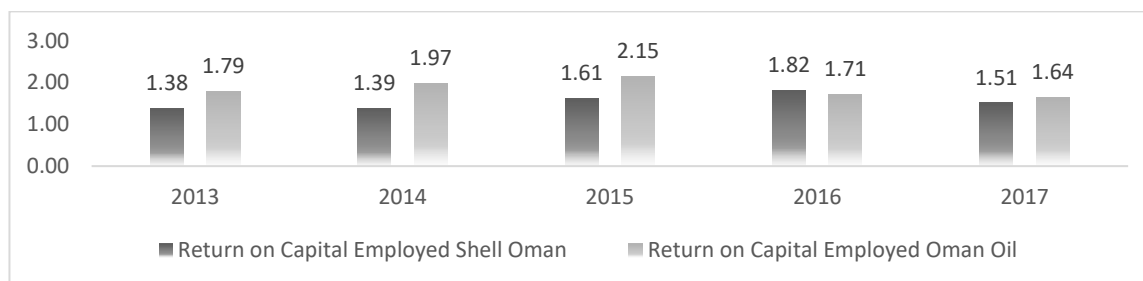
It can be clearly understood from the above Graph 05 that Shell Oman Marketing has greater return on equity ratio than Oman Oil Marketing in all the years. But when compared from 2015 to 2017 years ratio of both the companies decreased this is due to decrease in the net profit of the companies.



Graph 05: Return on Equity Ratio of Shell Oil Marketing and Oman Oil Marketing

3.6 Return on Capital Employed

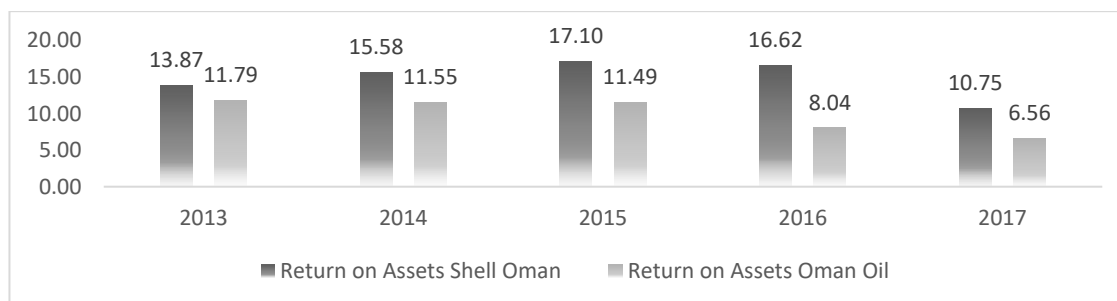
It is understood from Graph 6 that the return on capital employed of Oman Oil Marketing is greater than Shell Oman Marketing except in the year 2016. It shows that Oman Oil Marketing is utilizing shareholder capital more efficiently than Oman Oil Marketing. But when compared to previous years (2016) the ratio decreased for both the companies.



Graph 06: Return on Capital Employed of Shell Oil Marketing and Oman Oil Marketing

3.7 Return on Assets Ratio

It is clear from Graph 7 that the return on assets of Shell Oman Marketing has increased from 2013 to 2015 but from there it decreased. The return on assets of Oman Oil Marketing has decreased from 2013 to 2017. It shows that Shell Oman Marketing has a greater return on assets than Oman Oil Marketing. It can be understood that Shell Oman Marketing had utilized assets better than Oman Oil Marketing in generating profits. But when compared to earlier years both the companies return on assets has decreased in 2017.

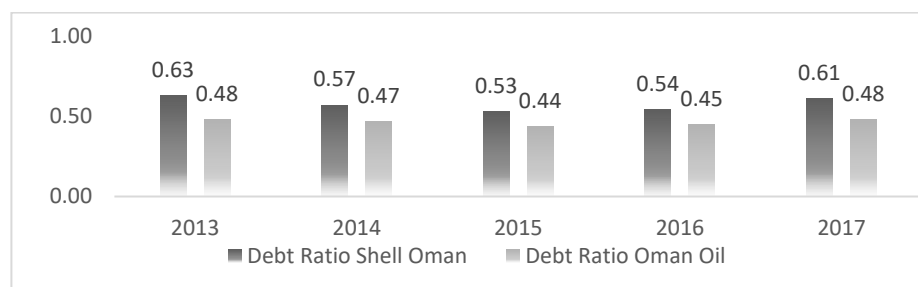


Graph 07: Return on Asset of Shell Oil Marketing and Oman Oil Marketing

It can be concluded from the profitability analysis that Shell Oman Marketing has a better profitability position than Oman Oil Marketing except in return on capital employed.

3.8 Debt Ratio

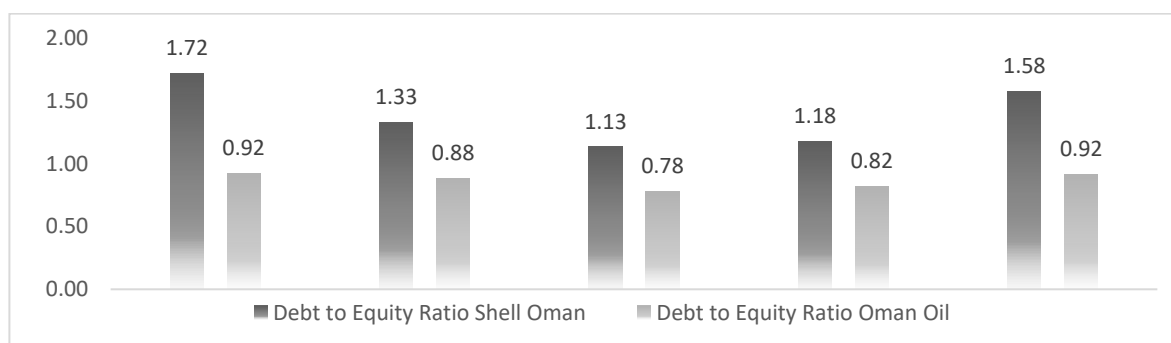
It can be explained from Graph 08 that the debt ratio of Oman Oil Marketing is less than 0.5 and the debt ratio of Shell Oman Marketing is more than 0.5. So, the debt ratio of Shell Oman Marketing is better than Oman Oil Marketing. It indicates that Oman Oil Marketing assets are financed through equity and Shell Oman Marketing assets are financed through debt.



Graph 08: Debt Ratio of Shell Oil Marketing and Oman Oil Marketing

3.9 Debt to Equity Ratio

The Debt to Equity Ratio of Shell Oman Marketing is better than Oman Oil Marketing because the Debt to Equity Ratio of Shell Oman Marketing in all the years is better than Oman Oil Marketing. Debt to Equity Ratio of Shell Oman Marketing is better as it is above 1. Optimal Debt to Equity Ratio is about 1. For most companies the maximum acceptable Debt to Equity Ratio is 1.5 to 2.



Graph 09: Debt to Equity Ratio of Shell Oil Marketing and Oman Oil Marketing

Table 01 shows the correlation analysis of monetary performance between Shell Oman Marketing and Oman Oil Marketing. It is evident from the analysis that there is a positive correlation between the companies in terms of gross profit ratio, net profit ratio, return on equity, return on assets, debt ratio and debt to equity ratio but the intensity of positive correlation is not that much strong as the values are not close to positive one. There is a negative correlation between the companies in terms of current ratio, quick ratio and return on capital employed but the intensity of negative correlation is not that much strong as the value are not close to negative one.

Two tailed significance results show that p value is greater than 0.05 for all the monetary performance indicators except for gross profit ratio, debt ratio and debt to equity ratio. Hence the null hypothesis is accepted, and it is concluded that there is no significant relationship of monetary performance between companies in terms of current ratio, quick ratio, net profit ratio, return on equity, return on capital employed and return on assets.

But for gross profit ratio, debt ratio and debt to equity ratio the p value is less than 0.05. Hence the null hypothesis is rejected, and it is concluded that there is a significant relationship of monetary performance between companies in terms of gross profit ratio, debt ratio and debt to equity ratio.

Table 01: Correlation Analysis of Monetary Performance Between Shell Oman Marketing and Oman Oil Marketing

Monetary Performance	N	Pearson Correlation	Correlation Result	P Value	p < 0.05
Current Ratio	5	-0.531	Negative	0.357	NS
Quick Ratio	5	-0.584	Negative	0.301	NS
Gross Profit Ratio	5	0.889	Positive	0.043	S
Net Profit Ratio	5	0.180	Positive	0.772	NS
Return on Equity	5	0.775	Positive	0.124	NS
Return on Capital Employed	5	-0.135	Negative	0.829	NS
Return on Assets	5	0.535	Positive	0.353	NS
Debt Ratio	5	0.946	Positive	0.015	S
Debt to Equity Ratio	5	0.932	Positive	0.021	S

Note: NS - Not Significant S – Significant

4. FINDINGS OF THE STUDY

- The current ratio of both the companies is greater than one. But when we compare the current ratio of the companies, Oman Oil Marketing is more liquid than Shell Oman Marketing. The quick ratio of Oman Oil Marketing is greater than one, but the quick ratio of Shell Oman Marketing is less than one.
- The gross profit ratio of Shell Oman Marketing is better than Oman Oil Marketing. But the gross profit ratio of both the companies has decreased from 2015 to 2017. Only in 2013 the net profit ratio of Oman Oil Marketing is greater than Shell Oman Marketing but from 2014 to 2017 Shell Oman Marketing net profit ratio is greater than Oman Oil Marketing. The net profit ratio of both the companies has decreased from 2015 to 2017. The Shell Oman Marketing has greater return on equity ratio than Oman Oil Marketing. But when compared with previous years ratios both the companies return on equity ratio decreased. The return on capital employed of Oman Oil Marketing is greater than Shell Oman except in the year 2016. But when compared to previous years the ratio decreased for both the companies. It shows that Shell Oman Marketing has a greater return on assets than Oman Oil Marketing. But when compared to earlier years both the companies return on assets has decreased.
- The debt ratio of Oman Oil Marketing is less than 0.5 and the debt ratio of shell Oman Marketing is more than 0.5. So, the debt ratio of Shell Oman Marketing is better than Oman Oil Marketing. The Debt to Equity Ratio of Shell Oman Marketing is better than Oman Oil Marketing because the Debt to Equity Ratio of Shell Oman Marketing in all the years is better than Oman Oil Marketing.
- There is a significant relationship of monetary performance between companies in terms of gross profit ratio, debt ratio and debt to equity ratio as the p value is less than 0.05.

5. RECOMMENDATIONS OF THE STUDY

The liquidity position of Shell Oman Marketing is less liquid than Oman Oil Marketing. It is recommended to Shell Oman Marketing to improve its current assets position so that it can meet its short-term obligation on time. The gross profit ratio and net profit ratio of both the companies has decreased from 2015 to 2017. A low net profit ratio means that a company uses an ineffective cost structure and/or poor pricing strategy. Therefore, it is suggested to both the companies to have effective cost and pricing strategy to improve its net profit ratio. The return on capital employed ratio of Shell Oman Marketing is less than Oman Oil Marketing. So, it is suggested Shell Oman Marketing to utilize the shareholder capital efficiently to generate more return.

6. CONCLUSION

It can be concluded from the analysis that Shell Oman Marketing has better profitability and solvency position than Oman Oil Marketing. But in case of liquidity position Oman Oil Marketing is better than Shell Oman Marketing.

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