

Analysis of the performance of SMEs in the sector Buildings and public works

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Abstract:

The article aims to analyze the financial situation of firms in the Buildings and Public Works sector, by calculating and interpreting performance indicators; Return on Equity "RFP" "Financial Profitability", Business Profitability, Value Added Rate, Productivity "PROD", Productivity Value "PRN", Productivity Sales "PVENTES", Investment "INVES", and the "ENDET" debt ratio, as well as the "SDETTE" debt structure. The interpretations of the results underline a so-called average performance in terms of value productivities, technical and financial, good in terms of investment and value-added rates, and low in terms of commercial and financial profitability, with a remarkable indebtedness for the majority of companies.

Keywords: Performance, Profitability, Value Added Rate, Productivity, Investment, Debt..

Jel Classification Codes : L25, L16, M21, D24, H63.

ملخص:

يهدف المقال إلى تحليل الوضع المالي للشركات في قطاع المباني والأشغال العامة ، من خلال حساب مؤشرات الأداء وتفسيرها ؛ العائد على حقوق الملكية "RFP" "الربحية المالية" ، ربحية الأعمال ، معدل القيمة المضافة ، الإنتاجية "PROD" ، قيمة الإنتاجية "PRN" ، مبيعات الإنتاجية "PVENTES" ، الاستثمار "INVES" ، ونسبة الدين "ENDET" ، وكذلك مثل هيكل الدين "SDETTE". تفسيرات النتائج تؤكد على ما يسمى متوسط الأداء من حيث القيمة الإنتاجية ، الفنية والمالية ، جيدة من حيث معدلات الاستثمار والقيمة المضافة ، ومنخفضة من حيث الربحية التجارية والمالية ، مع مديونية ملحوظة بالنسبة للغالبية الشركات.

الكلمات المفتاح : الأداء ، الربحية ، معدل القيمة المضافة ، الإنتاجية ، الاستثمار ، الديون.

تصنيف JEL : H63, D24, M21, L16, L25

I. Introduction:

The study analyzes the financial situation of 10 firms in the city of Oran activating in the Buildings and Public Works sector, in terms of 9 selected and calculated performance indicators (the "Return on Equity" RFP (Profitability). Financial), Commercial Profitability, Value Added Rate, Productivity "PROD", Productivity Value "PRN", Productivity Sales "PVENTES", Investment "INVES", and Debt Ratio " ENDET ", as well as the " SDETTE "Debt Structure), and that from the 9 variables (Equity (FP), Investments (INV), Net Result (RN), Assets, Long Term Debt (DLT), Short Term Debt (STD), Effective Size (EFFE), Added Value (VA), and Revenue (CA)).

II.Methods and Materials:

II.1.The theoretical basis of the concept of "Performance": Contingent and multidimensional concept:

Performance is one of the most common concepts in managers' interpretations and analyzes, in company activity reports and in business management research. However, the meaning of this notion is often very different in each case which does not allow to reach a universal definition on this term. From a historical perspective, research in management science has shown the predominance of the financial approach in thinking about performance, when it was confused with the maximization of wealth for shareholders. The economist Marmuse, [1997], has always confirmed that, "the performance does not exist. It is a contingent and multidimensional concept but necessary to evaluate any decision taken ".

Michel Lebas, [1995] defines performance as "a question of potential for realization", that is, performance is a concept that relates to the future, not the past. This definition seems very futuristic, since it ignores previous achievements and leaves performance measurement an even more complex task. It specifies that performance exists only if it can be measured and this measure can in no way be limited to the knowledge of a result.

II.2.The Empirical Basis of the "Performance" Concept: Analysis of SMEs in the Construction and Public Works Sector:

In fact, the table below deals with a detailed presentation of the 10 surveyed SMEs in the Construction and Public Works sector by main activity, and this during the five years [2008], [2009], [2010], [2011]], and [2012]:

Table (1.): The breakdown of the 10 SMEs surveyed in the "Buildings and Public Works" sector by main activity carried out

B1	" Building construction "
B2	" Building construction "
B3	" Building construction "
B4	" Building construction "
B5	"Public Works" (Gas & Plumbing)
B6	"Public Works, Construction & Hydraulics"
B7	" Building construction "
B8	"Public Works & Construction"
B9	"Public Works & Construction"
B10	"Public Works & Construction"

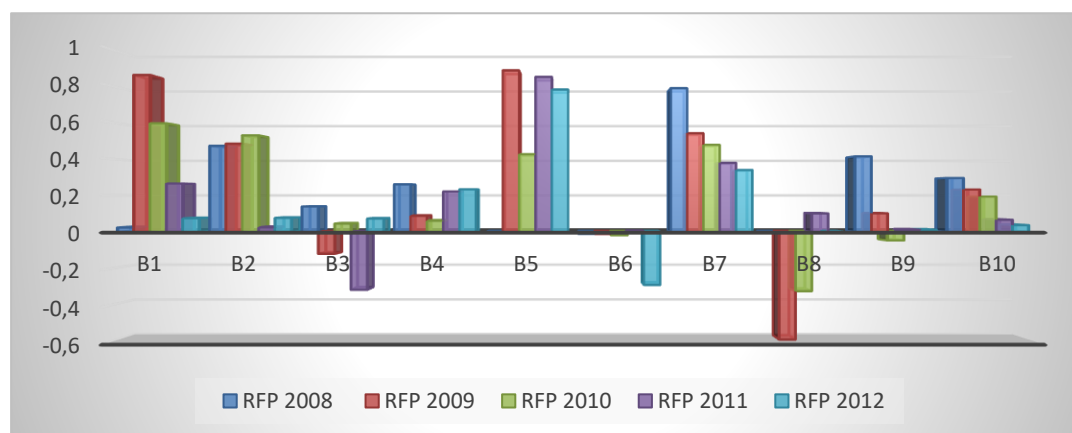
Source: Personal confection.

In this sense, it should be noted that we were able to collect the necessary data from these companies to calculate the list of performance variables (indicators) for each company in our sample. In fact, these indicators are as follows: Return on Equity (RFP) (Financial Profitability), Commercial Profitability, Value Added Rate, Productivity "PROD", Productivity Value "PRN", Productivity "PVENTES" sales, the "INVES" Investment, and the "ENDET" debt ratio, as well as the "SDETTE" debt structure).

III. Results and discussions:

III.1. Analysis of the Profitability of Equity:

Figure (1): Evolution of the Capital Profitability of SMEs activating in the sector "Buildings & Public Works (B.)"



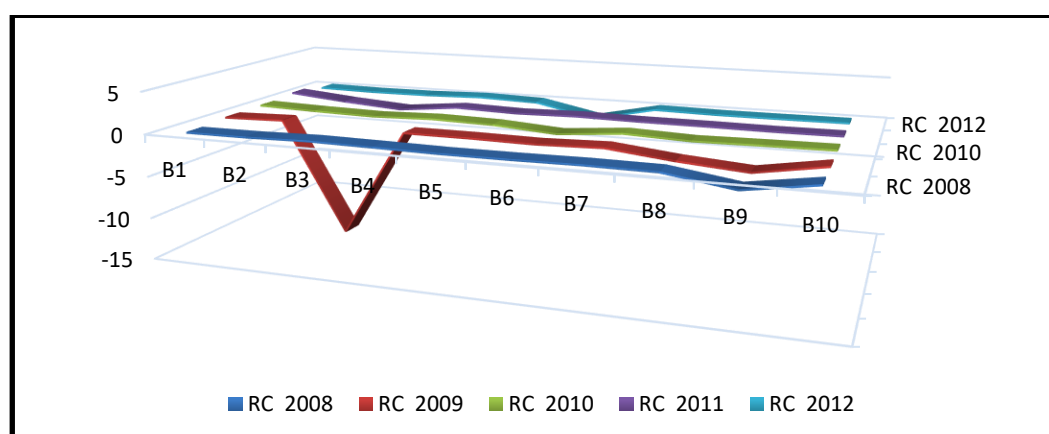
Source: Our calculations from the balance sheets of companies.

Return on equity or financial profitability is the preferred way for shareholders to measure the profit that pays for their contribution. Indeed, this ratio is expressed by the ratio between net income and equity. Its interpretation varies according to the type of profit allocation policy of the company. In fact, if the latter distributes its profit to its shareholders (dividend policy), the return on equity will be similar to a shareholder remuneration rate. On the other hand, if it invests its profit internally (self-financing policy), return on equity will be similar to an internal growth rate of assets (Dumoulin, R, Guieu, G, Meschi, PX, and Tannery. , [2010]).

The "Buildings and Public Works" sector recorded a positive average rate of return on equity during the five fiscal years studied [2008, 2009, 2010, 2011, and 2012], namely 0.24, 0.25, 0.19, 0.16, and 0.13. On the other hand, companies (B.5) and (B.8.) Recorded zero return on equity, which is explained by the absence of any accounting results in 2008.

III.2. Business Profitability Analysis:

Figure (2): Evolution of the Commercial Profitability of SMEs activating in the sector "Buildings & Public Works (B.)"



Source: Our calculations from the Company's Results Tables (T.C.R).

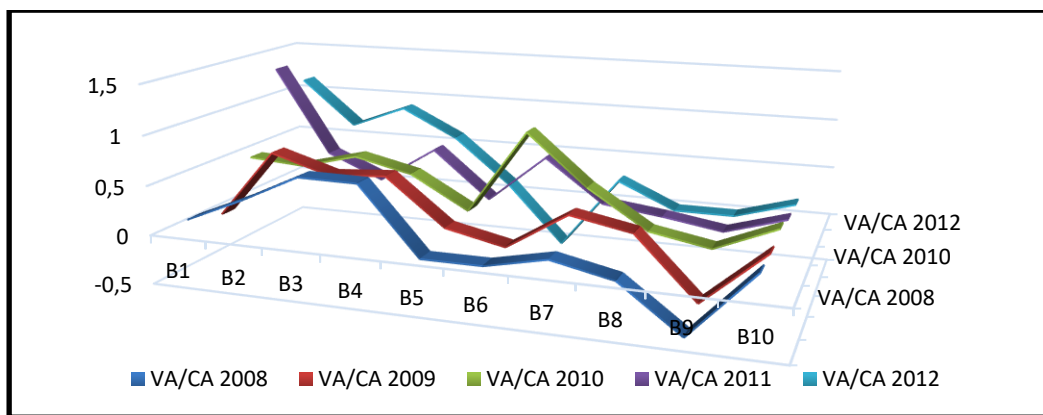
Commercial profitability is one of the financial indicators of the model that measures the firm's ability to generate significant margins. It represents the ratio between the net result and the turnover. In the context of strategic management, the commercial profitability ratio provides information on the firm's ability to differentiate its products from the competition (Dumoulin, R, Guieu, G, Meschi, PX, and Tannery, F, 2010).).

The "Buildings & Public Works" sector recorded low and negative commercial profitability in 2008, 2009 and 2012, respectively; (-0.063), (-1.31), and (-0.061), which is explained by the weakness of loss-making enterprises (B.3.), (B.6.), (B.8.), And (B.9.).

On the other hand, companies (B.1.), (B.2.), (B.4.), (B.7.), And (B.10.) Have, in fact, declared a positive commercial profitability, thus a clear progression during the five studied exercises.

III.3.Value Added Rate Analysis:

Figure (3): Evolution of the value added rate of SMEs activating in the sector "Buildings & Public Works (B.)"

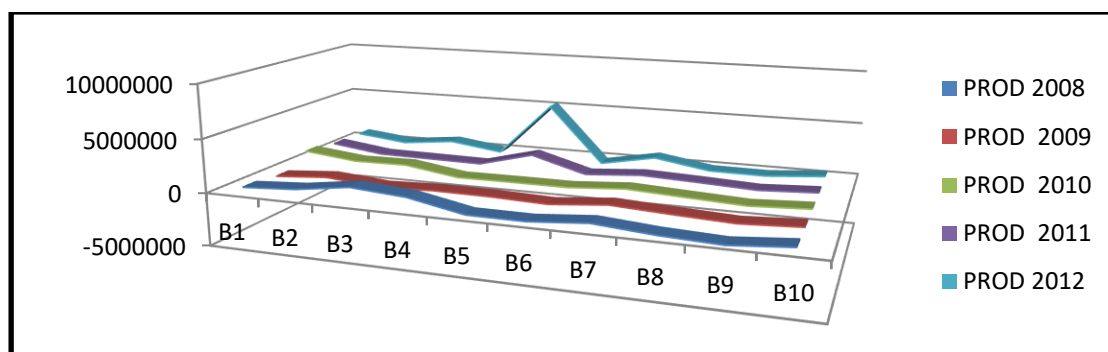


Source: Our calculations from the Company's Results Tables (T.C.R).

The value-added rate represents the ratio between the added value created by the firm and its turnover. This indicator has positive overall rates for all the sectors of activity during the five fiscal years studied: [2008 - 2009 - 2010 - 2011- 2012], respectively; 4.545, 0.254, 0.484, and 0.731, and 0.681. In fact, the "Buildings & Public Works" sector reported positive value-added rates during the five study periods [2008-2009-2010-2011-2012], with a clear successive progression, between "0, 17 in 2008, and 0.34 in 2012 ".

III.4.Productivity Analysis:

Figure (4): Evolution of the Productivity of SMEs activating in the sector "Buildings & Public Works (B.)"



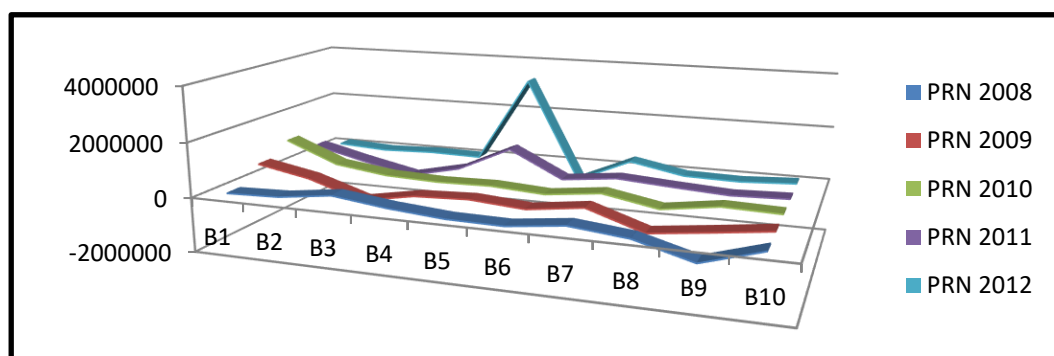
Source: Our calculations from the Company's Results Tables (T.C.R).

Productivity (PROD) is a performance ratio that represents the ratio of value added to the number of employees. This indicator had positive values during the five years studied, and a clear evolution between [2009] and [2012], respectively 702 987.369 and 1 233 192.454 as calculated averages.

Thus, the BTPH sector recorded a positive productivity, an increase of 387,228 and 836,734 as average recorded respectively in 2008 and 2012. In fact, this evolution is expressed 70% of the sample surveyed (10 SMEs of the sector). In addition, the company (B.6.) Reported a negative value added in 2008, 2009, and 2012. Then, the company (B.9.) Recorded a negative ratio during the exercises studied.

III.5.Value Productivity Analysis:

Figure (5): Evolution Productivity of the value of activating SMEs in the "Buildings & Public Works (B.)" sector

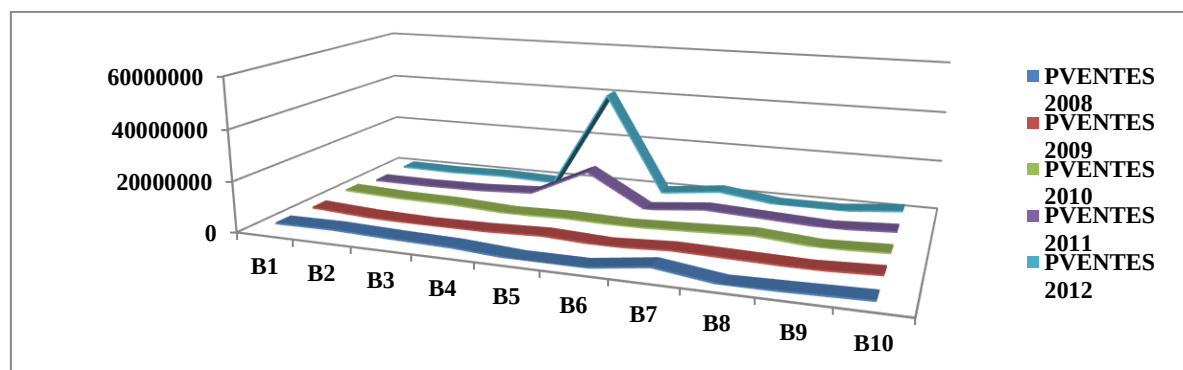


Source: Our calculations from the balance sheets of companies.

Value productivity is the ratio of the net result achieved by the firm to the number of employees. This indicator recorded an overall change between 2008 and 2012, respectively (-143,362, 688) and (229,340, 850), as calculated averages. The "Buildings & Public Works" sector recorded positive productivity during the five study periods [2008-2009-2010-2011-2012].

III.6.Sales Productivity Analysis:

Figure (6): Evolution of the sales productivity of SMEs activating in the sector "Buildings & Public Works (B.)"

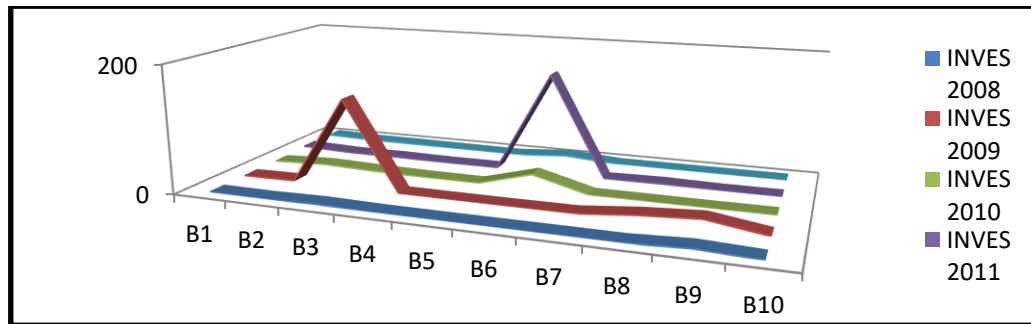


Source: Our calculations from the Company's Results Tables (T.C.R.).

Sales productivity is a performance indicator that represents the ratio between turnover and the number of employees. Indeed, this indicator recorded positive values, thus an overall progression during the surveyed period [2008 – 2012], respectively “2,846,834,336”, and “4,460,322,898” as averages calculated and recorded in relation to the sample surveyed (80 SMEs).

III.7. Analysis of investment expenditure:

Figure (7): Evolution of SME investment spending activating in the sector "Buildings & Public Works (B.)"

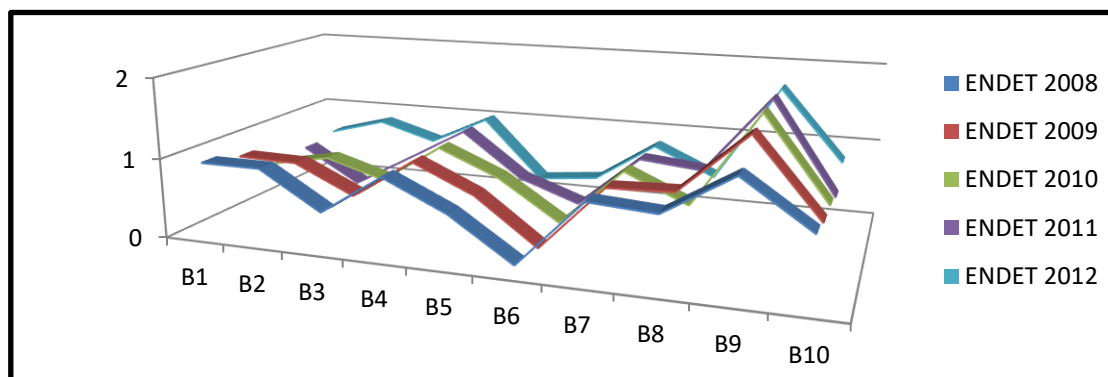


Source: Our calculations from the balance sheets and the Tables of Accounts of the Results (T.C.R) of the companies.

Capital expenditures represent the ratio between the level of investments and the level of sales. Notwithstanding the limitations in the credit and production financing market, which are indeed major obstacles at the moment, the investment results are convincing. As a result, it appears that firms have reacted strongly to increase the level of investment since this indicator increased between [2008] and [2012], namely "5,010" and "23,971" as general averages calculated.

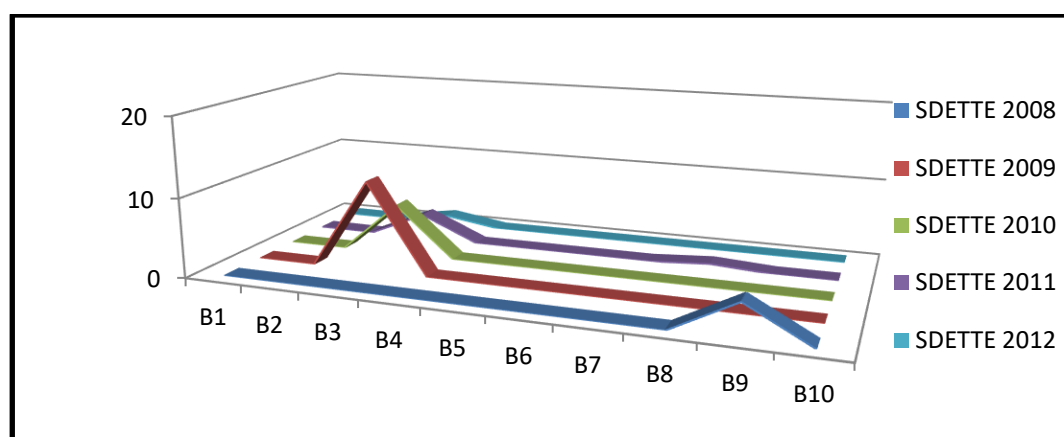
III.8. Debt ratio analysis and debt structure:

Figure (8): Evolution of the debt ratio of SMEs activating in the sector "Buildings & Public Works (B.)"



Source: Our calculations from the balance sheets of companies.

Figure (9): Evolution of the Debt Structure of Promoting SMEs in the "Buildings & Public Works (B.)" Sector



Source: Our calculations from the balance sheets of companies.

A negative note concerns the evolution of the level of indebtedness during the period [2008-2010], since an increase is observed for the two measures of indebtedness, namely the debt ratio, recording respectively "0.657" in 2008, and "0.730" in 2010 as the average of the 80 SMEs surveyed. Indeed, the level of debt accounts for more than 66% of total assets during the period studied, registering an average of almost 74% in 2009.

The sector recorded a significant drop between 2008 and 2012, posting respectively 0.42 and 0.12 as calculated averages.

IV-Conclusion

The companies surveyed therefore have enormous difficulties in surviving to improve their value, financial and technical productivities. They have a dual challenge from the outset, that of evolving in a still unstable local environment due to the unfinished economic transition, and having to find a place in a now global environment.

In fact, these companies in the "Buildings & Public Works" sector are generally characterized by: an average performance in terms of value, technical and financial productivities, good in terms of investment and value-added rates, and low in terms of commercial and financial profitability, with a remarkable level of indebtedness for the majority of companies.

Under the impetus of state capital expenditure, the building and public works sector (BTP) was the most dynamic in 2007, posting a performance of 9.5 per cent, lower than that of 11, 6 per cent in 2006. The sector contributed more than 8 per cent of total GDP (OECD, [2008]). Housing construction has been the driving force of the sector. On the other hand, the majority of companies surveyed in this sector (80%) performed poorly in 2008 and (ie 70%) in 2012. So, 20% of SMEs in this sector recorded an average performance in 2008 and 2012.

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