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Analysis of Corporate Financial Performance: A Review

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Abstract: *The notion of financial performance and its analysis were further upon in the book. In order to gather data on financial performance, it also recorded pertinent stakeholders. Using previously published research, the review aimed to summarize the current level of knowledge on financial performance assessments. It also drew attention to inadequacies in the literature reviews. Two aspects of the body of literature were examined: the financial performance of businesses generally and by industry, as well as that which was unique to businesses in Ghana and especially to the telecoms sector. Of all the published works that have been evaluated, 46% fall into the second group, while 54% fall into the first one mentioned above. Following the investigation, it became clear that three distinct procedures or methodologies had been used to assess the financial performance of the companies. In the first method, financial ratios were used for comparative study, either within the same business or across various enterprises. A different area of the reviewed literature looked at how certain metrics, such as capital structure, and operational strategies, such as Just-In-Time systems, affected the company's bottom line. A third method looked at a company's financial success using measurements from internal key performance indicators. It was determined that the first two techniques were used in the bulk of the field's and the topic's existing literature.*

Keywords: Financial Performance Analysis, Corporate Organizations, Financial Ratios.

I. INTRODUCTION

In general, a company's financial performance shows how well its financial goals are being met or have been attained. Investors and/or shareholders often use it as a stand-in for company performance. It is thus used to translate the operations, policies, and guidelines of an organization into monetary or economic terms. It is an essential part of financial risk management. It is used to ascertain a company's total financial health over a certain period of time. The financial performance of any firm shows how well management utilizes the resources of the organization to achieve goals and adhere to financial limitations. It also establishes the present liquidity and solvency state of the companies. Evaluating the financial health and condition generally involves financial analysis, which includes an examination of financial papers and reports. Despite its limitation to not include all pertinent information about a company's financial activities, financial statements provide a lot of information regarding a company's profitability and financial health. Many organizations and critical stakeholders, including management, employees, shareholders, individual and institutional investors, creditors, competing enterprises, and governments (for tax purposes), place a high value on a company's financial performance. In order to identify any gaps in the status quo, it is thus essential or justifiable to do a detailed analysis of the state of the literature previously published on the topic. This will provide the framework for a thorough analysis of the study's main topic, which is Ghanaian telecom companies' financial performance. Ghana's telecom market is dominated by four large corporations, of which MTN owns more than 50%. It is the largest corporate tax payer in Ghana. According to its financial statement, MTN paid 1.1 billion Ghana Cedis in taxes and levies to the government in 2016.

II. LITERATURE REVIEW

The body of research on financial performance from both Ghanaian and international sources was examined. The evaluated literature included studies that:

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Used ratio analysis and other statistical techniques to assess a company's financial performance using its financial statements

Looked at the connection between financial performance and perceived relevant criteria including capital structure and corporate social responsibility (CSR). Others assessed the effect on financial performance of certain operational procedures such as TQM, JIT, outsourced services, and ISO certification.

Created models for analyzing financial performance using metrics deduced from key performance indicators chosen by the company.

Literature Review on financial performance of firms:

Mikailu et al. used pooled ordinary least square regression to study firm governance and finances. Firm performance was assessed by RoE, RoA, P/E, and Tobin's Q. The study supported concentrated equity over diffused. It supported a ten-member board and CEO-chair separation. Research shows that expatriate CEO-managed businesses outperform indigenous CEO-managed firms, even if there is little evidence that boards with more external directors perform better. The study's sample requirements were unrepresentative, therefore OLS regression might have been replaced with a more robust statistical method.

Tehrani et al. reviewed corporate performance using data envelopement. Use of financial accounts and article/book ratios to generate performance indexes. Research data was analyzed using data envelopment analysis due to the many variables. Liquidity, Activity, Leverage, Economic Added Value, and Profitability ratios assessed performance. The analysis found nine of thirty-six businesses efficient and twenty-seven inefficient. The study's focus on internal efficiency without assessing the companies was flawed. When constructing the model, qualitative indicators were deleted.

Size, solvency, liquidity, equity capital, and leverage influenced life insurance firm profitability, according to Sumninder and Samiya. Multiple linear regressions was performed to estimate the variables' five-year impact on firm profitability. This study selected 18 Indian life insurers. Life insurers' size and liquidity improved profitability, whereas equity capital diminished it. No association between insurance leverage, solvency, or profitability. The study's few insurance firm profitability criteria are a big flaw.

Bhunia et al. investigated Indian public sector pharmaceutical and drug company budgets. Short- and long-term solvency, profitability, liquidity trends, financial process efficiency, and liquidity and profitability aspects were studied. Multiple regression was used to determine how ratios impact firms' finances and profitability. Two Bombay Stock Exchange-listed medicine and pharmaceutical firms were studied. Solvency, profitability, efficiency, financial stability, operational efficiency, and liquidity were measured. Both companies were liquid. Both companies' financial stability worsened. The research used solely published financial data, a shortcoming. It suffers from all summary public financial statement flaws.

Two large Indian banks' financial performance after banking reform was analyzed by Sangmi and Nazir. The research utilized 5-year bank annual report secondary data. Writers deemed banks' asset quality, liquidity, capital, and management ability sufficient. JKB outperforms PNB in profits and expenditure per employee. Only two banks were included in the study, thus their performance may not truly represent the reforms' impact on Indian banks.

TQM, JIT, services outsourcing, and ISO certification effect corporate profitability and development, according to Duarte et al. PAEP contributed secondary data for this investigation. Study data comes from 3,589 industrial firms. Operational methods did not improve financial performance. This shows that outsourcing damages growth and profitability. The study found a little negative association between ISO certification and growth. The research is flawed by using data from another database.

. Leverage risk, debt equity ratio, GPM, Debt, interest rates, ROE, ROA, and NPM were assessed. Primary quantitative data was correlated and regressed. Research revealed capital structure influenced 56.4% of NSE-listed banks' financial performance. Small sample sizes make regression analysis sensitive to technical interpretation issues.

Rouf monitored Bangladeshi listed enterprises' profitability and corporate governance transparency. Data about 94 listed non-financial firms obtained from the Dhaka stock exchange library. Multiple ordinary least squares regression. Corporate governance openness significantly increased profitability, according to studies. Just non-financial companies

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restrict generalization. Second, the study's author-generated disclosure index is sensitive and may distort results if material is poorly chosen.

Kumbirai and Webb examined South commercial bank performance from 2005-2009. The study examined credit quality, liquidity, and profitability. The paper used descriptive financial ratio analysis to evaluate banks. This sample included all 2005–2009 national banks. The five largest commercial banks by assets at the end of 2009 were sampled. The first two years of study showed remarkable bank performance improvements. When the global financial crisis began in 2007, the trend altered, culminating in 2008-2009. South African banks lost profitability, liquidity, and credit quality. A full examination of the bank's financial performance was impossible with just three financial indicators. Mwangi and Murigu10 examined Kenya's general insurers' profitability. ROI, retention ratio, liquidity, equity capital, size, management competency index, and ownership were employed. Study employed multiple regression and descriptive research.

The research utilized 2009–2012 secondary data. Kenyan general insurance companies improved financial performance with more equity capital, management talent, and leverage. However, foreign ownership and size inversely affected company return on assets. The research excluded Kenyan economic structural changes that may affect general insurance companies' overtime performance. A linear model may fail to reflect the underlying relationship between components of interest when financial performance changes.

Capital arrangements impact listed Nigerian banks' performance, according to Adesina et al.11. Profit before tax, equity, and debt were used. Bank capital structure and financial performance were examined using survey research and OLS regression. Top-tier banks with high capital structures were excluded using stratified sampling. Thus, the 10 most capitalized banks were picked. The selected banks' annual reports were studied for 2005–2012 pretax profits, debt, and equity. The research revealed equity and debt improve bank performance. Only using OLS in a two-variable regression analysis may have technical flaws. Failure to obtain changing input might jeopardize the model.

Financial performance and organisational culture were examined by Davidson et al.12. Income statement financial ratios assessed firm performance. Denison Organizational Culture Survey evaluated culture. A poll sampled 327 persons. Financial ratios and customer focus, team orientation, vision, basic values, and agreements show correlations over 0.5. However, most relationships failed the statistical significance test, clouding the conclusions. Two of four profitability ratios connected with cultural characteristic consistency. Comparing one organization and its departments limits the findings. Again, the model optimistically predicted a different cultural character for each department.

Mahbuba and Farzana13 investigated Dutch Bangla Bank Ltd.'s CSR and profit. CSR's influence on profitability was investigated using SPSS OLS regression. Hypothesis testing examined CSR expenditure and after-tax earnings. Study data came from 2002–2011 bank annual reports. CSR awards caused 90.7% of bank profit swings. Only post-tax earnings are used in the research. The dependent variable, CSR, and other profitability ratios may have been studied for further findings.

Summary of Literature review on Specific Field of Research:

With the exception of the telecom sector, the studies above focused on the financial performance of businesses overall. The works' scope is essentially limited to using financial statements and other non-financial sources to assess a company's financial health. Others aimed to determine if certain elements (market capitalization, capital structure, etc.) or operational procedures were connected to financial performance or not. For the most part, they use statistical analytic tools and financial ratios as inquiry tactics. Every study was carried out in areas other than Ghana. The following research looked at studies on the financial analysis of telecom firms and businesses in Ghana.

Literature Review of financial performance of firms in Ghana as well as the telecoms sector:

This section examines Ghana's telecom and banking companies' financial performance literature. Sebe-Yeboah and Mensah14 analysed ADB's finances using multiple methods. Research allowed continued bank financial performance review. Secondary data from verified financial statements and other important sources was used. The bank's 47 audited financial statements from 2006 to 2012 were examined. The data was evaluated using vertical and horizontal analysis, Du Pont financial ratio analysis, and descriptive statistics. The research showed ADB financing less to agriculture. Lower bank liquidity persisted in 2010. More detailed evaluation choices highlighted model limitations. DEA and

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CAMELS ratings may have been more reliable. Customers' pleasure and experience may effect long-term profitability, hence the study excluded user comments. Anlesinya et al.15 investigated MTN Ghana Limited's finances and CSR. Their study also found that environmental, community, consumer/customer, and employee responsibility influenced financial performance. The essential data was gathered using questionnaire. Data was processed using SPSS 16.0. 35 of MTN Ghana Limited's 40 management hires were from the target demographic. Standard multiple and hierarchical regression were utilized. MTN was linked to financial success and CSR. Only community-focused CSR affected corporate finances most. Using just MTN when there are other significant telecom operators is a downside. Customer feedback should have come from original sources. Danquah16 investigated if Emotional Intelligence (EI) mediates link Marketing (RM), financial performance, service quality, and customer satisfaction. This research was descriptive/quantitative. For study, questionnaires and annual reports were employed. Data was examined using SPSS.

Twenty of 28 banks contacted 220 employees and customers. According to study, emotional intelligence increased relationship marketing, service quality, customer satisfaction, and financial success. Service quality, customer satisfaction, relationship marketing, and financial performance were substantially connected with emotional intelligence. Relationship marketing facilitates EI-financial transactions. We discovered two holes. Emotional intelligence and consumer loyalty may have been studied initially. The survey only included commercial banks. Additional studies on telecommunications, insurance, health, and hospitality might improve generalizability. Gyamfi et al.17 examined Ghanaian foreign and local bank performance. Ratio analysis was utilized to assess 25 local and foreign banks using 2005–2010 time series data. Asset quality, ROA, management efficiency, ROE, capital adequacy, bank size, earnings performance, and liquidity. Research showed that Ghanaian banks beat foreign banks on ROA and ROE. Domestic banks have less capital and worse loans than foreign banks. The study also found that Ghanaian local banks are better managed than multinational banks, which are more liquid and profitable. Performance was not compared to industry averages, which may have provided greater context. Sarpong Jnr et al18 assessed Ghanaian banks' efficiency. Ghana Stock Exchange-listed banks' efficiency was assessed using financial ratios. The study utilized 2005–2011 bank financial statements and annual reports. The study examined banks' asset quality improvement, earnings, liquidity, cost, financial leverage, and foreign currency exchange rate risk. All banks are adequately capitalized, says the study. Sub-Saharan Africa saw major asset deterioration. Over time, cost and profit efficiency decreased. All banks are liquid and less exposed to currency exchange rate risk. Ratio analysis may have been replaced by CAMEL and DEA, more stringent performance approaches.

Kwaning et al19 investigated Ghana's leading Agricultural Development Bank's overhaul. Financial performance was assessed by ROA, ROE, and CAR. Both primary and secondary data were obtained. The report blames commercial environment changes, governance concerns, and inadequate strategic management and performance for ADB's restructuring. Too few and spatially unrepresentative responses. The study period is too short to fully capture the rearrangement. Once again, profitability measures cannot determine a bank's financial performance. From 2007 through 2011, Donkor and Tweneboa-Kodua20 investigated AARB's efficiency, liquidity, and profitability. Return on assets, gross, and net profit margins were examined. Original and secondary data were used. Key bank executives explained tendencies in interviews. Financial metrics measured bank efficiency, profitability, and liquidity. All years except 2010, bank earnings rose. A survey found inadequate bank liquidity and poor management. For now, one rural bank should not assess Ghanaian rural bank profitability. There are more rigorous and sophisticated ways to assess bank financial performance than profitability indicators.

Acheampong examined how multinational banks entered Ghana between 1975 and 2008 and influenced Merchant and Commercial Bank. The study modeled bank profitability using liquidity, capital, and entry dummies. Results showed multinational banks increased local banks' ROA. The research also indicated that multinational banks considerably enhanced local bank profitability margins. Liquidity affected domestic banks' return on assets more than any other independent variable during the reference period. Choosing just three quantitative factors constrained R-squared since market risk and debt ratio may have raised it. Vadiraj and Narahari modeled ARPU trends. To assist telecom providers build ARPU strategy. Regression research shows that subscriber base, new consumers, and operators influence average user expenditure. The study lacks customer experience and network quality predictors, which impact telecommunications revenues.

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In India and China, Rahul and Xue examined how numerous factors impact telecom firm revenues. Technology innovation, government regulation and policy, and subscribers were studied from 2000 to 2010. The granger causality test found no association between subscribers and revenue. Technical innovation caused telecoms income in both countries, according to the study. Shmelev24 evaluated Key KPIs of a Russian telecom provider. To compare strategic (Revenue and Margin) and local (Operational Efficiency) KPIs. Additionally, the study attempted to resolve nonlinear KPI correlations. The study modelled the telecom company's revenue and margin. The foregoing shows that most writing on Ghana's telecommunications and banking industries employed the output method, analyzing financial plans and systems' outputs in businesses' financial statements. The other research correlated financial success with measurements and operations. Internal KPIs research on telecommunications companies' financial performance is scarce.

III. CONCLUSION

The literature on financial performance analysis in both industry and academics will be enhanced by a paradigm shift to financial performance analysis, which investigates the kind and degree of influence of internal key performance indicators on the overall financial performance of businesses. This method will provide actual data for budgeting, prioritizing, and investment decision-making processes in company. The degree to which internal KPI achievement contributes to overall performance may be readily ascertained since it is observable and trackable. Therefore, failure to meet financial objectives may be linked to certain markers, reasons that have been identified, and corrective actions taken to stop financial underperformance. This will result in increased efficacy and efficiency, which will boost financial performance and eventually show up in the financial statements as a whole.

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