

The Role of Financial Ratios in Evaluating Financial Performance in Algeria

- 1 - Dr- Ben Moussa Kamel Eddine, Kasdi Merbah University Of Ouargla, Algeria, Benmoussa.Kameleddine@Univ-Ouargla.Dz
- 2 – Dr- Khalil Gherbi, University Of Algiers 3, Khalilgherbi21@Gmail.Com
- 3 - Dr- Khelifi Samiya, Batna 1 University (Hadj Lakhdar), Samiya.Khelifi@Univ-Batna.Dz

Received: 23/01/ 2025 Accepted: 28/02/2025 Published: 30/04/2025

Abstract:

This study aimed to evaluate the effectiveness of using financial ratios in analyzing the financial performance of Algerian economic institutions, focusing on the National Well Services Company during the period 2012–2021. A case study methodology was adopted, and a set of financial ratios was analyzed, including liquidity ratios, activity ratios, profitability ratios, financial structure ratios, and financial equilibrium indicators.

The results showed that the company enjoys a sound financial position and is not exposed to risks of financial failure during the study period.

Keywords: Financial performance evaluation, liquidity, profitability, activity, financial structure, financial equilibrium.

JEL Classification: G30, G32, M41.

1. Introduction

Algerian economic institutions need periodic evaluation to ensure their continued operation and maintain their market share. To achieve this, they must utilize various financial ratios to assess their financial performance. These ratios serve as indicators of strengths and weaknesses, particularly when ratios indicate a decline in the institution's financial standing. This allows for corrective action to prevent financial failure. This study will apply financial ratios to the National Well Services Company, leading to the following research question:

"How are financial ratios used to evaluate the financial performance of the National Well Services Company?"

This question can be further divided into the following sub-questions:

- What is the significance of the results obtained using financial ratios for the National Well Services Company?
- Can the results obtained using financial ratios be considered the sole criterion for determining the financial position of the National Well Services Company?

Hypotheses:

- The results obtained using financial ratios clearly reflect the financial position of the National Well Services Company.
- Can the results obtained using financial ratios be considered the sole criterion for determining the financial position of the National Well Services Company?

2. Financial Performance:

2.1 Definition of Financial Performance: Performance is a dynamic concept in its cognitive content, having undergone numerous developments. It reflects the expected outcome of each activity. This importance has led to a wealth of contributions from researchers in this field, stemming from the multiplicity of criteria used in studying and measuring performance. This is because its definition determines standard indicators and improvement procedures. Before elaborating on its meaning, it's worth noting that the word "performance" is derived from the French word "parformer," corresponding to the Latin "performare," meaning to give something its full form. The English word "performance" is derived from this Latin, meaning the accomplishment of work or the manner in which an organization achieves its goals.

Performance is defined as an important indicator for measuring the success of an organization's plans and its

effectiveness in implementing those plans within the scope of available resources (Al-Karabla, 2019, p. 33). Performance is defined as the final outcome of the activity performed by an individual or group in the workplace (Mohammed Akhwa, 2017-2018, p. 31).

2.2. Characteristics of Financial Performance: Financial performance has a set of characteristics, including:

- Sensitivity: This refers to the accuracy of the performance measurement tool and its ability to differentiate and recognize variations between different performances (Mohammed Ibrahim, 2019, p. 20).
- Validity and Integrity: The validity of the measurement tool lies in its ability to provide a true picture. Objective indicators are valid measurement tools, unlike subjective indicators. Subjective indicators are prevalent when it comes to measuring human resource performance because the evaluation tool is the individuals themselves. Therefore, validity and integrity are achieved as long as the measurement tools are objective (Khaled Youssef Ezzat, 2014, p. 47). Financial performance is an important strategy that resources can use to determine the overall performance level of an organization, as well as to identify its internal strengths (Zain Ahmed Abdul Mohsen, 2017/2018, p. 27).

Efficiency is the ability to evaluate all aspects of performance, regardless of its type or form, such as financial, commercial, and production performance (Baraa Khaled Hamid, 2019, p. 31).

Financial performance is a mechanism that enables a company or institution to successfully utilize its available resources to achieve its objectives. Therefore, financial performance is characterized by the following: (Raghad Muwaffaq, 2019, p. 25).

- A tool that provides a clear picture of the company's current financial situation.
- A tool for addressing undesirable deviations and problems that the company may face, and for identifying strengths and weaknesses.
- A tool for motivating management to exert more effort to achieve better future performance.
- A tool for attracting investors to invest in the company. - A fundamental and effective mechanism for achieving company objectives.

2.3 Financial Performance Objectives: Performance aims to achieve a set of objectives (Baraa Khaled Hamid, 2019, p. 35).

- Identifying weaknesses and shortcomings within the company and determining the responsibility of each department or center in order to develop appropriate solutions to address these weaknesses and shortcomings.
- Assessing the efficiency and effectiveness of the company's resource utilization to achieve greater returns at lower costs.
- Enhancing the soundness and effectiveness of decision-making regarding workforce and organizational structure.
- Establishing a fair system of incentives and promotions.

Others divide it into two categories: (Abdul Ghani & Anis, 2018).

a- External Objectives:

- Enabling the investor to monitor and understand the company's activities and nature, and to be aware of the surrounding economic and financial conditions.
 - Assisting the investor in conducting analysis and comparisons, interpreting financial data, and understanding the interactions between them to make informed decisions.
- B- Internal Objectives:
- Organizational Growth: This is considered one of the most prominent factors in maximizing value and determining the success of its plans and strategies related to continuity and development.
 - Achieving the organization's financial balance and contributing to providing liquidity and ensuring smooth financial operations.
 - Achieving profitability, returns, and financial independence for the organization, as well as reducing the financial risks it may face.

3. Financial Performance Evaluation

3.1 The Concept of Financial Performance Evaluation

Financial performance evaluation holds a crucial position in most economies, and has been the focus of numerous accounting and management studies. This is due to the relative scarcity of financial resources available to businesses, given their substantial and highly competitive financial needs. Therefore, maximizing returns and ensuring the continuity, growth, and development of the business through the optimal utilization of these resources is of paramount importance due to its direct and indirect impact on all aspects of company life. Financial performance evaluation is thus a fundamental element of administrative procedures, providing management with information and data used to measure the degree to which the company's objectives are achieved and to determine its performance trends. Consequently, it provides a basis for determining the company's trajectory, success, and future (Hamza Mahmoud & Al-Zubaidi, 2011, p. 94).

3.2 Definition of Financial Performance Evaluation:

Financial performance evaluation of an organization is defined as providing a valuable judgment on the management of natural, material, and financial resources. In other words, financial performance evaluation is the measurement of achieved or expected results in light of predefined criteria to determine what can be measured and the extent to which objectives have been achieved, thus determining the level of effectiveness and establishing the relative importance between results and resources used, which allows for an assessment of efficiency (Nafisa, 2016/2017, p. 18).

Financial performance evaluation is also defined as a process aimed at measuring actual performance, understanding its results, and determining whether the activity's outcomes align with the objectives it was designed to achieve.

Then, the results are achieved in the best possible way (Saba Nafeh, 2018/2019, p. 27).

3.3 Characteristics of the Financial Performance Evaluation Process: For the performance evaluation process to be successful, sound, and scientific, it must possess a set of characteristics, the most important of which are (Mahmoud Al-Muhtadi, 2014, p. 21).

It is considered an administrative function, as it cannot be performed in isolation because its existence depends on the existence of other administrative functions such as planning and control.

- It is linked to the organization's objectives and is used regularly and continuously.
- It is a continuous and comprehensive process that includes all centers of responsibility within the organization and encompasses all aspects of its activities.
- The performance evaluation process is characterized by flexibility, meaning that the indicators used are appropriate for the organization's activities.
- The performance evaluation process is future-oriented.
- Clarity and fairness in performance evaluation.
- Consideration of the cost-benefit principle, as the performance evaluation system must achieve a return greater than its cost.

3.4 Types of Financial Performance Evaluation: Performance evaluation is an effective management tool for verifying the achievement of a unit's planned objectives and for identifying deviations. Therefore, performance evaluation is not viewed in isolation but rather within the framework of the overall activity of the economic unit. In light of this, the following types of performance evaluation can be identified (Majid & Al-Karkhi, 2014, p. 45):

- **Evaluation of Planned Performance:** This refers to evaluating the unit's performance in achieving its planned objectives by comparing the indicators outlined in the plan and established policies with actual indicators at regular intervals.
- **Evaluation of Actual Performance:** This refers to evaluating the efficiency of available material and human resources by comparing actual figures to each other in order to identify any imbalances and the impact of the degree and level of performance on the utilization of these resources in the production process.
- **Standardized Performance Evaluation:** This involves comparing actual results with established benchmarks. There are two types of comparison: either comparing the results achieved by the unit across its various activities, such as production, sales, profits, and added value, with established benchmarks used to determine whether the actual results are satisfactory.

• **Comprehensive Performance Evaluation:** This type of performance evaluation encompasses all aspects of the economic unit's activity. It utilizes all planned, actual, and benchmark indicators in the measurement and evaluation process. It differentiates the importance of each activity by assigning weights to the unit's activities, with each weight indicating the most likely level of performance deemed suitable by senior management for each type of activity.

4. Applied Study:

4.1 Historical Overview of the National Well Services Company:

The National Well Services Company (ENSP) was established by Decree No. 81-174 dated August 1, 1981, concerning the announcement of the restructuring project for the hydrocarbons and petrochemical industries in Algeria. At that time, the ENSP Group declared its objectives, which included strengthening its various capabilities and acquiring expertise to meet the challenges of the 21st century. In the same vein, the Group later announced its strategy of expanding its geographical reach beyond the national borders to operate internationally, relying on promising partnerships. By 2010, the ENSP Group had made significant strides in terms of experience, gained through over 30 years of continuous and dedicated work, thanks to the efforts of its employees. The contemporary image of the complex (M, W, Kh, A) has made it completely distinct from what it was yesterday, and the institution has continued in this manner by enriching its portfolio of activities both quantitatively and qualitatively, enabling it today to access a diverse range of petroleum services exceeding 35 petroleum services. From the perspective of a strategic vision, the support of the complex by the parent company Sonatrach is considered a permanent fundamental axis, on which the general policy of the complex depends when it is able to ensure growth and vital development in an integrated manner in accordance with the requirements of the national economy, which enables it to benefit from the accompaniment of an effective strategic ally that supports and drives the process of implementing the plans set in order to develop and expand the activities of the complex to take on an international dimension in the future.

4.1.1 Definition of the National Well Services Company:

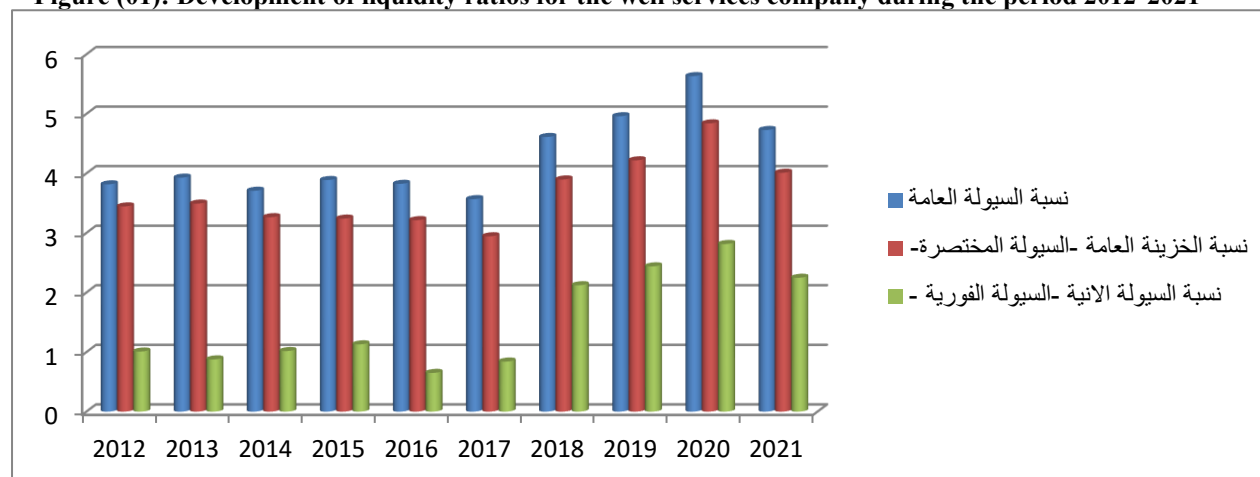
The National Well Services Company is a public economic institution with a legal structure as a joint-stock company. Its capital is 800,000,000.00 Algerian dinars, of which Sonatrach holds a 100% stake. It is a semi-petroleum group with substantial capital, extensive experience, and over 30 years of accumulated expertise in the field of well services.

4.2 Liquidity Ratios: These include general liquidity, short-term liquidity, and spot liquidity.

Table No. (01) Liquidity Ratios:

Instant liquidity ratio - Immediate liquidity -	Treasury ratio - abbreviated liquidity -	General liquidity ratio	Statement
1.008118283	3.445238302	3.81625243	2012
0.876351378	3.492835313	3.928686827	2013
1.01652208	3.264466092	3.708742667	2014
1.129598078	3.240366701	3.888667019	2015
0.649989709	3.215203144	3.824592491	2016
0.840285899	2.944201519	3.567345032	2017
2.122119451	3.898326495	4.61145362	2018
2.438940561	4.219144894	4.959709467	2019
2.81451962	4.839404839	5.63295284	2020
2.247514905	4.010943715	4.728713538	2021

Source: Prepared by the researcher based on the financial data of the Well Services Corporation

Figure (01): Development of liquidity ratios for the well services company during the period 2012-2021

Source: Prepared by the researcher based on the financial data of the Well Services Company.

-General Liquidity Ratio: This ratio indicates the company's ability to meet its short-term obligations to creditors and is calculated using the following formula: General Liquidity Ratio = Current Assets / Short-Term Liabilities. The higher the ratio, the better.

Regarding the data in the table related to general liquidity, this table reflects current assets and short-term liabilities over different years. General liquidity represents the company's ability to meet its short-term obligations using current assets. Here's an analysis of the figures:

From the table and figure above, we can see that the overall liquidity ratio was approximately 3.816% in 2012, rising slightly to around 3.928% in 2013. In subsequent years, we observed a slight decrease in the overall liquidity ratio, reaching approximately 3.708% in 2014. The ratio fluctuated in the following years but remained within a similar range. In 2018, there was a significant increase in the overall liquidity ratio, reaching 4.61%. This indicates an improvement in the institution's cash availability. The ratio continued to rise, reaching 4.959% in 2019. The increase continued until 2020, when it reached its highest level at 5.63%. However, in 2021, it decreased to 4.728%.

-Short Liquidity Ratio: This ratio indicates an organization's ability to cover short-term debts without resorting to selling its inventory. It is calculated using the following formula: Short Liquidity Ratio = Cash + Realizable Value / Current Liabilities.

From the table and figure above, we can see that:

The short liquidity ratio is an indicator used to assess an organization's ability to meet its short-term financial obligations. As shown in the table and figure above, in 2012, the short liquidity ratio was approximately 3.445%. This ratio has evolved over the years, starting to rise slightly in 2013, then decreasing significantly in 2014. The ratio continued to fluctuate but remained within a narrow range until 2016, when it decreased to approximately 3.898% in 2018. In recent years, the short liquidity ratio has increased significantly, reaching its highest level in 2020 at 4.839%, before stabilizing at 4.01% in 2021. Therefore, it can be concluded that there are annual fluctuations in the ratio. Short-term cash ratio: Recent years have seen a significant increase in this ratio, as reflected in the percentage change, which shows how the ratio has changed compared to the previous year.

-Cash ratio: The cash-on-the-counter ratio reflects a company's ability to meet its short-term financial obligations using its readily available assets.

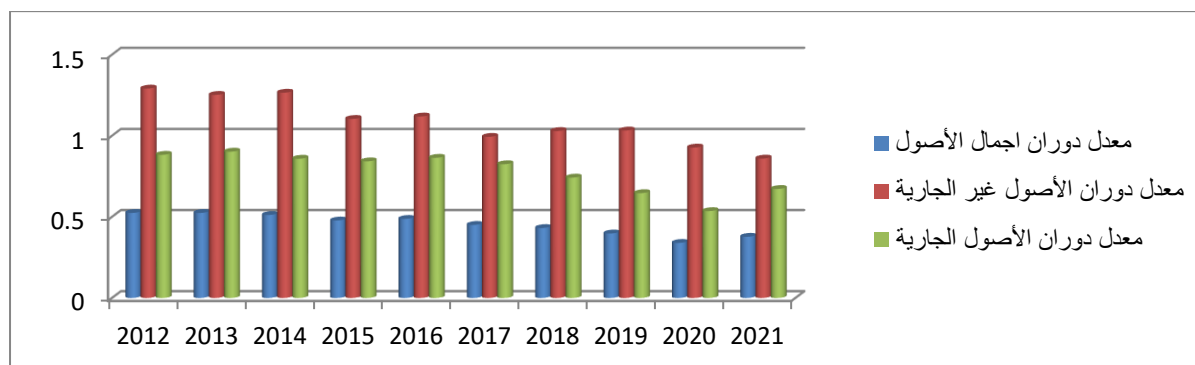
From the table and figure above, we observe that in 2012 the cash flow ratio was 1.0081. This indicates that the institution had a good capacity to cover short-term debts using readily available funds. In subsequent years, this ratio fluctuated, rising and falling. In 2013, the ratio decreased to 0.8763, but in 2014 it rose to 1.0165, indicating an improvement in liquidity. However, in 2015, the ratio increased to 1.1295, only to fall sharply in 2016 to 0.6499, indicating a deterioration in liquidity. After 2016, the ratio began to rise gradually, reaching 2.1221 in 2018, and continued to rise in subsequent years. In 2021, the cash flow ratio reached 2.2475.

Activity Ratios: Activity ratios measure the effectiveness of an organization in using its available resources. These ratios compare sales levels with investment in assets. Examples of these ratios are shown in Table (02) Activity Ratios

Current asset turnover rate	Non-current asset turnover rate	Total asset turnover ratio	Statement
0.882680829	1.290971076	0.524240066	2012
0.901909972	1.251967667	0.52424618	2013
0.858381115	1.265388843	0.511442344	2014
0.842235182	1.103780492	0.477715969	2015
0.863999832	1.11861732	0.487479479	2016
0.824561268	0.993219998	0.450533162	2017
0.742052783	1.029200254	0.431175499	2018
0.64628389	1.032318484	0.397456131	2019
0.535581934	0.927149394	0.339477562	2020
0.672135795	0.859338664	0.377147835	2021

Source: Prepared by the researcher based on the financial data of the Well Services Corporation.

Figure (2): Development of activity ratios for the Well Services Corporation during the period 2012-2021



Source: Prepared by the researcher based on the financial data of the Well Services Corporation

Total Asset Turnover Ratio: This is calculated as follows:

Total Asset Turnover Ratio = Revenue / Total Assets

From the table and figure above, we observe that the turnover ratio was similar in 2012 and 2013, at approximately 0.524240066 and 0.52424618, respectively. Starting in 2014, the ratio decreased slightly to 0.4777 in 2015, then rose slightly to 0.4874 in 2016. The ratio then declined for the following four years, registering values of 0.4505, 0.431175, 0.3974, and 0.3394, respectively. This indicates fluctuations in the company's situation and a decrease in the turnover ratio. The ratio then rose again in 2021. Therefore, it can be said that the total asset turnover ratio was relatively low during the study period from 2012 to 2021, indicating that the company was facing difficulties in Utilizing its assets, the organization must therefore review its financial strategy and improve asset management to enhance turnover and achieve better future growth.

-Non-current asset turnover ratio: This ratio reflects the extent to which an organization is able to optimally utilize its fixed assets to generate revenue. It is calculated using the following formula: Non-current asset turnover ratio = Revenue / Non-current assets. From the table and figure above, we observe that in 2012, the non-current asset turnover ratio was 1.29. In subsequent years, we witnessed fluctuations in the turnover ratio. In 2013, the ratio decreased by 3.02% to 1.25, then increased by 1.07% in 2014, reaching 1.26. We then witnessed a sharp decline in the turnover ratio in the following years. In 2015, it decreased by 12.77% to 1.103, then increased slightly in 2016 to 1.118. In 2017, the ratio decreased by 11.21%. The years 2018 and 2019 saw a relative increase in the ratio, reaching 1.0323. In 2020 and 2021, the turnover rate decreased by 10.19% and 7.31% respectively, reaching 0.859338664 in 2021. This reflects changes in the use of non-current assets or their management efficiency.

-Current Asset Turnover Ratio: This ratio reflects the efficiency of an organization in utilizing its current assets to generate revenue and is calculated using the following formula: $\text{Current Asset Turnover Ratio} = \text{Revenue} / \text{Current Assets}$

As shown in the table and figure above, in 2013, the current asset turnover ratio increased by 2.18% compared to the previous year (2012). This indicates an improvement in asset utilization for revenue generation. In 2014, the turnover ratio decreased by 4.83%, indicating a decline in asset utilization efficiency. In 2015, the turnover ratio decreased by an additional 1.88%, further demonstrating a continued decline in asset utilization efficiency. In 2016, the turnover ratio increased by 2.58%, indicating a temporary improvement in asset utilization. However, in 2017, 2018, and 2019, we witnessed a sharp decline in the turnover ratio, reaching -10.01%, -12.91%, and -17.13%, respectively. This reflects poor efficiency. In asset utilization, the turnover ratio increased significantly in 2020 by 25.50%, indicating a substantial improvement in asset utilization for revenue generation. This improvement is supported by a projected 25.50% increase in 2021.

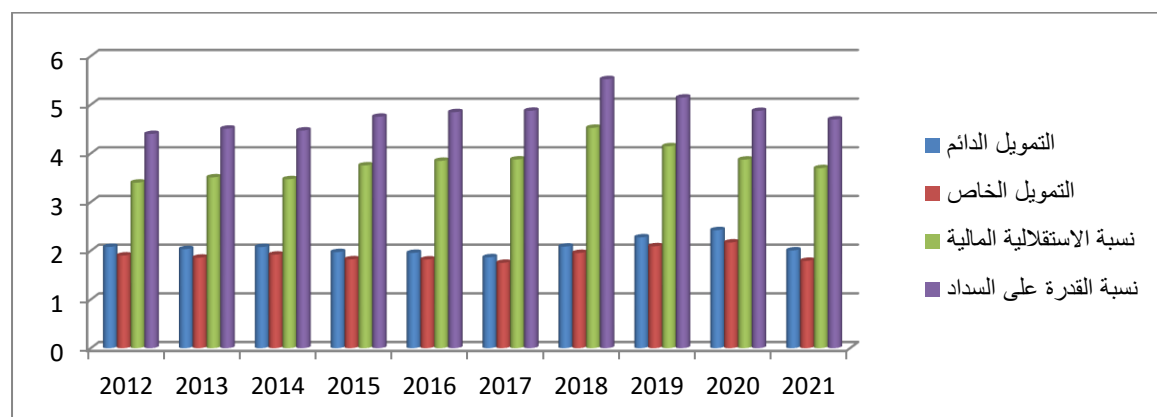
4.4 Financial Structure Ratios: These ratios measure the extent to which an organization relies on customer funds to finance its needs. They also serve as an indicator of financial risk.

Table (3) shows the financial structure ratios.

Repayment capacity ratio	Financial independence ratio	Private finance	Permanent funding	Statement
4.400001841	3.400001841	1.902885233	2.07931274	2012
4.508657863	3.508657863	1.858452989	2.034797683	2013
4.470946795	3.470946795	1.920771813	2.076675659	2014
4.753630208	3.753630208	1.824479745	1.973522653	2015
4.847828008	3.847828008	1.821351002	1.956177486	2016
4.87627707	3.87627707	1.752447961	1.866885317	2017
5.526193428	4.526193428	1.95502735	2.086198712	2018
5.147131052	4.147131052	2.092700297	2.275256242	2019
4.873008883	3.873008883	2.170650655	2.423788771	2020
4.698005124	3.698005124	1.793522197	2.008145791	2021

Source: Prepared by the researcher based on the financial data of the Well Services Corporation.

Figure (3): Development of the financial structure ratios of the Well Services Corporation during the period 2012-2021



Source: Prepared by the researcher based on the financial data of the Well Services Company

-Financial Independence Ratio: This ratio can be calculated using the following mathematical formula:

$$\text{Financial Independence} = \text{Equity} / \text{Total Debt}$$

From the table and figure above, we observe that in 2012 the financial independence ratio was 3.40%. This means that 3.40% of the funds used to finance the activities and investments of this entity came from its own sources, without resorting to borrowing. In 2013, it rose to 3.508%, indicating a slight increase in financial independence. In subsequent years, the ratio showed fluctuations. In 2014, it decreased to 3.47%, then rose again in 2015 to 3.75%. Over the years from 2016 to 2019, we witnessed a sustained increase in the financial independence ratio, reaching its highest level in 2018 at 4.52%. From 2020 onwards... In 2021, the percentage of financial independence began to decline, indicating a decrease in the ability to finance activities using personal funds and pointing to a direct impact on the percentage of financial independence.

-Repayment Ratio: This ratio was calculated using the following formula:

$$\text{Repayment Ratio} = \text{Total Assets} / \text{Total Debt}$$

In 2012, the repayment ratio was 4.4, indicating that the institution had a good ability to repay its debts based on its total assets. The ratio fluctuated in subsequent years. In 2013, it rose to 4.5086, then decreased slightly in 2014 to 4.4709. In 2015, it increased significantly to 4.7536, indicating an improved ability to repay debts. In the following years (2016-2018), the ratio continued to rise gradually, reaching its highest level in 2018 at 5.5262. Afterward, the ratio began to decline in recent years (2019-2021), dropping to 4.6980 in 2021. Overall, the ratios reflected the institution's ability to repay its debts based on its total assets throughout the study period. - Permanent Funding Ratio: This ratio measures the level of coverage of fixed assets by permanent funds and is calculated using the following formula: Permanent Funding = Permanent Funds / Non-Current Assets.

From the figure and table above, we observe that the permanent funding ratio remained relatively stable at around 2.07 in 2012 and 2013. However, starting in 2015, the ratio gradually decreased until 2017, reaching 1.8668. It then rose again in 2018, reaching 2.0861, and continued to increase in 2019 and 2010, reaching 2.2753 and 2.4237 respectively. In 2021, the permanent funding ratio experienced a significant decrease of 17.15%. These changes in the permanent funding ratio indicate fluctuations in the company's funding structure over the years under study, which can impact the company's debt sustainability and capital management.

-Equity ratio: This indicator reflects the extent to which an organization can cover its fixed assets with its own funds. It can be calculated using the following formula: Equity = Equity / Non-current assets.

From the above, we observe that in 2012, the equity financing ratio was approximately 1.90. This indicates that the institution relied primarily on equity to finance its non-current assets during that year. In the following two years, 2013 and 2014, the equity financing ratio increased slightly to 1.85 and 1.92, respectively. This increase can be explained by the institution's continued reliance on equity to finance its non-current assets. Starting in 2015, the equity financing ratio experienced a slight decrease until 2017. This was followed by three favorable years during which the ratio rose significantly, increasing from 1.75 to 2.17 in 2020. This increase can be attributed to the institution regaining financial stability and increased confidence in the use of its equity capital. In 2021, the equity financing ratio decreased to 1.79. This decrease can be explained by the institution's greater reliance on debt that year or by financial pressures.

5.4 Profitability Ratios:

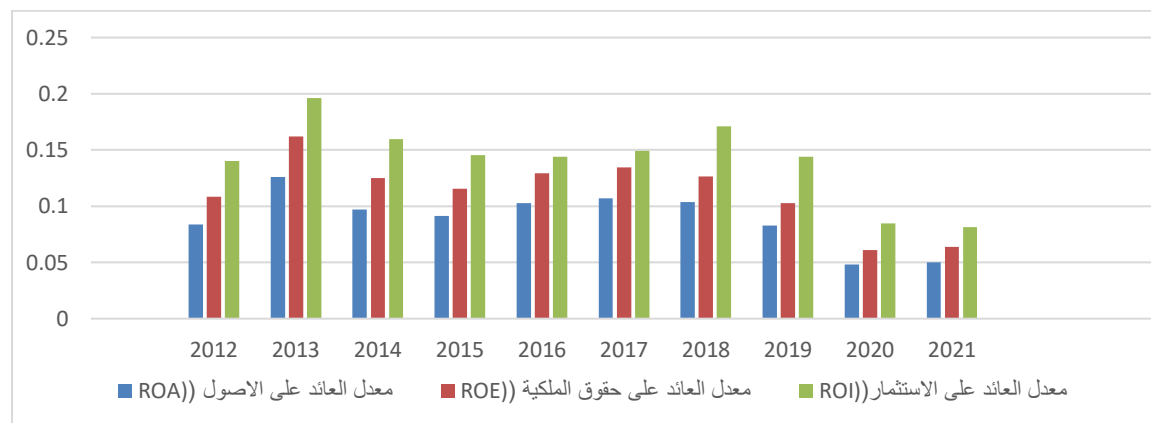
Table No. (04) Profitability Ratios

Return on investment (ROI) (ROI)	Return on equity (ROE)	Return on assets (ROA)	Statement
0,140245898	0.108333913	0.083712579	2012
0,196076518	0.162004635	0.126072737	2013
0,159560548	0.124810289	0.096894437	2014
0,145413998	0.115515223	0.0912148	2015

0,144019233	0.129165918	0.102521838	2016
0,149062894	0.134662936	0.107047004	2017
0,170859814	0.126542823	0.103644091	2018
0,144081125	0.102570148	0.082642513	2019
0,084622548	0.060771063	0.04830011	2020
0,081565992	0.063691043	0.050134003	2021

Source: Prepared by the researcher based on the financial data of the Well Services Corporation.

Figure (04): Development of profitability ratios for the Well Services Corporation during the period 2012-2021



Source: Prepared by the researcher based on the financial data of the Well Services Company.

Return on Assets (ROA): This rate is given by the following formula: $\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$

In 2012, the Return on Assets (ROA) was 0.0837. In 2013, ROA increased by 50.60% compared to the previous year, indicating an improvement in the company's performance and efficiency in utilizing its assets. However, in subsequent years, ROA gradually declined. In 2014, it decreased by 23.14%, and in 2015, the indicator continued to decline by 5.86%. This indicates a deterioration in the company's performance during this period. In 2016, there was a 12.39% increase in ROA, indicating a temporary improvement in performance. The volatility in ROA continued in subsequent years, with an increase in 2017, a decrease in 2018, and then a significant drop. In 2019, the ROA was 20.26%. In the last two years, we have seen a significant decrease in ROA of 41.56% in 2020, followed by a slight increase of 3.80% in 2021.

-Return on Equity ROE

This ratio is calculated using the following formula: $\text{ROE} = \text{Net Income} / \text{Shareholders' Equity}$

In 2012, the ROE was 0.108333913, indicating that the company had a good return on shareholders' equity that year. In 2013, the ROE increased by [percentage missing]. 49.54%, indicating improved performance and increased profitability relative to shareholders' equity. From 2014 to 2015, we witnessed a decline in ROE of -22.95% and -7.44%, reflecting a deterioration in the company's performance during that period. In 2016 and 2017, ROE rebounded, indicating an improved situation. It then declined slightly in 2018 and 2019, and in 2020, the company's performance deteriorated, with a decrease of 40.75%. In 2021, there was a slight improvement, with ROE rising by 4.80%. Therefore, it can be said that the company performed well at the beginning of the period (2012-2013), then experienced fluctuations and a decline in performance in subsequent years, particularly in 2020 and 2021. 3- Return on Investment (ROI): This rate is calculated using the following formula: $\text{ROI} = \text{Net Income} / \text{Capital}$

In 2012 and 2013, the return on investment was remarkably high, exceeding 19% in 2013. This indicates that the investment was profitable during those two years.

In the following years (2014-2019), the return on investment fluctuated between approximately 14% and 17%. This was due to the company achieving good results, which could be attributed to economic factors or market changes. In recent years (2020 and 2021), the return on investment has fallen significantly to very low levels, reaching between 8.46% and 8.15%. This could be a result of adverse economic impacts such as the COVID-19 pandemic or changes in economic policy. This analysis reveals changes in investment performance over the past ten years, necessitating the observation and understanding of the factors contributing to these changes and the effective utilization of this information.

Fifth: Financial Balance Indicators:

The results of the National Well Services Corporation's financial balance indicators are shown in the table below.

Table No. (05) Results of the National Well Services Corporation's Financial Balance Indicators

2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	البيان
30038436485,84	33475698161,17	30124366790,63	25203750210,34	19996223542,21	18632318491,36	16758458198,24	15627413735,69	13641444415,44	12096648024,17	FRNG راس المال العامل الصافي
11932504497,61	13139205964,16	11569586279,64	10393822081,41	13451507321,29	14344685737,72	10205151070,25	9762843686,20	9559513053,77	7766477934,38	BFR الاحتياج في راس المال العامل الصافي
18105931988,23	20336492197,01	18554780510,99	14809928128,93	6544716220,92	4287632753,64	6523307127,99	5834570049,49	4081931361,67	4330170089,79	الخزينة الصافية TN

Source: Prepared by the researcher based on the company's financial reports.

The results in the table show that the Well Services Company has achieved all the conditions for financial equilibrium ($FRNG > 0$, $BFR < FR$, and $TR > 0$). Therefore, we can conclude that the company is financially balanced.

5. Conclusion:

This study aimed to highlight the role of using financial ratios in evaluating the financial performance of Algerian economic institutions, using the Well Services Company as a model. It has become essential for economic institutions, especially Algerian ones, to adopt methods that allow them to evaluate their financial performance and predict their future financial position within the competitive environment. This enables them to diagnose their financial situation, identify their strengths and weaknesses, leverage their strengths to improve performance, and address their weaknesses. This perspective involves using financial performance evaluation indicators, focusing on accounting and economic profits, to achieve maximum profit at the lowest cost.

Study Results: - The financial position of the Well Services Company is good, as evidenced by its liquidity, profitability, activity, and financial structure ratios.

-The institution under study is financially balanced, as shown in the table illustrating the application of financial balance indicators to the institution.

-The results obtained can be relied upon to assess the financial position of the well services company.

References and Citations:

1. Al-Jawabreh, Khaled Yousef Ezzat. (2014). The Impact of Internal Control Systems on Financial Performance in the Jordanian Public Shareholding Industrial Companies Sector. Master's Thesis. Jordan: Faculty of Finance and Business Administration, Al al-Bayt University.
2. Mohammad Al-Qadi, Raghad Muwaffaq. (2019). The Impact of Internal Control on Financial Performance under Management Accounting Information Systems Technologies in Jordanian Public Shareholding Industrial Companies. Master's Thesis, Faculty of Economics and Administrative Sciences. Jordan: Al al-Bayt University.
3. Ahmad Al-Jaraydeh, Saba Nafeh. (2018/2019). The Impact of the Quality of Electronic Accounting Information Systems on Financial Performance in Jordanian Commercial Banks. Master's Thesis. Jordan, Jordan: Deanship of Graduate Studies, Al al-Bayt University.
4. Osama Ahmad Hammoud Al-Karabla. (2019). The Impact of Using Financial Splits on the Financial Performance of Jordanian Commercial Banks. Master's Thesis, Faculty of Business, Amman University.
5. Al-Samadi Muhammad Ibrahim. (2019). The Impact of Intangible Assets on Financial Performance: An Applied Study on Jordanian Public Shareholding Service Companies. Master's Thesis. Jordan: Faculty of Business, Jerash University.

6. Al-Mashaqa Baraa Khalid Hamid. (2019). The Impact of Quality Costs on Improving Financial Performance under Competitive Advantage in Jordanian Industrial Companies. Master's Thesis. Jordan, Jordan: Faculty of Finance and Business Administration, Al al-Bayt University.
7. Al-Maayta Zain Ahmad Abdul-Muhsin. (2017/2018). The Impact of Financial Leverage on Financial Performance in Jordanian Commercial Banks. Master's Thesis, Faculty of Economics and Administrative Sciences. Jordan: Al al-Bayt University.
8. Hajjaj Nafisa. (2016/2017). The Impact of Investment in Information and Communication Technology on Financial Performance: A Case Study of a Sample of Algerian Petroleum Institutions during the Period (2010-2014). PhD Dissertation. Ouargla, Ouargla: Faculty of Economic, Commercial and Management Sciences, University of Ouargla.
9. Hamza Mahmoud, Al-Zubaidi. (2011). Financial Analysis for Performance Evaluation and Failure Prediction (Volume, 2nd Edition). Dar Al-Waraq for Publishing and Distribution, Amman, Jordan.
10. Khaladi Abdelghani, and Hazla Anis. (2018). The Contribution of the Financial Accounting System to Measuring and Evaluating the Financial Performance of Economic Institutions. *Al-Mayadeen Economic Journal*, 1, pp. 61-78.
11. Rachida Mohamed Akhwa. (2017-2018). The Impact of Strategic Thinking on Performance in Islamic Banks Listed on the Amman Stock Exchange. Master's Thesis, Faculty of Business, Al-Isra University, Jordan.
12. Ghadeer Mahmoud Al-Muhtadi. (2014). Using Traditional Financial Performance Evaluation Indicators and Economic Value to Measure Changes in the Market Value of Stocks. Master's Thesis. Gaza, Jordan: Faculty of Commerce, Islamic University, Gaza.
13. Majeed Al-Karkhi. (2014). Performance Evaluation in Economic Units Using Financial Ratios (Volume, 1st Edition). Jordan: Dar Al-Manahij, Amman, Jordan.